



Telekom Slovenije

# Unaudited Business Report of Telekom Slovenije Group and Telekom Slovenije, d.d., for period January to March 2019



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# 1. Introductory note

Pursuant to the law and the Rules of the Ljubljana Stock Exchange, Telekom Slovenije, d. d. (hereinafter: Telekom Slovenije), with its registered office at Cigaletova 15, Ljubljana, hereby publishes the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the period January to March 2019.

The condensed interim financial statements for the period ending 31 March 2019 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2018. The financial statements for the period January to March 2019 have not been audited.

Telekom Slovenije's Supervisory Board discussed the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the period under consideration at its session on 9 May 2019.

Any significant changes to the data contained in the prospectus for listing on the stock exchange are regularly published by the Company on the Ljubljana Stock Exchange's SEOnet website and on the Company's website at [www.telekom.si](http://www.telekom.si).

The Unaudited Business Report for the period January to March 2019 is also accessible on the Company's website at [www.telekom.si](http://www.telekom.si).

## 1.1. Statement of responsibility of the Management Board

The members of Telekom Slovenije, d. d.'s Management Board responsible for compiling the unaudited report of the Telekom Slovenije Group and Telekom Slovenije for the period January to March 2019, hereby find that:

- to the best of our knowledge, the unaudited report of the Telekom Slovenije Group and Telekom Slovenije was compiled and published in accordance with valid legislation and the International Financial Reporting Standards as adopted by the EU;
- the condensed interim financial statements for the period ending 31 March 2019 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2018;
- the selected accounting policies were applied consistently in the compilation of the condensed financial statements and any changes to those policies were disclosed, and that accounting estimates were made fairly and with careful consideration, according to the principle of prudence and the diligence of a good manager, and under the assumption that Telekom Slovenije and the Telekom Slovenije Group are going concerns; and
- the interim business report presents a fair picture of information regarding major transactions with related parties, in accordance with regulations.



Tomaž Seljak, MSc,  
Vice-President of the  
Management Board



Dr Vida Žurga,  
Member of the  
Management Board



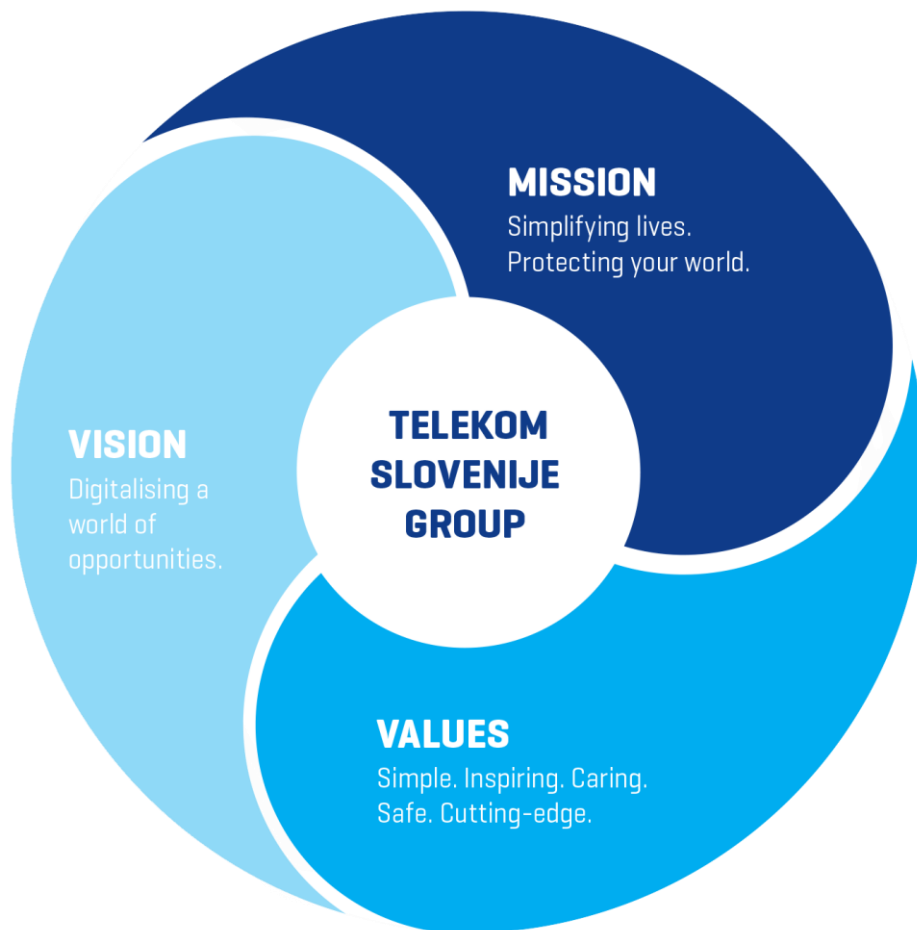
Ranko Jelača,  
Member of the  
Management Board



Dean Žigon,  
Member of the Management  
Board  
and Workers' Director

## 2. Vision, mission and values of the Telekom Slovenije Group

### 2.1. Vision, mission and values



### 2.2. Key strategic policies

#### Key strategic policies of the Telekom Slovenije Group in the period 2019 to 2023

##### 1. Maintaining our market position on the mobile services market and increasing our market share on the fixed services market

We will maintain our share of the mobile services market and achieve growth in the number of fixed broadband and TV connections through a portfolio of comprehensive services for smart living, and through the development of a unique experience tailored to the user, which will be based on a simple user experience and superior network, inspiring services, cutting-edge solutions and a caring approach to users.

##### 2. New revenue sources

We will strengthen our core activity and increase our share of household and corporate budgets, and strengthen user loyalty by expanding to other areas that are important to users.

##### 3. Maintaining a superior network

Through planned investments in reliable, secure and high-quality technologies, we will maintain our position as the leading provider of the most advanced technologies and next-generation networks, and communication, security, information, multimedia and advertising services.



#### 4. Consolidation on individual markets

We are carrying out consolidation activities where this is in line with our established strategic objectives. The strategy for the period 2019 to 2023 envisages the possibility of further consolidation, either through expansion or divestment on the markets where we operate.

#### 5. Simplification of processes, products and platforms

The Telekom Slovenije Group continues to optimise business processes, and restructure its products, portfolio and information systems with the aim of enhancing its ability to adapt dynamically to the demands of users through understandable and simple-to-use solutions.

#### 6. Optimal staffing structure

Activities to implement the objectives set out in the Strategic Business Plan are only possible by ensuring the optimal number of employees, taking into account the needs of the work processes of individual Group companies, and by ensuring the development of employees' competences.

#### 7. Financial stability

Telekom Slovenije will implement activities that will facilitate the effective management of liquidity and ensure a high level of financial security. We will ensure the optimal level of debt over the long term, at which the value of the Company is highest.

#### 8. Quality

Quality is and will remain the primary comparative advantage of our services. We will continue to provide users the most advanced and highest-quality ICT solutions and other services. The key tools to ensuring consistent quality are well-maintained quality management systems, verified business excellence models and the consistent implementation of initiatives to ensure an excellent user experience.

#### 9. Social responsibility

We actively identify opportunities where we can contribute to the development of the social and economic environment in which we operate through our expertise, and financial and other resources. As the leading national operator, and as a development and future-oriented company, we are well aware of our social responsibility. The principles of sustainable development are therefore built into our operations, products, services and content, while we also responsibly manage the economic, social and environmental impacts of our operations.

#### Key objectives of the Telekom Slovenije Group for 2019<sup>1</sup>

Operating revenues	EUR 711.9 million
EBITDA	EUR 216.0 million
Net operating profit	EUR 30.3 million
Investments	EUR 211.9 million

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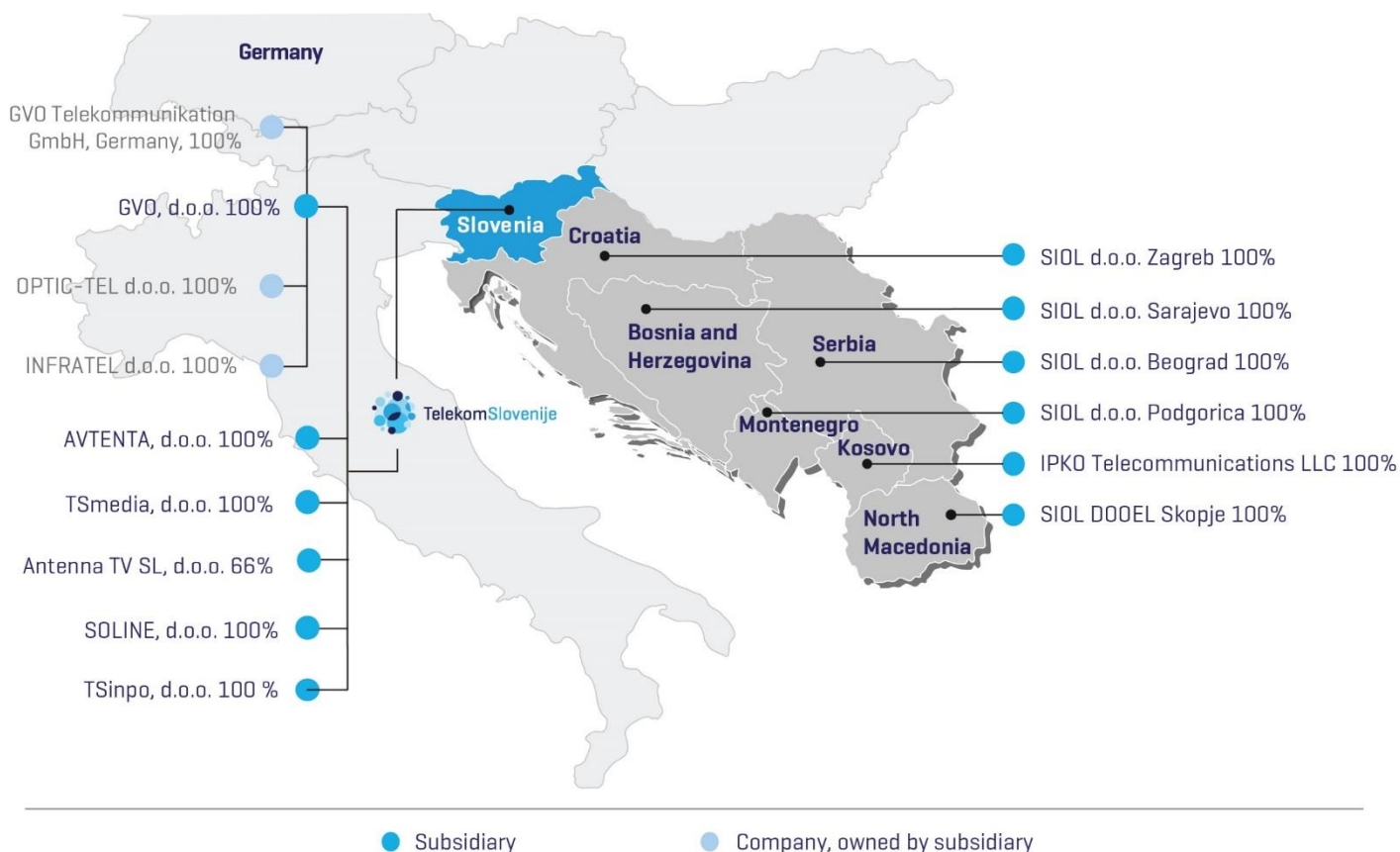
<sup>1</sup> In accordance with IFRS 15 and IFRS 16.

## 3. Telekom Slovenije Group

### 3.1. Markets and companies of the Telekom Slovenije Group

The Telekom Slovenije Group comprises the parent company Telekom Slovenije and the subsidiaries shown in the following figure with corresponding participating interests.

**Situation as at 31 March 2019**



#### Changes in the composition of the Group in 2019

- As owners of M-Pay, d. o. o., Telekom Slovenije and NKBM signed an agreement on 13 December 2018 on the winding up of the aforementioned company according to the fast-track procedure, without liquidation. Based on the registry court's decision on the entry of the decision on the winding-up of the company according to the fast-track procedure of 19 December 2018, the investment was excluded from consolidation and the company deleted from the companies register on 1 February 2019.
- In January 2019, Telekom Slovenije completed the sale of its 100% participating interest in the subsidiary Blicnet based on a sales agreement signed on 2 October 2018 with Telekomunikacije Republike Srpske akcionarsko društvo Banja Luka.

