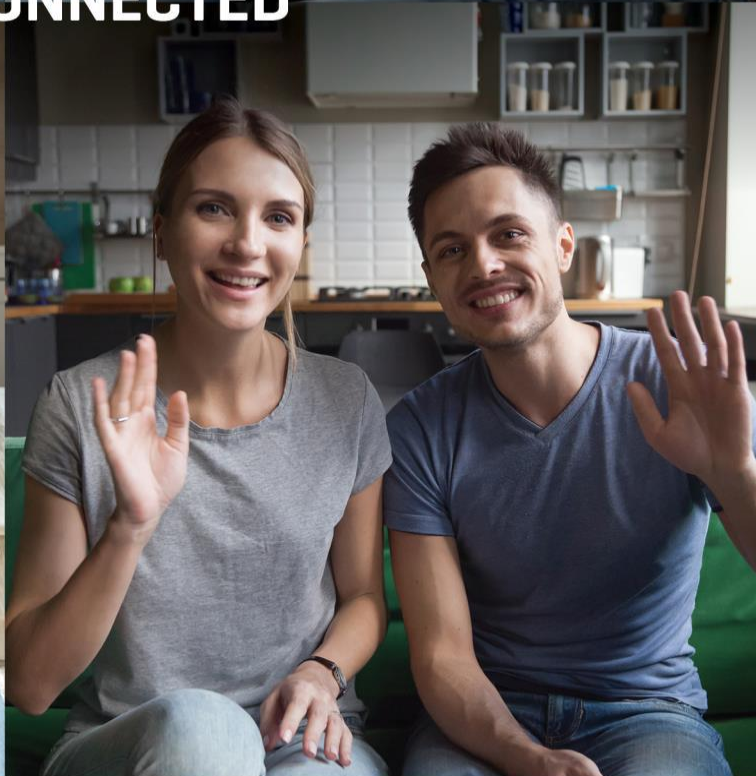




#STAYINGCONNECTED



Unaudited Business Report  
**Telekom Slovenije Group and Telekom Slovenije, d. d.,**  
for period January to March 2020



TelekomSlovenije

## Contents

<b>1.</b>	<b>INTRODUCTORY NOTE .....</b>	<b>1</b>
1.1.	Statement of responsibility of the Management Board .....	1
<b>2.</b>	<b>VISION, MISSION AND VALUES OF THE TELEKOM SLOVENIJE GROUP .....</b>	<b>2</b>
2.1.	Vision, mission and values .....	2
2.2.	Key strategic policies .....	2
<b>3.</b>	<b>TELEKOM SLOVENIJE GROUP .....</b>	<b>4</b>
3.1.	Markets and companies of the Telekom Slovenije Group .....	4
3.2.	Operating highlights .....	5
3.3.	Key financial indicators for the Telekom Slovenije Group .....	5
3.4.	Overview by company and key market .....	6
3.5.	Ownership structure and share trading .....	9
3.6.	Market and market shares in key service segments .....	12
3.7.	Risk management .....	13
<b>4.</b>	<b>CORPORATE GOVERNANCE .....</b>	<b>16</b>
<b>5.</b>	<b>SIGNIFICANT EVENTS IN THE PERIOD JANUARY – MARCH 2020 .....</b>	<b>18</b>
<b>6.</b>	<b>EVENTS AFTER THE BALANCE-SHEET DATE .....</b>	<b>19</b>
<b>7.</b>	<b>CONDENSED INTERIM ACCOUNTING REPORT OF THE TELEKOM SLOVENIJE GROUP AND TELEKOM SLOVENIJE, D. D. FOR THE PERIOD JANUARY TO MARCH 2020 .....</b>	<b>20</b>
7.1.	Introductory notes .....	20
7.1.1.	Condensed interim financial statements of the Telekom Slovenije Group and Telekom Slovenije, d. d. ...	21
7.1.2.	Notes to the interim financial statements of the Telekom Slovenije Group and Telekom Slovenije, d. d. ..	29
7.2.	Financial risk management .....	37

Ljubljana, 13 May 2020

# 1. INTRODUCTORY NOTE

Pursuant to the law and the Rules of the Ljubljana Stock Exchange, Telekom Slovenije, d. d. (hereinafter: Telekom Slovenije), with its registered office at Cigaletova 15, Ljubljana, hereby publishes the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the period January to March 2020.

The condensed interim financial statements for the period ending 31 March 2020 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2019. The financial statements for the period January to March 2020 have not been audited.

Telekom Slovenije's Supervisory Board discussed the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the period under consideration at its session on 13 May 2020.

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

The Unaudited Business Report for the period January to March 2020 is also accessible on the Company's website at [www.telekom.si](http://www.telekom.si).

## 1.1. Statement of responsibility of the Management Board

The members of Telekom Slovenije, d. d.'s Management Board responsible for compiling the unaudited report of the Telekom Slovenije Group and Telekom Slovenije for the period January to March 2020, hereby find that:

- to the best of our knowledge, the unaudited report of the Telekom Slovenije Group and Telekom Slovenije was compiled and published in accordance with valid legislation and the International Financial Reporting Standards as adopted by the EU;
- the condensed interim financial statements for the period ending 31 March 2020 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2019;
- the selected accounting policies were applied consistently in the compilation of the condensed financial statements and any changes to those policies were disclosed, and that accounting estimates were made fairly and with careful consideration, according to the principle of prudence and the diligence of a good manager, and under the assumption that Telekom Slovenije and the Telekom Slovenije Group are going concerns; and
- the interim business report presents a fair picture of information regarding major transactions with related parties, in accordance with regulations.



Tomaž Seljak, MSc  
President of the  
Management Board



Dr. Vida Žurga  
Vice-President of the  
Management Board



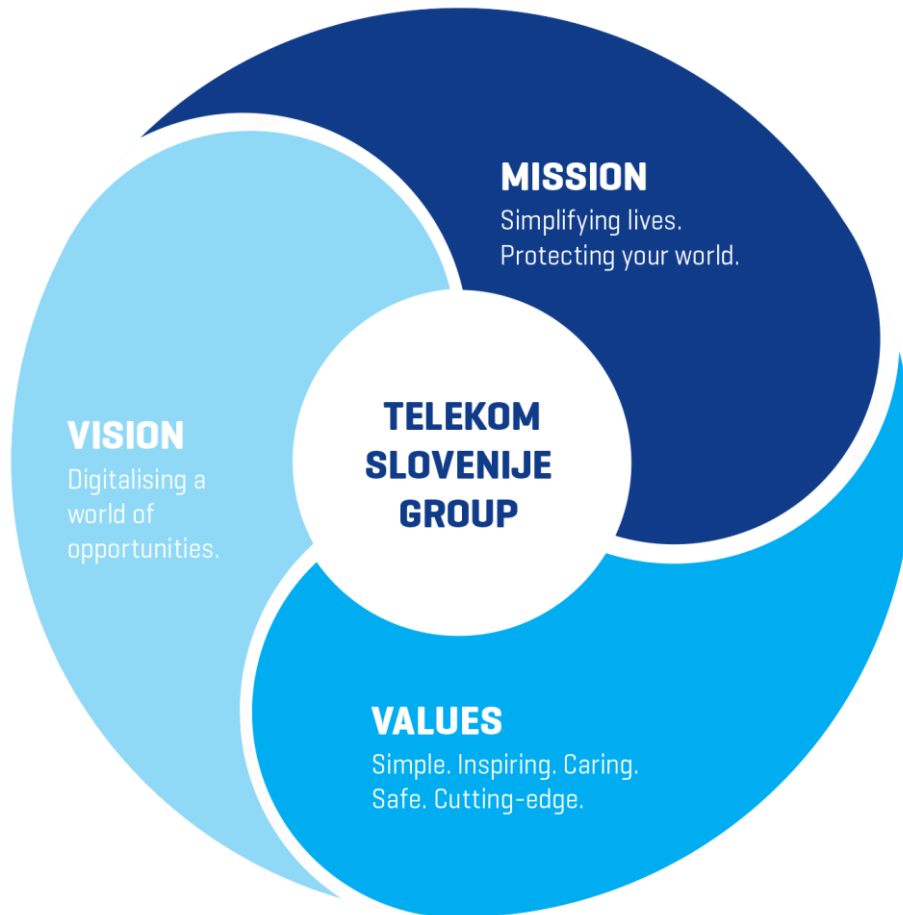
Matjaž Beričič, MSc  
Member of the  
Management Board



Špela Fortin  
Member of the  
Management Board –  
Workers Director

## 2. VISION, MISSION AND VALUES OF THE TELEKOM SLOVENIJE GROUP

### 2.1. Vision, mission and values



### 2.2. Key strategic policies

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 policies 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.

### **2. New revenue sources**

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

### **3. Maintaining a superior network**

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

### **4. 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**

Operating revenues	EUR 676.0 million
EBITDA	EUR 210.6 million
Net operating profit	EUR 27.5 million
Investments	EUR 209.7 million

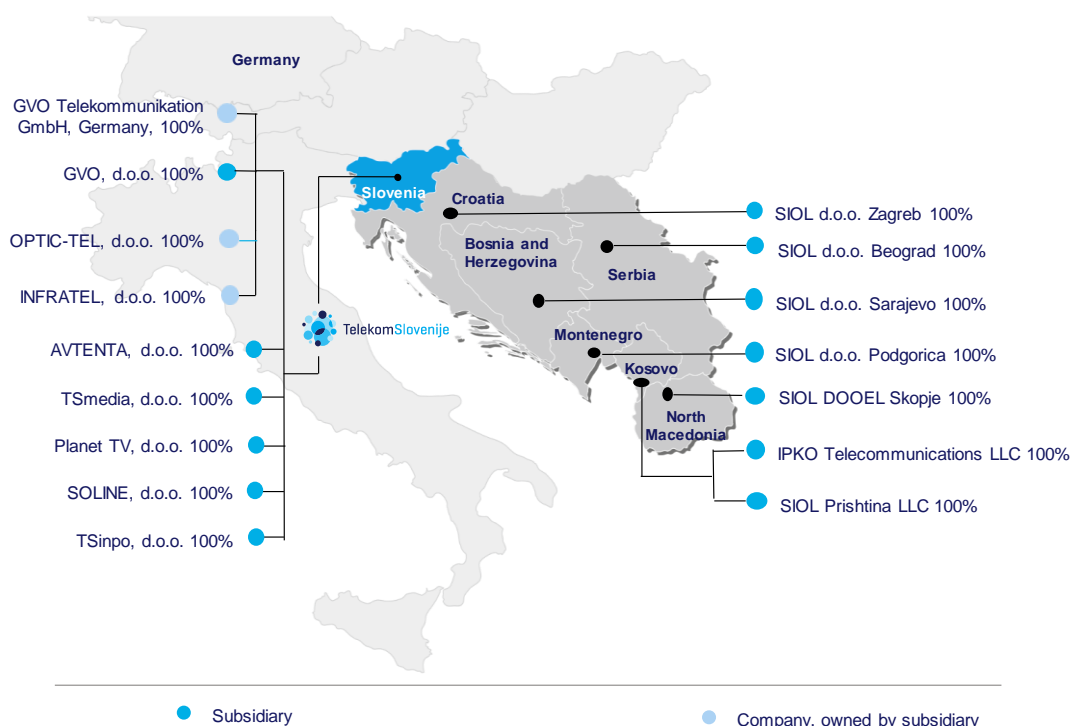
## 3. TELEKOM SLOVENIJE GROUP

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

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 March 2020 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>.

