

ANNUAL REPORT FOR 2019

Telekom Slovenije Group and Telekom Slovenije, d. d.

**SMART LIVING
OF NEW DIMENSIONS**



TelekomSlovenije

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WELCOME TO THE SMART WORLD

We are discovering a life of new dimensions through curiosity, commitment and clear objectives. Through smart technologies, we are changing the everyday life of our users, simplifying it and making it possible for them to spend their time as they wish. We have stepped into a world of unlimited possibilities.

1 THE TELEKOM SLOVENIJE GROUP IN 2019

1.1 ABOUT THE TELEKOM SLOVENIJE GROUP¹

Telekom Slovenije, d. d. (hereinafter: Telekom Slovenije) connects users and simplifies their lives through a range of the most advanced ICT services and solutions. As the leading Slovenian provider of the most advanced communication solutions, Telekom Slovenije continuously strives for the development and introduction of new innovative technologies with the aim of providing users a superior network, the most advanced services and an excellent user experience. It is recognised for connecting new generations of mobile and fixed communications, system integration, cloud services, multimedia content and advanced ICT services. By upgrading the mobile network with NB-IoT (Narrowband Internet of Things) technology, Telekom Slovenije 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.

Through its subsidiaries, the Telekom Slovenije Group is also present in Kosovo, Croatia, Bosnia

and Herzegovina, Serbia, Montenegro and North Macedonia. The Telekom Slovenije Group has the largest, highest-quality and most reliable telecommunications network in Slovenia, and manages one of the most complex backbone networks in all of South-Eastern Europe.

The activities of the Telekom Slovenije Group comprise:

- fixed and mobile communication services,
- digital and TV content and services,
- multimedia services and digital advertising,
- system integration and cloud computing services,
- the development and implementation of solutions for managing business content, and tools for managing and monitoring operations,
- the construction and maintenance of telecommunication networks,
- other services, such as financial services, eCare, insurance and electricity, and
- the preservation of natural and cultural heritage in the Sečovlje Salina Nature Park.

Company: Telekom Slovenije, d. d.
Registered office: Ljubljana
Address: Cigaletova ulica 15, 1000 Ljubljana
Registration number: 5014018000
VAT ID number: SI98511734
Entry in the companies register: 1/24624/00, Ljubljana District Court
Number of shares: 6.535.478
Ticker symbol of no-par-value shares: TLSG
Telephone: + 386 1 234 10 00
Website: <http://www.telekom.si>
Email: info@telekom.si
LinkedIn: [telekom-slovenije](#)
Facebook: [TelekomSlovenije](#)
Instagram: [Telekom_Slovenije](#)
Twitter: [@TelekomSlo](#)
YouTube: [TelekomSlovenije](#)

The shares of Telekom Slovenije, d. d. are listed on the prime securities market of the Ljubljana Stock Exchange. See section 1.11 Share trading and ownership structure for more information.

Telekom Slovenije Group companies

See section 1.6 Markets and companies of the Telekom Slovenije Group and section 4.1 Companies in the Telekom Slovenije Group.

Contacts for investors, shareholders and other interested users: ir@telekom.si, skupscina@telekom.si and dividenda@telekom.si

Contact for information regarding the annual report and sustainable development report²

Telekom Slovenije, d. d.
 Cigaletova ulica 15
 1000 Ljubljana
 Public Relations Department: pr@telekom.si

1 GRI GS 102-1, GS 102-3, GRI 102-5
 2 GRI GS 102-53

BRANDS OF TELEKOM SLOVENIJE GROUP COMPANIES³



Telekom Slovenije is a corporate brand. It is used for communication with all stakeholder groups (users, investors, business partners, suppliers, employees and the media).

The Company manages the following brands:
NEO – a platform for smart living that links the best solutions for home and entertainment in one place.
VALÚ – a smart wallet that allows users to enjoy a free, mobile lifestyle to the fullest extent.
IZI – a brand that addresses less-demanding users via a contemporary prepaid mobile offer.
NekiNeki – a YouTube channel intended for young people.

TSmedia

TSmedia is a corporate brand. The company manages the following brands:
Siol.net – the leading Slovenian digital media.
Najdi.si – an access point to the Slovenian web.
TIS – the Slovenian telephone directory.
1188 – value-added call centre services.
ADsolution – a brand covering production services.
Bizi.si – a business directory.
Dajmedol – a video-on-demand brand.

planet

Planet TV is a corporate brand. The company manages the following brands:
Planet – a general commercial television station.
Planet 2 – a television station with mostly sports content.
Planet PLUS – a classic film channel.

avtenta.

Avtenta. is a corporate brand. The company covers medium-sized and large corporations and public institutions in Slovenia and the wider region. It combines advanced and verified business solutions for the optimisation and improvement of the efficiency of companies, organisations and public administration.

GVO

GVO is a corporate brand. The company provides comprehensive and environmentally friendly solutions in the areas of project design, surveying and the construction, management and maintenance of telecommunications networks.

TSinpo

TSinpo is the corporate brand of a disabled workers' company. The company primarily operates in the areas of support services and the manufacture of cardboard sleeves.



Piranske soline is a corporate brand. The company manages the following brands:
Solnce – a food line.
Lepa Vida – a cosmetic line and the Thalasso Spa of the same name.
SSNP [Sečovlje Salina Nature Park] – a park responsible for preserving nature and maintaining exceptional natural and cultural values.



IPKO is a corporate brand in Kosovo. It covers fixed, mobile and ICT services. The company manages the following brand:
Hej! – an independent brand for young people that covers traditional telecommunication services and an entertainment platform.

3 GRI GS 102-2

1.2 OPERATING HIGHLIGHTS OF THE TELEKOM SLOVENIJE GROUP IN 2019⁴

FINANCIAL INDICATORS

in EUR thousand and %	2019	2018	2017	Index 19/18
Net sales revenue	675,417	715,051	716,174	94
Other operating income	6,293	16,169	9,867	39
Operating revenue	681,710	731,220	726,041	93
EBITDA	205,402	185,524	168,740	111
EBITDA margin	30.4%	25.9%	23.6%	117
EBIT	31,089	17,932	4,561	173
Return on sales: ROS (EBIT/net sales revenue)	4.6%	2.5%	0.6%	184
Net profit	1,231	33,322	9,023	4
Assets	1,232,860	1,232,719	1,351,994	100
Equity	590,878	619,628	680,865	95
Return on assets (ROA)	0.1%	2.6%	0.7%	4
Return on equity (ROE)	0.2%	5.1%	1.3%	4
Equity ratio	47.9%	50.3%	50.4%	95
Net financial debt	402,861	352,484	281,785	114
NFD / EBITDA	2.0	1.9	1.7	103
Investment in property, plant and equipment (CAPEX)	167,757	133,864	158,935	125
EBITDA-CAPEX	37,465	51,660	9,805	73
Ratio of (EBITDA-CAPEX) to EBITDA (cash margin)	18.3%	27.8%	5.8%	66
Number of employees as at the end of the period	3,429	3,530	3,673	97
Investments as a proportion of operating revenues	24.6%	18.3%	21.9%	134

OTHER ECONOMIC PERFORMANCE INDICATORS

in EUR thousand and %	2019	2018	2017	Index 19/18
Distributed economic value	503,862	638,145	597,086	79
Value added	145,320	153,837	128,991	94
Value added per employee (in EUR)	41,765	42,715	35,157	98
Gross value added per employee (in EUR)	91,025	82,798	78,415	110
Labour costs	111,320	112,672	118,964	99
Corporate income tax	-1,721	-579	7,258	-
Payments to owners - dividends	29,275	93,028	32,527	31

SOCIAL INDICATORS - EMPLOYEES

	2019	2018	2017	Index 19/18
Number of employees	3,429	3,530	3,673	97
Employee turnover at companies in Slovenia	5.4%	8.2%	5.7%	66
Number of training hours per employee	26.6	26.3	25.1	101
Direct training costs	1,432	1,748	1,600	82

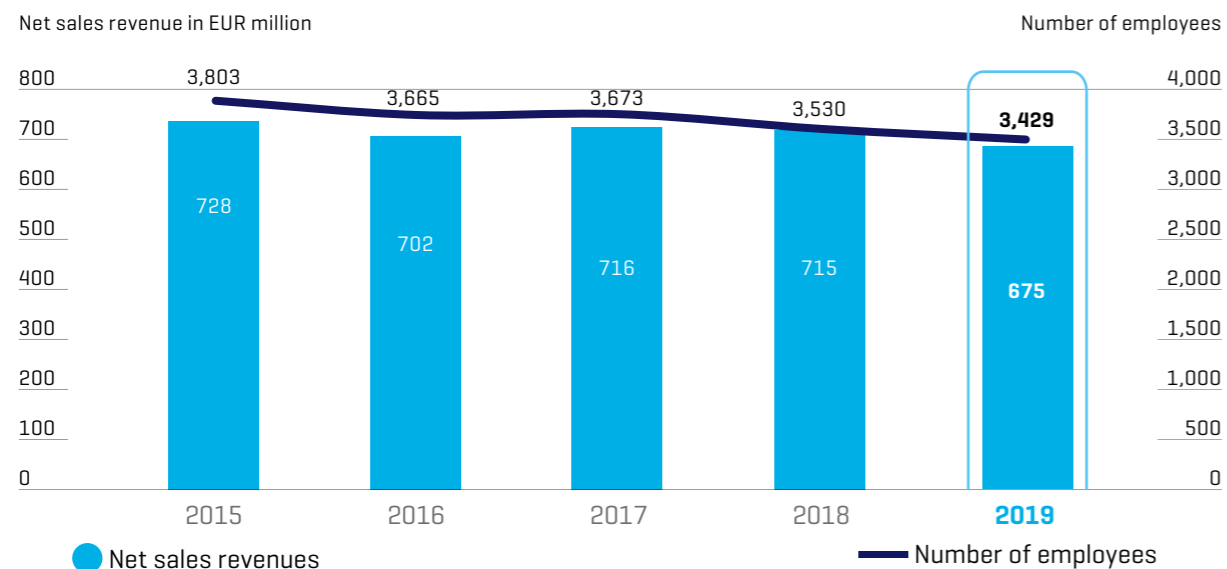
SOCIAL INDICATORS - COMMUNITY

Connections - users	2019	2018	2017	Index 19/18
Mobile telephony	1,820,062	1,772,042	1,809,808	103
Fixed voice telephony	521,011	550,397	556,265	95
Retail broadband	318,855	362,333	365,285	88
Funds earmarked for sponsorships and donations as a proportion of operating revenues	0.4%	0.4%	0.3%	100

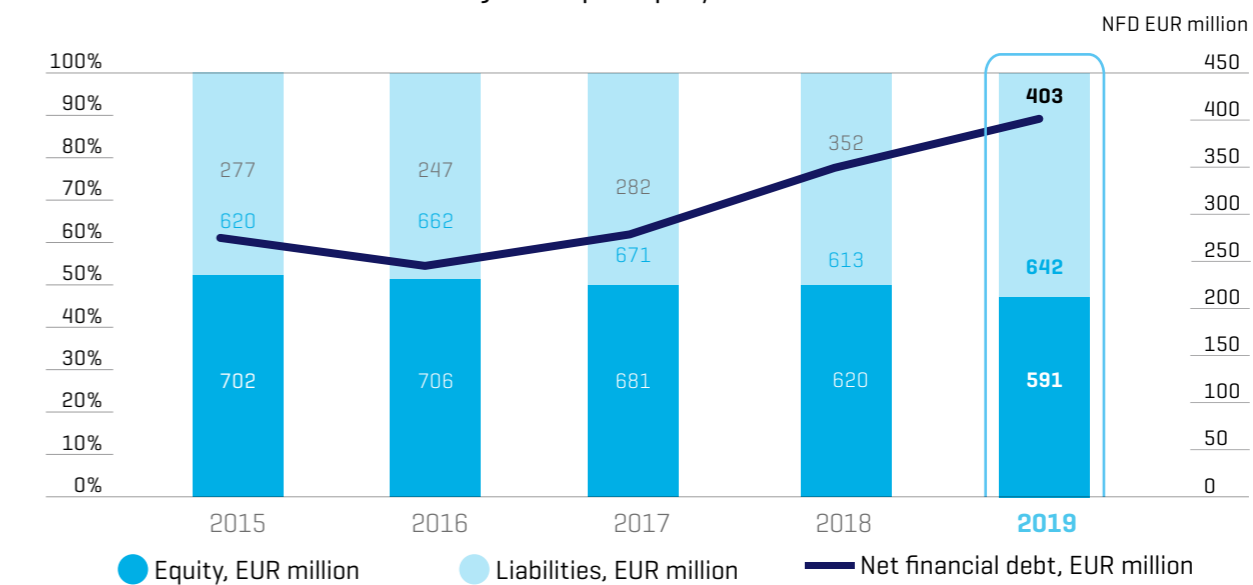
ENERGY INDICATORS (TELEKOM SLOVENIJE)

	2019	2018	2017	Index 19/18
Electricity consumption (in million kWh)	73.8	75.0	76.5	98
Direct environmental costs (in million EUR)	9.2	9.4	8.6	98

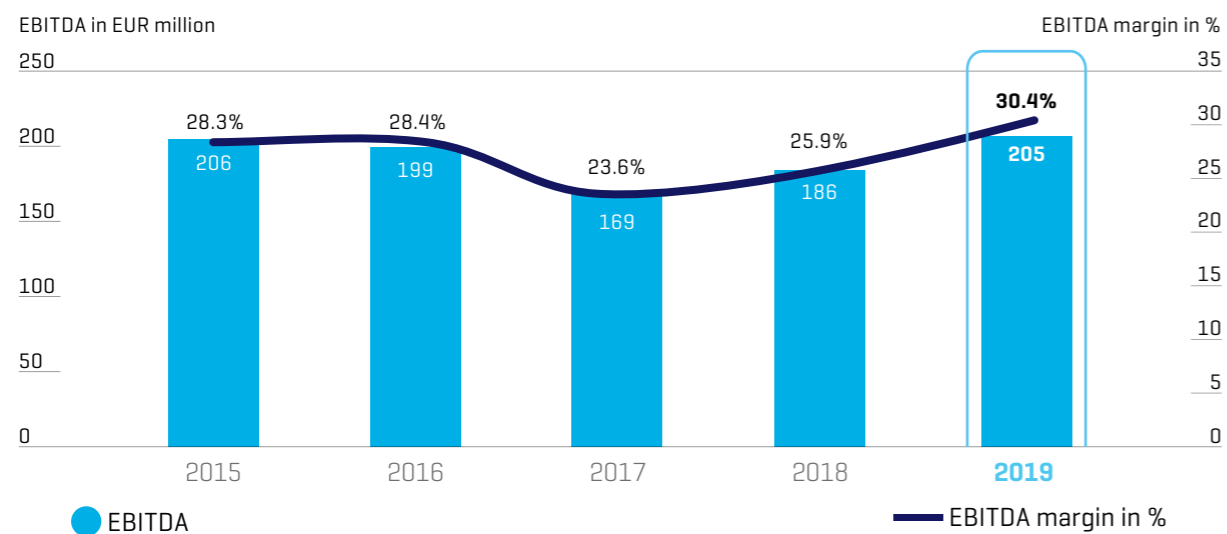
Net sales revenue and number of employees of the Telekom Slovenije Group



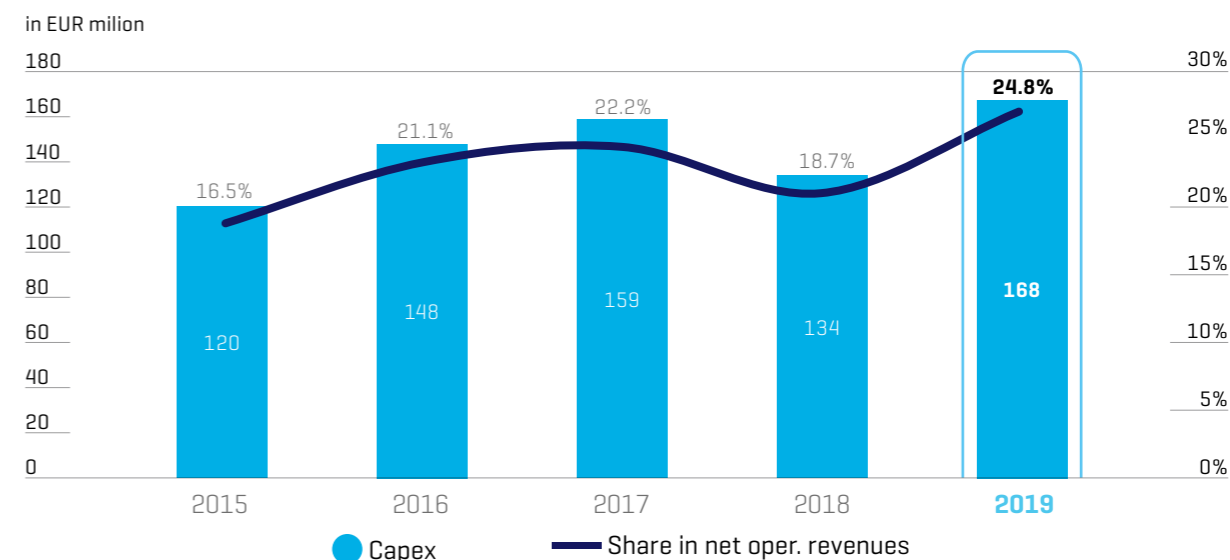
Structure of the Telekom Slovenije Group's equity and liabilities, and net financial debt



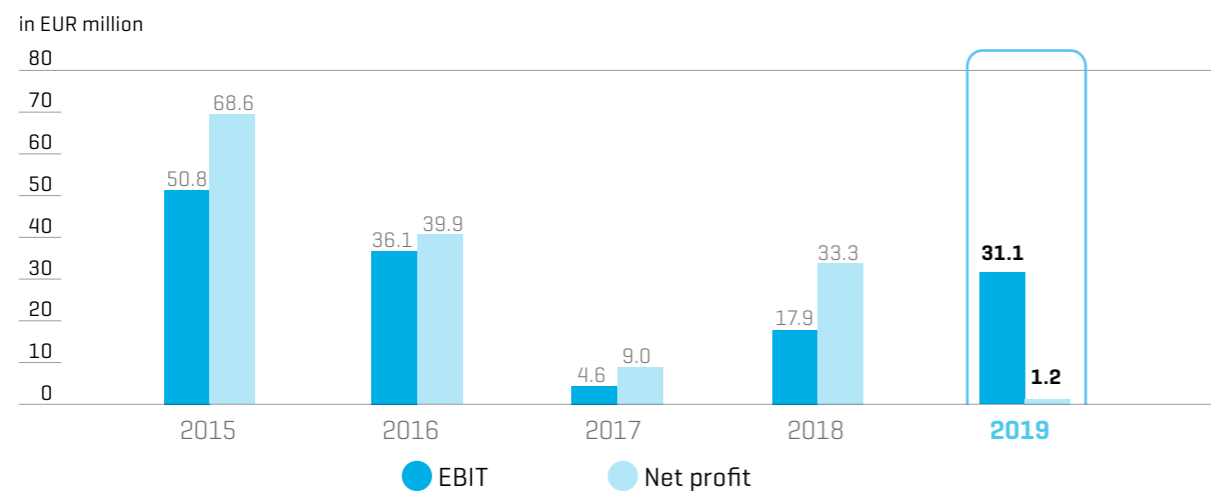
EBITDA and EBITDA margin (as a percentage of net sales revenue) of the Telekom Slovenije Group



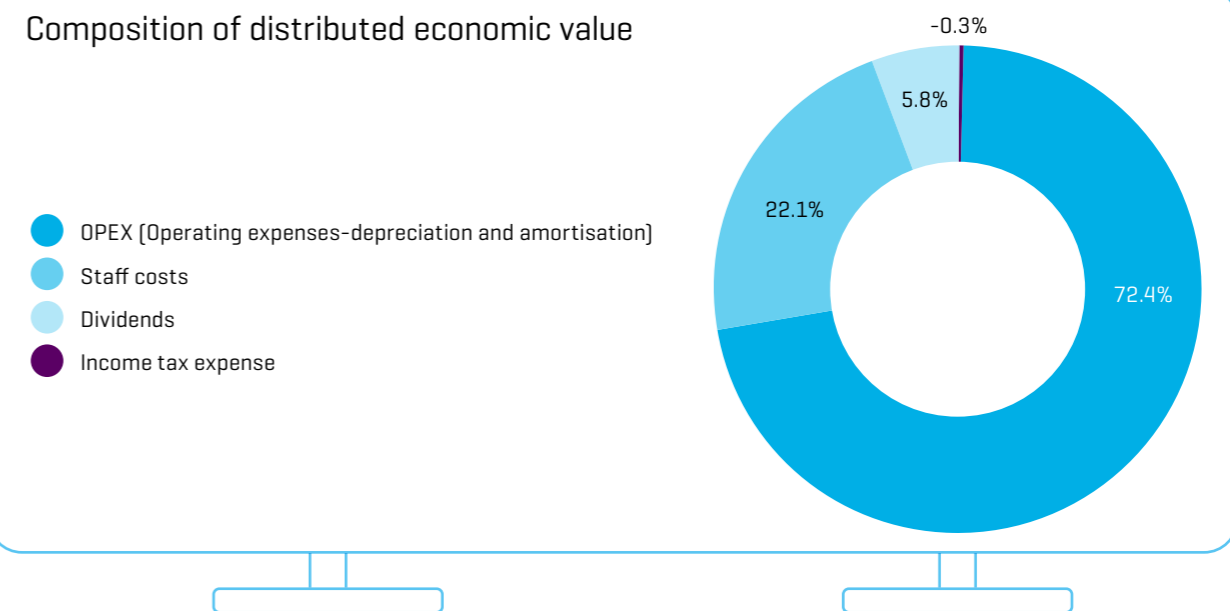
Investments in property, plant and equipment (CAPEX), and as a proportion of net sales revenue%



EBIT and net profit of the Telekom Slovenije Group



Composition of distributed economic value



1.3 LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD⁵

Dear Shareholders, Investors, Business Partners and Co-Workers,

The telecommunications sector is facing numerous **developmental and technological challenges**. The market demands continuous development from those who wish to remain competitive over the long term, while users expect the most advanced and secure solutions at increasingly lower prices.

In addition to development in all areas of operations, we focused a great deal of attention during 2019 on **digitalisation, the continued optimisation of processes and systems, the empowerment of employees and ensuring the excellence of the user experience**.

Through planned investments in a reliable, secure and high-quality infrastructure, we maintain our position as the leading provider of the most advanced technologies and next-generation networks, and communication, security, information and multimedia services. In 2019 we were the first Slovenian operator to upgrade its network with Internet of Things technology, which 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. We introduced the latest eSIM technology in the mobile telephony segment. We have been providing users VoLTE (voice over LTE) and VoWiFi (voice over WiFi) services for several years already and have the largest 4G/4G+ network in Slovenia. All of that was reflected in 2019 in the selection of our network as the best in Slovenia in an international test.

We are prepared for the next generation of mobile networks (5G), which represents an evolutionary step forward in development and the foundation of the digital future. As an upgrade from 4G, 5G requires advanced network technology. In addition to knowledge and the testing of equipment, the expertise and continuous training of our experts are extremely important to that end. Telekom Slovenije's advantage in this regard is that it was the only



Slovenian operator actively involved in two related European projects, while the Company is also participating in the Slovenian 5G Security project. We are planning the smart 5G infrastructure in such a way that we will be able to facilitate numerous virtual dedicated networks on that infrastructure (in addition to communication services) for specific business verticals, such as healthcare, energy, transport, factories, smart cities, etc. By expanding the fibre optic access network, we are laying the infrastructure foundations for the future of the telecommunications activity. We thus facilitated the connection of more than 44,000 Slovenian households to the fibre optic infrastructure in 2019, bringing the total number of household connections to more than 325,000. Investments in expansion and upgrades will continue in the future.

Our development is based on the development of advanced services in accordance with the needs of our users. The NEO platform for smart living, which has brought an entirely new user experience to Slovenian homes through the innovative management of TV and video content, and smart home services, has won over numerous satisfied users in just its first year on the market. At the same

time, we are creating an integrated ecosystem that will also simplify the lives of users in the areas of shopping, ordering, and paying for and using smart city and online shop services. We entered the market in 2019 with the VALÚ smart wallet, through which we are strengthening our position in the area of financial services, and ensuring simple and secure mobile payments. It also represents the next generation of financial services for the prompt and convenient use of inter-related local infrastructure services.

We use our infrastructure, expertise, experience and established business **processes for the development of comprehensive ICT solutions and projects for business users**. These services include the management of the IT environment, cloud services, adapted services for business continuity, etc. We are generating an increasing proportion of revenues via the aforementioned services. In 2019 we continued with the development of the Cyber Security Operation Centre, which is also marketed to other companies and organisations. We are increasing the number of users and municipalities that use eCare services and presented a pilot project aimed at the development of a smart system of integrated healthcare. We are upgrading insurance services and developing services in the areas of smart cities, smart industries and smart homes.

In 2019 we continued with **activities aimed at consolidation on markets** where the Group is present. To that end, we completed all activities in connection with the sale of Blicnet and began activities to sell our 100% participating interest in IPKO in Kosovo. We became the sole owner of Antenna TV SL and renamed that company Planet TV.

The Telekom Slovenije Group generated net sales revenue of EUR 675.4 million, a decrease of 6% relative to 2018. However, revenues in 2019 no longer included the revenues generated by Blicnet, which was sold. Revenues from international traffic on the wholesale market, revenues from mobile subscribers and revenues from IT merchandise and licences were slightly down in 2019. We recorded a 39% increase in revenues from the sale of services and merchandise via the online store relative to 2018, while revenues from eHealth, energy, financial and insurance services were also up. We generated EUR 681.7 million in total operating revenues in 2019.

The Telekom Slovenije Group generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 205.4 million during 2019, an increase of 11% relative to 2018. EBITDA accounted for 30.4% of net sales revenue at the Group level, compared with 25.9% in 2018.

Excluding one-off events, the Telekom Slovenije Group would have generated a net profit of EUR 27.4 million in 2019, an increase of 13% relative to 2018 if we compare adjusted net profit. Taking into account one-off events, the Group achieved a net profit of EUR 1.2 million in 2019. Contributing most to this was the effect on Telekom Slovenije of the unfavourable decision of the International Court of Arbitration regarding the 34% participating interest in Antenna TV SL and events linked to that decision.

In Slovenia, we maintained our shares of both the mobile telephony market (39.9%) and the fixed services market. We hold a 31.0% market share in the fixed broadband internet access segment and a 47.1% market share in the IPTV segment. IPKO in Kosovo maintained its leading shares of the fixed broadband access market (31.4%) and mobile telephony segment (43.8%).

The Telekom Slovenije Group earmarked EUR 167.8 million for investments. The planned amount was higher, but we managed to achieve all established objectives with lower investments through the optimisation of procurement procedures and processes. The majority of investments were earmarked for the expansion of the fibre optic access network, the continued modernisation of the radio network and the development of services. We thus successfully pursue the strategy of providing the most advanced communication technologies and services to our users.

We are planning operating revenues of EUR 676.0 million, EBITDA of EUR 210.6 million and a net profit of EUR 27.5 million in 2020. We will earmark EUR 209.7 million for investments.

While compiling the annual report, we were faced in Slovenia with the declaration of the COVID-19 coronavirus epidemic. Telekom Slovenije has responded to these circumstances in accordance with its business continuity management system (BCMS), which is established in the event of emergencies and certified in accordance with the

ISO/IEC 22301 standard. The BCMS provides us a tool, for establishing organisational resilience and responding effectively. In addition to concern for employees, another key function of that system is to protect the interests of our business partners, users and other stakeholders. We have adapted the work of our experts to ensure uninterrupted control over the functioning of the network to the greatest extent possible, while ensuring technical support to users and the coverage of the special needs of government institutions and the commercial sector for increased capacities or additional services. For more information, see the section Events after the reporting date. IPKO in Kosovo is also facing challenges in connection with the COVID-19 coronavirus.

Employees are the key to our success and development. The Telekom Slovenije Group therefore strives to ensure a stimulating and friendly work environment that is open to innovation and cooperation. We provide for continuous employee training and education, and introduce innovative approaches for empowering employees. To that end, we focus on the promotion of health, the prevention of burnout and intergenerational cooperation. We are upgrading remuneration and motivation systems, implementing activities in the scope of the Family-Friendly Company certificate, monitoring the organisational culture and strengthening the employer's brand.

The Group's key strategic policies include **quality and sustainable development**. We will continue to provide users the most advanced and highest-quality ICT solutions and other services. The key tools to that end include well-maintained, high-quality management systems, verified business excellence models and the consistent implementation of initiatives to ensure an excellent user experience. The Group passed **all external independent assessments of compliance with the requirements of SIST EN ISO/IEC standards in 2019, while new last year was the external independent assessment of the security-control centre management system in accordance with the requirements of the SIST EN 50518 standard**. In the context of a recertification assessment, **we were amongst the first in Slovenia to transition to the latest version of the SIST EN ISO 50001:2018 standard covering efficient energy consumption systems**, while we also expanded certification according to the ISO 27001 standard.

Energy consumption is considered one of Telekom Slovenije's major environmental impacts. We adopted a new declaration regarding energy efficiency in 2019, while we contribute to improved energy efficiency through the achievement of strategic and operational objectives that are in line with business needs and the expectations of our stakeholders. We have been reducing energy consumption for several years, and recorded a 1.6% reduction in consumption in 2019 relative to the previous year. We actively include employees, suppliers, external contractors and business partners in activities to achieve energy efficiency.

In conjunction with the expansion of the fourth-generation mobile network, we carried out 260 additional comprehensive measurements of environmental impacts in 2019. Our base stations are environmentally acceptable and function within the legally prescribed limits.

The **principles of sustainable development** are built into the operations, products, services and content of Group companies. After becoming fully functional in 2018, TSinpo, which provides jobs adapted for disabled persons and other difficult-to-employ individuals and trains them for inclusion in support processes, took on additional activities in 2019 and began to implement a vocational rehabilitation programme.

The Telekom Slovenije Group is aware of its responsibility to all stakeholders. We therefore take every opportunity to stress that our operations follow the **highest standards of corporate governance, which apply to all Group companies**. We have in place a system that ensures the compliance of our operations with the law, regulations and internal acts, while risk management and the system of internal controls are likewise integral elements of corporate governance. We continuously upgrade and improve the activities carried out by all Group companies in this area.

Thank you for your trust.



Tomaž Seljak, MSc
President of the Management Board

1.4 STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The members of the Management Board of Telekom Slovenije, d. d. responsible for compiling the annual report hereby confirm the financial statements of Telekom Slovenije, d. d. and the Telekom Slovenije Group for the year ending 31 December 2019, as well as the accounting policies applied and the notes to the financial statements.

The members of the Management Board of Telekom Slovenije, d. d. hereby find that:

- to the best of our knowledge, the annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2019 and all its constituent parts, including the corporate governance statement and the statement regarding non-financial operations, have been compiled and published in accordance with valid legislation and the International Financial Reporting Standards as adopted by the EU;
- the financial report and accompanying notes have been compiled in accordance with the relevant financial reporting framework, and provides a true and fair picture of the assets, liabilities, financial position and operating results of Telekom Slovenije, d. d. and the Telekom Slovenije Group as a whole;
- the selected accounting policies were applied consistently in the compilation of the financial statements and any changes to the 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, d. d. and the Telekom Slovenije Group are going concerns; and
- the business report includes a fair presentation of the development and operating results of the Company and of its financial position, together with a description of the principal types of risk to which Telekom Slovenije, d. d. and the Telekom Slovenije Group as a whole are exposed.

The Management Board is also responsible for taking appropriate measures to secure assets, and for preventing and detecting fraud and other irregularities and unlawful acts.



Tomaž Seljak, MSc
President of the
Management Board



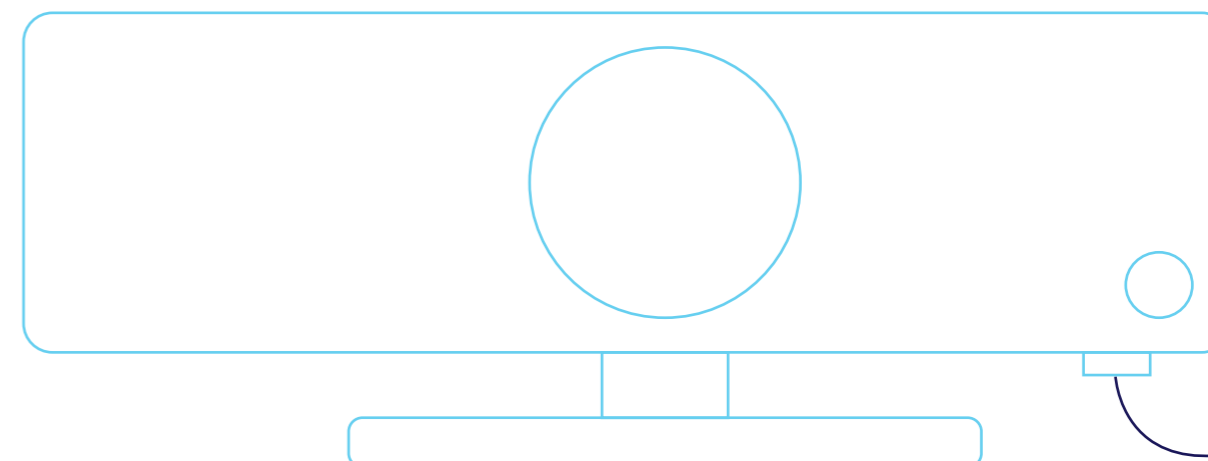
Dr. Vida Žurga
Vice-President of the
Management Board



Matjaž Beričič, MSc
Member of the
Management Board



Špela Fortin
Member of the
Management Board -
Workers Director



1.5 REPORT OF THE SUPERVISORY BOARD

The Supervisory Board comprises nine members. The composition of the Supervisory Board changed in June 2019, when member Ljubomir Rajšič tendered his resignation. During the same month, the President of the Supervisory Board Lidija Glavina tendered her resignation from her position, effective on 30 August 2019.

In accordance with the recommendations of the Corporate Governance Code for Companies with Capital Assets of the State, the Supervisory Board appointed a Nomination Committee that provided expert support in the formulation of a proposal of two candidates to serve as members of the Supervisory Board.

At the General Meeting of Shareholders held on 30 August 2019, Igor Rozman and Barbara Čerovšek Zupančič were appointed to four-year terms of office as new members of the Supervisory Board.

On 13 September 2019 the newly constituted Supervisory Board elected Barbara Kúrner Čad to serve as President of the Supervisory Board, and Barbara Gorjup and Drago Kijevčanin to serve as Vice-Presidents. It also reconstituted the Supervisory Board's committee.

The composition of the Supervisory Board is diverse, as its members complement each other in terms of their expertise, competences, experience, age, gender, work method and other aspects. This facilitates the effective exchange of opinions and views at sessions.

On 8 January 2019 the Supervisory Board appointed Dr Vida Žurga to serve as member of the Management Board responsible for the area of finance. At its session held on 16 April 2019, the Supervisory Board was briefed on the decision of the President of the Management Board, Rudolf Skobe, MSc regarding the early termination of his term of office. On 31 July 2019 the Supervisory Board was briefed on the resignation of member of the Management Board and Workers' Director Dean Žigon. His term of office ended on the day Špela Fortin was appointed to serve as member of the Management Board and Workers Director. Ms Fortin was appointed by the Supervisory Board on 13 September 2019 in accordance with the Workers' Participation in Management Act and based on the proposal of Telekom Slovenije's Works Council. The Supervisory Board appointed Matjaž Merkan to serve as President of the Management Board at the end of August 2019, and was briefed on Mr Merkan's resignation on 14 November 2019. In December 2019 the Supervisory Board appointed Tomaž Seljak, MSc to serve as President of the Management Board and Matjaž Beričič, MSc to serve as member of the Management Board responsible for technology. Both men were appointed to four-year terms of office.

The Supervisory Board met at 14 sessions in 2019. Five sessions were held as correspondence sessions. During the course of 2019, it ensured the responsible and high-quality supervision of the operations of the Company and the Telekom Slovenije Group. The Supervisory Board discussed different aspects of operations and monitored the implementation of plans. Specific topics were discussed in advance by the Supervisory Board's committees. Based on the findings, proposals and careful assessment of committees, the Supervisory Board adopted the appropriate decisions and continuously informed interested parties following sessions.

In accordance with the Slovenian Corporate Governance Code, the Supervisory Board hereby declares that all costs in connection with its work are disclosed in this annual report.

MOST IMPORTANT TOPICS OF SESSIONS OF THE SUPERVISORY BOARD IN 2019

The most important topics at sessions of the Supervisory Board in 2019 were linked to the monitoring of the ordinary operations and development of the Company, and the composition of the Management Board. The Supervisory Board and Management Board focused on defining the strategy, and on identifying and managing business risks, which is important for the successful future operations of the Company and the Telekom Slovenije Group.

Within the scope of its competences, the Supervisory Board made the following responsible decisions in 2019:

- it adopted the Strategy of the Telekom Slovenije Group for the period 2020 to 2023;
- it adopted the audited annual report of the Telekom Slovenije Group for 2018;
- it appointed members and the President of the Management Board; and
- it gave its consent to the appointment of managing directors of subsidiaries.

With respect to supervision of the management of the Company's operations, the Supervisory Board was briefed regularly on the following in 2019:

- reports on the operations of the parent company and the Group;
- the implementation of the Telekom Slovenije Group's strategy;
- assessments of the Company's performance indicators in each period;
- the implementation of strategic projects and initiatives; and
- other information in connection with Telekom Slovenije, d. d., the Telekom Slovenije Group and subsidiaries;
- special attention was given to monitoring the media pillar of operations.

Following the adoption of the decision of the International Court of Arbitration, the Supervisory Board adopted measures in connection with proceedings before that court with the aim of identifying potential irregularities.



The Supervisory Board continuously resolved conflicts of interest (statements according to the reference code are published on the Company's website). During the 2019 financial year, certain members of the Supervisory Board informed the latter of specific facts that could affect their independence. No instances of the dependence of any member of the Supervisory Board were identified in 2019, as no conflicts of interest were identified.

The Supervisory Board did not perform any in-depth assessment of its work during 2019; that assessment was performed at the beginning of 2020. A self-assessment of the work of the Audit Committee was performed again in 2019.

WORK OF SUPERVISORY BOARD COMMITTEES

The Supervisory Board had four committees in 2019. They were the Audit Committee, HR Committee, Technical Committee and Strategy Committee. Those committees discussed topics related to the Supervisory Board's work and advised the latter in important matters. This contributed to the improved work and effectiveness of the Supervisory Board.

The Supervisory Board continuously monitored the work of its committees and the implementation of their resolutions. The work of committees is described in detail in the section [Management and supervisory bodies](#) in the business report section of the annual report.

ASSESSMENT OF THE WORK OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The work of members of the Supervisory Board, including their work on committees, was professional and focused on the effective performance of their functions. All members of the Supervisory Board regularly attended sessions, were well-prepared for topics of discussion and put forth constructive proposals.

The Supervisory Board adopted competent decisions in accordance with its rules of procedure, the Company's internal acts and legally prescribed powers on the basis of professionally prepared written and oral information provided by the Management Board. The work of the Supervisory Board was complemented, in terms of content, by the proposals made by its committees.

Based on the above-described continuous monitoring and supervision of the operations and management of Telekom Slovenije and Group companies during the 2019 financial year, and based on the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2019, as compiled and submitted by the Management Board, the Supervisory Board assesses that the annual report and disclosures contained therein reflect the actual situation and position of the Telekom Slovenije Group.

The Supervisory Board assesses that the Management Board of Telekom Slovenije successfully managed the Company's transactions during the 2019 financial year and achieved established objectives.

APPROVAL OF THE ANNUAL REPORT AND THE PROPOSED USE OF THE DISTRIBUTABLE PROFIT FOR 2019

The Supervisory Board discussed the annual report of the Telekom Slovenije Group for 2019 at its session on 1 April 2020. Based on its review of the annual report and financial statements (including the notes thereto), and its review of the Management Board's proposal on the use of distributable

profit and the certified auditor's report, the Supervisory Board confirmed the audited annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d., for 2019.

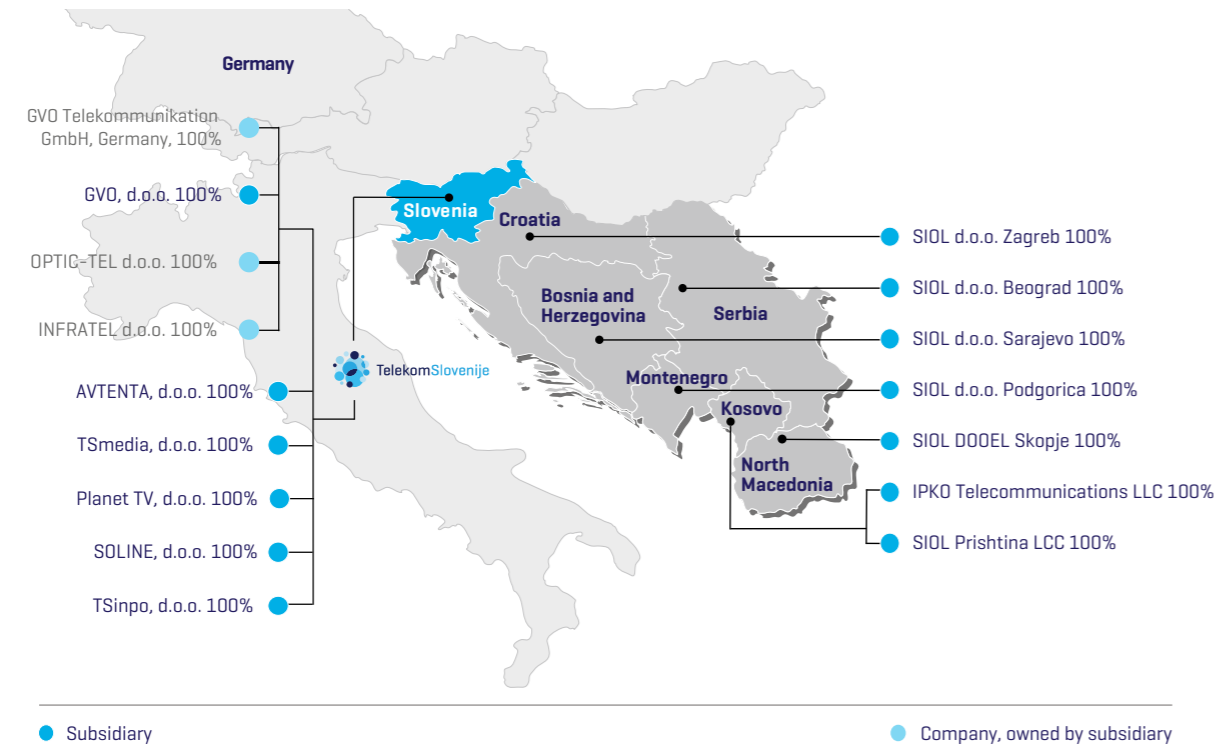
Pursuant to paragraph 3 of Article 272 of the Companies Act (ZGD-1), Telekom Slovenije's Management Board submitted the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2019, together with the auditor's report for 2019, immediately after compilation and the issuance of the auditor's opinion. The annual report was discussed by the Supervisory Board at its 9th regular session of 1 April 2020. The annual report of the Telekom Slovenije Group and Telekom Slovenije for 2019 was audited by the audit firm Deloitte Revizija, d. o. o., which issued an unmodified opinion regarding the financial statements of the Telekom Slovenije Group and Telekom Slovenije. At its 7th regular session of 30 March 2020, the Audit Committee of Telekom Slovenije's Supervisory Board discussed the audited annual report of the Telekom Slovenije Group and Telekom Slovenije for 2019 and found that the annual report was compiled in a timely, clear and transparent manner, and in accordance with the provisions of the Companies Act (ZGD-1), the applicable International Financial Reporting Standards, as adopted by the European Union, and other relevant legislation. The audit committee had no comments with respect to the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2019, and proposed that the Supervisory Board adopt a decision in accordance with Article 282 of the Companies Act (ZGD-1) regarding the approval of the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2019. Based on the auditor's opinion, the position of the Audit Committee of Telekom Slovenije's Supervisory Board, and data and disclosures in the annual report, the Company's Supervisory Board assesses that the auditor performed its work independently and professionally in accordance with valid legislation and business practices, that the annual report was compiled, in all material aspects, in accordance with the requirements of the Companies Act (ZGD-1), and that the financial statements fairly present, in all material aspects, the financial position of the Telekom Slovenije Group and Telekom Slovenije as at 31 December 2019, and their operating results and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the European Union. The Supervisory Board has no remarks regarding the auditor's report. It also has no comments regarding the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2019 that would in any way inhibit its decision to approve the annual report. Thus, in accordance with paragraph 3 of Article 282 of the Companies Act (ZGD-1), the Supervisory Board of Telekom Slovenije hereby approves the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2019. The annual report for 2019 was approved by the prescribed deadline, i.e. within one month from its submission to Telekom Slovenije's Supervisory Board by senior management.

When adopting the annual report, the Supervisory Board also took a position with regard to the corporate governance statement and statement of compliance with the reference code, which are included in the business report section of the annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d., for 2019, and assessed that they are a reflection of the actual governance of the Company in 2019.

Barbara Kúrner Čad,
President of the Supervisory Board
of Telekom Slovenije, d. d.

1.6 MARKETS AND COMPANIES OF THE TELEKOM SLOVENIJE GROUP⁶

The Telekom Slovenije Group comprises the parent company Telekom Slovenije, d. d. and its subsidiaries. The composition of the Telekom Slovenije Group and participating interests as at 31 December 2019 are presented in the picture below. The detailed composition of the Telekom Slovenije Group is presented on the website <https://www.telekom.si/en/about-us/company/telekom-slovenije-group>.



CHANGES IN THE COMPOSITION OF THE GROUP⁷

- On 31 January 2019 Telekom Slovenije completed the sale of its 100% participating interest in the subsidiary Blicnet, d. o. o., Banja Luka based on a sales agreement signed with Telekomunikacije Republike Srpske akcionarsko društvo Banja Luka.
- On 13 December 2018 Telekom Slovenije and NKBM adopted a resolution on the winding up of M-Pay, d. o. o. according to the fast-track procedure, without liquidation. That investment was excluded from consolidation and the company deleted from the companies register on 1 February 2019.
- For the purpose of the comprehensive management of the regional fibre optic network, Telekom Slovenije established SIOL Prishtina L.L.C., which was entered in the companies register in Kosovo on 16 October 2019.
- The transfer of a 34% participating interest in Antenna Slovenia B.V. to Telekom Slovenije, d. d. was entered in the business and companies registers on 3 December 2019, making Telekom Slovenije that company's sole owner. At the same time, the company's name was changed to Planet TV, televizijska dejavnost, d. o. o.
- Telekom Slovenije is the founder of the Heart Foundation, the aim of which is to help the children of employees of Slovenian Telekom Slovenije Group companies who have lost a parent or who are seriously ill. The majority of the foundation's funds are contributed by the employees of Slovenian Telekom Slovenije Group companies. The Heart Foundation was entered in the records of institutions on 25 April 2019.

6 GRI GS 102-4, 102-6, GRI 102-18
7 GRI GS 102-10

MANAGEMENT AND GOVERNANCE OF SUBSIDIARIES

As parent company, Telekom Slovenije manages and supervises Telekom Slovenije Group companies. The parent company also defines the strategic policies and operational objectives of Group companies, and monitors the achievement of established objectives. It performs management and supervisory tasks in accordance with Slovenian law, the applicable laws in the home countries of Group companies, and the valid acts of the Company and Group. In all business areas, subsidiaries operate in accordance with local

legislation, business cooperation agreements with Telekom Slovenije, and with internal rules and instructions adopted by the management of an individual subsidiary or the Management Board of the parent company.

Rules, criteria and mechanisms for managing and supervising Group companies are defined in the Telekom Slovenije Group's Corporate Governance Rules in line with Telekom Slovenije's corporate governance policy.

The management and supervision of the operations of

Group companies is based on the following core principles:

- links with the Group's strategy;
- governance in the form of management by objectives, where those objectives derive from the Group's strategy;
- clearly defined roles [tasks, competences and responsibilities] of those responsible for the management and supervision of the Group; and
- simplicity and flexibility [the ability to adapt to changes in the organisation and operations of the Group].

COMPOSITION OF MANAGEMENT AND GOVERNANCE BODIES AT SUBSIDIARIES OF THE TELEKOM SLOVENIJE GROUP

SLOVENIA	OTHER COUNTRIES
GVO, d. o. o.	IPKO Telecommunications LLC, Kosovo
Managing Director: Borut Radi	Board of Directors: Tomaž Seljak, MSc , [President], Bujar Musa and Robert Erzin, MSc CEO: Robert Erzin, MSc The term of office of member of the Board of Directors Rudolf Skobe, MSc expired on 24 April 2019, while the term of office of Tomaž Seljak, MSc began on 9 May 2019.
AVTENTA, d. o. o.	SIOL, d. o. o. Zagreb, Croatia
Managing Director: Primož Kučič Miha Praunseis served as Managing Director until 28 February 2019. Miran Potočnik served as Managing Director from 1 March 2019 to 31 January 2020. Primož Kučič has managed the company since 1 February 2020, and will continue to do so until the appointment of a new Managing Director.	Managing Director: Matjaž Pogačnik, MBA
TSmedia, d. o. o.	SIOL, d. o. o. Podgorica, Montenegro
Managing Director: Simon Furlan, MSc Tina Česen, MSc served as Managing Director until 30 August 2019. Rolando Žel served as Managing Director from 1 September 2019 to 31 March 2020. Simon Furlan has managed the company since 1 April 2020, and will continue to do so until the appointment of a new Managing Director.	Managing Director: Matjaž Pogačnik, MBA
SOLINE, d. o. o.	SIOL, d. o. o. Sarajevo, Bosnia and Herzegovina
Managing Director: Klavdij Godnič	Managing Director: Matjaž Pogačnik, MBA
Planet TV, televizijska dejavnost, d. o. o.	SIOL DOOEL Skopje, Macedonia
Managing Director: Samo Ošina Tina Česen, MSc served as Managing Director until 30 August 2019. Petra Šušteršič also served as Managing Director until 30 November 2019. Rolando Žel was appointed Managing Director on 1 September 2019, and managed the company independently from 1 December 2019 to 31 March 2020. Samo Ošina has managed the company since 1 April 2020, and will continue to do so until the appointment of a new Managing Director. Procurator: Nevenka Črnko Nevenka Črnko has served as Procurator since 1 April 2020. Prior to that time, the company did not have a procurator.	Managing Director: Matjaž Pogačnik, MBA
TSinpo d. o. o.	SIOL DOO BELGRADE, Serbia
Managing Director: Danilo Tomšič, MSc Procurator: Vesna Lednik	Managing Director: Matjaž Pogačnik, MBA
	SIOL Prishtina L.L.C., Kosovo
	Direktor: Matjaž Pogačnik, MBA



1.7 COMMITMENTS AND MEMBERSHIP IN ASSOCIATIONS⁸

Through corporate and individual membership in numerous professional organisations and associations, the Telekom Slovenije Group builds successful business links, creates development opportunities and ensures professional positioning. The Company is a member or its employees serve as members of boards of directors, expert and strategic councils, and other bodies of the following organisations:

SLOVENIA – TELEKOM SLOVENIJE

- Marketing Society of Slovenia (also TSmedia and Avtenta): annual partners of the society,
- Electrotechnical Association of Slovenia,
- European Institute for Compliance and Ethics [EICE],
- Slovenian Chamber of Commerce and Industry: participant in the general meeting and member of the management board of the Information Technology and Telecommunications Association, and member of the Section of Electronic Communications Operators,
- INIS – Institute for Non-Ionising Radiation: participant in the Forum EMS project,
- Institute for Corporate Security Studies,
- Institute of Labour at the Faculty of Law in Ljubljana,
- Institute for Labour Relations and Social Security at the Faculty of Law in Maribor,
- Commercial Law Institute,
- Slovenian Chamber of Engineers (also GVO),
- Slovenian Chamber of Crafts (also GVO),
- Slovenian Advertising Chamber (also TSmedia and Planet TV): membership on the board of directors, membership on the council of members, executive board and expert committee of the council of members of MOSS [measurement of visits to Slovenian websites],
- Slovenian Institute for Standardisation: chair of the expert council and member of working groups,
- Slovenian Public Relations Association,
- Slovenian Innovation Hub, European Economic Interest Grouping,
- Slovenian Advertising Association [functioning under the auspices of the Slovenian Advertising Chamber],
- Slovenian Project Management Association,
- Slovenian Association of Risk Management and Insurance Management: membership on the board of directors,
- Smart cities and communities strategic development-innovation partnership [SRIP PMIS],
- Interactive Advertising Bureau – IAB [also TSmedia],
- IPv6 Institute – go6,
- Chamber for the Development of Slovenian Private Security,
- Association of Employers of Slovenia [also GVO],
- Cable Operators Association of Slovenia,
- Purchasing Association of Slovenia,
- Slovenian Directors' Association
- Managers' Association of Slovenia,
- Association of Slovenian Digital Television Operators, and
- Slovenian Association of Works Councils.

MEMBERSHIP IN INTERNATIONAL ORGANISATIONS – TELEKOM SLOVENIJE

- American Chamber of Commerce (also TSmedia and Avtenta),
- Broadband Forum,
- European Telecommunications Network Operators' Association [ETNO],
- GSM Association,
- Gartner, a leading IT research and advisory organisation,
- Institute of Electrical and Electronics Engineers [IEEE, Slovenian Section],
- TM Forum – association of ICT service providers, their suppliers, integrators and manufacturers, and
- Search and Information Industry Association [SIINDA] – TSmedia.

SOCIAL, ENVIRONMENTAL AND ECONOMIC INITIATIVES IN WHICH TELEKOM SLOVENIJE AND GROUP COMPANIES ARE INCLUDED:

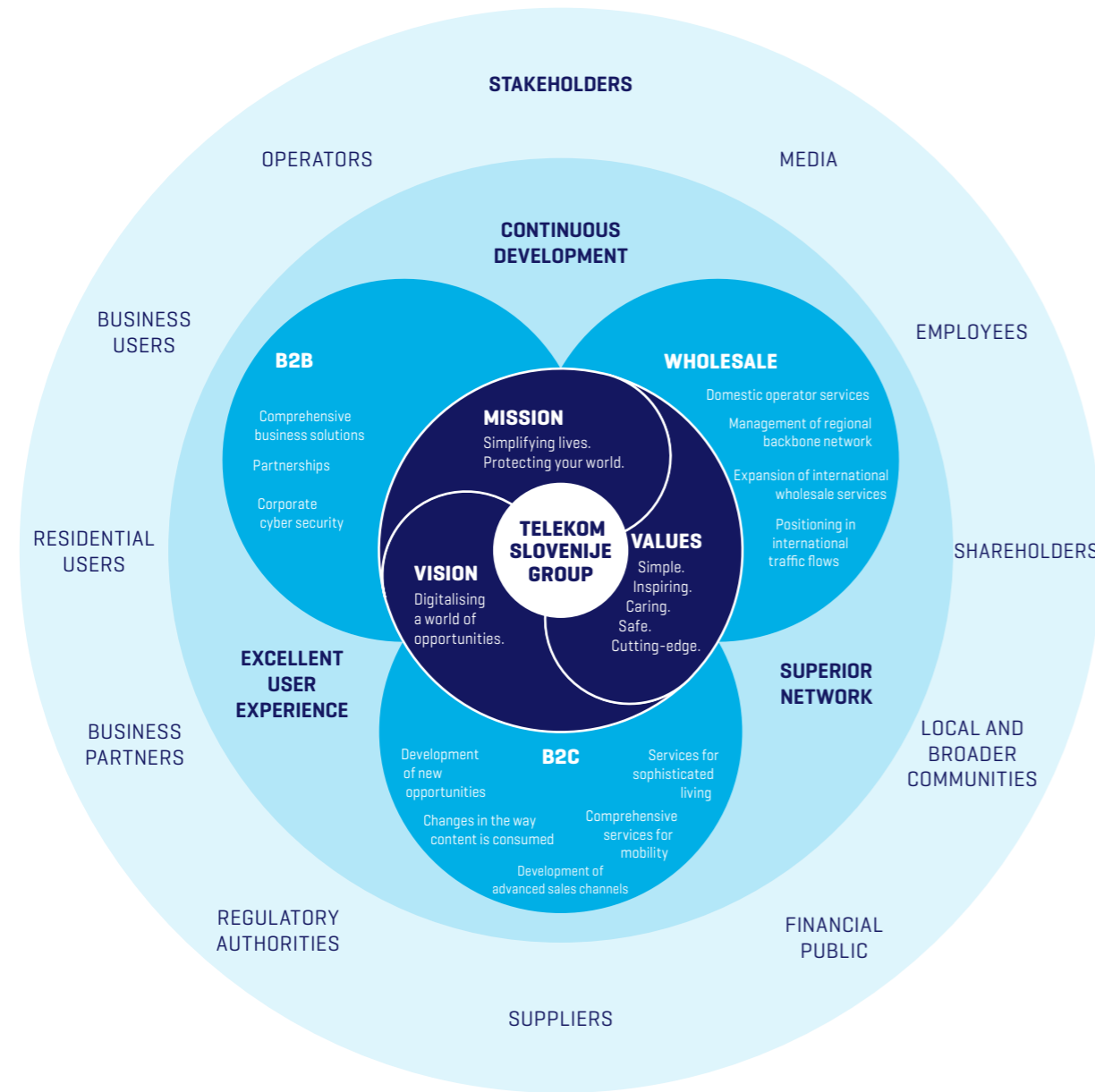
- Family-Friendly Company certificate,
- signatories of the European Framework for Safer Mobile Use by Younger Teenagers and Children,
- support of activities for safer internet use – SAFE.SI [also TSmedia],
- a code for regulating hate speech on websites [Siol.net digital media],
- Sinergija – network of socio-commercial benefit,
- Natura 2000, a European network of special protection areas [Soline],
- Alliance of Companies Employing Disabled People of Slovenia [TSinpo, as founding member of interest association], and
- signatories of the Slovenian corporate integrity guidelines.

KOSOVO – IPKO

- Chamber of Commerce,
- American Chamber of Commerce, and
- European Investors Council.

1.8 DEVELOPMENT STRATEGY AND PLANS

1.8.1 BUSINESS MODEL



CREATING VALUE FOR

SHAREHOLDERS:

By pursuing our core activity and expanding to new areas, we generate new revenue sources and increase value for our owners.

EMPLOYEES:

We identify and develop our employees' talents, ensure personal and professional development, create a stimulating and dynamic work environment, and facilitate the right work-life balance in the scope of the Family-Friendly Company certificate.

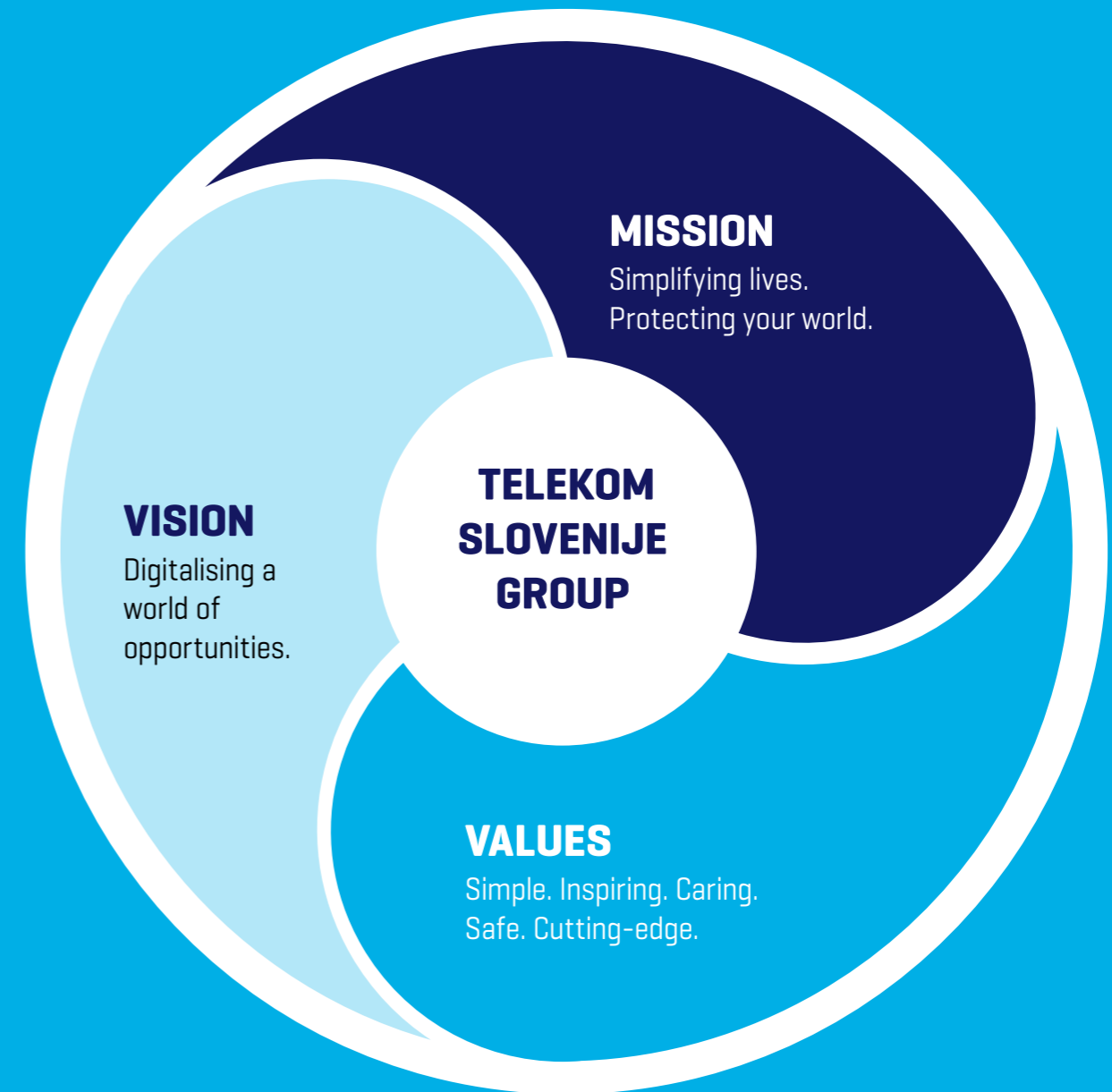
USERS:

By maintaining a superior network and creating an innovative portfolio, we provide an excellent user experience and ensure customer satisfaction.

LOCAL AND BROADER COMMUNITIES:

Through the expansion and upgrading of the fixed and mobile network, we facilitate increased access to broadband and other ICT services. As part of our social responsibility, we support sporting, cultural, humanitarian and educational institutions and projects. We reduce our impacts on the environment by monitoring and managing the use of natural resources.

1.8.2 VISION, MISSION AND VALUES⁹



1.8.3 STRATEGIC BUSINESS PLAN OF THE TELEKOM SLOVENIJE GROUP FOR THE PERIOD 2020 TO 2023¹⁰

The Telekom Slovenije Group implemented its established strategy in 2019 in accordance with adopted strategic policies. To that end, the Group updates its strategy and drafts a business plan for the next period every year. The Strategic Business Plan for the period 2020 to 2023 is the Group's core corporate document. Defined in that document through its mission, vision, values, objectives and strategy are the Telekom Slovenije Group's future development and strategic policies, which pursue the objectives of the UN's declaration on sustainable development (Agenda 2030 for Sustainable Development). The document includes the future business strategy of the Group, which comprises the parent company Telekom Slovenije, and its subsidiaries in Slovenia and abroad.

KEY STRATEGIC POLICES OF THE TELEKOM SLOVENIJE GROUP

The Telekom Slovenije Group operates on markets that are subject to accelerated consolidation within specific countries and between them, making competition even fiercer. We will counter this trend by focusing on the key strategic policies presented below.

1 MAINTAINING THE LEVEL OF REVENUES FROM THE CORE ACTIVITY IN SLOVENIA

We will maintain the number of users in the fixed and mobile segments in Slovenia 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.

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.

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.

4 SIMPLIFICATION OF PROCESSES, PRODUCTS AND PLATFORMS

The Group will continue 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.

5 CONSOLIDATION ON INDIVIDUAL MARKETS

We will continue to implement consolidation activities in the future where this is in line with established strategic objectives, either through expansion or divestment on the markets where we operate.

6 OPTIMAL STAFFING STRUCTURE

The achievement of established objectives from the Strategic Business Plan is only possible by ensuring the optimal number of employees, taking into account the needs of the work processes of individual Group companies, and through the development of employees' competences.

7 FINANCIAL STABILITY

We 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.

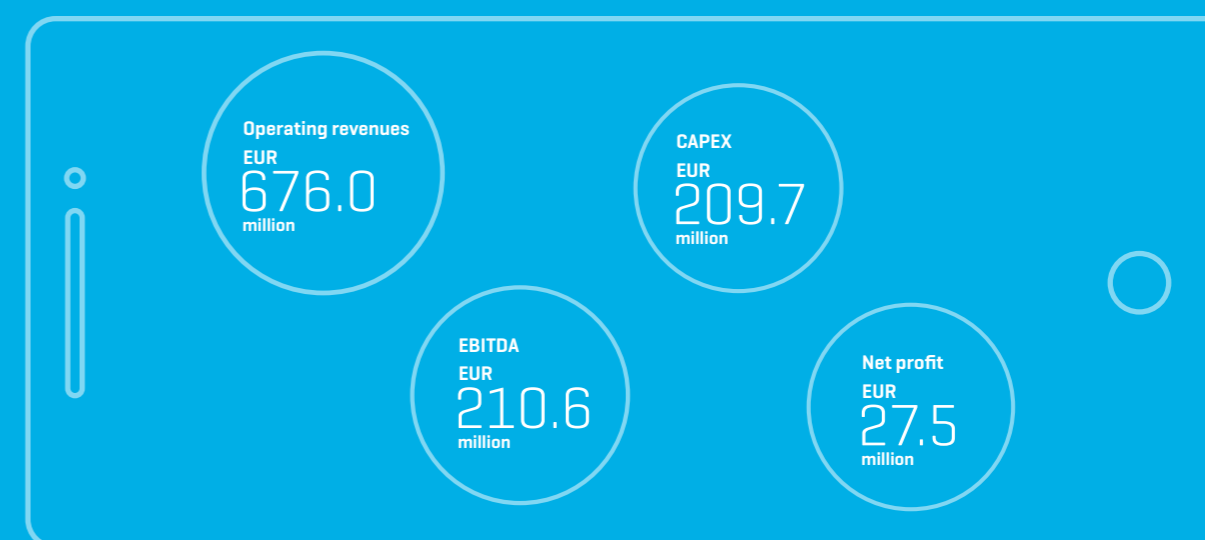
8 QUALITY

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 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 2020



1.8.4 ACHIEVEMENT OF PLANNED OBJECTIVES BY THE TELEKOM SLOVENIJE GROUP IN 2019

The Telekom Slovenije Group actively and successfully achieved the objectives for 2019 set out in the Strategic Business Plan for the period 2019 to 2023.

STRATEGIC OBJECTIVES FROM THE STRATEGIC BUSINESS PLAN AND THEIR REALISATION IN 2019

Strategic objective	Achieved in 2019
1. Maintaining our position on the mobile services market and increasing our share on the fixed services market	<ul style="list-style-type: none"> We maintain the highest market share in both the fixed and mobile services segments in Slovenia. Our market shares were as follows: 39.9% of the mobile telephone segment, 31.0% of the fixed broadband internet access segment and 47.1% of the IPTV segment (figures for fourth quarter of 2019). IPKO in Kosovo maintained its leading shares of the fixed broadband access market (31.4%) and mobile telephony segment (43.8%). We built 44,010 new fibre optic connections in 2019, and thus facilitate connections to the fibre optic network by more than 325,000 households in Slovenia.
2. New revenue sources	<ul style="list-style-type: none"> We offered users the new VALÚ smart wallet financial service. We continuously upgraded the NEO platform for smart living, which received numerous local and international recognitions during the first year since its launch. We began marketing the Cyber Security Operation Centre to external companies and organisations. Revenues from new sources were up by 42% in Slovenia, primarily due to higher electricity sales as the result of an increased number of customers. We completed the remote treatment pilot project – EkoSmart, which already includes patients from several healthcare institutions throughout Slovenia. Those patients are enrolled in one of four telemedicine treatment programmes. We provide users eCare services, and are implementing the Safe and Connected at Home project in that regard. At the end of 2019 that project included 36 Slovenian municipalities that subsidise services for their citizens. As part of the development of smart city services, we set up a central communication station in the Municipality of Zagorje ob Savi, which in the form of a smart street light to complement public lighting also facilitates the monitoring and analysis of different factors for the improved planning and management of resources, such as public lighting, parking spaces, municipal services, etc. We received the SIST EN 50518 certificate for the Security and Control Centre (SCC). We thus provide private security agencies all of the services of the primary and back-up SCC (management and control of technical security systems: fire-protection, anti-burglary and access, video surveillance, the controlled transmission of alarm messages, etc.).
3. Maintaining a superior network	<ul style="list-style-type: none"> We upgraded the fixed and mobile networks: there were 1,223 GSM base stations, 908 UMTS base stations and 1,250 LTE/4G base stations connected to a total of 1,263 locations in Slovenia at the end of 2019. We currently cover 99% of the population with the LTE network and 82% of the population with the LTE/4G+ network. An independent test conducted by the German company P3 confirmed the results of Telekom Slovenije's internal measurements: that Telekom Slovenije's mobile network is the best in Slovenia. Telekom received P3's 'Best in Test' certificate for its mobile network.

Strategic objective	Achieved in 2019
4. Consolidation on individual markets	<ul style="list-style-type: none"> Telekom Slovenije completed the sale of its 100% participating interest in Blicnet in Bosnia and Herzegovina, and began the sale of IPKO in Kosovo in 2019. Telekom Slovenije became the sole owner of Planet TV.
5. Simplification of processes, products and platforms	<ul style="list-style-type: none"> We continued with adaptations, generational exchanges and the development of IT support systems with the aim of digitalising key retail, wholesale and support processes and the Online Shop, the development of VALÚ services, and the development of systems for charging various services, portals and applications. To improve the user experience, we also facilitated the payment of invoices in Moj Telekom and offered additional products in the Online Store.
6. Optimal staffing structure	<ul style="list-style-type: none"> We upgraded the Sales Academy programme and expanded it with the S.M.A.R.T. advanced development-training programme with the aim of enhancing the competences of those employees who come into contact with users of our services in their work. The number of employees was down by 3% at the Group level and by 1% at Telekom Slovenije. The Group's labour costs were down by 1%. A total of 8.9% of Telekom Slovenije's employees were recognised as key and perspective personnel with development potential. The proportion of employees included in education and training was 92% at the Group level. Every Group employee received an average of 26.6 hours of training, while that figure was 34.4 hours at Telekom Slovenije.
7. Financial stability	<ul style="list-style-type: none"> We consistently fulfilled our financial commitments to banks. We secured reserve liquidity in the form of revolving loans. In May 2019 the Company included itself in SISBON, a system for exchanging information on the indebtedness of private individuals. In October we began the process of including the company in SISBIZ, a system for the exchange of information on the indebtedness of business entities.
8. Quality	<ul style="list-style-type: none"> We continued to implement the initiative to ensure an excellent user experience, in the scope of which we systematically monitor and improve the user's purchase process, and measure their satisfaction at more than 25 contact points. The parent company and subsidiaries passed all re-certification and regular assessments of compliance with the requirements of SIST EN ISO/IEC standards. We successfully upgraded the ISO 50001 standard to the latest version. We expanded the scope of the certification of the information security management system [ISO 27001] for the fourth year in a row. Through an information security management and business continuity management [ISM/BCM] system, we ensure the continuous and secure functioning of internal processes, ICT systems and services. For additional information, see section 2.9.5 Responsibility for quality management.
9. Social responsibility	<ul style="list-style-type: none"> As a sponsor and donator, we have supported humanitarian organisations and projects, and helped needy individuals for several years. To that end, we also support different projects for young people, cultural institutions and events, and sports associations and athletes. We earmarked a total of EUR 2.5 million or 0.4% of the Telekom Slovenije Group's operating revenues for socially responsible activities. We carry out activities to prevent and detect the abuse of electronic communications with the aim of protecting end-users and ensuring security. Telekom Slovenije is the founder of the Heart Foundation, the aim of which is to help the children of employees of Slovenian Telekom Slovenije Group companies who have lost one or both parents, or who are seriously ill.

FULFILMENT OF THE BUSINESS EXPECTATIONS OF THE TELEKOM SLOVENIJE GROUP FOR 2019

	Planned in 2019	Achieved in 2019
Operating revenues	EUR 711.9 million	EUR 681.7 million
EBITDA	EUR 216.0 million	EUR 205.4 million EUR 212.7 million*
Net profit	EUR 30.3 million	EUR 1.2 million EUR 27.4 million*
CAPEX	EUR 211.9 million	EUR 167.8 million

* Adjusted for one-off events.

1.8.5 SIGNIFICANT PROJECTS

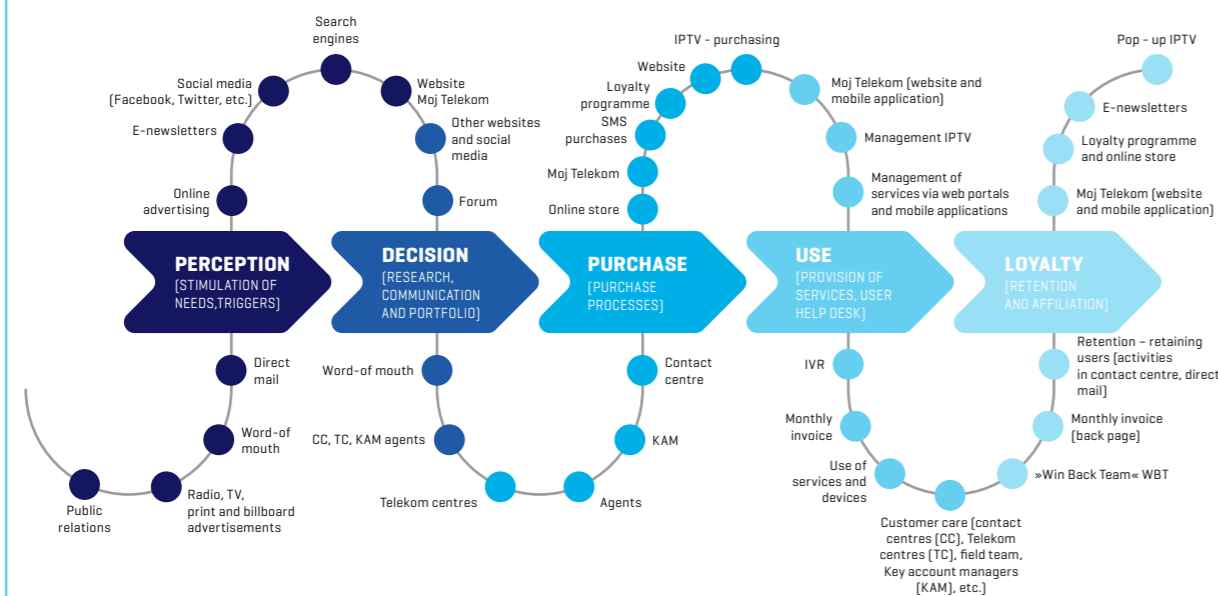
EXCELLENCE OF THE USER EXPERIENCE



Through an initiative to ensure the excellence of the user experience, we are setting higher standards of excellence and user friendliness. We optimised and standardised activities at the main contact points with users and, through the advanced S.M.A.R.T. training and development programme, further enhanced the competences of field technicians and advisers at Telekom centres and in the contact centre to ensure the excellence of the user experience.

In 2019 we reviewed all services through all contact points with users. To that end, we began to systematically monitor and improve the user's purchase process. The success of the project is also confirmed by the results, which indicate a positive trend in customer satisfaction.

The excellence of the user experience, through all contact points



PHYSICAL CONTACT POINTS

S.M.A.R.T. PROGRAMME



Through the innovative and advanced S.M.A.R.T. training programme, we are combining the latest trends in the areas of expertise, standards and digitalisation with the needs dictated by users. The programme is intended for improving the sales, communication and coaching skills of employees.

At the competence centre, a team of employees with coaching skills ensures that knowledge is continuously transferred to all employees who advise users at the main contact points.

We are building four key elements through standards and an innovative approach: a uniform approach, the raising of values, the development of competences and team work. The S.M.A.R.T. programme supports the vision, values and mission of Telekom Slovenije and Group companies.

NEO: A PLATFORM FOR SMART LIVING

The innovative NEO platform for smart living won over numerous users during its first year; more than 85% of users are satisfied with the NEO platform.

We were among the first in the world to make it possible for our users to manage content and their smart home in one place, with a Slovene-speaking voice.

At the same time, the platform is designed to be adaptable for use in any global language and via any operator.

With the NEO platform for smart living, Telekom Slovenije has also gained a sales channel, as it facilitates online purchases through the television. We thus simplified the purchase of products in the Online Store, which is continuously expanding its range of products and services, while users are able to make transparent purchases from the comfort of their own armchair. This is in line with the Company's vision, which is based on digitalisation and the creation of new opportunities.

With its simple use, responsive interface, superior solutions and massive potential for further development, NEO has also enthused the professional public and received numerous international awards and local recognitions, as reported in point 1.9 Significant events and achievements in 2019.

SMART INFRASTRUCTURE¹¹

By expanding the fibre optic access network, Telekom Slovenije is laying the infrastructure foundations for the future of the telecommunications activity. To that end, we facilitated the connection of an additional 44,010 Slovenian households to the fibre optic infrastructure in 2019, bringing the total number of potential household connections to more than 325,000.

We will continue to invest in the expansion and upgrading of the fibre optic broadband network in the future, while the modernisation of Telekom Slovenije's fibre optic access network will be carried out primarily where we expect the highest penetration rate relative to our investment and thus the highest revenues.



5G TECHNOLOGY¹²

We have been preparing intensively for some time for the introduction

of 5G, the next generation of mobile networks, as this involves long-term technological development. We are the only Slovenian operator that participated in several pan-European research projects. For the integrated commercial use of the 5G network, a country must issue a tender and allocate an additional frequency spectrum. The 5G network is thus expected to be available in Slovenia after 2020. See sections [2.8.1 Research and development of services](#) and [2.8.2 Access networks](#) for more information.

NEW REVENUE SOURCES

The development of new services outside of the core telecommunications activity is the Group's key strategic policy, as those new services will generate new revenue sources.

In the area of **advanced payment services**, we upgraded the mobile payment concept and presented a breakthrough solution: the VALÚ smart wallet, which is improving our position on the financial services market. The aforementioned service is not intended solely for payments using a mobile phone, a service that is on the rise in Slovenia, but primarily represents a new generation of financial solutions for the prompt and convenient use of inter-related

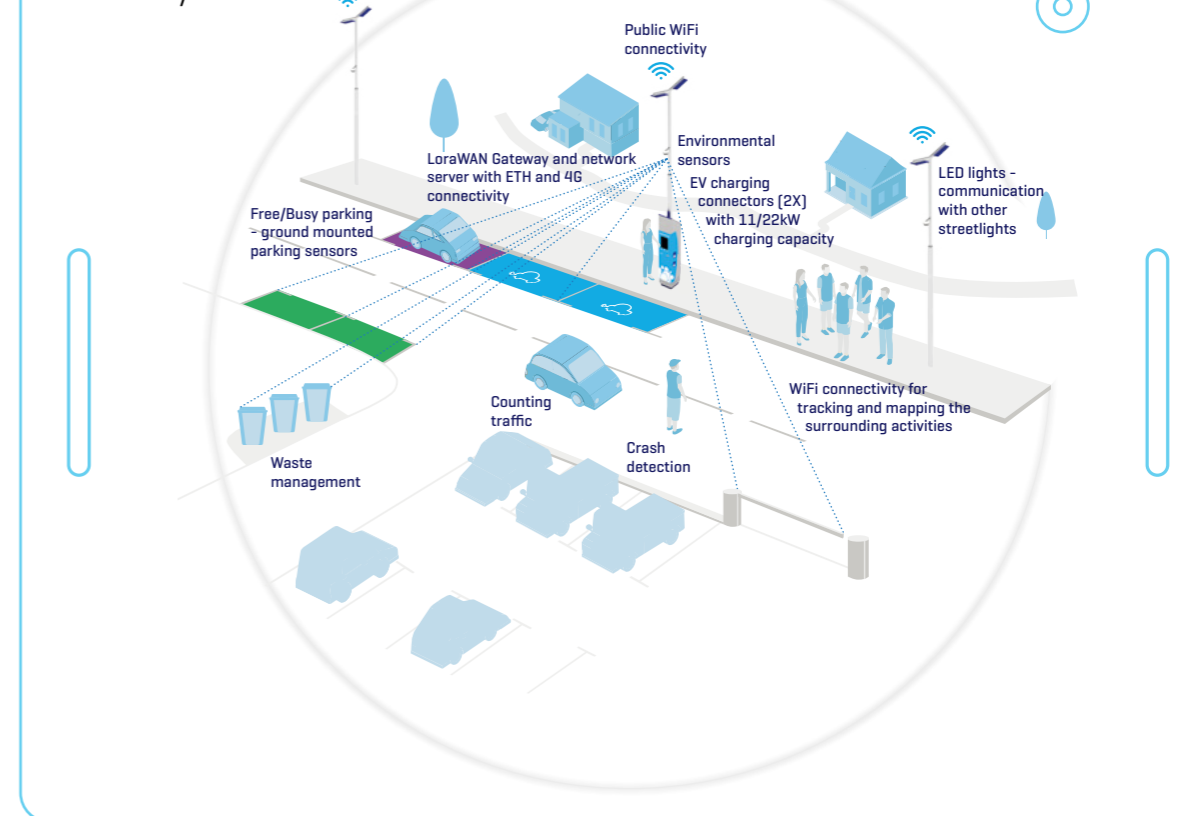
local services, and effective cash management. To that end, Moneta was renamed VALÚ Moneta, the main advantage of which remains the possibility of deferred payment. Due to the higher limit for purchases of digital content in the Google Play Store, which users settle via their monthly invoice from Telekom Slovenije, we doubled the use of the aforementioned service and thus increased the associated turnover and revenues.

We took an additional development step in the area of **smart cities** in 2019, with the establishment of a central communication station in the Municipality of Zagorje ob Savi, making the latter the first Slovenian municipality with the commercial use of smart city solutions.



Together with technological, development and infrastructure partners we developed a central communication station for smart cities in the form of a smart street light that facilitates numerous advanced solutions. The station facilitates the monitoring of parking capacity at a specific location and anonymous traffic counting, adjusts lighting to conditions in real-time and monitors key air quality parameters. It also facilitates the charging of electric vehicles and the inclusion of additional modules for the collection of desired data taking account of the needs of a specific location, as well as the checking of the weather forecast. Residents can also complete a short questionnaire regarding their satisfaction with development within the municipality, submit proposals for changes and improvements, report a damaged bench or statue, etc. This comprehensive solution is connected to a single platform for managing and monitoring factors for ensuring the improved quality of life. It is based on NB-IoT technology. The latter facilitates the effective mass communication of devices connected to the Internet of Things, and represents the next milestone in the development of fifth-generation [5G] mobile networks.

Sketch of a smart city



Insurance is also a service in which we made a step forward in 2019. We added smart watches to the range of devices that users may ensure, while we shortened the claims process to an average of seven days. Every third subscriber opts for insurance when they purchase a mobile device.

Through the development of smart services in the areas of **eHealth** and remote eCare, we are implementing the Company's strategy to ensure, as an advanced operator, comprehensive and long-term solutions in different areas of operations, work and living with the aim of improving the quality of life.¹³



3 GOOD HEALTH AND WELL-BEING

of integrated healthcare

and successfully completed the

telemedicine patient treatment

project. The system was part

of the international HOPE,

HoCare and ITCHA programmes,

recognised as international

example of best practices. In

addition to Telekom Slovenije,

which has developed and set-up

the technological infrastructure

(e.g. a telemedicine platform

and other ICT support), project

participants included the

Trebnje Health Centre, Ljubljana

University Medical Centre,

Golnik Clinic, National Institute

of Public Health and Faculty

of Medicine. With the help

of telemedicine, healthcare

institutions remotely monitored

and treated patients with

the most common chronic

diseases (chronic heart failure,

asthma, chronic obstructive

pulmonary disease, diabetes

and high blood pressure). The

services were tested by more

than 100 patients and more

than 30 healthcare workers

as part of a clinical study. That

clinical study proved the clinical

success and effectiveness of

treatment, and a reduction

in the number of premature

deaths, complications, visits,

hospitalisation and the

associated unnecessary costs.

The smart system of integrated healthcare

makes it possible for chronic patients to remain in constant contact with healthcare staff from anywhere (e.g. from their home environment), and to monitor vital functions, likewise from the home without visiting a clinic. A special remote care service is available to patients, the elderly, disabled persons and others requiring assistance to live independently in their home environment. One of the things that the aforementioned service facilitates is the detection of falls at home – eCare service.

