# FINANCIAL REPORT

# FOR 2019

# 1. FINANCIAL STATEMENTS OF THE COMPANY

## 1.1. Income Statement of GVO, d.o.o. for the period ended 31 December 2019

| in EUR thousand | Note | 2019 | 2018 |
|---|---|---|---|
| Net sales revenue | 3.1 | 58,750 | 44,963 |
| Other operating income | 3.2 | 1,643 | 1,394 |
| | | | |
| Costs of goods and materials sold | 3,3 | 0 | 0 |
| Costs of materials and energy | 3.3 | -8,927 | -7,734 |
| Costs of services | 3.4 | -28,888 | -19,627 |
| Labour costs | 3.5 | -14,189 | -13,394 |
| Amortisation and depreciation | 3.9, 3.10, 3.11 | -2,892 | -2,199 |
| Other operating expenses | 3.6 | -1,585 | -996 |
| **Total operating expenses** | | **-56,481** | **-43,950** |
| | | | |
| **Operating profit** | | **3,912** | **2,407** |
| | | | |
| Financial revenue | 3.7 | 10 | 9 |
| Financial expenses | 3.7 | -137 | -40 |
| | | | |
| **Profit before tax** | | **3,785** | **2,376** |
| | | | |
| Corporate income tax | 3.8 | -616 | -296 |
| Deferred tax | 3.8 | 15 | -69 |
| | | | |
| **Net profit/loss for the year** | | **3,184** | **2,011** |

The accompanying notes are an integral part of the financial statements.

## 1.2. Statement of other comprehensive income for the period ended 31 December 2019

| in EUR thousand | Note | 2019 | 2018 |
|---|---|---|---|
| **Net profit for the year** | ***3.18*** | **3,184** | **2,011** |
| **Other comprehensive income that may be reclassified subsequently to profit or loss:** | | **0** | **0** |
| Change in reserve – actuarial deficits and surpluses | 3.18 | -197 | 26 |
| **Other comprehensive income for the year after tax** | | **-197** | **26** |
| **Total comprehensive income for the year** | | **2,987** | **2,037** |

The accompanying notes are an integral part of the financial statements.

## 1.3. Balance sheet of GVO, d.o.o. as at 31 December 2019

| in EUR thousand | Note | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| | | | |
| **NON-CURRENT ASSETS** | | **30,494** | **27,934** |
| Intangible assets | 3.9 | 14,805 | 15,862 |
| Property, plant and equipment | 3.10 | 3,933 | 3,757 |
| Leased assets (right-of-use – ROU) | 3.11 | 2,549 | 0 |
| Investments in subsidiaries | 3.12 | 7,846 | 7,846 |
| Other investments | 3.13 | 885 | 8 |
| Other non-current assets | | 0 | 0 |
| Deferred tax assets | 3.14 | 476 | 461 |
| **CURRENT ASSETS** | | **20,138** | **18,342** |
| Inventories | 3.15 | 1,035 | 669 |
| Operating and other receivables | 3.16 | 8,334 | 12,913 |
| Current contract assets | 3.16 | 21 | 0 |
| Short-term deferred costs and accrued revenue | 3.16 | 139 | 301 |
| Corporate income tax assets | | 0 | 538 |
| Current investments | 3.13 | 7,006 | 6 |
| Cash and cash equivalents | 3.17 | 3,603 | 3,915 |
| **TOTAL ASSETS** | | **50,632** | **46,276** |
| | | | |
| **EQUITY AND RESERVES** | | **27,739** | **24,752** |
| Called-up capital | 3.18 | 5,758 | 5,758 |
| Capital surplus | 3.18 | 1 | 1 |
| Revenue reserves | 3.18 | 575 | 575 |
| Retained earnings | 3.18 | 21,735 | 18,551 |
| Revaluation surplus from actuarial deficits and surpluses | 3.18 | -330 | -133 |
| **NON-CURRENT LIABILITIES** | | **7,422** | **6,442** |
| Non-current contractual obligations | 3.19 | 519 | 0 |
| Long-term deferred revenue | 3.20 | 5 | 520 |
| Provisions | 3.21 | 4,666 | 4,282 |
| Long-term borrowings | 3.22 | 0 | 1,500 |
| Non-current financial liabilities – leases | 3.23 | 2,036 | 0 |
| Other non-current financial liabilities | | 0 | 0 |
| Non-current operating liabilities | 3.24 | 196 | 140 |
| **CURRENT LIABILITIES** | | **15,471** | **15,082** |
| Operating and other liabilities | 3.24 | 13,051 | 13,552 |
| Income tax liabilities | | 320 | 0 |
| Short-term borrowings | 3.22 | 0 | 2 |
| Current financial liabilities – leases | 3.25 | 669 | 0 |
| Current contractual obligations | 3.26 | 302 | 0 |
| Short-term deferred revenue | 3.27 | 2 | 0 |
| Accrued costs and expenses | 3.27 | 1,127 | 1,528 |
| **TOTAL EQUITY AND LIABILITIES** | | **50,632** | **46,276** |

The accompanying notes are an integral part of the financial statements.

## 1.4. Statement of changes in equity of GVO, d.o.o. for the period ended 31 December 2019

| in EUR thousand | Called-up capital | Capital surplus | Revenue reserves | Retained earnings from previous years | Retained earnings for the current year | Revaluation surplus from actuarial deficits and surpluses | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| **Balance as at 1 January 2019** | **5,758** | **1** | **575** | **16,540** | **2,011** | **-133** | **24,752** |
| Net profit or loss for the period | | | | 0 | 3,184 | | **3,184** |
| Other comprehensive income for the period | | | | | | -197 | **-197** |
| **Total comprehensive income** | **0** | **0** | **0** | **0** | **3,184** | **-197** | **2,987** |
| **Transactions with owners** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Transfer of profit or loss from the previous year to retained earnings | | | | 2,011 | -2,011 | | **0** |
| **Balance as at 31 December 2019** | **5,758** | **1** | **575** | **18,551** | **3,184** | **-330** | **27,739** |

The accompanying notes are an integral part of the financial statements.

## Statement of changes in equity of GVO, d.o.o. for the period ended 31 December 2018

| in EUR thousand | Called-up capital | Capital surplus | Revenue reserves | Retained earnings from previous years | Retained earnings for the current year | Revaluation surplus from actuarial deficits and surpluses | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| **Balance as at 1 January 2018** | **5,758** | **1** | **575** | **12,883** | **3,657** | **-159** | **22,715** |
| Net profit or loss for the period | | | | 0 | 2,011 | | **2,011** |
| Other comprehensive income for the period | | | | | | 26 | **26** |
| **Total comprehensive income** | **0** | **0** | **0** | **0** | **2,011** | **26** | **2,037** |
| **Transactions with owners** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Transfer of profit or loss from the previous year to retained earnings | | | | 3,657 | -3,657 | | **0** |
| **Balance as at 31 December 2018** | **5,758** | **1** | **575** | **16,540** | **2,011** | **-133** | **24,752** |

The accompanying notes are an integral part of the financial statements.

## 1.5. Cash flow statement of GVO, d.o.o. for the period ended 31 December 2019

| in EUR thousand | 2019 | 2018 |
|---|---|---|
| **A. Cash flows from operating activities** | | |
| **a.) Net profit** | **3,184** | **2,011** |
| **b.) Adjustments for:** | | |
| Depreciation/amortisation of fixed assets | 2,892 | 2,199 |
| Gain/loss on disposal of property, plant and equipment | -51 | -11 |
| Financial revenue | -10 | -3 |
| Financial expenses | 137 | 40 |
| Corporate income tax and deferred taxes | 601 | 364 |
| Change in operating and other receivables | 4,664 | 3,330 |
| Change in short-term deferred costs and accrued revenue | 141 | -252 |
| Change in inventories | -366 | 172 |
| Change in provisions | 384 | -787 |
| Change in long-term and short-term deferred revenue | 306 | 1 |
| Change in accrued costs and expenses | -401 | -12 |
| Change in operating and other liabilities | -571 | -1,119 |
| Income tax paid | 197 | -1,282 |
| **c.) Net cash from operating activities** | **11,108** | **4,651** |
| **B. Cash flows from investing activities** | | |
| **a.) Cash receipts from investing activities** | **22,012** | **12,246** |
| Gains on disposal of property, plant and equipment | 62 | 16 |
| Interest received | 0 | 0 |
| Disposal of short-term investments – revolving loan | 21,950 | 12,230 |
| **b.) Disbursements for investing activities** | **-31,277** | **-17,201** |
| Acquisition of property, plant and equipment | -1,265 | -1,044 |
| Acquisition of intangible non-current assets | -180 | -460 |
| Acquisition of investments | -882 | 0 |
| Acquisition of subsidiaries | 0 | -3,467 |
| Disposal of investments – revolving loan | -28,950 | -12,230 |
| **c.) Net cash used in investing activities** | **-9,265** | **-4,955** |
| **C. Cash flows from financing activities** | | |
| **a.) Receipts from financing activities** | **0** | **0** |
| Long-term loans received | 0 | 0 |
| Short-term loans received | 0 | 0 |
| **b.) Disbursements for financing activities** | **-2,155** | **-24** |
| Repayment of short-term loans | 0 | 0 |
| Repayment of long-term loans | -1,500 | 0 |
| Repayment of leased assets IFRS 16 | -650 | 0 |
| Interest paid | -5 | -24 |
| **c.) Net cash used in financing activities** | **-2,155** | **-24** |
| **Net increase in cash and cash equivalents** | **-312** | **-325** |
| **D. Closing balance of cash** | **3,603** | **3,915** |
| **Opening balance of cash** | **3,915** | **4,240** |

The accompanying notes are an integral part of the financial statements.

# 2. NOTES TO THE FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF GVO, d.o.o.

## 2.1. General information

### a. General information about GVO, d.o.o.

The Company: GVO, gradnja in vzdrževanje telekomunikacijskih omrežij, d. o. o. (hereinafter: the company).
Registered office: Cigaletova 10, 1000 Ljubljana, Slovenia.

### b. Establishment, registration and ownership

The company was established in 2000. Its operations began in 2004. As at 31 December 2018, the share capital of the company was EUR 5,758 thousand.

### c. Core business

The company's core business is the construction and maintenance of telecommunications networks.

### d. Consolidated financial statements

The sole shareholder of the company GVO, d.o.o. is Telekom Slovenije, d.d. The annual report of the Telekom Slovenije Group is available at the headquarters of Telekom Slovenije, d.d., Cigaletova 15, 1000 Ljubljana, Slovenia.

In early 2013, GVO, d.o.o. established a subsidiary of GVO Telekommunikation GmbH, registered in the Federal Republic of Germany, in order to acquire new business of the construction of access cable (optical) networks in the Federal Republic of Germany.

