

ANNUAL REPORT FOR 2020

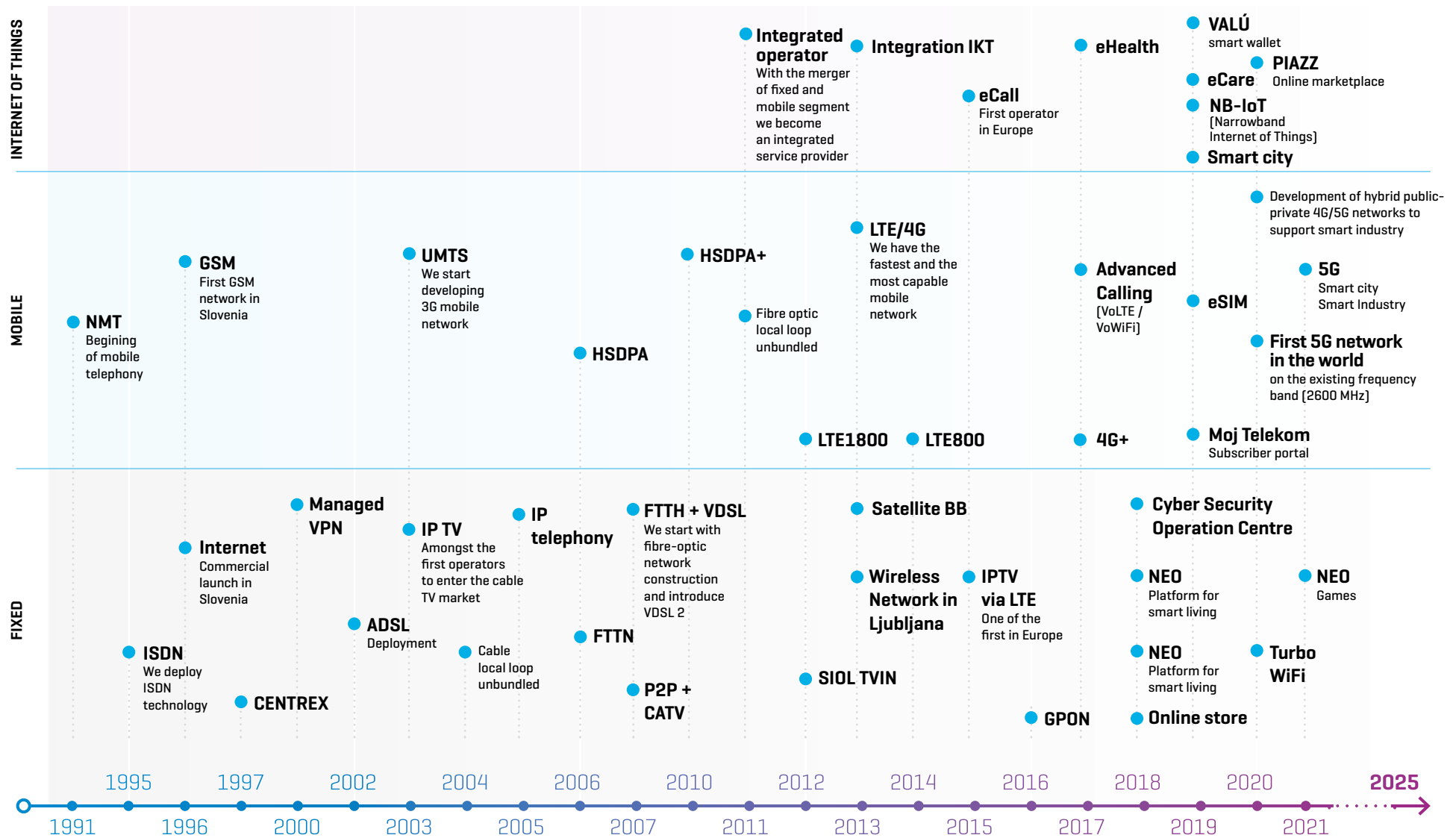
Telekom Slovenije Group and Telekom Slovenije, d. d.

#CONNECTED
IN THE FIRST NETWORK
IN SLOVENIA



TelekomSlovenije

DEPLOYMENT OF TELEKOM SLOVENIJE NETWORK & SERVICES





#CONNECTED IN THE FIRST NETWORK IN SLOVENIA

There is no doubt that all of us will remember 2020. Each of us will have their own story of how they survived a year full unpredictability and challenges. But all of those stories will have something in common. Technology. Technology was the one thing that kept us close all year, despite the physical distance between us. We gathered, learned, worked and raised each other's spirits remotely.

The year 2020 showed us just how important technology is, and how important reliability, security, speed and sacrifice are in that regard. We can no longer imagine life without high-capacity communication services every step of the way. Technology is managed by people like us who ensure we are continuously connected. In the first network in Slovenia.

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THE TELEKOM SLOVENIJE GROUP IN 2020



Telekom Slovenije
@TelekomSlo

We responded rapidly,
effectively and prudently
to the changing
circumstances.

#Connected #BestNetwork



#CONNECTED, EVEN IN EXTRAORDINARY CIRCUMSTANCES

The COVID-19 pandemic, which characterised 2020, was an opportunity for the Telekom Slovenije Group and its employees to show that even large companies can be quick, agile, effective, creative and focused on supporting the society in which we operate. We adapted our work to ensure uninterrupted, reliable and secure communication services for remote work and distance learning, even in extraordinary circumstances, and provided companies additional capacities. Despite the circumstances, we implemented our outlined business plan, developed technologies and presented new services and solutions.



1 THE TELEKOM SLOVENIJE GROUP IN 2020

1.1 ABOUT THE TELEKOM SLOVENIJE GROUP¹

Telekom Slovenije, d. d. [hereinafter: Telekom Slovenije] connects users and simplifies their lives, and ensures security through a range of the most advanced ICT services and solutions. As the leading Slovenian provider of communication solutions, Telekom Slovenije continuously strives for the development and introduction of new innovative technologies, facilitates the connectivity of users in the best network in Slovenia and provides them the most advanced services and an excellent user experience. Telekom Slovenije manages the largest and fastest network that, according to users, is also the best and most reliable.

In addition to the national operator in Slovenia, the Telekom Slovenije Group is also present through its subsidiaries in Kosovo, Croatia, Bosnia and Herzegovina, Serbia, Montenegro and North Macedonia. The Telekom Slovenije Group manages one of the most complex backbone networks in all of South-East Europe.

The activities of the Telekom Slovenije Group comprise:

- fixed and mobile communication services, and ICT solutions,
- digital and multimedia content and services,
- system integration and cloud computing services,
- the development and implementation of solutions for managing business content, and tools for managing and monitoring operations,
- the construction and maintenance of telecommunication networks,
- cyber security and the Internet of Things (IoT),
- other services, such as financial services, eCare, insurance and electricity, smart cities and homes, etc., and
- the preservation of natural and cultural heritage in the Sečovlje Salina Nature Park.

Company: Telekom Slovenije, d. d.
Registered office: Ljubljana
Address: Cigaletova ulica 15, 1000 Ljubljana
Registration number: 5014018000
VAT ID number: SI98511734
Entry in the companies register: 1/24624/00, Ljubljana District Court
Number of shares: 6,535,478
Ticker symbol of no-par-value shares:: TLSG
Telephone: + 386 1 234 10 00
Website: <http://www.telekom.si>
Email: info@telekom.si
LinkedIn: [telekom-slovenije](https://www.linkedin.com/company/telekom-slovenije)
Facebook: [TelekomSlovenije](https://www.facebook.com/TelekomSlovenije)
Instagram: [Telekom_Slovenije](https://www.instagram.com/Telekom_Slovenije)
Twitter: [@TelekomSlo](https://twitter.com/TelekomSlo)
YouTube: [TelekomSlovenije](https://www.youtube.com/TelekomSlovenije)

The shares of Telekom Slovenije are listed on the prime securities market of the Ljubljana Stock Exchange. See section [1.11 Share trading and ownership structure](#) for more information.

Telekom Slovenije Group companies

See section [1.6 Markets and companies of the Telekom Slovenije Group](#) and section [4.1 Telekom Slovenije Group companies](#) for more information.

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Public Relations Department: pr@telekom.si



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

KEY BRANDS OF TELEKOM SLOVENIJE GROUP COMPANIES³



Telekom Slovenije is a corporate brand.

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

The Company manages the following brands:

NEO – a platform for smart living that links the best solutions for home and entertainment in one place.

VALÚ – a smart wallet that allows users to enjoy a free, mobile lifestyle to the fullest extent.

IZI – this brand addresses the segments of young users for whom a contemporary prepaid mobile offer is important.

PIAZZ – an online marketplace that offers simple and secure purchases.

NekiNeki – a YouTube channel intended for young people.

TSmedia

TSmedia is a corporate brand.

The Company manages the following brands:

Siol.net – the leading Slovenian digital media.

Najdi.si – an access point to the Slovenian web.

TIS – the Slovenian telephone directory.

1188 – value-added call centre services.

ADsolution – a brand covering production services.

Bizi.si – a business directory.

planet

Planet TV is a corporate brand.*

The Company manages the following brands:

Planet – a general commercial television station.

Planet 2 – a television station with an emphasis on sports content.

Planet PLUS – a classic film channel.

* The company is no longer part of the Telekom Slovenije Group since 1 October 2020.

avtenta.

Avtenta is a corporate brand.

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

GVO

GVO is a corporate brand.

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



Piranske soline is a corporate brand.

The Company manages the following brands:

Solnce – a food line.

Lepa Vida – a cosmetic line and the Thalasso Spa of the same name.

SSNP [Sečovlje Salina Nature Park] – a park responsible for preserving nature and maintaining exceptional natural and cultural values.

TSinpo

TSinpo is the corporate brand of a disabled workers' company.

The company primarily operates in the areas of support services and the manufacture of cardboard sleeves.



IPKO is a corporate brand in Kosovo.

The company provides telecommunication services. Its portfolio includes mobile and fixed telephony, internet and cable TV services.

Hejl! – covers the segment of young users.

1.2 OPERATING HIGHLIGHTS OF THE TELEKOM SLOVENIJE GROUP IN 2020⁴

SIGNIFICANT EFFECTS OF THE COVID-19 PANDEMIC ON THE OPERATIONS OF THE TELEKOM SLOVENIJE GROUP

The estimated negative effect of the COVID-19 pandemic and the associated mitigating measures on planned EBITDA is EUR 9.2 million. Taking into account that adjustment, EBITDA would have exceeded the planned value by 3%.

NEW OPPORTUNITIES FOR THE DIGITALISATION OF OPERATIONS

Demand for **ICT solutions and services, and cyber security services** has risen on the B2B market. The services and solutions that we have provided companies and organisations include the following:

- video identification and digital signing service for remote operations;
- upgraded solutions for smart cities and industry through use of the Internet of Things;
- telemedicine care services for the remote monitoring of COVID-19 patients;
- additional capacities and the upgrading of existing ICT solutions;
- tools for online learning;
- smart office services, and an expanded selection of work-from-home software, e-pricelist, etc.;
- secure web services, including for medium-sized and small enterprises; and
- the first commercial 5G network in Slovenia with excellent initial coverage, as confirmed by Apple and Samsung; the first 5G network in the world in the 2,600 MHz band.



CHANGE IN SALES APPROACH DUE TO THE CLOSURE OF TELEKOM CENTRES AND THE POINTS OF SALE OF AUTHORISED AGENTS

We took advantage of the sudden closure of all physical points of sale by increasing digital sales and searching for opportunities for contactless operations with users:

- Telekom centres were converted into **pick-up points**;
- we organised telephone campaigns from Telekom centres;
- we increased capacities at digital contact points, call centres and other contactless points;
- we adapted our portfolio to the needs for work from home and distance learning;
- we expanded the portfolio of the Online Shop and loyalty programme, and facilitated payments on up to 36 instalments; and
- we increased data quantities in mobile packages and speeds in fixed packages.

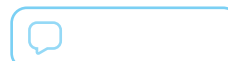


ENSURING THE SMOOTH FUNCTIONING OF NETWORKS

Due to the extraordinary circumstances during the pandemic, numerous activities focused on expanding necessary capacities, support for remote work, the adaptation of the portfolio due to COVID-19, the adaptation of call centres and Telekom centres, analytics and the proactive notification of stakeholders.

- Previous investments in the 4G+ and fibre optic networks, a robust core network and the IT infrastructure paid off, otherwise we would have been unable to control the situation.
- Based on the business continuity management system (BCMS), we adopted a plan of measures and activities in the event of a pandemic, and planned activities in the event of the activation of the National Civil Protection and Disaster Relief Plan. In accordance with the BCMS, Telekom Slovenije is prepared for and capable of ensuring key services and processes, even in emergencies.
- **A Business Recovery Team** began functioning based on the BCMS.
- While drafting and implementing measures to prevent the spread of the new coronavirus, we focused on ensuring the health and safety of employees and the users of our services, and on protecting the interests of other stakeholders. To ensure the provision of support for the functioning of services, we have in place a network of partners who likewise have business continuity procedures in place to provide support for our company.

For more information [2.7 Marketing and sales](#).



#CONNECTED WITH EMPLOYEES, ALSO REMOTELY



Our primary concern was the health and safety of employees, and proactive, clear and open communication. We quickly and efficiently transformed work throughout all of Telekom Slovenije, such that an average of more than 70% of employees perform their work remotely, **provided that the nature of their work allows it**. We have in place three separate remote access systems via different network infrastructures to ensure the smooth flow of the work process.

- For the purpose of remote communication, we use various tools through which we exchanged a monthly average of 1.2 messages, 18,000 hours of video and 32,000 hours of voice calls.
- We communicated daily with employees regarding measures and key activities taking place at the Company level.
- We adopted numerous measures to prevent the spread of infections.
- We introduced the highest level of protective measures for employees who work in contact with users and third parties, and ensured they have the necessary protective equipment.

See section [2.9.6 Employees](#) for more information.



WE ENSURED AN EXCELLENT USER EXPERIENCE, DESPITE THE INCREASED LOAD ON THE NETWORK

In Slovenia, we witnessed the massive and rapid transformation to remote work and distance learning. For this reason, we faced a sharp **rise in the volume of voice traffic, and data and video services**, i.e. by more than one half relative to normal conditions. In order to meet all of the needs of users and ensure a superior user experience, we:

- increased network capacities and increased speeds in the fixed and mobile networks;
- adapted the work of our experts to ensure uninterrupted, 24-hour control over the functioning of the network to the greatest extent possible, provided technical support to users and covered the special needs of government institutions and the commercial sector for increased capacities or additional services;
- gave our users free mobile data transfer quantities to facilitate remote work and distance learning;
- upgraded our TV programme offer with children's, documentary, popular science, film and sports content, free of charge;
- enhanced electronic operations and the range of products in the Online Store;
- strengthened our contact centre teams;
- transformed points of sale into pick-up points; and
- maintained our status as the best and fastest network in demanding conditions: According to consumers, Telekom Slovenije is the operator with the best and fastest mobile and fixed network [source: Valicon, September 2020].

Of above-average importance to users are the coverage, stability and reliability of the network [even more so during the pandemic], while customer satisfaction with those attributes is also above-average [source: Valicon; satisfaction with fixed and mobile services; October 2020].

For more information, [2.7 Marketing and sales](#) and [2.9.5 Users](#).



WE REMAIN COMPASSIONATE AND SOCIALLY RESPONSIBLE

Even in the extraordinary circumstances, we have remained **compassionate and responsible to the environment** in which we operate.

- We donated EUR 20,000 to the Postojna Gynaecological and Maternity Hospital for the purchase of a new maternity bed for women who are infected or suspected of being infected with COVID-19.
- We donated a total of EUR 40,000 to the Ljubljana and Maribor University Medical Centres for the purchase of medical equipment needed for the treatment of coronavirus patients.
- We provided retirement homes the free use of mobile phones with services that facilitated voice and video communication between the elderly residents of those homes and family members.
- We donated 300 mobile modems to students from socially disadvantaged families and provided free mobile data transfer for trouble-free access to the mobile internet and distance learning. We donated used computer equipment to a number of schools.
- We created the socially beneficial platform #vaididoma, where free exercise routines are available for all age groups. We donated a total of EUR 20,000 to the **Slovene Philanthropy Association**, the **Humanitarček humanitarian organisation**, the **Zlata mreža institute** [for the promotion of social inclusion] and the **Sopotniki institute** [for intergenerational solidarity] to make the lives of the elderly easier.



FINANCIAL INDICATORS FOR THE TELEKOM SLOVENIJE GROUP, IN ACCORDANCE WITH THE ACCOUNTING REPORT

in EUR thousand and %	2020 / 31.12. 2020 ^{*/**}	2019 / 31.12.2019 ^{*/**}	Index 20/19
Sales revenue	647,177	664,892	97
Other operating income	7,694	5,938	130
Total operating revenues	654,871	670,830	98
EBITDA	209,882	214,994	98
EBITDA margin = EBITDA / sales revenue	32.4%	32.3%	100
EBIT	42,603	41,203	103
Return on sales = EBIT / sales revenue	6.6%	6.2%	106
Net profit from continuing operations	34,084	28,544	119
Loss from discontinued operations	-9,219	-27,603	33
Net profit for the financial year	24,865	941	-
Assets	1,227,839	1,250,211	98
Equity	590,484	590,588	100
Return on equity (ROE)	4.2%	0.2%	-
Equity ratio	48.1%	47.2%	102
Net financial debt	378,377	402,861	94
NFD / EBITDA	1.8	1.9	96
Investment in property, plant and equipment (CAPEX)	173,045	184,835	94
EBITDA – CAPEX	36,837	30,159	122
Ratio of (EBITDA – CAPEX) to EBITDA (cash margin)	17.6%	14.0%	125
Number of employees as at the last day of the period	3,392	3,387	100
Investments as a proportion of operating revenues	26.4%	27.6%	96

* The results of Planet TV for 2020 and 2019 are included in the item 'discontinued operations'. This applies to all items in the tables and graphs presented below.

** The year 2019 is adjusted for a prior-period correction in the financial statements of IPKO and thus of the Telekom Slovenije Group. For more information, see point [41 of the Accounting Report](#). Definitions find in point [2.9.3 Alternative performance measures](#).

OTHER ECONOMIC PERFORMANCE INDICATORS

EUR thousand	2020*	2019*/**	Index 20/19
Distributed economic value	473,741	483,675	98
Value added	155,881	153,556	101
Value added per employee [in EUR]	45,989	44,400	103
Gross value added per employee [in EUR]	94,699	93,864	101
Labour costs	111,101	109,633	101
Corporate income tax, including deferred taxes	-523	-1,721	30
Payments to owners – dividends	22,769	29,275	78

SOCIAL INDICATORS – EMPLOYEES

	2020*	2019*/**	Index 20/19
Number of employees	3,392	3,387	100
Employee turnover	5.8%	5.4%	107
Number of training hours per employee	18.6	26.6	70
Direct training costs in EUR thousand	916	1,432	64
Proportion of employees with a master's degree and doctorate	4.7%	4.9%	96
Number of personal data protection training hours	261	101	258

SOCIAL INDICATORS – COMMUNITY

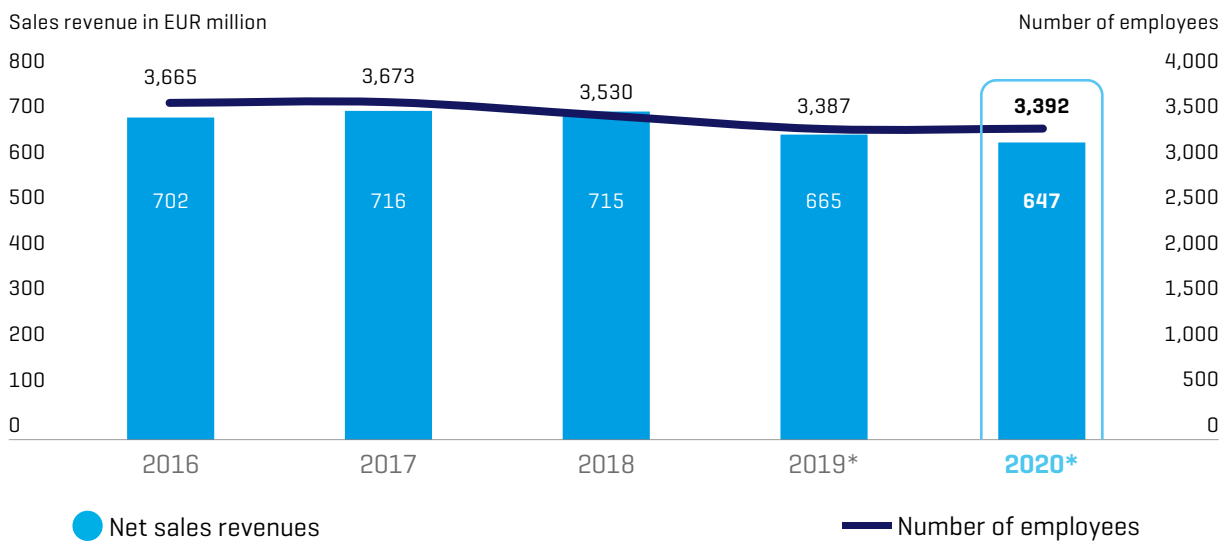
Connections / users	2020*	2019*	Index 20/19
Mobile telephony*	1,873,876	1,939,624	97
Fixed voice telephony	521,068	521,011	100
Broadband connections	464,258	470,695	99
Complaint rate in all issued bills	0.57%	0.50%	114
Costs earmarked for sponsorships and donations as a proportion of operating revenues	0.3%	0.4%	82

*Retail and wholesale.