## 3.2. Operating highlights

**The Telekom Slovenije Group achieved the following in the period January to March 2019:**

- The Telekom Slovenije Group generated EUR 172.8 million in operating revenues during the first quarter of 2019, a decrease of 6% or EUR 10.6 million on the revenues generated during the same period in 2018.
- Net sales revenue amounted to EUR 172.0 million, which is likewise a decrease of 6% relative to the first quarter of 2018. However, that figure no longer includes the revenues generated by Blicnet, which was sold in 2018. Revenues from mobile merchandise on the end-user market and revenues on the wholesale market were also somewhat lower.
- The Telekom Slovenije Group's operating expenses totalled EUR 161.0 million, a decrease of 7% or EUR 12.1 million relative to the same period in 2018.
- Earnings before interest, taxes, amortisation and depreciation (EBITDA) totalled EUR 56.5 million, an increase of 8% or EUR 4.0 million relative to the same period in 2018, and accounted for 32.9% of net sales revenue, an increase of 14% on the same period last year when that figure was 28.8%.
- Earnings before interest and taxes (EBIT) amounted to EUR 11.8 million, an increase of 15% relative to the first quarter of 2018.
- Following the calculation of income tax (including deferred taxes), the Telekom Slovenije Group generated a net profit of EUR 10.1 million during the first quarter of 2019, an increase of 4% relative to the same period in 2018

## 3.3. Key financial indicators for the Telekom Slovenije Group

	Telekom Slovenije Group			Telekom Slovenije		
EUR thousand / %	I - III 2019 / 31.3.2019	I - III 2018 / 31.12.2018	Index 19/18	I - III 2019 / 31.3.2019	I - III 2018 / 31.12.2018	Index 19/18
Net sales revenue	171,963	182,158	94	156,880	164,653	95
Other operating income	811	1,237	66	622	506	123
Operating revenue	172,774	183,395	94	157,502	165,159	95
EBITDA	56,542	52,524	108	49,941	44,327	113
EBITDA margin	32.9%	28.8%	114	31.8%	26.9%	118
EBIT	11,798	10,276	115	13,309	10,720	124
Return on sales: ROS (EBIT/net sales revenue)	6.9%	5.6%	122	8.5%	6.5%	130
Net profit	10,093	9,675	104	12,632	9,714	130
Assets	1,246,570	1,232,719	101	1,244,866	1,223,526	102
Equity	629,662	619,628	102	646,843	634,196	102
Equity ratio	50.5%	50.3%	100	52.0%	51.8%	100
Net financial debt	383,098	352,484	109	387,243	350,395	111

### 3.4. Overview by company and key market

#### Operating revenues

EUR thousand	I - III 2019	I - III 2018	Index 19/18
Telekom Slovenije	157,502	165,159	95
Other companies in Slovenia	18,765	14,848	126
IPKO - Kosovo	14,327	16,985	84
Other companies abroad	817	4,306	19
<b>Total - unconsolidated</b>	<b>191,411</b>	<b>201,298</b>	<b>95</b>
Eliminations and adjustments	-18,637	-17,903	-
<b>Telekom Slovenije Group</b>	<b>172,774</b>	<b>183,395</b>	<b>94</b>

#### EBITDA – earnings before interest, taxes, depreciation and amortisation

EUR thousand	I - III 2019	I - III 2018	Index 19/18
Telekom Slovenije	49,941	44,327	113
Other companies in Slovenia	529	-455	-
IPKO - Kosovo	6,321	7,261	87
Other companies abroad	609	1,552	39
<b>Total - unconsolidated</b>	<b>57,400</b>	<b>52,685</b>	<b>109</b>
Eliminations and adjustments	-858	-161	-
<b>Telekom Slovenije Group</b>	<b>56,542</b>	<b>52,524</b>	<b>108</b>

#### EBIT – earnings before interest and taxes

EUR thousand	I - III 2019	I - III 2018	Index 19/18
Telekom Slovenije	13,309	10,720	124
Other companies in Slovenia	-894	-1,424	63
IPKO - Kosovo	-907	409	-
Other companies abroad	220	514	43
<b>Total - unconsolidated</b>	<b>11,728</b>	<b>10,219</b>	<b>115</b>
Eliminations and adjustments	70	57	-
<b>Telekom Slovenije Group</b>	<b>11,798</b>	<b>10,276</b>	<b>115</b>



## Net profit or loss

EUR thousand	I - III 2019	I - III 2018	Index 19/18
Telekom Slovenije	12,632	9,714	130
Other companies in Slovenia	-1,245	-1,624	-
IPKO - Kosovo	-1,635	-386	-
Other companies abroad	124	408	30
<b>Total - unconsolidated</b>	<b>9,876</b>	<b>8,112</b>	<b>122</b>
Eliminations and adjustments	217	1,563	-
<b>Telekom Slovenije Group</b>	<b>10,093</b>	<b>9,675</b>	<b>104</b>

## TELEKOM SLOVENIJE GROUP CONNECTIONS AND SERVICES BY TYPE AND MARKET

### Broadband connections

Number of retail BB connections as at	31.3.2019	31.12.2018	Index 19/18
Slovenia	211,293	214,163	99
SE Europe	117,526	148,170	79
Kosovo	117,526	120,999	97
Bosnia and Herzegovina	-	27,171	-
<b>Telekom Slovenije Group</b>	<b>328,819</b>	<b>362,333</b>	<b>91</b>

### Fixed and mobile telephony connections

Number of retail connections as at	31.3.2019	31.12.2018	Index 19/18
Slovenia, mobile telephony	1,034,209	1,049,230	99
Slovenia, fixed voice telephony	327,108	331,192	99
SE Europe, mobile telephony:	698,837	722,812	97
Kosovo	698,837	719,771	97
Bosnia and Herzegovina	-	3,041	-
SE Europe, fixed voice telephony	-	1,366	-
<b>Telekom Slovenije Group</b>	<b>2,060,154</b>	<b>2,104,600</b>	<b>98</b>
VoIP services			
Slovenia	191,649	193,412	99
SE Europe	10,520	24,427	43
<b>Telekom Slovenije Group</b>	<b>202,169</b>	<b>217,839</b>	<b>93</b>

## Number of mobile and fixed telephony connections / services

Number of retail connections as at	31.3.2019	31.12.2018	Index 19/18
Total mobile telephony	1,733,046	1,772,042	98
Total fixed voice telephony services*	529,277	550,397	96
<b>Telekom Slovenije Group</b>	<b>2,262,323</b>	<b>2,322,439</b>	<b>97</b>

\* Sum of fixed voice telephony connections and VoIP services.

## Investments

EUR thousand	I - III 2019	I - III 2018	Index 19/18
Telekom Slovenije	23,816	15,855	150
Other companies in Slovenia	380	206	184
Ipko - Kosovo	3,596	5,284	68
Other companies abroad	54	2,235	2
Eliminations and adjustments	-132	-215	61
<b>Telekom Slovenije Group</b>	<b>27,714</b>	<b>23,365</b>	<b>119</b>

## Employees

number of employees at	31.03.2019	31.12.2018	Index 19/18
Telekom Slovenije	2,193	2,196	100
Other companies in Slovenia	720	707	102
Ipko - Kosovo	528	528	100
Other companies abroad	-	99	-
<b>Telekom Slovenije Group</b>	<b>3,441</b>	<b>3,530</b>	<b>97</b>

### 3.5. Ownership structure and share trading

#### General information regarding Telekom Slovenije shares as at 31 March 2019

General information regarding shares	
Ticker symbol	TLSG
Listing	Ljubljana Stock Exchange, prime market
Share capital (EUR)	272,720,664.33
Number of ordinary registered no-par value shares	6,535,478
Number of shares held in treasury	30,000
Number of shareholders as at 31 March 2019	9,397

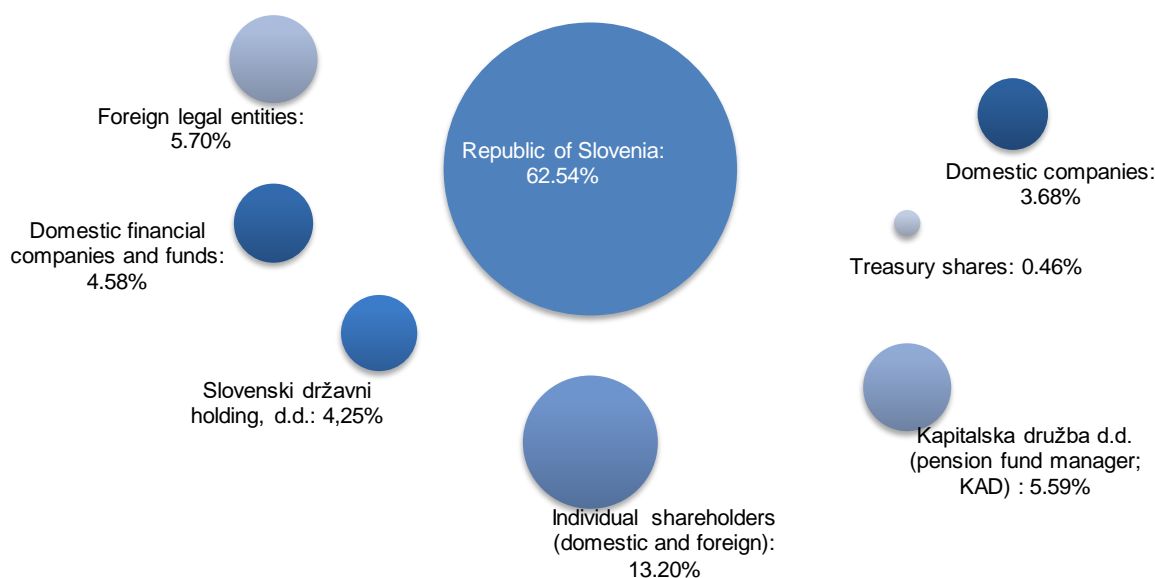
#### Ownership structure and largest shareholders as at 31 March 2019

Telekom Slovenije had 9,397 shareholders at the end of March, a decrease of 10 on the end of 2018. The number of individual shareholders was down by eight.

With a total stake of 94% at the end of the first quarter, domestic investors remain predominant in the Company's ownership structure. The Company's largest shareholder remained the Republic of Slovenia, together with Kapitalska družba, Slovenski državni holding, the First Pension Fund of Modra zavarovalnica and the latter's guarantee fund. Collectively, 73.46% of the Company's shares were directly or indirectly held by the Republic of Slovenia at the end of the year.

Individual shareholders represent the second largest category of owners and increased their stake further during the first three months of 2019. Domestic corporates also increased their ownership stake, while domestic financial corporations and funds and foreign corporates reduced their stake.

#### Ownership structure as at 31 March 2019



#### Ten largest shareholders as at 31 March 2019

The concentration of ownership, as measured by the ownership stake held by the ten largest shareholders, stood at 78.35% at the end of the first quarter of 2019, an increase of 0.06 percentage points relative to the end of 2018. The structure of the ten largest shareholders also changed.

## Shares held by members of the Management Board and Supervisory Board of Telekom Slovenije



Members of the Management Board and Supervisory Board held 553 TLSG shares as at 31 March 2019.

Name and surname	Office	Number of shares	% of equity
<b>Management Board</b>			
Rudolf Skobe, MSc	President of the Management Board	300	0.00459
Dean Žigon	Member of the Management Board and Workers' Director	1	0.00002
<b>Supervisory Board</b>			
Drago Kijevčanin	Vice-President of the Supervisory Board	212	0.00324
Dušan Pišek	Member of the Supervisory Board	36	0.00055
Jana Žižek Kuhar	Member of the Supervisory Board	4	0.00006
<b>Total Management Board and Supervisory Board</b>		<b>553</b>	<b>0.00846</b>

Trading in corporate shares by representatives of the Company and reporting on such transactions are governed at Telekom Slovenije by the applicable legislation and the Rules Restricting Trading in the Shares of Telekom Slovenije.