In December 2017, GVO d.o.o. acquired a 100% stake in OPTIC-TEL telekomunikacije d.o.o. and assumed the management and maintenance of open broadband network in the municipalities of Hrpelje-Kozina, Ilirska Bistrica, Komen and Sežana in white NGA areas. In January 2018, GVO d.o.o. took over a 100% stake in Infratel d.o.o., thereby also assuming the management and maintenance of open broadband network in the area of grey spots in the municipalities of Hrpelje-Kozina, Ilirska Bistrica, Komen and Sežana.

GVO d.o.o. does not prepare a consolidated annual report, as it is 100% owned by Telekom Slovenije, d.d. and, in accordance with IAS 27 and the judgement of the sole shareholder, the consolidated financial statements are prepared by the parent company Telekom Slovenije, d.d., Cigaletova 15, 1000 Ljubljana, Slovenia. The annual report of Telekom Slovenije and the Telekom Slovenije Group is available at www.telekom.si and the website of Ljubljanska borza, http://seonet.ljse.si/.

### e. Company bodies

The company bodies are:

- the Supervisory Authority – the management of Telekom Slovenije, d.d. (founder), which acts as a supervisory board,
- the Management Board of the company, the functions of which are performed by the Managing Director.

Managing Director: Borut Radi.

The Managing Director conducts the company's business to the benefit of the company, autonomously and at his own risk. He is responsible for all matters that are not within the powers of the supervisory authority, the administration of Telekom Slovenije. Concluding legal transactions amounting to EUR 500 thousand and more requires the consent of the supervisory authority.

## 2.2. Basis of measurement

### a. Statement of compliance

The accompanying financial statements of GVO, d.o.o. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC) as adopted by the European Union.

As at the balance sheet date, taking into account the status of EU endorsement, there are no differences between the applied accounting policies of GVO d.o.o. and International Financial Reporting Standards (IFRS) and International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the requirements of the Companies Act.

The management confirmed the financial statements on 10.04.2020.

### b. Basis for preparation

The financial statements of the company have been prepared based on the going concern assumption. They have been compiled on the historical cost basis.

The company’s operations are not of seasonal nature.

The items included in the separate financial statements are presented in euros and rounded to one thousand units.

### c. Functional currency and transactions in foreign currencies

The financial statements of GVO d.o.o. are presented in euros (EUR), the functional and presentation currency of the parent company Telekom Slovenije, d.d. and subsidiaries in Slovenia. Foreign currency transactions are converted into the functional currency at the exchange rate valid on the date of transaction.

Cash and liabilities are translated at the exchange rate of the functional currency prevailing at the date of the statement of financial position. All foreign exchange differences are recognised in the income statement.

Non-monetary assets and liabilities that are expressed in a foreign currency and measured at historical cost are translated using the exchange rate applicable on the date of transaction. Non-monetary assets and liabilities that are expressed in a foreign currency and measured at fair value are translated using the exchange rate at the date when the fair value was determined.

### d. Use of significant estimates and judgements

The preparation of financial statements requires the management to make certain assessments, judgements and assumptions that impact the carrying amounts of assets and liabilities of the company and the disclosure of possible liabilities as at the balance sheet date and of revenue and expenses of the company in the period ended as at the balance sheet date.

Future events and their effects cannot be determined with certainty. Therefore, judgement has to be applied in accounting estimates, as they change based on new events, experience, additional information and as a consequence of different business environments in which the company operates. The actual values may differ from the estimated ones. The preparation of estimates and related assumptions and uncertainties are described in the guidelines of individual items in 2.3. Summary of significant accounting policies.

Estimates and assumptions are subject to regular reviews. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The company reviews the useful lives of major items of property, plant and equipment and intangible assets on an annual basis. If the expectations differ significantly from the estimates, the company recalculates the depreciation rates for the present and future periods accordingly. The effect of such a change is explained in the report for the period in which the change occurred. The company also reviews the residual value on an annual basis.

The management estimates include, but are not limited to decisions regarding the impairment of equipment and intangible assets. The estimates should include the cause, time frame and amount of the impairment. It is also necessary to estimate the expected cash flows, useful lives and residual values of assets. The value of investments in instruments, devices, tools and equipment necessary to generate future revenue growth should also be evaluated.

The management maintains the value of receivables by assessing the doubtfulness of receivables arising from the inability to repay construction and other companies. The management assesses the impairment of doubtful receivables on the basis of the age of receivables, past write-offs, credit rating and changes in the individual companies' ability to pay. If the actual financial position of the companies deteriorates, the actual write-offs may be higher than the expected.

The calculation of the actual and deferred tax requires management judgement. In order to assess this probability, the management has to take into account several factors, including past business results, business plans and creating a fiscal strategy. If the actual results deviate from these estimates or if the estimates have to be adjusted in the future periods, they can have a negative impact on business results, the balance sheet and cash flows. In the event that the estimate of the future utilisation of deferred tax changes, the already recognized deferred tax must be reduced in the income statement or directly in equity, depending on the method of initial recognition.

Significant management judgement is required to measure and recognize the exposure of GVO, d.o.o. to contingent liabilities associated with unresolved litigations and other outstanding liabilities that are subject to settlement negotiations and other contingent liabilities. Legal disputes are judged by the management on the basis of the estimates and opinions of professional services on the likely outcome of each dispute. The formation of provisions is assessed in view of the amount of the legal action, its subject matter, the plaintiff's assertions and the course of each individual procedure. Due to the uncertainty of the estimating process, the actual losses may differ from the initially estimated losses. The management estimates may change if the management receives new information. Amendments to these estimates can have a significant impact on business results.

The management estimates the revenues from temporary construction situations in view of the costs recognized and recorded in this period.

## 2.3. Summary of significant accounting policies

Significant accounting policies used in the financial statements of GVO, d.o.o. are presented below.

The accounting policies and calculation methods are the same as in the previous year, with the exception of newly adopted standards and interpretations listed below and considered in the preparation of the financial statements if the stated events occurred in the reporting period.

A list of new EU IFRS standards, declarations and amendments to the current standards in relation to disclosures in financial statements prepared in accordance with IFRS that were adopted by the European Union (EU) for annual financial reporting and for the financial year ended 31 December 2019.

### a. Standards, interpretations and amendments of the published standards

**Initial application of new amendments to the existing standards effective for the current reporting period**

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 *Leases*,** published by the IASB on 13 January 2016 and adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 July 2019).

On 1 January 2019, GVO, d.o.o. adopted the new **IFRS 16 *Leases*** standard, which was adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019). Earlier application was permitted if the entities also applied IFRS 15 *Revenue from Contracts with Customers*.

The standard lays down the principles for recognizing, presenting and disclosing leases and requires lessees to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. The standard has superseded the old standard, IAS 17 *Leases*.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires the lessee to recognise a right-of-use asset at the beginning of the lease (leased asset – ROU) and a lease liability. The right-of-use asset is depreciated and the liability accrues interest.

The new standard introduces possible limited exemptions for lessees, which include:
- leases with a lease term of 12 months or less and containing no purchase options and
- leases where the underlying asset has a low value.

The new standard requires lessees to separately recognize interest expenses for lease liabilities and depreciation costs for leased assets. Lessees also have to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The accounting of leases by **lessors** has not significantly changed. The lessee defines the lease either as an operating or a finance lease. The lease is classified as a finance lease if all significant risks and benefits relating to the asset's ownership are transferred. Otherwise, it is an operating lease.

The new IFRS 16 requires more extensive disclosures than the current standard, both for lessees and for lessors.

The standard offers two approaches to the transition to the new standard, i.e. the lessee either applies this standard:
- retrospectively for each preceding reporting period presented in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, or
- retrospectively with the cumulative effect of the initial application recognized at the date of initial application.

**The impact of transition to IFRS 16**

The company used the method of the cumulative effect of the initial application on 1 January 2019 for the transition to the new standard, therefore it does not restate the comparative data for 2018, but recognizes all changes due to the transition to the new standard as adjustments to the opening balance on the date of the initial application.

The company has not used the exemptions under IFRS 16 for low-value lease contracts or for leases whose term is shorter than 12 months after the initial application.

The impact of the introduction of the new standard on the company's balance sheet as at 1 January 2019 are shown in the following table:

| in EUR thousand | Note | 31/12/2018 | Adjustments | 01/01/2019 Adjusted |
|---|---|---|---|---|
| | | | | |
| **NON-CURRENT ASSETS** | | **27,934** | **2,922** | **30,856** |
| Intangible assets | 3.9 | 15,862 | 0 | 15,862 |
| Property, plant and equipment | 3,10 | 3,757 | 0 | 3,757 |
| Leased assets (right-of-use – ROU) | 3,11 | 0 | 2,922 | 2,922 |
| Investments in subsidiaries | 3.12 | 7,846 | 0 | 7,846 |
| Other investments | 3.13 | 8 | 0 | 8 |
| Other non-current assets | | 0 | 0 | 0 |
| Deferred tax assets | 3,14 | 461 | 0 | 461 |
| **CURRENT ASSETS** | | **18,342** | **0** | **18,342** |
| Inventories | 3,15 | 669 | 0 | 669 |
| Operating and other receivables | 3,16 | 12,913 | 0 | 12,913 |
| Current contract assets | 3.16 | 0 | 257 | 257 |
| Short-term deferred costs and accrued revenue | 3.16 | 301 | -257 | 44 |
| Corporate income tax assets | | 538 | 0 | 538 |
| Short-term investments | 3.13 | 6 | 0 | 6 |
| Cash and cash equivalents | 3.17 | 3,915 | 0 | 3,915 |
| **TOTAL ASSETS** | | **46,276** | **2,922** | **49,198** |
| | | | | |
| **EQUITY AND RESERVES** | | **24,752** | **0** | **24,752** |
| Called-up capital | 3.18 | 5,758 | 0 | 5,758 |
| Capital surplus | 3.18 | 1 | 0 | 1 |
| Revenue reserves | 3.18 | 575 | 0 | 575 |
| Retained earnings | 3.18 | 18,551 | 0 | 18,551 |
| Revaluation surplus from actuarial deficits and surpluses | 3.18 | -133 | 0 | -133 |
| **NON-CURRENT LIABILITIES** | | **6,442** | **2,922** | **9,364** |
| Non-current contractual obligations | 3.19 | 0 | 519 | 519 |
| Long-term deferred revenue | 3.20 | 520 | -519 | 1 |
| Provisions | 3.21 | 4,282 | 0 | 4,282 |
| Long-term borrowings | 3.22 | 1,500 | 0 | 1,500 |
| Non-current financial liabilities – leases | 3.23 | 0 | 2,922 | 2,922 |
| Other non-current financial liabilities | | 0 | 0 | 0 |
| Non-current operating liabilities | 3.24 | 140 | 0 | 140 |
| **CURRENT LIABILITIES** | | **15,082** | **0** | **15,082** |
| Operating and other liabilities | 3.24 | 13,552 | 0 | 13,552 |
| Income tax liabilities | 3.22 | 0 | 0 | 0 |
| Short-term borrowings | 3.25 | 2 | 0 | 2 |
| Current financial liabilities – leases | 3.26 | 0 | 0 | 0 |
| Short-term deferred revenue | | 0 | 0 | 0 |
| Accrued costs and expenses | 3.27 | 1,528 | 0 | 1,528 |
| **TOTAL EQUITY AND LIABILITIES** | | **46,276** | **2,922** | **49,198** |

The company carried out a detailed assessment of the impact of IFRS 16 and determined that the leased (ROU) assets and lease liabilities as at 1 January 2019 will increase by EUR 2,922 thousand.

