Annual report 2021

April 2022

Kazalo

Annual report

Financial report

Business report 2021

for the financial year
concluded on 31 December 2021

1. Principles of business operations

At A1 Slovenija we are dedicated to creating unique experiences in the digital world to provide our users with the best user experience to support their digital lifestyle. Our comprehensive communication solutions connect people, places and things, enriching the experience of work, life, and entertainment. We approach our dedication to digitalization across all levels of society, striving towards digital efficiency.

Our business operations are responsible, deliberate and diligent, and are a reliable, thoughtful and active companion to our users, and a partner to our employees. With firm ethical foundations we make sure to operate ethically and responsibly towards ourselves and others, building our integrity from within, through a strong organizational culture. Dedication to our common mission and vision help us achieve the goals we set and to bring our ambitious strategy to fruition. Consistent improvement across all work areas and strengthening and developing our organizational culture are among our priorities.

We actively pursue digital transformation of our company and all our activities, from our range of products and services, to business processes and how we operate. As the leading privately-owned provider of comprehensive communication services in Slovenia we are dedicated to innovation, constantly developing reasonable communication solutions that meet the current and emerging needs of our users. Our guideline is a personalized experience for each individual that brings added value to them. By implementing advanced technology, we connect people across the globe, and are constantly looking for effective technologies that can benefit our users, the society and the environment.

At A1 Slovenija we are aware that wellbeing is the bedrock for providing quality services, and that is why we put our employees' safety and health at the center of our activities. We have been recognised as a Family Friendly Enterprise, and are the recipient of the ISO 45001 certificate, the international standard for occupational health and safety. We also place a major focus on our environmental impact, having received the ISO 14001 environmental certificate, and we have further strengthened our environmental excellence by our entry into the EMAS registry. The ISO 27001 certificate in information security is another testament to our responsible operations.

We upgraded our socially responsible operations in the past year with our dedication to ambitious goals regarding the environment, society and governance, as part of our Environmental, Social and Governance (ESG) strategy. The ESG strategy personifies the responsibility that a business, due to its operations, bares internally and to its surroundings. ESG is a part of strategic planning and decision-making. This allows us to achieve more effective and sustainable ways of working and living.

We are building an efficient community of empowered teams where we encourage our employees to adopt decisions and assume responsibility. With support for lifelong learning, we encourage creativity and facilitate the development of innovations. Our rapidlydeveloping industry and changes to our users' needs lead to a demand for new products and services that demand new approaches to work and management. An important part of our digital transformation is implementing agile methods of working, thinking and behaving, and this is where we see an opportunity for the growth of our company in the future.

Integrity is the foundation of our operations. We are aware that only open, honest and transparent operations can ensure the company's long-term success and respect. Our decisions are guided by our Code of Conduct, which includes guidelines and principles for conduct in accordance with our values and the law, and we also use it to review the ethics of business relationships with our partners, users, competitors, suppliers and others.

2. About the company

2.1. Company information

Name	A1 Slovenija, telekomunikacijske storitve, d. d.
Registered office	Ameriška ulica 4, 1000 Ljubljana
Telephone	+386 040 40 40 40
Email (residential customers)	info@A1.si
Email (business customers)	info.poslovni@A1.si
Website	www.A1.si
Main activity	61.200 – Wireless telecommunications activities
Activity code	J61.200
Founded in	1998
Tax ID number	SI 60595256
Company registration number:	1196332000 SRG 1/29430/00 Ljubljana
Share capital:	EUR 38,781,000.

2.2. Ownership

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

2.3. Management

Dejan Turk	Chairman of the Management Board

2.4. Directors

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

2.5. Supervisory board

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

2.6. Changes in the management in 2021

Changes in the Management Board
There were no changes in the Management Board in 2021.

Changes in the Supervisory Board
There were no changes in the Supervisory Board in 2021.

3. Employees

As at 31 December 2021 the share of women among A1 Slovenija's employees was 45.24%, with the average age of our colleagues at 38.09 years. Nearly a half of our employees have level V education, and 45.77% of all staff have a higher education or university degree.

The company has a diversity policy.

4. Social responsibility

Social responsibility is one of the most important values of A1 Slovenija, and the foundation of our mission and vision. We take the initiatives in this field as long-term value carriers that not only bring environmental and social benefits, but also economic advantages. In 2021 we enhanced our efforts, taking an even firmer stance on social responsibility.

We committed to ambitious goals on the environment, society and governance, as part of our Environmental, Social and Governance (ESG) strategy. We are aware of our internal and external responsibility, and have placed environment, society and employees at the center of our socially-responsible activities. The ESG strategy is a part of strategic planning and decision-making, facilitating our endeavours towards more effective and sustainable methods of working and living. In accordance with the adopted strategy, we have further strengthened our undertakings across all the areas that we had already been focusing on. To further this effort, we formed an ESG team that leads us towards realizing the goals we set out.

At A1 Slovenija we strive to reduce our impact on the environment, and over the past year we doubled our environmental protection activities, and encouraged our employees, users, partners and others to follow our lead. Until the year 2030 we plan to focus on reducing our CO2 emissions, increasing energy efficiency and encouraging the circular economy. With the objective of becoming a carbon net neutral organization we reduced CO2 emissions by 39% in 2021, mostly due to increased use of electricity from renewable sources.

We championed circular economy with the help of our partners, users and employees, as we collected and made sure that nearly 3600 disused phones were recycled, overshooting our goal by nearly 45%. We also added refurbished phones into our range, and are encouraging users to trade in their old phones when getting new ones. Another new activity we introduced in 2021 was the campaign to raise awareness of excessive consumerism, which we prepared and launched in collaboration with famous Slovenian comedians.

We continued with our urban beekeeping that acts to support the development of Carniola bees in the city and raises awareness of the importance of these creatures for our life. On the roof of our headquarters in Ljubljana we host six bee families, which in 2021 harvested 26 kilograms of high-quality honey that we use internally and package for business gifts. We showcased our activities for the promotion of bees to the board of the Golden Bee award, the highest national award for the protection of bees and recognition of the role of the bee and other pollinators in ensuring our food safety, sustainable farming, nature preservation, biotic diversity and cultural heritage. A1 Slovenija was one of the four finalists among 17 shortlisted candidates for the award, a fact we are enormously proud of. The urban beekeeping project was also recognised by one of the most prestigious competitions for excellence in communications, Gold Quill, where it received Award of Merit.

The ISO 14001 certificate and our entry into the EMAS registry are indicators of our environmental excellence. We also renewed the "Tap Water Certificate", awarded by the Chamber of Utilities of the Slovenian Chamber of Commerce and Industry, with which we undertake to use drinking water from the tap, which also reduces the amount of waste.

Another important part of our operations is responsibility toward our colleagues, our users, as well as the broader society. We strive towards making positive changes that contribute to the social development and the quality of life in the society. As part of our ESG strategy we focus on providing a comprehensive approach toward improving digital literacy among children and young people. By co-financing the analysis of the result of the international study Kids' Digital Lives in Covid-19 Times we obtained a better insight into the digital participation of children, especially during the COVID-19 pandemic. The goal of the research was to study the changes in digital participation among children during the COVID-19 epidemic with a special focus on online safety and wellbeing. The study was made with the participation of the European Commission (JRC – Joint Research Centre) and in collaboration with 26 research centers across eleven European states and UNICEF, and A1 Slovenija's participation through sponsorship made it possible to perform the analysis of qualitative and quantitative data for Slovenia.

These were then used when we joined forces with the Varni internet society to develop free educational experiences Spletne brithe (Online Brainiacs) through which we will educate 12,000 children on safe internet use by the end of 2023. At 170 workshops through 2021 we educated more than 3000 children, giving the primary focus on the participation in the project to schools from small towns and those that do not often have the opportunity to participate in such projects. We furthered our collaboration with the Varni internet society through a donation of EUR 15,000 for continuing the Online Bainiacs project. We also presented the importance of safe internet and digital technology use to future mothers as part of our collaboration on the project Okrogli trebušćki (Baby bumps).

The numerous projects and initiatives that we support through sponsorships and donations further integrate us into the society. In the autumn extended free internet access to children from socially disadvantaged families, who received 1000 modems and SIM cards the prior year, as part of a project we launched with Slovenian Association of Friends of Youth, and the National Education Institute. As the main telecommunications partner, we continued supporting the free call center ČvekiFON, which was launched in response to the problem of loneliness among the elderly during the COVID-19 pandemic. The free chat line for the elderly was developed in collaboration with the social enterprise Simbioza and the humanitarian association Humanitarček. Another campaign we sponsored was called "How do you feel?", in which UNICEF Slovenia addressed the growing problem of decline in mental health among children and adolescents in Slovenia.

We continued to support raising the awareness of COVID-19, and donated EUR 5000 to the Ljubljana University Medical Centre for this purpose. We also supported other donation drives, providing 96 associations and non-profits the option to collect free SMS donations over our electronic communication network for various humanitarian purposes.

In 2021 we continued with the successful socially responsible project Lahkonočnice (The Bedtime Storytellers), which promote different issues for parents and children through carefully planned topics. In last year's edition we focused on bullying and children's fears. Ten new fairy tales were added to the collection that now exceeds 140. Since their launch in December 2016, the Lahkonočnice audio fairy tales have recorded more than 1.5 million downloads.

At A1 Slovenija we encourage diversity and equality and ensure ethical and transparent operations. We create an inclusive work environment, and develop the culture of mutual respect. This year we signed the Diversity charter, joining the voluntary European initiative that encourages organizations to develop and implement diversity policies. Increased diversity at the company is the central goal of the ESG strategy's governance part. By 2023 we aim to increase the share of women in the company's leadership positions to 40%, and retain the share of women employees at 40%. In 2021 we exceeded both of these goals. We also extended the ISO 45001 certificate, the international standard for occupational health and safety, and renewed the Family Friendly Enterprise certificate. As part of the ESG strategy we have also undertaken that our operations will be compliant and responsible, thereby building our reputation as a trustworthy company with integrity.

5. Selected performance indicators

5.1. Analysis of the profit and loss statement

In 2021, our total operating revenue increased by 2.8% compared to 2020. The trend of declining revenue from mobile telecommunications services has paused due to higher revenue from mobile roaming. We have been recording a growth in revenue from fixed telecommunications services and from national roaming services, as well as from the sale of mobile terminal equipment. We do have lower revenue from network interconnection resulting from price regulation.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) have increased slightly. A1 Slovenija finished 2021 with positive earnings before interest and taxes (EBIT) of EUR 13.2 million. This is a 7.4% decline compared to 2020. The total EBIT decline can be attributed to higher amortization and depreciation, as it increased because of the purchase of the 5G spectrum, higher long-term line leases and a higher amortization and depreciation of terminal equipment. Earnings before tax for 2021 stood at EUR 12.1 million.

At the end of 2021, A1 Slovenija had 711,853 users, which is a 1% growth compared to the year before. Growth was noted among subscribers (+1.9%), who represent 91.6% of all users.

The average revenue per user (ARPU) decreased in 2021 compared to 2020 because of price pressures from the competition and the regulation of international roaming.

5.2. The impact of COVID-19 on operations

The COVID-19 pandemic triggered a global economic crisis, however, its impact significantly differed by industry. Telecommunications industry continued providing essential telecommunication services without interruption, and the company faced increased data and voice traffic without any major issues. Because of limitations to travel, imposed by the government, the hosted traffic and therefore also the revenue from roaming, decreased. In addition, travel expenses were also reduced.

5.3. Analysis of the balance sheet

As at 31 December 2021 total assets amounted to EUR 366.24 million. Compared to the year before, they decreased up by 1.8%, i.e., EUR 6.8 million.

Long-term assets stood at EUR 282.6 million, and increased by 13.6%, i.e., by EUR 33.9 million. The biggest increase was in intangible fixed assets because of the frequency purchase.

Short-term assets stood at EUR 83.6 million, and decreased by 32.78%, i.e., by EUR 40.75 million. The biggest decrease was in cash and cash equivalents because of a major deposit was released, and because of the payment for the frequencies.

Equity and reserves stood at EUR 234.66 million, and decreased by 1.6%, i.e., by EUR 3.77 million. Shareholder equity ratio stood at 64.07%.

Long-term assets decreased by 31.87%, i.e., by EUR 20.9 million.

Short-term liabilities in the amount of EUR 72.03 million represented 19.67% of total assets. Compared to 2020, they increased by 29.1%, i.e., EUR 16.2 million. The biggest increase was in short-term operating liabilities to suppliers.

Below is a general summary of our financial performance for the years 2021 and 2020 (in accordance with International Financial Reporting Standards, as adopted by the EU):

		2021	2020
Profit and loss statement			
Operating revenue	in million EUR	212.74	206.94
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	in million EUR	60.36	58.75
Earnings before interest and taxes (EBIT)	in million EUR	13.21	14.27
Profit/loss	in million EUR	-1.12	-1.11
Earnings before tax (EBT)	in million EUR	12.1	13.16
Balance sheet			
Assets	in million EUR	366.24	373.08
Property, plant, and equipment	in million EUR	84.92	73.16
Short-term assets	in million EUR	83.6	124.35
Financial and operating liabilities	in million EUR	107.58	111.7
Equity	in million EUR	234.66	238.43
Selected indicators			
EBITDA margin	%	28.37	28.39
Investments in property, plant and equipment	in million EUR	17.96	15.3
Average no. of employees		626	538
Number of employees (year-end)		630	544
Number of users (year-end)		711,853	707,084
Of which subscribers represent		652,086	640,171

6. Transactions with related parties

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

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

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

In the 2021 financial year A1 Slovenija, d. d., did not perform or omit any actions at the initiative of a related party, which would deprive the company.

7. Risk exposure

7.1. Regulatory risks:

7.1.1. Regulation of wholesale fixed markets

Even though AKOS is still verifying the suitability of wholesale access prices to key parts of Telekom Slovenije's network for the period after the year 2018, the procedure of a new regulation of fixed markets is already concluding. At the start of 2022 partial deregulation of relevant market 3b is planned, where A1 Slovenija is purchasing (from Telekom Slovenije) the majority of its access broadband services. At the Same time Telekom Slovenije will be in the future significantly limited in providing wholesale discounts that had provided operators with a sufficient level of predictability of wholesale leasing prices that it was possible to formulate competitive retail offers for broadband services, when taking into account a certain risk. When concluding future long-term transactions discounts will only be available when leasing high-quality (NGA) products, and will be limited by amount.