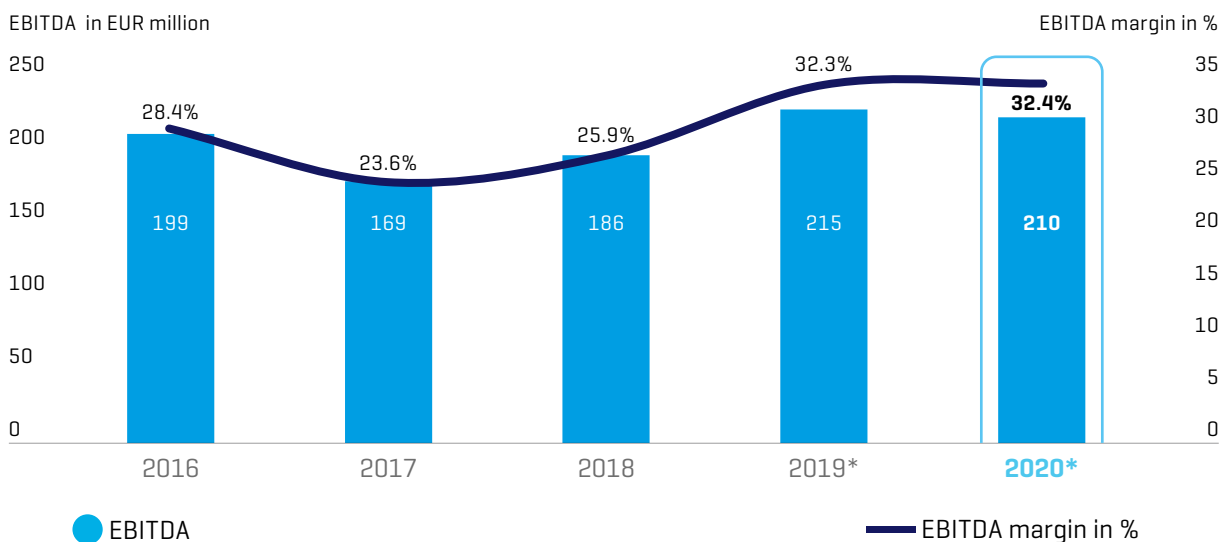
ENERGY AND ENVIRONMENTAL INDICATORS

Telekom Slovenije Group	2020	2019	Index 20/19
Electricity consumption [in million kWh]	89.8	90.2	99
Total direct energy costs in EUR million	11.5	11.6	98
Telekom Slovenije	2020	2019	Index 20/19
Electricity consumption [in million kWh]	73.5	73.8	100
Direct energy costs in EUR thousand	9,117.5	9,230.7	99
Total waste in tonnes	8,900	8,343	107
- Waste electrical and electronic equipment collected at Telekom centres in tonnes	2.0	1.9	104
Use of office paper in EUR	14,759	19,533	76
Use of fuel for company cars in litres	788,544	883,344	89

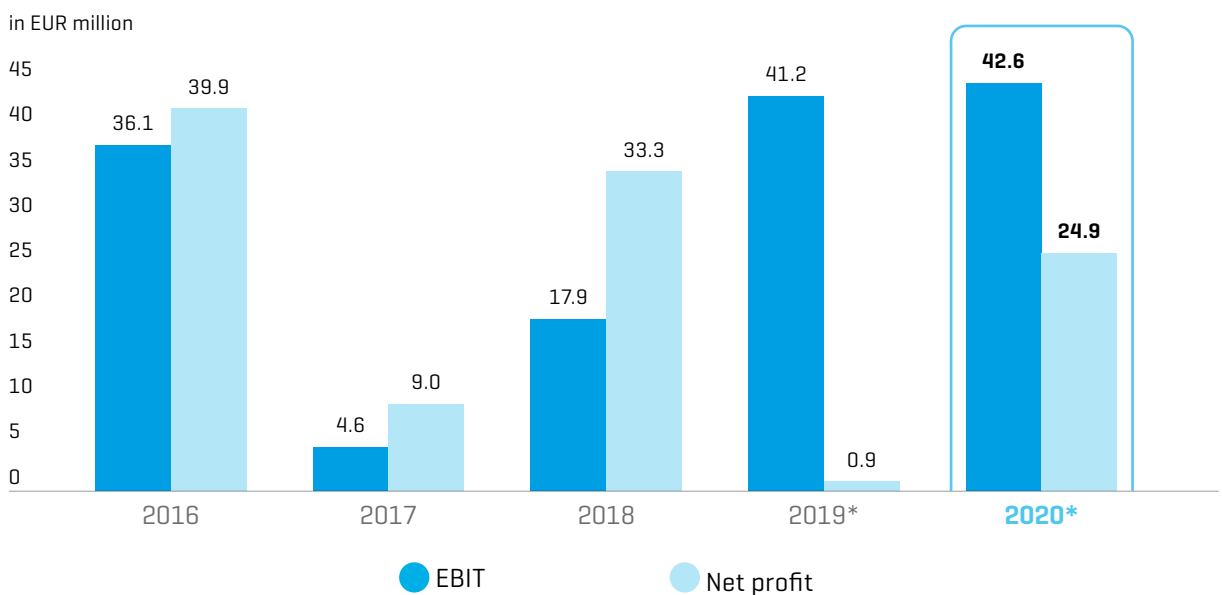
Sales revenue and number of employees of the Telekom Slovenije Group



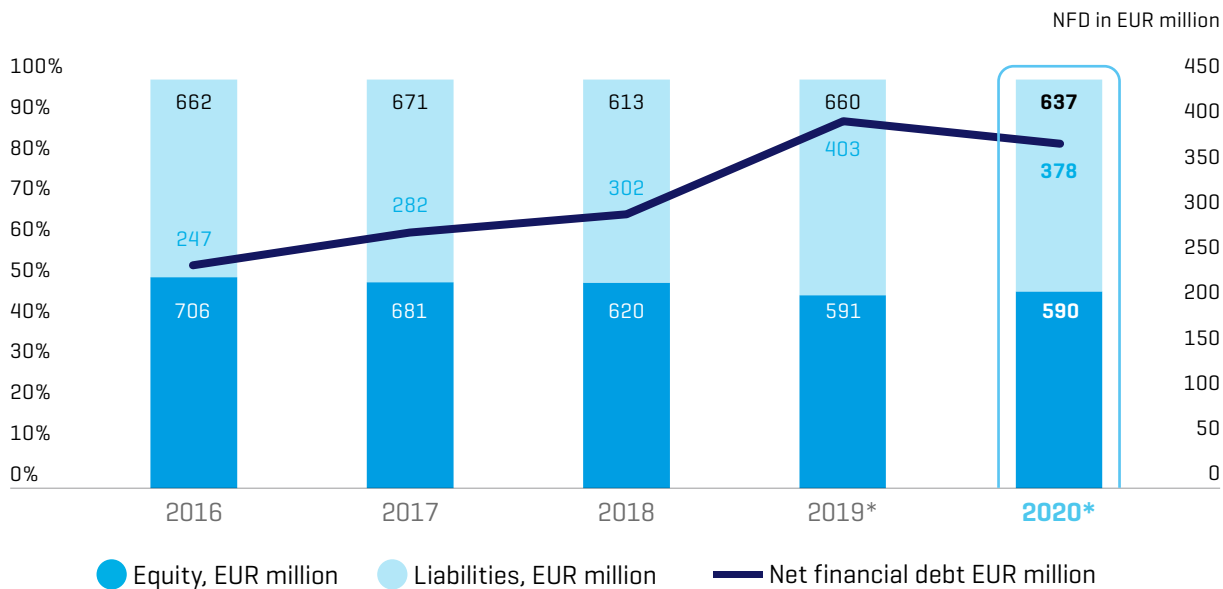
EBITDA and EBITDA margin (as a percentage of sales revenue) of the Telekom Slovenije Group



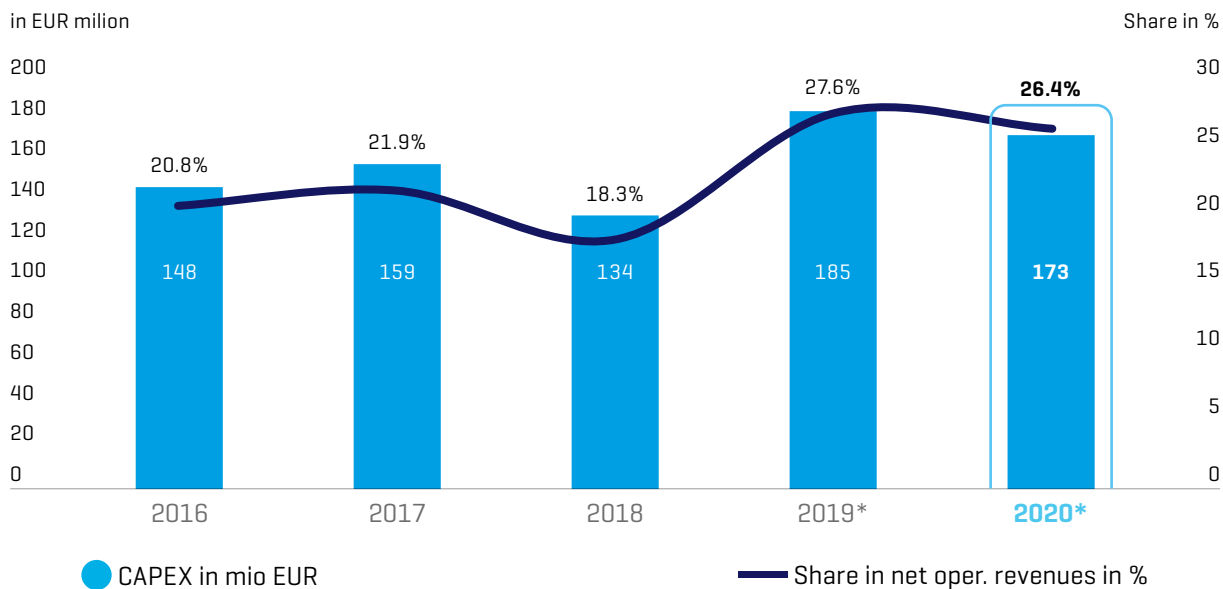
EBIT and net profit of the Telekom Slovenije Group



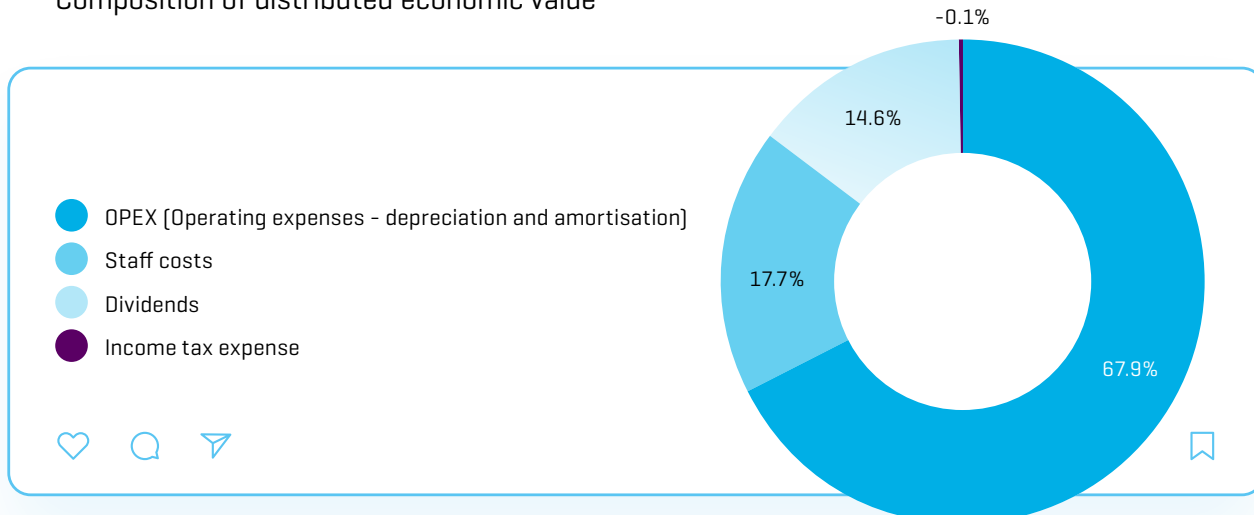
Structure of the Telekom Slovenije Group's equity and liabilities, and net financial debt



CAPEX (investments in property, plant and equipment) as a proportion of revenue



Composition of distributed economic value



1.3 LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD⁵

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

The COVID-19 pandemic affected the lives of everyone of us in 2020, placing the basic value of health care at the forefront. It also accelerated the digitalisation of the economy and further highlighted the importance of reliable, state-of-the-art, fast and secure communications and communication solutions. In Slovenia, the pandemic triggered the massive and rapid transformation to work from home and distance learning, which resulted in a shift in traffic flows and the

load on our network. We faced a sharp increase in the aforementioned load and in the volume of voice, data and video traffic, by more than one half relative to the normal situation, while we also recorded a sharp increase in traffic in accessing global internet networks and IPTV.

Telekom Slovenije has in place a business continuity management system that is certified according to the ISO 22031 standard. We are thus prepared for and capable of ensuring key services and processes, even in emergencies. In the circumstances in which we found ourselves together, we systematically prepared ourselves in a timely manner in terms of technology, the provision of network security and services, employees and processes. As part of the critical infrastructure, we adapted the work of our experts to ensure reliable communication services 24 hours a day, even in the most difficult conditions, provided users technical support and covered the special needs of government institutions and companies for increased capacities or additional



services, including cyber security, which is crucial in such extraordinary circumstances.

Digitalisation will be key to an economic recovery and is thus the focus of the Telekom Slovenije Group's strategy until 2025, which was adopted last year. We will continue to provide the most state-of-the-art services tailored to the needs of users (a superior user experience, the best sales and after-sales care for users, the most advanced and reliable network, convergent packages, an offer outside of the core activity, a comprehensive range of IT solutions, and information and cyber

security services]. Ensuring the dynamic adaptation to the needs of users will require both accelerated digitalisation and investments in the expansion and upgrading of technologies, the further optimisation of processes and the empowerment of employees.

In a year when communication technologies played an extremely important role, Telekom Slovenije, in line with technological development, was the first in Slovenia to take the next step in the development of mobile technology, and established a national fifth generation (5G) mobile network on existing base stations and in the existing 2,600 MHz frequency spectrum, which is also used for the fourth mobile generation network. In the upgraded evolutionary network, users may achieve higher data transfer speeds than in the LTE/4G network already during this development phase, while the full potential of 5G technology will be available following the allocation of additional spectral bands. We already covered 32.44% of the population with the 5G signal at the end of 2020. This was

the result of well-planned, gradual and, above all, timely investments in the development of new technologies. At the same time, we are expanding and upgrading the fibre optic access network at an accelerated pace, which facilitates the development of new services and brings users an even better television, internet and telephony experience. We manage the largest fibre optic network in Slovenia, to which we facilitate the connection of more than 370,000 Slovenian households. We connected 43,994 Slovenian households to the fibre optic network in 2020. We earmarked a total of EUR 173 million for investments in the infrastructure and the development of services.

We continued with consolidation activities in 2020. We completed the sale of Planet TV, and began the process of selling TSmedia and merging Avtenta with Telekom Slovenije, while we halted the sale of IPKO, which was initiated in 2019.

The COVID-19 pandemic affected the operations of Telekom Slovenije Group companies in 2020, primarily due to the closure of points of sale, lower revenues from the roaming of users in the networks of foreign operators and from the roaming of foreign users in our mobile networks, and on account of the suspension or reduced scope of transactions. The key objectives of the Telekom Slovenije Group for 2020 were adjusted due to the reclassification of Planet TV to assets held for sale. The results of Planet TV are only included in net profit/loss from discontinued operations. Without the estimated effect of the pandemic and measures to mitigate it, the Telekom Slovenije Group would have generated operating revenues of EUR 677.8 million (planned: EUR 676.0 million or, adjusted for Planet TV: EUR 668.9 million), meaning 1% more than planned. The estimate effect on operating revenues was EUR 22.9 million. The Telekom Slovenije Group thus generated EUR 654.9 million in operating revenues in 2020. At the Group level, we generated total sales revenues of EUR 647.2 million. The proportion of revenues accounted for by new services, such as energy, eHealth, insurance and the Online Shop, was up relative to 2019. Revenues from the Online Store were up by 55% relative to 2019, but sales via online channels cannot compensate for the drop in revenues at closed points of sale.

The Telekom Slovenije Group generated an operating profit (EBIT) of EUR 42.6 million and earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 209.9 million in 2020. Without the estimated effect of the COVID-19 pandemic and

measures to mitigate it, EBITDA would have been EUR 219.1 million at the Group level. EBITDA was 4% lower than planned as the result of the pandemic. The EBITDA margin (i.e. EBITDA as a proportion of sales revenue) was 32.4% at the Group level. Following the calculation of income tax (including deferred taxes), the Telekom Slovenije Group generated a net profit of EUR 24.9 million (net profit would have been EUR 32.8 million without the estimated effect of the pandemic).

Despite the challenges we faced due to the COVID-19 pandemic in 2020, the Telekom Slovenije Group remains financially stable. We are adapting business activities to the changing circumstances and closely monitoring and assessing risks in connection with supply chains, credit risk, the functioning of systems and the profitability of individual services, while adopting the appropriate measures.

Our shares of the fixed and mobile services markets were down slightly relative to 2019, primarily as a reflection of the aggressive pricing policies of the competition. However, through high-quality and innovative services, we increased customer satisfaction, and in Slovenia maintained our leading market position in the mobile telephony segment (37.9%) and IPTV segment (44.4%). In Kosovo, IPKO maintained a 38% share of the mobile telephony market in terms of the number of users.

Dividends for 2019 were paid to shareholders in the gross amount of EUR 3.50 per share.

At the Telekom Slovenije Group level, we are planning to generate operating revenues of EUR 653.0 million, EBITDA of EUR 210.6 million and a net profit of EUR 30.8 million in 2021, while investing EUR 203.7 million.

Following the declaration of the pandemic, we also took a responsible approach to the society in which we operate. We provided users free mobile data transfer quantities and increased their internet speeds in the fibre optic network, and thus ensured the conditions for trouble-free communication, and distance learning and work from home. We also upgraded the TV programme offer with additional content. We donated mobile modems to young people from socially disadvantaged families and provided free data transfer quantities for distance learning. We donated funds to hospitals for the purchase of urgent medical equipment and provided assistance to humanitarian organisations that help elderly people who live alone. We provided retirement homes free voice and video communication between the elderly residents of

those homes and family members. For purpose of the remote monitoring of COVID-19 patients, we upgraded the telemedicine solution and developed a solution for the centralised, real-time monitoring of the vital functions of patients seriously affected by the coronavirus. Besides additional capacities, we also made it possible for companies to quickly implement video identification and digital signing services.

We converted closed points of sale into pick-up points, and were at the beck and call of users via all available channels. We expanded the range of products in the Online Shop, established the new PIAZZ online marketplace, which brings together merchants and customers in one place, and introduced new functionalities in the VALÚ smart wallet.

We continued with development, despite the extraordinary circumstances. We took an important step in the digital transformation of Industry 4.0, while we laid the foundations for the development of new business models and the testing of the 5G smart infrastructure with the establishment of a test 5G network at a production facility. We implemented IT solutions that facilitate the advanced automation of operations and the digitalisation of energy management systems in commercial and production buildings, as well as smart city and community solutions for the integrated management of resources, the infrastructure, services and processes for the improved quality of life. Those solutions are based on NB-IoT technology.

We successfully maintained all previously implemented management systems. At the end of the year, we began preparations for the self-assessment of business excellence according to the EFQM 2020 model, while we introduced certified quality management and information security management systems at IPKO.

Through numerous preventive measures and digital tools, we provided employees a safe work environment. Both times that an epidemic was declared, we made it possible for an average of 70% of Telekom Slovenije's employees to work from their homes across all of Slovenia, whenever the nature of their work allowed it. To that end, daily communication ensured that employees had at their disposal all necessary information regarding events at the Company and that they remained connected. We implemented the strictest possible protective measures for field work, where employees ensure the smooth functioning of services for users, which

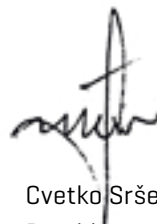
sometime requires entering their homes. In these extraordinary circumstances, the commitment, motivation and engagement of employees were and remain extremely high, as does mutual cooperation.

As part of activities in the scope of the Family-Friendly Company certificate, we focused on raising awareness about the importance of managing stress and preventing burn-out, and strengthened the transfer of knowledge and lifelong learning programmes.

We enhanced our environmental responsibility by adopting the revised environmental statement of Telekom Slovenije. The latter guides us to the constant improvement of environmental and energy efficiency in business processes, and to encourage users to pursue responsible environmental management. Through the optimisation of equipment and premises, we reduce electricity consumption every year (by 0.4% in 2020), despite the upgrading of the mobile network with 5G technology and the increased load on the network. We are setting up a charging infrastructure for the transition to electric mobility, and are gradually introducing electric cars and freight vehicles in the vehicle fleet.

Due to the enhancement of the fourth and fifth generation mobile networks, we carried out 267 measurements of electromagnetic radiation (EMR) in Slovenia, 92 of those measurements for 5G technology. The measurements indicated that EMR has risen slightly. Nevertheless, all base stations continue to function in accordance with regulations, and within thresholds and the law.

We responded rapidly, agilely and effectively to the changing circumstances in 2020, while giving special attention to the society in which we operate. We provided users reliable and secure communication services, even in the most difficult circumstances and in the context of sharply increased loads. We could not have done so without our employees, to whom I offer my sincere thanks. I would also like to thank the Management Board, which managed Telekom Slovenije in 2020, for its work during the year. I believe that we have earned the trust of our stakeholders.



Cvetko Sršen,
President of the Management Board

1.4 STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The members of the Management Board of Telekom Slovenije, d. d. responsible for compiling the annual report hereby confirm the financial statements of Telekom Slovenije, d. d. and the Telekom Slovenije Group for the year ending 31 December 2020, as well as the accounting policies applied and the notes to the financial statements.

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

- to the best of our knowledge, the annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2020 and all its constituent parts, including the corporate governance statement and the statement regarding non-financial operations, have been compiled and published in accordance with valid legislation and the International Financial Reporting Standards as adopted by the EU;
- the Accounting Report and accompanying notes have been compiled in accordance with the relevant financial reporting framework, and provides a true and fair picture of the assets, liabilities, financial position and operating results of Telekom Slovenije, d. d. and the Telekom Slovenije Group as a whole;
- the selected accounting policies were applied consistently in the compilation of the financial statements and any changes to the policies were disclosed, and that accounting estimates were made fairly and with careful consideration, according to the principle of prudence and the diligence of a good manager, and under the assumption that Telekom Slovenije, d. d. and the Telekom Slovenije Group are going concerns; and
- the business report includes a fair presentation of the development and operating results of the Company and of its financial position, together with a description of the principal types of risk to which Telekom Slovenije, d. d. and the Telekom Slovenije Group as a whole are exposed.

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

The tax authorities may, at any time within five years following the year for which tax was levied, audit companies' operations, which can result in an additional tax liability. The Management Board is not aware of any circumstances that could give rise to any significant liability on this account.



Cvetko Sršen,
President of the
Management Board



Tomaž Jontes,
Vice-President of the
Management Board



Barbara Galičič
Drakslar,
Member of the
Management Board



dr. Mitja Štular,
Member of the
Management Board



Špela Fortin,
Member of the
Management Board –
Workers Director

1.5 REPORT OF THE SUPERVISORY BOARD

The Company's Supervisory Board comprises nine members, and the composition of that body changed several times during 2020.

The term of office of member of the Supervisory Board Dimitrij Marjanović expired on 13 May 2020. At the Company's 31st General Meeting of Shareholders held on 5 June 2020, Aleš Šabeder was elected to a four-year term of office on the Supervisory Board.

Following its constitution on 15 June 2020, the Supervisory Board elected Aleš Šabeder to serve as President of the Supervisory Board, and Barbara Gorjup and Drago Kijevčanin to serve as Vice-Presidents. It also reconstituted the Supervisory Board's committees. Barbara Kúrner Čad served as President of the Supervisory Board until 15 June 2020.

On 19 October 2020, Aleš Šabeder, Barbara Cerovšek Zupančič and Bernarda Babič, MSc submitted their resignations. On 3 November 2020, the Ljubljana District Court, at the request of the Slovenian Sovereign Holding, issued a decision appointing Boštjan Koler, Dimitrij Marjanović and Štefan Belingar as new Supervisory Board members until Supervisory Board members are elected at the General Meeting, but for a period no longer than one year of issuing the decision. On that date the functions of Supervisory Board members Aleš Šabeder, Barbara Cerovšek Zupančič, MSc and Bernarda Babič, MSc ceased.

Following its constitution on 4 November 2020, the Supervisory Board elected Boštjan Koler to serve as President of the Supervisory Board, and Barbara Kúrner Čad and Drago Kijevčanin to serve as Vice-Presidents. It also reconstituted the Supervisory Board's committees.

On 21 January 2021, the General Meeting of Shareholders recalled member of the Supervisory Board Igor Rozman. On 22 January 2021, Iztok Černoša, Aleksander Igličar, MSc Marko Kerin and Radovan Cerjak were appointed to four-year terms of office as new members of the Supervisory Board. With the election of the new members of



the Supervisory Board, the terms of office of the persons who were appointed under the decision of Ljubljana District Court of 3 November 2020 were terminated: Boštjan Koler, Dimitrij Marjanović and Štefan Belingar.

On 11 February 2021, the newly constituted Supervisory Board elected Iztok Černoša to serve as President of the Supervisory Board, and Barbara Kúrner Čad and Drago Kijevčanin to serve as Vice-Presidents. It also reconstituted the Supervisory Board's committees.

The composition of the Supervisory Board is

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

The Supervisory Board met at 17 regular and two correspondence sessions in 2020. During the course of 2020, it ensured the responsible and high-quality supervision of the operations of Telekom Slovenije and the Telekom Slovenije Group. The Supervisory Board discussed different aspects of operations and monitored the implementation of plans. Specific topics were discussed in advance by the Supervisory Board's committees. Based on the findings, proposals and careful assessment of committees, the Supervisory Board adopted the appropriate decisions and continuously informed stakeholders following sessions.

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

MOST IMPORTANT TOPICS OF SUPERVISORY BOARD SESSIONS

The most important topics at sessions of the Supervisory Board in 2020 were linked to the monitoring of the ordinary operations and development of the Company, and the composition of the Management Board. The Supervisory Board

and Management Board focused on defining the strategy, and on identifying and managing business risks, which is important for the successful future operations of Telekom Slovenije and the Telekom Slovenije Group.

On 2 January 2020, the Supervisory Board appointed Dr Vida Žurga to serve as Vice-President of the Management Board. The term of office of Ranko Jelača, member of the Management Board responsible for the commercial sector, expired on 15 March 2020. On 22 June 2020, the Supervisory Board appointed Tomaž Jontes to serve as member of the Management Board responsible for sales and marketing. Mr Jontes' four-year term of office began on the same date.

