Annual report 2022

April 2023

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Business Report 2022

for the financial year concluded on 31 December 2022

1. Principles of business operations

A1 Slovenija follows the vision of creating unique experiences in the digital world. We provide our users with the best user experience to support their digital lifestyle, while remaining a reliable, diligent and responsible partner to both our users and the society at large. Our vision and our mission allow us to focus on the fundamental principle of our operations – connecting people, places and things to ennoble the experience of working, living and entertainment. Our dedication to digitalization and care for digital efficiency extends across all levels of society.

We operate ethically and responsibly towards ourselves and others. Our relationship with our users, partners and employees is built on solid ethical foundations. We are dedicated to diligent, responsible and sensible operations. We are aware that a business culture of integrity needs to be built from within, and focus our attention towards strengthening our organizational culture, which is the foundation for fulfilling our strategy, while also acting to reduce risks and increase our reputability.

We are the leading privately-owned provider of comprehensive communication services in Slovenia. When strengthening our position on the market we focus on timely and fast implementation of digital solutions across all of our activities, from our range of products and services, to our processes and our operations. The development of communication solutions is headed by constantly changing needs of the users that we manage to successfully address, thanks to the dedication of our employees and the use of modern technology. We provide users with a personalized experience, bringing them an added value. Our advanced, simple and sensible communication services connect people across the globe, and we are constantly looking for effective technologies that can benefit our users, the society and the environment.

Our employees are at the heart of our activities, and that is why we place a lot of attention on designing a safe, healthy and high-quality work environment, and we implement numerous activities in order to constantly upgrade our family-friendly enterprise status. In 2022 we renewed our ISO 45001 certificate, the international standard for occupational health and safety, as well as the ISO 27001 certificate that reaffirms our excellence in information security management.

At A1 Slovenija we position front and center the responsibility towards people – our colleagues, users, and the broader community – and the environment in which we operate. We have been successful at fulfilling our ambitious goals regarding the environment, society and governance, which are written in our Environmental, Social and Governance (ESG) strategy. We received the ISO 14001 environmental certificate, and we have been proving our environmental excellence since 2014, when we were entered into the EMAS registry. We regularly translate the ambitious goals we set directly into our operations, both at the decision-making level, as well as the at the operational level, which is also confirmed by the Green Star certificate, awarded by CER Partnership for sustainable economy.

We operate in a fast-changing industry that demands we be innovative, agile and digitally focused on the development of new products and services. In accordance with this, we are constantly introducing new methods of work and management, and this, together with our empowered employees, supports growth and successful operation on the market. We encourage life-long learning, value diversity and support our colleagues' professional and personal development.

With a high level of integrity, we build open, honest and transparent operations to ensure the company's long-term success and respect. When assessing ethics of operation and our business relations with partners, users, competitors, vendors and others we are guided by our Code of Conduct, which includes guidelines and principles for acting in accordance with our values and the legislation.

2. About the Company

2.1. Company information

Name	A1 Slovenija, telekomunikacijske storitve, d. d.
Registered office	Ameriška ulica 4, SI-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 América Móvil Group. América Móvil, 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 Directo
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 2022

Changes in the Management Boardi
There were no changes in the Management Board in 2022.

Changes in the Supervisory Board
There were no changes in the Supervisory Board in 2022.

3. Employees

As at 31 December 2022 the share of women among A1 Slovenija's employees was 44.87%, with the average age of our colleagues at 38.57 years. Nearly a half of our employees have level V education, and 42,8% of all staff have a higher education or university degree. The diversity policy is implemented in accordance with the group policy.

4. Social responsibility

Social responsibility is one of the most important values of A1 Slovenija, and the foundation of our mission and vision. Environmental, social and corporate governance are long-term factors for creating value and we introduce them into strategic planning and decision-making. We are also successfully implementing the objectives of our ESG strategy, and our progress towards green transformation has also been recognized outside the company. The implementation of our ambitious plans is headed by our internal ESG team.

We are mindful of the natural environment, and strive to reduce our impact on the environment, and we also encourage our employees, users, partners and the broader community to take part. Our environmental goals for the year 2030 are focused on reducing our CO2 emissions, increasing energy efficiency and encouraging the circular economy. In 2022 we reduced our CO2 emissions by 52%, mostly due to increased use of electricity from renewable sources, which represents 92% of our usage. We are also upgrading our car fleet with hybrid vehicles and work towards optimizing operations for reducing paper use.

In 2022 we also included our partners, users, employees and other stakeholders in our socially responsible project. With their help we collected and made sure that nearly 2550 disused phones were recycled, once again exceeding our goal. In the spirit of circular economy, we repaired and put back into use 34,000 pieces of fixed equipment, and plan to continue doing so in the coming years.

Raising awareness of the importance of bees for our life, care for the development of the Carnolian bees in the city and support for urban beekeeping remain a part of our environmental activities. The six bee families that live on the roof of A1 Slovenija's headquarters made 90 kilograms of high-quality honey in 2022, and we received the bronze medal at the International Fair of Agriculture and Food AGRA. We again delighted our business partners with the honey for the holidays, and ate part of it ourselves.

On World Bee Day we collaborated with the street artist Filip Mravelj on the first anamorphic mural in Ljubljana, which brought a blooming meadow, full of bees to the center of the city. The mural captured the imagination of more than 23 thousand passersby and reached more than a million people through media. During this action we gave passersby and those coming to our stores 5,000 ecological pencils with seeds of melliferous plants that they could then plant on their balconies and gardens to feed the bees.

In 2022 we once again proved our environmental excellence when we extended the ISO 14001 certificate and were entered into the EMAS registry. We also renewed the "Tap Water Certificate", awarded by the Chamber of Utilities of the Slovenian Chamber of Commerce and Industry, and with which we commit to using tap water for drinking. On Earth Day we called on our employees to come to work using sustainable transport options, public transport, on foot or by bicycle, and organized bicycle servicing for them free of charge.

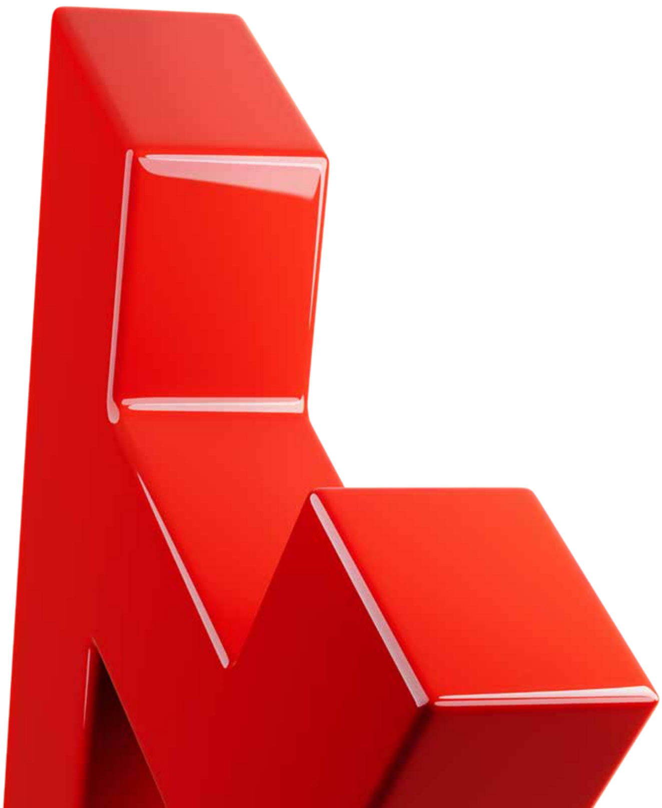
Another important part of our ESG strategy is responsibility toward our colleagues, our users, and the broader society. The focus here is on digital educational courses, especially for children and adolescents through which they can obtain the skills and confidence to safely and actively shape the digital world. In 2022 we continued with the Spletne brihte project, the free educational experiences on safe internet use that we designed together with the Varni internet institute, and in which 10,300 children and adolescents participated. Over the past two years we used educational content that inspired students, teachers and parents to address young people through workshops at Slovenian elementary schools, an online quiz on our social media channels, and we also attended several events for children and young people to educate participants on safe internet use. We will continue with the project next year, and have donated EUR 15,000 to Varni internet for this purpose. Safe internet use, robotics and other advanced technologies were the main topics of our open-door day for the children of our employees.

In 2022 we again organized a Volunteer Day allowing our employees to dedicate one workday to volunteer work. This year we spent it at the Education, Work and Care Centre Dobrna, where we helped with landscaping and gardening. Such activities hold a special place in our company and we proved this once again during Volunteer Week, when we partnered with Slovenian Philanthropy and brought warm coffee to nearly 400 volunteers. A1 Slovenija often helps those in need. Using SMS donations our employees collected funds for treatment and care of a child with a rare disease. A1 Slovenija then doubled this collected amount, and donated it to the Viljem Julijan foundation for helping children with rare diseases. Our employees also collected bottle caps to raise funds for a boy with cerebral palsy. We also supported other donation drives, providing 100 associations and non-profits the option to collect SMS donations free of charge for various humanitarian purposes.

We continued with the socially responsible project Lahkonočnice (The Bedtime Storytellers) supporting new audio fairytales that have for the past six years been focusing on carefully selected topics to help parents and children address current challenges. The first edition was focused on the inclusion of children from abroad with fairytales that help children find a common tongue. Through their content and a glossary of foreign words these tales introduced the children to Bosnian, Albanian, Macedonian, Russian, Ukrainian and German. The second edition was focused on the environment with fairytales that teach children of the importance of reusing. The expansive collection now counts nearly 160 tales, and has since project launch in 2016 marked 2 million streams and downloads.

At A1 Slovenija everybody has equal possibilities. By encouraging diversity and equality we develop a culture of mutual respect and ensure ethical and transparent operations. In 2022 we renewed our Diversity Charter through which we confirm our commitments for the development and implementation of our corporate diversity policy. As part of our ESG strategy we are committed to having at least 40% of women in senior positions and generally maintaining such a share of women in the company, and have succeeded in accomplishing this. We also extended the ISO 45001 certificate, the international standard for occupational health and safety, and renewed the Family Friendly Enterprise certificate. At A1 Slovenija we strive to operate in compliance and responsibility, and to be a trustworthy company with integrity.

We regularly translate the ambitious goals we set directly into our operations, both at the decision-making level, as well as the at the operational level, which is also confirmed by the Green Star certificate, awarded by CER Partnership for sustainable economy, which awarded us the highest rating for 2022. This certificate of excellence also confirms the progress we made in green transformation of the company, which includes structured introduction of sustainable aspects and climate action in our operations. The basis for receiving the certificate is the Green Star ESG assessment of sustainable operation and the assessment of environmental action that appraises the impact that the factors of governance, environment and society have on the company, and the company’s footprint and impact on governance, society and the environment. The certificate is based on international frameworks and standards for sustainable reporting and EU legislation.



5. Selected performance indicators

5.1. Analysis of the Profit and Loss Statement

In 2022, our total operating revenue increased by 5.4% compared to 2021. We recorded growth in revenue from the sale of mobile telecommunications services, from higher revenue in mobile roaming, as well as from fixed telecommunications services and from national roaming services, as well as from the sale of mobile terminal equipment, and other value-added services.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) have declined compared to 2021 because of higher costs of energy products. A1 Slovenija concluded 2022 with positive earnings before interest and taxes (EBIT) of EUR 3.2 million. This is a 75,8% decline compared to 2021. The EBIT decline can be attributed to higher amortization and depreciation, and the full-year effect of the amortization and depreciation of the 5G spectrum, higher long-term line leases and a higher amortization and depreciation of terminal equipment, while on the other hand, costs of operation also increased, especially the price of electricity. Earnings before tax for 2022 stood at EUR 1.3 million.