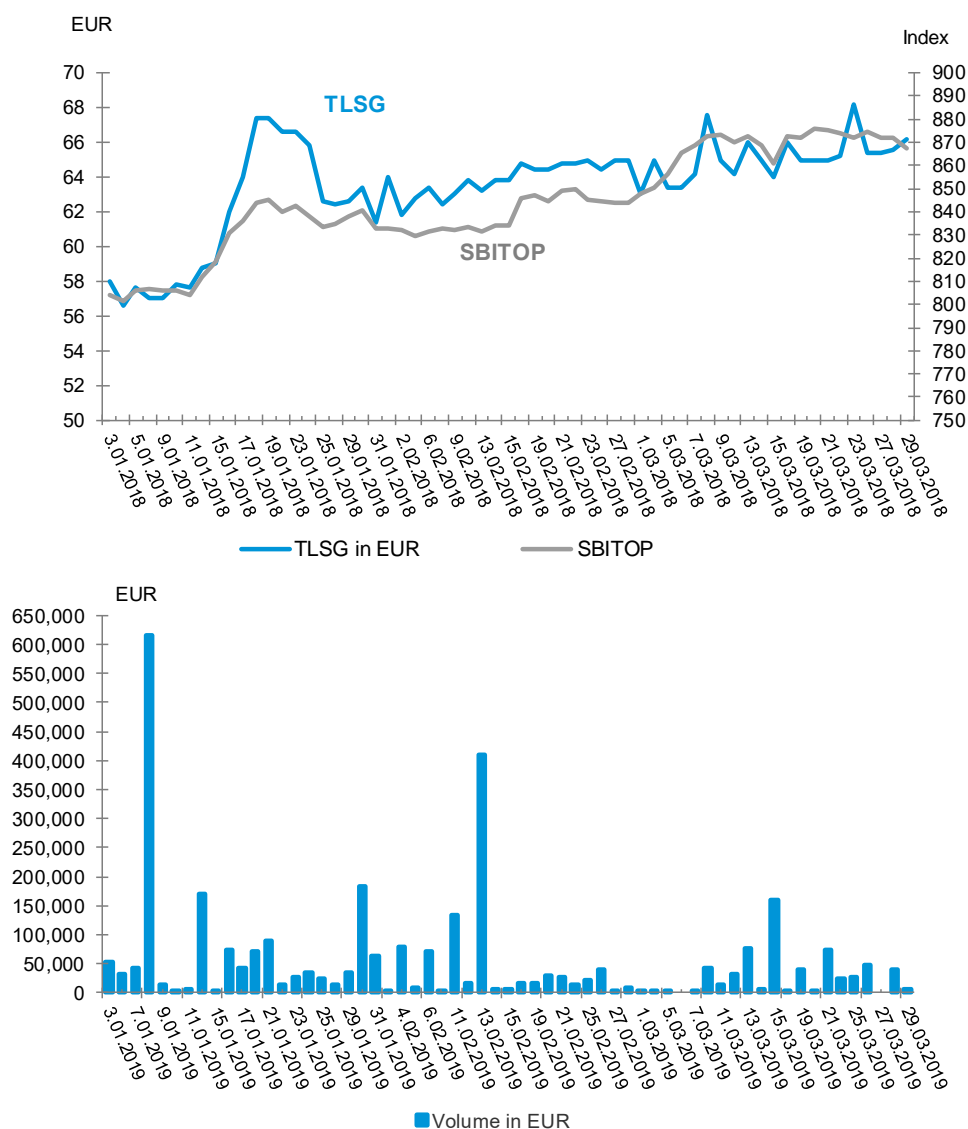
## Share trading and key share-related financial data

### Movement in the TLSG share price

Turnover in Telekom Slovenije shares totalled EUR 3.1 million during the period January to March 2019, representing 4.8% of total turnover on the stock exchange. The price of TLSG shares closed at EUR 66.20 on the last trading day of March. The share price rose by 12.2% during the first quarter of the year. The highest share price of EUR 68.20 was achieved during the last week of March. The market capitalisation of Telekom Slovenije stood at EUR 432.65 million on the last trading day of March, accounting for 6.5% of the market capitalisation of all shares on the stock exchange.

Standard price in EUR	I – III 2019	I – III 2018
Highest daily price	68.20	88.40
Lowest daily price	56.60	81.40
Average daily price	63.51	85.14
Volume in EUR thousand	I – III 2019	I – III 2018
Total volume for the year	3,139.14	7,215.56
Highest daily volume	615.09	664.56
Lowest daily volume	0.13	1.13
Average daily volume	53.21	120.26

## Movement in the TLSG share price compared to the SBI TOP index and volume of trading in TLSG shares



Source: Ljubljana Stock Exchange, archive of share prices.

## Key financial data relating to shares

	31 March 2019 / I – III 2019	31.12. 2018 / I – III 2018
Closing price (P) of one share on the last trading day of the period in EUR	66.20	83.00
Book value (BV) <sup>1</sup> of one share in EUR	96.35	94.81
Earnings per share (EPS) <sup>2</sup> in EUR	1.55	1.49
P/BV	0.69	0.86
Capital return per share during the period in % <sup>3</sup>	12.20	0.14
Dividend yield <sup>4</sup> in %	21.60	6.02

### Notes:

<sup>1</sup> The book value of one share is calculated as the ratio of the book value of the Telekom Slovenije Group's equity on the last day of the period to the number of issued ordinary shares. Comparable data from the statement of financial position are from 31 December 2018.

<sup>2</sup> Net earnings per share is calculated as the ratio of the Telekom Slovenije Group's net operating profit for the accounting period to the average number of issued ordinary shares, excluding treasury shares.

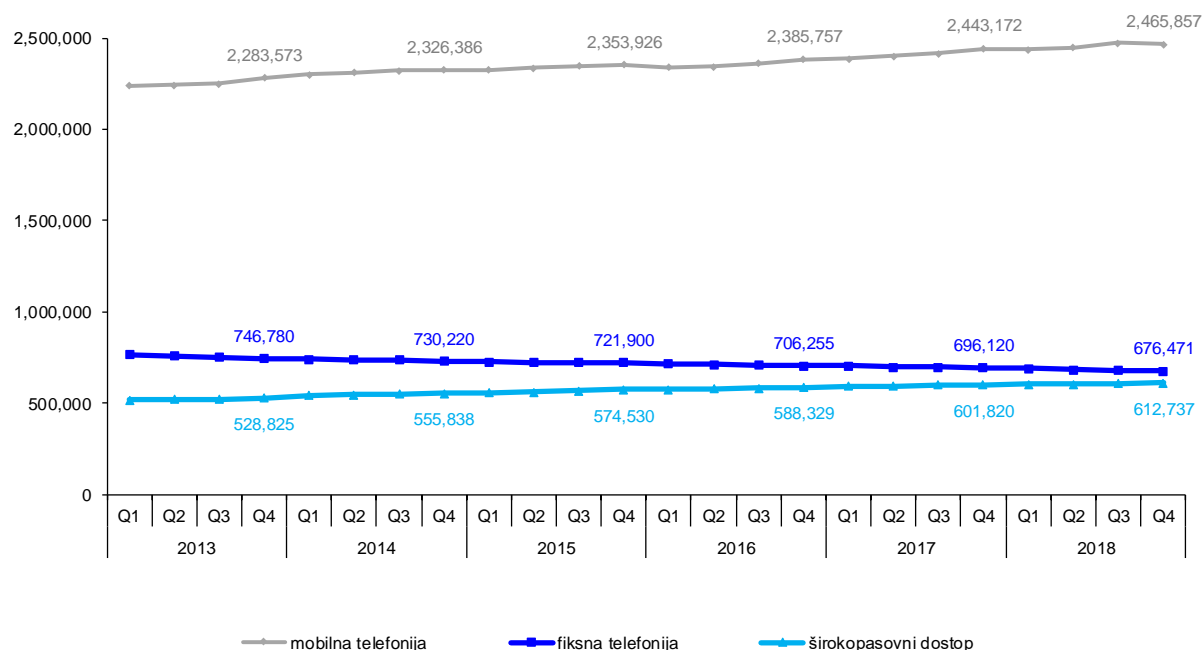
<sup>3</sup> The capital return per share is calculated as the ratio of the share price on the final trading day of the period minus the share price on the final trading day of the previous period to the share price on the final trading day of the previous period.

<sup>4</sup> Dividend yield is calculated as the ratio of the last paid dividend to the share price on the final trading day of the period.



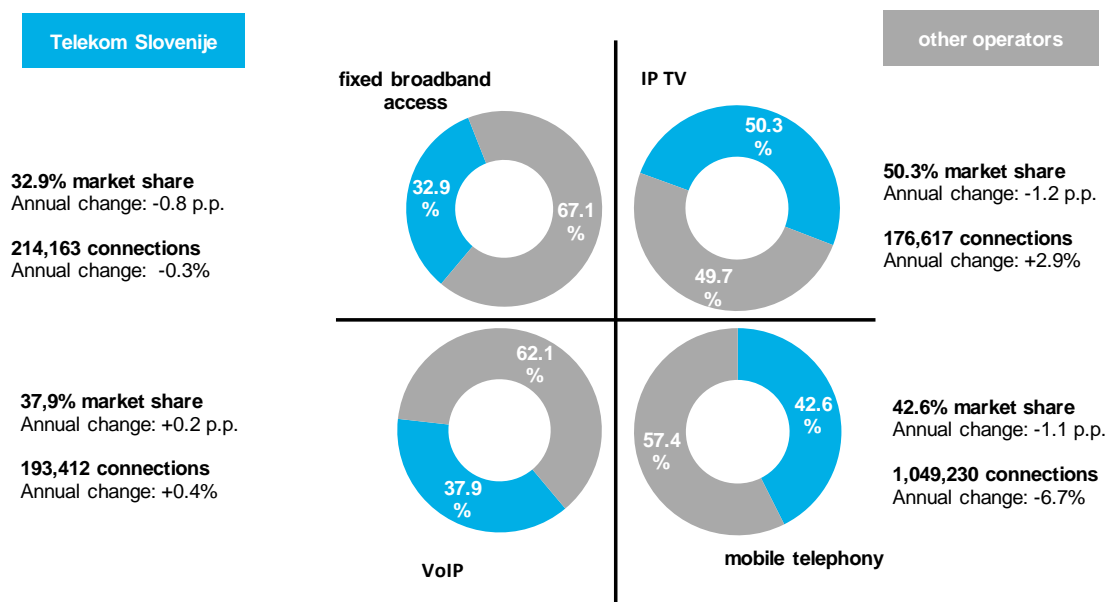
### 3.6. Market and market shares in key service segments

#### Changes in the number of connections on the electronic communications market in Slovenia



Source: Report on the development of the electronic communications market for the fourth quarter of 2018, AKOS, April 2019, SORS and internal Telekom Slovenije figures.

#### Overview of market shares in the fourth quarter of 2018 in key market segments



Source: Report on the development of the electronic communications market for the fourth quarter of 2018, AKOS, April 2019 and internal Telekom Slovenije figures.

### 3.7. Risk management

Key risks are presented below by Telekom Slovenije Group company.

Telekom Slovenije
<b>Strategic risks</b> <ul style="list-style-type: none"><li>• Telekom Slovenije faces strong competition, regulatory effects and price-sensitive users on both the complex European inter-operator market and the domestic telecommunications operator market. The users of telecommunication services demand high-quality services at the lowest possible prices. The market is becoming increasingly saturated, which means less manoeuvring room for maintaining existing users and increasing difficulty attracting new users. Required for the management of such risks are control over regulatory measures, a targeted and active market approach, the continuous adaptation of business solutions, the adaptation of and changes to the portfolio, and the introduction of the latest technical developments for specific groups and segments of users.</li></ul>
<b>Financial risks</b> <ul style="list-style-type: none"><li>• Telekom Slovenije regularly monitors the dynamics of the financial environment that result in the various types of financial risks to which the Company is exposed in its operations. We actively monitor liquidity, credit and interest-rate risks. Various financial risk management models and derivatives are used to reduce exposure to specific types of risks.</li><li>• Liquidity risk is managed through the planning and management of cash flows, by ensuring the appropriate maturities and the diversification of financial debt, and through financing within the Group and the optimisation of working capital and cash. Short-term imbalances in cash flows are managed through short-term revolving loans from banks, while we also have long-term reserve credit lines as an additional element of financial security.</li><li>• Credit risk is managed through the active monitoring of the operations of customers and their credit ratings, and by limiting maximum allowable exposures. We further hedge against the risk of the deteriorating financial position of customers through credit insurance and by regularly monitoring the appropriateness thereof. Monitoring of the settlement of contractual obligations and the active recovery of past-due debt are also elements of the system tool used for credit risk management.</li><li>• We hedge against interest-rate risk by concluding interest rate swaps. Fixed or hedged interest rates account for 63.34% of the Company's interest-bearing financial liabilities.</li></ul>
<b>Regulatory and compliance-related risks</b> <ul style="list-style-type: none"><li>• Regulatory risks remain high for Telekom Slovenije and derive from changes to the regulatory framework and policies, and from the potential decisions of the regulator regarding the imposition of additional obligations or changes in prices in individual market segments.</li><li>• Taking into account the planned public auction of a portion of the 700 MHz radio frequency band for the fifth generation (5G) mobile technology, the Company has identified risks associated with the conditions of that public auction, requirements regarding the use of frequencies, excessively high auction prices, and other conditions associated directly or indirectly with the public auction. All of that could affect the possibility of acquiring the tendered radio frequency spectrum for the provision of electronic communications services.</li><li>• The Directive establishing the European Electronic Communications Code (EECC) was adopted at the end of 2018. That directive includes measures for stimulating competition and investments in very high-capacity electronic communications networks and covers various areas of electronic communications. The deadline for the transposition of the aforementioned directive into national law is two years from its entry into force. The EU Council also adopted the BEREC regulation, the aim of which is to provide aid to Member States for the expansion of very high-capacity electronic communications networks, and for the continuous and consistent application of the regulatory measures set out in the aforementioned code. The regulation, which will be applied directly in Member States from 15 May 2019 on, also envisages limits on the retail prices of calls and SMS messages within the EU.</li><li>• Of significance in terms of compliance is the implementation of Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, the application of which began on 25 May 2018. Following the entry into force of the aforementioned regulation, Telekom Slovenije adapted business processes and upgraded information support systems with the aim of ensuring compliance with the requirements of that regulation. The Company is continuing to update and improve personal data processing in 2019. Currently being drawn up is the new Personal Data Protection Act (ZVOP-2), the draft of which envisages additional</li></ul>

requirements compared with the General Data Protection Regulation. The Company submitted comments regarding the draft act via the Chamber of Commerce and Industry of Slovenia during public consultations. The EU's new ePrivacy Regulation is still being coordinated by stakeholders (EU institutions and Member States). That regulation will affect data processing as it relates to the provision of electronic communications services.