Within the scope of its competences, the Supervisory Board made the following responsible decisions in 2020:

- adopted the Strategic Business Plan of the Telekom Slovenije Group for the period 2021 to 2025, with the business plan for 2021;
- adopted the audited annual report of the Telekom Slovenije Group and Telekom Slovenije for 2019;
- appointed a member of the Management Board responsible for sales and marketing;
- gave its consent to the conditional conclusion of an out-of-court settlement against former management board members, based on which the insurer, where the liability for damages of former management board members was covered, paid the company an amount of EUR 2.8 million upon approval by the company's general meeting;
- gave its consent to the appointment of managing directors of subsidiaries; and
- gave its consent to the sale of Planet TV, the initiation of the sale of TSmedia and the initiation of the merger of Avtenta with Telekom Slovenije.

In its supervision of the management of the Company's operations, the Supervisory Board was briefed regularly on the following in 2020:

- reports on the operations of the parent company and the Group;
- the implementation of the Strategic Business Plan of the Telekom Slovenije Group;
- assessments of the performance indicators of the Company and Group in each period;
- the implementation of strategic projects and initiatives;
- other information in connection with Telekom Slovenije, the Telekom Slovenije Group and subsidiaries; and
- the effects of the COVID-19 pandemic on the operations of the Telekom Slovenije Group.

The Supervisory Board continuously resolved conflicts of interest [statements according to the reference code are published on the Company's website]. During the 2020 financial year, one

member of the Supervisory Board informed the latter of specific facts that could affect their independence. In February 2020, the Supervisory Board assessed its work and adopted a resolution regarding improvements to that work in the future. On that basis, the text of the rules of procedure of the Supervisory Board was updated at the beginning of 2021, and is expected to be approved at one of the Supervisory Board's next sessions.

WORK OF THE SUPERVISORY BOARD'S COMMITTEES

The Supervisory Board had four permanent committees in 2020. They were the Audit Committee, HR Committee, Strategy Committee and Marketing and Technology Committee, which was renamed from the Technical Committee in January. A Nomination Committee was appointed for the selection of candidates for members of the Supervisory Board, in February and December.

Committees discussed topics related to the Supervisory Board's work and advised the latter in important matters. This contributed to the improved work and effectiveness of the Supervisory Board.

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

On 10 March 2021, the Supervisory Board reached an agreement with the President and three members of the Management Board on the termination of their employment contracts and their recall from the aforementioned positions. Accordingly, the terms of office of the President of the Management Board Tomaž Seljak and members Dr Vida Žurga, Matjaž Beričič, MSc and Tomaž Jontes ended on 10 March 2021. The Supervisory Board appointed Cvetko Sršen to serve as President, and Dr Mitja Štular and Tomaž Jontes to serve as members of the Management Board. Their four-year terms of office began on 10 March 2021. On 22 March, the Supervisory Board appointed Barbara Galičič Drakslar to serve as member of the Management Board for a four-year term of office that begins on 31. March 2021.

ASSESSMENT OF THE WORK OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

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

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

Based on the above-described continuous monitoring and supervision of the operations and management of Telekom Slovenije and Group companies during the 2020 financial year, and based on the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2020, as compiled and submitted by the Management Board, the Supervisory Board assesses that the annual report and disclosures contained therein reflect the actual situation and position of the Telekom Slovenije Group.

The Supervisory Board assesses that the Management Board of Telekom Slovenije successfully managed the Company's transactions during the 2020 financial year and achieved established objectives, particularly taking into account the extraordinary circumstances the declared COVID-19 pandemic brought to the telecommunications sector and the highly competitive environment in which the Company operates.

APPROVAL OF THE ANNUAL REPORT AND THE PROPOSED USE OF THE DISTRIBUTABLE PROFIT FOR 2020

The Supervisory Board discussed the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2020 at its session on 23 April 2021. Based on its review of the annual report and financial statements (including the notes thereto), and its review of the Management Board's proposal on the use of distributable profit and the certified auditor's report, the Supervisory Board confirmed the audited annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2020.

Pursuant to paragraph 3 of Article 272 of the Companies Act [ZGD-1], Telekom Slovenije's Management Board submitted the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2020, together with the auditor's report for 2020, immediately after compilation and the issuance of the auditor's opinion. The annual report was discussed by the Supervisory Board at its session held on 23 April 2021. The annual report of the Telekom Slovenije Group and Telekom Slovenije for 2020 was audited by the audit firm PricewaterhouseCoopers, d. o. o., which issued an unmodified opinion regarding the financial statements of the Telekom Slovenije Group and

Telekom Slovenije. At its 2nd extraordinary session held on 23 April 2021 Supervisory Board discussed the audited annual report of the Telekom Slovenije Group and Telekom Slovenije for 2020 and found that the annual report was compiled in a timely, clear and transparent manner, and in accordance with the provisions of the ZGD-1, the applicable International Financial Reporting Standards, as adopted by the European Union, and other relevant legislation. The Audit Committee had no comments with respect to the 2020 annual report, and therefore proposed that the Supervisory Board adopt a decision in accordance with Article 282 of the ZGD-1 to approve of the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2020.

Based on the auditor's opinion, the position of the Audit Committee, and data and disclosures in the annual report, the Company's Supervisory Board assesses that the auditor performed its work independently and professionally in accordance with valid legislation and business practices, that the annual report was compiled, in all material aspects, in accordance with the requirements of the ZGD-1, and that the financial statements fairly present, in all material aspects, the financial position of the Telekom Slovenije Group and Telekom Slovenije as at 31 December 2020, and their operating results and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the European Union. The Supervisory Board has no remarks regarding the auditor's report. It also has no comments regarding the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2020 that would in any way inhibit its decision to approve the annual report.

Thus, in accordance with paragraph 3 of Article 282 of the ZGD-1, the Supervisory Board of Telekom Slovenije hereby approves the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2020. The Supervisory Board approved the annual report for 2020 by the prescribed deadline, i.e. within one month from its submission by the Company's senior management.

When adopting the annual report, the Supervisory Board also took a position with regard to the corporate governance statement and statement of compliance with the reference code, which are included in the business report section of the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2020, and assessed that they are a reflection of the actual governance of the Company in 2020.

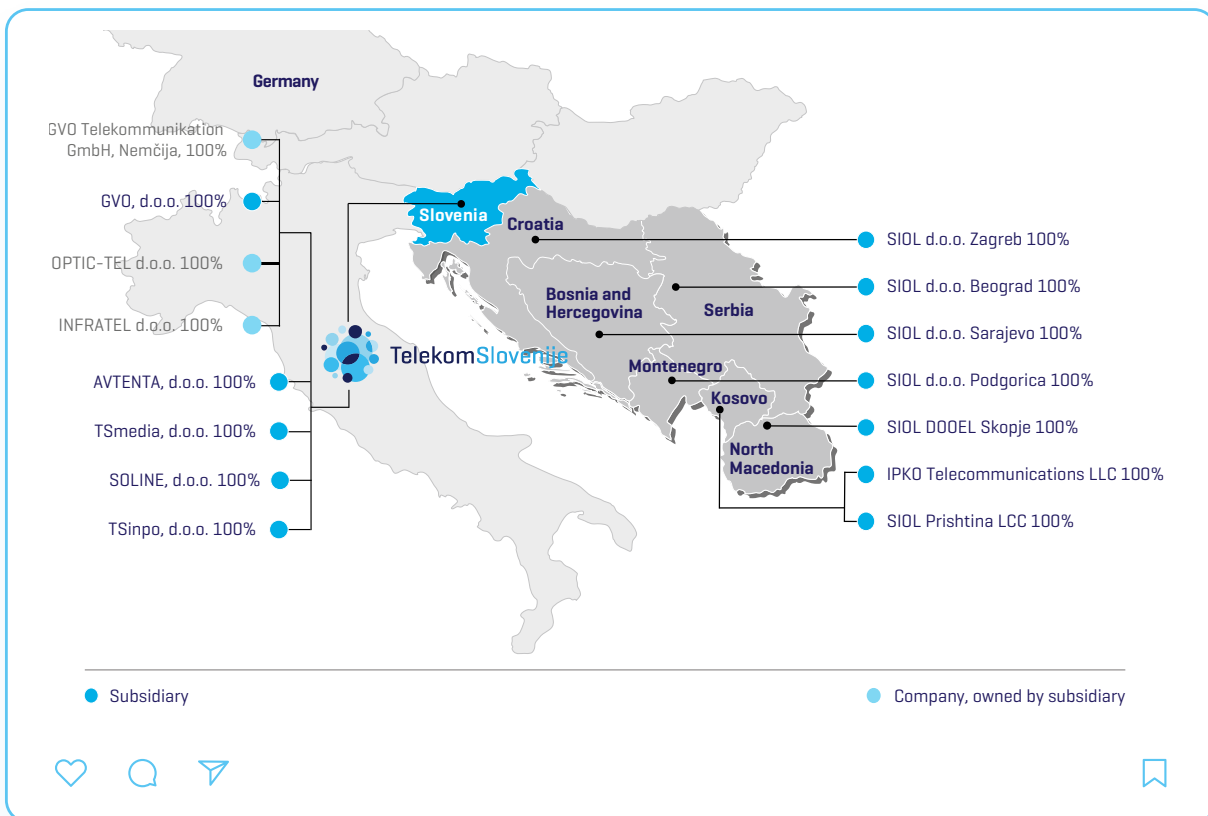


Iztok Černoša,
President of the Supervisory Board

1.6 MARKETS AND COMPANIES OF THE TELEKOM SLOVENIJE GROUP⁶

The Telekom Slovenije Group operates in eight countries, seven countries in South-Eastern Europe and Germany. The Group comprises the parent company Telekom Slovenije and its subsidiaries. The composition of the Telekom Slovenije Group and participating interests as at 31 December 2020 are presented in the picture below, and in more detail on the website <https://www.telekom.si/o-podjetju/skupina-telekom-slovenije/odvisne-druzbe>.

Situation of the Telekom Slovenije Group as at 31 December 2020



CHANGES IN THE COMPOSITION OF THE GROUP⁷

- The sale of Telekom Slovenije's 100% participating interest in the subsidiary Planet TV, televizijska dejavnost, d. o. o. was completed on 30 September 2020. The transfer of that participating interest to TV2 ADRIA, d. o. o. was entered in the companies register on 7 October 2020.
- On 3 November 2020, Telekom Slovenije halted the sale of its 100% participating interest in IPKO Telecommunications LLC in Kosovo. The process was concluded without the selection of a buyer. IPKO Telecommunications LLC thus remains part of the Telekom Slovenije Group.

- Telekom Slovenije initiated the sale of TSmedia, medijske vsebine in storitve, d. o. o.
- The merger of Avtenta, napredne poslovne rešitve, d. o. o. with Telekom Slovenije was also initiated. The Supervisory Board gave its prior consent to start the aforementioned process, while activities are expected to be completed on 1 April 2021. The merger was not carried out by the planned deadline. The Company will notify shareholders about further activities.

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.

⁶ GRI GS 102-4, 102-6; GRI 102-18

⁷ GRI GS 102-10

MANAGEMENT AND GOVERNANCE OF SUBSIDIARIES

As parent company within the Telekom Slovenije Group, Telekom Slovenije manages the operations of subsidiaries in the scope of corporate governance by defining subsidiaries' strategic policies and operational objectives, and by monitoring the achievement of established objectives. The Telekom Slovenije Group's operational strategy also includes uniform corporate governance within the Group, as this optimises the operations of companies, improves the flow of information and creates synergies at the Group level.

Management and supervisory tasks are performed in accordance with Slovenian law, the applicable laws in the home countries of Group companies, and the valid acts of the Company and Group. In all business areas, subsidiaries operate in accordance with local legislation, business cooperation agreements with Telekom Slovenije, and with internal rules and instructions adopted by the management of an individual subsidiary or the Management Board of the parent company.

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

The management and supervision of the operations of Telekom Slovenije Group companies is based on the following core principles:

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

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

SLOVENIA
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.
TSmedia, d. o. o.
Managing Director: mag. Simon Furlan Rolando Žel served as Managing Director until 31 March 2020.
SOLINE, d. o. o.
Direktor: Klavdij Godnič
Planet TV, televizijska dejavnost, d. o. o.
Managing Director: Samo Ošina Procurator: Nevenka Črnko Rolando Žel served as Managing Director until 31 March 2020. Samo Ošina was appointed Managing Director on 1 April 2020. Nevenka Črnko served as Procurator from 1 April 2020 on. Prior to that time, the company did not have a procurator. With the completion of the sale of Planet TV to TV2 ADRIA, the functions of Managing Director, held by Samo Ošina, and Procurator, held by Nevenka Črnko, were terminated on 30 September 2020.
TSinpo, d. o. o.
Managing Director: mag. Danilo Tomšič Procurator: Vesna Lednik

OTHER COUNTRIES
IPKO Telecommunications LLC, Kosovo
CEO: mag. Robert Erzin
SIOL d. o. o., Croatia
Managing Director: Matjaž Pogačnik, MBA
SIOL d. o. o. Podgorica, Montenegro
Managing Director: Matjaž Pogačnik, MBA
SIOL d. o. o. Sarajevo, Bosnia and Hercegovina
Managing Director: Matjaž Pogačnik, MBA
SIOL DOOEL Skopje, Macedonia
Managing Director: Matjaž Pogačnik, MBA
SIOL DOO BEOGRAD, Serbia
Managing Director: Matjaž Pogačnik, MBA
SIOL Prishtina L.L.C, Kosovo
Managing Director: Matjaž Pogačnik, MBA
GVO Telekomunikation GmbH
Managing Director: Borut Radi, Darko Gradišnik, Roman Mazi

1.7 COMMITMENTS AND MEMBERSHIP IN ASSOCIATIONS⁸

Through corporate and individual membership in numerous professional organisations and associations, we build successful business links, create development opportunities and ensure the professional positioning of the Telekom Slovenije Group. Group companies are members or its employees serve as members of boards of directors, expert and strategic councils, and other bodies of the following organisations:

SLOVENIJA – TELEKOM SLOVENIJE

- Slovenian Association of Facilitators,
- Marketing Society of Slovenia (also TSmedia and Avtenta): annual partners of the society,
- Electrotechnical Association of Slovenia,
- European Institute for Compliance and Ethics (EICE),
- Slovenian Chamber of Commerce and Industry: participant in the general meeting and member of the management board of the Information Technology and Telecommunications Association, and member of the Section of Electronic Communications Operators,
- American Chamber of Commerce,
- INIS – Institute for Non-Ionising Radiation,
- Forum EMS,
- Institute for Corporate Security Studies,
- Institute of Labour at the Faculty of Law in Ljubljana,
- Institute for Labour Relations and Social Security at the Faculty of Law in Maribor,
- Commercial Law Institute,
- Slovenian Chamber of Engineers (also GVO),
- Slovenian Chamber of Crafts (also GVO),
- Slovenian Institute of Auditors,
- Slovenian-German Chamber of Commerce,
- Slovenian Advertising Chamber (also TSmedia): membership on the board of directors, membership on the council of members, executive board and expert committee of the council of members of MOSS (measurement of visits to Slovenian websites),
- Slovenian Institute for Standardisation: chair of the expert council and member of working groups,
- Slovenian Public Relations Association,
- Slovenian Oracle Users Association (SIOUG);
- Slovenian Innovation Hub, European Economic Interest Grouping,
- Slovenian Advertising Association (functioning under the auspices of the Slovenian Advertising Chamber),
- Slovenian Project Management Association,
- Slovenian Association of Risk Management and Insurance Management,
- Smart cities and communities strategic development-innovation partnership (SRIP PMIS),
- Study Centre for Industrial Democracy,
- IAB – institute for a digital society:
- Interactive Advertising Bureau – IAB (also TSmedia),
- Institute for Identification and Electronic Data Exchange,
- ICT Technology Network,
- Chamber for the Development of Slovenian Private Security,
- Association of Employers of Slovenia (also GVO),
- Cable Operators Association of Slovenia,
- Slovenian Directors' Association
- Institute of Internal Auditors (IIA),
- Slovenian Corporate Treasurers Association,
- Association of Slovenian Digital Television Operators.



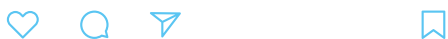
MEMBERSHIP IN INTERNATIONAL ORGANISATIONS – TELEKOM SLOVENIJE

- Association of Certified Fraud Examiners [ACFE],
- American Chamber of Commerce [also TSmedia and Avtenta],
- Broadband Forum,
- ECO Networks SIA,
- European Telecommunications Network Operators' Association [ETNO],
- GSM Association,
- Gartner, a leading IT research and advisory organisation,
- Institute of Electrical and Electronics Engineers [IEEE, Slovenian Section],
- Information Systems Audit and Control Association [ISACA],
- TM Forum – association of ICT service providers, their suppliers, integrators and manufacturers,
- RIPE Network Coordination Centre [regional web register], and
- Search and Information Industry Association [SIINDA] – TSmedia.



KOSOVO – IPKO

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



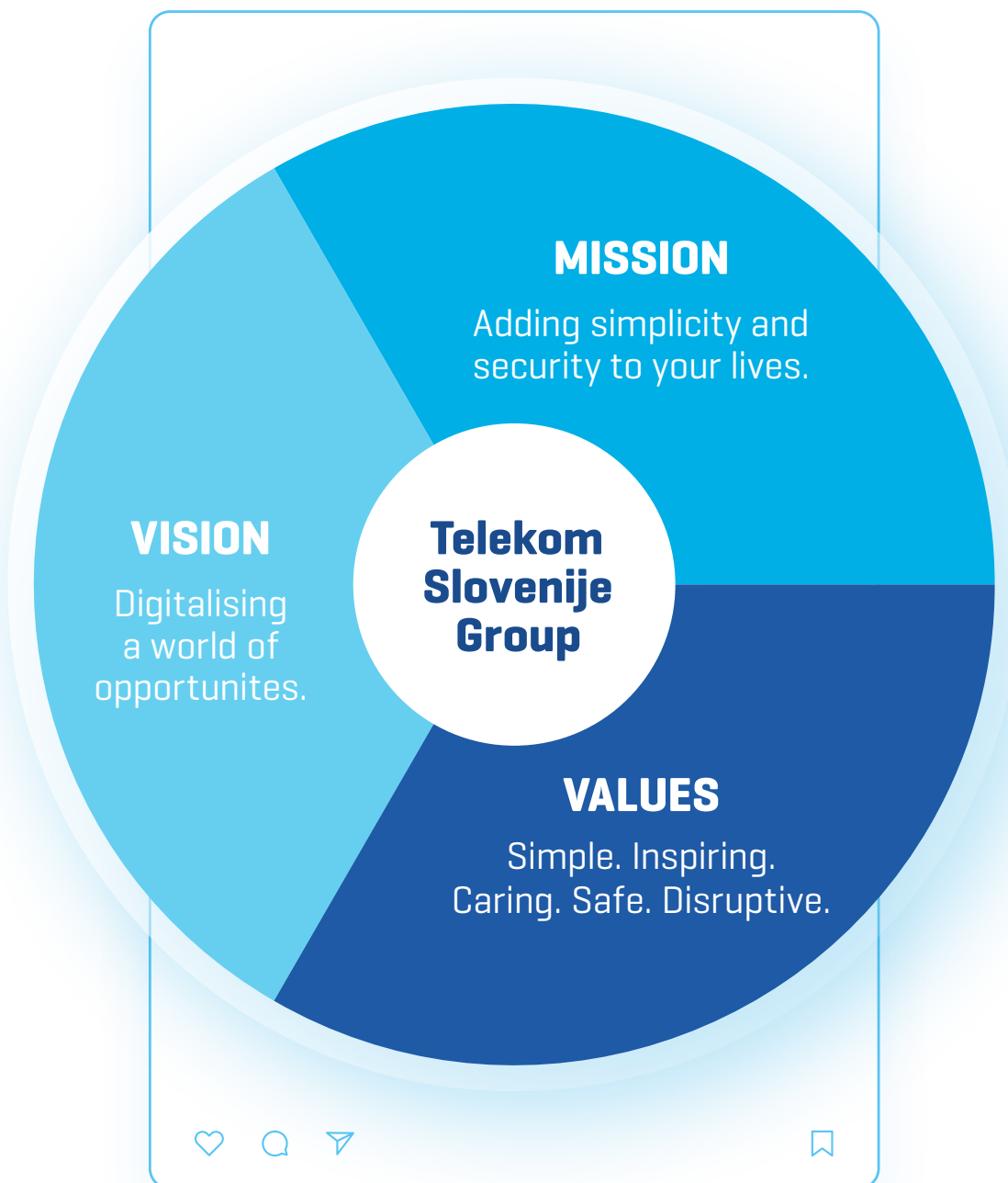
SOCIAL, ENVIRONMENTAL AND ECONOMIC INITIATIVES IN WHICH TELEKOM SLOVENIJE AND GROUP COMPANIES ARE INCLUDED:

- Family-Friendly Company certificate,
- European Framework for Safer Mobile Use by Younger Teenagers and Children,
- activities for safer internet use – SAFE.SI [also TSmedia],
- a code for regulating hate speech on websites [Siol.net digital media],
- Natura 2000, a European network of special protection areas [Soline],
- Alliance of Companies Employing Disabled People of Slovenia [TSinpo, as founding member of interest association],
- Slovenian Corporate Integrity Guidelines,
- commitment to respect human rights in the course of operations in the scope of the National Action Plan of the Republic of Slovenia on the Respect of Human Rights in Business.



1.8 DEVELOPMENT STRATEGY AND PLANS

1.8.1 VISION, MISSION AND VALUES⁹



1.8.2 BUSINESS MODEL OF THE TELEKOM SLOVENIJE GROUP FOR 2020

We proactively adapt the business model with which we generate value for our stakeholders, and respond to changes in the environment:

- technological development (the latest ICT trends, the development of services and solutions for users, and the provision of cyber security),
- economic conditions (macroeconomic conditions and market competition),
- social conditions (demographic changes, legislation, and the protection of privacy and data), and
- environmental impacts (climate change and the preservation of natural resources).

OUR RESOURCES

Financial resources

- EUR 590.5 million in capital
- 8,865 shareholders, 93.32% of which are domestic shareholders
- EUR 654.9 million in operating revenues

ICT infrastructure

- 43,994 available connections to the fibre optic network in Slovenia, to which we facilitate the connection of more than 370,000 Slovenian households
- 27,300 km of cable network across Slovenia
- 1,342 GSM base stations, 911 UMTS base stations, 1,372 LTE/4G base stations and 249 5G base stations connected to a total of 1,494 locations
- 18 Telekom centres, 115 authorised agents and 8 business centres
- EUR 173,0 million in investments in property, plant and equipment
- Cyber Security Operation Centre
- Regional fibre optic network

Human resource and research and development potential

- 3,392 Group employees
- 91% of employees included in training; 18,5 hours of training per employee
- development of internal advanced development-oriented training programmes
- 161 master's degrees and doctorates, or 4.7% of all employees
- Participation in EU research and development projects (5G security)

Social and natural environment

- EUR 2.2 million in sponsorships and donations
- Concern for the security of users, in particular children and adolescents, disabled persons and the elderly
- Certificates regarding the appropriateness of management systems:
 - Telekom Slovenije: ISO 22301, ISO/IEC 27001, ISO 50001, EN 50518 and ISO 14001
 - GVO: ISO 9001 and ISO 14001
 - Avtenta: ISO 9001
 - IPKO: ISO 9001 and ISO/IEC 27001
- 207 MWh of energy generated by own solar power plants
- Management of the Sečovlje Salina Nature Park



OUR RESOURCES

CONNECTIVITY OF USERS

- B2C market
- B2B market
- Wholesale market

ICT services

(mobile and fixed services) for companies and private users

CYBER SECURITY FOR COMPANIES AND PRIVATE USERS

ADVANCED LIVING AND SMART CITIES

ICT SOLUTIONS FOR HEALTH (eCare and telemedicine)

FINANCIAL SERVICES

CLOUD SOLUTIONS

CONSTRUCTION OF NETWORKS

KEY SERVICES

MISS

VIS

VAL

SION

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UES

ACHIEVEMENT
OF SDG

KEY
STRATEGIC
OBJECTIVES

WE CREATE VALUE

LEADER IN USER EXPERIENCE

The first choice of users and business partners through a superior user experience, the best network and a range of the most advanced ICT services tailored to the needs of users.

FLAG-BEARER FOR THE DIGITAL DEVELOPMENT OF SLOVENIA

Growth in ICT services through superior 4G/5G and fibre optic access networks, development of the IoT, smart infrastructures, artificial intelligence, telemedicine and cyber security. Maintaining our market position in the core activity.

MAXIMISATION OF VALUE

Financial stability, optimal employee structure, development of employees' knowledge and competences, consolidation on individual markets, and reputation and brand management.

DIGITALISATION OF OPERATIONS

Optimisation and automation of business processes.