At the end of 2022 the company had 711,344 users. Subscribers now represent 91,5% of all users.

The average revenue per user (ARPU) stayed at the same level in 2022, compared to 2021.

5.2. Analysis of the Balance Sheet

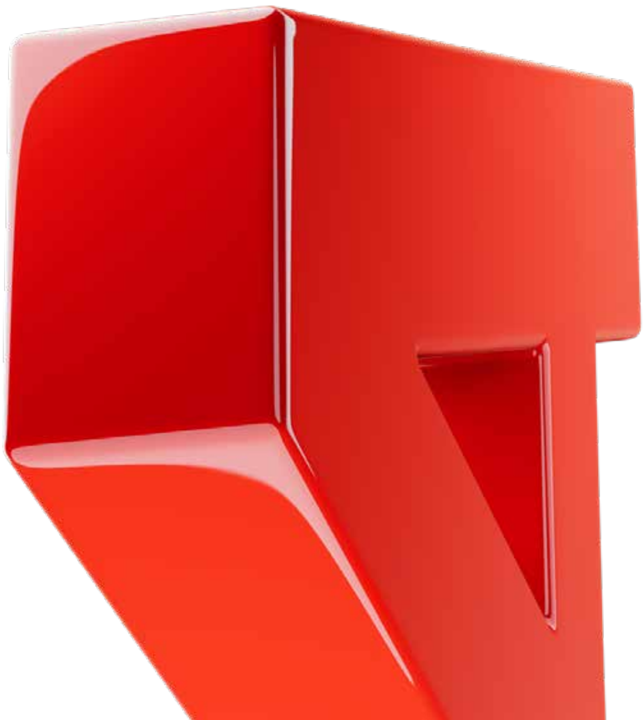
As at 31 December 2022 total assets amounted to EUR 401.61 million. Compared to the year before, they increased by 9,7%, i.e., EUR 35.36 million.

Long-term assets stood at EUR 315.7 million, and increased by 11.7%, i.e., by EUR 33.06 million. The biggest increase was in the category The right to use the assets because of the spin-off of A1 Towers, d.o.o., and the consequently concluded agreement to lease.

Short-term assets stood at EUR 85.9 million, and increased by 2.7%, i.e., by EUR 2.3 million.

Equity and reserves stood at EUR 230.15 million, and decreased by 1,9%, i.e., by EUR 4.5 million. Shareholder equity ratio stood at 57.3%.

Long-term liabilities increased by 80,5%, i.e., by EUR 35.1 million. The increase was because of the spin-off of A1 Towers, d.o.o., and the consequently concluded agreement to lease.



Short-term liabilities in the amount of EUR 82.3 million represented 20.5% of total assets. Compared to 2021, they increased by 14.3%, i.e., EUR 10,3 million. The biggest increase was in short-term operating liabilities to suppliers and financial liabilities for leasing.

Below is a general summary of our financial performance for the years 2022 and 2021

(in accordance with International Financial Reporting Standards, as adopted by the EU):

		2022	2021
Profit and loss statement			
Operating revenue	in million EUR	224.22	212,74
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	in million EUR	56.47	60,36
Earnings before interest and taxes (EBIT)	in million EUR	3.2	13,21
Profit/loss	in million EUR	-1.85	-1,12
Earnings before tax (EBT)	in million EUR	1.34	12,1
Balance sheet			
Assets	in million EUR	401.61	366,24
Property, plant, and equipment	in million EUR	89.64	84,92
Short-term assets	in million EUR	85.9	83,6
Financial and operating liabilities	in million EUR	151.38	107,58
Equity	in million EUR	230.15	234,66
Selected indicators			
EBITDA margin		25.19 %	28,37 %
Investments in property, plant and equipment	in million EUR	34.15	30,68
Average no. of employees		651	626
Number of employees (year-end)		653	630
Number of users (year-end)		711,344	711.853
Of which subscribers represent		651,182	652.086

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 2022 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

In 2022, AKOS performed numerous inspection procedures against Telekom Slovenije, verifying the suitability of wholesale access prices to key parts of Telekom Slovenije's network for the period after the year 2018. These procedures, which have only concluded for the year 2018, and have established breaches, have been successfully contested by Telekom Slovenije at the Administrative Court, and AKOS has yet to conclude the repeated procedures. It is A1's opinion that this is an example of ineffective regulation, and it also means that A1 Slovenije was forced to participate in an environment where it had to adhere to poor, uncompetitive wholesale conditions.

2022 also saw the expected partial and complex deregulation of the former relevant market 3b, where A1 Slovenija is purchasing (from Telekom Slovenije) the majority of its access broadband services. AKOS set a transition period of 6 months (to be concluded in March 2023) for full deregulation (across 430 settlements, which covers nearly a half of all households in Slovenia). The list will be updated once per year (AKOS will establish the conditions for expanding the deregulation). In the meantime, during which AKOS believes that operators could switch to a different technology, Telekom Slovenije has been obligated to ensure access at regulated wholesale conditions that do not include pricing regulation. Deregulation, supported by AKOS's finding that the market is partially competitive enough, and that it brings choice to end users, means that Telekom Slovenije can freely set access to wholesale services (on the former relevant market 3b). In regulated areas the new regulation brought some new developments, with the most important one being a limitation of giving volume discounts which are only possible for leasing fiber optic products, and are also limited by size. Other new features mainly provide more detail to previous regulation.

The most significant developments in relevant market 1 (local access at a fixed location) are that AKOS lowered wholesale prices of some regulated products – e.g., leasing a copper pair, leasing cable ducts and leasing poles, as well as modified the virtual wholesale product, which has lost some limitations, and is now available at the aggregation level (LAR), and no longer only at the local level, but also higher up on the network, at the level where connections from local access nodes are aggregated. On this relevant market AKOS has eliminated pricing regulation for Telekom Slovenije in a geographically limited area (in 15 settlements).

Every further decrease of the scope of regulation represents a risk for an operator with a limited fixed network, such as A1, as does ineffective regulation or its the lack of compliance by the obligated party and ineffective supervision by the regulator.

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 the meantime, new regulation has also brought more flexible options for extending these deadlines by Telekom Slovenije – as it can now also extend deadlines because of the increase in the number of requests.

7.1.2. New ZEKom-2

At the end of 2022 the new Electronic Communications Act (ZEKom-2) was adopted, and this immediately launched some public consultations on new general acts; at the initiative of the operators primarily the general acts related to addressing relationships with end users. The Act introduced major changes especially in the protection of end users, and extensive change in network construction and 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. The Act will require extensive changes in operation for all operators, with adjustments taking place in 2023. A major risk is related to non-specific and unrealistic solutions in AKOS's general acts, which are in practice often difficult to achieve or require disproportionally high costs for adjusting operations.

7.1.3. Access to other infrastructures and disputes at AKOS

In 2022 another dispute at AKOS was concluded, where it was again ruled that existing operators must permit access to their physical infrastructure in buildings (substitute ducts in hallways of multi-tenant buildings), so that A1 can install its cables to the apartments. This is the second such successful procedure at AKOS; however, the Administrative Court is still ruling in the administrative dispute related to this matter from 2018. There is another similar dispute at AKOS. The inefficient decision-making by AKOS and the courts is a risk for successful investments in the construction of our own network.

7.1.4. The regulation of roaming in European mobile networks

In July 2022 the new "roam like at home" regulation came into effect that extends the use of mobile services while roaming in EU and EEC countries with no additional costs until 2032. 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. The regulation of retail prices for roaming will gradually decrease to 1 EUR/GB by 2027.

7.1.5. Frequency spectrum

The awarded radio frequencies for mobile communication that also supported the introduction of 5G technology which A1 uses to successfully provide coverage across all major towns and cities and traffic routes, as it is obligated to do by 2025, in line with the obligations from the decision, are still attempted to be blocked at courts, and A1 Slovenija is consequently a party to these court proceedings.

The risks to operations are also AKOS's attempts to award additional frequencies at lower prices, which could lead to distortion of competition among service providers.

7.1.6. Changes to TV lineup

AKOS has in several procedures put forward the position that any changes to TV lineups must be announced 30 days before and in the same manner as if this was a change to the contract price of the subscription plan. AKOS does not take into account that exclusion of an individual channel could be a one-sided decision of the TV channel's publisher that the operator cannot influence. This position is therefore a risk for sanctions when A1 is not able to announce a channel will be excluded from the listing, when this is the result of third-party action (the publisher's).

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 2022 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

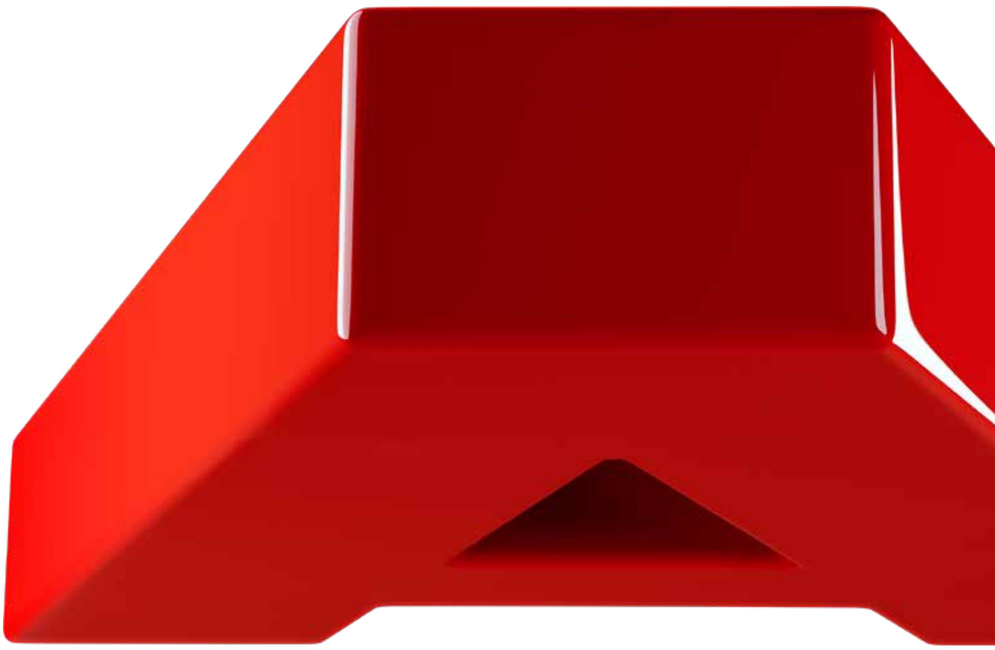
Interest rate risk is the risk of making a loss caused by changes in the interest rate. The company has no loans, so exposure to interest rate risk is estimated as low.