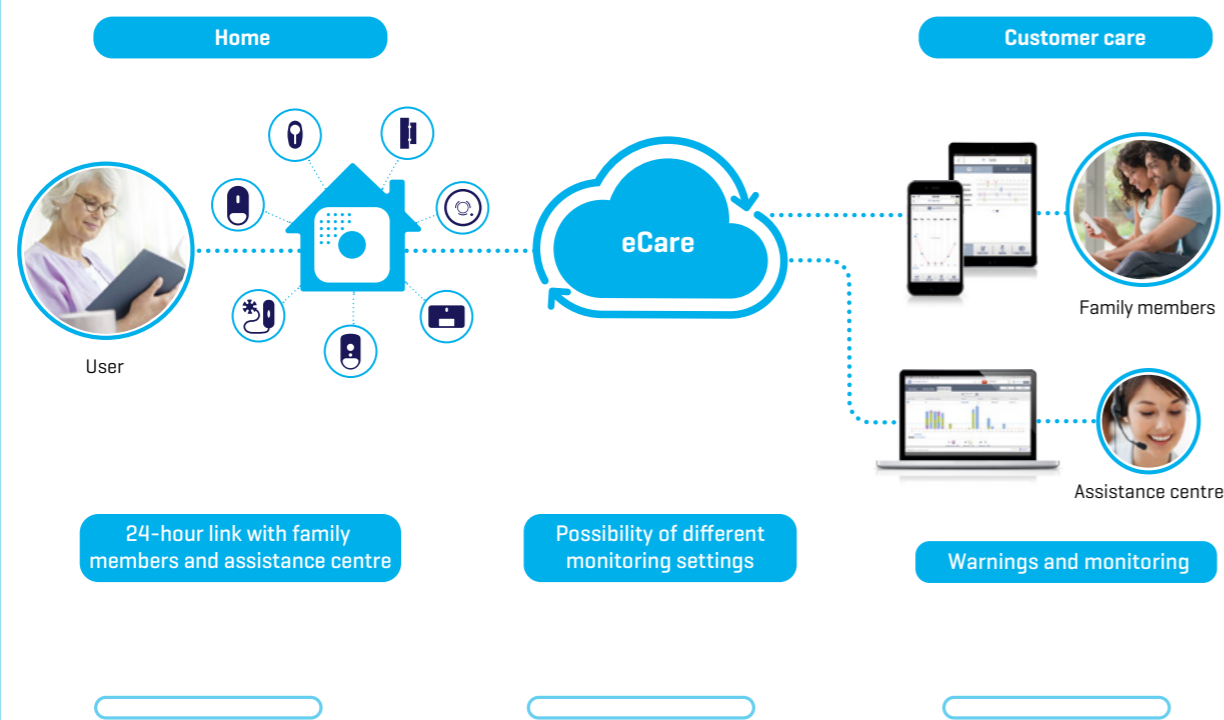
Using advanced technology, the eCare service provides the elderly, disabled persons and chronic patients **simplified emergency calls and a 24-hour link with an assistance centre**, and thus facilitates independent and safe living at home for a longer period of time. Telekom Slovenije provides



the aforementioned service based on authorisation from the Ministry of Labour, Family, Social Affairs and Equal Opportunities. Together with the Association of Pensioner Societies of Slovenia [ZDUS] and 36 municipalities, we are successfully implementing the Safe and Connected at Home project, in the scope of which elderly friendly municipalities and Telekom Slovenije are subsidising services. Based on a public tender, eCare was selected for the testing of the

draft Long-Term Care Act in three pilot environments [Krško, Celje and Dravograd]. Also offered in the pilot environments is the monitoring of vital functions in the home, i.e. changes in blood pressure, blood sugar levels, weight, blood oxygen level, etc. by healthcare staff in an assistance centre, the prompt identification of deviations in measurements and immediate action.

Illustration of the functioning of eCare



1.9 SIGNIFICANT EVENTS AND ACHIEVEMENTS IN 2019

FIRST QUARTER

JANUARY

- The Supervisory Board of Telekom Slovenije appointed Dr Vida Žurga to serve as member of the Management Board responsible for the area of finance, effective 1 February 2019.
- Telekom Slovenije is the only operator that makes it possible for Slovenian mobile telephony users to use the eSIM technology. 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.
- Telekom Slovenije completed the sale of its 100% participating interest in the subsidiary Blicnet, d. o. o., Banja Luka in January 2019.

FEBRUARY

- 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.

MARCH

- During an independent test conducted by the German company P3, Telekom Slovenije's mobile network proved to be the best in Slovenia. Telekom Slovenije thus received P3's 'Best in Test' certificate. That certificate

is valid for the global industry standard for measuring network quality and user satisfaction.

- Avtenta received the AAA Golden Creditworthiness Certificate of Excellence from the ratings agency Bisnode as a reliable, credible and trustworthy partner.

SECOND QUARTER

APRIL

- Telekom Slovenije was the first operator in Slovenia to upgrade 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. In addition to numerous new opportunities to develop innovative solutions, NB-IoT technology also represents the next milestone in the development of fifth-generation mobile networks.
- Telekom Slovenije's Supervisory Board was briefed on the decision of the President of the Management Board, Rudolf Skobe, MSc regarding the early termination of his term of office. An agreement to that effect was reached with him and signed on 16 April. Telekom Slovenije was headed by the Vice-President of the Management Board, Tomaž Seljak, MSc until the appointment of a new president.

JUNE

- In the scope of the Slojenčki [SLObaby] humanitarian campaign, Telekom Slovenije donated two CTG machines to the Postojna Women's and Maternity Hospital and the Department for Perinatology at the Maribor University Medical Centre.



- Telekom Slovenije and Sparkle, the leading Italian provider of international communication services and also one of the ten largest operators in the world, established a new international fibre optic connection that links Ljubljana and Milan.
- Ljubomir Rajšič resigned from his position on Telekom Slovenije's Supervisory Board, effective 18 June 2019. The President of the Supervisory Board Lidija Glavina tendered her resignation from her position, effective on the day of Telekom Slovenije's next General Meeting of Shareholders.

- Telekom Slovenije offered users the VALÚ smart wallet, through which it is solidifying its position on the financial services market. The VALÚ smart wallet is not intended solely for payments using a mobile phone, a service that is on the rise in Slovenia, but primarily represents a new generation of financial solutions for the prompt and convenient use of inter-related local services, and effective cash management.



- Telekom Slovenije successfully expanded its ISO 27001 information security certificate to include processes associated with integrated communication services and network services in the backbone network, which include services provided by the Cyber Security Operation Centre. Telekom Slovenije has committed to taking additional steps in the future to expand the certificate to the entire network.

THIRD QUARTER

JULY

- In accordance with the Telekom Slovenije Group's strategy for the period 2019 to 2023, Telekom Slovenije began activities to sell its 100% participating interest in IPKO Telecommunications LLC in Kosovo. Telekom

Slovenije will inform stakeholders of further procedures via the Ljubljana Stock Exchange's SEOnet system and its own website.

- Telekom Slovenije's Supervisory Board approved the appointment of Rolando Žel as the Managing Director of companies TSmedia d.o.o. and Antenna TV SL. It was also briefed on the resignation of member of the Management Board and Workers' Director Dean Žigon. Mr Žigon's term of office expired on the day a new member of the Management Board and Workers' Director was appointed.

AUGUST

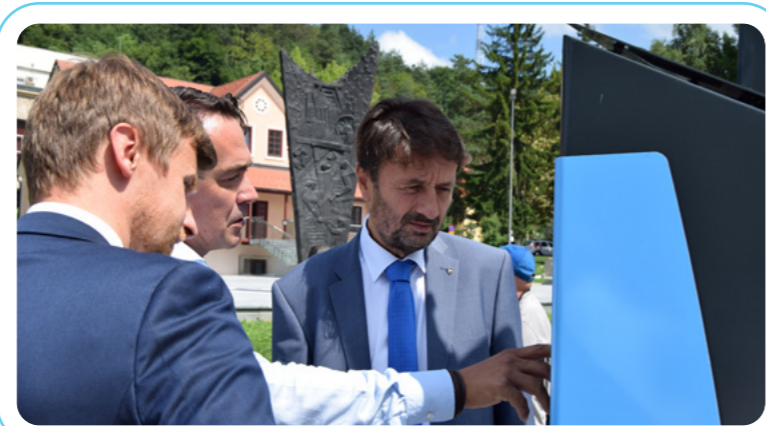
- Telekom Slovenije established a central communication station in the Municipality of Zagorje ob Savi. That station represents Telekom Slovenije's solution for smart cities, which in the form of a smart street light to complement public lighting also facilitates the monitoring and analysis of different factors for the improved planning and management of resources, such as public lighting, parking spaces, municipal services, etc. This is the first commercial use in Slovenia of a solution for smart cities that is based on the use

of NB-IoT [Narrowband Internet of Things] technology.

- Telekom Slovenije's Supervisory Board appointed Matjaž Merkan, MSc as President of the Company's Management Board, effective 16 September 2019.
- Shareholders at the 30th General Meeting of Shareholders of Telekom Slovenije supported the proposal of the Management Board and Supervisory Board to earmark distributable profit for the 2018 financial year for the payment of dividends in the amount of EUR 29,274,651.00, representing a gross dividend of EUR 4.50 per share, and to bring forward the remainder in the amount of EUR 9,711,673.96 to the next year. The General Meeting of Shareholders conferred official approval on the Management Board and Supervisory Board for the 2018 financial year, and appointed Barbara Cerovšek Zupančič, MSc and Igor Rozman to serve as members and shareholder representatives on the Supervisory Board.

SEPTEMBER

- Telekom Slovenije's Supervisory Board appointed Špela Fortin to serve as member of the Management Board and Workers Director, effective 14 September 2019.



- Telekom Slovenije made available to its users the Da Vinci Kids optional programme with educational video content for kids aged 6 to 12 years. That application is available in Slovenian exclusively through Telekom Slovenije.



FOURTH QUARTER

OCTOBER

- Telekom Slovenije established SIOL Prishtina L.L.C. for the comprehensive management of the regional fibre optic network.
- Telekom Slovenije and Samsung joined forces again last October to support international breast cancer awareness month through the sale of the Samsung Galaxy A30s Pink Ribbon. The two companies presented the president of the Europa Donna Slovenia Association a donation in the amount of EUR 10,000 at the end of the aforementioned campaign.

NOVEMBER

- Telekom Slovenije received a decision from the International Court of Arbitration in arbitration proceedings between Telekom Slovenije and Antenna Slovenia B.V. The aforementioned court ruled that Antenna Slovenia B.V. correctly exercised its put option for a 34% participating interest in Antenna TV SL. Telekom Slovenije was

ordered to pay consideration for the aforementioned 34% participating interest in Antenna TV SL in the amount of EUR 17,595,000.00, together with default interest and procedural costs.

- To raise awareness about prostate cancer, Telekom Slovenije and Samsung donated a portion of the proceeds from the sale of Samsung Galaxy S10+ and Samsung Galaxy A70 phones to the Slovenian Oncology Association for Men [Slovensko onkološko društvo za moške OnkoMan]. That donation amounted to EUR 5,000.



DECEMBER

- On 10 December 2019 the Supervisory Board appointed then Vice-President Tomaž Seljak, MSc to a four-year term of office as President of Telekom Slovenije's Management Board. Mr Seljak also headed the Company, with full authorisations, from 16 April to 15 September, and then from 14 November on. The Supervisory Board appointed Matjaž Beričič, MSc to serve as member of the Management Board responsible for the area of technology. Mr Beričič began his four-year term of office as member of the Company's Management Board on 10 December 2019.
- After Telekom Slovenije implemented the decision of the International Court of Arbitration of 31 October 2019 in arbitration proceedings between Telekom Slovenije and Antenna Slovenia B.V., the transfer of the latter's 34% participating

interest in Antenna TV SL to Telekom Slovenije was entered in the business and companies registers in the Republic of Slovenia on 3 December 2019. Telekom Slovenije thus became the sole owner of Antenna TV SL. Together with the entry of the transfer of the aforementioned participating interest, Telekom Slovenije changed the company's name from Antenna TV SL to Planet TV, adopted new articles of association and recalled the company's Managing Director Petra Šušteršič, effective 30 November 2019. Rolando Žel has managed Planet TV independently since 1 December 2019.

- On 18 December 2019 Telekom Slovenije and Telekomunikacije Republike Srpske completed all activities for the setting of consideration in the sale of the former's 100% participating interest in Blicnet. Following the definition of variable items, final consideration amounted to EUR 35,355,566.00.
- Instead of buying New Year's greeting cards, Telekom Slovenije earmarked EUR 10,000 for a charitable purpose. The funds were donated to the Chain of Good People project, organised by the Ljubljana Moste-Polje chapter of the Friends of Youth Association, for the purpose of helping families with young children in distress. More than 700 families received assistance in the scope of the aforementioned project in the last year.

Significant events after the balance sheet date are presented in the financial report in point 49. **Events after the reporting date.**

RECOGNITIONS AND AWARDS RECEIVED IN 2019:

- **Effie Slovenija** – Telekom Slovenije received the 2018 Effie award for most effective advertiser in Slovenia and most effective brand, a Silver 2018 Effie for the Modri svet [Blue World] campaign, a Bronze 2018 Effie for the Vi podpirate Slovenijo, mi skrbimo za vas [You Support Slovenia, We Take Care of You] campaign and was a finalist for the Za naše [For Our Own] campaign.
- **WEBSI Online Winners** – Telekom Slovenije captured the highest awards in the 'Video' category for the NekiNeki YouTube channel and in the 'Social Network' category for its 2019 XMAS advent calendar.
- **Slovenian Advertising Festival** – Telekom Slovenije received a Gold Medal in the 'Integrated Communications' category for the Vse dobro. Darila dobra. [All is well. If the gifts are good] campaign and a Silver medal in the 'Reach' category.
- **DIGGIT** – The NekiNeki YouTube channel received a Gold Medal in the 'Media and entertainment' category.
- **SEMPLE** – Telekom Slovenije received the Gold Sempler for best social network campaign.
- **Avtenta** – Avtenta received the title of SAP Gold Partner in 2019 and the Bisnode AAA Golden Creditworthiness Certificate of Excellence, while Enis Zornič and Klemen Požin from Avtenta were the winners in the international SACKathon competition.
- **Trusted Brand 2019** – Telekom Slovenije was recognised again in 2019 as the most trustworthy brand in the mobile telephony and internet services category.



NEO – A GLOBALLY AWARDED PLATFORM FOR SMART LIVING

In the year since it was launched, NEO has received numerous **international and local** awards and recognitions.

- In the German Design Award competition, the NEO remote control won in the entertainment product category.
- In the global VideoTech Innovation Awards competition, NEO received recognition for the best user experience.
- NEO was named best platform in the 'Best IoT product technology or application' category at the CSI Awards 2019 and was a finalist in the 'Best TV user experience' category.
- NEO received the 'Honoree' award in the 'Tech for a Better World Product' category at CES 2019 and was a finalist in the 'Advanced TV Innovation of the Year' category at the CIA [Content Innovation Awards].
- NEO also received the Bronze Medal for Innovations in the region of Central Slovenia from the Chamber of Commerce and Industry of Slovenia, and was best in the 'Advanced Technology Use' category in the WEBSI competition. It was also winner of the Silver Medal in the 'Brand Management' category at the Slovenian Advertising Festival.



1.10 CORPORATE GOVERNANCE STATEMENT

Telekom Slovenije, d. d. [hereinafter: Telekom Slovenije] hereby issues its corporate governance statement in accordance with the fifth paragraph of Article 70 of the Companies Act, and the recommendations of the Corporate Governance Code and the Corporate Governance Code for Companies with Capital Assets of the State.

The corporate governance statement is an integral part of the audited annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2019. It relates to the period 1 January 2019 to 31 December 2019. The corporate governance statement is accessible in electronic form, for a minimum of five years from the date of its publication, on the Company's website at <https://www.telekom.si/en/about-us/company/corporate-governance> and in the Ljubljana Stock Exchange's electronic information system at <http://seonet.ljse.si>.

1.10.1 CORPORATE GOVERNANCE POLICY

Corporate governance at Telekom Slovenije and within the Telekom Slovenije Group is based on the following principles and guidelines:

- the Corporate Governance Policy of Telekom Slovenije, d. d., which was initially adopted in December 2011 and last updated on 13 February 2020,
- the Corporate Governance Rulebook of the Telekom Slovenije Group, which was adopted on 22 August 2017, and
- the Instructions on the Implementation of the Corporate Governance Rulebook of the Telekom Slovenije Group, which were adopted on 18 February 2020.

The Corporate Governance Policy defines a system for segregating responsibilities and competences between members of management and supervisory bodies, the role of Supervisory Board's committees and the protection of employees' interests. It also defines groups of stakeholders, a strategy for communication and cooperation with those groups, a policy governing links between the Company and its subsidiaries, and a commitment to identify conflicts of interest and to ensure the independence of members of the Supervisory Board and Management Board.

The Supervisory Board and Management Board adopt updates to the Corporate Governance Policy, taking into account current guidelines in the area of corporate governance, as well as binding regulations and best practices.

The Corporate Governance Rulebook of the Telekom Slovenije Group defines the rules, criteria and mechanisms for managing and supervising companies in the Telekom Slovenije Group. The Instructions on the Implementation of the Corporate Governance Rulebook of the Telekom Slovenije Group defines the way in which the corporate governance of subsidiaries is implemented in individual areas.

The Management Board and Supervisory Board function in accordance with the law and other regulations, the Articles of Association of Telekom Slovenije, d. d. [hereinafter: the Articles of Association], and the rules of procedure of the Management Board and Supervisory Board.

The Corporate Governance Policy of Telekom Slovenije, d. d., the rules of procedure of the Management Board and the other documents linked to corporate governance are publicly accessible on the website www.telekom.si, under <https://www.telekom.si/en/about-us/company/corporate-governance>.

1.10.2 STATEMENT OF COMPLIANCE WITH THE CODE

Telekom Slovenije, as a public interest entity whose securities are traded on the regulated securities market, and as a company with capital assets of the State, took into account the corporate governance recommendations set out in the following documents to the greatest extent possible during the 2019 financial year:

- the **Corporate Governance Code** adopted by the Ljubljana Stock Exchange and the Slovenian Directors' Association on 27 October 2016. The code entered into effect on 1 January 2017 and is published on the website www.ljse.si;

- The **Corporate Governance Code for Companies with Capital Assets of the State**, which was adopted by Slovenski državni holding, d. d. in May 2017, and the **Recommendations and Expectations of Slovenski državni holding** from March 2018 (both documents are published on the website www.sdh.si); and
- The **Recommendations to Public Companies Regarding Notification**, which were adopted by the Ljubljana Stock Exchange on 8 May 2017 and 19 August 2019, entered into force on 2 September 2019 and are published on the website www.ljse.si.

In its work and operations, Telekom Slovenije also complies with the guidelines set out in the Code of Ethics of the Telekom Slovenije Group of 1 February 2017 (published on the Company's website at www.telekom.si).

STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Telekom Slovenije explains below deviations from individual recommendations set out in the aforementioned code:

President of the Supervisory Board

Recommendation 15.3:

Telekom Slovenije deviated in part from this recommendation in 2019, as the President of its Supervisory Board also chaired the Strategy Committee. Telekom Slovenije has complied in full with this recommendation since a change in the composition of the Supervisory Board on 30 August 2019.

Publication of rules of procedure of bodies

Recommendation 29.9:

Telekom Slovenije deviates in part from this recommendation, as it has just published the rules of procedure of certain bodies on its website.

STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE FOR COMPANIES WITH CAPITAL ASSETS OF THE STATE

Telekom Slovenije explains below deviations from individual recommendations set out in the aforementioned code:

Supervisory board

Recommendation 6.12:

The effectiveness of the work of the Supervisory Board was not assessed in 2019. Due to the constitution of a new Supervisory Board in September 2019, the assessment of the effectiveness of that body's work was carried out in February 2020.

Recommendation 6.13.2:

Telekom Slovenije deviates in part from this recommendation. Given the current relevance and complexity of individual matters, the Supervisory Board's Audit Committee met at an average of one session a month, which exceeds the recommended number.

Transparency of operations and reporting

Recommendation 8.3:

Telekom Slovenije deviates in part from this recommendation. The Company does not disclose the employment earnings of employee representatives of the Supervisory Board in its annual report because it does not have their consent. This recommendation was struck from the revised Code, which entered into effect on 1 January 2020. Telekom Slovenije will issue a statement of compliance with the revised Code for the 2020 financial year. Telekom Slovenije and Telekom Slovenije Group companies disclose the earnings of management and supervisory bodies in their annual reports in accordance with the provisions of the Access to Public Information Act.

Telekom Slovenije will issue a statement of compliance with the revised Corporate Governance Code for Companies with Capital Assets of the State, which was adopted by SDH in November 2019 and entered into force on 1 January 2020, for the 2020 financial year.

RECOMMENDATIONS AND EXPECTATIONS OF SLOVENSKI DRŽAVNI HOLDING

Telekom Slovenije complies with recommendations and expectations in practice to the greatest extent possible. Telekom Slovenije's position regarding the recommendations and expectations of Slovenski državni holding is published on the Company's official website <https://www.telekom.si/en/about-us/company/corporate-governance>.

1.10.3 MANAGEMENT AND SUPERVISORY BODIES

The governing bodies of Telekom Slovenije are the General Meeting of Shareholders, Supervisory Board and Management Board. Governance is carried out according to a two-tier system of governance that comprises the Management Board and Supervisory Board.

GENERAL MEETING OF SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Telekom Slovenije ensures the equal treatment and consistent exercising of the rights of all shareholders through its corporate governance system and communication strategy for shareholders and other stakeholders.

The Company convenes the General Meeting of Shareholders at least once a year, when it benefits the Company or whenever required in accordance with the law and Articles of Association. The date that the convening of the General Meeting of Shareholders is published on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services is deemed the official date of that convocation and the date from which the deadlines set out in the ZGD-1 apply. Shareholders exercise their rights at the General Meeting of Shareholders in person or through authorised representatives. The convening, competences and functioning of the General Meeting of Shareholders are set out in the ZGD-1, the Company's Articles of Association and the rules of procedure of the General Meeting of Shareholders.

Shareholders have the right to participate in the management of the Company, the right to dividends and the right to an appropriate share of residual assets after the Company's liquidation or bankruptcy. Shareholders exercise their right to information at the General Meeting of Shareholders in accordance with paragraph 1 of Article 305 of ZGD-1. Detailed information regarding shareholders' rights set out in paragraph 1 of Article 298, paragraph 1 of Article 300, Article 301 and Article 305 of ZGD-1 are available on the Company's website at [<https://www.telekom.si/en/investor-relations/shareholders-meeting>].

Shareholders who are entered in the central register of securities at KDD (Central Securities Clearing Corporation) at the close of business four days prior to the General Meeting of Shareholders (cut-off day) are entitled to participate and vote at the General Meeting of Shareholders, if they have registered in writing at least three days prior to the General Meeting of Shareholders.

Telekom Slovenije's shareholders met at the 30th General Meeting of Shareholders held on 30 August 2019, when 80.1% of shares with voting rights were represented. At the General Meeting of Shareholders, the Company's shareholders:

- were briefed on the written report of the Supervisory Board on the approval of the annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2018, and on the remuneration of the Management Board and Supervisory Board in 2018;
- approved the proposed use of distributable profit for the 2018 financial year;
- conferred official approval on the Management Board and Supervisory Board for the 2018 financial year; and
- were briefed on changes to the Supervisory Board and elected two new members to that body.

No challenges were announced.

The resolutions of the General Meeting of Shareholders and documentation from previous meetings are published on the Company's website. According to the Company's [financial calendar](#), the 31st General Meeting of Shareholders for 2019 is planned for 5 June 2020.



MANAGEMENT BOARD¹⁴

Composition of the Management Board

Telekom Slovenije's Management Board comprises five members who are appointed for a four-year term of office. They are appointed by the Company's Supervisory Board, taking into account the relevance of their expertise and managerial competences. Pursuant to the Company's Articles of Association, any person who, in addition to meeting the relevant legal requirements, has a university-level qualification, at least five years of work experience in management positions and active knowledge of at least one foreign (global) language, and who fulfils other conditions defined by the Supervisory Board may be appointed as a member of the Management Board. These conditions do not apply to the Worker's Director as member of the Management Board. Those conditions and criteria are defined jointly by the Supervisory Board and Works Council.

On 8 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.

On 16 April 2019, Telekom Slovenije's Supervisory Board was briefed on the decision of the President of the Management Board, Rudolf Skobe, MSc regarding the early termination of his term of office. An agreement to that effect was reached with him on the same day. The Company was headed by the Vice-President of the Management Board, Tomaž Seljak, MSc until the appointment of a new president.

On 27 August 2019 Matjaž Merkan, MSc was appointed to serve as President of the Company's Management Board, effective 16 September 2019. Mr Merkan resigned from his position as President of the Management Board for personal reasons on 14 November 2019. The Company was headed by the Vice-President of the Management

Board, Tomaž Seljak, MSc, with full authorisations, until the appointment of a new president.

On 10 December 2019 the Supervisory Board appointed then Vice-President of the Management Board, Tomaž Seljak, MSc, to serve as President of that body. At the same meeting, the Supervisory Board appointed Matjaž Beričić, MSc to serve as member of the Management Board. The four-year terms of office of both men began on 10 December 2019.

On 31 July 2019 the Supervisory Board was briefed on the resignation of member of the Management Board and Workers' Director Dean Žigon. Mr Žigon's term of office expired on the day a new member of the Management Board and Workers' Director was appointed. On 13 September 2019 the Supervisory Board appointed Špela Fortin to serve as member of the Management Board and Workers Director based on the proposal of Telekom Slovenije's Works Council. Ms Fortin's four-year term of office began on 14 September 2019.

The composition of the Management Board was as follows in the period 2019 to 2020 (until the date of publication of the annual report):

Name	Office	Area of work on the Management Board	First appointment to function	Completion of function / term of office	Gender	Nationality	Year of birth	Education / professional profile	Membership in supervisory bodies of unaffiliated companies
Tomaž Seljak, MSc	Vice-President	ICT and Network Services, Access Networks, and the subsidiaries GVO, SIOL, Zagreb, SIOL, Podgorica, SIOL Sarajevo, SIOL Skopje, SIOL DDO Belgrade and SIOL, Prishtina.	1 May 2014	9 December 2019	Male	Slovenian	1972	Holds a master's degree and bachelor's degree in electrical engineering.	
	President	Office of the Management Board, Human Resource Management and General Affairs, Internal Audit, Public Relations, Legal Affairs and Regulation, Security and the subsidiaries IPKO and T.Sinpo.	10 December 2019	10 December 2023					
Dr Vida Žurga	Member	Finance and Accounting, Controlling and Strategy, Wholesale, Procurement, Logistics and Real Estate, and the subsidiaries T.Smedia and Planet TV.	1 February 2019	1 February 2023	Female	Slovenian	1984	Holds a doctorate degree in science and a bachelor's degree in economics, and is an experienced internal auditor.	
	Vice-President of the Management Board		22 January 2020	1 February 2023					
Matjaž Beričić, MSc	Member	ICT and Network Services, Access Networks, and the subsidiaries GVO, SIOL, Zagreb, SIOL, Podgorica, SIOL Sarajevo, SIOL Skopje, SIOL DDO Belgrade and SIOL, Prishtina.	10 December 2019	10 December 2023	Male	Slovenian	1974	Holds a master's degree and bachelor's degree in electrical engineering.	
Špela Fortin	Member of the Management Board – Workers Director	Responsibilities derive directly from the law.	14 September 2019	14 September 2023	Female	Slovenian	1978	Business college student.	
Ranko Jelača	Member	B2C, B2B, Central Marketing, and the subsidiaries Avtenta and Soline.	15 March 2016	15 March 2020	Male	Slovenian/ Croatian	1977	Holds a bachelor's degree in economics.	Member of the Supervisory Board of IEDC – Bled Business School and member of the strategic council of ABCITI.
Rudolf Skobe, MSc	President	Office of the Management Board, Human Resource Management, Internal Audit, Public Relations, Legal Affairs, Security and the subsidiaries IPKO and T.Sinpo.	1 September 2012	16 April 2019	Male	Slovenian	1973	Holds a master's degree in management and organisation, and a bachelor's degree in electrical engineering.	
Matjaž Merkan, MSc	President	Office of the Management Board, Human Resource Management, Internal Audit, Public Relations, Legal Affairs, Security and the subsidiaries IPKO and T.Sinpo.	16 September 2019	14 November 2019	Male	Slovenian	1969	Holds master's and bachelor's degrees in engineering physics.	
Dean Žigon	Member and Workers' Director	Responsibilities derive directly from the law.	24 April 2018	13 September 2019	Male	Slovenian	1971	General secondary education in the field of retail management.	

Work of the Management Board

The Management Board manages transactions and represents the Company independently, and is liable for its own actions in that regard. It makes decisions that are in line with the Company's strategic objectives and in the interest of shareholders and other stakeholders, taking into account the principles of sustainable development and the interests of other stakeholders.

The Management Board met at 61 regular and 14 correspondence sessions in 2019. It drew up the Strategic Business Plan of the Telekom Slovenije Group for the period 2020 to 2023, and carried out activities to achieve the objectives set out in the current strategic plan.

In accordance with the Telekom Slovenije Group's strategy for the period 2019 to 2023, which envisages the possibility of further consolidation through expansion or divestment on the markets where the Group operates, the Management Board adopted a decision to begin activities to sell the Company's 100% participating interest in IPKO Telecommunications LLC in Kosovo. The Management Board adopted a decision to establish SIOL Prishtina L.L.C. for the comprehensive management of the regional fibre optic network.

The Management Board also adopted numerous business decisions and carried out activities that included the following:

- ensuring development and the achievement of established objectives;
- the introduction of new and upgraded services, and the development of services for foreign markets;

- the expansion of activities and the portfolio to new areas, in particular cyber security, smart cities and financial services;
- improvement of the user experience;
- the upgrading of the comprehensive portfolio of ICT services;
- the expansion and upgrading of networks and technologies;
- the optimisation and rejuvenation of the staffing structure; and
- the optimisation of business processes.

Remuneration of the Management Board

The remuneration, composition and amount of earnings of the Management Board are set out in members' employment contracts, taking into account the Act Governing the Earnings of Management Staff at Companies Under the Majority Ownership of the Republic of Slovenia and Self-Governing Local Communities [ZPPOGD].

The Supervisory Board sets objectives for the Management Board for every financial year, based on the approved annual business plan and certain key indicators. The Management Board's objectives comprise quantitative and qualitative objectives, as well as financial and non-financial objectives that are defined for the purpose of monitoring the performance of Management Board members.

The conditions for profit sharing by the Management Board are governed by the Articles of Association. The earnings of the Management Board in 2019 are presented in the Financial Report in point 44. [Related party transactions.](#)

SUPERVISORY BOARD

Composition of the Supervisory Board¹⁵

The Supervisory Board comprises a total of nine members, six of whom are shareholder representatives and three of whom are employee representatives.

At the General Meeting of Shareholders held on 30 August 2019, shareholders were briefed on the resignation of Ljubomir Rajšič and Lidija Glavina as members of the Supervisory Board and shareholder representatives. Ljubomir Rajšič's term of office came to an end on 18 June 2019, and the term of office of Lidija Glavina on the date of the general meeting, i.e. on 30 August 2019. The general meeting appointed Barbara Cerovšek Zupančič, MSc and Igor Rozman to serve as members and shareholder representatives on the Supervisory Board with a four-year term of office, beginning on 30 August 2019.

The composition of the Supervisory Board is diverse in terms of knowledge, skills, experience, professional qualifications, age, gender, work methods and other aspects.

At the session held on 13 September 2019, Telekom Slovenije's Supervisory Board appointed Barbara Kúrner Čad to serve as President of the Supervisory Board and Barbara Gorjup, MSc to serve as Vice-President and shareholder representative of the same body. Drago Kijevčanin was also appointed Vice-President and employee representative.

The Supervisory Board comprised the following members in 2019:

Name	Office	First appointment to function	Completion of function / term of office	Gender	Nationality	Year of birth	Education / professional profile	Independence in accordance with Article 23 of the Code	Existence of conflicts of interest during the financial year	Membership in supervisory bodies of other companies	Employment
Shareholder representatives											
Barbara Kúrner Čad	President	27 April 2017	27 April 2021	Female	Slovenian	1964	Holds a bachelor's degree in law.	YES	NO		Attorney at the Čad Law Firm
Barbara Gorjup, MSc	Vice-President	27 April 2017	27 April 2021	Female	Slovenian	1973	Holds a master's degree in international economics.	YES	NO	HSE, d. o. o.	Managing Director of Baklus, d. o. o.
Bernarda Babič, MSc	Member	27 April 2013	27 April 2021	Female	Slovenian	1966	Holds a master's degree in business policy and organisation, with a major in banking.	YES	NO	Terma Orlimia, d. d.	Assistant to the Managing Director of Slovenske železnice, d. o. o.
Dimitrij Marjanovič	Member	13 May 2016	13 May 2020	Male	Slovenian	1970	Holds a bachelor's degree in economics.	YES	NO	Iskra ESV, d. d.	Senior manager in the Financial Management Department at Slovenski državni holding, d. d.,
Barbara Cerovšek Zupančič, MSc	Member	30 August 2019	30 August 2023	Female	Slovenian	1975	Holds a master's degree in national and European studies, and a degree in administrative organisation.	YES	NO		Member of the Management Board of Deželna banka Slovenije, d. d.
Igor Rozman	Member	30 August 2019	30 August 2023	Male	Slovenian	1959	Holds a bachelor's degree in computer engineering.	YES	NO		Expert in the areas of television production, programme production systems and information systems at RTV Slovenija.
Lidija Glavina	President	27 April 2017	30 August 2019	Female	Slovenian/ Italian	1969	Dottore Magistrale, Italy (comparable with second-cycle higher education in the Republic of Slovenia)	YES	NO		President of the Management Board of Slovenski državni holding, d. d., where she was employed until 14 July 2019.
Ljubomir Rejšič	Member	27 April 2017	18 June 2019	Male	Serbian	1949	Holds a bachelor's degree in electrical engineering.	YES	NO	NO	Retired
Employee representatives											
Drago Kijevčanin	Vice-President	19 September 2018	14 November 2021	Male	Slovenian	1964	Telecommunications engineer	YES	NO	NO	Telekom Slovenije, ICT and Network Services, President of the SELEKS trade union, member of the Works' Council.
Dušan Pišek	Member	19 September 2018	14 November 2021	Male	Slovenian	1964	Telecommunications engineer	YES	NO	NO	Telekom Slovenije, ICT and Network Services, Head of the ICT Services Team, President of the Works' Council.
Jana Žizek Kuhar	Member	19 September 2018	14 November 2021	Female	Slovenian	1974	Holds a degree in economics.	YES	NO	NO	Telekom Slovenije, Procurement, Logistics and Real Estate, member of the Works Council.

Work of the Supervisory Board

The Supervisory Board met at fourteen sessions in 2019. Five sessions were held as correspondence sessions.

It ensured the responsible and high-quality supervision of the operations of the Company and the Telekom Slovenije Group in 2019. The Supervisory Board discussed different aspects of operations and monitored the implementation of plans. Specific topics were discussed in advance by the Supervisory Board's committees. Based on the findings, proposals and assessments of committees, the Supervisory Board adopted the appropriate decisions.

The Supervisory Board performed its work in accordance with the powers and competences prescribed by the law, the Company's Articles of Association and its own rules of procedure. Members are fully liable for the performance of their supervisory function and make their decisions independently. All members of the Supervisory Board submitted statements of compliance with the criteria of independence in accordance with the Corporate Governance Code (the statements are published on the Company's website at: <https://www.telekom.si/Documents/izjave-za-letno-2019.pdf>).

Composition and functioning of Supervisory Board committees

The Supervisory Board had four permanent committees during the year: the Audit Committee, Technical Committee, HR Committee and Strategy Committee. The aforementioned committees

Name	Nationality	Education	Year of birth	Professional profile	Membership in supervisory bodies of other companies
Barbara Nose	Slovenian	Holds a bachelor's degree in economics and specialises in the auditing of accounting	1964	Auditing and accounting	Member of the Supervisory Board of Luka Koper, d. d.

The Audit Committee met in ten ordinary sessions and held one correspondence session in 2019. As a rule, all members were present at session. Members of the Supervisory Board who are not members of the Audit Committee were kept abreast about the latter's work by viewing the minutes of the committee's sessions. The chair of the Audit Committee also regularly reported on the committee's work and findings at sessions of the Supervisory Board. The Audit Committee addressed issues in accordance with the ZGD-1, recommendations for the work of audit committees, the Audit Committee's rules of procedure, its work plan adopted for 2019 and the resolutions of Telekom Slovenije's Supervisory Board.

discussed individual areas of expertise in accordance with their respective competences and tasks. The composition and most important tasks of individual committees in 2019 are described below:

Following a change in the members of the Supervisory Board, that body reconstituted its committees at its session of 13 September 2019, except the Technical Committee, which it appointed on 6 November 2019.

The **Audit Committee** assists the Supervisory Board in its supervision of financial reporting, internal controls and risk management, and in cooperation with external and internal auditors. The Audit Committee's key tasks with respect to corporate governance are to function for the good of the Company and to protect the interests of its stakeholders.

The Audit Committee's members were as follows as at 31 December 2019:

- Dimitrij Marjanović (chair),
 - Barbara Gorjup, MSc (deputy chair),
 - Barbara Cerovšek Zupančič, MSc,
 - Drago Kijevčanin, and
 - Barbara Nose (external member).
- Bernarda Babič, MSc served as chair of the Audit Committee until 12 September 2019.

Information regarding the members of the Audit Committee who are also members of the Supervisory Board is presented in the table detailing the members of the Supervisory Board on page 45, while information regarding external members is presented in tables detailing the members of committees.

Key tasks performed by the **Audit Committee** in 2019 were as follows:

- it monitored and discussed financial reporting procedures, and monitored the progress of the external audit of the annual financial statements of the Telekom Slovenije Group and Telekom Slovenije;
- it discussed the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2018;
- it discussed the Internal Audit Service's reports regarding specific audits and the implementation of issued recommendations;
- it discussed the annual report on the work of the Internal Audit Service for 2018 and the service's work plan for 2019, and discussed its independence in the absence of the Management Board;
- it periodically monitored the risk management system, the functioning of internal controls, compliance, reports on lawsuits and supervision proceedings, and reports on notifications;
- in accordance with the Guidelines for Ensuring the Independence of the Auditor of the Financial Statements of the Telekom Slovenije Group, which define the methods and procedures for monitoring the independence and impartiality of the auditor of financial statements, as well as protective measures, the selection of the auditor and procedures for non-audit services:
- it monitored and discussed all transactions with audit firms and assessed the independence of the certified auditor of the financial statements of the Telekom Slovenije Group and Telekom Slovenije; and

- it assessed the quality of the work of the certified auditor of the financial statements for 2018 and coordinated the content of the agreement with the auditor for 2019 (the Audit Committee selected the auditor in 2017 by collecting bids based on a prior call; selection criteria were defined in advance, with the quality of the audit team being the key criterion; the committee proposed a three-year appointment).

The Director of the Internal Audit Service was invited to all sessions of the Audit Committee. The Audit Committee also invited the certified auditor of the financial statements to sessions at which quarterly reports on the operations of the Company and the Telekom Slovenije Group were discussed.

With the aim of continuously improving the quality of its work, the Audit Committee performed a self-assessment in 2019 and adopted an action plan of improvements that represents the basis for its work in 2020. Members of the Audit Committee also attended several training events organised by Slovenski državni holding and the Slovenian Directors' Association.

The **Technical Committee** met at one session in 2019. It discussed the work plan of the Technical Committee for 2020 and the Supervisory Board's occupational safety policy.

The Technical Committee's members were as follows as at 31 December 2019:

- Bernarda Babič, MSc (chair),
- Barbara Gorjup, MSc,
- Igor Rozman, and
- Drago Kijevčanin.

Ljubomir Rajšič served as chair of the Technical Committee until his resignation from the Supervisory Board. The Technical Committee was then reconstituted in November 2019. On 16 April 2019 the Supervisory Board recalled Slavko Ovčina from his position as permanent external member of the Technical Committee. An external member will be included in the Technical Committee as required.

Information regarding the members of the Technical Committee who are also members of the Supervisory Board is presented in the table detailing the members of the Supervisory Board on page 45.

The **HR Committee** met at thirteen sessions in 2019. Significant activities of the HR Committee included:

- implementation of the process of appointing Management Board members;
- the discussion of the proposal of the Works Council on the appointment of a Workers' Director;
- the discussion of proposals of the Management Board on the appointment of managing directors at Telekom Slovenije Group subsidiaries; and
- the discussion of the objectives of Management Board members for 2019, and the methodology for calculating the performance factor and criteria in connection with the right of Management Board members to the variable component of wages for 2018.

The HR Committee's members were as follows as at 31 December 2019:

- Igor Rozman (chair),
- Barbara Kürner Čad,
- Dimitrij Marjanović, and
- Dušan Pišek.

The HR Committee was chaired by Barbara Kürner Čad until 12 September 2019, after which time the Supervisory Board reconstituted the HR Committee and appointed its members and chair.

The **Strategy Committee** met at three sessions in 2019. Special attention was given to discussing new revenue sources and the points of departure for the drafting of the Telekom Slovenije Group's Strategic Business Plan for the period 2020 to 2023.

The Strategy Committee's members were as follows as at 31 December 2019:

- Barbara Cerovšek Zupančič, MSc (chair),
- Bernarda Babič, MSc,
- Igor Rozman, and
- Jana Žižek Kuhar.

Information regarding the members of the Strategy Committee is presented in the table detailing the members of the Supervisory Board on page 45.

Lidija Glavina served as the Strategy Committee's chair until her resignation from her position as member and President of the Supervisory Board. The Supervisory Board reappointed the members and chair of the Strategy Committee on 13 September 2019.

Remuneration of Supervisory Board members

Supervisory Board members are entitled to attendance fees, basic payment for performing their functions and additional payments for participation in Supervisory Board committees. The remuneration of members of the Supervisory Board is defined by a resolution of the General Meeting of Shareholders. Also defined are the maximum annual amounts of and eligibility criteria for the reimbursement of transportation expenses, daily allowances and costs of overnight stays. The amounts of payments made to members of the Supervisory Board are disclosed in the financial report.

At the beginning of 2017 (or when they assumed their function), every member of the Supervisory Board submitted a statement of compliance with the criteria of independence according to point C.3 of the appendix to the Corporate Governance Code. Those statements are accessible at the website <https://www.telekom.si/Documents/izjave-za-letno-2019.pdf>.

Diversity policy

On 6 December 2017 the Management Board and Supervisory Board adopted the Policy Governing the Diversity of the Management Board and Supervisory Board of Telekom Slovenije. The objective of the Policy is to ensure the increased effectiveness of the Management Board and Supervisory Board as whole bodies, which will contribute to the development of the Company's operations and its business reputation. Through this policy, the Management Board and Supervisory Board encourage the diversity of the members of both bodies. The Management Board and Supervisory Board can use the diversity of members in terms of knowledge, skills, experience, professional qualifications, age, gender, work methods and other aspects to the good of the Company. The Policy Governing the Diversity of the Management Board and Supervisory Board of Telekom Slovenije is published at <https://www.telekom.si/en/about-us/company/corporate-governance>.

1.10.4 OTHER EXPLANATIONS IN ACCORDANCE WITH THE COMPANIES ACT

Pursuant to the fifth paragraph of Article 70 of the Companies Act (hereinafter: the ZGD-1), Telekom Slovenije hereby issues the following explanations:

MAIN FEATURES OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

Risk management and the system of internal controls represent integral elements of corporate governance. The use of risk management methodologies and a system of internal controls represents the basis for assessing risks, responding in a timely manner and reducing exposure to risks.

In connection with the financial reporting process, the system of internal controls ensures the appropriate management of risks, and reliable, timely and transparent external and internal financial reporting that is in accordance with the law, the International Financial Reporting Standards and regulations, and the guidelines and policies

adopted by the Management Board. Information support is provided for the accounting process. Internal controls are therefore linked to controls that are built into the IT infrastructure, which comprises controls over restrictions on access to data and applications, and controls over the accuracy and completeness of data capture and processing.

Internal accounting controls are an integral part of the Company's system of internal controls. Internal controls comprise a description and the objectives of controls, and are regularly adapted to legislation, standards, processes, organisational changes, findings from self-assessments of internal controls, recommendations of internal and external audits, and best practices. Those who implement internal controls are responsible for the consistent implementation and documentation of the functioning of internal controls, and for putting forth proposals for improvements. The self-assessment of internal controls is based on confirmation of the establishment and functioning of internal controls. Implementation is systematic, planned and structured, and is appropriately documented. Internal controls that have already been inventoried are included in the self-assessment process. Assessments of internal controls by sector serve as the basis for drafting a report on the self-assessment of internal controls at the parent company and subsidiaries.

DATA AND EXPLANATIONS RELATED TO THE MERGERS AND ACQUISITIONS ACT

• Structure of Telekom Slovenije's share capital

There were no changes to the structure of share capital in 2019. The value of Telekom Slovenije's share capital is EUR 272,720,664.33 and is divided into 6,535,478 ordinary registered no-par-value shares. All shares constitute one class and are issued in dematerialised form. Each share represents the same stake and corresponding amount in share capital, while all shares have been paid up in full. Each share gives its holder the right to one vote at the General Meeting of Shareholders, a proportionate share of profits (payment of dividends) and a proportionate share of residual assets after the liquidation or bankruptcy of the Company. Shares are listed on the prime securities market of the Ljubljana Stock Exchange.

Detailed information regarding shares and the ownership structure is presented in section [1.11 Share trading and ownership structure](#).

• Restrictions on the transfer of shares

All shares are freely transferable.

• Qualifying holdings according to the Takeovers Act

There were two holders of a qualifying holding as set out in the Takeovers Act as at 31 December 2019: the Republic of Slovenia with 4,087,569 shares or 62.54% of the issuer's share capital and Kapitalska družba, d. d. with 365,175 shares or 5.59% of the issuer's share capital.

• Holders of securities that provide special controlling rights

Telekom Slovenije has not issued securities that would provide special controlling rights.

• Share scheme for shareholders

Telekom Slovenije does not have a share scheme for shareholders.

• Agreements between shareholders that might place limits on the transfer of securities or voting rights

Telekom Slovenije is not aware of any such agreements.

• Rules on the Appointment and Replacement of Members of Management and Supervisory Bodies

The Supervisory Board appoints members of the Management Board in accordance with its legal powers and statutory provisions. To that end, it prudently and responsibly assesses the fulfilment of the required qualifications. In accordance with the above, the Supervisory Board also defined the candidate selection process, additional conditions that candidates must meet and procedures for determining the appropriateness of candidates in the Criteria and Procedures for Determining the Appropriateness of Candidates for Members of the Management Board.

The Supervisory Board formulated criteria and professional profiles for members of the Company's Supervisory Board (competence profile) in June 2016, taking into account the specific nature of the Company. Those criteria ceased to apply with the adoption of the Competence Profile for Members of the Supervisory Board of Telekom Slovenije, d. d. of 12 February 2020. That profile is publicly accessible on Telekom Slovenije's website.

- **Rules on amendments to the Articles of Association**

Telekom Slovenije does not have any special rules governing changes to its Articles of Association. Changes to the Company's Articles of Association are made in accordance with the law and the Articles of Association themselves.

- **Special agreements that come into effect, are amended or terminated on the basis of a change in control at the Company as the result of a bid as defined by the act governing mergers and acquisitions**

Telekom Slovenije is not aware of any such agreements.

- **Agreements concluded between the Company and the members of its management or supervisory body or employees that envisage compensation if they resign or are laid off without justification in the event of a bid as set out in the act governing mergers and acquisitions or if their employment is terminated**

Telekom Slovenije has no such agreements in accordance with the Takeovers Act.

Telekom Slovenije constantly strives to improve corporate governance practices in its operations, including proactive corporate communication with various stakeholders. The Company communicates in the manner set out in Telekom Slovenije, d. d.'s Corporate Governance Policy and the Communications Strategy of Telekom Slovenije, d. d.

With the listing of its shares on the prime market of the Ljubljana Stock Exchange, Telekom Slovenije undertook to comply with the relevant reporting standards. Telekom Slovenije once again provided investors with high-quality, timely, relevant and reliable information in 2019.

Telekom Slovenije systematically implements activities in the area of corporate governance with the aim of ensuring the compliance of its operations with the law, regulations and internal acts. Telekom Slovenije implements compliance-related activities primarily in the following areas:

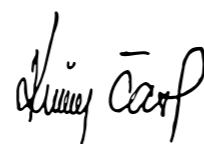
- the prevention of corruption and conflicts of interest,
- competition law,
- data protection, and
- the prevention of money laundering.

The compliance management system includes the establishment of bodies for the implementation of the compliance assurance function, the adoption, implementation and maintenance of documents related to compliance and integrity, and the definition of activities to implement the compliance assurance function.

Telekom Slovenije will continue to strive in the future to comply with and introduce the highest standards and best practices in the area of corporate governance, both at the parent company and at other Telekom Slovenije Group companies.



Tomaž Seljak, MSc
President of the Management Board



Barbara Kürner Čad,
President of the Supervisory Board

1.11 SHARE TRADING AND OWNERSHIP STRUCTURE¹⁶

GENERAL INFORMATION REGARDING TELEKOM SLOVENIJE SHARES AS AT 31 DECEMBER 2019

General information regarding shares	
Ticker symbol	TLSG
ISIN	SI0031104290
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 December 2019	9,136

SHARE TRADING IN 2019

The shares of Telekom Slovenije are listed on the prime securities market of the Ljubljana Stock Exchange under the ticker symbol TLSG. The Company's shares are included in the SBITOP index, and accounted for a 5.97% share of that index at the end of 2019.

Since 19 June 2019 TLSG shares are also included in the ADRIprime share index, which is a composite index of selected companies listed on the prime markets of the Ljubljana Stock Exchange and Zagreb Stock Exchange. It is a total return index that takes into account both changes in share prices and dividend yield.

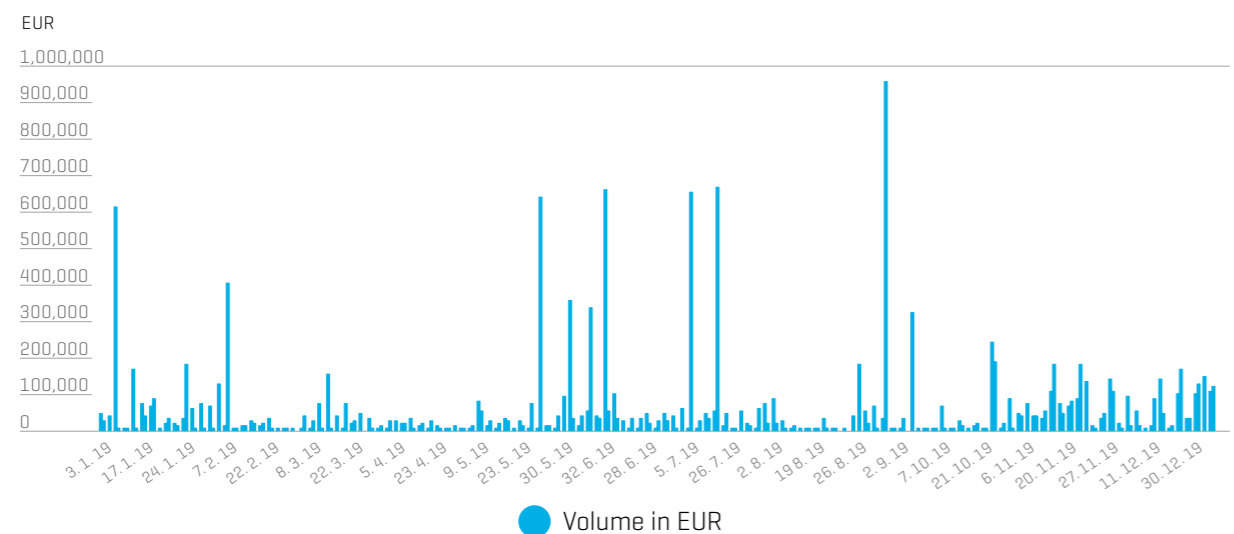
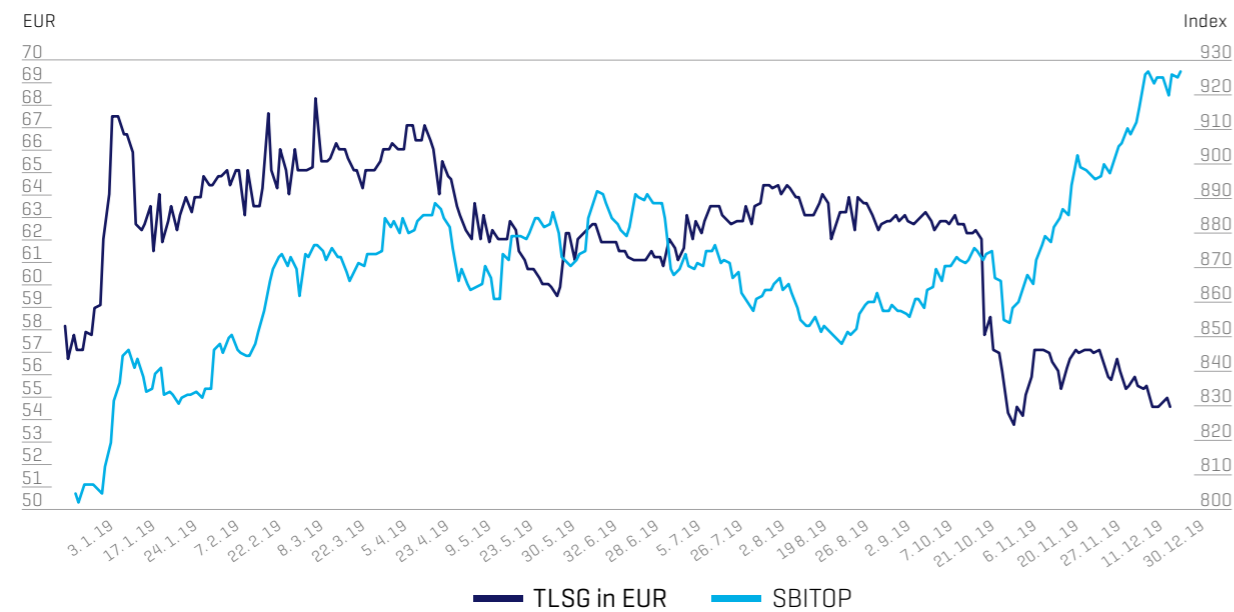
The SBITOP index stood at 926.1 points at the end of the year, representing growth of 15% in 2019. The ADRIprime index also demonstrated a positive trend. Total turnover on the stock exchange was down slightly in 2019 relative to the previous year, and amounted to EUR 329.5 million. The positive trend in share prices contributed to an increase in total market capitalisation, which amounted to EUR 34.9 billion at the end of the year, an increase of 3% relative to the end of 2018.

Total turnover in Telekom Slovenije shares was EUR 14.8 million. In terms of turnover excluding block trades, TLSG shares ranked seventh amongst the ten most heavily traded shares on the stock exchange. The price of TLSG shares closed at EUR 54.40 on the last trading day of 2019. The share price fell by 7.8% in year-on-year terms. The market capitalisation of Telekom Slovenije shares stood at EUR 355.5 million at the end of the year, and accounted for 5% of the market capitalisation of all shares on the stock exchange.

TRADING STATISTICS FOR TLSG SHARES ON THE LJUBLJANA STOCK EXCHANGE

Standard price in EUR	2019	2018	2017
Highest daily price	68.20	92.40	88.00
Lowest daily price	53.60	58.60	71.01
Average daily price	61.93	78.56	83.07
Volume in EUR thousand	2019	2018	2017
Total volume for the year	14,750.12	27,215.12	23,839.50
Highest daily volume	962.77	730.51	1,253.18
Lowest daily volume	0.13	0.38	0.25
Average daily volume	61.20	112.00	97.70

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. 12. 2019	31. 12. 2018	31. 12. 2017
Closing price [P] of one share on the last trading day of the period in EUR	54.40	59.00	82.88
Book value [BV] ¹ of one share in EUR	90.41	94.81	104.18
Earnings per share (EPS) ² in EUR	0.19	5.12	1.39
Market to book value ratio	0.60	0.62	0.80
Capital return per share during the period in % ₃	-7.80	-28.81	16.57
Dividend yield ⁴	8.27	24.24	6.03

Notes:

¹ 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.

² 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.

³ 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 first trading day of the period to the share price on the first trading day of the period.

⁴ Dividend yield is calculated as the ratio of the last paid dividend to the share price on the final trading day of the year.

OWNERSHIP STRUCTURE AND LARGEST SHAREHOLDERS AT THE END OF 2019¹⁷

Telekom Slovenije had 9,136 shareholders at the end of 2019, a decrease of 271 relative to the previous year. The most notable decline (of 233) was recorded by the category of individual shareholders.

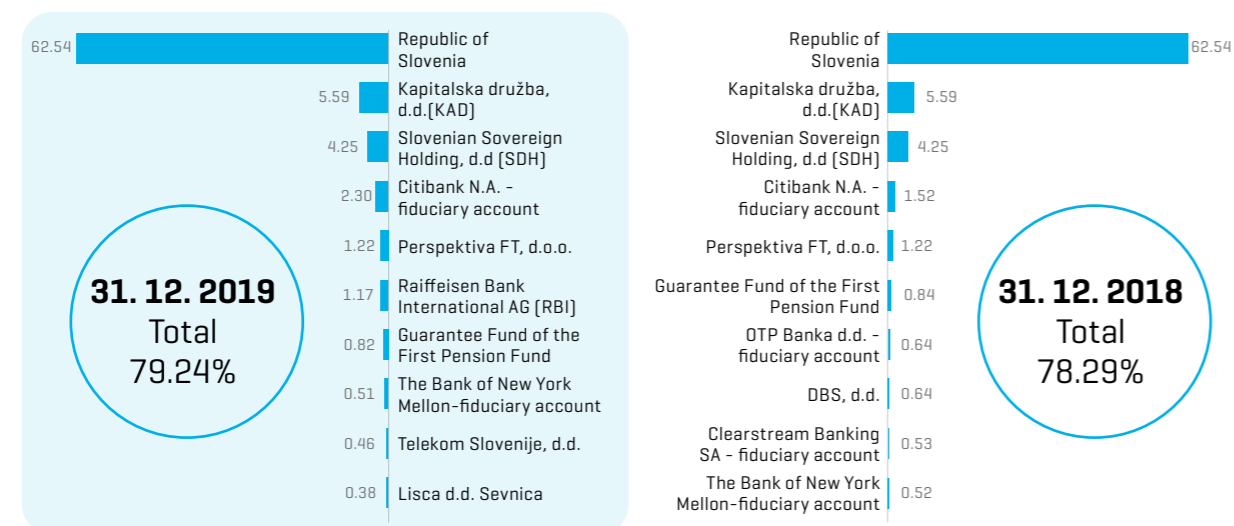
With a total stake of 93.4% at the end of the year, domestic investors were predominant in the Company's ownership structure. The Company's largest shareholder remained the Republic of Slovenia, together with Kapitalska družba, Slovenski državni holding, the First Pension Fund of Modra zavarovalnica and the latter's guarantee fund. Collectively, 73.44% of the Company's shares were directly or indirectly held by the Republic of Slovenia at the end of the year.

CHANGES IN THE OWNERSHIP STRUCTURE BY SHAREHOLDER CATEGORY

Shareholder	% of ownership as at 31 December 2019	% of ownership as at 31 December 2018	% of ownership as at 31 December 2017	Annual change in percentage points 19/18
Individual shareholders (domestic and foreign)	13.25	12.94	12.58	0.31
Slovenian corporate investors	3.69	3.40	3.26	0.29
Slovenian financial corporations and funds	3.96	4.91	5.46	-0.95
Foreign corporate investors	6.26	5.91	5.87	0.35

TEN LARGEST SHAREHOLDERS

The concentration of ownership, as measured by the ownership stake held by the ten largest shareholders, stood at 79.24% at the end of the year, an increase of 0.95 percentage points in year-on-year terms. There was also a change in the structure of the ten largest shareholders.



SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF TELEKOM SLOVENIJE

The members of the Management Board and Supervisory Board held a total of 306 TLSG shares as at 31 September 2019. The total number of shares was down by 247 relative to the end of 2018, as the result of changes in the composition of both bodies.

Name	Office	Number of shares	% of equity
Management Board			
Igor Rozman	Member of the Supervisory Board	54	0.00083
Drago Kijevčanin	Vice-President	212	0.00324
Dušan Pišek	Member of the Supervisory Board	36	0.00055
Jana Žižek Kuhar	Member of the Supervisory Board	4	0.00006
Total		306	0.00468

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.

INVESTOR RELATIONS¹⁸

In relations with investors, we adhere to the principle of ensuring equal treatment, transparency, timeliness and the accuracy of information. We communicate regularly and comprehensively with existing and potential shareholders, and other interested parties. The transparency of operations is achieved by complying with the criteria and standards that apply to the issuers of shares on the prime market. We communicated with interested domestic and foreign investors and analysts at individual meetings and investor conferences, and via conference calls and email [ir@telekom.si, skupscina@telekom.si in dividenda@telekom.si].

Shareholders may address their proposals and suggestions to the Company via the investor relations email [ir@telekom.si]. In addition to regular communication, we carried out the following activities in 2019 in the scope of investor relations:

- following the publication of operating results, we sent the quarterly TLSG electronic newsletter to all registered domestic and foreign recipients. That publication included a selection of the most important news for a specific period, supported by actual data regarding operations; and
- we organised a General Meeting of Shareholders.

We regularly publish price-sensitive and other important information on the Company's website in the Investor relations section, and in the Ljubljana Stock Exchange's SEOnet system. A total of 38 press releases were issued in 2019, with simultaneous publication in Slovene and English.

FINANCIAL CALENDAR

The financial calendar for 2020 was published in the Ljubljana Stock Exchange's SEOnet system, and is also accessible on the Company's website at <https://www.telekom.si/en/investor-relations/financial-calendar>, where any changes to the financial calendar are published.

DIVIDEND POLICY

Telekom Slovenije has a clearly defined stable dividend policy that facilitates a balance between profits for owners and

the use of free cash flow for the financing of investments. Such a policy ensures long-term growth and the maximisation of value for owners.

At the 30th General Meeting of Shareholders held on 30 August 2019, shareholders adopted a resolution on the use of distributable profit for 2018. Dividends in the gross amount of EUR 4.50 per share were paid in October 2019. With the entry into force of the Common European Standards for Corporate Actions, which include the payment of dividends, dividend payments are carried out via KDD and its members, brokerage firms and banks.

TREASURY SHARES

The number of the Company's treasury shares has remained unchanged since their acquisition in 2003. The Company held 30,000 treasury shares as at 31 December 2019, representing 0.46% of equity.





IT'S EASY TO LIVE SMART

Our world is becoming increasingly connected and technologically advanced. We strive to ensure that this doesn't bring complexity to the lives of our users, but instead even more simplicity. We are developing smart services that allow them to dedicate their time to the important things in life and leave the worries to us.

2 BUSINESS REPORT

2.1 FINANCIAL RESULTS

INCOME STATEMENT ANALYSIS

The Telekom Slovenije Group generated EUR 681.7 million in **operating revenues** in 2019, a decrease of 7% relative to the previous year. Net sales revenue totalled EUR 675.4 million, which is likewise a decrease of 6% relative to 2018, when revenues also included the revenues of the sold subsidiary Blicnet. Without the effect of Blicnet, revenues were down by 4%. The proportion of new revenue sources accounted for by eHealth, energy and financial and insurance services was up relative to 2018. Also up were the revenues of GVO and Planet TV generated on the market outside of the Group. Those revenues were not enough to offset in full lower revenues from mobile subscribers, who are migrating to new, more affordable packages, and the expected drop in revenues from traditional fixed voice telephony services, which are being replaced by mobile and IP telephony. Lower revenues on the wholesale market are the result of lower revenues from international traffic. Lower revenues in Kosovo were in part the result of lower revenues from incoming calls due to the increasing use of free online voice applications.

The **operating expenses** of the Telekom Slovenije Group amounted to EUR 650.6 million, a decrease of 9% relative to 2018. Only amortisation and depreciation costs were higher (by 4%). All other expenses were down relative to the previous year, most notably other operating expenses, which were down by 53% due to one-off effects that are not part

of ordinary operations, and the costs of services, which were down by 17% primarily due to a change in the recognition of leases under IFRS 16 and due to lower costs of telecommunication services as the result of a decrease in international traffic.

Earnings before interest, taxes, amortisation and depreciation (EBITDA) totalled EUR 205.4 million, and accounted for 30.4% of net sales revenue, an increase of 17% or 4.5 percentage points relative to the previous year.

Earnings before interest and taxes (EBIT) reached EUR 31.1 million, an increase of EUR 13.2 million relative to 2018.

Finance income amounted to EUR 2.9 million.

Finance costs in the amount of EUR 31.1 million were up relative to 2018 due to the effect of an arbitral settlement involving Antenna TV SL.

Excluding one-off events, the Telekom Slovenije Group would have generated a net profit of EUR 27.4 million in 2019, an increase of 13% relative to 2018 if we compare adjusted net profit. Taking into account one-off events, the Group achieved a net profit of EUR 1.2 million in 2019. Contributing most to this was the effect on Telekom Slovenije of the unfavourable decision of the International Court of Arbitration regarding the 34% participating interest in Antenna TV SL and events linked to that decision.

Taking into account adjustments for one-time events in 2019 and 2018, the values of key financial indicators are shown in the table below.

in EUR thousand	Telekom Slovenije Group			Telekom Slovenije		
	2019	2018	Index 19/18	2019	2018	Index 19/18
EBITDA	205,402	185,524	111	175,467	148,116	118
One time events, which are not part of regular business	693	13,421		693	13,421	
Adjustment for M&A	0	-4,131		0	334	
Assets impairment	6,612					
Adjustment for IFRS 16		12,901			12,149	
EBITDA adjustments	7,305	22,190		693	25,904	
Adjusted EBITDA	212,707	207,714	102	176,160	174,020	101

in EUR thousand	Telekom Slovenije Group			Telekom Slovenije		
	2019	2018	Index 19/18	2019	2018	Index 19/18
EBIT	31,089	17,932	173	33,816	15,303	221
One time events, which are not part of regular business	693	13,421		693	13,421	
Adjustment for M&A	0	-398		0	334	
Assets impairment	6,612					
Adjustment for IFRS 16		2,083			2,168	
EBIT adjustments	7,305	15,106		693	15,922	
Adjusted EBIT	38,394	33,038	116	34,509	31,225	111
Net profit	1,231	33,322	4	585	34,027	2
One time events, which are not part of regular business	19,220	8,875		19,220	10,311	
Adjustment for M&A	311	-17,936		311	-19,878	
Assets impairment	6,612			7,723	2,156	
Adjustment for IFRS 16		0	0		0	0
Net profit adjustments	26,143	-9,061		27,254	-7,412	
Adjusted net profit	27,374	24,261	113	27,839	26,615	105

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

Total assets amounted to EUR 1,232.9 million as at 31 December 2019, similar to the level as at 31 December 2018.

Non-current assets totalled EUR 1,010.3 million, an increase of 6.3% or EUR 59.4 million relative to the end of 2018. The proportion of the Group's total assets accounted for by non-current assets rose to 81.9% (2018: 77.1%), primarily due to the recognition of assets under lease in accordance with IFRS 16, which entered into force on 1 January 2019. Intangible assets were down by 6% or EUR 11.4 million, primarily as the result of broadcasting rights for TV content.

Current assets amounted to EUR 222.6 million, a decrease of 21.0% or EUR 59.3 million. Of that amount, trade and other receivables were down by 20.6% or EUR 39.8 million, while current deferred assets were down by EUR 22.7 million.

Equity and reserves totalled EUR 590.9 million, a decrease of 4.6% or EUR 28.8 million relative to the end of 2018, and represented 47.9% of total assets (2018: 50.3%).

Non-current liabilities in the amount of EUR 446.9 million represented 36.3% of total assets and were up by EUR 82.3 million relative to the end of 2018, primarily due to the recognition of non-current financial liabilities from leases in accordance with IFRS 16, which entered into force on 1 January 2019.

Current liabilities amounted to EUR 195.1 million, a decrease of EUR 53.4 million or 21.5% relative to the end of 2018. The proportion of total assets accounted for by current liabilities fell to 15.8% (2018: 20.2%), primarily due to a decrease in trade and other liabilities by EUR 33.0 million and a decrease in short-term loans raised by EUR 19.9 million.

ANALYSIS OF THE STATEMENT OF CASH FLOWS

In addition to investments in fixed assets in the amount of EUR 152.8 million, major items among **outflows for investing activities** included the purchase of a minority interest in the subsidiary Antenna TV SL (EUR 17.6 million).

The Group's **inflows from investing activities** in 2019 primarily comprised consideration from the sale of the subsidiary Blicnet in the amount of EUR 35.6 million and the disposal of two minor investments in Gorenjska banka and Golf Grad Otočec in the total amount of EUR 1.9 million, dividends from investments in shares in the amount of EUR 159 thousand and proceeds from the sale of fixed assets in the amount of EUR 1.7 million.

The Group's **outflows from financing activities** included the repayment of the short-term portion of long-term loans in the amount of EUR 23.1 million [syndicated loan] and net repayments of revolving loans in the amount of EUR 28.0 million, for which the Group paid EUR 6.7 million in interest, together with interest on issued bonds. Based on the dividends approved by the General Meeting of Shareholders, the total amount of EUR 29.3 million was paid to Telekom Slovenije's shareholders in October. In accordance with the entry into force of IFRS 16, payments of lease liabilities in the amount of EUR 13.2 million were included in outflows from financing activities.

KEY FINANCIAL INDICATORS FOR THE TELEKOM SLOVENIJE GROUP AND TELEKOM SLOVENIJE, D. D.¹⁹

in EUR thousand and %	Telekom Slovenije Group			Telekom Slovenije		
	2019	2018	Index 19/18	2019	2018	Index 19/18
Net sales revenue	675,417	715,051	94	602,231	639,672	94
Other operating income	6,293	16,169	39	2,954	13,598	22
Operating revenue	681,710	731,220	93	605,185	653,270	93
EBITDA	205,402	185,524	111	175,467	148,116	118
EBITDA margin	30.4%	25.9%	117	29.1%	23.2%	126
EBIT	31,089	17,932	173	33,816	15,303	221
Return on sales: ROS (EBIT/net sales revenue)	4.6%	2.5%	184	5.6%	2.4%	235
Net profit	1,231	33,322	4	585	34,027	2
Assets	1,232,860	1,232,719	100	1,223,536	1,223,526	100
Equity	590,878	619,628	95	606,136	634,196	96
Return on assets (ROA)	0.1%	2.6%	4	0.0%	2.7%	2
Return on equity (ROE)	0.2%	5.1%	4	0.1%	5.1%	2
Equity ratio	47.9%	50.3%	95	49.5%	51.8%	96
Net financial debt	402,861	352,484	114	419,602	350,395	120
NFD / EBITDA	2.0	1.9	103	2.4	2.4	101
Investment in property, plant and equipment (CAPEX)	167,757	133,864	125	133,505	110,774	121
EBITDA-CAPEX	37,645	51,660	73	41,962	37,342	112
Ratio of (EBITDA-CAPEX) to EBITDA (cash margin)	18.3%	27.8%	66	23.9%	25.2%	95
Number of employees as at	3,429	3,530	97	2,182	2,196	99
Investments as a proportion of operating revenues	24.6%	18.3%	134	22.1%	17.0%	130

More information can be found in the [financial report](#) beginning on page 172.

The Group's **inflows from financing activities** included EUR 35.0 million in long-term loans and EUR 0.5 million in short-term loans.

More information can be found in the [financial report](#) beginning on page 172.

SEGMENT REPORTING

The criterion for segment reporting is the registered office where an activity is performed. The Telekom Slovenije Group thus presents its operations in two segments: Slovenia and other countries. More details are provided in the financial report in section [3.2 Notes to the consolidated financial statements](#) in point 6. [Segment reporting](#).

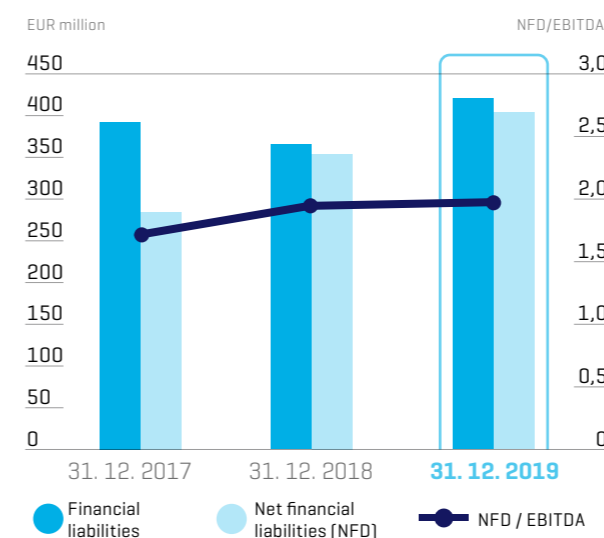
2.2 FINANCIAL PERFORMANCE OF THE TELEKOM SLOVENIJE GROUP

The objective of the Telekom Slovenije Group's financial policy is to ensure the financial stability of the entire Group. This is achieved through successful operations, the active planning and management of cash flows, ensuring the appropriate maturities and the diversification of financial debt, financing within the Group, the optimisation of working capital and the management of financial risks.

The Group generated cash flows from operating activities in the amount of EUR 198.3 million in 2019, an increase of EUR 33.1 million relative to 2018. Those cash flows exceeded negative cash flows from investing and financing activities. Generated cash flows were used for investments, the payment of dividends and the repayment of financial liabilities. The Group covered cash shortfalls via banks.

Indebtedness is relatively low at the Group level. The net financial debt to EBITDA ratio was 2.0 at the end of 2019. The Group's total financial liabilities amounted to EUR 416.8 million at the end of 2019, and primarily comprised a long-term syndicated loan in the amount of EUR 246.2 million, five-year bonds in the amount of EUR 100 million and liabilities from finance leasing in the amount of EUR 69.1 million as the result of the implementation of IFRS 16.

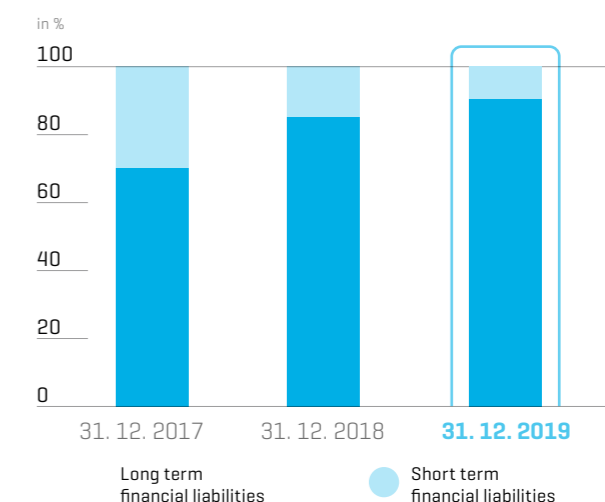
Net financial debt (NFD) of the Telekom Slovenije Group



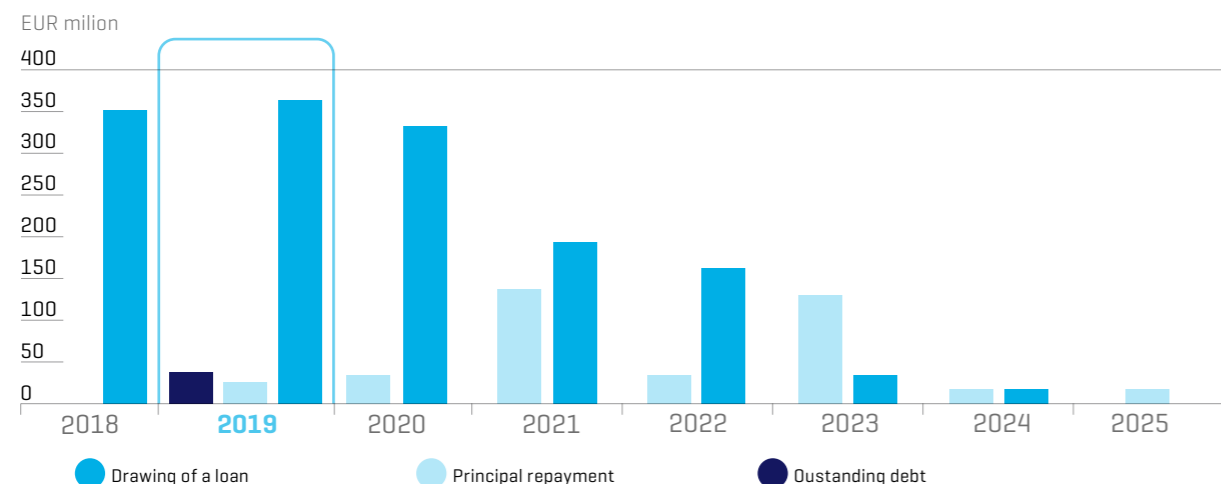
The Group regularly settles its liabilities to creditors. A total of EUR 23.1 million in long-term loans was repaid in 2019.

The Group strengthened the stability of the maturity structure of its financing back in 2018 when it signed an annex to a long-term syndicated loan agreement for a new tranche in the amount of EUR 100 million and the extension of the maturity of the existing tranche, also in the amount of EUR 100 million. The maturity structure of financial liabilities was further improved in 2019, as a portion of the new tranche in the amount of EUR 35 million was drawn in 2019, while the majority of finance leases are long-term in nature.

Maturity breakdown of financial liabilities

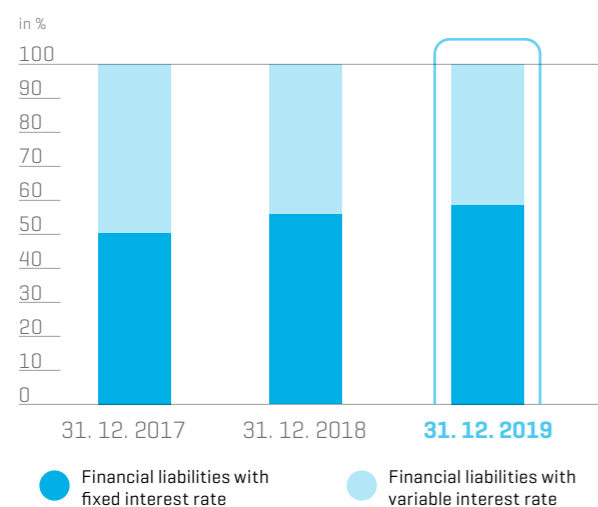


Repayment plan for existing long-term debt (loans and bonds)



The majority of loans raised bear variable interest rates linked to the 6-month EURIBOR, while a previously drawn short-term revolving loan bears a fixed interest rate. The coupon rate on issued bonds is fixed at 1.95%. The weighted mark-up on the variable portion of the interest rate on all loans within the Group stood at 152 basis points at the end of 2019. Fixed or hedged interest rates account for 59.3% of interest-bearing financial liabilities at the Group level.

Ratio of variable- to fixed-rate (or interest-rate hedged) sources of financing



Long-term credit lines in the amount of EUR 70 million were secured in 2017 as a form of liquidity reserves, which together with short-term revolving loans ensure a high level of liquidity within the

Group. Current credit lines are regularly rolled-over. Total liquidity reserves amounted to EUR 169.5 million at the end of 2019, and took the form of approved but undrawn long-term and short-term revolving credit lines.

FINANCIAL RISK MANAGEMENT

A detailed description of financial risk management is found in section 2.4 Risk management and in the financial report in point 47. Financial risk management.

FULFILMENT OF FINANCIAL COMMITMENTS

Creditor banks require the maintenance of the values of financial commitments and indicators set out in loan agreements. Failure to fulfil those commitments could result in the early maturity of loans. All financial commitments at the Group level were met as at 31 December 2019.

CREDIT RATINGS

Telekom Slovenije terminated its contractual relationship with the international ratings agency S&P in November 2019 because, in accordance with existing loan agreements and the prospectus for issued bonds, the Company is no longer required to provide a credit rating, while the latter is also no longer necessary given its plan to secure new sources of financing.

2.3 INVESTMENTS IN FIXED ASSETS

INVESTMENTS IN FIXED ASSETS²⁰

Through continuous investments in the construction, modernisation and development of networks and services, we are creating a platform to attract new subscribers, secure new revenue sources and maintain a high level of quality. The majority of investments in 2019 were earmarked for the expansion of the fibre optic access network, which will provide users a superior user experience in terms of broadband content and high-speed internet access. Investments were also earmarked for the modernisation and development of the mobile network, for the development of new services and for further optimisation at all levels of operations. For more details, see section 2.8 Network, technologies and IT.

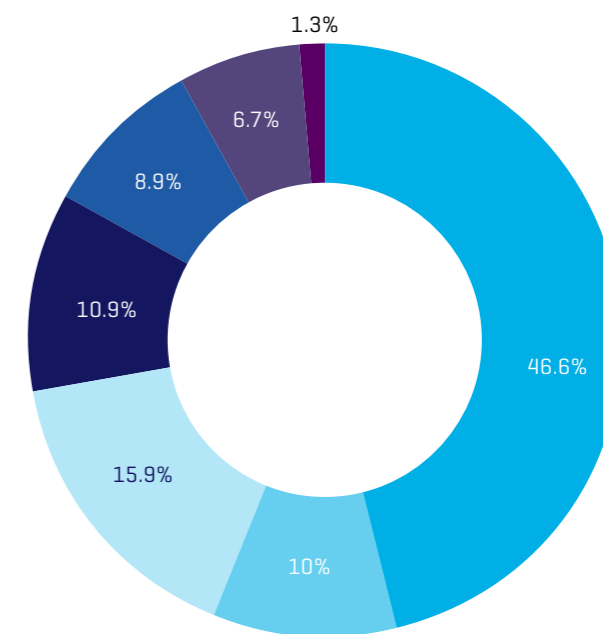
The Telekom Slovenije Group earmarked EUR 167.8 million for investments in 2019, an increase of 25% or EUR 33.9 million relative to 2018. Of the aforementioned amount, EUR 133.5 million was earmarked for investments by Telekom Slovenije, an increase of 21% relative to the previous year, while the remainder was earmarked for investments in development by subsidiaries.

INVESTMENTS BY COMPANY

EUR thousand	2019	2018	Index 19/18
Telekom Slovenije	133,505	110,774	121
Other companies in Slovenia	3,304	3,387	98
IPKO - Kosovo	39,744	16,148	246
Other companies abroad	4,627	10,725	43
Eliminations and adjustments	-13,423	-7,170	187
Telekom Slovenije Group	167,757	133,864	125

Structure of investments by purpose

- Network
- CPE - Customer equipment
- Customers solutions
- IT, internal ICT infrastructure, R&R projects
- IFRS
- IPKO Frequencies
- Other



2.4 RISK MANAGEMENT

The risk management framework is an integral element of our corporate governance, and allows us to identify and assess risks, and manage them through the appropriate measures and monitoring. We have categorised risks into four types:

- strategic risks,
- financial risks,
- operational risks, and
- regulatory and compliance-related risks.

For the Telekom Slovenije Group, risk means any uncertainty regarding an event that may have a negative impact on the achievement of objectives. Risk is, by nature, incorporated into all business processes and decisions. Opportunity means a positive impact on a company's ability to achieve business objectives.

The key objectives of risk management are the support of established objectives, a focus on opportunities and awareness about risks. Risk management is governed by the Risk Management Policy, which is binding for all Group companies. Risk management measures also include the coverage and transfer of risk through insurance in accordance with the target exposure to risks. It includes comprehensive risk management objectives, core principles, and the competences and responsibilities of those who perform risk management activities. The risk management framework facilitates the systematic and structured identification and assessment of risks, and the implementation of measures to mitigate those risks that could affect the values and objectives of the Group. The Internal Audit Service's audit plan also includes an audit of risk management and a self-assessment of internal controls. The Management Board is briefed continuously on risk assessments, the findings of internal audits and other reviews of operations. It responds to risk assessments and findings accordingly through a range of measures to manage risks and ensure compliance. It reports to the Supervisory Board and the latter's committees regularly with regard to significant risks, findings and adopted measures.

RISK MANAGEMENT FRAMEWORK

The risk management framework was adapted to reflect structure and corporate culture of the Group. Through that framework, we have reasonable assurance that we will achieve objectives by balancing risks and opportunities. Our aim is to promote a more entrepreneurial approach to opportunities and the benefits that accompany them.

Risk assessment is carried out quarterly within the Telekom Slovenije Group. Risk owners assess the level of risk according to previously adopted measures and established internal controls. Risks are assessed based on the effect and probability of an event. Subsidiaries report to the parent company with regard to risks. The assessment of risks and opportunities is also the responsibility of risk owners who implement risk management measures.

IMPROVEMENT TO THE RISK MANAGEMENT FRAMEWORK

The risk management framework is continuously improved. We actively work with risk owners in the scope of quarterly risk assessments, in the self-assessment of internal controls and in the development of different risk assessment models.

Methodology on the assessment of risks and opportunities

In 2019 we updated the risk assessment methodology, which applies to all Group companies. Risk owners assess risks for typical situations and for emergencies. The effect of a particular risk is calculated based on formulas for that purpose. We also added to the methodology an assessment of opportunities based on an assessment of benefits and probability.

Risk assessment

Telekom Slovenije uses an internal methodology for assessing risk exposure that is based on the Monte Carlo simulation. The quantitative assessment of effect and probability facilitates the combining of risks into an assessment of total risk exposure.

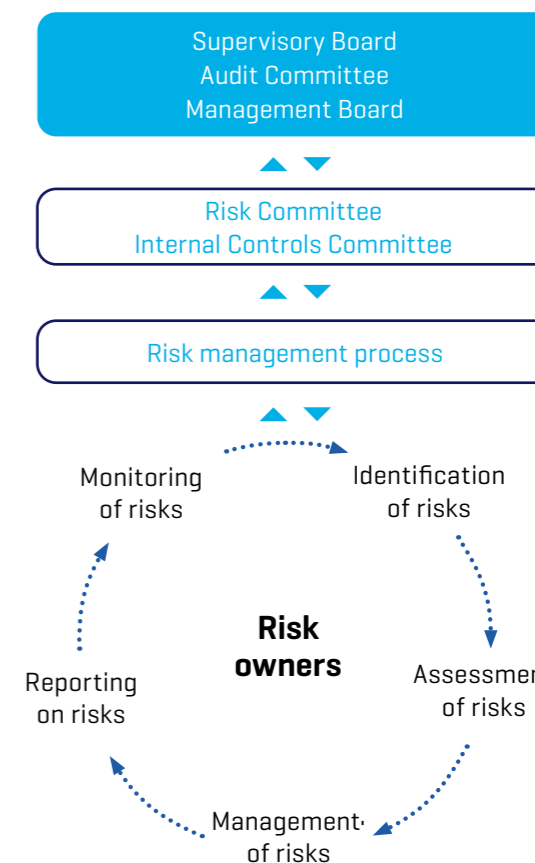
The risk officer reports on risks to the **Risk Committee**, which meets quarterly or more frequently, as required. That committee also discusses changes in the risk management policy and methodology, and opportunities.



The risk officer reports to the **Internal Controls Committee** regarding the self-assessment of internal controls within the Group. That committee also discusses changes in the internal controls policy.



Risks are also reported quarterly to the **Supervisory Board's Audit Committee** for both the parent company and subsidiaries.



Register and catalogue of risks and internal controls

Risks are recorded in a risk register that includes a list of risks, a description thereof, and the causes and consequences of risks. The catalogue of risks also includes information that is important for assessing and managing risks, and for monitoring exposure to risks. A register of internal controls is in place, and includes descriptions and the objectives of internal controls. A self-assessment of internal controls, together with the characteristics thereof, is recorded in the catalogue of internal controls.

Self-assessment of internal controls

A self-assessment of internal controls is performed once a year, and was carried out at all Group companies. The effectiveness of the functioning of internal controls, which is based on whether they have in fact been established and function, is confirmed by the heads of organisational units and the managing directors of subsidiaries. Self-assessment contributes to the more transparent identification of weaknesses and to more effective risk management.

Development of a risk and opportunity management culture

We place a great deal of emphasis on establishing the desired culture, conduct and awareness about risks and opportunities. We thus organise training events at the Group level every year in cooperation with the Internal Audit Service and compliance officers.