RESPONSIBILITY TO THE ENVIRONMENT AND SOCIETY

Integration of the principles of sustainable development and the circular economy, achievement of the Sustainable Development Goals [SDG] from the United Nations' Agenda 2030 in operations, services and products.

WE CREATE VALUE FOR:

Shareholders

- Gross dividend per share of EUR 3.5
- Net profit of EUR 24.9 million

Users

- 1.9 million users of mobile telephony and 521 thousand users of traditional fixed telephony at the Group level
- 464.3 thousand fixed broadband connections in Slovenia
- We recorded increased satisfaction with mobile and fixed services in 2020: the Customer Satisfaction Index [CSI] in the mobile services segment rose by 2 index points between 2019 and 2020, and by 3 index points in the fixed services segment.
- We are recording a trend of growth in customer satisfaction: the overall transactional Net Promoter Score [NPS] rose by 9 index points between 2019 and 2020.
- Telekom Slovenije was the strongest brand in 2020 amongst providers of fixed and mobile services.
- More than 80 million voice commands in Slovene
- 941,481 GB allocated to users in 2020
- More than 2 million hours of content available for viewing in one year
- 99% of Slovenian households covered by the 4G signal; 32.4% by the 5G signal
- 7 hospitals using our telemedicine solution [COVID-19; six retirement homes with the ability to monitor vital functions]

Employees

- 8.9% of employees deemed key and perspective personnel at Telekom Slovenije
- Full Family-Friendly Company certificate
- Heart Foundation to assist employees' children
- 251 employee blood donors
- Provision of a healthy and safe work environment, respect for diversity and promotion of intergenerational cooperation

Local and broader communities

- 0.4% reduction in electricity consumption
- carbon footprint of 21.9 tonnes per employee
- EUR 467.2 million in distributed economic value
- 267 EMR measurements
- 2 tonnes of waste electrical and electronic equipment collected at Telekom centres
- 4 charging stations for the electric vehicles of Telekom Slovenije and 4 for GVO



1.8.3 STRATEGIC BUSINESS PLAN OF THE TELEKOM SLOVENIJE GROUP FOR THE PERIOD 2021 TO 2025, WITH THE BUSINESS PLAN FOR 2021¹⁰

The Telekom Slovenije Group implemented its established strategy in 2020 in accordance with adopted strategic policies. To that end, the Group updates its strategy and drafts a business plan for the next period every year. **The Strategic Business Plan** 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 outlines the future business strategy of the Telekom Slovenije Group.

The Strategic Business Plan, business plan for the coming year and projections until 2025 were formulated on the basis of data and forecasts available until November 2020, taking into account the regulatory environment and forecasts of macroeconomic trends for the region in which the Telekom Slovenije Group operates. Taken into account during preparations were analyses of the operations and market shares of comparable European operators, analyses of the competition, development expectations and trends in the telecommunications sector, as well as a SWOT analysis for Telekom Slovenije Group companies.

COMPETITION AND THE BUSINESS ENVIRONMENT

The markets on which the Telekom Slovenije Group operates are characterised by a high level of competition, as users can choose from the services of various operators. Users demand high-quality services at low prices, in the context of which markets are becoming increasingly saturated. The ability to attract new users is thus constantly diminishing.

In general, a further drop in revenues from basic telecommunication services is expected on the Slovenian telecommunications market, which is developed and already in the phase of saturation (including systems integration and cloud services). Telekom Slovenije maintains a high market share in all segments in which it operates. Alternative operators are gaining market share primarily through an aggressive pricing policy that Telekom Slovenije cannot follow due to the limitations imposed by the regulatory body.

Telekom Slovenije provides the most state-of-the-art services tailored to the needs of users (a superior user experience, the best sales and after-sales care for users, the most advanced and reliable network, convergent packages, an offer outside of the core activity, a comprehensive range of IT solutions, and information and cyber security services). Ensuring the dynamic adaptation to the needs of users requires investments in the expansion and upgrading of technologies, accelerated digitalisation, the further optimisation of processes and the empowerment of employees.

The superior quality of its services is and will continue to be the Telekom Slovenije Group's competitive advantage in the future. The Group's development will continue to be based on high standards of social responsibility and sustainable development. The Telekom Slovenije Group will also achieve its strategic and business objectives for 2021 through the accelerated implementation of key projects that are presented in the section [1.8.4 Strategic projects](#).

STRATEGIC OBJECTIVES OF THE TELEKOM SLOVENIJE GROUP



LEADER IN USER EXPERIENCE

The leading user experience is based on the best, most reliable and largest network, while we create that user experience in accordance with the latest trends and changing user habits. Through a superior user experience, we achieve short-term business objectives and strengthen our long-term strategic position to remain the first choice of users. Crucial in that regard are digital excellence, ensuring security, contactless operations and the dynamic adaptation to the needs and habits of the users of communication services.



DIGITALISATION OF OPERATIONS

Accelerated digitalisation via the optimisation and automation of processes improves the efficiency of operations, and will thus remain an integral part of future business activities to ensure the competitiveness of the Telekom Slovenije Group.



GROWTH IN ICT SERVICES

Growth in ICT services and solutions will be based on the existing superior LTE/4G network, and the opportunities offered by fifth generation (5G) mobile networks. 5G technology will facilitate the development of the smart industry and smart cities, as well as the introduction of virtual campus networks, which in turn will enable the continued digitalisation of various verticals, such as energy, transportation, logistics, industry, smart cities, healthcare, and protection and rescue (public safety). The Telekom Slovenije Group will ensure the digitalisation of society as a whole on that basis. Growth will be achieved through organic growth and the consolidation of the Slovenian ICT market.



MAINTAINING THE LEVEL OF REVENUES FROM THE CORE ACTIVITY IN SLOVENIA

The basic telecommunications market is stagnating in Slovenia, while Telekom Slovenije is under additional pressure from regulatory bodies. We will preserve revenues through accelerated digitalisation and the development of digital services, the further development of the network, the development of services based on 5G technology, successful cooperation with regulators, and above all the best user experience.



CONSOLIDATION ON INDIVIDUAL MARKETS

The European telecommunications market is experiencing the intensive consolidation of the sector, the merging of operators and a changing portfolio of services on the one hand, and the entry of new competitors on the ICT market on the other hand, which will further impact the operations of operators. The consolidation activities of Telekom Slovenije will focus on acquiring new competences, and on entering new markets and new areas.



OPTIMAL EMPLOYEE STRUCTURE

The Telekom Slovenije Group will continue to ensure the optimal number of employees, taking into account the needs of work processes at individual companies. We are optimising the employee structure through the strategic planning of needs for staff, and the appropriate organisational structure and job classification. We build the employer brand through an effective remuneration system, and the development of knowledge and competences.



FINANCIAL STABILITY

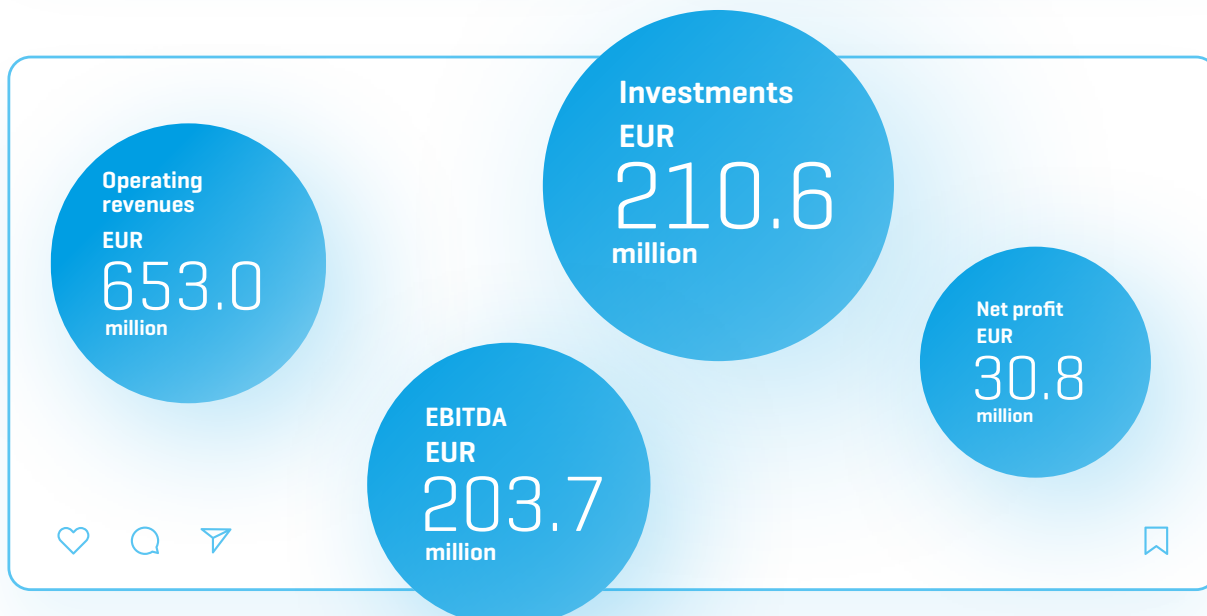
We are implementing activities that facilitate the effective management of liquidity and ensure a high level of financial stability. We ensure the optimal level of debt over the long term, where the value of the Company is most important.



RESPONSIBILITY TO THE ENVIRONMENT AND SOCIETY

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. The principles of sustainable development are 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 2021



1.8.4 STRATEGIC PROJECTS

NATIONAL FIFTH GENERATION (5G) MOBILE NETWORK¹¹



Telekom Slovenije was the first in Slovenia to take the next step in the development of mobile technology, and established a national fifth generation (5G) mobile network on existing base stations and in the existing 2,600 MHz frequency spectrum. We successfully tested terminal equipment (Apple, Samsung, etc.) and received equipment manufacturers' verification of the network. In the upgraded 4G/5G evolutionary network, users may achieve higher data transfer speeds than in the LTE/4G network already during this development phase, while the full potential of 5G technology will be available to users following the allocation of additional spectral bands.

During the first step, we upgraded 249 base stations and thus ensured around 25% coverage with the 4G/5G network, which we had increased to 32.44% by the end of the year. The establishment of the fifth-generation mobile network is one of our most important projects, through which we are achieving a large number of strategic objectives. It will provide numerous opportunities to Telekom Slovenije, users and the economy as a whole for development and advancement. See sections [2.8.1 Development of networks, services and projects](#) and [2.8.2 Access networks](#) for more information.

NEW SERVICES

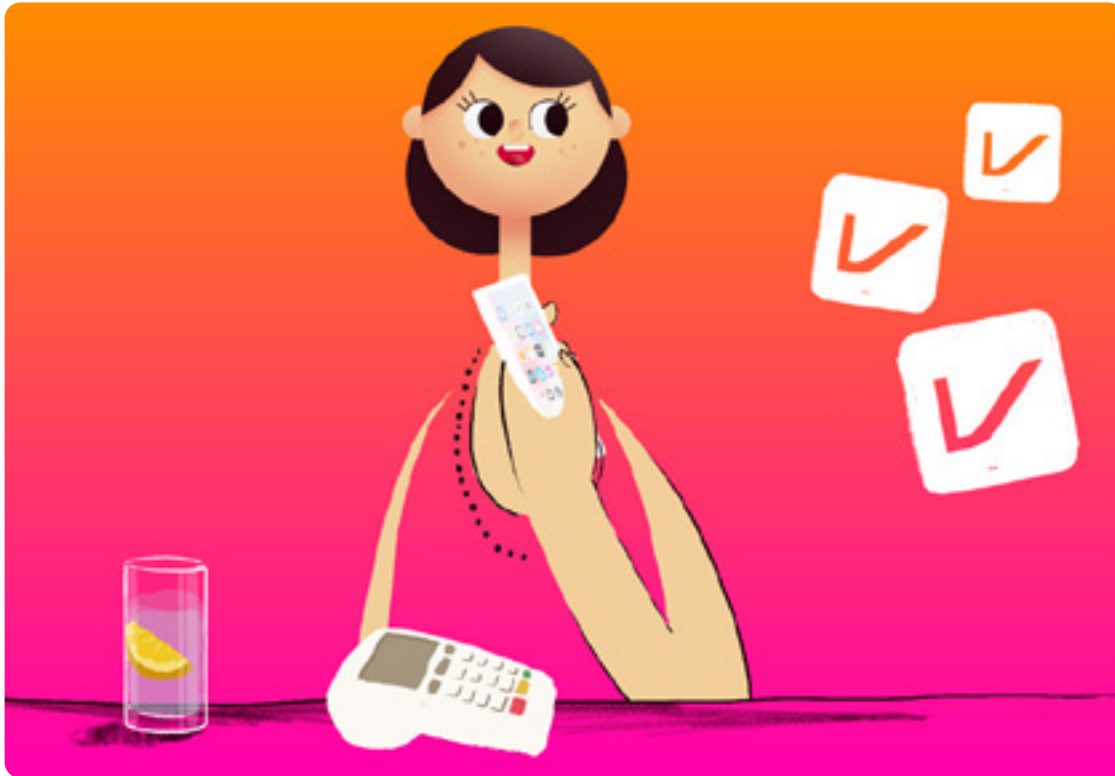
The development of new services represents one of our key strategic policies, as they are helping us to offset the drop in revenues from traditional telecommunication services.

PIAZZ - MARKETPLACE

PIAZZ

We began developing an online marketplace in November 2018. The first merchants joined the platform in July 2020. In October we offered Slovenian consumers the new PIAZZ online marketplace (www.piazz.com) and thus brought together merchants and consumers in one place. We offer consumers a simple user experience, security and broad range of products, while offering merchants the opportunity to present their portfolios and offer their products to consumers via a single sales channel. This is particularly welcome in a period when online purchases across Europe are recording high growth due to measures aimed at preventing the spread of the novel coronavirus. Its key advantage over similar online sales channels and price comparison websites lies in the fact that the entire process, from the presentation of products and suppliers to selection and payment is carried out within the same platform. This is supported by the latest smart intelligence technology, which helps every customer in their purchasing decisions based on their preferences and past purchases.

ADVANCED PAYMENT SERVICES [VALÚ]



The area of advanced payments services (VALÚ) has been most characterised in the last year by growth in the number of users of the VALÚ mobile wallet, which already has nearly 70,000 registered users. Our users have executed more than 2 million transactions within the integrated VALÚ ecosystem. We upgraded the smart wallet with the VALÚ KLUB loyalty programme. For this purpose, the application is used as the primary means of identification and payment, while users can collect loyalty points for payments

at Telekom Slovenije and in the latter's Online Shop. We also expanded the range of VALÚ Market products and services, where users can purchase ski passes, train tickets, and tickets for concerts, performances and sporting events. Through an advanced profile, we offered users the VALÚ MasterCard, a physical debit card that uses the credit on a VALÚ prepayment account. The card is managed exclusively in the application and can be used to make payments at 53 million points of sale across the world.



EHEALTH AND REMOTE ECARE



Through the development of smart services in the areas of eHealth and remote eCare, we are implementing the Company's strategy to ensure, as an advanced operator, comprehensive and long-term solutions in different areas of

operations, work and living with the aim of improving the quality of life.¹²

Together with our partners, we developed the eHealth and eCare services as an upgrade to existing healthcare and social security services. Through such solutions,

we are helping address the population's need for healthcare and social services (ageing population and a rising number of chronic diseases), limited resources (at hospitals and retirement homes, medical and care staff, financial sources, etc.) and waiting lists. We upgraded services in 2020 with a telemedicine solution that allows healthcare workers to remotely monitor COVID-19 patients being treated at home. To that end, we also developed a solution for the centralised, real-time monitoring of the vital functions of patients seriously affected by the coronavirus.

SMART CITIES, SMART FACTORIES AND INDUSTRY¹³

With regard to Internet of Things (IoT) services for smart cities and industry, we expanded the range of verified partner solutions in the real environment with NB-IoT (Narrowband Internet of Things) communication protocols in 2020. The aforementioned technology facilitates the effective mass communication of devices connected to the Internet of Things, and represents the next milestone in the development of fifth-generation mobile networks. Together with Iskratel, we set up a test 5G network at their production facility in Kranj to support the growing smart industry. In conjunction with the Port of Koper, we are participating in the European 5G-LOGINNOV

project, in the scope of which we will set-up a development-test 5G network in the vicinity of the Port of Koper. The aim of that network will be the development and testing of solutions to optimise processes, increase efficiency and reduce environmental impacts in specific cases where the network will be used in the management of transport logistics. We developed a solution that facilitates the digitalisation and simplification of the central management of meters by municipal service companies in Slovenia, and the automatic metering of the consumption of energy sources. Together with partners, we designed an advanced smart city solution for the Citypark shopping mall, and prepared a range of IoT solutions for potential subscribers with the common name of Modro mesto (Smart City).



EXPANSION AND UPGRADING OF THE FIXED NETWORK¹⁴

Telekom Slovenije continuously expands and upgrades its network, which is available to an increasing number of users in urban, suburban and rural areas. We are investing intensively for the most part in the construction of a fibre optic access network through which we provide users the infrastructure for all existing and future broadband services. To that end, we also pursue the vision of the development of the communications network in Slovenia, which was defined by the Slovenian government in state strategic documents.

We facilitated the connection of an additional 43,994 Slovenian households to the fibre optic infrastructure in 2020, bringing the total number of household connections to more than 370,000. We will continue to invest in the expansion and upgrading of the fibre optic broadband network in the future, while the modernisation of the fibre optic access network will be carried out in accordance with commitments given in areas where we have expressed market interest, and in accordance with the Company's strategy.



EXCELLENCE OF THE USER EXPERIENCE

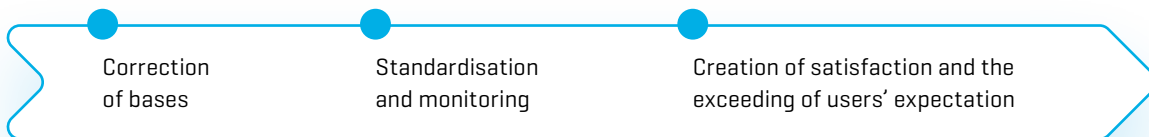


In 2020, we completed development of the programmes in the scope of the Excellence of the User Experience initiative. All programmes were implemented in regular work processes at

individual contact points. We regularly monitor the effects of specific programmes and the level of customer satisfaction using key indicators to monitor the user experience. The initiative was implemented in three phases.

We achieved the key objectives that we set for the four-year period of the initiative:

- We established a system for the daily monitoring of satisfaction indicators by key contact point to the level of individual employee at the Company. In this way, we respond quickly and effectively to all fluctuations in the mood of our users.
- We defined user purchase processes by key segment. We systematically monitor and improve the user's purchase process, and raise the level of the user experience and thus customer satisfaction.



At key contact points, we introduced and upgraded the innovative **S.M.A.R.T.** advanced development-training programme for advisers, which supports the vision, values and mission of the Telekom Slovenije Group. That programme is based on four key elements: a uniform approach, the raising of values, the development of competences and team work. Through S.M.A.R.T., we have upgraded the approach to and relationship with users with the aim of creating a superior user experience. We have improved customer satisfaction through the methods and techniques over which employees have an influence, and improved communication methods between users and employees.

1.8.5 ACHIEVEMENT OF PLANNED OBJECTIVES BY THE TELEKOM SLOVENIJE GROUP IN 2020

Through numerous projects and activities, the Telekom Slovenije Group actively achieved the objectives for 2020 set out in the Strategic Business Plan for the period 2020 to 2023. An overview of activities and achievements is presented in the table below.

STRATEGIC OBJECTIVES FROM THE STRATEGIC BUSINESS PLAN AND THEIR REALISATION IN 2020

Strategic objective	Achieved in 2020
1. Maintaining the level of revenues from the core activity in Slovenia	<ul style="list-style-type: none"> We maintained the highest market share in both the fixed and mobile services segments in Slovenia. Our market shares were as follows: 37.9% of the mobile telephony segment, 28.9% of the fixed broadband internet access segment and 44.4% of the IPTV segment (figures for fourth quarter of 2020; source: AKOS).
2. New revenue sources	<ul style="list-style-type: none"> We introduced the video identification service to facilitate remote digital signing. After developing a technological solution with partners in 2019 for the remote telemedical treatment of patients with chronic diseases, we upgraded that solution for the needs of the remote monitoring of coronavirus patients by medical staff. The telemedicine centre at the University Medical Centre in Ljubljana was the first to use the solution. We established the PIAZZ online marketplace, which brings together merchants and customers in one place. We upgraded the VALÚ mobile wallet, and offered users the physical VALÚ MasterCard debit card. We offered various companies digitalised energy consumption monitoring services. We expanded the range of services for smart cities and Industry 4.0 through the use of NB-IoT technology, which facilitates effective mass communication between devices connected to the Internet of Things (Modro mesto or Smart City). In Tržič, we set up a traffic guidance system with smart parking lots. The system makes parking easier for the locals and tourists at key locations, and provides an overview of vacant parking places. We developed an additional service for medium-sized and small enterprises in the Cyber Security Operation Centre. We signed an agreement with the Ministry of the Interior on the construction of the infrastructure and maintenance of a digital radio system for Slovenian state authorities in accordance with the TETRA standard. In the scope of the eCare service, we implemented national pilot projects in Celje, Krško and Dravograd for the transposition of the Long-Term Care Act into practice. At the end of the year, we entered the second phase of national pilot projects in Maribor.

Strategic objective	Achieved in 2020
3. Maintaining a superior network	<ul style="list-style-type: none"> • Telekom Slovenije was the first in Slovenia to take the next step in the development of mobile technology, and established a national fifth mobile generation (5G) network on existing base stations and in the existing 2,600 MHz frequency spectrum, which is also used for the fourth mobile generation network. • We upgraded the mobile network at an accelerated pace: there were 1,342 GSM base stations, 911 UMTS base stations and 1,372 LTE/4G base stations connected to a total of 1,494 locations in Slovenia at the end of 2020. In 2020, we upgraded 133 LTE locations to 1,800 MHz, 113 LTE locations to 800 MHz, 19 LTE locations to 900 MHz, 12 LTE locations to 2,100 MHz and 102 LTE locations to 2,600 MHz. At the same time, we upgraded 249 locations with 5G technology. We thus ensured the undisputedly best, first and leading 4G/5G network, both in terms of coverage and speed. • We cover 96.64% of the population with the 4G signal and 32.44% of the population with the 5G signal. A total of 123 small cells were also included for internal coverage needs. • We built 43,994 new fibre optic connections and thus surpassed the 100,000 milestone, while we facilitate connections to the fibre optic network by more than 370,000 households in Slovenia. We increased speeds on the fibre optic access network, which now includes more than half of our total connections.
4. Simplification of processes, products and platforms	<ul style="list-style-type: none"> • We introduced the video identification service, through which subscribers to our services gain full access to the management of services on the Moj Telekom (My Telekom) portal, and developed additional functionalities for business users. • Due to the closure of Telekom centres, the call centre became the key sales channel in 2020. For this reason, we established a link between incoming call contacts and analysts, and adapted electronic signing with subcontractor statements. • We adapted applications for the contactless receipt of goods following delivery, and updated the application for remote complaint resolution. • In the scope of VALÚ services, we introduced the VALÚ KLUB (coalition loyalty programme), offered users the VALÚ MasterCard, and upgraded the Urbana application for users with the iOS operating system. • We introduced the digital adviser Maks, in the scope of technical support services.
5. Consolidation on individual markets	<ul style="list-style-type: none"> • Telekom Slovenije sold Planet TV. • The Company halted the sale of its 100% participating interest in IPKO Telecommunications LLC in Kosovo. • Telekom Slovenije began the process of selling TSmedia and initiated activities to merge Avtenta with the parent company.
6. Optimal employee structure	<ul style="list-style-type: none"> • We expanded the S.M.A.R.T. advanced education and development programme for strengthening employee competences to the area of customer technical support. • The number of employees was down by 1.1% at the Group level and by 0.8% at Telekom Slovenije. • Group employees received an average of 18.6 hours of training, while that figure was 25.2 hours at Telekom Slovenije. The proportion of employees included in education and training was 91% at the Group level. • The Group's labour costs were up by 1%, in part due to the coronavirus crisis bonus.
7. Financial stability	<ul style="list-style-type: none"> • We consistently fulfilled the financial commitments set out in loan agreements with banks. • We secured reserve liquidity in the form of revolving loans. • We signed a long-term loan agreement with the European Investment Bank in the amount of EUR 100 million to finance the further expansion of the fibre optic access network in Slovenia. • In October 2020, we began the process of including the company in SISBIZ, a system for the exchange of information on the indebtedness of business entities.