7.4. Currency risk

The company's operational currency in 2022 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. The company did not identify any significant impacts on the customers' payment discipline in 2022 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 year 2022 was marked by connectivity, supported by the growth in data traffic and the expansion of 5G technology. Pervasive use of technology is the result of growth in the number of 5G-capable devices in use, a focus on selling products that include streaming services and a fast development of the network. Currently we provide 5G network coverage to 66% of the population, the highest in Slovenia, with coverage also including the highest mountain Triglav, where the highest located 5G base station is located on the peak of Krederica. In the future we plan on continuing with our strategy of establishing the biggest Slovenian 5G network, which will be available to 98% of the population by the end of 2025. In 2023 we plan to continue expanding the network, with a focus on towns with more than 1000 inhabitants. We estimate that the share of data transferred by the end of 2023 through A1 Slovenija's 5G network will exceed 50%.

5G technology allows us to develop advanced solutions and expand our range of products and services. In 2022 we launched our new mobile internet and TV service A1 Ultra Net + TV on the 5G network, which was developed to meet the needs of 270 thousand Slovenian households that have no broadband internet access. Our services have always been following the wishes and needs of the users. With A1 Ultra we provide our users with a better and simpler user experience with a faster and more reliable connection.

With growing connectivity our partners and residential and business users are facing increasingly demanding IT environments. This was the incentive behind our new offer of turnkey cybersecurity services, secure data backup services and the service of establishing a cloud-based business IT environment. We provide our business partners with the service of managing their complete digital environment. Along with ensuring comprehensive IT services of hardware and software implementation, integration and maintenance, we also provide business users with turnkey cybersecurity and A1 Cyber Backup, which make digitalization easier. In the future we will continue upgrading security solutions and providing our partners with an orderly, efficient, reliable and especially secure business environment.

Following the trend of growth in popularity of online shopping and because we constantly monitor the wishes of our users in our Nakupovalnica online store, we expanded our offer with new categories and products. Users can pay in installments with zero interests, receive free delivery and the option of paying for products through their monthly A1 invoice.

In 2022 we gave more than 65,000 subscribers to our Xplore TV plans access to the most popular Slovenian streaming video library VOYO. Along with VOYO, our subscribers can access streaming video and music services HBO Max, Balkan Pink, Amazon Prime Video, A1 Xplore Music by Deezer, and NBA League Pass, as well as watch the best European football games. In 2023 we plan on extending these services with new video, music, sports and children's content.

In the future, one of key focuses of A1 Slovenija will remain social responsibility and following the ESG strategy across all areas of operations. We aim to especially grow our activities related to the environment to even more actively pursue the objective to become net carbon neutral by reducing our own carbon footprint and gradually transitioning to energy from renewable sources by 2030. We are also committed to renew and recycle more devices every year, thereby encouraging circular economy in our company and beyond.

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 2022 and 31 December 2022 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.

9.5. Important events occurring after the end of the business year

There were no events that would significantly affect the financial statements for 2022 or require additional disclosures.

Dejan Turk,
Chairman of the Management Board

Ljubljana, 23 February 2023

Financial Report 2022

for the financial year
concluded on 31 December 2022

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 2022 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 América Móvil 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 2022 business year was 653 (at the end of 2021: 630);
- Average number of employees in the 2022 business year was 650.83 (625.75 in the 2021 business year);
- Structure by gender: men 55.13%, women 44.87%
- average employee age: 38.579 years
- Structure of employees by education level:

Education level	31 December 2022	31 December 2021
Vocational school or less	46	40
Secondary education	270	264
Higher vocational education	57	51
Higher education	136	132
Higher education (second stage)	123	124
Master's Degree	19	18
Doctorate	1	1
Total	**653**	**630**

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 2022.

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, 23 February 2023

2. Independent Auditors' Report

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of A1 Slovenija, d.d.

Opinion

We have audited the financial statements of A1 Slovenija, d.d. (the "Company"), which comprise the statement of financial position as at December 31, 2022, 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, 2022 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 those charged with governance 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

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of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting.

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 those charged with governance 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, 23 February 2023

Janez Uranič
Director, Certified auditor
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Mateja Repušič
Certified auditor

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

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

3.1. Balance Sheet

ASSETS	Note	31. 12. 2022	31. 12. 2021
NON-CURRENT ASSETS		**315,701,277**	**282,643,638**
Intangible assets	5.2.1.	114,072,608	119,865,811
Property, plant and equipment	5.2.2.	89,636,821	84,920,172
Right of use assets	5.2.3.	90,313,301	54,006,237
Non-current financial assets	5.2.4.	3,944,250	4,889,956
Non-current operating assets	5.2.5.	9,839,544	10,360,225
Non-current contract assets	5.2.6.	1,526,060	1,524,947
Deferred tax assets	5.2.7.	4,869,785	5,723,105
Non-current deferred costs	5.2.8.	1,498,908	1,353,185
CURRENT ASSETS		**85,904,014**	**83,599,501**
Inventories	5.2.9.	7,416,116	5,587,830
Current trade receivables	5.2.10.	65,930,835	59,164,842
Current trade receivables from group companies	5.2.11.	1,305,697	895,312
Tax assets from the income tax	5.2.12.	1,230,084	990,240
Other operating assets	5.2.13.	3,548,246	2,790,489
Current contract assets	5.2.6.	4,278,059	4,282,251
Cash and cash equivalents	5.2.14.	1,890,207	9,504,285
Other current assets	5.2.15.	304,770	384,252
TOTAL ASSETS		**401,605,291**	**366,243,139**

EQUITY AND LIABILITIES			
EQUITY	5.2.16.	**230,148,925**	**234,658,522**
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		-100,256	-372,453
Retained earnings		77,264,978	72,170,795
Net profit or loss		1,383,446	11,259,423
PROVISIONS AND NON-CURRENT LIABILITIES		**89,146,560**	**59,549,781**
Post-employment employee benefits	5.2.17.	974,804	1,217,348
Other non-current provisions	5.2.17.	8,873,321	13,581,143
Non-current operating liabilities	5.2.18.	9,000,000	9,000,000
Non-current lease financial liabilities	5.2.19.	69,702,354	34,598,269
Non-current contract liabilities	5.2.20.	596,081	1,153,021
CURRENT LIABILITIES		**82,309,806**	**72,034,836**
Current operating liabilities to suppliers	5.2.21.	42,889,945	40,934,446
Current operating liabilities towards group companies	5.2.22.	5,451,626	1,975,265
Other operating liabilities	5.2.23.	4,413,682	3,786,397
Current lease financial liabilities	5.2.19.	19,927,317	17,283,271
Current contract liabilities	5.2.20.	3,281,903	3,509,133
Current provisions and accrued costs	5.2.24.	6,345,333	4,546,324
TOTAL LIABILITIES		**171,456,366**	**131,584,617**
TOTAL EQUITY AND LIABILITIES		**401,605,291**	**366,243,139**

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

3.2. Profit and loss statement

in EUR	Note	2022	2021
Revenue from contracts with customers	5.3.1.	222,148,278	209,702,180
Other operating revenue	5.3.2.	2,081,654	3,039,809
Cost of goods and materials	5.3.3.	-63,197,492	-57,410,748
Cost of services	5.3.3.	-74,779,548	-68,360,747
Labor cost	5.3.4.	-26,714,211	-24,022,753
Amortization and depreciation	5.3.5.	-53,277,283	-47,141,583
Other operating expenses	5.3.6.	-2,200,814	-1,751,509
Impairment losses/gains for financial assets	5.3.7.	-865,332	-841,071
Operating profit or loss		**3,195,252**	**13,213,578**
Financial revenue	5.3.8.	179,621	179,001
Financial expense	5.3.8.	-2,031,094	-1,296,370
Profit/loss		**-1,851,473**	**-1,117,369**
Profit/loss before tax		**1,343,779**	**12,096,209**
Accrues tax	5.3.9.	-135,293	-2,102,827
Deferred tax	5.3.9.	174,960	1,266,041
Income tax		**39,667**	**-836,786**
Net profit/loss for the year		**1,383,446**	**11,259,423**
Basic earnings per share		0,15	1,21

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

3.3. Other comprehensive income

in EUR	Note	2022	2021
NET PROFIT OR LOSS		**1,383,446**	**11,259,423**
Impairment losses of financial investments		0	0
Unrealized actuarial gains or losses		272,197	40,763
Other comprehensive income in the financial year that will not be recognized in the profit or loss statement henceforth		**272,197**	**40,763**
Total other comprehensive income after taxes		**272,197**	**40,763**
Total comprehensive income for the financial year		**1,655,643**	**11,300,186**

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

3.4. Cash flow statement

in EUR	Note	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit or loss		1,383,446	11,259,423
Adjustments for:			
Depreciation of tangible fixed assets and investment property	5.3.5.	40,360,000	35,834,840
Amortization of intangible assets	5.3.5.	12,917,283	11,306,743
Gain/(loss) from the sale of intangible assets, tangible fixed assets and investment property	5.3.6.	608,127	1,134,878
Net (decrease)/allowances for receivables		865,331	841,071
Net (decrease)/allowances for inventory		388,239	-684,173
Net (decrease)/increase provisions for employee benefits		-242,544	30,372
Net (decrease)/increase for deferred revenues and other provisions		-227,230	-442,703
Net financial (revenue)/expenses	5.3.8.	1,851,473	1,117,369
Changes in investments	5.2.4.	945,706	49,999
Income tax	5.2.7., 5.3.9.	1,015,168	861,713
Operating cash flow before achanges in working capital		**59,864,999**	**61,309,532**

Changes in operating receivables	5.2.5.,5.21.10.,5.2.11., 5.2.12.,5.2.13	–8,278,785	1,016,940
Changes in deferred costs, assets from contracts and other assets	5.2.6., 5.2.8., 5.2.15.	–63,161	440,963
Changes in inventories	5.2.9.	–2,216,524	1,530,500
Changes in operating debt	5.2.18.,5.2.21., 5.2.22,5.2.23	5,974,947	16,102,712
Changes in current deferred revenue, accrued costs and provisions	5.2.17.,5.2.20., 5.2.24	–3,465,753	1,096,852
Paid income tax		–1,391,932	–4,310,383
Changes in net working capital		**–9,441,208**	**15,877,584**
Cash flow from operating activities		**50,423,791**	**77,187,115**
CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure for the acquisitions of intangible assets	5.2.1.	–7,124,080	–47,986,036
Expenditure for the acquisitions of tangible fixed assets	5.2.2.	–34,146,841	–30,683,359
Expenditure on the acquisition of a merged subsidary, decreased for cash gained with acquisition		–332,594	–1,223,070
Net cash flow from investing activities		**–41,603,515**	**–79,892,465**
CASH FLOW FROM FINANCIAL ACTIVITIES			
Expenditures for interests from financial activities	5.3.8.	–1,851,473	–1,117,369
Expenditure for the principal payments from leases	5.2.19.	–20,753,817	–19,687,691
Dividends paid	5.2.16.	0	–15,000,000
Demerge of capital on A1 Towers d.o.o.		6,170,936	0
Net cash flow from financial activities		**–16,434,354**	**–35,805,060**
Net (increase)/decrease in cash flow and cash equivalents		**–7,614,078**	**–38,510,410**
Cash and cash equivalents at the beginning of the year	5.2.14.	9,504,285	48,014,695
Final balance in cash and cash equivalents		**1,890,207**	**9,504,285**

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 2022

	Share capital	Capital reserves	Legal reserves	Fair value reserves	Retained earnings	Net profit for the year	Total equity
Balance on 1 January 2022	**38,781,000**	**108,941,657**	**3,878,100**	**-372,453**	**72,170,795**	**11,259,423**	**234,658,522**
Transfer earnings from preceding years to retained earnings	0	0	0	0	11,259,423	-11,259,423	0
Distribution of profits	0	0	0	0	0	0	0
Merger by acquisition TS RPL d.d.	0	0	0	0	5,695	0	5,695
Demerger A1 Towers d.o.o.	0	0	0	0	-6,170,935	0	-6,170,935
Transactions with owners	**0**	**0**	**0**	**0**	**5,094,183**	**-11,259,423**	**-6,165,240**
Net profit or loss for the year	0	0	0	0	0	1,383,446	1,383,446
Other comprehensive income (after taxes)	0	0	0	272,197	0	0	272,197
Total comprehensive income	**0**	**0**	**0**	**272,197**	**0**	**1,383,446**	**1,655,643**
Balance on 31 December 2022	**38,781,000**	**108,941,657**	**3,878,100**	**-100,256**	**77,264,978**	**1,383,446**	**230,148,925**

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 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 earnings from preceding years to retained earnings	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 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 or 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.