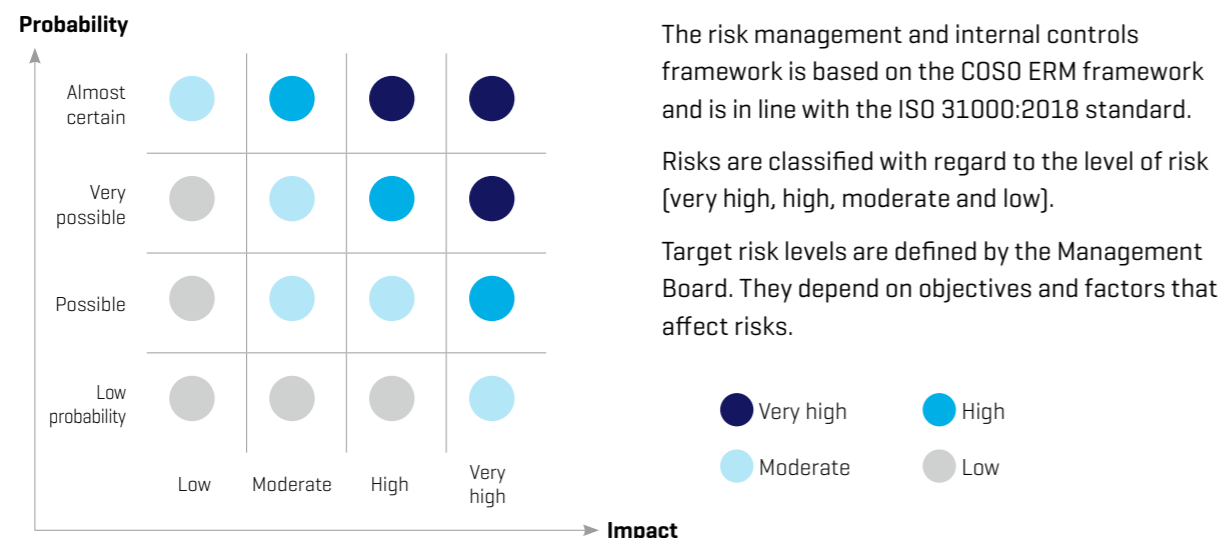
Monitoring of developments in the area of risks

We monitor risks in the sector, risk trends and the latest developments in specialist fields.

External assessment of the maturity of the risk management function

The established risk management framework was verified through an independent external assessment that included an assessment of the maturity of the risk management function and a comparison with best practices.

RISKS WITHIN THE TELEKOM SLOVENIJE GROUP



The tables below present key risks during the final quarter of 2019 and the trend relative to the same period in 2018. Trends are indicated as follows:

- ↔ assessed risk is unchanged
- ↓ assessed risk is lower
- ↑ assessed risk is higher

TELEKOM SLOVENIJE

STRATEGIC RISKS

Present on the Slovenian market are stiff competition, regulatory influences and price-sensitive users. Users demand an increasing number of high-quality services at a low price. Market saturation continues to grow and means very few opportunities to attract new users. We manage these risks by continuously ensuring competitiveness and managing regulatory measures, through a targeted and active market approach and the provision of high-quality, readily available services, through the continuous adaptation of business solutions and the portfolio, and through the introduction of innovations for individual segments of users.

Risk	What is the risk?	What is the effect?	How is the risk managed?
Diminishing profitability of subscribers and services – B2C	Aggressive competition in the development of services and package offers, reduction of the general level of prices of services, rapid changes to the portfolio and unlimited packages.	Loss of revenues.	Competitive portfolio through optimisation in terms of content and price. Lean business model to accelerate simplification, and the digitalisation programme. Use of advanced programmes to analyse data.
● Level of risk	↔ Trend		
Loss of subscribers – B2C	Loss of subscribers due to migrations between operators. Changing user requirements.	Loss of revenues.	Range of new products and programme to maintain subscribers. Improvement of the user experience through the quality of services. Target-oriented approach by subscriber segment.
● Level of risk	↔ Trend		

Risk	What is the risk?	What is the effect?	How is the risk managed?
Drop in revenues due to regulatory obligations – wholesale market	New and/or additional regulatory requirements on regulated markets.	Loss of revenues.	Active participation in the analysis of the market and supervision, monitoring of market development, and adaptation of the wholesale portfolio in accordance with regulatory obligations and the needs of the market. Employee training in connection with regulatory developments.
● Level of risk	↔ Trend		
Loss of subscribers – B2B	Loss of subscribers due to changes on the market, new technologies, entry of new competitors and competitive portfolios.	Loss of revenues.	Adaptation of the portfolio and support for new business initiatives, provision of high-quality services, promotional sales activities, management of customer relations. Improvement of processes that facilitate a rapid response to market development. Strategic partnership, and participation in the preparation and implementation of projects.
● Level of risk	↔ Trend		
Diminishing profitability of subscribers and services – B2B	Diminished profitability due to the provision of a wider range of services for the same price, and diminishing margins on services. Rising operational complexity of project implementation.	Loss of revenues. Higher costs.	Optimisation of the portfolio in terms of content and price, and training in the area of project management and innovative products. Simplification of processes and digitalisation with the aim of reducing costs and responding more rapidly to changes on the market.
● Level of risk	↔ Trend		

FINANCIAL RISKS



Telekom Slovenije regularly monitors developments in the financial environment that are reflected in various types of risks to which it is exposed in its operations. We actively monitor liquidity, credit and interest-rate risk, while various financial risk management models and derivatives are used to reduce exposure to specific types of risks.

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.

Credit risk is managed through the active monitoring of the operations of subscribers and their credit ratings, and by limiting maximum allowable exposures. We further hedge against the risk of the deteriorating financial position of subscribers 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 Telekom Slovenije's systematic credit risk management tool.

We also hedge against interest-rate risk by concluding interest-rate swaps. Telekom Slovenije has fixed or hedged interest rates on 59.3% of its interest-bearing financial liabilities.

Risk	What is the risk?	What is the effect?	How is the risk managed?
Subscriber credit risk	Increased proportion of past-due receivables.	Scope and structure of receivables.	Subscriber credit assessment, credit check process, obtaining credit insurance. Recovery of past-due receivables.

 Level of risk
  Trend

REGULATORY AND COMPLIANCE-RELATED RISKS

Regulatory risks derive from changes to the regulatory framework and policies, and potential decisions of the regulator regarding the imposition of additional obligations and changes in prices in individual market segments.

Member States must transpose the European Electronic Communications Code (EECC), adopted in December 2019, into national legislation by 20 December 2020. By putting forth constructive and expert proposals, Telekom Slovenije is involved in the process of transposing the aforementioned code into Slovenian legislation. The BEREC regulation, which applies directly in Member States since 15 May 2019, introduced limits on the retail prices of calls and text messages within the EU. Also being drafted at the European level is the Digital Services Act (DSA), which will lay down rules for electronic services, such as cloud services, data warehousing and website hosting. As a result, distinguishing between customers and setting different conditions or prices for customers from other EU countries will no longer be permitted.







The most significant risks in terms of compliance that could have a major impact on the Company's operations are risks associated with competition law and personal data protection.

Telekom Slovenije has a dominant position on certain markets, resulting in risks in the area of competition law. Breaches of the rules of competition law could have serious consequences for the Group and its employees, as the Prevention of the Restriction of Competition Act (ZPOMK-1) envisages fines of up to 10% of a company's annual turnover. Claims for damages from third parties and the loss of reputation are also possible. We have in place processes and established internal controls to manage such risks.

The risk associated with personal data protection derives from the large scope and categories of personal data that we process as the leading operator in Slovenia. Important with regard to that risk is the application of the General Data Protection Regulation from 2018, which brought stricter regulation and increased awareness regarding the protection of the data of our users and the general public. Telekom Slovenije ensures compliance with the requirements of the aforementioned regulation

through the continuous monitoring, updating and improvement of processes involved in the processing of personal data, and of internal control processes for personal data protection. To that end, we also monitor the drafting of new regulations. Currently being drawn up is the new Personal Data Protection Act (ZVOP-2). We 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 also 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. We manage regulatory risks 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, whenever that is justified.

Risk	What is the risk?	What is the effect?	How is the risk managed?
Risk of regulatory pressures on the markets of fixed and mobile electronic communications	New models for setting prices and additional obligations for regulated services.	Higher costs and loss of revenues.	Communication with regulatory bodies. Active participation in market analyses, and in the adoption of new laws and other acts. Implementation of issued regulatory decisions and compliance.
 Level of risk	 Trend		
Compliance in the area of competition law	Breaches of the rules of competition law.	Loss of reputation, payment of fines and claims for damage.	Implementation of Guidelines for Ensuring Compliance with Competition Law, and the establishment and self-assessment of internal controls. Employee training in the area of competition law.
 Level of risk	 Trend		
Compliance in the area of personal data protection	Breach of personal data protection.	Loss of reputation, loss of users' trust, payment of fines and claims for damage.	Compliance with legal requirements and the implementation of internal acts. Implementation of internal controls (records of processing, assessments of effects), provision of relevant information and ensuring the rights of individuals. Employee training in the area of personal data protection.
 Level of risk	 Trend		

OPERATIONAL RISK

Operational risks are managed through established internal controls and measures, and through the consistent implementation of recommendations from the Internal Audit Service and external assessors for the ISO 27001 certificate.

Telekom Slovenije gave a great deal of attention in 2019 to the management of operational risks associated with ICT networks, services and devices, and to the management and development of employees in this area. The complexity of comprehensive management is increasing due to the development of technologies and ICT services, and the growing demands of applications and devices. We manage risks 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. The Telekom Slovenije Group aims to have one of the most effective, most responsive and most flexible OSS by 2023, which will include a high level of automation in operational processes. That automation shortens the time of processes, reduces the number of participants in processes, and reduces the number of errors and operational costs.

We ensure the necessary capacities of the ICT infrastructure and services, and of transmission, backbone and access segments in the scope of business continuity. 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. We implement updates and increase capacities through redundancy in those network segments where we have identified increased functional and security-related risks.

We manage ICT security risks through the implementation of the security policy, by identifying security threats and vulnerabilities, and by spreading the security culture to employees and users. We continuously develop systems for monitoring technologies and anomalies in the ICT infrastructure and services, and conduct internal and external penetration testing. We have also established the state-of-the-art Cyber Security Operation Centre.

We have also identified risks in connection with the conditions of the multi-frequency public auction for fifth-generation [5G] mobile networks due to requirements regarding the use of frequencies, prices and other related conditions of the auction. The strategy for the management of the radio frequency spectrum in Slovenia has yet to be adopted.

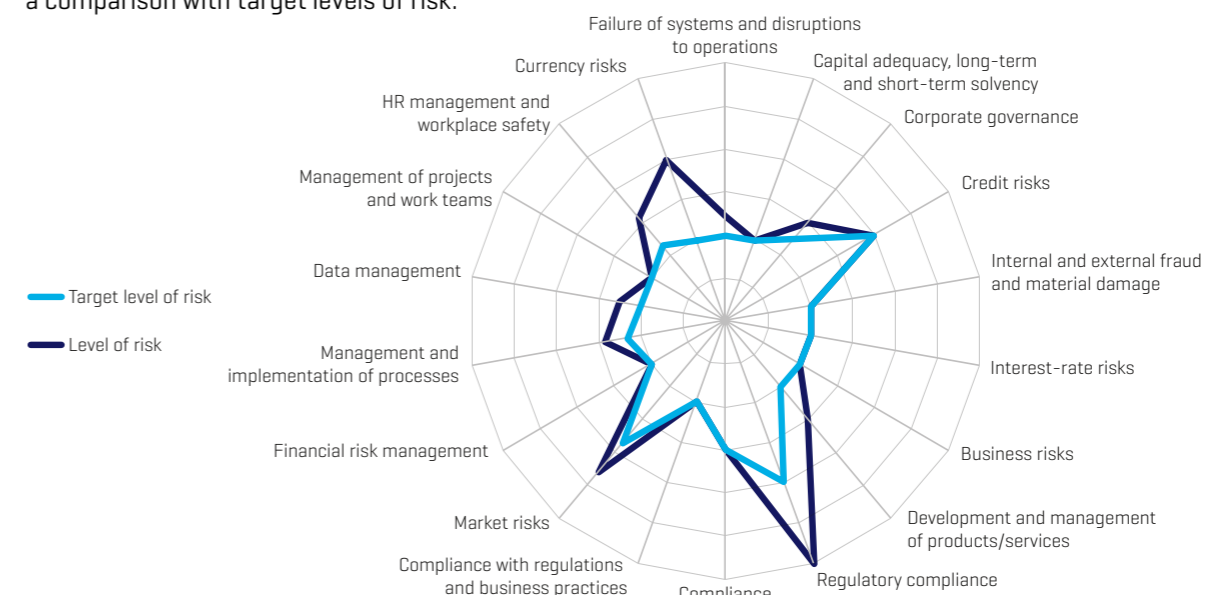
Risks in connection with the procurement process are managed through a centralised procurement function, a standard process for the implementation of procurement procedures and a methodology for assessing risks associated with suppliers. We perform a comprehensive assessment of suppliers and monitor compliance with contractual provisions. The Supplier Code falls into this category of activities. The objective of risk management is to ensure a smooth supply process and contribute to the Company's competitive advantages.

It is increasingly difficult to recruit and retain good employees due to market conditions and increased demand for professionally qualified personnel. In order to manage the risk associated with retaining employees, we focus on systematic development and career planning, the transfer of knowledge, training and ensuring motivational remuneration systems.

Risk	What is the risk?	What is the effect?	How is the risk managed?
Functioning of systems – backbone network	The suspension or limited performance of the key services of domestic, international and transit traffic due to the failure of network elements or the MPLS-VPN or ICT infrastructure; inability to fulfil SLAs.	Loss of revenues and reputation, higher costs and user dissatisfaction.	MPLS-core management strategy; continuous improvements to operational and security procedures and knowledge, and strengthening of personnel; comprehensive information security management system [ISMS].
Risks associated with the unfavourable results and conditions of the frequency auction	Conditions of the frequency auction and the unfavourable results thereof.	Loss of market share. Higher price to purchase frequencies.	Active participation in the drafting of a strategy on the allocation of the frequency spectrum, monitoring of the allocation of the frequency spectrum in the EU, and cooperation and the submission of comments and recommendations regarding published documents. Preparations for the auction with a team of experts.
Management of procurement process	Dependence on suppliers. Ability of suppliers to execute transactions. Breach of contractual provisions by suppliers.	Higher costs. Loss of reputation.	Centralised purchasing. Standardised procurement process. Supplier assessment and verification of risks relating to cooperation with suppliers. Supplier Code of Conduct.
Departure of key employees	Departure of key employees, and employees with the crucial knowledge and certificates.	Loss of revenues and costs in connection with the training of new employees.	Focus on development, transfer of knowledge, employee education and training, and remuneration and motivation systems to retain employees.

PRESENTATION OF RISKS BY RISK CATEGORY

The graph presents levels of risk at Telekom Slovenije by risk category during the final quarter of 2019 and a comparison with target levels of risk.



AVTENTA

Risk	What is the risk?	What is the effect?	How is the risk managed?
Human resource risks	Lack of experts for project implementation.	Higher costs.	HR strategy focused on retaining and recruiting staff. Establishment of links with external partners.

GVO

Risk	What is the risk?	What is the effect?	How is the risk managed?
Risks associated with rising prices of construction services	Rising prices of subcontractors for construction services on account of economic growth and an increase in demand for construction works.	Higher costs and loss of revenues.	Proof of the lack of justification of subcontractors' claims regarding rising prices and the pass-through thereof to investors, and adaptation of the organisation of work and processes.

PLANET TV

Risk	What is the risk?	What is the effect?	How is the risk managed?
Solvency risk	Timely settlement of obligations.	Delays in the settlement of obligations.	Business and financial restructuring.

TSINPO

Risk	What is the risk?	What is the effect?	How is the risk managed?
Human resource risks	Inappropriate employee structure.	Diminishing incentives for the employment of disabled persons.	Appropriate staffing structure.

TSMEDIA

Risk	What is the risk?	What is the effect?	How is the risk managed?
Risks associated with achieving planned revenues	Reduction in the scope of advertising.	Loss of revenues.	Conclusion of annual agreements; exclusive sales of advertising products, bundling marketing.
● Level of risk	↑ Trend		
Compliance in the area of personal data protection	Breach of personal data protection.	Loss of reputation, loss of users, payment of fines and claims for damage.	Implementation of legal requirements and European directives, and employee training in the area of personal data protection.
● Level of risk	↓ Trend		

SOLINE

Risk	What is the risk?	What is the effect?	How is the risk managed?
Risk associated with inclement weather	Loss of salt production due to adverse weather conditions	Low salt production, insufficient inventories and drop in number of visits to the spa.	No insurance product to transfer risk.
● Level of risk	↔ Trend		

IPKO

Risk	What is the risk?	What is the effect?	How is the risk managed?
Revenue-loss risk – mobile segment	Use of applications, and aggressive and unfair competition. Reduction in number of users.	Loss of revenues.	Monitoring of market development, active adaptation of the portfolio and appropriate market approaches.
● Level of risk	↔ Trend		
Risk of the loss of prepaid users – fixed segment	Aggressive competition, lower prices of competitors, migrations of users of prepaid services to other operators.	Loss of revenues.	Monitoring of market development, active adaptation of the portfolio and appropriate market approaches.
● Level of risk	↔ Trend		
Diminishing profitability of subscribers and services – fixed segment	Aggressive competition, low prices and migration of users to more affordable packages.	Loss of revenues.	Monitoring of market development, active adaptation of the portfolio and appropriate market approaches.
● Level of risk	↔ Trend		
Revenue-loss risk – roaming	Reduced scope of services with the transition to the new +383 code in Kosovo.	Loss of revenues.	Negotiations with foreign operators with regard to prices and retail packages linked to Kosovo. Appropriate market approaches.
● Level of risk	↑ Trend		
Risks associated with IT	Obsolete architecture and closed structure of IT systems, and departure of employees.	Provision of services and loss of revenues.	Project to upgrade IT systems, adaptation of the organisation and employment.
● Level of risk	↔ Trend		
Risks associated with the sale of the Company	Disclosure of documentation regarding operations. Departure of employees. Appropriate organisation of processes.	Loss of revenues.	Conservative approach to the disclosure of documentation. Employee motivation. Organization of processes.
● Level of risk	NEW - Trend		

2.5 COMPLIANCE, COMPETITION PROTECTION AND AUDITING

2.5.1 COMPLIANCE AND ANTI-CORRUPTION²¹

Compliance is crucial for the long-term successful operations of Telekom Slovenije Group and the parent company. Through its compliance management system, the Company provides an additional mechanism for operations that are in line with the law, other rules, valid recommendations, internal regulations and ethical principles.

We identify and mitigate risks through the compliance management system. Special emphasis is placed on measures in the area of competition law, the prevention of corruption, conflicts of interest, data protection and the prevention of money laundering and terrorist financing. Playing an important role in that process are preventive actions, and rapid and effective measures in the event of identified breaches.

The compliance and integrity officer is responsible for performing the compliance function at Telekom Slovenije. This area is governed by the Telekom Slovenije Group's Compliance Management Policy, which applies to all Group companies.

Through the **Code of Ethics of the Telekom Slovenije Group**, we set out the basic principles of operations and the responsibilities of employees in mutual relationships, and in relationships with the users of services and all other stakeholders. Certain areas from the aforementioned code are also defined in more detail in other internal acts.

We adopted the **Code of Conduct for the Suppliers of the Telekom Slovenije Group** in 2018, and began to include the contents of that code in business relationships with suppliers in 2019. The code binds suppliers to act in accordance with valid national and international regulations in their operations, and to respect the highest standards of ethics and business conduct.

Telekom Slovenije dedicates special attention to the transparent regulation of conflicts of interest. The **Rules on Conflicts of Interest** highlight the avoidance of conflicts of interest and the pursuit of personal interests. Those rules define the actions expected of employees should they find themselves in a conflict of interest, and the role of the Compliance Committee, which assesses notifications received from employees (i.e. regarding the disclosure of circumstances that could result in the existence of potential conflicts of interest) via an online application.

With the **Rules on the Acceptance and Offering of Gifts and Invitations** issued in 2019, we defined in more detail rules

regarding the acceptance and offering of gifts and invitations in the course of daily transactions with business partners, public servants and officials. The aim is to further protect employees from erroneous assessments regarding the acceptance and offering of gifts and invitations, which could result in financial damage, and damage to the reputation of management, employees or the company.

As a dominant operator on specific markets, we dedicate special attention to the area of competition law. Through the **Guidelines on Assuring Compliance with Competition Law**, we define procedures and internal controls for assuring compliance with competition law, and provide various instructions to employees on how to act in certain situations. We also organise regular employee education and training.

Using different channels, employees and the general public may anonymously and confidentially **report breaches** of the Code of Ethics and other internal acts, or potential illegal conduct. A system for receiving, handling and investigating reports has been in place within

21 GRI GS 103-1, 103-2, 103-3, 102-16, 205-1, 415-1

the Group since 2014. Also functioning in 2019 was the Whistleblowing Committee, which adopts the relevant measures when breaches are identified.

No cases of corruption were confirmed within the Telekom Slovenije Group in 2019.

Telekom Slovenije addresses potential risks associated with corruption in sponsorship and donation activities through the **Rules on the Treatment and Approval of Sponsorships and Donations**. Those rules are also in line with the Code of Ethics, which states that Group companies may not use their financial resources or in any other way support political parties.

PERSONAL DATA PROTECTION

Constant attention is given to the area of personal data protection, as we process enormous amounts of personal data from our users as the leading Slovenian operator and provider of additional services. We are aware that protecting the personal data of our users is a crucial element of their trust in our services and that potential breaches in this area could impact the Company's reputation.

Having a significant impact in this area is the **General Data Protection Regulation** (known as the GDPR). For personal data controllers and processors, the GDPR brought a change in the regulatory environment. At the same time, it improved awareness of and highlighted the area of personal data

protection amongst users, business partners and the general public. The processing of personal data is governed by both general regulations and sectoral regulations. Most significant amongst the latter is the Electronic Communications Act.

As a major controller and processor of personal data, we have established the function of and appointed a personal data protection officer.

Transparency and providing information to individuals regarding the processing of personal data is ensured through the **Privacy Policy**, which provides subscribers and users general information regarding the processing of their personal data and regarding their rights through the terms and conditions of individual services, which in turn provide subscribers and users specific information in connection with the processing of data for those services. On the Moj Telekom (My Telekom) subscriber portal, we make it possible for subscribers and users to manage consents for their subscriber relations.

We also included the requirements of the GDPR in processes and procedures for handling potential breaches of personal data protection, in the scope of which we monitor events that could affect the protection of that data and adopt measures for improvements.

As a controller and processor of personal data, we are subject to constant supervisions by the competent bodies. Seven supervision proceedings relating to personal data protection

were conducted at Telekom Slovenije in 2019 (including two proceedings that began in 2018 and were completed in 2019), six by the Information Commissioner and one by the AKOS. Five proceedings were completed. Telekom Slovenije was issued reminders in two of those proceedings.

As a provider of payment services and the issuer of electronic money in the scope of Moneta VALÚ and VALÚ services, Telekom Slovenije is bound by the **Prevention of Money Laundering and Terrorist Financing Act**.

A system is in place for the aforementioned services, as are rules, measures, procedures and internal controls aimed at the prevention of money laundering and terrorist financing. In the scope of these activities, we did not identify any transactions in 2019 for which money laundering or terrorist financing was suspected.

Telekom Slovenije organises regular lectures, workshops and e-training events for employees, and informs them about specific activities and previously implemented mechanisms in the area of compliance via the intranet or in electronic form. Together with all subsidiaries, we strive to pursue the highest ethical and business standards, such that we have established and regularly upgrade the compliance management system for the entire Telekom Slovenije Group. When implementing individual internal acts and measures, we take into account the specific circumstances of subsidiaries and valid local legislation.

2.5.2 COMPETITION PROTECTION AND PROCEEDINGS BEFORE THE COURTS AND OTHER BODIES²²

No new proceedings were initiated against Telekom Slovenije in 2019 due to the potential breach of competition rules or monopolistic behaviour. There were two proceedings in this area before the Competition Protection Agency (CPA) in previous years. Those proceedings are still pending.

Telekom Slovenije was party to the following significant proceedings before the courts in 2019:

- During the retrial in the commercial dispute between Telekom Slovenije and Bojan Dremelj, Dušan Mitič, Filip Ogris

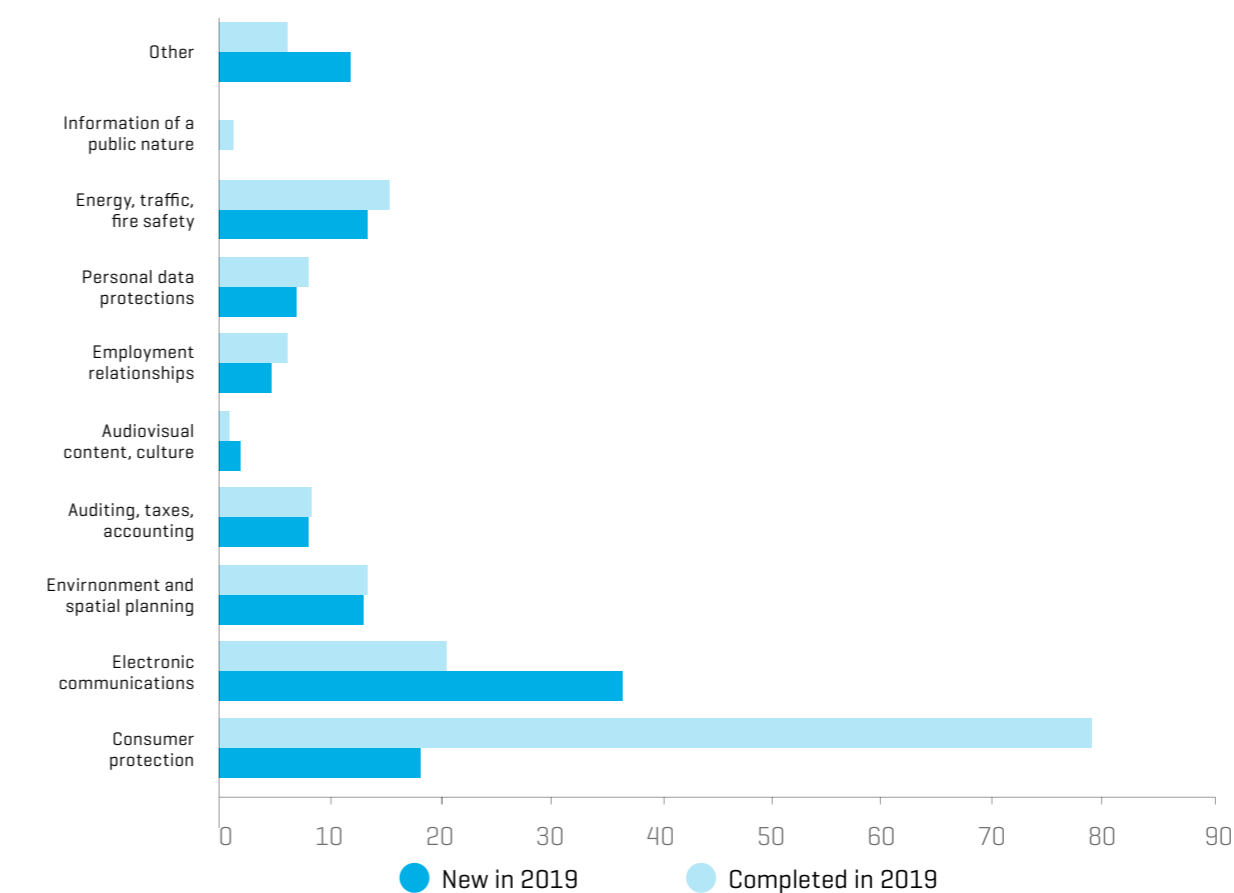
Martič, Željko Puljić and Darja Senica for the payment of EUR 7,635,500.00 with appertaining costs, the Ljubljana District Court rejected in full Telekom Slovenije's claim as plaintiff. The court ordered the Company to reimburse the litigation costs of the defendants and interveners. Telekom Slovenije filed a repeal against the aforementioned ruling.

- On 31 October 2019 Telekom Slovenije received a decision from the International Court of Arbitration in arbitration proceedings between Telekom Slovenije and Antenna Slovenia

B.V. The aforementioned court ruled that Antenna Slovenia B.V. correctly exercised its put option for a 34% participating interest in Antenna TV SL, and ordered Telekom Slovenije to pay consideration for the aforementioned participating interest in Antenna TV SL in the amount of EUR 17,595,000.00, together with default interest and procedural costs. The decision of the Court of Arbitration is final and binding.

Provisions for obligations arising from legal actions are disclosed in the financial report in [31. Provisions](#).

Review of supervision proceedings within the Telekom Slovenije Group in 2019 by area



EXTERNAL SUPERVISION PROCEEDINGS

The Telekom Slovenije Group has established the uniform recording and monitoring of external supervision proceedings initiated against the Company and/or its responsible person, and outlined the conduct of employees in such proceedings. We define external supervision as an examination of the Company's operations to verify compliance with legal or contractual provisions or standards in the performance of its activities.

There was a total of 107 external supervision proceedings within the Telekom Slovenije Group in 2019: 84 at Telekom Slovenije and 23 at subsidiaries. A total of 157 external supervision proceedings were completed, 140 at Telekom Slovenije and 17 at subsidiaries.²³

Amongst the 140 supervision proceedings completed at Telekom Slovenije, a misdemeanour decision was issued against the Company in three cases (in the areas of traffic and consumer protection), and resulted in the imposition of a fine against the legal entity and the latter's responsible person. In none of those cases did the fine exceed EUR 5,000. Amongst the 17 supervision proceedings completed at subsidiaries, a misdemeanour decision was issued against two subsidiaries (GVO and Soline) in four cases (in the areas of traffic, accounting and labour relations), and resulted in the imposition of a fine against the legal entity and the latter's responsible person. In none of those cases did the fine exceed EUR 4,000.

2.5.3 AUDITING

INTERNAL AUDITING

Telekom Slovenije's Internal Audit Service (IAS) conducts internal auditing for all Telekom Slovenije Group companies. Through performance of auditing tasks, and by providing consultancy services, the IAS contributes to continuous improvements in the effectiveness of risk management, control procedures and corporate governance at Group companies. An independent external assessment in 2016 and internal assessments of quality in the years that followed have confirmed the compliance of the work of the IAS with the International Standards for the Professional Practice of Internal Auditing.

The areas of auditing for 2019 were defined in the IAS's work plan, and derive from its multi-year plan for the period 2019 to 2023. Annual and multi-year plans are adopted by the Management Board, and were also reviewed by the Audit Committee and approved by the Supervisory Board. The IAS also performed an extraordinary audit by resolution of the Management Board.

During audits of Group companies in 2019, the IAS assessed the effectiveness of internal control and risk management systems, and governance in the following areas: the wholesale market, retail sales, the planning of

the expansion of the network, the consolidation of business support information systems, compliance with sectoral law and financial reporting. It also audited the functioning of the second line of defence in risk management, the management of conflicts of interest, compliance and security. It issued recommendations for improving internal controls and the more effective management of risks in areas subject to audit. The IAS regularly monitors the implementation of adopted recommendations. It reports regularly to the Management Board and Supervisory Board's Audit Committee on findings and recommendations, and on the implementation thereof. The IAS also performs specific advisory tasks.

EXTERNAL AUDITING

In accordance with the Guidelines for Ensuring the Independence of the Auditor of the Financial Statements of the Telekom Slovenije Group, the audit firm Deloitte Revizija was appointed to audit the financial statements of the Telekom Slovenije Group for the 2017, 2018 and 2019 financial year at Telekom Slovenije's 28th General Meeting of Shareholders. Costs associated with the auditor are disclosed in the financial report in point 45. Auditor's fee.

2.6 BUSINESS ENVIRONMENT AND TRENDS IN THE SECTOR

2.6.1 IMPACT OF THE MACROECONOMIC ENVIRONMENT ON OPERATIONS

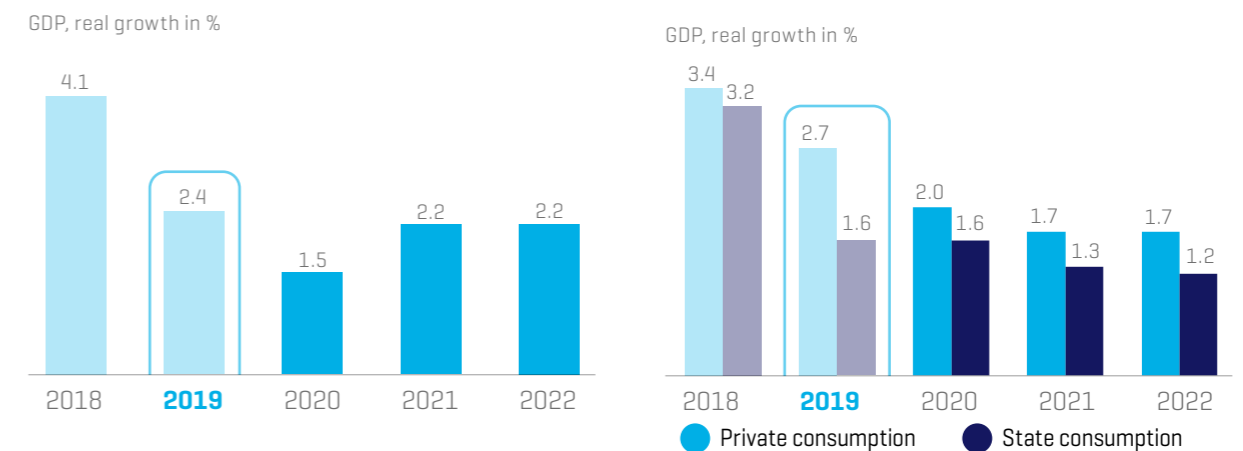
SLOVENIA

The spring forecast was drafted during the period when the COVID-19 coronavirus spread to numerous countries and the first cases of infection were confirmed in Slovenia. It is currently very difficult to predict the economic consequences of the spread of the virus. A slowdown in economic growth in the euro area is forecast for 2020 (from 1.2% to 0.8%), with a recovery expected over the next two years (to 1.2% and 1.3% respectively).

Economic growth in Slovenia will slow to 1.5% in 2020 and will be somewhat higher over the next two years (2.2%). Slowing growth in real GDP for the third year in a row will primarily be the result of lower economic growth in Slovenia's trading partners and increased uncertainty. Both will be at least partly the result of the spread of the coronavirus and above all protective measures. Assuming the spread of the virus can be limited and halted in Slovenia and the rest of the world, growth in exports and imports will be almost halved, while (commercial) investments will be slightly lower than in 2019 in the context of numerous uncertainties. Private and government consumption will continue to contribute to GDP growth in the period 2020 to 2022.

If the coronavirus epidemic is protracted in Slovenia and other European countries and if conditions do not stabilise during the second half of 2020, economic growth this year and in 2021 will be lower than forecast. The realisation of certain other risks could also further exacerbate the situation.

Key macroeconomic indicators in Slovenia



Source: SORS, Bank of Slovenia, ECB and IMAD calculations and forecasts (Spring Forecast of Economic Trends, March 2020).

KOSOVO

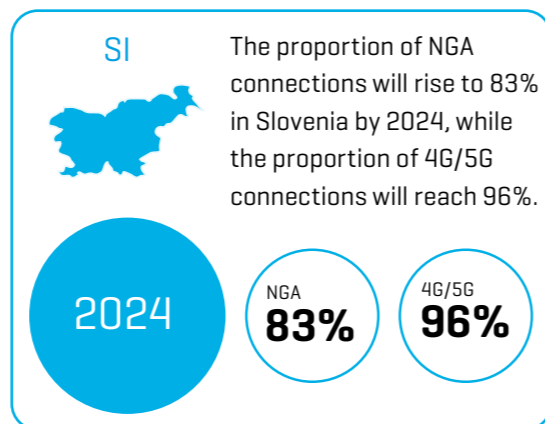
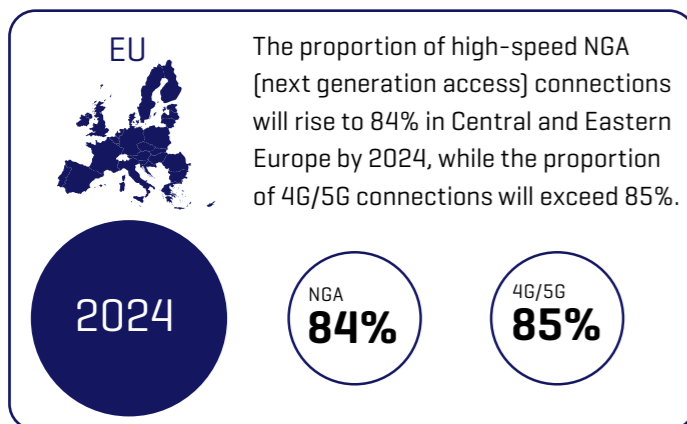
Gross domestic product (GDP) in Kosovo is at the level of emerging countries, and six times lower than in Slovenia. Economic growth was 3.8% in 2018 and is expected to rise to 4.2% in 2019. Conditions on the labour market have improved slightly, with the unemployment rate falling, but still very high in 2018 at 29.6%. For this reason, the prices of telecommunication services are significantly lower than in Slovenia. The economy remains dependent on economic and employment developments in Western Europe, and on foreign direct investments.

Source: SEE IMF Outlook, October 2019; * The unemployment rate in Kosovo is provided by the Statistical Office, December 2019.

2.6.2 STATE OF THE TELECOMMUNICATIONS SECTOR AND TRENDS

According to the analysts of Analysys Mason, revenues from telecommunications services will rise by 1.7% annually [CAGR] in **Central and Eastern Europe** between 2018 and 2024. Growth will be recorded in the majority of market segments.

Key to revenue growth will be the expansion of the LTE/4G and LTE/4G+ networks and the increased use of mobile data, as revenues from mobile services will account for 67% of total revenues from telecommunications services in 2024. The upgrading of fixed broadband networks and special commercial services will continue to be key for revenue growth in the fixed segment.



Source: Analysys Mason – Central and Eastern Europe telecoms market: trends and forecasts 2019–2024.

Key forecast for Central and Eastern Europe until 2024 (Analysys Mason)

BROADBAND ACCESS MARKET

- Fixed broadband access and data transfer services continue to record the highest revenue growth.

IOT (INTERNET OF THINGS)

- The highest proportion of revenues from the IoT will derive from the automotive industry.
- The further upgrading of networks to NB-IoT and LTE-M technologies will open new opportunities for revenue growth in the region.

PAY TV

- Traditional services will account for the majority of growth in revenues from pay TV. Revenues from OTT services and cable TV will rise, while revenues from satellite TV will decline.
- The majority of growth in operators' revenues will be driven by IPTV services.

MOBILE SERVICES

- The total number of mobile connections will fall due to market saturation and the migration from prepaid multi-SIM services to subscriber services.
- The household penetration rate of active mobile telephony users will stagnate, primarily due to market saturation.
- Average revenue per user (ARPU) in the mobile segment will rise due to the expansion of the LTE network and the associated use of data.
- Operators are testing 5G technology and gradually introducing the first commercial 5G services where growth is expected in 2020 and 2021.
- The gradual arrival of 5G mobile devices on the market and a longer mobile device replacement cycle amongst users will limit the initial use of 5G services.

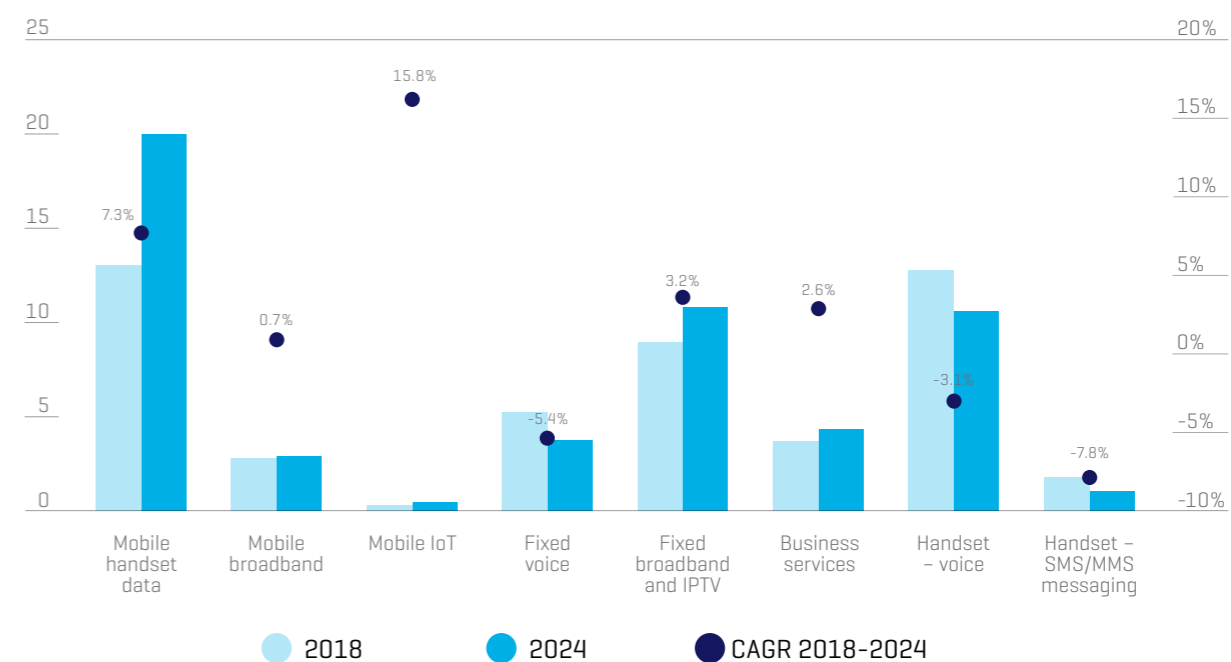
FIXED SERVICES

- More than 60% of households will have an active NGA broadband connection.
- The development of NGA networks and an attractive package offer will support growth in household fixed broadband penetration rates throughout the region. Average spend per user (ASPU) will be stable in the region.
- Operators will maintain growth in revenues through the take-up of high-speed broadband connections and pay TV packages.
- Competition at the wholesale level will stimulate growth in the broadband penetration rate, which will result in the increased use of networks.
- Packages of fixed and mobile services and the ever-increasing number of convergent operators will further intensify competition in the region.

COMMERCIAL SERVICES

- Total revenues from commercial services will rise to EUR 17.2 billion due to demand from large enterprises. Growth in revenues will slow towards the end of the forecast period.
- Dedicated connections will remain a relatively stable source of revenues for operators. The decline in revenues from voice services will be less pronounced than in previous years, and will be offset by an increase in revenues from data transfer.
- Growth in revenues from commercial services will be stimulated by rising demand for cloud and security services.

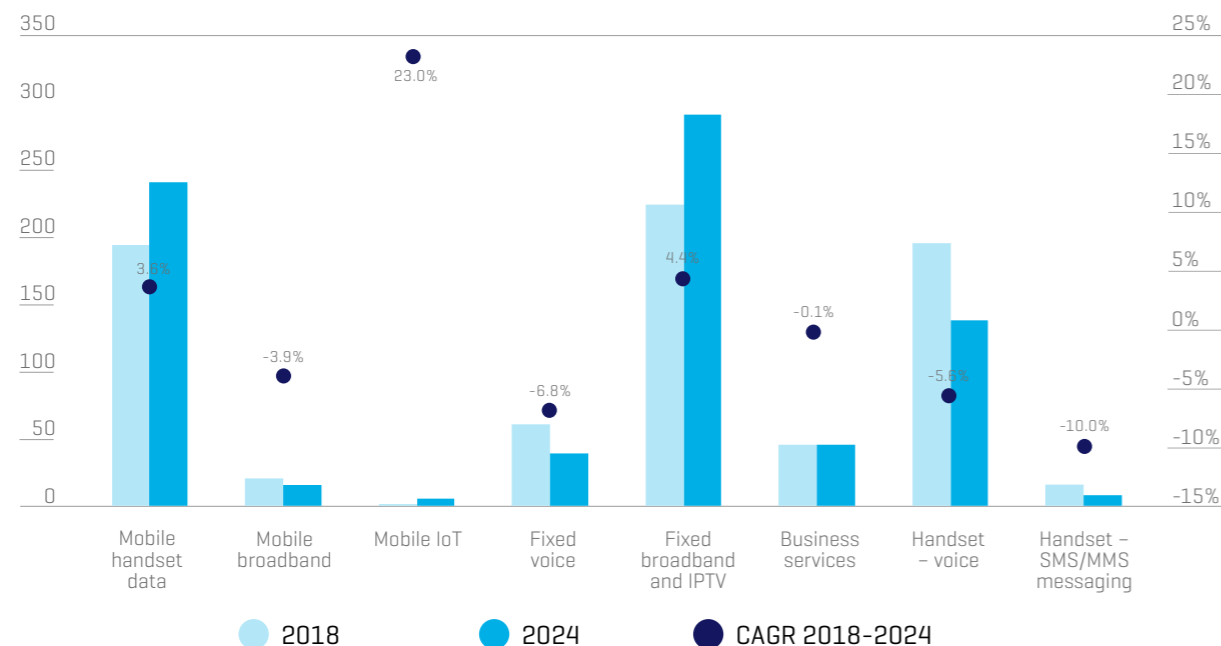
Revenue from telecommunications services – **Central and Eastern Europe** in the period 2018 to 2024 (in EUR billion)



Source: Analysys Mason – Central and Eastern Europe telecoms market: trends and forecasts 2019–2024.

Amongst individual services, the highest growth will be achieved by M2M and mobile data transfer, followed by fixed broadband access, and IPTV and commercial services. The sharpest decline in revenues will be seen in traditional mobile services (calls and messages) and fixed telephony.

Revenue from telecommunications services – Slovenia in the period 2018 to 2024 [in EUR million]

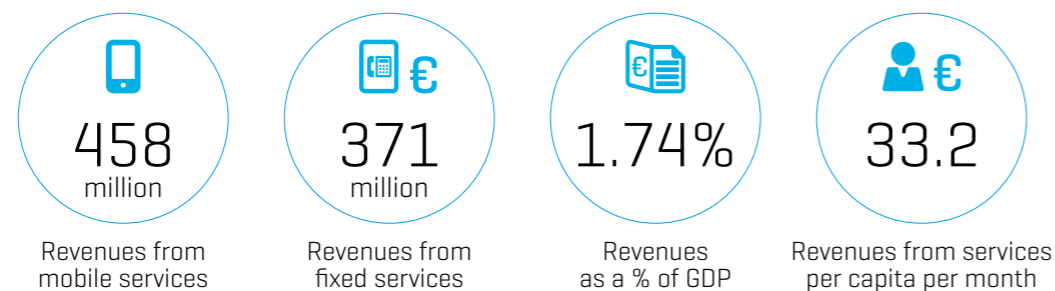


Source: Analysys Mason – Central and Eastern Europe telecoms market: trends and forecasts 2019–2024.



The sharpest decline in revenues in Slovenia will be seen in traditional mobile services [calls and messages] and fixed telephony. A decline will also be seen in mobile broadband access, while commercial services will remain at around the same level. Amongst individual services, the highest growth will be achieved by M2M, mobile data transfer, fixed broadband access and IPTV.

Slovenia – annual revenues [3Q 2019]



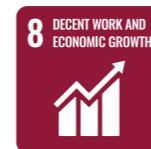
Telekom Slovenije will strengthen its core activity, while increasing its share of household and corporate budgets, and strengthening user loyalty through expansion to other areas that are important to users.

IT MARKET IN SLOVENIA

According to forecasts, we are expecting 3.7% growth in the Slovenian ICT market in 2020 and the following year, when the highest growth is expected on the enterprise software and digital business model markets, and in the cloud security services segment, while the device market will contract by 2.6%.

Big data, cloud computing, mobility, artificial intelligence and automation will continue to play a key role in the digital transformation of companies. According to forecasts, one half of all revenues will be generated from digital business models or channels by 2020.

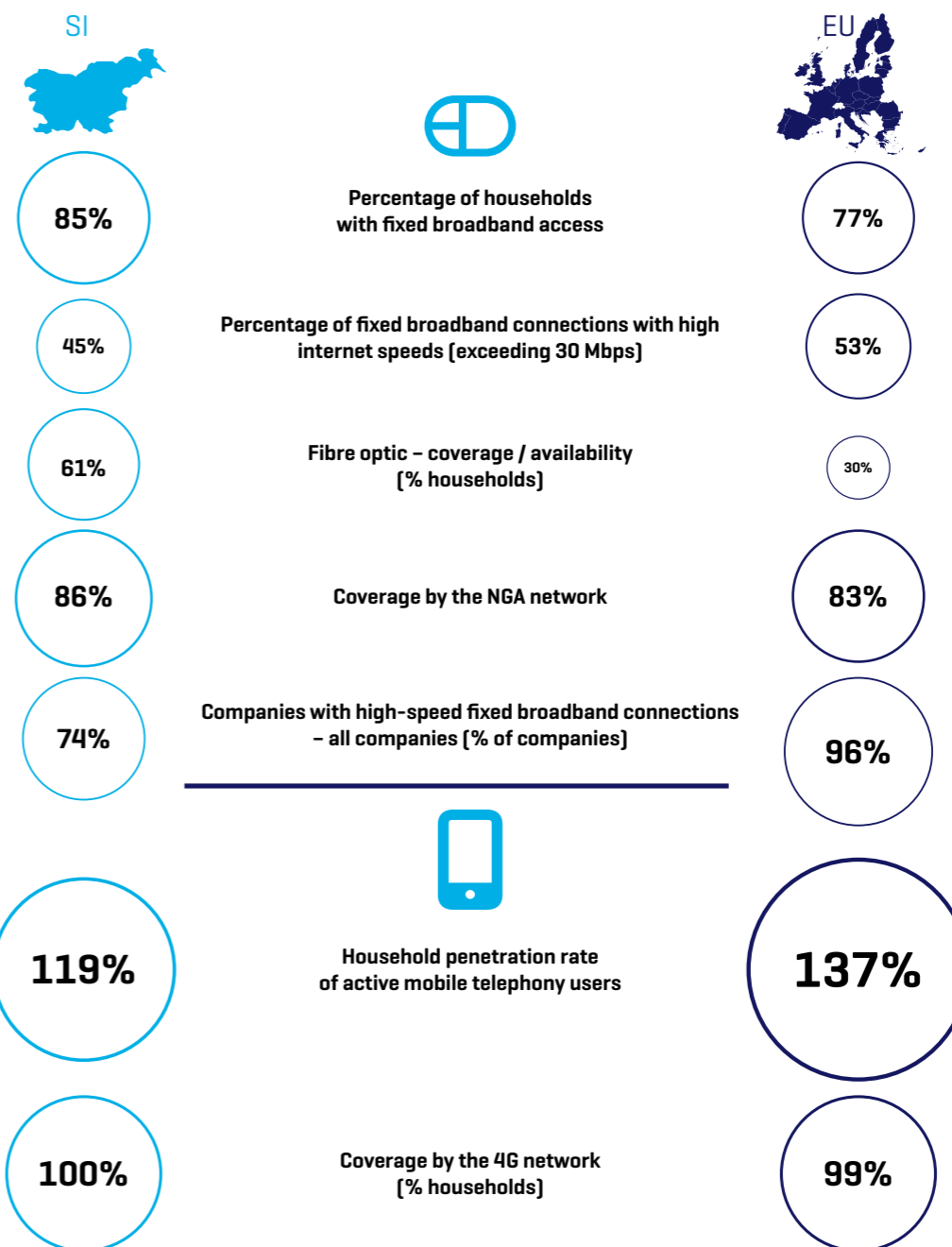
The Telekom Slovenije Group therefore continuously adapts, follows trends in the implementation of SAP solutions and document systems, and develops innovative, effective, secure and high-quality solutions.²⁴



In the area of information technology, Slovenia faces a changing security environment that requires the appropriate adaptations and the right response.

Threats to cyber security are greater than ever before. Ensuring information security and the continuous control of the network and services serve as the basis of the operations of Telekom Slovenije, which facilitates the connectivity of fixed and mobile services via the internet and provides cloud services for private and business users.

2.6.3 COMPARISON OF THE DEVELOPMENT OF THE SLOVENIAN TELECOMMUNICATIONS MARKET WITH THE EU



Source: European Commission, 2019 (for 2018).

FIXED BROADBAND ACCESS MARKET

Growth in the broadband connection market has slowed in Europe and Slovenia, while according to figures from the European Commission (June 2019), Slovenia is below the EU average (35.6%) in terms of household fixed broadband access penetration, at 32.5%.

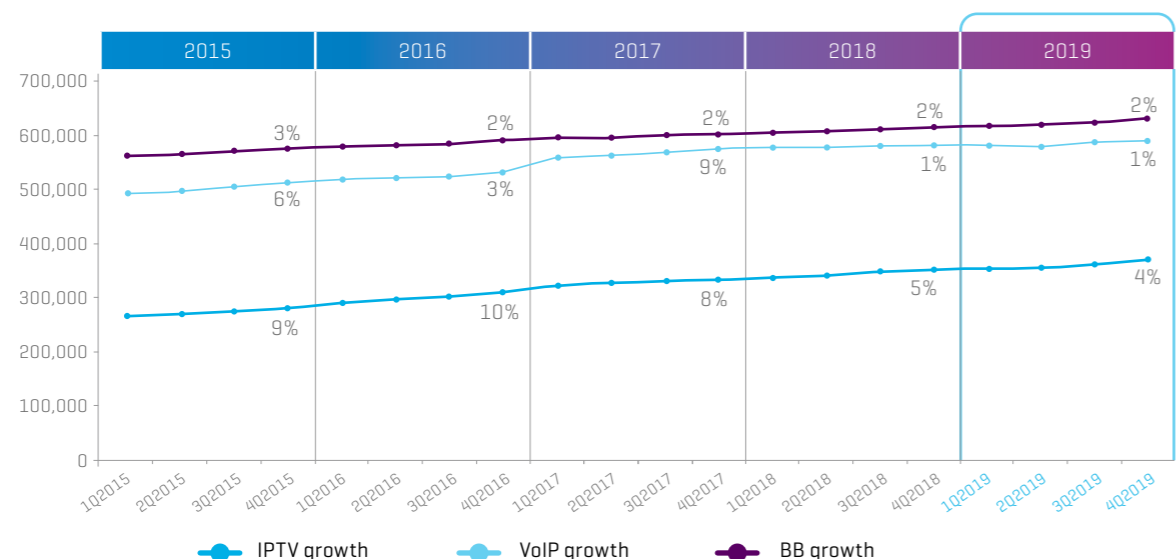


The fixed broadband connection market continues to grow in Slovenia, but that growth is slowing. Slightly higher growth is being recorded by IPTV, while growth in VoIP is also slowing.



Telekom Slovenije will 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 that will be based on a simple user experience and superior network, inspiring services, cutting-edge solutions and a caring approach to users.

Growth in fixed broadband connections in Slovenia



Source: AKOS, SORS, Q4 2019

Slovenia remains above the European average in terms of the proportion of broadband access connections accounted for by cable and fibre optic connections, specifically via cable access (Slovenia: 29%; EU: 19%) and also via FTTH access (Slovenia: 34%; EU: 16%). Source: European Commission, Broadband indicators, July 2018]. FTTH connections accounted for 40% of all broadband connections in Slovenia in the fourth quarter of 2019.

PAY TV MARKET

According to the forecasts of analysts at Analysys Mason, revenues from traditional pay TV services will account for the majority of revenues from pay TV and OTT video services between 2019 and 2024, but will reach their peak in 2023.



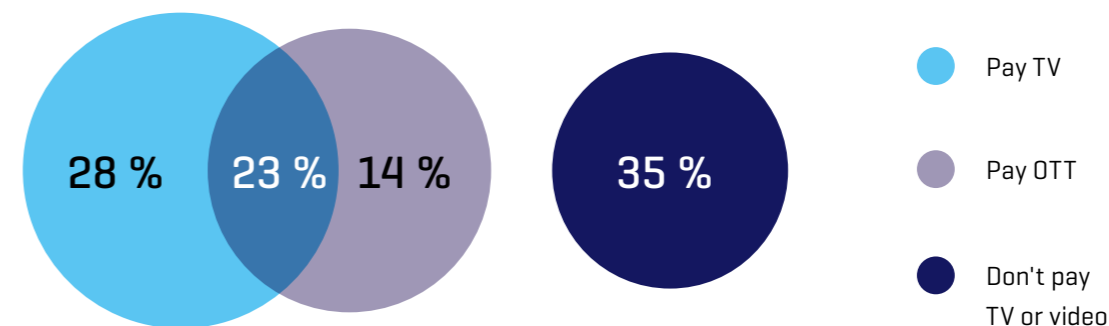
IPTV accounts for 55,7% of all TV connections in Slovenia (fourth quarter of 2019) and continues to grow. It is followed by cable TV (38,0%), where the number of connections has stagnated.



At 47,1% (fourth quarter of 2019), Telekom Slovenije holds the highest share of the IPTV market.

The use of OTT video services continues to develop. Numerous users pay for both pay TV and OTT services. TV and video viewing by users is quite fragmented, via different devices and services. The use of several screens is already a mainstay.

Users of pay TV and OTT video services in Europe

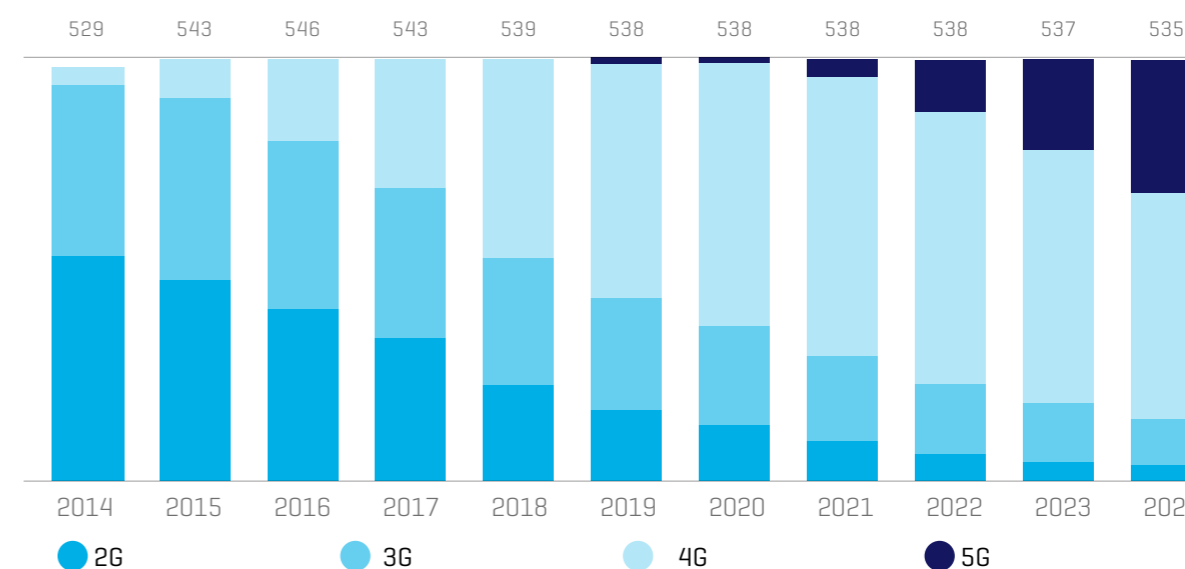


Source: Analysys Mason, Connected consumer survey 2018: TV and video services in Europe and the USA.

MOBILE BROADBAND ACCESS

Mobile broadband internet access is a fast-growing segment. More than 70% of all active mobile SIM cards use a mobile broadband connection, for the most part on smartphones, only then followed by tablet and laptop computers (European Commission, July 2018).

Number of connections by mobile network generation in Central and Eastern Europe until 2024 in million



Source: Analysys Mason - Central and Eastern Europe telecoms market: trends and forecasts 2019-2024.



The 5G technology brings increased network capacity and numerous opportunities for the development of new services.



Telekom Slovenije is actively preparing for the deployment of fifth generation mobile networks (5G), as that deployment involves long-term technological development. We are thus carefully planning and carrying out interim steps for network development that are required for the introduction of 5G.

FIXED AND MOBILE TELEPHONY

According to the forecasts of analysts at Analysys Mason, revenues from **fixed telephony** will contract at an annual rate of -5.3% (CAGR) in Central and Eastern Europe and -6.8% in Slovenia until 2024.

The proportion of the market accounted for by IP telephony is growing constantly, such that at the end of the fourth quarter of 2019, the share of the Slovenian market accounted for by IP connections had already reached 85.6%, while the share accounted for by traditional telephony continues to decline and stood at 14.4%.

In the **mobile segment**, Slovenia has one of the lowest per capita penetration rates of active mobile telephony users in the EU (120% in the fourth quarter of 2019), giving it sufficient room for further development.

The migration from prepaid to subscriber services is characteristic of the EU mobile telephony market. Slovenia is among the countries with the highest proportion of subscriptions (80% in the fourth quarter of 2019) compared with the European average.

The proportion of traffic from the mobile network and VoIP is rising, while the proportion of traffic from the fixed network is declining. That trend is quite obvious in Slovenia, as traffic from the fixed network accounted for just 7% of total traffic in the fourth quarter of 2019, compared with 93% from the mobile network.

2.6.4 REGULATION OF ELECTRONIC COMMUNICATIONS

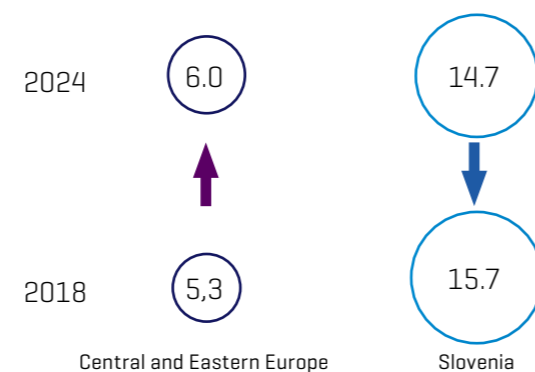
DEVELOPMENT OF NEXT GENERATION BROADBAND NETWORKS

The Ministry of Public Administration issued a public call in June 2019 for a declaration of market interest in the construction of next-generation broadband networks in Slovenia over the next three years. Telekom Slovenije responded to that call and signed an agreement on the declaration of market interest. There was no tender re-issued in 2019 for the construction of OBNs.

NATIONAL LEGISLATION AND EU REGULATIONS

European law-making bodies approved the new directive establishing the European Electronic Communications Code (EECC) and the regulation governing the competences and functioning of the Body of European Regulators for Electronic Communications (BEREC regulation). The aim of the European Commission in this regard is to update the European regulatory framework for electronic communications from 2009. The aforementioned code entered into force on 20 December 2018, when the two-year deadline for the transposition of the directive into national laws of Member States also began to run.

Average revenue per user (ARPU) in Central and Eastern Europe, and Slovenia until 2024 (IN EUR)



Source: Analysys Mason – Central and Eastern Europe telecoms market: trends and forecasts 2019–2024.

PACKAGE SERVICES

Operators are attempting to mitigate the declining number of subscribers by offering increasingly varied packages. Growth in all packages, most notably in quadruple play packages, is rising in the EU and Slovenia, while the number of stand-alone broadband access connections is falling. A total of 67% of EU households subscribe to package services. Double and triple play packages are available in all Member States, while the EU average is 31% and 25% respectively. At 11%, that figure is the lowest for quadruple play packages, but is growing.

RELEVANT MARKETS

The AKOS conducted various inspections in 2019 with respect to Telekom Slovenije in connection with imposed obligations on regulated relevant markets.

A decision entered into force in October on relevant market 4 (Wholesale high-quality access at a fixed location), on which Telekom Slovenije has been recognised as an operator with significant market power. Another decision entered into force in December on relevant market 1 (Call termination in the fixed network), on which the AKOS identified 10 operators with significant market power, including Telekom Slovenije.

The AKOS performed a market analysis on new relevant market 2 (Call termination in the mobile network).

Relevant market	Change
Regulation of market 4 Wholesale high-quality access at a fixed location.	The associated decision entered into force on 2 October 2019. Telekom Slovenije published its revised sample offer on 2 December and announced other changes in connection with the implementation of that decision.
Analysis of relevant market 1 Wholesale call termination in individual public telephone networks at a fixed location.	Telekom Slovenia received the associated decision on 20 December 2019.
Analysis of relevant market 2 Wholesale voice call termination in individual mobile telephone networks.	In November 2019 the AKOS published a second analysis of the aforementioned relevant market, to which Telekom Slovenije submitted comments.

FREQUENCIES

The AKOS continued with the preparation of procedures in 2019 in connection with the tender for 5G frequencies. It re-published a proposed strategy on the management of the radio frequency spectrum, with regard to which Telekom Slovenije presented its position. The strategy had not been adopted by the end of 2019. A strategy on the construction and management of networks for the critical infrastructure had likewise not been adopted by the end of 2019. In July the AKOS published an inquiry regarding interest in the 1,400 MHz, 2,300 MHz, 3,600 MHz and 26 GHz frequency bands, based on which it will prepare a public tender for a public auction following the adoption of a strategy on the management of the radio frequency spectrum.

UNIVERSAL SERVICES

The AKOS defined Telekom Slovenije as a provider of universal services for a five-year period, beginning on 2 December 2019.

Universal services comprise connections to the public communications network and access to publicly accessible telephone services at a fixed location, and the implementation of measures for disabled end-users.

Effective 3 December 2019 Telekom Slovenije is no longer a provider of the universal service of ensuring public payphones.

RESOLUTION OF DISPUTES BEFORE THE AKOS

Telekom Slovenije informs users regularly and correctly about special conditions, sales offers, prices and changes in its portfolio, which reduces the number of complaints. To that end, we have also improved the resolution of complaints at the first instance. According to data from the AKOS, the Company has the lowest proportion of complaints before the aforementioned agency amongst Slovenian operators. Findings from the resolution of complaints are always implemented in the process of improving services and operations.

NEW SERVICES

Services through which Telekom Slovenije is expanding its core activity are also subject to regulation. In the area of electricity services, we must provide data regarding wholesale agreements and sales quantities to the Energy Agency, while the consent of the Insurance Supervision Agency was required for the provision of insurance services.

REGULATORY DEVELOPMENTS IN SOUTH-EASTERN EUROPE

KOSOVO

The introduction of the three-digit calling code assigned to Kosovo by the ITU, with number portability ensured continued in 2019. Also underway were preparations for the regulation of bit-streaming, which IPKO will have to implement in 2020. The Kosovo regulatory authority [ARKEP] extended the deadline for the introduction of a wholesale offer to 18 months.

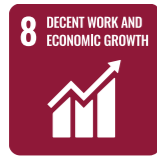


SMART LIVING, THE WAY YOU SAY

Smart communications, payments, entertainment and living. We make it possible for users to customise their own smart living, and adapt it to their wishes and needs through a range of selected services. We strive to provide the best possible user experience and provide users comfort of new dimensions.

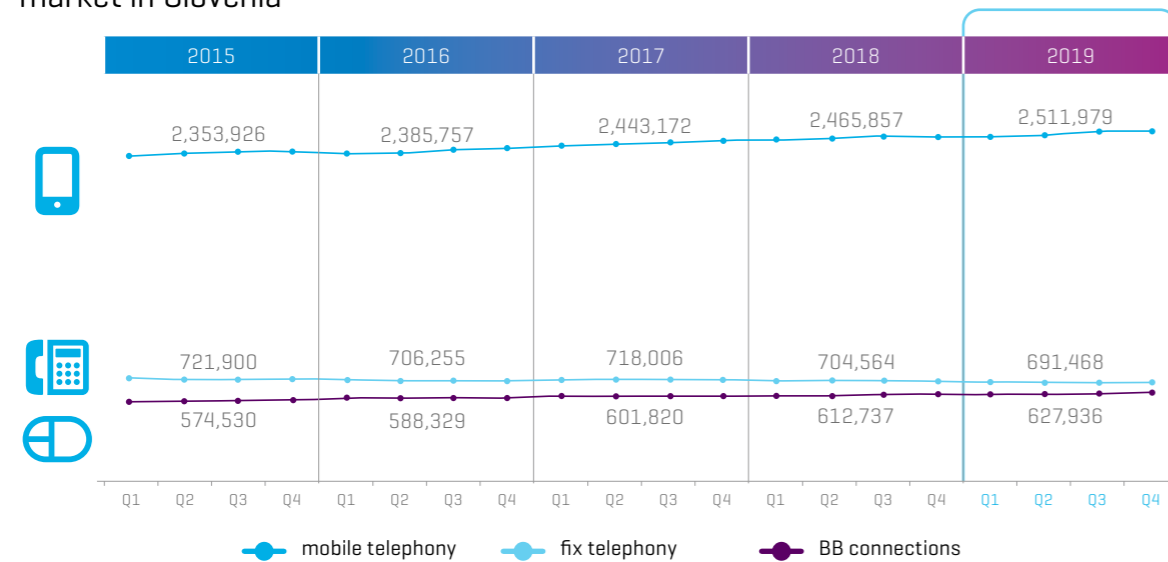
2.7 MARKETING AND SALES

2.7.1 MARKET AND MARKET SHARES IN KEY SERVICE SEGMENTS²⁵



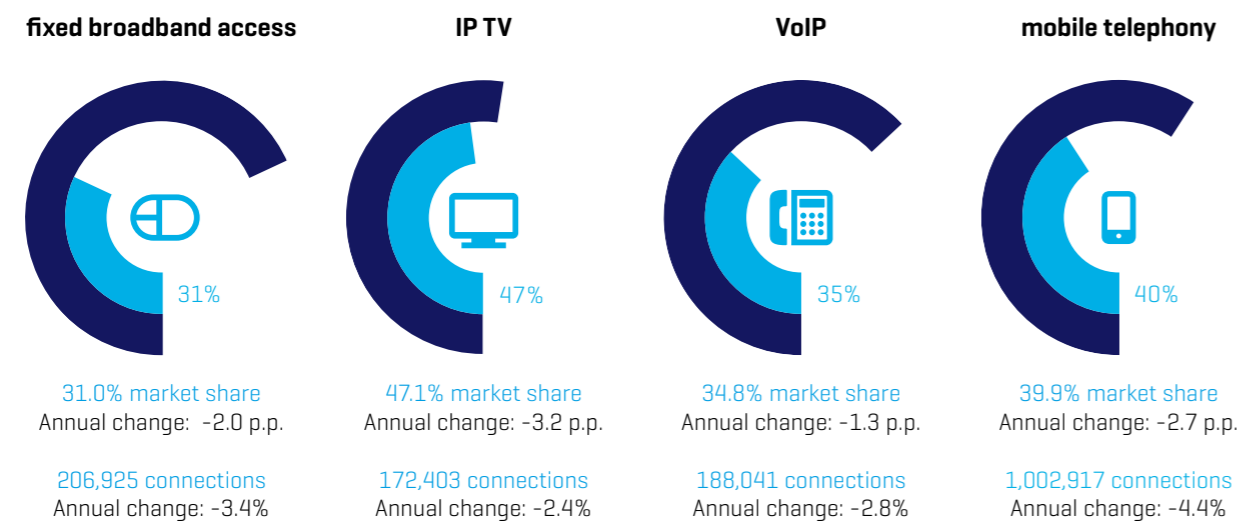
Telekom Slovenije maintains the highest market share in all segments of operations. This is achieved by investing in the expansion and upgrading of the fibre optic broadband network, through the continuous development of the mobile network, through a portfolio of convergent packages, by expanding the portfolio outside the core of its activity, through a comprehensive portfolio of ICT services and through customer service.

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



Source: Statistical Office of the Republic of Slovenia, fourth quarter of 2019.

Telekom Slovenije's market shares in key segments



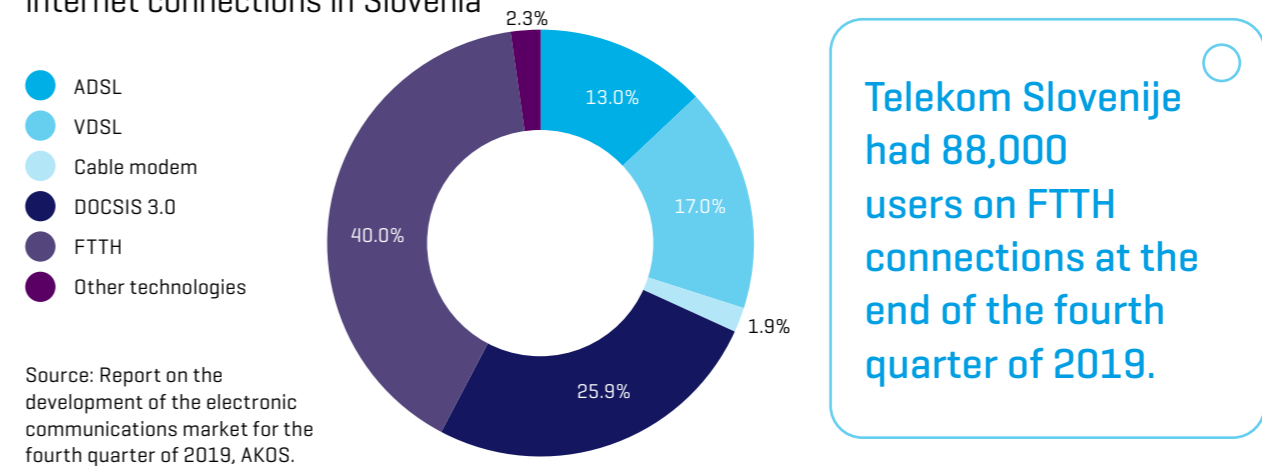
Source: Report on the development of the electronic communications market for the fourth quarter of 2019, AKOS; internal Telekom Slovenije figures.

FIXED BROADBAND ACCESS

The household fixed broadband access penetration rate reached 83.2% in Slovenia.²⁶ There was a total of 627,936 broadband connections at the end of the fourth quarter of 2019 (compared with 612,745 during the same period in 2018), 86.2% of which were accounted for by residential broadband connections.²⁷ At 31.0%, Telekom Slovenije maintains the highest market share in the aforementioned segment, followed by Telemach and T-2.

The proportion of fibre optic connections and the range of high-speed internet services are continuously rising in Slovenia. Thus, at the end of the fourth quarter of 2019, the number of active fibre optic connections in Slovenia already exceeded 251,400, accounting for 40.0% of all connections. The number of fibre optic connections rose by 13.0% in one year.

Market shares of fixed broadband technologies in terms of the number of broadband internet connections in Slovenia



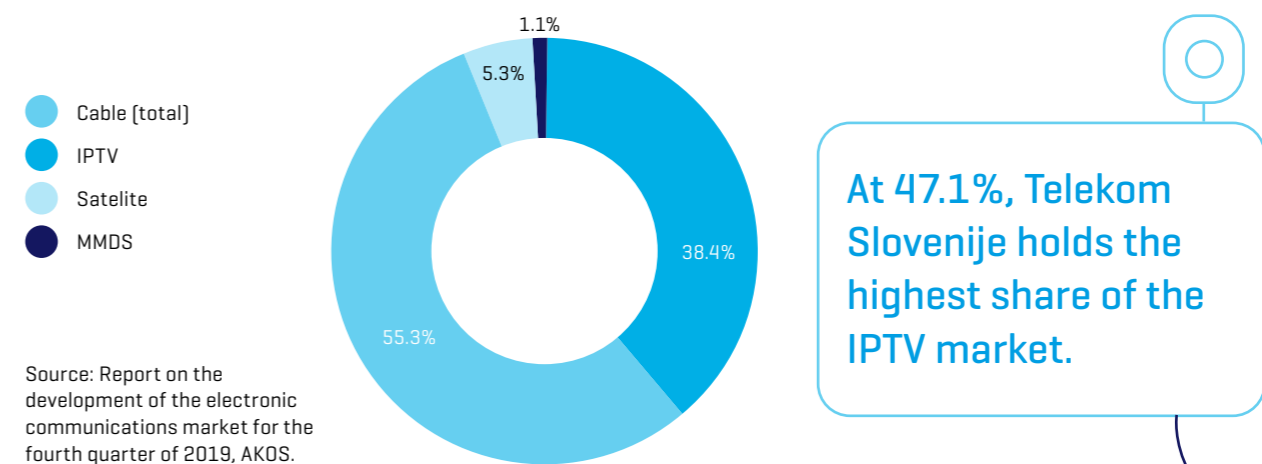
Source: Report on the development of the electronic communications market for the fourth quarter of 2019, AKOS.

Telekom Slovenije had 88,000 users on FTTH connections at the end of the fourth quarter of 2019.

PAY TV MARKET

IPTV already accounts for 55.7% of all TV connections in Slovenia, followed by cable TV, the proportion of which is falling. According to figures from the AKOS, pay TV was already present in 80.3% of households in the fourth quarter of 2019, compared with 79.1% in the fourth quarter of 2018.

Market shares of TV connections by technology



Source: Report on the development of the electronic communications market for the fourth quarter of 2019, AKOS.

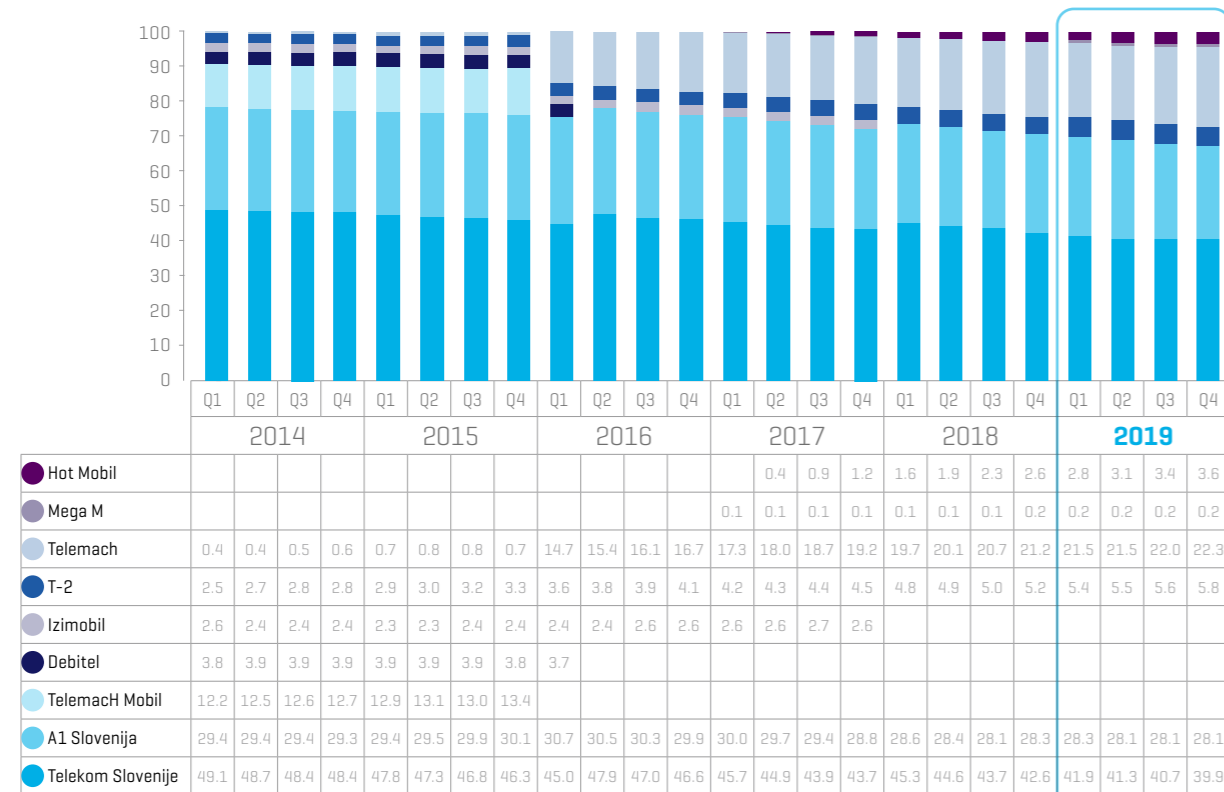
At 47.1%, Telekom Slovenije holds the highest share of the IPTV market.

²⁶ Source: AKOS; amongst the most important indicators of the level of development of the electronic communications market is broadband access penetration, which is calculated as the number of residential and business broadband connections relative to the number of citizens or households in the Republic of Slovenia.
²⁷ Source: AKOS, Q4 2019; SORS, Q4 2019.

Mobile telephony

The number of active mobile telephony users was up by 1.9% in the fourth quarter of 2019 or by more than 46,000 users relative to the same period in 2018. The mobile telephony penetration rate was also up, and stood at 120%. At 39.9%, Telekom Slovenije maintains the leading share of the mobile telephony market.

Shares of the mobile telephony market in Slovenia



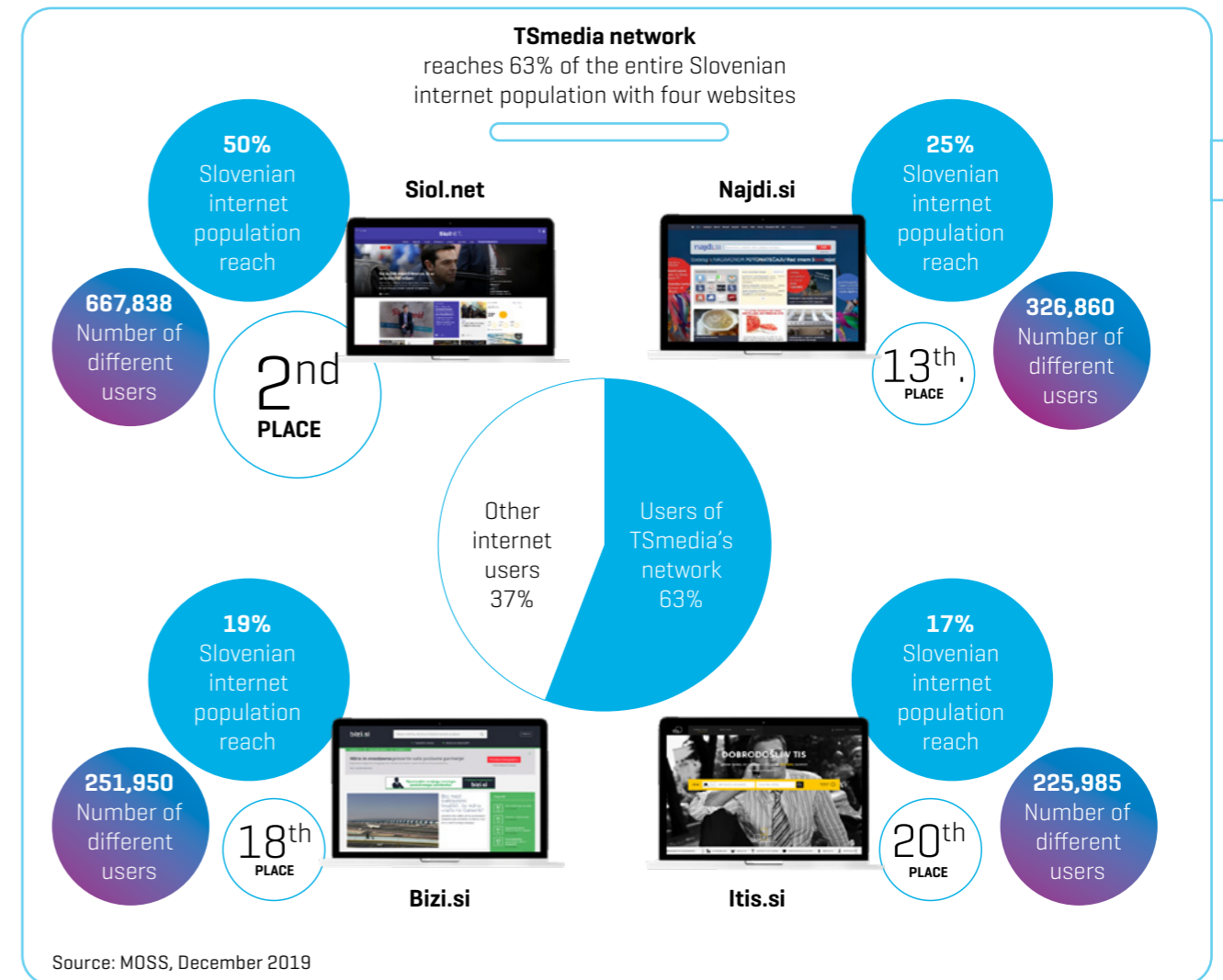
Source: Report on the development of the electronic communications market for the fourth quarter of 2019, AKOS.

Growth continues in data traffic in the 4G network and the most advanced networks through mobile broadband access. At 34.8% in the fourth quarter of 2019, Telekom Slovenije also holds the highest share of the mobile broadband internet access market.



ADVERTISING MARKET

With its online media in the form of [Siol.net](#), its access point to the Slovenian web ([Najdi.si](#)) and the [Bizi.si](#) business directory, TSmedia is the leading media company and primary information provider in Slovenia.



Planet TV is the broadcaster of the Planet, Planet 2 and Planet PLUS TV programmes.

planet

Planet is a channel intended for the general public. It has three programme pillars: an information programme, a sports programme and an entertainment programme that is divided into own production, and movies and TV series.

Target group: Everyone aged 18 to 64 years

planet 2

Planet 2 presents stories that are in line with viewer habits, and satisfy the tastes of the active urban male viewer, i.e. sports, action movies and documentaries.

Target group: Men aged 18 to 54 years

planet PLUS

Planet PLUS is primarily a movie channel with an emphasis on content for women, who are otherwise the most sought-after target group on TV.

Target group: Women aged 18 to 64 years

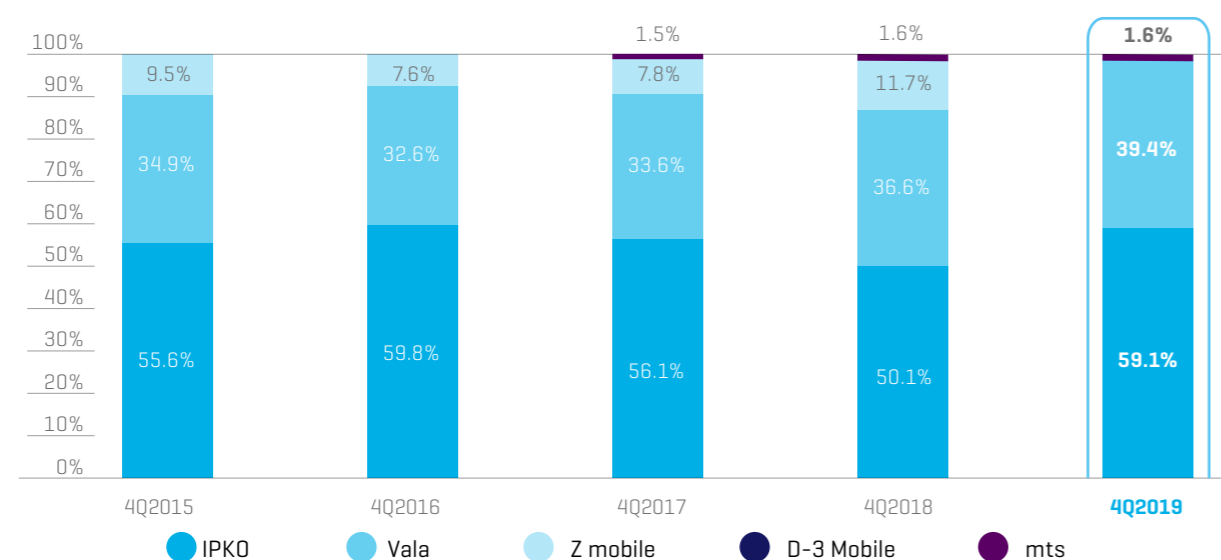
KOSOVO



IPKO remains an important provider on the **mobile services** market in Kosovo, with market shares of 43.8% and 39.4%, respectively, in terms of revenues and users (fourth quarter of 2019). The household penetration rate of active mobile telephony users has reached 114.2%, which translates to 2.1 million users. Source: Kosovo ARKEP regulatory authority.