- **Amendments to IFRS 9 *Financial Instruments*** – *Prepayment Features with Negative Compensation* – issued by the IASB on 12 October 2017 and adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019).

The amendments modify the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same both in the case of an early repayment penalty as well as in the case of a early repayment gain. The amendments also include clarifications regarding the accounting for changes in financial liabilities that do not result in derecognition. In this case, the carrying amount is adjusted to the result recognized in comprehensive income. The effective interest rate is not restated.

- **Amendments to IFRS 19 *Employee Benefits*** – *Plan Amendment, Curtailment or Settlement* – issued by the IASB on 7 February 2018 and adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019).

The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

- **Amendments to IAS 28 *Investments in Associates and Joint Ventures*** – *Long-term Interests in Associates and Joint Ventures* – issued by the IASB on 12 October 2017 and adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019).

The amendments aim to clarify that an entity applies IFRS 9, including the impairment requirements, to long-term interests in associates or joint ventures that form of the entity's net investment in the associate or joint venture and the equity method is not applied. The amendments also remove paragraph 41, as the IASB saw they merely repeated the requirements of IFRS 9 and created confusion as to the accounting for long-term interests.

- ***Amendments to various standards due to "Improvements to IFRSs (cycle 2015–2017)***", resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording, published by the IASB on 12 December 2017 and adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019).

*Amendments to various standards* result from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments provide the following clarifications: previously held interests in joint operations are remeasured if a company obtains control over a joint operation (IFRS 3); previously held interests in joint operations are not remeasured if a company obtains joint control (IFRS 11); all income tax consequences of dividends are accounted for in the same way (IAS 12); and any outstanding borrowing made specifically to obtain a qualifying asset is treated as part of general borrowings when that qualifying asset is ready for its intended use or sale (IAS 23).

The adoption of these amendments to the existing standards and interpretations has not led to any material changes in the company's financial statements.

- **IFRIC 23 *Uncertainty over Income Tax Treatments***, issued by the IASB on 7 June 2017 and adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

It may be unclear how tax laws apply to a particular transaction or circumstance or whether the entity's tax treatment will be accepted by the taxation authorities. IAS 12 Income Taxes specifies how to recognise current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 complements the requirements of IAS 12 with the provisions as to how to reflect the effects of uncertainty in the recognition of income taxes.

The adoption of these amendments to the existing standards and interpretations (with the exception of IFRS 16 described above) did not result in significant changes of the financial statements of GVO, d.o.o.

**Standards and amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU but not yet effective**

On the date of approval of these financial statements, the International Accounting Standards Board (IASB) issued the following amendments to existing standards that have been adopted by the EU but have not yet entered into force:

- **Amendments to IAS 1 *Presentation of Financial Statements*** and ***IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*** – *Definition of Material*, which the IASB published on 31 October 2018 and the EU adopted on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The amendments explain the definition of materiality, seeking to develop application guidance or educational material on materiality.

- **Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*** – *Interest Rate Benchmark Reform*, which the IASB issued on 26 September 2019 and the EU adopted on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020).

Amendments of the interest rate benchmark reform:

a) modify some specific hedging requirements so that an entity would assume that the interest rate benchmark on which the hedged cash flows are based, and/or the interest rate benchmark on which the cash flows of the hedging instruments are based, will not be altered as a result of interest rate benchmark reform;
b) are mandatory for all hedging relationships directly affected by the interest rate benchmark reform;
c) are not intended as a relief of other consequences of the interest rate benchmark reform (if the hedging relationship no longer meets the hedge accounting requirements for reasons not stated in the amendments, hedge accounting has to be discontinued); and
d) lay down special disclosures of the extent to which the amendments of the interest rate benchmark reform influence the hedging relationships between entities.

- **Amendments to References to the Conceptual Framework in IFRS**, which the IASB issued on 7 June 2017 and the EU adopted on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

Due to Conceptual Framework revision, the IASB updated reference to this framework in IFRS standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. The aim of the amendments is to support the transition to the revised Conceptual Framework for companies, who use this framework to develop their accounting policies where no IFRS standard applies to a specific transaction.

**New standards and amendments to the existing standards issued by the IASB but not yet adopted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards, amendments to the existing standards not yet endorsed by the EU on the date of publication of the financial statements (the effective dates stated below apply to IFRS, as published by the IASB):

- **Amendments to IFRS 3 *Business Combinations*** – Definition of a Business, which the IASB issued on 22 October 2018 (applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and to asset acquisitions that occur on or after the beginning of that period).

The amendments were introduced to improve the definition of a business. The amended definition highlights that the main output of the business entity's activities is to provide goods and services to customers, whereas the prior definition focused more on returns in the form of dividends, lower costs and other economic benefits for investors and other stakeholders. In addition to the changed wording, the Board gave additional definition guidance.

- **Amendments to 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*, published by the IASB on 11 September 2014, and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The amendments refer to the conflict between IAS 28 and IFRS 10 and clarify that the extent of gain or loss recognition for transactions between an investor and its associate or joint venture depends on whether the sale or contribution of assets constitutes a business.

The company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the company in the period of the initial application.

Hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

GVO, d.o.o. estimates that the application of hedge accounting in relation to the portfolio of financial assets and liabilities according to the requirements under **IAS 39 *Financial Instruments:*** *Recognition and Measurement* will not have a significant impact on their financial statements if applied on the balance-sheet date.

### b. Intangible assets

An item of intangible assets is recognized if it is probable that the future economic benefits that are associated with the item will flow to the entity and the cost of the item can be measured reliably. Intangible assets with finite useful lives are upon initial recognition stated at cost less accumulated amortisation less impairment losses.

Intangible assets include:

- intangible assets from concessions (the GOŠO project – Construction of open broadband network),
- intangible assets in the course of construction,
- software licences,
- software purchased separately from computer equipment in use for a period exceeding one year, and
- other intangible assets.

**Depreciation** of intangible assets begins on the day the asset is available for use and is accounted on a straight-line basis over the estimated useful life of the asset.

| Intangible fixed assets | Useful lives in years |
|---|---|
| Intangible assets from concessions | 20 |
| Licences | as per contract |
| Computer programmes – application software support | 3–7 |

Intangible assets from the GOŠO project are amortised over 20 years, i.e. during the concession period.

Software costs are capitalized at cost and amortised on a straight-line basis through their useful lives, which are usually 2–3 years, and individual individual licences for the use of the software are amortised over the life of the contract, which is usually between 3 and 5 years.

Other property rights are amortised over the life of the contract (software packages for computer-aided design – Autocad licences for 5 years, Microsoft licences for 3 years).

**Subsequent costs** relating to intangible assets increase the purchase cost of the assets if they increase the future economic benefits of the assets. All other costs are charged to expense when they are incurred.

The company reviews the useful lives of major intangible assets on an annual basis and recalculates the amortisation rates for present and future periods if the expectations differ significantly from the previous estimates. The effect of the change is described in a note to the accounting period in which it occurred.

The company checks on an annual basis whether there are any indicators of the need to impair an item of intangible assets. Upon assessing if this indication of impairment of intangible assets exists, the company checks whether significant technological changes (obsolescence of software or licenses), market changes (increased competition or loss of a market) or a significant decrease in interest rates occurred. In this case, the recoverable amount of such assets is determined. Recoverable amount is the higher of fair value less the costs to sell and value in use. Value in use is assessed as the present value of expected future cash flows, whereby the expected future cash flows are discounted to the present value by the use of the discount rate before taxes. Impairment is disclosed in the income statement.

**c. Property, plant and equipment**

Property, plant and equipment owned by the company are upon its acquisition recorded at cost.
The cost comprises all the costs that are directly attributable to bringing the asset to the condition necessary for its intended use.

**Subsequent costs** relating to replacing a part of property, plant or equipment increase the cost of an asset. Other subsequent costs relating to property, plant and equipment increase their purchase cost if it is probable that future economic benefits will increase in comparison to the initially estimated benefits. All other costs are charged to expense when they are incurred. If the subsequent costs relating to an item of property, plant and equipment increase the purchase cost of the item, its residual useful life is reviewed again. In the case of subsequent costs relating to a fully depreciated item of property, plant and equipment, the item is recognized as a new asset with a new useful life.

**Depreciation** is accounted in the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Within a financial year, the annual depreciation charge is divided evenly into periods.

| Groups of property, plant and equipment | Useful lives in years |
|---|---|
| – long-distance cable network – terrestrial – optical | 20 |
| – cable lines | 33 |
| – containers | 20 |
| – power supply devices | 5–15 |
| – instruments | 5 |
| – standard and special tools | 5 |
| – cars and freight vehicles | 6 |
| – trailers | 7–10 |
| – other means of transport | 3–6 |
| – construction machinery and equipment | 6–8 |
| – computer equipment | 3–5 |
| – air conditioning devices and equipment | 5–10 |
| – other equipment | 2–6 |

An item of property, plant and equipment under construction is recognised at cost and depreciated when brought to working condition for its intended use on the first day of the following month.

The company assesses annually whether there are any internal or external business circumstances (significant technological changes, market changes, obsolescence or physical damage of the asset) that could give a significant indication that an item of property, plant and equipment should be impaired.

In 2019, the useful lives of property, plant and equipment were extended, but there was no change in the depreciation of the existing property, plant and equipment.

An item of property, plant and equipment is subject to impairment if its carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less the costs to sell and value in use. Value in use is assessed as the present value of expected future cash flows, whereby the expected future cash flows are discounted to the present value by the use of the discount rate before taxes.

Impairment is recognized in the income statement.

**d. Leased (ROU) assets**

Upon signing the contract an assessment is made as to whether the contract contains a lease under IFRS 16. Under this standard, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability at the start of the lease. The right to use the asset is amortised and interest is added to liability.