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 23 February 2023.

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 2022 were used for converting foreign currencies:

Country	Currency	Currency label	Currency code	Exchange rate
USA	US DOLLAR	USD	840	1.0666
UK	BRITISH POUND	GBP	826	0.8869
Switzerland	SWISS FRANC	CHF	756	0.9847
Croatia	CROATIAN KUNA	HRK	191	7.5365

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 2022 is EUR 4,016,053 (and as at 31 December 2021 was EUR 3,662,431). Significant items of the profit and loss statement are those which exceed 2% of the value of revenue in the financial year, which for 2022 amounts to EUR 4,484,599, and for 2021 amounts to EUR 4,254,840.

4.1.6. Segment reporting

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

4.1.7. Changes to accounting policies, estimates and error corrections

A) Change in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Group/Company as of 1 January 2022:

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

  IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.

  IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.

  IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.

  Annual Improvements 2018-2020 make minor amendments to **IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture** and the Illustrative Examples accompanying **IFRS 16 Leases**

The amendments had no impact on the financial statements of the company's financial statements.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment))**
  The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The amendments had no impact on the financial statements of the company's financial statements.

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

- **IFRS 17: Insurance Contracts**
  The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The company does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the company's financial performance, financial position or cash flows.

- **IFRS 17: Insurance Contracts**
  - The standard is effective, for annual periods beginning on or after 1 January 2023, with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17.

  - IFRS 17, with the objective to provide an accounting model for insurance contracts that is more useful and consistent for insurers, establishes principles for the recognition, measurement, presentation and disclosure of all types of insurance contracts, as well as of certain guarantees and financial instruments with discretionary participation features. The accounting model is supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and by a simplified approach (the premium allocation approach) mainly for short-duration contracts.

  - The main features of the new accounting model include the measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows). Also, the model includes a Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss based on insurance contract services provided over the coverage period. Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining coverage period. Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event occurs (non-distinct investment components) are not presented in the income statement but are recognised directly on the statement of financial position.

  - Furthermore, the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income will be based on the concept of services provided during the period. Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense. In the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held, are presented separately. Finally, IFRS 17 requires extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

  - Regarding the transition, the Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8, for a group of insurance contracts, is impracticable, an entity is required to choose either the modified retrospective approach or fair value approach. Both provide transitional reliefs.

- Finally, in December 2021, the IASB issued amendments to IFRS 17 to add a transition option for a "classification overlay" to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. Management 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 IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

  The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. Management 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)**

  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. Management 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 Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

  The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Management 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: Classification of Liabilities as Current or Non-current (Amendments)**

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU. Management 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: Lease Liability in a Sale and Leaseback (amendments)**

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU. Management 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.

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

  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management 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 TS RPL d.d., was valued at carrying amounts by accounting for the difference between the investment and the carrying amounts of net assets in equity (disclosure 5.1).

b) Intangible assets

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

Company's intangible assets include 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) 2022**
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 2022.

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) 2022
Base stations and exchanges	5-25
Computer equipment	3-4
Investments in third party tangible fixed assets	7-10
Other equipment	5-7
Small tools and spare parts	2-3

Useful life for passive infrastructure changed in 2022 to 25 years. The change in useful life does not have a significant impact on the company's 2022 financial results. Other useful lives have remained unchained.

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.

r) Financial revenue and expenses

Financial revenue includes revenue from interests, revenue from the disposal of available-for-sale financial assets, changes in the fair value of financial assets in the profit 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.

s) 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.
- There are several ongoing lawsuits against the company, and any potential need for related provisions is assessed on a regular basis. 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, and on which the company has no influence. The management regularly examines whether a settlement of a potential obligation is possible in an amount that results in economic benefits. If this becomes probable, the potential obligation is redistributed so that a provision is formed in the moment this probability changes to probable. When assessing the existence and the amount of potential obligation, the management uses expert opinions of external solicitors who represent the company in legal disputes, and, if needed, also the opinions of international legal experts.

Provisions for lawsuits include a significant level of uncertainty and the actual settlement amounts can significantly differ from the current estimates. For more on assumptions and carrying amounts applied, see Disclosure 5.2.17 and 5.2.25.

t) Fair value

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

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

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

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

Intangible assets

Fair value of 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.

u) 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 2022 and 31 December 2021, data from the profit and loss statement for 2022, and from additional data which are required for adjusting inflows and outflows.

5. Explanations and notes on financial statements

5.1. Commercial mergers

5.1.1. Merger by acquisition of Dostop komunikacije d.o.o.

In 2021 the company merged by acquisition its subsidiary Dostop komunikacije, d.o.o. The merger by acquisition of Dostop komunikacije d.o.o. did not have any material effects, and consequently the disclosure is not repeated.

5.1.2. Merger by acquisition of TS RPL d.d.

On 1 August 2022 the company merged by acquisition its subsidiary TELEKOMUNIKACIJSKI SISTEM RADVANJE PEKRE LIMBUŠ d.d. (hereinafter also “TS RPL d.d.”), Pohorska ulica 9, SI-2000 Maribor.

The merger by acquisition agreement was concluded on 23 May 2022. With the entry of the merger into the Court Register of Legal Entities on 1 August 2022, TS RPL d.d. was stricken from it and ceased to operate.

On 1 August 2022 the company completed merger by acquisition of its subsidiary TS RPL d.d 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 5,695 (the investment in the value of EUR 1,125,484 and the fair value of EUR 1,131,179) was recognized in the capital as an increase of the retained net profit.

Between 1 January 2022 and the date it was stricken from the Court Register of Legal Entities, TS RPL d.d created EUR 145,794 in revenue and EUR 179,481 in expenditures, which are in full included the business results of A1 Slovenija for the 2022 financial year.

The merger by acquisition also had an impact on the monetary flow, as A1 Slovenija, d.d., also acquired EUR 792,890 of cash deposits.

Carrying values of assets and liabilities, recognized after the merger by acquisition of the subsidiary TS RPL d.d:

	Value at merger on 1 January 2022 in EUR
Cash and cash equivalents	792,890
Trade receivables	29,892
Inventories	0
Other receivables and assets	46,929
Financial assets	0
Intangible assets recognized before the merger by acquisition	0
Intangible assets (established at merger by acquisition)	0
Property, plant, and equipment	250,184
Obligations for deferred tax assets	132,146
Other long-term operating receivables	566
Other liabilities and provisions	–42,018
Short-term financial liabilities	–48,547
Liabilities towards suppliers	–30,863
Net assets acquired through merger by acquisition	**1,131,179**
Investment in the merged company	1,125,484
Net cash inflow	**5,695**

5.1.3. Spin-off of A1 Towers d.o.o.

On 3 October 2022 the decision no. Srg 2022/65221 was entered into the registry, following which a spin-off occurred in which the parent company A1 Slovenija, telekomunikacijske storitve, d.d., company registration number 1196332000, spun off a part of its assets and obligations in accordance with the spin-off plan of 19 July 2022 to A1 Towers, upravljanje komunikacijske infrastrukture, d.o.o., company registration number 9222375000.

The Supervisory Board of A1 Slovenija, telekomunikacijske storitve, d. d., approved the spin-off plan and issued a positive opinion of the planned spin off.

Based on the business decision of the parent company A1 Slovenija, and based on the decision of the company's sole shareholder, all the activities, including the assets and obligations that are in subject tied to passive infrastructure (i.e., transmission towers, structures, transformers, land lien, etc.) were transferred to the spun-off company.

The sole shareholder submitted its approval for the spin off at the General Meeting on 22 August 2022, and the spin off was entered into the Court Register of Legal Entities on 3 October 2022.

The shareholder of both companies at the moment of the spin off was Mobilkom Beteiligungsgesellschaft mbH, Vienna, Austria.

The provisions of the following acts were considered when founding the new company: Companies Act (ZDG-1), Corporate Income Tax Act (ZDDPO-2), Tax Procedure Act (ZDavP-2), Value Added Tax Act (ZDDV-1), and the Employment Relationship Act (ZDR-1).

There was no tax loss from transferred establishment when transferring the establishment to A1 Towers, upravljanje komunikacijske infrastrukture, d.o.o.

The establishment of the spun-off company A1 Towers, upravljanje komunikacijske infrastrukture, d.o.o., was reviewed during the spin-off procedure by the founding auditor (BDO Revizija, d.o.o., auditors), which was appointed at the request of the parent company by the decision of the Ljubljana District Court, case no. Ng 49/2022 of 19 August 2022

Spin-off balance sheet as at 30 September 2022:

		Establishment – passive infrastructure	Remaining establishment
ASSETS	30 September 2022	30 September 2022	30 September 2022
LONG-TERM ASSETS	**274,223,420**	**21,817,158**	**252,406,262**
Intangible assets	112,001,741	0	112,001,741
Property, plant, and equipment	94,575,571	12,132,824	82,442,748
The right to use the assets	43,815,427	8,523,907	35,291,520
Long-term financial assets	4,091,750	0	4,091,750
Long-term operating receivables	10,922,770	0	10,922,770
Long-term assets from contracts	1,524,947	0	1,524,947
Deferred tax assets	5,855,251	1,160,427	4,694,824
Long-term deferred costs	1,435,962	0	1,435,962
SHORT-TERM ASSETS	**77,624,097**	**83,650**	**77,540,447**
Inventories	9,205,853	0	9,205,853
Short-term trade receivables	61,973,092	74,950	61,898,142
Short-term trade receivables from group companies	1,564,863	0	1,564,863
Tax assets from the income tax	355,535	0	355,535
Other operating receivables	3,062,130	0	3,062,130
Short-term assets from contracts	4,469,390	0	4,469,390
Cash and cash equivalents	–3,945,809	7,500	–3,953,309
Other short-term assets	939,043	1,200	937,843
TOTAL ASSETS	**351,847,517**	**21,900,808**	**329,946,709**

EQUITY AND LIABILITIES			
EQUITY	**238,947,755**	**6,170,935**	**232,776,820**
Called-up capital	38,781,000	7,500	38,781,000
Capital reserves	108,941,657	0	108,941,657
Profit reserves	3,878,100	0	3,878,100
Reserves, resulting from valuation at fair value	–372,453	0	–372,453
Retained earnings	83,150,375	6,163,435	76,979,440
Net profit/loss	4,569,076	0	4,569,076
PROVISIONS AND LONG-TERM LIABILITIES	**51,242,717**	**14,292,670**	**36,950,047**
Post-employment employee benefits	1,300,158	0	1,300,158
Other long-term provisions	15,356,014	6,625,006	8,731,008
Long-term operating liabilities	9,000,000	0	9,000,000
Long-term financial liabilities for leasing	24,433,524	7,667,664	16,765,860
Long-term liabilities from agreements	1,153,021	0	1,153,021
SHORT-TERM LIABILITIES	**61,657,045**	**1,437,203**	**60,219,842**
Short-term operating liabilities to suppliers	26,585,938	882,800	25,703,138
Short-term operating liabilities towards group companies	3,684,675	0	3,684,675
Income tax liabilities	0	0	0
Other operating liabilities	4,436,446	4,649	4,431,797
Long-term financial liabilities for leasing	17,670,558	0	17,670,558
Short-term liabilities from contracts	3,251,188	549,754	2,701,434
Short-term provisions and accrued costs	6,028,240	0	6,028,240
TOTAL LIABILITIES	112,899,762	15,729,873	97,169,889
TOTAL EQUITY AND LIABILITIES	**351,847,517**	**21,900,808**	**329,946,709**

With the spin off, the company transferred to its subsidiary A1 Towers d.o.o. assets in the amount of EUR 21,900,808. The transfer of the assets from the spin-off plan was concluded at book values, and as a result of this the company's equity decreased by EUR 6,170,935.