#### Situation as at 31 March 2020



#### Changes in the composition of the Group in 2020

- There were no changes in the composition of the Telekom Slovenije Group in the period January to March 2020.

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.

## 3.2. Operating highlights

**The Telekom Slovenije Group achieved the following in the period January to March 2020:**

- The Telekom Slovenije Group generated EUR 173.6 million in operating revenues during the first three months of 2020, an increase of one percent relative to the revenues generated during the first quarter of 2019.
- Net sales revenue totalled EUR 168.6 million, a decrease of 2% relative to the same period in 2019. Revenues in the mobile and fixed segments of the end-user market were lower during the first quarter of 2020 (primarily due to lower revenues from mobile merchandise, IT services and licences). Other revenues, revenues from other merchandise, new revenue sources and revenues on the wholesale market were all up relative to the same period last year.
- The Telekom Slovenije Group's operating expenses totalled EUR 159.2 million, a decrease of one percent or EUR 1.8 million relative to the same period in 2019.
- Earnings before interest, taxes, amortisation and depreciation (EBITDA) totalled EUR 56.4 million, a decrease of EUR 147 thousand relative to the first quarter of 2019. The EBITDA margin (i.e. EBITDA as a proportion of net sales revenue) amounted to 33.4%, an increase of 2% relative to the first quarter of 2019.
- Earnings before interest and taxes (EBIT) amounted to EUR 14.5 million in the period January to March 2020, an increase of 23% or EUR 2.7 million relative to the same period last year.
- Following the calculation of income tax (including deferred taxes), the Telekom Slovenije Group generated a net profit of EUR 11.3 million during the first quarter of 2020, an increase of 12% or EUR 1.2 million relative to the same period in 2019.

The Telekom Slovenije Group was affected in the second half of March 2020 by events linked to measures to prevent the spread of the novel coronavirus. During the first weeks of the crisis, measures adopted at the national level affected Telekom Slovenije, d. d.'s 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), as well as the revenues of certain Group subsidiaries due to the stagnation of transactions on the market.

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

EUR thousand / %	Telekom Slovenije Group			Telekom Slovenije		
	I - III 2020 / 31.3.2020	I - III 2019 / 31.12.2019	Index 20/19	I - III 2020 / 31.3.2020	I - III 2019 / 31.12.2019	Index 20/19
Net sales revenue	168,629	171,963	98	152,861	156,880	97
Other operating income	5,013	811	618	4,751	622	764
Operating revenue	173,642	172,774	101	157,612	157,502	100
EBITDA	56,395	56,542	100	49,043	49,941	98
EBITDA margin	33.4%	32.9%	102	32.1%	31.8%	101
EBIT	14,488	11,798	123	14,905	13,309	112
Return on sales: ROS (EBIT/net sales revenue)	8.6%	6.9%	125	9.8%	8.5%	115
Net profit	11,334	10,093	112	12,554	12,632	99
Assets	1,236,944	1,232,860	100	1,232,952	1,223,536	101
Equity	601,811	590,878	102	618,270	606,136	102
Equity ratio	48.7%	47.9%	102	50.1%	49.5%	101
Net financial debt	397,640	402,861	99	415,246	419,602	99

### 3.4. Overview by company and key market

#### Operating revenues

EUR thousand	I - III 2020	I - III 2019	Index 20/19
Telekom Slovenije	157,612	157,502	100
Other companies in Slovenia	22,621	18,765	121
IPKO - Kosovo	13,851	14,327	97
Other companies abroad	993	817	122
<b>Total - unconsolidated</b>	<b>195,077</b>	<b>191,411</b>	<b>102</b>
Eliminations and adjustments	-21,435	-18,637	-
<b>Telekom Slovenije Group</b>	<b>173,642</b>	<b>172,774</b>	<b>101</b>

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

EUR thousand	I - III 2020	I - III 2019	Index 20/19
Telekom Slovenije	49,043	49,941	98
Other companies in Slovenia	807	529	153
IPKO - Kosovo	6,745	6,321	107
Other companies abroad	698	609	115
<b>Total - unconsolidated</b>	<b>57,293</b>	<b>57,400</b>	<b>100</b>
Eliminations and adjustments	-898	-858	-
<b>Telekom Slovenije Group</b>	<b>56,395</b>	<b>56,542</b>	<b>100</b>

#### EBIT – earnings before interest and taxes

EUR thousand	I - III 2020	I - III 2019	Index 20/19
Telekom Slovenije	14,905	13,309	112
Other companies in Slovenia	-610	-894	-
IPKO - Kosovo	-204	-907	-
Other companies abroad	186	220	85
<b>Total - unconsolidated</b>	<b>14,277</b>	<b>11,728</b>	<b>122</b>
Eliminations and adjustments	211	70	-
<b>Telekom Slovenije Group</b>	<b>14,488</b>	<b>11,798</b>	<b>123</b>



## Net profit or loss

EUR thousand	I - III 2020	I - III 2019	Index 20/19
Telekom Slovenije	12,554	12,632	99
Other companies in Slovenia	-798	-1,245	-
IPKO - Kosovo	-886	-1,635	-
Other companies abroad	66	124	53
<b>Total - unconsolidated</b>	<b>10,936</b>	<b>9,876</b>	<b>111</b>
Eliminations and adjustments	398	217	-
<b>Telekom Slovenije Group</b>	<b>11,334</b>	<b>10,093</b>	<b>112</b>

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

### Broadband connections

Number of retail BB connections as at	31.3.2020	31.12.2019	Index 20/19
Slovenia	204,228	206,925	99
Kosovo	106,905	111,930	96
<b>Telekom Slovenije Group</b>	<b>311,133</b>	<b>318,855</b>	<b>98</b>

### Fixed and mobile telephony connections

Number of retail connections as at	31.3.2020	31.12.2019	Index 20/19
Slovenia, mobile telephony	992,373	1,002,917	99
Slovenia, fixed voice telephony	319,069	322,058	99
Kosovo, mobile telephony	754,715	817,145	92
<b>Telekom Slovenije Group</b>	<b>2,066,157</b>	<b>2,142,120</b>	<b>96</b>
VoIP services			
Slovenia	185,555	188,041	99
Kosovo	11,093	10,912	102
<b>Telekom Slovenije Group</b>	<b>196,648</b>	<b>198,953</b>	<b>99</b>

### Number of mobile and fixed telephony connections / services

Number of retail connections as at	31.3.2020	31.12.2019	Index 20/19
Total mobile telephony	1,747,088	1,820,062	96
Total fixed voice telephony services*	515,717	521,011	99
<b>Telekom Slovenije Group</b>	<b>2,262,805</b>	<b>2,341,073</b>	<b>97</b>

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

## Investments

EUR thousand	I - III 2020	I - III 2019	Index 20/19
Telekom Slovenije	43,349	23,816	182
Other companies in Slovenia	793	380	209
IPKO - Kosovo	1,221	3,596	34
Other companies abroad	84	54	156
Eliminations and adjustments	-949	-132	-
<b>Telekom Slovenije Group</b>	<b>44,498</b>	<b>27,714</b>	<b>161</b>

## Employees

Number of employees at	31.3.2020	31.12.2019	Index 20/19
Telekom Slovenije	2,192	2,182	100
Other companies in Slovenia	722	719	100
IPKO - Kosovo	528	528	100
<b>Telekom Slovenije Group</b>	<b>3,442</b>	<b>3,429</b>	<b>100</b>

### 3.5. Ownership structure and share trading

#### General information regarding Telekom Slovenije shares as at 31 March 2020

General information regarding shares	
Ticker symbol	TLSG
Listing	Ljubljana Stock Exchange, prime market
Share capital (EUR)	272,720,664.33
Number of ordinary registered no-par value shares	6,535,478
Number of shares held in treasury	30,000
Number of shareholders as at 31 March 2020	8,983

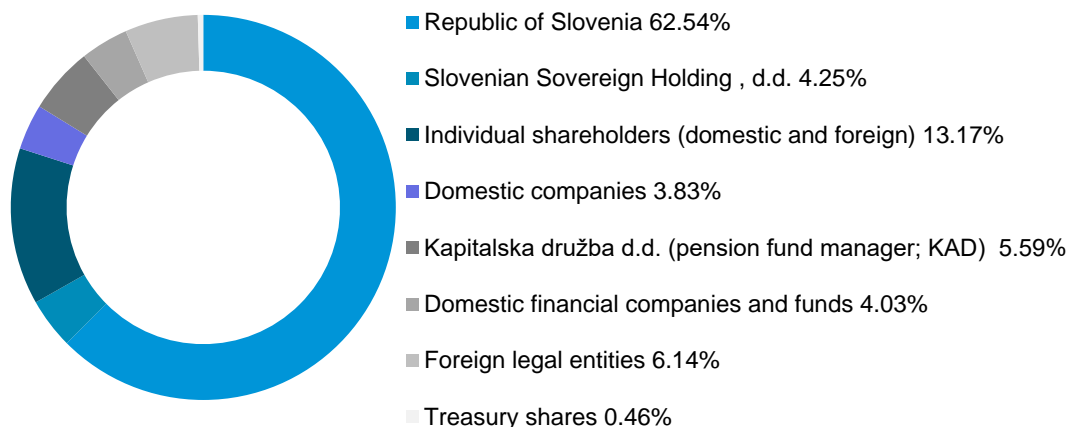
#### Ownership structure and largest shareholders as at 31 March 2020

Telekom Slovenije had 8,983 shareholders as at 31 March 2020, a decrease of 153 relative to the end of 2019.

With a total stake of 93.6%, domestic investors are still predominant in the Company's ownership structure. The Company's largest shareholder is 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, 73.36% of the Company's shares were directly or indirectly held by the government.

Individual shareholders represent the second largest category of owners. Their stake was down during the first three months of 2020. Domestic legal entities, financial corporations and funds, on the other hand, increased their stake, while foreign legal entities decreased their stake.

#### Ownership structure as at 31 March 2020



#### Ten largest shareholders as at 31 March 2020

The concentration of ownership, as measured by the ownership stake held by the ten largest shareholders, stood at 79.35% at the end of the first quarter of 2020, an increase of 0.11 percentage points relative to the end of 2019. The overall structure of the ten largest shareholders was unchanged; only their positions in that ranking changed.



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

Members of the Supervisory Board held 306 TLGS shares as at 31 March 2020.