AKOS is still reviewing the dispute, launched in 2021, with Telekom Slovenije, because of their delays when connecting end user, and resulting contractual penalties charged to Telekom Slovenije. In light of this procedure Telekom Slovenije has significantly improved its connection times in the second half of the year. In spite of new regulation, which is planned to allow Telekom to extend deadlines in the event of an increased scope of orders, compared to the annual average, we do not expect that connection times will extend significantly.

The European directive that is supposed to ensure operators with access to passive infrastructure of other operators when they want to construct their networks, in order to lower construction costs, has not yet brought any results in Slovenia, as the procedures for obtaining access to passive infrastructure take too long. In May 2021 AKOS ruled on an operator dispute between A1 Slovenija and T-2 in A1 Slovenija's favour. This dispute was started in 2018, however, access to multi-apartment buildings has still not been established. Refusal of access to A1 Slovenija and end users is resulting in damages, and in 2022 we expect new disputes and for AKOS to take firmer action.

7.1.2. New ZEKom-2

In 2022 it is expected that the new Electronic Communications Act (ZEKom-2) will be adopted, which will present a heavy burden on operators, as over 30 general acts have been revamped and will then have to be adopted, and implemented into work processes. The Act will also introduce significant changes in consumer protection, as one of the new additions is that in the event of a change to the subscriber agreement, an operator will not be able to demand the benefit they provided a subscriber to be paid back (e.g., for a 24-month lock-in). The Act also introduces extensive changes in construction, network security (limitation in using the equipment from the so-called black-listed vendors), awarding radio frequencies (especially extending licenses), regulation (e.g., writing off fines when operators reach an amicable agreement), new obligations for operators for public alerts and many others.

7.1.3. The regulation of roaming in European mobile networks

In the scope of the so-called Roam Like at Home EU regulation, the wholesale roaming prices further decreased on 1 January 2021, with the fair use service limits going up, and the prices for permitted surcharges going down. This will continue on 1 January 2022 (additional decrease of wholesale prices to 2 EUR/GB, and a proportionate increase to the limit). From a regulatory perspective it will remain a challenge to stop the abuses of the right to roam at home network rates in ways that are consistent with EU legislation. Because this regulation expires in mid-2022, a new regulation had been adopted that extends the regulation of retail roaming prices until 2027 and additional lower the prices to 1 EUR/GB.

7.1.4. Frequency spectrum

In 2021, the procedure of awarding radio frequencies for public mobile communication that also support the introduction of 5G technologies was concluded. A1 Slovenija obtained all the frequencies it required for long-term development and for ensuring a continuity of providing high-quality services. Along with the frequencies it also obtained the obligation of providing coverage of major towns and cities and traffic connections with 5G technology until 2025, which it has mostly fulfilled in 2021.

T-2 has been appealing and challenging the validity of awarding frequencies in the court, and consequently A1 Slovenija is also a party in these court proceedings.

With regard to public considerations of the impacts of the technology on health and the environment, efforts have to continue to encourage the state to ensure appropriate public awareness regarding actual facts and scientific findings. There is also a risk that the regulatory environment in electromagnetic radiation and base station locations will not be permit the development of the network in densely populated areas.

With regard to the frequencies in the 700 MHz band obtained at the auction there is a risk that for at least the near future they will not be available for use on the border with the Republic of Italy, as their TV operators have still not emptied this band in accordance with the European legislation, and have pushed this to the 2nd quarter of 2022.

7.1.5. TV programming broadcasting

Because certain Slovenian publishers required disproportionate fees for the rights to retransmit their TV programs, A1 Slovenija has been forced to exclude them from its TV channel lineup. In their request for reinclusion the publishers of these programs invoke the so-called “must carry” rule from the Media Act, according to which operators have to carry all Slovenian programs and make them available to all of their subscribers. This case is now being ruled by the District Court and the Culture and Media Inspectorate.

7.1.6. GDPR, E-Privacy and ZVOP-2

After the implementation of the General Data Protection Regulation (GDPR) in 2018, it remains unclear when some other legislative acts will be adopted (Personal Data Protection Act – ZVOP-2, and the E-Privacy regulation which was not adopted by member states in the first round), which have been in preparation and may have a significant impact on the implementation of GDPR. A1 Slovenija and other major operators, both in Slovenia and at the EU level, have been striving to inform the legislators of the operators' needs in order to prepare an appropriate business environment that would ensure the highest level of adherence to the requirements for privacy protection within the existing system of managing appropriate approvals. The draft Personal Data Protection Act (ZVOP-2) was submitted to the Government of the Republic of Slovenia on 13 December 2021. It is expected that the Act will be adopted in through a regular legislative procedure.

7.2. Credit risk

Company's revenue comes from different sources, and most revenue comes from voice calls and monthly subscription fees. Since the majority of contractual customers at the end of 2021 were natural persons, credit risk is broadly dispersed and not significant. Other revenue sources come from resellers (phone sales) and other local and foreign mobile telephone operators (network interconnection and international roaming). Past experience shows that there are no significant risks associated with these activities. As of the balance sheet date there were no significant dependencies on any of the above debtors.

7.3. Interest rate risk

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

7.4. Currency risk

The company's operational currency in 2021 was the euro. Only a small share of transactions is conducted in US dollars and other currencies, and consequently currency risk is not significant for the company. The company does not use any special financial instruments for hedging the currency risk.

7.5. Liquidity risk

The company acquires liquid assets through inflows from operations, and from financing from the owner's loans, which are provided when needed. In spite of the COVID-19 pandemic, the company did not identify any significant impacts on the customers' payment discipline in 2021 and related effects on liquidity. Development has shown that the company continues to improve its operations and thereby cash assets from operations. New technologies that demand high up front investments could require additional cash assets for implementation.

8. Plans for the future

The 2021 business year was market by a focus on the development and expansion of our broad range of products and services, which enhance our users' digital experience, and follow the trends and ceaseless development of modern technologies.

At the beginning of 2021 we utilized a deliberate approach at the Public auction for awarding radio frequencies for providing public communication services to end users, held by the Agency for Communication Networks and Services (AKOS), accomplishing that the total share of mobile frequencies we now hold significantly exceeds our market share. This provides us with ample space for growth on the Slovenian telecommunication services market while launching 5G technology, as 46% of all mobile data already flows through our network. In the autumn we gave our users free access to the fifth generation mobile network with speeds of up to 1000/100 Mbps. The 5G network is available in Ljubljana, Maribor, Kranj and Celje, and in 2022 we plan on providing coverage to 60% of the population.

We further improved our range with new plans for young people A1 Vajb, which includes 200 GB data allowance and free use of the A1 Xplore Music by Deezer service for two years. We also included refurbished phones in our range of devices, allowing users to purchase high-end fully functional devices at affordable prices. At the same time this means we are contributing to reducing the required resources needed to manufacture a new phone, and following our environmental commitments.

We constantly optimize our range of products and services, responding to the changing needs of our users. In 2021 we were the first operator on the market to launch business plans with no lock-in and a satisfaction guarantee. The A1 Podjetni plans bring a fast and reliable internet connection, low fixed telephony costs and priority technical support to new and existing users. In the future we will continue to look for ways to connect our existing services and additional content, thereby ensuring our users have the best possible experience of work, life and entertainment.

We also listened to the growing need of our users that they wish to have fewer concerns related to their mobile service use, and activated unlimited data allowance with no charge for data transfer beyond their allowance on select A1 Go, A1 Svobodni and Orto plans. We also upgraded our A1 Alpha line of phones with the A1 Alpha 21 series devices that follow the latest trends both in performance and design. In 2021 we further made it easier for our users to purchase apps and content using Google Play, as they can not pay for everything with their invoice for A1 services.

As online shopping continues gaining in popularity, we will also continue to expand our offer in the Nakupovalnica store, adding new categories and products. Users can pay for their online purchases in installments, with zero interests, free delivery and the option of paying for products through their monthly A1 invoice.

At A1 Slovenija we aim to continue pushing the limits of digitalization, and to remain an integral part of the development of advanced business models of the future, solutions and platforms based on Narrowband IoT and 5G technologies. In 2021 we were among the first in Europe and the first in Slovenia to provide commercial access to LTE-M technology that supplements NB-IoT technology for mass machine-to-machine communication. LTE-M and NB-IoT technologies are a step forward in the development of the Internet of Things, as they bring added value in fields, such as location monitoring, recording vital signs of individual with wearable devices, tracking stock on the shelf, as well as wealth, logistics and car fleet management that require higher data transfer capacities. The technologies are complementary and provide excellent opportunities for all industries that require coverage of a broad area with low energy use.

One of key future focuses of A1 Slovenija will be strengthening our presence in cybersecurity, where we already offer our users a broad portfolio of solutions to comprehensively manage security threats. In the future we will be increasingly a part of the Internet of Things, and are planning continued development of solutions for smart cities.

9. Corporate governance statement

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

9.1. Governance code

Between 1 January 2021 and 31 December 2021 A1 Slovenija, d. d., as part of the A1 Telekom Austria Group, operated according to the principles of the Corporate Governance Code of A1 Telekom Austria Group, which is based on the Austrian Code on Corporate Governance. The Code details responsible management and governance of companies, focused on sustainable and long-term value creation of company. The objective of the Code is to ensure a high level of transparency for all stakeholders and set the guidelines for investors. The Code is based on the provisions of the Austrian Stock Corporation Act, EU recommendations and the principles of corporate governance of the OECD. A1 Telekom Austria Group voluntarily undertook to abide to the Austrian Code on Corporate Governance already in 2003.

9.2. The general meeting

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

9.3. Management and supervisory boards

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

The work of the Management Board is supervised by the four-member Supervisory Board, consisting of: Alejandro Douglass Plater as the chairman, Siegrfried Mayrhofer as the deputy of the chairman member, Bernd Schmutterer as a member, and Thomas Arnolder, as a member. The Supervisory Board exercises its rights and fulfills 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.

9.4. Description of the main characteristics of the company's systems for internal control and risk management relevant for the financial reporting procedure

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

Ljubljana, 18 February 2022
Dejan Turk, Chairman of the Management Board

Financial report 2021

for the financial year
concluded on 31 December 2021

1. General disclosures

1.1. About A1 Slovenija

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

A1 Slovenija, telekomunikacijske storitve, d.d., Ameriška ulica 4, 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 2021 is as follows:

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

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

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

1.1.2. Nature of operations and core activities

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

1.1.3. Information about the controlling company

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

1.1.4. Data on employees

- number of employees at the end of the 2021 business year was 630 (at the end of 2020: 544);
- Average number of employees in the 2021 business year was 625,75 (538.42 in the 2020 business year);
- Structure by gender: men 54.76%, women 45.24%
- average employee age: 38.09 years
- Structure of employees by education level:

Education level	31 December 2021	31 December 2020
Vocational school or less	40	31
Secondary education	264	214
Higher vocational education	51	50
Higher education	132	111
Higher education (second stage)	124	117
Master's Degree	18	20
Doctorate	1	1
Total	**630**	**544**

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 2021.

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

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

Dejan Turk
Chairman of the Management Board

Ljubljana, 18 February 2022

2. Independent auditors' report

Building a better working world

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of A1 SLOVENIJA, d.d.

Opinion

We have audited the financial statements of A1 SLOVENIJA, d.d. (the Company), which comprise the statement of financial position as at December 31, 2021, the income statement, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the A1 SLOVENIJA, d.d. as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

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

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

Other information

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

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

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

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

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

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

Responsibilities of management and the supervisory board for the financial statements

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

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

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

Building a better working world

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Ljubljana, 18 February 2022

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

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

Lidija Šinkovec
Certified auditor

3. Financial statements of A1 Slovenija, d. d.

3.1. Balance sheet

Assets	Note	31 December 2021	31 December 2020
Long-term assets		**282,643,638**	**248,724,991**
Intangible assets	5.2.1.	119,865,811	82,097,364
Property, plant, and equipment	5.2.2.	84,920,172	73,155,076
The right to use the assets	5.2.3.	54,006,237	70,881,273
Long-term financial assets	5.2.4.	4,889,956	4,939,955
Long-term operating receivables	5.2.5.	10,360,225	10,253,734
Long-term assets from contracts	5.2.6.	1,524,947	1,621,948
Deferred tax assets	5.2.7.	5,723,105	4,499,583
Long-term deferred costs	5.2.8.	1,353,185	1,276,058
Short-term assets		**83,599,501**	**124,351,589**
Inventories	5.2.9.	5,587,830	6,434,157
Short-term trade receivables	5.2.10.	59,164,842	61,415,066
Short-term trade receivables from group companies	5.2.11.	895,312	735,640
Tax assets from the income tax	5.1.12.	990,240	0
Other operating receivables	5.2.12.	2,790,489	2,664,439
Short-term assets from contracts	5.2.6.	4,282,251	4,885,006
Cash and cash equivalents	5.2.13.	9,504,285	48,014,695
Other short-term assets	5.2.14.	384,252	202,586
Total assets		**366,243,139**	**373,076,580**

Equity and liabilities			
Equity	5.2.15.	**234,658,522**	**238,427,602**
Called-up capital		38,781,000	38,781,000
Capital reserves		108,941,657	108,941,657
Profit reserves		3,878,100	3,878,100
Reserves, resulting from valuation at fair value		-372,453	-413,216
Retained earnings		72,170,795	76,335,412
Net profit and loss		11,259,423	10,904,649
Provisions and long-term liabilities		**59,549,781**	**78,863,727**
Post-employment employee benefits	5.2.16.	1,217,348	1,186,976
Other long-term provisions	5.2.16.	13,581,143	11,991,773
Long-term operating liabilities	5.2.17.	9,000,000	13,556,000
Long-term financial liabilities for leasing	5.2.18.	34,598,269	50,979,756
Short-term liabilities from contracts	5.2.19.	1,153,021	1,149,222
Short-term liabilities		**72,034,836**	**55,785,251**
Short-term operating liabilities to suppliers	5.2.20.	40,934,446	21,201,641
Short-term operating liabilities towards group companies	5.2.21.	1,975,265	1,594,570
Income tax liabilities	5.2.22.	0	1,647,239
Other operating liabilities	5.2.23.	3,786,397	5,754,581
Long-term financial liabilities for leasing	5.2.18.	17,283,271	16,964,311
Short-term liabilities from contracts	5.2.19.	3,509,133	3,951,836
Short-term provisions and accrued costs	5.2.24.	4,546,324	4,671,073
Total liabilities		**131,584,617**	**134,648,978**
Total assets		**366,243,139**	**373,076,580**