Since July 2019 the operator Z Mobile no longer operates on the market. All of the company's subscribers were transferred to the operator Vala at the end of November 2019. IPKO was the only mobile operator in 2019 that implemented all phases of the 'Kosovo country code' project in accordance with the requirements of the regulatory authority, and migrated all of its users to the new 383 country code on 1 June 2019.

Market shares of operators in the mobile telephony segment in Kosovo



Source: ARKEP, report for the fourth quarter of 2019.

IPKO remains the leading provider of **fixed services**, despite the strong and increasing competition posed by major fixed operators, the entry of new, aggressive operators with lower prices, and the growing number of illegal IPTV/OTT operators. According to data from the ARKEP, the fixed broadband access penetration rate was up sharply to stand at 120%, which translates to 356,637 connections. IPKO in Kosovo maintained its leading shares of the fixed broadband access market [31.4%].

2.7.2 MANAGEMENT OF THE PORTFOLIO OF BRANDS²⁸

The Telekom Slovenije Group carefully monitors the communication habits and needs of users, and continuously develops the most advanced solutions for them. To that end, we are developing a portfolio of own brands and continuing with the evolution of a hybrid brand architecture.

We are developing new brands that address specifically selected user segments to support strategic and other business areas. In terms of content, they cover business areas such as smart living, smart homes, smart transactions and e-commerce.

We evaluate brands acquired as part of mergers and acquisitions in terms of their ability to cover individual target groups of users. We update and define their identity in accordance with the Group's values. For that purpose, we cooperate with or enter into partnerships with selected brands.

CORPORATE BRAND IDENTITY

Telekom Slovenije is an established and highly visible corporate brand that is driven by the guiding principle, 'Inspired by simplicity'. The values of the brand are: simple, inspiring, cutting-edge, caring and safe. The brand covers services on the B2C and B2B markets, the network, connections and associated services. It is used in communications with all stakeholder groups.

Through an umbrella identity, Telekom Slovenije also positions itself in certain new business areas. All newly developed brands are supported by the values of the Telekom Slovenije brand.

According to Brand Track research (autumn 2019), Telekom Slovenije brand remains the first choice amongst those surveyed, as well as the most frequent choice in the selection of providers of comprehensive services. It is strongest in the 'Advanced living' category.

PORTFOLIO OF BRANDS

Telekom Slovenije has a total of 203 registered brands,²⁹ broken down as follows:

- 155 national brands,
- 19 European brands,
- 17 international brands,
- 8 national brands in North Macedonia,
- 2 national brands in Kosovo,
- 1 brand in Bosnia and Herzegovina, and
- 1 brand in Serbia.

Worthy of mention amongst newly registered brands is the expansion of the registration

of the European brand NEO to Turkey and Switzerland, the registration of NEO in Kosovo and the registration of the European brand VALÚ. Telekom Slovenije's brand portfolio also includes the partner brand WiFreeLjubljana. Registered brands include Mobitel, SiOL, Mobi, Itak, TViN and Moneta.

We registered 10 new brands in 2019, extended the registration of 10 brands (seven national and three European brands) and opted not to re-register eight brands (three national, three European and two international brands).

The complete list can be found on the website <http://www2.uil-sipo.si/>.

NEW ADDITIONS TO THE BRAND PORTFOLIO



The **VALÚ** brand represents a smart wallet that allows users to enjoy a free, mobile lifestyle to the fullest extent. It is more than a payment and identification system; it is a comprehensive service that changes a mobile phone into a handy smart device for accessing everything the user needs in contemporary life. The name VALÚ derives from the English word 'value', as its primary task is exactly that: to create value. Moneta is also a registered brand that was renamed VALÚ Moneta with the launch of VALÚ and facilitates payments using a mobile phone at [numerous payment points](#) with the VALÚ logo.

KEY BRANDS IN THE PORTFOLIO



As a platform for smart living, the **NEO** brand links the best solutions for home and entertainment in one place: simplified viewing and advanced searches for TV content, including voice-control searching in Slovene, the simplified management of smart devices, and purchases via the TV screen. It offers everything dictated by the latest global trends. The NEO brand is also reflected in devices, such as the NEO Smartbox and simple NEO remote control, and through its multi-screen experience (at the website www.neo.io, and in the NEO application and TV interface).



Enostavno IZI

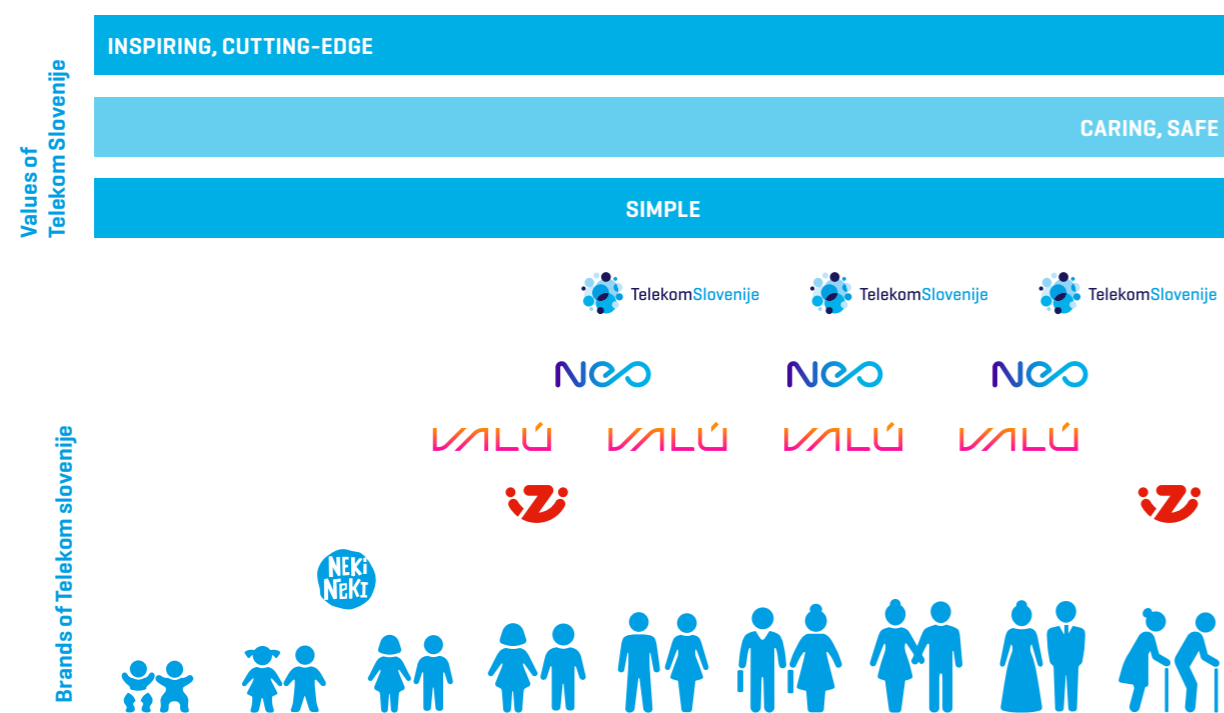
IZI is a brand that covers a modern portfolio of products and services for less demanding users. The brand's visual image is based on an emoticon that makes it friendlier. At the identity level, we created a friendly and affable brand for which relationships are important. The brand's core values are: inspiring, simple and caring. The essence of the brand is 'Nothing could be simpler', while the tagline is 'Simply IZI'.



NEkiNEki is a channel for young people with online content that is created by the users of YouTube and Instagram. The core values of the channel are inspiring and cutting-edge, while the attributes that characterise it are: open, communicative, witty and creative. Telekom Slovenije serves as a supporter of the channel.

In addition to Telekom Slovenije, the Telekom Slovenije Group comprises subsidiaries that operate on the market independently, and that are represented by their own logo and corporate identity. In addition to the corporate brand, the portfolio of subsidiaries in Slovenia also includes the key sub-brands of individual companies and their services. A detailed description of individual brands and services can be found on the websites of the relevant companies.

VALUES OF TELEKOM SLOVENIJE IN TERMS OF KEY BRANDS AND THE NEEDS OF USERS



2.7.3 SALES OF THE TELEKOM SLOVENIJE GROUP³⁰

The number of the Telekom Slovenije Group's retail **broadband connections** was down by 12% on the last day of 2019 relative to the situation at the end of 2018. Account must be taken, however, of the fact that the balance as at 31 December 2019 no longer included the connections of Blicnet, which was sold in 2019.

The number of connections was down by 3% in Slovenia and by 7% in Kosovo. The total number of broadband connections was down by 5% relative to 2018.

The number of **mobile telephony** users was up by 14% in Kosovo in 2019, and down by 4% in Slovenia [compared with a decline of 7% in

2018]. The total number of users was up by 2%.

The decline in the number of traditional fixed voice telephony connections continued on developed markets. In Slovenia, the number of connections was down by 3% relative to the end of 2018.

TELEKOM SLOVENIJE GROUP CONNECTIONS AND SERVICES BY TYPE AND MARKET

Broadband connections

Number of retail BB connections as at	31. 12. 2019	31. 12. 2018	Index 19/18
Slovenia	206,925	214,163	97
SE Europe	111,930	148,170	76
Kosovo	111,930	120,999	93
Bosnia and Herzegovina	0	27,171	-
Telekom Slovenije Group	318,855	362,333	88

Number of mobile and fixed telephony connections, and VoIP services

Number of retail connections as at	31. 12. 2019	31. 12. 2018	Index 19/18
Slovenia, mobile telephony	1,002,917	1,049,230	96
Slovenia, fixed voice telephony	322,058	331,192	97
SE Europe, mobile telephony:	817,145	722,812	113
Kosovo	817,145	719,771	114
Bosnia and Herzegovina	0	3,041	-
SE Europe, fixed voice telephony	0	1,366	-
Telekom Slovenije Group	2,142,120	2,104,600	102
VoIP services			
Slovenia	188,041	193,412	97
SE Europe	10,912	24,427	45
Telekom Slovenije Group	198,953	217,839	91

Number of retail connections as at	31. 12. 2019	31. 12. 2018	Index 19/18
Total mobile telephony	1,820,062	1,772,042	103
Total fixed voice telephony services*	521,011	550,397	95
Telekom Slovenije Group	2,341,073	2,322,439	101

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

NET SALES REVENUE OF THE TELEKOM SLOVENIJE GROUP

The Telekom Slovenije Group generated net sales revenue of EUR 675.4 million in 2019, a decrease of 6% relative to the net sales revenue recorded in 2018. One contributing factor in that decrease is the fact that revenues no longer include the revenues of Blicnet, which was sold in 2018. That decline was 4% excluding the effect of Blicnet.

BREAKDOWN OF NET SALES REVENUE BY COMPANY³¹

EUR thousand	2019	2018	Index 19/18
Telekom Slovenije	602,231	639,672	94
Other companies in Slovenia	95,900	80,257	119
IPKO - Kosovo	60,247	71,298	85
Other companies abroad	3,351	19,508	17
Total - unconsolidated	761,729	810,735	94
Eliminations and adjustments	-86,312	-95,684	90
Telekom Slovenije Group	675,417	715,051	94

TELEKOM SLOVENIJE

Telekom Slovenije's net sales revenue was down by 6% or EUR 37.4 million in 2019 relative to 2018, to stand at EUR 602.2 million. Up relative to the previous year were new revenue sources: e-Health services, energy services, financial and insurance services, and revenues from the sale of goods and services. On the other hand, revenues generated by mobile subscribers were down, as the latter migrate to new, more affordable packages with unlimited communication in Slovenia and EU countries. Revenues from traditional voice telephony have likewise been declining for several years due to the migration to mobile and IP telephony.

B2C

Through the careful and in-depth monitoring of users' needs, habits and behaviour, our main focus in 2019 was on improving the comprehensive overview of users. Because we believe that every user represents their own world and has their own needs,

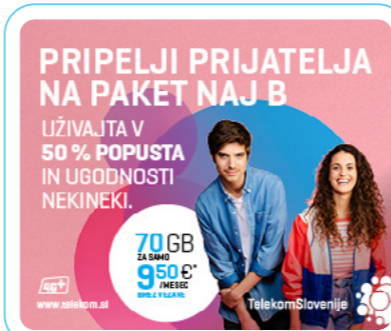
the development of services and products is guided by the mission to simplify and protect our world and theirs, while every product takes into account Telekom Slovenije's core values.

In the **mobile user** segment, we presented new Naj mobile packages for private and business users that include large data transfer quantities.



Through the GB data transfer sharing service, we were the only Slovenian operator to enable the subscribers of selected mobile packages to share or give data transfer quantities that are included in their respective packages to other users, i.e. Telekom Slovenije subscribers or the users of prepaid *Mobi* mobile services.

At the end of the school year, in the **segment of young users**, we organised the campaign *Pripelji prijatelja NekiNeki na paket Naj B ali Naj C* [Invite a NekiNeki Friend to Subscribe to a Naj B or Naj C Package] in the mobile segment. In that campaign, two friends received 50% off the monthly subscription fee for one year, with no commitment.



At the start of the new school year, we offered young users a new, personalised NekiNeki package that also connects them in groups or 'Tribes'.

In the **prepaid user segment**, we increased the quantities of the *Čvekaj Mabi* and *Mini Mabi* packages in the scope of the *existing Mabi portfolio*. During the second half of the year, we divided bundled units into data transfer units, and units for calls and SMS/MMS.

We offered IZI users the new *IZI Meseč XL* package. IZI also presented a single SIM card at an affordable price, through which a user can change their current package into an *IZI Meseč* at any time.

We enhanced cooperation with Datalab in the **business user** segment in 2019. We presented the new Pantheon Web Light licence, a cutting-edge solution for managing the operations of micro and small enterprises.



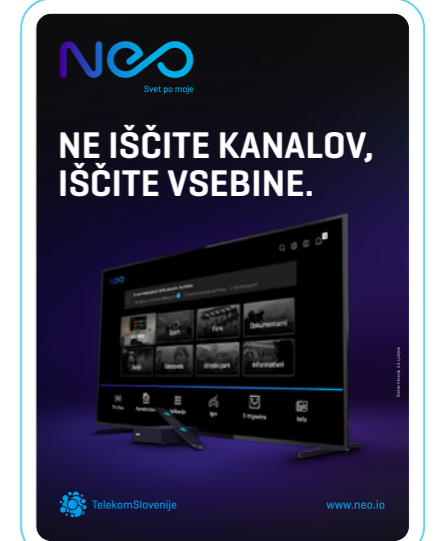
The advantages of the aforementioned solution lie in secure cloud operations, reduced administration, faster communication with users, the optimisation of accounting tasks and simple access.

A key advantage over other telecommunication service providers is the establishment of a strong **online store** and **e-commerce**, through which we are developing into an

We demonstrated our **cutting-edge** side through the **GB data transfer sharing service** during the second half of the year, when we were the only Slovenian operator to enable the subscribers of selected mobile packages to share or give data transfer quantities that are included in their respective packages to other users, i.e. Telekom Slovenije subscribers or the users of prepaid *Mobi* mobile services.

increasingly stronger online retailer. We expanded the sales portfolio in 2019, and offered new sales categories (tyres, home and garden equipment, and heating and cooling) and brands. There are now more than 3,100 products available in online sales, which was also reflected in increased sales. The main advantages for members of the Loyalty Programme are free delivery and the simplicity of instalment purchases. We added VALÚ as a means of payment in the online store, simplified online purchases, and gave users the freedom to choose between different means of payment for certain products and various forms of purchase.

The **innovative NEO platform for smart living** has brought an entirely new user experience to Slovenian homes through the innovative broadcasting of TV and video content, and the management of smart home services in one place using voice commands. We enriched the portfolio of fixed services with new packages and comprehensive packages of NEO services for the home (NEO A, NEO B and NEO C). During its first year on the market, the NEO platform won over numerous users, and has already become the best smart living platform according to users, 85% of whom expressed satisfaction with NEO services.



We supplemented the range of NEO services by allowing new subscribers of packages with IPTV to select one programme option free-of-charge for a period of six months. We were the first on the market to upgrade back-viewing with the possibility of saving content for 30 days. The NEO remote control, which facilitates the voice control of smart home content and devices, was supplemented with a NEO remote control with a number pad for anyone who wishes to continue using a traditional remote control. Innovation can be seen in the NEO Smart Home package that is used to manage devices in the home that are becoming increasingly smarter [exterior and interior cameras, carbon monoxide and water leakage sensors, smart radiator valves and wall thermostats].

We enhanced the range of **insurance** services. Insurance for mobile devices is a product that has become more interesting and useful since the inclusion of additional coverage. We also added smart watches to the range of products that can be insured.

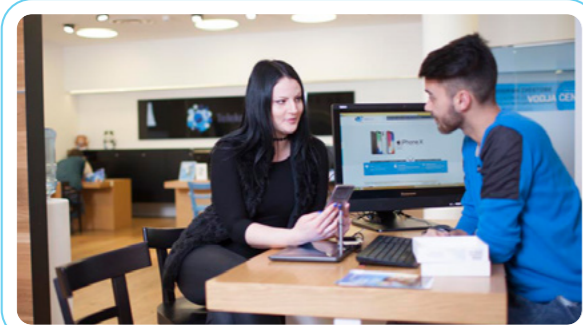
The **Turbo WiFi** solution provides an excellent wireless connection across the whole apartment, house or business premises. As well as in the garden.



With regard to broadband internet access, we were the first in Slovenia to introduce the **Turbo WiFi** service, which provides users a simple and effective solution for improved speed and the coverage of the home wireless network. The aforementioned service is available for private and business users. We are aware that a high-speed and stable internet connection is required for a superior user experience. For that reason, we also offered fixed packages with significantly higher internet speeds during the year. We have made it possible for subscribers to lease hybrid modems for free in regions where internet speed is not yet sufficiently high.

Through the sale of **electricity** to households and small business customers, Telekom Slovenije established itself in 2019 as a provider of electricity and telecommunication services. Those services are mutually complementary as services for the home. We provided subscribers a more transparent overview of services through a single invoice.

Points of sale and sales network



We continued to develop the sales network, and thus establishing a cost-effective, profitable and standardised sales network. We optimised points

In the area of **advanced payment services**, we upgraded the mobile payment concept and presented a breakthrough solution: the VALÚ smart wallet. We also renamed Moneta to VALÚ Moneta, the main advantage of which remains the possibility of deferred payment, as all payments are charged once a month through the user's invoice for telecommunication services. Due to the higher limit for purchases of digital content in the Google Play Store, which users settle via their monthly invoice from Telekom Slovenije, we doubled the use of the aforementioned service.

of sale at Telekom centres and authorised agents. We amended the business cooperation agreement with authorised agents, which defines, inter alia, the overall image of points of sale. As part of that activity, we continued to renovate the points of sales of authorised agents in 2019.

B2B

We address business users in the private and public sectors comprehensively, and further adapt the portfolio to their expectations through vertical solutions. Through access to the most advanced technologies, we are transforming and creating platforms for the future; by upgrading the existing infrastructure, we are creating new, more friendly and safer services.

Comprehensive ICT solutions for business users

We provide business users comprehensive and personalised ICT solutions through a wide range of services, including equipment. To that end, we obtain the requisite certificates and partner statuses, and strengthen employee competences. We held the following **important partner statuses and certificates** at the end of 2019:

- CSP (Cloud Solution Provider) and Gold Partner for the sale of Microsoft cloud services (Office 365, Azure and Express Route). The above is a partnership in the area of Microsoft SPLA and Open Channel services. Our comprehensive portfolio also includes our own services within the Microsoft environment, such as management, maintenance, migration and various consultancy services.



Comprehensive cyber security service



Smart infrastructure (IoT)



eCare



eHealth



Consolidation of communication platforms



SD-WAN

- Premier partner status with the CMSP (Cloud and Managed Services Program) certificate for MPLS VPN (virtual private networks) and IaaS (infrastructure as a service) for solutions based on Cisco technologies
- HP Partner First Platinum status for the sale of HP personal and printing systems; registered with the HPE as a Business Partner for the sale of server and network systems, and data storage systems.
- Gold status for Dell Technologies, which combines Dell, EMC, VMware and AirWatch, and security portfolio that primarily comprises RSA and CarbonBlack. That status is supplemented with EMC [21], and VMware and AirWatch [16] competences.
- Gold Level Oracle partner status for the distribution of cloud services. We are included in the Oracle Cloud Managed Service Provider programme, and are specialised in IaaS. We offer large business users the transfer of their complete server infrastructure to Telekom Slovenije's cloud or to the clouds of other major cloud service providers.

We upgraded **Cyber Security Operation Centre** services in 2019. Through the services we provide in the scope of the aforementioned centre, we reduce the operational risks to which subscribers are exposed in the area of cyber security, as those risks have increased significantly in recent years.

Since the deployment of the **electronic toll collection system**, we have been providing the system maintenance, control and management services required for continuous, secure and reliable functioning.

We continued with the marketing of **AaaS (application as a service) solutions**, such as SAP as a service, document systems as a service and a mobile service platform (MSP). We supplemented our portfolio with new services, such as the Internet of Things (IoT), video identification, the smart infrastructure, support for ICT logistics, etc.

Together with our partners, we developed **remote health and care services** that are transforming healthcare and social security services. By expanding the use of remote smart health and care services, we are addressing the population's need for healthcare

and social services (ageing and a rising number of chronic diseases), limited resources (at hospitals and retirement homes, medical and care staff, financial sources, etc.) and waiting lists.



Telekom Slovenije's solutions in the area of health and care have been recognised as international examples of best practices (e.g. HoCare, HOPE and NHS).

In the segment of **integrated communications** (fixed and mobile), we are simplifying and consolidating communication platforms, while ensuring the most comprehensive and wide-ranging portfolio of services. Development will continue to focus on links with cloud service providers and the expansion of the portfolio of services in data connections (SD-WAN).

INTER-OPERATOR SEGMENT

Domestic wholesale services

Revenues from the domestic wholesale market in 2019 were similar to the level recorded in 2018. Revenues from broadband services for operators who roam on the copper access network were down. Revenues from the marketing of Telekom Slovenije's mobile network services were up. We marketed services on fibre optic networks at an accelerated pace and leased the free capacities of Telekom Slovenije's network (mobile base stations, cable ducts and dark fibre on the fibre optic network). We dedicated additional attention to the supply of IPTV and radio programmes to operators.

International wholesale services

The marketing margin was higher in the data and roaming services segments in 2019, but lower in the voice services segment. We maintained our market position, despite the negative trend in voice services, the migration of traffic to alternative technologies (OTT providers) and falling prices. Special attention was given to cost control in the area of roaming services, as the traffic of Telekom Slovenije's subscribers in countries covered by the EU tariff is rising sharply as the result of roaming services on the single market ('roam like at home').

The **regional fibre optic network** is a unique network in this region and represents a significant competitive advantage of

Telekom Slovenije. Through that network, we ensure the highest quality of services, while we sell free capacities on the regional network to our international partners and large end-users on the wholesale and retail markets. Together with Sparkle, the leading Italian provider of international communication services and also one of the ten largest operators in the world, we established an international fibre optic connection in 2019 that directly links Ljubljana and Milan. That new connection, which is based on the backbone network of Telekom Slovenije and Sparkle, brings a shorter, alternative connection between the Balkans and Milan and other major hubs in Western Europe, with the possibility of access from Ljubljana, Sofia and Istanbul.

Telekom Slovenije's regional fibre optic network



TS MEDIA³²

TSmedia generated net sales revenue of EUR 6.3 million in 2019, a decrease of 7% relative to 2018. That decrease was the result of a decline in revenues from established services.

TSmedia operates on the market as the **leading provider of digital media content and advanced advertising solutions in Slovenia**.

The company co-creates the media space with one of the leading online media in the form of [Siol.net](#), and represents the main Slovenian information centre with an access point to the Slovenian web [[najdi.si](#)], the [bizi.si](#) business assistant, the only official telephone directory in Slovenia [[itis.si](#)], and outdoor digital screens. TSmedia expanded its network of digital jumbo billboards to the Primorska region (Koper) in 2019.

PLANET TV

Planet TV generated net sales revenue of EUR 14.1 million in 2019, an increase of 6% relative to 2018. **It is the broadcaster of the Planet TV, Planet 2 and Planet PLUS TV programmes, which offer viewers high-quality content of local and foreign production.**

It has established itself on the market in several segments:

- through a portfolio of high-quality content of own production (news, entertainment shows, quizzes and series) and foreign production (movies and series);
- through a portfolio of advanced media and digital advertising

solutions, and a range of specialised media content for niche target groups, with the possibility of broadcasting using all advertising and content platforms (TV and other forms of media within the Group, such as Siol.net); and

- through its cable TV channels.

AVTENTA

Avtenta generated net sales revenue of EUR 8.5 million in 2019. Revenues from the sale of SAP services and key programmes on the external market were up. Avtenta is the leading provider of solutions for managing and implementing SAP solutions and paperless operations on the Slovenian market. The company's market share is also growing in the e-business solutions segment in the area of public administration in Slovenia, while its role as an SAP provider outside the Telekom Slovenije Group is likewise strengthening.

SOLINE



Soline generated net sales revenue of EUR 4.9 million, an increase of 23% relative to 2018, primarily due to the implementation of works in the scope of Slovenia's climate agenda. The portfolio of products

and the network of retail outlets in Slovenia and abroad are being expanded **under the Piranske soline and Lepa Vida brands**.

GVO



GVO is the **leading provider of comprehensive solutions in the areas of project design, and the construction, management and maintenance of telecommunications networks in Slovenia**. The company is also expanding to related activities in the construction and maintenance of infrastructure facilities.

GVO generated net sales revenue of EUR 58.8 million in 2019, an increase of 31% relative to 2018. The company continues to record **growth in revenues on the market on account of the successful completion of certain major transactions** (e.g. the demolition of toll stations and the construction of wind barriers on the motorway), and within the Group due to the faster implementation of investments than planned.

IPKO

IPKO generated net sales revenue of EUR 60.2 million, a decrease of 15% relative to the revenues recorded in 2018. That decrease was primarily the result of a decline in revenues from transit traffic on the wholesale market, while the trend of falling revenues from national and international calls continues, mainly due to the use of free OTT applications. In the fixed segment, IPKO faced aggressive marketing campaigns by the competition aimed at attracting new subscribers, but nevertheless successfully stabilised its user base. IPKO remains **the strongest brand amongst telecommunication companies in Kosovo**.

TSINPO

TSinpo generated net sales revenue of EUR 1.4 million in 2019, an increase of 28% relative to 2018. The company **produces and markets cardboard products under its own brand**. It is present primarily on the Slovenian market with small-batch production, but is also present to a lesser extent in neighbouring countries, almost exclusively on the B2B market. TSinpo provides the parent company various support services, such as quality control and the servicing and distribution of telecommunications terminal equipment, the technical preparation of telecommunication works, the compilation of sales and other packages, the distribution of marketing materials, the preparation and distribution

of CRM materials for end-users, logistics for personal equipment, supplies and consumables, the storage of physical documentary materials, and the training of disabled persons from the labour market in cooperation with an authorised organisation in the scope of a vocational rehabilitation programme.

2.7.4 RESPONSIBILITY TO USERS³³

0.5 %

PROPORTION OF COMPLAINTS

6.6 million

NO. OF ISSUED INVOICES³⁴

SIGNIFICANT ACTIVITIES

Customer services and concern for user satisfaction are key guiding principles in Telekom Slovenije's development. We therefore provided mobile users the free Embassy SMS service in 2019, and ensured that citizens travelling abroad were continuously informed of where to turn for help in a specific country in the event of problems.

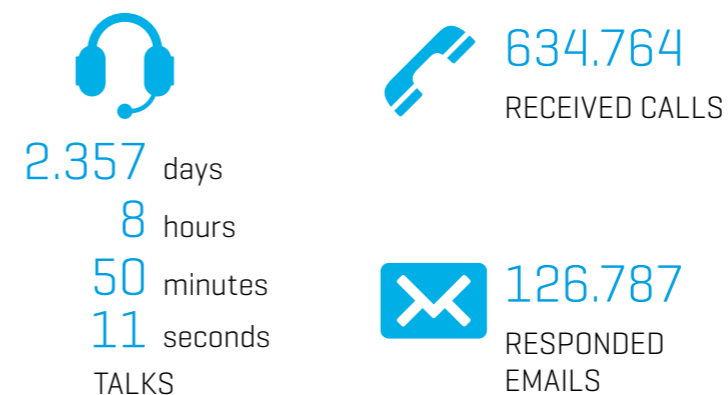
We brought knowledge closer to children in a fun way. Through the Da Vinci Kids optional programme, we offered numerous educational videos and interactive content on mobile phones. Those videos and content bring children closer to science, math, technology, history, culture, nature and sports in a fun and interesting way. Educational content is offered exclusively in Slovene, without commercials.

Growth in the number of digitally verified subscribers (with a Telekom ID code) is a key precondition for implementing our digital strategy. We therefore introduced a new and simple functionality called 'Quick registration through the contact centre'. Proof that we are **digitalising a world of opportunities** is the **Moj Telekom** portal, through which users can use their mobile phone, tablet computer or PC to independently manage their services and settings, activate services and obtain basic information and an overview of usage. In 2019 we also made it possible for users to pay all invoices and see a complete overview of payments via Moj Telekom. This option was well-received by users. We made it possible for mobile subscribers to switch mobile packages quickly and easily on the Moj Telekom portal. We introduced the aforementioned services with the NekiNeki package and Pleme (Tribe) service, and thus better addressed the needs of young users.

COMMUNICATION WITH USERS³⁵



Contacts are made and relationships between the Company and its users forged at the contact centre. Through proactive communication and superior knowledge, consultants provide users advice regarding all services. We were on-call continuously for the equivalent of 2,357 days, 8 hours, 50 minutes and 11 seconds in 2019, the same as if 6.5 people talked non-stop for 365 days. We received 634,764 calls, responded to 126,787 emails and actively communicated via social networks.



We also worked on the implementation of a contact centre for video identification. With the help of that centre, we will be able to conclude transactions remotely (currently for transactions linked to banks and brokerage houses).

TECHNICAL HELP FOR USERS

In the scope of technical help, we made more than 1.5 million different contacts with users (telephone calls, emails, text messages, web chats and online registration) in 2019. The response success rate was 78.5%. The increasing complexity and range of services lead to an increase in

call durations. Communication is shifting from telephone calls to other channels, primarily email. Technical support staff advise and assist users with regard to mobile and fixed services, NEO, VALÚ services, etc. In total, we handled more than 274,000 service-related cases.

TRANSPARENCY IN THE CHARGING OF SERVICES³⁶

environmentally friendly society. It has been several years now since we began offering users the possibility of receiving **electronic invoices** as an alternative to paper invoices. We encourage subscribers to switch to electronic invoices, resulting in an increase in the number of invoices issued in electronic form. A total of 24% of all invoices issued in 2019 were in electronic form, while 76% were in printed form (that ratio was 22% to 78% in 2018).

As part of the continued redesigning of invoices, we changed the design concept of items. We thus improved the transparency of invoices, increased the uniformity of processes and improved the user experience.

We issued 6.6 million invoices for telecommunication services in 2019 (excluding non-standard invoices and credit notes). The overall complaint rate relative to the total number of invoices issued was 0.5%.

33 GRI GS 103-1, 103-2, 103-3

34 The data relate to standard invoices issued by Telekom Slovenije (excluding non-standard invoices and credit notes).

35 GRI GS 102-43, 102-44

36 GRI PA10

CONCERN FOR THE SECURITY OF USERS, IN PARTICULAR CHILDREN AND ADOLESCENTS³⁷

We build trust with users throughout the year and provide them the best possible user experience. Special attention is given to activities that provide users a simple, safe and carefree path to the world of modern communications, regardless of the devices they use for that purpose. To that end, special emphasis is placed on the safe use of communications and on raising the awareness of parents or guardians and children and adolescents.



Together with the Logout organisation, we continued with activities in the scope of the **Moja prva pogodba** (My First Contract) project with the aim of raising the awareness of young people and their parents, educating them and advising them with regard to the appropriate use of modern forms of communication. *Moja prva pogodba* is a simple handbook that includes guidelines with recommendations on when and how to introduce a child to the use of a mobile phone, and the first contract, which parents or guardians sign with a child or adolescent and in which they set rules on the use of a mobile phone. Because our aim is for

37 GRI G4-DMA, G4-M4, PA2

that contract to reach as many children as possible, we prepared an online version in 2019.

Together with **Minicity Ljubljana** we presented telecommunication professions to children throughout the year in the Telekom Slovenije playhouse, and used an internet corner to raise awareness about balanced and safe internet use.



We enhanced that corner in 2019 with the new social game *Vprašaj me, vprašaj se* (Ask Me, Ask Yourself), which we developed in conjunction with the Logout organisation. The game was well-received by children. Teachers who visit Minicity Ljubljana with large groups of children receive a copy of the game to take with them, and can thus expand awareness regarding the safe use of mobile devices in the school environment, as well.

For responsible parents and children, we offered the **Kaspersky Safe Kids mobile application** that they can test for free for two months following installation. The application allows parents to restrict their children's use of the internet and services, taking into account what is the most important and appropriate for them.

The safety of children is also ensured through the NEO

platform for smart living, which includes a **Children's Park**. The latter is a carefree area in which parents or guardians can limit what a child views to content that is appropriate depending on a child's age. In 2019 we also provided children the **Da Vinci Kids mobile application** with content in Slovene. That application brings children closer to science, math, technology, history, culture, nature and sports in a humorous and interesting way.

We also provide users advice regarding the safe use of modern communication devices and services at Telekom centres and on the website under the tab **Recommendations for the safe use of mobile devices and services**. Users may additionally protect their devices by installing Kaspersky security protection that facilitates parental control, the protection of a user's identity and safe web browsing. Also available is the Varen splet (Safe Web) service that allows users to protect data traffic and manage all devices on the network.

SERVICES FOR VULNERABLE USER GROUPS

As a socially responsible company, we offer vulnerable user groups an adapted range of products and services. We provide **disabled persons** the appropriate services, terminal equipment and a list of public telephones and terminals accessible by wheelchair. The portfolio includes the *Gluhi A* mobile package for the deaf and hearing impaired, which facilitates worry-free

communication. Volunteer protection and rescue organisations were offered mobile service packages with no subscription fee.

We offer **pensioners and seniors over the age of 60** the benefits of the *Penzion* package, with a lower monthly subscription fee for selected fixed and mobile packages, the free switching of mobile packages and no connection fee.



We developed the **eCare** service for seniors and their families to facilitate active, more independent and safe

living at home for everyone who **needs support** in that respect. The eCare service provides a 24-hour link with an assistance centre and **immediate calls for assistance** in the case of unforeseen events, such as a fall or sudden sickness, as well as automated calling if smoke or the inflow of water is detected (smoke detector, water detector, etc.). More at: <https://www.telekom.si/zasebni-uporabniki/ponudba/e-oskrba>.

BROAD ACCESS TO GROUP SERVICES³⁸

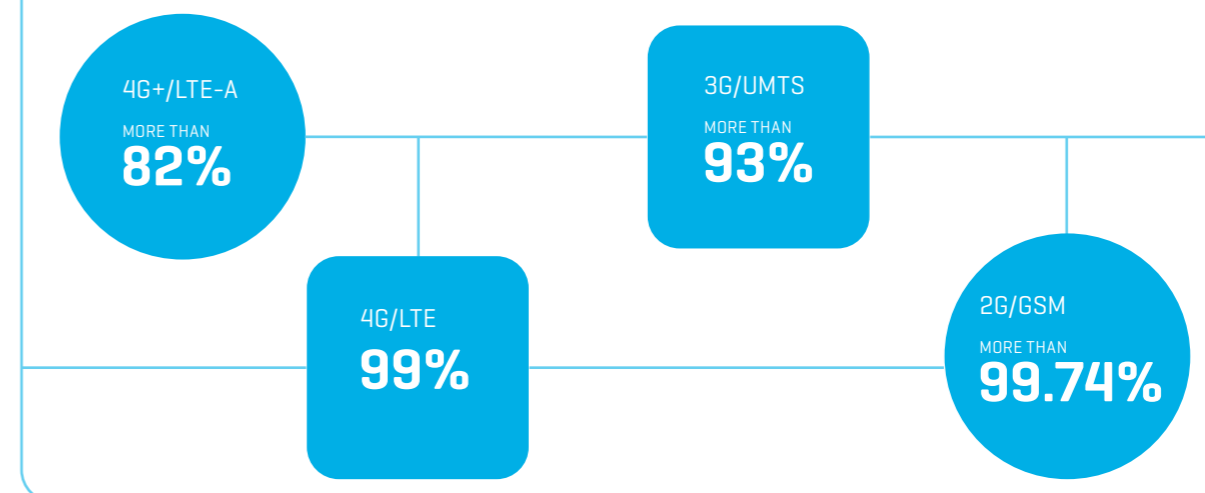
Telekom Slovenije strives to ensure access to the most advanced ICT services and content by citizens who live in less-populated regions. The mobile telephony signal is accessible by 99.74% of the population, while a large portion of territory is covered by broadband internet access and fixed telephony.



Telekom Slovenije already covers more than 82% of the population with its LTE/4G+ network and 99% of the population with the LTE/4G network. We are also making preparations for the introduction of the fifth mobile generation (5G). Fixed services are provided via the mobile network to users in areas where setting up a fixed connection is not possible, but the LTE/4G mobile signal is available. We are constructing at an accelerated pace the most advanced fibre optic network, to which we already facilitate connections by more than 325,000 Slovenian households.³⁹

Our subsidiary IPKO in Kosovo is also helping to bridge the digital divide in its own environment by expanding the coverage of the mobile network with new base station locations and by upgrading existing base stations with LTE/4G technology.

Coverage of the population with individual radio network technologies



38 GRI PA1, GS PA2, SDG 9.1

39 GRI PA4, SDG 1.4

2.7.5 CUSTOMER SATISFACTION⁴⁰



The Telekom Slovenije Group regularly measures customer satisfaction with services, as the results provide us an important guide in the development of services and the tailoring of the portfolio to the needs and desires of users.

CUSTOMER SATISFACTION WITH TELEKOM SLOVENIJE'S SERVICES

BUILDING BLOCKS OF SATISFACTION:

FIXED SERVICES

- **ATTITUDE:** reliability of the operator, operator's socially responsible activities, adaptation of the portfolio to my needs, customer care in general, price to quality ratio
- **TELEVISION:** picture quality, stability of functioning, programme scheme, TV interface
- **INTERNET:** stability of functioning

MOBILE SERVICES

- stable functioning of the internet,
- internet speed,
- reliability of operator,
- price-to-quality ratio,
- customer service in general,
- stability of the network, and
- high-quality functioning of voice services.

SATISFACTION AND MAIN COMPETITIVE ADVANTAGES OF TELEKOM SLOVENIJE

	Coverage and stability of the mobile network		Extensiveness of the fixed network
	TV listings		High-quality functioning of voice services
	Loyalty programme		Possibility of instalment purchases of devices with no commitment
	Quality of devices on offer		WiFi coverage
	Recognition on the market		Responsiveness of interface, video library, search for content, programme scheme, TV listings, TV on all screens, stability of functioning




NEO has been received by users as an innovative solution that combines content in a modern way, and offers an especially superior user experience. In the scope of brand monitoring research conducted in October 2019, 86% of users expressed satisfaction with NEO services. A total of 60% of users said there were fully or very satisfied, while an additional 26% of users said they were satisfied.

SATISFACTION WITH TELEKOM SLOVENIJE'S POINTS OF SALE

We also measure the satisfaction of visitors to points of sale, and satisfaction with contact centres and responsiveness to messages sent via email to info@telekom.si. Satisfaction is measured twice a year through mystery shopping research. All channels receive high ratings, which are on the rise.

Almost all channels recorded improvements in ratings by from 1 to 6 percentage points in 2019.

Visitors to Telekom Slovenije's points of sale express the highest level of satisfaction with the following factors [Mystery Shopping research; second half of 2019]:

-  Orderliness of surroundings and the interior of branches
-  Sales staff are available to users, offer assistance and create a pleasant atmosphere
-  Active approach and identification of needs

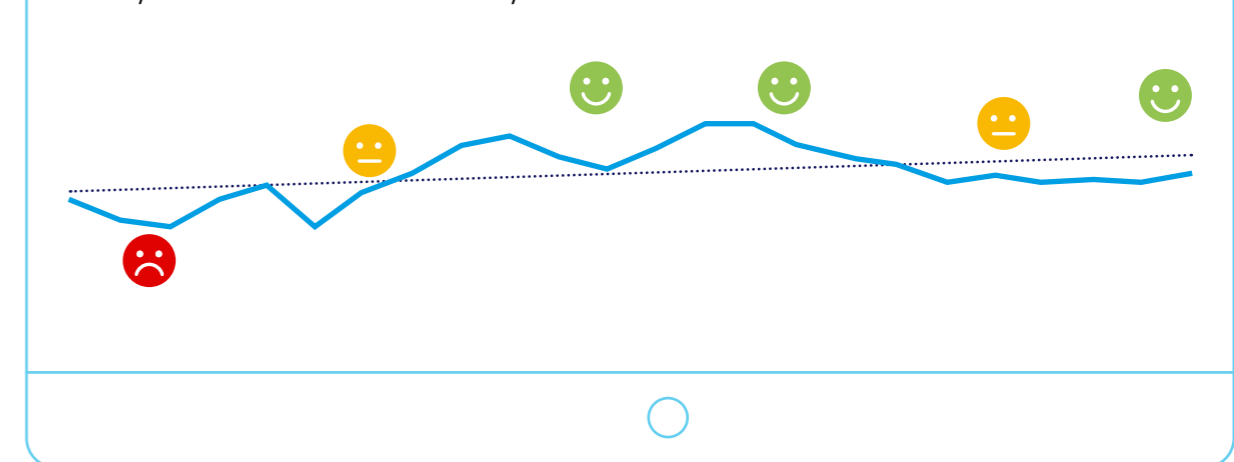
NET PROMOTER SCORE

Net Promoter Score (NPS) expresses users' willingness to recommend a company to others or not. Globally speaking, it is the most widely used metric for monitoring the user experience, which in one point combines the indicator of a user's willingness to recommend a company/product/service, their satisfaction, their perception of the excellence of the user experience and an expression of the user's loyalty to a provider.

NPS is also used to **obtain feedback regarding customer satisfaction with our services.**

Measurements are taken monthly with the users of fixed and mobile services, and at the most important points of contact with the users of our services. After visiting a contact point, we ask users if they would recommend Telekom Slovenije to a friend or acquaintance based on their most recent contact. Different activities and events on the market, including the activities of the competition, affect the value of the NPS. Telekom Slovenije ranks in the top third compared with the NPS of telecommunication operators from other markets.

Surveyed NPS over the last two years:



CUSTOMER SATISFACTION AT OTHER COMPANIES

Customer satisfaction is also measured regularly at other Group companies.

TSmedia

TSmedia researches online products with the help of web analytics [e.g. MOSS, which measures visits to Slovenian websites, the number of views, the number of visitors and bounce rate] and using online questionnaires.

planet

Planet TV measures customer satisfaction TV viewer rating via Arianne Nielsen and the daily monitoring of results. Satisfaction is measured online using web analytics, using statistics and collecting the opinions of users via various channels.

Additional measurements are made in certain projects through primary research (online or offline).

avtenta.

Avtenta measures customer satisfaction in the form of research, in which NPS is also measured. NPS was up, both in terms of the general sample and amongst the users of Telekom Slovenije. Growth in NPS was primarily the result of the good responsiveness and positive attitude of employees, and competent staff. The Customer Satisfaction Index [CSI] with respect to Avtenta remained at around the same level as the previous year, meaning that it is stable. A total of 86% of users were satisfied, very satisfied or completely satisfied in 2019. The key building blocks of satisfaction are the stability of functioning, partnerships, solutions that satisfy needs and the understanding of those needs.

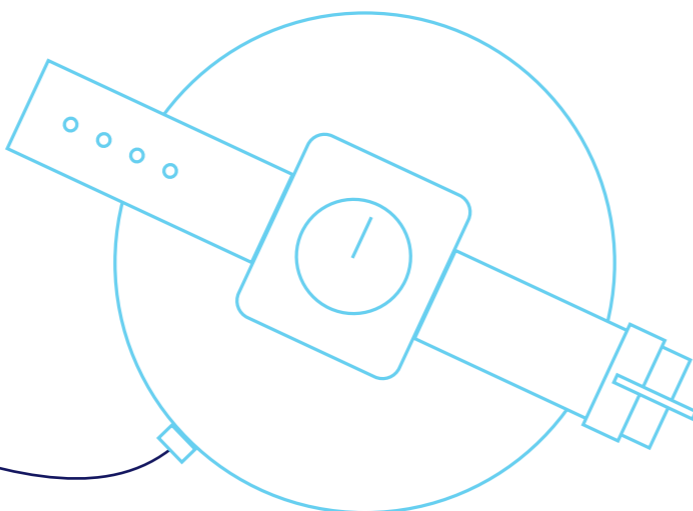
GVO

GVO regularly measures customer satisfaction after the completion of construction works using a questionnaire, and once a year by performing an analysis in accordance with the ISO 9001 standard. It conducts surveys for the areas of construction and project design. GVO received assessments of 'excellent' [73%], 'very good' [25%] and 'good' [2%] from Telekom Slovenije in 2019. Assessments from external subscribers were either 'excellent' [93%] or 'very good' [7%]. Measurements in the area of project design were also positive, as GVO received assessments of either 'excellent' [75%] or 'very good' [25%] from Telekom Slovenije, and only assessments of 'excellent' [100%] from external subscribers.



IPKO regularly monitors user responses via market research, social networks and quarterly quantitative studies. IPKO is known on the market as the brand with the fastest mobile internet, the best coverage by the 3G and 4G networks, the best mobile and fixed networks, and as an operator associated with young people and technology enthusiasts.

According to the BrandTrack 2019 market research, IPKO's NPS [amongst users] is positive and higher than other operators for mobile and fixed services. In the mobile segment, IPKO's users are more satisfied than the users of other operators, while only a slight change was recorded relative to the previous year in terms of fixed services [internet and digital TV].



2.7.6 MARKET COMMUNICATION⁴¹

Communication activities focused on target segments of users. In presenting services, we linked different communication channels: TV, print, outdoor advertising and other channels, events and direct communication.

We organised 86 campaigns and participated in 70 events and promotions. We attended three trade fairs [one of them international] where we presented the NEO smart living platform. We prepared more than 50 leaflets and brochures, and more than 70 together with promotional leaflets. We also prepared two business catalogues, five sales catalogues and two new catalogues of all products included in the Loyalty programme.

We visited more than 20 places throughout Slovenia with the **NEO house**, and participated in more than 10 sporting and family events. We also organised the annual conference of Telekom Slovenije's authorised agents.



In the mobile segment of the portfolio, we rounded off the year with various promotional offers and the associated communication activities. Communication was further supported by P3's 'Best in Test' certificate, which we received for best network in an international test, proving that we provide services in a truly superior network.

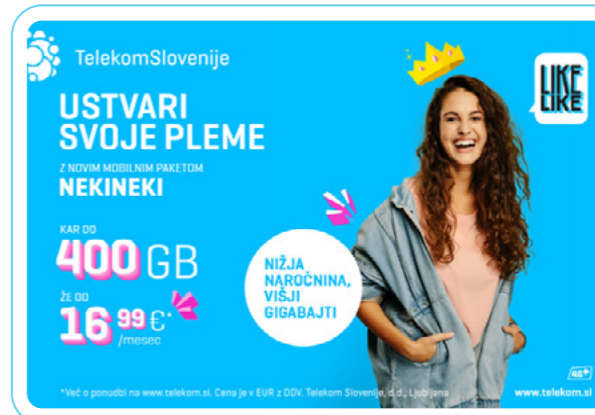


Telekom Slovenije received Effie awards in 2019 for most effective advertiser and most effective brand.

We continuously supported sales activities by communicating the ever-expanding portfolio of the Loyalty Programme, through monthly **Modri Fon** campaigns and through the '**November of Crazy Prices**' campaign.



We primarily addressed the segment of young users through digital activities and channels, including the **NekiNeki** YouTube channel, which ended the year with excellent results [YT: 26,038, IG: 16,564]. That channel proved to be the right way to reach the target group. We therefore developed it during the year, and upgraded it at the end of the year by introducing two new hosts.



The main emphasis in the **small and medium-sized enterprise segment** was on the NEO platform for smart business premises. We upgraded communications through the use of advanced devices in three activities, i.e. in a bar, a carpentry workshop and an office. We supported traditional communication channels through editorial content and various media projects, and developed two business catalogues.



We organised three national events and seven meetings covering different topics for the Telekom Slovenije Group's **key business users**. We independently organised one major event, 'A Secure Future', where the emphasis was on cyber security. We also developed video content for eCare, cyber security, managed services and unified communications, as well as print material for eight different occasions.



The main www.telekom.si website recorded nearly 27 million visits, an increase of almost 10% relative to 2018.

PRESENCE ON SOCIAL NETWORKS

On all social networks where the Company is present (Facebook, Twitter, Instagram, YouTube and LinkedIn), we have one of the largest bases of followers among companies in Slovenia who transact directly with users. **We enhanced our presence on LinkedIn and Instagram** in 2019, and nearly doubled the number of followers. Requests for information and user technical support via social networks continue to rise.



206,140



2,960



6,000



12,100



13,100

ETHICAL MARKETING

Telekom Slovenije is a signatory of the code of conduct for providers of electronic communication services for the protection of users, the code of mobile operators and internet providers aimed at user protection and the ETNO Corporate Responsibility Charter. The aforementioned documents are published on our website. To that end, we follow the recommendations of the AKOS relating to concern for users.

Through its responsible editorial policy, TSmedia ensures safe and transparent access to freely accessible content in our media. We call on those making comments on the Siol.net digital media to respect the etiquette of online communication, and moderate user comments, so that comments encouraging hate speech are not published.

The market communication activities of Telekom Slovenije, TSmedia and Planet TV SL are in line with the Media Act and the Slovenian Advertising Code. In market communication, we perform the self-regulation of advertising, meaning we verify compliance with the law and codes every time a communication project is planned. We also adhere to the examples of best practices drawn up by the Slovenian Advertising Chamber. IPKO also respects general professional advertising codes.⁴²

No Telekom Slovenije Group companies were deemed to have breached codes or voluntary standards in the area of market communication in 2019.⁴³



42 GRI GS 103-1, 103-2, 103-3
43 GRI GS 417-3



SMART NETWORK OF THE FUTURE

Our mission is based on protecting the world of our users. We therefore give special attention to the development of a smart infrastructure, and to the security of the network, connections and services. We have the best network, which is distinguished by security, speed, reliability and sophistication. The future will bring a major technological leap forward.

2.8 NETWORK, TECHNOLOGIES AND IT

2.8.1 RESEARCH AND DEVELOPMENT OF SERVICES⁴⁴

The majority of activities in 2019 in the areas of research and innovation were carried out in the scope of the EU's **Horizon 2020** programme. We participated as a partner in numerous projects in the area of next-generation networks and services, including cyber security.

We focus primarily on areas that facilitate the development of technologies and that will form the market of state-of-the-art telecommunications in the near future. We are preparing for fifth generation [5G] mobile networks that will facilitate further development.

We participated in two major research and development projects: **5G Security** (<https://5gvarnost.iskrateel.com/>) and **EkoSmart** (<http://www.ekosmart.net/sl/ekosmart/>).



The focus of the 5G Security project is on reliable, 5G-ready communications and applications through the use of new and improved interactive modalities for citizens and professional PPDR (Public Protection and Disaster Relief) users.

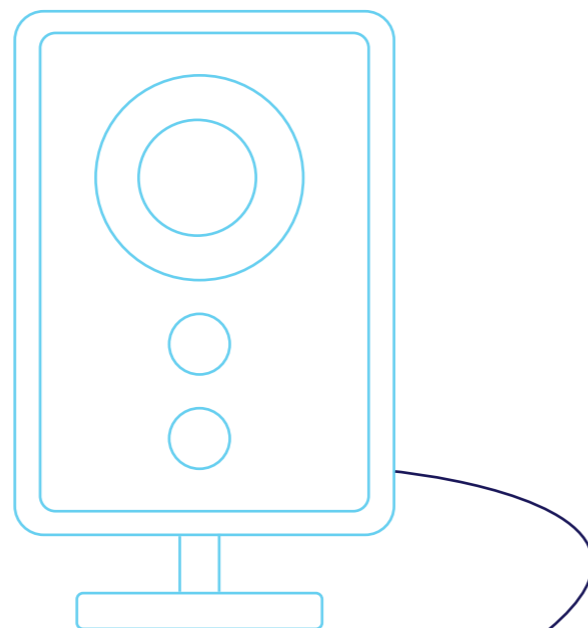
The objectives of the project are as follows:

- to research and design new architectures and key enabling technologies for the provision of dispatch services for the PPDR profession;
- to research and design a new generation of user-oriented applications for the personal security needs of citizens; and
- to research strategies for the implementation of such applications in a virtualised 5G environment for shared use, with security, privacy and backward compatibility with PPDR systems ensured.

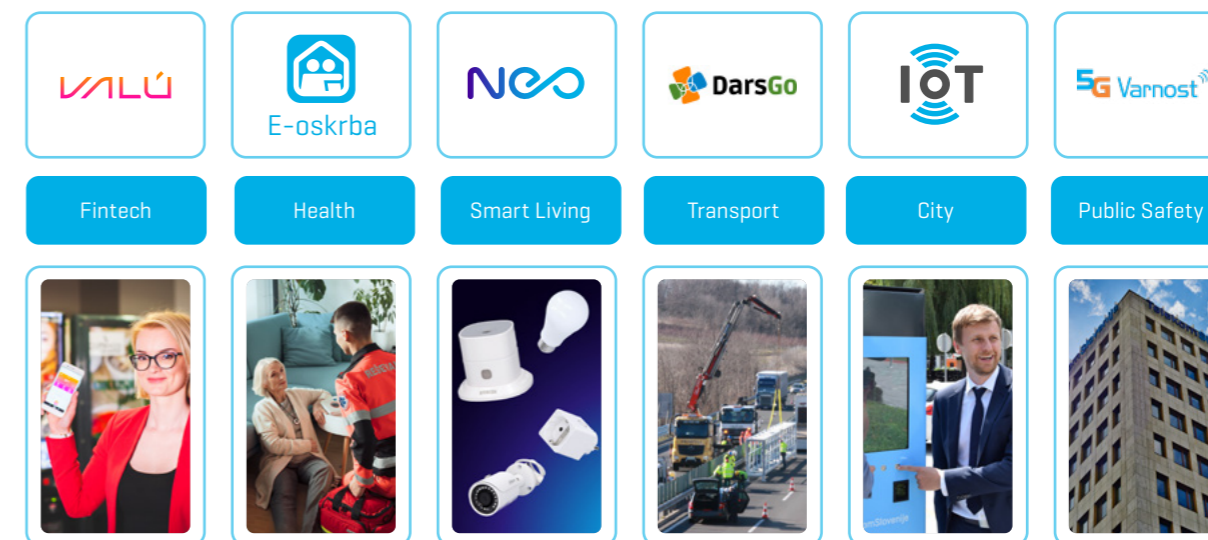
We are working together with the Faculty of Electrical Engineering and the companies Iskratel and OSI as a partner in a project with a total value of more than EUR 3 million. The project is being co-financed by the Ministry of Education, Science and Sport and the European Regional Development Fund.



In July 2019 we successfully completed participation in the EkoSmart research and development programme, in which a comprehensive integration platform was developed for smart cities and communities. The aim of providing high-quality services to the population and business sector is to improve the quality of life and stimulate growth in general prosperity. In May 2019 we briefed the general public on the results of the aforementioned programme and presented the synergies between programme partners. Prototypes from the programme were presented in September. The programme was co-financed by the Republic of Slovenia and the EU from the European Regional Development Fund. A total of 25 partners were included in the programme.



STRATEGIC AREAS OF DEVELOPMENT



2.8.2 ACCESS NETWORKS

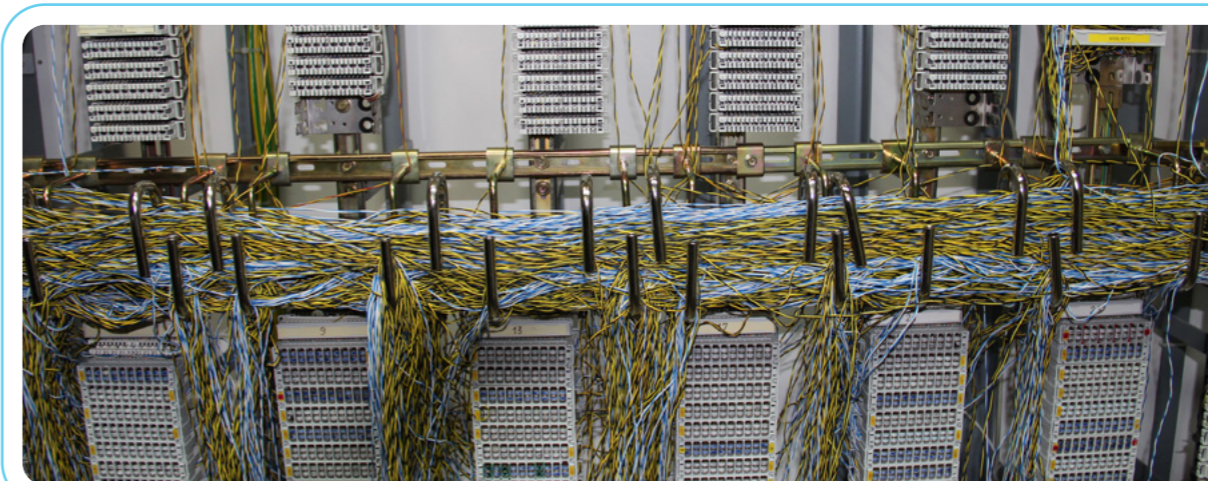
Through the fixed access network, we ensure broadband coverage, and the high performance of the cable network and active access devices. We continued to modernise radio access networks in 2019 and thus maintained our leading position amongst operators. Development activities focus on the Internet of Things, 5G technology and the provision of services through the mobile network.

ACCESS DEVICES AND FTTH

We continued with the intensive construction and expansion of the FTTH fibre optic access network, through which we are laying the infrastructure foundations for the future of the telecommunications activity. We facilitated the connection of an additional 44,010 Slovenian households to the fibre optic infrastructure in 2019. We thus facilitate connections to the fibre optic network by more than 325,000 households in Slovenia. We provide users higher internet speeds and a superior user experience in terms of broadband content. We are also optimising costs and working to achieve the objectives of the Digital Agenda for Europe.

With the aim of providing subscribers better broadband connections on the copper-based network, we began to modernise connections more actively by migrating from ADSL2+ to VDSL2 technology. We upgraded more than 7,000 connections in 2019.

With the upgrading of the fixed network with new technologies, we are also replacing TDM technology. We exceeded planned targets in 2019, as more than 17,000 users were migrated to the IP platform.



TRANSMISSION SYSTEMS

We continued to upgrade key DWDM locations with optical transport network (OTN) functionality. We are thus increasing the flexibility of existing subscriber interfaces and facilitating the installation of more advanced interfaces.

In 2019 we included four 100 G connections in the Ljubljana–Maribor section and two in the Ljubljana–Nova Gorica section for needs of the internal business network in Slovenia, and established five connections from Slovenia in the direction of the Balkans (Mostar, Zagreb and three for Prishtina). The connection in the direction of IPKO was the first implemented connection with 100 G line protection. We also dedicated a great deal of attention to increasing the availability of connections, continued to optimise the SDH and PDH network, and expanded the network in the Balkans with the Zagreb–Varaždin–Ilok DWDM section.

TELECOMMUNICATIONS CABLE NETWORK

Continuous investments in the expansion of fibre optic access networks are required to ensure a comprehensive range of services. Those networks facilitate the migration of users from copper lines, while reducing the operating costs associated with the functioning of the cable network. Of increasing importance is the provision of superior quality fibre optic networks throughout the entire network, which is crucial for ensuring the availability and reliability of the network and services.

RADIO NETWORK

We continued to upgrade LTE/4G base stations at existing locations, modernised 2G and 3G equipment, and updated software. We increased the capacities of base stations where this was necessary due to rising mobile data traffic. We also improved the external and internal coverage of the mobile radio signal.

There were 1,223 GSM base stations, 908 UMTS base stations and 1,250 LTE/4G base stations connected to a total of 1,263 functioning locations on Telekom Slovenije's radio network in Slovenia at the end of 2019. The LTE/4G network currently covers more than 99% of the population. Coverage of the population with the 4G+ has exceeded 82%.

We received P3's international 'Best in Test' certificate in 2019. Independent measurements by the German company further confirmed Telekom Slovenije's internal measurements and the measurements of external institutions, which claim that Telekom Slovenije has the best mobile network in Slovenia. Measurements were performed in more than 88% of built-up areas and on numerous transport routes 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.

NARROWBAND-INTERNET OF THINGS (NB-IOT)

We were the first in Slovenia to fully upgrade the 4G+ mobile network with NB-IoT technology for the effective communication of devices connected to the Internet of Things. The aforementioned technology opens new opportunities for the development of innovative solutions with high value added. It also represents the next milestone in the development of fifth-generation (5G) mobile networks.

NB-IoT technology facilitates both simple and complex Internet of Things solutions. It includes different possibilities for connecting individual sensors for the development of smart cities and communities, for the provision of data for the management of electricity, water and gas networks, for control over the environment, safety and security, logistics and transport solutions, and for production, agriculture, sales, and financial, healthcare and municipal services.

We are already implementing the first projects with such solutions in the areas of smart cities, e-mobility and eHealth. See section [1.8.5 Significant projects](#) for more information.



5G

Telekom Slovenije has been preparing for the deployment of 5G for some time, as that deployment involves long-term technological development that is based on the LTE/4G+ network upgraded with IoT technology. In addition to upgrading the network with NB-IoT technology, we have been providing users VoLTE (voice over LTE) for several years. VoLTE is one of the preconditions for the deployment of 5G. Moreover, our key advantages in this regard lie in the fact that we have the largest 4G/4G+ network in Slovenia, that we began upgrading the 4G network with LTE/4G+ technology (which is the basis for upgrading to 5G) back in 2017, and that we are the only Slovenian operator actively involved in two European projects aimed at the deployment of 5G. As an upgrade from 4G, 5G requires advanced network technology. In turn, that process requires knowledge and testing of the entire network chain. Telekom Slovenije's knowledge and the continuous training of its experts are thus extremely important in the deployment of 5G.

Significantly faster, more reliable and more stable mobile data transfer is one of the benefits 5G brings to users. Significantly higher speeds will bring reduced latency and delays, which will not be so important for the average user, but will be very important for the digitalisation of the

entire economy, for healthcare, for industry, etc. 5G will also bring new opportunities for the development of innovative ICT solutions with high value added. It will facilitate advanced multimedia services, the safe development of IoT services, the digitalisation of business verticals and so much more. The first discussions with companies in this regard are already in progress.

Telekom Slovenije is planning the smart 5G infrastructure in such a way that we will be able to facilitate numerous virtual dedicated networks on that infrastructure (in addition to communication services) for specific business verticals, such as healthcare, energy, transport, factories, smart cities and communities, etc. The first phase will involve the relatively simple upgrading of base stations, which will be followed by upgrades to new frequencies, which the government

must ensure. This will require the provision of considerably higher network capacities which, in addition to new spectral bands, will require a denser access network over the long term. Initially, it will make sense to ensure coverage with the 5G network in cities, business centres and along transport routes. Development will be very evolutionary.

In addition to the above, in 2019 we tested and introduced the most advanced 'HetNet' small-cell technology, which provides a high-quality signal, even inside buildings where it is otherwise difficult to ensure coverage with external base stations. The aforementioned technology will become increasingly important in the 5G environment and is essential for improving the user experience.

5G

PROVISION OF SERVICES TO USERS

We implemented nearly 300,000 activities aimed at the provision of services. We manage the entire segment of residential users, SOHO and large business users, where we ensure the rectification of service-related incidents, and the inclusion of new users and changes to the configurations and devices of existing users. We also implement technical solutions adapted to the needs of large business users and provide connectivity at major sports and social events.

More and more of our users are migrating to the latest technologies, which ensure improved connectivity and higher transfer speeds, and thus new dimensions of the user experience. We meet their needs proactively via digitalised processes, and through a larger skill set and the best personal equipment for technicians.

We are implementing the S.M.A.R.T. development and training programme, which affects the excellence of the user experience [technician visit]. We achieve a high transactional NPS [technician visit], which was 79 index points in 2019.

We carried out **'Lightning-quick visit'** activities again in 2019, through which we raised users' awareness about the consequences of lightning strikes. We advised users to disconnect their electronic devices from the electricity and communications networks during storms and when they are away for extended periods, in order to prevent damage to or the destruction of devices. Users in Slovenia also have the possibility of receiving SMS notifications about forecast storms. These activities brought tangible positive results. During the summer months [from June to August], we recorded 40% fewer damaged subscriber modems and 14% fewer reported faults in the functioning of services, despite a 11% increase in the number of lightning strikes relative to 2018.



2.8.3 ICT AND NETWORK SERVICES⁴⁵

eSIM



At the beginning of 2019, Telekom Slovenije became the only operator that makes it possible for Slovenian mobile telephony users to use the latest eSIM technology in devices that meet the GSMA standard. That chip or virtual SIM card is permanently installed in a mobile device and replaces the existing SIM card that we know in physical form. eSIM represents a milestone in the development of mobile networks, as it facilitates the connection of devices that do not use a physical SIM card, such as smart watches, Internet of Things devices and household appliances.

Telekom Slovenije's aim is to remain the leading provider of the most advanced ICT solutions on the Slovenian market. We ensure this through high-quality advanced services and innovative technological solutions, through the well-planned introduction of new technologies and by ensuring the necessary capacities of systems.

Through the virtualisation and convergence of the ICT infrastructure, we are laying the foundations for next-generation services based on cloud technologies, and are supporting specialised services and selected projects, taking into account the demands of the market. We successfully developed and technologically supported the new SD-WAN service in 2019. That service is intended to link the remote locations of

a subscriber in a single private network.

One of the key tasks **in the area of technology** remains the effective management of operational risks, both in the scope of the information management and security and business continuity management systems, and in the scope of ERM [Enterprise Risk Management]. Through planned projects, we have ensured the requisite reliability and capacities of all technological segments crucial for the achievement of objectives. We are upgrading systems taking into account their lifecycles, and thus bringing the associated risks to an acceptable level. A key trend in the broader area of ICT is the convergence of technologies, which through continuous development provides users increasingly

interesting and higher-capacity services, as well as a high-quality user experience, and brings operators increased agility and competitiveness. We continued to exploit the advantages of the convergence of technologies at the level of the network and server infrastructure to provide the widest range of services. In addition, we are developing operational support processes and systems in accordance with international standards [e.g. eTOM and TM Forum]. In organisational terms, we have brought the areas of the core network and IT organisational units closer together. A key strategic policy is the strategy of employing several suppliers, which ensures the operator's independence from suppliers.

CYBER SECURITY OPERATION CENTRE (CSOC)



Cyber security is one of the key areas of our operations. We actively presented the Cyber Security Operation Centre to other companies and organisations in 2019 and began marketing the associated services. We successfully extended the ISO 27001 certificate for the processes of network control and technical support to users, and upgraded that certificate to include the process of ensuring cyber-information security.

A great amount of emphasis is placed on training and obtaining certificates, particularly in the area of ICT security, and on investments in security technologies. An external assessment of the ISO 27001 certificate was successfully carried out again for the area of business-ICT services, and for the process of network services [MLAN, VPN, international services, VPI]. In the area of

fixed services, we likewise passed an assessment of the unified communication process in accordance with the ISO 27001 standard. We carried out numerous pre- and after-sales activities in the area of unified communications and in the preparation of technical solutions in the scope of non-standard solutions for users.

Many activities and investments focused on the measurement and improvement of the user experience. This is one of the highest priorities, and is based on advanced information support, automation and the development of self-sufficient portals. We also upgraded the support system for the functioning of the call centre, and other systems that facilitate the functioning of technical support for users.

We upgraded the **backbone transmission network** by abandoning the elastic network and migrating to the IP/MPLS network, through the consolidation of the production IP service network and by upgrading the network for controlling data centre end systems. With the aim of ensuring a high level of network availability, we upgraded the control systems that make up the public cloud, and DRC solutions (business continuity). We thus ensure a highly available environment for business services that are provided in the public cloud. We further improved the security of our environment by upgrading work stations and servers in accordance with security requirements. Through continuous upgrades, we ensure sufficient capacities and the availability of network elements and services. We carried out the intensive migration of mobile users to the VoLTE technology in 2019. We carried out a number of technical adaptations to network interconnections. We developed technical solutions for the network and service platform of IoT solutions [eHealth, smart cities, etc.].

We performed numerous verifications of equipment, services and technical solutions, and test settings of new equipment and technologies in the **development laboratory**. We introduced a system for the mobile measurement of the QoE, through which we continuously verify and improve the quality of our mobile services. We continuously monitor KPIs for the network and services, and ensure the constant improvement of our services, where a great deal of emphasis is placed on the high-quality functioning thereof. We continued with adaptations, generational exchanges and the development of IT support systems with the aim of digitalising key retail, wholesale and support processes, the development of the Online Shop and VALÚ services, and the development of systems for charging various services, portals and applications. We ensured the conformity of software licences.

In the area of **multimedia services**, we upgraded the NEO platform for smart living and ensured the quality of that platform's functioning in line with growth in the number of users. At the end of 2019 we shut down the original IPTV platform and successfully migrated users to a new platform. We upgraded some of the primary stations for the TV signal.

ENVIRONMENT IN WHICH THE CYBER SECURITY OPERATION CENTRE (CSOC) FUNCTIONS

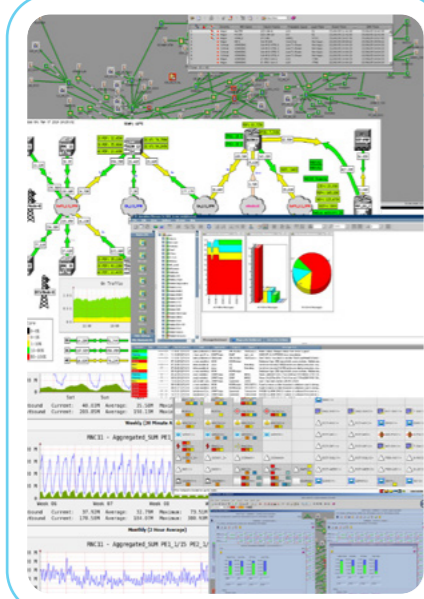
Team



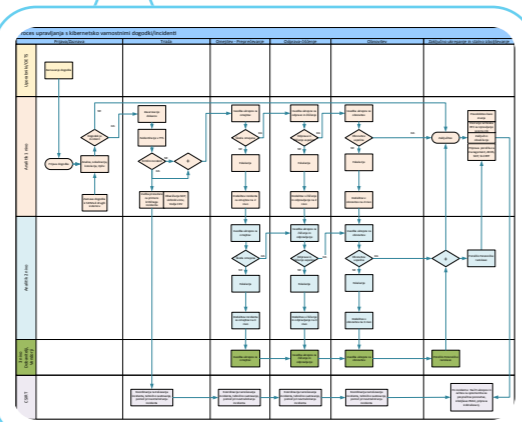
Infrastructure



CSOC



Technology



Process



SUSTAINABLE DEVELOPMENT



IT'S SMART TO BE RESPONSIBLE

We give special care to the environment in which we work. We support Slovenian athletes, and invest in culture, education and humanitarian causes. Through our work, we help co-create a society of opportunities for all.

2.9 SUSTAINABLE DEVELOPMENT

Sustainable development is an integral part of the business processes of Group companies and is one of the strategic policies of the Telekom Slovenije Group. The principles of sustainable development and social responsibility are integrated into operations, products and services to the greatest extent possible. More in this regard is reported in the sections [2.7.4 Responsibility to users](#) and [2.7.6 Market communication](#).

2.9.1 ABOUT THE ANNUAL REPORT⁴⁶

Reporting on the operations of the Telekom Slovenije Group and Telekom Slovenije is carried out in line with the requirements of the International Financial Reporting Standards and national legislation [ZGD-1J].

STATEMENT REGARDING THE NON-FINANCIAL OPERATIONS OF THE TELEKOM SLOVENIJE GROUP

The sustainable management of our impacts on the economy, society and the environment is part of the Telekom Slovenije Group's development strategy and an integral part of our operations. Our annual reports therefore provide a comprehensive overview of progress in this area, i.e. non-financial information, in accordance with the international Global Reporting Initiative [GRI] standards. We have been reporting in accordance with the GRI Guidelines since 2009. Since 2016 we have been reporting in accordance with the latest Global Standards, while taking into account previous generations of GRI recommendations for the ICT and IT sectors, and the media. Compliance with those guidelines is verified by independent external institutes.

Non-financial information for our stakeholders is included in all chapters, which can be

seen from the references to GRI indicators throughout the report and from the transparent GRI content index. The inclusion of information regarding non-financial operations and the diversity of management and supervisory bodies is thus in line with the requirements of the new Companies Act [ZGD-1J] adopted in 2017.

The operating highlights take into account the Alternative Performance Measures [APM] set out in the ESMA Guidelines.

DRAFTING OF THE REPORT AND SCOPE OF REPORTING⁴⁷

Telekom Slovenije's Controlling and Strategy and Public Relations organisational units coordinate the compilation and publication of the annual report. Data and information are captured with the help of structured questionnaires, the content of which is prepared by experts for specific areas from Telekom Slovenije, GVO, TSmedia, Planet TV, Soline, Avtenta, TSinpo and IPKO. The financial report is compiled by the Finance and Accounting organisational unit.

The annual report presents sustainable development indicators for the previous calendar year. The most recent annual report, for 2018, was published on 28 March 2019. The report is primarily intended for shareholders and the financial public, as well as users, employees and other stakeholders. Reporting relates to the Telekom Slovenije Group. Where standard reporting guidelines are not yet in place for the entire Group, it is specifically stated that the content applies to the parent company Telekom Slovenije or a specific Group company.

There were no significant changes to data from previous years, and there were no reporting limitations. In the event of changes in a methodology used to disclose data, the content of and reasons for those changes are clarified in the accompanying comments. We sold the subsidiary Blicnet in Bosnia and Herzegovina in 2019. For this reason, some data are not directly comparable with previous years, which is explained in each specific case or is evident from data in tables.



We performed a materiality analysis for the first time in 2017 for the purpose of defining the scope and content of the annual report, and verify the appropriateness of the aforementioned analysis every year through a stakeholder analysis. We verified the scope and content of the annual report for 2018 and the topics of interests to stakeholders for 2019 using a questionnaire found on the website www.telekom.si. That questionnaire was completed by 144 stakeholders from Slovenia, broken down as follows: 64 employees from the Telekom Slovenije Group, 38 users, 14 shareholders and investors, 10 suppliers, seven representatives of local communities, two representatives of analysts and other financial publics, one representative of the media and another from a group of government regulators, and seven individuals who identified themselves as 'other'. In that questionnaire, we asked stakeholders which content from the annual report is most important to them and which content they would like us to report on to a greater extent.

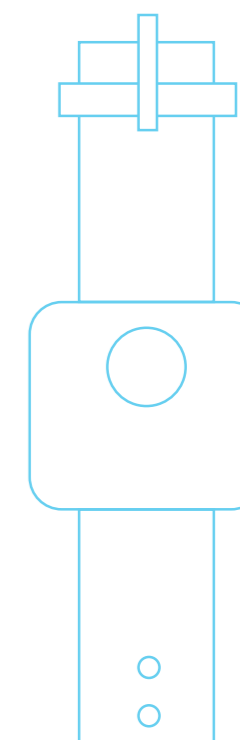
Those surveyed were most interested in information regarding the development strategy and plans, financial results and operating highlights for the previous year. They would like additional information regarding the strategy and projects, the competition and employees. The most important factors of the suppliers are consistent settlement of agreed obligations and compliance with business agreements. Also important to them are responsiveness and their relationship with the Company.

The results of stakeholder analyses were reviewed by experts and taken into account in the preparation of content for the annual report of the Telekom Slovenije Group and Telekom Slovenije. The results of stakeholder analyses serve as the basis for defining material topics and the scope of annual GRI GS disclosures, which are evident in point [2.10 Content according to GRI Reporting Standards](#) and the interactive references throughout the entire annual report. We do not report on immaterial topics.

VERIFICATION OF NON-FINANCIAL REPORTING⁴⁸

Disclosures of non-financial data and the sustainable development report are submitted for independent external verification, which includes the verification of reporting according to the GRI Standards. The statement regarding external verification of the sustainable development report according to the GRI GS may be found in section [2.11](#) on page [170](#).

We also strive to align our sustainable impacts as closely as possible with the United Nations' Sustainable Development Goals. For the third year in a row, we prepared an overview of how and in what areas we contribute to the realisation of those goals.

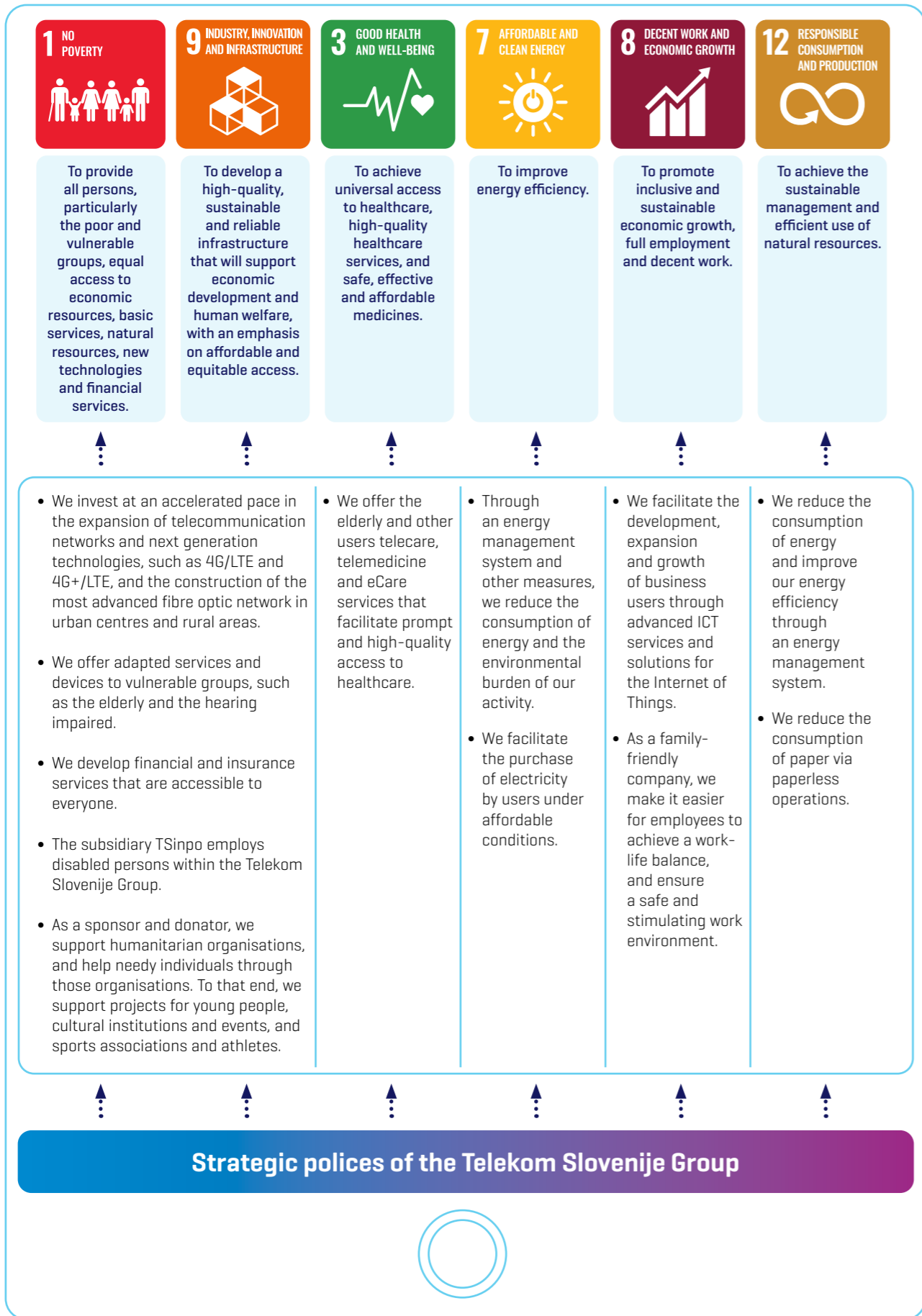


⁴⁶ GRI GS 102-46

⁴⁷ GRI GS 102-48, 102-49, 102-50, 102-51, 102-52

⁴⁸ GRI GS 102-56

OVERVIEW OF THE REALISATION OF THE UNITED NATION'S SUSTAINABLE DEVELOPMENT GOALS



2.9.2 INCLUSION AND PARTICIPATION OF STAKEHOLDERS⁴⁹

Stakeholder groups and the strategy for communication with those groups are defined in Telekom Slovenije's Corporate Governance Policy. Our key stakeholders include employees, shareholders and potential investors, the users of our services, regulatory and state authorities, financial analysts and other financial publics, suppliers and other business partners, the media, and the local and wider communities. We strive for an inclusive and long-term relationship with stakeholders, through which we strengthen trust and cooperation.

Based on direct and indirect relations (research, data analyses, statistics, etc.), we identify mutual impacts and their interests.

OVERVIEW OF TELEKOM SLOVENIJE'S STAKEHOLDERS AND THE INCLUSION THEREOF

Stakeholders	What is most important to them?	Frequency of contact	How are they included?	Activities
Shareholders, analysts and other financial publics	<ul style="list-style-type: none"> Relevant, current and timely information regarding operations and TSLG shares. Operations that facilitate the payment of stable dividends. Effective corporate governance. Long-term value of an investment. 	<ul style="list-style-type: none"> Responses to questions sent to the following contact emails: ir@telekom.si, skupscina@telekom.si, dividenda@telekom.si. Quarterly contact through the publication of reports on operations and the issue of the electronic TSLG newsletter. Once a year in conjunction with the publication of the annual report. At General Meetings of Shareholders. Periodic contact at investment conferences. 	<ul style="list-style-type: none"> Investor relations section of the Company's website. Participation at investment conferences. Via email (ir@telekom.si, skupscina@telekom.si and dividenda@telekom.si). Publication of information in the Ljubljana Stock Exchange's SEDnet system. 	<ul style="list-style-type: none"> We communicated regularly, proactively and comprehensively with existing and potential shareholders regarding the operations of the Telekom Slovenije Group. We paid shareholders gross dividends of EUR 4.50 per share in October 2019.
Users	<ul style="list-style-type: none"> Superior quality networks and the development of services that meet their needs and expectations. The best quality-to-price ratio for services. The most state-of-the-art and innovative services. Reliable, stable, secure and far-reaching networks. Simple and prompt communication with the Group. The prompt elimination of faults. 	<ul style="list-style-type: none"> Regular contacts: Telekom centres, 24/7 contact centre, communication via info@telekom.si and social networks. Twice a year through migration analyses for the fixed and mobile segments. Twice a year through research according to the mystery shopping principle. Through annual user satisfaction research. Regular contact through page view statistics. Regular measurement of the NPS (Net Promoter Score) at contact points. 	<ul style="list-style-type: none"> Personal contact with professional employees. Web services for users. Advertising and communication of portfolio, services and innovations that are relevant for users in broad-reaching media and via social networks. Regular communication regarding the portfolio, services and innovations in broad-reaching media and communication via other channels (invoices, direct mailing, catalogues, trade fairs, social networks, promotions at events, special events, etc.). Communication via social networks. Possibility of selecting a return call option to avoid extended waits for responses to calls to the contact centre. 	<ul style="list-style-type: none"> We presented new services, the portfolio and other relevant content to users in person at Telekom centres, via the contact centre, through field sales, at authorised points of sale throughout Slovenia, and through the use of advertisements and other communication activities. We currently cover 98% of the Slovenian population with the LTE/4G network and 82% of the population with the LTE/4G+ network. We built 44,010 connections for broadband fibre optic access to the internet. We maintained a high level of satisfaction of the users of fixed and mobile services. Through proactive communication, the contact centre's consultants provide users advice regarding all services. Consultants were on-call continuously for the equivalent of 2,357 days, 8 hours, 50 minutes and 11 seconds in 2019, the same as if 6.5 people talked non-stop for 365 days. We received 634,764 calls, responded to 126,787 emails and actively communicated via social networks.