- In its operations, Telekom Slovenije complies with valid legislation, as well as decisions and aspects of sectoral regulations and other competent bodies. Regulatory risks are managed through organisational and procedural measures in the Company's operations, through constructive dialogue, by putting forth opinions, comments and suggestions in public consultations regarding drafts of general and specific laws issued by the regulator, and by taking legal action against issued regulatory decisions.

#### Operational risk

- A great deal of attention is given to managing operational risks associated with ICT networks, services and devices. Recently, Telekom Slovenije has also given additional attention to the management and development of employees in this area. The development of technologies and ICT services, and the growing demands of applications and devices are accompanied by growing complexity in the comprehensive management of technologies. Telekom Slovenije manages this risk through the development of BSS and OSS, by improving operational efficiency and by providing support for new business opportunities. Operations support systems (OSS) are and will continue to be a key differentiating factor between operators on the B2C, B2B and wholesale markets. One objective of the OSS strategy in the period until 2023 is to ensure that the Telekom Slovenije Group has one of the most effective, most responsive and most flexible OSS, including a high level of automation in operational processes. That automation shortens the duration of processes, reduces the number of participants in processes, decreases the number of errors in processes, and reduces the operational costs of processes. In terms of business continuity, Telekom Slovenije ensures the necessary capacities of the ICT infrastructure and services, and of transmission, backbone and access segments. The risks associated with the malfunctioning of connections and services provided by other entities are managed by introducing processes to monitor and report on SLA indicators on leased networks, and by standardising requirements vis-à-vis network providers for newly leased networks. Regular notification regarding planned works on the networks of operators has been established.
- In the area of ICT security, Telekom Slovenije continuously develops systems for monitoring technologies and anomalies in the ICT infrastructure and services, and conducts internal and external penetration testing. Together with a team of cyber security experts and external partners, we established the Cyber Security Operation Centre (CSOC) in 2018 and received the first market references. With the aim of managing risks, we are implementing security policies, identifying security threats and vulnerabilities, and spreading the security culture to employees and the users of our services.

#### Avtenta

- Risks associated with a lack of experts in the service element of project implementation are managed in cooperation with external partners.

#### Antenna TV SL

- Risks associated with solvency are very high. Operations are being optimised and owners are providing financing for operations.

#### TSmedia

- Market and revenue risks are associated with the reduced scope of advertising on outdoor screens and fewer visits to TSmedia portals (Siol.net, najdi.si, TIS and Bizi). This risk is managed through account management, the monitoring of sales, the technical and creative development of portals, and training for all sales channels.
- Compliance risks in the area of personal data protection are managed through the implementation of legal requirements and European directives, and employee training.

#### GVO

- Risks associated with staff required for project implementation are managed through the appropriate employee structure and by adapting to the scope of operations.

<b>Soline</b>
<ul style="list-style-type: none"> <li>• The risk of poor weather conditions is constantly present, as this is a seasonal activity. An extended period of sunny weather and a dry wind are crucial for the traditional production of sufficient quantities of salt, while rainy weather reduces the amount of salt produced and the number of visitors to the Lepa Vida Spa.</li> </ul>
<b>IPKO</b>
<ul style="list-style-type: none"> <li>• IPKO responds to the risk of the loss of users and revenues in the segment of fixed and mobile services due to unfair competition, and the risk of the loss of exclusive rights to TV content through the appropriate market approaches and the use of legal remedies.</li> <li>• We have also identified risks in connection with the methodology used by the regulatory body to set prices for the purchase of frequencies, which could result in excessively high costs to purchase those frequencies. The appropriate proceedings have been initiated in that regard.</li> <li>• The company is exposed to the risk of higher costs because proceedings initiated by a collective rights organisation to set prices for the payment of copyright fees for the broadcasting of programmes via the cable network are still in progress.</li> <li>• ICT risks exist due to the outdated BSS architecture, unstructured, non-standard solutions and the departure of several IT experts. IPKO is managing those risks by defining a strategic BSS architecture and through employee training.</li> </ul>

## 4. Corporate governance

### Management Board

In accordance with its Articles of Association, Telekom Slovenije is managed by a five-member Management Board, comprising the following members as at 31 March 2019:

- Rudolf Skobe, MSc, President,
- Tomaž Seljak, MSc, Vice-President,
- Ranko Jelača, member,
- Dr Vida Žurga, member, and
- Dean Žigon, member and Workers Director.

In January 2019, Telekom Slovenije's Supervisory Board appointed Dr Vida Žurga to serve as member of the Management Board. Dr Žurga's four-year term of office began on 1 February 2019.

Members of the Management Board are appointed for a four-year term of office, which begins on the day an individual member is appointed.

### Supervisory Board

Telekom Slovenije's Supervisory Board comprises nine members, six of whom are shareholder representatives and three of whom are employee representatives. The members of the Supervisory Board submitted a statement of compliance with the criteria of independence in accordance with the Corporate Governance Code.

Telekom Slovenije's Supervisory Board comprised the following members as at 31 March 2019:

Shareholder representatives:

- Lidija Glavina, President,
- Bernarda Babič, MSc, Vice-President,
- Dimitrij Marjanović, member,
- Barbara Kürner Čad, member,
- Barbara Gorjup, MSc, member, and
- Ljubomir Rajšić, member.

Employee representatives:

- Drago Kijevčanin, Vice-President,
- Dušan Pišek, member, and
- Jana Žižek Kuhar, member.

Members of the Supervisory Board are appointed for a term of office of four years. Dimitrij Marjanović began his term of office on 13 May 2016, while other shareholder representatives began their terms of office on 27 April 2017.

Employee representatives on the Supervisory Board began their terms of office as replacement members on 19 September 2018 and will serve in their functions until 14 November 2021.



## Slovenia

### GVO, d. o. o.

Managing Director: Borut Radi

### Avtenta, d. o. o.

Managing Director: Miran Potočnik

Miha Praunseis served as Managing Director until 28 February 2019.

### TSmedia, d. o. o.

Managing Director: Tina Česen, MSc

### Soline, d. o. o.

Managing Director: Klavdij Godnič

### Antenna TV SL, d. o. o.

General Manager: Tina Česen, MSc

Managing Director: Petra Šušteršič

### TSinpo, d. o. o.

Managing Director: Danilo Tomšič, MSc

Procurator: Vesna Lednik

## Other countries

### IPKO Telecommunications LLC, Kosovo

Board of Directors: Rudolf Skobe, MSc (President), Bujar Musa and Robert Erzin, MSc

CEO: Robert Erzin, MSc

### SIOL, d. o. o. Zagreb, Croatia

Managing Director: Matjaž Pogačnik, MBA

### SIOL, d. o. o. Podgorica, Montenegro

Managing Director: Matjaž Pogačnik, MBA

### SIOL, d. o. o. Sarajevo, Bosnia and Herzegovina

Managing Director: Matjaž Pogačnik, MBA

### SIOL DOOEL Skopje, Macedonia

Managing Director: Matjaž Pogačnik, MBA

### SIOL DOO BELGRADE, Serbia

Managing Director: Matjaž Pogačnik, MBA

## 5. Significant events in the period January to March 2019

### First quarter of 2019

#### January

- At its 20th ordinary session, the Supervisory Board of Telekom Slovenije appointed Dr Vida Žurga to serve as member of the Management Board responsible for the area of finance. Her four-year term of office as a member of Telekom Slovenije's Management Board began on 1 February 2019.
- Telekom Slovenije is the only operator that makes it possible for Slovenian users to use the latest eSIM technology in devices that meet the GSMA standard. eSIM is a virtual SIM card that is permanently installed in a mobile device and replaces the existing SIM card that we know in physical form.
- Avtenta began the year by receiving the highest SAP Partner title. SAP awarded Avtenta the title of SAP Gold Partner. The title is confirmation that Avtenta implements advanced projects that successfully offer and implement SAP solutions on the market, and that the associated activities are performed by an experienced and certified team.

#### February

- Effective 1 February, Telekom Slovenije is included in the notification of users via the *VELEPOSŁANIŠTVO* (EMBASSY) SMS service provided by the Slovenian Ministry of Foreign Affairs. When its users cross the border or when they are connected to the network of another operator, Telekom Slovenije sends them an automatic and free text message with contact information for Slovenian diplomatic and consular offices in the country where they are located.
- The international ratings agency S&P Global Ratings confirmed Telekom Slovenije's existing rating of BB+, but issued a negative outlook, which it based on the increase in planned outflows for investments in connection with the Company's operations on a highly competitive market.
- Telekom Slovenije received a ruling from the Ljubljana District Court, issued on 4 December 2018, in the commercial dispute between Telekom Slovenije and the defendants Bojan Dremelj, Dušan Mitič, Filip Ogris Martič, Željko Puljič and Darja Senica for the payment of EUR 7,635,500.00 with appertaining costs. Under that ruling, the aforementioned court rejected the plaintiff's claim in full during retrial. The court ordered Telekom Slovenije to reimburse the litigation costs of the defendants and interveners. Telekom Slovenije has filed an appeal against the latter.

#### March

- During an independent test conducted by the German company P3, Telekom Slovenije's mobile network proved to be the best in Slovenia. Telekom received P3's 'Best in Test' certificate for its mobile network. That certificate is valid for the global industry standard for measuring network quality and user satisfaction. P3's experts performed measurements from October to December 2018 in more than 88% of built-up areas and numerous network connections throughout Slovenia. The test was conducted on five elements of the network: voice service coverage, data transfer coverage, coverage by LTE/4G technology, data download speed and availability of the data network. Telekom Slovenije's mobile network received the highest total score of the aforementioned elements.
- Telekom Slovenije received a Silver Effie in the market communication category for its *Modri Svet* (Blue World) campaign, a Bronze Effie for the commercial campaign *Vi podpirate Slovenijo, mi skrbimo za vas* (You Support Slovenia, We Take Care of You), and ranked among the finalists for its *Za naše* (For Our Own) campaign. Telekom Slovenije also received recognition for the most effective brand and most effective advertiser in the period 2016–2018.
- Telekom Slovenije simplified its range of mobile and fixed subscriber packages. Now available to users in the best Slovenian mobile network are *Naj* (Best) mobile packages and fixed packages with a comprehensive range of services for the home under the NEO brand. All of the aforementioned packages are designed so that users can select the combination of benefits that best suit their needs.
- The Supervisory Board of Telekom Slovenije approved the annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2018. In conjunction with the Company's Management Board, the Supervisory Board drafted a proposal on the use of distributable profit for 2018. The General Meeting of Shareholders, which will be held on 30 August 2019, will be forwarded a proposal that distributable profit be used for the payment of dividends in the amount of EUR 29,274,651.00, meaning a gross dividend of EUR 4.5 per share. The Company's total distributable profit for 2018 amounted to EUR 38,986,324.96.
- Avtenta received the AAA Golden Creditworthiness Certificate of Excellence from the ratings agency Bisnode as a reliable, credible and trustworthy business partner.