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

3.2. Profit and loss statement

in EUR	Note	2021	2020
Revenue from contracts with customers	5.3.1.	209,702,180	203,307,801
Other operating revenue	5.3.2.	3,039,809	3,635,094
Cost of goods and materials	5.3.3.	-57,410,748	-53,586,138
Costs of services	5.3.3.	-68,360,747	-70,987,319
Labour cost	5.3.4.	-24,022,753	-19,876,542
Depreciation and amortization	5.3.5.	-47,141,583	-44,477,136
Other operating expenses	5.3.6.	-1,751,509	-1,950,010
Impairment/write-off of non-financial assets	5.3.7.	-841,071	-1,793,893
Operating profit and loss		**13,213,578**	**14,271,857**
Financial revenue	5.3.8.	179,001	284,547
Financial expenses	5.3.8.	-1,296,370	-1,392,697
Profit and loss		**-1,117,369**	**-1,108,150**
Profit/loss before tax		**12,096,209**	**13,163,707**
Accrued tax	5.3.9.	-2,102,827	-2,492,034
Deferred tax	5.3.9.	1,266,041	232,976
Withholding tax	5.3.9.	0	0
Income tax		**-836,786**	**-2,259,058**
Net profit and loss		**11,259,423**	**10,904,649**
Basic earnings per share		1.21	1.17

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

3.3. Other comprehensive income

in EUR	2021	2020
Net profit and loss	**11,259,423**	**10,904,649**
Effect of the impairment of financial assets	0	0
Unrealized actuarial gains or losses	40,763	-55,476
Other comprehensive income in the financial year that will not be recognized in the profit and loss statement henceforth	**40,763**	**-55,476**
Total other comprehensive income after taxes	**40,763**	**-55,476**
Total comprehensive income for the financial year	**11,300,186**	**10,849,173**

3.4. Cash flow statement

in EUR	Note	2021	2020
Cash flow from operating activities			
Net profit and loss		11,259,423	10,904,649
Adjustments for:			
Depreciation of tangible fixed assets and the right to use assets	5.3.5.	35,834,840	34,726,082
Amortization of intangible assets	5.3.5.	11,306,743	9,751,054
(Gain)/loss from the sale or write-off of intangible assets, tangible fixed assets and investment property	5.3.6.	1,134,878	-46,205
Net (decrease)/allowances for receivables		841,071	1,793,898
Net (decrease)/allowances for inventory		-684,173	483,788
Net financial (revenue)/expenses	5.3.8.	1,117,369	1,108,150
Changes in investments	5.2.4.	49,999	-1,150,906
Change for taxes	5.2.7., 5.3.9.	861,713	2,339,148

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

in EUR	Note	2021	2020
Operating cash flow before changes in working capital		**61,721,863**	**59,909,658**
Changes in operating receivables	5.2.5., 5.21.10., 5.2.11., 5.2.12.	1,016,940	1,805,889
Changes in deferred costs, assets from contracts and other assets	5.2.6., 5.2.8., 5.2.14.	440,963	1,295,301
Changes in inventories	5.2.9.	1,530,500	-93,161
Changes in operating and other receivables	5.2.17., 5.2.20., 5.2.21, 5.2.23	16,102,712	-9,290,359
Changes in short-term deferred revenue, accrued costs and provisions	5.2.16., 5.2.19., 5.2.24	1,096,852	3,227,695
Paid income tax		-4,722,714	-1,877,342
Change in net working capital		**15,465,253**	**-4,931,976**
Cash flow from operating activities		**77,187,115**	**54,977,682**
Expenses for income tax			
Net cash flow from operating activities		**77,187,115**	**54,977,682**
Cash flows from investments			
Expenditure for the acquisition of intangible assets	5.2.1	-47,986,036	-6,236,812
Expenditure for the acquisition of tangible fixed assets	5.2.2	-30,683,359	-5,331,014
Expenditure for the acquisition of a subsidiary		-1,250,000	-1,200,000
Net cash from investing activities		**-79,919,395**	**-12,767,826**
Cash flow from financing activities			
Expenditures for interests from financing	5.3.8.	-1,117,369	-1,108,150
Expenditure for payment for leases	5.2.18.	-19,687,691	-16,441,507
Dividends paid	5.2.15.	-15,000,000	0
Net cash flow from financing activities		**-35,805,060**	**-17,549,657**
Net increase/(decrease) in cash and cash equivalents		**-38,537,340**	**24,660,199**
Cash and cash equivalents at the beginning of the year	5.2.13.	48,014,695	23,170,705
Cash acquired through merger by acquisition		26,930	183,791
Final balance in cash and cash equivalents		**9,504,285**	**48,014,695**

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

3.5. Statement of changes in equity

a) Statement of changes in capital for the period from 1 January to 31 December 2021

	Share capital	Capital reserves	Legal reserves	Fair value reserves	Retained earnings	Net profit for the year	Total equity
Balance on 1 January 2021	38,781,000	108,941,657	3,878,100	-413,216	76,335,412	10,904,649	238,427,602
Transfer of earnings from preceding years to retained earning	0	0	0	0	10,904,649	-10,904,649	0
Distribution of profits	0	0	0	0	-15,000,000	0	-15,000,000
Merger by acquisition of Dostop komunikacije d.o.o.	0	0	0	0	-69,266	0	-69,266
Transactions with owners	0	0	0	0	-4,164,617	-10,904,649	-15,069,266
Net profit and loss for the year	0	0	0	0	0	11,259,423	11,259,423
Other comprehensive income (after taxes)	0	0	0	40,763	0	0	40,763
Total comprehensive income	0	0	0	40,763	0	11,259,423	11,300,186
Balance on 31 December 2021	38,781,000	108,941,657	3,878,100	-372,453	72,170,795	11,259,423	234,658,522

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

b) Statement of changes in capital for the period from 1 January to 31 December 2020

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

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

4. Notes to the audited financial statements

4.1. Framework for preparing the statements and significant accounting policies

4.1.1. Declaration of compliance

The company's management approved the financial statements on 18 February 2022.

Financial statements of A1 Slovenija, d. d., were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, with interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC), and approved by the European Union, and the provisions of the Companies Act.

4.1.2. Functional and presentation currency and rounding off

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

4.1.3. The grounds for measurement

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

4.1.4. Foreign currencies

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

Operating receivables and liabilities in a foreign currency, are converted into EUR according to the valid ECB exchange rate on the date of the balance. Financial liabilities in a foreign currency, are converted into EUR according to the valid ECB exchange rate on the date of the balance. Cash and long- and 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 2021 were used for converting foreign currencies:

Country	Currency	Currency label	Currency code	Exchange rate
USA	US DOLLAR	USD	840	1.1326
UK	BRITISH POUND	GBP	826	0.84028
Switzerland	SWISS FRANC	CHF	756	1.0331
Croatia	CROATIAN KUNA	HRK	191	7.5156

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 2021 is EUR 3,662,431 (and as at 31 December 2020 was EUR 3,730,766). Significant items of the profit and loss statement are those which exceed 2% of the value of revenue in the financial year, which for 2021 amounts to EUR 4,254,840, and for 2020 amounts to EUR 4,138,858.

4.1.6. Segment reporting

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

4.1.7. Changes to accounting policies, estimates and error correctionsk

a) Change in accounting policy and disclosures

In 2021 the company reclassified reservations for probable liabilities to long-term reservations (in 2020 these are listed among short-term reservations).

	Note	Reported in 2020	Change	Reported in 2021
Other long-term provisions	5.2.16.	7,276,927.00	-4,714,846.00	11,991,773.00
Short-term provisions and accrued costs	5.2.24.	9,385,919.00	4,714,846.00	4,671,073.00

All other accounting policies that the company used when preparing its financial statements are the same as those used when preparing financial statements for the previous business year. The exceptions are the new standards and comments that the company received on 1 January 2021, and which are described below:

- **Reform of reference interest rates – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**
  AIn August 2020 IASB published the second part of the reform of reference interest rates, namely the amendments to the standards IFRS 9, IFRS 39, IFRS 7, IFRS 4 and IFRS 16, thereby concluding its work as a response to the IBOR reform. The amendments include a temporary exception in reporting financial effects of replacing inter-bank offered rates (IBOR) with the alternative risk-free reference rates (RFR). The amendments allow companies to use practical solutions when calculating changes to the base for setting contractual cash flows of a financial asset or a liability, and the company must adjust the effective interest rate to make it equal to the movement of the market interest rate. The amendments also allow companies to use certain generalizations in relation to ceasing to calculate risk protection, including a temporary exemption from the requirement for differentiation, for risk protection relations, where the alternative reference interest rate is set as a non-contractually defined element of risk.

- Amendments to the IFRS 7 Financial instruments standard require the company to make disclosures that allow the users of these financial statements to understand the effect of the reference interest rate reform on the company's financial instruments and its risk management strategy. The company must apply these amendments for the past without recalculating the data from past periods. Amendments to the standard did not have an effect on the company's financial statements.

b) Standards that are not yet applied and that the company did not adopt early

- **IFRS 17: Insurance contracts (amendments)**
  Amendments to IFRS 17 apply to annual reporting periods beginning on or after 1 January 2023 onwards (or later), and companies have to apply them for the past. Early application of these amendments is permitted. The objective of these amendments is to make it easier for companies to use IFRS 17, as the amendments simplify some requirements of the standard and lower the related company costs, ease the explanation of its financial success, and simplify the transition to the new standard with a postponement of its commencement until 2023, while also introducing an additional allowance for the first use of IFRS 17. The Management Board has assessed the impact of the amendment on the company's financial statements, and believes that there will be no significant impact on financial statements.

- **IFRS 17: Insurance contracts – Primary application of IFRS 17 and IFRS 9 standards – Comparative information (amendments)**
  Amendments apply to annual reporting periods beginning on or after 1 January 2023 onwards or later. Early application of these amendments is permitted. For insurance companies that are applying IFRS 17 and IFRS 9 for the first time, the amendment introduces the option of transitioning based on the "classification adjustment" of comparable information on financial assets. An insurance company that uses a classification adjustment as a financial asset should present comparative information in the same way, as if the classification of the financial asset would take into account the requirements for classification and measurement from IFRS 9. When applying classification adjustment of a financial asset, and insurance company also does not need to take into account the requirements regarding impairments from IFRS 9. The objective of these amendments is to prevent a temporary accounting discrepancy between the financial assets and the liabilities from insurance contracts, thereby improving the utility of comparative information for users of financial statements. The EU has not yet approved the amendments to the standard. The Management Board has assessed the impact of the amendment on the company's financial statements, and believes that there will be no significant impact on financial statements.

- **Amendments to IFRS 10 Consolidated accounting results and IAS 28 Investments in associates and joint ventures: Sales or fund contribution between an investor and its associate company or joint venture**
  These amendments relate to the discrepancy between the requirements of IFRS 10 and those from IAS 28 regarding the sales or fund contribution between an investor and its associate company or joint venture. The main consequence of these amendments is that the company recognizes the full amount of profit or loss from when the transaction includes operations (irrespective of whether it is in a subsidiary or not). For transactions with assets that the company does not utilize in operations, the company recognizes only a part of the profit or loss, even if the assets are in a subsidiary. In December 2015 the International Accounting Standards Board postponed indefinitely the date of the implementation of the standard until the results of the project of the study of charging assets following the equity method. The EU has not yet approved the amendments to the standard. The Management Board has assessed the impact of the amendment on the company's financial statements, and believes that there will be no significant impact on financial statements.

- **IAS 1 Presentation of financial statements: Categorization of liabilities among short-term and long-term (amendments)**
  Amendments first applied to annual reporting periods beginning on or after 1 January 2022 onwards or later. Early application of these amendments was permitted. In response to the COVID-19 pandemic IASB postponed the date of implementation of these amendments for a year, i.e., until 1 January 2023 in order to give companies enough time to implement the changes in categorization of liabilities. Amendments help companies decide whether to categorize debt and other liabilities with uncertain settlement date among short-term or long-term liabilities in their financial statements, therefore ensuring a higher level of consistency in adhering to the standard's requirements. The amendments impact the presentation of liabilities in the financial statement, but do not change existing requirement in relation to measurement

or the period of recognizing the assets, obligations, revenue or expenses or information that the company discloses with these items. The amendments also explain the requirements related to the categorization of debt that the company can settle by issuing capital instruments.
In November 2021 the Board published the draft for public discussion (ED), which explains how a company should categorize the liabilities with commitments that have to be fulfilled by a date, following the reported period.
The Board especially recommends a limited scope of amendments to IAS 1, which in effect annul the amendments from 2020 that required companies to categorize commitment-related liabilities due in the following 12 months after the reporting period among short-term, if it does not yet meet them after the end of the reported period.
Instead of that the draft amendments require companies to separately present and additionally disclose any long-term commitment-related liabilities due in the following 12 months after the reporting period among short-term, if it does not yet meet them after the end of the reported period.
The draft amendment applies to annual reporting periods beginning on or after 1 January 2024 onwards (or later), and which companies have to apply for the past in accordance with IAS 8. Early application of these amendments is permitted. The Board also proposed postponing the implementation of amendments from 2020, which means that before the proposed amendments come into effect, the company does not need to change current practices. The EU has not yet approved the amendments and drafts to the standard for public discussion. The Management Board has assessed the impact of the amendment on the company's financial statements, and believes that there will be no significant impact on financial statements.

- **IFRS 3 Commercial mergers; MRS 16 Property, plant and equipment; MRS 37 Provisions, Contingent Liabilities and Contingent Assets, and annual improvements 2018-2020 (amendments)**
  Amendments apply to annual reporting periods beginning on or after 1 January 2022 or later. Early application of these amendments is permitted. International Accounting Standards Board published the following amendments to IFRS:

- **Amendments to IFRS 3 Commercial mergers** update the referral in IFRS 3 to the base framework of the accounting reporting standards, but do not change the accounting requirements in commercial mergers.

- **IAS 16 Property, plant and equipment (amendments)** Amendments prohibit the company to deduct from the costs of property, plant and equipment the profit from the sale of products during the period the asset is prepared for its planned use and requires the recognition of the amount of sale and related costs in the profit and loss statement.

- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments)** Amendments define the costs that the company takes into account when determining the contract fulfillment costs with the aim of estimating whether the contract is problematic.