Stakeholders	What is most important to them?	Frequency of contact	How are they included?	Activities
Employees	<ul style="list-style-type: none"> • Career development opportunities. • Acquisition of additional knowledge. • Professional and effective management. • Information regarding the Company's operations and strategic plans, and regarding current developments at the Company and its activities. 	<ul style="list-style-type: none"> • Regular information regarding the Company's operations and developments at the Company on internal portals. • Regular contracts between the Works Council and trade unions and senior management. • Appraisal-development interviews twice a year. • Annually through the measurement of organisational vitality and every other year through the measurement of the organisational culture. 	<ul style="list-style-type: none"> • Regular briefing of employees on events and current activities at the Company and within the Group via established channels (intranet, electronic screens, bulletin boards, email, the system of meetings, etc.). • Promotion of innovation in the scope of the Brihta programme. • Cooperation with the Works Council and trade unions. • Activities relating to employee health, in the scope of the Modro jabolko [Wise Apple] portal and the Živjo, stress! [Hello, Stress!] project, and inclusion via the TSsport sports club. • Measurement of organisational vitality and the organisational culture, and appraisal-development interviews. 	<ul style="list-style-type: none"> • A total of 92% of Group employees were included in education and training in 2019. • In 2019 a total of 42 employees had contracts with the Group to obtain a higher level of education. • During the 2019/2020 scholastic year, Telekom Slovenije supported 15 secondary school and university students by providing them company scholarships. • We maintained regular dialogue with social partners (notifications, joint consultations, issuing of consents, etc.). The Works Council met at 11 regular and five correspondence sessions in 2019.
Suppliers and other business partners	<ul style="list-style-type: none"> • Compliance with business agreements. • Consistent settlement of agreed liabilities. • Long-term cooperation. • Clear supplier selection criteria. • Responsiveness and approach of the ordering party. • Monitoring of the quality of operations. • Payment terms. • Consideration of the importance of the quality of suppliers' services. • Communication in several languages. 	<ul style="list-style-type: none"> • Annual questionnaire. • Cooperation in the scope of procurement procedures. 	<ul style="list-style-type: none"> • Compliance with the Rules on the Procurement of Goods and Services at Telekom Slovenije, and other internal acts. • Code of Conduct for the Suppliers of the Telekom Slovenije Group. • Establishment of long-term relationships with suppliers. 	<ul style="list-style-type: none"> • We settled our liabilities by the agreed payment deadlines, and even before those deadlines in the event of surplus liquid funds. • We dedicated a great deal of attention to addressing challenges as they arise. • Based on an assessment of each supplier, possibilities for additional cooperation, or measures to mitigate/eliminate risks. • The transparent and equal treatment of potential suppliers is ensured through a standardised procurement procedure that defines clear selection criteria.
Regulatory and government bodies	<ul style="list-style-type: none"> • Compliance with regulations and decisions of the regulatory body. • Provision of high-quality access to telecommunication services. 	<ul style="list-style-type: none"> • Periodic contact in the event of legislative changes. • Regular contact following inspections in connection with imposed obligations by the AKOS on regulated relevant markets. 	<ul style="list-style-type: none"> • Expert responses to decisions of regulatory bodies. • Participation in the drafting of legislation, with expert comments. 	<ul style="list-style-type: none"> • We consistently adhered to applicable laws, regulatory measures, regulations and best practices (i.e. the abolishment of roaming within the EU) in all phases of the business process and operations. • We responded by preparing comments to published analyses of relevant markets.
Local and wider community	<ul style="list-style-type: none"> • Sponsorship and donation activities in the areas of sport, culture, science and humanitarian causes. • Access to fixed and mobile services. • Limitation of environmental impacts. • Responsible expansion of the infrastructure (fixed and mobile network). 	<ul style="list-style-type: none"> • Regular cooperation in the scope of humanitarian and other activities. • Regular contact with local communities when upgrading and building networks. 	<ul style="list-style-type: none"> • Support for sporting, cultural, education and humanitarian organisations and projects. • Selection of projects with an emphasis on social responsibility and the monitoring of associated effects. • Assessment of environmental impacts as an integral aspect of all development activities. 	<ul style="list-style-type: none"> • Sponsorships and donations were earmarked for organisations and projects at the national and regional levels. The Telekom Slovenije Group earmarked EUR 2.5 million for those purposes in 2019. • Due to the expansion of the LTE/4G network, we performed additional measurements of electromagnetic radiation, which we ensured does not exceed the legally prescribed thresholds. We conducted 261 measurements in Slovenia in 2019. The results of EMR measurements are accessible by local communities.
Media	<ul style="list-style-type: none"> • Continuous and current information about the operations of the Telekom Slovenije Group; regular communication about key business events within the Telekom Slovenije Group. • Regular communication about the activities of the Telekom Slovenije Group and the latest news regarding the development of services and the portfolio, and technological development. 	<ul style="list-style-type: none"> • Regular responses to journalists' questions; ad-hoc press conferences and press releases. • Maintenance of regular formal and informal relationships. 	<ul style="list-style-type: none"> • Management of media relations (press conferences, press releases and responses to journalists' questions, maintenance of formal and informal relationships). • Communication about the latest corporate developments, and new services and products. 	<ul style="list-style-type: none"> • We responded to 350 questions from journalists in 2019 and issued 52 press releases, while around 6,000 articles about Telekom Slovenije were published in the media.

COMMUNICATION WITH STAKEHOLDERS

Our key guidelines in the area of communication are based on openness, balancing proactive and reactive communication, balancing communication on the domestic and foreign markets, and on the provision of accurate, relevant and clear messages. We report on communication with stakeholders in specific sections where they are addressed comprehensively.

INFORMATION OF A PUBLIC NATURE

In accordance with the Public Information Act (ZDIJZ), we publish on the websites of Telekom Slovenije and individual subsidiaries basic information regarding representatives, members of management and supervisory bodies (the agreed amount and payment of remuneration to those bodies), and regarding transactions concluded in connection with donation, sponsorship, consultancy and copyright or other intellectual services (type of transaction, contractual partner, value of transaction, date of conclusion and duration). We proactively published information and handled requests for access to information, and implemented support activities (e.g. employee training) in 2019.

Telekom Slovenije has appointed a public information officer, while employees have an internal

portal at their disposal with all relevant information. We receive and respond electronically to requests for access to information of a public nature via the email address ijz@telekom.si.

COMMUNICATION WITH THE MEDIA⁵⁰

In managing public relations, special attention is given to relations with the media and communication with journalists, as they disseminate information to the general public. For that reason, our communication with them is consistent and responsive, and both proactive and reactive. Communication activities are well-planned and carried out regularly throughout the year. We cover corporate topics and the latest developments in the portfolio, as well as development and technological topics. For communication purposes, we use tools such as press releases, special events, the promotion of media coverage, the maintenance of regular contacts with journalists, and regular and continuous responses to journalists' questions.

The most attention in 2019 was given to the communication of business results, the latest developments in the portfolio, continued development of the network, technological development and the development of ICT services, ensuring cyber security, social responsibility and activities linked to the introduction

of fifth-generation mobile networks. Telekom Slovenije and its services were mentioned in around 6,000 articles in 2019, while we responded to 350 questions posed by journalists from national, regional, local and specialised media outlets.

COMMUNICATION WITH REGULATORY AND GOVERNMENT BODIES⁵¹

The AKOS and other similar regulatory bodies in the countries where Group companies are present have a significant impact on our operations, as telecommunications represent one of the most regulated economic sectors. The competent ministries and other government bodies also play an important role, particularly in terms of legislation.


Telekom Slovenije strictly complies with applicable regulations and the recommendations and decisions of regulatory bodies, and responds with sound expert arguments, as necessary. Through expert proposals, we play an active role in the drafting of legislative changes in the field of electronic communications within the framework of legal possibilities.

In addition to the ICT sector, Telekom Slovenije also operates in other sectors governed by their own regulations and rules.

50 GRI GS 102-43, 102-44
51 GRI GS 102-43, 102-44

2.9.3 SOCIAL RESPONSIBILITY⁵²

We demonstrate our social responsibility through various forms of cooperation and programmes. We worked with **Europa Donna, the Slovenian Breast Cancer Awareness Association**, for the eleventh consecutive year in 2019. We raised users' awareness about the importance of preventive measures and encouraged them to perform regular breast self-exams using the free Breast Test application. Together with Samsung, we donated a portion of the proceeds from each selected Samsung mobile phone to the fight against breast cancer during October, which is international Breast Cancer Awareness.

 In November, which is international Prostate Cancer Awareness Month, we supported a campaign to raise funds for the purchase of a simulator for operations of the bladder and prostate, organised by the **Slovenian Oncology Association for Men (OnkoMan)**.

In the scope of the **Slojenčki** (SLObaby) humanitarian campaign, we donated two CTG machines to the Postojna Women's and Maternity Hospital and the Department for Perinatology at the Maribor University Medical Centre. Using the most state-of-the-art CTG machines, doctors are able to closely monitor the beating of



the foetus' heart and uterine activity, which is very important for the correct management of pregnancy and birth.

Also worthy of note amongst humanitarian programmes was our participation in the **Chain of Good People** project, organised by the Ljubljana Moste-Polje chapter of the Friends of Youth Association, for the purpose of helping families with young children in distress. More than 700 families received assistance in the scope of the aforementioned project. Funds earmarked for New Year's greeting cards were instead donated to the project.

Telekom Slovenije shares warmth and joy in the largest family of users, and affectionately helps and stands by families in distress.

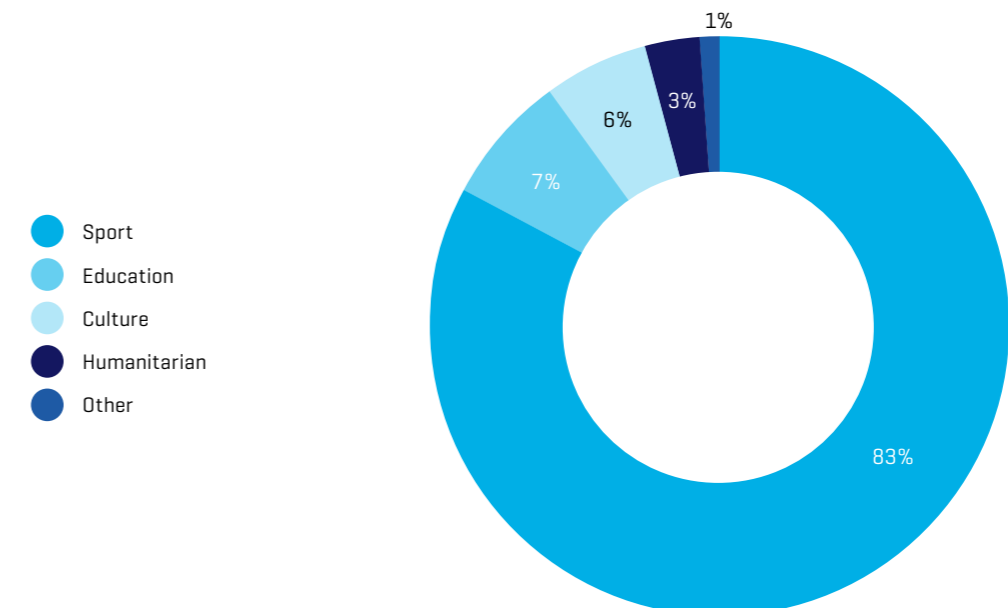
We support humanitarian, cultural, environmental, educational and scientific projects and institutions, as

well as Slovenian athletes and sporting organisations as a sponsor or donator. Special emphasis is placed on sports, where we provide assistance to individuals and teams, sporting associations and sporting events.

Through our work, we have maintained our role as **an important donor and sponsor at the national level**, where special attention is also given to geographical diversity. Requests for sponsorships and donations are reviewed by a committee that makes decisions regularly throughout the year. That committee takes into account the interests of those requesting help and Telekom Slovenije Group's strategic business plan when allocating funds.

The Telekom Slovenije Group earmarked a total of EUR 2.5 million or 0.4% of its operating revenues for sponsorships and donations in 2019.

Allocation of sponsorship and donation funds by purpose



MAJOR SPONSORSHIPS AND DONATIONS IN 2019

HUMANITARIAN PROJECTS



We participate in humanitarian projects aimed at overcoming social

differences. Our activities in 2019 included the support of the following organisations:

- the Slovenian Red Cross's Debeli rtič youth spa and resort for a new roof on the Veverička Youth Home;



- the Ljubljana Moste-Polje chapter of the Friends of Youth Association for the Chain of Good People project;
- the Olympic Committee's Foundation for athletes from socially disadvantaged backgrounds;
- the Friends of Youth Association for the TOM telephone intended for children and adolescents in distress;
- the Association of Counsellors to help those in distress via telephone line;
- the Association of Pensioner Societies of Slovenia [ZDUS]; and
- the anonymous Samarijan line.

EDUCATION AND SCIENCE

Telekom Slovenije supports numerous educational and scientific projects, conferences and events, and serves as an important sponsor of projects and organisations, including:

- the Happy School project,
- the Reading Badge project,
- the graduation parade,
- the Risk Conference – a conference in the area of electronic security,
- the Corporate Security Days,
- the Technical Culture Association of Slovenia,



- the multimedia educational programme at the Faculty of Electrical Engineering at the University of Ljubljana, and
- the Post and Telecommunications Museum, which Telekom Slovenije co-founded.

CULTURE

We participate in numerous smaller, contextually varied and geographically dispersed events. We continue to support cultural events that with our support have become an essential element of cultural expression, both in Slovenia and internationally. They include:

- the Ljubljana Festival,
- the Ljubljana International Film Festival – LIFFE,
- the Ljubljana Puppet Theatre,
- the National Opera and Ballet in Maribor, and
- the National Opera and Ballet in Ljubljana.

SPORTS

We support numerous major and minor events that are intended primarily for children and adolescents. Our sponsorship activities in 2019 included support for the following:

- **sporting associations:** the Slovenian Olympic Committee, the Slovenian Football Association (the national team and Telekom First Football League), the Ski Association of Slovenia, the Ice Hockey Federation of Slovenia, the Slovenian Volleyball Association, the Slovenian Judo Federation, the Slovenian Athletics Association, the Slovenian

Kayaking Association, the Slovenian Handball Association, the Alpine Association of Slovenia, the Slovenian Cycling Federation and the Slovenian Sailing Federation;



- **sporting clubs:** the Maribor football club, the Cedevita Olimpija basketball club, the Krka-Telekom Novo Mesto and Domžale basketball clubs, the Celje Pivovarna Laško and Gorenje Velenje handball clubs and others;



- **sporting events:** the 2019 World Cup ski flying competition in Planica, the 2019 World Cup women's ski jumping competition in Ljubno, the Golden Fox World Cup ski event, the Tour of Slovenia cycle race, the Franja Marathon, the Red Bull Goni Pony na Vršič event, the Red Bull 400 Planica race up the famous ski flying hill, the Red Bull *Dan za dekleta* event, the Triglav The Rock Ljubljana climbing spectacle, and the national 3-on-3 basketball tournament;
- **individuals:** Peter Kauzer, Robert Renner and Ilka Štuhec.



Through projects on Sio.net, we encourage users to pursue a healthy lifestyle while raising their awareness about social responsibility, including through charitable auctions, the Naj planinska kočča (Best Mountain Hut) project and *Moja porodnišnica* (My Maternity Hospital).

Social responsibility is also a policy at all Telekom Slovenije Group subsidiaries. Worthy of mention amongst the sponsorship activities of subsidiaries is IPKO as sponsor of the Football Federation of Kosovo.

2.9.4 RESPONSIBILITY TO EMPLOYEES

Satisfied employees are crucial to the Company's success. The Telekom Slovenije Group strives to provide a stimulating and pleasant work environment, open to innovation and cooperation. We provide for continuous employee training and education in various areas, and introduce innovative approaches for empowering employees. We are active in the areas of health and the prevention of burnout, upgrade employee remuneration and motivation systems, and implement numerous activities to strengthen the employer's brand.⁵³

CODE OF ETHICS⁵⁴

Through the Code of Ethics of the Telekom Slovenije Group, we set out the guiding principles of our operations, and our responsibilities as employees in both mutual relationships and in relationships with the users of services, shareholders, the social and natural environment and all other stakeholders. In our work, we strive for tolerance, mutual respect and the respect of basic human rights. We promote fair and ethical treatment, and operations in line with valid legislation.

We reject all forms of indirect or direct discrimination, as set out in the internal acts of companies. Individual Group companies have appropriate mechanisms in place for identifying potential cases of discrimination and for taking action in such cases.

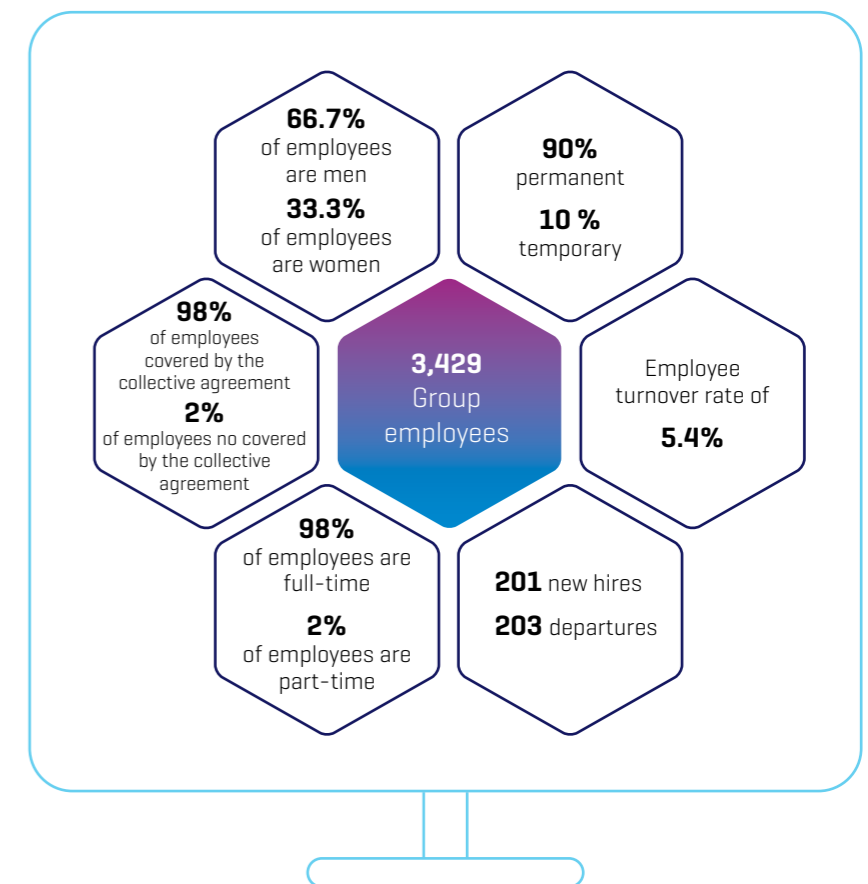
Similar to the previous year, Telekom Slovenije Group companies did not receive any complaints due to discrimination in 2019.⁵⁵

STRUCTURE OF EMPLOYEES⁵⁶

The Telekom Slovenije Group had a total of 3,429 employees at the end of 2019, with Slovenian companies accounting for 2,901 of that number. The total number of employees was down by 2.9% relative to 2018, primarily due to the sale of Blicnet in Bosnia and Herzegovina, the termination

of employment for business reasons and retirements at Telekom Slovenije, GVO and IPKO.

At 5.4%, employee turnover within the Telekom Slovenije Group was down by 2.8 percentage points relative to the previous year.



⁵³ GRI GS 103-1, 103-2

⁵⁴ GRI GS 102-16, GS 103-1, 103-2, 103-3

⁵⁵ GRI GS 406-1

⁵⁶ GRI GS 401-1, GS 102-7

STRUCTURE OF EMPLOYEES AT TELEKOM SLOVENIJE GROUP COMPANIES⁵⁷

Situation as at 31 December	2019	2018	2017	Change in 2019	Index 19/18
SLOVENIA	2,901	2,903	3,040	-2	99
Telekom Slovenije	2,182	2,196	2,338	-14	99
Other companies in Slovenia	720	707	702	12	102
Planet TV	42	44	48	-2	95
TSmedia	55	56	55	-1	98
Avtenta	40	43	41	-3	93
GVO	444	431	448	13	103
Soline	95	92	87	3	104
TSinpo	43	41	23	2	105
SOUTH-EASTERN EUROPE	528	627	633	-99	84
IPKO – Kosovo	528	528	528	0	100
Blicnet – Bosnia and Herzegovina	0	99	105	-99	0
TELEKOM SLOVENIJE GROUP	3,429	3,530	3,673	-101	97

NUMBER OF NEW HIRES AND DEPARTURES IN 2019 BY AGE GROUP⁵⁸

Age group	Telekom Slovenije Group		Telekom Slovenije		Other companies in Slovenia		South-Eastern Europe IPKO	
	New hires	Departures	New hires	Departures	New hires	Departures	New hires	Departures
00-30	117	41	42	7	52	22	23	12
31-40	49	48	22	13	21	19	6	16
41-50	27	45	14	28	12	15	1	2
51-60	8	62	2	42	6	20		
61-65		7		4		3		
Total	201	203	80	94	91	79	30	30

A total of 98.2% of Telekom Slovenije Group employees have an employment contract based on a collective agreement, which was close to the same proportion as the previous year. The remaining 1.8% of employees have contracts outside the collective bargaining system. These are primarily employees in management positions.⁵⁹

EMPLOYEES BY TYPE OF EMPLOYMENT AND GENDER⁶⁰

The majority of employees in the Telekom Slovenije Group are on permanent contracts [90%]. A total of 98.2% of employees at Telekom Slovenije are on permanent contract, while that proportion is 88.7% at other Slovenian companies and 58% at IPKO in Kosovo. The main reason Slovenian companies employ workers for a fixed period of time is to cover increases in the work load. There are more employees on fixed contracts in Kosovo, which is a reflection of local legislation and the company's employment policy.

57 GRI GS 102-8
58 GRI GS 401-1
59 GRI GS 102-41
60 GRI GS 102-8

Men accounted for 66.7% and women for 33.3% of Telekom Slovenije Group employees. This ratio differs from company to company depending on their activity. Men are prevalent at companies in Slovenia, while the gender ratio in favour of men is slightly lower at IPKO [56.4%].⁶¹

Full-time employees account for the largest proportion [98%] of employees at the Group level, while part-time workers account for a smaller proportion [2%].⁶²

Retiring Telekom Slovenije Group employees are entitled to severance pay in accordance with valid legislation and the provisions of the collective agreement, where it applies. The Telekom Slovenije Group does not organise any

special pre-retirement training programmes for employees, who are otherwise included in regular education and training.⁶³

We promote the transfer of knowledge and lifelong learning amongst all employees. Special emphasis is placed on the transfer of knowledge of older employees, who represent a treasure trove of knowledge and experience. It is thus important to encourage them to transfer their knowledge and experiences to co-workers and successors. We also promote so-called reverse mentoring, where older employees serve as mentors to younger employees and vice versa. We have drafted a strategy in this area on how to address older employees and

intergenerational cooperation. That policy focuses on strengthening competences, including those associated with the Company's values. The purpose of that strategy is to search for comprehensive solutions to mitigate risks associated with the ageing of employees. These include flexible forms of work, awareness about the importance of a healthy lifestyle and active care for own health.⁶⁴

EDUCATIONAL STRUCTURE OF EMPLOYEES

Persons with a level VII education account for the highest proportion of employees at the Group level.

Telekom Slovenije Group employees by actual educational level

Employees by actual educational level	2019	2018	2017	Share in %	Change in year 2019	Index 19/18
Levels I to IV – Education comprises less than four years of schooling, i.e. less than technical or other secondary education	324	348	387	9.4%	-24	93
Level V – Four-year secondary school	1,049	1,091	1,149	30.6%	-42	96
Level VI – Higher or college education, faculty comprises less than four years of schooling	708	839	867	20.6%	-131	84
Level VII – Faculty – university level, Bologna master's programme	1,181	1,103	1,115	34.4%	78	107
Level VIII – Master's and doctorate degrees	167	149	155	4.9%	18	112
Total	3,429	3,530	3,673	100%	-101	97

EMPLOYMENT AND TRAINING OF DISABLED PERSONS⁶⁵

There were 99 employees of various disability levels working in the Telekom Slovenije Group at the end of 2019. Of those persons, 51% are full-time workers, while the remainder work a reduced number of hours. Telekom Slovenije and GVO regularly exceed the legally prescribed quota of disabled employees, which is the result of our efforts to facilitate the regular continuing employment of disabled persons. The quota for the information and communications sector is 2%, while the quota for the construction sector is 3%. These companies were therefore entitled to compensation in the amount of 25% of the minimum monthly wage for each disabled employee over the prescribed quota. Companies abroad do not have such a compensation system in place.

61 GRI GS 405-1
62 GRI GS 102-8
63 GRI GS 201-3, 404-2
64 GRI GS 404-2
65 SDG 1

The mission of **TSinpo**, which is a service and disabled workers' company, is to facilitate the continuing employment of disabled persons, to train them and to adapt jobs to their needs. Taking into account business development, and the expansion of activities and markets, the company employs disabled persons from within the Telekom Slovenije Group and from the labour market. The company addressed the increased scope of work in 2019 by employing disabled persons from the labour market for a fixed period of time.



TSinpo took up additional activities and employees in 2019. The company also

began to implement a vocational rehabilitation programme in 2019. In cooperation with external authorised organisations and with the help of its own mentoring team, the company trains disabled persons for their adapted work. In this way, it increases the employment of disabled persons in the wider social community and opens opportunities to advance their careers.

TRAINING AND HR DEVELOPMENT⁶⁶

Due to the rapidly changing ICT sector, a great deal of attention is given to strengthening employee competences and the acquisition of new knowledge, which we share in our everyday work. Only with a team of top-flight experts, expertise and common values and objectives will we be able to create and develop the most advanced services and new business opportunities in the future. Through continuous planned education and training, and the management and transfer of knowledge, we ensure the growth and development of the Company and its employees.

Employee education and training at Telekom Slovenije are set out in the **Education and Training Rules**, and are organised in accordance with annual plans. Employee development and training plans are drafted every year, as part of annual development interviews, on the basis of the **Education and Training Programme**. In the planning process, we define the purpose and objectives of education and training, which derive from the organisation's overall objectives. Objectives are clear and measurable, which is important for monitoring the effectiveness of education and training.

We begin measuring the effects of education and training during the implementation phase, by measuring the satisfaction of participants. We receive an assessment of the implementation of education or training and feedback regarding its usefulness through an electronic questionnaire. We use coaching, workplace mentoring and focus groups to measure acquired knowledge and skills.



KEY FIGURES REGARDING EMPLOYEE TRAINING WITHIN THE TELEKOM SLOVENIJE GROUP AND AT TELEKOM SLOVENIJE⁶⁷

	Telekom Slovenije Group				Telekom Slovenije			
	2019	2018	2017	Index 19/18	2019	2018	2017	Index 19/18
Number of participants in training	3,150	3,286	3,356	96	2,205	2,460	2,585	90
Number of training hours	91,368	92,821	92,346	98	75,131	79,241	79,589	95
Proportion of employees included in training	92%	93%	91%	99	101%*	112%*	111%*	90
Number of training hours per employee	26.6	26.3	25.1	101	34.4	36.1	34.0	95

* The proportion of employees included in training was higher than 100%, as the number of participants in training includes persons who attended training during the year but were no longer employed by the Telekom Slovenije Group as at 31 December.

66 GRI GS 103-1, 103-2, 103-3

67 GRI GS 404-1

Men accounted for 69.4% and women for 30.6% of all employees included in education and training programmes at the Group, which corresponds to the overall gender ratio, as training is based on workplace needs, with no distinction made by gender. The number of training hours completed by women was up by 2% relative to the previous year.⁶⁸

NUMBER OF TRAINING HOURS BY EMPLOYEE CATEGORY⁶⁹

	Telekom Slovenije Group				Telekom Slovenije			
	2019	2018	2017	Index 19/18	2019	2018	2017	Index 19/18
Technology and sales	58,071	57,423	60,198	101	47,873	48,323	53,205	99
Administration	11,668	11,472	7,755	102	10,810	11,303	7,208	96
Team leaders	10,771	10,003	10,810	108	9,606	9,346	9,779	103
Middle management	8,469	11,306	8,533	75	5,836	8,463	6,156	69
Other	2,390	2,617	5,022	91	1,006	1,806	3,241	56
Total	91,368	92,821	92,346	98	75,131	79,241	79,589	95

Technicians and sales staff received the most education and training, as they are the first contact point for our users. More emphasis was placed on the education and training of managers than in 2018 [8% increase in education and training], as we are aware of the importance of management for the development and growth of the Company. The total number of hours was down by 2% at the Telekom Slovenije Group level and by 5% at Telekom Slovenije in 2019, but still within established targets.

STRUCTURE OF TRAINING BY AREA⁷⁰

We dedicated a great deal of attention in 2019 to the occupational health and safety of employees. The aforementioned area therefore accounted for the highest proportion of

education and training within the Telekom Slovenije Group, at 39.7%. That proportion was up by 4 percentage points relative to 2018. In the scope of the *Živijo, stres!* (Hello, Stress!) project, we educated employees and raised their awareness about stress management and the prevention of burnout. All Telekom Slovenije employees attended e-courses in 2019 on information security and business continuity [i.e. employee conduct in emergencies], the protection of confidential information, social engineering and the identification of dangers that threaten us, and a refresher course on the Code of Ethics.

Due to the nature of the work at Telekom Slovenije, we handle various personal data that we are obliged to protect diligently. 101 hours of education and training were organised in this area in

2019, at which we presented employees the basics of personal data protection and the lawful processing thereof, improved knowledge of rules governing the protection and processing of personal data and increased employee awareness. Employees completed a total of 322 training hours in the area of first aid, while we organised a total of 609 hours of refresher courses on the Code of Ethics via the e-training portal.⁷¹

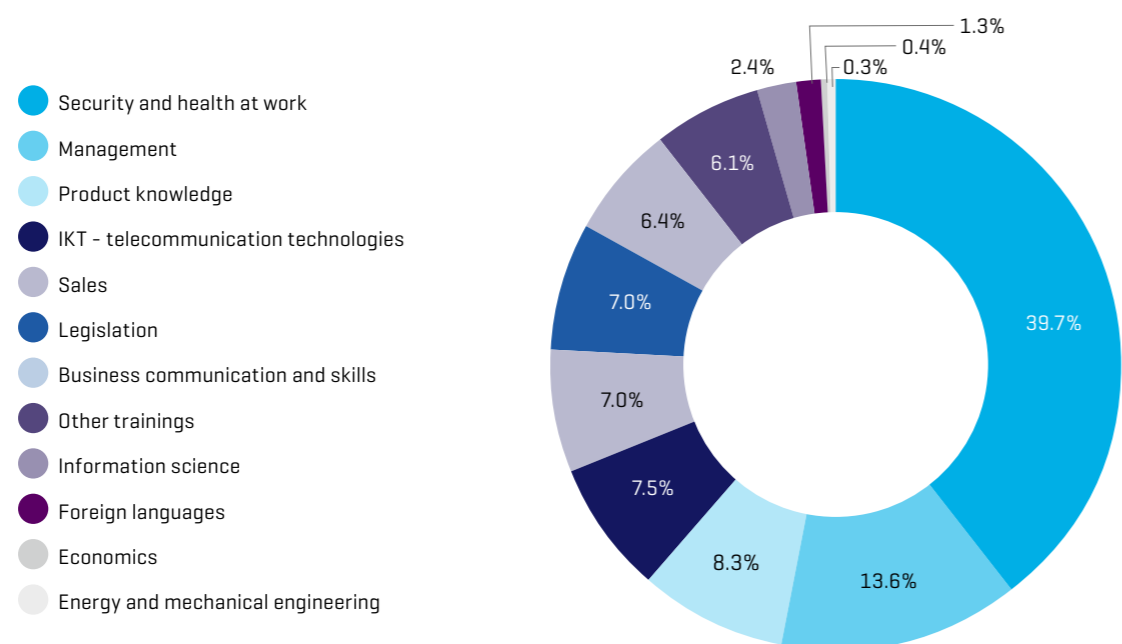
68 GRI GS 404-1

69 GRI GS 404-1

70 GRI GS 205-2

71 GRI GS 103-1, 103-2, 103-3, 412-2

Structure of training by area within the Telekom Slovenije Group in 2019



The proportion of total training accounted for by training in the areas of management, sales and product knowledge was up in 2019. As dictated by the sector, employees receive constant training at home and abroad in the area of information and communication technologies. We also ensure the continuous training and education of experts in the areas of legislation, regulations and labour law.

Telekom Slovenije updated its **e-training portal** and renamed it 'Znam!' [I Have the Knowledge!]. That portal supports rapid learning and the preparation of materials of varying scope and complexity, primarily for the organisation of interesting shorter courses. The latest knowledge is readily accessible by the employees of Telekom Slovenije, the employees of the subsidiaries TSmedia, Avtenta and TSinpo, and by our authorised agents.

Telekom Slovenije organised 4.5% of all training on the internal e-portal in 2019.



S.M.A.R.T. – AN ADVANCED DEVELOPMENT-TRAINING PROGRAMME

- S** – self-responsible and simple
- M** – motivated and wise
- A** – engaged and authentic
- R** – serious and committed
- T** – team player and precise



TOP 10

Telekom Slovenije was named one of the top 10 most respected employers in Slovenia again in 2019. We received two awards: fifth place amongst the most respected employers in Slovenia, and the most respected employer in the field of electronics and telecommunications.

More than 19,000 respondents took part in the aforementioned research, which was conducted for the ninth consecutive year. Students accounted for more than 5,000 of that total number. We are proud that we are considered one of the most attractive and sought-after employers. The awards described above are a reflection of our culture and all employees, who serve as the Company's first and most important ambassadors.

The excellence of the user experience is extremely important at Telekom Slovenije. The Company's aim is thus to ensure that excellence at all major contact points with the users of our services. Through standards and an innovative approach to training via the S.M.A.R.T. training and development programme, we are building four key elements in contact with users: a uniform approach, the raising of values, the development of competences and team work. In 2019 we expanded **S.M.A.R.T.** activities that are carried out with the aim of improving the user experience. We thus carried out 1,877 coaching interviews with employees at sales channels [Telekom centres, contact centre and field team] and supplemented their knowledge with sales training.

We expanded the S.M.A.R.T. programme in 2019 to the provision of user services, where we first defined objectives and the desired conduct of field technicians, and then conducted more than 350 coaching interviews.

INVESTMENTS IN EMPLOYEE KNOWLEDGE

Only by investing in the knowledge and training of employees will we be able to achieve greater commercial success and higher value added. We thus dedicate an increasing amount of attention to such activities. The success of our efforts is also evidenced by Telekom Slovenije's ranking as one of the top ten masters of knowledge in Slovenia. Activities in this area include the financing of on-the-job studies and paid leave to prepare for study requirements. At the end of 2019 a total of 42 employees had contracts with the Telekom Slovenije Group to obtain a higher level of education, 38 employees at Telekom Slovenije, three employees at GVO and one employee at Avtenta.

KEY AND PERSPECTIVE PERSONNEL⁷²

Telekom Slovenije includes in its system of key and perspective personnel individuals who contribute an above-average share to the achievement of the

Company's objectives [special work achievements], who have highly developed competences or who demonstrate potential and the motivation for further development.

We break them down into the following categories:

- key personnel – creators: who with their creativity and commitment achieve better results, and who have high development potential to take on more demanding work and to advance to higher professional and management positions;
- key personnel – experts: are the bearers of knowledge that is crucial and specific to the Company, and that has been gained through rich experiences and is difficult to find on the labour market; and
- perspective personnel: young employees who are still developing as managers or professionals.

A total of 8.9% of all Telekom Slovenije employees have been identified as key and perspective personnel, according to the Company's adopted methodology.

RECRUITING NEW EMPLOYEES, PROFESSIONAL TRAINING OF SECONDARY SCHOOL AND UNIVERSITY STUDENTS, AND THE AWARDING OF SCHOLARSHIPS

Our aim is to recruit the best secondary and university students in their respective classes, primarily in strategically important areas, such as multimedia, cloud services, user interfaces, etc. Telekom Slovenije thus facilitates the practical training of secondary school students and the practical education of university students from various professions. The best candidates who could be potential candidates for employment are entered into a database of employment candidates.

We provided practical training opportunities to 70 secondary school and university students in 2019. **We guide the best students to the most advanced information and communication technologies through their seminar papers or theses**, and also employ those who prove themselves best.

We awarded ten company scholarships for the 2019/2020 scholastic year. We have a total of 15 holders of active scholarships awarded for the 2018/2019 scholastic year. Of those, 11 are scholarship holders enrolled in level 1 undergraduate studies, while four are enrolled in level 2 postgraduate studies.

STRESS MANAGEMENT AND THE PREVENTION OF EMPLOYEE BURNOUT⁷³

In the scope of *Živijo, stres!* (Hello, Stress!) activities, which are aimed at raising awareness about the importance of stress management and avoiding burnout, we continued with lectures and workshops given by various professionals from this area. We hosted experts from the fields of occupational medicine, nutrition, transcendental meditation, communication, mindfulness, proper breathing, various anti-stress techniques, etc. We also continued to raise employee awareness through periodic educational workshops on stress and how to prevent and manage it, by promoting exercise and sporting activities, and through our own FIT.SI mobile application. Workplace massages are still given at certain locations. We organise anti-stress weekends for employees, while the help of a psychologist is available to employees once a week via the Modri telefon (Wise Telephone). Useful information and advice in this area are also available to all employees on a special intranet portal.

MOTIVATION OF EMPLOYEES

We strive to ensure a work environment in which employees are satisfied, motivated, committed and loyal. We have an established and precisely structured bonus system in the form of monetary and non-monetary bonuses that are awarded in accordance with the collective agreement and other internal acts.

In the scope of the remuneration system, we encourage individual and collective successes: individual remuneration depends on an assessment of the achievement of personal objectives (stimulation), while collective remuneration depends on pre-defined objectives and the achievement of results. We thus pay a year-end bonus (thirteenth salary) based on the achievement of established objectives, a Christmas bonus, and stimulation and bonuses for outstanding achievements.

Non-monetary forms of employee remuneration also derive from the Telekom Slovenije Group's activities (discounts in the Online Shop, credit notes for VALÚ Moneta, gift certificates for Soline, getaways at Hotel Tisa, etc.). We also offer employees benefits, such as additional medical examinations, payments to the second pension pillar, preventive treatments and flexible working hours. The benefits that employees appreciate most are the Christmas bonus and the possibility of a year-end bonus, the use of a company mobile phone and education and training opportunities.

Full-time and temporary employees enjoy the same benefits, except the payment of voluntary pension insurance premiums, which new employees are entitled to after one year of employment. The premium for employees who have been employed by their respective company for at least one year is paid by Telekom Slovenije (96% of employees), GVO (90% of employees), TSmedia (93%

of employees), Avtenta (95% of employees), Planet TV (93% of employees) and TSinpo (95% of employees).⁷⁴

Telekom Slovenije plans retirements five years in advance. Employees receive severance pay at retirement in accordance with the collective agreement. Companies outside of Slovenia pay their employees' compulsory contributions for pension insurance in accordance with local laws, but do not pay premiums for supplemental pension insurance for them.

Within the Telekom Slovenije Group, an employee's base salary is equivalent to the value of the wage grade for a particular position for which an employment contract has been concluded, and is not dependent on gender, location or activity. Employees at companies in Slovenia have a higher minimum wage than the legally prescribed minimum wage in Slovenia. Employees at IPKO also have a higher wage (index of 216).⁷⁵

COOPERATION WITH RESEARCH INSTITUTIONS

The Telekom Slovenije Group cooperates actively with faculties and secondary schools, as we are aware of the need for new technical knowledge. Telekom Slovenije supported the multimedia study programme at the University of Ljubljana's Faculty of Electrical Engineering and Faculty of Computer and Information Science.

In the area of employee education and e-training, we work with the Telecommunications

Laboratory at the University of Ljubljana's Faculty of Electrical Engineering (LTFE). We have also strengthened cooperation with the Faculty of Computer and Information Science. We likewise work with the School Centre for Postal Services, Economics and Telecommunications.

ORGANISATIONAL VITALITY

The measurement of organisational vitality, which includes the organisational climate, and employee satisfaction and commitment, was carried out at three companies in 2019: Telekom Slovenije, GVO and IPKO.

In addition to standard questions, that study included questions that we added in 2017, when we last measured vitality. These are questions in connection with commitment and proactivity, burnout, criticality, team work and so-called ambassadorship.

The results of the study indicate that employees are highly committed, personally satisfied and team-work oriented. Certain challenges were presented, including cooperation and communication between various organisational units, the

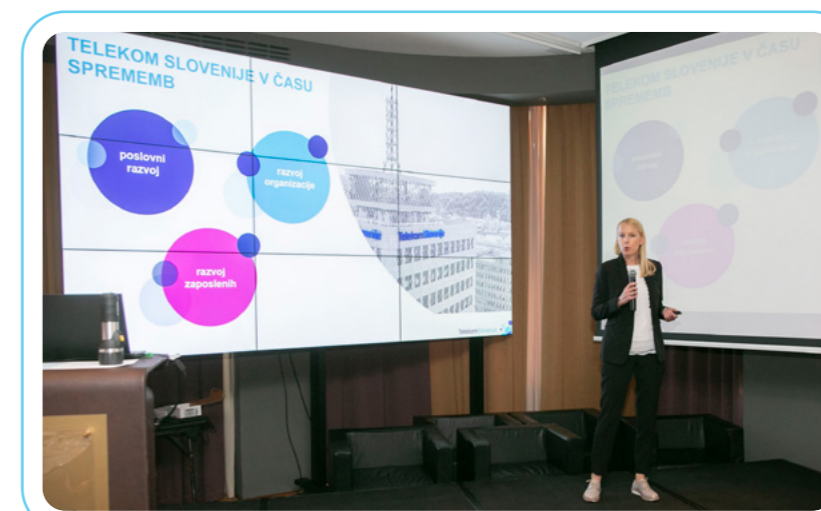
effectiveness of the organisation, and knowledge of criteria regarding advancement and remuneration. We also identified a certain degree of work overload amongst employees.

The ORVI index at Telekom Slovenije was 3.75, the level achieved during the previous measurement. GVO recorded an ORVI index of 3.72, while IPKO recorded an index of 3.69, which is likewise comparable with the previous measurement.

The directors of organisational units and team leaders presented the results of the research to their employees. They discussed those results and prepared action plans in areas where the results deviated from the average.

ORGANISATIONAL CULTURE

Telekom Slovenije is transforming the organisational culture into a culture that is based on the constructive style of employees' behaviours and attitudes. A constructive style positively promotes superior quality, the development of services, mutual cooperation and business excellence. We took into account the latest trends in human



resource management when drafting the action plan for the transformation of the organisational culture.

Activities are being carried out with an emphasis on cooperation between organisational units and between employees, and on the promotion of innovation and creativity.

APPRAISAL-DEVELOPMENT INTERVIEWS⁷⁶

Appraisal interviews are conducted at Telekom Slovenije twice a year for employees covered by the collective agreement and for employees under individual contracts who are not first and second level directors. Interviews are conducted once a year at the majority of subsidiaries. The overall assessment of work performance comprises an assessment of the achievement of objectives and an assessment of competences. At the beginning of the year, we also draft education and training plans for the year ahead.

Annual appraisal interviews were conducted in 2019 with all employees at companies in Slovenia, except those employees on lengthy sick leave or parental leave, with new employees and reassigned employees, and with employees in the process of employment termination.

MANAGING INNOVATION



Innovativeness in all areas ensures a competitive advantage. We therefore continuously encourage employees to share ideas and develop innovations. We encourage this through publications on the intranet, and through the organisation of workshops and events. We gather ideas through the **Brihta digital collection box**, to which employees submit their ideas. In place is an established procedure and comprehensive overview of proposals, from submission to potential implementation or feedback. Employees receive practical awards for useful ideas. Ideas that become innovations with higher added value may also be rewarded financially.

The employees of Avtenta, TSmedia, Planet TV and GVO are also encouraged to submit proposals for improvements, ideas and innovations in individual areas. IPKO holds a competition to collect innovative ideas, with rewards given for the best.

76 GRI GS 404-3

77 GRI GS 103-1, 103-2, GS 102-43, 102-44, GS 402-1

COOPERATION WITH EMPLOYEE REPRESENTATIVES⁷⁷

In accordance with the Workers' Participation in Management Act, we cooperate constructively with the works councils of Telekom Slovenije, GVO and TSmedia, and maintain constant social dialogue with trade union representatives [notification, joint consultation, issuing of consent, etc.].

Telekom Slovenije's Work Council met at eleven regular and five correspondence sessions in 2019. The majority of initiatives and questions put forth by employees and their representatives related to the Company's strategy and operations, and its HR policy. The members of the Management Board and head of the HR Management organisational unit reported accordingly on a regular basis.

There are also three employee representatives on Telekom Slovenije's Supervisory Board, who regularly inform employees and their representatives about significant changes in accordance with valid legislation.

RESPONSIBILITY FOR EMPLOYEES AND THEIR ACTIVITIES OUTSIDE THE WORKPLACE

Individual Telekom Slovenije Group companies provide support to employees in various ways, including leisure activities. We devote special attention to our employees' children and pensioners. To that end, we organise events with employees, give gifts to employees' first-graders and new-borns, organise holiday day care services for employees' children, support Telekom Slovenije's pensioners clubs, etc.

Functioning under the auspices of Telekom Slovenije is the **TSsport** sports club, which facilitates the participation of employees in recreational activities and championships in various sports. The club facilitates affordable offers for different branches of sports and the purchase of equipment for employees. Championships were organised in 2019 in bowling, golf, nine-pin bowling, tennis, running, basketball, five-a-side football, table tennis, badminton, volleyball, sailing, shooting, skiing and sport fishing. We gathered in the scope of cycling excursions and running marathons.

OCCUPATIONAL HEALTH AND SAFETY⁷⁸

Occupational health and safety is managed within the Telekom Slovenije Group in accordance with legal requirements that are defined for all employees and for each sector separately. We implemented all key measures relating to occupational health and safety, and fire protection in 2019. We took regular measurements of environmental conditions and lighting in the work environment for all locations where deemed necessary. The identification of dangers associated with safe work is carried out via regular occupational safety training, regular on-site inspections and various project groups.

All training in the area of occupational health and safety was in line with the requirements of the law. Training events are theoretical and practical, and are organised in the form of lectures and e-training. Training was thus carried out in the following areas in 2019: workplace injuries, fire safety, work at height and training for those persons responsible for carrying out evacuations. We carried out regular inspections of personal protective equipment and supervised its use. Major locations and Telekom Slovenije centres are equipped with semi-automatic defibrillators to provide aid in the event of heart failure.

78 GRI GS 103-1, 103-2, 103-3, GS 403-1, 403-2, 403-4, 403-5, 403-6, 403-7, 403-9; I03

79 GRI GS 403-3

80 GRI I03



Telekom Slovenije notifies employees about preventive examinations, vaccinations against various diseases and current health content via the *Modro jabalko* [Wise Apple] portal. We promote a healthy lifestyle by publishing useful articles and information about physical activity and a healthy diet. Via the portal, employees are also provided access to supplementary healthcare services [that are not part of regular occupational medicine examinations]. At the beginning of every year, we publish a schedule of additional medical examinations that employees may sign up for. In addition to examinations, employees also have at their disposal additional activities aimed at the promotion of health, such as roundtable discussions, massages in the workplace, preventive treatments, anti-stress weekend packages, psychological counselling, adjustable desks for standing-sitting workstations, hand disinfectant, etc.

The area of occupational health and safety is comprehensively governed at Telekom Slovenije and GVO by the Occupational Health and Safety Act (ZVZD-1), and by the declaration of safety with risk assessments at other companies in Slovenia.

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Employees attending training are encouraged to participate in the development, implementation and evaluation of occupational health and safety. Responsibility is defined by the law and authorisations, while decisions are made by managers at all levels in cooperation with employees. We also encourage employees to report potential dangers whenever they arise. In this way, we prevent or mitigate potential negative effects on health and safety. This area is governed at IPKO by local legislation and that company's business policy.

HEALTHCARE⁷⁹

Preventive medical examinations are organised for employees at Telekom Slovenije and other Slovenian subsidiaries in accordance with the law. Occupational medicine specialists inspect specific work areas, working conditions and work processes at the Company as necessary. Based on those inspections and identified health indicators, they propose measures to improve the situation. Occupational medical services are accessible via preliminary, periodic or control examinations. We organised vaccinations against tick-borne meningoencephalitis for employees working in forests.⁸⁰ We also organise flu vaccinations for employees in Slovenia.

HEALTHCARE AND WORKPLACE INJURIES IN THE TELEKOM SLOVENIJE GROUP⁸¹

Occupational safety and healthcare	2019	2018	2017	Index 19/18
Number of injuries	44	36	45	122
Number of working days lost	1,536	1,265	779	121
Number of working hours lost	11,138	10,125	6,234	110
Number of medical examinations	998	957	1,059	104
- Preliminary examinations	135	160	125	84
- Periodic examinations	863	797	934	108
Number of deaths	0	0	0	-

The Telekom Slovenije Group has no employees at high risk to occupational diseases.

FIRE SAFETY

We drafted fire safety rules and revised evacuation and fire plans for buildings where major changes were made. Fire safety training is an integral part of workplace safety training programmes. Fire extinguishers and hydrant networks were inspected and serviced in all buildings, and several evacuation drills were conducted. We regularly maintained and serviced active fire safety systems at buildings throughout Slovenia, and completely renovated the emergency lighting system at the building located at Stegne 19. Telekom Slovenije Group companies did not record any fires in 2019.

THE HEART FOUNDATION



Telekom Slovenije Group employees have already demonstrated on many occasions that they have big hearts. We join together when events shake us and help those affected to the best of our ability. With the aim of easing the hardship faced by families, in particular by the children of Telekom Slovenije Group employees who have lost a parent, or who are seriously ill and require expensive, long-term treatment, we decided to establish an internal foundation that we called the Heart Foundation. All employees at Slovenian Telekom Slovenije Group companies can contribute EUR 2, EUR 4 or EUR 6 a month to the Heart Foundation. Donations can be made to that foundation via text messages, in the form of a one-time donation or periodic contribution. We helped 32 children who have lost a parent on a monthly basis in 2019. We also helped four seriously ill children through a one-time donation. By the end of 2019, 1,257 Telekom Slovenije Group employees had contributed to the Heart Foundation.

81 GRI GS 403-9
82 SDG 8

FAMILY-FRIENDLY COMPANY CERTIFICATE⁸²

The full Family-Friendly Certificate also represents an element of Telekom Slovenije's social responsibility. Through that certificate, we promote awareness about the importance of work-life balance. Through the implementation of measures, we ensure the short- and long-term effects of successful HR management, a friendly work environment and a competitive advantage in recruitment. The activities set out in measures intertwine with the Company's values.

PARENTAL LEAVE⁸³

The use of parental leave is one of the indicators that are included in the work-life balance category in the scope of the Family-Friendly Company certificate. Parental care is used primarily by mothers (maternity leave and child care leave), although fathers are increasingly opting for this type of leave, too. In most cases, employees in Slovenia return to their jobs following the end of parental leave, because the adopted measures provide opportunities that make it easier to find the right work-life balance.

	Telekom Slovenije Group			Telekom Slovenije		
	2019	2018	2017	2019	2018	2017
Number of employees on parental leave	132	109	112	45	48	50
of which: women	102	106	109	43	47	49
men	30	3	3	2	1	1
Employee of employees who returned to work following parental leave:						
number	109	82	89	45	45	48
proportion in %	83	75	79	100	94	96
of which: women	80	79	87	43	44	48
proportion in %	78	74	80	100	94	98
men	29	3	2	2	1	0
proportion in %	97	100	67	100	100	100

COMMUNICATION WITH EMPLOYEES⁸⁴

The Telekom Slovenije Group communicates proactively with employees via various communication channels. Employees may access the intranet news portal, where we publish all relevant information about events at the Company and within the Group.

At Telekom Slovenije, the intranet portal is the main tool for communicating with employees, as it facilitates the secure transfer of internal documents, such as manuals, rules, instructions and forms, in addition to current information. Other tools are used to communicate with employees. They include councils, working meetings and workshops, emails, electronic screens, notice boards, special events, etc. Every Telekom Slovenije Group company has its own channels for communicating with employees.

83 GRI GS 401-3
84 GRI GS 102-43, 102-44

2.9.5 RESPONSIBILITY FOR QUALITY MANAGEMENT

Through the prudent implementation of quality management principles, we cover the entire lifecycle of our services. This includes design and development, procurement and logistics associated with the required resources, ensuring and maintaining the high-quality functioning of services, and managing the end of the lifecycle. These factors are addressed comprehensively through:

- measurements of key performance indicators;
- measurements of user and stakeholder satisfaction;
- initiatives for improving satisfaction [e.g. CEX – excellence of the customer experience]⁸⁵; and
- the introduction of tools for quality management.

QUALITY MANAGEMENT SYSTEMS

Telekom Slovenije and its subsidiaries passed all external independent assessments of compliance with the requirements of SIST EN ISO/IEC standards in 2019.

New last year was the external independent assessment of the security-control centre management system in accordance with the requirements of the SIST EN 50518 standard.

In the context of a recertification assessment, in 2019 we were amongst the first in Slovenia to transition to the requirements of the latest version of the SIST EN ISO 50001:2018 standard covering efficient energy consumption systems. That standard places greater emphasis on indicators of objective technical progress [so-called energy performance indicators or EnPI] and promotes the increased integration of management systems into the everyday operation and management of a company.

Telekom Slovenije had broadened the area certified under the ISO/IEC 27001 standard.

COMPLIANCE CERTIFICATES (ISO CERTIFICATES)

Company – certificate:	Valid until	Certification validity
Telekom Slovenije		
SIST EN 50518	27 October 2022	Telekom Slovenije's Security and Control Centre
SIST EN ISO 22301	11 April 2022	Services and processes of Telekom Slovenije, d. d.
SIST EN ISO/IEC 27001	28 April 2020	Commercial ICT services and solutions, technical support, network and service control, and the Cyber Security Operation Centre
SIST EN ISO 50001	31 January 2023	Energy services of Telekom Slovenije, d. d. for internal needs
SIST EN ISO 14001	31 January 2023	Development, planning, construction and management of the telecommunications network and services.
GVO		
SIST EN ISO 9001	31 December 2020	Design, construction and maintenance of telecommunication and electricity networks.
SIST EN ISO 14001	31 December 2020	Design, construction and maintenance of telecommunication and electricity networks.
Avtenta		
SIST EN ISO 9001	30 June 2022	Development and integration of business solutions, provision of services and advice to users, system integration, project implementation and sales.

Other assessments were successfully passed to maintain the certificates of manufacturers, such as MS Partner, Cisco, Oracle and HP; for more details, see section 2.7.3 Sales of the Telekom Slovenije Group.

Avtenta also passed recertification of its quality management system.

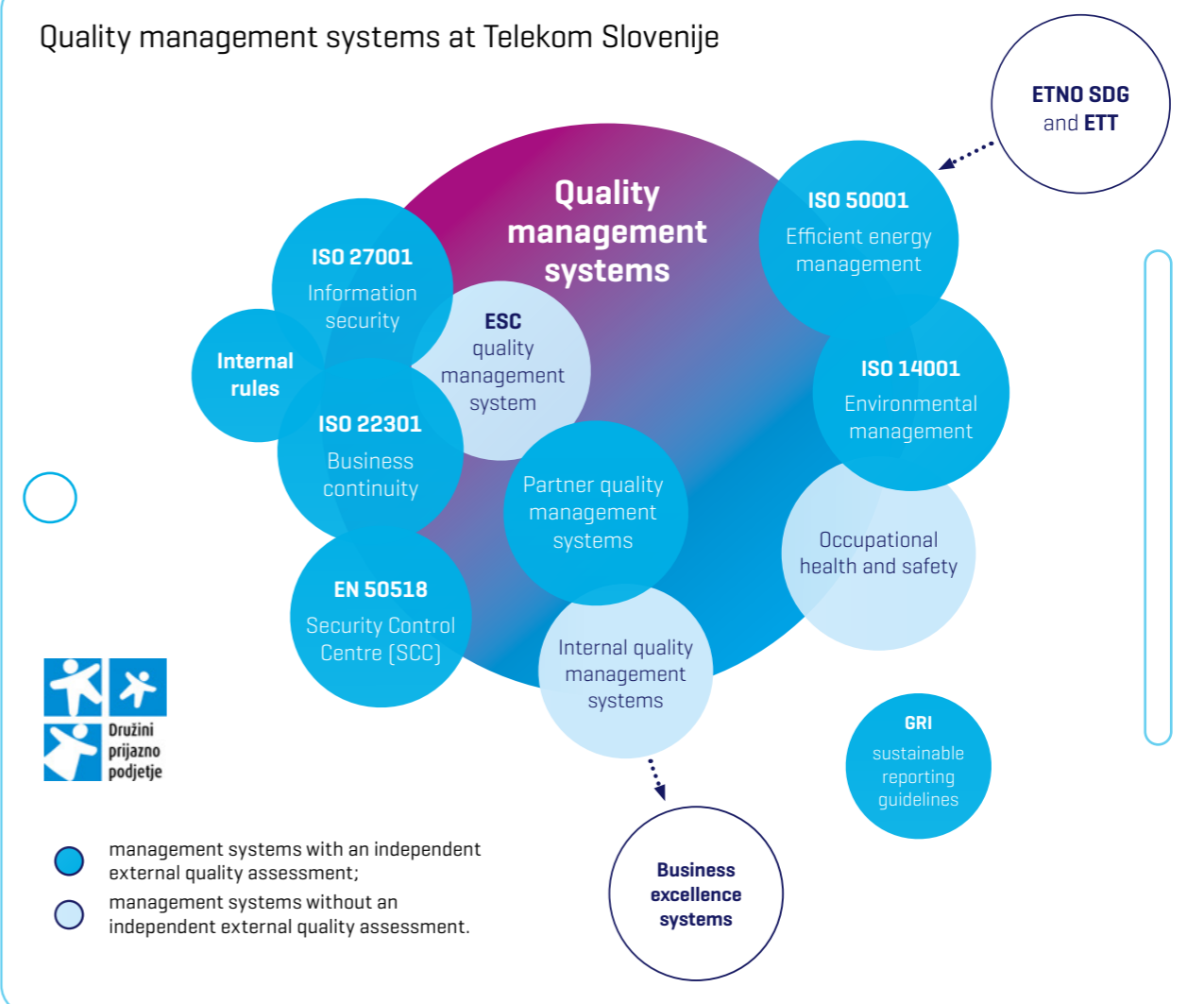
In the event of emergencies, Telekom Slovenije has in place a business continuity management system (BCMS) that is certified in accordance with the ISO/IEC 2230 standard. When emergencies such as an epidemic or pandemic arise, the BCMS provides us a tool, for establishing organisational resilience and responding effectively. In addition to concern for employees, another key function of that system is to protect the interests of our business partners, users and other stakeholders. To ensure the provision of support for the functioning of services, we also have in place a network of partners who likewise have business continuity procedures in place to ensure support of the Company. To that end, special attention is given to ensuring the security of the network and services, and to the functioning thereof in the event of emergencies. In accordance with the requirements of the law, we provide services for all users of our network and manage risks to the greatest extent possible.

Since an epidemic was declared in Slovenia, we have faced a sharp rise in the volume of voice traffic, and data and video services, i.e. by more than 50% relative to the normal situation. The communication traffic capacities

of the network are limited. This has presented a major challenge to the entire ICT profession, a challenge that Telekom Slovenije has successfully addressed. Primarily inter-operator connections were overburdened during the first days, while communication within Telekom Slovenije's network has continued uninterrupted. We have adapted the work of our experts to ensure uninterrupted control over the functioning of the network to the greatest extent possible, while ensuring technical support to users and the coverage of the special needs of government institutions and the commercial sector for increased capacities or additional services. We have witnessed a massive and rapid transformation to remote work and distance learning. To that end, we have continuously adapted the capacities of Telekom Slovenije's network, the highest-capacity and most efficient network in Slovenia.

With the help of the latest technology and equipment, our experts monitor every single element of the network 24 hours a day, every day of the year. Even in the current situation, we dedicate special attention to activities in the area of cyber security.

Quality management systems at Telekom Slovenije



⁸⁵ Podrobneje o tem v poglavju 1.8.5 Significant projects.

2.9.6 RESPONSIBILITY TO THE NATURAL ENVIRONMENT⁸⁶

The principles of sustainable development are an integral part of the strategic policies of the Telekom Slovenije Group. Progress in this area is monitored using measurable indicators.

Key policies in this regard are as follows:

- regular monitoring of the use of resources, in particular energy consumption and associated costs;
- strategic and operational energy objectives that are in line with our operations and development;
- monitoring and compliance with the requirements of Slovenian and European law; and
- methodical prevention and reduction of the impacts of the Group's activities on the environment and the world we live in.

TELEKOM SLOVENIJE

ENERGY REPORT

Energy consumption is deemed one of Telekom Slovenije's major environmental impacts. Because we are aware of our responsibility in this area, we adopted a revised 'Declaration regarding the energy efficiency of Telekom Slovenije. For more information, visit <https://www.telekom.si/en/about-us/company/sustainability-report>.

We contribute to improved energy efficiency through the achievement of strategic and operational objectives that are in line with business needs and the expectations of our stakeholders. To that end, we take into account international and local best practices. We also comply with energy efficiency guidelines in the procurement process and in the development of services.

We actively include employees, suppliers, external contractors and business partners in activities to achieve energy efficiency. Awareness amongst employees about the importance of this area is spread through training and communication at all levels of the Company's operations. We also encourage our users to take a responsible approach to energy and the environment. Through e-services, they are able to reduce their carbon footprint. We report to regulatory and other government authorities [e.g. MI, ARSO, SORS, TARS and AKOS] in accordance with the law.

In 2019 energy consumption expressed in kilowatt hours was the lowest since the introduction of the energy management system and also lower than planned. Total costs were down in the context of total savings across all energy sources of 2 million kWh, despite the rising market prices of energy products.



In 2019 we transitioned to the latest version of the SIST EN ISO 50001:2018 standard covering efficient energy consumption systems. As a result, Telekom Slovenije is no longer required to commission energy audits by external service providers, meaning annual savings of close to EUR 40 thousand. With more than 130 completed energy

audits, we are among the leaders in Slovenia. The four-year validity for Telekom Slovenije's first key buildings expired in 2019. The Company therefore re-audited those buildings itself in 2019.

ELECTRICITY⁸⁷

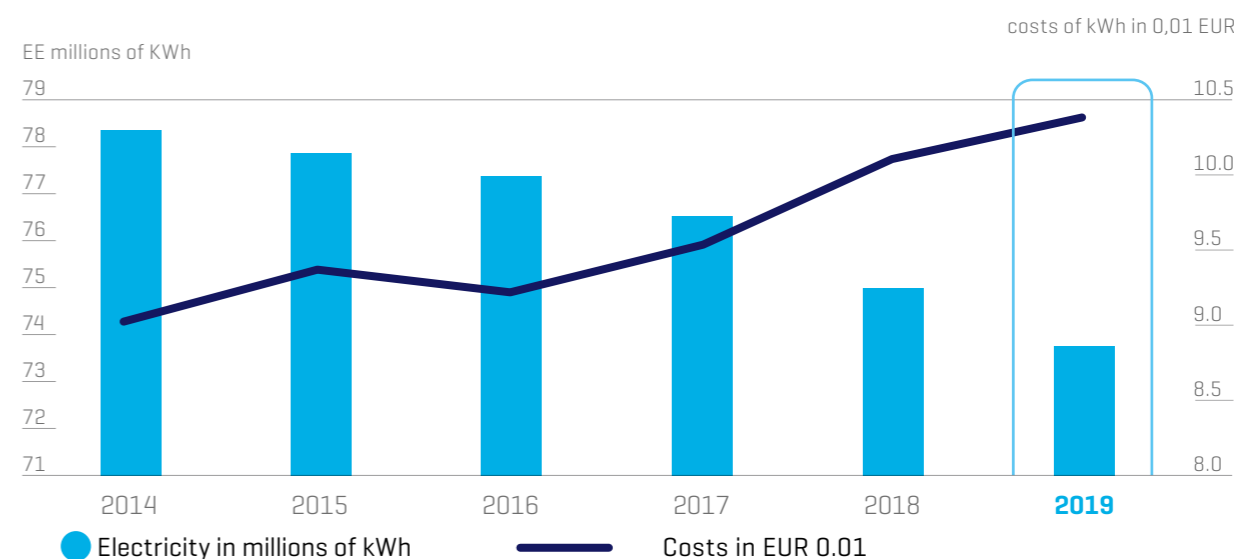
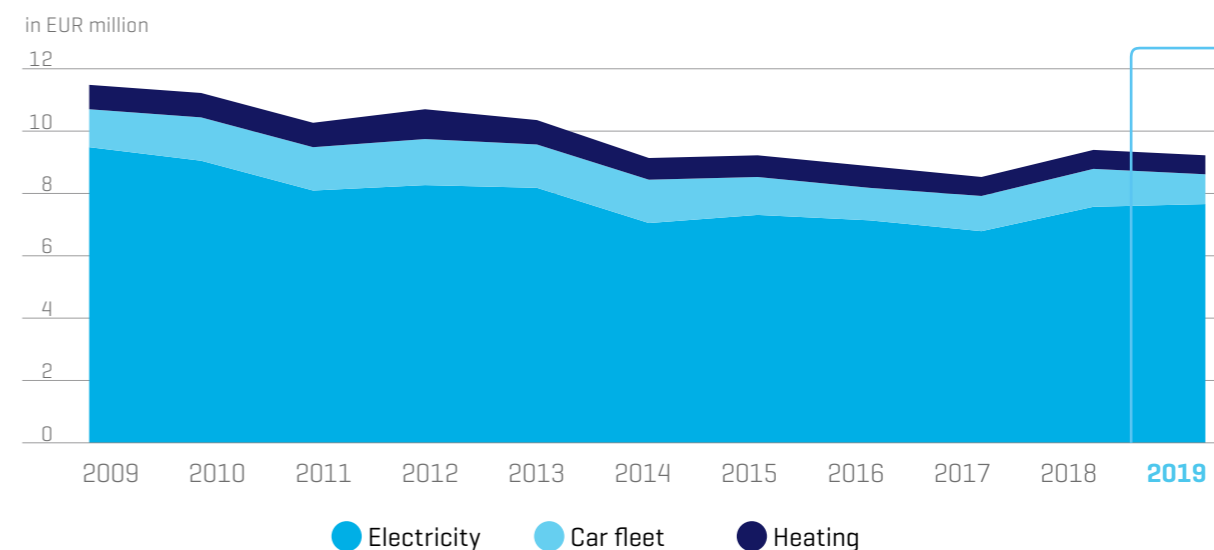
Prior to the establishment of the ISO 50001 project in 2009, the annual energy costs of the Telekom Slovenije Group and Telekom Slovenije totalled more than EUR 18 million and EUR 11.5 million respectively. The parent company reduced those costs by EUR 134.5 thousand in 2019 relative to the previous year by selecting the optimal moment for the purchase of electricity, by far the most significant energy product it consumes. The same costs have been reduced by more than EUR 2.2 million relative to the baseline year of 2009.

Electricity consumption was reduced by close to 1.6% relative to 2018, while electricity costs were up a percent. Energy consumption was up primarily at base stations on account of upgrades to the latest mobile generations and due to the use of the devices of other users in our premises. Production by own solar power plants accounted for close to one quarter of a percent of total electricity consumption (slightly less than 180 MWh).

Telekom Slovenije's energy management system, which facilitates effective control over energy consumption, will be further upgraded in the future. That system already includes nearly 2,350 measuring points, 85 locations with heating devices and just over 12 thousand data entities.

The figures below illustrate electricity consumption and costs by year compared with changes in prices.

Energy costs of Telekom Slovenije



COSTS AND CONSUMPTION OF ENERGY PRODUCTS AT TELEKOM SLOVENIJE

Telekom Slovenije	2019	2018	2017	Index 19/18
Electricity costs [in EUR]	7,660,381	7,584,371	6,773,766	101
Total paid electricity [in GWh]*	73.8	75.0	76.5	98
Cost of fuel for car fleet [in EUR]	953,741	1,151,846	1,135,132	83
Cost of fuel for heating [in EUR]	616,112	628,462	646,076	98

Source: SAP; except for electricity consumption – energy management system.
* Includes the consumption of electricity by Telekom Slovenije, subsidiaries in our business premises and other lessees (co-locations, etc.). Terajoule/GWh conversion factor = 3.6; GWh = one million kWh.

86 GRI GS 103-1, 103-2, 103-3, SDG 12.2
87 GRI GS 302-1, 302-4, SDG 7

ACHIEVEMENT OF ENERGY OBJECTIVES

We achieved strategic and operational objectives in connection with the energy management system nearly in full, and even exceeded them in some segments. Through the optimisation of equipment and premises at functional locations, **we exceeded established objectives to reduce electricity consumption.** Nevertheless, costs were up relative to 2018 due to higher energy prices. That trend will be considerably more evident in 2020. Through the implementation of measures to optimise and concentrate equipment, we are expecting a reduction in consumption again in 2020 in the fixed network segment. Due to the increasing capacities of data centres and the expansion and upgrading of the mobile network we are expecting a rise in electricity consumption in those segments.

We replaced old air conditioning units in several buildings with more technologically advanced and energy efficient units, and upgraded direct and alternating current systems in buildings in the fixed and mobile network with the aim of ensuring a continuous and back-up power supply.

The consumption of electricity in the fixed and commercial real estate segments is being reduced on account of the modernisation of the network and user awareness, but is rising in the mobile segment due to upgrades to the radio network and new base stations.

The transition to new generations of ICT equipment and the

88 GRI PA8, GRI GS 102-11, 103-2

89 GRI GS 302-1

discontinued use of previous generations represent an important element of energy savings.

ELECTROMAGNETIC RADIATION⁸⁸

In conjunction with the expansion of the fourth-generation mobile network, we carried out 260 additional comprehensive measurements of environmental impacts in 2019 (2018: 263). The level of electromagnetic radiation (EMR) at base stations upgraded with LTE/4G technology has increased slightly, but remains environmentally acceptable and within the limits established by Slovenian law, which in some respects is even stricter than European law. We did not connect base stations with 5G technology to the network in 2019.

Due to complaints received from a beekeeper in the Polzela area, we received a letter from the Ministry of the Environment and Spatial Planning asking us to explain the potential environmental impacts of EMR. For this reason, we conducted EMR measurements for the Andraž nad Polzelo base station. The results of those measurements were environmentally acceptable and did not exceed threshold values.

All reports regarding the measurement of EMR are turned over to the **Slovenian Environment Agency (ARSO)**, where the latest data regarding environmental impacts are stored and accessible by all citizens. In cooperation with **Forum EMS, the population is informed about radiation and other environmental impacts via brochures.** In the scope

of the e-card EMS project, Forum EMS also developed a **mobile application** that allows the general public to access data regarding harmful impacts on the environment due to high-frequency EMR and the effect of exposure due to the use of mobile phones: http://www.inis.si/index.php?id=348&no_cache=1#.Xfd5neRYZdh.

CAR FLEET⁸⁹

With the development of technology and means of transport, mobility is changing rapidly and inevitably, and is increasingly focused to the area of sustainable mobility. Employees of the Telekom Slovenije Group are contributing to the development of the latter through the increased use of electric vehicles, with which we recorded more than 5,000 journeys in 2019. **We are reducing the burden on the environment through electric vehicle sharing, and reducing vehicle procurement and maintenance costs.** We have **one electric vehicle in the car fleet and also use hybrid vehicles.**

We are continuing the trend of reducing the number of vehicles by 1% annually. We are reducing fuel consumption by 8% annually, which translated to a reduction in fuel consumption by 72,985 litres in 2019.

An average of 1.07 million km were driven a month, which is below the level recorded in 2018 [1.13 million]. An average of 1,564 km were driven per month per vehicle, compared with 1,640 km in 2018.

Number of vehicles by fuel type and consumption in litres at Telekom Slovenije

Telekom Slovenije	Diesel, no. of vehicles	Diesel, consumption in litres	Petrol, no. of vehicles	Petrol, consumption in litres	Total no. of vehicles	Total consumption in litres
2019	387	556,543	296	326,801	683	883,344
2018	381	559,162	308	397,140	689	956,302
2017	340	490,813	364	520,284	704	1,011,097

Source: SAP/BI

ASSESSMENT OF CARBON FOOTPRINT⁹⁰

Based on the calculation in previous years, we estimate that nearly four fifths of the Telekom Slovenije's carbon footprint is accounted for by electricity consumption (Scope 2). Telekom Slovenije's total carbon footprint over the last three years is estimated at slightly more than 50,000 tonnes of CO₂_{ekv}, of which slightly less than 40,000 tonnes is accounted for by emissions due to electricity. Direct emissions (Scope 1) account for slightly less than 3,500 tonnes, while other indirect emissions (Scope 3) account for more than 8,000 tonnes of CO₂_{ekv}. The total carbon footprint is declining by close to 400 tonnes a year.⁹¹

ENVIRONMENTAL REPORT OF TELEKOM SLOVENIJE

REAL ESTATE MANAGEMENT

Technological premises are an important element of ensuring a stable and secure network. Because we have concluded easement or lease agreements for the majority of that real estate, special attention is given to ensuring legal aspects are in order.

In real estate management, we strive for the optimisation and management of the costs of fees, energy, maintenance, insurance, amortisation and depreciation and investments. We sold 12 properties valued at EUR 1.29 million in 2019. We are planning the sale and lease of several properties throughout Slovenia in 2020.

WASTE MANAGEMENT⁹²

Waste is managed at Telekom Slovenije in the scope of the ISO 14001 (environmental management system) certificate, through which we demonstrate our awareness of and responsibility to the environment. Telekom Slovenije generates municipal, construction and hazardous waste, and waste from other separately collected fractions.

We forwarded a total of 8,332 tonnes of waste in 2019, which is close to double the amount recorded in 2018. That increase is the result of a significant increase in forwarded construction waste. We built the fibre optic access network at an accelerated pace during the year, and built cable ducts in conjunction with municipalities and other investors for the public utilities infrastructure. Those activities generated 7,815 tonnes of construction waste or 93.8% of total waste.

We inform Telekom Slovenije employees through internal media about responsibility to the natural environment and the importance of separate waste collection, and train environmental and waste management system administrators. **We updated the Waste Management Plan** in 2019, as the core document in that area.

90 GRI GS 103-1, GS 103-2, GS 305-1, 305-2, 305-3

91 The absolute result (expressed in kg of CO₂_{ekv}) depends on the conversion factor, which is not known for the previous year prior to the third quarter of the following year, while those factors differ significantly from supplier to supplier. The estimate given for Telekom Slovenije is a rough estimate according to the principle of ceteris paribus, based on publicly accessible emission factors.

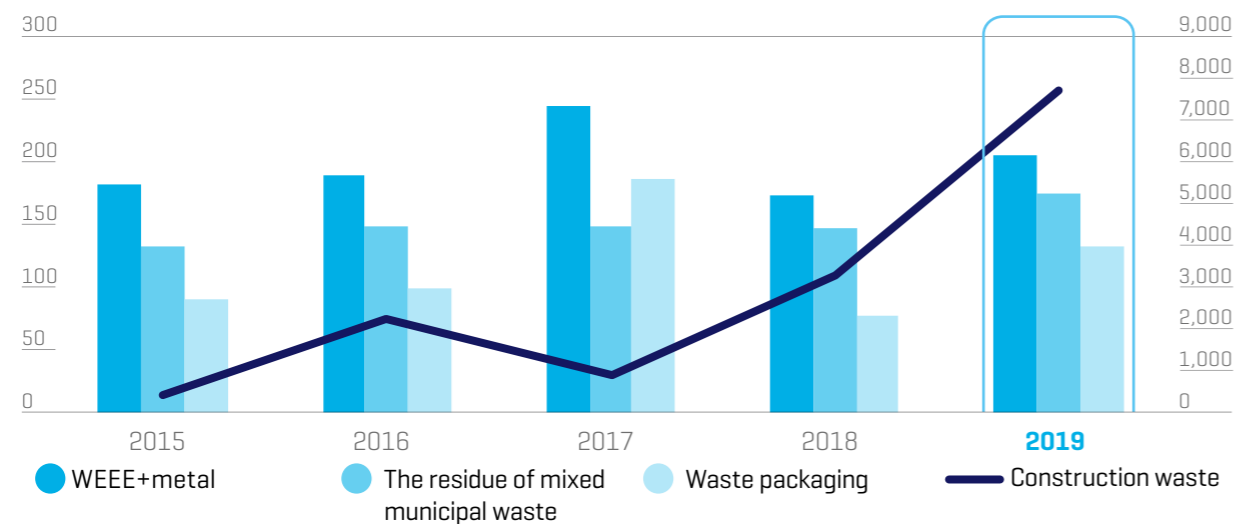
92 GRI GS 301-1, GS 103-1, 103-2, 103-3, GS 306-2

We are reducing the number of collections or the volume of containers at locations where employees are not present at all times. We have placed special containers in high-traffic areas at Telekom centres for the collection of used batteries and ensure the environmentally friendly disposal thereof. Users can also dispose of waste packaging from purchased products and used electronic devices, such as mobile phones, at points of sale.

Quantities of separated waste at Telekom Slovenije in tonnes

Waste	2019	2018	2017	Index 19/18
WEEE+metal	207,876	175,420	247,334	118
Waste packaging	176,600	148,135	149,584	119
The residue of mixed municipal waste	133,522	77,907	187,742	171
Construction waste	7,814,771	3,295,324	901,895	237
Total	8,332,770	3,696,786	1,486,555	225

Quantities of separated waste at Telekom Slovenije in thousands of tonnes



YOUR OLD MOBILE PHONES BRING YOU A DISCOUNT IN THE PURCHASE OF A NEW PHONE, WHILE YOU HELP PROTECT THE ENVIRONMENT.

Users frequently ask what they should do with their used mobile phone or tablet computer when buying a new phone or computer. Through its 'old-for-new' offer, Telekom Slovenije promotes the responsible disposal of old equipment, as the Company buys back users' old mobile phones when they buy a new one. Users thus ensure the environmentally friendly recycling of devices, while they can reduce the cost of the purchase of a new mobile phone or tablet computer, which is particularly useful before the start of the new school year.

WATER MANAGEMENT

Telekom Slovenije is not a major consumer of water, as it doesn't need water to perform its core activity. We monitor data manually due to the scattering of locations owned by the Company throughout Slovenia [some of which are in water protection areas] and due to various ordinances on the provision of municipal services and the monitoring of such data. The majority of the locations owned by the Company comprise properties where employees are not always present. Water is thus not consumed at those locations. Drinking water is monitored via received calculations.

ENVIRONMENTAL KNOWLEDGE COMPETITION

Since 2001 Telekom Slovenije has participated in an environmental education and awareness-raising programme for young people aimed at raising awareness about sustainable development. The Company thus supports the Eco-Quiz, a team competition in environmental knowledge for sixth, seventh and eighth grades of primary schools, organised by the Eco-School programme. Pupils gained in-depth knowledge in 2019 about the responsible handling of food, scientists and the circular economy. We provide young people comprehensive education for a sustainable way of life by connecting learning content and projects.



PAPERLESS OPERATIONS⁹³



Telekom Slovenije promotes the use of electronic operations and is increasing the proportion of electronic invoices. A total of 42.6% of invoices were thus

received in electronic form in 2019, an increase of 3 percentage points relative to 2018. The consumption of office paper was up by 12% relative to 2018, primarily due to an increase in paper prices, organisational changes at the Company and a significant increase in the scope of the operations of the online store, which requires the printing of accompanying documents when issuing goods to customers.

Consumption of office paper at Telekom Slovenije in EUR

2019	2018	2017	Index 19/18
19,533	17,366	19,262	112

Since February 2019 users who gave their consent for direct debit only receive their monthly invoice for Telekom Slovenije services in electronic form. We also encourage users to receive electronic invoices for the purpose of electronic banking. Our field technicians also sign documents electronically in their work. A large proportion of agreements and other documents are sent to users in electronic form after they are signed. We also digitalise incoming documents, so that more than 70% of those documents are already digitalised. In the coming years we are also planning to gradually digitalise certain sets of

documents linked to the key work processes of individual organisational units.

The Company's archive materials represent an important part of its documentary materials and are of permanent importance for its history, the broader environment, science, culture and legal protection. We thus received certification at the end of 2018 in the form of a decision from the Archives of the Republic of Slovenia confirming that Telekom Slovenije's internal rules are compliant with the law governing the protection of documentary and archive materials.

TSmedia also uses e-invoices, as well as electronic forms for procurement and the reservation of company vehicles, while orders are sent to suppliers electronically. The telephone directory, which is accessible on DVD and on the itis.si website, is also issued electronically.

Telekom Slovenije uses a qualified digital certificate for the signing of subscriber-related documents, while users are also able to sign documents using a digital tablet, meaning an increasing proportion of documents retain their original form and remain in electronic form for their entire life cycle.

REDUCTION OF ENVIRONMENTAL IMPACTS THROUGH EFFICIENT PROCUREMENT AND LOGISTICS

We organised safe driver training for some users of company vehicles, through which we increased the safety of employees and raised their awareness about fuel consumption and emissions. When purchasing new vehicles, we regularly check fuel consumption and emissions, which in addition to safety and price represent the selection criteria. The sharing of electric and hybrid vehicles by employees also has positive effects on the environment.

In the fulfilment of orders, Telekom Slovenije requires suppliers to comply with valid legal requirements and best practices in the area of energy and environmental management, and the handling of chemicals and other hazardous materials, the transportation of hazardous goods, fire protection and energy efficiency. Suppliers must also comply with all requirements arising from the Company's environmental and energy policies, its waste management

plan and Rules on Separate Waste Collection by Location. We expect suppliers to have in place the appropriate management of packaging, packaging waste, electrical and electronic equipment, waste electrical and electronic equipment, batteries and waste batteries in accordance with valid regulations governing these areas.

When ordering energy services, products and equipment, we give priority to energy efficiency, as orders are assessed in part based on the criteria of efficiency over the planned lifecycle.

KEY ENERGY AND ENVIRONMENTAL INDICATORS AT OTHER TELEKOM SLOVENIJE GROUP COMPANIES

Telekom Slovenije provides the majority of energy and environmental services for companies in Slovenia in operational terms, while subsidiaries are also taking greater responsibility for their own energy and environmental impacts.

The total energy costs of the Telekom Slovenije Group amounted to EUR 11.6 million in 2019, a decrease of 1% relative

to the previous year. The majority or 79.4% is accounted for by the costs of Telekom Slovenije, followed by IPKO in Kosovo [14.1%], where costs were down by 2% in 2019, and subsidiaries in Slovenia [7.1%].

Among subsidiaries in Slovenia, **GVO** is the largest consumer of fuels due to transportation activities and work machinery. The company continued to upgrade its vehicle fleet, set air conditioning units to operate more efficiently, and raise employee awareness about economical and safe driving. Total [absolute] fuel consumption was up by 3% in 2019 relative to 2018 due to an increase in the scope of work. Fuel costs were up by only 1% relative to 2018 [on account of changing fuel prices]. Revenues were up in 2019 relative to the previous year, in part due to fuel consumption. Efficiency in terms of distance travelled per litre of fuel was down minimally. We built another charging station for electric vehicles in 2019 in the Municipality of Sv. Tomaž. Activities aimed at sustainable mobility will continue in 2020, when we are also planning the purchase of four electricity-powered vehicles.

Costs and consumption of energy products at GVO

	2019	2018	2017	Index 19/18
Fuel costs [in EUR]	533,000	530,000	546,988	101
Fuel [in litres]	507,289	493,895	547,225	103
Electricity costs [in EUR]	45,577	40,670	34,977	112
Total electricity consumption [in kWh]	417,575	357,905	334,186	117

Avtenta implements permanent measures in the premises it leases for both the economical consumption of electricity and the classification of waste.

TSinpo successfully introduced energy accounting in 2019, i.e. the systematic monitoring of energy consumption according to both physical indicators (e.g. kWh for electricity and litres for fuel) and costs.

Costs and consumption of energy products at TSinpo

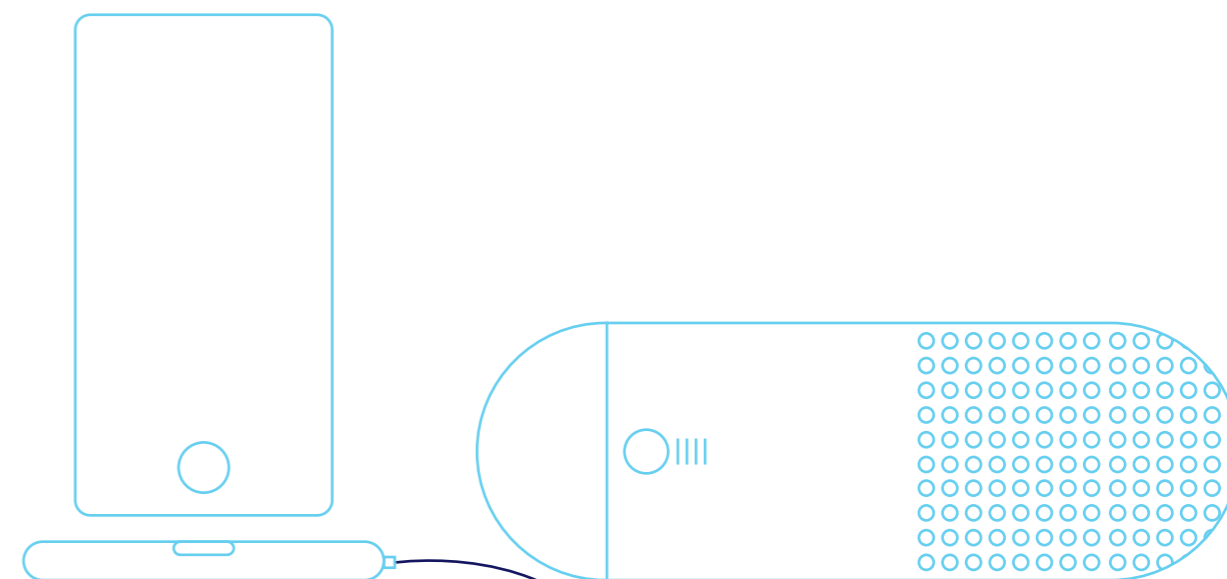
	2019	2018	2017*	Index 19/18
Total electricity consumption [in kWh]	10,363.00	11,595.00	-	89
Fuel [in litres]	5,448.59	4,337.88	-	126
Electricity costs [in EUR]	1,437.58	1,483.88	-	97
Fuel costs [in EUR]	5,547.69	4,462.73	-	124

* The company became a member of the Telekom Slovenije Group in 2018.

IPKO⁹⁴

Through projects to improve energy efficiency, **IPKO** reduced electricity consumption by close to 5% in 2019, while total electricity costs were up by one percent due to 193 new locations. Savings were also the result of the modernisation of GSM base stations with 3G and 4G technology, while IPKO also has a solar plant on the roof of its warehouse. By improving the control and management of generators and the sharing of base stations with Vala, the company saved close to 11,000 litres of fuel. The costs of fuel for heating and company vehicles were down by 15% relative to 2018.

in EUR	2019	2018	2017	Index 19/18
Electricity costs	1,386,125	1,369,938	1,455,004	101
Fuel costs	255,007	300,857	205,639	85



SOLINE

Under a concession agreement concluded with the Republic of Slovenia, Soline is the manager of the state-protected Sečovlje Salina Nature Park (SSNP). Key administrative objectives for the period 2011 to 2021 were set out in the plan for managing the Sečovlje Salina Nature Park adopted by the Slovenian government. Those objectives include the preservation of the wetland characteristics of the saltpan ecosystem, its biodiversity and the economic and cultural values of the region.⁹⁵ These objectives are achieved by:

- maintaining the saltpan ecosystem;
- preserving traditional salt production processes and centuries-old technological processes; and
- continuing the production of salt, which has been the historical driving force behind the economic development of the region.

An annual plan and a report on the management of the park are submitted to the Ministry of the Environment and Spatial Planning for approval. Every activity that exceeds the normal impacts on the environment must be approved by the department responsible for the protection of nature and cultural heritage.