## 6. Significant events after the balance-sheet date

### Second quarter of 2019

#### April

- Telekom Slovenije upgraded its entire mobile network with Narrowband Internet of Things (NB-IoT) technology. The latter is a standardised technology for the effective mass communication of devices (connected to the Internet of Things) that generate a low amount of data traffic. NB-IoT technology opens new opportunities for the development of innovative solutions with high value added for the optimisation of processes, resource management, ensuring a high level of security and a higher quality of living. It also represents the next milestone in the development of fifth generation (5G) mobile networks.
- At its 23rd regular session held on 16 April 2019, Telekom Slovenije's Supervisory Board was briefed on the decision of the President of the Management Board, Rudolf Skobe, regarding the early termination of his term of office. On that basis, the Supervisory Board and Mr Skobe reached an agreement on the early termination of his term of office as President of the Company's Management Board, effective on the day the aforementioned agreement was signed, i.e. on 16 April 2019. Telekom Slovenije is headed by the Vice-President of the Management Board, Tomaž Seljak, until the appointment of a new president.

## 7. Condensed interim accounting report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for the period January to March 2019

### 7.1. Introductory notes

The condensed financial statements of the Telekom Slovenije Group and the condensed financial statements of the parent company Telekom Slovenije for the reported period and the comparable period last year were compiled in accordance with the provisions of the Companies Act, the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The condensed interim financial statements for the period ending 31 March 2019 were compiled in accordance with IAS 34 Interim Financial Reporting. The financial statements for the period January to March 2019 and for the comparative period January to March 2018 have not been audited, while the financial statements for the comparative period ending 31 December 2018 have been audited.

The financial statements are compiled on a going concern basis and are not seasonal.

#### Changes in accounting policies

The accounting policies used in the compilation of the interim condensed financial statements are the same as those applied in the compilation of the financial statements for the financial year ending 31 December 2018, except for a change due to the application of new IFRS 16 Leases.

#### Use of significant estimates and judgements

The compilation of the financial statements requires of management certain estimates, assessments and assumptions that affect the carrying amount of the assets and liabilities of the Group and Company, the disclosure of contingent liabilities as at the balance-sheet date and the amount of revenues and expenses in the period ending on the statement of financial position date.

Future events and their impact cannot be determined with certainty. Accounting assessments therefore apply a judgement subject to change taking into account new events, experiences and additional information, and as the result of changes in the business environment in which the Group and Company operate. Actual values may vary from estimates.

Estimates and assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which estimates are revised, and in all future years affected by such revisions. Management's estimates did not change during the accounting period.

All items in the financial statements of the Telekom Slovenije Group and Telekom Slovenije are disclosed in euros, rounded to thousand euro units.

### 7.1.1. Condensed interim financial statements of the Telekom Slovenije Group and Telekom Slovenije, d. d.

#### Unaudited income statement for the period ending 31 March 2019

EUR thousand	Telekom Slovenije Group		Telekom Slovenije d.d.	
	I - III 2019	I - III 2018	I - III 2019	I - III 2018
Net sales revenue	171,963	182,158	156,880	164,653
Other operating income	811	1,237	622	506
Cost of goods sold	-19,946	-23,311	-20,804	-24,087
Cost of materials and energy	-3,464	-3,535	-2,663	-2,706
Cost of services	-65,569	-75,045	-61,701	-69,920
Labour costs	-25,708	-26,618	-20,833	-21,751
Amortisation and depreciation expense	-44,744	-42,248	-36,632	-33,607
Other operating expenses	-1,545	-2,362	-1,560	-2,368
<b>Total operating expenses</b>	<b>-160,976</b>	<b>-173,119</b>	<b>-144,193</b>	<b>-154,439</b>
<b>Operating profits</b>	<b>11,798</b>	<b>10,276</b>	<b>13,309</b>	<b>10,720</b>
Finance income	1,828	2,198	2,702	1,676
Finance expenses	-2,478	-2,079	-2,377	-2,053
<b>Profit before tax</b>	<b>11,148</b>	<b>10,395</b>	<b>13,634</b>	<b>10,343</b>
Income tax expense	-56	-86	0	0
Deferred tax	-999	-634	-1,002	-629
<b>Net profit for the period</b>	<b>10,093</b>	<b>9,675</b>	<b>12,632</b>	<b>9,714</b>
Profit attributable to				
Majority interest	10,397	10,114	0	0
Non-controlling interest	-304	-439	0	0
<b>Earnings per share - basic and diluted (in EUR)</b>	<b>1.55</b>	<b>1.49</b>	<b>1.94</b>	<b>1.49</b>



# Unaudited statement of other comprehensive income for the period ending 31 March 2019

EUR thousand	Telekom Slovenije Group		Telekom Slovenije d.d.	
	I - III 2019	I - III 2018	I - III 2019	I - III 2018
<b>Net profit for the period</b>	<b>10,093</b>	<b>9,675</b>	<b>12,632</b>	<b>9,714</b>
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>				
Translation reserve	-23	0	0	0
Change in fair value of hedging financial instruments (net)	-167	-118	-167	-118
Deferred tax	32	23	32	23
<b>Net gain on changes in fair value of hedging instruments</b>	<b>-135</b>	<b>-95</b>	<b>-135</b>	<b>-95</b>
<i>Other comprehensive income that shall not be transferred to profit or loss in future periods</i>				
<b>Change in the fair value for actuarial deficits and surpluses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in fair value of investments measured at fair value through other comprehensive income	185	152	185	152
Deferred tax	-35	-29	-35	-29
<b>Change in fair value of investments measured at fair value through other comprehensive income</b>	<b>150</b>	<b>123</b>	<b>150</b>	<b>123</b>
<b>Other comprehensive income for the period after tax</b>	<b>-8</b>	<b>28</b>	<b>15</b>	<b>28</b>
<b>Total comprehensive income for the period</b>	<b>10,085</b>	<b>9,703</b>	<b>12,647</b>	<b>9,742</b>
<b>Total comprehensive income attributable to</b>				
Majority interest	10,389	10,142		
Non-controlling interest	-304	-439		

**Unaudited statement of financial position as at 31 March 2019**

EUR thousand	Telekom Slovenije Group		Telekom Slovenije d.d.	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
<b>ASSETS</b>				
Intangible assets	178,290	189,007	147,331	155,371
Property, plant and equipment	646,713	655,640	570,605	576,896
Right of use assets	80,275	0	83,607	0
Investments in subsidiaries	0	0	36,551	36,548
Other investments	5,038	5,116	97,613	99,032
Non-current contract assets	3,733	4,519	3,276	4,029
Other non-current assets	37,475	47,314	24,404	34,840
Investment property	4,026	4,039	4,026	4,039
Deferred tax assets	44,248	45,215	43,730	44,701
<b>Total non-current assets</b>	<b>999,798</b>	<b>950,850</b>	<b>1,011,143</b>	<b>955,456</b>
Assets held for sale	526	526	526	526
Inventories	31,291	27,467	26,761	22,546
Trade and other receivables	139,241	192,594	136,070	185,222
Current contract assets	11,635	12,099	11,636	12,099
Short-term deferred expenses and accrued revenues	40,655	37,836	36,268	34,486
Income tax credits	747	572	36	0
Current financial assets	90	91	10,764	11,180
Cash and cash equivalents	22,587	10,684	11,662	2,011
<b>Total current assets</b>	<b>246,772</b>	<b>281,869</b>	<b>233,723</b>	<b>268,070</b>
<b>Total assets</b>	<b>1,246,570</b>	<b>1,232,719</b>	<b>1,244,866</b>	<b>1,223,526</b>
<b>EQUITY AND LIABILITIES</b>				
Called-up capital	272,721	272,721	272,721	272,721
Capital surplus	181,488	181,488	180,956	180,956
Revenue reserves	123,492	123,492	121,991	121,991
<i>Legal reserves</i>	<i>51,612</i>	<i>51,612</i>	<i>50,434</i>	<i>50,434</i>
<i>Treasury share reserve</i>	<i>3,671</i>	<i>3,671</i>	<i>3,671</i>	<i>3,671</i>
<i>Treasury shares</i>	<i>-3,671</i>	<i>-3,671</i>	<i>-3,671</i>	<i>-3,671</i>
<i>Statutory reserves</i>	<i>54,854</i>	<i>54,854</i>	<i>54,544</i>	<i>54,544</i>
<i>Other revenue reserves</i>	<i>17,026</i>	<i>17,026</i>	<i>17,013</i>	<i>17,013</i>
Retained earnings	58,284	47,938	73,138	60,506
<i>Retain earnings from previous periods</i>	<i>47,887</i>	<i>30,324</i>	<i>60,506</i>	<i>43,493</i>
<i>Profit or loss for the period</i>	<i>10,397</i>	<i>17,614</i>	<i>12,632</i>	<i>17,013</i>
Fair value reserve	410	395	410	395
Fair value reserve for actuarial deficit and surplus	-2,356	-2,356	-2,373	-2,373
Translation reserve	-7	16	0	0
<b>Equity attributable to owners of the Company</b>	<b>634,032</b>	<b>623,694</b>	<b>646,843</b>	<b>634,196</b>
Non-controlling interest	-4,370	-4,066	0	0
<b>Total equity</b>	<b>629,662</b>	<b>619,628</b>	<b>646,843</b>	<b>634,196</b>
Long-term contract liabilities	14,189	13,450	13,982	13,405
Long-term deferred income	2,650	2,702	2,009	2,054
Provisions	21,921	21,776	18,502	18,431
Non-current operating liabilities	11,816	13,711	10,512	12,910
Interest bearing borrowings	210,406	210,341	210,375	210,310
Non-current lease liabilities	59,269	0	63,866	0
Other non-current financial liabilities	100,925	100,759	100,880	100,703
Deferred tax liabilities	1,945	1,910	273	238
<b>Total non-current liabilities</b>	<b>423,121</b>	<b>364,649</b>	<b>420,399</b>	<b>358,051</b>
Trade and other payables	100,796	146,391	90,407	132,537
Income tax payable	94	82	0	0
Current borrowings and loans	22,861	50,897	22,813	51,335
Current lease liabilities	10,578	0	10,016	0
Other current financial liabilities	1,736	1,262	1,719	1,238
Short-term contractual liabilities	51	1,621	51	1,621
Short-term deferred revenue	7,278	6,797	4,396	3,653
Accrued costs and expenses	50,393	41,392	48,222	40,895
<b>Total current liabilities</b>	<b>193,787</b>	<b>248,442</b>	<b>177,624</b>	<b>231,279</b>
<b>Total liabilities</b>	<b>616,908</b>	<b>613,091</b>	<b>598,023</b>	<b>589,330</b>
<b>Total equity and liabilities</b>	<b>1,246,570</b>	<b>1,232,719</b>	<b>1,244,866</b>	<b>1,223,526</b>

## Unaudited statement of changes in equity of the Telekom Slovenije Group for the period ending 31 March 2019

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and surpluses	Translation reserve	Total	Non-controlling interests	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other revenue reserves	Retained earnings from previous years	Profit or loss for the period							
Balance at 1 Jan 2019	272,721	181,488	51,612	3,671	-3,671	54,854	17,026	30,324	17,614	1,013	-618	-2,356	16	623,694	-4,066	619,628
Profit or loss for the period									10,397					10,397	-304	10,093
Other comprehensive profit or loss for the period										150	-135	0	-23	-8		-8
Total comprehensive income for the period	0	0	0	0	0	0	0	0	10,397	150	-135	0	-23	10,389	-304	10,085
Dividends paid								0						0		0
Transactions with owners	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of profit or loss from previous period to retained earnings or losses								17,614	-17,614					0		0
Other								-51	0					-51		-51
Balance at 31 March 2019	272,721	181,488	51,612	3,671	-3,671	54,854	17,026	47,887	10,397	1,163	-753	-2,356	-7	634,032	-4,370	629,662