5.2. Balance Sheet

5.2.1. Intangible assets

	Goodwill	Customer base and trade mark	Radio frequencies	Licences	Software	Leased lines	Total
Historical cost							
Balance on 1 January 2021	11,923,950	4,785,661	92,113,004	15,573,246	58,390,878	29,983,820	212,770,559
Procurement, activation	0	0	43,708,776	510,679	3,766,583	0	47,986,038
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	0	0	0	0	0	786,534
Balance on 31 December 2021	12,710,484	4,785,661	135,821,780	16,083,925	62,068,727	29,983,820	261,454,396
Procurement, activation	0	0	0	1,332,795	5,791,285	0	7,124,080
Disposals, write-offs	0	0	0	0	-819	0	-819
Demerge A1 Towers	0	0	0	0	0	0	0
Merger by acquisition TS RPL d.d	0	0	0	0	3,032	0	3,032
Balance on 31 December 2022	12,710,484	4,785,661	135,821,780	17,416,720	67,862,225	29,983,820	268,580,689

Accumulated amortization and impairments							
Balance on 1 January 2021	0	3,096,147	50,703,442	14,157,982	51,180,827	11,232,178	130,370,576
Amortization	0	288,866	5,871,615	592,784	3,038,797	1,514,682	11,306,745
Disposlas, write-offs	0	0	0	0	-88,735	0	-88,735
Transfer	0	0	0	0	0	0	0
Balance on December 2021	0	3,385,013	56,575,058	14,750,766	54,130,889	12,746,859	141,588,586
Amortization	0	288,866	7,253,755	551,590	3,310,077	1,512,994	12,917,283
Disposlas, write-offs	0	0	0	0	-819	0	-819
Demerge A1 Towers	0	0	0	0	0	0	0
Merger by acquisition TS RPL d.d.	0	0	0	0	3,032	0	3,032
Balance on 31 December 2022	0	3,673,879	63,828,813	15,302,356	57,443,180	14,259,854	154,508,082
Carrying amount	0						
31 December 2021	**12,710,484**	**1,400,648**	**79,246,722**	**1,333,158**	**7,937,837**	**17,236,960**	**119,865,811**
31 December 2022	**12,710,484**	**1,111,782**	**71,992,967**	**2,114,363**	**10,419,045**	**15,723,966**	**114,072,608**

60% of all intangible assets that were utilized as at 31 December 2022 were fully amortized (on 31 December 2021 there were 54% 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.

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 2022 was EUR 72 million (2021: EUR 79.2 million).

Financial commitments

As at 31 December 2022 the company has no financial commitments for obtaining intangible assets (2021: EUR 0).

Impairment test of goodwill and long-term assets

In 2022 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 2023– 2027 period, with the pre-tax discount rate of 7.5% (2021: 4%), and a long-term growth rate of 3.3%. 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 2022 the company recognized leases paid upfront in the amount of EUR 1,512,994 (2021: EUR 1,514,682).

5.2.2. Property, plant and equipment

	Land, buildings and investment in third party plant, property and equipment	Base stations and exchanges	Computer equipment	Other equipment and small tools	Fixed assets under construction	Total
Historical cost						
Balance on 1 January 2021	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	
Merger by acquisition	0	677651	23,873	20,866	0	0
Balance on 31 December 2021	7,711,658	212,644,400	19,249,895	58,824,970	25,389,980	323,820,904
Procurement, activation	177,506	25,810,546	2,386,952	3,227,637	2,544,200	34,146,841
Disposals, write-offs	-72,230	-3,301,199	-104,160	-168,360	0	-3,645,949
Demerge A1 Towers	-9,039	-54,384,702	0	0	-2,874,823	-57,268,564
Merger by acquisition TS RPL d.d	67,035	2,347,879	7,836	11,963	0	2,434,714
Balance on 31 December 2022	7,874,931	183,116,923	21,540,524	61,896,210	25,059,357	299,487,945

Accumulated depreciation and impairments						
Balance on 1 January 2021	6,333,779	154,942,806	17,091,739	47,610,538	1,049,978	227,028,840
Depreciation	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	
Merger by acquisition	0	505,766	21,681	20,738	0	548,185
Balance on 31 December 2021	6,618,548	164,035,745	17,418,085	50,006,575	821,778	238,900,731
Depreciation	433,301	14,468,362	1,330,427	4,059,895	74,221	20,366,205
Disposals, write-offs	-54,567	-2,720,329	-101,044	-161,883	0	-3,037,822
Demerge A1 Towers	0	-48,559,460	0	-3,061	0	-48,562,520
Merger by acquisition TS RPL d.d	57,957	2,107,103	7,836	11,633	0	2,184,530
Balance on 31 December 2022	7,055,240	129,331,423	18,655,304	53,913,159	895,999	209,851,125
Carrying amount						
31 December 2021	**1,093,110**	**48,608,655**	**1,831,810**	**8,818,395**	**24,568,202**	**84,920,172**
31 December 2022	**819,690**	**53,785,501**	**2,885,220**	**7,983,051**	**24,163,359**	**89,636,821**

55% of all tangible assets that were utilized as at 31 December 2022 were fully amortized (on 31 December 2021 there were 53% of all such intangible assets).

Base stations and exchanges

In October the company transferred its passive infrastructure and costs of decommissioning to A1 Towers d.o.o. The total purchase value of the transferred equipment is EUR 54,384,702, and the total of the corrected value is EUR 48,559,460. The division of the company is detailed under 5.1.

In 2022, investments in base stations were EUR 25,810,546 (2021: EUR 15,377,460). The estimated useful life of base stations is 5 years for the equipment and 25 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 310,080 as at 31 December 2022 (2021: EUR 2,969,042).

When calculating the provisions for decommissioning costs as at 31 December 2022, the company applied the following conditions:

- discount rate of 4.2% (2021: 0.8%)
- Inflation rate 3.3% (2021: 2%).

Mortgages

As at 31 December 2022 fixed assets are not used as collateral (2021: they were not used).

Financial commitments

The amount of financial commitments for obtaining tangible fixed assets as at 31 December 2022 was EUR 1,228,672 (2021: EUR 3,497,086).

Finance leases

The Company has no fixed assets under financial lease.

5.2.3. The right to use the assets

in EUR	1. 01. 2022					31. 12. 2022
Type of leased asset	Right of Use	New acquisitions	Eliminations	Demerger Towers	Depreciation	Right of Use
Business premises and warehouses	7,345,972,00	777,706	-227,192	0	-1,494,553	6,401,933
Cars	430,279,00	252,221	-200	-801	-253,629	427,871
Business premises for retail shops	1,627,529,00	447,454	-127,083	0	-404,910	1,542,990
Land and buildings for telecommunication equipment	24,923,734,00	61,306,206	-300,343	-8,523,106	-6,713,874	70,692,617
Lines	356,793,00	737,440	0	0	-180,127	914,106
Last Mile	19,321,930,00	2,954,164	-995,608	0	-10,946,702	10,333,784
Total	**54,006,237**	**66,475,191**	**-1,650,426**	**-8,523,907**	**-19,993,795**	**90,313,301**

Average duration of lease is 7 years (2021: 9 years).

Amounts recognized in business results are disclosed in disclosure 5.3.

In October the Company transferred to the newly founded company A1 Towers d.o.o. the obligation for leasing passive infrastructure in the amount of EUR 8,523,106 and in the amount of EUR 801 for car leases. The value of EUR 61,306,206 of new procurement for premises and lands for installing telecommunication equipment in 2022 is mainly the result of the agreement concluded with A1 Towers d.o.o. for leasing passive infrastructure. The division of the company is detailed under 5.1.

in EUR	**1. 01. 2021**				**31. 12. 2021**
Type of leased asset	Right of Use	New acquisitions	Eliminations	Depreciation	Right of Use
Business premises 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 shops	1,817,350	330,373	-124,094	-396,100	1,627,529
Land and buildings for telecommunication equipment	29,874,562	515,391	-130,299	-5,335,920	24,923,734
Lines	518,628	672	0	-162,507	356,793
Last Mile	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**

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 (2021: EUR 750), an investment in SIKABEL, d.o.o., in the amount of 5%, i.e., EUR 1,000 (2021: 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 (2021: EUR 3,200,000), and a long-term loan in the amount of EUR 742,500 (2021: EUR 660,000).

In August the company merged by acquisition TS RPL d.d. The merger by acquisition is detailed under 5.1.

The financial statements of the company A1 Slovenija and Studio proteus d.o.o. are included in the consolidated results of Telekom Austria Group.

Investments in subsidiaries

in EUR

Company name	Registered office	Equity as at 31 December 2022	Profit or loss for 2022
STUDIO PROTEUS d.o.o.	Cesta v Staro vas 2, 6230 Postojna	54,529	-56,911
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	-62,48
STUDIO PROTEUS d.o.o.	Cesta v Staro vas 2, 6230 Postojna	111,438	18,666

Changes in long-term financial assets:

Financial assets at fair value through OCI	
Balance on 1 January 2022	**4,889,956**
Additions	82,500
Acquisitions	–1,028,206
Impairment losses	0
Disposals	0
Adjustment to fair value	0
Balance on 31 December 2022	**3,944,250**
Balance on 1 January 2021	**4,939,955**
Additions	1,200,001
Mergers	–1,250,000
Impairment losses	0
Disposals	0
Adjustment to fair value	0
Balance on 31 December 2021	**4,889,956**

5.2.5. Long-term operating receivables

	31 December 2021	31 December 2021
Long-term operating receivables due from customers	9,911,826	10,461,201
Accumulated allowances	-149,687	-172,517
Effect of discounting	0	0
Long-term net trade receivables	9,762,139	10,288,684
Long-term operating receivables from others	77,405	71,541
Accumulated allowances	0	0
Long-term net trade receivables due from others	77,405	71,541
Long-term operating receivables	**9,839,544**	**10,360,225**

Long-term operating receivables include the receivables from the sale of goods in 24 installments in the amount of EUR 9,839,544 (2021: EUR 10,360,225).