- **Annual improvements 2018-2020** bring some smaller amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and specific cases to the IFRS 16 Leases.

The Management Board has assessed the impact of the amendment on the company's financial statements, and believes that there will be no significant impact on financial statements.

- **IFRS 16 Leases – Adjustments to the leases relating to COVID-19 after 30 June 2021 (amendments)**
  Amendments to the standard apply to annual periods starting from 1 April 2021 or later, with early implementation permitted also in financial statements that were not approved for publication on the date the amendments to the standard were published. In March 2021 the International Accounting Standards Board amended the conditions for applying the practical solution from the IFRS 16 standard that permits the lease holder to not treat the adjusted rents that were the direct result of the COVID-19 pandemic according to IFRS 16. The company may apply the practical deduction in the adjustment of rents to which the resulting rent decrease only affect payments that be due on 30 June 2022 or earlier, and only when all the conditions for applying the practical solution are met. The Management Board has assessed the impact of the amendment on the company's financial statements, and believes that there will be no significant impact on financial statements.

- **IAS 1 Presentation of financial statements and Position 2 of international financial statements IFRS: Disclosure of accounting policies (amendments)**
  Amendments apply to annual reporting periods beginning on or after 1 January 2023 onwards or later. Early application of these amendments is permitted. Amendments define the guidelines for assessing the importance when disclosing accounting policies. Amendments to IAS 1 replace the requirement for disclosing "essential" accounting policies with the requirement for disclosing "important" accounting policies. the Position also includes instructions and specific cases to help applying the concept of importance when assessing the disclosures of accounting policies. The EU has not yet approved the amendments to the standard. The Management Board has assessed the impact of the amendment on the company's financial statements, and believes that there will be no significant impact on financial statements.

- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates (amendments)**
  Amendments of the standard apply to annual reporting periods beginning on or after 1 January 2023 onwards or later. Early application of these amendments is permitted. Amendments detail the changes to accounting policies and accounting estimates at the start of this period or later, and define accounting estimates as cash amounts in financial statements that are related to insecurity from the perspective of their measurements. The amendments also explain what the changes to accounting estimates are and how they differ from changes to accounting estimates and error corrections. The EU has not yet approved the amendments to the standard. The Management Board has assessed the impact of the amendment on the company's financial statements, and believes that there will be no significant impact on financial statements.

- **IAS 12 Income taxes: Deferred taxes from assets and liabilities of a single transaction (amendments)**
  Amendments apply to annual reporting periods beginning on or after 1 January 2023 onwards or later. Early application of these amendments is permitted. In May 2021 the International Accounting Standards Board published the amendments to IAS 12, limiting the application of the exception in initial recognition according to IAS 12, laying down how a company should calculate deferred taxes from certain transactions, such as leases and the liabilities related to decommissioning. In accordance with the amendments the exception does not apply to transactions where the taxable amount at recognition is equal to the amount of deducted temporary differences. The exception only applies if the taxable amount (or liability related to decommissioning and decommissioning of a component of an asset) is not the same as the sum of deducted temporary differences. The EU has not yet approved the amendments to the standard. The Management Board has assessed the impact of the amendment on the company's financial statements, and believes that there will be no significant impact on financial statements.

4.1.8. Significant accounting policies

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

a) Commercial 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 Dostop komunikacije, telekomunikacije in drug storitve, d.o.o., which was acquired in 2020, was valued at carrying amounts by accounting for the difference between the investment and the carrying amounts of net assets in equity (disclosure 5.1).

b) Intangible assetsa

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, utilization of fiber optic connections which the company amortizes in accordance with the utility period, defined in the agreement. 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 costs associated with intangible fixed assets increase their original cost, if they increase their 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) 2021
Radio frequencies	15 or in accordance with the Decision
Software & Licenses	1-8
Property rights – interconnection rights	In accordance with the agreement
Property rights from customer acquisition	3
List of customers	10

Amortization and depreciation rates remained unchanged in 2021.

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, which was also merged by acquisition in the same year. Goodwill is measured at cost minus any accumulated impairment loss.

Impairment of goodwill is assessed by cash-generating unit, which is defined as the whole company. Goodwill impairment requires an assessment of the value when utilizing the cash-generating unit. Determining the current value of future cash flows requires the management to have bot an estimate of expected cash flows from the cash-generating unit, as well as determining the appropriate discount rate (disclosed in 5.2.1).

c) Long-term deferred costs

Deferred costs pertain to long-term deferred costs of connection fees for data lines.

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

d) Property, plant, and equipment

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 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.

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 IFRS 16, a tangible fixed asset begins depreciating when it becomes available for use, i.e., on the day of its activation; however, 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.

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

Property, plant, and equipment	Useful life (in years) 2021
Base stations and exchanges	5–15
Computer equipment	3–4
Investments in third party tangible fixed assets	7-10
Other equipment	5–7
Small tools and spare parts	2–3

Amortization and depreciation rates remained unchanged in 2021.

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 IFRS 16 – Property, Plant and Equipment. The revenue from leases is recognized in the period of the lease in the profit and loss statement. If the company as the lessor transfers significant risks and benefits relating to the ownership to the lessee, the lease agreement is treated as financial leasing, and the receivables from the lease are recognized in the value equal to the net investment in the lease.

e) Impairment of Non-financial Assets

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

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

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

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

f) Financial assets

Initial recognition and measurement
After the initial recognition the company classifies financial assets into groups of assets by amortized cost, fair cost, through other comprehensive income and fair value through profit and loss.

At initial recognition the classification of financial assets depends on the characteristics of the contractual cash flow of the financial asset and the company's business model for managing it. With the exception of liabilities from operations, which do not include any significant financing elements or for which the company utilized a practical solution at fair value, which is (in the case of a financial asset that is not recognized at fair value through profit and loss) increased by transaction costs. Liabilities from operations, which do not include a significant financing element or for which the company utilized a practical solution, are measured at transaction price, as defined in accordance with the provisions of IFRS 15.

Subsequent measurements
After the initial measurement the financial assets are classified into four categories:

- financial assets at amortized cost (debt instruments)
- financial assets by fair value through other comprehensive income with recycling cumulative profits and losses (debt instruments)
- financial assets by fair value through other comprehensive income without recycling cumulative profits and losses with dispensed recognition (capital instruments)
- financial assets at fair value through the profit and loss

Financial assets recognized at fair value through other comprehensive income (capital instruments)
At initial recognition the company may opt for irrevocable classification of its capital investments into the group of capital instruments at fair value through other comprehensive income, if they meet the definition of capital from the International Accounting Standard (IAS) 32 Financial Instruments.

Profits and losses from these financial assets are never not recycled into profit or loss. Dividends are recognized as other revenue in the profit and loss statement when establishing the company's right to payment, except if the company uses such revenue for paying a share of costs related to the financial asset, with these profits recognized in other comprehensive income. Equity instruments at fair value before other comprehensive income are not the subject of impairment.

The company irrevocably classifies its investments that are not listed on the stock market into this group.

Financial assets at fair value through profit and loss
Financial assets at fair value through profit and loss include financial assets for trading, financial assets at fair value through profit and loss or financial assets that the company must measure at fair value. Financial assets are classified among assets for trading, if they were obtained with the intent of sale or repurchase in the near future. Derivative financial instruments, including separate embedded derivative financial instruments, are classified in the group of financial assets for trading, except for instruments of effective risk protection. Financial assets that create cash flows and that did not exclusively payments of the principal and interest, are classified and measured at fair value through profit and loss, regardless of the selected business model. Irrespective of the measures for recognizing debt instruments that are classified by amortized cost or by fair value through other comprehensive income, as described above, at initial recognition all debt instruments are classified in the group at fair value through profit and loss, if this dispenses with or significantly reduces accounting discrepancy.

Financial assets at fair value through profit and loss are disclosed in the profit or loss statement at fair value, including net change to the fair value, which is recognized in the profit and loss statement.

This group includes derivative financial instruments and investments that are listed on the stock exchange, and that the company did not irrevocably classify at fair value through other comprehensive income. Dividends from capital investments listed on the stock exchange are recognized as other revenue in the profit and loss statement, when the company's right to payment was established.

Derecognition
The company derecognizes a financial asset (or, when appropriate, a part of a financial asset or a part of a group of similar financial assets) from its financial statements, if:

- the rights to receiving cash flows from the asset have expired,

or

- if the company has transferred its rights to receiving cash flows from the asset or undertaken a liability that it shall in in due time fully settle the received cash flows to third parties in the scope of a "transitory" settlement, and (a) the company has transferred all the risks and benefits from the asset, or (b) it neither transferred nor retained the majority of risks and benefits from the asset, but transferred its management.

Impairment of financial assets

Additional disclosures related to impairment of financial assets are listed in the following explanations to financial statements:

Disclosures of important assumptions:

- Debt instruments recognized at fair value through other comprehensive income
- Liabilities from operations and assets from contracts.

The company recognizes the adjusted value for expected credit loss (ECL) for all debt instruments that are not recognized at fair value through profit and loss. Expected credit loss represents the difference between contractual cash flows that are due according to contracts, and all cash flows that the company expects to receive, discounted to an estimate of the initial effective interest rate. The expected cash flows include cash flows from the sale of insurance assets or other loan increases that are a part of contractual terms and conditions.

The expected credit loss is recognized in two phases. For credit exposures with no significant increase in credit risk after the initial recognition, the expected credit loss is recognized for the credit losses that result from potential default payments over the following 12 months (12-month ECL). For credit exposures with a significant increase to the credit risk after the initial recognition, the company must recognize the adjustment to the value for the credit losses it expects over the remaining lifetime of exposure, regardless of the period in which the default occurs (full lifetime ECL).

The company utilizes the simplified approach for calculating the expected credit loss in liabilities from operations and assets from contracts. Consequently, it does not monitor the changes to the credit risk, but instead recognizes the adjustment value for credit loss through the full lifetime of expected credit loss on every reporting date. The company has designed a matrix of reservations, based on its past experience regarding credit losses, and the losses that are adjusted for potential future factors that are characteristic for debtors and the economic climate.

g) Financial liabilities

Initial recognition and measurement

At initial recognition financial liabilities are classified among financial liabilities at fair value through profit and loss, issued and received loans, liabilities from operations or in the group of derivative financial instruments that are defined as instruments of effective security from risk.

At initial recognition all financial liabilities are measured at fair value. Issued and received loans and liabilities to suppliers are also recognized at fair value, decreased by direct transaction costs.

The company's financial liabilities include liabilities from operations and other liabilities, issued and received loans, including overdraft facility and derivative financial instruments.

Subsequent measurements
Measurements of financial liabilities depend on their classifications.

Issued and received loans

This group is the most important item among the company's financial instruments. After initial recognition the issued and received loans are measured at amortized cost by using the effective interest rate method. When derecognizing the financial liability, all the profits and losses are recognized at profit and loss and in the scope of amortization of the effective interest rate.

Amortized cost is calculated by taking into account any potential discounts or premiums at purchase and fees or costs that are integral parts of the effective interest rate. Amortization of the effective interest rate is included under financing costs in the profit and loss statement.

This group generally includes interested Issued and received loans.

Derecognition

A financial liability is derecognized when the liability is settled, cancelled or expired. When a company replaces an existing financial liability with another from the same creditor under significantly different terms and conditions, or if the terms and conditions to an existing liability significantly change, such a replacement or change is deemed a derecognition of a previous liability and a recognition of a new one.

The difference in the carrying amount of the financial liability is recognized in the profit and loss statement.

Offsetting financial instruments
Financial assets and financial liabilities are offset, with the net difference included in the financial position statement, if there is a currently enforceable legal right for offset of recognized amounts, and, if the company plans to conduct an offset on the net base with concurrent closing out and settling liabilities.

h) Leases

When concluding an agreement, the company assesses whether it is a lease agreement or an agreement that includes a lease. An agreement is a lease agreement or it includes a lease, if it transfers the right to using an identified asset for a long-term period in exchange for a compensation. For all such agreements the right to use the asset and accompanying liability from the lease are recognized when concluding the lease.

The company sets the day duration of the lease as the period in which the lease cannot be cancelled, together with:

a) the period for which the option of extending the lease, if it is fairly certain that the lease holder will take this option, and

b) the period for which the option of cancelling the lease, if it is fairly certain that the lease holder will not take this option.

The exception is short-term leases and leases where the asset which is the subject of the lease is of a lower value. Short-term leases are those where the lease period is shorter than 12 months, while leases of lower value assets are those, where the value of the asset which is the subject of the lease is below EUR 5,000, if the asset were new. For these leases the company recognizes lease payments among costs of services (costs of leases) equally for the duration of the lease.

Components in agreements that are not leases (e.g., electricity) – lease components are excluded from calculating the right of use assets.

The company recognizes the tangible fixed asset that represents the right of use on the starting date of the lease (i.e., on the date when the asset is leased and available to use). The right to use the assets is measured at original cost, less the adjusted value and loss from impairment, with an adjustment of the original cost at every subsequent measurement of the liability from lease. The original cost of the right to use the assets includes the amount of the initial measurement of the liability from lease, the initial direct costs and the lease payments that were conducted on the date of the start of the lease or before it, less the received lease incentives received.

At initial recognition the company measures the right to use an asset at the value of the accompanying liability from lease and at the value of payments for leases that were conducted on the starting date of the lease or before.

The company depreciates the asset that represents the right to use from the start of the lease and until the end of its utility. The company recognizes the right to use an asset by purpose of use of the leased asset.

The right to use the assets is depreciated equally for the duration of lease or estimated period of utility of assets, and for the period which is shorter than described below:

- offices and warehouses from 1 to 7 years,
- automobiles, motor vehicles and other equipment from 1 to 4 years,
- business premises for retail stores from 8 months to 7 years,
- premises and lots for installing telecommunication equipment from 2 months to 30 years,
- lines from 3 to 14 years,
- last mile from 1 to 4 years,

The company measures liability from leas at initial recognition at current value of paid leases, discounted at interest rate adopted at lease. It uses the presumed interest rate for leasing.

Leases that the company includes in the measurements of liability from lease are as follows:

- fixed leases,
- variable leases, depending on the index or rate in force on the starting date of the lease.

Liabilities from rents are listed in the short-term and long-term liabilities, among financing liabilities. With initial measurement recognition the company measured liabilities from lease at carrying amount, which reflects the interest on liabilities from leasing (taking into account the assumed leasing interest rate). Liabilities from leasing are reduced for actually performed payments to the lessor.