Name	Office	No of shares	% of equity
<b>Supervisory Board</b>			
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
<b>Total</b>		<b>306</b>	<b>0.00468</b>

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

## Movement in the TLGS share price

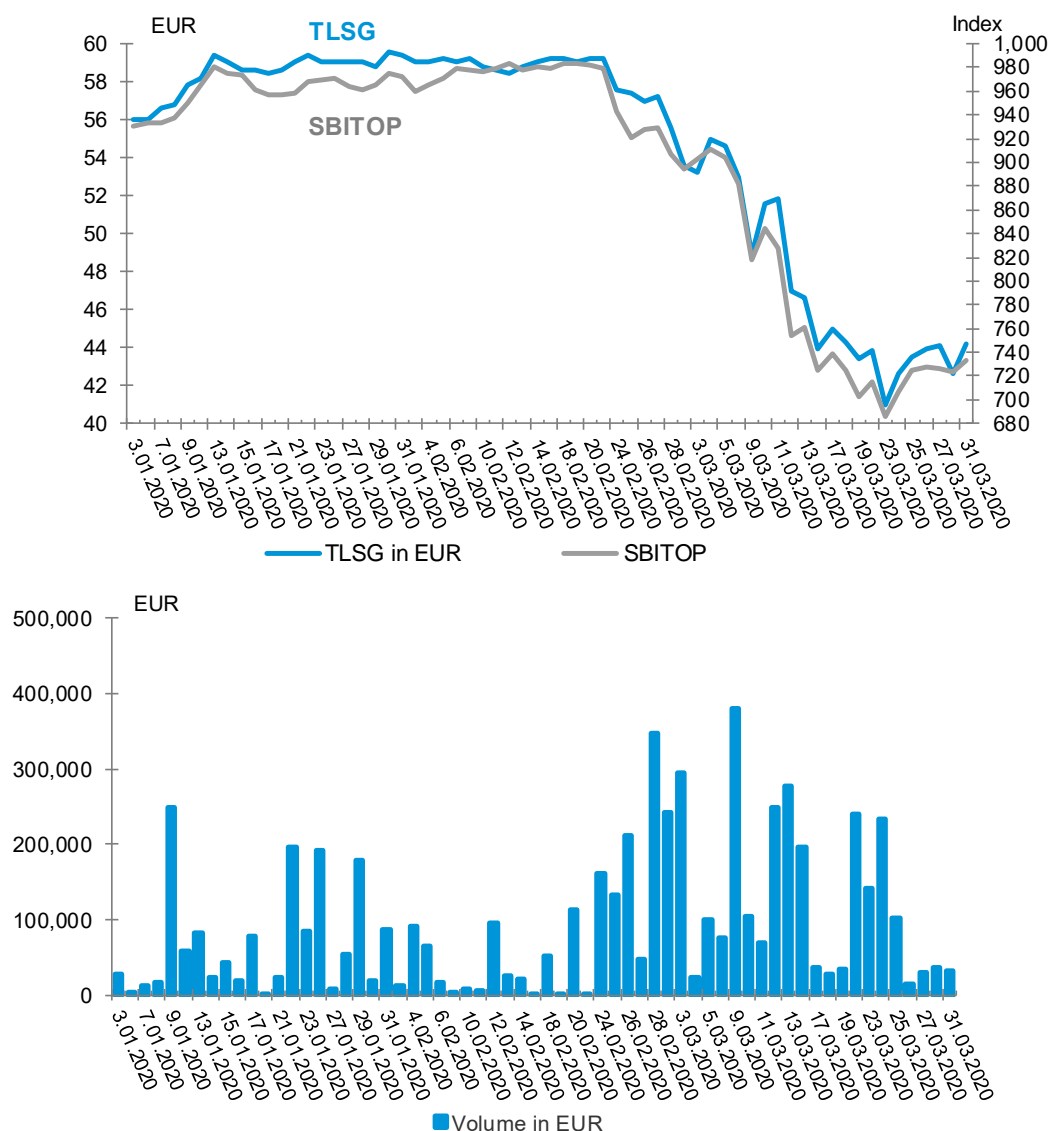
The shares of Telekom Slovenije are listed on the prime securities market of the Ljubljana Stock Exchange under the ticker symbol TLGS. The Company's shares are included in the SBITOP index, and accounted for a 6.28% share of that index at the end of March 2020. Since 19 June 2019 TLGS shares are also included in the ADRIAprime 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.

Drastic measures implemented by countries to prevent the spread of the coronavirus have rocked every stock market across the globe, including the Slovenian market. The price of TLGS shares closed at EUR 44.20 on the last trading day of March. The share price fell by 18.75% during the first quarter of the year and tracked the general fall in share prices on the Ljubljana Stock Exchange. The SBITOP index, which tracks the movement of the most liquid and largest shares on the stock exchange, fell by 20.83% during the same period. The market capitalisation of Telekom Slovenije stood at EUR 288.9 million on the last trading day of March. Turnover in Telekom Slovenije shares totalled EUR 5.82 million during the period January to March 2020, representing 4.21% of total turnover on the stock exchange.

## Trading statistics for TLGS shares on the Ljubljana Stock Exchange

Standard price in EUR	I – III 2020	I – III 2019
Highest daily price	59.60	68.20
Lowest daily price	41.00	56.60
Average daily price	54.50	63.51
Volume in EUR thousand	I – III 2020	I – III 2019
Total volume for the year	5,820.26	3,139.14
Highest daily volume	379.22	615.09
Lowest daily volume	0.18	0.13
Average daily volume	92.39	53.21

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



Source: Ljubljana Stock Exchange, archive of share prices.

### Key financial data relating to shares

	31. 3. 2020 / I – III 2020	31. 12. 2019 / I – III 2019
Closing price (P) of one share on the last trading day of the period in EUR	44.20	66.20
Book value (BV) <sup>1</sup> of one share in EUR	92.08	90.41
Earnings per share (EPS) <sup>2</sup> in EUR	1.74	0.19
Market to book value ratio	0.48	0.60
Capital return per share during the period in % <sup>3</sup>	-18.75%	12.20%
	10.18%	21.60%

#### Notes:

<sup>1</sup> The book value of one share is calculated as the ratio of the book value of the Telekom Slovenije Group's equity on the last day of the period to the number of issued ordinary shares. Comparable data from the statement of financial position are from 31 December 2019.

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

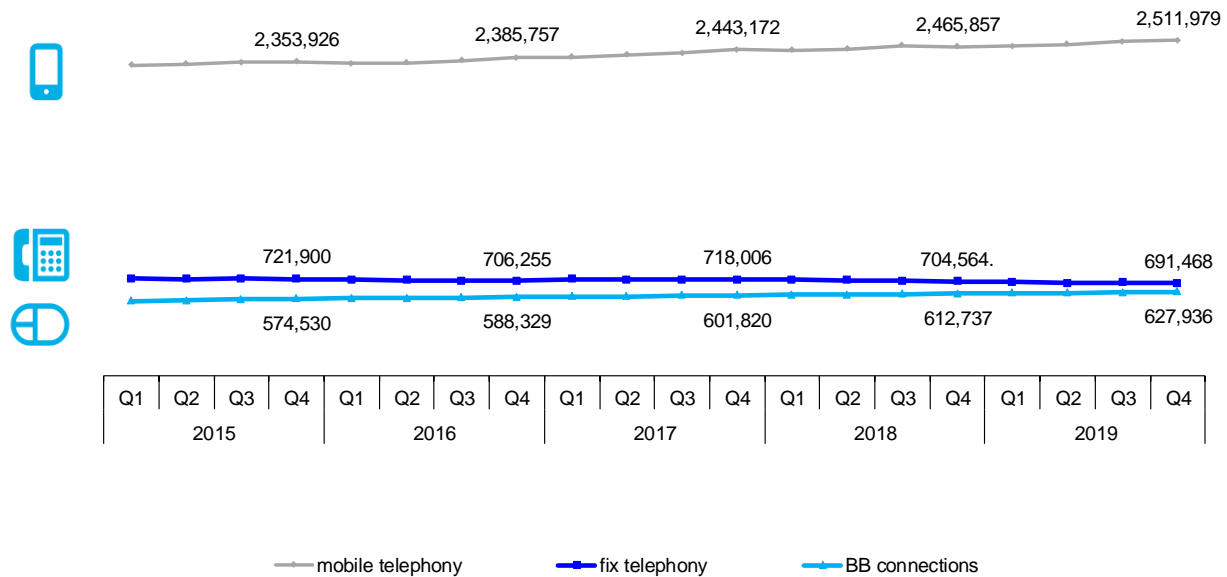
<sup>3</sup> The capital return per share is calculated as the ratio of the share price on the final trading day of the period minus the share price on the first trading day of the period to the share price on the first trading day of the period.

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



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

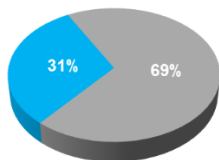
#### Changes in the number of connections on the electronic communications market in Slovenia



Source: Statistical Office of the Republic of Slovenia, Electronic Communications, fourth quarter of 2019, March 2020.

#### Overview of market shares in the fourth quarter of 2019 in key market segments

##### Fixed broadband access



##### Fixed broadband access

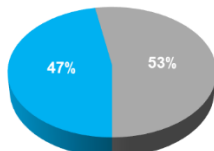
**31.0 % market share**

Annual change: - 2.0 p.p.

**206,925 connections**

Annual change: - 3.4 %

##### IPTV



##### IPTV

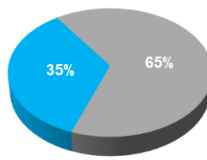
**47.1 % market share**

Annual change: - 3.2 p.p.

**172,403 connections**

Annual change: - 2.4 %

##### VoIP



##### VoIP

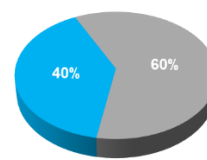
**34.8 % market share**

Annual change: - 1.3 p.p.

**188,041 connections**

Annual change: - 2.8 %

##### Mobile telephony



##### Mobile telephony

**39.9 % market share**

Annual change: - 2.7 p.p.

**1,002,917 connections**

Annual change: - 4.4 %

Source: AKOS: eAnalitik portal, March 2020; internal Telekom Slovenije figures.

### 3.7. Risk management

Key risks are presented below by Telekom Slovenije Group company.