**A right-of-use asset** is recognised on the day the lease begins, that is, when the asset is available for use. The initial measurement of an asset includes the amount equal to the lease liability at its initial recognition (discounted present value of lease payments outstanding as at that date), lease payments made at or before the commencement of the lease less any lease incentives received and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

The assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The asset is depreciated from the beginning of the lease until the end of its useful life or until the end of the lease term, whichever is shorter. If the contract is concluded for an indefinite period or is automatically renewed annually, the expected depreciation periods for each category of assets are used:

| Category or leased (ROU) assets | Useful lives in years |
|---|---|
| Rental of premises | 10 |
| Lease of lines | 15 |
| Other | 5 |

Right-of-use assets are annually checked for impairment and if any indication of impairment exists, their recoverable amount is determined. In the event of impairment, such impairment is recognised in the income statement under IAS 36.

**e. Financial assets**

A financial asset is recognised when the Group or the Company becomes a party to contractual provisions of the financial instrument.

**Financial assets measured at amortised cost** are financial instruments which the Group holds within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This category includes loans, receivables and deposits.
Loans are recognised at the date of their accrual and are disclosed at fair value upon initial recognition. After initial recognition, they are measured at amortised cost using the effective interest method, minus any impairment losses.

**Investments of the company**

Investments in subsidiaries are disclosed in the parent company's separate financial statements at cost, less possible impairment losses. Investments in subsidiaries are recognised on the date, when the controlling company assumes the risks and benefits i.e. upon obtaining control.

**f. Inventories**

Inventories are recognised at cost, which comprises the purchase price inclusive of the discounts granted, import duties and other non-refundable purchase duties, as well as the costs directly attributable to the acquisition.
Inventories are accounted for using the sliding average price method.

Slow-moving inventories are impaired to their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and costs of selling the quantity unit.

At least at the end of a financial year, inventories are revalued due to impairment if the carrying amount exceeds their net realizable value.

Small tools, personal protective equipment and workwear put into service are directly transferred to costs. Special quantitative and value records are kept for each user in the company.

**g. Operating and other receivables**

Operating receivables are initially carried at historical cost less impairment losses. Following the initial recognition, receivables are carried at amortised cost. Allowances for short-term receivables from domestic and foreign customers are created based on the age of each receivable, and the allowance amounts for each group are determined based on the assessed collectability.
Allowances for short-term receivables from domestic and foreign customers are created based on the age of each receivable, and the allowance amounts for each group are determined based on the assessed collectability:
– receivables 90 to 180 days past due: 50% allowance;
– receivables 181 to 365 days past due: 75% allowance;
– receivables over 365 days past due: 100% allowance.

Allowances for trade receivables do not include receivables due from subsidiary companies.

For domestic receivables in insolvency proceedings (compulsory settlement, bankruptcy), allowances in the entire amount of the receivable (100% allowance) are created.

In individual cases, an allowance for receivables may be formed individually. Individual treatment of the creation of allowances for receivables is tied to signed agreements with debtor companies governing the settlement of liabilities, or signed master netting agreements.

On 30 September, the company makes an annual assessment of the adequacy of the allowances made. The assessment is based on the average actual losses over the past three years. If the deviation from the past calculations exceeds 10%, the company adjusts the categories of receivables that reflect the probability of their repayment. The adjustments are made in the last quarter of the financial year.

IFRS 9: the company conducted an analysis of allowances for receivables and established that the existing level of allowances is sufficient, therefore, in accordance with IFRS 9, there is no need to change the existing policy of creating allowances for receivables.

### h. Current contract assets

Current assets arising from contracts with customers are the company's right to compensation in exchange for goods or services that the company has transferred to the customer and which the company expects to be executed in under 12 months.

### i. Short-term deferred costs and accrued revenue

The item of short-term deferrals and accruals includes mostly deferred costs, accrued revenue for services already rendered and goods supplied but not invoiced, and accrued revenue and deferred costs in connection with international services.

### j. Cash and cash equivalents

Cash and cash equivalents include available bank balances.

### k. Non-current contractual obligations

Non-current contractual obligations are the obligations to transfer goods or services to the customer, for which the Group received a consideration from the customer (or for which the amount of the consideration has fallen due) and which are expected to be transferred over a period longer than 12 months.

Accrued revenue from construction projects, which are defined as a service under IFRS 15, are categorised under the category of non-current contractual obligations.

### l. Provisions

Provisions are recognised in the financial statements when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If material, provisions are determined by discounting the expected future cash flows.

Provisions are reduced directly by costs or expenses for covering the purpose for which they were created.

**Provisions for probable liabilities from legal actions** are formed on the basis of the estimate of the actions' outcome. The creation of provisions is assessed individually in view of the amount of the legal action, its subject matter, the plaintiff's assertions and the course of each individual procedure.

**Provisions for termination benefits and jubilee benefits** are created on the basis of statutory requirements, the collective agreement and the internal rules and regulations, according to which the company is obliged to pay jubilee benefits and termination benefits.

Their amounts equal the estimated payments for the future termination benefits and jubilee benefits discounted on the balance sheet date. The calculation is made for each employee, taking into account the costs of termination benefits upon retirement and the costs of all expected jubilee benefits until retirement using the actuarial calculation method by a certified actuary. At the closing of each year, the above explained provisions are re-evaluated and increased/decreased according to calculation.

**Provisions for performance bonds issued** are created if their amounts can be reliably estimated based on service contracts. The estimates are given by a relevant department of the company and approved by the Managing Director. At the end of each financial year, the creation of such provisions is assessed.

In 2019, provisions for repairs in the warranty period were created in the amount of 3% of the value of work performed for each contract with related parties, except in the case of repairs, where provisions amount to 0.5% of the value of work performed. The contracts concluded with related parties include the liability for repairs in the warranty period, which generally lasts for two years. As for the domestic market, the company entered into a liability for repairs in the warranty period that generally lasts from two to five years. Provisions are created in the amount of 3% of the value of work performed, while provisions for work within the project of establishing an electronic tolling system are formed in the amount of 5% of the value of the work.

**Provisions for restructuring the company** refer to severance payments upon the staff restructuring are formed when they become part of a strategic business plan and the dynamics of employment-related changes (changed number of staff) is known.

### m. Loans received

Upon the initial recognition, the loans received are valued at the amounts arising from the relevant documents evidencing the receipt of cash or settlement of an operating liability, which represents their fair value. After the initial recognition, the loans received are carried at amortised cost using the effective interest rate method. The differences between cost and the redemption value are recognised in the income statement over the terms of the loans. If the actual or agreed interest rate does not significantly differ from the effective interest rate, interest-bearing borrowings are disclosed in the statement of financial position at initial value reduced by any repayments.
The fair value measurement of loans received is classified as Level 3.

**Fair value hierarchy**
In defining the fair value of financial instruments, the following hierarchy was applied:
Level 1: determination of fair value directly by referencing the official published price on an active market;
Level 2: other models used to determine fair value based on assumptions and material impact on fair value in line with observed current market transactions with the same instruments either directly or indirectly;
Level 3: other models used to determine fair value based on assumptions and material impact on fair value that are not in line with observed current market transactions with the same instruments and investments.

### n. Non-current financial liabilities from lease

Non-current financial liabilities from lease are recognised on the date the lease commences.

On the lease commencement date, the lease liability is measured at the present value of the lease not yet paid. These lease payments are discounted. Upon subsequent measurement of a financial liability from lease the latter increases to reflect the interest on the lease liability, decreases by the value of the lease payments and, if the lease terms change, the present value is remeasured based on a reassessment of future lease payments or a change in the lease term (duration or price).

In order to simplify the calculations, all lease payments are accounted for as at the first day of the month.

After the lease commencement date, the financial liability from lease is remeasured using the new discount rate if the lease term or future lease payment amount has changed.

If a lease is terminated or decreases, the gain or loss associated with the partial or full termination of the lease is recognised in the income statement.

Lease liabilities are recognised as a non-current liability, except for liabilities that will be settled over a 12-month period that are stated in the balance sheet as current lease liabilities.

**o. Non-current operating liabilities**

Non-current operating liabilities primarily include programme rights and other operating liabilities.

**p. Operating and other liabilities**

Operating and other liabilities are initially stated at cost. Subsequent to initial recognition, they are stated at amortised cost.

**r. Current contractual obligations**

Liabilities from contracts with customers are the obligations to transfer goods or services to the customer, for which a consideration has already been received from the customer (or for which the amount of the consideration has fallen due). Liabilities from contracts with customers include revenue from construction projects, which are defined as a service under IFRS 15.

**s. Short-term accrued costs and deferred revenue**

Accrued costs comprise the costs of annual leave not taken, accrued payroll costs, bonuses and costs of services rendered for which invoices have not yet been issued until the balance sheet date. If no invoice is received for the already accrued costs, they are derecognised within 3 years.

**t. Revenue**

The item of revenue includes the sales value of goods sold and services rendered in the accounting period.

**Revenue from contracts with customers** is recognized solely on the basis of the contract executed with the customer. It is are recognized when goods and services are passed to the customer in the amount that reflects the compensation to which the company expects to be entitled in exchange for these goods and services.

Each promised good or service is a separate performance obligation if it is distinct. It is distinct when the customer can benefit from said good or service. Performance obligation is a promise to provide goods or services to the customer.

When reviewing contracts, the company identifies three performance obligations bringing the following distinct benefits to the customer:

- investments,
- management and
- maintenance.

Revenue is recognised when the company satisfies a performance obligation. This occurs when control of a good or service is transferred to a customer. A customer obtains control of a good or service if it has the ability to direct the use of and to receive the benefit from the good or service, and the ability to prevent others from using and receiving the benefit from the good or service.

Revenue mainly comprises the revenue from services: investment, management and maintenance of broadband and telecommunications networks and public-private partnerships.

**Revenue from investments** includes the revenue from the construction of telecommunications networks, electrical installations, other investments (urban engineering works, etc.), land surveying services and project engineering. Investment contracts are concluded with predetermined contractual periods, which generally do not exceed 12 months. Revenue is recognized in the period during the term of the contract in which a service was rendered and based on the work performed in a particular month.

**Revenue from the management and maintenance of broadband and telecommunications networks** arises from the management and maintenance of networks in municipalities with which the company has contracts to access broadband networks through telecommunication operators that offer end-user services through these networks. Revenue from the management and maintenance of broadband and telecommunications networks also refers to the revenue from the maintenance and repairs of the parent company's telecommunications network. Revenue is recognized on a monthly basis in the period when the service was rendered.

**Revenue from public-private partnerships** relates to the construction of open broadband networks based on public tenders of local communities. Revenue is recognized in the period during the term of the contract based on the work performed in a particular month.

Revenue from the sale of goods is recognized upon sale.

### u. Financial revenue and financial expenses

Interest income and costs are recognised in the income statement with respect to the previous period in the period when they occurred on the basis of the contractual interest rate.