Strategic objective	Achieved in 2020
8. Quality	<ul style="list-style-type: none"> We completed development of the programmes in the scope of the Excellence of the User Experience initiative. All programmes were implemented in regular work processes at individual contact points. The parent company and subsidiaries passed all re-certification and regular audits of compliance with the requirements of SIST EN ISO/IEC standards. We expanded the scope of the certification of the information security management system [ISO 27001] for the fifth year in a row. Through an information security management and business continuity management [ISMS/BCMS] system, we ensure the continuous and secure functioning of processes, ICT systems and services. For more information, see section 2.9.7 Quality management.
9. Social responsibility	<ul style="list-style-type: none"> Through sponsorships and donations, we support humanitarian, sporting, cultural and educational organisations and projects. To that end, we also serve as volunteers in society: 251 of our employees participated in blood drives in 2020, while one employee is active in civil protection. We earmarked a total of EUR 2.2 million or 0.3% of the Telekom Slovenije Group's operating revenues for socially responsible activities. The Heart Foundation currently connects 1,230 employees from Slovenian Telekom Slovenije Group companies, who every month donate funds to help the children of employees who have lost a parent or who are seriously ill. In 2020, we provided monthly assistance to 33 children who have lost a parent. Even in the extraordinary circumstances, we have remained compassionate and responsible to the environment in which we operate. We donated EUR 20,000 to the Postojna Gynaecological and Maternity Hospital for a new maternity bed for pregnant women who are infected or suspected of being infected with COVID-19. We donated a total of EUR 40,000 to the Ljubljana and Maribor University Medical Centres for the purchase of medical equipment needed for the treatment of coronavirus patients. We provided retirement homes free voice and video communication between the elderly and their family members. We donated 300 mobile modems to students from socially disadvantaged families and provided free mobile data transfer quantities. We donated used computer equipment to a number of primary schools throughout Slovenia. We donated EUR 20,000 to the Fire Fighters Association of Slovenia for further training. At the end of the year, we earmarked a total of EUR 20,000 to four humanitarian organisations who ease the loneliness of and offer assistance to elderly people who live alone.

FULFILMENT OF THE BUSINESS EXPECTATIONS OF THE TELEKOM SLOVENIJE GROUP FOR 2020

The key objectives of the Telekom Slovenije Group for 2020 were adjusted due to the reclassification of Planet TV to assets held for sale. The results of Planet TV are only included in net profit from discontinued operations. When the pandemic was declared, numerous measures were adopted to limit the negative effects of the coronavirus on revenues, costs and investments.

	Planned in 2020	Planned 2020 (Planet TV as a discontinued operations)	Achieved in 2020
Operating revenues	EUR 676.0 million	EUR 668.9 million	EUR 654.9 million EUR 677.8 million*
EBITDA	EUR 210.6 million	EUR 213.2 million	EUR 209.9 million EUR 219.1 million*
Net profit	27,5 mio evrov	EUR 27.5 million	EUR 24.9 million EUR 32.8 million*
CAPEX	EUR 209.7 million	EUR 209.6 million	EUR 173.0 million**

* The estimated negative effect of the COVID-19 pandemic and the associated mitigating measures: EUR 22.9 million on operating revenues, EUR 9.2 million on EBITDA and EUR 7.9 million on net profit. Taking into account this adjustment, operating revenues, EBITDA and net profit would have been 1%, 3% and 19% higher than planned, respectively.

** We optimised investments relative to the plan, despite the increased load on the network and accelerated digitalisation of operations due to the COVID-19 pandemic.

1.9 SIGNIFICANT EVENTS AND ACHIEVEMENTS IN 2020

FIRST QUARTER

- Telekom Slovenije concluded an agreement with stock market member Interkapital vrijednosni papiri to provide services in connection with maintaining the liquidity of the Company's shares.
- Telekom Slovenije adopted a plan of measures and activities in the event of a pandemic, which it based on its business continuity management system (BCMS), which is certified in accordance with the ISO 22301 standard. To that end, it also planned activities in the event of the activation of the National Civil Protection and Disaster Relief Plan. Measures focused on the protection of both employees and users, and on the smooth functioning of the network.
- Telekom Slovenije successfully passed the external audit for the recertification of the ISO 27001 certificate for its information security management system and the ISO 22301 certificate for its business continuity management system.
- Avtenta successfully passed certification for SAP HEC solutions.

SECOND QUARTER

- Telekom Slovenije opened the most state-of-the-art Telekom centre in Slovenia at the Aleja shopping mall in Ljubljana. The centre is equipped with modern workstations, a special NEO living room and a special area dedicated to the presentation of products from the Loyalty Programme that Telekom Slovenije users can purchase via the Online Shop.
- Telekom Slovenije and Iskratel established a test 5G network at Iskratel's production facility in Kranj to support the growing smart industry. They thus enabled

the development of new business models and the testing of a smart 5G infrastructure that facilitates numerous virtual dedicated networks for specific business verticals, including factories.

- In the scope of the Horizon 2020 programme for research and innovation, Telekom Slovenije will participate in the European 5G-LOGINNOV development project. A development-test 5G network will be set up in the vicinity of the Port of Koper with the aim of optimising processes, increasing efficiency and reducing environmental impacts in the management of transport logistics.
- Together with its partners Enerkon and 2GG-DS Meritve, Telekom Slovenije established a solution for the Velenje public utilities company using NB-IoT technology that facilitates the digitalisation and simplification of the central management of meters by municipal service companies in Slovenia, and the automatic metering of the consumption of energy sources, such as hot water, heating and natural gas.

- Together with Telekom Slovenije, Zavarovalnica Triglav introduced the possibility of remote digital signing and remote video identification services that were well-received by policyholders during the COVID-19 epidemic, when operations were migrated to the digital environment.
- Telekom Slovenije and Metronik signed a strategic cooperation agreement for the establishment of a pilot Internet of Things (IoT) platform for the remote monitoring of the functioning of machinery. The partners are thus developing new information solutions relating to Industry 4.0.

THIRD QUARTER

- Telekom Slovenije was the first in Slovenia to establish a national fifth mobile generation (5G) network on existing base stations and in the existing 2,600 MHz frequency spectrum, which is also used for the fourth mobile generation network.



- Together with its partner DS Meritve, Telekom Slovenije developed a technological solution for the remote reading of energy consumption with a telemetry system for the Citypark shopping centre in Ljubljana. Through the use of NB-IoT technology in the 4G+ network, the solution facilitates the remote, centralised and automatic monitoring of energy consumption by the managers of commercial buildings, office towers or shopping centres.

FOURTH QUARTER

- Following the establishment of a national fifth mobile generation (5G) network in the existing 2,600 MHz frequency spectrum, the
- Telekom Slovenije and the European Investment Bank signed a long-term loan agreement in the amount of EUR 100 million, which the Company will use in Slovenia to finance the expansion and upgrading of the fibre optic access network with gigabit speeds until 2023, inclusive.
- The NEO platform is also available to subscribers to Telekom Slovenije's TV services in the form of the NEO TV Lite application.
- Telekom Slovenije successfully passed the regular external audit

users of the Telekom Slovenije's mobile services have been using 5G technology since 5 October 2020. The Naj 5G mobile package is available for that purpose, while users with the appropriate mobile phone can activate 5G services in any other mobile package.

of its energy management system in accordance with the ISO 50001 standard.

- For the World Ski Jumping Championship in Planica, Telekom Slovenije set up access via fibre optic connections with speeds of 10 Gbit/s, and a 5G mobile network with download speeds of 450 Mbit/s and upload speeds of 100 Mbit/s.

Significant events after the balance sheet date are presented in the Accounting Report in point 47.

[Events after the balance sheet date.](#)

RECOGNITIONS AND AWARDS RECEIVED IN 2020:



- **Trusted Brand 2020:** Telekom Slovenije received the title of Trusted Brand for mobile telephony and internet services.



- **Slovenian Grand Security Award:** Telekom Slovenije's Cyber Security Operation Centre received an award for best innovative security solution at the Days of Corporate Security conference.
- **Media daily:** TSmedia's Siol.net earned second place in the category for best website in the Balkans.
- **SAP Gold Partner and other recognitions:** Avtenta received the title of SAP Gold Partner again in 2020, as well as the Bisnode AAA Golden Creditworthiness Certificate of Excellence. The aforementioned company also received the title of Marg Gold Partner in the area of document system solutions.
- **BusinessConnect / GovernmentConnect** received the title of BizBox Partner.
- **AAA Golden Creditworthiness Certificate of Excellence:** GVO received the AAA Golden Creditworthiness Certificate of Excellence.



- **Infosek:** Telekom Slovenije's Cyber Security Operation Centre was named security product of the year at the high-profile Infosek information security event.



MAKS, DIGITAL ADVISER



In the spring, the customer technical support team was joined by the digital adviser Maks, who helps users address various technical challenges. Maks is available 24 hours a day, every day of the year. Users can contact him via Moj Telekom at moj.telekom.si, via the mobile application, via Facebook Messenger [Adviser Maks] and by text message [SMS with the keyword MAKS sent to 041 700 800]. Maks is an excellent assistance in a time when the majority of our users' communication has shifted to the digital environment. Almost 10,000 users contacted the digital adviser in 2020.

FIRST IN SLOVENIJA – 5G NETWORK



In 2020, Telekom Slovenije was the first in Slovenia to take the next step in the development of mobile technology, and established a national fifth mobile generation (5G) network on existing base stations and in the existing 2,600 MHz frequency spectrum, which is also used for the fourth mobile generation network. The first phase of the upgrading of the network with 5G technology is based on the non-standalone [NSA] principle, where the control element continues to use the 4G network. This, in turn, required the upgrading of existing locations. We are planning a standalone [SA] network in the future, meaning that the 5G network will be functioning independently.

1.10 CORPORATE GOVERNANCE STATEMENT

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

The corporate governance statement is an integral part of the audited annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2020. It relates to the period 1 January 2020 to 31 December 2020. We also disclose significant events after the aforementioned period and up to the publication of the statement. The corporate governance statement is accessible in electronic form, for a minimum of five years from the date of its publication, on the Company's website at <https://www.telekom.si/o-podjetju/predstavitev/organiziranost-in-upravljanje/upravljanje-druzbe> and in the Ljubljana Stock Exchange's electronic information system at <http://seonet.ljse.si>.

1.10.1 CORPORATE GOVERNANCE POLICY

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

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

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

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

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

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

The Corporate Governance Policy of Telekom Slovenije, d. d., the rules of procedure of the Management Board and the other documents linked to corporate governance are publicly accessible on the website www.telekom.si, under [Corporate Governance - English - Telekom Slovenije](#)

1.10.2 STATEMENT OF COMPLIANCE WITH THE CODE

Telekom Slovenije, as a public interest entity whose securities are traded on the regulated securities market, and as a company with capital assets of the State, took into account the corporate governance recommendations set out in the following documents to the greatest extent possible during the 2020 financial year:

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

- the **Corporate Governance Code for Companies with Capital Assets of the State**, which was adopted by Slovenski državni holding, d. d. in November 2019, and the **Recommendations and Expectations of Slovenski državni holding** from August 2020 (both documents are published on the website www.sdh.si); and
- the **recommendations to Public Companies Regarding Notification** from 8 May 2017 and 19 August 2019, which entered into force on 2 September 2019, and those from 19 November 2020, which entered into force on 23 November 2020. All of the above recommendations were adopted by the Ljubljana Stock Exchange and are published on the website www.ljse.si.

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

STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Diversity policy

[Recommendations 4.1 and 4.3:](#)

Telekom Slovenije adopted a diversity policy in 2020 in accordance with the recommendation of the code. The policy deviates in part from the recommendation, as it does not specifically define objectives. Objectives are of a descriptive nature, but are not stated in numbers or percentages, except with respect to gender diversity.

Disclosure of the composition and remuneration of the Management Board and Supervisory Board

[Recommendation 5.6:](#)

Telekom Slovenije deviates in part from this recommendation because, in accordance with appendices C3 and C4 to the code, the composition and remuneration of members of the Management Board and Supervisory Board are not an integral element of the corporate governance statement, but are published in the second chapter of the annual report, while reference to the relevant chapter is given in the corporate governance statement.

Justification of proposals for the election of Supervisory Board members

[Recommendation 8.5:](#)

Telekom Slovenije deviated in part from this recommendation in 2020 because the justification of a proposal for shareholders at the 31st General Meeting of Shareholders held on 5 June 2020 regarding the election of Dimitrij Marjanović as member of the Supervisory Board did not include an assessment of potential conflicts of interest and an assessment of whether the proposed candidate is independent in relation to the Company according to the criteria set out in the code. That justification did not include these two aspects because Dimitrij Marjanović was

already a member of the Supervisory Board and the election of a new member was required due to the expiry of his term of office. Those aspects were regularly verified during the member's term of office in accordance with legal provisions and the recommendations of the code.

Work of the Supervisory Board with due diligence

[Recommendation 12.1:](#)

Telekom Slovenije deviated in part from this recommendation in 2020, as two members of the Supervisory Board submitted letters of resignation with the explanation that they could no longer perform their functions with due diligence.

Annual training plan for members of the Supervisory Board and its committees

[Recommendation 13.1:](#)

Telekom Slovenije deviates in part from the recommendation with respect to the definition of an annual training plan for members of the Supervisory Board and the members of its committees, as an annual plan as a unique document is not defined. Members of the Supervisory Board have an online overview of Telekom Slovenije's current internal training programme and attend training in accordance with available dates.

Monitoring of measures based on the results of the assessment of the Supervisory Board

[Recommendation 14.3:](#)

Telekom Slovenije deviates in part from this recommendation, as the Supervisory Board monitored measures in 2020 based on an assessment carried out when the new rules of procedure of the Supervisory Board, which had not yet been adopted in 2020, were drawn up.

External evaluation of the assessment of the Supervisory Board

[Recommendation 14.4:](#)

Telekom Slovenije did not comply with this recommendation, as an external evaluation of the assessment of the Supervisory Board was not performed. The Supervisory Board is planning an external evaluation for the 2021 financial year.

President of the Supervisory Board**Recommendation 15.3:**

Telekom Slovenije deviates in part from this recommendation, as the President of the Supervisory Board also served as chair of the HR Committee and the currently appointed Nomination Committee from 4 November 2020 on, but his term of office expired on 21 January 2021.

Term of office of external members of the Supervisory Board's committees**Recommendation 18.3:**

Telekom Slovenije deviated from this recommendation in 2020, as the contract with the external member of the Audit Committee stated that the aforementioned contract ceases to be in force on the day the term of office of the Supervisory Board expires, or on the day the function of the external member of the Audit Committee is terminated based on a Supervisory Board resolution. With the appointment of a new external member of the Audit Committee on 11 February 2021, that deviation from the recommendation was eliminated in the associated contract.

Succession system**Recommendation 20.1:**

Telekom Slovenije deviates in part from this recommendation, as it does not have in place a succession system for the Management Board. However, internal candidates were included in the process of appointing a member to the Management Board in 2020 and were appropriately evaluated in that process.

Independence of the Supervisory Board and its committees**Recommendation 23:**

Telekom Slovenije deviated in part from this recommendation in 2020, as a member (and President) of the Supervisory Board, Boštjan Koler, was not independent from Slovenski državni holding, d. d., where he was also a member of the Management Board from 3 November 2020 to 21 January 2021.

Disclosure of the remuneration of members of the Management Board and Supervisory Board**Recommendation 29.7:**

Telekom Slovenije deviates from this recommendation to a lesser degree because the variable element of the remuneration of Management Board members is not disclosed separately in terms of qualitative and quantitative criteria.

Publication of rules of procedure of bodies**Recommendation 29.9:**

Telekom Slovenije deviates in part from this recommendation, as it has only published the rules of procedure of the Management Board on its website.

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

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

Independence of management and supervisory bodies from SDH and the state**Recommendation 4.1:**

Telekom Slovenije deviated in part from this recommendation in 2020, as a member (and President) of the Supervisory Board, Boštjan Koler, was not independent from Slovenski državni holding, d. d., where he was also a member of the Management Board from 3 November 2020 to 21 January 2021. Recommendation 4.1 is in contravention of recommendation 6.7, which stipulates an exception for a link with a shareholder.

Succession policy**Recommendations 6.1, and 6.2.1 to 6.2.3:**

Telekom Slovenije deviates in part from these recommendations, as it does not have a succession policy as a unique document. The succession process involves the identification of key and perspective employees, as well as potential successors. In the scope of the process, potential internal candidates are also assessed every time a member is appointed to the Management Board.

Justification of proposals for the election of Supervisory Board members**Recommendation 6.8:**

Telekom Slovenije deviated in part from this recommendation in 2020 because the justification of a proposal for shareholders at the 31st General Meeting of Shareholders held on 5 June 2020 regarding the election of Dimitrij Marjanović as member of the Supervisory Board did not include an assessment of potential conflicts of interest and an assessment of whether the proposed candidate is independent in relation to the Company according to the criteria set out in the code. That justification did not include these two aspects because Dimitrij Marjanović was already a member of the Supervisory Board and the election of a new member was required due to the expiry of his term of office. Those aspects are regularly verified during a member's term of office in accordance with legal provisions and the recommendations of the code.

Number of sessions of the Audit Committee**Recommendation 6.14.2:**

Telekom Slovenije deviates in part from this recommendation. Given the current relevance and

complexity of individual matters, the Supervisory Board's Audit Committee met at more sessions in 2020 than the recommended number.

Disclosure of the remuneration of members of the Management Board and Supervisory Board

Recommendation 8.3:

Telekom Slovenije deviates from this recommendation to a lesser degree because the variable element of the remuneration of Management Board members is not disclosed separately in terms of qualitative and quantitative criteria.

Disclosure of the costs of the Supervisory Board's work

Recommendation 8.4:

Telekom Slovenije deviates in part from this recommendation, as all costs incurred by the Supervisory Board are not disclosed separately as stated in the recommendation because they are not booked to a separate cost centre.

Compliance and Integrity Officer

Recommendation 11.2.1:

Telekom Slovenije deviates in part from this recommendation, as the position of compliance and integrity officer is not classified separately. The compliance and integrity officer is appointed by resolution of the Management Board.

RECOMMENDATIONS AND EXPECTATIONS OF SLOVENSKI DRŽAVNI HOLDING

Telekom Slovenije adheres to the Recommendations and Expectations of Slovenski državni holding to the greatest extent possible. Telekom Slovenije's position regarding the Recommendations and Expectations of Slovenski državni holding is published on the Company's official website at: <https://www.telekom.si/o-podjetju/predstavitev/organiziranost-in-upravljanje/upravljanje-druzbe>.

1.10.3 MANAGEMENT AND SUPERVISORY BODIES

Telekom Slovenije is a public limited company. It has a two-tier system of governance. It is managed by the Management Board and supervised by the Supervisory Board. The Company's governing body is its General Meeting of Shareholders.

GENERAL MEETING OF SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The equal treatment and consistent exercising of the rights of all shareholders are ensured through the corporate governance system and a communication strategy for shareholders and other stakeholders.

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

Shareholders have the right to participate in the management of the Company, the right to dividends and the right to an appropriate share of residual assets after the Company's liquidation or bankruptcy.

Shareholders exercise their right to information at the General Meeting of Shareholders. Detailed information regarding shareholders' rights set out in paragraph 1 of Article 298, paragraph 1 of Article 300, Article 301 and Article 305 of ZGD-1 are available on the Company's website at [Shareholders Meeting - English - Telekom Slovenije](#).

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

Telekom Slovenije's shareholders met at the 31st General Meeting of Shareholders held on 5 June 2020, when 81.16% of shares with voting rights were represented. At the General Meeting of Shareholders, the Company's shareholders:

- were briefed on the written report of the Supervisory Board on the approval of the annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2019, on the remuneration of the Company's Management Board and Supervisory Board and the management bodies of subsidiaries in 2019, and on the remuneration

policy for members of the management bodies of the Company and its subsidiaries;

- approved the proposed use of distributable profit for the 2019 financial year;
- conferred official approval on the Management Board and Supervisory Board for the 2019 financial year;
- were briefed on changes to the Supervisory Board and elected one new member to that body;
- appointed an auditor for the 2020, 2021 and 2022 financial years;
- defined the remuneration of members of the Supervisory Board; and
- gave their consent to the conclusion of an out-of-court settlement in litigation involving former members of the Company's Management Board.

Based on the request of 4 December 2020 to convene the General Meeting of Shareholders submitted by the shareholder Slovenski državni holding, d. d. in its own name and on behalf of the Slovenian government, Telekom Slovenije's shareholders met at the 32nd General Meeting of Shareholders held on 21 January 2021, when 77.41% of shares with voting rights were represented. At the General Meeting of Shareholders, the Company's shareholders:

- adopted proposed changes to the Articles of Association of Telekom Slovenije, d. d. and adopted the consolidated text thereof;
- recalled member of the Supervisory Board Igor Rozman; and
- elected four new members to the Supervisory Board [Iztok Černoša, Aleksander Igličar, MSc, Marko Kerin and Radovan Cerjak] to serve four-year terms of office, effective 22 January 2021.

No challenges at the above-described General Meetings of Shareholders were announced.

The resolutions of General Meetings of Shareholders and documentation from previous meetings are published on the Company's website. According to the Company's [financial calendar](#), the 33rd General Meeting of Shareholders for 2021 is planned for 18 June 2021.

MANAGEMENT BOARD¹⁵

Composition of the Management Board

In 2020, Telekom Slovenije's Management Board comprised five members who were appointed for a four-year term of office. They were appointed by the Company's Supervisory Board, taking into account the relevance of their expertise and managerial competences. Pursuant to the Company's Articles of Association, any person who, in addition to meeting the relevant legal requirements, has a university-level qualification, at least five years of work experience in management positions and active knowledge of at least one foreign [global] language, and who fulfils other conditions defined by the Supervisory Board may be appointed as a member of the Management Board. These conditions do not apply to the Worker's Director as member of the Management Board. Those conditions and criteria are defined jointly by the Supervisory Board and Works Council.

The four-year term of office of Ranko Jelača expired on 15 March 2020. On 22 June 2020, Telekom Slovenije's Supervisory Board appointed Tomaž Jontes to serve as member of the Management Board. Mr Jontes' four-year term of office began on 22 June 2020.

At its 3rd regular session held on 10 March 2021, Telekom Slovenije's Supervisory Board reached an agreement with the President and three members of the Management Board on the termination of their employment contracts and their recall from the aforementioned positions. Accordingly, the terms of office of the President of the Management Board Tomaž Seljak and members Dr Vida Žurga, Matjaž Beričič, MSc and Tomaž Jontes ended on 10 March 2021.

At the same session, Telekom Slovenije's Supervisory Board appointed Cvetko Sršen to serve as President, and Dr Mitja Štular and Tomaž Jontes to serve as members of the Management Board. Their four-year terms of office began on 10 March 2021.

At its fourth regular session held on 22 March 2021, Telekom Slovenije's Supervisory Board appointed Barbara Galičič Drakslar to serve as member of the Management Board for a four-year term of office that begins on 31 March 2021.

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The composition of the Management Board was as follows in 2020:

Name	Office	Area of work on the Management Board	First appointment to function	Completion of function / term of office	Gender	Nationality	Year of birth	Education / professional profile	Membership in supervisory bodies of unaffiliated companies
Tomaž Seljak, MSc	Vice-President	Corporate Governance, Human Resource Management and General Affairs, Public Relations, Legal Affairs and Regulation, Compliance, Risk Management, Security and the subsidiaries IPKO and TSinpo.	1 May 2014	9 December 2019	Male	Slovenian	1972	Holds a master's degree and bachelor's degree in electrical engineering.	
	President		10 December 2019	10 March 2021					
Dr Vida Žurga	Member	Finance, Accounting and Controlling, Internal Auditing, Procurement, Real Estate Management, Logistics, Wholesale Market and the subsidiary TSmedia.	1 February 2019	10 March 2021	Female	Slovenian	1984	Holds a doctorate degree in science and a bachelor's degree in economics, and is an experienced internal auditor.	
	Vice-President		22 January 2020	10 March 2021					
Matjaž Beričič, MSc	Member	Network Management, IT and ICT Services, and the subsidiaries GVO, SIOL Zagreb, SIOL Podgorica, SIOL Sarajevo, SIOL Skopje, SIOL DOO Belgrade and SIOL Prishtina.	10 December 2019	10 March 2021	Male	Slovenian	1974	Holds a master's degree and bachelor's degree in electrical engineering.	
Tomaž Jontes	Member	B2C, B2B, Marketing, and the subsidiaries Avtenta and Soline.	22 June 2020	10 March 2021	Male	Slovenian	1971	Holds a bachelor's degree in economics.	Triglav pokojninska družba, d. d.
Špela Fortin	Member of the Management Board – Workers Director	Responsibilities derive directly from the law.	14 September 2019	14 September 2023	Female	Slovenian	1978	Business college student.	
Ranko Jelača	Member	B2C, B2B, Marketing, and the subsidiaries Avtenta and Soline.	15 March 2016	15 March 2020	Male	Slovenian/ Croatian	1977	Holds a bachelor's degree in economics.	IEDC – Poslovna šola Bled, d. o. o.