TELEKOM SLOVENIJE
<b>Strategic risks</b> <ul style="list-style-type: none"><li>• Telekom Slovenije faces competition, regulatory effects and price-sensitive users on the domestic market. Users demand an increasing number of high-quality services at a low price. The market is becoming increasingly saturated, which means less manoeuvring room for attracting new users. The management of such risks requires the regular performance of activities to ensure competitiveness, control over regulatory measures, a targeted and active market approach, the provision of high-quality and readily available services, the continuous adaptation of business solutions, the adaptation of the portfolio, and the introduction of the latest developments for specific groups and segments of users.</li><li>• With respect to strategic risks, we have closed all Telekom centres across Slovenia and directed users to digital channels due to the impact of the coronavirus. We are implementing additional activities for users on the retail market that include the expansion of TV-programme schemes and additional mobile data transfer quantities, and responding to the reduced operations of business users, which could impact the scope of projects. Network charges for electricity customers were cut in accordance with the Slovenian government's ordinance, while we are promoting the sale of products and services via digital channels.</li></ul>
<b>Financial risks</b> <ul style="list-style-type: none"><li>• Telekom Slovenije regularly monitors the dynamics of the financial environment that reflect the various types of risks to which the Company is exposed in its operations. The Company actively monitors liquidity, credit and interest-rate risk, while various financial risk management models and derivatives are used to reduce exposure to specific types of risks.</li><li>• Liquidity risk is managed through the planning and management of cash flows, by ensuring the appropriate maturities and the diversification of financial debt, and through financing within the Group and the optimisation of working capital and cash. Short-term imbalances in cash flows are managed through short-term revolving loans from banks, while the Company also has long-term reserve credit lines as an additional element of financial security.</li><li>• Credit risk is managed by the Company through the active monitoring of the operations of customers and their credit ratings, and by limiting maximum allowable exposures. The Company further hedges against the risk of the deteriorating financial position of customers through credit insurance and by regularly monitoring the appropriateness thereof. Monitoring of the settlement of contractual obligations and the active recovery of past-due debt are also elements of the system tool used for credit risk management.</li><li>• The Company also hedges against interest-rate risk by concluding interest-rate swaps. Fixed or hedged interest rates account for 60.4% of interest-bearing financial liabilities at the Company level.</li><li>• Telekom Slovenije manages credit risk in connection with receivables from loans to subsidiaries by including various collateral instruments in loan agreements, while it regularly monitors the operations and liquidity of subsidiaries. If the effects of the coronavirus will have a negative impact on subsidiaries' ability to service their loans, Telekom Slovenije will initiate activities aimed at refinancing loans or amending repayment schedules.</li></ul>
<b>Regulatory and compliance-related risks</b> <ul style="list-style-type: none"><li>• Regulatory risks remain high for Telekom Slovenije and derive from changes to the regulatory framework and policies, and from the potential decisions of the regulator regarding the imposition of additional obligations or changes in prices in individual market segments.</li><li>• Taking into account the initial planned public auction of a portion of the 700 MHz radio frequency band for fifth-generation (5G) mobile networks, as well as the draft strategy for the management of the radio frequency spectrum published by the AKOS, the Company continues to identify risks associated with the conditions of that public auction, requirements regarding the use of frequencies, excessively high auction prices, and other conditions associated directly or indirectly with the requirements of the public auction of frequencies. All of that could affect the possibility of acquiring the tendered radio frequency spectrum for the provision of electronic communications services. The strategy for the management of the radio frequency spectrum has yet to be adopted (the most recent proposal of the AKOS is from November 2019).</li><li>• The EU directive establishing the European Electronic Communications Code (EECC) was adopted at the end of 2018. That directive includes measures for stimulating competition and investments in very high-capacity electronic communications networks and covers various areas of electronic communications. The deadline for</li></ul>

the transposition of that directive into national law is two years from its entry into force. The EU Council also adopted the BEREC regulation, the aim of which is to provide aid to Member States for the expansion of very high-capacity electronic communications networks, and for the ongoing and consistent application of the regulatory measures set out in the aforementioned code.

- The risks associated with personal data protection derive from the large scope and categories of personal data that Telekom Slovenije processes as the leading operator in Slovenia. Of significance with regard to that risk is the application of Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, which entered into force on 25 May 2018 and 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 personal data processing and internal control processes for personal data protection. We also monitor the drafting of new regulations. Currently being drawn up are the Personal Data Protection Act (ZVOP-2) and the Electronic Identification and Trust Services Act (ZEIZS). 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. Regulatory risks are managed through organisational and procedural measures in the Company's operations, through constructive dialogue, by putting forth opinions, comments and suggestions in public consultations regarding drafts of general and specific laws issued by the regulator, and by taking legal action against issued regulatory decisions, whenever that is justified.
- Due to the impact of the coronavirus, we are transacting with users remotely and ensuring that they receive information regularly. To that end, we are closely monitoring discussions regarding the use of user data at the disposal of operators, in terms of the possible implementation of measures to limit the spread of the coronavirus.

#### Operational risks

- Telekom Slovenije gives a great deal of attention to managing 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. Telekom Slovenije manages this risk through the development of DSS and OSS, by improving operational efficiency and by providing support for new business opportunities. Operations support systems (OSS) are and will continue to be a key differentiating factor between operators on the B2C, B2B and wholesale markets. One objective of the OSS strategy in the period until 2023 is to ensure that the Telekom Slovenije Group has one of the most effective, most responsive and most flexible OSS, including a high level of automation in operational processes. That automation shortens the time of processes, and reduces the number of participants in processes, the number of errors in processes, and operational costs.
- In terms of ensuring business continuity, Telekom Slovenije ensures the necessary capacities of the ICT infrastructure and services, and of transmission, backbone and access segments. The risks associated with the malfunctioning of connections and services provided by other entities are managed by introducing processes to monitor and report on SLA indicators on leased networks, and by standardising requirements vis-à-vis network providers for newly leased networks. The Company implements updates and increases capacities through redundancy in those network segments where it has identified increased functional and security-related risks.
- In the area of ICT security, Telekom Slovenije continuously develops systems for monitoring technologies and anomalies in the ICT infrastructure and services, and conducts internal and external penetration testing. A Cyber Security Operation Centre has been established. Risks are managed through the implementation of the security policy, by identifying security threats and vulnerabilities, and by spreading the security culture to employees and users.
- Telekom Slovenije faces certain challenges with regard to SAP ERP application, including the upgrading of the system to a new version (s4Hana). Operational processes must be analysed, and amended/adapted as required.
- We have also identified risks in connection with the conditions of the multi-frequency public auction for fifth-generation (5G) mobile networks, requirements regarding the use of frequencies, the level of prices and other related conditions of the public tender. All of that could affect the possibility of acquiring the tendered radio frequency spectrum for the provision of electronic communications services. Activities are in progress at the Company, with a team of internal and external experts to prepare for the auction. A strategy for the management of the radio frequency spectrum has yet to be adopted in Slovenia.
- Telekom Slovenije manages risks in connection with procurement processes through a centralised procurement function, a standard process for the implementation of procurement procedures and a methodology for assessing risks associated with suppliers. The Company monitors compliance with contractual provisions. The Supplier Code falls into this category of activities. A comprehensive supplier assessment is performed. The

<p>objective of risk management is to ensure a smooth supply process and to contribute to the Company's competitive advantages.</p> <ul style="list-style-type: none"> <li>• Telekom Slovenije also faces risks associated with retaining employees, as it is increasingly difficult to recruit and retain qualified employees due to market conditions and increased demand for professionally qualified personnel, in particular ICT experts. In order to manage the risks associated with retaining employees, the Company focuses on systematic development and career planning, the transfer of knowledge and training, and thus ensures motivational remuneration systems.</li> <li>• Based on the business continuity management system (BCMS), which is in place in the event of emergencies and certified in accordance with the ISO/IEC 22301 standard, we adopted preventive measures and a special plan of measures and activities in the event of a pandemic. We also planned activities in the event of the activation of the National Civil Protection and Disaster Relief Plan. In accordance with the BCMS, Telekom Slovenije, d. d. is prepared for and capable of ensuring key services and processes, even in emergencies.</li> <li>• The business continuity management system serves as 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. Due to the impact of the coronavirus, activities include priorities such as ensuring quality, security, control over capacities and the supply of additional HW, ensuring coordination between external and internal stakeholders, the motivation of employees, ensuring work from home or the availability of employees on-the-job where this is required, ensuring the implementation of activities in connection with permanent changes and defining priorities on a daily basis, i.e. 24/7.</li> </ul>
<b>AVTENTA</b>
<ul style="list-style-type: none"> <li>• Avtenta manages risks in connection with achieving planned revenues through a competitive portfolio and customer relationship management.</li> <li>• Further affecting operations is the declaration of the coronavirus epidemic, which has resulted in the reduced scope of projects.</li> </ul>
<b>GVO</b>
<ul style="list-style-type: none"> <li>• Risks associated with rising prices of construction services are managed by adapting the organisation of work and processes.</li> <li>• The declaration of the coronavirus epidemic has affected operations, as the implementation of investment and maintenance works is limited.</li> </ul>
<b>PLANET TV</b>
<ul style="list-style-type: none"> <li>• Risks associated with the management of liquidity are very high. The company is undergoing business and financial restructuring.</li> <li>• Further affecting operations is the declaration of the coronavirus epidemic, as the scope of previously approved advertising campaigns has been reduced or campaigns cancelled. The company is promoting advertising in the Slovenian media through professional associations.</li> </ul>
<b>SOLINE</b>
<ul style="list-style-type: none"> <li>• The risk of poor weather conditions is constantly present, as this is a seasonal activity. An extended period of sunny weather and a dry wind are crucial for the traditional production of sufficient quantities of salt.</li> <li>• Further affecting operations is the declaration of the coronavirus epidemic, as the sale of products is limited due to the closure of the company's own stores, the SSNP and points of sale of business partners, and due to lower foreign demand.</li> </ul>
<b>TSinpo</b>
<ul style="list-style-type: none"> <li>• Risks associated with HR management and workplace safety are managed by maintaining the appropriate employee structure.</li> <li>• Further affecting operations is the declaration of the coronavirus epidemic, which has resulted in lower demand for and the reduced production of cardboard sleeves, and postponed sales of other programmes.</li> </ul>
<b>TSmedia</b>
<ul style="list-style-type: none"> <li>• Risks in connection with achieving planned revenues are managed by entering into annual contracts and through bundling marketing.</li> <li>• Further affecting operations is the declaration of the coronavirus epidemic, as the scope of previously approved advertising campaigns has been reduced or campaigns cancelled. The company is promoting advertising in the Slovenian media through professional associations.</li> </ul>
<b>IPKO</b>
<ul style="list-style-type: none"> <li>• IPKO responds to the risk of the loss of users and revenues in the segment of fixed and mobile services due to unfair competition through the active adaptation of its portfolio and the appropriate market approaches.</li> </ul>

- The company remains exposed to the risk of higher costs due to the setting of prices for the payment of copyright fees for the broadcasting of programmes via the cable network.
- IPKO manages the risk of the loss of revenues in connection with roaming through negotiations and its range of retail products and services.
- Risks associated with sales activities are managed through a conservative approach to the disclosure of documentation regarding operations and through the required organisation of operations for the implementation of processes and employee motivation.
- Further affecting operations is the declaration of the coronavirus epidemic, as public life and the operations of certain companies in Kosovo are subject to lockdown. IPKO is attempting to redirect users to services via the internet and has activated a business continuity management team. As part of its package of measures, the government adopted a resolution under which public procurement legislation does not apply to the telecommunication services provided by Telekom Kosova.

## 4. CORPORATE GOVERNANCE

### Management Board

Telekom Slovenije is managed by a four-member Management Board, comprising the following members as at 31 March 2020:

- Tomaž Seljak, MSc, President,
- Dr Vida Žurga, Vice-President,
- Matjaž Beričič, MSc, member, and
- Špela Fortin, member of the Management Board and Workers' Director.

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

### Supervisory Board

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

Telekom Slovenije's Supervisory Board comprised the following members as at 31 March 2020:

Shareholder representatives:

- Barbara Kürner Čad, President,
- Barbara Gorjup, MSc, Vice-President,
- Bernarda Babič, MSc, member,
- Dimitrij Marjanović, member,
- Barbara Cerovšek Zupančič, MSc, member, and
- Igor Rozman, member.

Employee representatives:

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

Members of the Supervisory Board are elected for a term of four years.

The term of office of member of the Supervisory Board and shareholder representative Dimitrij Marjanović expired on 13 May 2020. The Company General Meeting of Shareholders will elect a new member to the Supervisory Board when it meets on 5 June 2020.

For more information, visit <https://www.telekom.si/en/about-us/company/organisation>.