The park area measures 700 ha. Land and other real estate in the park are owned by the government. In the scope of the Climate Fund, around 100 ha of natural habitats in the Fontanigge area were rehabilitated in 2019.⁹⁶

The saltpan ecosystem is specific to the coastal wetlands. The entire salt production process is based on traditional, 700-year-old processes and components from the local environment, and thus does not produce any environmentally harmful by-products. The aforementioned concession agreement requires us to continue producing salt using traditional processes, as the latter are crucial for maintaining the cultural landscape and biodiversity. The use of the civil works and traffic infrastructure is kept to a minimum.

Research confirms that invasive exotic species have not been introduced to the saltpans due to the production process. The presence and number of such species are not yet so high as to have significant consequences for ecosystems or communities. The number of species in the Sečovlje Salina Nature Park has not fallen over the last ten years; on the contrary, we have recorded continuous growth in populations. Additional measures aimed at the state of the hydrological regime have led to an increase in the number of natural habitats for which halophilus plants are characteristic. No major changes in ecological processes were seen in 2019.

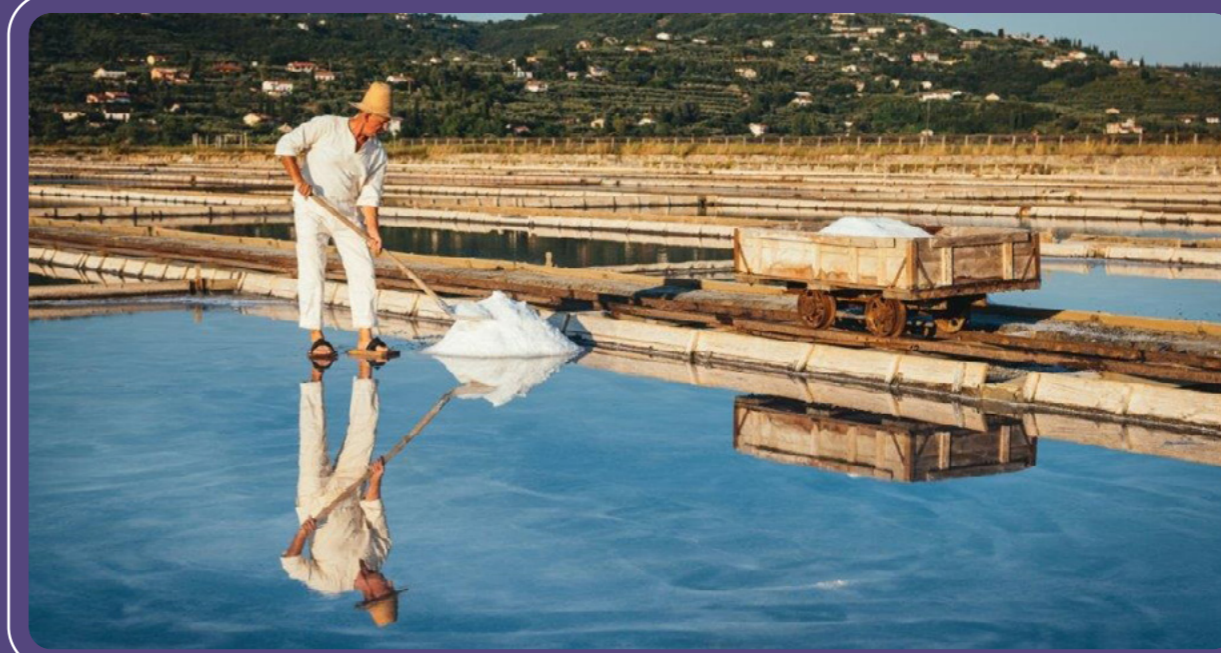
The inclusion of the local community in the raising of awareness and the preservation of cultural heritage is crucial. The local community is included in the management of the park through its participation in the Sečovlje

Salina Nature Park Committee. This cooperation also takes place through the organisation of joint on-site events and presentations.

There are no endangered animal or plant species from the IUCN's global list of endangered species present in the SSNP.⁹⁷ Around 20 bird species are included in the annexes to the EU Birds Directive, while two species of fish, four amphibious species and one reptilian species are included in the annexes to the EU's Habitat Directive. At least 45 plants are included on the national list of endangered plant species. The Sečovlje Saltpans are included in the European Natura 2000 network, while the region is recognised as one of two that are of national importance to the migration of birds according to the Bird Directive. The saltpans are defined as a wetland of international importance according to the Ramsar Convention.

The SSNP received 50,028 visitors in 2019, an increase of 17% relative to 2018. A total of 497 guided tours of Lera were organised. A total of 3,489 visitors were taken on 89 guided tours of the Salt Production Museum.

The sensitive natural environment in which the park is situated dictates that the company continuously improves environmental and energy efficiency. The consumption of electricity was reduced in previous years through changes in the regime for managing cooling and heating devices in



visitor buildings. We use web conferencing and mobile telephones to communicate in the area of international cooperation in the scope of park management with the aim of reducing work-related travel. Soline has not been fined for failure to comply with environmental laws and regulations.⁹⁸

Natural gas and electricity consumption in 2019 was similar to the previous year, while fuel consumption was up slightly due to construction works in the scope of the Climate Fund.

Energy consumption by Soline⁹⁹

Soline	2019	2018	2017	Index 19/18
Consumption of natural gas [in m ³]	4,129	3,958	4,969	104
Consumption of electricity [in MWh]	392.12	393.28	394.13	100
Consumption of fuel [in litres]	35,295	30,809	51,013	115

Sea water is defined as an essential element of the operations of Soline, as it is required for the production of salt and the functioning of the Lepa Vida Thalasso Spa. Sea water from the production of salt is returned to the sea uncontaminated. Only used sanitary water that is discharged into the public sewerage network is treated as waste water. We thus used 6,292 m³ of sanitary water and 194,000 m³ of sea water in the production of salt in 2019. We used 2,210 m³ of sea water for the functioning of the Lepa Vida Thalasso Spa, in particular for the pool and salt-water showers, where the use of soap and shampoo is forbidden. The sea water that is used for showering and the rinsing of salt-pan mud from the body passes through two collectors to separate mud from the water, which is discharged back into the sea. The sea water used in the swimming pool flows to a collection tank during filtering, where it is dechlorinated and passes to a drainage system for its return to the sea.¹⁰⁰

Waste is also managed responsibly, and is consistently separated and disposed of by the competent municipal department. We recorded 135 m³ of mixed municipal waste in 2019 and used around 9 tonnes of paper. All waste is removed by the competent municipal service.¹⁰¹

95 GRI GS 103-1, 103-2, 103-3

96 GRI GS 304-1, 304-3

97 GRI GS 304-4

98 GRI GS 307-1

99 GRI GS 302-1

100 GRI GS 103-1, 103-2, 103-3, 303-1

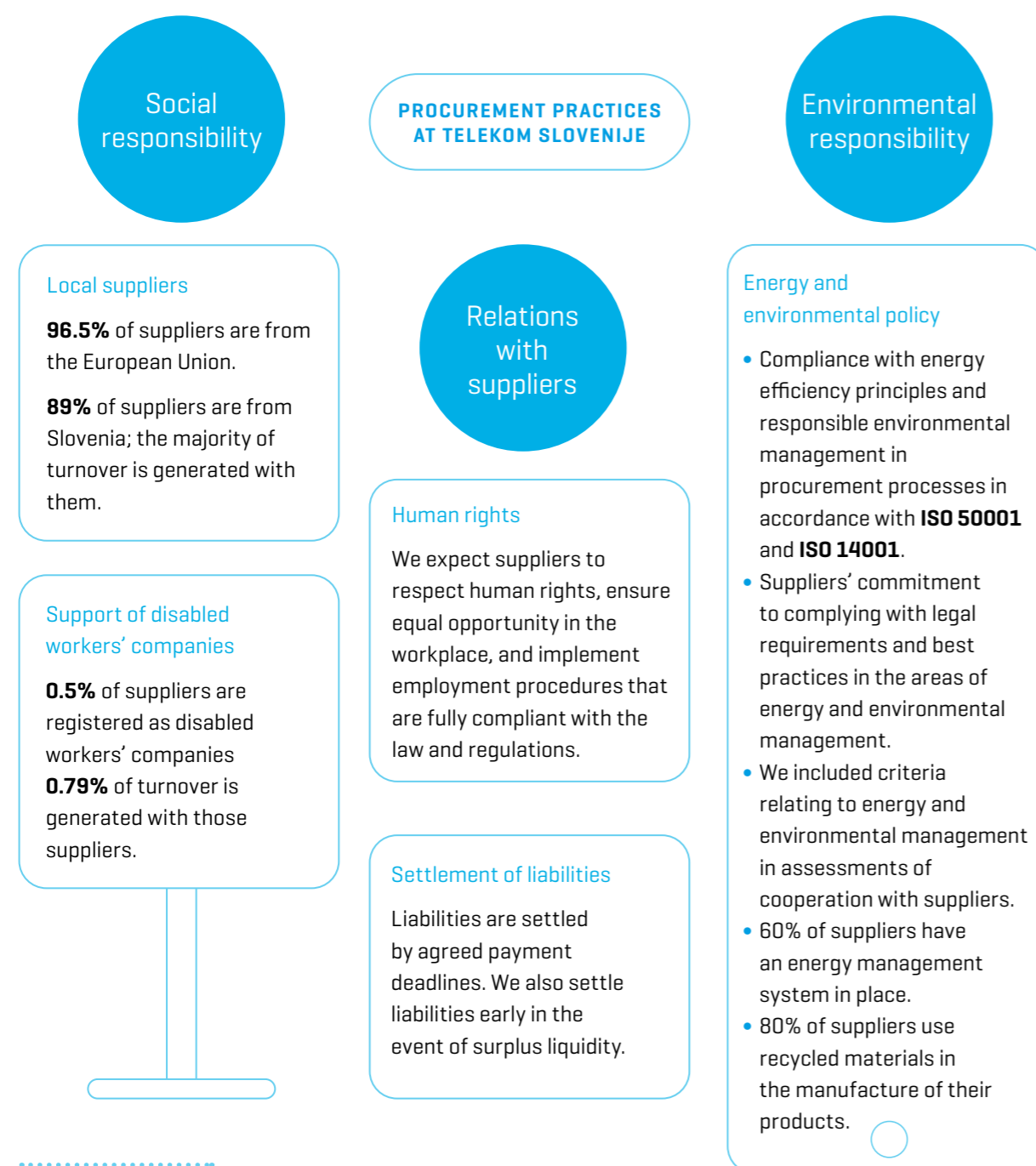
101 GRI GS 306-2

2.9.7 SUPPLY CHAIN¹⁰²

PROCUREMENT FUNCTION

Telekom Slovenije dedicates a great deal of attention to the management of the procurement process, primarily through the centralisation of the procurement function, the standardisation of the procurement process, the identification of risks in cooperation with new suppliers and through the regular assessment of existing suppliers.

The procurement function is centralised, and thus allows the Company to use funds in a more economic, efficient and transparent manner. To facilitate management, purchases of specific goods and services, for which procedures are carried out by experts from the ordering area, are excluded from central procurement. The procurement of those goods and services is carried out by decentralised procurement units at the Company that are given the necessary authorisations to carry out procurement procedures.



102 GRI GS 102-9, 102-10

We have a **standardised procurement procedure** in place that facilitates the transparent and equal treatment of potential suppliers. We assess the risks of cooperation with new suppliers, and thus prevent increased costs and the loss of reputation. We regularly review existing suppliers, assess them and define measures for improving cooperation.

As a socially responsible company, we also expect suppliers to respect energy and environmental regulations, and regulations governing labour law and human rights.

We classify business partners as suppliers, operators and agents in the sale of goods and the conclusion of subscriptions.

Telekom Slovenije cooperates with more than 3,000 suppliers from more than 40 countries. The majority or 96.5% of suppliers are from the European Union. There was a change in the composition of suppliers, as there was a 12-percentage point increase in the proportion of foreign suppliers relative to the previous year.

Total turnover between Telekom Slovenije and its Slovenian subsidiaries and their business partners amounted to more than EUR 680 million in 2019, including VAT. The aforementioned amount includes sponsorships and donations.

LOGISTICS

Rapidly changing conditions on the market require an agile logistics function. This is achieved through constant improvements, in terms of the optimisation of logistics processes with the help of information technology and stakeholders included in the logistics chain. A great deal of attention is given to inventory levels, which we monitor via the reporting system [logistics employees ensure that the majority of those reports are generated by the system]. We follow the guiding principle of **satisfying the internal and external users of services through optimal logistics costs and stakeholders**.

2.9.8 RESPONSIBILITY FOR THE SECURITY OF BUILDINGS, SYSTEMS, INFORMATION AND INFORMATION TECHNOLOGIES

Security is comprehensively managed within the Telekom Slovenije Group through the constant implementation of improvements at all levels. Through effective security mechanisms and solutions, we manage the widest variety of security risks, and ensure the highest level of security for employees, users and all other stakeholders. Together with high-quality services, security represents a competitive advantage that strengthens trust amongst all stakeholders.

We implement the security policy through the timely detection of security threats and vulnerabilities, the effective prevention of security incidents, by spreading a culture of security, and through the continuous testing and upgrading of existing security controls and solutions. We set even higher criteria and objectives through a certified information security management system [ISMS] and business continuity management system [BCMS].

We made a significant step forward in 2019 in terms of improving cyber security with the establishment of the fully functioning Cyber Security Operation Centre. That centre allows us to identify and prevent cyber threats even faster.

Through continuous training and the testing of security threats, particularly with regard to the cyber security of employees throughout the Group, we ensure that the security culture and awareness of the importance of security are at a high level in all areas of operations. To that end, we also raise the awareness of users about the secure use of electronic communications.

2.10 CONTENT ACCORDING TO GRI REPORTING STANDARDS¹⁰³

Content according to GRI GS – core option "This report has been prepared in accordance with the GRI Standards: Core option."				
GENERAL STANDARD DISCLOSURES				
GRI standard and disclosure	Description	Reporting boundaries (within and outside the organisation)	Section/page	Comments/external assurance ¹⁰⁴
GRI 101: Foundation 2016				
GRI 102: General disclosures 2016 Presentation of the organisation				
102-1	Name of the organisation	Telekom Slovenije Group	1.1/p. 8	✓
102-2	Brands, products and services	Telekom Slovenije Group	1.1/p. 8, 2.7.2/p. 92, 2.7.3/p. 94-102	✓ There are no limitations on the services marketed by Telekom Slovenije Group companies.
102-3	Location of headquarters	Telekom Slovenije Group	1.1/p. 8	✓
102-4	Location of operations	Telekom Slovenije Group	1.6/p. 20	✓ The Telekom Slovenije Group operates in eight countries.
102-5	Ownership and legal form	Telekom Slovenije Group	1.11/p. 53	✓
102-6	Markets served (geographical and sectoral breakdown and types of customers)	Telekom Slovenije Group	1.6/p. 20, 2.7.1/p. 88-94, 2.7.3/p. 94	✓
102-7	Size of organisation	Telekom Slovenije Group	<ul style="list-style-type: none"> number of employees: 2.9.4/p. 133, sales revenue, debt-to-equity: 2.1/p. 58 number of products and services: 2.7.2/p. 92-94, 2.7.3/p. 94 	✓ We do not report on the number of organisational units products.
102-8	Employees by type of employment, type of contract, region and gender	Telekom Slovenije Group	2.9.4/p. 133, 134	✓ Data regarding the number of employees with respect to contract type (permanent/temporary) are not reported by gender, nor are data regarding the number of employees with respect to type of employment (full-time/part-time). We do not report on the activities of contracted workers. Data regarding employees are collected via a questionnaire completed by all Group companies.
102-9	Description of the organisation's supply chain	Telekom Slovenije	2.9.7/p. 158	✓ We report on types of suppliers.
102-10	Significant changes regarding the organisation's size, structure, ownership and supply chain	Telekom Slovenije Group, Telekom Slovenije	<ul style="list-style-type: none"> size and structure of the organisation: 1.6/p. 20, 2.1/p. 58 ownership: 1.11/p. 51, 53, supply chain: 2.9.7/p. 158 	✓ The Telekom Slovenije Group operates in eight countries.
102-11	Clarification whether and how the organisation takes into account the precautionary principle	Telekom Slovenije, local and wider environment	2.9.6/p. 148	✓

102-12	External documents, principles and other economic, environmental and social initiatives to which the organisation is a signatory or supports	Telekom Slovenije Group	1.7/p. 22	✓
102-13	Membership in organisations	Telekom Slovenije Group	1.7/p. 22	✓
Strategy and analysis				
102-14	Statement of the highest decision-making body on the importance of sustainable development for the organisation and strategy	Telekom Slovenije Group	1.3/p. 14-16	✓ The Group's sustainable development objectives are defined in the strategy and plan of the Telekom Slovenije Group for 2019 with projections for the period 2019 to 2023, which was adopted by Telekom Slovenije's Management Board. Strategic policies are accessible on the Company's website at https://www.telekom.si/en/about-us/company/strategic-objectives .
Ethics and integrity				
102-16	Values, principles and standards of behaviour, such as codes of conduct and ethics	Telekom Slovenije Group, suppliers, local and wider community	1.8.2/p. 25, 2.5.1/p. 73, 74 2.9.4/p. 133	✓
Governance				
102-18	Governance structure of the organisation, including committees of the highest governance body	Telekom Slovenije Group	1.6/p. 20 1.10.3/p. 41-42, 1.10.3/p. 44	✓
Stakeholder engagement				
102-40	List of stakeholder groups engaged by the organisation	Telekom Slovenije Group	2.9.2/p. 127-128	✓
102-41	Percentage of employees covered by collective agreements	Telekom Slovenije Group	2.9.4/p. 134	✓
102-42	Basis for identification and selection of stakeholder groups with whom to engage	Telekom Slovenije Group	2.9.2/p. 127-128	✓
102-43	Approaches to stakeholder engagement and frequency of engagement by stakeholder group	Telekom Slovenije Group	Key information: 2.9.2/p. 127-128, see also sections: 1.11/p. 55, 2.7.4/p. 103, 2.7.5/p. 106-108, 2.9.2/p. 129, 2.9.4/p. 142-145	✓
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to them, including through reporting	Telekom Slovenije Group	Key information: 2.9.2/p. 127-128, see also sections: 2.7.4/p. 102-105, 2.7.5/p. 106-108, 2.9.4/p. 142, 145	✓

103 GRI GS 102-47, 102-54, 102-55
104 GRI GS 102-56

Report profile				
102-45	Entities included in the consolidated financial statements	Telekom Slovenije Group	Note 5 in the financial report (composition of the Telekom Slovenije Group), p. 208-210	✓
102-46	Process of defining report content and aspect boundaries	Telekom Slovenije Group	2.9.1/p. 124	✓
102-47	List of material topics	Telekom Slovenije Group	2.10/p. 160-169	Material topics that the Telekom Slovenije Group has identified are stated in the GRI content index. We do not report on immaterial topics.
102-48	Effects of restatements of information provided in previous reports, and the reasons for such restatements	Telekom Slovenije Group	2.9.1/p. 124	✓
102-49	Significant changes from previous reporting periods in the scope of reporting and aspect boundaries	Telekom Slovenije Group	2.9.1/p. 124	✓ There has been no significant change in the scope of reporting relative to previous reports.
102-50	Reporting period	Telekom Slovenije Group	2.9.1/p. 124	✓
102-51	Date of most recent previous report	Telekom Slovenije Group	2.9.1/p. 124	✓
102-52	Reporting cycle (annual, quarterly)	Telekom Slovenije Group	2.9.1/p. 124	✓
102-53	Contact point for questions regarding the report	Telekom Slovenije Group	1.1/p. 8	✓
102-54	Claims of reporting in accordance with GRI Standards		2.10/p. 160	✓
102-55	GRI content index		2.10/p. 160-169	
102-56	External assurance of reporting	Telekom Slovenije Group	2.11/p. 170	✓ We regularly submit the annual report for external assurance since 2009, when the GRI Sustainability Reporting Guidelines were first included in the report. The scope and basis of external assurance are evident from the sustainability report verification statement.

SPECIFIC STANDARD DISCLOSURES					
Management approaches and disclosures	Material topics	Reporting boundaries	Section/page	Reasons for emission/explanations	External assurance
ECONOMIC IMPACTS					
GRI 201: Economic performance 2016					
103-1 103-2 103-3	Explanation of the material topic and its boundaries		1.8.3/p. 26-27		✓
201-1	Direct economic value generated and distributed	Telekom Slovenije Group, shareholders, local and wider community	<ul style="list-style-type: none"> revenues, labour costs, payments to shareholders: 1.2/p. 10-13, revenues: 2.1/p. 60, 2.7.3 /p. 96, donations and other investments in the community: 2.9.3/p. 130 	We only report on taxes for the Telekom Slovenije Group.	✓
201-2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Telekom Slovenije Group, users		Due to the exposure of the Telekom Slovenije Group's telecommunications equipment, our definition of key risks includes risks associated with the external environment and climate change. Those risks are also present at Soline, and impact salt production and the number of visitors to the Lepa Vida spa. These risks are prevented in investments in new networks through underground construction. We do not report on financial implications.	✓
201-3	Defined benefit plan obligations and other retirement plans	Telekom Slovenije Group [employees]	2.9.4/p. 141		✓
GRI 202: Market presence 2016					
103-1 103-2 103-3	Explanation of the material topic and its boundaries		1.8.3/p. 26-27		✓
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Telekom Slovenije Group	2.9.4/p. 141	We only report on ratios for IPKO.	
GRI 203: Indirect economic impacts 2016					
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	- 103-1, 103-2: 2.3/p. 63, - 103-3: 2.8.1/p. 114		✓
203-1	Development and impact of significant infrastructure investments and services supported by the organisation	Telekom Slovenije Group, users, local and wider community	2.3/p. 63, 2.8.1/p. 114		✓

GRI 205: Anti-corruption 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.5.1/p. 73	The area of anti-corruption, in connection with the management approach (GRI GS 103-3), is monitored and adapted as required by the compliance and integrity officer. ✓
205-1	Number and percentage of activities assessed for risks related to corruption and the significant risks identified	Telekom Slovenije Group	2.5.1/p. 73-74	✓
205-2	Communication and training about anti-corruption policies and procedures	Telekom Slovenije	2.9.4/p. 137	We only report on the number of employee training hours. ✓
GRI 206: Anti-competitive behaviour 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.5.1/p. 73	The area of competition protection, in connection with the management approach (GRI GS 103-3), is monitored and adapted as required by the compliance and integrity officer. ✓
206-1	Number of legal proceedings for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Telekom Slovenije	2.5.2/p. 75	✓
ENVIRONMENTAL IMPACTS				
GRI 302: Energy 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.9.6/p. 148, 157	The area of energy is governed in Slovenia by the Energy Act adopted in 2014 and changes adopted to that act in 2015 (EZ-1A). We also have in place a system in accordance with international standards ISO 50001 – Energy management systems and ISO 14001 – Environmental management systems. ✓
302-1	Energy consumption within the organisation	Telekom Slovenije, TSmedia, Avtenta, IPKO, Soline	2.9.6/p. 148, 150, 156, 157	We report on electricity consumption in kWh for companies in Slovenia, but we do not report by type of energy product. We report on fuel consumption in litres or euros. ✓
302-4	Reduction of energy consumption	Telekom Slovenije, TSmedia, Avtenta, IPKO, Soline	2.9.6/p. 148, 155	✓
GRI 303: Water 2016				
103-1 103-2 103-3			2.9.6/p. 156	✓
303-1	Water consumption	Soline	2.9.6/p. 156	We do not report on the methodology used to determine the consumption and discharge of water. ✓

GRI 304: Biodiversity 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Soline	2.9.6/p. 156, 157	✓
304-1	Location and size of land managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Soline, local and wider community	2.9.6/p. 156, 157	We report on the location and size of land managed by the company in protected natural areas. ✓
304-3	Habitats protected or restored	Soline, local and wider community	2.9.6/p. 156-157	We do not report on the methodologies that were used for that purpose.
304-4	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations	Soline, local and wider community	2.9.6/p. 156-157	✓
GRI 305: Emissions 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije, local and wider community		The majority of greenhouse gases generated by the Telekom Slovenije Group are generated indirectly through the consumption of electricity and directly on account of heating and the car fleet. In terms of greenhouse gases, the Group is bound in Slovenia to comply with Regulation (EC) No 1005/2009 on substances that deplete the ozone layer and Regulation (EC) 842/2006 on certain fluorinated greenhouse gases, and the Regulation on the use of ozone-depleting substances and fluorinated greenhouse gases. We control the evaluation of the approach in accordance with the ISO 14001 standard. ✓
305-1	Direct (Scope 1) GHG emissions	Telekom Slovenije	2.9.6/p. 151	We only report on the total estimated amount of emissions. ✓
305-2	Energy indirect (Scope 2) GHG emissions	Telekom Slovenije	2.9.6/p. 151	We only report on the total estimated amount of emissions. ✓
305-3	Other indirect (Scope 3) GHG emissions	Telekom Slovenije	2.9.6/p. 151	We only report on the total estimated amount of emissions. ✓
GRI 306: Effluents and waste 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije	2.9.6/p. 151	✓
306-2	Total weight of waste by type and disposal method	Telekom Slovenije, Soline	2.9.6/p. 151, 157	Quantitative data regarding disposal methods are not included. The data presented are taken from record sheets. ✓
GRI 307: Environmental compliance 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije	2.5.1/p. 73	Regular and transparent reporting to the regulatory body and other government authorities (e.g. ARSO, SORS, FARS, AKOS and ETNO) also represent an important element of the Group's energy and environmental activities. ✓
307-1	Value of significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations	Telekom Slovenije, Soline	2.5.2/p. 75, 2.9.6/p. 157	✓

SOCIAL IMPACTS				
GRI 401: Employment 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.9.4/p. 133	103-3: The Code of Ethics is amended on the basis of periodic reviews performed by the compliance and integrity officer. ✓
401-1	Total number and rate of new employee hires and employee turnover	Telekom Slovenije Group	2.9.4/p. 133, 134	Data by gender are not disclosed. ✓
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, with respect to core activities	Telekom Slovenije, GVO, TSmedia, Avtenta	2.9.4/p. 137, 141	Deadlines for notifying employees are in line with valid legislation and are not included in the collective agreement. ✓
401-3	Return to work and retention rates after parental leave, by gender	Telekom Slovenije Group, Telekom Slovenije	2.9.4/p. 145	We do not report on the number of persons entitled to parental leave, the number of persons who were employed for an additional 12 months following their return from parental leave or on the retention rate of employees who exercised their right to parental leave. ✓
GRI 402: Labour/management relations 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije	2.9.4/p. 133	✓
402-1	Minimum notice period regarding significant operational changes, including whether this is specified in the collective agreement	Telekom Slovenije	2.9.4/p. 133	Deadlines for notifying employees are in line with valid legislation and are not included in the collective agreement. ✓
GRI 403: Occupational health and safety 2018				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.9.4/p. 143	✓
403-1	Occupational health and safety management system	All companies in Slovenia, except Soline.	2.9.4/p. 143	✓
403-2	Hazard identification, risk assessment and incident investigation	All companies in Slovenia, except Soline.	2.9.4/p. 143	✓
403-3	Occupational health services	All companies in Slovenia, except Soline.	2.9.4/p. 143	✓
403-4	Worker participation in the development, implementation and evaluation of the occupational health and safety system	All companies in Slovenia, except Soline.	2.9.4/p. 143	✓
403-5	Training in the area of occupational health and safety	All companies in Slovenia, except Soline.	2.9.4/p. 143	✓
403-6	Promotion of health	All companies in Slovenia, except Soline.	2.9.4/p. 143	✓
403-7	Prevention and mitigation of occupational health and safety impacts directly linked to a company's services and products	Telekom Slovenije	2.9.4/p. 143	We define electromagnetic radiation as one of the more significant impacts of our operations. We inform employees about this topic via the intranet and users via brochures at points of sale. ✓
403-9	Number of work-related injuries and rate	Telekom Slovenije Group	2.9.4/p. 144	Reporting relates to the number of injuries. ✓

GRI 404: Training and education 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.9.4/p. 135	103-3: We evaluate education and training using a questionnaire after each event. ✓
404-1	Average hours of training per employee by gender and by employee category	Telekom Slovenije Group, Telekom Slovenije	2.9.4/p. 136, 137	✓
404-2	Programmes for training and lifelong learning	Telekom Slovenije	2.9.4/p. 135, 138	✓
404-3	Percentage of employees receiving regular performance and career development reviews by gender	Telekom Slovenije Group	2.9.4/p. 142	We do not report by employee category. We do not report by gender, as we do not make a distinction in this regard. ✓
GRI 405: Diversity and equal opportunity 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.9.4/p. 133	Find in GRI 401. ✓
405-1	Composition of governance bodies and the breakdown of employees by employee category (gender, age, minority group membership and other relevant indicators of diversity)	Telekom Slovenije Group	1.10.3/p. 41-43, 44-45, 2.9.4/p. 134	We do not report data regarding employees by age. We also do not report by minorities, as we do not make a distinction in this regard. ✓
405-2	Ratio of basic salary and remuneration of women to men, by significant locations of operation	Telekom Slovenije Group	2.9.4/p. 141	✓
GRI 412: Human rights assessment 2016				
103-1 103-2 103-3		Telekom Slovenije Group	2.9.4/p. 133	103-3: The Code of Ethics is amended on the basis of periodic reviews performed by the compliance and integrity officer. ✓
412-2	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Telekom Slovenije	2.9.4/p. 137	Training on human rights focused on the protection of personal data and the Code of Ethics. The Group does not report on the percentage of employees included in training. ✓
GRI 406: Non-discrimination 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.9.4/p. 133	103-3: The Code of Ethics is amended on the basis of periodic reviews performed by the compliance and integrity officer. ✓
406-1	Total number of incidents of discrimination and corrective actions taken	Telekom Slovenije Group	2.9.4/p. 133	✓

GRI 415: Public policy 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	103-3: 2.5.1/p. 73	In terms of public policies, the risk of pressure from the regulatory body regarding price-related, technical and technological obligations exists for Telekom Slovenije. Telekom Slovenije proactively participates in all regulatory proceedings by submitting remarks, positions and the appropriate analyses. Telekom Slovenije issued a Corporate Governance Statement [section 1.10 of the annual report] on compliance with corporate integrity guidelines and on the prevention of conflicts of interest by members of the Supervisory Board and Management Board. ✓
415-1	Political contributions	Telekom Slovenije Group	2.5.1/p. 73	✓
GRI 419: Socioeconomic compliance 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.5.1/p. 73	The area of socioeconomic compliance, in connection with the management approach [GRI GS 103-3], is monitored and adapted as required by the compliance and integrity officer. ✓
419-1	Monetary value of fines and number of non-monetary sanctions for non-compliance with laws and regulations in the social and economic area	Telekom Slovenije Group	2.5.2/p. 75-76	We do not report on the total value of fines and non-monetary sanctions imposed. ✓
GRI 417: Marketing and labelling of products				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije, TSmedia, IPKO, users	2.7.6/p. 109-111	We do not report on product labelling. ✓
417-3	Total number of incidents of non-compliance with regulations and codes concerning marketing communications, including advertising, promotion and sponsorship, by type of non-compliance and by outcomes	Telekom Slovenije, TSmedia, IPKO, users	2.7.6/p. 109-111	✓

SPECIFIC SECTOR INDICATORS (MEDIA)				
Accessibility to media content				
DMA		Telekom Slovenije, TSmedia, users, local and wider community	2.7.4/p. 104	✓
G4-M4	Measures to improve accessibility to media content and the protection of vulnerable audiences	Telekom Slovenije, TSmedia, users, local and wider community	2.7.4/p. 104	✓
SPECIFIC SECTOR INDICATORS (TELECOMMUNICATIONS)				
Internal operations				
I01	Infrastructure investments in the telecommunications network by region	Telekom Slovenije Group, users, local and wider community	2.3/p. 63, 2.8.1/p. 114	✓
I03	Health and safety measures for field personnel	Telekom Slovenije,	2.9.4/p. 143	✓
Provision of access to ICT products and services				
PA1	Policies and practices for providing access to the telecommunications infrastructure, products and services to the population in remote, less populated regions	Telekom Slovenije, IPKO, users, local and wider community	2.7.4/p. 105	✓
PA2	Policies and practices for overcoming obstacles in accessing and using telecommunication products and services relating to the language, culture, illiteracy, deficient education, revenues, special needs and age	Telekom Slovenije, users	2.7.4/p. 104, 105	✓
PA4	Quantitative level of available telecommunication products and services in operating regions	Telekom Slovenije, IPKO	2.7.3/p. 94, 2.7.4/p. 105	✓
PA6	Programmes for providing and maintaining telecommunication links and services in extraordinary circumstances and in the event of natural disasters	Telekom Slovenije	2.8.3/p. 118-121	Responses to emergencies are also part of the business continuity plan. ✓
PA8	Policies and practices to publicly communicate on EMR-related issues	Telekom Slovenije, IPKO, users, local and wider community	2.9.6/p. 150	✓
PA10	Initiatives to ensure the clarity of charges and tariffs	Telekom Slovenije, users	2.7.4/p. 103	✓
Technological applications				
TA2	Examples of telecommunication products, services and applications that can replace some physical form of use [e.g. online telephone directories and video conferences].	TSmedia, users	2.7.3/p. 101, 2.9.6/p. 153	✓

2.11 STATEMENT OF THE INDEPENDENT AUDITOR REGARDING THE SUSTAINABILITY REPORT¹⁰⁵



Sustainability report assurance statement

Objective and scope of assurance

On the basis of the 2016 GRI Sustainability Reporting Standards, SIQ was commissioned by **Telekom Slovenije, d. d.**, Cigaletova 15, 1000 Ljubljana, Slovenia to perform external assurance with respect to the sustainability report, which is an integral part of the annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2019. The Company voluntarily submitted to the external assurance with respect to the sustainability report. The objective of assurance was to assess whether the facts and data stated in the report are credible and reflect the current state of sustainable development at the Company and the Group.

Limitations

The sustainability report relates to the Telekom Slovenije Group and the parent company Telekom Slovenije, d. d., to the extent and limitations set out in section 2.9.1 of the annual report and in individual disclosures. Although the report was drawn up for the Group, certain disclosures relate solely to the parent company Telekom Slovenije, d. d. or to the Telekom Slovenije Group. Stakeholders participated in a materiality analysis through a questionnaire that was accessible on the corporate website, while additional questions were formulated for suppliers. Based on the results of those questionnaires, the materiality analysis was performed by 39 experts in the scope of four working groups. Because the data for the Telekom Slovenije Group were collected using specific-purpose questionnaires, we were unable to verify the direct source of certain data, as the assessment was carried out at the parent company. Because the graphic design of the report was in progress at the time of verification, we verified the accuracy of references to sections and pages of the report in the GRI content index (section 2.10), valid at the time of verification.

Assurance methodology

Stakeholders did not participate in the assurance process, as this was not requested or ensured by the contracting authority. The assurance process therefore involved a review of the sustainability report included in the annual report of the parent company and the Telekom Slovenije Group, interviews with responsible Company representatives, and assurance with respect to documentation and other data at the Company's registered office. The data in the audited financial statements were not re-audited.

Responsibility

The management of Telekom Slovenije, d. d. and the Telekom Slovenije Group is responsible for the data presented in the sustainability report and for setting assessment criteria. It is also responsible for collecting, classifying and certifying data, and for reporting. SIQ and its representatives were not involved in the processing and presentation of reported data. SIQ representatives are responsible for independent assurance with respect to the sustainability report's compliance with the GRI Standards and the actual situation, and for drawing up an opinion regarding the sustainability report.



Independence and impartiality

SIQ is a professional, independent and impartial institution that provides comprehensive solutions in the areas of product testing and certification, management systems assessment, metrology and training. Numerous accreditations and memberships in international certification schemes and associations are evidence of the international recognition and high professional level of SIQ's work. The assessor who carried out the assurance process is a registered assessor of quality management systems, environmental management systems and the Eco-Management and Audit Scheme (EMAS), and energy management, occupational health and safety management and information security management systems.

Findings

The assessor carefully examined compliance with the requirements of reporting standards and principles, and the mandatory disclosures for the basic level of reporting. Sustainable development is an integral part of the strategy set out in the Telekom Slovenije Group's strategic policies. In its report, the Company presented 51 disclosures in 27 areas, of which 10 were sectoral indicators (Telecommunications and Media). Disclosures on management approaches and the results of performance indicators confirm the sustainability-oriented nature of the parent company and the Telekom Slovenije Group. Based on our findings, we hereby declare that the facts and data stated in the sustainability report are reliable and reflect the current state of management systems and the sustainable operations of Telekom Slovenije, d. d. and Telekom Slovenije Group. Taking into account the aforementioned limitations and assurance methodology, we hereby find that the sustainability report, which is an integral part of the annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2019, meets the requirements of the 2016 GRI Sustainability Reporting Standards, basic level. With its decision to have external assurance performed with respect to the sustainability report for the parent company and the Telekom Slovenije Group, the management of Telekom Slovenije, d. d. raises awareness regarding the importance of sustainable development, and thus contributes to the establishment of internationally comparable best practices relating to sustainable development reporting.

Recommendations

Several opportunities were identified during the assurance process to improve operations and reporting in the area of sustainable development. These are noted in the assurance report. In that respect, we highlight recommendations regarding the more exhaustive reporting of content in certain disclosures.

In the name and on behalf of SIQ

Ljubljana, 16 March 2020

Miloš Seražin
Management Systems Assessment

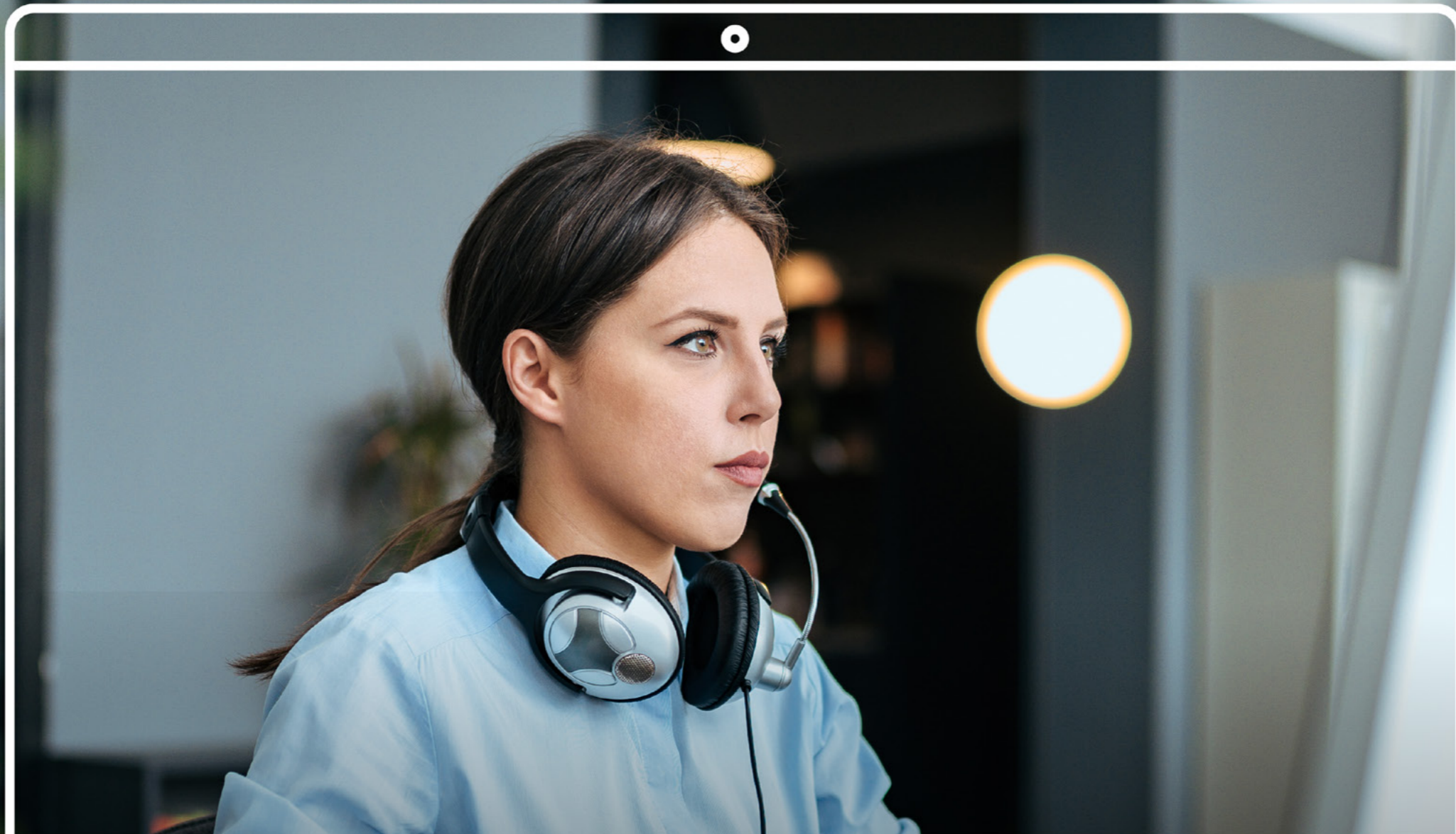
Miloš Seražin



Igor Bizjak

Igor Bizjak





THE FUTURE IS SMART

Our focus is on discovering the expanding new dimensions of the smart world. The boundaries of what is possible in terms of technological development are merely a starting point for us, as we are continuously focused on the next development solution that will simplify the lives of our users. Accompanying us on that path are the highest standards of corporate governance. We know that this is the only way to co-create the future.

3 ACCOUNTING REPORT OF THE TELEKOM SLOVENIJE GROUP AND TELEKOM SLOVENIJE, D. D., FOR 2019

CONTEST

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3.1 FINANCIAL STATEMENTS OF THE TELEKOM SLOVENIJE GROUP AND THE COMPANY TELEKOM SLOVENIJE

Consolidated Income Statement for the period ended 31 December 2019

In EUR thousand	Note	The Telekom Slovenije Group		Telekom Slovenije	
		I - XII 2019	I - XII 2018	I - XII 2019	I - XII 2018
Sales revenues	7	675,417	715,051	602,231	639,672
Other operating revenue	8	6,293	16,169	2,954	13,598
Cost of goods sold	9	-87,000	-89,205	-92,604	-95,933
Costs of materials and energy	9	-15,342	-15,700	-10,646	-10,909
Costs of services	9	-248,721	-298,500	-228,123	-276,808
Labour costs	10	-111,320	-112,672	-91,770	-91,847
Amortisation/Depreciation	15, 16, 17, 22	-174,313	-167,592	-141,651	-132,813
Other operating expenses	11	-13,925	-29,619	-6,575	-29,657
Total operating expenses		-650,621	-713,288	-571,369	-637,967
Operating profit		31,089	17,932	33,816	15,303
Finance income	12	2,911	23,234	6,497	27,915
Finance expenses	12	-31,048	-7,264	-38,457	-9,280
Share in profit or loss of associates and joint ventures		0	-1	0	0
Profit before tax		2,952	33,901	1,856	33,938
Income tax expense	13	-705	-651	0	0
Deferred taxes	13	-1,016	72	-1,271	89
Net profit for the period		1,231	33,322	585	34,027
Attributable to:					
Majority interest		1,231	34,628	0	0
Non-controlling interest	5	0	-1,306	0	0
Earnings per share - basic and diluted in EUR	14	0.19	5.12	0.09	5.23

Notes on pages from 184 to 268 are a constituent part of these financial statements.

Statement of Other Comprehensive Income for the period ended 31 December 2019

In EUR thousand	Note	The Telekom Slovenije Group		Telekom Slovenije	
		I - XII 2019	I - XII 2018	I - XII 2019	I - XII 2018
Net profit for the period		1,231	33,322	585	34,027
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>					
Translation reserve	29	-22	16	0	0
Change in fair value of hedging instruments	29	137	-180	137	-180
Deferred tax	13	-26	34	-26	34
Change in fair value of hedging financial instruments (net)		111	-146	111	-146
<i>Other comprehensive income that may not be reclassified subsequently to profit or loss</i>					
Change in the fair value for actuarial deficits and surpluses	29	9	229	304	166
Change in fair value of investments measured at fair value through other comprehensive income	29	195	72	195	72
Deferred tax	13	-37	-14	-37	-14
Change in fair value of investments in equity instruments measured at fair value through other comprehensive income		158	58	158	58
Other comprehensive income for the period after tax		256	157	573	78
Total comprehensive income for the period		1,487	33,479	1,158	34,105
Total comprehensive income attributable to:					
Majority interest		1,487	34,785	0	0
Non-controlling interest	5	0	-1,306	0	0

Notes on pages from 184 to 268 are a constituent part of these financial statements.

Balance Sheet of the Telekom Slovenije Group and the company Telekom Slovenije as at 31 December 2019

In EUR thousand	Note	The Telekom Slovenije Group		Telekom Slovenije	
		31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
ASSETS					
Intangible assets	15	177,594	189,007	132,692	155,371
Property, plant and equipment	16	653,411	655,640	584,117	576,896
Leased (ROU) assets	17	79,300	0	86,402	0
Investments in subsidiaries	18	0	0	37,001	36,548
Other investments	19	4,860	5,116	90,421	99,032
Non-current contract assets	20	3,646	4,519	3,280	4,029
Other non-current assets	21	43,423	47,314	37,067	34,840
Investment property	22	4,002	4,039	4,002	4,039
Deferred tax assets	13	44,044	45,215	43,545	44,701
Total non-current assets		1,010,280	950,850	1,018,527	955,456
Assets held for sale	23	500	526	500	526
Inventories	24	24,620	27,467	20,579	22,546
Operating and other receivables	25	153,510	193,166	145,595	185,222
Current contract assets	26	14,896	12,099	14,849	12,099
Short-term deferred assets	27	15,156	37,836	12,107	34,486
Current investments	19	679	91	10,226	11,180
Cash and cash equivalents	28	13,219	10,684	1,153	2,011
Total current assets		222,580	281,869	205,009	268,070
Total assets		1,232,860	1,232,719	1,223,536	1,223,526
EQUITY AND LIABILITIES					
Called-up capital	29	272,721	272,721	272,721	272,721
Capital surplus	29	181,488	181,488	180,956	180,956
Revenue reserves	29	106,479	123,492	104,978	121,991
Legal reserves	29	51,612	51,612	50,434	50,434
Reserves for treasury shares and interests	29	3,671	3,671	3,671	3,671
Treasury shares and interests	29	-3,671	-3,671	-3,671	-3,671
Statutory reserve	29	54,854	54,854	54,544	54,544
Other revenue reserves	29	13	17,026	0	17,013
Retained profit or loss	29	31,879	47,938	48,886	60,506
Retained earnings from previous periods		30,648	30,324	48,301	43,493
Profit for the period		1,231	17,614	585	17,013
Fair value reserve	29	664	395	664	395
Reserves for actuarial deficits and surpluses	29	-2,347	-2,356	-2,069	-2,373
Translation reserve	29	-6	16	0	0
Total equity attributable to owners of the parent company		590,878	623,694	606,136	634,196
Non-controlling interest	5	0	-4,066	0	0
Total equity		590,878	619,628	606,136	634,196
Non-current contractual obligations	30	1,119	13,450	180	13,405
Provisions	31	23,293	21,776	19,138	18,431
Non-current operating liabilities	32	22,828	13,711	10,722	12,910
Long-term accrued liabilities	33	22,489	2,702	22,702	2,054
Interest-bearing borrowings	34	214,802	210,341	214,802	210,310
Non-current financial liabilities from lease	35	60,068	0	66,351	0
Other non-current financial liabilities	36	100,641	100,759	100,608	100,703
Deferred tax liabilities	13	1,676	1,910	274	238
Total non-current liabilities		446,916	364,649	434,777	358,051
Operating liabilities	37	113,342	146,391	99,945	132,537
Income tax payable	13	354	82	0	0
Current borrowings and loans	34	31,038	50,897	38,008	51,335
Current financial liabilities from lease	38	8,986	0	10,031	0
Other current financial liabilities	39	1,224	1,262	1,181	1,238
Current contractual obligations	40	6,591	1,621	3,342	1,621
Short-term accrued liabilities	41	33,531	48,189	30,116	44,548
Total current liabilities		195,066	248,442	182,623	231,279
Total liabilities		641,982	613,091	617,400	589,330
Total equity and liabilities		1,232,860	1,232,719	1,223,536	1,223,526

Notes on pages from 184 to 268 are a constituent part of these financial statements.

Statement of Changes in Equity of the Telekom Slovenije Group for the period ended 31 December 2019

In EUR thousand	Revenue reserves										Retained profit or loss		Total		
	Called-up capital	Capital surplus	Legal reserves	Treasury share reserve	Treasury shares	Statutory reserve	Other revenue reserves	Retained earnings from previous periods	Profit for the period	Fair value reserve for financial instruments	Fair value reserve for hedging instruments in net amount	Reserves for actuarial deficits and surpluses		Translation reserve	Non-controlling interest
Balance as at 1 January 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	-4,066	619,628
Profit for the period								1,231							1,231
Other comprehensive profit or loss for the period										158	111	9	-22		256
Total comprehensive income for the period	0	0	0	0	0	0	0	0	1,231	158	111	9	-22	0	1,487
Dividends paid								-29,218							-29,218
Transactions with owners	0	0	0	0	0	0	0	-29,218	0	0	0	0	0	0	-29,218
Transfer of profit or loss from previous period to retained earnings or losses								17,614	-17,614						0
Changes in the composition of the Group								-4,066						4,066	0
Reversal of other reserves								17,013	-17,013						0
Other								-1,019							-1,019
Balance as at 31 December 2019	272,721	181,488	51,612	3,671	-3,671	54,854	13	30,648	1,231	1,171	-507	-2,347	-6	0	590,878

Notes on pages from 184 to 268 are a constituent part of these financial statements.

More details in Note 29: Equity and reserves.

Statement of Changes in Equity of the Telekom Slovenije Group for the period ended 31 December 2018

In EUR thousand	Revenue reserves										Retained profit or loss					
	Called-up capital	Capital surplus	Legal reserves	Treasury share reserve	Treasury shares	Statutory reserve	Other revenue reserves	Retained earnings from previous periods	Profit for the period	Fair value reserve for financial instruments	Fair value reserve for hedging instruments in net amount	Reserves for actuarial deficits and surpluses	Translation reserve	Fair value reserve for hedging instruments in net amount	Non-controlling interest	Total
Balance as at 1 January 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
Effect of the change in the accounting policy								-1,687						-1,687		-1,687
Balance as at 1 January 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 for the period							34,628							34,628	-1,306	33,322
Other comprehensive profit or loss for the period								58	-146	229			16	157		157
Total comprehensive income for the period	0	0	0	0	0	0	0	34,628	0	58	-146	229	16	34,785	-1,306	33,479
Dividends paid								-93,028						-93,028		-93,028
Transactions with owners	0	0	0	0	0	0	0	-93,028	0	0	0	0	0	-93,028	0	-93,028
Transfer of profit or loss from previous period to retained earnings or losses							11,203	-11,203						0		0
Transfer to reserves based on the resolution of the Management Board						17,013	-17,013							0		0
Other								-1						-1		-1
Balance as at 31. 12. 2018	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

Notes on pages from 184 to 268 are a constituent part of these financial statements.

Statement of Changes in Equity of Telekom Slovenije, for the period ended 31 December 2019

In EUR thousand	Revenue reserves										Retained profit or loss			
	Called-up capital	Capital surplus	Legal reserves	Treasury reserves	Treasury share reserve	Treasury shares	Statutory reserve	Other revenue reserves	Retained earnings from previous periods	Profit for the period	Fair value reserve for financial instruments	Fair value reserve for hedging instruments in net amount	Reserves for actuarial deficits and surpluses	Total
Balance as at 1 January 2019	272,721	180,958	50,434	3,671	3,671	-3,671	54,544	17,013	43,493	17,013	1,013	-618	-2,373	634,196
Profit for the period								585						585
Other comprehensive profit or loss for the period									158		111		304	573
Total comprehensive income for the period	0	0	0	0	0	0	0	0	585	158	111		304	1,158
Dividends paid								-29,218						-29,218
Transactions with owners	0	0	0	0	0	0	0	0	-29,218	0	0	0	0	-29,218
Transfer of profit or loss from previous period to retained earnings or losses								17,013	-17,013					0
Reversal of other reserves							-17,013	17,013						0
Balance as at 31 December 2019	272,721	180,956	50,434	3,671	3,671	-3,671	54,544	0	48,301	585	1,171	-507	-2,069	606,136

Notes on pages from 184 to 268 are a constituent part of these financial statements.

More details in 29. Equity and reserves.

Statement of Changes in Equity of Telekom Slovenije, for the period ended 31 December 2018

In EUR thousand	Revenue reserves					Retained profit/loss			Fair value reserve for hedging instruments in net amount	Reserves for actuarial deficits and surpluses	Total		
	Called-up capital	Capital surplus	Legal reserves	Treasury share reserve	Treasury shares	Statutory reserve	Other revenue reserves	Retained earnings from previous periods				Profit for the period	Fair value reserve for financial instruments
Balance as at 1 January 2018	272,721	180,956	50,484	3,671	-3,671	54,544	0	1,34,801	1,720	955	-472	-2,538	693,120
Profit for the period								34,027					34,027
Other comprehensive profit or loss for the period								58				166	78
Total comprehensive income for the period	0	0	0	0	0	0	0	34,027		58	-146	166	34,105
Dividends paid								-93,028					-93,028
Transactions with owners	0	0	0	0	0	0	0	-93,028	0	0	0	0	-93,028
Transfer of profit or loss from previous period to retained earnings or losses							1,720	-1,720					0
Transfer to reserves based on the resolution of the Management Board						17,013	-17,013						0
Other							-1						-1
Balance as at 31 December 2018	272,721	180,956	50,484	3,671	-3,671	54,544	17,013	43,493	17,013	1,013	-618	-2,373	634,196

Notes on pages from 184 to 268 are a constituent part of these financial statements.

Cash Flow Statement of the Telekom Slovenije Group and the company Telekom Slovenije, for the period ended 31 December 2019

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	I - XII 2019	I - XII 2018	I - XII 2019	I - XII 2018
Cash flows from operating activities				
Net profit for the period	1,231	33,322	585	34,027
Adjustments for:				
Amortisation/Depreciation	174,313	167,592	141,651	132,813
Impairment and write-offs of property, plant and equipment, intangible assets, and investment property	0	26	0	1
Gain or loss on disposal of property, plant and equipment	-130	-168	-95	-137
Finance income	-2,911	-23,234	-6,497	-27,915
Finance expenses	31,048	7,265	38,457	9,280
Income tax with deferred taxes	1,721	579	1,271	-89
Cash flows from operating activities prior to changes in net operating current assets and provisions	205,272	185,382	175,372	147,980
Change in net current assets held for sale	26	2,623	0	0
Change in trade and other receivables	3,944	2,924	3,955	1,780
Change in accrued revenue and deferred costs	21,315	19,528	21,666	22,222
Change in other non-current assets	-6,448	-7,157	-12,690	-4,210
Change in inventories	1,642	-4,010	762	-3,222
Change in provisions	1,517	-35,725	707	-34,798
Change in long-term and short-term deferred revenue	1,224	2,416	334	3,643
Change in accrued costs and expenses	-6,640	-7,437	-8,766	-5,916
Change in operating and other liabilities	-23,574	8,288	-33,825	7,891
Income tax paid	56	-1,647	0	0
Net cash from operating activities	198,333	165,185	147,515	135,371
Cash flows from investing activities				
Receipts from investing activities	39,564	78,760	55,705	113,323
Proceeds from sale of property, plant and equipment	1,721	1,266	1,659	1,243
Dividends received	159	170	159	170
Interest received	9	16	2,989	3,421
Disposal of non-current investments	37,673	448	50,398	31,630
Disposal of current investments	2	76,859	500	76,859
Disbursements from investing activities	-170,540	-140,596	-147,031	-142,700
Acquisition of property, plant and equipment	-92,887	-87,812	-84,549	-74,649
Acquisition of intangible non-current assets	-59,944	-46,052	-33,756	-36,056
Acquisition of investments	-100	-284	0	-284
Investments in subsidiaries and associated companies	-17,607	-6,447	-18,060	-17,980
Investments in the form of loans provided	-3	-1	-10,666	-13,731
Net cash used in investing activities	-130,976	-61,836	-91,326	-29,378
Cash flows from financing activities				
Receipts from financing activities	35,500	93,000	35,000	93,500
Non-current borrowings	35,000	65,000	35,000	65,000
Current borrowings	500	28,000	0	28,500
Disbursements from financing activities	-100,322	-214,910	-92,047	-214,840
Repayment of leasing liabilities	-13,227	0	-12,017	0
Repayment of current borrowings	-28,000	0	-21,000	0
Repayment of non-current borrowings	-23,139	-115,447	-23,077	-115,385
Interest paid	-6,681	-6,435	-6,678	-6,427
Dividends paid	-29,275	-93,028	-29,275	-93,028
Cash flow used in financing activities	-64,822	-121,910	-57,047	-121,340
Net increase/decrease in cash and cash equivalents	2,535	-18,561	-858	-15,347
Opening balance of cash	10,684	29,245	2,011	17,358
Closing balance of cash	13,219	10,684	1,153	2,011

Notes on pages from 184 to 268 are a constituent part of these financial statements

3.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Telekom Slovenije, d. d. [hereinafter »Telekom Slovenije« or »Company«] and its subsidiaries comprise the Telekom Slovenije Group [hereinafter 'Telekom Slovenije Group' or 'Group']. A detailed overview of the Group's composition is given in the business report herein.

Telekom Slovenije with its registered office at Cigaletova 15, Ljubljana, Slovenia, is a public limited company, incorporated and domiciled in the Republic of Slovenia. Its shares are listed on the Ljubljana Stock Exchange.

As at 31 December 2019, the Republic of Slovenia holds 4,087,569 shares, representing a 62.54% equity interest in Telekom Slovenije.

The core activity of the Group is the provision of telecommunication services and products. These include fixed-line and mobile telephony services, internet and television services, the installation and maintenance of telecommunications networks, systems integration of business solutions, digital content and advertising.

2. BASIS FOR COMPILING

a. STATEMENT OF COMPLIANCE

The accompanying consolidated financial statements of the Telekom Slovenije Group and the company Telekom Slovenije have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, the interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC), and with provisions of the Companies Act (ZGD).

The Management Board approved the financial statements of the Telekom Slovenije Group and the company Telekom Slovenije on 20 March 2020.

b. BASIS OF MEASUREMENT

The Group's and the Company's financial statements have been prepared based on the going concern assumption. The operations are not of seasonal nature. The financial statement were compiled by taking into account measurement methods as outlined in the table below.

Significant assets and liabilities disclosed in the consolidated balance sheet by measurement:

Non-current assets	Method of measurement
Intangible assets	
- whereof assets with finite useful life	purchase cost
- whereof assets with infinite useful life – goodwill	purchase cost
Property, plant and equipment	purchase cost
Leased (ROU) assets	purchase cost
Investments in associated companies	purchase cost
Other investments	
- of which investments in capital instruments	at fair value through other comprehensive income
Other non-current assets	purchase cost
Investment property	purchase cost
Deferred tax assets	non-discounted value measured at tax rates

Current assets	Method of measurement
Assets held for sale	lower of purchase cost or recoverable value
Inventories	weighted average price method
Operating and other receivables	amortised cost
Current contract assets	amortised cost
Short-term deferred costs and accrued revenue	purchase cost
Current investments	amortised cost
Cash and cash equivalents	purchase cost

Non-current liabilities	Method of measurement
Non-current contractual obligations	sales value
Provisions	
- whereof for jubilee benefits and termination benefits	present value of estimated future payments based on actuary calculation
- other provisions	present value of future settlements
Non-current operating liabilities	amortised cost
Long-term accrued costs and deferred revenue	sales value
Interest-bearing borrowings	amortised cost
Non-current financial liabilities from lease	discounted value
Other non-current financial liabilities	amortised cost
Deferred tax liabilities	non-discounted value measured at tax rates

Current liabilities	Method of measurement
Operating and other liabilities	amortised cost
Current borrowings and loans	amortised cost
Current financial liabilities from lease	discounted value
Other current financial liabilities	amortised cost
Current contractual obligations	purchase cost or estimated value
Short-term accrued costs and deferred revenue	sales value; purchase cost or estimated value

c. FUNCTIONAL AND PRESENTATION CURRENCY

The attached financial statements of the Telekom Slovenije Group and the company Telekom Slovenije have been compiled in euros, which is the functional currency of the controlling company. All financial information is presented in Euro and rounded to thousand unless otherwise defined.

d. USE OF SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make certain judgements, estimates and assumptions that impact the carrying values of assets and liabilities and the disclosure of possible liabilities at the reporting date and the balances of income and expenses for the period then ended.

Future events and their effects cannot be perceived with certainty. Accordingly, the accounting estimates made require the exercise of judgement, and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the business environment changes. Actual results may differ from those estimates. The formulation of estimates and related assumptions and uncertainties are described in individual items of segment 3, Summary of significant accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

ASSESSMENTS

Information on assessments that have the largest impact on the financial statements include

- assessment of whether a contract refers to lease – Note 3.f;
- assessment of revenue recognition [agent or principal] – Note 3.aa;
- assessment of whether the recorded impairments of individual assets are appropriate or that none of the assets in an individual cash generated unit [CGU] not subject to impairment is showing indication of impairment – Note 3.c;
- assessment of whether contingent liabilities or provisions are considered in the claims – Notes 3.r and 43.

ESTIMATES AND ASSUMPTIONS

Estimates and assumptions that have the largest impact on the financial statements include:

- useful life of property, plant and equipment, and intangible assets – Notes 3.d, 3.e and 3.f and Notes 15, 16 and 17;
- allowances for doubtful receivables – Notes 3.m and 25;
- deferred taxes – Notes 3.cc and 13;
- estimate of the amount of provisions – Notes 3.r and 31.

During the reporting period, Telekom Slovenije changed the useful life of software and software upgrades [CRM, OMS, product catalogue] – extending it to 3 to 7 years [now 3 to 5 years] and for upgrades to 2 to 5 years [now 2 to 4 years]. The current information system has been in use for 15 years, which exceeds the applicable period of amortisation. The new system supporting BSS combines several software sets for order management system, user management, product management and accounting, and has been rolled in Telekom Slovenije stage by stage for a particular service. This involves gradual introduction within system transformation. Systems are in production, users are gradually migrated to new systems and agile development of the missing functionalities is in progress at the same time. The system will be fully functional in several years and the extended useful life more adequately reflects these assets' useful life. The total impact of the useful life change in 2019 is amortisation decrease by EUR 1,689 thousand.

e. NEW ACCOUNTING STANDARDS AND AMENDMENTS TO EXISTING ONES 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 interpretations 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];

The Telekom Slovenije Group and the company Telekom Slovenije on 1 January 2019 started applying the new **IFRS 16 standard – Leases**, adopted by the EU on 31 October 2017 [effective for annual periods beginning on or after 1 January 2019]. Earlier application is permitted if the entity also applies IFRS 15 – Revenue from contracts with customers.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of 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 supersedes the old 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 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.

The new standard introduces possible limited scope exceptions 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.

Under the new standard, lessees will be required to report lease interest expense separately from the amortisation of the right-of-use asset. Furthermore, lessees have to remeasure the lease liability upon the occurrence of certain events [e.g., change in the lease term, change in variable rents based on an index or rate], which is generally recognised as an adjustment to the right-of-use asset.

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 standard IFRS 16 requires more detailed disclosure compared to its predecessor, for both lessees and lessors.

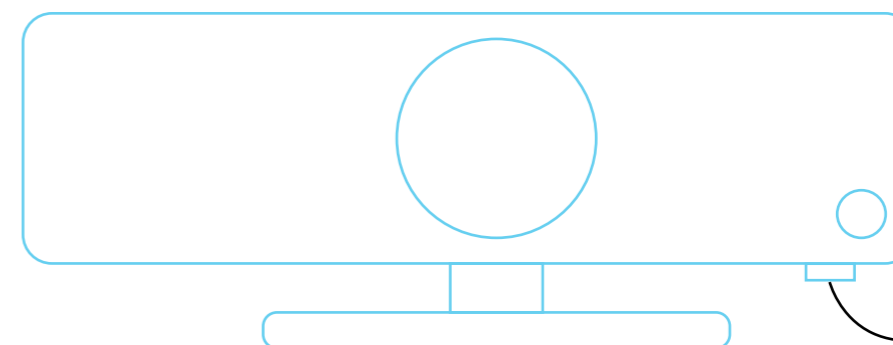
The new standard provides two options to adoption, namely so that the lessee uses this standard:

- retrospectively for each prior reporting period presented using IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, or
- retrospectively with a cumulative effect of introducing this standard, recognised on the date of introduction.

IMPACT OF THE TRANSITION TO IFRS 16

For the transition to a new standard, the Telekom Slovenije Group and the company Telekom Slovenije, will use the cumulative effect method at 1 January 2019. Therefore, they will not recalculate comparative data for 2018, but will instead report all changes resulting from the transition to the new standard as an adjustment to the opening balance as at the date of first application.

The Telekom Slovenije Group and the company Telekom Slovenije, did not use exemptions envisaged by the standard for low-value lease contracts and for leases expiring earlier than 12 months from initial application.



The effects of introducing the new standard on the Group's and the Company's balance sheet as at 1 January 2019 are presented in the table below:

In EUR thousand	The Telekom Slovenije Group			Telekom Slovenije		
	2018 Reported	Restatement	1 January 2019 Restated	2018 Reported	Restatement	1 January 2019 Restated
ASSETS						
Intangible assets	189,007	0	189,007	155,371	0	155,371
Property, plant and equipment	655,640	0	655,640	576,896	0	576,896
Leased assets	0	78,413	78,413	0	82,913	82,913
Investments in subsidiaries	0	0	0	36,548	0	36,548
Other investments	5,116	0	5,116	99,032	0	99,032
Non-current contract assets	4,519	0	4,519	4,029	0	4,029
Other non-current assets	47,314	-10,670	36,644	34,840	-10,708	24,132
Investment property	4,039	0	4,039	4,039	0	4,039
Deferred tax assets	45,215	0	45,215	44,701	0	44,701
Total non-current assets	950,850	67,743	1,018,593	955,456	72,205	1,027,661
Assets in the disposal group	526	0	526	526	0	526
Inventories	27,467	0	27,467	22,546	0	22,546
Operating and other receivables	193,166	0	193,166	185,222	0	185,222
Current contract assets	12,099	4,561	16,660	12,099	3,908	16,007
Short-term deferred assets	37,836	-5,066	32,770	34,486	-4,413	30,073
Current investments	91	0	91	11,180	0	11,180
Cash and cash equivalents	10,684	0	10,684	2,011	0	2,011
Total current assets	281,869	-505	281,364	268,070	-505	267,565
Total assets	1,232,719	67,238	1,299,957	1,223,526	71,700	1,295,226
EQUITY AND LIABILITIES						
Called-up capital	272,721	0	272,721	272,721	0	272,721
Capital surplus	181,488	0	181,488	180,956	0	180,956
Revenue reserves	123,492	0	123,492	121,991	0	121,991
<i>Legal reserves</i>	51,612	0	51,612	50,434	0	50,434
<i>Reserves for treasury shares and interests</i>	3,671	0	3,671	3,671	0	3,671
<i>Treasury shares and interests</i>	-3,671	0	-3,671	-3,671	0	-3,671
<i>Statutory reserves</i>	54,854	0	54,854	54,544	0	54,544
<i>Other revenue reserves</i>	17,026	0	17,026	17,013	0	17,013
Retained profit or loss	47,938	0	47,938	60,506	0	60,506
<i>Retained earnings from previous periods</i>	30,324	0	30,324	43,493	0	43,493
<i>Profit for the period</i>	17,614	0	17,614	17,013	0	17,013
Fair value reserve	395	0	395	395	0	395
Reserves for actuarial deficits and surpluses	-2,356	0	-2,356	-2,373	0	-2,373
Revaluation reserve	16	0	16	0	0	0
Equity attributable to owners of the parent company	623,694	0	623,694	634,196	0	634,196
Non-controlling interests	-4,066	0	-4,066	0	0	0
Total equity and reserves	619,628	0	619,628	634,196	0	634,196

In EUR thousand	The Telekom Slovenije Group			Telekom Slovenije		
	2018 Reported	Restatement	1 January 2019 Restated	2018 Reported	Restatement	1 January 2019 Restated
Non-current contractual obligations	13,450	-13,245	205	13,405	-13,245	160
Provisions	21,776	0	21,776	18,431	0	18,431
Non-current operating liabilities	13,711	0	13,711	12,910	0	12,910
Long-term accrued liabilities	2,702	13,880	16,582	2,054	13,880	15,934
Interest-bearing borrowings	210,341	0	210,341	210,310	0	210,310
Non-current financial liabilities from lease	0	57,262	57,262	0	62,116	62,116
Other non-current financial liabilities	100,759	0	100,759	100,703	0	100,703
Deferred tax liabilities	1,910	0	1,910	238	0	238
Total non-current liabilities	364,649	57,897	422,546	358,051	62,751	420,802
Operating and other liabilities	146,485	0	146,485	132,631	0	132,631
Income tax payable	82	0	82	0	0	0
Current borrowings and loans	50,897	0	50,897	51,335	0	51,335
Current financial liabilities from lease	0	9,976	9,976	0	9,584	9,584
Other current financial liabilities	1,262	0	1,262	1,238	0	1,238
Current contractual obligations	1,621	4,638	6,259	1,621	1,535	3,156
Short-term accrued liabilities	48,095	-5,273	42,822	44,454	-2,170	42,284
Total current liabilities	248,442	9,341	257,783	231,279	8,949	240,228
Total liabilities	613,091	67,238	680,329	589,330	71,700	661,030
Total equity and liabilities	1,232,719	67,238	1,299,957	1,223,526	71,700	1,295,226

The right-of-use assets (ROU) and lease liabilities of the Telekom Slovenije Group increased by EUR 67,238 thousand, as a result of the transition to the new standard on 1 January 2019. The item of the right-of-use assets also includes the transfer of prepaid leased assets in the amount of EUR 11,175 thousand, which as at 1 January 2019 amounted to EUR 78,413 thousand.

The right-of-use assets (ROU) and lease liabilities of the company Telekom Slovenije increased by EUR 71,700 thousand, as a result of the transition to the new standard on 1 January 2019. The item of the right-of-use assets also includes the transfer of prepaid leased assets in the amount of EUR 11,213 thousand, which as at 1 January 2019 amounted to EUR 82,913 thousand.

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

The existing requirements in IFRS 9 regarding termination rights are amended in order to allow measurement at amortized 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 – 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 stated in comprehensive income. The effective interest rate is not recalculated.

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

The amendments require application of updated assumptions used for the remeasurement to determine the current service cost and the net interest for the reporting period after the change of the plan.

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

Amendments to clarify that IFRS 9, including the impairment requirements, must be applied to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied. Paragraph 41 is deleted because the Board felt that it merely reiterated requirements in IFRS 9 and that it had created confusion regarding the accounting for long-term interests.

- **Amendments to various standards due to “Improvements to IFRS (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, which the IASB published on 12 December 2017 and the EU adopted on 14 March 2019 [effective for annual periods beginning on or after 1 January 2019].

Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view of eliminating inconsistencies and interpreting wording. The amendments clarify that: when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business (IFRS 3); when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business (IFRS 11); an entity recognises all income tax consequences of dividends in the same way (IAS 12); an entity treats any outstanding borrowing made specifically to obtain a qualifying asset as part of general borrowings when that qualifying asset is ready for its intended use or sale (IAS 23).

IFRIC 23 – Uncertainty over Income Tax Treatments, which the IASB issued on 7 June 2017 and the EU adopted 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 the Telekom Slovenije Group and the company Telekom Slovenije.

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, which the IASB published 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 Telekom Slovenije Group and the company Telekom Slovenije anticipate that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group and the Company in the period of initial application.

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

The Telekom Slovenije Group and the company Telekom Slovenije estimate 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. BASIS FOR CONSOLIDATION

The consolidated financial statements comprise the financial statements of Telekom Slovenije and its subsidiaries as at 31 December 2019. Financial statements of the subsidiaries have been prepared for the same reporting year as the financial statements of the parent company using consistent accounting policies. In the event of inconsistencies in accounting policies, individual companies make the relevant modifications in their financial statements, which form the basis for the consolidated financial statements.

SUBSIDIARIES

Subsidiaries are entities controlled indirectly or directly by Telekom Slovenije. The Group controls the subsidiary when it is exposed, or has rights, to variable returns from its involvement with the company to its participation in this company. Control exists when Telekom Slovenije Group has the ability to make financial and business decisions about the company in order to obtain benefits from its operations.

Business combinations are accounted for by using the acquisition method on the date when the Group company controls the subsidiary.

Financial statements of subsidiaries are included in the consolidated financial statements from the date that control starts. Subsidiaries are de-consolidated from the date that control of the parent company or the Group company over the subsidiary ceases. If control over a subsidiary ceases during the year, the consolidated financial statements include the results of the subsidiary until the date that such control over the subsidiary still existed. Upon Group's loss of control, the assets and liabilities of the subsidiary are derecognised and the profit or loss due to the elimination recognised in the income statement.

Consolidated financial statements do not include intragroup transactions, assets and liabilities, equity, revenue and expenses, and cash flows between Group companies.

b. FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the functional currency using the daily exchange rate prevailing on the transaction date. Cash, receivables and liabilities in foreign currency are translated at the exchange rate of the functional currency prevailing at the date of the statement of financial position. Non-monetary assets and liabilities expressed in a foreign currency and measured at historical cost are translated by using the exchange rate applicable on the date of transaction. Non-monetary assets and liabilities expressed in a foreign currency and measured at fair value are valued by using the exchange rate at the date when the fair value was determined. All exchange rate differences are recognised in the income statement, except for differences that arise on restatement of equity instruments measured at fair value through other comprehensive income that are recognised directly in other comprehensive income.

COMPANIES CONDUCTING BUSINESS OPERATIONS IN FOREIGN CURRENCIES

Foreign operations whose functional currency is not euro translate their financial statements into euro as at the reporting date by using the exchange rate of the European Central Bank (ECB), while for the income statement they apply the average exchange rate of the reporting period.

Until the foreign operation is disposed, exchange differences that occur on the translation from the functional into the presentation currency are recorded directly within equity as translation reserve in the statement of other comprehensive income; upon the disposal, these exchange differences are transferred from the translation reserve to the income statement.

c. CASH GENERATING UNIT (CGU)

A cash generating unit (CGU) is the individual group company on the Group level. For Group companies that recorded a negative operating result and disclosed negative equity, or if there were other signs of impairment, the Group assessed the need for impairment. Based on verifying indications of impairment, the Group carried out a valuation of fair values for CGUs: Planet TV, TSmedia and IPKO. A certified business value appraiser carried out a valuation of CGUs for TSmedia and IPKO on 30 November 2019 and for Planet TV on 31 December 2019. According to the report of the certified appraiser, the Group and the Company made the necessary impairments as described below [Note 11].

The fair value measurement of a cash generating unit was categorised at Level 3.

d. INTANGIBLE ASSETS

An item of intangible assets is recognised 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. All intangible assets have finite useful lives, except the item of goodwill.

Goodwill arises upon acquiring a subsidiary or any other entity and is measured at cost less accumulated impairment losses.

The Group and the Company monitor useful lives and residual value of significant items of intangible assets on an annual basis by administrators of these assets and working group; if expectations differ significantly from earlier estimates, amortisation rates are restated for the current and future periods. The effect of such a change is explained in the report of the period in which the change occurred.

Intangible assets are generally **amortised** on a straight-line basis over their estimated useful lives, from the first day of the following month when they are available for use, except for licences, programme rights and concessions that are amortised in the month when their use begins.

Estimated useful lives of intangible assets by year

Groups of intangible assets	Useful lives in years
- concessions	15 to 20
- trademarks	10
- licences	1 to 7
- programme rights – TV contents	1 to 6
- cost of obtaining contracts with customers	1 to 2
- customer list	3 to 5
- computer software – application software	3 to 7
- other concessions, patents, trademarks and licences	3 to 20

Expenditure on licences for the use of the radio frequency spectrum and computer software is capitalised at cost and amortised on a straight-line basis over its estimated useful life, which is from 3 to 20 years (refer to [Note 48](#)).

Cost of obtaining contracts with customers is cost directly connected with obtaining customers and are recorded as intangible assets, when:

- the contract with the customer is signed for a definite period of time (useful life of the asset equals the client's subscription time);
- only agents' commissions for concluded subscription contracts with clients are capitalised (reliably defined cost).

Sales commission are recorded as assets when aforesaid terms and conditions are met. If terminated subscriptions and subsequent accounting of sales commissions would exceed 5% of the annual capitalised commissions, the Group would adequately decrease the intangible assets relating to sales commissions. The termination-related estimate is verified on an annual basis.

Capitalised costs comprise costs of material, direct labour costs and other costs that can be directly attributed to bringing the asset to the condition necessary for the intended use. Project administrators monitor and ensure that only those costs are capitalised that meet the criteria defined.

Development expenditure is recognised under intangible assets if it can be measured reliably, if the process is technically and commercially feasible, if future economic benefits deriving from its use are probable, if sufficient resources are available to complete development and if the entity intends to use or sell the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of an item of property, plant measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the income statement upon derecognition.

The Group and the Company monitor the progress of individual projects and investments through project administrators. Write-off is carried out should it be established that a certain project shall not be finished.

The Group checks on an annual basis the carrying amounts of significant assets in order to establish whether there is any need to impair an item of intangible assets. Significant intangible assets are those whose carrying amount exceeds 5% of the carrying amount of total intangible assets, should they account for at least 5% of total assets' value. Upon assessment of whether this indication of impairment of intangible assets exists, it is checked whether significant technological changes, market changes or a significant decrease in interest rates occurred. If so, the asset's recoverable amount is measured. Impairment is carried out if the recoverable amount of intangible assets exceeds their carrying amount.

The Group and the Company plan positive results and cash flows for the current and coming year, therefore the need for impairment was not established.

Impairment of goodwill is established for the cash generating unit (CGU) at least once a year. Impairment of goodwill requires the valuation of CGU's value in use. Determining the present value of future cash flows requires the management to estimate future cash flows from the CGU and set an appropriate discount rate. Impairment is recognised in the income statement among other operating expenses under the item 'impairment of intangible assets and property, plant and equipment'.

e. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment owned by Group companies are upon its acquisition recorded at cost, which includes all expenditures that are necessary to make the asset ready for its intended use.

Estimated costs of restoring locations for receiving-transmitting stations to their original condition are an integral component of the asset's cost and are amortised over the asset's useful life. Provisions required for establishing the original condition, discounted to present value, are reported under long-term provisions.

The cost of self-constructed assets includes the cost of material and direct labour. Costs of construction of property, plant and equipment that are included in cost are recognised as lower costs within profit or loss.

When an item of property, plant and equipment comprises major components having different useful lives, these components are accounted for as separate items of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment increases the purchase cost if it is probable that future economic benefits will flow to the Group or Company.

The progress of individual projects and investments is on a monthly basis monitored by the Group and the Company through project administrators. Write-off is carried out should it be established that a certain project shall not be finished.

MEASUREMENT UPON RECOGNITION

Property, plant and equipment are upon initial recognition measured at cost less depreciation costs or impairment.

Residual values and useful lives of significant items of property, plant and equipment are reassessed on an annual basis and if expectations differ significantly from earlier estimates, depreciation rates are adjusted for the current and future periods. The effect of the change in estimate is recognised in the financial statements in which the change in estimate occurred.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment.

Estimated useful lives of groups of property, plant and equipment by year

Groups of property, plant and equipment	Useful lives in years
- buildings	50
- electrical and machine installation	15 to 30
- cable lines	33.3
- cable network – air	10
- cable network – land	20 to 25
- exchange switches	5 to 12.5
- other equipment	1 to 15

Land and assets under construction are not depreciated. An item of property, plant and equipment is depreciated when brought to working condition for its intended use on the first day of the following month.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains or losses arising from the disposal or derecognition of an asset are determined as the difference between the disposal proceeds and the carrying amount of the asset and recognised in the income statement.

It is assessed annually via administrators of fixed assets whether there are any internal or external business circumstances (significant technological changes, market changes, obsolescence or physical condition of the asset) that could provide significant indication on the (non-)suitability of useful life or the indication that an item of property, plant and equipment should be impaired. An item of property, plant and equipment is subject to impairment if its carrying amount exceeds its recoverable amount. The recoverable amount equals the fair value less costs of sale or the value in use of the lowest CGU, whichever is higher. 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 recognised in the income statement among other operating income.

f. LEASED 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.

Right-of-use assets are classified in the following groups and, in the case of contracts of indefinite duration, the following useful lives are applied:

Category or leased (ROU) assets	Useful lives in years
Base stations – easement and lease	15
Rental of premises	10
Technological premises – easement and lease	15
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.

g. FINANCIAL ASSETS

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

When a financial asset is recognised for the first time, the classification will depend on the business model for managing financial assets and their contractual cash flow characteristics, and the asset will be classified into one of the following categories:

- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income, or
- financial assets measured at fair value through profit or loss.

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.

Financial assets are recognised at the date of their accrual (settlement date). Upon initial recognition, they are measured at amortised cost using the effective interest rate method.

Any profits and losses are recognised in the profit or loss:

- if the financial asset is derecognised,
- if the financial asset is reclassified into a category measured at fair value through profit or loss,
- as a result of impairment.

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.

Trade receivables without a significant financing component must be measured at the transaction price upon initial recognition.

Financial assets measured at fair value through other comprehensive income

This category includes investments in equity instruments or shares of equity of other companies.

Upon initial recognition of investments in equity instruments not held for trading, the Group companies irrevocably decide to measure these investments at fair value through other comprehensive income. This decision is adopted individually for each asset.

The fair value of investments that are listed on the stock exchange is measured at the closing stock market price on each reporting date.

Assets are recognised or derecognised at the date of purchase or sale.

Any gains or losses arising from changes in fair value are recognised in other comprehensive income and presented directly in capital within the financial instruments fair value reserve in the net amount. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity.

Dividends on such investments are recognised in profit or loss only:

- upon establishment of the company's right to receive a dividend,
- if it is likely that economic benefits arising from the dividend will flow into the company, and
- if it is possible to reliably measure the amount of the dividend,

except if the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets measured at fair value through profit and loss, comprise assets held for trading and assets which have not been classified under the business model into the second category of financial instruments. Gains and losses are recognised as finance income or expenses in the income statement.

Derivative financial instruments are used to hedge a company's exposure to risks arising from financing and investing activities. The method of recognition of gains or losses arising from the change in fair value depends on whether hedge accounting has been applied or not.

IMPAIRMENT OF FINANCIAL ASSETS

The Group and the Company must recognise the value adjustment for expected credit losses associated with financial assets measured at amortised cost, and debt instruments classified into the category at fair value through comprehensive income.

At each reporting date, the value adjustment for the loss incurred must be measured for each financial instrument as an amount that is equivalent to expected credit losses for the entire duration if the credit risk for the said financial instrument has significantly increased since initial recognition.

Credit loss is equal to the present value of the difference between:

- contractual cash flows the Company is entitled to under the contract, and
- cash flows the Company expects to receive.

In measuring the expected credit loss, the following is factored into the calculation:

- probability-weighted amount determined by evaluating the range of possible outcomes,
- time value of money, and
- all relevant and provable information available on the reporting date.

On each reporting date an assessment is performed to determine whether the credit risk of the financial instrument has significantly increased since initial recognition. The Group and the Company must recognise expected credit losses for the entire duration, for all financial instruments where a substantial increase in credit risk has been noted since initial recognition. In this context, they must consider all relevant and provable information, including future-facing information.

If on the reporting date the credit risk for the said financial instrument has significantly increased since initial recognition, the Group measures the value adjustment for the loss incurred for the relevant financial instrument as an amount that is equivalent to expected credit losses over a 12-month period.

For trade receivables and contracts with customers that do not include a significant financing component, a simplified approach is used that requires value adjustment for the loss always to be measured as an amount that is equivalent to expected credit losses in the entire duration.

In 2019, the Group and the Company did not change the estimates, the valuation technique or significant assumptions in assessing the allowance for these financial assets.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset is derecognised when:

- the contractual rights to receive cash flows stemming from the financial asset are transferred,
- contractual rights to receiving cash flows are retained, but an obligation to pay those cash flows to one or more recipients (ultimate beneficiaries) is assumed and there is no obligation to pay any amounts unless the relevant amounts from the underlying asset are received.

On derecognition of a financial asset, the difference between the carrying amount (on the date of derecognition) and the consideration received (including any newly acquired asset, minus any newly-undertaken liability) is recognised in profit or loss, with the exception of investments in shares of other

companies, for which the Group irrevocably decides that it will recognise later changes in fair value in other comprehensive income.

INVESTMENTS OF THE COMPANY TELEKOM SLOVENIJE

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.

Investments in associates and joint ventures are measured at cost less possible impairment losses. Investments are recognised as at the date of purchase or sale, respectively. Assets are recognised or derecognised at the date of purchase or sale. An associate is an entity in which Telekom Slovenije has significant influence but not control over their financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over the operating policies or decisions. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets relating to the arrangement. Telekom Slovenije is a party in a joint arrangement with joint control over said arrangement.

Indications whether there is need for impairment of investments in subsidiaries, associates and joint ventures, are assessed under two criteria, namely:

- comparing the investment's carrying amount with the proportionate share of the carrying amount of the total equity of the associate or the joint venture on the assessment date. Indication of impairment exists when the carrying amount of the investment exceeds on the said date the proportionate share of equity by more than 20%;
- comparing the key ratios for the financial year with projections.

If indication of impairment with subsidiaries, associates or joint ventures exists, the Company engages an independent appraiser to evaluate the recoverable amount of the investment. The recoverable amount is the value, which is higher from the value calculated by applying the future cash flow method or the value calculated on the basis of the fair value method less selling expenses.

h. NON-CURRENT CONTRACT ASSETS

A non-current asset from contracts with customers is the Group's and the Company's right to consideration in exchange for goods or services the Group or the Company has transferred to a customer, that is conditional on something other than the passage of time (e.g. the performance of future obligations). A contract asset arises if goods or services are transferred to a customer before the consideration is paid.

A check should be performed on the reporting date to determine whether contract assets should be impaired. For the purposes of determining impairment of assets from contracts with customers that do not include a significant financing component, the Company will use a simplified approach that requires value adjustment for the loss always to be measured as an amount that is equivalent to expected credit losses in the entire duration. Impairment of contract assets is recognised in the assets from contracts with customers account (i.e. not on the revaluation adjustment account).

i. OTHER NON-CURRENT ASSETS

They mainly represent prepaid costs of leased capacities of the lines not defined under lease according to IFRS 16, programme rights and other non-current assets deferred that are transferred on a straight-line basis to costs, with the transfer commencing on the effective date of the contract. Among other non-current assets, the Group and the Company also disclose the long-term portion of instalment sales.

j. INVESTMENT PROPERTY

Investment property is initially stated at cost comprising the purchase price and costs that may be directly attributed to the acquisition (transaction costs). Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and impairment losses. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis over the useful lives of the assets. Land is not depreciated. Useful life of investment property equals the useful lives of property, plant and equipment.