## Unaudited statement of changes in equity of the Telekom Slovenije Group for the period ending 31 March 2018

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and surpluses	Translation reserve	Total	Non-controlling interests	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other revenue reserves	Retained earnings from previous years	Profit or loss for the period							
Balance at 1 Jan 2018	272,721	181,488	51,612	3,671	-3,671	54,854	13	113,836	11,203	955	-472	-2,585	0	683,625	-2,760	680,865
Impact of change in accounting policy								-1,687						-1,687		-1,687
Balance at 1 Jan 2018	272,721	181,488	51,612	3,671	-3,671	54,854	13	112,149	11,203	955	-472	-2,585	0	681,938	-2,760	679,178
Profit or loss for the period									10,114					10,114	-439	9,675
Other comprehensive income for the period										123	-95	0	0	28		28
Total comprehensive income for the period	0	0	0	0	0	0	0	0	10,114	123	-95	0	0	10,142	-439	9,703
Dividends paid								0						0		0
Transactions with owners	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of retained earnings from previous years to retained earnings								11,203	-11,203					0		0
Balance at 31 March 2018	272,721	181,488	51,612	3,671	-3,671	54,854	13	123,352	10,114	1,078	-567	-2,585	0	692,080	-3,199	688,881

Unaudited statement of changes in equity of Telekom Slovenije, d. d. for the period ending 31 March 2019

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and surpluses	Translation reserve
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other revenue reserves	Retained earnings from previous years	Profit or loss for the period				
Balance at 1 Jan 2019	272,721	180,956	50,434	3,671	-3,671	54,544	17,013	43,493	17,013	1,013	-618	-2,373	634,196
Profit or loss for the period									12,632				12,632
Other comprehensive income for the period										150	-135	0	15
Total comprehensive income for the period	0	0	0	0	0	0	0	0	12,632	150	-135	0	12,647
Dividends paid								0					0
Transactions with owners	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of profit or loss from previous period to retained earnings or losses								17,013	-17,013				0
Balance at 31 March 2019	272,721	180,956	50,434	3,671	-3,671	54,544	17,013	60,506	12,632	1,163	-753	-2,373	646,843



Unaudited statement of changes in equity of Telekom Slovenije, d. d. for the period ending 31 March 2018

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and surpluses	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other revenue reserves	Retained earnings from previous years	Profit or loss for the period				
Balance at 1 Jan 2018	272,721	180,956	50,434	3,671	-3,671	54,544	0	134,801	1,720	955	-472	-2,539	693,120
Profit or loss for the period									9,714				9,714
Other comprehensive income for the period										123	-95	0	28
Total comprehensive income for the period	0	0	0	0	0	0	0	0	9,714	123	-95	0	9,742
Dividends paid								0					0
Transactions with owners	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of retained earnings from previous years to retained earnings								1,720	-1,720				0
Balance at 31 March 2018	272,721	180,956	50,434	3,671	-3,671	54,544	0	136,521	9,714	1,078	-567	-2,539	702,862

## Unconsolidated cash flow statement for the period ending 31 March 2019

EUR thousand	Telekom Slovenije Group		Telekom Slovenije, d. d.	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
<b>Cash flows from operating activities</b>				
<b>Net profit for the period</b>	<b>10,093</b>	<b>9,675</b>	<b>12,632</b>	<b>9,714</b>
<b>Adjustments for:</b>				
Depreciation and amortization	44,744	42,248	36,632	33,607
Impairment and write-offs of intangible assets, property, plant and equipment, intangible assets and investment property	0	0	0	0
Gain or loss on disposal of property, plant and equipment	-20	-61	-20	-56
Finance income	-1,828	-2,198	-2,702	-1,676
Finance expenses	2,478	2,079	2,377	2,053
Income tax expense and deferred tax	1,055	720	1,002	629
<b>Cash flows from operating activities prior to changes in net operating current assets and provisions</b>	<b>56,522</b>	<b>52,463</b>	<b>49,921</b>	<b>44,271</b>
Change in trade and other receivables	17,529	-12,721	13,480	-13,712
Change in short-term deferred costs and accrued revenue and contract assets	-2,013	3,576	-2,696	3,002
Change in other non-current assets	-587	268	-23	33
Change in inventories	-3,411	-5,890	-3,804	-6,043
Change in provisions	145	4	71	16
Change in deferred revenue and contractual liabilities	-402	-261	-295	-69
Change in accrued costs and expenses	7,926	3,694	8,187	3,997
Change in trade and other payables	-47,978	-28,588	-44,736	-28,458
Income tax paid	-226	-206	0	0
<b>Net cash from operating activities</b>	<b>27,504</b>	<b>12,339</b>	<b>20,105</b>	<b>3,038</b>
<b>Cash flows from investing activities</b>				
<b>Receipts from investing activities</b>	<b>37,986</b>	<b>40,686</b>	<b>41,683</b>	<b>60,691</b>
Sale of property, plant and equipment	408	145	408	143
Interest received	2	14	667	1,056
Cash proceeds from sale of investment property	0	147	0	147
Disposal of non-current investments	37,576	370	40,608	19,336
Disposal of current investments	0	40,010	0	40,009
<b>Disbursements from investing activities</b>	<b>-22,414</b>	<b>-29,813</b>	<b>-21,267</b>	<b>-36,876</b>
Acquisition of property, plant and equipment	-15,004	-12,055	-13,569	-10,462
Acquisition of intangible non-current assets	-7,408	-11,310	-6,469	-5,360
Investments in subsidiaries and associates	0	-6,447	-3	-17,980
Interest-bearing loans	-2	-1	-1,226	-3,074
<b>Net cash from investing activities</b>	<b>15,572</b>	<b>10,872</b>	<b>20,416</b>	<b>23,814</b>
<b>Cash flows from financing activities</b>				
<b>Receipts from financing activities</b>	<b>0</b>	<b>56,000</b>	<b>0</b>	<b>57,700</b>
Current borrowings	0	56,000	0	57,700
Bonds issue	0	0	0	0
<b>Disbursements from financing activities</b>	<b>-31,173</b>	<b>-100,497</b>	<b>-30,870</b>	<b>-100,478</b>
Maturity of short-term commercial paper	-3,006	0	-2,220	0
Repayment of current borrowings	-28,000	0	-28,500	0
Repayment of non-current borrowings	-16	-100,016	0	-100,000
Interest paid	-151	-482	-150	-478
<b>Net cash from financing activities</b>	<b>-31,173</b>	<b>-44,497</b>	<b>-30,870</b>	<b>-42,778</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>11,903</b>	<b>-21,286</b>	<b>9,651</b>	<b>-15,926</b>
<b>Opening balance of cash</b>	<b>10,684</b>	<b>29,245</b>	<b>2,011</b>	<b>17,358</b>
<b>Closing balance of cash</b>	<b>22,587</b>	<b>7,959</b>	<b>11,662</b>	<b>1,432</b>

### 7.1.2. Notes to the interim financial statements of the Telekom Slovenije Group and Telekom Slovenije, d. d.

The Telekom Slovenije Group and Telekom Slovenije, d. d. began applying the new **IFRS 16 Leases**, which was adopted by the EU on 31 October 2017 (applicable to annual periods beginning on or after 1 January 2019), on 1 January 2019. Application prior to the aforementioned date was permitted under the condition that IFRS 15 Revenue from Contracts with Customers be applied simultaneously.

The standard defines the principles for recognising, measuring, presenting and disclosing leases, and requires lessees to apply a single model for the majority of leases disclosed in the statement of financial position. Under the new standard, no distinction is made between operating and finance leases. The standard replaces IAS 17 Leases.

Under IFRS 16, a contract is a lease if it conveys the right to control the use of an identified asset for a predetermined period of time in exchange for consideration. The new model stipulates that for such contracts, lessees must initially recognise a right-of-use (ROU) asset and a lease liability. The right-of-use asset is subject to depreciation, and interest is imputed to the liability.

The standard introduces possible limited exemptions for lessees, including:

- 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.

In accordance with the new standard, lessees must recognise interest expenses separately from lease liabilities and the depreciation costs associated with assets under leases. They must also remeasure lease liabilities should certain events arise (e.g. a change in a lease term or a change in future lease payments due to a change in the price, index or rate used to determine those payments). As a rule, lessees recognise the amount of remeasured lease liabilities as an adjustment to assets under lease.

There is no significant change in accounting for leases by **lessors**. Lessors classify leases as operating or finance leases, depending on the nature of a particular lease. A lease is classified as a finance lease if all of the risks and rewards incidental to ownership of an underlying asset are transferred under that lease. Otherwise a lease is classified as an operating lease.

The new IFRS 16 requires broader disclosures than the previous standard for both lessees and lessors.

The following two approaches are offered to lessees for transitioning to the new standard:

- a retrospective approach for every previous reporting period presented applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; or
- a retrospective approach with the cumulative effect of the initial application of the aforementioned standard recognised on the date of initial application.

#### TRANSITION TO IFRS 16

For the purpose of transitioning to the new standard, the Telekom Slovenije Group and Telekom Slovenije, d. d. applied the approach with the cumulative effect of the initial application of the aforementioned standard on 1 January 2019. For this reason, they did not recalculate comparable data for 2018, but disclosed all changes due to the transition to the new standard as an adjustment to the beginning balance in the statement of financial position on the date of initial application.

The Telekom Slovenije Group and Telekom Slovenije, d. d. did not apply the exemptions foreseen by the standard for low-value lease agreements and for leases with a lease term that ends in less than 12 months from initial application.

At the Telekom Slovenije Group level, the value of assets under lease and lease liabilities were up by EUR 67,238 thousand due to the transition to the new standard on 1 January 2019. Also disclosed in the item assets under lease is the transfer of prepaid leased assets in the amount of EUR 11,213 thousand, bringing the total as at 1 January 2019 to EUR 78,451 thousand.

At Telekom Slovenije, d. d., the value of assets under lease and lease liabilities were up by EUR 71,700 thousand due to the transition to the new standard on 1 January 2019. Also disclosed in the item assets under lease is the transfer of prepaid leased assets in the amount of EUR 11,213 thousand, bringing the total as at 1 January 2019 to EUR 82,913 thousand.

## Telekom Slovenije Group

The Telekom Slovenije Group comprises the parent company Telekom Slovenije and the following subsidiaries:

Company	Country	31 March 2019
GVO, d. o. o.	Slovenia	100%
TSmedia, d. o. o.	Slovenia	100%
Avtenta, d. o. o.	Slovenia	100%
Soline, d. o. o.	Slovenia	100%
TSinpo, d. o. o.	Slovenia	100%
Optic-Tel, d. o. o.	Slovenia	100%
INFRATEL, d. o. o.	Slovenia	100%
Antenna TV SL, d. o. o.	Slovenia	66%
IPKO Telecommunications LLC	Slovenia	100%
SIOL, d. o. o.	Croatia	100%
SIOL, d. o. o., Sarajevo	Bosnia and Herzegovina	100%
SIOL, d. o. o., Podgorica	Montenegro	100%
GVO Telekommunikation GmbH	Germany	100%
SIOL DOOEL Skopje	North Macedonia	100%
SIOL DOO Beograd	Serbia	100%

There were no changes in the composition of the Telekom Slovenije Group in the period January to March 2019.

## Segment reporting

The Telekom Slovenije Group has two operating segments. Segment reporting is based on the internal reporting system used by management in the decision-making process. Two geographical regions are defined as operating segments for which the Group reports: Slovenia and other countries. The criterion for segment reporting is the registered office where an activity is performed.

Segment reporting is based on the basic financial statements of the Telekom Slovenije Group. Sales transactions between segments are effected at market values. Intra-group transactions are eliminated in the consolidation process, and included among eliminations and adjustments.

The Telekom Slovenije Group does not disclose finance income and costs by segment, as the Group's financing is centralised and conducted at the level of the parent company.