### v. Corporate income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to the items recognised directly in equity (deferred tax). In this case, it is recognized in other comprehensive income or in equity.

**Current tax** is the expected tax payable on the taxable income for the year, using the tax rates enacted at the reporting date, and any adjustments to tax payable with respect to the previous periods.

**Deferred tax** is calculated using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using the tax rates valid at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets or liabilities are recognized irrespective of the time when the temporary differences are settled.

### z. Cash flow statement

The cash flow statement is prepared using the indirect method and is based on the balance sheet items as at 31 December 2019 and 31 December 2018, the income statement for 2019, and additional information required to adjust inflows and outflows.

# 3. NOTES TO THE FINANCIAL STATEMENTS

## 3.1. Net sales revenue

| in EUR thousand | 2019 | 2018 |
|---|---|---|
| **Revenue from services rendered** | **58,750** | **44,963** |
| **a.) Domestic market** | **58,750** | **44,953** |
| *Investments* | *50,218* | *35,729* |
| *Maintenance and repairs* | *5,641* | *6,490* |
| *OŠO (Open broadband network) tariffs* | *2,353* | *2,243* |
| *Other services* | *538* | *491* |
| **b.) Foreign market** | **0** | **10** |
| *Investments* | *0* | *9* |
| *Other services* | *0* | *1* |
| **Net sales revenue** | **58,750** | **44,963** |

GVO recorded the highest revenue in the 2019 financial year in the investment segment, mainly due to the TOP GPON project (construction of an optical access network using the GPON technology) for the parent company. The revenue in the investment segment is followed by the revenue in the segment of maintenance and repairs of open broadband networks and the revenue from other services on the domestic market.

## 3.2. Other operating revenue

| in EUR thousand | 2019 | 2018 |
|---|---|---|
| Reversal of provisions | 1,356 | 1,266 |
| Subsidies received | 46 | 65 |
| Disposal of property, plant and equipment | 51 | 11 |
| Revaluation operating revenue | 132 | 3 |
| Other revenue | 58 | 49 |
| **Total other operating revenue** | **1,643** | **1,394** |

The reversal of provisions for guarantees given relates to the provisions created in the previous years. If they are not utilised, the provisions are reversed upon the expiry of the contractual period.

## 3.3. Costs of materials and energy

| in EUR thousand | 2019 | 2018 |
|---|---|---|
| Costs of material | 8,348 | 7,161 |
| Costs of energy | 579 | 573 |
| **Total costs of materials and energy** | **8,927** | **7,734** |

Increased costs of materials in 2019 are due to a greater scope of work in 2018.

## 3.4. Costs of services

| in EUR thousand | 2019 | 2018 |
|---|---|---|
| Costs of leased lines | 8 | 7 |
| Cost of subcontractors | 26,072 | 16,091 |
| Maintenance of property, plant and equipment | 586 | 573 |
| Lease of property, plant and equipment | 67 | 786 |
| Intellectual and personal services | 1,350 | 1,368 |
| Reimbursed work-related costs | 20 | 31 |
| Insurance premiums | 205 | 171 |
| Banking services | 37 | 51 |
| Telecommunication and transportation services | 152 | 152 |
| Fairs and advertising | 16 | 10 |
| Entertainment | 8 | 10 |
| Costs of other services | 367 | 377 |
| **Total costs of services** | **28,888** | **19,627** |

Costs of other services include the costs of work performed by students and pupils in the amount of EUR 181 thousand (2018: EUR 216 thousand), costs of tolls and registration of motor vehicles in the amount of EUR 96 thousand (2018: EUR 89 thousand), and costs of other services totalling EUR 90 thousand (2018: totalling EUR 72 thousand). The increase in costs of subcontractors compared to the previous year is due to an increased scope of work in 2019 and the implementation of projects that include more extensive construction. The costs of intellectual and personal services increased in 2019 due to business support service provided by the parent company.

## 3.5. Labour costs

| in EUR thousand | 2019 | 2018 |
|---|---|---|
| Wages and salaries | 9,435 | 9,360 |
| Social security contributions and taxes | 2,029 | 1,987 |
| – of which pension insurance contributions | 1,341 | 1,289 |
| Other labour costs | 2,575 | 2,014 |
| Provisions for jubilee benefits and termination benefits upon retirement | 154 | 53 |
| Capitalised own products and services | -4 | -20 |
| **Total labour costs** | **14,189** | **13,394** |

Labour costs declined by EUR 795 thousand in 2019, mainly due to an increase in the number of employees in 2019 (by 13 employees), a higher annual leave allowance and an increase of the basic salary grade in 2019 by 1.7%.
As at 31 December 2019, the company had 444 employees, 384 of which were employees with contracts of indefinite duration and 60 were fixed-term workers. The average number of employees by working hours in 2019 was 435.47.

### 3.6. Other operating expenses

| in EUR thousand | 2019 | 2018 |
|---|---|---|
| Creation of provisions (Note 3.21.) | 1,373 | 887 |
| Loss on disposal of property, plant and equipment and intangible fixed assets | 17 | 7 |
| Impairment and write-off of inventories | 1 | 21 |
| Impairment and write-off of receivables | 85 | 0 |
| Capitalised own overhead costs | -2 | -7 |
| Other expenses | 111 | 88 |
| **Total other operating expenses** | **1,585** | **996** |

Other operating expenses are higher compared to 2018, due to higher provisioning (which stems from a greater volume of completed projects for which provisions are created).

### 3.7. Financial revenue and financial expenses

| in EUR thousand | 2019 | 2018 |
|---|---|---|
| Interest income | 10 | 3 |
| Other financial revenue | 0 | 6 |
| **Total financial revenue** | **10** | **9** |
| Interest expenses | 5 | 25 |
| Interest expenses for leased (ROU) assets | 86 | |
| Other financial expenses | 46 | 15 |
| **Total financial expenses** | **137** | **40** |
| | | |
| **Net financial revenue/expenses** | **-127** | **-31** |

### 3.8. Corporate income tax and deferred tax

**Tax expenses disclosed in the income statement**

| in EUR thousand | 2019 | 2018 |
|---|---|---|
| Tax for the current period | -616 | -296 |
| Deferred tax assets/deferred tax liabilities | 15 | -69 |
| **Total** | **-601** | **-365** |

**Harmonisation of the actual and the calculated corporate income tax expense taking into account the effective tax rate**

| in EUR thousand | 2019 | 2018 |
|---|---:|---:|
| Profit before tax | 3,785 | 2,376 |
| Corporate income tax using the standard rate of taxation | -721 | -451 |
| Tax incentives used in the current period | 213 | 189 |
| Reversal of tax incentives used in the previous periods | 0 | -2 |
| Change of tax rate | 0 | 0 |
| Tax non-deductible expenses | -93 | -101 |
| Other items | 0 | 0 |
| **Total tax expenses** | **-601** | **-365** |

The effective tax rate in 2019 was -15.9% as compared to -15.4% in 2018.

**Changes in deferred tax recognized in the income statement**

| in EUR thousand | 2019 | 2018 |
|---|---:|---:|
| Intangible assets and property, plant and equipment | 1 | 1 |
| Provisions | 12 | -66 |
| Receivables and inventories | 2 | -4 |
| **Change in deferred tax assets/deferred tax liabilities** | **15** | **-69** |

## 3.9. Intangible assets

**Changes in intangible assets in 2019**

| in EUR thousand | Concession and licences | Computer programmes | Other intang. assets – GOŠO | Intang. non-current assets under construction | Total |
|---|---:|---:|---:|---:|---:|
| **COST** | | | | | |
| **Balance as at 1 January 2019** | **305** | **108** | **22,124** | **113** | **22,650** |
| Increases | 0 | 0 | 0 | 174 | 174 |
| Increases by internal development | 0 | 0 | 0 | 6 | 6 |
| Transfer to use | 168 | 1 | 123 | -292 | 0 |
| Decreases | 0 | 0 | 0 | 0 | 0 |
| Write-offs | 0 | 0 | 0 | 0 | 0 |
| **Balance as at 31 December 2019** | **473** | **109** | **22,247** | **1** | **22,830** |
| **ALLOWANCE** | | | | | |
| **Balance as at 1 January 2019** | **263** | **108** | **6,417** | **0** | **6,788** |
| Decreases | 0 | 0 | 0 | 0 | 0 |
| Write-offs | 0 | 0 | 0 | 0 | 0 |
| Amortisation | 69 | 0 | 1,168 | 0 | 1,237 |
| **Balance as at 31 December 2019** | **332** | **108** | **7,585** | **0** | **8,025** |
| **CARRYING AMOUNT** | | | | | |
| **Balance as at 1 January 2019** | **42** | **0** | **15,707** | **113** | **15,862** |
| **Balance as at 31 December 2019** | **141** | **1** | **14,662** | **1** | **14,805** |

**Changes in intangible assets in 2018**

| in EUR thousand | Concession and licences | Computer programmes | Other intang. assets – GOŠO | Intang. non-current assets under construction | Total |
|---|---|---|---|---|---|
| **COST** | | | | | |
| **Balance as at 1 January 2018** | **309** | **108** | **21,734** | **44** | **22,195** |
| Increases | 0 | 0 | 0 | 433 | 433 |
| Increases by internal development | 0 | 0 | 0 | 27 | 27 |
| Transfer to use | 1 | 0 | 390 | -391 | 0 |
| Decreases | -5 | 0 | 0 | 0 | -5 |
| Write-offs | 0 | 0 | 0 | 0 | 0 |
| **Balance as at 31 December 2018** | **305** | **108** | **22,124** | **113** | **22,650** |
| **ALLOWANCE** | | | | | |
| **Balance as at 1 January 2018** | **192** | **90** | **5,265** | **0** | **5,547** |
| Decreases | -3 | 0 | 0 | 0 | -3 |
| Write-offs | 0 | 0 | 0 | 0 | 0 |
| Amortisation | 74 | 18 | 1,152 | 0 | 1,244 |
| **Balance as at 31 December 2018** | **263** | **108** | **6,417** | **0** | **6,788** |
| **CARRYING AMOUNT** | | | | | |
| **Balance as at 1 January 2018** | **117** | **18** | **16,469** | **44** | **16,648** |
| **Balance as at 31 December 2018** | **42** | **0** | **15,707** | **113** | **15,862** |

As at 31 December 2019, the company discloses licenses (Microsoft, Autocad, Telecad-GIS 2016, Acrobate professional, Infinitv basic) and software.
Intangible assets include investments of the private portion of the public private partnership project (projects GOŠO Koroška, Ormož, Podravje, Mokronog - Trebelno, Slovenske Konjice, Sevnica, Pavlovci, Sveti Tomaž, Dražgoše and Pivka, ŠO Žiče, ŠO Dašnica and ŠO Spodnje Laže). The private portion of the GOŠO network is built using the BOT model (Build–Operate–Transfer). This is a model of contractual public private partnership where the private partner builds the infrastructure and then manages and maintains it for a specified contractual period (20 years). During this time, the private partner is entitled to charge users for the use of the built infrastructure. After the expiration of the contractual period, the private partner transfers the infrastructure to the public partner. The carrying amount of the GOŠO projects as at 31 December 2019 is EUR 14,662 thousand (GOŠO Koroška, GOŠO Ormož, GOŠO Mokronog - Trebelno, GOŠO Slovenske Konjice, GOŠO Sevnica, GOŠO Podravje, GOŠO Pavlovci, GOŠO Sveti Tomaž, GOŠO Dražgoše, ŠO Pivka, ŠO Žiče, ŠO Dašnica and ŠO Spodnje Laže).