## Slovenia

### GVO, d. o. o.

Managing Director: Borut Radi

### INFRATEL, d. o. o.

Managing Director: Borut Radi

### Optic-Tel, d. o. o.

Managing Director: Borut Radi

### Avtenta, d. o. o.

Managing Director: Primož Kučič

Miran Potočnik served as Managing Director until 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.

### TSmedia, d. o. o.

Managing Director: Simon Furlan, MSc

Rolando Žel served as Managing Director until 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.

### Soline, d. o. o.

Managing Director: Klavdij Godnič

### Planet TV, televizijska dejavnost, d. o. o.

Managing Director: Samo Ošina

Rolando Žel served as Managing Director until 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.

### TSinpo, d. o. o.

Managing Director: Danilo Tomšič, MSc

Procurator: Vesna Lednik

## Other countries

### IPKO Telecommunications LLC, Kosovo

Board of Directors: Tomaž Seljak, MSc (President), Bujar Musa and Robert Erzin, MSc

CEO: Robert Erzin, MSc

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

Managing Director: Matjaž Pogačnik, MBA

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

Managing Director: Matjaž Pogačnik, MBA

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

Managing Director: Matjaž Pogačnik, MBA

### SIOL DOOEL Skopje, Macedonia

Managing Director: Matjaž Pogačnik, MBA

### SIOL DOO BELGRADE, Serbia

Managing Director: Matjaž Pogačnik, MBA

### SIOL Prishtina L.L.C., Kosovo

Managing Director: Matjaž Pogačnik, MBA

### GVO Telekommunikation GmbH

Managing Directors: Borut Radi, Darko Gradišnik and Roman Mazi

## 5. SIGNIFICANT EVENTS IN THE PERIOD JANUARY – MARCH 2020

### First quarter

#### JANUARY

- The Supervisory Board gave its consent to the appointment of Primož Kučič as the Managing Director of Avtenta. Mr Kučič, who serves as Director of the B2B Market at Telekom Slovenije, has managed the company since 1 February 2020, and will continue to do so until the appointment of a new Managing Director.
- The Company's Supervisory Board was briefed on the initiation of proceedings to recapitalise Planet TV through the entry of a new owner.
- Telekom Slovenije concluded an agreement with stock market member Interkapital vrijednosni papiri to provide services in connection with maintaining the liquidity of Telekom Slovenije shares. The provision of the services set out in that agreement was set to begin on 3 February 2020, with those services supplementing Telekom Slovenije's other activities in the area of investor relations.
- Avtenta received the highest SAP Partner title. SAP awarded Avtenta the title of SAP Gold Partner again this year.

#### 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.
- Avtenta received the AAA Golden Creditworthiness Certificate of Excellence from the ratings agency Bisnode as a reliable, credible and trustworthy partner.
- Avtenta received the title of Marg Gold Partner in the area of BusinessConnect/GovernmentConnect document system solutions and the title of BizBox Partner.

#### MARCH

- As the defendant in the commercial dispute involving the plaintiff Sky Net, Telekom Slovenije (previously Mobitel, d. d.) received a ruling and decision from the Ljubljana District Court on 2 March 2020 in connection with the execution of an agreement under two lawsuits. Under that ruling and decision, the aforementioned court rejected both the part of the subordinated claim of Sky Net regarding the construction of base stations and the drafting of documentation relating to 2007, and the remainder of that subordinated claim regarding the issue of an order for the construction of 414 base stations and orders to obtain documentation for 434 base stations. The court also ruled that Sky Net is obliged to reimburse Telekom Slovenije litigation costs in the amount of EUR 30,146.32.
- On 4 March 2020, Telekom Slovenije received a ruling from the Ljubljana Higher Court, issued on 13 February 2020, in the commercial dispute between the plaintiff Telekom Slovenije and the defendants Bojan Dremelj, Dušan Mitič, Filip Ogris Martič, Željko Puljić and Darja Senica for the payment of EUR 7,635,500.00 with appertaining costs. Under the aforementioned ruling and decision, the Ljubljana Higher Court ruled in favour of Telekom Slovenije's appeal in the part relating to the costs of third-party intervenors and overturned the District Court's ruling in that part. In the part that was not overturned, the Ljubljana Higher Court rejected Telekom Slovenije's appeal and upheld the District Court's ruling in the contested part of the appeal. Telekom Slovenije was ordered to repay the defendants for the costs of appeals proceedings. Telekom Slovenije will continuously notify shareholders and the public of further proceedings in this matter.
- Telekom Slovenije amended the conditions of the previously initiated proceedings to recapitalise Planet TV through the entry of a new owner to the sale of a 100% participating interest in 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'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.

- On 19 March 2020 the 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 Wholesale Market at Telekom Slovenije, and Samo Ošina, the Director of Telekom Slovenije's B2C Market, will manage the aforementioned companies based on the relevant management contract, until the appointment of new managing directors.
- Avtenta successfully passed certification for SAP HEC solutions.
- TSmedia has noted a sharp rise in the number of users of websites during the coronavirus epidemic. Siol.net has recorded a record number of different users since the beginning of 2020. Following a record number of visits in February, when it recorded 696 thousand different users, Siol.net recorded more than 808 thousand different users in March, meaning 30% growth relative to last March and 57% growth in the number of page views.

## 6. EVENTS AFTER THE BALANCE-SHEET DATE

### Second quarter

#### APRIL

- The Supervisory Board of Telekom Slovenije approved the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2019.
- Telekom Slovenije's Supervisory Board approved the appointment of Klavdij Godnič to serve a third four-year term of office as the Managing Director of Soline Pridelava soli, d. o. o., effective 1 July 2020.
- Pursuant to Article 36 of Telekom Slovenije's Articles of Association, the Company's Management Board convened the 31st General Meeting of Shareholders, which will be held at 2 pm on 5 June 2020 at the Company's headquarters. The final text of the convening of the General Meeting of Shareholders, together with the agenda, explanations of proposed resolutions and information regarding the rights of shareholders, as well as the registration form and authorisation for participation (for legal entities and natural persons) are published on the Company's website at <http://www.telekom.si/o-podjetju/zaglagatelj/skupscina-delnicarjev>. All materials are available, with prior notice, for viewing by shareholders in the information office at the Company's registered office, Cigaletova 15, Ljubljana, every business day from 9 am to 11 am, from the day of publication of the convening of the General Meeting of Shareholders on the website of the AJ PES until the day thereof. In order to help prevent the spread of the coronavirus, we kindly ask shareholders to agree on a date and time in advance.

#### MAY

- The term of office of member of the Supervisory Board and shareholder representative Dimitrij Marjanović expired on 13 May 2020. The Company General Meeting of Shareholders will decide on a new term of office for Mr Marjanović or elect on new member to the Supervisory Board when it meets on 5 June 2020.

## 7. CONDENSED INTERIM ACCOUNTING REPORT OF THE TELEKOM SLOVENIJE GROUP AND TELEKOM SLOVENIJE, D. D. FOR THE PERIOD JANUARY TO MARCH 2020

### 7.1. Introductory notes

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

The condensed interim financial statements for the period ending 31 March 2020 were compiled in accordance with IAS 34 Interim Financial Reporting. The financial statements for the period January–March 2020 and the comparable period January–March 2019 are unaudited, while the financial statements for the comparable period ending 31 December 2019 are audited.

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

#### Changes in accounting policies

The accounting policies used in the compilation of the interim condensed financial statements are the same as those applied in the compilation of the financial statements for the financial year ending 31 December 2019.

#### Use of significant estimates and judgements

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

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

Estimates and assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which estimates are revised, and in all future years affected by such revisions.

During the reporting period, Telekom Slovenije changed the useful lives of modems and GPON interfaces installed in the fibre optic network. Before that change, the useful life of the aforementioned equipment was four years; the new useful life is five years. Depreciation was down by EUR 157 thousand during the reporting period due to the change in useful lives. The Company decided to change useful lives due to the lower number of failures of modems and GPON interfaces on the fibre optic network, as the rate of failure due to power surges before the end of the associated depreciation period is significantly lower on the fibre optic network than on the copper network.

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

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

#### Unaudited income statement for the period ending 31 March 2020

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I - III 2020	I - III 2019	I - III 2020	I - III 2019
Revenue	168,629	171,963	152,861	156,880
Other operating income	5,013	811	4,751	622
Cost of goods sold	-19,018	-19,946	-20,771	-20,804
Cost of materials and energy	-3,673	-3,464	-2,817	-2,663
Cost of services	-65,849	-65,569	-61,033	-61,701
Labour costs	-25,796	-25,708	-21,303	-20,833
Amortisation / depreciation	-41,907	-44,744	-34,138	-36,632
Other operating expenses	-2,911	-1,545	-2,645	-1,560
<b>Total operating expenses</b>	<b>-159,154</b>	<b>-160,976</b>	<b>-142,707</b>	<b>-144,193</b>
<b>Operating profit</b>	<b>14,488</b>	<b>11,798</b>	<b>14,905</b>	<b>13,309</b>
Finance income	341	1,828	1,045	2,702
Finance costs	-2,584	-2,478	-2,568	-2,377
<b>Profit before tax</b>	<b>12,245</b>	<b>11,148</b>	<b>13,382</b>	<b>13,634</b>
Income tax expense	-1,158	-56	-1,037	0
Deferred tax	247	-999	209	-1,002
<b>Net profit for the period</b>	<b>11,334</b>	<b>10,093</b>	<b>12,554</b>	<b>12,632</b>
<b>Attributable to</b>				
Majority interest	11,334	10,397	0	0
Non-controlling interest	0	-304	0	0
<b>Earnings per share – basic and diluted (in EUR)</b>	<b>1.74</b>	<b>1.55</b>	<b>1.93</b>	<b>1.94</b>



## Unaudited statement of other comprehensive income for the period ending 31 March 2020

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I - III 2020	I - III 2019	I - III 2020	I - III 2019
<b>Net profit for the period</b>	<b>11,334</b>	<b>10,093</b>	<b>12,554</b>	<b>12,632</b>
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>				
<b>Translation reserves</b>	<b>21</b>	<b>-23</b>	<b>0</b>	<b>0</b>
Changes in fair value of hedging instruments	-83	-167	-83	-167
Deferred tax	16	32	16	32
<b>Change in fair value of hedging financial instruments (net)</b>	<b>-67</b>	<b>-135</b>	<b>-67</b>	<b>-135</b>
<i>Other comprehensive income that may not be reclassified subsequently to profit or loss</i>				
<b>Change in the fair value for actuarial deficits and surpluses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in fair value of investments measured at fair value through other comprehensive income	-437	185	-437	185
Deferred tax	83	-35	83	-35
<b>Change in fair value of investments measured at fair value through other comprehensive income</b>	<b>-354</b>	<b>150</b>	<b>-354</b>	<b>150</b>
<b>Other comprehensive income for the period after tax</b>	<b>-400</b>	<b>-8</b>	<b>-421</b>	<b>15</b>
<b>Total comprehensive income for the period</b>	<b>10,934</b>	<b>10,085</b>	<b>12,133</b>	<b>12,647</b>
<b>Total comprehensive income attributable to</b>				
Majority interest	10,934	10,389	0	0
Non-controlling interest	0	-304	0	0