Work of the Management Board

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

The Management Board met at 81 regular and 25 correspondence sessions in 2020. It adopted the strategy of the Telekom Slovenije Group for the period 2021 to 2025, and drafted the Strategic Business Plan of the Telekom Slovenije Group for the period 2020 to 2025 and implemented activities to achieve the objectives set out in the current Strategic Business Plan.

The Management Board dedicated special attention in 2020 to activities aimed at establishing a national fifth generation (5G) network, and to the preparation and implementation of activities, together with the adoption of preventive measures, during the COVID-19 pandemic.

In accordance with the Strategic Business Plan of the Telekom Slovenije Group for the period 2020 to 2023, the Management Board adopted decisions regarding the following:

- the initiation of proceedings to recapitalise Planet TV with the entry of a new partner in the ownership structure. The conditions of the previously initiated proceedings were amended, and became the sale of the Company's 100% participating interest in Planet TV. That sale was completed with the transfer of all participating interests to the buyer;
- initiation of the sale of the subsidiary TSmedia;
- the halting and completion of the sale of the Company's 100% participating interest in IPKO, without the selection of a buyer; and
- the initiation of proceedings to merge Avtenta with Telekom Slovenije.

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

- ensuring development and the achievement of established objectives;
- the introduction of new and upgraded services;

- the development of cyber security, healthcare, financial, energy, transport, logistics and smart city services;
- the adaptation of network capacities as the result of the mass migration to work from home and distance learning following the declaration of the COVID-19 pandemic;
- the adaptation of processes for operations during the pandemic;
- the provision of special attention to cyber security during the pandemic;
- the development of new opportunities to use mobile networks in connection with the introduction of the 5G network, and ensuring a superior user experience;
- the upgrading of the comprehensive portfolio of ICT services and solutions;
- the optimisation and rejuvenation of the employee structure; and
- the optimisation of business processes.

Remuneration of the Management Board

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

The Supervisory Board sets objectives for the Management Board for every financial year, based on the approved annual business plan and certain key indicators. The Management Board's objectives comprise quantitative and qualitative objectives, as well as financial and non-financial objectives that are defined for the purpose of monitoring the performance of Management Board members. The conditions for profit sharing by the Management Board are governed by the Company's Articles of Association. The earnings of the Management Board in 2020 are presented in the Accounting Report in point [42. Related party transactions](#).

SUPERVISORY BOARD

Composition of the Supervisory Board¹⁶

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

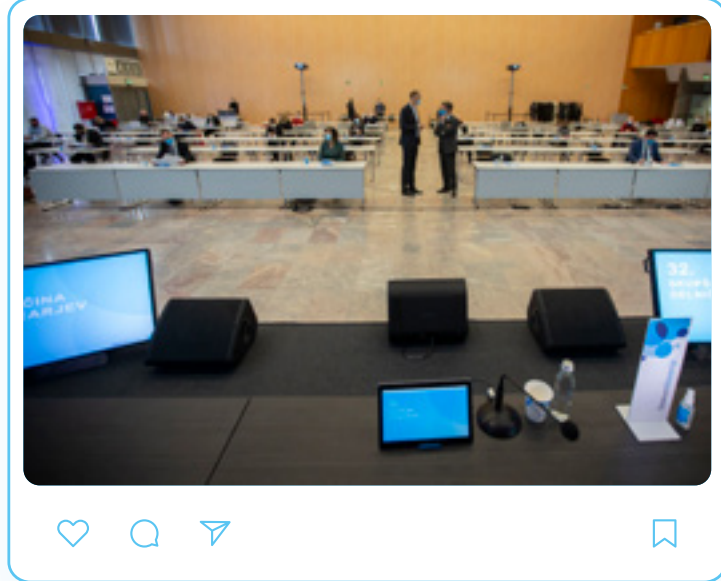
The composition of the Supervisory Board is diverse in terms of knowledge, skills, experience, professional qualifications, age, gender, work methods and other aspects.

The President of the Supervisory Board Aleš Šabeder and Supervisory Board members Barbara Cerovšek Zupančič, MSc and Bernarda Babič, MSc tendered their resignations on 19 October 2020. Aleš Šabeder and Barbara Cerovšek Zupančič, MSc resigned, effective on the day of the appointment of replacement or new members to the Supervisory Board, while Bernarda Babič, MSc resigned, effective on 19 January 2021 or on the day of the appointment of a replacement or new member by the Company's General Meeting of Shareholders, if the latter is convened before that date.

On 3 November 2020, the Ljubljana District Court issued a decision, under which Boštjan Koler, Dimitrij Marjanovič and Štefan Belingar, MSc were appointed to serve as new members of the Supervisory Board, effective on the day that decision was issued, until the election of members to the Supervisory Board by the Company's General Meeting of Shareholders, but for a period of no more than one year from the issue of the aforementioned decision. The terms of office of Aleš Šabeder, Barbara Cerovšek Zupančič, MSc and Bernarda Babič, MSc were terminated, effective the same day.

On 4 November 2020, the members of the Supervisory Board elected Boštjan Koler to serve as President of the Supervisory Board, and Barbara Kürner Čad and Drago Kijevčanin to serve as Vice-Presidents, the former as shareholder representative and the latter as employee representative.

At the 32nd General Meeting of Shareholders held on 21 January 2021, shareholders recalled member of the Supervisory Board and shareholder representative Igor Rozman, and elected Iztok Černoša, Aleksander Igličar, MSc, Marko Kerin and Radovan Cerjak to serve four-year terms of office, effective 22 January 2021.



On 11 February 2021, the members of the Supervisory Board elected Iztok Černoša to serve as President of the Supervisory Board, while Barbara Kürner Čad and Drago Kijevčanin remained in their functions as Vice-Presidents, the former as shareholder representative and the latter as employee representative.

WORK OF THE SUPERVISORY BOARD

The Supervisory Board met at seventeen regular and two correspondence sessions in 2020. It ensured the responsible and high-quality supervision of the operations of the Company and the Telekom Slovenije Group.

The Supervisory Board discussed different aspects of operations and monitored the implementation of plans. Specific topics were discussed in advance by the Supervisory Board's committees. Based on the findings, proposals and assessments of committees, the Supervisory Board adopted the appropriate decisions.

The Supervisory Board performed its work in accordance with the powers and competences prescribed by the law, the Company's Articles of Association and its own rules of procedure. Members are fully liable for the performance of their supervisory function and make their decisions independently. All members of the Supervisory Board submitted statements of compliance with the criteria of independence in accordance with the Corporate Governance Code [the statements are published on the websites of [Telekom Slovenije](#)].

The Supervisory Board comprised the following members in 2020:

Name	Office	First appointment to function	Shareholder/employee representative	Participation in Supervisory Board sessions with respect to total number	Gender	Nationality	Year of birth	Education / professional profile	Independence in accordance with Article 23 of the Code	Existence of conflicts of interest during the financial year	Membership in supervisory bodies of other companies	Employment
Shareholder representative												
Boštjan Koler	President	3 November 2020	21 January 2021	4/4*	Male	Slovenian	1961	Holds a bachelor's degree in law.	NO	NO		Member of the Management Board of Slovenski državni holding, d. d.
Barbara Kürner Čad	Vice-President	27 April 2017	27 April 2017	19/19	Female	Slovenian	1964	Holds a bachelor's degree in law.	YES	NO		Attorney at the Čad Law Firm
Barbara Gorjup, MSc	Member	27 April 2017	27 April 2017	19/19	Female	Slovenian	1973	Holds a master's degree in international economics.	YES	NO		Managing Director of Baklus, d. o. o.
Štefan Belingar, MSc	Member	3 November 2020	21 January 2021	4/4*	Male	Slovenian	1965	Holds a master's degree in business policy and organisation.	YES	NO		/
Dimitrij Marjanović	Member	13 May 2016 3 November 2020	13 May 2020 21 January 2021	9/12*	Male	Slovenian	1970	Holds a bachelor's degree in economics.	YES	NO	Iskra ESV, d. d.	Senior manager in the Financial Management Department at Slovenski državni holding, d. d.,
Igor Rozman	Member	30 August 2019	21 January 2021	19/19	Male	Slovenian	1959	Holds a bachelor's degree in computer engineering.	YES	NO		Expert in the areas of television production, programme production systems and information systems at RTV Slovenija.
Aleš Šabeder	President	15 June 2020	3 November 2020	7/7*	Male	Slovenian	1970	Holds a degree in economics	YES	NO		Pošta Slovenije, d.o.o.
Bernarda Babič, MSc	Member	27 April 2013	3 November 2020	15/15*	Female	Slovenian	1966	Holds a master's degree in business policy and organisation, with a major in banking.	YES	YES	Terme Olimia, d. d.	Assistant to the Managing Director of Slovenske železnice, d. o. o.
Barbara Cerovšek Zupančič, MSc	Member	30 August 2019	3 November 2020	15/15*	Female	Slovenian	1975	Holds a master's degree in national and European studies, and a degree in administrative organisation.	YES	NO		Member of the Management Board of Deželna banka Slovenije, d. d.
Employee representative												
Drago Kijevčanin	Vice-President and employee representative	19 September 2018	14 November 2021	19/19	Male	Slovenian	1964	Telecommunications engineer	YES	NO	NO	Telekom Slovenije, network engineer in the ICT and Network Services organisational unit, President of the SELEKS trade union and member of the Works' Council.
Dušan Pišek	Member	19 September 2018	14 November 2021	18/19	Male	Slovenian	1964	Telecommunications engineer	YES	NO	NO	Telekom Slovenije, team leader in the ICT and Network Services organisational unit and President of the Works' Council.
Jana Žižek Kuhar	Member	19 September 2018	14 November 2021	18/19	Female	Slovenian	1974	Holds a degree in economics.	YES	NO	NO	Telekom Slovenije, expert in the Procurement, Logistics and Real Estate organisational unit and member of the Works Council.

* Participation in sessions convened during the term of office of a specific member [number].

COMPOSITION AND FUNCTIONING OF SUPERVISORY BOARD COMMITTEES

The Supervisory Board had four committees during the year. They were the Audit Committee, HR Committee, Strategy Committee and Marketing and Technology Committee, which was renamed from the Technical Committee in January 2020.

The aforementioned committees discussed individual areas of expertise in accordance with their respective competences and tasks. The composition and most important tasks of individual committees in 2020 are described below:

Following a change in the members of the Supervisory Board, that body reconstituted its committees on 4 November 2020.

The Audit Committee assists the Supervisory Board in its supervision of financial reporting, internal controls and risk management at Telekom Slovenije and at the Telekom Slovenije Group level, and in cooperation with external and internal auditors. The Audit Committee's key tasks are to ensure professional cooperation in the corporate governance process, to function for the good of the Company and to protect the interests of its stakeholders.

The Audit Committee's members were as follows as at 31 December 2020:

- Barbara Gorjup, MSc (chair),
- Barbara Kürner Čad,
- Štefan Belingar, MSc
- Drago Kijevčanin, and
- Barbara Nose (external member).

The composition of the Audit Committee changed several times during the year. Dimitrij Marjanovič chaired the Audit Committee until 13 May 2020, when he was succeeded by Barbara Gorjup, MSc. Štefan Belingar, MSc replaced Barbara Cerovšek Zupančič, MSc as member of the Audit Committee on 4 November 2020, when Barbara Kürner Čad was also appointed to that committee.

Information regarding the members of the Audit Committee who are also members of the Supervisory Board in 2020 is presented in the table detailing the members of the Supervisory Board on page 50, while information regarding the external member in 2020 is presented in the table below.

The composition of the Audit Committee has been as follows since 11 February 2021: Barbara Gorjup, MSc (chair), Aleksander Igličar, MSc, Marko Kerin, Drago Kijevčanin and Dr Marko Hočvar as external member.

Name	Committee	Participation in committee sessions with respect to total number	Nationality	Level of education	Year of birth	Professional profile	Membership in supervisory bodies of other companies
Barbara Nose	Audit Committee	21/22	Slovenian	Holds a bachelor's degree in economics and specialises in auditing and accounting	1964	Auditing and accounting	Member of the Supervisory Board of Luka Koper, d. d.

The Audit Committee met at nine ordinary sessions, and held ten correspondence sessions and three extraordinary sessions in 2020. As a rule, all members were present at sessions. Members of the Supervisory Board who are not members of the Audit Committee were kept abreast about the latter's work by viewing the minutes of the committee's sessions. The chair of the Audit Committee also regularly reported on the committee's work and findings at sessions of the Supervisory Board. The Audit Committee addressed issues in accordance with the ZGD-1, recommendations for the work of audit committees, the Audit Committee's rules of procedure, its work plan adopted for 2020 and the resolutions of Telekom Slovenije's Supervisory Board.

Key tasks performed by the Audit Committee in 2020 were as follows:

- it monitored and discussed financial reporting procedures, and monitored the progress of the external audit of the annual financial statements of the Telekom Slovenije Group and Telekom Slovenije;
- it discussed the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2019;
- it discussed the Internal Audit Service's reports regarding specific audits and the implementation of issued recommendations;
- it discussed the annual report on the work of the Internal Audit Service for 2019 and the service's work plan for 2020, and discussed its independence in the absence of the Management Board;

- it periodically monitored the risk management system, the functioning of internal controls, compliance, reports on lawsuits and supervision proceedings, and reports on suspected breaches of corporate integrity;
- it implemented procedures for which the Audit Committee is responsible in connection with the selection of the Company's certified auditor for the mandatory auditing of the financial statements of the Telekom Slovenije Group and Telekom Slovenije for the 2020, 2021 and 2022 financial years, and sent a proposal to the Supervisory Board for the appointment of the auditor (because the contract with the previous certified auditor expired, several audit firms were called on to submit bids based on previously prepared tender documentation that included transparent and non-discriminatory criteria. The Audit Committee reviewed the final evaluation of bids and the report on the review, assessment and evaluation of bids, and found that the aforementioned report was compiled professionally and contained all the criteria and elements set out in the tender documentation);
- gave its consent to the conclusion of an agreement on the auditing of the financial statements of Telekom Slovenije and the consolidated financial statements of the Telekom Slovenije Group for the 2020, 2021 and 2022 financial years;
- in accordance with the Guidelines for Ensuring the Independence of the Auditor of the Financial Statements of the Telekom Slovenije Group, which define the methods and procedures for monitoring the independence and impartiality of the auditor of financial statements, as well as protective measures, the selection of the auditor and procedures for non-audit services:
 - it monitored and discussed all transactions with audit firms and assessed the independence of the certified auditor of the financial statements of the Telekom Slovenije Group and Telekom Slovenije; and
 - monitored the quality of the work of the auditor of the financial statements for 2019.

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

With the aim of continuously improving the quality of its work, the Audit Committee performed a self-assessment in 2020 and adopted an action plan of improvements. All resolutions adopted under the aforementioned action plan were implemented by the end of the financial year.

The HR Committee met at seven sessions in 2020. Significant activities of the HR Committee included:

- the implementation of procedures for the appointment of a Management Board member;
- the discussion of proposals of the Management Board on the appointment of managing directors at Telekom Slovenije Group subsidiaries; and
- the discussion of the objectives of Management Board members for 2020, and the methodology for calculating the performance factor and criteria in connection with the right of Management Board members to the variable component of wages for 2019.

The HR Committee's members were as follows as at 31 December 2020:

- Boštjan Koler (chair),
- Barbara Kürner Čad,
- Dimitrij Marjanović,
- Drago Kijevčanin.

The HR Committee was chaired by Igor Rozman until 4 November 2020. All sessions of the HR Committee in 2020 were held during the first half of the year.

Information regarding the members of the HR Committee in 2020 is presented in the table detailing the members of the Supervisory Board on page 50.

The HR Committee has comprised the following members since 11 February 2021: Radovan Cerjak (chair), Barbara Kürner Čad, Marko Kerin, Iztok Černoša and Drago Kijevčanin.

The Marketing and Technology Committee met at two sessions in 2020. It discussed the security aspects of operations during the first part of the year and the construction of a fibre optic access network during the second part.

The Marketing and Technology Committee's members were as follows as at 31 December 2020:

- Dušan Pišek (chair),
- Štefan Belingar, MSc,
- Barbara Gorjup, MSc and
- Igor Rozman.

Bernarda Babič, MSc chaired the Marketing and Technology Committee until 15 June 2020, when the Supervisory Board appointed Dušan Pišek to chair that committee.

Information regarding the members of the Marketing and Technology Committee in 2020 is presented in the table detailing the members of the Supervisory Board on page 50.

The composition of the Marketing and Technology Committee has been as follows since 11 February 2021: Aleksander Igličar, MSc, (chair), Barbara Gorjup, MSc and Dušan Pišek.

The **Strategy Committee** met at three sessions in 2020. At its first session, it discussed the draft

strategy of the Telekom Slovenije Group for the period 2021 to 2025, and then the Strategic Business Plan of the Telekom Slovenije Group for the same period with the Business Plan for 2021.

The Strategy Committee's members were as follows as at 31 December 2020:

- Štefan Belingar, MSc [chair],
- Dimitrij Marjanović,
- Igor Rozman, and
- Jana Žižek Kuhar.

Barbara Cerovšek Zupančič, MSc served as chair of the Strategy Committee until she resigned from her position as member of the Supervisory Board. The Supervisory Board appointed new members and the chair of the Strategy Committee on 3 November 2020.

Information regarding the members of the Strategy Committee in 2020 is presented in the table detailing the members of the Supervisory Board on page 50.

The Strategy Committee has comprised the following members since 11 February 2021: Marko Kerin [chair], Radovan Cerjak, Barbara Kürner Čad and Jana Žižek Kuhar.

REMUNERATION OF SUPERVISORY BOARD MEMBERS

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

When they assumed their function, every member of the Supervisory Board submitted a statement of compliance with the criteria of independence according to point C.3 of the appendix to the Corporate Governance Code. Those statements are accessible on the website of [Telekoma Slovenije](#).

DIVERSITY POLICY

On 22 June 2020, the Supervisory Board adopted the updated Policy Governing the Diversity of the Management Board and Supervisory Board of Telekom Slovenije, d. d. [hereinafter: the Policy]. The objective of the Policy is to ensure the increased effectiveness of the Management Board and Supervisory Board, and to improve the diversity of the members of both bodies. The Management Board and Supervisory Board can use the diversity of members in terms of knowledge, skills, experience, professional qualifications, age, gender, work methods and other aspects to the good of the Company. The

Policy is published on Telekom Slovenije's website at <https://www.telekom.si/o-podjetju/predstavitev/organiziranost-in-upravljanje/upravljanje-druzbe>.

In accordance with the Policy and in addition to legal requirements and requirements set out in the Company's Articles of Association, the following primary objectives and/or aspects of diversity must be taken into account to the greatest extent possible when determining the optimal composition of the Company's Management Board and Supervisory Board, to ensure the effectiveness of an individual body as a whole: professional profile, continuity, experience, gender, age and personal integrity.

In terms of gender, the Policy pursues the objective of heterogeneity, whereby an under-represented gender should account for 40% of all members of the Supervisory Board and 33% of all members of the Management Board and Supervisory Board by the end of 2026. The Company achieved that objective throughout 2020. In terms of the composition of the Supervisory Board, that objective was achieved for most of 2020. Following changes to the Supervisory Board in November 2020, the proportion of Supervisory Board members accounted for by the under-represented gender fell to 33.3%.

In the scope of selecting Management Board and Supervisory Board members, the latter's HR Committee monitored the implementation of the Policy in 2020, as is evident from the composition of both governance bodies, which is in line with the Policy in terms of all aspects of diversity.

In accordance with point 7 of paragraph 5 of Article 70 of the ZGD-1, Telekom Slovenije presents the representation of both genders on the Company's Management Board and Supervisory Board:

Diversity of members of the Management Board in terms of gender:

31 December 2020	Male	Women	Total
Number of Management Board members	3	2	5
Proportion	60%	40%	100%

Diversity of members of the Supervisory Board in terms of gender:

31 December 2020	Male	Women	Total
Number of Supervisory Board members	6	3	9
Proportion	66.66%	33.33%	100%

Even following the appointment of new members to the Supervisory Board at the General Meeting in January 2021 and the appointment of the new members of the Management Board, the composition of the aforementioned body in terms of gender was unchanged.

1.10.4 OTHER EXPLANATIONS IN ACCORDANCE WITH THE COMPANIES ACT

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

Main features of internal control systems and risk management within the Group in connection with financial reporting procedures

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

In connection with the financial reporting process, the system of internal controls ensures the appropriate management of risks, the ethical operations of companies, and reliable, timely and transparent external and internal financial reporting that is in accordance with the law, the International Financial Reporting Standards and regulations, and the guidelines and policies adopted by the Management Board. Information support is provided for the accounting process. Internal controls are therefore linked with controls built into the IT infrastructure, which comprises controls over restrictions on access to data and applications, and controls over the accuracy and completeness of data capture and processing.

Established internal accounting controls are an integral part of the Group's system of internal controls in the processes and organisational units of companies, and at all levels of operations.

The Telekom Slovenije Group strives to ensure an appropriate system of internal controls that includes precisely defined procedures, competences and responsibilities for specific tasks, as well as automated and manual controls in all processes that include accounting controls and procedures. Internal controls comprise a description and the objectives of controls, and are regularly adapted to legislation, standards, processes, organisational changes, findings from self-assessments of internal controls, recommendations of internal and external audits, and best practices.

Those who implement internal controls are responsible for the consistent implementation of controls, the documentation of the functioning of internal controls and proposals for improvements. A report is drafted once a year on the self-assessment of internal controls at the parent company and subsidiaries to provide a comprehensive overview. That report is updated and supplemented annually.

The self-assessment of internal controls is based on confirmation of the establishment and functioning of internal controls. Implementation is systematic, planned and structured, and is appropriately documented.

DATA AND EXPLANATIONS RELATED TO THE MERGERS AND ACQUISITIONS ACT

- **Share capital of Telekom Slovenije**

There were no changes to the structure of share capital in 2020. The value of Telekom Slovenije's share capital is EUR 272,720,664.33 and is divided into 6,535,478 ordinary registered no-par-value shares. All shares constitute one class and are issued in dematerialised form. Each share represents the same stake and corresponding amount in share capital, while all shares have been paid up in full. Each share gives its holder the right to one vote at the General Meeting of Shareholders, a proportionate share of profits [payment of dividends] and a proportionate share of residual assets after the liquidation or bankruptcy of the Company. Shares are listed on the prime securities market of the Ljubljana Stock Exchange. Detailed information regarding shares and the ownership structure is presented in section [1.11 Share trading and ownership structure](#).

- **Restrictions on the transfer of shares**

All shares are freely transferable.

- **Qualifying holdings according to the Takeovers Act**

There were two holders of a qualifying holding as set out in the Takeovers Act as at 31 December 2020: the Republic of Slovenia with 4,087,569 shares or 62.54% of the issuer's share capital and Kapitalska družba, d. d. with 365,175 shares or 5.59% of the issuer's share capital.

- **Holders of securities that provide special controlling rights**

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

- **Share scheme for shareholders**

Telekom Slovenije does not have a share scheme for shareholders.

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

Telekom Slovenije is not aware of any such agreements.

- **Rules on the Appointment and Replacement of Members of Management and Supervisory Bodies**

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

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

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

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

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

Telekom Slovenije is not aware of any such agreements.

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

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

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

With the listing of its shares on the prime market of the Ljubljana Stock Exchange, Telekom Slovenije undertook to comply with the relevant reporting standards. Telekom Slovenije once again provided investors with high-quality, timely, relevant and reliable information in 2020.

With the aim of ensuring that Telekom Slovenije Group companies and employees comply with the law, other rules, applicable recommendations and bylaws, the Telekom Slovenije Group's Compliance Management Policy defines the purpose and objectives of compliance management, an integrity plan and powers and responsibilities. The compliance management system facilitates the identification of risks and the implementation of measures to manage those risks. Playing an important role in that framework are preventive actions, and rapid and effective measures in the event of identified breaches. For more information, see section [2.5.1 Compliance and anti-corruption](#).