Intangible assets are not pledged as collateral and the company has no liabilities thereunder.

## 3.10. Property, plant and equipment

**Changes in property, plant and equipment in 2019**

| in EUR thousand | Land and buildings | Cable lines | Cable network | Telephone exchanges | Other equipment | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| **Balance as at 1 January 2019** | **23** | **18** | **131** | **0** | **12,921** | **14** | **13,107** |
| Increases | 0 | 0 | 0 | 0 | 0 | 1,265 | 1,265 |
| Transfer from assets under construction | 0 | **0** | 0 | 10 | 1,234 | -1,244 | 0 |
| Decreases | 0 | 0 | 0 | 0 | -605 | -5 | -610 |
| Write-offs | 0 | 0 | 0 | 0 | -219 | 0 | -219 |
| **Balance as at 31 December 2019** | **23** | **18** | **131** | **10** | **13,331** | **30** | **13,543** |
| **ALLOWANCE** | | | | | | | |
| **Balance as at 1 January 2019** | **9** | **1** | **35** | **0** | **9,305** | **0** | **9,350** |
| Increases | 0 | 0 | 0 | 0 | 3 | 0 | 3 |
| Depreciation | 1 | 1 | 6 | 1 | 1,065 | 0 | 1,074 |
| Decreases | 0 | 0 | 0 | 0 | -598 | 0 | -598 |
| Write-offs | 0 | 0 | 0 | 0 | -219 | 0 | -219 |
| **Balance as at 31 December 2019** | **10** | **2** | **41** | **1** | **9,556** | **0** | **9,610** |
| **CARRYING AMOUNT** | | | | | | | |
| **Balance as at 1 January 2019** | **14** | **17** | **96** | **0** | **3,616** | **14** | **3,757** |
| **Balance as at 31 December 2019** | **13** | **16** | **90** | **9** | **3,775** | **30** | **3,933** |

**Changes in property, plant and equipment in 2018**

| in EUR thousand | Land and buildings | Cable lines | Cable network | Telephone exchanges | Other equipment | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| **Balance as at 1 January 2018** | **23** | **18** | **131** | **0** | **12,280** | **0** | **12,452** |
| Increases | 0 | 0 | 0 | 0 | 0 | 1,044 | 1,044 |
| Transfer from assets under construction | 0 | **0** | 0 | 0 | 1,030 | -1,030 | 0 |
| Decreases | 0 | 0 | 0 | 0 | -82 | 0 | -82 |
| Write-offs | 0 | 0 | 0 | 0 | -307 | 0 | -307 |
| **Balance as at 31 December 2018** | **23** | **18** | **131** | **0** | **12,921** | **14** | **13,107** |
| **ALLOWANCE** | | | | | | | |
| **Balance as at 1 January 2018** | **8** | **0** | **29** | **0** | **8,738** | **0** | **8,775** |
| Increases | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation | 1 | 1 | 6 | 0 | 947 | 0 | 955 |
| Decreases | 0 | 0 | 0 | 0 | -74 | 0 | -74 |
| Write-offs | 0 | 0 | 0 | 0 | -306 | 0 | -306 |
| **Balance as at 31 December 2018** | **9** | **1** | **35** | **0** | **9,305** | **0** | **9,350** |
| **CARRYING AMOUNT** | | | | | | | |
| **Balance as at 1 January 2018** | **15** | **18** | **102** | **0** | **3,542** | **0** | **3,677** |
| **Balance as at 31 December 2018** | **14** | **17** | **96** | **0** | **3,616** | **14** | **3,757** |

Other equipment includes construction machinery, standard and special tools, freight vehicles and cars, instruments, electrical appliances and other.

Property, plant and equipment are not pledged as collateral. The company has no liabilities thereunder.

## 3.11. Leased assets (right-of-use – ROU)

The company has concluded lease contracts for various assets, such as premises, lines, vehicles and other. Typically, the term of lease contracts is 10–15 years.

**Changes in leased (right-of-use) assets in 2019**

| in EUR thousand | Lease of premises and land | Lease of vehicles | Lease of lines | Other | Total |
|---|---|---|---|---|---|
| **COST** | | | | | |
| **Balance as at 1 January 2019** | **2,801** | **120** | **0** | **1** | **2,922** |
| Increases | 0 | 0 | 0 | 0 | 0 |
| Transfer to use – new contracts | 163 | 0 | 46 | 0 | 209 |
| Decreases – contract modifications | 0 | -1 | 0 | 0 | -1 |
| Write-offs | 0 | 0 | 0 | 0 | 0 |
| **Balance as at 31 December 2019** | **2,964** | **119** | **46** | **1** | **3,130** |
| **ALLOWANCE** | | | | | |
| **Balance as at 1 January 2019** | **0** | **0** | **0** | **0** | **0** |
| Increases | 0 | 0 | 0 | 0 | 0 |
| Amortisation/depreciation | 513 | 63 | 5 | 0 | 581 |
| Decreases | 0 | 0 | 0 | 0 | 0 |
| Write-offs | 0 | 0 | 0 | 0 | 0 |
| **Balance as at 31 December 2019** | **513** | **63** | **5** | **0** | **581** |
| **CARRYING AMOUNT** | | | | | |
| **Balance as at 1 January 2019** | **2,801** | **120** | **0** | **1** | **2,922** |
| **Balance as at 31 December 2019** | **2,451** | **56** | **41** | **1** | **2,549** |

The depreciation/amortisation charge of leased assets in 2019 equalled EUR 581 thousand.

The costs related to variable lease payments amounted to EUR 34 thousand in 2019.

## 3.12. Investments in subsidiaries

In 2013, GVO d.o.o. established the subsidiary GVO GmbH with the share capital of EUR 25 thousand and registered in Stadtlohn, Germany.

In 2019, GVO GmbH recorded net profit totalling EUR 82 thousand and equity in the amount of EUR 28 thousand as at 31 December 2019. GVO Telekommunikation GmbH has no loans received or other liabilities.

In December 2017, GVO d.o.o. acquired a 100% stake in OPTIC-TEL telekomunikacije d.o.o. and recorded an investment in this company in the amount of EUR 4,352 thousand. In January 2018, GVO d.o.o. acquired a 100% stake in INFRATEL, a telecommunications infrastructure, d.o.o. and recorded an investment in this company in the amount of EUR 3,469 thousand.

In 2019, OPTIC-TEL telekomunikacije d.o.o. recorded net profit of EUR 1 thousand and equity in the amount of EUR 5,117 thousand as at 31 December 2019. In 2019, Infratel d.o.o. recorded net profit of EUR 2 thousand and equity amounting to EUR 4,976 thousand as at 31 December 2019.

### 3.13. Other investments

The item of other investments includes long-term housing loans to employees. The loans to employees are long-term. A portion of loans to employees that matures within one year is transferred to current investments. The loans bear interest ranging between 3.81% and 4.01%. Investments in loans to employees are recognised at the amount paid, which is the principal of the loan. Based on reasonable contractual terms and conditions, the principal amount on the loan also includes the related interest. Loans are secured by administrative prohibition on the payment of wages.

In addition to these loans, on 30 January 2019, GVO, d.o.o. concluded an agreement for a long-term loan to subsidiary Infratel Ltd. in the amount of EUR 1,500 thousand, with a final repayment date on 31 December 2027, at a tax-deductible interest rate on related party loans of 0.929%. Up to 31 December 2019, the loan was utilised in the amount of EUR 882 thousand.

On 23 October 2019, GVO, d.o.o. concluded a loan agreement for a short-term revolving loan given to the parent company Telekom Slovenije d.d. in the amount of EUR 7,000 thousand and falling due on 23 October 2020. The company placed excess cash in the form of the loan at a tax-deductible annual interest rate on related party loans of 0.0%.

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---:|---:|
| Loans to employees | 3 | 8 |
| Loans to other companies | 882 | 0 |
| **Total other investments** | **885** | **8** |
| Other short-term loans – loans to employees | 5 | 6 |
| Other short-term loans to companies | 7,001 | 0 |
| **Total short-term investments** | **7,006** | **6** |

**Loans by maturity**

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---:|---:|
| **Maturity** | | |
| Due | **0** | **0** |
| Not due | | |
| – less than 3 months | 2 | 2 |
| – from 3 to 12 months | 7,004 | 4 |
| – from 1 to 2 years | 103 | 8 |
| – from 2 to 5 years | 782 | |
| – more than 5 years | 0 | 0 |
| **Total** | **7,891** | **14** |

### 3.14. Deferred tax assets

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Intangible assets and property, plant and equipment | 5 | 4 |
| Operating receivables | 153 | 151 |
| Provisions | 318 | 306 |
| **Deferred tax assets** | **476** | **461** |

### 3.15. Inventories

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Material | 1,035 | 669 |
| **Total inventories** | **1,035** | **669** |

The company's inventories mainly include materials used for the telecommunications activity in the amount of EUR 620 thousand and protective clothing and footwear in the amount of EUR 49 thousand. There are no inventories pledged as collateral for liabilities.

In 2019, no impairments of material inventories were recorded.