# Unaudited statement of financial position as at 31 March 2020

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
<b>ASSETS</b>				
Intangible assets	183,154	177,594	141,578	132,692
Property, plant and equipment	650,399	653,411	584,176	584,117
Leased (ROU) assets	78,348	79,300	85,723	86,402
Investments in subsidiaries	0	0	37,001	37,001
Other investments	4,404	4,860	90,076	90,421
Non-current contract assets	3,322	3,646	2,990	3,280
Other non-current assets	23,550	43,423	16,944	37,067
Investment property	3,993	4,002	3,993	4,002
Deferred tax assets	44,307	44,044	43,770	43,545
<b>Total non-current assets</b>	<b>991,477</b>	<b>1,010,280</b>	<b>1,006,251</b>	<b>1,018,527</b>
Assets held for sale	500	500	500	500
Inventories	27,738	24,620	23,649	20,579
Operating and other receivables	149,090	153,510	143,942	145,595
Current contract assets	24,987	14,896	24,574	14,849
Short-term deferred costs and accrued revenue	24,589	15,156	20,624	12,107
Current investments	677	679	10,120	10,226
Cash and cash equivalents	17,886	13,219	3,292	1,153
<b>Total current assets</b>	<b>245,467</b>	<b>222,580</b>	<b>226,701</b>	<b>205,009</b>
<b>Total assets</b>	<b>1,236,944</b>	<b>1,232,860</b>	<b>1,232,952</b>	<b>1,223,536</b>
<b>EQUITY AND LIABILITIES</b>				
Called-up capital	272,721	272,721	272,721	272,721
Capital surplus	181,488	181,488	180,956	180,956
Revenue reserves	106,479	106,479	104,978	104,978
<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 reserves</i>	54,854	54,854	54,544	54,544
<i>Other revenue reserves</i>	13	13	0	0
Retained profit or loss	43,212	31,879	61,441	48,886
<i>Retained earnings from previous periods</i>	31,878	30,648	48,887	48,301
<i>Profit for the period</i>	11,334	1,231	12,554	585
Fair value reserve	243	664	243	664
Fair value reserve for actuarial deficit and surplus	-2,347	-2,347	-2,069	-2,069
Translation reserve	15	-6	0	0
<b>Equity attributable to owners of the Company</b>	<b>601,811</b>	<b>590,878</b>	<b>618,270</b>	<b>606,136</b>
Non-controlling interest	0	0	0	0
<b>Total capital</b>	<b>601,811</b>	<b>590,878</b>	<b>618,270</b>	<b>606,136</b>
Non-current contractual obligations	974	1,119	234	180
Provisions	19,008	23,293	14,795	19,138
Non-current operating liabilities	23,692	22,828	14,081	10,722
Long-term accrued costs and deferred revenues	16,712	22,489	16,530	22,702
Interest bearing borrowings	214,860	214,802	214,860	214,802
Non-current financial liabilities from lease	58,919	60,068	65,248	66,351
Other non-current financial liabilities	100,803	100,641	100,701	100,608
Deferred tax liabilities	1,594	1,676	192	274
<b>Total non-current liabilities</b>	<b>436,562</b>	<b>446,916</b>	<b>426,641</b>	<b>434,777</b>
Operating liabilities	97,801	113,342	88,908	99,945
Income tax payable	1,354	354	1,043	0
Current borrowings and loans	30,531	31,038	35,515	38,008
Current financial liabilities from lease	9,377	8,986	10,672	10,031
Other current financial liabilities	1,713	1,224	1,662	1,181
Current contractual obligations	5,438	6,591	2,261	3,342
Short-term accrued costs and deferred revenue	52,357	33,531	47,980	30,116
<b>Total current liabilities</b>	<b>198,571</b>	<b>195,066</b>	<b>188,041</b>	<b>182,623</b>
<b>Total liabilities</b>	<b>635,133</b>	<b>641,982</b>	<b>614,682</b>	<b>617,400</b>
<b>Total equity and liabilities</b>	<b>1,236,944</b>	<b>1,232,860</b>	<b>1,232,952</b>	<b>1,223,536</b>

# Unaudited statement of changes in equity of the Telekom Slovenije Group for the period ending 31 March 2020

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and surplus	Translation reserve	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other revenue reserves	Retained earnings from previous years	Profit or loss for the period					
Balance at 1 Jan 2020	272,721	181,488	51,612	3,671	-3,671	54,854	13	30,648	1,231	1,171	-507	-2,347	-6	590,878
Profit or loss for the period									11,334					11,334
Other comprehensive income for the period										-354	-67	0	21	-400
Total comprehensive income for the period	0	0	0	0	0	0	0	0	11,334	-354	-67	0	21	10,934
Dividends paid								0						0
Transactions with owners	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of profit or loss from previous period to retained earnings or losses								1,231	-1,231					0
Other								-1						-1
Balance at 31 March 2020	272,721	181,488	51,612	3,671	-3,671	54,854	13	31,878	11,334	817	-574	-2,347	15	601,811

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

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

# Unaudited statement of changes in equity of Telekom Slovenije, d. d. for the period ending 31 March 2020

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and surplus	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other revenue reserves	Retained earnings from previous years	Profit or loss for the period				
Balance at 1 Jan 2020	272,721	180,956	50,434	3,671	-3,671	54,544	0	48,301	585	1,171	-507	-2,069	606,136
Profit or loss for the period									12,554				12,554
Other comprehensive income for the period										-354	-67	0	-421
Total comprehensive income for the period	0	0	0	0	0	0	0	0	12,554	-354	-67	0	12,133
Dividends paid								0					0
Transactions with owners	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of profit or loss from previous period to retained earnings or losses								585	-585				0
Other								1					1
Balance at 31 March 2020	272,721	180,956	50,434	3,671	-3,671	54,544	0	48,887	12,554	817	-574	-2,069	618,270



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

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

## Unaudited cash flow statement for the period ending 31 March 2020

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I - III 2020	I - III 2019	I - III 2020	I - III 2019
<b>Cash flows from operating activities</b>				
<b>Profit</b>	<b>11,334</b>	<b>10,093</b>	<b>12,554</b>	<b>12,632</b>
<b>Adjustments for:</b>				
Depreciation and amortization	41,907	44,744	34,138	36,632
Impairment and write-offs of intangible assets, property, plant and equipment, intangible assets and investment property	163	0	0	0
Gain or loss on disposal of property, plant and equipment	119	-20	113	-20
Finance income	-341	-1,828	-1,045	-2,702
Finance costs	2,584	2,478	2,568	2,377
Income tax expense and deferred tax	911	1,055	828	1,002
<b>Operating cash flow prior to changes in net working capital and provisions</b>	<b>56,677</b>	<b>56,522</b>	<b>49,156</b>	<b>49,921</b>
Change in trade and other receivables	4,451	17,529	1,686	13,480
Change in deferred costs, accrued income and contract assets	-19,190	-2,013	-17,265	-1,986
Change in other non-current assets	20,197	-587	20,413	-23
Change in inventories	-3,118	-3,411	-2,778	-3,804
Change in provisions	-4,285	145	-4,343	71
Change in long-term, short-term deferred income and contract liabilities	-1,476	-402	-1,280	-295
Change in accrued costs and expenses	12,021	7,926	10,741	7,477
Change in trade and other payables	-14,634	-47,978	-8,317	-44,736
Income tax paid	-94	-227	0	0
<b>Net cash from operating activities</b>	<b>50,549</b>	<b>27,503</b>	<b>48,013</b>	<b>20,106</b>
<b>Cash flows from investing activities</b>				
<b>Receipts from investing activities</b>	<b>33</b>	<b>37,986</b>	<b>1,044</b>	<b>41,683</b>
Sale of property, plant and equipment	14	408	14	408
Interest received	0	2	61	667
Disposal of non-current investments	18	37,576	784	40,608
Disposal of current investments	1	0	185	0
<b>Disbursements from investing activities</b>	<b>-41,892</b>	<b>-22,414</b>	<b>-41,167</b>	<b>-21,267</b>
Acquisition of property, plant and equipment	-19,154	-15,004	-18,168	-13,569
Acquisition of intangible assets	-22,732	-7,408	-22,649	-6,469
Investments in subsidiaries and associates	0	0	0	-3
Interest-bearing loans	-6	-2	-350	-1,226
<b>Net cash from investing activities</b>	<b>-41,859</b>	<b>15,572</b>	<b>-40,123</b>	<b>20,415</b>
<b>Cash flows from financing activities</b>				
<b>Receipts from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Disbursements from financing activities</b>	<b>-4,023</b>	<b>-31,173</b>	<b>-5,751</b>	<b>-30,870</b>
Maturity of short-term commercial paper	-3,438	-3,006	-3,183	-2,220
Repayment of current borrowings	-500	-28,000	-2,500	-28,500
Repayment of non-current borrowings	-16	-16	0	0
Interest paid	-69	-151	-68	-150
Dividends paid	0	0	0	0
<b>Net cash from financing activities</b>	<b>-4,023</b>	<b>-31,173</b>	<b>-5,751</b>	<b>-30,870</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>4,667</b>	<b>11,903</b>	<b>2,139</b>	<b>9,651</b>
<b>Opening balance of cash</b>	<b>13,219</b>	<b>10,684</b>	<b>1,153</b>	<b>2,011</b>
<b>Closing balance of cash</b>	<b>17,886</b>	<b>22,587</b>	<b>3,292</b>	<b>11,662</b>

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

### Telekom Slovenije Group

The Telekom Slovenije Group comprises:

Company	Country	31.3.2020
Telekom Slovenije, d.d.	Slovenia	100 %
GVO, d.o.o.	Slovenia	100 %
OPTIC-TEL, d.o.o.	Slovenia	100 %
INFRATEL, d.o.o.	Slovenia	100 %
GVO Telekommunikation GmbH	Slovenia	100 %
TSmedia, d.o.o.	Slovenia	100 %
AVTENTA, d.o.o.	Slovenia	100 %
SOLINE, d.o.o.	Slovenia	100 %
Planet TV, d.o.o.	Slovenia	100 %
TSinpo, d.o.o.	Slovenia	100 %
IPKO Telecommunications LLC	Kosovo	100 %
SIOL, d.o.o. Zagreb	Croatia	100 %
SIOL, d.o.o. Sarajevo	Bosnia and Herzegovina	100 %
SIOL, d.o.o. Podgorica	Montenegro	100 %
SIOL, DOOEL Skopje	North Macedonia	100 %
SIOL, d.o.o. Beograd	Serbia	100 %
SIOL, d.o.o. Prishtina	Kosovo	100 %
USTANOVA SRČNI SKLAD	Slovenia	100 %

### Segment reporting

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

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

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

## Operating segments: I – III 2020

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
External sales	155,294	13,335	0	168,629
Intersegment sales	19,867	1,480	-21,348	-1
<b>Total segment revenue</b>	<b>175,161</b>	<b>14,816</b>	<b>-21,348</b>	<b>168,629</b>
<b>Other revenue</b>	<b>5,072</b>	<b>27</b>	<b>-86</b>	<b>5,013</b>
<b>Total operating expenses</b>	<b>-165,938</b>	<b>-14,862</b>	<b>21,646</b>	<b>-159,154</b>
<b>Operating profit per segment</b>	<b>14,295</b>	<b>-19</b>	<b>212</b>	<b>14,488</b>
Finance income				341
Finance costs				-2,584
<b>Profit before tax</b>				<b>12,245</b>
Income tax expense				-1,158
Deferred tax				247
<b>Profit for the period</b>				<b>11,334</b>