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. 12. 2022	31. 12. 2021
Contract assets to consideration for goods transferred or services performed	993,448	1,143,355
Dealer provision	532,612	381,592
Total non-current contract assets	**1,526,060**	**1,524,947**
Contract assets to consideration for goods transferred or services performed	2,977,039	3,397,839
Dealer provision	1,301,020	884,412
Total current contract assets	**4,278,059**	**4,282,251**

5.2.7. Deferred tax assets

Deferred tax assets are processed based on the future 19% tax rate (2021: 19%).

Movements of deferred tax assets

Changes in 2022	1. 1. 2022	Increase	Merger	Demerger	Derecognition	Expenditure	31. 12. 2022
From temporary differences arising from the revaluation of receivables	4,060,435	833,394	0	0	-869,190	-112,335	3,912,304
From temporary differences arising from provisions	900,000	220,182	0	-164,614	-18,172	-19,841	917,555
From temporary differences arising from applying different amortization/depreciation periods for bookkeeping and tax purposes	762,670	170,115	0	-1,013,708	0	-11,297	-92,220
From temporary differences arising from the tax losses	0	0	132,146	13,930	0	-13,930	132,146
Total	**5,723,105**	**1,223,691**	**132,146**	**-1,164,392**	**-887,362**	**-157,403**	**4,869,785**

Changes in 2021	1. 1. 2021	Increase	Merger	Derecognition	Expenditure	31. 12. 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 the tax losses	0	0	13,930	0	-13,930	0
From temporary differences for revaluation adjustment of capital	-10,540			10,540		0
Total	**4,499,583**	**2,207,738**	**-42,530**	**-743,149**	**-198,537**	**5,723,105**

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.

5.2.9. Long-term deferred costs

	31. 12. 2022	31. 12. 2021
Deferred costs of connection fees for data lines	1,337,605	1,218,867
Other deferred costs	161,303	134,318
Non-current deferred costs	**1,498,908**	**1,353,185**

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. 12. 2022	31. 12. 2021
Goods for resale	7,416,116	5,587,830
Inventories	**7,416,116**	**5,587,830**

Inventories as at 31 December 2022 are not mortgaged. As at 31 December 2022 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 2022.

5.2.10. Current trade receivables

	31. 12. 2022	31. 12. 2021
Current trade receivables due from customers - subscribers	81,770,597	78,293,585
Allowances for current trade receivables due from customers - subscribers	-26,247,629	-27,446,870
Net trade receivables due from customers - subscribers	55,522,968	50,846,715
Current trade receivables due from customers - others	10,300,175	8,275,082
Allowances for current trade receivables due from customers - others	-1,347,021	-1,291,621
Net trade receivables due from customers - others	8,953,154	6,983,461
Current trade receivables - foreign	1,454,713	1,334,666
Allowances for current trade receivables - foreign	0	0
Net trade receivables - foreign	1,454,713	1,334,666
Total current operating receivables	**65,930,835**	**59,164,842**

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

5.2.11. Current trade receivables from group companies

	31. 12. 2022	31. 12. 2021
Current trade receivables from group companies	1,305,697	895,312
Allowances for current trade receivables from group companies	0	0
Total trade receivables from group companies	**1,305,697**	**895,312**

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

5.2.12. Tax assets from the income tax

	31. 12. 2022	31. 12. 2021
Assets from income tax	1,230,084	1,230,084
Total assets from income tax	**1,230,084**	**1,230,084**

5.2.13. Other operating assets

	31. 12. 2022	31. 12. 2021
Advances and security deposits given	2,494,781	1,523,367
Other current receivables	1,053,465	1,267,122
Total other operating assets	**3,548,246**	**2,790,489**

5.2.14. 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. 12. 2022	31. 12. 2021
Cash at bank	86,752	175,025
Call deposits	1,803,455	9,329,260
- at Telekom Austria	1,365,955	9,289,260
- at other group companies	437,500	40,000
Total cash and cash equivalents	**1,890,207**	**9,504,285**

5.2.15. Other short-term assets

	31. 12. 2022	31. 12. 2021
Current deferred costs	304,770	384,252
Total other current assest	**304,770**	**384,252**

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

5.2.16. Equity

Company equity on 31 December 2022 is EUR 230,148,925. 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 2022.

Capital reserves are EUR 108,941,657 (31 December 2021: 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.

Net profit from operations for the 2022 financial year is EUR 1,383,446. Net earnings per share are EUR 0.15 (2021: EUR 1.21) which is calculated by dividing EUR 1,383,446 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:

in EUR	**2022**	**2021**
Net profit/loss for the year	1,383,446	11,259,423
Retained net profit	83,430,218	72,170,795
Increase merger TS RPL d.d.	5,695	0
Decrease demerger A1 Towers d.o.o.	-6,170,935	0
Distributable profit which the General Meeting distributes	**78,648,424**	**83,430,218**

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

Provisions include provisions for post-employment benefits of employees (for jubilee rewards, retirement severances), provisions for decommissioning cost and provisions for probable liabilities after lawsuits.

	1. 1. 2022	Increase	Demerger	Derecognition	Debited under equity	Expenditure	31. 12. 2022
Jubilee awards	229.303	31.102	0	-62.678	0	-12.187	185.540
Severance pay upon retirement	988.045	88.565	0	0	-272.197	-15.149	789.264
Post-employment employee benefits	**1.217.348**	**119.667**	**0**	**-62.678**	**-272.197**	**-27.336**	**974.804**
Decommissioning cost	7.085.984	463.183	-6.625.006	-6.149	0	0	918.012
Provisions for probable liabilities following lawsuits	6.495.159	1.756.014	0	-114.351	0	-181.513	7.955.309
Other non-current provisions	**13.581.143**	**2.219.197**	**-6.625.006**	**-120.500**	**0**	**-181.513**	**8.873.321**
Total provisions	**14.798.491**	**2.338.864**	**-6.625.006**	**-183.178**	**-272.197**	**-208.849**	**9.848.125**

	1. 1. 2021	Increase	Demerger	Derecognition	Debited under equity	Expenditure	31. 12. 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 following lawsuits	4.714.846	1.926.169	11.048	0	0	-156.904	6.495.159
Other non-current provisions	**11.991.773**	**2.024.044**	**11.048**	**-288.818**	**0**	**-156.904**	**13.581.143**
Total provisions	**13.178.749**	**2.181.763**	**11.048**	**-288.818**	**-40.793**	**-243.458**	**14.798.491**

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:

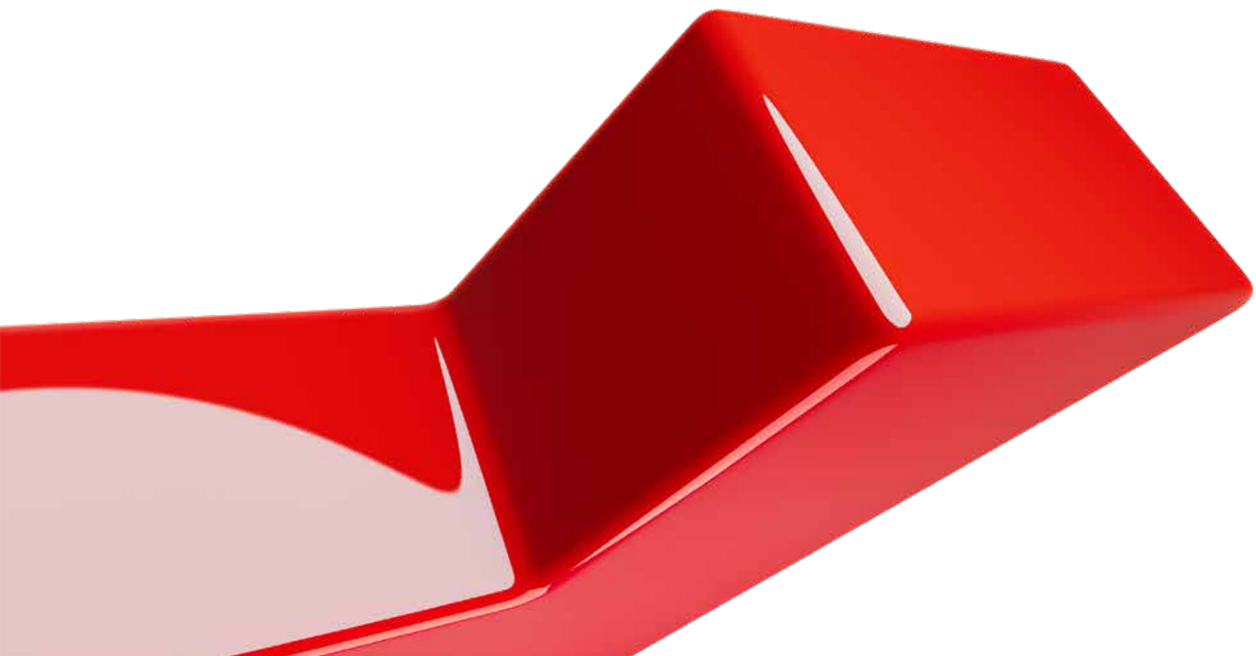
- the actuarial calculation of severance payments are made applying a 3.75% discount rate (2021: 1.00%),
- the actuarial calculation of jubilee awards are made applying a 3.75% discount rate (2021: 0.25%)
- the currently applicable amount of severance payments and jubilee awards, as defined by law
- 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	
Change by	0.5	-0.5	0.5	-0.5	0.5	-0.5
Jubilee awards	-3.72%	3.96%	0.00%	0.00%	-3.95%	2.76%
Severance pay upon retirement	-5.62%	6.13%	9.56%	-7.37%	7.50%	-7.56%

In October the Company transferred its provisions for the costs of decommissioning passive infrastructure to A1 Towers d.o.o. The total of the transferred provision is EUR 6,625,006. The division of the company is detailed under 5.1.

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 4.2% and a rate of inflation in the amount of 3.3%.



Sensitivity analysis for decommissioning costs

	Discount rate	
Unit	percentage point	
By	-1	1
Effect on provisions for decommissioning costs	**12.00%**	**-10.23%**

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.

5.2.18. Long-term operating liabilities

	31. 12. 2022	31. 12. 2021
Non-current operating liabilities	9,000,000	9,000,000
Total non-current operating liabilities	**9,000,000**	**9,000,000**

Long-term operating liabilities from leasing optic fibers. Disclosures of maturity of receivables is listed under 5.5.1.

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

in EUR	1. 1. 2022					31. 12. 2022
Type of leased asset	**Lease liability**	**Liability for new acquisitions**	**Eliminations**	**Demerger Towers**	**Repayment**	**Lease liability**
Business premises and warehouses	7,606,284	1,168,940	-252,275	0	-1,791,385	6,731,563
Cars	421,856	253,656	4,287	-764	-253,176	425,859
Business premises for retail shops	1,693,865	491,532	-175,119	0	-423,030	1,587,248
Land and buildings for telecommunication equipment	21,260,314	62,181,847	-317,968	-7,666,900	-6,902,911	68,554,381
Lines	427,905	772,127	-10,314	0	-175,401	1,014,317
Last Mile	20,471,316	3,048,507	-995,608	0	-11,207,913	11,316,302
Skupaj	**51,881,540**	**67,916,608**	**-1,746,997**	**-7,667,664**	**-20,753,817**	**89,629,670**

*long-term leased capacities to end users.