## Operating segments: I – III 2019

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
External sales	158,880	13,083	0	171,963
Intersegment sales	16,439	2,014	-18,453	0
<b>Total segment revenue</b>	<b>175,319</b>	<b>15,097</b>	<b>-18,453</b>	<b>171,963</b>
<b>Other revenue</b>	<b>949</b>	<b>47</b>	<b>-185</b>	<b>811</b>
<b>Total operating expenses</b>	<b>-163,852</b>	<b>-15,831</b>	<b>18,707</b>	<b>-160,976</b>
<b>Operating profit per segment</b>	<b>12,416</b>	<b>-687</b>	<b>69</b>	<b>11,798</b>
Finance income				1,828
Finance expenses				-2,478
<b>Profit before tax</b>				<b>11,148</b>
Income tax expense				-56
Deferred tax				-999
<b>Net profit for the period</b>				<b>10,093</b>

Other segment information at 31. 3. 2019	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Segment assets	1,337,384	127,437	-218,251	1,246,570
Impairment and write-off of non-financial segment assets	1,057	52	0	1,109
Carrying amount of goodwill	3,718	0	0	3,718
Investment in intangible assets	6,529	879	0	7,408
Investment in property, plant and equipment	13,839	1,334	0	15,173
Segment liabilities	664,144	114,758	-161,994	616,908

## Sales revenue by segment I – III 2019

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Mobile services in end-customer market	52,899	6,883	-242	59,540
Fixed-line telephone services on end-customer market	58,156	6,132	-236	64,052
New sources of revenue	1,681	0	0	1,681
Wholesale market	39,827	2,082	-3,326	38,583
Other revenues and merchandise	22,756	0	-14,649	8,107
<b>Total net sales revenue</b>	<b>175,319</b>	<b>15,097</b>	<b>-18,453</b>	<b>171,963</b>

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Revenues from sale of services	154,042	14,725	-16,204	152,563
Revenues from sale of goods	21,277	372	-2,249	19,400
<b>Total net sales revenue</b>	<b>175,319</b>	<b>15,097</b>	<b>-18,453</b>	<b>171,963</b>

## Operating segments: I – III 2018

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
External sales	165,595	16,563	0	182,158
Intersegment sales	13,716	4,089	-17,805	0
<b>Total segment net sales revenue</b>	<b>179,311</b>	<b>20,652</b>	<b>-17,805</b>	<b>182,158</b>
<b>Other revenue</b>	<b>696</b>	<b>639</b>	<b>-98</b>	<b>1,237</b>
<b>Total operating expenses</b>	<b>-170,711</b>	<b>-20,368</b>	<b>17,960</b>	<b>-173,119</b>
<b>Operating profit per segment</b>	<b>9,296</b>	<b>923</b>	<b>57</b>	<b>10,276</b>
Finance income				2,198
Finance costs				-2,079
<b>Profit before tax</b>				<b>10,395</b>
Income tax expense				-86
Deferred tax				-634
<b>Profit for the period</b>				<b>9,675</b>

Other segment information at 31. 12. 2018	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Segment assets	1,314,913	142,677	-224,871	<b>1,232,719</b>
Impairment and write-off of non-financial segment assets	1,057	52	0	<b>1,109</b>
Carrying amount of goodwill	3,718	0	0	<b>3,718</b>
Investment in intangible assets	6,529	879	0	<b>7,408</b>
Investment in property, plant and equipment	13,839	1,334	0	<b>15,173</b>
Segment liabilities	653,024	107,673	-147,606	<b>613,091</b>

## Net sales revenue by segment I – III 2018

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Mobile services in end-customer market	56,860	7,431	-314	<b>63,977</b>
Fixed-line telephone services on end-customer market	56,715	8,963	-209	<b>65,469</b>
New sources of revenue	1,015	0	-1	<b>1,014</b>
Wholesale market	44,019	4,193	-6,049	<b>42,163</b>
Other revenues and merchandise	20,702	65	-11,232	<b>9,535</b>
<b>Total net sales revenue</b>	<b>179,311</b>	<b>20,652</b>	<b>-17,805</b>	<b>182,158</b>

## Net sales revenue

EUR thousand	Telekom Slovenije Group		Telekom Slovenije d.d.	
	I - III 2019	I - III 2018	I - III 2019	I - III 2018
Mobile services in end-customer market	59,540	63,977	52,899	56,860
Fixed-line telephone services on end-customer market	64,052	65,469	58,156	56,715
New sources of revenue	1,681	1,014	1,681	1,015
Wholesale market	38,583	42,163	39,388	43,632
Other revenues and merchandise	8,107	9,535	4,756	6,431
<b>Total net sales revenue</b>	<b>171,963</b>	<b>182,158</b>	<b>156,880</b>	<b>164,653</b>

EUR thousand	Telekom Slovenije Group		Telekom Slovenije, d. d.	
	I - III 2019	I - III 2018	I - III 2019	I - III 2018
Revenues from sale of services	152,563	159,109	136,327	141,032
Revenues from sale of goods	19,400	23,049	20,553	23,621
<b>Total net sales revenue</b>	<b>171,963</b>	<b>182,158</b>	<b>156,880</b>	<b>164,653</b>

The Telekom Slovenije Group generated net sales revenue of EUR 172.0 million in the period January to March 2019. That figure was down by EUR 10,195 thousand relative to the same period last year. However, revenues in 2019 no longer include the revenues generated by Blicnet, for which Telekom Slovenije signed a sales agreement in 2018. Revenues from mobile merchandise on the end-user market were slightly lower (resulting in lower costs of goods) as were revenues on the wholesale market, while revenues from new services were higher.

The revenues generated by Telekom Slovenije were also down in the period January to March 2019, by EUR 7,773 thousand relative to the same period last year.

Other revenues and revenues from other merchandise include revenues from construction works, maintenance and the clearance of faults, sales of other merchandise, etc.

### Costs of services

EUR thousand	Telekom Slovenije Group		Telekom Slovenije d.d.	
	I - III 2019	I - III 2018	I - III 2019	I - III 2018
Telecommunications services	27,188	33,574	27,972	35,498
Cost of leased lines	1,900	2,143	2,459	3,226
Multimedia services	7,964	7,453	5,032	4,515
Costs of subcontractors' services	13,491	12,768	12,955	11,047
Maintenance of property, plant and equipment	5,094	5,389	5,483	5,936
Other services	9,932	13,717	7,800	9,698
<b>Total cost of services</b>	<b>65,569</b>	<b>75,045</b>	<b>61,701</b>	<b>69,920</b>

The costs of services incurred by the Telekom Slovenije Group were down by 13% or EUR 9,476 thousand during the reporting period relative to the same period last year. Those costs include the effect of the change in the recognition of costs arising from leases and leased lines under IFRS 16. The costs of telecommunications services were down by 19% or EUR 6.4 million relative to 2018. Maintenance costs were down due to lower costs associated with the core network and application solutions, while the renewal of insurance contracts resulted in lower insurance costs.

The costs of subcontractors were up relative to the same period last year, primarily as the result of the increased volume of IT service transactions.

The costs of services incurred by Telekom Slovenije were also down, by 12% or EUR 8,219 thousand during the reporting period relative to the same period last year, for the same reasons stated for the Telekom Slovenije Group.

### Operating profit and net profit

#### Telekom Slovenije Group

Earnings before interest and taxes (EBIT) in the amount of EUR 11,798 thousand were up by EUR 1,522 thousand on the same period last year. A net profit of EUR 10,093 thousand was achieved for the accounting period in the context of a net financial loss of EUR 650 thousand.



## Telekom Slovenije

Earnings before interest and taxes (EBIT) in the amount of EUR 13,309 thousand were up by EUR 2,589 thousand on the same period last year. A net profit of EUR 12,632 thousand was achieved for the accounting period in the context of a net financial gain of EUR 325 thousand.

## Intangible assets

Intangible assets were down by EUR 10,717 thousand at the Telekom Slovenije Group level and by EUR 8,040 thousand at Telekom Slovenije relative to the end of 2018. Commitments for intangible assets amounted to EUR 7,343 thousand at the Telekom Slovenije Group level and to EUR 7,479 thousand at Telekom Slovenije as at 31 March 2019.

## Property, plant and equipment

Property, plant and equipment totalled EUR 646,713 thousand at the Telekom Slovenije Group level as at 31 March 2019, accounting for 52% of total assets. Assets were down by EUR 8,927 thousand primarily as a result of the higher amount of depreciation charged compared with new acquisitions. Commitments for property, plant and equipment totalled EUR 5,658 thousand at the Group level as at 31 March 2019.

Property, plant and equipment totalled EUR 570,605 thousand at Telekom Slovenije, accounting for 46% of total assets. Assets were down by EUR 6,291 thousand, while commitments for property, plant and equipment amounted to EUR 26,245 thousand as at 31 March 2019.

## Trade and other receivables

Trade and other receivables were down by EUR 53,353 thousand at the Telekom Slovenije Group level and by EUR 49,152 thousand at Telekom Slovenije relative to the balance at the end of 2018. That decrease was primarily the result of the sale of Blicnet.

## Financial liabilities

Financial liabilities amounted to EUR 405,775 thousand at the Telekom Slovenije Group level and to EUR 409,669 thousand at Telekom Slovenije as at 31 March 2019 and comprised the following:

- borrowings received in the amount of EUR 233,267 thousand at the Telekom Slovenije Group level and EUR 233,188 thousand at Telekom Slovenije;
- liabilities for bonds issued in the amount of EUR 101,485 thousand, which were up by EUR 492 thousand on the balance at the end of the year; and
- increased financial liabilities for leases, which the Group and Company recognised in accordance with the new IFRS 16. Financial liabilities from leases amounted to EUR 69,906 thousand at the Telekom Slovenije Group level and to EUR 73,882 thousand at Telekom Slovenije.

## Fair value hierarchy

The following hierarchy was used in recognising and disclosing the fair value of financial instruments using a valuation technique:

1. Level 1: fair value is determined by directly quoting an officially published price on an active market;
2. Level 2: other techniques for determining fair value based on assumptions with a significant impact on fair value that are in line with current observable market transactions with the same instruments, either directly or indirectly; and
3. Level 3: other techniques for determining fair value based on assumptions with a significant impact on fair value that are not in line with current observable market transactions with the same instruments and investments.

Fair values are compared with carrying amounts in the table below. The table contains data regarding classification to hierarchy levels for financial instruments.

Carrying amount and fair value of the Telekom Slovenije Group's financial instruments as at 31 March 2019

EUR thousand	Book value	Fair value	Level 1	Level 2	Level 3
<b>Non-current financial assets</b>					
Available-for-sale financial assets	2,053	2,053	2,053		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	2,751	2,751			2,751
Loans given	224	224			224
Other non-current financial assets	10	10			10
<b>Current financial assets</b>					
Loans given	88	88			88
Other current financial assets	2	2			2
<b>Non-current financial liabilities</b>					
Bonds	99,951	102,000	102,000		
Interest-bearing borrowings	210,406	210,406			210,406
Interest-rate swaps	929	929		926	
Non-current lease liabilities	59,314	59,314			59,314
<b>Current financial liabilities</b>					
Bonds	-42	-42			-42
Interest on bonds	1,576	1,576			1,576
Interest-bearing borrowings	22,861	22,861			22,861
Current lease liabilities	10,592	10,592			10,592
Other financial liabilities	188	188			188

Carrying amount and fair value of Telekom Slovenije's financial instruments as at 31 March 2019

EUR thousand	Book value	Fair value	Level 1	Level 2	Level 3
<b>Non-current financial assets</b>					
Investments in shares quoted on the securities market	2,053	2,053	2,053		
Investments in shares and stocks not listed on the securities market	2,749	2,749			2,749
Loans given	92,811	92,811			92,811
<b>Current financial assets</b>					
Loans given	10,764	10,764			10,764
<b>Non-current financial liabilities</b>					
Bonds	99,951	102,000	102,000		
Interest-bearing borrowings	210,375	210,375			210,375
Interest-rate swaps	929	929		929	
Non-current lease liabilities	63,866	63,866			63,866
<b>Current financial liabilities</b>					
Bonds	-42	-42			-42
Interest on bonds	1,576	1,576			1,576
Interest-bearing borrowings	22,813	22,813			22,813
Current lease liabilities	10,016	10,016			10,016
Other financial liabilities	185	185			185

Neither the Group nor the Company recorded any transitions between fair value levels during the reporting period.

### Contingent liabilities from lawsuits

No new lawsuits were filed against the Group or the Company in the period from 1 January 2019 until the day this report was compiled that could have a significant impact on the financial statements in the period January to March 2019.

### Contingent liabilities from guarantees issued

The Group had provided the following guarantees as at 31 March 2019:

- performance guarantees and warranty bonds in the amount of EUR 6,713 thousand,
- other guarantees in the amount of EUR 2,070 thousand.

The Company had provided the following guarantees as at 31 March 2019:

- performance guarantees and warranty bonds in the amount of EUR 5,625 thousand, and
- other guarantees in the amount of EUR 1,362 thousand.

None of the above stated liabilities meet the conditions for recognition in the statement of financial position, and the Group does not expect any material consequences as the result thereof.

### Transactions with related parties

Related parties of the Company include the Republic of Slovenia as the majority shareholder of Telekom Slovenije, other shareholders, members of the Management Board, members of the Supervisory Board and their family members.

### Transactions with individuals

Natural persons (the President and a member of the Management Board, and members of the Supervisory Board) held 553 shares in Telekom Slovenije as at 31 March 2019, representing a holding of 0.00846%.

### Transactions with owners and parties related thereto

The majority owner of the Telekom Slovenije Group is the Republic of Slovenia, which together with Slovenski državni holding (SDH), holds a 66.79% participating interest in Telekom Slovenije.