Other data by segment as at 31 March 2020	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Segment assets	1,325,154	131,057	-219,267	<b>1,236,944</b>
Segment liabilities	685,984	118,540	-169,391	<b>635,133</b>

## Sales revenue by segment I – III 2020

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Mobile services in end-customer market	50,178	7,549	-84	<b>57,643</b>
Fixed-line telephone services on end-customer market	56,161	5,572	-228	<b>61,505</b>
New sources of revenue	1,887	0	0	<b>1,887</b>
Wholesale market	39,447	1,695	-2,208	<b>38,934</b>
Other revenues and merchandise	27,488	0	-18,828	<b>8,660</b>
<b>Total revenue</b>	<b>175,161</b>	<b>14,816</b>	<b>-21,348</b>	<b>168,629</b>

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Revenues from sale of services	153,755	14,571	-19,264	<b>149,062</b>
Revenues from sale of goods	21,406	245	-2,084	<b>19,567</b>
<b>Total revenue</b>	<b>175,161</b>	<b>14,816</b>	<b>-21,348</b>	<b>168,629</b>

## Operating segments: I – III 2019

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

Other data by segment As at 31 December 2019	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Segment assets	1,316,094	136,986	-220,220	<b>1,232,860</b>
Segment liabilities	688,256	123,672	-169,946	<b>641,982</b>

## Sales revenue by segment I – III 2019

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

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

## Net sales revenue

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I - III 2020	I - III 2019	I - III 2020	I - III 2019
Mobile services in end-customer market	57,643	59,540	50,178	52,899
Fixed-line telephone services on end-customer market	61,505	64,052	56,161	58,156
New sources of revenue	1,887	1,681	1,887	1,681
Wholesale market	38,934	38,583	38,962	39,388
Other revenues and merchandise	8,660	8,107	5,673	4,756
<b>Total revenue</b>	<b>168,629</b>	<b>171,963</b>	<b>152,861</b>	<b>156,880</b>

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I - III 2020	I - III 2019	I - III 2020	I - III 2019
Revenues from sale of services	149,062	152,563	131,775	136,327
Revenues from sale of goods	19,567	19,400	21,086	20,553
<b>Total revenue</b>	<b>168,629</b>	<b>171,963</b>	<b>152,861</b>	<b>156,880</b>

The Telekom Slovenije Group's net sales revenue totalled EUR 168.6 million, a decrease relative to the same period in 2019. Revenues in the mobile and fixed segments of the end-user market were lower during the first quarter of 2020.

The revenues generated by Telekom Slovenije during the reporting period were down by EUR 4,019 thousand relative to the same period last year.

The Telekom Slovenije Group's other revenues and revenues from other merchandise include revenues from construction works, maintenance and the clearance of faults, sales of other merchandise, etc.

### Costs of services

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I - III 2020	I - III 2019	I - III 2020	I - III 2019
Telecommunications services	30,350	27,188	30,218	27,972
Cost of leased lines	1,487	1,900	2,058	2,459
Multimedia services	6,324	7,964	4,871	5,032
Costs of subcontractors' services	13,134	13,491	11,326	12,955
Maintenance of property, plant and equipment	5,257	5,094	5,161	5,483
Other services	9,297	9,932	7,399	7,800
<b>Total cost of services</b>	<b>65,849</b>	<b>65,569</b>	<b>61,033</b>	<b>61,701</b>

The costs of services incurred by the Telekom Slovenije Group were up by EUR 280 thousand during the reporting period relative to the same period last year.

The costs incurred by Telekom Slovenije during the reporting period were down by EUR 668 thousand relative to the same period last year.

### Operating profit and net profit

#### Telekom Slovenije Group

Earnings before interest and taxes (EBIT) in the amount of EUR 14,488 thousand were up by EUR 2,690 thousand relative to the same period last year. A net profit of EUR 11,334 thousand was achieved for the accounting period in the context of a net financial loss of EUR 2,243 thousand.

#### Telekom Slovenije

Earnings before interest and taxes (EBIT) in the amount of EUR 14,905 thousand were up by EUR 1,596 thousand relative to the same period last year. A net profit of EUR 12,554 thousand was achieved for the accounting period in the context of a net financial loss of EUR 1,523 thousand.

### Intangible assets

Intangible assets were up by EUR 5,560 thousand at the Telekom Slovenije Group level and by EUR 8,886 thousand at Telekom Slovenije relative to the end of 2019. Commitments for intangible assets amounted to EUR 5,428 thousand at the Telekom Slovenije Group level and to EUR 5,961 thousand at Telekom Slovenije as at 31 March 2020.



### Property, plant and equipment

The Telekom Slovenije Group's property, plant and equipment amounted to EUR 650,399 thousand as at 31 March 2020, representing 53% of total assets. Assets were down by EUR 3,012 thousand, primarily as a result of the higher amount of depreciation charged compared with new acquisitions. Commitments for property, plant and equipment totalled EUR 5,569 thousand at the Group level as at 31 March 2020.

Telekom Slovenije's property, plant and equipment amounted to EUR 584,176 thousand, representing 47% of total assets. Assets were up by EUR 59 thousand relative to the end of 2019, while commitments for property, plant and equipment totalled EUR 27,272 thousand as at 31 March 2020.

### Trade and other receivables

Trade and other receivables were down by EUR 4,420 thousand at the Telekom Slovenije Group level and by EUR 1,653 thousand at Telekom Slovenije relative to the balance at the end of 2019.

### Financial liabilities

Financial liabilities amounted to EUR 416,203 thousand at the Telekom Slovenije Group level and to EUR 428,658 thousand at Telekom Slovenije as at 31 March 2020. They mainly relate to:

- borrowings received in the amount of EUR 245,391 thousand at the Telekom Slovenije Group level and EUR 250,375 thousand at Telekom Slovenije;
- liabilities for bonds issued in the amount of EUR 101,527 thousand were up by EUR 491 thousand on the balance at the end of the year; and
- increased financial liabilities for leases that the Group and Company recognised in accordance with the new IFRS 16. Financial liabilities from leases thus amounted to EUR 68,296 thousand at the Telekom Slovenije Group level and to EUR 75,920 thousand at Telekom Slovenije.

### Fair value hierarchy

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

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

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

Carrying amount and fair value of the Telekom Slovenije Group's financial instruments as at 31 March 2020

EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Non-current financial assets</b>					
Investments in shares quoted on the securities market	1,625	1,625	1,625		
Investments in shares and stocks not listed on the securities market	2,619	2,619			2,619
Loans given	153	153			153
Other non-current financial assets	7	7			7
<b>Current financial assets</b>					
Loans given	75	75			75
Other current financial assets	602	602			602
<b>Non-current financial liabilities</b>					
Bonds	99,993	100,500	100,500		
Interest-bearing borrowings	214,860	214,860			214,860
Interest-rate swaps	708	708		708	
Liabilities arising from leased assets	58,919	58,919			58,919
<b>Current financial liabilities</b>					
Interest on bonds	1,534	1,534			1,534
Interest-bearing borrowings	30,531	30,531			30,531
Liabilities arising from leased assets	9,377	9,377			9,377
Other financial liabilities	179	179			179

## Carrying amount and fair value of Telekom Slovenije's financial instruments as at 31 March 2020

EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Non-current financial assets</b>					
Investments in shares quoted on the securities market	1,625	1,625	1,625		
Investments in shares and stocks not listed on the securities market	2,617	2,617			2,617
Loans given	85,834	85,834			85,834
<b>Current financial assets</b>					
Loans given	10,120	10,120			10,120
<b>Non-current financial liabilities</b>					
Bonds	99,993	101,800	101,800		
Interest-bearing borrowings	214,860	214,860			214,860
Interest-rate swaps	708	708		708	
Liabilities arising from leased assets	65,248	65,248			65,248
<b>Current financial liabilities</b>					
Interest on bonds	1,534	1,534			1,534
Interest-bearing borrowings	35,515	35,515			35,515
Liabilities arising from leased assets	10,672	10,672			10,672
Other financial liabilities	128	128			128

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

### Contingent liabilities from lawsuits

No new lawsuits were filed against the Group or the Company in the period from 1 January 2020 until the day this report was compiled that could have a significant impact on the financial statements in the period January to March 2020.

### Contingent liabilities from guarantees issued

The Group had provided the following guarantees as at 31 March 2020:

- performance guarantees and warranty bonds in the amount of EUR 7,694 thousand, and
- other guarantees in the amount of EUR 571 thousand.

The Company had provided the following guarantees as at 31 March 2020:

- performance guarantees and warranty bonds in the amount of EUR 5,467 thousand, and
- other guarantees in the amount of EUR 1.399 thousand.

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

### Transactions with related parties

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

### Transactions with individuals

Natural persons (members of the Management Board and Supervisory Board) held 306 shares in Telekom Slovenije as at 31 March 2020, representing a holding of 0.00468%.

### Transactions with owners and parties related thereto

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

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

The total value of transactions is presented in the table below.

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Outstanding operating receivables	3,789	4,414	3,042	4,739
Outstanding operating liabilities	1,746	2,269	1,680	2,535
EUR thousand	I - III 2020		I - III 2020	
	I - III 2020	I - III 2019	I - III 2020	I - III 2019
Operating revenue	5,213	5,440	4,060	4,830
Purchase costs of material and services	2,499	2,420	2,244	2,199

### Transactions with Group companies

Telekom Slovenije recorded the following transactions with Group companies

EUR thousand	31.03.2020	31.12.2019
<b>Receivables due from companies in the Group</b>	<b>6,500</b>	<b>5,925</b>
Subsidiaries	6,500	5,925
<b>Loans to companies in the Group</b>	<b>95,731</b>	<b>95,727</b>
Subsidiaries	95,731	95,727
<b>Liabilities to companies in the Group</b>	<b>34,323</b>	<b>35,544</b>
Subsidiaries	34,323	35,544
EUR thousand	I-III 2020	I-III 2019
<b>Net revenue in the Group</b>	<b>3,594</b>	<b>4,031</b>
Subsidiaries	3,594	4,031
<b>Purchase of material and services in the Group</b>	<b>4,818</b>	<b>6,258</b>
Subsidiaries	4,818	6,258

### Loans to subsidiaries

EUR thousand	31.03.2020	31.12.2019
TSmedia, d.o.o.	1,636	1,621
IPKO d.o.o.	71,680	71,649
SOLINE d.o.o.	1,389	1,419
SIOL d.o.o., Zagreb	413	350
SIOL d.o.o. Sarajevo	5,665	5,790
SIOL BEOGRAD	145	170
Planet TV	10,572	10,523
SIOL Priština	4,231	4,205
<b>Skupaj do povezanih družb</b>	<b>95,731</b>	<b>95,727</b>

All transactions between related parties are executed at market prices.