The company re-measures the liability from lease (and consequently adjusts the right to use the asset), if:

- the duration of the lease changes; in such an event the liability from leasing is re-measured, taking into account the changed leases which are discounted by using the changed interest rate;
- the leases change because of the change in index or rate; in such an event the liability from leasing is re-measured, taking into account the changed leases which are discounted by using the initial, i.e., unchanged interest rate;
- the lease agreement changes and this change is not charged as a separate lease; in such an event the liability from the lease is re-measured, however, taking into account the changed remaining lease period during which the remaining leases are discounted with the changed interest rate on the date the change to the lease comes into effect.

i) Inventories

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

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

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

j) Provisions

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

Provisions for Post-Employment Benefits and Other 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.

k) 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.

l) Taxes

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

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

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

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

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

m) Revenue from contracts with customers

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

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

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

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

Bundled sales of equipment and services

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

The company has received the following accounting evaluations that have a significant impact on setting the amount and the moment the revenue from contracts with customers are recognized (Article 123 of IFRS 15).

- Defining the enforcing obligation in sales of bundled equipment and services (Article 22 of IFRS 15).

The company provides services to its customers either separately or bundled with equipment. Services represent a promised transfer of services into the future, and are a part of the negotiated exchange of services for a fee between the company and the customer.

The company has laid down that it may separate the performance of services from the sale of equipment. The fact that the company regularly sells both equipment and services separately shows that the customer can also use them separately. The company has also established that the promise of the transfer of equipment and services there are differences in the content of the agreement. In the agreement, equipment and services therefore do not represent a common item. The company does not ensure important joint services, as the sale of bundled equipment and services does not provide the option of any additional or joint functionalities, and neither equipment nor services impact the change or adjustment of the other. Also, the equipment and the services are not interdependent or highly connected, as the company provides the equipment even if the customer rejects the services. Taking the above into account, the company classifies part of the transaction price on the equipment and part on the services, based on relative independent sales price of this equipment and services. IFRS 15.27 IFRS 15.29

- Principal or agent: Article B34 of IFRS 15

The company has agreements with agents who conclude agreements with customers for the purchase of goods and services in the name and on behalf of the company. After the adoption of IFRS 15 the company decided that based on the existence of credit risk and nature of the fee according to the agreement, it is exposed to significant risks and benefits from the sale of equipment to end customers, and therefore the agreements are classified as principal, which means that revenue is recognized only when the goods are sold to the final customer, and not to the agent, as before.

- Financial component

In the review the financial component turned out to be insignificant. The company has decided that the financial component is not significant, if the relative value of the component financing in proportion to the total price of the transaction does not exceed 5%.

Amounts from contracts

- Assets from contracts

Assets from contracts represent the right to a compensation in exchange for goods or services that the company transfers onto the customer.

- Operating liabilities

The liability is the right of the group to the unconditional amount of the compensation, i.e., the compensation is payable by a certain date.

- Liabilities from agreements

Liabilities from agreements are the liabilities of transferring goods or services to the customer in exchange for a compensation that the group received from the customer (or which the customer is obligated to settle). Liabilities from agreement are recognized as revenue when the company fulfills its obligation from the agreement.

- Cost of agreement acquisition

The company pays a commission to agents for every obtained agreement for bundled sale of goods and services. The costs of the commission are depreciated in accordance with the period of the subscriber agreement, usually in 24 months, and are recognized as production costs of products and provision of services.

n) Financial revenue and expenses

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

State subsidies are funds an organization receives from the state or the local community directly from the budget, through state or local community bodies or through other users of budget funds for specific purposes. State subsidies are sometimes also referred to as grants or subsidies. State and other subsidies, received for covering the costs, are recognized as revenue in the periods when the costs that the subsidies are to supplement were accrued.

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

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

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

o) Use of Accounting Estimates and Judgments

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

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

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

- Significant assessments related to agreements with customers are disclosed in the above explanation m. Revenue from agreements with customers.

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

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

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

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

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

- Leases: lease duration is the period in which the lease cannot be terminated, together with the period for which the option of extending the lease applies, if it is fairly certain that the lease holder opts for this option, and the period for which the option of terminating the lease applies, if it is fairly certain that the lease holder will not take this option. The company measures liability from leas at initial recognition at current value of paid leases, discounted at interest rate adopted at lease. It uses the presumed interest rate for leasing 5.2.3., 5.2.18.

p) Fair value

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

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

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

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

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

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

Intangible assets

Fair value of non-tangible assets obtained in commercial mergers was defined for the brand the customer list by using the methods of discounted cash flows, for which it is expected to originate from using these assets, and for computer software it was established based on the estimate of costs of in-house developers at Telekom Austria AG, who would be required to develop the same kind of computer equipment, while also taking into account functional aging for software programs for which new versions are 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.

r) Cash flow statement

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

Cash flow statement was prepared using the indirect method and based on data from the balance sheet as at 31 December 2021 and 31 December 2020, data from the profit and loss statement for 2021, and from additional data which are required for adjusting inflows and outflows.

5. Explanations and notes on financial statements

5.1. Commercial mergers

In 2020 the company merged by acquisition its subsidiary P&ROM, elektronika in telekomunikacije, d.o.o. The merger by acquisition of P&ROM, elektronika in telekomunikacije, d.o.o., did not have any material effects, and consequently the disclosure is not repeated.

On 30 September 2021 the company merged by acquisition its subsidiary Dostop komunikacije, d.o.o.

The merger by acquisition agreement was concluded on 10 August 2021. With the entry of the merger into the Court Register of Legal Entities on 30 September 2021, Dostop komunikacije was stricken from it and ceased to operate.

On 30 September 2021 the company completed merger by acquisition of its subsidiary Dostop komunikacije, d.o.o., by acquiring all of its assets and liabilities. The merged assets and liabilities were entered in books at their carrying values at the day of acquisition, and are listed in the table below. The difference between the investment into the merged subsidiary and the carrying value of net assets of the merged company in the amount of EUR 69,265 (the investment in the value of EUR 1,250,000 and the fair value of EUR 1,180,735) was recognized in the capital as an increase of the retained net profit.

Between 1 January 2021 and the date, it was stricken from the Court Register of Legal Entities, Dostop komunikacije, d.o.o., created EUR 333,364 in revenue and EUR 231,614 in expenditures, which are in full included the business results of A1 Slovenija for the 2021 financial year.

The merger by acquisition also had an impact on the monetary flow, as A1 Slovenija, d.d., also acquired EUR 26,930 of cash deposits.

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

	Value at merger on 1 January 2021 in EUR
Cash and cash equivalents	26,930
Trade receivables	45,012
Inventories	3,865
Other receivables and assets	7,343
Financial assets	0
Intangible assets recognized before the merger by acquisition	0
Intangible assets (established at merger by acquisition)	1,089,153
Property, plant, and equipment	174,205
Other liabilities and provisions	-86,074
Obligations for deferred tax assets	-42,518
Liabilities towards suppliers	-37,181
Net assets acquired through merger by acquisition	**1,180,735**
Investment in the merged company	1,250,000
Merged cash and cash equivalents	26,930
Net cash inflow	**26,930**

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

	Value at merger on 1 January 2021 in EUR
Goodwill	786,534
List of customers	302,619
Total intangible assets	**1,089,153**

5.2. Balance sheet

5.2.1. Intangible assets

	Goodwill	Customer list and brand	Radio frequencies	Licenses	Software	Leased lines	Total
Original cost							
Balance on 1 January 2020	11,531,840	3,960,000	92,113,004	14,490,170	54,956,459	28,263,313	205,314,786
Procurement, activation	0	0	0	318,021	1,184,481	492,007	1,994,511
Disposals, write-offs	0	0	0	0	0	0	0
Transfer	0	0	0	765,053	2,248,749	1,228,500	4,242,302
Merger by acquisition	392,110	489,418	0	0	0	0	881,528
Balance on 31 December 2020	11,923,950	4,449,418	92,113,004	15,573,244	58,389,689	29,983,820	212,433,127
Procurement, activation	0	0	43,708,773	510,679	3,766,584	0	47,986,036
Disposals, write-offs	0	0	0	0	-88,735	0	-88,735
Transfer	0	0	0	0	0	0	0
Merger by acquisition	786,534	336,243	0	0	0	0	1,122,777
Balance on 31 December 2021	12,710,484	4,785,661	135,821,777	16,083,923	62,067,538	29,983,820	261,453,203

	Goodwill	Customer list and brand	Radio frequencies	Licenses	Software	Leased lines	Total
Accumulated depreciation and impairments							
Balance on 1 January 2020	**0**	**2,790,967**	**45,907,865**	**13,744,487**	**48,342,328**	**9,733,805**	**120,519,452**
Depreciation and amortization	0	206,300	4,795,577	413,495	2,837,309	1,498,372	9,751,053
Disposals, write-offs	0	0	0	0	0	0	0
Transfer	0	0	0	0	0	0	0
Merger by acquisition	0	65,256	0	0	0	0	65,256
Balance on 31 December 2020	**0**	**3,062,523**	**50,703,442**	**14,157,982**	**51,179,637**	**11,232,177**	**130,335,761**
Depreciation and amortization	0	288,865	5,871,615	592,784	3,038,797	1,514,682	11,306,743
Disposals, write-offs	0	0	0	0	-88,736	0	-88,736
Transfer	0	0	0	0	0	0	0
Merger by acquisition	0	33,624	0	0	0	0	33,624
Balance on 31 December 2021	**0**	**3,385,012**	**56,575,057**	**14,750,766**	**54,129,698**	**12,746,859**	**141,587,392**
Value not written-off							
31 December 2020	**11,923,950**	**1,386,895**	**41,409,562**	**1,415,262**	**7,210,052**	**18,751,643**	**82,097,364**
31 December 2021	**12,710,484**	**1,400,649**	**79,246,720**	**1,333,157**	**7,937,840**	**17,236,961**	**119,865,811**

54% of all intangible assets that were utilized as at 31 December 2021 were fully amortized (on 31 December 2020 there were 67% of all such intangible assets).

Goodwill, customer list and brand

Based on the merger of Amis, d.o.o., P&ROM, d.o.o., and Dostop komunikacije, d.o.o., the company recognized the goodwill, brand, and list of customers. Based on the merger by acquisition of Dostop komunikacije, d.o.o., the company recognized goodwill in the amount of EUR 786,534 (in 2020 based on the merger of P&ROM in the amount of EUR 392,110).

Overview of goodwill by years:

	year of merger by acquisition	amount in EUR
Merger by acquisition of Amis d.o.o.	2016	11,531,839.63
Merger by acquisition of P&ROM d.o.o.	2020	392,110.08
Merger by acquisition of Dostop komunikacije d.o.o.	2021	786,534.44
Total		**12,710,484.15**

Radio frequencies

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

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

On 10 June 2021 the Agency for Communication Networks and Services (AKOS) issued a decision for the utilization of the radio frequency spectrum in the 3600 MHz and 700 MHz radio frequency bands, which the company won in the frequency auction in 2021 in the total value of EUR 43.7 million. The liabilities for radio frequencies were fully settled in 2021.

The carrying amount of the licenses as at 31 December 2021 was EUR 79.2 million (2020: EUR 41.4 million).

Financial commitments

As at 31 December 2021 the company has no financial commitments for obtaining intangible assets (2020: EUR 0).

Impairment test of goodwill and long-term assets

In 2021 we completed an impairment test of goodwill and other long-term non-financial assets on the basis of discounted future cash flows for the cash-generating unit which is the company as a whole.

The impairment test took into consideration the management plan for the 2022– 2026 period, with the pre-tax discount rate of 4% (2020: 8.7%), and a long-term growth rate of 2.4%. The assumptions regarding the evolution of revenue are based on past success, industry forecasts and external market data, such as the evolution of the gross domestic product (GDP), the rate of inflation and other parameters. The evolution of costs and capital expenditures is based on past experience and internal expectations. The rate of growth takes into consideration the general growth rate and the growth rates for the company in the past periods or growth rates in similar plans. The discount rate for every cash-generating unit is set separately, based on market data and taking into account special risks, related to the cash-generating unit. Interest rates before tax are based on a non-risk interest rate, adapted to market, state and industry risks. The standard discount rate is used for all planning periods.

No need for impairment was established. A reasonable change in key assumptions would not result in goodwill impairment.

Leased lines

In 2021 the company recognized leases paid upfront in the amount of EUR 1,514,682 (2020: EUR 1,720,507).

5.2.2. Property, plant and equipment

	Property, plant and investments in third party tangible fixed assets	Base stations and exchanges	Computer equipment	Other equipment and small tools	Fixed assets under construction	Total
Historical cost						
Balance on 1 January 2020	7,806,340	193,358,717	18,495,082	55,878,833	24,987,931	300,526,903
Procurement, activation	52,705	9,713,869	168,948	484,499	4,881,791	15,301,812
Disposals, write-offs	-206,588	-4,559,315	-180,131	-1,100,725	0	-6,046,759
Transfer	120,359	3,037,664	391,480	1,667,443	-15,187,739	-9,970,793
Merger by acquisition	0	332,846	4,392	35,515	0	372,753
Balance on 31 December 2020	7,772,816	201,883,781	18,879,771	56,965,565	14,681,983	300,183,916
Procurement, activation	76,356	15,377,460	1,110,642	3,410,904	10,707,997	30,683,359
Disposals, write-offs	-137,513	-5,294,492	-764,391	-1,572,365	0	-7,768,761
Transfer	0	0	0	0	0	0
Merger by acquisition	0	677,651	23,873	20,866	0	722,390
Balance on 31 December 2021	7,711,659	212,644,400	19,249,895	58,824,970	25,389,980	323,820,904

	Property, plant and investments in third party tangible fixed assets	Base stations and exchanges	Computer equipment	Other equipment and small tools	Fixed assets under construction	Total
Accumulated depreciation and impairments						
Balance on 1 January 2020	6,094,202	147,046,967	16,131,369	43,812,346	1,305,035	214,389,919
Depreciation and amortization	446,165	11,810,757	1,126,978	4,414,015	-255,057	17,542,858
Disposals, write-offs	-206,588	-4,061,112	-170,316	-636,208	0	-5,074,224
Transfer	0	0	0	0	0	0
Merger by acquisition	0	146,194	3,708	20,385	0	170,287
Balance on 31 December 2020	6,333,779	154,942,806	17,091,739	47,610,538	1,049,978	227,028,840
Depreciation and amortization	422,282	12,747,397	1,068,921	3,947,191	-228,200	17,957,591
Disposals, write-offs	-137,513	-4,160,223	-764,255	-1,571,892	0	-6,633,883
Transfer	0	0	0	0	0	0
Merger by acquisition	0	505,766	21,681	20,738	0	548,185
Balance on 31 December 2021	6,618,548	164,035,745	17,418,086	50,006,575	821,778	238,900,732
Value not written-off						
31 December 2020	**1,439,037**	**46,940,975**	**1,788,032**	**9,355,027**	**13,632,005**	**73,155,076**
31 December 2021	**1,093,111**	**48,608,655**	**1,831,809**	**8,818,395**	**24,568,202**	**84,920,172**

53% of all tangible assets that were utilized as at 31 December 2021 were fully amortized (on 31 December 2020 there were 55% of all such intangible assets).