Parties related to owners include those companies in which the Republic of Slovenia and SDH together hold a direct participating interest of at least 20%. A list of the aforementioned companies is published on SDH's website (<http://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb>).

Telekom Slovenije Group companies recorded the following mutual transactions:

### Receivables and liabilities

EUR thousand	31.03.2019	31.12.2018
Outstanding operating receivables	4,233	4,980
Outstanding operating liabilities	1,338	2,660

### Revenues and expenses

Net operating revenue	5,440	9,052
Purchase of material and services	2,420	2,766

All transactions between related parties are executed at market prices.

Telekom Slovenije, d. d. recorded the following transactions with subsidiaries:

### Receivables and liabilities

EUR thousand	31.03.2019	31.12.2018
Outstanding operating receivables	3,687	4,739
Outstanding operating liabilities	1,268	2,535

### Revenues and expenses

EUR thousand	I - III 2019	I - III 2018
Net operating revenue	4,830	7,372
Purchase of material and services in the Group	2,199	2,333

### Transactions of the Telekom Slovenije, d.d. within companies in the Group

EUR thousand	31.03.2019	31.12.2018
<b>Receivables due from companies in the Group</b>	<b>7,253</b>	<b>7,388</b>
Subsidiaries	7,253	7,388
<b>Loans to companies in the Group</b>	<b>103,278</b>	<b>105,030</b>
Subsidiaries	103,278	105,030
<b>Liabilities to companies in the Group</b>	<b>31,608</b>	<b>20,482</b>
Subsidiaries	31,608	20,482

EUR thousand	I - III 2019	I - III 2018
<b>Net operating revenue in group</b>	<b>4,031</b>	<b>4,241</b>
Subsidiaries	4,031	4,241
<b>Purchase of material and services in the Group</b>	<b>6,258</b>	<b>7,783</b>
Subsidiaries	6,258	7,783

### Events after the reporting date

Events after the reporting date are described in the business section of this report, in Section 6 Significant events after the balance-sheet date

## 7.2. Financial risk management

The financial risks to which the Telekom Slovenije Group is most exposed in its operations are credit risk, short-term and long-term solvency risk and interest-rate risk. The Telekom Slovenije Group assesses exposure to specific types of financial risks and implements measures to control those risks based on their effects on cash flows and the income statement. Presented below are the most significant financial risks that the Group regularly assesses in accordance with the relevant policy. It also verifies the appropriateness of measures to manage those risks.

### Credit risk

Credit risk is the risk of financial loss if a subscriber or contracting party fails to settle their obligations in full or fails to settle them at all.

Maximum exposure to credit risk is equal to the carrying amount of financial assets.

### Exposure to credit risk

EUR thousand	31.03.2019	31.12.2018
Loans given	312	331
Investments	2	2
Operating and other receivables	139,241	192,594
- of which trade receivables	132,278	147,408
Cash and cash equivalents	22,587	10,684
<b>TOTAL</b>	<b>162,142</b>	<b>203,611</b>

The Group ensures an appropriate level of diversification in the placement of financial assets. The risk of concentration is therefore low.

Credit risk or the risk of counterparty default derives from default by subscribers (retail) and by operators (wholesale). The latter amounted to EUR 132,278 thousand as at 31 March 2019, a decrease of EUR 15,130 thousand relative to the end of 2018. Telekom Slovenije's receivables make up the majority of the Group's trade and other receivables. The majority of receivables are unsecured. The Group's receivables are accounted for by a large number of individuals and legal entities. Its largest customers are operators, where turnover generally flows in both directions, which reduces net credit exposure. We therefore assess that there is no significant concentration of credit risk vis-à-vis a particular customer or economic sector.

Procedures aimed at the management of receivables are carried out at Group companies and include the monitoring of business partners' credit ratings, the collateralisation of receivables, the monitoring of high-traffic subscribers and debt collection activities. Debt collection activities are carried out by companies according to a predefined timetable (reminders and disconnections) and via specialised external service providers. Prior authorisation is required at Telekom Slovenije for the entry into and amendments to subscriber agreements, and for the deferred payment of merchandise purchases. Larger Group companies have implemented a Fraud Management System (FMS) as an additional credit risk management measure, while Telekom Slovenije, which has a large number of post-paid subscribers, has also introduced a Credit Management System (CMS).

Credit risk is assessed as manageable on account of procedures introduced to manage receivables.

The Telekom Slovenije Group also monitors credit risk in other areas of operations. Cash on accounts is allocated according to the principles of minimising risks and achieving the appropriate diversification. The Group is also exposed to risks associated with receivables arising from loans to employees, where that risk is low, as those loans are repaid for the most part when employees' wages are paid.

### Ageing structure of receivables as at the reporting date

EUR thousand	31.03.2019			31.12.2018		
	Gross value	Allowances	Net value	Gross value	Allowances	Net value
<b>Total trade receivables</b>	<b>152,907</b>	<b>-20,629</b>	<b>132,278</b>	<b>168,577</b>	<b>-21,169</b>	<b>147,408</b>
Not past due trade receivables	115,898	-1	115,897	127,066	-1	127,065
<b>Overdue</b>						
Up to and including 30 days	10,371	-9	10,362	13,978	-6	13,972
31 to and including 60 days	4,177	-10	4,167	3,095	-7	3,088
61 to and including 90 days	767	-7	760	1,522	-16	1,506
91 to and including 120 days	1,185	-639	546	878	-489	389
121 days and more	20,509	-19,963	546	22,038	-20,650	1,388
<b>Total overdue trade receivables</b>	<b>37,009</b>	<b>-20,628</b>	<b>16,381</b>	<b>41,511</b>	<b>-21,168</b>	<b>20,343</b>
Other operating receivables	6,971	-8	6,963	45,194	-8	45,186
<b>Total receivables</b>	<b>159,878</b>	<b>-20,637</b>	<b>139,241</b>	<b>213,771</b>	<b>-21,177</b>	<b>192,594</b>

### Maturity profile of loans given

EUR thousand	31.03.2019	31.12.2018
<b>Overdue</b>	<b>8</b>	<b>9</b>
<b>Due in:</b>	<b>304</b>	<b>322</b>
- less than 3 months	21	21
- 3 to 12 months	59	59
- 1 to 2 years	69	70
- 2 to 5 years	114	126
- more than 5 years	41	46
<b>Total</b>	<b>312</b>	<b>331</b>

### Ageing structure of loans given as at 31 March 2019

EUR thousand	Not yet due	Less than 3 months	Overdue				Total
			3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
			Past due				
Loans granted	304	8	0	0	0	0	312

### Ageing structure of loans given as at 31 December 2018

EUR thousand	Not yet due	Less than 3 months	3 to 12 months	Overdue				Total
				EUR thousand	Not yet due	Less than 3 months	3 to 12 months	
Loans given	322	9	0	0	0	0	0	331

The Company's senior management assesses the credit quality of the above-stated financial assets, which were not impaired or overdue as at 31 March 2019, as good.

## Solvency risk

The Group's solvency is the result of the active planning and management of cash flows, ensuring the appropriate maturities and the diversification of financial debt, financing within the Group, and the optimisation of working capital and cash. Liquidity risk at the Group level is managed by the parent company, which plans and monitors subsidiaries' financing needs, and provides them the sources they require.

The Group has long-term credit lines at banks, which together with short-term revolving loans ensure a high level of liquidity within the Group. Total liquidity reserves in the form of undrawn short-term and long-term credit lines at banks amounted to EUR 154 million as at 31 March 2019. The Group also has at its disposal the undrawn portion of a long-term loan, which was raised in December 2018, in the amount of EUR 35 million.

Debt is relatively low at the Group level, which represents a sound basis for achieving an appropriate credit rating and thus lower borrowing costs. The majority of the Group's financial liabilities relate to unpaid principal on a long-term syndicated loan in the amount of EUR 234.2 million, issued bonds in the total amount of EUR 100 million and liabilities from a finance lease in the amount of EUR 69.9 million that arose as the result of the application of IFRS 16.

### Maturity of the Telekom Slovenije Group's financial liabilities as at 31 March 2019 and 31 December 2018 based on contractual non-discounted payments

EUR thousand	Overdue	On demand	Up to 3 months	3 to 12 months	Not yet due			Total
					1 to 2 years	2 to 5 years	Over 5 years	
31.03.2019								
Loans and borrowings	0	0	7,689	15,432	30,769	180,416	1	234,307
Anticipated interest on loans	0	0	1,800	1,805	3,199	6,723	0	13,526
Other financial liabilities	185	0	1,579	10	522	100,407	0	102,693
Anticipated interest on bonds	0	0	374	0	1,950	1,950	0	4,274
Trade payables and other operating liabilities	7,495	2,799	72,243	18,260	9,739	429	1,647	124,288
Financial liabilities from leases	922	4	811	7,947	7,101	16,976	36,145	69,906
Total	8,602	2,803	84,496	43,443	53,280	306,901	37,793	537,318
31.12.2018								
Loans and borrowings	0	0	0	51,158	30,769	180,416	0	262,343
Anticipated interest on loans	0	0	31	3,605	6,723	3,199	0	13,558
Other financial liabilities	185	0	0	1,119	8	100,811	0	102,123
Anticipated interest on bonds	0	0	0	1,950	3,900	0	0	5,850
Trade payables and other operating liabilities	7,400	2,480	100,920	35,591	3,684	9,228	799	160,102
Total	7,585	2,480	100,951	93,423	45,084	293,654	799	543,976



## Interest-rate risk

Interest-rate risk is the risk of the negative effect of a change in market interest rates on the Group's operations. The Group's exposure to interest-rate risk as at 31 March 2019 derives from a potential rise in the EURIBOR reference interest rate on account of interest-sensitive liabilities.

The target ratio of financial liabilities with a variable interest rate to financial liabilities with a fixed or hedged interest rate that the Telekom Slovenije Group pursues is 50% of liabilities with a fixed or hedged interest rate.

Liabilities from loans raised and a finance lease with variable interest rates tied to the 3- and 6-month EURIBOR accounted for 58% of the Group's interest-bearing financial liabilities as at 31 March 2019. The remaining liabilities are accounted for by issued bonds and a finance lease with a fixed interest rate.

Exposure to interest-rate risk associated with a long-term syndicated loan is hedged via an interest-rate swap. The amount of the hedged principal stood at EUR 84.6 million as at 31 March 2019. The principal is hedged against a rise in the reference interest rate if the latter is higher than or equal to zero. Fixed or hedged interest rates account for 63% of interest-bearing financial liabilities at the Group level.

## Exposure to interest-rate risk

EUR thousand	31.03.2019	31.12.2018
<b>Financial instruments with variable interest rate</b>		
Financial receivables	0	0
Financial liabilities	149,742	164,762
<b>Net financial liabilities</b>	<b>149,742</b>	<b>164,762</b>

The table does not include financial instruments that do not bear interest or instruments bearing a fixed interest rate, as the latter are not exposed to interest-rate risk. Financial liabilities whose interest rate is hedged against a rise in the EURIBOR are also not included.

	Interest rate increase/decrease	Effect on profit before tax in EUR thousand
<b>31.3.2019</b>		
EURO	+100 bps	-966
EURO	-100 bps	-845

	Increase/decrease in interest rate	Effect on profit (EUR thousand)
<b>31 December 2018</b>		
EURO	+100 basis points	-1,050
EURO	-100 basis points	-845

## Value of EURIBOR

EURIBOR	Value as at 31 March 2019	Value as at 31 December 2018	Change in %
3-month	-0.309	-0.309	0.00
6-month	-0.227	-0.237	4.22

## Capital management

The key objectives of managing the Group's capital are ensuring capital adequacy and thus long-term solvency, ensuring the financial stability of the Group in an attempt to secure the best possible credit rating for the financing of operations, and ensuring the continued development of the Group and thus the achievement of the highest possible value for shareholders.

The Group uses the net financial debt to equity and equity to total assets ratios to monitor changes in capital. The Group's net financial debt includes loans received and other financial liabilities, less current financial assets and cash and cash equivalents. The Group also complies with the financial commitments set out in loan agreements when making decisions regarding the management of capital.

EUR thousand	31.03.2019	31.12.2018
Borrowings and other financial liabilities	405,775	363,259
Less short-term investments and cash with short-term deposits	-22,587	-10,775
<b>Net liabilities</b>	<b>383,098</b>	<b>352,484</b>
Equity	629,662	619,628
<b>Total assets</b>	<b>1,258,570</b>	<b>1.232.719</b>
Debt/equity ratio	60.8%	56.9%
Equity/total assets ratio	50.5%	50.3%