### Events after the reporting date

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

## 7.2. Financial risk management

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

### Credit risk

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

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

### Exposure to credit risk

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Loans given	228	249	95,954	95,968
Other current investments	602	602	0	0
Trade and other receivables	149,090	153,510	143,909	145,595
- <i>whereof trade receivables</i>	142,434	145,645	141,156	140,511
Cash and cash equivalents	17,886	13,219	3,292	1,153
<b>Total</b>	<b>167,806</b>	<b>167,580</b>	<b>243,155</b>	<b>242,716</b>

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

Credit risk or the risk of counterparty default derives from default by subscribers (retail) and by operators (wholesale). The highest exposure to credit risk is seen in trade receivables. The latter amounted to EUR 142,434 thousand as at 31 March 2020, an increase of EUR 1,278 thousand relative to the end of 2019. Telekom Slovenije's receivables make up the majority of the Group's trade and other receivables. The majority of receivables are unsecured. The Group's receivables are accounted for by a large number of individuals and legal entities. Its largest customers are operators, where turnover generally flows in both directions, which reduces net credit exposure. We assess that there is no significant concentration of credit risk vis-à-vis a particular customer or economic sector.

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

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

The Telekom Slovenije Group and Telekom Slovenije also monitor credit risk in other areas of operations. Cash on accounts is allocated according to the principles of minimising risks and achieving the appropriate diversification. The Group is also exposed to risks associated with receivables arising from loans to employees and investments in short-term deposits. The risk associated with loans granted is low, as those loans are repaid for the most part when employees' wages are paid, while the risks associated with other investments are mitigated through the appropriate diversification of investments and by monitoring the credit ratings of individual banks.

Telekom Slovenije is also exposed to credit risk in connection with receivables from loans to subsidiaries. The Company manages the risk of borrowers' failure to settle their obligations through the use of various collateral instruments in loan agreements, while it regularly monitors the operations and liquidity of subsidiaries. If the effects of the coronavirus will have a negative impact on subsidiaries' ability to service their loans, Telekom Slovenije will initiate activities aimed at refinancing loans or amending repayment schedules.

#### Ageing structure of receivables as at the reporting date – Telekom Slovenije Group

EUR thousand	31.03.2020			31.12.2019
	Gross value	Value adjustment	Net value	Gross value
<b>Total trade receivables</b>	<b>161,109</b>	<b>-18,675</b>	<b>142,434</b>	<b>145,645</b>
Undue trade receivables	123,192	0	123,192	128,101
<b>Past due</b>				
up to 30 days	12,674	-6	12,668	12,155
31 to 60 days	3,763	-12	3,751	3,596
61 to 90 days	1,248	-12	1,236	481
91 to 120 days	909	-518	391	-5
More than 121 days	19,323	-18,127	1,196	1,317
<b>Total past due trade receivables</b>	<b>37,917</b>	<b>-18,675</b>	<b>19,242</b>	<b>17,544</b>
Other operating receivables	6,664	-8	6,656	7,865
<b>Total receivables</b>	<b>167,773</b>	<b>-18,683</b>	<b>149,090</b>	<b>153,510</b>

#### Ageing structure of receivables as at the reporting date – Telekom Slovenije

EUR thousand	31.03.2020			31.12.2019
	Gross value	Value adjustment	Net value	Gross value
<b>Total trade receivables</b>	<b>153,228</b>	<b>-12,072</b>	<b>141,156</b>	<b>140,511</b>
Undue trade receivables	122,556	0	122,556	124,804
<b>Past due</b>				
up to 30 days	10,482	-6	10,476	9,045
31 to 60 days	3,509	-12	3,497	3,056
61 to 90 days	1,104	-10	1,094	534
91 to 120 days	667	-306	361	256
More than 121 days	14,910	-11,738	3,172	2,816
<b>Total past due trade receivables</b>	<b>30,672</b>	<b>-12,072</b>	<b>18,600</b>	<b>15,707</b>
Other operating receivables	2,753	0	2,753	5,084
<b>Total receivables</b>	<b>155,981</b>	<b>-12,072</b>	<b>143,909</b>	<b>145,595</b>

#### Maturity profile of loans given

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
<b>Due</b>	<b>6</b>	<b>7</b>	<b>1.367</b>	<b>403</b>
<b>Undue:</b>	<b>222</b>	<b>242</b>	<b>94,587</b>	<b>95,565</b>
- up to 3 months	16	18	1.931	1.175
- 3 to 12 months	53	52	6.822	8.648



EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
- 1 to 2 years	53	59	14,374	6,947
- 2 to 5 years	75	84	36,439	43,615
- more than 5 years	25	29	35,021	35,180
<b>Total</b>	<b>228</b>	<b>249</b>	<b>95,954</b>	<b>95,968</b>

#### Ageing structure of loans given as at 31 March 2020

Telekom Slovenije Group				Past due			Total
EUR thousand	Undue	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
Loans given	222	6	0	0	0	0	228

Telekom Slovenije				Past due			Total
EUR thousand	Undue	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
Loans given	94,587	971	396	0	0	0	95,954

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

Telekom Slovenije Group				Past due			Total
EUR thousand	Undue	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				Past due			Total
EUR thousand	Undue	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

The Company's senior management assesses the credit quality of the above-stated financial assets, which were not impaired or overdue as at 31 March 2020, as good.

#### Solvency risk

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

The Telekom Slovenije Group has long-term credit lines at banks, which together with short-term revolving loans ensure a high level of liquidity within the Group. Short-term credit lines are regularly rolled-over, while total liquidity reserves in the form of undrawn short-term and long-term credit lines at banks amounted to EUR 150 million as at 31 March 2020.

Debt is relatively low at the level of the Group and Company. The majority of the financial liabilities of the Group and Company relate to a long-term syndicated loan in the amount of EUR 246.2 million, five-year bonds in the amount of EUR 100 million, and finance lease liabilities in the amount of EUR 68.3 million at the Group level and EUR 75.9 million at the Company level as the result of the implementation of IFRS 16. The Group and Company regularly repay liabilities from financing.

Maturity of the Telekom Slovenije Group's financial liabilities as at 31 March 2020 and 31 December 2019 based on contractual non-discounted payments

EUR thousand	Past due	On demand	Less than 3 months	Not yet due				Total
				3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
31 March 2020								
Loans and borrowings	0	0	15,385	15,401	30,769	169,231	15,385	246,170
Anticipated interest on loans	0	0	1,888	1,791	3,201	5,328	158	12,365
Other financial liabilities	128	0	1,577	51	100,366	444	0	102,566
Anticipated interest in bonds	0	0	1,950	0	1,950	0	0	3,900
Trade and other payables	3,144	2,447	68,787	23,423	6,007	7,591	10,094	121,493
Financial liabilities from lease	40	21	3,572	5,752	6,693	17,376	34,842	68,296
Total	3,312	2,468	93,159	46,417	148,986	199,970	60,478	554,790

<b>31 December 2019</b>								
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	5,328	3,201	158	12,366
Other financial liabilities	128	0	2	1,136	100,347	312	0	101,925
Anticipated interest in bonds	0	0	0	1,950	1,950	0	0	3,900
Trade and other payables	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
<b>Total</b>	<b>2,571</b>	<b>2,497</b>	<b>99,739</b>	<b>55,808</b>	<b>155,352</b>	<b>191,336</b>	<b>62,796</b>	<b>570,099</b>

Maturity of Telekom Slovenije's financial liabilities as at 31 March 2020 and 31 December 2019 based on contractual non-discounted payments

EUR thousand	Past due	On demand	Less than 3 months	Not yet due				Total
				3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
31 March 2020								
Loans and borrowings	0	0	15,385	20,385	30,769	169,231	15,385	251,154
Anticipated interest on loans	0	0	1,888	1,791	3,201	5,328	158	12,365
Other financial liabilities	128	0	1,577	0	100,366	342	0	102,413
Anticipated interest in bonds	0	0	1,950	0	1,950	0	0	3,900
Trade and other payables	2,593	1,173	69,039	16,103	6,106	7,722	253	102,989
Financial liabilities from lease	40	-1	3,969	6,664	8,266	22,201	34,781	75,920
Total	2,761	1,172	93,808	44,942	150,658	204,824	50,576	548,741

EUR thousand	Past due	On demand	Less than 3 months	Not yet due				Total
				3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
31 December 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 in bonds	0	0	0	1,950	1,950	0	0	3,900
Trade and other payables	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

### Interest-rate risk

Interest-rate risk is the risk of the negative effect of a change in market interest rates on the Group's operations.

The target ratio of financial liabilities with a variable interest rate to financial liabilities with a fixed or hedged interest rate that the Group and Company pursue is 50% of liabilities with a fixed or hedged interest rate.

Liabilities from loans raised and finance leases with variable interest rates tied to the 3- and 6-month EURIBOR accounted for 59.4% of the Group's interest-bearing financial liabilities and 57.6% of the Company's interest-bearing financial liabilities as at 31 March 2020. The remaining liabilities are accounted for by drawn short-term revolving loans (at the Company level), issued bonds and a finance lease with a fixed interest rate.

The Group and Company entered into an interest-rate swap with the aim of hedging exposure to interest-rate risk as the result of a long-term syndicated loan. The amount of the secured principal stood at EUR 76.9 million as at 31 March 2020. The principal is hedged against a rise in the reference interest rate if the latter is higher than or equal to zero. Fixed or hedged interest rates account for 59.2% of interest-bearing financial liabilities at the Group level and 60.4% at the Company level.

### Exposure to interest-rate risk

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31.3.2020	31.12.2019	31.3.2020	31.12.2019
<b>Financial instruments with variable interest rate</b>				
Financial receivables	0	0	0	29,652
Financial liabilities	169,359	169,299	169,231	169,231
<b>Net financial liabilities</b>	<b>169,359</b>	<b>169,299</b>	<b>169,231</b>	<b>139,579</b>

Financial receivables take into account the gross amount of loans granted, excluding impairments.

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

### Sensitivity analysis

The table below presents a sensitivity analysis for a change in an interest rate on the reporting date with respect to the profit of the Group and Company. All other variables are constant in the analysis.

## Interest-rate risk table

31. 3. 2020	Interest rate increase/decrease	Effect on profit before tax in EUR thousand	
		Telekom Slovenije Group	Telekom Slovenije
EURO	+100 bps	-663	-662
EURO	-100 bps	-769	-769
31. 12. 2019	Interest rate increase/decrease	Effect on profit before tax in EUR thousand	
		Telekom Slovenije Group	Telekom Slovenije
EURO	+100 bps	-588	-388
EURO	-100 bps	-769	-769

## Value of the EURIBOR

EURIBOR	Value at 31. 3. 2020	Value at 31. 12. 2019	Change as %
3-month	-0.353	-0.390	9.49
6-month	-0.281	-0.325	13.54

## Capital management

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

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

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Interest-bearing borrowings and other financial liabilities	416,203	416,759	428,658	430,981
Less current investments and cash with short-term deposits	-18,563	-13,898	-13,412	-11,379
<b>Net debt</b>	<b>397,640</b>	<b>402,861</b>	<b>415,246</b>	<b>419,602</b>
Equity	601,811	590,878	618,270	606,136
<b>Balance sheet total</b>	<b>1,236,944</b>	<b>1,232,860</b>	<b>1,232,952</b>	<b>1,223,536</b>
Debt/equity ratio	66.1%	68.2%	67.2%	69.2%
Equity/balance sheet total ratio	48.7%	47.9%	50.1%	49.5%