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



Cvetko Sršen,
President of the Management Board



Iztok Černoša,
President of the Supervisory Board

1.10.5 STATEMENT REGARDING THE EXTERNAL ASSESSMENT OF THE CORPORATE GOVERNANCE STATEMENT FOR THE 2020 ANNUAL REPORT

The Slovenian Directors' Association hereby declares that it performed an external assessment of the corporate governance statement of Telekom Slovenije, d. d., for 2020 in the period 3 December 2020 to 17 March 2021 in accordance with Article 5.7 of the Slovenian Corporate Governance Code. That external assessment is not deemed to be the provision of the assurance services provided by accounting experts with public authorisation [auditors] or accounting experts without public authorisation (e.g. internal auditors). As an independent external reference institution that does not provide audit services for the aforementioned Company or in connection with it, we reviewed all of the contents of the corporate governance statement and its appropriateness in terms of the fifth paragraph of Article 70 of the ZGD-1, and assessed whether that statement

appropriately describes the governance of the Company, as is evident from the latter's relevant documents. That assessment also included a review of selected reference codes and statements of compliance with the reference codes that the Company follows. A report was drawn up on the external assessment of the corporate governance statement, and submitted to the Company's Management Board and Supervisory Board.

The Slovenian Directors' Association hereby declares that the corporate governance statement included in the annual report of the Telekom Slovenije Group and the Telekom Slovenije, d. d., for 2020 contains all legally prescribed elements, and that the content of that statement appropriately describes the governance of the Company, as is evident from documents received from the latter.



Irena Prijović, MSc
Executive Director
Slovenian Directors' Association

1.11 SHARE TRADING AND OWNERSHIP STRUCTURE¹⁷

GENERAL INFORMATION REGARDING TELEKOM SLOVENIJE SHARES AS AT 31 DECEMBER 2020

General information regarding shares	
Ticker symbol	TLSG
ISIN	SI0031104290
Listing	Ljubljana Stock Exchange, prime market
Share capital [EUR]	272,720,664.33
Number of ordinary registered no-par value shares	6,535,478
Number of shares held in treasury	30,000
Number of shareholders as at 31 December 2020	8,865

TRADING IN TLSG SHARES IN 2020

The shares of Telekom Slovenije are listed on the prime securities market of the Ljubljana Stock Exchange under the ticker symbol TLSG. They are included in the SBITOP share index, and accounted for 5.4% of that index according to the quarterly review of SBITOP parameters conducted on 21 December 2020.

Since 19 June 2019, TLSG 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.

The SBITOP index stood at 900.37 points at the end of the year, representing a drop in value of 2.78% relative to the end of 2019. The ADRIAprime index also demonstrated a negative trend. Total turnover on

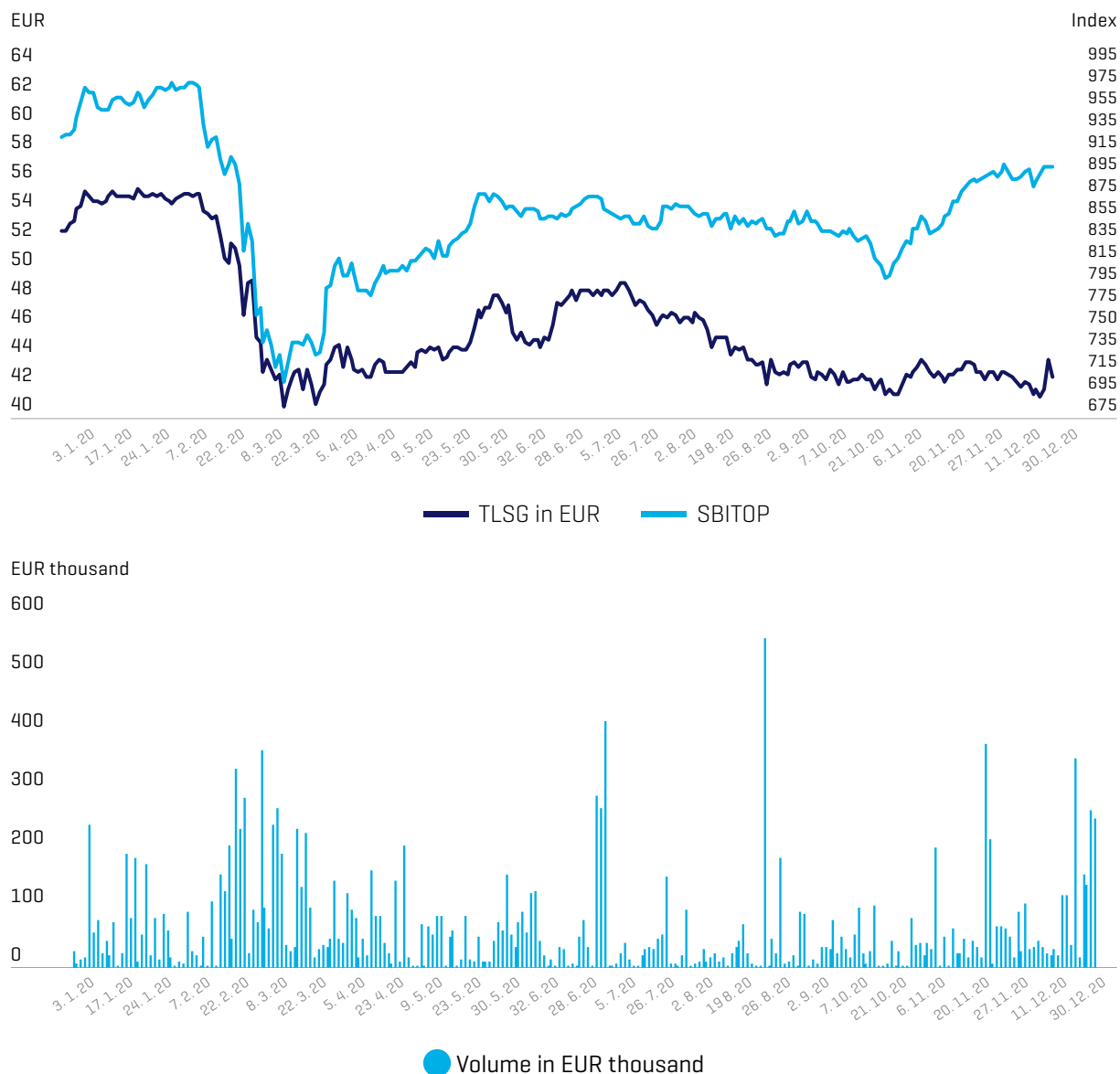
the stock exchange was 31% higher in 2020 relative to the previous year, and amounted to EUR 399.09 million. Total market capitalisation of shares on the stock market was down by 2.1% relative to the end of 2019 to stand at EUR 6.91 billion at the end of the year.

Total turnover in Telekom Slovenije shares (including block trades) was EUR 16.65 million. The Company's shares ranked seventh amongst all shares on the Ljubljana Stock Exchange in terms of turnover, excluding block trades. The TLSG share price closed at EUR 43.60 on the last trading day of 2020. The share price was down by 19.85% in year-on-year terms. The market capitalisation of the Company's shares stood at EUR 284.95 million at the end of the year, and accounted for 4.12% of the market capitalisation of all shares on the stock exchange.

TRADING STATISTICS FOR TLSG SHARES ON THE LJUBLJANA STOCK EXCHANGE

Standard price in EUR	2020	2019
Highest daily price	59.60	68.20
Lowest daily price	41.00	53.60
Average daily price	48.00	61.93
Volume in EUR thousand	2020	2019
Total volume for the year	16,650.20	14,750.12
Highest daily volume	572.82	962.77
Lowest daily volume	0.10	0.13
Average daily volume	66.34	61.20

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 December 2020	31 December 2019
Closing price of one share on the last trading day of the period in EUR	43.60	54.40
Book value of one share in EUR*	90.35	90.37
Net earnings per share in EUR**	3.82	0.14
P/BV	0.48	0.60
Capital return per share during the period in %***	-19.85	-7.80

* 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.

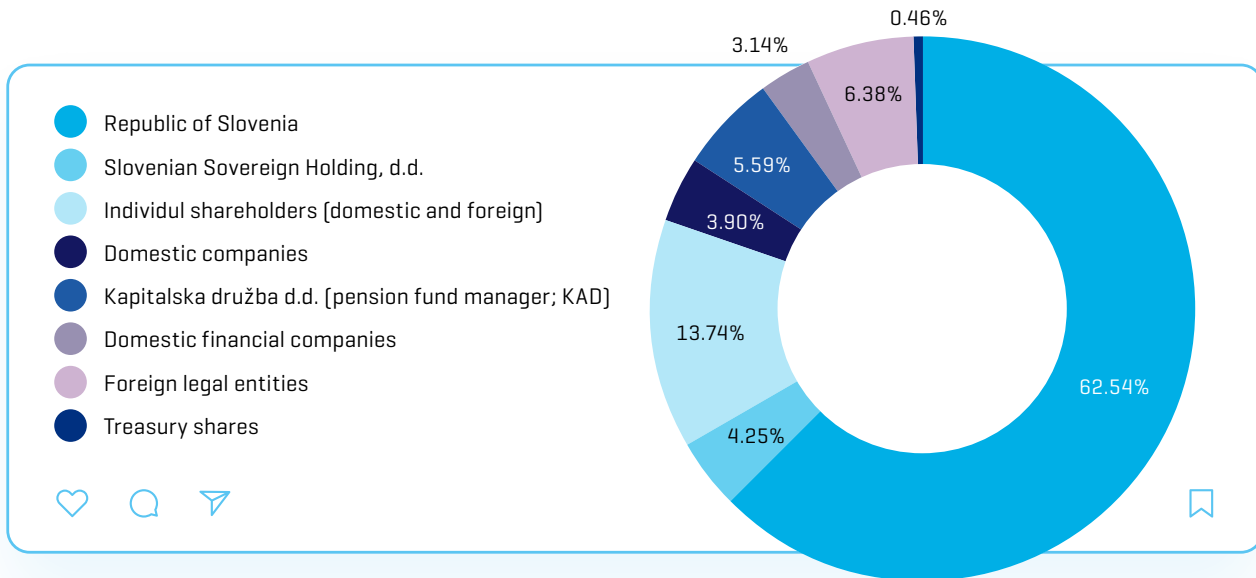
** Net earnings per share is calculated as the ratio of the Telekom Slovenije Group's net operating profit for the accounting period to the average number of issued ordinary shares, excluding treasury shares.

*** The capital return per share is calculated as follows [share price on the final trading day of the period – share price on the final trading day of the previous period] / share price on the final trading day of the previous period.

OWNERSHIP STRUCTURE AND LARGEST SHAREHOLDERS AT THE END OF 2020¹⁸

Telekom Slovenije had 8,865 shareholders at the end of the year, a decrease of 271. Of that amount, the number of individual shareholders was down by 257.

Ownership structure of shareholders at the end of 2020



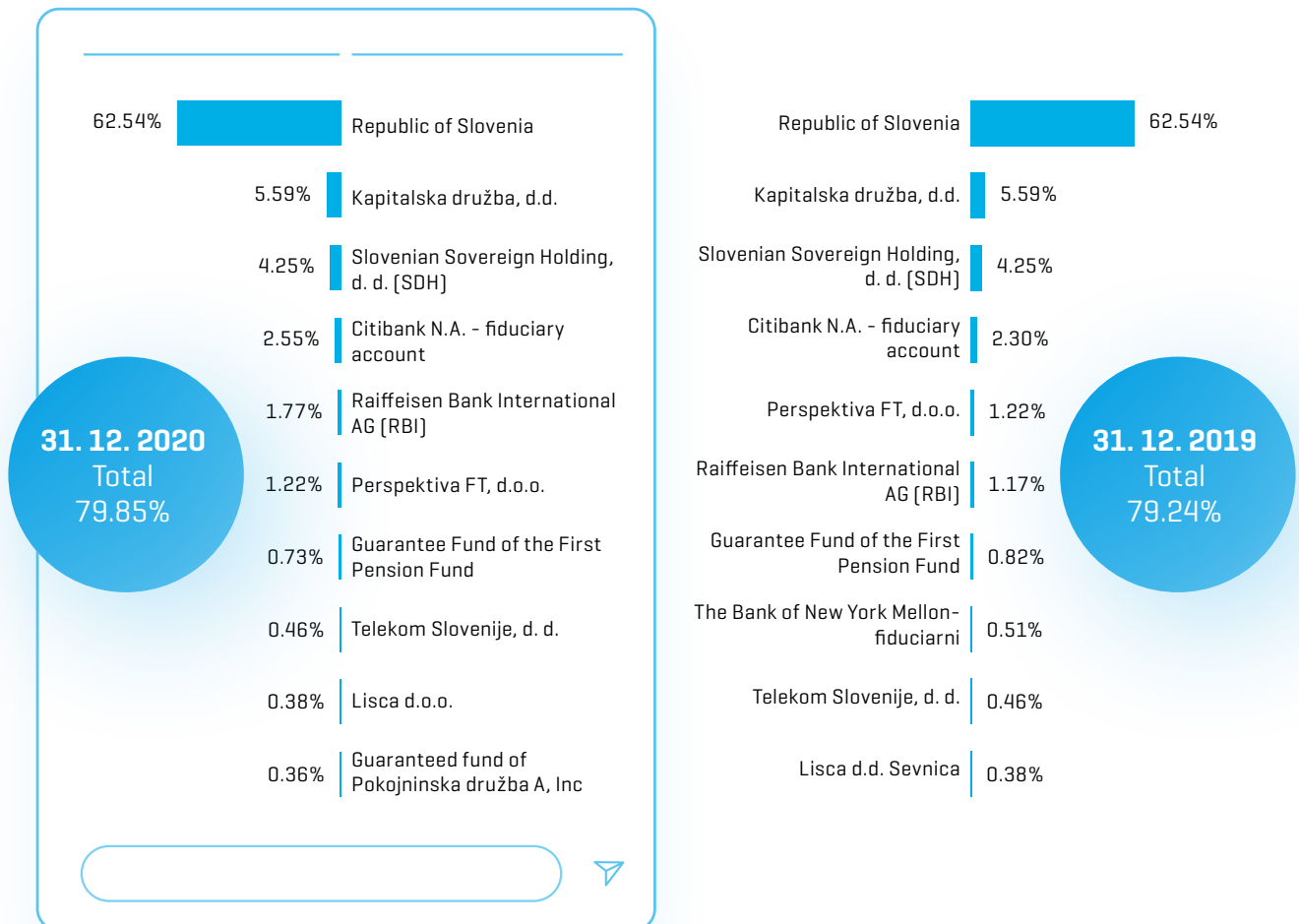
With a total stake of 93.32% at the end of the year, domestic investors were predominant in the Company's ownership structure. The Company's largest shareholder remained the Republic of Slovenia, together with Kapitalska družba, Slovenski državni holding, the First Pension Fund of Modra zavarovalnica and the latter's guarantee fund. A total of 73.36% of the Company's shares were directly or indirectly held by the State at the end of the year.

CHANGES IN THE OWNERSHIP STRUCTURE BY SHAREHOLDER CATEGORY

Shareholder category	% of ownership as at 31 December 2020	% of ownership as at 31 December 2019	Annual change in percentage points (20/19)
Individual shareholders (domestic and foreign)	13.74	13.25	0.49
Slovenian corporate investors	3.90	3.69	0.21
Slovenian financial corporations and funds	3.14	3.96	-0.82
Foreign corporate investors	6.38	6.26	0.12

TEN LARGEST SHAREHOLDERS

The concentration of ownership, as measured by the ownership stake held by the ten largest shareholders, stood at 79.85% at the end of the year, an increase of 0.61 percentage points in year-on-year terms. The structure of the ten largest shareholders also changed.



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

Members of the Management Board and Supervisory Board held 306 TLSG shares as at 31 December 2020. The total number of shares was unchanged relative to the end of 2019.

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

When TLSG shares are traded by representatives of the Company and when reporting on such transactions, Telekom Slovenije consistently complies with the applicable legislation and the Rules Restricting Trading in the Shares of Telekom Slovenije.

INVESTOR RELATIONS¹⁹

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

Shareholders may send their proposals and suggestions via the investor relations email [ir@telekom.si]. In addition to regular communication, the Company carried out the following activities in 2020 in the scope of investor relations:

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

The Company regularly publishes price-sensitive and other important information on its website in the Investor relations section and in the Ljubljana Stock Exchange's SEOnet system. A total of 44 press releases were issued in 2020, with simultaneous publication in Slovene and English.

FINANCIAL CALENDAR

The financial calendar for 2021 was published in the Ljubljana Stock Exchange's SEOnet system, and is also accessible on the Company's website at [Financial calendar - English - Telekom Slovenije](#). Any changes to the financial calendar are also published on the same websites.

DIVIDEND POLICY

Telekom Slovenije has a clearly defined stable dividend policy that facilitates a balance between profits for owners and the use of free cash flow for the financing of investments. Such a policy ensures long-term growth and the maximisation of value for owners.

At the 31st General Meeting of Shareholders held on 5 June 2020, shareholders adopted a resolution on the use of distributable profit for 2019. The Company paid shareholders gross dividends of EUR 3.50 per share on 19 June 2020. In accordance with the Common European Standards for Corporate Actions, dividend payments are carried out via KDD and its members, brokerage firms and banks.

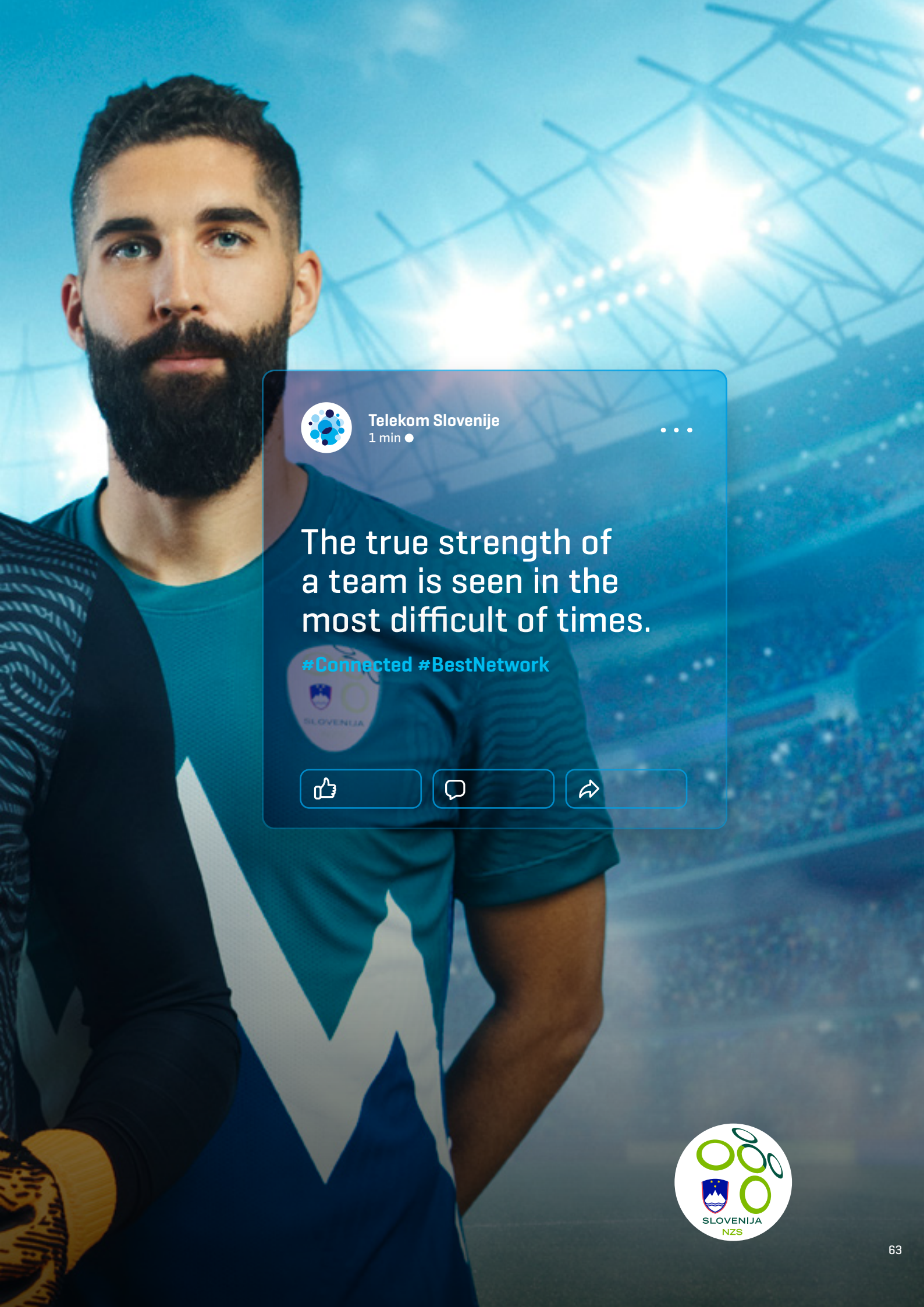
TREASURY SHARES

The number of treasury shares has been unchanged since the last acquisition in 2003. The Company held 30,000 treasury shares on the final day of 2020, representing 0.46% of equity.

BUSINESS REPORT

#CONNECTED, WE REMAIN THE LEADER

The changing circumstances did not slow our development. Just the opposite. In the context of stiff market competition, our aim is to be victorious and work with the best in order to provide users the best communication services and a superior user experience. We are fluid and prepared for different scenarios. As the best team, unshaken by challenges, we are focused on the changing needs of users.



Telekom Slovenije

1 min ●



The true strength of
a team is seen in the
most difficult of times.

#Connected #BestNetwork



2 BUSINESS REPORT

2.1 FINANCIAL RESULTS

The Telekom Slovenije Group disclosed revenues, expenses and net profit or loss from discontinued operations for Planet TV separately in the consolidated income statement for 2020. The sale of the Company's 100% participating interest in Planet TV was completed on 30 September 2020. Presented under the item net profit or loss from discontinued operations is a single amount in the income statement table, which is the sum of profit or loss from discontinued operations after taxes, and the effect of the loss recognised from the measurement of Planet TV at fair value and the sale of that company.

When the pandemic was declared, numerous measures were adopted to limit the negative effects of the coronavirus on revenues, costs and investments. The negative effect of the coronavirus and associated mitigation measures on EBITDA is estimated at EUR 9.2 million. If that adjustment is taken into account, EBITDA would have been 3% higher than planned, at EUR 219.1 million.

CONSOLIDATED INCOME STATEMENT ANALYSIS

The Telekom Slovenije Group generated EUR 654.9 million in **operating revenues** in 2020, a decrease of 2% relative to the previous year. Sales revenue amounted to EUR 647.2 million. Revenues were affected in 2020 by measures linked to the declaration of two waves of the epidemic at the national level (the closure of Telekom centres, the lockdown and restrictions on the crossing of national borders) due to lower revenues from the roaming of users in the networks of foreign operators and from roaming by foreign users in our mobile networks, and the lower revenues of subsidiaries outside of the telecommunications activity. Revenues are also declining due to the optimisation of subscribers who have an increasing number of services included in their monthly subscription fee and the expected drop in revenues from traditional fixed telephony due to substitution with mobile and IP telephony. The proportion of new revenue sources accounted for by eHealth, energy and insurance services was up relative to 2019. Revenues from e-commerce services were up by 55% relative to the previous year. Driving

down revenues in Kosovo was a decline due to the effects of the COVID-19 epidemic and the inability of ex-pats to return home.

Excluding the negative effects of the epidemic and taking into account additional measures to mitigate the negative effects thereof, the Telekom Slovenije Group's operating revenues would have been EUR 22.9 million higher and exceeded planned revenues by 1%.

The **operating expenses** of the Telekom Slovenije Group amounted to EUR 612.3 million, a decrease of 3% relative to 2019. The historical costs of goods sold and costs of materials sold in connection with the Online Store were up by 4%, while labour costs were up by one percent due to the effect of the extraordinary conditions (payment of a crisis allowance). All other expenses were lower relative to the previous year.

Earnings before interest and taxes (EBIT) reached EUR 42.6 million in 2020, an increase of 3% or EUR 1.4 million relative to the previous year.

Earnings before interest, taxes, amortisation and depreciation (EBITDA) totalled EUR 209.9 million at the Telekom Slovenije Group level, a decrease of 2% relative to 2019. The EBITDA margin (i.e. EBITDA as a proportion of sales revenue) was 32.4% at the Group level (2019: 32.3%). Taking into account an adjustment for the estimated effect of the coronavirus and measures to mitigate the negative effects thereof, EBITDA would have amounted to EUR 219.1 million, an increase of 2% relative to 2019.