Base stations and exchanges

In 2021, investments in base stations were EUR 15,377,460 (2020: EUR 12,751,528). The estimated useful life of base stations is 5 years for the equipment and 15 years for the infrastructure, and the straight-line depreciation method is used.

The carrying amount of decommissioning costs which are included in the value of the investments in base stations was EUR 2,969,042 as at 31 December 2021 (2020: EUR 3,394,199).

When calculating the provisions for decommissioning costs as at 31 December 2021, the company applied the following conditions:

- discount rate of 0.8% (2020: 0.5%)
- Inflation rate 2% (2020: 2%).

Mortgages

As at 31 December 2021 fixed assets are not used as collateral (2020: they were not used).

Financial commitments

The amount of financial commitments for obtaining tangible fixed assets as at 31 December 2021 was EUR 3,497,086 (2020: EUR 430,621).

Finance leases

The Company has no fixed assets under financial lease.

5.2.3. The right to use the assets

in EUR	1 January 2021				31 December 2021
Type of leased asset	the right to use	new acquisition	write-offs	amortization and depreciation cost	the right to use
Offices and warehouses	8,717,494	83,358	-2,605	-1,452,275	7,345,972
Cars	566,509	94,560	-188	-230,602	430,279
Business premises for retail stores	1,817,350	330,373	-124,094	-396,100	1,627,529
Premises and lots for installing telecommunication equipment	29,874,562	515,391	-130,299	-5,335,920	24,923,734
Leased optical fibers	518,628	672	0	-162,507	356,793
Leased capacities to end users	29,386,730	1,759,916	-1,524,872	-10,299,844	19,321,930
Total	**70,881,273**	**2,784,270**	**-1,782,058**	**-17,877,248**	**54,006,237**

in EUR	1 January 2020				31 December 2020
Type of leased asset	the right to use	new acquisition	write-offs	amortization and depreciation cost	the right to use
Offices and warehouses	9,772,193	433,915	-48,665	-1,439,948	8,717,494
Cars	499,699	297,336	-7,095	-223,430	566,509
Business premises for retail stores	1,778,513	481,033	-17,303	-424,893	1,817,350
Premises and lots for installing telecommunication equipment	38,388,499	1,840,236	-5,012,494	-5,341,679	29,874,562
Leased optical fibers	252,378	481,490	-51,766	-163,474	518,628
Leased capacities to end users	19,833,041	20,236,378	-1,092,888	-9,589,801	29,386,730
Total	**70,524,323**	**23,770,388**	**-6,230,211**	**-17,183,225**	**70,881,273**

Average duration of lease is 9 years (2020: 9 years).

Amounts recognized in business results are disclosed in disclosure 6.2.

5.2.4. 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 (2020: EUR 750), an investment into the shares of the cable system Pekre Radvanje Limbuš, d.d., in the amount of 90.46%, i.e. EUR 1,028,206 (2020: EUR 328,205), an investment in SIKABEL, d.o.o., in the amount of 5%, i.e., EUR 1000 (2020: EUR 1,000), an investment in the cable operator STUDIO PROTEUS, d.o.o., in the amount of 100%, i.e., EUR 3,200,000 (2020: EUR 3,200,000), and a long-term loan in the amount of EUR 660,000 (2020: EUR 160,000).

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

in EUR

Company name	Registered office	Equity as at 31 December 2021	Profit or loss for 2021
TS RPL d.d.	Pohorska ulica 9, 2000 Maribor	999,032	-62,480
STUDIO PROTEUS d.o.o.	Cesta v Staro vas 2, 6230 Postojna	111,438	18,666

Changes in long-term financial assets:

Financial assets recognized at carrying amount through other comprehensive income	
Balance on 1 January 2021	**4,939,955**
Additions	1,200,001
Merger by acquisition	-1,250,000
Impairment	0
Disposals	0
Adjustment to fair value	0
Balance on 31 December 2021	**4,889,956**
Balance on 1 January 2020	**2,778,955**
Additions	3,361,000
Impairment	-1,200,000
Disposals	0
Adjustment to fair value	0
Balance on 31 December 2020	**4,939,955**

5.2.5. Long-term operating receivables

	31 December 2021	31 December 2020
Long-term operating receivables due from customers	10,461,201	10,350,121
Accumulated allowances	-172,517	-179,479
Effect of discounting	0	0
Long-term net trade receivables	10,288,684	10,170,642
Long-term operating receivables from others	71,541	83,092
Accumulated allowances	0	0
Long-term net trade receivables due from others	71,541	83,092
Long-term operating receivables	**10,360,225**	**10,253,734**

Long-term operating receivables include the receivables from the sale of phones in 24 installments in the amount of EUR 10,360,225 (2020: EUR 10,253,734).

5.2.6. Long-term assets from agreements

Assets from agreements represent the right to a compensation in exchange for goods or services that the company transfers onto the customer. The customers generally pay for the equipment sold as part of a subscription plan in the amount recognized in assets as part of monthly subscription fee, which is billed to the customers for the duration of their agreements.

The agent commission is also recognized among assets from agreements, which is distributed over the duration of the subscriber agreement. They are recognized as production costs of products and provision of services.

Revenue from services is recognized when the service is rendered, and are generally billed on a monthly basis. Some services, such as for example connection fee, migration costs, etc., are billed upfront. These revenues are distributed and then recognized in proportionate part through the contractual lock-in period.

In accordance with the concluded agreements, the revenue from the sale of equipment is recognized when the equipment is accepted or delivered. In agreements that do not include several elements or are not the subject of a purchase in installments, the payment is received when the equipment is received. In agreements that include several elements, the customer pays the amount recognized in agreement assets on a monthly basis. For sales in installments, the customer pays the same amount on each installment for the duration of the agreement.

The company recognizes the revenue from services of connecting and roaming based on the duration of the calls or the amount of data for the period in which the service was rendered. Revenue of other national and foreign partners outside of the company's network and the revenue from roaming in other mobile networks is recognized in the period when the call is made, or when the data amount is used.

Below are assets from agreements by type and maturity.

	31 December 2021	31 December 2020
The right to a compensation in exchange for goods or services	1,143,355	1,364,090
Agent commission for new subscriber acquisition	381,592	257,858
Total long-term assets from agreements	**1,524,947**	**1,621,948**
The right to a compensation in exchange for goods or services	3,397,839	4,241,599
Agent commission for new subscriber acquisition	884,412	643,407
Total short-term assets from agreements	**4,282,251**	**4,885,006**

5.2.7. Deferred tax assets

Deferred tax assets are processed based on the future 19% tax rate (2020: 19%).

Movements of deferred tax assets

Movements for 2021	1 January 2021	Increase	Merger by acquisition	Derecognition	Expenditure	31 December 2021
From temporary differences arising from the revaluation of receivables	3,339,693	1,585,729	0	-752,372	-112,615	4,060,435
From temporary differences arising from provisions	494,119	433,153	1,049	-1,317	-27,004	900,000
From temporary differences arising from applying different amortization/ depreciation periods for bookkeeping and tax purposes	676,311	188,856	-57,509	0	-44,988	762,670
From temporary differences arising from tax losses	0	0	13,930	0	-13,930	0
From temporary differences for revaluated adjustment in capital	-10,540			10,540		0
Total	**4,499,583**	**2,207,738**	**-42,530**	**-743,149**	**-198,537**	**5,723,105**

Movements for 2020	1 January 2020	Increase	Merger by acquisition	Derecognition	Expenditure	31 December 2020
From temporary differences arising from the revaluation of receivables	3,291,550	644,943	0	-409,723	-187,078	3,339,693
From temporary differences arising from provisions	446,565	53,401	0	0	-5,846	494,120
From temporary differences arising from applying different amortization/depreciation periods for bookkeeping and tax purposes	608,583	198,293	-92,989	-17,835	-19,741	676,311
From temporary differences arising from tax losses	0	0	2,357	0	-2,357	0
From temporary differences for revaluated adjustment in capital	0	0	0	0	-10,540	-10,540
Total	**4,346,698**	**896,637**	**-90,632**	**-427,558**	**-225,562**	**4,499,583**

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

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

5.2.8. Long-term deferred costs

	31 December 2021	31 December 2020
Deferred cost of connection fees for data lines	1,218,867	1,066,472
Other deferred costs	134,318	209,586
Long-term deferred costs	**1,353,185**	**1,276,058**

5.2.9. Inventories

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

	31 December 2021	31 December 2020
Goods for resale	5,587,830	6,434,157
Inventories	**5,587,830**	**6,434,157**

Inventories as at 31 December 2021 are not mortgaged. As at 31 December 2021 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 2021.

5.2.10. Short-term trade receivables due from customers

	31 December 2021	31 December 2020
Short-term trade receivables due from customers – subscribers	78,293,585	75,785,959
Allowances for short-term trade receivables due from customers – subscribers	-27,446,870	-27,669,330
Net trade receivables due from customers – subscribers	50,846,715	48,116,629
Short-term trade receivables due from customers – others	8,275,082	11,301,459
Allowances for short-term trade receivables due from customers – others	-1,291,621	-1,289,389
Net trade receivables due from customers – others	6,983,461	10,012,070
Short-term trade receivables – foreign	1,334,666	3,286,367
Allowances for short-term trade receivables due from customers – foreign	0	0
Net trade receivables – foreign	1,334,666	3,286,367
Total short-term operating receivables	**59,164,842**	**61,415,066**

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

5.2.11. Short-term trade receivables from group companies

	31 December 2021	31 December 2020
Short-term trade receivables from group companies	895,312	735,640
Allowances for short-term trade receivables from group companies	0	0
Total trade receivables from group companies	**895,312**	**735,640**

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

5.2.12. Other operating receivables

	31 December 2021	31 December 2020
Advances and security deposits given	1,523,367	1,123,556
Allowances for advances and security deposits given	0	0
Net advances and security deposits given	1,523,367	1,123,556
Other short-term receivables	1,267,122	1,540,883
Allowances for other short-term receivables	0	0
Net other short-term receivables	1,267,122	1,540,883
Total other operating receivables	**2,790,489**	**2,664,439**

5.2.13. Cash and cash equivalents

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

	31 December 2021	31 December 2020
Cash in hand and banks	175,025	191,481
Term deposits	9,329,260	47,823,214
- at Telekom Austria	9,289,260	47,783,214
- at other connected parties	40,000	40,000
Total cash and cash equivalents	**9,504,285**	**48,014,695**

5.2.14. Other short-term assets

	31 December 2021	31 December 2020
Short-term deferred costs	384,252	202,586
Total other short-term assets	**384,252**	**202,586**

Short-term deferred costs include deferred costs for maintenance, electricity, car insurance, professional literature, etc.

5.2.15. Equity

Company equity on 31 December 2021 is EUR 234,658,522. 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 2021.

Capital reserves are EUR 108,941,657 (31 December 2020: EUR 108,941,657) and represent the pay-in of the majority shareholder.

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

Reserves resulting from valuation at carrying amount relate to unrealized actuarial profits, losses from the actuarial calculation of severance pay upon retirement, and profits, losses realized in write-offs of financial investments.

Retained earnings did not increase as at 1 January 2021.

Net profit from operations for the 2021 financial year is EUR 11,259,422. Net earnings per share are EUR 1.21 (2020: EUR 1.17) which is calculated by dividing EUR 11,259,422 by 9,300,000 shares.

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:

	v EUR	2021	2020
a)	Net profit/loss for the year	11,259,423	10,904,649
b)	+ retained net profit	72,170,795	76,335,412
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)	– reduced long-term deferred development cost	0	0
f)	**= distributable profit (a+b+c-č-d) which the General Meeting distributes**	**83,430,218**	**87,240,061**
	- to shareholders	0	15,000,000
	- to other reserves	0	0
	- to retained profit	0	0
	- for other purposes	0	0

5.2.16. Provisions for post-employment benefits and other 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 and provisions for probable liabilities after lawsuits. Provisions for probable liabilities are long-term provisions, and were classified in 2021 (in 2020 these were listed among short-term provisions).

	1 January 2021	Increase	Merger by acquisition	Derecognition	Debited under equity	Expenditure	31 December 2021
Jubilee awards	218,151	47,914	0	0	0	-36,762	229,303
Severance pay upon retirement	968,825	109,805	0	0	-40,793	-49,792	988,045
Post-employment employee benefits	1,186,976	157,719	0	0	-40,793	-86,554	1,217,348
Decommissioning cost	7,276,927	97,875	0	-288,818	0	0	7,085,984
Provisions for probable liabilities after lawsuits	4,714,846	1,926,169	11,048	0	0	-156,904	6,495,159
Total provisions	**13,178,749**	**2,181,763**	**11,048**	**-288,818**	**-40,793**	**-243,458**	**14,798,491**

	1 January 2020	Increase	Merger by acquisition	Derecognition	Debited under equity	Expenditure	31 December 2020
Jubilee awards	221,036	35,486	0	-28,719	0	-9,652	218,151
Severance pay upon retirement	860,328	104,908	0	0	55,476	-51,887	968,825
Post-employment employee benefits	1,186,976	140,394	0	-28,719	55,476	-61,539	1,186,976
Decommissioning cost	7,306,111	31,112	0	-60,296	0	0	7,276,927
Provisions for probable liabilities after lawsuits	1,927,253	2,787,593	0	0	0	0	4,714,846
Total provisions	**10,420,340**	**2,959,099**	**0**	**-89,015**	**55,476**	**-61,539**	**13,178,749**

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 are based on the following assumptions:

- the actuarial calculation of severance payments are made applying a 1.00% discount rate (2020: 0.75%),
- the actuarial calculation of jubilee awards are made applying a 0.25% discount rate (2020: 0.25%)
- the currently applicable amount of severance payments and jubilee awards, as defined by law
- employee fluctuation, which depends especially on their age
- mortality based on available mortality tables for local population.