Indication of impairment is assessed in the same way as for property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected. Gains or losses arising from the derecognition of an item of property calculated as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the income statement for the period during which the item of property is derecognised.

k. ASSETS HELD FOR SALE

Assets, or disposal groups comprising assets and liabilities that are expected to be recovered through sale or distribution rather than through continuing use are classified as held for sale. The sale of these assets must be highly probable and anticipated in the coming 12 months. The sale is highly probable when the Group or the Company receives a written commitment for purchasing the assets and the management adopts the decision on the sale.

Assets are classified among assets held for sale at the lower of their carrying amount and fair value less costs to sell. Assets held for sale are not subject to depreciation.

Impairment losses on assets held for sale are recognised in the income statement among 'other operating expenses', 'impairment of intangible assets and property, plant and equipment' (Note 11).

It is checked on an annual basis whether the asset meets the requirement for being classified as held for sale. If the asset no longer meets this criteria, it is reclassified back as an item of property, plant and equipment. This type of assets are measured at the lower of the following values:

- carrying amount prior to the asset's classification among assets held for sale, adjusted for possible depreciation that would have been recognised in case the assets would not be classified as assets held for sale,
- recoverable amount on the day of the subsequent decision that the assets shall not be sold.

Adjustments of carrying amounts of assets which are no longer treated as assets held for sale are included in the profit or loss for the period when the recognition criteria are no longer met.

l. INVENTORIES

Inventories are initially recognised at cost comprising the purchase price inclusive of discounts granted, import duties and other non-refundable purchase duties, as well as costs directly attributable to the acquisition.

Inventories are accounted for using the moving average price method.

Slow-moving, obsolete or damaged inventories are impaired to their net realisable value, which is lower than the carrying amount or the estimated sales value in the ordinary course of business, less the estimated costs of completion and costs of selling the quantity unit.

m. TRADE AND OTHER RECEIVABLES

On initial recognition, trade receivables are measured at the transaction price, minus impairment losses. Thereafter they are measured at amortised cost.

Allowances for current trade receivables are formed based on experience from past years and future expectations, and based on the creditworthiness of specific customers. The customers' creditworthiness is assessed by means of an internal credit rating model, which is based on the combination of an external credit rating and the payment discipline of corporate customers as well as the payment history of individual customers (Section 47. Financial risk management – Credit risk). Allowances for trade receivables do not include receivables due from subsidiary companies.

Receivables for which individual assessment of collectability was made by management based on reasonable grounds are not taken into account while forming group allowances for trade receivables. Individual assessment of collectability is carried out by taking into account the size of the receivable, in addition to the existence of liabilities due from the same business partner, and additional information and analysis on the partner's financial situation and business operations.

Receivables for which allowances are formed are recorded as disputed receivables. Loss on impairment of receivables is recognised in the income statements and as an allowance of receivables.

n. CURRENT ASSETS FROM CONTRACTS WITH CUSTOMERS

Current assets from contracts with customers are the Group's right to consideration in exchange for goods or services the Group has transferred to a customer and which the Group expects to be executed sooner than in 12 months.

o. SHORT-TERM DEFERRED COSTS

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.

p. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and available bank balances, short-term deposits with up to 3-month maturity, where the risk of fair value change is minimal.

q. 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.

Co-locations billed in advance, which are defined as a service under IFRS 15, are categorised under the category of non-current liabilities from contracts and are transferred among operating revenue according to the contractually agreed term of co-location.

r. PROVISIONS

Provisions are recognised in the financial statements when due to a present (legal or constructive) obligation as a result of a past event, 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.

The obligations with uncertain timing and amount are treated depending on management's estimation of the amount and timing of the obligation and the probability of an outflow of resources embodying economic benefits that will be required to settle the obligation, either legal or constructive.

Contingent liabilities are not recognised as their exact amount could not be established or their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Management of each company assesses on a monthly basis contingent liabilities continually to determine whether an outflow of resource embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, provisions are recognised in the financial statements for the period in which the change in probability occurs.

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 made by the relevant departments or associates. The formation 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. Due to uncertainty, the actual liabilities may differ from the initially assessed. Management's estimates may change if the companies receives new information. Amendments to these estimates can have an essential impact on the business results. The amount of provisions formed for legal actions is disclosed in Note [31. Provisions](#).

Provisions for jubilee benefits and termination benefits are formed on the basis of statutory requirements, the collective agreement and the internal rules and regulations, according to which the companies is obliged to pay jubilee benefits and termination benefits. Employee benefit liabilities are calculated by a certified actuary. Liabilities are formed in the amount of estimated future payments of termination benefits and jubilee benefits discounted at the reporting date. A calculation is made per individual employees taking into account the cost of termination benefits and the cost of all expected jubilee benefits by the time of retirement. At each year-end, the amount of provisions is assessed and either increased or decreased accordingly. This applies mostly for determining the discount rate, the estimate of staff fluctuation and the wage growth. The estimate on these liabilities can change in the future due to the complexity of the actuarial calculation and its long-term nature. Assumptions applied are disclosed in Note [31. Provisions](#).

Provisions for costs of removal of base stations are made for the costs of the removal of receiving-transmitting base stations and the restoration of leased property to its original condition. Provisions are made for costs of the removal of base stations and the restoration of leased property to its original condition. Provisions are considered the best estimate for the removal of base stations and formed by applying the discount rate during the concession's duration. The used discount rate is based on the long-term return rate of the risk-free securities. The cost analysis on the removal of base stations, which is compiled every three years, is used as basis for the estimate. As at the year-end, the Group assesses whether the amount of formed provisions is sufficient; if not the value is properly adjusted.

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.

s. NON-CURRENT OPERATING LIABILITIES

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

t. LONG-TERM ACCRUED LIABILITIES

Long-term deferred revenues comprise prepaid rent, the lease of fibre optics network and co-financed projects. Long-term deferred revenue from leases is recognised among operating revenue over the contractually agreed term of lease. Long-term deferred revenue for co-funded projects refers to cash received from projects, which is not yet revenue, as the costs which these amounts are meant to cover have not been incurred yet. Recognition of such accruals and deferrals is reversed by calculation of eligible costs.

u. BORROWINGS

Interest-bearing borrowings are recognised initially at their fair value less possible costs.

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest rate method. Any differences between initial cost and the redemption value are recognised in the income statement over the period of the loans.

Borrowings are derecognised when all contractual obligations and liabilities are fulfilled, annulled or statute-barred.

v. 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).

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

w. OTHER FINANCIAL LIABILITIES

The item of other financial liabilities includes liabilities arising from bonds, interest rate swap liabilities, and profit distribution (dividends).

Dividends are recognised as a liability in the period in which they are approved at the General Meeting of Shareholders.

Other financial liabilities are upon recognition measured at fair value less possible costs of transaction.

Bonds are upon initial recognition measured at amortised cost by using the effective interest rate method.

x. OPERATING AND OTHER LIABILITIES

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

y. 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. The short-term portion of co-locations is recognised under liabilities from contracts with customers.

z. SHORT-TERM ACCRUED LIABILITIES

Short-term accrued costs and deferred revenue comprise deferred income from international services valued by turnover for which calculations were not yet confirmed, deferred income from sale of prepaid phone cards, deferred income from customer loyalty programme, and other deferred income from invoiced services and goods.

Accrued costs comprise costs of staff holidays not taken, accrued payroll costs, awards and costs of international services assessed on the basis of services rendered for which invoices have not yet been issued, and other accrued costs. Differences between accrual and actual costs are included in profit or loss upon the receipt of invoices. If no invoice is received for the already accrued costs, they are derecognised within 3 years. The latter does not apply in case of costs accounted for international services, whose elimination is assessed individually.

aa. REVENUE

Revenue from contracts with customers is recognised solely on the basis of the contract executed with the customer. It is recognised when goods and services are transferred to the customer in the amount that reflects the compensation expected 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. The Group has identified the following performance obligations:

- service,
- goods.

In the case of contracts with customers with a term of 12 or 24 months that include several performance obligations, the price of the whole transaction is allocated to individual performance obligations on the basis of relative stand-alone selling prices of the goods or services (SSP – stand-alone selling price). SSP is the price at which the goods or services would be sold separately to the customer – not in a bundle and without discounts.

The price of the whole transaction is the amount of the compensation expected in exchange for transferring promised goods or services. The price can be fixed or variable.

Revenue is recognised when the performance obligation is satisfied, i.e. when control of a good or service is transferred to a customer. Control means that the customer has the ability to direct the use of and obtain substantially all of the main benefits from the asset and the ability to prevent others from directing the use of and obtaining the benefits from the asset.

Discounts granted at contract execution are allocated between all performance obligations and are deferred over the contract period. All discounts granted subsequently are recognised in the period for which they were granted, as a revenue decline.

Revenue is recognised in a net amount, exclusive of value added tax, other taxes and related possible discounts.

Revenue relating to the mobile segment includes revenue from connection fees, subscriptions, messages, data transfer, roaming out and additional services (adequate service with added value, M-pay), and revenue from the sale of mobile phones and accessories.

Revenue from the sale of prepaid cards is deferred and recognised in the period when the customer uses prepaid services. Should the customer fail to make use of them, the revenue is recognised when the validity of an individual prepaid account expires.

Revenue from the fixed-line segment comprises revenue from connection fees, subscriptions, conversations, and revenue from the sale of merchandise. Fixed-line services account for revenue from broadband services, classic fixed-line phone services and Centrex, fixed-line data services (services with added value) data communication, IT-services and goods, convergence services and goods, and revenue from other telecommunications services.

Connection fees in the mobile and fixed-line segment are recorded in the period, when the connection of the customer is completed. The subscriptions are accounted by on a monthly basis. Revenue from services with value added is recorded and disclosed on the net basis in the amount of the contractual commission. Revenue from IT services and goods (e.g. system integrations, cloud computing, management of integrated IT solutions) is recorded in relation to the contractual relationship with the customer. In case of providing maintenance services, the revenue is charged on a monthly basis or deferred in the contract period. Revenue generated from the sale of licences or IT products is recognised in the period when the sale is made.

Revenue from wholesale market comprises broad-band access, stream broad-band access, network interconnection, lease of network, national tracking, and inter-operator services.

Revenue from network interconnection is recognised on the basis of the estimated value in view of the traffic that was performed in the previous month. Monthly differences between estimates and actual revenue arise mostly as a result of the tolerance allowed with data about traffic, and the price changes. The tolerance allowed is different in individual contracts but can exceed mostly up to 2% of the contractual value. The said differences are included in profit or loss when the actual balance of revenue is established. Revenue is recognised on the gross basis, as the Group provides services by means of own network and equipment and contractually defined prices. Revenue is recognised in the period when the services are rendered.

Other revenue and other merchandise of the Telekom Slovenije Group include revenue generated through construction and maintenance of network by the company GVO, business IT solutions provided by the company Avtenta, sales and related products of the company Soline, multi-media contents of the company TSmedia and Planet TV and paper goods by the company TSinpo.

Other revenue and merchandise of the company Telekom Slovenije include income from rendering supporting services for subsidiaries, lease of premises and equipment, tourism, other non-telecommunication services, and income from the sale of material and other merchandise.

Revenue from new services mainly comprises income from electricity and financial services (VALÚ Moneta). In the sale of electricity, the Group and the Company act as the principal, therefore revenues are recognised on the gross basis. Excise duty, contributions and use of network for electricity are not included in sales revenue but as deducted liability.

The Group and the Company in all previously mentioned cases observe the policy of concurrent recognition of revenue and costs in the period when the service is rendered or goods supplied, regardless of when the payment was made.

bb. FINANCE INCOME AND FINANCE EXPENSES

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

Dividend income of other companies is recognised on the day when the Group becomes entitled to the dividend.

cc. INCOME TAX EXPENSE

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 items directly recognised in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

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

Deferred tax is calculated using the balance sheet 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 is determined based on the expected method of recovery or settlement of the carrying amounts of assets and liabilities using the tax rates expected in future periods.

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 and deferred tax liabilities are offset if there is a legal right to offset deferred tax assets and deferred income tax liabilities and if the deferred tax is related to the same taxable legal entity and the same taxation authority.

Deferred tax is charged or credited directly to equity, if the tax relates to items that are credited or charged in the same or a different period, directly to equity or other comprehensive income.

dd. STATEMENT OF CASH FLOW

The statement of cash flows is compiled using the indirect method based on data from the balance sheet as at 31 December 2019 and 31 December 2018, the income statement for 2019, and additional information necessary to make adjustments of cash inflows and outflows.

4. FAIR VALUE DETERMINATION

In view of the accounting policies and itemisation, the fair value of financial and non-financial assets and liabilities is to be determined in certain cases. The fair values of individual groups of assets are defined for the purpose of measurement and reporting using the methods described below. With reference to assumptions for determining fair values, additional clarifications are required and thereby stated in the breakdown to individual items of the assets and liabilities.

INVESTMENT PROPERTY

Fair values of investment property must be disclosed on an annual basis. The fair value is established annually with the support of external real property valuers. The fair value defined as the price that would be received in case of the assets' sale or paid for the transfer in an agreed transaction among the market participants as at the date of measurement is used as the basis for assessing the value. During the value's assessment, the suitability of all valuation methods used for measuring the values of ownership rights [i.e. market valuation method, the income approach and the cost-based valuation method] was examined.

INVESTMENTS IN EQUITY INSTRUMENTS

Fair value of investments in equity instruments that are listed on the stock exchange is defined on the basis of the closing stock exchange rate as at the reporting date.

OPERATING AND OTHER RECEIVABLES

Current trade claims are not discounted due to their short-term nature, whereby impairments to fair value are taken into account.

FINANCIAL LIABILITIES

For reporting purposes, the financial liabilities arising from bonds are determined on the basis of the stock exchange quotation as at the reporting date. Financial liabilities arising from lease payments are discounted at the discount rates set annually for new leases or for leases where changes have occurred in the lease terms. The discount rate is determined using the interest rate derived from borrowing costs and based on the interest rate at which the Group and the Company, taking into account credit rating, can obtain a loan for the purchase of property, plant and equipment of a comparable amount [value] and maturity.

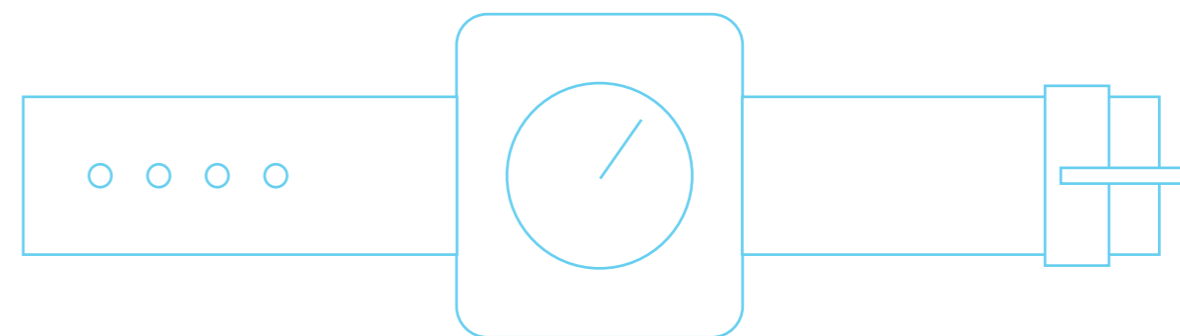
Fair value hierarchy

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.



5. COMPOSITION OF THE TELEKOM SLOVENIJE GROUP

SUBSIDIARIES¹⁰⁶

As of the reporting date, the Telekom Slovenije Group comprises the parent company Telekom Slovenije and the following subsidiaries:

Subsidiaries

Name	Address	Country	Activity	Tax rate	Share in equity in %	Share in voting rights in %		Carrying amount of equity, in EUR thousand		Profit or loss in EUR thousand	
						2019	2018	2019	2018	2019	2018
SLOVENIA											
1	GVD, gradnja in vzdrževanje telekomunikacijskih omrežij, d.o.o.	Slovenija	construction, maintenance works and management of telecommunications network	19%	100%	100%	100%	27,739	24,752	3,184	2,011
2	Avtenta, napredne poslovne rešitve, d.o.o.	Slovenija	system integrator	19%	100%	100%	100%	2,738	2,505	253	380
3	TSmmedia, medijske vsebine in storitve, d.o.o.	Slovenija	multimedia and internet contents	19%	100%	100%	100%	-708	-374	-318	-341
4	SOLINE Pridelava soli, d.o.o.	Slovenija	production of salt and preservation and management of a natural park	19%	100%	100%	100%	2,501	2,639	-114	-91
5	Planet TV, d.o.o.	Slovenija	television activity	19%	100%	100%	66%	-20,681	-11,991	-8,694	-3,841
6	TSinpo, d.o.o.	Slovenija	paper and cardboard tubes	19%	100%	100%	100%	6	72	2	19
7	Optic-Tei, d.o.o.	Slovenija	telecommunication services	19%	100%	100%	100%	5,117	5,116	1	7
8	Infratei, d.o.o.	Slovenija	telecommunication services	19%	100%	100%	100%	4,976	4,974	2	4
9	USTANOVA SRČNI SKLAD*	Slovenija	humanitarian organisation	19%	100%	100%	100%	11	0	8	0

*part of the Group since 1 May 2019.

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Subsidiaries

Name	Address	Country	Activity	Tax rate	Share in equity in %	Share in voting rights in %		Carrying amount of equity, in EUR thousand		Profit or loss in EUR thousand	
						2019	2018	2019	2018	2019	2018
ABROAD											
10	IPKO Telecommunications LLC	Kosovo	telecommunication services	10%	100%	93%	100%	5,288	6,895	-864	-518
11	SIOL, d.o.o., Zagreb	Croatia	telecommunication services	20%	100%	100%	100%	800	807	13	65
12	SIOL d.o.o., Sarajevo	Bosnia and Herzegovina	telecommunication services	10%	100%	100%	100%	1,779	1,764	15	15
13	SIOL, d.o.o., Podgorica	Montenegro	telecommunication services	9%	100%	100%	100%	2,935	2,859	76	70
14	SIOL, d.o.o., Skopje	North Macedonia	telecommunication services	10%	100%	100%	100%	1,852	1,574	277	212
15	SIOL DOO BEOGRAD-PALILULA	Serbia	telecommunication services	15%	100%	100%	100%	425	369	59	36
16	GVO Telecommunication GmbH	Germany	building and maintenance works on telecommunication networks	15%	100%	100%	100%	28	-55	83	4
17	SIOL, d.o.o., Prishtina*	Kosovo	telecommunication services	10%	100%	0	100%	207	0	7	0

*part of the Group since 1 December 2019.

CHANGES IN THE COMPOSITION OF THE GROUP

SIOL PRISHTINA L.L.C.

With the aim of comprehensively managing the regional optic network, the company Telekom Slovenije founded a new 100%-owned subsidiary company SIOL Prishtina. On 16 October 2019, the company was entered in the business register of Kosovo and has been included in the financial statements of the Telekom Group since 1 December 2019, when the company actually started business.

BLICNET

On 2 October 2018, the Group signed a contract with the company "Telekomunikacije Republike Srpske akcionarsko društvo Banja Luka", in reference to the sale of a 100% share of Blicnet d.o.o., Banja Luka, from Bosnia and Herzegovina.

The final price for the purchase of Blicnet d.o.o. was EUR 35,356 thousand. The Group generated profit of EUR 20,879 thousand. The company was eliminated from the consolidated financial statements in 2018.

PLANET TV

Telekom Slovenije implemented the decision of the Arbitral Tribunal of the International Chamber of Commerce (ICC) in the arbitration proceedings between Telekom Slovenije, and Antenna Slovenia B.V. dated 31 October 2019. Accordingly, on 3 December 2019, it registered in the companies and court register of the Republic of Slovenia the transfer of a 34% interest of Antenna Slovenia B.V. in Antenna TV SL and thus became the sole member of Antenna TV SL d.o.o., as well as derecognised the non-controlling stake.

As the transfer of the interest was registered, Telekom Slovenije also changed the name of Antenna TV SL d.o.o., which is now called Planet TV, televizijska dejavnost, d.o.o. [short name: Planet TV d.o.o.].

USTANOVA SRČNI SKLAD

On 25 April 2019, the institution Ustanova Srčni sklad, established by the company Telekom Slovenije, was entered in the court register. The institution pursues a non-profit activity for the collection of donations and subsidies as well as provides financial, material and other assistance to children of the Telekom Slovenije Group employees who have lost one parent, have a serious illness or need treatment.

6. SEGMENT REPORTING

Segment reporting disclosures comply with requirements of the management relating to reporting for internal users. The criterion for segment reporting is the country of a company's headquarters, hence the Group records two segments, namely Slovenia and other countries.

Slovenia – this segment encompasses companies with a registered office in Slovenia and activities in the areas of fixed and mobile telephony telecommunication services, the installation and maintenance of telecommunications network, the provision of multimedia and internet services, and digital content and television. This segment includes: Telekom Slovenije, GVO, Avtenta, TSmedia, Soline, Planet TV, TSinpo, OPTIC-TEL, and Infratel as well as Ustanova Srčni sklad, which organises and collects donations, subsidies and other monetary and non-monetary assets to pursue its charity mission.

Other countries – includes all other Group companies, namely IPKO, SiOL Zagreb, SiOL Sarajevo, SiOL Podgorica, SiOL Skopje, SiOL Beograd, SiOL Pristine and GVO Telekomunikation GmbH. The core activity of this segment is the provision of telecommunication services.

Sale transactions between individual segments are effected at market values. Intragroup transactions are eliminated in the consolidation procedure and included among eliminations and adjustments.

The Group does not disclose finance income and expenses per segments as the Group's financing is centralised and conducted on the level of the parent company. Disclosures on revenue from external sales by type of product are provided in Note 7. Revenue from contracts with customers.

Segment's accounting policies equal those applied by the Group, as outlined in Section 3.

Operating segments 2019

In EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
External sales	618,341	57,076	0	675,417
Intersegment sales	79,798	6,522	-86,320	0
Total segment revenue	698,139	63,598	-86,320	675,417
Other revenue	5,286	2,495	-1,488	6,293
Cost of goods and material sold	-94,184	-2,386	9,570	-87,000
Costs of materials and energy	-20,705	-1,817	7,180	-15,342
Costs of services	-280,641	-21,627	53,547	-248,721
Labour costs	-115,588	-5,733	10,001	-111,320
Amortisation/Depreciation	-147,342	-30,698	3,727	-174,313
Other operating expenses	-14,929	-1,135	2,139	-13,925
Total operating expenses	-673,389	-63,396	86,164	-650,621
Operating profit per segment	30,036	2,697	-1,644	31,089
Finance income				2,911
Finance expenses				-31,048
Profit before tax				2,952
Income tax expense				-705
Deferred taxes				-1,016
Net profit for the period				1,231

Other data by segment 31 December 2019	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Segment assets	1,316,094	136,986	-220,220	1,232,860
Impairment and write-off of non-financial assets	3,438	141	0	3,579
Carrying amount of goodwill	3,718	0	0	3,718
Investments in intangible assets	34,344	25,600	0	59,944
Investments in property, plant and equipment	85,596	8,496	0	94,092
Segment liabilities	688,256	123,672	-169,946	641,982

Revenue by segment in 2019

In EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Mobile services on end-customer market	216,629	32,703	-686	248,646
Fixed-line telephone services on end-customer market	209,069	23,476	-1,495	231,050
New sources of revenue	6,483	0	0	6,483
Wholesale market	153,166	7,419	-10,658	149,927
Other revenue and merchandise	112,792	0	-73,481	39,311
Total net sales revenue	698,139	63,598	-86,320	675,417

In EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Revenue from services rendered	601,944	62,208	-78,319	585,833
Sales revenue - goods	96,195	1,390	-8,001	89,584
Total net sales revenue	698,139	63,598	-86,320	675,417

Operating segments 2018

In EUR thousand	Slovenia	Other countries*	Eliminations and adjustments	Consolidated
External sales	644,107	70,932	12	715,051
Intersegment sales	75,822	19,874	-95,696	0
Total segment revenue	719,929	90,806	-95,684	715,051
Other revenue	16,143	1,267	-1,241	16,169
Cost of goods and material sold	-96,407	-2,939	10,141	-89,205
Costs of materials and energy	-19,781	-2,120	6,201	-15,700
Costs of services	-322,511	-43,505	67,516	-298,500
Labour costs	-114,657	-7,418	9,403	-112,672
Amortisation/Depreciation	-136,769	-31,717	894	-167,592
Other operating expenses	-31,186	-621	2,188	-29,619
Total operating expenses	-721,311	-88,320	96,343	-713,288
Operating profit per segment	14,761	3,753	-582	17,932
Share in profit or loss of associates and joint ventures**	-1			-1
Finance income				23,234
Finance expenses				-7,264
Profit before tax				33,901
Income tax expense				-651
Deferred taxes				72
Net profit for the period				33,322

*Blicnet is included in the consolidated financial statements until 31 December 2018.

**M-pay is included in the consolidated financial statements until 31 December 2018.

Other data by segment 31 December 2018	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Segment assets	1,314,913	142,677	-224,871	1,232,719
Impairment and write-off of non-financial assets	1,655	579	0	2,234
Carrying amount of goodwill	3,718	0	0	3,718
Investments in associates and the joint venture by applying equity method	-1	0	0	-1
Investments in intangible assets	36,867	9,116	0	45,983
Investments in property, plant and equipment	81,554	12,215	0	93,769
Segment liabilities	653,023	107,673	-147,606	613,090

Revenue by segment in 2018

In EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Mobile services on end-customer market	225,064	33,520	-1,569	257,015
Fixed-line telephone services on end-customer market	218,958	36,529	-1,479	254,008
New sources of revenue	4,568	0	-2	4,566
Wholesale market	176,296	20,487	-29,164	167,619
Other revenue and merchandise	95,043	270	-63,470	31,843
Total net sales revenue	719,929	90,806	-95,684	715,051

In EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Revenue from services rendered	624,666	88,586	-87,787	625,465
Sales revenue - goods	95,263	2,220	-7,897	89,586
Total net sales revenue	719,929	90,806	-95,684	715,051

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Mobile services on end-customer market	248,646	257,015	216,629	225,064
Fixed-line telephone services on end-customer market	231,050	254,008	209,069	218,958
New sources of revenue	6,483	4,566	6,483	4,568
Wholesale market	149,927	167,619	151,243	174,704
Other revenue and merchandise	39,311	31,843	18,807	16,378
Total net sales revenue	675,417	715,051	602,231	639,672

The Group and the Company recognise revenue from contracts with customers on the basis of a contract with a customer and when goods and services are passed to the customer in the amount that reflects the compensation to which the Group expects to be entitled. In the case of contracts with customers with a

term of 12 or 24 months that include several performance obligations (e.g. partially subsidised mobile phone or other communication device, bundled with the service), the price of the whole transaction is allocated to individual performance obligations on the basis of relative stand-alone selling prices of the device and service. Under the new rules, the revenue from device sales is recognised immediately, while overall revenue from services (subscription fees) is recognised over the contractual term. In this context, the contract assets are recognised that are associated with the right to consideration for sold goods or services which were rendered, but not billed on the reporting date. Contract assets are transferred under receivables when the customer is billed.

The Group and the Company used the practical expedient provided under IFRS 15.121, and chose not to disclose information about the unsatisfied performance obligations, with the exception of revenue from contracts with customers, which have a term of 12 or 24 months and include multiple performance obligations.

In 2019, the Group recognised EUR 3,242 thousand in revenues, which were included at the start of the period under the balance of liabilities from contracts with customers.

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Revenue from services rendered	585,833	625,465	508,374	545,369
Sales revenue - goods	89,584	89,586	93,857	94,303
Total net sales revenue	675,417	715,051	602,231	639,672

The Telekom Slovenije Group generated EUR 10,983 thousand of revenue from lease in 2019, whereas the company Telekom Slovenije earned EUR 11,711 thousand of revenue from lease.

Net sales revenues of the Telekom Slovenije Group stood at EUR 675.4 million or 6% less than in the same period of 2018, and revenues in 2019 no longer include the revenues of Blicnet, which was sold in 2018.

As for the mobile services on end-customer market, revenue has decreased due to lower revenue from mobile merchandise, mobile subscribers and users of prepaid services, especially because users switched to new, more favourable packages and owing to aggressive competition.

In the fixed-line telephone services on end-customer market, revenue is lower as a result of the expected decrease in revenue from fixed-line phone services (which is the result of a decline in classical connections and their replacement with IP-telephony) as well as due to lower revenue from IT goods and licences.

New sources of revenue include revenue from financial services, energy services, eHealth and insurance, and this revenue in 2019 exceeded that from the previous year mostly due to higher energy-related revenue.

Revenue on the wholesale market was lower than in 2018, chiefly because of decreased revenue from international calls.

Other revenue and merchandise increased compared to 2018 due to higher revenue generated on the market by the companies in Slovenia.

8. OTHER OPERATING REVENUE

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Reversal of provisions	301	997	0	0
Government grants and other aids	964	1,083	318	484
Gains on disposal of property, plant and equipment	680	669	628	630
Revaluation operating revenue	236	9,454	6	10,113
Revenue from write-off of liabilities from contracts with customers	9	12	8	12
Revenue from humanitarian foundation	35	0	0	0
Other revenue	4,068	3,954	1,994	2,359
Total other operating revenue	6,293	16,169	2,954	13,598

Revaluation operating revenue refers to revenue from collected, previously impaired receivables.

Other revenue comprises contractual penalties and court-related expenses.

9. COST OF GOODS SOLD, COSTS OF MATERIALS, ENERGY AND SERVICES

Cost of goods sold

The cost includes mobile and fixed telephony goods and other goods. Mobile telephony goods include mobile phones, whereas fixed telephony goods comprise TV sets, tablets, lap-tops, IT goods, and other goods consist of household equipment, material and electricity.

In 2019, the cost of goods sold of the Telekom Slovenije Group and the company Telekom Slovenije totalled EUR 87,000 thousand and EUR 92,604 thousand respectively.

Costs of materials and energy

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Costs of material	3,718	3,711	1,415	1,545
Costs of energy	11,624	11,989	9,231	9,364
Total costs of materials and energy	15,342	15,700	10,646	10,909

The costs of material mainly include material for maintenance of the network, office supplies and computer accessories, sales promotion material, professional literature and small tools. The bulk of the costs of energy is accounted for by electricity, followed by material and fuel.

Costs of services

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Telecommunications services	115,096	130,286	115,870	138,962
Costs of leased lines, networks and platforms	6,436	8,919	8,752	13,143
Multimedia contents	28,590	33,902	20,020	19,451
Costs of subcontractors	35,403	42,207	28,058	35,264
Maintenance of property, plant and equipment	22,494	22,059	23,624	24,156
Costs of other services	40,702	61,127	31,799	45,832
Total costs of services	248,721	298,500	228,123	276,808

In 2019, costs of services decreased by EUR 49,779 thousand compared to 2018, of which EUR 12,901 thousand was attributable to the change in recognition of lease payments introduced by IFRS 16.

Compared to 2018, the costs of telecommunications services fell due to the decreased volume of international calls. The costs of leased lines, networks and platforms also declined.

The costs of maintenance of property, plant and equipment are lower as a result of optimisation of the costs of access and core network and IT solutions.

The costs of other services in the amount of EUR 40,702 thousand are chiefly composed of advertising and sponsorship costs, the costs of intellectual and personal services, insurance premiums and the costs of other services.

In 2019, the costs related to variable lease payments of Telekom Slovenije Group stood at EUR 113 thousand and of the company Telekom Slovenije at EUR 76 thousand.

10. LABOUR COSTS

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Salaries and compensations	94,599	96,387	72,170	73,261
Social security contributions	18,560	19,240	14,915	15,059
- of which pension insurance contributions	12,081	12,741	9,650	10,010
Other labour costs	12,611	11,111	8,901	7,922
Provisions for jubilee benefits and termination benefits	573	498	369	403
Capitalised own products and services	-15,023	-14,564	-4,585	-4,798
Total labour costs	111,320	112,672	91,770	91,847

Of the total of EUR 16,837 thousand of capitalised own products and services (2018: EUR 16,439 thousand), the **Telekom Slovenije Group** disclosed EUR 15,023 thousand (2018: EUR 14,564 thousand) under labour costs. The rest is disclosed under Other operating expenses (Note 11). Services rendered for the needs of the Group are capitalised among intangible assets and property, plant and equipment (Note 15 and 16).

In 2019, the average number of employees by hours worked in the Telekom Slovenije Group was 3,286.24 (2018: 3,360.67).

Of the total of EUR 5,345 thousand of capitalised own products and services (2018: EUR 5,682 thousand), the **company Telekom Slovenije** disclosed EUR 4,585 thousand (2018: EUR 4,798 thousand) under labour costs. The rest is disclosed under Other operating expenses (Note 11). Services rendered for the needs of the Group are capitalised among intangible assets and property, plant and equipment (Note 15 and 16).

In 2019, the average number of employees by hours worked in the company Telekom Slovenije was 2,102.10 (2018: 2,196.00).

Employee structure by level of education

Level/Number of employees	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Level I-IV	324	348	120	134
Level V	1,049	1,091	740	748
Level VI	708	839	386	393
Level VII	1,181	1,103	817	798
Level VIII	167	149	119	123
Total	3,429	3,530	2,182	2,196

11. OTHER OPERATING EXPENSES

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Provisions	276	423	0	0
Loss on disposal of intangible assets and property, plant and equipment	550	501	533	493
Impairment and write-off of inventories	1,991	1,058	1,063	1,052
Impairment and write-off of operating and other receivables	1,498	0	1,281	0
Adjustment and write-off of contract assets	1,011	1,176	990	1,176
Impairment of intangible assets and property, plant and equipment	0	26	0	1
Impairment of TV contents	6,612	0	0	0
Impairment of leased (ROU) assets	5	0	4	0
Capitalised own products and services	-1,814	-1,875	-760	-884
Other humanitarian expenditure - Srčni sklad	37	0	0	0
Other expenses	3,759	28,310	3,464	27,819
Total other operating expenses	13,925	29,619	6,575	29,657

In 2019, expenditure for provisions was lower for the Group because there were no significant additional provisions for probable liabilities resulting from legal actions (Note 31).

In contracts with customers on long-term subscription contracts (12- or 24-month), contract terminations are recorded as a write-off of contract assets.

Based on the valuation of the cash-generating unit, the **Telekom Slovenije Group** impaired assets of its own production and acquisition in Planet TV in the amount of EUR 6,612 thousand.

Other expenses relate mainly to settlements.

12. FINANCE INCOME AND FINANCE EXPENSES

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Dividend income	159	170	159	170
Other revenue from shares and interests	1,292	18,754	1,292	21,285
Interest revenue	1,441	2,607	5,026	6,267
Net exchange gains	0	0	1	0
Revenue from write-off of liabilities for leased assets	15	0	15	0
Other finance income	4	1,703	4	193
Total finance income	2,911	23,234	6,497	27,915
Interest on bonds issued	1,992	1,992	1,992	1,992
Interest expense	7,915	4,682	7,872	4,706
Foreign exchange net losses	148	362	90	233
Impairments and write-offs of investments	108	0	17,703	54
Impairment and write-off of loans	0	30	7,723	2,132
Interest expenses from right-of-use assets	2,338	0	2,188	0
Other finance expenses	18,547	198	889	163
Total finance expenses	31,048	7,264	38,457	9,280
Financial result	-28,137	15,970	-31,960	18,635

In 2018, finance income from the equity holdings was higher due to the sale of Blicnet, while other finance income in 2018 comprises the recognition of ill goodwill upon the acquisition of INFRATEL.

Other finance expenses of the **Telekom Slovenije Group** include a loss of EUR 17,595 thousand on the acquisition of a 34% minority interest in Planet TV (former Antenna TV SL), claimed on the basis of an arbitration award in the proceedings between Telekom Slovenije and Antenna TV SL Slovenia B.V.

Based on indications of impairment, the **company Telekom Slovenije** verified the fair value of investment in the subsidiary Planet TV. On the basis of the obtained valuation, the Company impaired the investment in the subsidiary Planet TV in the amount of EUR 17,595 thousand (Impairment and write-offs of financial investments) and loans to Planet TV in the amount of EUR 7,723 thousand (Impairment and write-offs of loans).

13. INCOME TAX, DEFERRED TAX ASSETS AND LIABILITIES

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Current tax payable	-705	-651	0	0
Deferred tax assets/ liabilities	-875	224	-1,130	241
Other taxes not disclosed under other items	-141	-152	-141	-152
Total tax	-1,721	-579	-1,271	89

Other taxes not disclosed under other items include the write-off of the withholding tax paid abroad, which cannot be claimed as the Company decreases the tax base entirely by tax reliefs and there is no tax liability.

Alignment of the actual and accounted tax expenses considering the effective tax rate

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Profit or loss before tax	2,952	33,901	1,856	33,938
Income tax using the prescribed tax rate	-561	-6,441	-353	-6,448
Tax-free dividends received	96	134	96	134
Non-taxable profit from disposal of equity interest	0	1,915	0	1,915
Tax incentives used in the current period	885	886	657	693
Reversal of tax incentives used in previous periods	-4	-106	-3	-104
Change in tax rate	0	0	0	0
Non-deductible expenses	-6,991	-2,867	-6,892	-2,593
Deductible expenses/revenues that were non-deductible in previous years	1,270	2,201	1,270	2,200
Tax loss and unused reliefs	4,095	4,444	4,095	4,444
Change in the accounting policy	0	-15	0	0
Other items (corrections, withholding tax)	-511	-730	-141	-152
Total tax with deferred tax	-1,721	-579	-1,271	89
Effective tax rate	58.3%	1.7%	68.5%	0.0%

The tax loss of the **Telekom Slovenije Group** as at 31 December 2019 stood at EUR 143,775 thousand (31 December 2018: EUR 140,861 thousand).

The tax loss of the **company Telekom Slovenije** as at 31 December 2019 equalled EUR 60,069 thousand (31 December 2018: EUR 60,069 thousand).

Deferred tax assets and liabilities are calculated on the basis of temporary differences under the balance sheet liability method using the corporate income tax rate in the following years.

In the period concerned, corporate income was taxed at 19% tax rate (2018: 19%) in Slovenia.

Deferred tax assets

EUR thousand	The Telekom Slovenije Group				Telekom Slovenije			
	2019	2018	Through profit of loss	Through comprehensive income	2019	2018	Through profit of loss	Through comprehensive income
Intangible assets, and property, plant and equipment	17,914	15,271	2,643	0	17,903	15,260	2,643	0
Investments	999	1,115	-89	-27	999	1,115	-89	-27
Operating receivables	2,431	2,961	-530	0	2,262	2,790	-528	0
Tax loss	21,778	24,959	-3,181	0	21,778	24,934	-3,156	0
Provisions	922	909	13	0	603	602	1	0
Deferred tax assets	44,044	45,215	-1,144	-27	43,545	44,701	-1,129	-27

Deferred tax liabilities

EUR thousand	The Telekom Slovenije Group				Telekom Slovenije			
	2019	2018	Through profit of loss	Through comprehensive income	2019	2018	Through profit of loss	Through comprehensive income
Intangible assets, and property, plant and equipment	1,402	1,672	270	0	0	0	0	0
Investments	274	238	0	-36	274	238	0	-36
Deferred tax liabilities	1,676	1,910	270	-36	274	238	0	-36

Movement of deferred tax assets

EUR thousand	The Telekom Slovenije Group	Telekom Slovenije
Balance at 1 January 2018	44,876	44,136
Transition to the new IFRS 15 standard	290	290
Elimination of a subsidiary	-105	0
Elimination / use	-9,716	-9,490
Formation	9,870	9,765
Balance at 31 December 2018	45,215	44,701
Elimination / use	-11,064	-10,867
Formation	9,893	9,711
Balance at 31 December 2019	44,044	43,545

Movement of deferred tax liabilities

EUR thousand	The Telekom Slovenije Group	Telekom Slovenije
Balance at 1 January 2018	1,882	225
Elimination / use	0	0
Formation	28	13
Balance at 31 December 2018	1,910	238
Elimination / use	-270	0
Formation	36	36
Balance at 31 December 2019	1,676	274

14. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period is calculated on the basis of data about the number of outstanding ordinary shares, taking into account any acquisitions and disposals within the period and the time during which the shares participated in the generation of profit.

Diluted net profit per share is not calculated as the Company has no dilutive potential ordinary shares.

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Net profit or loss used attributable to shareholders, owners of ordinary shares of the parent company	1,231	33,322	585	34,027
Weighted average number of ordinary shares for earnings per share	6,505,478	6,505,478	6,505,478	6,505,478
Earnings per share	0.19	5.12	0.09	5.23

Weighted average number of ordinary shares

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Weighted average number of ordinary shares for earnings per share	6,535,478	6,535,478	6,535,478	6,535,478
Less treasury shares of the Company	-30,000	-30,000	-30,000	-30,000
Total	6,505,478	6,505,478	6,505,478	6,505,478

15. INTANGIBLE ASSETS

Concessions refer to the right to use the frequency spectrum GSM, UMTS and LTE on the territory of the Republic of Slovenia, and GSM in Kosovo in the total amount of EUR 75,282 thousand (2018: EUR 76,244 thousand). Useful lives of individual concessions are disclosed in Note 48 in the table Concessions for mobile phone services. Under concessions and licences, the Group also discloses programme rights and licences for use of computer software.

As at 31 December 2019, the carrying amounts of concessions obtained in Slovenia for UMTS amounted to EUR 7,729 thousand (2018: EUR 11,745 thousand), for GSM EUR 27,651 thousand (2018: EUR 30,164 thousand), and for LTE EUR 16,805 thousand (2018: EUR 18,590 thousand). The carrying amounts of concessions for GSM in Kosovo amounted to EUR 10,864 thousand (2018: EUR 14,898 thousand), and for LTE EUR 12,233 thousand (2018: EUR 847 thousand).

The intangible assets also include the value of the customer list from the takeover of the company Debitel in the amount of EUR 1,068 thousand (2018: EUR 2,136 thousand) and the customer list of Intell in the amount of EUR 369 thousand (2018: EUR 715 thousand), and the customer list of IZImobil in the amount of EUR 2,410 thousand (2018: 5,874 thousand).

A valuation of the customer list that occurred with the takeover of the company Debitel was made. For the purpose of valuation, the Group applied earnings-based valuation with the excess earnings method. Within the selected method, earnings which are to be generated by these assets for owners are defined for all recognised assets. Based on this method, the value of the customer list is assessed at EUR 6,176 thousand as at 30 November 2019, with the estimate ranging between EUR 5,749 thousand and EUR 6,626 thousand.

The discount rate used was 9.70% and the required yield on assets 9.70%. It was established that the recoverable value of the customer list exceeds its carrying amount, thus requiring no impairment.

The Intell and IZmobil customer lists did not show any signs of impairment as at 31 December 2019.

An assessment was made of the recoverable amount of goodwill occurring in the acquisition of the company Debitel. For the purpose of valuation, the Group applied earnings-based valuation with the discounted cash flows method. The relevant calculations are based on future cash flow projections made for the company until 2024. The main assumptions used include the growth rate of 2.0 % and the discount rate of 9.07 %. It was established that the recoverable value of the cash generating units (CGUs) exceeds their carrying amount, thus requiring no impairment of goodwill.

THE TELEKOM SLOVENIJE GROUP

Goodwill of EUR 3,718 thousand in the Telekom Slovenije Group occurred during the takeover of companies TSinpo [EUR 115 thousand] in 2017 and the takeover and acquisition of the company Debitel in 2015 [EUR 3,603 thousand].

As at 31 December 2019, the Group disclosed contractual commitments for intangible assets in the amount of EUR 7,074 thousand [2018: EUR 6,661 thousand], which relate to the set-up of computer systems and to software licences.

Changes in intangible assets of the Telekom Slovenije Group in 2019

In EUR thousand	Goodwill	Concessions and licences	Cost of attracting contracts with customers	Software	Other intangible assets	Intangible assets under construction	Total
Cost							
Balance as at 1 January 2019	107,654	322,548	18,423	252,655	65,920	15,904	783,104
Difference from the translation to the presentation currency	0	4	0	0	0	0	4
Increases	0	21,723	0	757	27	35,885	58,392
Fixed assets generated in the Group	0	82	0	105	0	1,365	1,552
Transfer into use	0	6,603	8,131	19,662	791	-35,187	0
Decreases	0	-2,518	-9,871	-191	0	0	-12,580
Write-offs	0	-5,608	0	-6,874	0	0	-12,482
Other transfers*	0	-553	0	-539	0	-3,355	-4,447
Balance at 31 December 2019	107,654	342,281	16,683	265,575	66,738	14,612	813,543
Value adjustment							
Balance as at 1 January 2019	103,936	228,031	9,188	213,058	39,617	267	594,097
Decreases	0	-2,518	-9,871	-169	0	0	-12,558
Write-offs	0	-5,608	0	-6,849	0	0	-12,457
Other transfers*	0	9	0	0	-4,766	0	-4,757
Amortisation	0	34,945	8,627	22,429	5,623	0	71,624
Balance at 31 December 2019	103,936	254,859	7,944	228,469	40,474	267	635,949
Carrying amount							
Balance as at 1 January 2019	3,718	94,517	9,235	39,597	26,303	15,637	189,007
Balance at 31 December 2019	3,718	87,422	8,739	37,106	26,264	14,345	177,594

* Other transfers include transfers between intangible assets and property, plant and equipment, transfers among groups of assets and transfers to inventories.

Changes in intangible assets of the Telekom Slovenije Group in 2018

In EUR thousand	Goodwill	Concessions and licences	Cost of attracting contracts with customers	Software	Other intangible assets	Intangible assets under construction	Other	Total
Cost								
Balance as at 31 December 2017	109,227	324,293	19,413	179,022	53,181	26,387	288	711,811
Effect of the change in the accounting policy	0	0	156	0	0	0	-38	118
Balance as at 1 January 2018	109,227	324,293	19,569	179,022	53,181	26,387	250	711,929
Increases	0	5,160	0	401	3	38,439	0	44,003
Assets generated in the Group	0	0	0	90	0	1,890	0	1,980
Transfer into use	-373	8,065	8,634	25,204	7,490	-49,393	0	-373
Decreases	0	-14,579	-9,780	-2,238	0	-26	-11	-26,634
Write-offs	-1,200	-253	0	-21	0	0	0	-1,474
Other transfers*	0	-138	0	50,197	5,246	-1,393	-239	53,673
Balance as at 31 December 2018	107,654	322,548	18,423	252,655	65,920	15,904	0	783,104
Value adjustment								
Balance as at 31 December 2017	105,136	204,447	9,308	143,953	34,232	267	56	497,399
Effect of the change in the accounting policy	0	0	72	0	0	0	0	72
Balance as at 1 January 2018	105,136	204,447	9,380	143,953	34,232	267	56	497,471
Decreases	0	-11,488	-9,780	-1,802	0	0	-9	-23,079
Write-offs	-1,200	-247	0	-21	0	0	0	-1,468
Other transfers*	0	51	0	48,817	0	0	-48	48,820
Amortisation	0	35,268	9,588	22,111	5,385	0	1	72,353
Balance as at 31 December 2018	103,936	228,031	9,188	213,058	39,617	267	0	594,097
Carrying amount								
Balance as at 31 December 2017	4,091	119,846	10,105	35,069	18,949	26,120	232	214,412
Balance as at 1 January 2018	4,091	119,846	10,189	35,069	18,949	26,120	194	214,458
Balance as at 31 December 2018	3,718	94,517	9,235	39,597	26,303	15,637	0	189,007

* Other transfers include transfers between intangible assets and property, plant and equipment, transfers among groups of assets and transfers to inventories.

Major increases in intangible assets mostly relate to purchase and development of software.

THE COMPANY TELEKOM SLOVENIJE

As at 31 December 2019, the Company disclosed contractual commitments for intangible assets in the amount of EUR 7,924 thousand (2018: EUR 7,039 thousand), which relate to the set-up of computer systems and to software licences.

Changes in intangible assets of the company Telekom Slovenije in 2019

In EUR thousand	Goodwill	Concessions and licences	Cost of attracting contracts with customers	Software	Other intangible assets	Intangible assets under construction	Total
Cost							
Balance as at 1 January 2019	3,602	213,039	18,423	234,491	17,981	14,808	502,344
Increases	0	0	0	0	0	32,582	32,582
Fixed assets generated in the Company	0	0	0	0	0	1,174	1,174
Transfer into use	0	6,332	8,131	19,322	668	-34,453	0
Decreases	0	-2,518	-9,871	0	0	0	-12,389
Other transfers	0	43	0	-1	0	0	42
Balance as at 31 December 2019	3,602	216,896	16,683	253,812	18,649	14,111	523,753
Value adjustment							
Balance as at 1 January 2019	0	136,551	9,188	194,075	7,159	0	346,973
Decreases	0	-2,518	-9,871	0	0	0	-12,389
Other transfers	0	9	0	0	0	0	9
Amortisation	0	22,833	8,627	20,953	4,055	0	56,468
Balance as at 31 December 2019	0	156,875	7,944	215,028	11,214	0	391,061
Carrying amount							
Balance as at 1 January 2019	3,602	76,488	9,235	40,416	10,822	14,808	155,371
Balance as at 31 December 2019	3,602	60,021	8,739	38,784	7,435	14,111	132,692

Changes in intangible assets of the company Telekom Slovenije in 2018

In EUR thousand	Goodwill	Concessions and licences	Sales commissions	Software	Other intangible assets	Intangible assets under construction	Total
Cost							
Balance as at 1 January 2018 restated	3,602	216,729	19,413	160,652	10,881	25,378	436,655
Effect of the change in the accounting policy	0	0	156	0	0	0	156
Balance as at 1 January 2018 restated	3,602	216,729	19,569	160,652	10,881	25,378	436,811
Increases	0	-69	0	0	0	34,597	34,528
Fixed assets generated in the Company	0	0	0	0	0	1,528	1,528
Transfer into use	0	6,060	8,634	24,901	7,100	-46,695	0
Decreases	0	-9,587	-9,780	-984	0	0	-20,351
Other transfers	0	-94	0	49,922	0	0	49,828
Balance as at 31 December 2018	3,602	213,039	18,423	234,491	17,981	14,808	502,344
Value adjustment							
Balance as at 1 January 2018 restated	0	123,215	9,308	126,247	3,472	0	262,242
Effect of the change in the accounting policy	0	0	72	0	0	0	72
Balance as at 1 January 2018 restated	0	123,215	9,380	126,247	3,472	0	262,314
Decreases	0	-9,588	-9,780	-982	0	0	-20,350
Other transfers	0	-3	0	48,829	0	0	48,826
Amortisation	0	22,927	9,588	19,981	3,687	0	56,183
Balance as at 31 December 2018	0	136,551	9,188	194,075	7,159	0	346,973
Carrying amount							
Balance as at 1 January 2018 restated	3,602	93,514	10,105	34,405	7,409	25,378	174,413
Balance as at 1 January 2018 restated	3,602	93,514	10,189	34,405	7,409	25,378	174,497
Balance as at 31 December 2018	3,602	76,488	9,235	40,416	10,822	14,808	155,371

The Group companies have unlimited property rights on intangible assets, which are free of encumbrances.

16. PROPERTY, PLANT AND EQUIPMENT

Significant increases in property, plant and equipment in use refer in 2019 mostly to the construction and upgrade of cable network and obtainment of cable lines, telecommunications and other equipment. The item of other equipment comprises modems, setup boxes, other equipment at clients, furniture, cars and other equipment.

Fixed assets generated in the Group and the Company relate to services that are rendered for the Group and the Company and mostly refer to the set-up of base stations, air-conditioners, electrical power devices and terminal equipment at clients.

THE TELEKOM SLOVENIJE GROUP

Contractual commitments for property, plant and equipment as at 31 December 2019 amounted to EUR 5,582 thousand (2018: EUR 4,206 thousand) and largely refer to the set-up of telecommunications network.

Changes in property, plant and equipment of the Telekom Slovenije Group in 2019

In EUR thousand	Land, buildings, cables and lines	Cable network	Telephone exchanges	Equipment for mobile telephony	Other equipment	Assets under construction	Other	Total
Cost								
Balance as at 1 January 2019	449,929	1,038,255	125,008	518,677	404,568	37,035	167	2,573,639
Difference from the translation to the presentation currency	0	3	0	0	5	-4	0	4
Increases	35	2,551	3	1,170	3,822	72,236	0	79,817
Fixed assets generated in the Group	0	53	0	65	0	14,157	0	14,275
Transfer from assets under construction	14,682	29,374	4,280	8,779	27,695	-84,810	0	0
Decreases	-992	55,416	-10,171	-4,579	-13,709	-5	0	25,960
Write-offs	-50	-163	-7,170	-20,460	-15,640	0	0	-43,483
Other transfers*	41	4,885	0	2,982	416	-3,881	-144	4,299
Balance at 31 December 2019	463,645	1,130,374	111,950	506,634	407,157	34,728	23	2,654,511
Value adjustment								
Balance as at 1 January 2019	180,391	830,767	113,667	456,267	325,517	11,390	0	1,917,999
Difference from the translation to the presentation currency	0	1	0	0	0	0	0	1
Increases	0	0	0	6	72	0	0	78
Decreases	-145	58,745	-10,153	-6,960	-10,426	0	0	31,061
Write-offs	-40	-163	-7,170	-20,409	-15,609	0	0	-43,391
Depreciation	13,074	22,505	4,735	18,441	31,082	0	0	89,837
Other transfers*	0	-2	0	0	5,517	0	0	5,515
Balance at 31 December 2019	193,280	911,853	101,079	447,345	336,153	11,390	0	2,001,100
Carrying amount								
Balance as at 1 January 2019	269,538	207,488	11,341	62,410	79,051	25,645	167	655,640
Balance at 31 December 2019	270,365	218,521	10,871	59,289	71,004	23,338	23	653,411

* Other transfers include transfers between intangible assets and property, plant and equipment, transfers among groups of assets and transfers to inventories.

Of total assets, the Telekom Slovenije Group let assets in the [carrying] amount:

In EUR thousand	Land, buildings, cables and lines	Cable network	Telephone exchanges	Equipment for mobile telephony	Other equipment	Assets under construction	Other	Total
Assets let out under operating lease	20,864	7,218	0	0	1,286	24	0	29,392

Changes in property, plant and equipment of the Telekom Slovenije Group in 2018

In EUR thousand	Land, buildings, cables and lines	Cable network	Telephone exchanges	Equipment for mobile telephony	Other equipment	Assets under construction	Other	Total
Cost								
Balance as at 1 January 2018	449,514	1,005,477	230,960	610,218	429,420	44,215	40	2,769,844
Difference from the translation to the presentation currency	0	-8	0	0	0	0	0	-8
Increases	21	3,804	3	1,760	3,927	64,976	0	74,491
Fixed assets generated in the Group	0	74	0	81	320	13,984	0	14,459
Increase on business combinations	0	4,819	0	0	0	0	0	4,819
Transfer from assets under construction	11,158	28,140	3,635	7,257	31,038	-81,228	0	0
Decreases	-10,468	-349	-109,101	-32,697	-35,442	-3,143	0	-191,200
Write-offs	-315	-1	-414	-19,898	-24,542	-7	0	-45,177
Other transfers*	19	-3,701	-75	-48,044	-153	-1,762	127	-53,589
Balance as at 31 December 2018	449,929	1,038,255	125,008	518,677	404,568	37,035	167	2,573,639
Value adjustment								
Balance as at 1 January 2018	169,507	809,477	218,399	537,834	343,919	11,469	0	2,090,605
Difference from the translation to the presentation currency	2	-1	0	0	4	-1	0	4
Increases	0	0	0	-100	5	0	0	-95
Decreases	-2,949	-1,686	-109,086	-32,508	-27,799	-30	0	-174,058
Write-offs	-315	0	-413	-19,898	-24,099	0	0	-44,725
Impairment	1	0	0	9	-1	15	0	24
Depreciation	14,143	22,978	4,824	19,765	33,478	0	0	95,188
Other transfers*	2	-1	-57	-48,835	10	-63	0	-48,944
Balance as at 31 December 2018	180,391	830,767	113,667	456,267	325,517	11,390	0	1,917,999
Carrying amount								
Balance as at 1 January 2018	280,007	196,000	12,561	72,384	85,501	32,746	40	679,239
Balance as at 31 December 2018	269,538	207,488	11,341	62,410	79,051	25,645	167	655,640

* Other transfers include transfers between intangible assets and property, plant and equipment, transfers among groups of assets and transfers to inventories.

THE COMPANY TELEKOM SLOVENIJE

As at 31 December 2019, the Company disclosed contractual commitments for intangible assets in the amount of EUR 21,686 thousand [2018: EUR 18,483 thousand], which relate to network construction, purchase of telecommunications equipment, purchase and construction of property, power supply and airconditioning, purchase of hardware, personal computers and equipment for provision of services.

Changes in property, plant and equipment of the company Telekom Slovenije in 2019

In EUR thousand	Land, buildings, cables and lines	Cable network	Telephone exchanges	Equipment for mobile telephony	Other equipment	Assets under construction	Total
Cost							
Balance as at 1 January 2019	424,562	969,129	123,842	394,657	385,229	35,670	2,333,089
Increases	0	0	3	0	1,202	80,378	81,583
Fixed assets generated in the Company	0	0	0	0	0	4,171	4,171
Transfer from assets under construction	14,581	29,374	4,270	8,779	26,103	-83,107	0
Decreases	-992	60,866	-10,171	-4,109	-12,160	0	33,434
Write-offs	0	0	-7,170	-7,933	-14,387	0	-29,490
Other transfers	0	-52	0	0	10	0	-42
Balance as at 31 December 2019	438,151	1,059,317	110,774	391,394	385,997	37,112	2,422,745
Value adjustment							
Balance as at 1 January 2019	173,923	788,396	112,452	365,654	315,768	0	1,756,193
Increases	0	0	0	6	69	0	75
Decreases	-145	60,871	-10,153	-4,090	-8,572	0	37,911
Write-offs	0	0	-7,170	-7,903	-14,384	0	-29,457
Other transfers	0	-2	0	0	-7	0	-9
Depreciation	12,526	18,915	4,734	9,645	28,095	0	73,915
Balance as at 31 December 2019	186,304	868,180	99,863	363,312	320,969	0	1,838,628
Carrying amount							
Balance as at 1 January 2019	250,639	180,733	11,390	29,003	69,461	35,670	576,896
Balance as at 31 December 2019	251,847	191,137	10,911	28,082	65,028	37,112	584,117

Of total assets, the company Telekom Slovenije let assets in the [carrying] amount:

In EUR thousand	Land, buildings, cables and lines	Cable network	Telephone exchanges	Equipment for mobile telephony	Other equipment	Assets under construction	Other	Total
Assets let out under operating lease	20,864	400	0	0	78	0	0	21,342

Changes in property, plant and equipment of the company Telekom Slovenije in 2018

In EUR thousand	Land, buildings, cables and lines	Cable network	Telephone exchanges	Equipment for mobile telephony	Other equipment	Assets under construction	Total
Cost							
Balance as at 1 January 2018	414,430	941,178	229,794	489,579	399,928	38,745	2,513,654
Increases	0	0	3	0	1,135	70,495	71,633
Fixed assets generated in the Company	0	0	0	0	0	4,154	4,154
Transfer from assets under construction	10,816	27,951	3,635	7,257	28,059	-77,718	0
Decreases	-369	0	-109,101	-32,446	-20,276	0	-162,192
Write-offs	-315	0	-414	-19,898	-23,699	-6	-44,332
Other transfers	0	0	-75	-49,835	82	0	-49,828
Balance as at 31 December 2018	424,562	969,129	123,842	394,657	385,229	35,670	2,333,089
Value adjustment							
Balance as at 1 January 2018	161,177	770,720	217,184	454,986	327,409	0	1,931,476
Increases	0	0	0	-100	5	0	-95
Decreases	-61	0	-109,086	-32,302	-17,572	0	-159,021
Write-offs	-315	0	-413	-19,898	-23,295	0	-43,921
Impairment	1	0	0	0	0	0	1
Other transfers	13,121	17,676	4,824	11,803	29,155	0	76,579
Depreciation	0	0	-57	-48,835	66	0	-48,826
Balance as at 31 December 2018	173,923	788,396	112,452	365,654	315,768	0	1,756,193
Carrying amount							
Balance as at 1 January 2018	253,253	170,458	12,610	34,593	72,519	38,745	582,178
Balance as at 31 December 2018	250,639	180,733	11,390	29,003	69,461	35,670	576,896

The Group companies have unlimited property rights on property, plant and equipment, which are free of encumbrances.

17. LEASED ASSETS

The Group and the Company have concluded lease contracts for various assets, such as base stations, premises, lines, vehicles and other. Typically, the term of lease contracts is 10–15 years.

Changes in leased assets (right-of-use assets) of the Telekom Slovenije Group in 2019

In EUR thousand	Base stations - lease and easement	Technological premises - lease and easement	Lease of premises and land	Lease of vehicles	Lease of lines	Other	Total
COST							
Balance as at 1 January 2019	46,055	5,287	5,560	2,674	16,137	2,700	78,413
Increases - contract modifications	839	236	2,611	73	67	235	4,061
Transfer to use - new contracts	6,473	1,925	133	157	2,557	335	11,580
Decreases - contract modifications	-387	-3	-24	-262	-40	-1	-717
Write-offs	-324	-93	-48	-101	-229	-4	-799
Other transfers	0	141	4	0	0	-864	-719
Balance as at 31 December 2019	52,656	7,493	8,236	2,541	18,492	2,401	91,819
VALUE ADJUSTMENT							
Balance as at 1 January 2019	0	0	0	0	0	0	0
Write-offs	-117	-29	-48	-81	-3	-1	-279
Depreciation	7,116	892	1,640	1,006	1,571	573	12,798
Balance as at 31 December 2019	6,999	863	1,592	925	1,568	572	12,519
CARRYING AMOUNT							
Balance as at 1 January 2019	46,055	5,287	5,560	2,674	16,137	2,700	78,413
Balance as at 31 December 2019	45,657	6,630	6,644	1,616	16,924	1,829	79,300

The depreciation charge of leased assets in 2019 equalled EUR 12,798 thousand.

Changes in leased assets (right-of-use assets) of the company Telekom Slovenije in 2019

In EUR thousand	Base stations - lease and easement	Technological premises - lease and easement	Lease of premises and land	Lease of vehicles	Lease of lines	Other	Total
COST							
Balance as at 1 January 2019	39,942	4,905	2,187	2,280	33,436	163	82,913
Increases - contract modifications	775	136	1,087	72	66	106	2,242
Transfer to use - new contracts	6,473	1,925	0	87	5,117	70	13,672
Decreases - contract modifications	-387	-3	-24	-259	-40	-1	-714
Write-offs	-311	-63	0	-100	-245	-4	-723
Balance as at 31 December 2019	46,492	6,900	3,250	2,080	38,334	334	97,390
VALUE ADJUSTMENT							
Balance as at 1 January 2019	0	0	0	0	0	0	0
Write-offs	-116	-26	0	-80	-3	-1	-226
Depreciation	5,590	754	576	847	3,229	218	11,214
Balance as at 31 December 2019	5,474	728	576	767	3,226	217	10,988
CARRYING AMOUNT							
Balance as at 1 January 2019	39,942	4,905	2,187	2,280	33,436	163	82,913
Balance as at 31 December 2019	41,018	6,172	2,674	1,313	35,108	117	86,402

The depreciation charge of leased assets in 2019 equalled EUR 11,214 thousand.

18. INVESTMENTS IN SUBSIDIARIES

Telekom Slovenije holds a 100 % interest in the following subsidiaries which at 31 December amounts to:

In EUR thousand	31 December 2018	Increase	Decrease	31 December 2019
GVO	5,758	0	0	5,758
Avtenta	1,323	0	0	1,323
TSmedia	2,485	0	0	2,485
Ipko	20,730	0	0	20,730
Soline	147	0	0	147
SIOL Zagreb	501	0	0	501
SIOL Podgorica	2,620	0	0	2,620
SIOL Sarajevo	1,710	0	0	1,710
SIOL Skopje	1,005	0	0	1,005
SIOL Beograd	100	0	0	100
Planet TV	0	17,595	-17,595	0
TSinpo	169	250	0	419
Ustanova Srčni sklad	0	3	0	3
SIOL Prishtina	0	200	0	200
Investments in subsidiaries	36,548	18,048	-17,595	37,001

Telekom Slovenije verified the existence of indications of impairment and assessed the fair value of the companies IPKO, TSmedia and Planet TV.

Planet TV

Valuation of the company Planet TV as at 31. December 2019 was performed by a certified business appraiser. The recoverable amount of the 100% equity interest in Planet TV for the purpose of financial reporting equals EUR -19,910 thousand.

The discount rate applied in the projection was 10.8% and the assessed long-term growth rate was 2.00%. Sensitivity analysis was made based on weighted average cost of capital in the range from 9.8% to 11.8% (used discount rates from -1.0 to +1.0%) and long-term growth rate between 1.0% and 3.0%, taking into account the used rate of impact on the change in values of expected free cash flows, as evident in the sensitivity analysis table.

Based on the valuation the Company impaired the investment in Planet TV in the amount of EUR 17,595 thousand and additionally short-term loans of EUR 7,723 thousand. More details are stated in [Note 19], Other investments.

Sensitivity analysis - change in NPV of equity		
Impact of change in assumption	-1.00%	+1.00%
G - growth rate	-21,397	-18,041
WACC - discount rate	-17,534	-21,780

Valuations of IPKO and TSmedia did not indicate the need for impairment of the investment.

19. OTHER INVESTMENTS

Long-term investments

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Investments in shares of banks	0	248	0	248
Investments in other shares and interests	4,681	4,619	4,679	4,617
Total available-for-sale investments	4,681	4,867	4,679	4,865
Loans to companies	0	0	85,573	93,933
- of which to companies in the Group	0	0	85,573	93,933
Loans to employees	172	242	169	234
Total loans given	172	242	85,742	94,167
Other non-current financial assets	7	7	0	0
Total non-current investments	4,860	5,116	90,421	99,032

All investments in shares and interests are classified as investments measured at fair value through other comprehensive income.

Of the total EUR 4,681 thousand recorded by the Telekom Slovenije Group and of the total EUR 4,679 thousand recorded by the company Telekom Slovenije, EUR 2,062 thousand (2018: EUR 1,867 thousand) relates to investments that are listed on the stock exchange.

Investments are not pledged as collateral and are free of encumbrances.

Current investments

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Other short-term loans	77	89	10,226	11,180
* of which to companies in the Group	0	0	10,154	11,097
* of which to others	77	89	72	83
Other current financial assets	0	2	0	0
Bank deposits	602	0	0	0
Total short-term investments	679	91	10,226	11,180

Table of loans

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Long-term loans given	172	242	85,742	94,167
Loans given	0	0	85,573	93,933
Loans to employees	172	242	169	234
Short-term loans given	77	89	10,226	11,180
Long-term loan portion falling due in 12 months - loans given	0	0	6,771	6,542
Long-term loan portion falling due in 12 months - loans to employees	77	89	72	83
Short-term loans given and interest	0	0	3,383	4,555
Balance of loans given at the end of the period	249	331	95,968	105,347

The maturity of short-term and long-term loans as well as other data are disclosed in Note 47. [Financial risk management](#).

The interest rate for loans given to employees ranges between 3.70% and 6.23%.

At **Telekom Slovenije**, long-term loans are primarily loans to subsidiaries, accounting for 99.8% of total loans (99.7% in 2018).

The Company impaired the loans granted to Planet TV in the amount of EUR 7,723 thousand. The impairment was recognised on the basis of a valuation of Planet TV (more details in Note 18. [Investments in subsidiaries](#) and 12. [Finance income and finance expenses](#)).

20. NON-CURRENT CONTRACT ASSETS

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Non-current contract assets	3,646	4,519	3,280	4,029
Total non-current contract assets	3,646	4,519	3,280	4,029

Non-current contract assets arise if an entity performs a transfer of goods or services to a customer before the consideration is paid. Buyers of telecommunication goods and services may commit to a certain subscription period [e.g. 24 months] in order to become eligible for discounts on goods and/or services. Due to reclassification of revenue based on the relative standalone price, the revenues from goods are recognised sooner under the new standard, giving rise to contract assets.

Non-current contract assets are impaired if the buyer terminates the contract before expiry. In this case, the contract asset is derecognised and impairment is recognised. In 2019, the Group and the Company impaired contract assets in the amount of EUR 1,011 thousand and EUR 990 thousand respectively.

21. OTHER NON-CURRENT ASSETS

The item of non-current operating receivables of the Group includes the sale of goods with maturity of over one year. As for receivables arising from instalment payments, the relevant allowances are formed for the short-term portion. Prepaid lease payments comprises the costs of leasing line capacities.

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Prepaid lease of capacities	234	10,435	234	10,472
Other fixed assets	12,037	0	11,954	0
Non-current operating receivables	24,454	23,798	24,454	23,803
Programme rights (TV content, TV channels)	6,261	12,527	0	0
Other non-current receivables	437	554	425	565
Total other non-current assets	43,423	47,314	37,067	34,840

22. INVESTMENT PROPERTY

Movement of investment property in 2019

In EUR thousand	The Telekom Slovenije Group			Telekom Slovenije		
	Land	Buildings	Total	Land	Buildings	Total
Cost						
Balance as at 1 January 2019	4,865	1,897	6,762	4,865	1,897	6,762
Increases	0	17	17	0	17	17
Balance as at 31 December 2019	4,865	1,914	6,779	4,865	1,914	6,779
Value adjustment						
Balance as at 1 January 2019	1,689	1,034	2,723	1,689	1,034	2,723
Depreciation	0	54	54	0	54	54
Balance as at 31 December 2019	1,689	1,088	2,777	1,689	1,088	2,777
Carrying amount						
Balance as at 1 January 2019	3,176	863	4,039	3,176	863	4,039
Balance as at 31 December 2019	3,176	826	4,002	3,176	826	4,002

Movement of investment property in 2018

In EUR thousand	The Telekom Slovenije Group			Telekom Slovenije		
	Land	Buildings	Total	Land	Buildings	Total
Cost						
Balance as at 1 January 2018	4,865	1,813	6,678	4,865	1,813	6,678
Increases	0	84	84	0	84	84
Balance as at 31 December 2018	4,865	1,897	6,762	4,865	1,897	6,762
Value adjustment						
Balance as at 1 January 2018	1,689	983	2,672	1,689	983	2,672
Depreciation	0	51	51	0	51	51
Balance as at 31 December 2018	1,689	1,034	2,723	1,689	1,034	2,723
Carrying amount						
Balance as at 1 January 2018	3,176	830	4,006	3,176	830	4,006
Balance as at 31 December 2018	3,176	863	4,039	3,176	863	4,039

The Group and the Company carry investment property at cost less accumulated depreciation and impairment losses. Fair value of investment property is presented in Note 42. [Carrying amounts and fair values](#).

As at 31 December 2019, the Group's investment property included land and building at the Sečovelje salt-pans in the amount of EUR 2,972 thousand, and land, landscaping, treatment plant and building of the Tisa Hotel on Pohorje in the amount of EUR 1,030 thousand.

Revenue generated on investment property in 2019 is recognised in the income statement in the amount of EUR 326 thousand (2018: EUR 359 thousand). The Group recognised expenses relating to investment property in the income statement for 2019 in the amount of EUR 160 thousand (2018: EUR 165 thousand) and disclosed them under cost of material and energy, cost of services, maintenance of property, plant and equipment, costs of other services (Note 9) and under the item of other expenses (Note 11) as other operating expenses.

Telekom Slovenije does not have any limited title to investment property, nor are investments subject to encumbrance.

23. ASSETS HELD FOR SALE

As at 31 December 2019, assets held for sale include land and buildings that the Group companies will no longer use for business purposes and which the companies' managements decided to sell. The sale is scheduled for the next 12 months.

In EUR thousand	The Telekom Slovenije Group	Telekom Slovenije
Balance as at 1 January 2018	754	754
Increases	215	215
Sale	-426	-426
Transfer to property, plant and equipment	-17	-17
Balance as at 31 December 2018	526	526
Increases	26	26
Sale	-52	-52
Balance as at 31 December 2019	500	500

In 2019, assets held for sale increased by EUR 26 thousand and decreased by EUR 52 thousand due to disposal of land and buildings. The Group thus generated EUR 18 thousand in gains on sale, which were recognised in the income statement under Gains on disposal of property, plant and equipment (Note 8). The assets were transferred to assets held for sale at carrying amount.

24. INVENTORIES

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Material	11,139	10,836	9,827	9,931
Products	831	994	0	0
Merchandise	12,650	15,637	10,752	12,615
Total inventories	24,620	27,467	20,579	22,546

Material was valued at its net realisable value at EUR 1.695 thousand (2018: EUR 3,099 thousand) and merchandise at EUR 290 thousand (2018: EUR 441 thousand). Other inventories are valued at their initial cost as the purchase cost of these inventories was lower than their net realisable value. The Group's inventories include no inventories that are pledged for its liabilities.

In 2019, the **Telekom Slovenije Group** wrote off EUR 1,991 thousand of inventories (2018: EUR 1,058 thousand).

In 2019, the **company Telekom Slovenije** wrote off or impaired EUR 1,063 thousand worth of inventories (2018: EUR 525 thousand).

25. OPERATING AND OTHER RECEIVABLES

THE TELEKOM SLOVENIJE GROUP

In EUR thousand	31 December 2019			31 December 2018
	Gross value	Value adjustment	Net value	Net value
Operating receivables	142,261	-15,393	126,868	126,212
Operating receivables due from foreign operators	16,524	-1,914	14,610	13,441
Operating receivables due from domestic operators	5,196	-1,029	4,167	7,755
Total operating receivables	163,981	-18,336	145,645	147,408
Advance payments made	1,103	0	1,103	2,204
VAT and other tax receivables	5,112	0	5,112	5,968
Income tax receivables	684	0	684	572
Other receivables	974	-8	966	37,014
Total other receivables	7,873	-8	7,865	45,758
Total operating and other receivables	171,854	-18,344	153,510	193,166

Operating receivables do not bear interest.

Allowance for receivables

In EUR thousand	31 December 2019	31 December 2018
Balance as at 1 January	-21,177	-36,409
Exclusion of companies	0	1,698
Allowances during the year	-6,287	-7,249
Reversal of allowances	4,718	16,798
Write-offs	4,402	3,985
Closing balance	-18,344	-21,177

Exclusion of companies in the amount of EUR 1,698 thousand refers to the exclusion of the company Blicnet on 31 December 2018.

THE COMPANY TELEKOM SLOVENIJE

In EUR thousand	31 December 2019			31 December 2018
	Gross value	Value adjustment	Net value	Net value
Operating receivables	130,379	-9,042	121,337	121,303
Receivables due from foreign operators	16,919	-1,914	15,005	14,509
Receivables due from domestic operators	5,198	-1,029	4,169	7,742
Total trade receivables	152,496	-11,985	140,511	143,554
Paid advances and warranties	285	0	285	1,110
VAT and other tax receivables	4,066	0	4,066	3,792
Other receivables	733	0	733	36,766
Total other receivables	5,084	0	5,084	41,668
Total operating and other receivables	157,580	-11,985	145,595	185,222

Popravek vrednosti terjatev

In EUR thousand	31 December 2019	31 December 2018
Balance as at 1 January	-14,814	-28,452
Allowances during the year	-5,738	-6,818
Reversal of allowances	4,269	16,698
Write-offs	4,298	3,758
Closing balance	-11,985	-14,814

The method of forming allowances for receivables has not changed in 2019.

26. CURRENT CONTRACT ASSETS

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Current contract assets	14,896	12,099	14,849	12,099
Total current contract assets	14,896	12,099	14,849	12,099

Current contract assets arise mainly from the sale of telecommunication services and goods, where customer contracts comprise the subscription fee and a subsidised service or good, where customers commit to a 12-month contract period and the short-term part of non-current contract assets.

27. SHORT-TERM DEFERRED ASSETS

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Deferred costs	6,219	10,199	3,182	5,634
Accrued revenue for services rendered and goods supplied	139	5,732	219	5,624
Accrued revenue and deferred costs - roaming	7,745	20,780	7,745	22,105
Other	1,053	1,125	961	1,123
Total deferred costs and accrued revenues	15,156	37,836	12,107	34,486

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.

28. CASH AND CASH EQUIVALENTS

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Cash on hand and bank balances	13,212	10,301	1,153	1,631
Short-term bank deposits with maturity of up to three months	7	383	0	380
Total cash and cash equivalents	13,219	10,684	1,153	2,011

Bank balances bear interest at bank interest rates for positive cash balances, while over-night deposits bear interest at contractually agreed rates.

Interest on positive balance on the transaction account of the company Telekom Slovenije accrues at the rate of 0.0% to 0.01%.

Short-term deposits are made for varying periods of between one to three months. Deposits bear interest at interest rates defined for individual deposit periods.

To balance short-term liquidity, the Group and the Company have credit lines or revolving loans in the total amount of EUR 100 million. In 2017, long-term credit lines or revolving loans in the total amount of EUR 70 million were obtained to ensure long-term stand-by liquidity. As at 31 December 2019, these short-term revolving loans and credit lines were utilised in the amount of EUR 0.5 million. As at 31 December 2019, long-term credit lines or revolving loans were not utilised.

Credit lines are outlined by the Group in Note 34. [Borrowings](#).

29. EQUITY AND RESERVES

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
EQUITY AND RESERVES				
Called-up capital	272,721	272,721	272,721	272,721
Capital surplus	181,488	181,488	180,956	180,956
Revenue reserves	106,479	123,492	104,978	121,991
<i>Legal reserves</i>	51,612	51,612	50,434	50,434
<i>Reserves for treasury shares and interests</i>	3,671	3,671	3,671	3,671
<i>Treasury shares and interests</i>	-3,671	-3,671	-3,671	-3,671
<i>Statutory reserve</i>	54,854	54,854	54,544	54,544
<i>Other revenue reserves</i>	13	17,026	0	17,013
Retained profit or loss	31,879	47,938	48,886	60,506
<i>Retained earnings from previous periods</i>	30,648	30,324	48,301	43,493
<i>Profit for the period</i>	1,231	17,614	585	17,013
Fair value reserve for financial instruments	1,171	1,013	1,171	1,013
Fair value reserve for hedging instruments in net amount	-507	-618	-507	-618
Revaluation surplus for actuarial deficits and surpluses	-2,347	-2,356	-2,069	-2,373
Translation reserve	-6	16	0	0
Total equity attributable to owners of the parent company	590,878	623,694	606,136	634,196
Non-controlling interest	0	-4,066	0	0
Total equity and reserves	590,878	619,628	606,136	634,196

CALLED-UP CAPITAL

Authorised, issued and fully paid-up capital amounts to EUR 272,721 thousand and is divided into 6,535,478 ordinary registered no-par value shares. Each ordinary no-par value share has the same share and attributable amount in the share capital.

Ownership structure

Shareholder	31. 12. 2019		31. 12. 2018	
	No. of shares	Share in %	No. of shares	Share in %
Republic of Slovenia	4,087,569	62.54	4,087,569	62.54
Slovenian Sovereign Holding (Slovenski državni holding d.d.) (SSH – SDH)	277,839	4.25	277,839	4.25
Individual shareholders	865,862	13.25	794,839	12.16
Other domestic legal entities	241,336	3.69	211,488	3.24
Kapitalska družba d.d.	365,175	5.59	365,175	5.59
Financial companies and funds	258,652	3.96	445,871	6.82
Foreign legal entities	409,045	6.26	322,697	4.94
Treasury shares	30,000	0.46	30,000	0.46
Total	6,535,478	100.00	6,535,478	100.00

The balances and changes in equity are presented in the statement of changes in equity. There were no changes in the number of issued shares in 2019.

Capital surplus may be used under the conditions and for the purpose set by the law. Capital surplus is not to be appropriated. Movements in capital surplus are outlined in the statement of changes in equity.

Legal reserves are formed in such amount that the sum of legal reserves and capital surplus equals 20% of share capital.

In accordance with the Companies Act, capital surplus and legal reserves can in their excess amount be used to increase share capital from a company's assets and to cover losses brought forward, if revenue reserves are not simultaneously used for payout of profits to shareholders.

As at 31 December 2019, the parent company had 30,000 **treasury shares** (own shares) representing 0.46% of equity. The number of treasury shares has not changed since their acquisition in 2003. Treasury shares in the amount of EUR 3,671 thousand are disclosed as equity's deductible item and at their cost. Reserves for treasury shares are formed in the same amount in compliance with legal requirements.

The Group may acquire treasury shares for the purposes defined in the provisions of Article 247 of the Companies Act (ZGD-1).

Statutory reserves are used for forming the treasury share reserve, for covering losses, for share capital increases, and for covering diverse operating and other risks. The Group companies form statutory reserves until their amount reaches 20% of each company's share capital. These reserves can be used in accordance with the Articles of Association, namely for the share capital increase, for the coverage of current and brought forward loss if this loss cannot be settled by means of any other sources, and for creating treasury shares if no other funds are available.

When compiling the Annual Report, the Group can form **other revenue reserves** up to 50% of net profit for the year, less amounts used for statutory or legal reserves. Other revenue reserves can be used for any purpose in accordance with the law, the Articles of Association, business policy and resolutions adopted by the General Meeting of Shareholders.

RETAINED PROFIT OR LOSS

Retained earnings include retained earnings from previous periods and profit for the period.

Based on the resolution adopted on 30 August 2019 by the General Meeting of Shareholders, the accumulated profit for 2018 in the amount of EUR 38,986 thousand was used for dividend pay-out in the amount of EUR 29,275 thousand, i.e. EUR 4.50 per share (in 2018, dividends for the year 2017 were paid out in the amount of EUR 93,028 thousand or EUR 14.30 per share). The residual part in the amount of EUR 9.712 thousand is brought forward to the next year.

Dividends were paid to the shareholders registered in the share register on the cut-off date of 28 October 2019 as stock holders with the right to dividends or to other parties entitled to dividends. Dividends were paid out on 29 October 2019.

Determination of accumulated profit of Telekom Slovenije for 2019

	in EUR
Net profit/loss for 2019	585,443,85
Retained net profit/loss	31,287,994,29
Decrease in other revenue reserves	17,013,317,97
Decrease in long-term deferred development costs	-18,722,210,63
Total	30,164,545,48

The Management Board and the Supervisory Board decided to recommend to the General Meeting that the distributable profit remains undistributed.

FAIR VALUE RESERVE FOR FINANCIAL INSTRUMENTS

Fair value reserve for financial instruments includes the change in fair value of investments in equity instruments, measured at fair value through other comprehensive income, and the change in fair value of hedging instruments.

Fair value reserve for financial instruments is shown in the statement of other comprehensive income.

RESERVE FOR ACTUARIAL DEFICITS AND SURPLUSES

Reserve for actuarial deficits and surpluses includes changes in the present value of payables to employees due to changed actuarial assumptions and on the basis of experience-based adjustments. The movement in actuarial deficits and surpluses is shown in the statement of changes in equity.

30. NON-CURRENT CONTRACTUAL OBLIGATIONS

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Non-current contractual obligations	528	178	108	133
Co-location billed in advance	10	13,272	10	13,272
Other non-current contractual obligations	581	0	62	0
Total long-term deferred revenue	1,119	13,450	180	13,405

Non-current contractual obligations represent the Group'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. The Group and the Company reclassified the billed co-locations from long-term deferred liabilities. There were no other significant changes in the contractual obligations in the reporting period.

31. PROVISIONS

Changes in provisions of the Telekom Slovenije Group in 2019

In EUR thousand	2018	Utilisation	Derecognition	Formation	Change in discount rate	31. 12. 2019
Provisions for probable liabilities resulting from legal actions	4,674	-7	-16	15	0	4,666
Provisions for termination benefits upon retirement and jubilee benefits	12,226	-220	-311	1,253	270	13,218
Provisions for estimated costs of the removal of receiving-transmitting stations	3,411	-30	0	67	420	3,868
Other provisions	1,352	-168	-271	525	0	1,438
Provisions for restructuring	113	-113	0	103	0	103
Total provisions	21,776	-538	-598	1,963	690	23,293

Changes in provisions of the Telekom Slovenije Group in 2018

In EUR thousand	2017	Exclusion of company	Utilisation	Derecognition	Formation	Change in discount rate	2018
Provisions for probable liabilities resulting from legal actions	34,301	-77	-29,730	-125	305	0	4,674
Provisions for termination benefits upon retirement and jubilee benefits	11,997	0	-189	-262	528	152	12,226
Provisions for estimated costs of the removal of receiving-transmitting stations	3,453	0	-12	-9	61	-82	3,411
Other provisions	1,921	0	-152	-794	377	0	1,352
Provisions for restructuring	5,829	0	-5,716	0	0	0	113
Total provisions	57,501	-77	-35,799	-1,190	1,271	70	21,776

Changes in provisions of the company Telekom Slovenije in 2019

In EUR thousand	2018	Utilisation	Derecognition	Formation	Change in discount rate	31. 12. 2019
Provisions for probable liabilities resulting from legal actions	4,500	0	0	0	0	4,500
Provisions for termination benefits upon retirement and jubilee benefits	10,383	-152	-303	624	211	10,763
Provisions for estimated costs of the removal of receiving-transmitting stations	3,411	-30	0	67	420	3,868
Other provisions	24	-40	0	23	0	7
Provisions for restructuring	113	-113	0	0	0	0
Total provisions	18,431	-335	-303	714	631	19,138

Changes in provisions of the company Telekom Slovenije in 2018

In EUR thousand	2017	Utilisation	Derecognition	Formation	Change in discount rate	31. 12. 2018
Provisions for probable liabilities resulting from legal actions	34,000	-29,500	0	0	0	4,500
Provisions for termination benefits upon retirement and jubilee benefits	10,158	-150	-166	403	138	10,383
Provisions for estimated costs of the removal of receiving-transmitting stations	3,453	-12	-9	61	-82	3,411
Other provisions	70	-100	0	54	0	24
Provisions for restructuring	5,548	-5,435	0	0	0	113
Total provisions	53,229	-35,197	-175	518	56	18,431

PROVISIONS FOR PROBABLE LIABILITIES RESULTING FROM LEGAL ACTIONS

Provisions for probable liabilities resulting from legal actions are created on the basis of the estimated outcome of actions, conducted with a high level of prudence. The date of liability due date cannot be determined. Actions in relation to which provisions were formed are at various stages. The Telekom Slovenije Group was primarily successful in cases finally concluded up to this date, which it also publishes promptly in accordance with the Stock Exchange's rules.

In 2019, the Telekom Slovenije Group and the company Telekom Slovenije did not utilise or establish significant provisions for probable liabilities resulting from legal actions.

Provisions formed based on the management's estimate and legal opinions obtained amount to EUR 4,666 thousand and EUR 4,500 thousand for the Group and the Company respectively.

Total damages claimed in pending legal actions brought against the Telekom Slovenije Group companies amount to EUR 72,677 thousand (2018: EUR 83,882 thousand). Total damages claimed in pending legal actions brought against the company Telekom Slovenije amount to EUR 44,526 thousand. For more details see Note 43. [Contingent liabilities](#).