In October the company transferred to the newly founded company A1 Towers d.o.o. the obligation for leasing passive infrastructure in the amount of EUR 7,666,900 and in the amount of EUR 764 for car leases. The value of EUR 62,181,847 of new obligations for premises and lands for installing telecommunication equipment in 2022 is mainly the result of the agreement concluded with A1 Towers d.o.o. for leasing passive infrastructure. The division of the company is detailed under 5.1.

As at 31 December 2022 the company has EUR 19,927,317 liabilities from short-term leases (for 2021: EUR 17,283,271). 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. 1. 2021				31. 12. 2021
Type of leased asset	**Lease liability**	**Liability for new acquisitions**	**Eliminations**	**Repayment**	**Lease liability**
Business premises 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 shops	1,855,371	415,335	-125,207	-451,634	1,693,865
Land and buildings for telecommunication equipment	25,560,560	996,921	-131,749	-5,165,418	21,260,314
Lines	554,128	65,487	0	-191,710	427,905
Last Mile	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**

in EUR	1. 1. 2022	31. 12. 2022
Type of leased asset	**Lease liability**	**Lease liability**
Business premises and warehouses	1,416,115	1,480,037
Cars	210,372	198,597
Business premises for retail shops	383,800	415,789
Land and buildings for telecommunication equipment	4,950,797	9,626,263
Lines	110,253	170,098
Last Mile	10,211,934	8,036,533
Total	**17,283,271**	**19,927,317**

*long-term leased capacities to end users.

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

Year 2022 in EUR

Type of leased asset	up to 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	over 5 years	total
Business premises and warehouses	1,480,037	1,506,982	1,199,875	377,151	292,252	1,875,266	6,731,563
Cars	198,597	127,633	64,944	26,121	3,101	5,463	425,859
Business premises for retail shops	415,789	420,093	427,364	141,963	96,768	85,271	1,587,248
Land and buildings for telecommunication equipment	9,626,263	9,926,280	10,099,227	7,585,573	7,850,343	23,466,695	68,554,381
Lines	170,098	172,454	174,843	148,724	99,884	248,314	1,014,317
Last Mile	8,036,533	991,729	541,154	546,844	177,725	1,022,317	11,316,302
Total	**19,927,317**	**13,145,171**	**12,507,407**	**8,826,376**	**8,520,073**	**26,703,327**	**89,629,670**

Year 2021 in EUR

Type of leased asset	up to 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	over 5 years	total
Business premises and warehouses	1,416,115	1,439,358	1,462,988	1,218,011	377,079	1,692,733	7,606,284
Cars	210,372	141,420	60,220	9,076	768	0	421,856
Business premises for retail shops	383,800	371,737	374,710	380,613	79,063	103,942	1,693,865
Land and buildings for telecommunication equipment	4,950,797	4,946,101	4,887,536	4,224,412	2,172,142	79,326	21,260,314
Lines	113,253	63,429	135,862	65,075	50,286	0	427,905
Last Mile	10,211,933	7,767,719	1,801,172	343,010	347,482	0	20,471,316
Total	**17,286,270**	**14,729,764**	**8,722,488**	**6,240,197**	**3,026,820**	**1,876,001**	**51,881,540**

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

Year 2022 in EUR

Type of leased asset	up to 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	over 5 years
Business premises and warehouses	1,642,972	1,633,236	1,294,035	453,168	357,068	1,651,080
Cars	203,502	130,228	66,154	26,469	3,225	5106,06
Business premises for retail shops	439,521	436,688	436,688	146,425	99,039	75,109
Land and buildings for telecommunication equipment	11,894,767	11,879,148	11,730,419	8,910,185	8,879,181	24,479,108
Lines	181,871	181,871	181,871	153,491	102,851	159,530
Last Mile	8,100,424	1,009,034	551,905	551,905	179,250	209,125
Total	**22,463,057**	**15,270,205**	**14,261,071**	**10,241,643**	**9,620,615**	**26,579,059**

Year 2021 in EUR

Type of leased asset	up to 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	over 5 years
Business premises and warehouses	1,525,179	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 shops	405,728	387,811	384,978	384,978	80,076	68,653
Land and buildings for telecommunication equipment	5,263,766	5,175,731	5,028,232	4,324,448	551,982	1,274,129
Lines	122,464	66,180	66,180	66,180	50,640	0
Last Mile	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**

5.2.20. 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. 12. 2022	31. 12. 2021
Non-current contract liabilities	596,081	1,153,021
Current contract liabilities	3,281,903	3,509,133
Total contract liabilities	**3,877,984**	**4,662,154**

5.2.21. Short-term operating liabilities to suppliers

	31. 12. 2022	31. 12. 2021
Liabilities towards suppliers	42,889,945	40,934,446
Total current operating liabilities to suppliers	**42,889,945**	**40,934,446**

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

5.2.22. Short-term operating liabilities towards group companies

	31. 12. 2022	31. 12. 2021
Liabilities towards group companies	5,451,626	1,975,265
Total current operating liabilities towards group companies	**5,451,626**	**1,975,265**

5.2.23. Other operating liabilities

	31. 12. 2022	31. 12. 2021
Liabilities towards employees	1,659,053	1,711,570
Liabilities towards the state and state institutions	1,541,367	1,182,456
Other liabilities	1,213,262	892,371
Total other operating liabilities	**4,413,682**	**3,786,397**

5.2.24. Short-term provisions and accrued costs

	31. 12. 2022	31. 12. 2021
Current provisions and accrued costs	6,345,333	4,546,324
Total current provisions and accrued costs	**6,345,333**	**4,546,324**

Short-term accrued costs include accrued cost of bonuses, costs of unused vacation days for 2022, costs for access lines and other accrued costs.

5.2.25. Contingent Liabilities

The total value of court disputes in which the Company is the defendant is EUR 6,623,215 (2021: EUR 2,826,282). A compensatory collective redress is said to have been lodged against the Company in the amount of EUR 52,334,248.18; however, it has not yet been served to the Company, and therefore the proceedings have not yet started. Regarding the open cases, the management estimates that based on the data and information made available until now there in no likelihood of a loss, so it did not make any provisions for the lawsuits. With regard to the announced compensatory collective redress the Company management cannot provide an assessment of the potential success, as the Company has yet to be informed of the content of the lawsuit.

5.2.26. Contingent liabilities from issued guarantees

As at 31 December 2022 the company’s maximum contingent liabilities from issued guarantees stand at EUR 534,077 (2021: EUR 551,248).

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:

	2022	2021
Revenue from contracts with customers	222,148,278	209,702,180
Production costs of goods sold (including depreciation) or original cost of sold goods	75,549,199	67,797,905
Selling cost (including depreciation)	135,310,158	121,427,432
Administration expenses (including depreciation)	8,093,670	7,263,265
Operating profit or loss	3,195,251	13,213,578

5.3.1. Revenue from contracts with customers

	2022	2021
Net revenue from sold services	165,667,436	155,256,859
Net revenue from sold goods	56,480,842	54,445,321
Revenue from contracts with customers	222,148,278	209,702,180

Revenue from contracts with customers at home and abroad

	2022	2021
Revenue from sales at home	216,047,665	204,842,142
- sale of services at home	159,566,823	150,396,821
- sale of goods at home	56,480,842	54,445,321
Revenue from sales abroad	6,100,613	4,860,038
- sale of services abroad	6,100,613	4,860,038
- sale of goods abroad	0	0
Total	**222,148,278**	**209,702,180**

Revenue from contracts with customers by type of services

	2022	2021
Revenue from the sale of subscription and prepaid telephone services	131,756,657	127,877,858
Revenue from interconnection and international roaming	25,119,569	20,164,839
Other revenue from the sale of services	8,791,210	7,214,162
Total	**165,667,436**	**155,256,859**

5.3.2. Other operating revenue

in EUR	2022	2021
Revenue from derecognizing non-current provisions for base stations decommissioning	6,149	26,360
Revenue from reimbursed court costs	1,646,820	1,703,036
Reneue related to deployed employees	402,714	549,709
Other revenue	25,971	749,005
Total	**2,081,654**	**3,039,809**

5.3.3. Costs of goods, material and services

	2022	2021
Cost of goods sold	53,082,243	52,187,402
Cost of material	10,115,249	5,223,346
Total	**63,197,492**	**57,410,748**

Cost of materials

	2022	2021
Energy cost	9,482,008	4,600,449
Write-off of samll tools	35,737	37,345
Other cost of material	382,624	412,907
Cost of office supplies and professional literature	214,880	172,645
Total	**10,115,249**	**5,223,346**

Costs of services

	2022	2021
Cost of products and services in marketing	32,122,925	28,057,808
Cost of transportation services	301,075	266,991
Cost of maintenance services	6,341,506	7,555,200
Rent costs	1,230,038	1,418,830
Cost of payment transactions and bank services	462,625	401,311
Cost of reimbursements to employees	161,399	43,927
Cost of intelectual and personal services	2,972,770	3,060,482
Insurance premiums	254,861	243,965
Cost of interconnection and international roaming	20,531,524	17,745,794
Marketing costs	7,329,200	6,798,578
Cost of other services	3,071,626	2,767,861
Total	**74,779,548**	**68,360,747**

Cost of other services includes cost of postal services, cost of phone services and other. Auditing services for 2022 amounted to EUR 60,000 (2021: EUR 60,000) and include the cost of the annual audit.

5.3.4. Labour cost

	2022	2021
Salaries and wage compensations	19,923,719	18,005,118
Pension insurance	2,312,051	2,082,072
Other social security contributions	1,507,329	1,345,769
Other labor costs:		
- transport allowance	483,171	410,739
- food allowance	914,424	785,763
- vacation allowance	1,046,683	815,425
- scost of severance pays and jubilee awards	65,591	179,058
- cost of unused paid leave	227,266	201,338
- other labor costs	233,977	197,471
Total	**26,714,211**	**24,022,753**

5.3.5. Depreciation and amortization

	2022	2021
Depreciation of tangible assets	20,366,205	17,957,591
Amortization of intangible assets	12,917,283	11,306,743
Decpreciation right of use assets	19,993,795	17,877,249
Total	**53,277,283**	**47,141,583**

5.3.6. Other operating expenses

	2022	2021
Duties not depending on business result	1,374,592	1,270,111
Other expenses	263,536	78,743
Loss from disposals of intangible assets and tangible fixed assets	562,686	402,655
Total	**2,200,814**	**1,751,509**

Duties not depending on business results comprise liabilities to the Agency for Communication Networks and Services in the amount of EUR 1,087,088 (2021: EUR 984,086) and administrative and court tax stamps.