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	-4.61%	4.97%	0.00%	0.00%	-4.73%	3.25%
Severance pay upon retirement	-6.63%	7.32%	10.89%	-8.02%	5.84%	-5.55%
Effect on provisions for post-employment benefits						

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 0.8% and a rate of inflation in the amount of 2%.

Sensitivity analysis for decommissioning costs

	Discount rate	
Unit	percentage point	
by	-1	1
Effect on provisions for decommissioning costs	**10.18%**	**-10.97%**

Provisions for probable liabilities after lawsuits are formed based on the estimated probable outcome, which is conducted with a high level of caution. Date of maturity of receivables cannot be determined. Lawsuits for which provisions have been made, are in different phases of procedure.

5.2.17. Long-term operating liabilities

	31 December 2021	31 December 2020
Long-term operating liabilities	9,000,000	13,556,000
Total long-term operating liabilities	**9,000,000**	**13,556,000**

Disclosures of maturity of receivables is listed under 5.5.1.

5.2.18. Long-term and short-term financial liabilities for leasing

in EUR	1 January 2020				31 December 2020
Type of leased asset	liabilities from leasing	liabilities for new acquisitions	agreement terminations	payment of liabilities in the period	liabilities from leasing
Offices and warehouses	9,969,226	549,357	-48,665	-1,534,068	8,935,851
Cars	502,375	303,068	-7,144	-233,524	564,774
Business premises for retail stores	1,800,277	512,760	-17,521	-440,145	1,855,371
Premises and lots for installing telecommunication equipment	33,650,756	2,064,272	-5,013,902	-5,140,566	25,560,560
Leased optical fibers	262,669	512,231	-51,766	-169,007	554,128
Leased capacities to end users	20,660,095	19,999,387	-1,092,888	-9,093,211	30,473,383
Total	**66,845,398**	**23,941,075**	**-6,231,886**	**-16,610,521**	**67,944,067**

in EUR	1 January 2021				31 December 2021
Type of leased asset	liabilities from leasing	liabilities for new acquisitions	agreement terminations	payment of liabilities in the period	liabilities from leasing
Offices and warehouses	8,935,851	237,571	-2,605	-1,564,533	7,606,284
Cars	564,774	99,049	-188	-241,779	421,856
Business premises for retail stores	1,855,371	415,335	-125,207	-451,634	1,693,865
Premises and lots for installing telecommunication equipment	25,560,560	996,921	-131,749	-5,165,418	21,260,314
Leased optical fibers	554,128	65,487	0	-191,710	427,905
Leased capacities to end users	30,473,383	3,597,364	-1,529,814	-12,069,617	20,471,316
Total	**67,944,067**	**5,411,727**	**-1,789,563**	**-19,684,691**	**51,881,540**

*long-term leased capacities to end users.

As at 31 December 2020 the company has EUR 17,283,271 liabilities from short-term leases (for 2020: EUR 16,964,311). Under short-term financial liabilities the company included those liabilities that are due for payment on a year after the date of the balance sheet, and in under long-term those that are due for payment a period longer than a year.

in EUR	1 January 2021	31 December 2021
type of leased asset	liabilities from leasing	liabilities from leasing
Offices and warehouses	1,385,516	1,416,115
Cars	210,455	210,372
Business premises for retail stores	385,328	383,800
Premises and lots for installing telecommunication equipment	4,851,814	4,950,797
Leased optical fibers	161,725	110,253
Leased capacities to end users	9,969,473	10,211,934
Total	**16,964,311**	**17,283,271**

*long-term leased capacities to end users.

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

2020 in EUR type of leased asset	up to 1 year	from 1 to 2 years	from 2 to 3 years	from 3 to 4 years	from 4 to 5 years	5 years or more
Offices and warehouses	1,385,516	1,408,310	1,431,483	1,455,043	1,209,996	2,558,970
Cars	210,455	173,686	123,371	54,673	1,822	768
Business premises for retail stores	385,328	362,716	350,740	353,757	343,010	31,452
Premises and lots for installing telecommunication equipment	4,851,814	4,912,089	4,906,708	4,838,432	4,225,854	2,190,747
Leased optical fibers	161,725	118,474	63,429	64,247	65,075	50,286
Leased capacities to end users	9,969,473	10,086,406	7,843,608	1,047,465	359,658	347,482
Total	**16,964,311**	**17,061,680**	**14,719,340**	**7,813,616**	**6,205,415**	**5,179,705**

2021 in EUR type of leased asset	up to 1 year	from 1 to 2 years	from 2 to 3 years	from 3 to 4 years	from 4 to 5 years	5 years or more
Offices and warehouses	1,416,115	1,439,358	1,462,988	1,218,011	377,079	1,603,266
Cars	210,372	141,420	72,698	9,076	768	0
Business premises for retail stores	383,800	371,737	374,710	380,613	79,063	68,223
Premises and lots for installing telecommunication equipment	4,950,797	4,946,101	4,887,536	4,224,412	2,172,142	1,137,932
Leased optical fibers	113,253	63,429	64,247	65,075	50,286	0
Leased capacities to end users	10,211,933	7,767,719	926,889	343,010	347,482	0
Total	**17,286,270**	**14,729,764**	**7,789,068**	**6,240,197**	**3,026,820**	**2,809,421**

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

2020 in EUR type of leased asset	up to 1 year	from 1 to 2 years	from 2 to 3 years	from 3 to 4 years	from 4 to 5 years	5 years or more
Offices and warehouses	1,516,940	1,516,940	1,516,940	1,516,940	1,250,055	2,059,746
Cars	217,103	177,541	124,957	55,025	1,848	770
Business premises for retail stores	412,168	383,535	365,716	362,932	362,932	31,615
Premises and lots for installing telecommunication equipment	5,240,691	5,223,367	5,134,933	4,983,901	4,293,686	1,697,068
Leased optical fibers	167,687	122,291	66,180	66,180	66,180	50,640
Leased capacities to end users	10,264,407	10,264,407	7,906,663	1,060,239	349,927	349,927
Total	**17,818,996**	**17,688,081**	**15,115,389**	**8,045,217**	**6,324,628**	**4,189,766**

2021 in EUR type of leased asset	up to 1 year	from 1 to 2 years	from 2 to 3 years	from 3 to 4 years	from 4 to 5 years	5 years or more
Offices and warehouses	1,525,179	1,525,179	1,525,179	1,258,294	404,175	1,677,190
Cars	214,767	143,307	73,193	9,119	770	0
Business premises for retail stores	405,728	387,811	384,978	384,978	80,076	68,653
Premises and lots for installing telecommunication equipment	5,263,766	5,175,731	5,028,232	4,324,448	551,982	1,274,129
Leased optical fibers	122,464	66,180	66,180	66,180	50,640	0
Leased capacities to end users	10,387,903	7,827,903	939,421	349,927	349,927	0
Total	**17,919,807**	**15,126,111**	**8,017,183**	**6,392,946**	**1,437,570**	**3,019,972**

5.2.19. Long-term and short-term liabilities from agreements

Liabilities from agreements are the liabilities of transferring telecommunication services to the customer in exchange for a compensation that the company received from the customer. Connection fee and switching subscription plans are sold together with telecommunication services and mobile devices. Following the method of independent sales price, a share of the price of transaction is added to the above-mentioned services, which are recognized as liability from agreement.

Short-term revenue from agreements comprises deferred revenue from sold and not yet used top-up cards for services in the SIMPL and bob systems.

Below are liabilities from agreements by maturity.

	31 December 2021	31 December 2020
Long-term liabilities from agreements	1,153,021	1,149,222
Short-term liabilities from contracts	3,509,133	3,951,836
Total liabilities from agreements	**4,662,154**	**5,101,058**

5.2.20. Short-term operating liabilities to suppliers

	31 December 2021	31 December 2020
Liabilities towards suppliers	40,934,446	21,201,641
Total short-term operating liabilities to suppliers	**40,934,446**	**21,201,641**

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

5.2.21. Short-term operating liabilities towards group companies

	31 December 2021	31 December 2020
Liabilities towards group companies	1,975,265	1,594,570
Total short-term operating liabilities towards group companies	**1,975,265**	**1,594,570**

5.2.22. Corporate income tax liabilities

	31 December 2021	31 December 2020
Income tax liabilities	0	1,647,239
Total income tax liabilities	**0**	**1,647,239**

5.2.23. Other operating liabilities

	31 December 2021	31 December 2020
Liabilities towards employees	1,711,570	1,377,458
Liabilities towards the state and state institutions	1,182,456	3,550,032
Other liabilities	892,371	827,091
Total other operating liabilities	**3,786,397**	**5,754,581**

5.2.24. Short-term provisions and accrued costs

	31 December 2021	31 December 2020
Short-term provisions and accrued costs	4,546,324	4,671,073
Total short-term provisions and accrued costs	**4,546,324**	**4,671,073**

Short-term accrued costs include accrued cost of bonuses, costs of unused vacation days for 2021, costs for access lines and other accrued costs.

5.2.25. Contingent Liabilities

The company is the defendant in court cases with the amount of claims totaling at EUR 2,826,282 (2020: EUR 2,925,492). Regarding the open cases, the management estimates that based on the data and information made available until now there is no likelihood of a loss and did not make any provisions for the lawsuits, except for certain lawsuits, where the management estimated that there is a higher probability of an outflow of funds, in relation to which provisions for lawsuits were made.

5.2.26. Contingent liabilities from issued guarantees

As at 31 December 2021 the company's maximum contingent liabilities from issued guarantees stand at EUR 551,248 (2020: EUR 537,273).

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:

	2021	2020
Revenue from contracts with customers	209,702,180	203,307,801
Production costs of goods sold (including depreciation) i.e., historical cost of sold goods	67,797,905	65,226,383
Selling cost (including depreciation)	121,427,432	116,821,786
Administrative expenses (including depreciation)	7,263,265	6,987,775
Operating profit and loss	**13,213,578**	**14,271,857**

5.3.1. Revenue from contracts with customers

	2021	2020
Revenue from the sale of services	155,256,859	152,779,162
Revenue from sold goods	54,445,321	50,528,639
Revenue from contracts with customers	209,702,180	203,307,801

Revenue from contracts with customers at home and abroad

	2021	2020
Revenue from sales at home	204,842,142	198,626,067
- sale of services at home	150,396,821	148,097,428
- sale of goods at home	54,445,321	50,528,639
Revenue from sales abroad	4,860,038	4,681,734
- sale of services abroad	4,860,038	4,681,734
- sale of goods abroad	0	0
Total	**209,702,180**	**203,307,801**

Revenue from contracts with customers by type of services

	2021	2020
Revenue from the sale of subscription and prepaid telephone services	127,877,858	122,941,929
Revenue from interconnection and international roaming	20,164,839	23,874,855
Other revenue from the sale of services	7,214,162	5,962,378
Total	**155,256,859**	**152,779,162**

5.3.2. Other operating revenue

in EUR	2021	2020
Revenue from derecognizing long-term provisions for base stations decommissioning	26,360	60,296
Revenue from reimbursed court costs	1,703,036	1,919,309
Revenue from paid written-off receivables	11,699	8,379
Revenue related to deployed employees	549,709	866,736
Other revenue	749,005	780,374
Total	**3,039,809**	**3,635,094**

5.3.3. Costs of goods, material and services

	2021	2020
Cost of goods sold	52,187,402	48,359,426
Cost of materials	5,223,346	5,226,712
Total	**57,410,748**	**53,586,138**

Cost of materials

	2021	2020
Energy cost	4,600,449	4,600,231
Write-off of small tools	37,345	44,153
Other cost of materials	412,907	404,379
Costs of office supplies and professional literature	172,645	177,949
Total	**5,223,346**	**5,226,712**

Costs of services

	2021	2020
Costs in the production of products and provision of services.	28,057,808	31,061,573
Cost of transportation services	266,991	282,672
Cost of maintenance services	7,555,200	7,083,175
Rent costs	1,418,830	992,915
Cost of payment transactions and bank services	401,311	398,387
Cost reimbursements to employees	43,927	50,061
Cost of intellectual and personal services	3,060,482	2,975,689
Insurance premiums	243,965	214,452
Cost of interconnection and international roaming	17,745,794	18,712,231
Marketing costs	6,798,578	6,493,773
Cost of other services	2,767,861	2,722,391
Total	**68,360,747**	**70,987,319**

Cost of other services includes cost of postal services, cost of phone services and other. Auditing services for 2021 amounted to EUR 60,000 (2020: EUR 68,000) and include the cost of the annual audit.

5.3.4. Labour cost

	2021	2020
Salaries and wage compensations	18,005,118	15,745,102
Pension insurance	2,082,072	1,059,800
Other social security contributions	1,345,769	1,156,012
Other labor costs:		
- transport allowances	410,739	377,367
- food allowance	785,763	708,232
- vacation allowance	815,425	592,602
- cost of severance pays and jubilee awards	179,058	97,098
- cost of unused paid leave	201,338	60,185
- other labor costs	197,471	80,144
Total	24,022,753	19,876,542

5.3.5. Depreciation and amortization

	2021	2020
Depreciation of tangible fixed assets	17,957,591	17,542,858
Amortization of intangible assets	11,306,743	9,751,053
Depreciation and amortization of right to use the assets	17,877,249	17,183,225
Total	47,141,583	44,477,136

5.3.6. Other operating expenses

	2021	2020
Duties not depending on business results	1,270,111	1,396,794
Other expenses	78,743	471,847
Loss from the disposal of intangible assets and tangible fixed assets	402,655	81,369
Total	**1,751,509**	**1,950,010**

Duties not depending on business results comprise liabilities to the Agency for Communication Networks and Services in the amount of EUR 984,086 (2020: EUR 1,058,024) and administrative and court tax stamps.