PROVISIONS FOR TERMINATION AND JUBILEE BENEFITS

Provisions for termination benefits upon retirement are based on actuarial calculations.

The Telekom Slovenije Group

The calculations applied the discount rate of 1.34% or 0.97%, which equals the 2019 year-end yield on 15-year or 10-year corporate bonds from euro area issuers respectively (in 2018, the discount rate was 1.89% and 2.34%, respectively). The employee turnover rate is taken into account according to age intervals, and ranges from 0% to 3.5% (2018: the rate ranged from 0% to 3.5%). Liabilities recorded by individual companies in the Group equal the present value of estimated future payments.

The company Telekom Slovenije

The calculations applied the discount rate of 0.97%, which equals the 2019 year-end yield on 10-year corporate bonds from euro area issuers (in 2018, the discount rate was 2.34%, which was the same as the yield on 15-year corporate bonds in the euro area).

PROVISIONS FOR ESTIMATED COSTS OF THE REMOVAL OF RECEIVING-TRANSMITTING STATIONS

Provisions were formed in the amount of the estimated cost of removal discounted at the discount rate of 1.34% p.a. (2018: 2.34% p.a.), which corresponds to the 15-year yield on corporate bonds from euro area issuers as at the end of December 2019.

PROVISIONS FOR RESTRUCTURING

In 2018, the Group and the Company used provisions for restructuring in the amount of EUR 113 thousand, which were created in the previous reporting period. The Telekom Slovenije Group formed additional provisions in the amount of EUR 103 thousand.

The company Telekom Slovenije did not establish any new provisions for restructuring.

32. NON-CURRENT OPERATING LIABILITIES

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Contractual obligations for programme rights	4,425	2,876	1,500	2,217
Other	18,403	10,835	9,222	10,693
Total non-current operating liabilities	22,828	13,711	10,722	12,910

Other operating liabilities of the Telekom Slovenije Group include frequency fee in Kosovo in the amount of EUR 8,946 thousand.

33. LONG-TERM ACCRUED LIABILITIES

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Long-term deferred revenues - lease of base stations and lines	13,573	0	13,573	0
Other long-term deferred revenue	1,999	2,702	1,902	2,054
Long-term accrued costs and expenses	6,917	0	7,227	0
Total long-term deferred revenue	22,489	2,702	22,702	2,054

The Group and the Company reclassified the billed co-locations from long-term contractual obligations ([Note 32](#)).

34. BORROWINGS

This note provides information about the contractual terms of borrowings. For more information relating to exposure to interest rate risk and foreign currency risk refer to Note 47. [Financial risk management](#).

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Non-current borrowings				
Borrowings from banks	245,340	233,219	245,310	233,126
- Short-term portion of non-current borrowings	-30,538	-22,878	-30,508	-22,816
- Long-term portion of borrowings	214,802	210,341	214,802	210,310
Total long-term portion	214,802	210,341	214,802	210,310
Current borrowings				
Borrowings from banks	500	28,000	500	28,000
Borrowings from companies in the Group	0	0	7,000	500
Short-term portion of non-current borrowings	30,538	22,878	30,508	22,816
Interest	0	19	0	19
Total short-term portion	31,038	50,897	38,008	51,335

Through the parent company Telekom Slovenije, the **Telekom Slovenije Group** has non-current financial liabilities to banks in the form of a long-term syndicated loan and through a Group subsidiary, a long-term loan raised with a domestic bank. The loan comprises three tranches, two of which with respective maturity in 2023 and 2025. The loan is linked to a variable interest rate with mark-ups for individual tranches ranging from 1.35% to 1.65%, and is collateralised by blank bills of exchange. The long-term loan from a domestic bank falls due in 2020 and is subject to interest at the variable rate and mark-up of 3.75%. Current financial liabilities to a bank in the form of short-term liquidity revolving loan of the company Telekom Slovenije for liquidity management is subject to a fixed interest rate equalling 0.55%. This short-term loan is also collateralised by blank bills of exchange.

In addition to drawn, the **company Telekom Slovenije** also has undrawn short-term credit facilities and long-term standby credit facilities or revolving loans with banks secured by blank bills of exchange. Short-term revolving loans mature in 2020 and are subject to fixed or variable interest rates and a mark-up ranging from 0.55% to 2.80%. Long-term revolving loans also fall due in 2020 and are subject to a variable interest rate and a mark-up ranging from 0.80% to 1.1%. A transaction account overdraft contract has also been signed with one of the banks, with a 3.50% interest rate.

Banks that have approved long-term loans require that Telekom Slovenije Group's financial ratios specified in loan agreements be maintained, including: the net financial debt/EBIDTA ratio, the equity's share in total liabilities and equity, and the EBIDTA/finance costs ratio. Failure to achieve these ratios may result in a demand for early repayment of the loans. As at 31 December 2019, all financial covenants on the Group level were achieved.

In addition to the above, the **company Telekom Slovenije** has liabilities to Group companies in the form of a short-term revolving loan falling due in 2020, subject to a 0.00% interest rate. The Company also has an undrawn short-term revolving loan from a Group company linked to a fixed interest rate of 0.73%.

35. NON-CURRENT FINANCIAL LIABILITIES FROM LEASE

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Liabilities arising from leased assets	60,068	0	66,351	0
Total liabilities arising from leased assets	60,068	0	66,351	0

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

36. OTHER NON-CURRENT FINANCIAL LIABILITIES

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Bonds	99,983	99,940	99,983	99,940
Liabilities for interest rate swap	625	763	625	763
Other	33	56	0	0
Total other non-current financial liabilities	100,641	100,759	100,608	100,703

In June 2016 Telekom Slovenije issued bonds with the nominal value of EUR 100,000 thousand, fixed annual interest rate of 1.95% and the maturity date of 10 June 2021. The total issue comprises 100,000 denominations of EUR 1,000. Interest is due for payment on an annual basis, while the nominal value falls due in a full single amount. The bonds are measured at amortised cost by applying the effective interest rate of 1.994%.

In February 2017, an interest rate swap was concluded with the purpose of interest rate hedging, the fair value of which as at 31 December 2019 equalled EUR 625 thousand (2018: EUR 763 thousand). For more details see Note 47. [Financial risk management](#).

37. OPERATING AND OTHER LIABILITIES

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Trade payables	70,269	90,242	64,090	80,407
Liabilities to domestic operators	2,349	4,721	2,337	4,736
Liabilities to foreign operators	10,028	7,103	10,280	8,200
VAT and other tax liabilities	7,249	5,672	5,468	4,721
Liabilities to employees	8,278	8,942	6,636	7,456
Liabilities for advances and securities	3,991	2,525	495	594
Other liabilities	11,178	27,186	10,639	26,423
Total operating and other liabilities	113,342	146,391	99,945	132,537

Operating liabilities are non-interest bearing and are generally settled in the agreed period of 8 to 120 days. Liabilities to operators are also non-interest bearing and are usually settled in an agreed-upon term between 10 and 90 days from the date of the invoice issue.

Other liabilities mostly include liabilities from cession and assignment, liabilities to providers of goods and services (VALÚ-Moneta), liabilities from commission and consignment sale and the short-term portion of recognised agreements for provision of TV contents.

38. CURRENT FINANCIAL LIABILITIES FROM LEASE

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Liabilities arising from leased assets	8,986	0	10,031	0
Total liabilities arising from leased assets	8,986	0	10,031	0

Current financial liabilities from lease represent liabilities for leased assets that are expected to be settled in the next 12 months. Total cash flow for leases is disclosed in the cash flow statement.

39. OTHER CURRENT FINANCIAL LIABILITIES

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Liabilities under bonds issued	1,053	1,053	1,053	1,053
Other financial liabilities	171	209	128	185
Total other current financial liabilities	1,224	1,262	1,181	1,238

40. CURRENT CONTRACTUAL OBLIGATIONS

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Current contractual obligations	0	0	0	0
Short-term co-locations	44	1,621	44	1,621
Other current contractual obligations	6,547	0	3,298	0
Total short-term deferred revenue	6,591	1,621	3,342	1,621

41. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE

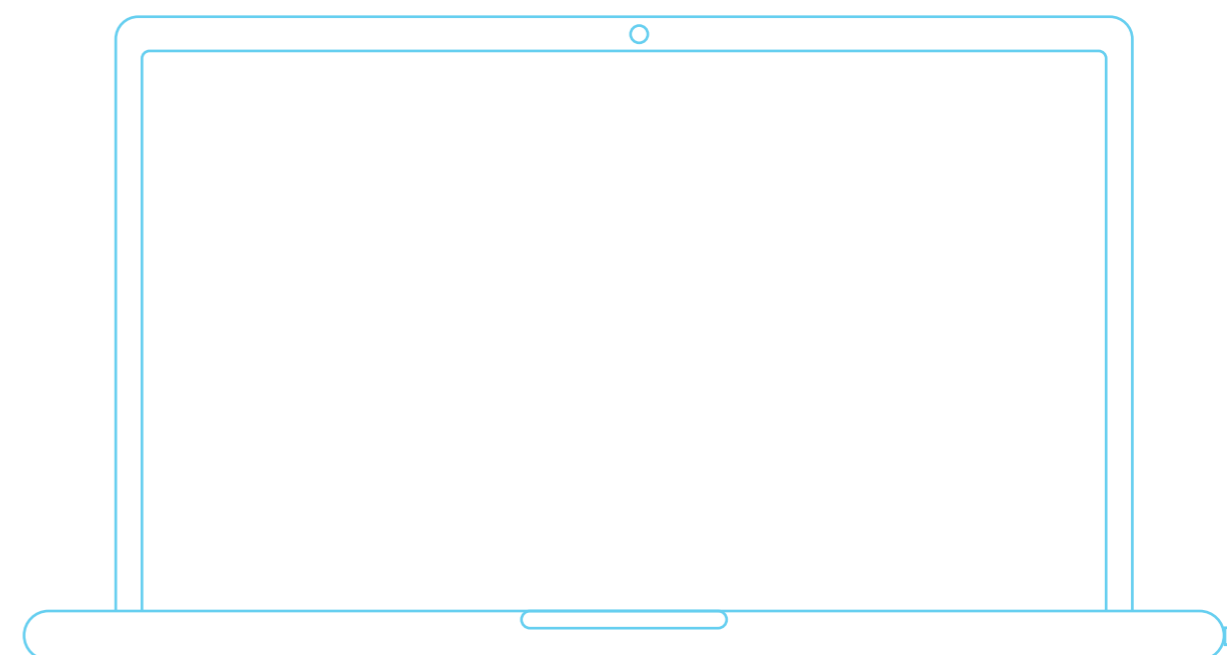
Short-term accrued costs and deferred revenue of the Group and the Company comprise short-term deferred revenues and accrued costs and expenses presented in the tables below.

Short-term deferred revenue

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Accrued lease payments for lines, base stations	1,682	4,781	1,682	1,680
Other deferred revenue	830	2,016	388	1,973
Total short-term deferred revenue	2,512	6,797	2,070	3,653

Short-term accrued costs and expenses

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Accrued costs and expenses for services rendered and goods supplied	14,184	18,934	12,041	15,294
Accrued costs and deferred revenue – international services	10,005	15,065	10,092	19,486
Accrued wages and bonuses	2,712	3,358	2,497	2,815
Accrued costs for unused vacation days	4,106	4,035	3,416	3,300
Other	12	0	0	0
Total accrued costs and expenses	31,019	41,392	28,046	40,895
Total current contractual obligations	33,531	48,189	30,116	44,548



42. CARRYING AMOUNTS AND FAIR VALUES

The table contains data on the classification in terms of fair value hierarchy solely for financial assets and financial liabilities that are measured at fair value and for which fair value is disclosed.

Carrying amounts and fair values of financial instruments of the Telekom Slovenije Group as at 31 December 2019

In EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Investments in shares and interests listed on the stock exchange, measured at fair value through other comprehensive income	2,062	2,062	2,062		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	2,619	2,619			2,619
Loans given	172	172			172
Other non-current financial assets	7	7			7
Current financial assets					
Loans given	77	77			77
Other current financial assets	602	602			602
Non-current financial liabilities					
Bonds	99,983	101,800	101,800		
Borrowings	214,802	214,802			214,802
Liabilities for interest rate swap	625	625		625	
Liabilities arising from leased assets	60,068	60,068			60,068
Current financial liabilities					
Current financial liabilities from bonds	1,053	1,053			1,053
Borrowings	31,038	31,038			31,038
Liabilities arising from leased assets	8,986	8,986			8,986
Other financial liabilities	171	171			171

Carrying amounts and fair values of financial instruments of the Telekom Slovenije Group as at 31 December 2018

In EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Investments in shares and interests listed on the stock exchange, measured at fair value through other comprehensive income	1,867	1,867	1,867		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	3,000	3,000			3,000
Loans given	242	242			242
Current financial assets					
Loans given	89	89			89
Other current financial assets	2	2			2
Non-current financial liabilities					
Bonds	99,940	101,000	101,000		
Borrowings	210,341	210,341			210,341
Liabilities for interest rate swap	763	763		763	
Current financial liabilities					
Bonds	-42	-42			-42
Interest on bonds	1,095	1,095			1,095
Borrowings	50,897	50,897			50,897
Other financial liabilities	209	209			209

Carrying amounts and fair values of financial instruments of the company Telekom Slovenije as at 31 December 2019

In EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Investments in shares and interests listed on the stock exchange, measured at fair value through other comprehensive income	2,062	2,062	2,062		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	2,617	2,617			2,617
Loans given	85,742	85,742			85,742
Current financial assets					
Loans given	10,226	10,226			10,226
Non-current financial liabilities					
Bonds	99,983	101,800	101,800		
Borrowings	214,802	214,802			214,802
Liabilities for interest rate swap	625	625		625	
Liabilities arising from leased assets	66,351	66,351			66,351
Current financial liabilities					
Current financial liabilities from bonds	1,053	1,053			1,053
Borrowings	38,008	38,008			38,008
Liabilities arising from leased assets	10,031	10,031			10,031
Other financial liabilities	128	128			128

Carrying amounts and fair values of financial instruments of the company
Telekom Slovenije as at 31 December 2018

In EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Investments in shares and interests listed on the stock exchange, measured at fair value through other comprehensive income	1,867	1,867	1,867		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	2,998	2,998			2,998
Loans given	94,167	94,167			94,167
Current financial assets					
Loans given	11,180	11,180			11,180
Non-current financial liabilities					
Bonds	99,940	101,000	101,000		
Borrowings	210,310	210,310			210,310
Liabilities for interest rate swap	763	763		763	
Current financial liabilities					
Bonds	-42	-42			-42
Interest on bonds	1,095	1,095			1,095
Borrowings	51,335	51,335			51,335
Other financial liabilities	185	185			185

The Group and the Company did not record any transfers between fair value levels in 2019.

The table does not include operating receivables and liabilities as these are distinctively current and are as a rule settled in less than 180 days.

ASSETS THAT ARE NOT MEASURED AT FAIR VALUE IN THE BALANCE SHEET, BUT OF WHICH THE FAIR VALUE IS DISCLOSED:

Only the company Telekom Slovenije has investment property, so the fair value of investment property of the Group and the Company is equal.

These items of investment property were assessed by a certified property appraiser on 30 November 2019. The market comparison approach was used in the assessment of fair value, decreased by the cost of use. The fair value of the land and building at the Sečovlje salt-pans amounted to EUR 3,147 thousand, and land, landscaping, treatment plant and building of the Tisa Hotel on Pohorje totalled EUR 1,033 thousand.

Carrying amounts and fair values at 31 December 2019

In EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Investment property	4,002	4,180			4,180

Carrying amounts and fair values at 31 December 2018

In EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Investment property	4,039	4,203			4,203

The Group and the Company did not classify the assets and liabilities for which fair value is not measured into any of the fair value categories.

43. CONTINGENT LIABILITIES

LEASES

The Group and the Group companies as lessors

These refer primarily to co-locations, lease of business premises and base stations. For the purpose of determining possible lease payments, sample contracts are provided for regulated services whereby commercial tariffs are applied for unregulated services. The bases for lease payments are prepared under the same terms and conditions as when the Group acts as a lessee. Lease contracts for joint use of premises, co-locations and base stations are mostly concluded for an indefinite period of time. The period of notice is defined at 2 to 12 months.

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Due date				
- up to 1 year	6,645	10,385	7,535	11,534
- from 1 to including 5 years	27,906	32,514	30,724	37,140
- more than 5 years	34,737	30,739	34,143	36,571

The Group and the Group companies as lessees

The Group companies disclose liabilities from operating leases relating to property, plant and equipment. These comprise the lease of lines, business premises, the creation of easement or lease of land or premises for base stations, and functional locations.

Lease payments for lines abroad are formed with respect to the demand and offer and by taking account of framework fees that apply for domestic operators. Inter-operator leases in Slovenia are for most services defined by published price lists. Long-term leases are subject to conclusion of contracts with a fixed-term period of predominantly 15 years.

Lease payments for business premises, base stations and functional locations constitute easement compensation or lease payment defined on the basis of agreements, valuations and the lessors' price lists and a comparison of own price list for lease of premises and base stations. Lease contracts are concluded for a definite or indefinite period of time, while easement agreements are entered into for the period of operation of electronic communication network and the pertaining infrastructure or for a fixed term with the possibility of extension based on new negotiations. Contracts or agreements concluded for an indefinite period of time and for the period of operation can be terminated based on certain conditions. These may be as follows:

- the lessee or the easement beneficiary can terminate the contract in writing within 3 months in case the respective property does not meet the technical requirements or is no longer required;
- the owner can terminate the contract without a notice period if the lessee destroys the building;
- a notice period of 3 to 12 months applies in case the lessee violates provisions of the concluded contract;
- the possibility of termination by the owner within 1 year pursuant to provisions of the Code of Obligations and the Office Buildings and Business Premises Act.

In case of significant lease contracts, where the leased objects could be sold, the same terms and conditions for purchase apply for the Group and the Group companies as lessee[s].

AMOUNTS CLAIMED IN LITIGATION

The Telekom Slovenije Group

In EUR thousand	2019	2018
Amounts claimed in litigation	72,677	83,882

At the reporting date, the Group recorded 94 (2018: 80) pending legal actions brought against it, whereof the largest is SKY NET in the amount of EUR 33,047 thousand.

The relevant cases are at various stages as follows:

- in the commercial dispute brought against Telekom Slovenije by SKY NET, the competent court will decide in a retrial also on the subordinate claim, i.e. fulfilment of contract. The court has not yet decided on the subordinate claim, i.e. fulfilment of contract.

Based on the obtained legal opinions and the estimate of the management, provisions were formed for legal actions in the amount of EUR 4,666 thousand (Note 31. Provisions). As at the reporting date, contingent liabilities from legal action amounted to EUR 68,012 thousand (2018: EUR 25,637 thousand).

The company Telekom Slovenije

In EUR thousand	2019	2018
Amounts claimed in litigation	44,526	56,217

At the reporting date, the Company recorded 47 (2018: 45) pending legal actions brought against it, whereof the largest is SKY NET in the amount of EUR 33,047 thousand.

The relevant cases are at various stages as follows:

- in the commercial dispute brought against Telekom Slovenije by SKY NET, the competent court will decide in a retrial also on the subordinate claim, i.e. fulfilment of contract. The court has not yet decided on the subordinate claim, i.e. fulfilment of contract.

Based on the obtained legal opinions and the estimate of the management, provisions were formed for legal actions in the amount of EUR 4,500 thousand (Note 31. Provisions). As at the reporting date, contingent liabilities amounted to EUR 40,026 thousand (2018: EUR 25,637 thousand).

Given the proceedings' progress, it is difficult to provide an estimate of the completion of individual case with a sufficient degree of certainty.

GUARANTEES ISSUED

The Group and the Company provide the following bonds:

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Performance bonds and warranty bonds	7,369	6,247	5,176	5,135
Contract performance bonds	0	0	1,019	2,080
Other securities	800	545	411	450
Total bonds issued	8,169	6,792	6,606	7,665

A major portion of bonds issued refer to performance bonds and warranty bonds.

Bonds issued between Group companies amount to EUR 1,019 thousand. They refer to collateralisation of contractual obligations and represent bonds of Telekom Slovenije issued to banks for securing subsidiary companies' liabilities.

SUPPORTING LETTER GIVEN TO THE SUBSIDIARIES

The parent company Telekom Slovenije issued, as the sole shareholder of TSmedia, IPKO, SIOL Sarajevo and Planet TV, supporting letters to these companies, in which it declares that it has no intention of terminating operations nor decreasing them significantly, also ensuring that these companies will be able to settle their liabilities from ordinary operations regularly.

None of the stated liabilities meets the terms for recognition among balance sheet items. Thus, no related material consequences are expected for the Group.

44. RELATED PARTY TRANSACTIONS

Related entities are individuals or companies that are related to the Telekom Slovenije Group.

TRANSACTIONS WITH INDIVIDUALS

Related individuals (the Chairman and members of the Management Board, and members of the Supervisory Board) hold a total of 306 shares in the Company, representing an equity holding of 0.00468%.

No loans were extended to related individuals in 2019.

Data on groups of persons in 2019

In EUR thousand	Total gross receipts	Receipts as profit pay-outs based on the resolution of the General Meeting of Shareholders	Loans	
			Unpaid portion at 31. 12. 2019	Repayments in 2019
Total Management Board members	1,033	-	-	-
Members of the Supervisory Board	258	-	-	-
Members of the Supervisory Board committees	17	-	-	-
Other managerial staff employed under contracts that are not subject to the tariff part of the collective agreement	5,616	-	12	9

Data on groups of persons in 2018

In EUR thousand	Total gross receipts	Receipts as profit pay-outs based on the resolution of the General Meeting of Shareholders	Loans	
			Unpaid portion at 31. 12. 2018	Repayments in 2018
Members of the Management Board	919	-	-	-
Members of the Supervisory Board	258	-	-	-
Members of the Supervisory Board committees	21	-	-	-
Other managerial staff employed under contracts that are not subject to the tariff part of the collective agreement	5,711	-	21	7

Loans to other managers and employees in the Group under contracts that are not subject to the tariff part of the collective agreement were approved at interest rates ranging from 4.13% to 4.24% p.a. with a repayment period of up to 20 years.

The Group has not granted any advances or guarantees to the respective groups of persons and has no liabilities to these persons. The Group also did not record any write-offs or waived amounts for these groups.

Remuneration of the members of the Management Board in 2019 (breakdown)

in EUR	Salary	Variable pay*	Other personal earnings	Reimbursement of costs	Holiday allowance	Insurance premiums	Benefits	PDPZ	Total gross**	Total net***
Tomaž Seljak [1 Jan. - 31 Dec.]	154,721	33,474	0	1,444	1,200	710	11,154	2,819	205,522	85,328
Ranko Jelača [1 Jan. - 31 Dec.]	154,720	30,439	0	1,672	1,200	840	5,781	2,819	197,471	91,103
Vida Žurga [1 Feb. - 31 Dec.]	142,146	0	0	1,510	1,100	670	9,074	2,584	157,084	65,101
Špela Fortin [14 Sept. - 31 Dec.]	32,067	0	0	374	0	122	1,045	864	34,472	16,567
Matjaž Beričić [10 Dec. - 31 Dec.]	9,454	0	0	73	0	0	396	171	10,094	4,818
Rudolf Skobe [1 Jan. - 30 Nov.]	141,721	67,422	77,999	423	1,200	670	13,148	2,819	305,402	122,622
Matjaž Merkan [16 Sep. - 15 Nov.]	26,619	0	0	250	304	122	1,444	470	29,209	13,383
Dean Žigon [1 Jan. - 13 Sep.]	76,241	8,521	0	948	1,200	588	4,878	1,991	94,367	42,389
Total	737,689	139,856	77,999	6,694	6,204	3,722	46,920	14,537	1,033,621	441,311

* Variable pay refers to the performance bonus for 2016, 2017 and 2018.

** The total gross amount is the sum of all types of labour costs, including net receipts (reimbursement of costs), insurance premiums, benefits and voluntary supplementary pension insurance (PDPZ).

*** The total net amount comprises the sum of net earnings of Management Board members, inclusive of insurance premiums and benefits, which actually reduce net earnings of Management Board members, and exclusive of PDPZ, which is remitted to the pension company and not to the members personally.

Remuneration of the members of the Management Board in 2018 (breakdown)

in EUR	Salary	Variable pay*	Other personal earnings	Reimbursement of costs	Holiday allowance	Insurance premiums	Benefits	PDPZ	Total gross**	Total net***
Rudolf Skobe [1 Jan. - 31 Dec.]	149,874	19,907	0	1,804	1,161	663	16,626	2,819	192,854	74,885
Tomaž Seljak [1 Jan. - 31 Dec.]	149,874	19,907	0	1,705	1,161	663	10,827	2,819	186,956	78,377
Ranko Jelača [1 Jan. - 31 Dec.]	149,874	16,337	0	1,662	1,161	792	7,196	2,819	179,841	82,433
Aleš Aberšek [1 Jan. - 31 Aug.]	99,575	34,599	62,876	967	774	5,223	4,523	1,879	210,416	84,898
Dean Žigon [24 Apr. - 31 Dec.]	72,517	0	0	882	0	473	4,882	1,936	80,690	35,684
Vesna Lednik [1 Jan. - 22 Apr.]	31,980	32,774	689	367	290	162	1,221	940	68,423	34,702
Total	653,694	123,524	63,565	7,387	4,547	7,976	45,275	13,212	919,180	390,979

* Variable pay refers to the performance bonus for 2015, 2016 and 2017.

** The total gross amount is the sum of all types of labour costs, including net receipts (reimbursement of costs), insurance premiums, benefits and voluntary supplementary pension insurance (PDPZ).

*** The total net amount comprises the sum of net earnings of Management Board members, inclusive of insurance premiums and benefits, which actually reduce net earnings of Management Board members, and exclusive of PDPZ, which is remitted to the pension company and not to the members personally.

The members of the Management Board did not receive any shares in profit, options, commissions or other earnings. All benefits of the Management Board members, except PDPZ, are short-term receipts.

LIABILITIES OF THE TELEKOM SLOVENIJE GROUP

The Telekom Slovenije Group records liabilities to related parties arising from earnings that have not yet been paid out and amount as follows:

In EUR thousand	Total amount of all liabilities 2019	Total amount of all liabilities 2018
Total Management Board members	79	216
Other managerial staff employed under contracts that are not subject to the tariff part of the collective agreement	168	528

Remuneration of the Supervisory Board members in 2019 (breakdown)

in EUR	Attendance fees	Basic pay	Committees	Travel expenses	Liability insurance	Total gross*	Total net**
External members							
Lidija Glavina [1 Jan. - 31 Aug.]	3,685	20,125	2,860	454	296	27,420	19,727
Barbara Gorjup [1 Jan. - 31 Dec.]	5,225	21,107	1,775	0	296	28,403	20,442
Barbara Kürner Čad [1 Jan. - 31 Dec.]	3,700	23,333	3,300	0	296	30,629	22,061
Bernarda Babič [1 Jan. - 31 Dec.]	5,225	20,465	1,775	0	296	27,761	19,975
Dimitrij Marjanović [1 Jan. - 31 Dec.]	3,304	21,000	3,696	0	296	28,296	20,364
Ljubomir Rajšič [1 Jan. - 18 Jun.]	1,650	10,617	440	3,188	296	16,191	9,931
Barbara Cerovšek Zupančič [1 Sep. - 31 Dec.]	1,815	7,267	1,100	0	0	10,182	7,406
Igor Rozman [1 Sep. - 31 Dec.]	1,815	7,802	1,100	0	0	10,717	7,795
Internal members							
Drago Kijevčanin [1 Jan. - 31 Dec.]	3,084	21,894	3,916	107	296	29,297	21,093
Dušan Pišek [1 Jan. - 31 Dec.]	5,225	17,500	1,540	0	296	24,561	17,648
Jana Žižek Kuhar [1 Jan. - 31 Dec.]	5,500	17,500	880	0	296	24,176	17,368
Total	40,228	188,610	22,382	3,749	2,664	257,633	183,810

* The total gross amount includes the sum of all attendance fees, basic salaries for performing the function and payments for participating in committees, including net earnings (travel expenses) and liability insurance.

** The total net amount represents the sum of Supervisory Board members' net earnings, inclusive of liability insurance, which actually reduce net earnings, together with travel expenses.

Remuneration of the Supervisory Board members in 2018 (breakdown)

in EUR	Attendance fees	Basic pay	Committees	Travel expenses	Liability insurance	Total gross*	Total net**
External members							
Lidija Glavina [1 Jan. - 31 Dec.]	4,620	28,000	2,068	0	233	34,921	25,170
Barbara Gorjup [1 Jan. - 31 Dec.]	3,575	21,000	3,425	0	233	28,233	20,306
Barbara Kürner Čad [1 Jan. - 31 Dec.]	4,345	21,000	2,068	0	233	27,646	19,879
Bernarda Babič [1 Jan. - 31 Dec.]	3,850	20,650	3,150	0	233	27,883	20,051
Dimitrij Marjanović [1 Jan. - 31 Dec.]	3,575	21,000	3,425	0	233	28,233	20,306
Ljubomir Rajšič [1 Jan. - 31 Dec.]	4,070	21,000	1,100	8,054	233	34,457	20,854
Internal members							
Primož Per [1 Jan. - 18 Sep.]	2,805	12,927	836	0	233	16,801	11,992
Samo Podgornik [1 Jan. - 18 Sep.]	2,530	15,622	2,112	0	233	20,497	14,680
Dean Žigon [1 Jan. - 22 Jan.]	220	1,325	396	0	0	1,941	1,411
Urban Škrjanc [14 Feb. - 18 Sep.]	1,815	10,250	220	0	233	12,518	8,877
Drago Kijevčanin [19 Sep. - 31 Dec.]	1,815	6,141	1,892	0	0	9,848	7,162
Dušan Pišek [19 Sep. - 31 Dec.]	1,815	4,958	660	0	0	7,433	5,406
Jana Žižek Kuhar [19 Sep. - 31 Dec.]	1,815	4,958	440	0	0	7,213	5,246
Total	36,850	188,831	21,792	8,054	2,097	257,624	181,340

* The total gross amount includes the sum of all attendance fees, basic salaries for performing the function and payments for participating in committees, including net earnings (travel expenses) and liability insurance.

** The total net amount represents the sum of supervisory board members' net earnings, inclusive of liability insurance, which actually reduce net earnings, together with travel expenses.

In 2019, the members of the Supervisory Board were trained in various areas of supervisory board activities. The total cost of training and education was EUR 2,202.50. The members of the Supervisory Board received no other payments.

Remuneration of the members of the Supervisory Board committees in 2019 (breakdown)

in EUR	Attendance fees	Basic pay	Committees	Travel expenses	Liability insurance	Total gross*	Total net**
External committee members							
Barbara Nose [1 Jan. - 31 Dec.]	0	10,500	2,376	0	0	12,876	9,365
Slavko Ovčina [1 Jan. - 16 Apr.]	0	2,061	0	0	0	2,061	1,499
Boštjan Koler [4 Jul. - 23 Jul.]	0	583	220	0	0	803	584
Alenka Stanič [4 Jul. - 23 Jul.]	0	583	220	0	0	803	584
Gregor Rajšp [8 Jul. - 23 Jul.]	0	583	220	0	0	803	584
Total	0	14,310	3,036	0	0	17,346	12,616

* The total gross amount includes the sum of the basic salary for performing the function and payments for participating in committees.

** The total net amount refers to net earnings of the members of the Supervisory Board committees.

Remuneration of the members of the Supervisory Board committees in 2018 (breakdown)

in EUR	Attendance fees	Basic pay	Committees	Travel expenses	Liability insurance	Total gross*	Total net**
External committee members							
Barbara Nose [1 Jan. - 31 Dec.]		10,500	2,728	0	0	13,228	9,621
Slavko Ovčina [1 Jan. - 31 Dec.]		7,000	1,100	50	0	8,150	5,927
Total	0	17,500	3,828	50	0	21,378	15,548

* The total gross amount includes the sum of the basic salary for performing the function and payments for participating in committees.

** The total net amount refers to net earnings of the members of the Supervisory Board committees.

Members of the Management Board and the Supervisory Board of Telekom Slovenije are members of supervisory or management boards of other companies or owners of other companies with which the company Telekom Slovenije conducts business. All related party transactions are carried out at market prices.

TRANSACTIONS WITH COMPANIES IN THE GROUP

All transactions with companies in the Group are performed under market conditions applicable for transactions with unrelated parties.

The company Telekom Slovenije

In EUR thousand	31. 12. 2019	31. 12. 2018
Receivables due from companies in the Group	5,925	7,388
Subsidiaries	5,925	7,388
Loans to companies in the Group	95,727	105,030
Subsidiaries	95,727	105,030
Liabilities to companies in the Group	35,544	20,482
Subsidiaries	35,544	20,482

In EUR thousand	I - XII 2019	I - XII 2018
Net revenue in the Group	15,887	21,739
Subsidiaries	15,887	21,739
Purchase of material and services in the Group	22,610	37,762
Subsidiaries	22,610	37,762

The Company generates revenue by selling material to the company GVO, by leasing business premises and property, plant and equipment, rendering telecommunication services and implementing the services of business support. Telekom Slovenije settles the costs of investment construction, maintenance and elimination of defects.

TSmedia pays for telecommunications services and call centre services, maintenance, development and purchase of multimedia platforms and contents, business support services and lease of outdoor digital screens and business premises. To the parent company it charges the sale and management of multimedia services and contents, the use of the BiziPro business application, services related to the universal directory enquiry and 1977 services as well as management of advertisements and sale of advertising space. It also receives revenue from telephone directory, Bizi.si business directory and services of call centre, which Telekom Slovenije charges to end users through a joint invoice.

The Company charges to the subsidiary Avtenta the lease of business premises, communications services at the location and support activity services and pays to it the costs of ICT services.

Telekom Slovenije charges to the subsidiary IPKO international IP services, roaming services of its users, traffic transiting services and system lease services. The subsidiary charges to the parent company lease of lines and international telecommunications services as well as services related to user roaming.

Prices between companies are formed on the same basis as for other users.

As at the reporting date, the amount of performance bonds issued by Telekom Slovenije to its subsidiaries equalled EUR 1,019 thousand [2018: EUR 2,080 thousand].

Loans given to subsidiaries

In EUR thousand	Telekom Slovenije	
	31. 12. 2019	31. 12. 2018
GVO, d.o.o.	0	1,502
TSmedia, d.o.o.	1,621	1,711
IPKO d.o.o.	71,649	80,788
SOLINE d.o.o.	1,419	1,302
SIOL d.o.o., Zagreb	350	161
SiOL d.o.o. Sarajevo	5,790	6,980
SIOL D00EL Skopje	0	60
SIOL, d.o.o. Beograd	170	280
Planet TV, d.o.o.	10,523	12,211
TSinpo, d.o.o.	0	35
SIOL, d.o.o. Prishtina	4,205	0
Total for related companies	95,727	105,030

TRANSACTIONS WITH OWNERS AND THEIR RELATED COMPANIES

The largest owner of Telekom Slovenije is the Republic of Slovenia, which holds together with the Slovenian Sovereign Holding – SSH (Slovenski državni holding – SDH) a 66.79% share in the company Telekom Slovenije.

Companies related to the owners are those in which the Republic of Slovenia and the SSH hold in total a share of 20% minimum. The list of these companies is published on the website of the SSH [<http://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb>].

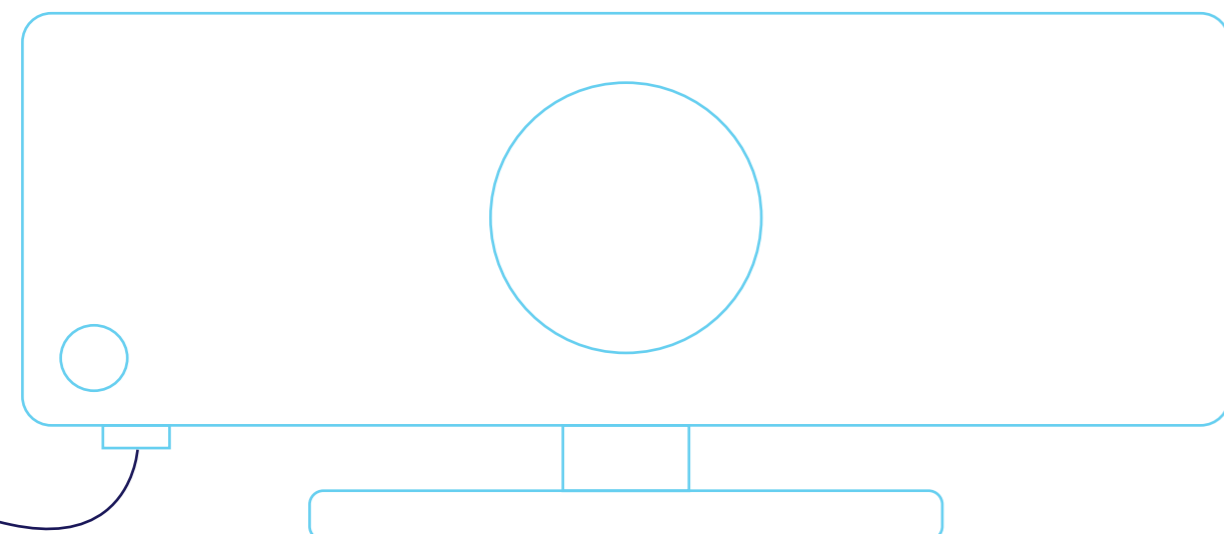
The total value of transactions is outlined in the table below.

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Outstanding operating receivables	4,414	4,980	3,056	4,739
Outstanding operating liabilities	2,269	2,660	1,982	2,535
In EUR thousand	2019	2018	2019	2018
Operating revenue	24,674	22,532	17,222	21,857
Purchase costs of material and services	10,075	11,763	8,892	10,763

All related party transactions are carried out under market prices.

45. AUDITOR'S FEE

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	2019	2018	2019	2018
Audit services	138	144	92	92
Other assurance engagements	3	29	3	26
Other non-audit services	28	3	24	1
Total auditor's fees	169	176	119	119



46. CATEGORIES OF FINANCIAL INSTRUMENTS

The Group classified financial instruments into groups as shown in the table below.

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Financial assets				
Cash and cash equivalents	13,219	10,684	1,153	2,011
Bank deposits	602	0	0	0
Financial assets measured at fair value through profit or loss	4,688	4,876	4,679	4,865
Other short-term investments	4,688	4,876	4,679	4,865
Investments in loans and receivables	153,759	193,497	241,563	290,569
Loans given	249	331	95,968	105,347
Operating and other receivables	153,510	193,166	145,595	185,222
Financial assets measured at fair value through other comprehensive income	0	0	37,001	36,548
Investments in shares and interests of companies	0	0	37,001	36,548
Financial liabilities				
Derivative financial instruments	69,679	763	77,007	763
Financial liabilities from lease	69,054	0	76,382	0
Liabilities for interest rate swap	625	763	625	763
Held to maturity	483,250	522,598	464,641	508,270
Operating liabilities	136,170	160,102	110,667	145,447
Borrowings	245,840	261,238	252,810	261,645
Liabilities under bonds issued	101,036	100,993	101,036	100,993
Liabilities for dividends	204	265	128	185

The Group and the Company did not reclassify these instruments to other groups during the year.

47. FINANCIAL RISK MANAGEMENT

The most significant financial risks the Telekom Slovenije Group is exposed to in the course of its operations are credit risk, long-term and short-term liquidity risk and interest rate risk. Exposure to individual types of financial risks and measures for their management are conducted and assessed by the Telekom Slovenije Group on the basis of effects on cash flows and the income statement. Below we present major financial risks, which are regularly assessed by the Group and for which the risk management measures are verified by the Group in compliance with the adopted policy.

CREDIT RISK

Credit risk is the risk of financial loss if a client or party to an agreement does not settle its obligations in full or at all.

The maximum exposure to credit risk equals the carrying amount of financial assets.

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Loans given	249	331	95,968	105,347
Investments	602	2	0	0
Operating and other receivables	153,510	193,166	145,595	185,222
- of which trade receivables	145,645	147,408	140,511	143,554
Cash and cash equivalents	13,219	10,684	1,153	2,011
TOTAL	167,580	10,684	242,716	292,580

The Group ensures the investments are properly diversified, so the concentration risk is low.

The credit risk or the counterparty risk refers mostly to non-payment of liabilities by customers (retail sale) and by operators (wholesale). Trade receivables represent the maximum exposure to credit risk. As at 31 December 2019, these amounted to EUR 145,645 thousand, having decreased by EUR 1,763 thousand compared to the 2018 year-end. Most of the Group's operating and other receivables refer to Telekom Slovenije. Most receivables are not secured. The Group records receivables due from a large number of natural persons and legal entities. The biggest buyers of the Group are operators, with which transactions are as a rule two-way, decreasing net credit exposure. We have assessed that no major credit risk concentration exists in relation to a particular client or industry.

The Group companies introduced various procedures for managing receivables that include the monitoring of business partners' credit rating, collateralisation of receivables, monitoring of subscribers' traffic, and the collection of bad debts. The collection procedure is conducted according to a pre-defined time schedule (reminders and disconnection) and via specialised outsourced collectors. At Telekom Slovenije, entering or changing a subscription, purchasing goods and deferring payment requires preliminary authorisation. As an additional measure for managing credit risk, the larger Group companies implemented systems to prevent frauds i.e. Fraud Management System (FMS). Telekom Slovenije, which has the most post-paid customers, also has in place the Credit Management System (CMS).

As a result of introduced procedures for managing receivables, the Group assesses credit risk as manageable.

The Telekom Slovenije Group and the Company monitor credit risks also in other segments of business operations. Bank balances are allocated according to the principle of minimising risks and observing proper diversification. The Group is also exposed to risk in relation to loans given to employees and investments in short-term deposits. The lending risk is low, as these loan repayments are for the most part settled through payroll, whereas risk in other investments is managed by applying proper portfolio diversification principles and tracking the individual banks' credit rating.

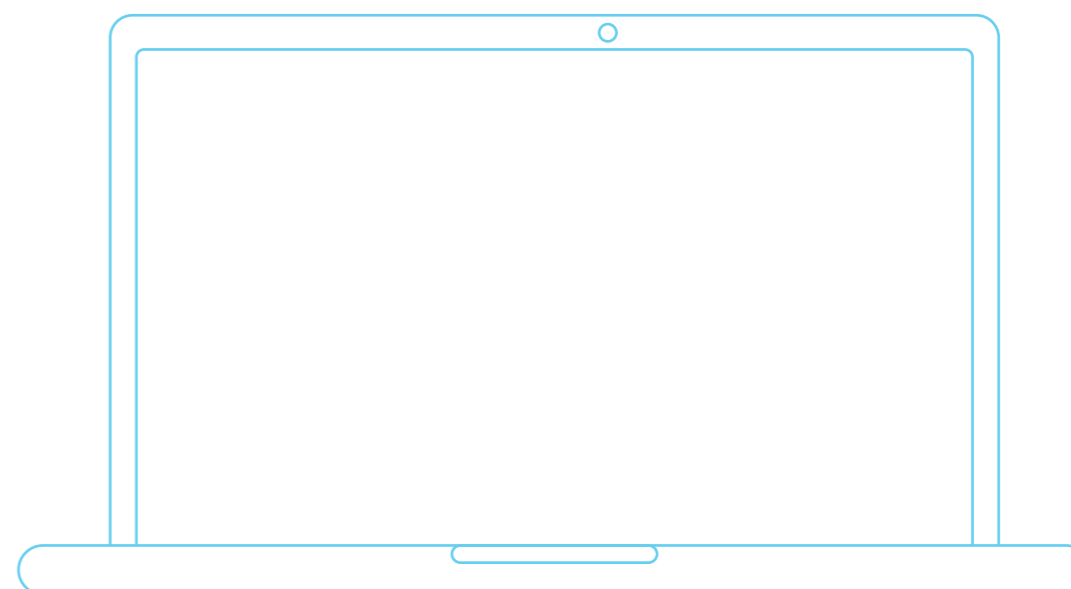
Telekom Slovenije is exposed to credit risk arising from receivables from loans granted to subsidiaries. Loan-related counterparty risk is managed by means of diverse insurance instruments in loan contracts, such as right of lien on real properties and assets, assignment of existing and future claims, liens, guarantee statements and other adequate forms of collateral. The Company also regularly monitors and supervises the operations of its subsidiaries, thus additionally mitigating the related credit risk. [Note 19].

Ageing analysis of receivables of the Telekom Slovenija Group as at the reporting date

In EUR thousand	31. 12. 2019			31. 12. 2018		
	Gross value	Value adjustment	Net value	Gross value	Value adjustment	Net value
Total trade receivables	163,981	-18,336	145,645	168,577	-21,169	147,408
Not past due trade receivables	128,104	-3	128,101	127,066	-1	127,065
Overdue						
Up to and including 30 days	12,167	-12	12,155	13,978	-6	13,972
31 to and including 60 days	3,613	-17	3,596	3,095	-7	3,088
61 to and including 90 days	510	-29	481	1,522	-16	1,506
91 to and including 120 days	316	-321	-5	878	-489	389
121 days and more	19,271	-17,954	1,317	22,038	-20,650	1,388
Total overdue trade receivables	35,877	-18,333	17,544	41,511	-21,168	20,343
Other operating receivables	7,873	-8	7,865	45,766	-8	45,758
Total receivables	171,854	-18,344	153,510	214,343	-21,177	193,166

Maturity profile of loans given

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Overdue	7	9	403	1,009
Due in:	242	322	95,565	104,338
- less than 3 months	18	21	1,175	1,081
- 3 to 12 months	52	59	8,648	9,090
- 1 to 2 years	59	70	6,947	14,587
- 2 to 5 years	84	126	43,615	71,823
- more than 5 years	29	46	35,180	7,757
Total	249	331	95,968	105,347



Ageing analysis of loans given as at 31 December 2019

The Telekom Slovenije Group		Overdue					Total
In EUR thousand	Not yet due	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
Loans given	242	7	0	0	0	0	249

Telekom Slovenije		Overdue					Total
In EUR thousand	Not yet due	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
Loans given	95,565	35	368	0	0	0	95,968

Ageing analysis of loans given as at 31 December 2018

The Telekom Slovenije Group		Overdue					Total
In EUR thousand	Not yet due	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
Loans given	322	9	0	0	0	0	331

Telekom Slovenije		Overdue					Total
In EUR thousand	Not yet due	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
Loans given	104,338	1,009	0	0	0	0	105,347

The management of the Company has assessed that the above financial assets not impaired or past due as at 31 December 2019 have a good credit quality.

LIQUIDITY RISK

The Group's liquidity is the result of active planning and managing of cash flows, provision of adequate maturity and financial debt diversification, financing within the Group, and the optimisation of working capital and cash. The liquidity risk on the Group level is managed by the parent company, which plans and monitors the cash requirements of subsidiaries and provides them with the necessary funds.

Indebtedness at the Group and the Company level is relatively low. Most financial liabilities of the Group are accounted for by a long-term syndicated loan in the amount of EUR 246.2 million, the issue of 5-year bonds of EUR 100 million and liabilities from financial lease resulting from the IFRS 16 implementation totalling EUR 69.1 million and EUR 76.4 million at the Group and Company level, respectively. The Group and the Company are regularly repaying their financing obligations; EUR 23.1 million of long-term loan obligations were repaid in 2019.

Even in 2017, long-term credit lines in the amount of EUR 70 million were obtained to provide stand-by liquidity, which ensure, together with short-term revolving lines, a high level of liquidity for the Group. Short-term credit lines are regularly renewed. The total liquidity reserve in the form of granted, but undisbursed long-term and short-term revolving credit lines amounted to EUR 169.5 million at the end of 2019 [EUR 142 million as at 31 December 2018].

Maturity profile of liabilities of the Telekom Slovenije Group as at 31 December 2019 and 31 December 2018 based on contractual, undiscounted payments

EUR thousand	Overdue	On demand	Not yet due					Total
			Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	
31. 12. 2019								
Loans and borrowings	0	0	0	31,300	30,769	169,231	15,384	246,684
Anticipated interest on loans	0	0	0	3,679	3,201	5,328	158	12,366
Other financial liabilities	128	0	2	1,136	100,347	312	0	101,925
Anticipated interest on bonds	0	0	0	1,950	1,950	0	0	3,900
Trade payables and other operating liabilities	2,397	2,497	95,802	12,737	10,248	221	12,268	136,170
Financial liabilities from lease	46	0	3,935	5,006	6,710	18,371	34,986	69,054
Total	2,571	2,497	99,739	55,808	153,225	193,463	62,796	570,099
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

Maturity profile of liabilities of the company Telekom Slovenije as at 31 December 2019 and 31 December 2018 based on contractual, undiscounted payments

In EUR thousand	Overdue	On demand	Not yet due					Total
			Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	
31. 12. 2019								
Loans and borrowings	0	0	0	38,269	30,769	169,231	15,385	253,654
Anticipated interest on loans	0	0	0	3,679	3,201	5,328	158	12,366
Other financial liabilities	128	0	0	1,095	100,316	310	0	101,849
Anticipated interest on bonds	0	0	0	1,950	1,950	0	0	3,900
Trade payables and other operating liabilities	1,693	1,401	93,224	3,627	10,286	258	178	110,667
Financial liabilities from lease	46	0	4,203	5,782	8,415	22,556	35,380	76,382
Total	1,867	1,401	97,427	54,402	154,937	197,683	51,101	558,818
31. 12. 2018								
Loans and borrowings	0	0	0	51,596	30,769	180,385	0	262,750
Anticipated interest on loans	0	0	31	3,605	3,199	6,723	0	13,558
Other financial liabilities	185	0	0	1,095	0	100,763	0	102,043
Anticipated interest on bonds	0	0	0	1,950	3,900	0	0	5,850
Trade payables and other operating liabilities	3,507	1,669	103,693	23,668	3,682	9,228	0	145,447
Total	3,692	1,669	103,724	81,914	41,550	297,099	0	529,648

INTEREST RATE RISK

Interest rate risk is the risk of a negative impact of changes in market interest rates on the Group's operations. As at 31 December 2019, the Group's interest rate exposure arises from the possible increase in the Euribor reference interest rate, as the Group records only interest sensitive liabilities, without interest rate-sensitive assets. The Company's interest rate risk arises from the potential increase in the Euribor reference interest rate due to a mismatch between the interest structure of financial assets and financial liabilities and the Company records more interest sensitive liabilities than assets.

The Group and the Company pursue the target ratio between variable interest bearing and fixed interest bearing or hedged financial liabilities, which is to equal 50% of the debt with fixed or hedged interest rate.

In the structure of the Group's interest bearing financial liabilities, the liabilities relating to borrowings and finance lease, which bear interest at variable interest rates linked to 3- and 6-month Euribor, account for a share of 59.2% as at 31 December 2019 (58.2% at the Company level). The remaining liabilities arise from utilised short-term revolving loans, bonds issued, and finance leasing with a fixed interest rate.

In order to hedge against interest exposure arising from the long-term syndicated loan, the Group and the Company have an interest rate swap in place. The amount of hedged principal as at 31 December 2019 was EUR 76.9 million. The principal is hedged for the growth in reference interest rate should it equal zero or more. At the level of the Group, it has a fixed or hedged interest rate of 59.3% of interest bearing financial debt and 60% at the Company level.

Exposure to interest rate risk

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Financial instruments with variable interest rate				
Financial receivables	0	0	29,652	24,100
Financial liabilities	169,299	164,762	169,231	164,615
Net financial liabilities	169,299	164,762	139,579	140,515

Financial receivables take into account the gross value of loans given, exclusive of impairment.

The table is exclusive of non-interest bearing financial instruments and instruments bearing a fixed interest rate, as they are not exposed to interest rate risk. It also does not include financial liabilities with hedged interest rate for Euribor growth.

SENSITIVITY ANALYSIS

The following table illustrates the sensitivity analysis of the changed interest rate on the Group's and the Company's profit as at the reporting date, whereby all other variables are constant.

Interest rate risk table

2019	Interest rate increase/decrease	Effect on profit before tax in EUR thousand	
		The Telekom Slovenije Group	Telekom Slovenije
EUR0	+100 bt	-588	-388
EUR0	-100 bt	-769	-769
2018	Interest rate increase/decrease	Effect on profit before tax in EUR thousand	
		The Telekom Slovenije Group	Telekom Slovenije
EUR0	+100 bt	-644	-458
EUR0	-100 bt	-845	-846

EURIBOR interest rate values

EURIBOR	Value at 31 Dec. 2019	Value at 31 Dec. 2018	Change as %
3-month	-0.390	-0.309	-26.21
6-month	-0.325	-0.237	-37.13

CAPITAL MANAGEMENT

The key objectives of the Group's and the Company's capital management are capital adequacy and consequently long-term liquidity and financial stability, which ensure the best possible credit rating for the further financing of the Group's and the Company's operations and development and thereby maximising shareholder value.

The Group and the Company monitor changes in equity by using a debt-to-equity ratio and equity-to-total assets ratio. The Group's net financial liabilities include borrowings and other financial liabilities less current investments and cash. The Group observes also financial covenants under loan contracts when adopting decisions relating to capital management.

In EUR thousand	The Telekom Slovenije Group		Telekom Slovenije	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Borrowings and other financial liabilities	416,759	363,259	430,981	363,586
Less short-term investments and cash with short-term deposits	-13,898	-10,775	-11,379	-13,191
Net liabilities	402,861	352,484	419,602	350,395
Equity	590,878	619,628	606,136	634,196
Total assets	1,232,860	1,232,719	1,223,536	1,223,526
Debt/equity ratio	68.2%	56.9%	69.2%	55.3%
Equity/total assets ratio	47.9%	50.3%	49.5%	51.8%

48. GENERAL AUTHORISATION AND THE RIGHT TO USE RADIO FREQUENCY AND BLOCK NUMBERS

FIXED-LINE AND MOBILE PHONE SERVICES

The Group and the Company have a general authorisation for providing the electronic communications network or electronic communication services. Prior to the commencement of the provision of public communication network services, notification must be given in writing to the Agency for Communication Networks and Services (hereinafter: the Agency). An undertaking is not required to obtain an explicit decision or any other administrative act by a local administrative authority before exercising the rights stemming from the notification.

The Group paid an annual compensation for the following major electronic communications services:

- radio frequency fee;
- fee for the use of numbering resources;
- fee based on a decision of 2013 until 2021;
- fee imposed by the regulator;
- fee for entry in official record of audiovisual media services.

The amount of the fee paid is defined by the law and the tariff in the general act of the Agency.

The Group companies pay on an annual basis right-of-use fees for radio frequencies, for telephony numbering space, and other rights for rendering fixed-line and mobile phone services.

The **Telekom Slovenije Group's** Group's total amount of fees in 2019 equalled EUR 3,059 thousand (2018: EUR 3,376 thousand), and of the **company Telekom Slovenije** EUR 1,766 thousand (2018: EUR 1,379 thousand).

The Group's concessions for mobile phone services

Concession agreement	Date of authorisation	Period	Fee
Concession agreement for use of the radio frequency spectrum for rendering services UMTS/IMT-2000	27/11/2001	to 21 September 2021	Initial amount of the compensation of EUR 91,804 thousand
Decision on allocating the radio frequencies for LTE 800 MHz, UMTS 210 MHz	26/05/2014	31 May 2014 to 31 May 2029	Initial amount of the compensation of EUR 26,835 thousand
Decision on allocating the radio frequencies for GSM 900 and 1800 MHz, LTE 2600 MHz	26/05/2014	4 January 2016 to 4 January 2031	Initial amount of the compensation of EUR 37,705 thousand
Concession agreement for the set-up, maintenance and operation of the second GSM generation in the mobile network on the territory of Kosovo	06/03/2007	to 5 March 2022	Initial amount of the compensation of EUR 75,000 thousand
Concession obtained on the basis of the decision 726 AKREP (2 x 10 Mhz at 1800 Mhz) in the territory of Kosovo	06/12/2015	to 30 July 2019	Initial amount of the compensation at EUR 5,926 thousand
Concession for the 900 and 1800 MHz frequency in the territory of Kosovo	06/12/2015	to 30 July 2019	Initial amount of the compensation at EUR 5,926 thousand

Concessions presented in the table that refer to Slovenia are held by the company Telekom Slovenije, whereas concessions in Kosovo are held by IPKO.

49. EVENTS AFTER THE REPORTING DATE

JANUARY

- The Supervisory Board approved the appointment of Primož Kučič to the position of Managing Director of Avtenta. Primož Kučič, Director of Corporate Market at Telekom Slovenije, will manage the company Avtenta from 1 February 2020 until the appointment of a new Managing Director.
- The Supervisory Board acknowledged the start of the procedure for the capital increase by entry of a new member to Planet TV.

FEBRUARY

- In accordance with the Decree on the Terms, Conditions and Methods of Borrowing by Legal Entities referred to in Article 87 of the Public Finance Act, Telekom Slovenije submitted a request to the Ministry of Finance for the issue of consent to begin proceedings to raise long-term borrowings in the amount of EUR 100 million. The Company is planning to secure the aforementioned funds from the European Investment Bank, which demonstrated interest in the form of a non-binding offer. Telekom Slovenije will use those funds in the period until 2023 to finance the expansion and construction of the fibre optic access network in Slovenia, through which it is laying the infrastructure foundations for the future of the telecommunications activity.

MARCH

- Telekom Slovenije received the ruling and decision of the Ljubljana District Court of 2 March 2020 concerning the commercial dispute between the plaintiff Sky net, d.o.o., and the defendant Telekom Slovenije (formerly Mobitel, d.d.) in the matter of contract performance under two law suits (total disputed amount EUR 33 million). In the ruling and decision, the Court dismissed the part of subordinate claim of Sky net, d.o.o., regarding the construction of base stations and the drafting of documentation referring to 2007 as well as the remaining part of the subordinate claim relating to the issue of orders for the construction of 414 base stations and orders to obtain documentation for 434 base stations. In addition, the Court decided that Sky net had to pay Telekom Slovenije the legal costs in the amount of EUR 30,146.32.

- On 4 March 2020, Telekom Slovenije received the ruling of the Ljubljana Higher Court dated 13 February 2020 concerning the commercial dispute between the plaintiff Telekom Slovenije and the defendants Bojan Dremelj, Dušan Mitič, Filip Ogrs Martič, Željko Puljič and Darja Senica, for payment of EUR 7,635,500.00 plus charges, accrued interest and other fees. In the relevant ruling and decision, the Ljubljana Higher Court granted the appeal of Telekom Slovenije in the part referring to part of costs of side intervenients and annulled this part of the ruling, dismissed the appeal of Telekom Slovenije in the non-annulled part and upheld the ruling of the District Court in the contested part. The Court instructed Telekom Slovenije to reimburse the defendants the legal costs of the appeal proceedings. Telekom Slovenije, is examining the ruling and decision and will regularly inform the shareholders and the public of its further steps in this matter.
- After the Supervisory Board of Telekom Slovenije, was informed on 22 January 2020 of the beginning of the procedure for an increase in capital of Planet TV, through the entry of a new partner, the company will amend the conditions of the procedure to include the sale of the 100% share of the company Planet TV.
- As the COVID-19 coronavirus began to spread across Europe, Telekom Slovenije adopted a special plan of measures and activities in the event of a pandemic. It based that plan on its business continuity management system [BCMS], which is certified in accordance with the ISO/IEC 22301 standard. To that end, it also planned activities in the event of the activation of the National Civil Protection and Disaster Relief Plan. We are implementing measures at the Company and within the Group aimed at the protection of both employees and the users of our services. Special attention in that regard is being given to the security of the network and services, and to the functioning thereof, as prescribed in the event of emergencies. In these extraordinary circumstances, we are providing services for all users of our networks and managing risks to the greatest extent possible, to the best of our abilities and wherever possible, and in accordance with the requirements of the law. We have adapted the work of our experts to ensure uninterrupted control over the functioning of the network to the greatest extent possible, while ensuring technical support to users and the coverage of the special needs of government institutions and the commercial sector for increased capacities or additional services. We are witnessing a massive and rapid transformation to remote work and distance learning. To that end, we are continuously adapting the capacities of Telekom Slovenije, d.d.'s network, the highest-capacity and most efficient network in Slovenia. With the help of the latest technology and equipment, our experts monitor every single element of the network 24 hours a day, every day of the year. Even in the current situation, we dedicate special attention to activities in the area of cyber security. Given the uncertainty on the market and the fact that experts are unable to estimate how long measures to limit the spread of the coronavirus will be in place at the national level, the Telekom Slovenije Group is unable at the moment to reliably assess the impact of the extraordinary conditions. During the initial weeks, previously adopted measures at the national level have had a negative impact on Telekom Slovenije, d.d., in particular on net sales revenue in the retail segment [primarily in the mobile and fixed segment, IT services and merchandise] and in the wholesale segment [international operations], and on the revenues of certain Group subsidiaries due to the stagnation of transactions on the market. The expected deterioration in the solvency of the users of our services could lead to the creation of additional impairments of receivables.
- Drastic measures implemented by countries to prevent the spread of the coronavirus have rocked every stock market across the globe, including the Slovenian market. Due to uncertainty regarding the scope and duration of measures, it is difficult to assess the effects they will have on the Slovenian economy, the operations of the Company and Telekom Slovenije Group, and thus on the share price.
- On 19 March 2020 Telekom Slovenije's Supervisory Board gave its consent to the appointment of Simon Furlan, MSc as Managing Director of TSmedia and Samo Ošina as Managing Director of Planet TV, effective 1 April 2020. Simon Furlan, the Director of the B2B Market at Telekom Slovenije, and Samo Ošina, the Director of Telekom Slovenije's B2C Market, will manage the aforementioned companies in accordance with the relevant management contract, until the appointment of new managing directors.

3.3 INDEPENDENT AUDITOR'S REPORT FOR THE TELEKOM SLOVENIJE GROUP AND TELEKOM SLOVENIJE

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INDEPENDENT AUDITOR'S REPORT to the shareholders of the company Telekom Slovenije d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of the company Telekom Slovenije, d.d. (hereinafter the "Company") and the consolidated financial statements of the company Telekom Slovenije, d.d. and its subsidiaries (hereinafter the "Group"), which comprise separate and consolidated balance sheet as at 31 December 2019, separate and consolidated income statement, separate and consolidated statement of other comprehensive income, separate and consolidated statement of changes in equity and separate and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and their 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 (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (hereinafter the "Regulation"). Our responsibilities under those rules are described in this Report in the section *Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements*. We are independent of the Company and the Group 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provisions for legal actions

Key audit matter in the separate and consolidated financial statements	How our audit addressed the key audit matter
<p>The Company and the Group are involved in legal and regulatory proceedings regarding their operations. As at 31 December 2019, the Company recorded EUR 44,526 thousand of claims, whilst the Group had claims amounting to EUR 72,677 thousand.</p> <p>The Company formed EUR 4,500 thousand of provisions for legal actions and the Group formed EUR 4,666 thousand of provisions for legal actions. The final impact of these proceedings on the financial statements of the Company and the Group is uncertain and depends on final decisions in these proceedings. Consequently, the estimate of provisions for legal actions is subject to high uncertainty and requires a significant management judgement as regards the probability and amounts related to legal actions.</p>	<p>In the context of our audit, it was important to review the judgements applied for posting provisions. Among others, our audit procedures included:</p> <ul style="list-style-type: none"> • assessing and testing the design and implementation of key internal controls related to forming provisions for legal actions, • reviewing the minutes of meetings of the Supervisory Board, the Audit Committee and the Management Board, • obtaining confirmation from legal representatives and field experts regarding the probable outcome and level of exposure in terms of the respective disputes and claims, • assessing the adequacy of estimates and assumptions applied for making the estimate in relation to recognising provisions for legal actions. <p>We have reviewed the adequacy of disclosures related to provisions for legal actions. Disclosures related to provisions for legal actions are presented in Note 31 'Provisions'.</p>

Valuation of investments in subsidiaries and loans to subsidiaries

Key audit matter in the separate financial statements	How our audit addressed the key audit matter
<p>Investments in subsidiaries and loans to subsidiaries amounted to EUR 131,940 thousand as at 31 December 2019, which accounts for 10% of the Company's total assets. Investments in subsidiaries are valued at cost less the value of impairment, and loans to subsidiaries are valued at amortized cost. The Company's management assesses annually the indicators of impairment of the investments and loans and commissions, if necessary, a valuation of the recoverable amount of an investment from an external appraiser. A significant management judgement is necessary in this process.</p>	<p>We assessed the management's estimates and consideration of the impairment indicators for the investments. Our audit procedures included, among others, using an auditor's expert to assist us in evaluating the external appraiser's estimates of the recoverable amount of the investments, in particular for:</p> <ul style="list-style-type: none"> • mathematical calculations of valuations, • correctness of the valuation methods applied, • assessment of assumptions applied to calculate discount rates, • correctness of the calculation of cash flows applied in estimates taking into account the projection of items from the income statement and the balance sheet,

	<ul style="list-style-type: none"> • comparison of projected cash flows against past periods. <p>For loans to subsidiaries we assessed:</p> <ul style="list-style-type: none"> • whether the balances recorded as at 31 December 2019 were aligned with the confirmations by subsidiaries, • the concordance of loans repayments with loan agreements during the year, • the management's assessment of recoverability and related impairments. <p>We have also assessed whether the disclosures regarding investments and loans given to subsidiaries were adequate. Disclosures related to subsidiaries and loans to subsidiaries are presented in Note 18 'Investments in subsidiaries' and Note 19 'Other investments'.</p>
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Other Information

The other information is the responsibility of management. The other information comprises information in the Annual Report, except for the financial statements and the Auditor's Report thereon.

Our opinion on the separate and consolidated financial statements does not refer to the other information and we express no assurance thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the separate and consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report on such circumstances. In relation to this, we report based on the procedures described that:

- the other information is, in all material respects, consistent with the audited separate and consolidated financial statements;
- the other information has been prepared in compliance with the applicable law and regulations; and
- based on our knowledge and understanding of the Company and the Group and their environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process and for approving audited annual report.

Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement in the separate and consolidated 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 controls.
- Obtain an understanding of internal controls 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 and the Group'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 organization'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 separate and consolidated 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 separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence concerning the financial information and business activities of companies within the Group in order to express an opinion on the consolidated financial statements. We are responsible for conducting, overseeing and performing the audit of the Group. We have sole responsibility for the audit opinion expressed.

With those charged with governance we communicate, among others, 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.

We also provide those charged with governance with the statement of compliance with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters for which it may reasonably be thought to bear on independence, and, if appropriate, all the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Appointment of the Auditor and the Period of Engagement

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company and the Group at the General Shareholders' Meeting held on 21 April 2017. Our total uninterrupted engagement has lasted for three years.

Confirmation to the Audit Committee

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 30 March 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-Audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company or its subsidiaries, and which have not been disclosed in the Annual Report.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Barbara Žibret Kralj, certified auditor.

DELOITTE REVIZIJA d.o.o.
Dunajska 165
1000 Ljubljana

Barbara Žibret Kralj
Certified auditor

Ljubljana, 30 March 2020

Deloitte.

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

4 ATTACHMENT

4.1 COMPANIES IN THE TELEKOM SLOVENIJE GROUP

Telekom Slovenije, d. d. is the parent company of the Telekom Slovenije Group.



Company:	Telekom Slovenije, d. d.
Registered office:	Ljubljana
Address:	Cigaletova ulica 15, 1000 Ljubljana
Registration number:	5014018000
VAT ID number:	SI98511734
Entry in the companies register:	1/24624/00, Ljubljana District Court
Number of shares:	6.535.478
Ticker symbol of no-par-value shares:	TLSG
Telephone:	+ 386 1 234 10 00
Fax:	+ 386 1 231 47 36
Website:	http://www.telekom.si
Email:	info@telekom.si
LinkedIn:	telekom-slovenije
Facebook:	TelekomSlovenije
Instagram:	Telekom_Slovenije
Twitter:	@TelekomSlo
YouTube:	TelekomSlovenije

Subsidiaries in the Group and joint ventures

Companies in Slovenia

GVO

Company:	GVO, gradnja in vzdrževanje telekomunikacijskih omrežij, d. o. o.
Registered office:	Ljubljana
Address:	Cigaletova ulica 10, 1000 Ljubljana
Telephone:	+ 386 1 234 1950
Website:	www.gvo.si
Email:	gvo@telekom.si

Company:	GVO Telekommunikation GmbH
Registered office:	DE 48683 Ahaus, Germany
Address:	Schorlemer Straße 48

Company:	OPTIC-TEL telekomunikacije d. o. o
Registered office:	Ljubljana
Address:	Cigaletova 10, Ljubljana

Company:	INFRATEL, telekomunikacijska infrastruktura, d. o. o.
Registered office:	Ljubljana
Address:	Cigaletova 10, Ljubljana

avtenta.

Company:	AVTENTA, napredne poslovne rešitve, d. o. o.
Registered office:	Ljubljana
Address:	Stegne 19, 1000 Ljubljana
Telephone:	+ 386 1 583 68 00
Website:	www.avtenta.si
Email:	prodaja@avtenta.si , marketing@avtenta.si

TSmedia

Company:	TSmedia, medijske vsebine in storitve, d. o. o.
Registered office:	Ljubljana
Address:	Stegne 19, 1000 Ljubljana
Telephone:	+ 386 1 473 00 10
Website:	www.tsmedia.si
Email:	info@tsmedia.si



Company:	Planet TV, televizijska dejavnost, d. o. o.
Registered office:	Ljubljana
Address:	Stegne 19
Telephone:	+ 386 1 473 00 00
Website:	www.planet-tv.si
Email:	info@planet-tv.si



Company:	SOLINE Pridelava soli, d. o. o.
Registered office:	Portorož
Address:	Seča 115, 6320 Portorož/Portorose
Telephone:	+ 386 5 672 13 43
Website:	www.soline.si
Email:	info@soline.si

TSinpo

Company:	TSinpo, storitveno in invalidsko podjetje, d. o. o.
Registered office:	Ljubljana
Address:	Litostrojska cesta 58A, 1000 Ljubljana
Telephone:	+ 386 1 500 60 60
Website:	www.tsinpo.si
Email:	info@tsinpo.si

Companies abroad



Company: IPKO Telecommunications LLC
 Registered office: Prishtina, Kosovo
 Address: Lagija Ulpiana
 Rruga »Zija Shemsiu« Nr. 34, Prishtinë
 Telephone: + 381 38 700 700,
 Website: www.ipko.com
 Email: info@ipko.com

SIOL

Company: SIOL d. o. o.
 Registered office: Zagreb, Croatia
 Address: Margaretska 3
 Website: <http://www.siol.com/>

SIOL

Company: SIOL d. o. o. Sarajevo
 Registered office: Sarajevo, Bosnia and Herzegovina
 Address: Fra Andela Zvizdovića 1

SIOL

Company: SIOL d. o. o. Podgorica
 Registered office: Podgorica, Montenegro
 Address: Džordža Vašingtona 108/36A, The Capital Plaza

SIOL

Company: SIOL DOOEL Skopje
 Registered office: Skopje, North Macedonia
 Address: Dimitrie Chupovski 22A/1-13

SIOL

Company: SIOL d. o. o. Belgrade-Palilula
 Registered office: Belgrade, Serbia
 Address: 27. marta 11

SIOL

Company: SIOL, d.o.o Prishtina
 Registered office: Prishtina, Kosovo
 Address: Pejton, Str. Mujo Ulqinaku 5/1

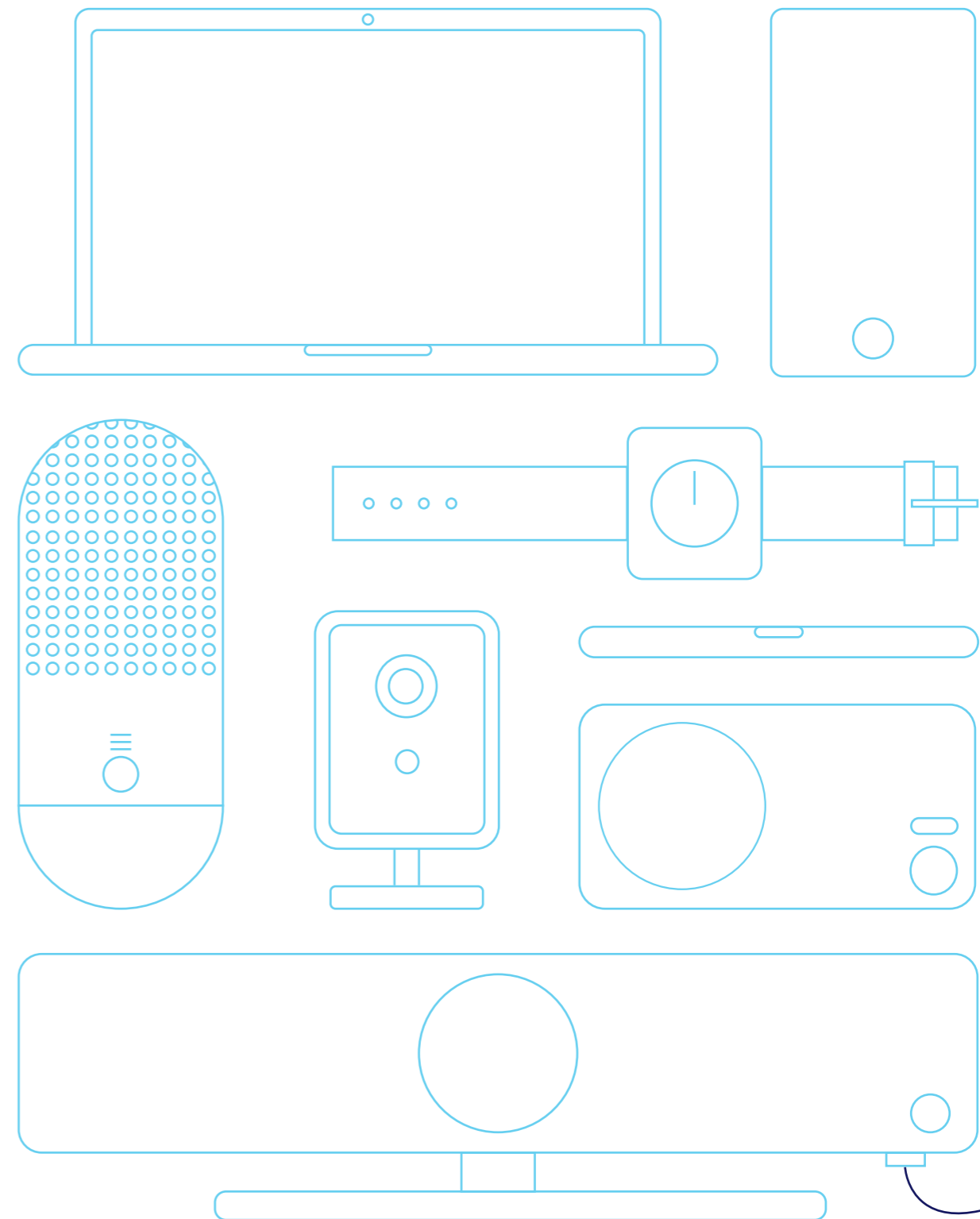
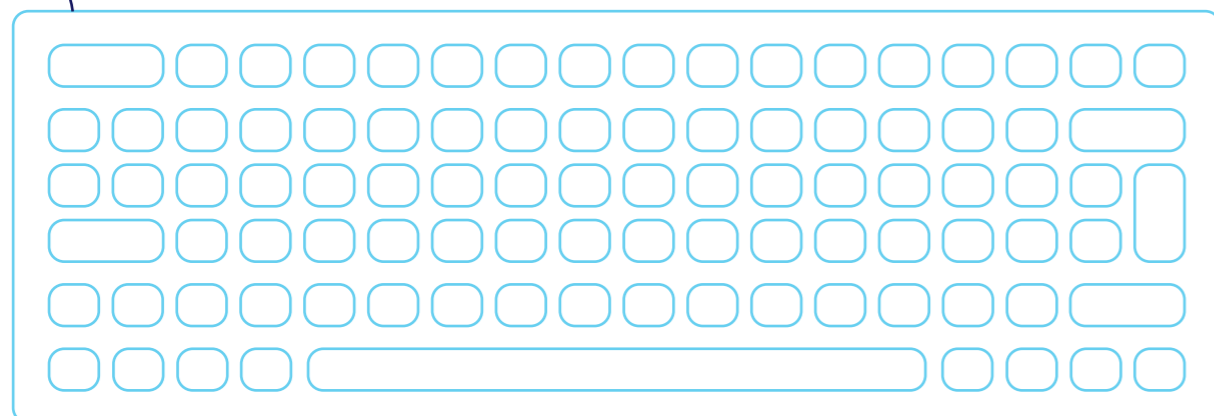
4.2 ABBREVIATIONS AND TECHNICAL TERMS

Abbreviation	English term	Slovene translation
AKOS	Agency for Communication Networks and Services of the Republic of Slovenia	Agencija za komunikacijska omrežja in storitve Republike Slovenije
ARKEP	Regulatory Authority of Electronic and Postal Communications of Kosovo	Agencija za elektronske in poštne komunikacije Kosova
ARPU	Average Revenue Per User	povprečni prihodek na uporabnika
ARPL	Average Revenue Per Line	povprečni prihodek na linijo
AR	Augmented Reality	obogatena resničnost
ASPU	Average Spend Per User	Povprečna poraba na uporabnika
AVK	Slovenian Competition Protection Agency	Javna agencija Republike Slovenije za varstvo konkurence
BB	BroadBand	širokopasovni dostop
BI/DW	Business Intelligence / Data Warehouse	poslovna inteligenca / podatkovno skladišče
BDP		bruto domači proizvod
	Big data	velepodatki
-	Billing	sistem za zaračunavanje
	Bundle (packet)	skupek v paket povezanih storitev
BSS	Business Support System	sistem za podporo poslovanju
BSS/OSS	Business/Operational Support System	sistem za podporo poslovnega procesa / sistemi za operativni podporni proces
-	BusinessConnect	sodobna rešitev za upravljanje dokumentarnega gradiva
CAGR	Compound Annual Growth Rate	povprečni letni prirast
CAPEX	Capital Expenditure	vrednost investicij
CATV	Cable Television	kabelska televizija
CSCC	Cyber security control center	nadzorni center za kibernetško varnost
CEM	Customer Experience Management	upravljanje uporabniške izkušnje
COSO ERM	Committee of Sponsoring Organizations of the Treadway Commission, Enterprise risk management Integrated Framework	Odbor sponzorskih organizacij Treadwayeve komisije, Upravljanje tveganj v organizaciji v povezavi s strategijo in delovanjem organizacije
	Cloud services	storitve v oblaku
CRM	Customer relationship management	sistemi za upravljanje uporabnikov
-	Cross-sale	navzkrižna prodaja
FURS	Financial administration of the Republic of Slovenia	Finančna uprava RS
DCaaS	Data Center as a Service	podatkovni center kot storitev
-	Data offload	razbremenjevanje mobilnih podatkovnih omrežij na druge tehnologije
DDOS	Distributed Denial of Services	porazdeljena zavrnitev storitve
DTV	Digital television	digitalna televizija

Abbreviation	English term	Slovene translation
DVB-x/IP	Digital Video Broadcast – IP over x [C, S, T]	digitalna videoradiodifuzija s podporo prenosa IP-podatkovnih paketov prek MPEG-transportnega toka
DVB-T	Digital Video Broadcasting-Terrestrial	prizemna digitalna videoradiodifuzija
DVB-T/C/S	Digital Video Broadcasting-Terrestrial/Cable/Satellite	prizemna/kabelska/satelitska digitalna videoradiodifuzija
DWDM	Dense Wavelength Division Multiplex	gosti valovni multipleks
EBIT	Earnings before interest, taxes	dobiček iz poslovanja pred obrestmi in davki
EBITDA	Earnings before interest, taxes, depreciation and amortization	dobiček iz poslovanja pred obrestmi, davki in amortizacijo
EFQM	European Foundation for Quality Management	evropska nagrada za poslovno odličnost
ERP	Enterprise Resource Planning	poslovni informacijski sistem
ETNO ETT	Europe's telecommunication network operators Energy Task Team	Evropsko združenje telekomunikacijskih operaterjev – tim za energetske cilje
EU	European Union	Evropska unija
FC	Fiber channel	optični kanal
FTTH	Fiber To The Home	optično vlakno do hiše/stanovanja
FTTH/B/N	Fiber To The Home / Business / Node	optika do hiše/podjetja/vozišča
FTTx	Fiber To The Exchange	optika do X
	Flagship	vodilna [referenčna] trgovina
GDPR	General Data Protection Regulation	Splošna uredba o varstvu osebnih podatkov
GOŠO	Construction of Open Broadband network	gradnja odprtega širokopasovnega omrežja [bele lise – subvencionirano s sredstvi EU]
GPON	Gigabit Pasive Optical Network	gigabitno pasivno optično omrežje
GRI	Global reporting initiative	model trajnostnega poročanja
HFC	Hybrid Fiber Coax	hibridno optično koaksialno omrežje
IaaS	Infrastructure as a Service	infrastruktura kot storitev
IFRS/MSRP	International Financial Reporting Standards	Mednarodni standardi računovodskega poročanja
IoT	Internet of Things	internet stvari
IKT	Information and Communication Technologies	informacijsko-komunikacijske tehnologije
ISO	International Organization for Standardization	Mednarodna organizacija za standardizacijo
ISP	Internet Service provider	ponudnik internetnih storitev
IT	Information Technology	informacijska tehnologija
ITIL	Information Technology Infrastructure Library	
IP	Internet Protocol	internetni protokol
IMS	Internet protocol Multimedia System	
IMS/VOLTE	IP Multimedia Core Network Subsystem Voice over LTE [Long-Term Evolution]	IP-multimedijski sistem / govor prek LTE-omrežja
IMF WEO	International Monetary Fund World Economic Outlook	
IPTV	IP television	televizija prek internetnega protokola

Abbreviation	English term	Slovene translation
KFI	Key Financial Indicators	ključni finančni indikatorji poslovanja
KPI	Key Performance Indicators	ključni kazalniki poslovanja
KPSS	Sečovlje Salina Nature park	Krajinski park Sečoveljske soline
LTE	Long Term Evolution	LTE/4G, post LTE/4G, po 3 GPP mobilnem standardu
LTE-A	Long Term Evolution Advanced	LTE/4G z višjo prenosno hitrostjo podatkov [več kot 300 Mb/s]
M2M	Machine to Machine	komunikacijska povezava med napravami
MBB	Mobile Broadband	mobilni širokopasovni dostop
MMDS	Multichannel Multipoint Distribution Service	večpredstavnostni večtočkovni distribucijski sistemi
MMS	Multimedia Messaging Service	multimedijski sporočilni sistem
MVNO	Mobile Virtual Network Operator	mobilni operater navideznega omrežja
MPLS	Multiprotocol label switching	tehnologija za posredovanje, usmerjanje in preklapljanje prometnih tokov skozi omrežje
MPLS VPN	MPLS Virtual private network	navidezno zasebno omrežje
NOC	Network Operations Center	
NGA	Next Generation Access	hitro dostopovno omrežje
NGN	Next Generation Networks	širokopasovna omrežja naslednje generacije
NFV	Network Functions Virtualization	
NPS	Net Promotor Score	merilo za spremljanje uporabniške izkušnje, v eni številki pa združuje indikacijo uporabnikove pripravljenosti priporočanja, njegovega zadovoljstva, zaznav odličnosti uporabniške izkušnje in izražanja pripadnosti ponudniku
OCKV	Operational center of cyber security	Operativni center kibernetске varnosti
OPEX	Operational Expenditure	stroški poslovanja brez amortizacije
OMS	Order management system	sistem upravljanja naročil
OPEX	Operational Expenditure	stroški poslovanja brez amortizacije
OSS	Operations Support system	sistem za podporo delovanja
OŠO	Construction of Open Broadband	odprta širokopasovna omrežja
OTN	Optical Transport Network	Optični prenosni sistem
OTT	Over-the-top content	Storitve, ki delujejo neodvisno od omrežja – distribucija video- in avdiovsebin prek interneta
P2P	Point to Point	povezava točka-točka [medtočkovna povezava]
P2MP	Point to Multiple Point	povezava točka-več točk
PaaS	Platform as a Service	platforma kot storitev
PDH	Plesiochronous digital hierarchy	plesiohrona digitalna hierarhija
PLM	Product lifecycle management	upravljanje življenjskega cikla produkta
POP	Point Of Presence	dostopovno vozišče
RAK/CRA	Communications regulatory agency BH	Regulatorna agencija za komunikacije Bosne in Hercegovine
RAN	Radio Access Network	radijsko mobilno dostopovno omrežje
RAS	Revenue Assurance System	sistem za preprečevanje odtokanja prihodkov

Abbreviation	English term	Slovene translation
-	Resale	preprodaje maloprodajnih produktov
ROA	Return on Assets	dobičkonosnost sredstev
ROADM	Reconfigurable Optical Add-Drop Multiplexer	nastavljiv optični multipleksor za dodajanje in odvzemanje
ROE	Return on Equity	dobičkonosnost kapitala
ROO	Regional Optical Network	regionalno optično omrežje
RNO	Access cable network	razvodno naročniško omrežje
SaaS	Software as a Service	programska oprema kot storitev
SDG	Sustainable Development Goals	Cilji trajnostnega razvoja
SDH	Synchronous Digital Hierarchy	sinhrona digitalna hierarhija
SDV/VAS	Value Added Services	storitve z dodano vrednostjo
SeKV		Sekcija za kibernetsko varnost pri GZS
SME/SOHO	Small and Medium Enterprises / Small Office Home Office	mala in srednja podjetja
SMS	Short Message Service	storitev kratkih sporočil
SMB	Small and medium size business	mali in srednjeveliki poslovni uporabniki
SLA	Service Level Agreement	Sporazum o ravni zagotavljanja storitve
	Up-sale	nadgradnja storitev
SURS	Statistical office of Republic Slovenia	Statistični urad Republike Slovenije
TDM	Time Division Multiplex	časovni multipleks, sistem s porazdeljevanjem časa
ULR		usredstvena lastna režija
UMTS/HSPA	Universal Mobile Telecommunications System/High Speed Packet Access	univerzalni mobilni telekomunikacijski sistem/protokol 3G, ki pomeni nadgradnjo omrežja UMTS in omogoča večje prenosne hitrosti
UMAR		Urad za makroekonomske analize in razvoj
USO	Universal Service Obligation	obveznost zagotavljanja univerzalnih storitev
VULA	Virtual Unbundled Local Access	virtualna lokalna razvezana zanka
VR	Virtual Reality	navidezna resničnost
VoIP	Voice over IP	govor prek IP-protokola
VDSL	Very High Speed Digital Subscriber Line	digitalni naročniški vod z zelo visokimi hitrosti
Wi-Fi	Wireless Fidelity	brežžično omrežje po standardih IEEE 802.11
WFM	Workforce Management	sistem za optimizacijo terenskega dela
XaaS storitve	Anything as a Service	ponudba celostne palete storitev v oblaku



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