### 3.16. Operating and other receivables, deferred costs and accrued revenue and current contract assets

| | 31/12/2019 | | | 31/12/2018 |
|---|---|---|---|---|
| **in EUR thousand** | **Gross** | **Adjustments** | **Net** | **Net** |
| Operating receivables | 8,692 | -805 | 7,887 | 12,108 |
| **Total trade receivables** | **8,692** | **-805** | **7,887** | **12,108** |
| Advances given | 1 | 0 | 1 | 43 |
| VAT and other tax receivables | 419 | 0 | 419 | 717 |
| Other receivables | 27 | 0 | 27 | 44 |
| **Total other receivables** | **447** | **0** | **447** | **805** |
| Deferred costs | 48 | 0 | 48 | 42 |
| Accrued revenue for services already rendered | 0 | 0 | 0 | 1 |
| Other | 91 | 0 | 91 | 1 |
| **Total deferred costs and accrued revenue** | **139** | **0** | **139** | **44** |
| Other current contract assets | 21 | 0 | 21 | 257 |
| **Current contract assets** | **21** | **0** | **21** | **257** |
| **Total operating and other receivables, deferred costs and accrued revenue and contract assets** | **9,299** | **-805** | **8,494** | **13,214** |

Operating receivables include 73% of operating receivables due from the group companies. Other receivables (amounting to EUR 447 thousand) comprise mostly other short-term receivables due from state and other institutions (EUR 446 thousand). Deferred costs and accrued revenue include deferred costs in the amount of EUR 48 thousand and VAT on advances received of EUR 91 thousand. Current contract assets refer to accrued revenue for the invoices to be received totalling EUR 21 thousand.

**Changes in allowances for receivables**

| in EUR thousand | 2019 | 2018 |
|---|---|---|
| **Balance as at 1 January** | **-797** | **-819** |
| Allowances for the period | -180 | -40 |
| Reversal of allowances (payments) | 96 | 33 |
| Utilisation (write-offs) | 76 | 29 |
| **Balance as at 31 December** | **-805** | **-797** |

**Age structure of receivables past due but not impaired as at 31 December**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| in EUR thousand | Gross | Value adjustment | Gross | Value adjustment |
| **Not due** | **7,450** | **0** | **12,589** | **0** |
| **Due** | **1,242** | **-805** | **1,121** | **-797** |
| up to 30 days inclusive | 31 | -1 | 233 | 0 |
| from 31 to 60 days inclusive | 315 | 0 | 70 | 0 |
| from 61 to 90 days inclusive | 10 | -9 | 14 | 0 |
| from 91 to 120 days inclusive | -235 | -3 | -1 | -1 |
| from 121 days inclusive onwards | 1,121 | -792 | 805 | -796 |
| **Total receivables** | **8,692** | **-805** | **13,710** | **-797** |

## 3.17. Cash and cash equivalents

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Bank balances | 3,603 | 3,915 |

## 3.18. Equity and reserves

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Called-up capital | 5,758 | 5,758 |
| Capital surplus | 1 | 1 |
| Revenue reserves | 575 | 575 |
| Retained earnings | 21,735 | 18,551 |
| Reserves for actuarial deficits and surpluses | -330 | -133 |
| **Total equity and reserves** | **27,739** | **24,752** |

Revenue reserves comprise legal reserves in the amount of EUR 575 thousand. Legal reserves are created until their amount, including capital surplus, reaches 10% of the company's share capital. In accordance

with the Companies Act and the company's Articles of Association, the company did not create legal reserves in 2019, as the legal reserves already reach the maximum allowed level.
The present value of liabilities to employees arising from the changes in actuarial assumptions and on the basis of experience adjustments is recorded as an actuarial deficit or surplus. In 2019, reserves for actuarial deficits decreased by EUR 197 thousand.

**Accumulated profit as at 31 December 2019**

| in EUR thousand | 2019 |
|---|---|
| Net profit or loss for the year | 3,184 |
| Retained earnings | 18,551 |
| Long-term deferred development costs | 0 |
| **Accumulated profit** | **21,735** |

## 3.19. Non-current contractual obligations

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Other non-current contractual obligations | 519 | 0 |

Non-current contractual obligations represent the company's obligation to either transfer the goods or services to the customer in future, or to refund the consideration received. In both cases, the obligation is measured as the amount of the consideration received from the customer. Long-term deferred revenue comprises accrued revenue from construction projects in the amount of EUR 519 thousand.

## 3.20. Long-term accrued costs and deferred revenue

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Fixed assets acquired free of charge | 5 | 0 |
| Other long-term deferred revenue | 0 | 519 |

## 3.21. Provisions

| in EUR thousand | 31/12/2019 | Utilisation | Reversal | Creation | Change in discount rate | 31/12/2018 |
|---|---|---|---|---|---|---|
| Provisions for probable liabilities from legal actions | 26 | 0 | 0 | 0 | 0 | 26 |
| Provisions for jubilee benefits and termination benefits upon retirement | 1,564 | -27 | 0 | 248 | 46 | 1,297 |
| Other provisions (disabled persons) | 0 | -27 | 0 | 27 | 0 | 0 |
| Reorganisation provisions | 103 | 0 | 0 | 103 | 0 | 0 |
| Provisions for guarantees given | 2,973 | -3 | -1,356 | 1,373 | 0 | 2,959 |
| **Total provisions** | **4,666** | **-57** | **-1,356** | **1,751** | **46** | **4,282** |

Provisions are set aside for liabilities that are expected to arise on the basis of binding past events within a period greater than a year and whose total amount has been reliably assessed.

**Provisions for probable liabilities from legal actions**
Provisions for liabilities from legal actions are created based on the probable outcome of the actions. The outcome is estimated with a high degree of precaution. The maturity dates of the liabilities cannot be determined.

As at 31 December 2019, one legal action was filed against the company in the total amount of EUR 67 thousand (2018: EUR 67 thousand). As at 31 December 2019, the company's provisions for liabilities from legal actions amounted to EUR 26 thousand. In 2019, there were no provisions for liabilities from legal actions utilised and none newly created.

**Provisions for termination benefits and jubilee benefits**
Provisions for termination benefits and jubilee benefits are formed on the basis of the projected unit method, which is used for the actuarial calculation by a certified actuary – the company 3sigma d.o.o.
The calculation took into account a discount rate of 0.97% and a fluctuation rate according to age intervals ranging from 0% to 3.5% (in 2018, a 1.89% discount rate and a 0%–3,5% fluctuation rate were used). The company's liabilities equal the present value of the estimated future payments.

**Reorganisation provisions**
In 2019, the company created redundancy provisions in the amount of EUR 103 thousand.

**Long-term provisions for performance bonds issued (guarantees)**
**Provisions for performance bonds issued** are created if the amount can be reliably estimated based on service contracts. The estimate is given by the company's department in charge of this segment and approved by the Managing Director of the company. At the end of each financial year, the creation of such provisions is assessed.

In 2019, provisions for repairs in the warranty period were created in the amount of 3% of the value of work performed in projects) for related parties, except in the case of repairs, where provisions amounted to 0.5% of the value of work performed. The contracts concluded with related parties included the liability for repairs in the warranty period, which generally lasts for two years.

As for the domestic market, the company entered into a liability for repairs in the warranty period that generally lasts from two to five years. The percentage rate of creating provisions lies at 3–5% from the value of work performed for each contract.

## 3.22. Loans received

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---:|---:|
| **Long-term loans received** | **0** | **1,500** |
| Loans from group companies | 0 | 1,500 |
| **Total long-term loans** | **0** | **1,500** |
| **Short-term loans received** | 0 | 2 |
| Loans from group companies | 0 | 0 |
| Interest on loans | 0 | 2 |
| **Total short-term loans** | **0** | **2** |

On February 7, 2019, GVO, d.o.o. repaid a long-term loan received from the parent company Telekom Slovenije d.d. in the remaining amount of EUR 1,500 thousand.

### 3.23. Non-current financial liabilities from lease

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Non-current financial liabilities from lease | 2,036 | 0 |

The company started applying the new IFRS 16 standard on lease in 2019, recognising financial liabilities from lease at the commencement date.

### 3.24. Current and non-current operating and other liabilities

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Contractual obligations for activated programme rights | 56 | 0 |
| Long-term securities received | 140 | 140 |
| **Non-current operating liabilities** | **196** | **140** |
| Trade liabilities | 11,028 | 12,082 |
| VAT and other tax liabilities | 143 | 123 |
| Liabilities to employees | 1,003 | 870 |
| Liabilities for advances | 528 | 29 |
| Other liabilities | 349 | 448 |
| **Current operating liabilities** | **13,051** | **13,552** |
| **Total operating and other liabilities** | **13,247** | **13,692** |

Non-current operating liabilities include long-term securities received and activated programme rights.

In 2019, trade liabilities are slightly lower, mainly due to shorter payment deadlines and early payment of invoices, while other liabilities represent mostly liabilities arising from cessation and assignments amounting to EUR 250 thousand.
The company's operating and other liabilities include EUR 48 thousand of overdue operating liabilities.

### 3.25. Current financial liabilities from lease

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Current financial liabilities from lease | 669 | 0 |

### 3.26. Current contractual obligations

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Other current contractual obligations | 302 | 0 |

## 3.27. Short-term accrued costs and deferred revenue

Short-term accrued costs and deferred revenue of the Group and the company comprise short-term deferred revenue and accrued costs and expenses presented in the tables below.

Short-term deferred revenue

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Short-term portion of government grants for property, plant and equipment | 2 | 0 |

Accrued costs and expenses

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Accrued costs and expenses for services already rendered | 579 | 604 |
| Accrued costs for annual leave not taken | 417 | 488 |
| Accrued payroll costs and bonuses | 131 | 436 |
| **Accrued costs and expenses** | **1,127** | **1,528** |

Short-term accrued costs at EUR 1,127 thousand comprise accrued costs for annual leave not taken (EUR 417 thousand), accrued bonuses in the amount of EUR 131 thousand and accrued costs for other operating expenses, which stand at EUR 579 thousand and include the estimated costs of materials, subcontractors and construction work.

## 3.28. Contingent liabilities

**Guarantees issued**

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Performance bonds and warranties for repairs | 2,041 | 961 |
| Guarantees for collateralising contractual obligations | 0 | 0 |
| Other guarantees – tender guarantee | 333 | 0 |
| **Guarantees issued** | **2,374** | **961** |

Off-balance sheet items comprise collaterals provided in the form of bank guarantees, performance bonds, repairs during the warranty period and other guarantees such as tender guarantees, all totalling EUR 2,374 thousand. As at 31 December 2018, off-balance sheet items stood at EUR 961 thousand.

# 4. OTHER DISCLOSURES

## 4.1. Related party transactions

**Remuneration paid to the members of the Management Board and staff employed under individual contracts**

| in EUR | 2019 | 2018 |
|---|---|---|
| Managing Director | 139,507 | 133,262 |
| Employees with contracts not subject to the tariff part of the collective agreement | 239,674 | 240,810 |
| **Total** | **379,181** | **374,072** |

In 2019, the item of total remuneration comprises payroll costs and salary compensations and other employee benefits expense – (annual leave allowance, other personal receipts, net reimbursements, benefits including the use of company cars for private purposes, work-related reimbursements, and voluntary supplementary pension insurance premiums).