5.3.7. Impairment of financial assets

	2021	2020
Impairment for receivables due from customers	4,821,507	5,008,093
Derecognition of the impairment for receivables due from customers	-3,960,547	-3,213,682
Impairment of short-term assets from agreements	111,520	14,116
Derecognition of impairment of short-term assets from agreements	-131,409	-14,635
Total	**841,071**	**1,793,892**

5.3.8. Financial revenue and expenses

	2021	2020
Revenue from interest	153,026	224,475
Positive foreign exchange differences	14,119	58,028
Other financial revenue	11,856	2,044
Total financial revenue	**179,001**	**284,547**
Default interest towards suppliers	46,923	23,214
Negative foreign exchange differences	30,340	31,888
Expenses for liabilities from leasing	864,685	1,051,582
Other interest	354,422	286,013
Total financial expenses	**1,296,370**	**1,392,697**
Profit/loss	**-1,117,369**	**-1,108,150**

5.3.9. Income tax

	2021	2020
Accrued tax	2,102,827	2,492,034
Deferred tax	-1,266,041	-232,976
Income tax	**836,786**	**2,259,058**
Profit before taxes	12,096,209	13,163,706
Tax calculated at a 19% rate	2,298,280	2,501,104
Tax effects of untaxed revenue	3,126,305	753,117
Tax effects of non-tax-deductible expenses	-4,587,799	-995,163
Taxes	**836,786**	**2,259,058**
Effective tax rate	6.92%	17.16%

Corporate income tax for 2021 amounts to EUR 2,102,827 (2020: EUR 2,492,034). The effective income tax rate for 2021 was 19% (2020: 19%).

5.3.10. Transactions with related parties

A1 Slovenija, d. d., is fully owned by Mobilkom Beteiligungsgeselschaft mbH, which is not registered in the Republic of Slovenia. The owner of Mobilkom Beteiligungsgeselschaft mbH is Telekom Austria AG. Consequently, Telekom Austria AG is the indirect owner of A1 Slovenija, d. d.. Telekom Austria AG is part of the American Movil Group.

Besides the above, A1 Slovenija, d. d., also performs transactions with some indirectly related companies:

- TS RPL, d.d., which is registered in Slovenia
- Studio Proteus, d.o.o., which is registered in Slovenia
- A1 Hrvatska, d.o.o., which is registered in Croatia
- A1 Bulgaria EAD from Bulgaria
- A1 Srbija, d.o.o., from Serbia
- A1 Makedonija DOOEL Skopje from Northern Macedonia
- Unitary Enterprise A1, Belarus from Belarus
- A1 Telekom Austria, Telekom Finanzmanagement (TFG), A1 Digital International GmbH and Telekom Austria AG from Austria
- TA CZ sítě from Czechia

- AMX Argentina, S.A., Claro S.A. (antes BCP, S.A.), Claro Chile, S.A., Companía Dominicana de Teléfonos, S.A., Telecomunicaciones de Guatemala, S.A., Servicios de Comunicaciones de Honduras, S.A. de C.V., Radiomóvil Dipsa, S.A. de C.V., Empresa Nicaragüense de Telecomunicaciones, S.A., Claro Panamá, S.A., América Móvil Perú, S.A.C, Puerto Rico Telephone Company, Inc., AMX Paraguay, S.A., CTE Telecom Personal, S.A. de C.V., AM Wireless Uruguay, S.A., Comunicación Celular, S.A., Consorcio Ecuatoriano de Telecomunicaciones, S.A. (»Conecel«), with registered offices outside of Europe.

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

Below is the financial overview of transactions with related parties in 2021:

Revenue from the sale of services

in EUR	2021	2020
A1 Hrvatska d.o.o.	627,872	406,415
A1 Telekom Austria AG	2,172,267	2,530,969
Telekom Austria AG	55,796	137,182
A1 Makedonija DOOEL Skopje	42,729	41,506
A1 Srbija	399,223	799,651
A1 Bulgaria EAD	43,864	667,581
A1 Digital International GmbH	163,257	157,715
Studio proteus	217,892	52,144
Dostop komunikacije	0	75,277
TS RPL	116,938	74,749
Telekom Finanzmanagement (TFG) GmbH, Austria	1,777	1,748
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias ("Telcel")	946	962
Claro S.A. (antes BCP, S.A.)	1,766	1,508
Other roaming	610	1,654
Total	**3,846,960**	**4,949,062**

Costs of services and other operational expenses

in EUR	2021	2020
A1 Hrvatska d.o.o.	2,037,758	1,643,432
A1 Telekom Austria AG	6,322,430	6,491,550
Telekom Austria AG	903,419	913,082
A1 Makedonija DOOEL Skopje	1,839	1,308
A1 Srbija	1,144,458	1,082,059
Unitary enterprise A1 (BLRMD)	166	39
AMX Argentina, S.A. (b) .	-85	269
A1 Bulgaria EAD	453,653	403,052
A1 Digital International GmbH	149,289	-1,250
Claro S.A. (antes BCP, S.A.)	710	-1,035
Companía Dominicana de Teléfonos, S.A.	203	177
América Móvil Perú, S.A.C	127	269
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias ("Telcel")	903	1,494
TS RPL d.d. Maribor	213,826	-7,026
Other roaming	-30	17,235
Total	**11,230,688**	**10,544,655**

Transactions with related parties are performed following the arm's length principle, which is ensured by diligently monitoring and managing relevant documentation.

5.4. Income of members of management and supervisory bodies

The total amount of all the income that the management, Supervisory Board, and employees with individual contracts received for performing their tasks and duties in 2021 comprises gross income, which was reported in their tax returns, holiday allowances, food and work outside the office, benefits and profit sharing. In 2021 this income was EUR 1,402,707.

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

5.5. Financial instruments and risk management

The company is subject to liquidity risk, credit risk and market risk, which includes interest risk and exchange rate risk related to current assets, 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.

5.5.1. Liquidity risk

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

The company's liabilities by maturity:

			Stipulated cash flows			
31 December 2021	Carrying amount of liabilities	Liability	0–6 months	6–12 months	1–5 years	Over 5 years
Long-term financial liabilities from leases	34,598,269	33,993,782	0	0	30,973,810	3,019,972
Long-term operating liabilities	9,000,000	9,000,000	0	0	0	9,000,000
Long-term liabilities from agreements	1,153,021	1,153,021	0	0	1,153,021	0
Short-term financial liabilities from leases	17,283,271	17,919,807	9,035,186	8,884,621	0	0
Short-term operating liabilities (excluding liabilities to the state, employees and liabilities arising from advances)	42,909,711	42,909,711	42,909,711	0	0	0
Short-term liabilities from contracts	3,509,133	3,509,133	1,754,567	1,754,566	0	0
Guarantees provided	551,248	551,248	551,248	0	0	0
Total	**109,004,653**	**109,036,702**	**54,250,712**	**10,639,187**	**32,126,831**	**12,019,972**

31 December 2020	Carrying amount of liabilities	Liability	Stipulated cash flows 0–6 months	6–12 months	1–5 years	Over 5 years
Long-term financial liabilities from leases	50,979,756	51,363,081	0	0	47,173,315	4,189,766
Long-term operating liabilities	13,556,000	13,556,000	0	0	4,556,000	9,000,000
Long-term liabilities from agreements	1,149,222	1,149,222	0	0	1,149,222	0
Short-term financial liabilities from leases	16,964,311	17,818,996	9,371,726	8,447,270	0	0
Short-term operating liabilities (excluding liabilities to the state, employees and liabilities arising from advances)	22,796,211	22,796,211	22,796,211	0	0	0
Short-term liabilities from contracts	3,951,836	3,951,836	1,975,918	1,975,918	0	0
Guarantees provided	537,273	537,273	537,273	0	0	0
Total	**109,934,609**	**111,172,619**	**34,681,128**	**10,423,188**	**52,878,537**	**13,189,766**

Changes to liabilities by financial activities:

	1 January 2021	payment of liabilities in the period	increase in liabilities	agreement terminations	31 December 2021
Long-term and short-term financial liabilities from leases	67,944,067	-19,684,691	5,411,727	-1,789,563	51,881,540

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

	1 January 2021	payment of liabilities in the period	increase in liabilities	agreement terminations	31 December 2021
Long-term and short-term financial liabilities from leases	67,944,067	-19,684,691	5,411,727	-1,789,563	51,881,540

	1 January 2021	payment of liabilities in the period	increase in liabilities	31 December 2021
Dividends	0	-15,000,000	15,000,000	0

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

	1. januar 2020	odplačilo obveznosti v obdobju	povečanje obveznosti	31. december 2020
Dividends	0	0	0	0

5.5.2. Credit risk

Company's revenue comes from different sources, and most revenue comes from voice calls and monthly subscription fees. Since the majority of contractual customers at the end of 2021 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). Experience shows that there are no significant risks associated with these activities. As of the balance sheet date there were no significant dependencies on any of the above debtors

The biggest exposure to credit risk is the carrying amount of financial assets which amount to as at 31 December 2021:

	31 December 2021	31 December 2020
Long-term financial assets	4,889,956	4,939,954
Long-term operating receivables	10,360,225	10,253,734
Long-term assets from contracts	1,524,947	1,621,948
Short-term trade receivables from customers, group companies and others (excluding receivables due from the state)	60,060,154	62,150,706
Short-term assets from contracts	4,282,251	4,885,006
Cash and cash equivalents	9,504,285	48,014,695
Other short-term assets	384,252	202,586
Total	**91,006,070**	**132,068,629**

Short-term operating receivables and assets from agreements 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.

Long-term and short-term assets from agreements were not impaired.

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

Receivables by maturity

31 December 2021	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	53,438,067	4,526,888	1,026,844	146,450	26,778	59,165,027
Short-term trade receivables from group companies	466,862	102,330	159,237	130,053	36,830	895,312
Total	**53,904,929**	**4,629,218**	**1,186,081**	**276,503**	**63,608**	**60,060,339**

31 December 2020	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	56,331,035	3,716,034	1,146,208	172,728	49,060	61,415,066
Short-term trade receivables from group companies	397,268	318,878	19,494	0	0	735,640
Total	**56,728,303**	**4,034,912**	**1,165,702**	**172,728**	**49,060**	**62,150,706**

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 2020	28,843,331	0	0	0	0	28,843,331
Formed allowances	5,008,092	0	0	0	0	5,008,092
Write-off	-1,644,940	0	0	0	0	-1,644,940
Derecognized allowances	-3,247,765	0	0	0	0	-3,247,765
Balance on 31 December 2020	**28,958,718**	**0**	**0**	**0**	**0**	**28,958,718**
Balance on 1 January 2021	28,958,718	0	0	0	0	28,958,718
Formed allowances	4,360,660	0	0	0	0	4,360,660
Write-off	-1,057,254	0	0	0	0	-1,057,254
Derecognized allowances	-3,523,633	0	0	0	0	-3,523,633
Balance on 31 December 2021	**28,738,491**	**0**	**0**	**0**	**0**	**28,738,491**

Insurance of Receivables

Long-term and short-term operating receivables are not insured. The company assesses credit risks based on historic data and in 2021 also the impact of the COVID-19 pandemic.

5.5.3. Interest rate risk

Interest rate risk is the risk of making a loss caused by changes in the interest rate. The company paid up the loan received in 2018. The interests on deposits are negligible. The estimated exposure to interest rate risk is low.

5.5.4. Currency risk

The majority of financial and operating receivables and liabilities on 31 December 2021 are denominated in euro. Risk exposure is estimated as low or immaterial, and is therefore not disclosed.

Sensitivity analysis

A 5% change in the EUR/USD exchange rate would increase (decrease) the net exchange rate differences by EUR 6,290 in 2021 and by 11.521 EUR in 2020.

5.6. Capital management

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

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

in EUR	31 December 2021	31 December 2020
Total equity	234,658,522	238,427,602
Net financial liabilities	51,881,540	67,944,067
Net debt/capital	0.22	0.28

5.7. Carrying amounts and fair values of financial instruments

Fair values of financial assets classified by fair value hierarchy:

31 December 2021	Carrying amount	Fair value	31 December 2021		
			Level 1	Level 2	Level 3
Long-term operating receivables	10,360,225	10,360,225	0	0	10,360,225
Long-term assets from contracts	1,524,947	1,524,947	0	0	1,524,947
Short-term operating receivables (excluding receivables due from the state)	60,060,154	60,060,154	0	0	60,060,154
Short-term assets from contracts	4,282,251	4,282,251	0	0	4,282,251
Cash and cash equivalents	9,504,285	9,504,285	0	0	9,504,285
Other short-term assets	384,252	384,252	0	0	384,252
Total assets for which the fair value was disclosed	**86,116,114**	**86,116,114**	**0**	**0**	**86,116,114**

31 December 2020	Carrying amount	Fair value	31 December 2020		
			Level 1	Level 2	Level 3
Long-term operating receivables	10,253,734	10,253,734	0	0	10,253,734
Long-term assets from contracts	1,621,948	1,621,948	0	0	1,621,948
Short-term operating receivables (excluding receivables due from the state)	64,815,145	64,815,145	0	0	64,815,145
Short-term assets from contracts	4,885,006	4,885,006	0	0	4,885,006
Cash and cash equivalents	48,014,695	48,014,695	0	0	48,014,695
Other short-term assets	202,586	202,586	0	0	202,586
Total assets for which the fair value was disclosed	**129,793,113**	**129,793,113**	**0**	**0**	**129,793,113**

Fair values of financial liabilities classified by fair value hierarchy

	31 December 2021			31 December 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Long-term financial liabilities	0	0	34,598,269	0	0	50,979,756
Long-term operating liabilities	0	0	9,000,000	0	0	13,556,000
Long-term liabilities from agreements	0	0	1,153,021	0	0	1,149,222
Short-term financial liabilities	0	0	17,283,271	0	0	16,964,311
Short-term operating liabilities (excluding liabilities to the state, employees and liabilities arising from advances)	0	0	42,909,711	0	0	22,796,211
Short-term liabilities from contracts	0	0	3,509,133	0	0	3,951,836
Total liabilities for which the fair value was disclosed	**0**	**0**	**108,453,406**	**0**	**0**	**109,397,336**

6. Other disclosures

6.1. The auditor's fee

IN EUR	2021 Ernst&Young	2020 Ernst&Young
Cost of annual report audit	56,400	56,400
Tax consultancy services	0	0
Other services not related to the audit	3,600	11,600
Total	60,000	68,000

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

6.2. Business events after the balance sheet date

There were no events that would significantly affect the financial statements for 2021 or require additional disclosures after the date of the financial statements.

The COVID-19 pandemic and related limitations to public life have a relatively small impact on the company's operations, as the company was able to provide essential telecommunication services without any interruptions. It effects on the operations in 2022 are at this point still not possible to assess.