5.3.7. Impairment of financial assets

	2022	2021
Impairment losses from trade receivables	4,386,282	4,821,507
Impairment gains from trade receivables	-3,520,919	-3,960,547
Impairment losses from contract assets	84,626	111,520
Impairment gains from contract assets	-84,657	-131,409
Total	**865,332**	**841,071**

5.3.8. Financial Revenue and Expenses

	2022	2021
Revenue from interest	143,941	153,026
Positive foreign exchange differences	25,320	14,119
Other financial revenue	10,360	11,856
Total financial revenue	179,621	179,001
Default interest towards suppliers	235,136	46,923
Negative foreign exchange differences	73,163	30,340
Interest expense on lease liabilities	1,223,572	864,685
Other interest	499,223	354,422
Total financial expenses	2,031,094	1,296,370
Profit/loss	-1,851,473	-1,117,369

5.3.9. Income tax

	2022	2021
Accrued tax	135,293	2,102,827
Deferred tax	-174,960	-1,266,041
Income tax	-39,667	836,786
Profit before taxes	1,343,794	12,096,209
Tax calculated at 19% rate	255,321	2,298,280
Tax effects of untaxed revenue	-2,059,240	3,126,305
Tax effects of non-tax-deductible expenses	1,764,252	-4,587,799
Taxes	-39,667	836,786
Effective tax rate	-2,95%	6,92%

Corporate income tax for 2022 amounts to EUR 135,293 (2021: EUR 2,102,827). The effective income tax rate for 2022 was 19% (2021: 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:

- A1 Towers d.o.o., 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 2022:

Receivables

in EUR	Gross amount	Allowances	Net amount 31.12.2022	Net amount 31.12.2021
Telekom Finanzmanagement (TFG)	1,365,955	0	1,365,955	9,289,260
A1 Hrvatska d.o.o.	85,607	0	85,607	89,176
A1 Telekom Austria AG	504,837	0	504,837	353,519
Telekom Austria AG	5,065	0	5,065	4,650
A1 Makedonija DOOEL Skopje	3,182	0	3,182	41,856
A1 Srbija	49,622	0	49,622	17,991
A1 Bulgaria EAD	3,615	0	3,615	3,142
A1 Digital International GmbH	23,608	0	23,608	28,373
Studio Proteus	521,526	0	521,526	298,822
TS RPL d.d. Maribor	0	0	0	11,074
SB Telecom Ltd.	16,800	0	16,800	0
Unitary Enterprise	38,334	0	38,334	0
A1 Towers	43,030	0	43,030	0
Other	-16,644	0	-16,644	46,709
Total	**2,644,537**	**0**	**2,644,537**	**10,184,572**

Liabilities

in EUR	31. 12. 2022	31. 12. 2021
A1 Hrvatska d.o.o.	238,371	155,153
A1 Telekom Austria AG	1,444,536	1,274,784
Telekom Austria AG	197,881	67,826
A1 Srbija	869,549	209,311
A1 Bulgaria EAD	244,947	82,144
A1 Digital International GmbH	11,777	149,289
Studio Proteus	26,859	0
TS RPL d.d. Maribor	0	23,756
SB Telecom Ltd.	474,270	0
A1 Towers	1,910,815	0
Invenium Data Insights GmbH	8,429	0
Other	8,592	13,002
Total	**5,436,026**	**1,975,265**

Revenue from sales

in EUR	2022	2021
A1 Hrvatska d.o.o.	494,542	627,872
A1 Telekom Austria AG	2,267,591	2,172,267
Telekom Austria AG	27,615	55,796
A1 Makedonija DOOEL Skopje	31,711	42,729
A1 Srbija	206,050	399,223
A1 Bulgaria EAD	41,512	43,864
A1 Digital International GmbH	135,614	163,257
Unitary enterprise A1 (BLRMD)	38,346	0
Studio proteus	197,963	217,892
TS RPL d.d. Maribor	0	116,938
SB Telecom Ltd.	16,800	0
Telekom Finanzmanagement (TFG) GmbH, Austria	0	1,777
A1 Towers	105,657	0
Other Roaming	318	3,323
Total	**3,563,719**	**3,846,960**

Other income (interest, exchange rate differences)

in EUR	2022	2021
Studio proteus	4,102	0
Total	**4,102**	**0**

Costs of services and other operating expenses

in EUR	2022	2021
A1 Hrvatska d.o.o.	2,180,140	2,037,758
A1 Telekom Austria AG	6,732,908	6,322,430
Telekom Austria AG	1,010,729	903,419
A1 Makedonija DOOEL Skopje	1,445	1,839
A1 Srbija	1,170,454	1,144,458
Unitary enterprise A1 (BLRMD)	113	166
A1 Bulgaria EAD	727,049	453,653
A1 Digital International GmbH	149,289	149,289
TS RPL d.d. Maribor	0	213,826
Studio Proteus	80,024	0
SB Telecom Ltd.	2,158,540	0
A1 Towers	3,573,349	0
Other Roaming	-11,576	1,828
Total	**17,772,464**	**11,230,688**

Other expenses (interest, exchange rate differences)

in EUR	2022	2021
Telekom Finanzmanagement (TFG)	12,208	0
Total	**12,208**	**0**

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 2022 comprises gross income, which was reported in their tax returns, holiday allowances, food and work outside the office, benefits and profit sharing. In 2022 this income was EUR 1,455,354.

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.

Liquidity risks at the Company are managed through regular balancing and monetary flow planning for different time periods. Short-term imbalance of monetary flows is managed with liquidity reserves through financing in the Group. The Company's management assesses that liquidity risk for the Company is low.

The company's liabilities by maturity:

31 December 2022	Carrying amount of liabilities	Stipulated cash flows				
		Liability	0-6 months	6-12 months	1-5 years	over 5 years
Non-current lease liabilities	69,702,354	69,702,354	0	0	42,999,027	26,703,327
Non-current operating liabilities	9,000,000	9,000,000	0	0	0	9,000,000
Non-current contract liabilities	596,081	596,081	0	0	596,081	0
Current lease liabilities	19,927,317	19,927,317	11,395,646	8,531,671	0	0
Current operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	48,341,571	48,341,571	48,341,571	0	0	0
Current contract liabilities	3,281,903	3,281,903	1,640,952	1,640,951	0	0
Warranties	534,077	534,077	534,077	0	0	0
Total	**151,383,303**	**151,383,303**	**61,912,246**	**10,172,622**	**43,595,108**	**35,703,327**

31 December 2021	Carrying amount of liabilities	Stipulated cash flows				
		Liability	0-6 months	6-12 months	1-5 years	over 5 years
Non-current lease liabilities	34,598,269	33,993,782	0	0	30,973,810	3,019,972
Non-current operating liabilities	9,000,000	9,000,000	0	0	0	9,000,000
Non-current contract liabilities	1,153,021	1,153,021	0	0	1,153,021	0
Current lease liabilities	17,283,271	17,919,807	9,035,186	8,884,621	0	0
Current operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	42,909,711	42,909,711	42,909,711	0	0	0
Current contract liabilities	3,509,133	3,509,133	1,754,567	1,754,566	0	0
Warranties	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**

Changes to liabilities by financial activities:

	1. 1. 2022	payment of liabilities in the period	increase in liabilities	agreement terminations	Demerger Towers	31. 12. 2022
Long-term and short-term financial liabilities from leases	51,881,540	-20,753,817	67,916,608	-1,746,997	-7,667,664	89,629,670
	1, 1, 2021	**payment of liabilities in the period**	**increase in liabilities**	**agreement terminations**	**31, 12, 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	

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 2022 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 2022:

	31. 12. 2022	**31. 12. 2021**
Non-current financial assets	3,944,250	4,889,956
Non-current operating receivables	9,839,544	10,360,225
Non-current contract assets	1,526,060	1,524,947
Current trade receivables from customers, group companies and others (excl. receivables due from the state)	67,236,532	60,060,154
Short-term contract assets	4,278,059	4,282,251
Cash and cash equivalents	1,890,207	9,504,285
Other current assets	304,770	384,252
Total	**89,019,422**	**91,006,070**

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. 12. .22	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	59,230,813	5,395,441	1,150,248	109,503	44,831	65,930,835
Short-term trade receivables from group companies	610,597	98,205	107,742	135,326	353,827	1,305,697
Total	**59,841,410**	**5,493,646**	**1,257,990**	**244,829**	**398,658**	**67,236,532**

31. 12. .21	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**

Changes in allowances for receivables

	Allowances for receivables due from customers	Allowances for advances and security deposits given	Allowances for receivables due from group companies	Allowances for other current receivables (excl. receivables due from the state)	Allowances for non-current operating receivables	Total
Balance on 1 January 2022	**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
Eliminated allowances	-3,523,633	0	0	0	0	-3,523,633
Balance on 31 December 2022	**28,738,491**	**0**	**0**	**0**	**0**	**28,738,491**

Balance on 1 January 2021	**28,738,491**	**0**	**0**	**0**	**0**	**28,738,491**
Formed allowances	4,291,274	0	0	0	0	4,291,274
Write-off	–1,976,868	0	0	0	0	–1,976,868
Derecognized allowances	–3,458,247	0	0	0	0	–3,458,247
Balance on 31 December 2021	**27,594,650**	**0**	**0**	**0**	**0**	**27,594,650**

Insurance of Receivables

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

5.5.3. Interest rate risk

Interest rate risk is the risk of making a loss caused by changes in the interest rate. 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 2022 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 18,501 in 2022 and by 6,290 EUR in 2021.

5.6. Capital management

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

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

in EUR	31. 12. 2022	31. 12. 2021
Total equity	230,148,925	234,658,522
Net financial liabilities	89,629,670	51,881,540
Net debt/capital	0,39	0,22

5.7. Carrying Amounts and Fair Values of Financial Instruments

Fair values of financial assets classified by fair value hierarchy:

31. 12. 2022	Book value	Fair value	31. 12. 2022		
			Level 1	Level 3	Level 3
Non-current operating receivables	9,839,544	9,839,544	0	0	9,839,544
Non-current contract assets	1,526,060	1,526,060	0	0	1,526,060
Current operating receivables (excl. receivables due from the state)	67,236,532	67,236,532	0	0	67,236,532
Short-term contract assets	4,278,059	4,278,059	0	0	4,278,059
Cash and cash equivalents	1,890,207	1,890,207	0	0	1,890,207
Other current assets	304,770	304,770	0	0	304,770
Total assets for which the fair value was disclosed	**85,075,172**	**85,075,172**	**0**	**0**	**85,075,172**

31. 12. 2021	Book value	Fair value	31. 12. 2021		
			Level 1	Level 3	Level 3
Non-current operating receivables	10,360,225	10,360,225	0	0	10,360,225
Non-current contract assets	1,524,947	1,524,947	0	0	1,524,947
Current operating receivables (excl. receivables due from the state)	60,060,154	60,060,154	0	0	60,060,154
Short-term contract assets	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 current 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**

Fair values of financial liabilities classified by fair value hierarchy

	31. december 2022			31. december 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Long-term financial liabilities	0	0	69,702,354	0	0	34,598,269
Long-term operating liabilities	0	0	9,000,000	0	0	9,000,000
Long-term liabilities from agreements	0	0	596,081	0	0	1,153,021
Short-term financial liabilities	0	0	19,927,317	0	0	17,283,271
Short-term operating liabilities (excluding liabilities to the state, employees and liabilities arising from advances)	0	0	48,341,571	0	0	42,909,711
Short-term liabilities from contracts	0	0	3,281,903	0	0	3,509,133
Total liabilities for which the fair value was disclosed	**0**	**0**	**150,849,226**	**0**	**0**	**108,453,406**

6. Other disclosures

6.1. The auditor's fee

in EUR	2022 Ernst & Young	2021 Ernst & Young
Cost of annual report audit	56,400	56,400
Tax consultancy services	0	0
Other services not related to the audit	3,600	3,600
Total	**60,000**	**60,000**

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

6.2. Business events after the balance sheet date

There were no events that would significantly affect the financial statements for 2022 or require additional disclosures after the date of the financial statements.