When disclosing the information concerning groups of persons, the company complies with the provisions of Article 69 of the Companies Act (ZGD-1) and discloses the remuneration for the following groups of persons: the management and other employees that are not subject to the tariff part of the collective agreement.

| | | Loans | |
|---|---|---|---|
| **in EUR** | **Total contractual remuneration** | **Outstanding portion in 2019** | **Repayments in 2019** |
| Managing Director | 139,507 | 0 | 0 |
| Employees with contracts not subject to the tariff part of the collective agreement | 239,674 | 7,860 | 5,331 |
| **Total** | **379,181** | **7,860** | **5,331** |

**Report on related party transactions**

Pursuant to Article 545 of the Companies Act (ZGD-1) on the disclosure of transactions between related parties, the management of a subsidiary shall compile a report on the relations with the related parties in the first three months of the financial year. This report shall state all the legal transactions which the company concluded in the past financial year with the controlling company or with the companies affiliated with it, or at the initiative or in the interest of these companies, and all other actions which it carried out or omitted to carry out at the initiative or in the interest of these companies in the previous financial year. For legal transactions the payments and repayments shall be stated, and for actions the reasons for them and the benefits or the loss accruing to the company.

The summary of the report of GVO d. o. o. on related party transactions states that, in transactions with the controlling company and other related parties in the 2019 financial year, the company was not in any way deprived of, harmed, or forced by the parent company or other related parties to do any transactions that would cause commercial damage to GVO d. o. o., nor did the company ever relinquish any participation in transactions at the initiative of the controlling company or related parties that would result in the company being deprived due to any omissions of transactions. Accordingly, the company received no compensation or reimbursements from the related parties for such prejudice.

Telekom Slovenije, d.d., as the parent company of the subsidiary GVO, d.o.o., did not issue any guarantees for the company in 2019.

**Related party transactions**

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **Receivables due from group companies** | **13,674** | **10,810** |
| Telekom Slovenije, d.d. | 12,270 | 10,565 |
| Infratel d.o.o. | 474 | 180 |
| Infratel d.o.o. | 930 | 65 |
| **Liabilities to group companies** | **8,516** | **8,035** |
| Telekom Slovenije, d.d. | 8,512 | 7,860 |
| GVO, GmbH | 0 | 171 |
| Avtenta, d.o.o. | 4 | 4 |
| Soline, d.o.o. | 0 | 0 |
| **Revenue from sales within the group** | **50,440** | **40,375** |
| Telekom Slovenije, d.d. | 49,868 | 40,128 |
| GVO, GmbH | 0 | 0 |
| Optic-tel d.o.o. | 505 | 183 |
| Infratel d.o.o. | 67 | 64 |
| Antenna TV SI, d.o.o. | 0 | 0 |
| **Purchase of goods and services within the group** | **8,681** | **8,248** |
| Telekom Slovenije, d.d. | 8,657 | 8,219 |
| GVO, GmbH | 0 | 0 |
| Avtenta, d.o.o. | 21 | 25 |
| Soline, d.o.o. | 3 | 4 |
| TSmedia, d.o.o. | 0 | 0 |

As at 31 December 2019, the company's receivables due from the parent company totalled EUR 12,270 thousand, of which EUR 5,247 thousand were operating and other receivables, EUR 2 thousand were short-term deferred costs and expenses, EUR 21 thousand were current contract assets and 7,000 were short-term loans.  The company has operating and other receivables of EUR 474 thousand due from the company Optic-tel d.o.o. It also has operating and other receivables of EUR 47 thousand and short-term loans of EUR 1 thousand due from Infratel d.o.o.

As at 31 December 2019, the company records liabilities to related parties in the amount of EUR 8,516 thousand; of which EUR 2,718 thousand of operating and other liabilities to the parent company, EUR 2,642 thousand of provisions, EUR 519 thousand of non-current contractual obligations, EUR 2,528 thousand of current and non-current financial liabilities from lease, EUR 56 thousand of non-current operating liabilities and EUR 49 thousand of accrued costs and expenses. The company has EUR 4 thousand of operating and other liabilities to Avtenta, d.o.o.

## 4.2. Auditor's fee

| in EUR | 2019 | 2018 |
|---|---|---|
| Auditing of annual reports | 4,739 | 4,739 |
| Other assurance engagements | 432 | 432 |
| **Total auditor's fee** | **5,171** | **5,171** |

## 4.3. Financial risk management

The most significant financial risks to which the company is exposed are credit risk and short-term and long-term liquidity risk. There is no exposure to interest rate risk, as the company did not record any loans received as at 31 December 2019. Exposure to individual risks and the measures necessary for the management of these risks are assessed and taken, respectively, based on the impact on cash flows and finance expenses. Significant financial risks, which are assessed on an ongoing basis pursuant to the adopted policy, as well as the adequacy of measures adopted for the management of those risks, are outlined below.

**Credit risk**

The most important source of credit risk (counterparty default risk) is default by contractual parties. Operating and other receivables account for 41% of the company's current assets. Most of them (73%) arise from receivables due from group companies.

The pre-court and court collection is carried out in compliance with the adopted policy. Receivables are impaired pursuant to the accounting policies, whereby the ageing structure of each individual receivable is taken into account. Allowances for trade receivables are formed with respect to the credit rating of each individual customer, past experience and expectations for the accounting period. As a result of the implemented receivables management procedures, credit risk is assessed as manageable.

The age structure of receivables and changes in allowances for receivables are disclosed in point 3.16 Operating and other receivables, deferred costs and accrued revenue and current contract assets.

The company's exposure to credit risk related to other financial assets, such as bank balances and short-term loans, arises from counterparty default risk. Credit risk is assessed as low, as loans are given to companies within the group and there is no significant risk in terms of holding bank balances owing to a stable banking system.

**Exposure to credit risk**

| in EUR thousand | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Short-term loans (loans to employees) | 3 | 8 |
| Long-term loans to companies | 882 | 0 |
| Other short-term loans to employees | 5 | 6 |
| Other short-term loans to companies | 7,001 | 0 |
| Operating and other receivables | 8,334 | 12,913 |
| *whereof trade receivables from customers on the market* | *2,566* | *1,555* |
| Cash and cash equivalents | 3,603 | 3,915 |
| **Total** | **19,828** | **16,842** |

**Short-term and long-term solvency risk**
Solvency risk refers to insufficient funding resources or the company's ability to provide sources of liquidity, and, consequently, the company's ability to settle liabilities upon their maturity.

The company effectively manages short-term and long-term solvency risk by regularly balancing and planning cash flows. Liquidity is monitored on a daily basis and planned on a monthly, 2-month and annual basis, whereby possible deficits in funds are detected in a timely manner and therefore used as a basis for determining the relevant measures. In 2019, the company had excess cash, which it placed in the form of a short-term revolving loan to the parent company.
Long-term solvency risk is also rated as low, due to a fairly predictable cash flow, adequate capital structure and active management of working capital.

**Maturity structure of liabilities as at 31 December 2019 and 31 December 2018 based on contractual, undiscounted payments**

| in EUR thousand | Due | On demand | Up to 3 months | 3 to 12 months | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| **31 December 2019** | | | | | | | | |
| Loans and borrowings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Anticipated interest on loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Trade liabilities and other operating liabilities | 48 | 1,094 | 9,897 | 2,012 | 56 | 0 | 140 | 13,247 |
| Liabilities from right-of-use assets | 0 | 0 | 144 | 525 | 516 | 1,502 | 18 | 2,705 |
| **31 December 2018** | | | | | | | | |
| Loans and borrowings | 0 | 0 | 2 | 0 | 1,500 | 0 | 0 | 1,502 |
| Anticipated interest on loans | 0 | 0 | 6 | 18 | 2 | 0 | 0 | 26 |
| Trade liabilities and other current operating liabilities | -58 | 810 | 8,969 | 3,831 | 0 | 0 | 140 | 13,692 |

**Capital management**
The primary objective of the company's capital management is to ensure strong credit rating and capital adequacy.

The company monitors changes in equity by using the gearing ratio, which is calculated by dividing (net) financial debt by equity, and by using the equity-to-asset ratio. Net liabilities include loans received and other financial liabilities less short-term investments, cash and cash equivalents with short-term deposits. The company demonstrates low indebtedness, which is a good starting point for achieving adequate credit rating. As at 31 December, 2019, the company did not record any financial debt, therefore the calculation of the debt/equity ratio is not applicable.

| in EUR thousand | 2019 | 2018 |
|---|---|---|
| Loans received and other financial liabilities | 0 | 1,502 |
| Short-term investments and cash equivalents with short-term deposits | -10,609 | -3,921 |
| **Net liabilities** | **-10,609** | **-2,419** |
| Equity | 27,739 | 24,752 |
| **Total assets** | **50,632** | **46,276** |
| **Equity/total assets ratio** | **54.8%** | **53.5%** |

**Other risks**

Other financial risks comprise the risk of losing projects on the domestic market due to the government's passiveness or inactivity and operational risks (damage and inaccessibility to physical assets, power outage, technical errors). The company successfully manages these risks by acquiring new projects on a regular basis and minimising the likelihood of adverse events.

## 5. EVENTS AFTER THE BALANCE SHEET DATE

In 2020, a new coronavirus (SARS-CoV-2) spread to the territory of the Republic of Slovenia, prompting the Republic of Slovenia to declare an epidemic on 12 March 2020. Certain preventive measures were enforced on the entire territory of the Republic of Slovenia, which largely impede the public life and encourage the citizens to self-isolate and prevent all unnecessary contacts with other people. Some municipalities have also imposed restrictions on the execution of construction work or no longer issue consents for any construction works, with the exception of urgent interventions.

As a result, GVO, d.o.o. had to reduce certain (mainly investment) works; however, the situation is changing from day to day and the impact on the 2020 financial year cannot be evaluated at the moment.

There were no other significant events after the balance sheet date.

## 6. INDEPENDENT AUDITOR'S REPORT

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### INDEPENDENT AUDITOR'S REPORT
### to the owners of GVO d.o.o.

**Opinion**
We have audited the financial statements of the company GVO d.o.o. (hereinafter 'the Company'), which comprise the balance sheet as at 31 December 2019, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRSs').

**Basis for Opinion**
We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards 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) and other 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Other information**
Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we express no assurance thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.
In relation to this and based on our procedures performed, we report that:

- Other information are, in all material respects, consistent with the financial statements;
- Other information are prepared in compliance with applicable law or regulation; and
- Based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

**Responsibilities of Management and Supervisory Board for the Financial Statements**
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going

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concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process and for approving audited annual report.

**Auditor's Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing rules 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 auditing rules, we exercise professional judgment and maintain professional scepticism 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 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 controls.
- 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 organization 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.

With those charged with governance we communicate the planned scope and timing of the audit and significant findings from the audit, including deficiencies in internal control we have identified during our audit.

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj
Certified auditor

***For signature please refer to the original Slovenian version.***

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DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, 10 April 2020

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