Finance income and **finance costs** were both down relative to 2019 to stand at EUR 2.2 million and EUR 10.2 million, respectively.

Following the calculation of income tax (including deferred taxes), the Telekom Slovenije Group generated a net profit of EUR 24.9 million in 2020, an increase of EUR 23.9 million relative to 2019.

Contributing most to net profit in 2019 was the effect on Telekom Slovenije of the unfavourable decision of the International Court of Arbitration regarding the 34% participating interest in Antenna TV SL and events linked to that decision.

Taking into account an adjustment for the estimated negative effect of the coronavirus and measures to mitigate the negative effects thereof, net profit would have amounted to EUR 32.8 million. The Telekom Slovenije Group also uses the Alternative Performance Measures (APMs) defined by the ESMA to present its operating results [for more information, see point [2.9.3 Alternative performance measures](#)].

Net profit is broken down into profit or loss from continuing and discontinued operations. More information can be found in the Accounting Report in point [3.2 Notes to the consolidated financial statements of the Telekom Slovenije Group and to the separate financial statements of Telekom Slovenije](#).

ANALYSIS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets amounted to EUR 1,227.8 million as at 31 December 2020, a decrease of 1.8% or EUR 22.4 million relative to the situation as at 31 December 2019.

Non-current assets totalled EUR 1,002.1 million, a decrease of 1.4% or EUR 14.2 million relative to the end of 2019. The proportion of the Group's total assets accounted for by non-current assets rose to 81.6% [2019: 81.3%]. Primarily non-current operating receivables and deferred costs were lower, while property, plant and equipment were up by 1.3% or EUR 8.3 million, mainly due to an increase in investments in the expansion of the fibre optic access network.

Current assets amounted to EUR 225.8 million, a decrease of 3.5% or EUR 8.2 million. Of that amount, deferred costs were down by EUR 14.4 million, while trade and other receivables were up by 6.1% or EUR 9.4 million.

Equity totalled EUR 590.5 million, similar to the level as at 31 December 2019, and represented 48.1% of total assets [2019: 47.2%].

Non-current liabilities in the amount of EUR 320.2 million represented 26.1% of total assets. They

were down by EUR 137.4 million relative to the end of 2019, primarily due to the reclassification of issued bonds in the amount of EUR 100 million from non-current to current financial liabilities, and due to the repayment of a portion of raised long-term borrowings.

Current liabilities amounted to EUR 317.2 million, an increase of EUR 115.2 million relative to the end of 2019. The proportion of total assets accounted for by current liabilities rose to 25.8% [2019: 16.2%], primarily due to the reclassification of issued bonds from non-current to current financial liabilities, as those bonds mature in 2021, and on account of higher trade and other liabilities.

ANALYSIS OF THE CONSOLIDATED STATEMENT OF CASH FLOWS

The Group recorded investments in fixed assets in the amount of EUR 160.3 million in **outflows for investing activities**.

The Group's **inflows from investing activities** in 2020 primarily comprised consideration from the sale of the subsidiary Planet TV in the amount of EUR 5.0 million, proceeds from the sale of fixed assets in the amount of EUR 0.3 million and inflows from the repayment of loans and deposits in the amount of EUR 0.2 million.

The Group's **outflows from financing activities** included the repayment of the short-term portion of long-term loans in the amount of EUR 30.8 million [syndicated loan] and the payment of interest on revolving loans, issued bonds and assets under lease in the amount of EUR 8.7 million. Based on the dividends approved by the General Meeting of Shareholders, the total amount of EUR 22.8 million was paid to Telekom Slovenije's shareholders in June. In accordance with the entry into force of IFRS 16, payments of lease liabilities [excluding interest] in the amount of EUR 9.8 million were included in outflows from financing activities.

The Group's **inflows from financing activities** included net inflows from revolving loans in the amount of EUR 1.0 million.

KEY FINANCIAL INDICATORS FOR THE TELEKOM SLOVENIJE GROUP AND TELEKOM SLOVENIJE, IN ACCORDANCE WITH THE ACCOUNTING REPORT²⁰

in EUR thousand and %	Telekom Slovenije Group			Telekom Slovenije		
	2020/ 31.12.2020*/**	2019/ 31.12.2019*/**	Index 20/19	2020/ 31.12.2020	2019/ 31.12.2019*	Index 20/19
Sales revenue	647,177	664,892	97	591,693	602,231	98
Other operating income	7,694	5,938	130	5,254	2,954	178
Total operating revenues	654,871	670,830	98	596,947	605,185	99
EBITDA	209,882	214,994	98	174,281	175,467	99
EBITDA margin = EBITDA / sales revenue	32.4%	32.3%	100	29.5%	29.1%	101
EBIT	42,603	41,203	103	36,930	33,816	109
Return on sales = EBIT / sales revenue	6.6%	6.2%	106	6.2%	5.6%	111
Net profit from continuing operations	34,084	28,544	119	24,174	585	-
Loss from discontinued operations	-9,219	-27,603	33	0	0	-
Net profit for the financial year	24,865	941	-	24,174	585	-
Assets	1,227,839	1,250,211	98	1,226,566	1,223,536	100
Equity	590,484	590,588	100	605,784	606,136	100
Return on equity (ROE)	4.2%	0.2%	-	5.3%	0.1%	-
Equity ratio	48.1%	47.2%	102	49.4%	49.5%	100
Net financial debt	378,377	402,861	94	390,067	419,602	93
NFD / EBITDA	1.8	1.9	96	2.2	2.4	94
Investment in property, plant and equipment [CAPEX]	173,045	184,835	94	164,680	133,505	123
EBITDA - CAPEX	36,837	30,159	122	9,601	41,962	23
Ratio of [EBITDA - CAPEX] to EBITDA [cash margin]	17.6%	14.0%	125	5.5%	23.9%	23
Number of employees as at the last day of the period	3,392	3,387	100	2,165	2,182	99
Investments as a proportion of operating revenues	26.4%	27.6%	96	27.6%	22.1%	125

* The results of Planet TV for 2020 and 2019 are included in the item 'discontinued operations'. This applies to all accounting items in the tables and graphs presented below.

** The year 2019 is adjusted for a prior-period correction in the financial statements of IPKO and thus of the Telekom Slovenije Group. Definition can be found in point [2.9.3 Alternative performance measures](#).

More [information can be found in the Accounting Report beginning on page 200](#).

SEGMENT REPORTING

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

2.2 FINANCIAL PERFORMANCE OF THE TELEKOM SLOVENIJE GROUP

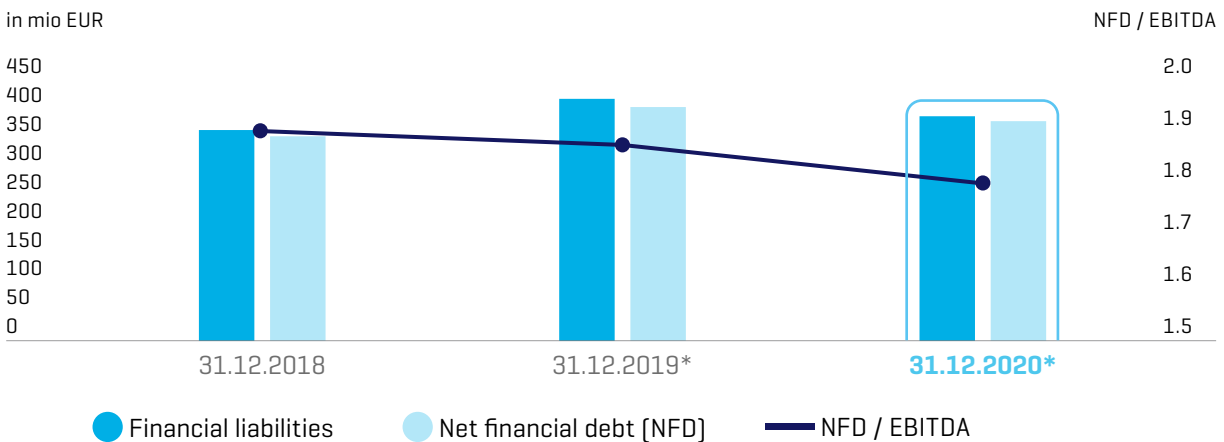
Through the implementation of the Telekom Slovenije Group's financial policy, we ensure the financial stability of the entire Group. We achieve this through successful operations, the active planning and management of cash flows, ensuring the appropriate maturities and the diversification of financial debt, financing within the Group, the optimisation of working capital and the management of financial risks.

For the purpose of ensuring a high level of liquidity, the Group has open short-term credit lines at banks that are regularly rolled over. The Group's liquidity

reserves amounted to EUR 98.5 million at the end of 2020, and took the form of approved but undrawn long-term and short-term revolving credit lines.

Indebtedness is relatively low at the Group level. The net financial debt to EBITDA ratio was 1.8 at the end of 2020. The Group's total financial liabilities amounted to EUR 387.1 million at the end of 2020, and primarily comprised a long-term syndicated loan in the amount of EUR 215.4 million, five-year bonds in the amount of EUR 100 million and liabilities from finance leasing in the amount of EUR 69.3 million.

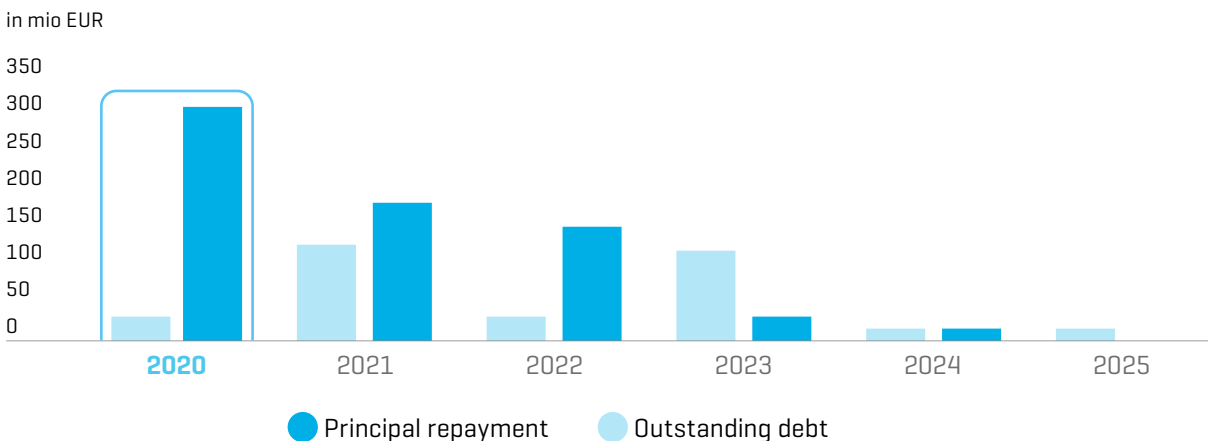
Net financial debt (NFD) of the Telekom Slovenije Group



* The results of Planet TV for 2020 and 2019 are included in the item 'discontinued operations'. This applies to all accounting items in the tables and graphs presented below.

The Group regularly settles its liabilities to creditors. A total of EUR 30.8 million in long-term loans was repaid in 2020.

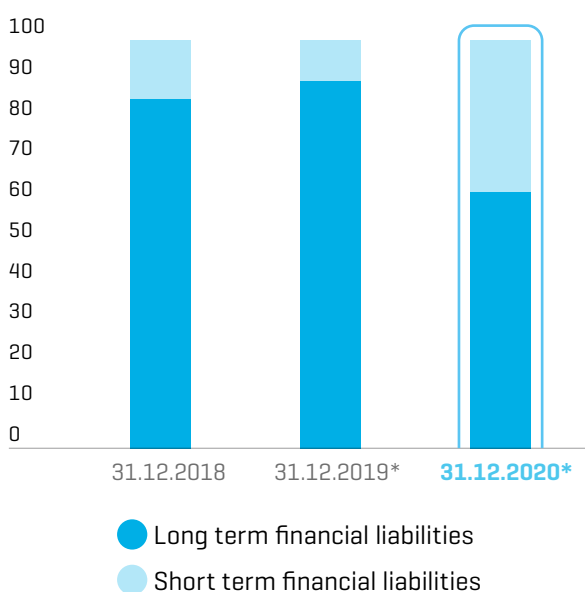
Repayment plan for existing long-term debt (loans and bonds)



As a rule, subsidiaries secure borrowings from the parent company. Internal financing within the Group and the reallocation of surplus cash between companies facilitate more effective cash management and the optimisation of net financial debt, as well as a reduction in the Group's exposure to external borrowing, which in turn ensures greater flexibility.

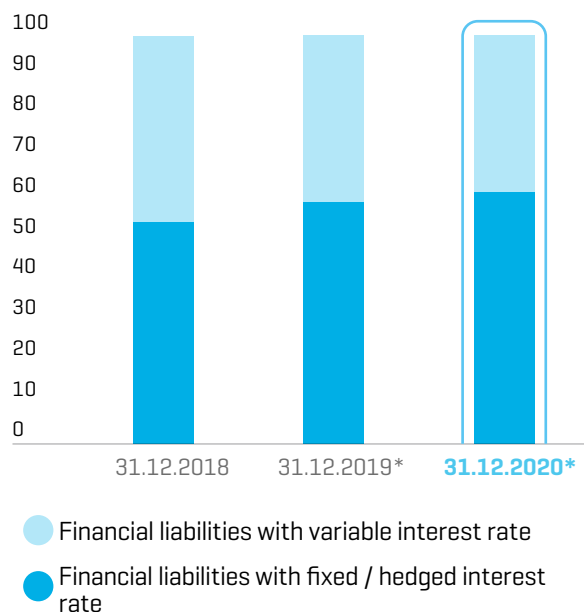
The maturity of financial liabilities shifted somewhat to current financial liabilities in 2020, as five-year bonds in the amount of EUR 100 million mature in 2021. The Group will refinance the latter through new long-term sources, while it also signed an agreement in December 2020 with the European Investment Bank (EIB) on a long-term loan in the amount of EUR 100 million, which will again restrengthen the stability of the maturity structure of financing. The loan from the EIB had not yet been drawn down in 2020.

Maturity breakdown of financial liabilities in %



Loans included in the balance at the end of the year bear variable interest rates linked to the 6- and 3-month EURIBOR. The weighted mark-up on the variable portion of the interest rate on all loans within the Group stood at 151 basis points at the end of 2020. The coupon rate on issued bonds is fixed at 1.95%. Fixed or hedged interest rates account for 61.8% of interest-bearing financial liabilities at the Group level.

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



FINANCIAL RISK MANAGEMENT

A detailed description of financial risk management is found in section [2.4 Risk management](#) and in the [Accounting Report in point 45. Financial risk management](#).

FULFILMENT OF FINANCIAL COMMITMENTS

Creditor banks require the maintenance of the values of financial commitments and indicators set out in loan agreements. Failure to fulfil those commitments could result in the early maturity of loans. All financial commitments at the Group level were met as at 31 December 2020.

2.3 INVESTMENTS IN FIXED ASSETS²¹

The Telekom Slovenije Group earmarked EUR 173.0 million for investments in fixed assets in 2020, a decrease of 6% or EUR 11.8 million relative to 2019. Of the aforementioned amount, 95.2% of all investments or EUR 164.7 million was earmarked for investments by Telekom Slovenije, an increase of 23% relative to the previous year. The remainder was earmarked for investments in development by subsidiaries. Here it should be noted that in 2020, IPKO corrected the 2019 financial statements for an error as the result of the recognition of an agreement on the leasing of TV channels for broadcasting in Kosovo. That agreement was concluded in May 2019 and includes binding conditions for the first three years, while the company recognised an intangible asset in the amount of discounted future payments for three years in 2019. For more information, see point 41 of the Accounting Report.

The altered conditions due to work from home and distance learning resulted in increased network traffic and thus an increase in investments to ensure capacities in both the mobile and fixed networks. Representing a particular challenge due to the closure of borders and the adoption of measures to prevent the spread of the pandemic were ensuring materials and equipment, and an adjusted regime for implementing works to realise investments.

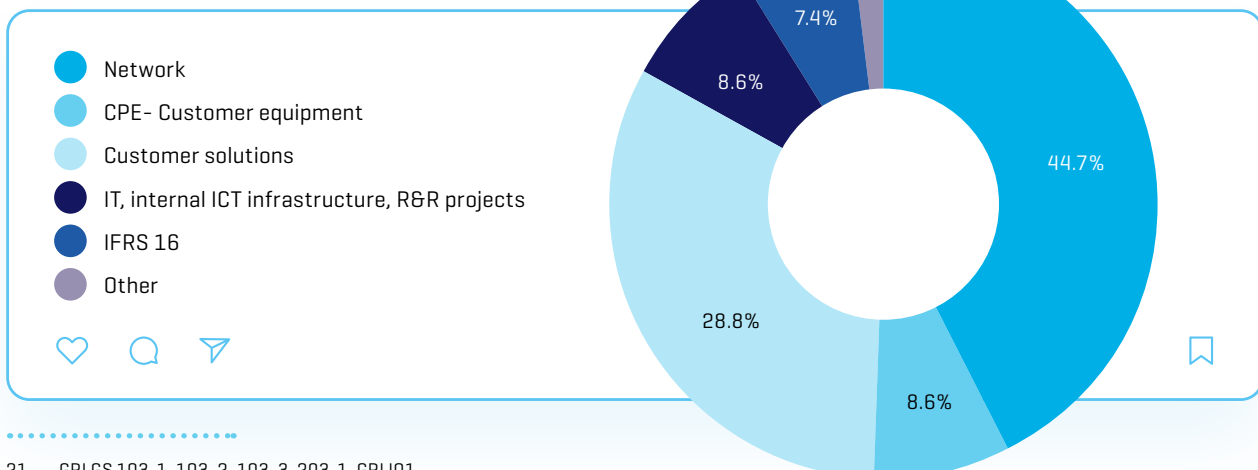
Through investments in the construction, modernisation and development of networks and services, we are creating a platform to attract new subscribers, retain existing subscribers and new revenue sources, and maintain a high level of quality. The majority of investments in 2020 were earmarked for the expansion of the fibre optic access network, which will provide users a superior user experience in terms of broadband content and high-speed internet access. Investments were also earmarked for the modernisation of the mobile network and the establishment of the first national fifth generation (5G) mobile network, and for the development of new services and the further optimisation of operations. For more details, see section 2.8 Network, technologies and IT.

INVESTMENTS BY COMPANY

EUR thousand	2020*	2019*	Index 20/19
Telekom Slovenije	164,680	133,505	123
Other companies in Slovenia	3,246	3,216	101
IPKO – Kosovo	8,728	56,910	15
Other companies abroad	1,365	4,627	30
Exclusions and adjustments	-4,974	-13,423	37
Telekom Slovenije Group	173,045	184,835	94

* Excluding Planet TV for 2020 and 2019. Adjusted for an error at IPKO. For more information, see point 41 of the Accounting Report. Correction of an error from the previous year.

Structure of investments by purpose



2.4 RISK MANAGEMENT

The risk management framework is an integral part of our corporate governance. It is formulated to reflect our structure and corporate culture. We continuously strive to raise awareness, which facilitates the identification and assessment of risks, and the management of those risks through the appropriate measures, reporting and monitoring. We have defined four types of risks:

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

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

The objectives of risk management are the support of established objectives, a focus on opportunities and awareness about risks. Risk management is governed by the Risk Management Policy, which is binding for all Group companies. It includes comprehensive risk management objectives, core principles, and the competences and responsibilities of those who perform risk management activities. The risk management framework facilitates the systematic and structured identification and assessment of risks, and the implementation of measures to mitigate those risks that could affect the values and objectives of the Group.

The Internal Audit Service's audit activities include an audit of risk management and a self-assessment of internal controls. The Management Board is briefed continuously on risk assessments, the findings of internal audits and other reviews of operations. It responds to risk assessments and findings accordingly through a range of measures to manage risks and ensure compliance. It reports to the Supervisory Board and the latter's committees regularly with regard to key risks, findings and adopted measures.

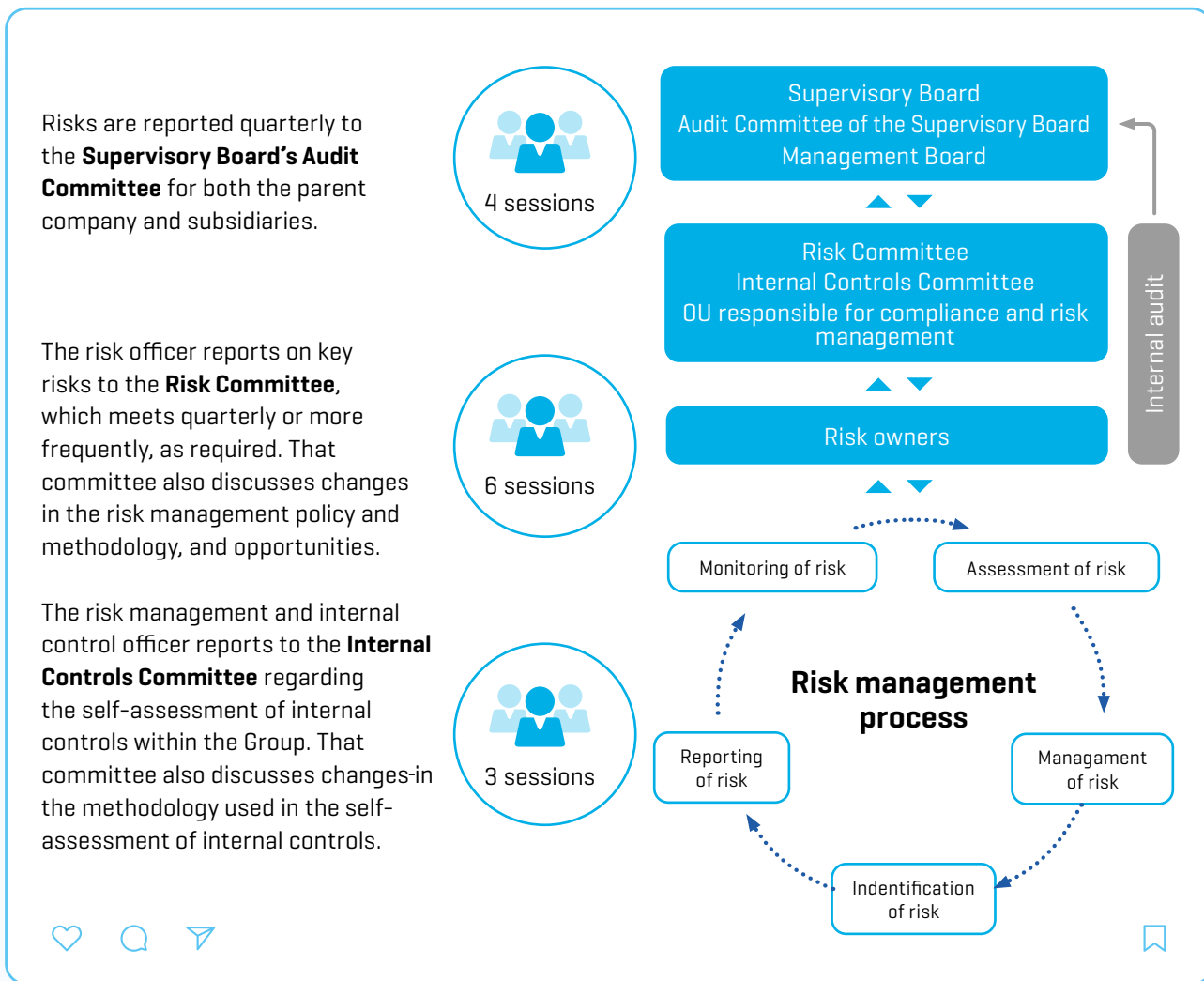
RISK MANAGEMENT FRAMEWORK

The risk management framework comprises three lines and the risk management process. The three-lines model provides a transparent and effective way of communicating with certain powers and responsibilities.

The risk management process facilitates a dynamic way to identify and assess, manage, report on and monitor risks. Through that process, we ensure the achievement of objectives by balancing risks and opportunities. Our aim is to promote a more entrepreneurial approach to opportunities and the benefits that accompany them.

The result of the risk identification process is risk assessment. Risk owners assess the level of risk taking into account measures and internal controls. Risks are assessed based on the effect and probability of an event. Subsidiaries report to the parent company with regard to all risks. The Company also monitors risk exposure, which is calculated in accordance with an internal risk quantification methodology. We strive for the proactive mitigation of exposure to risks. That process includes a strategy for responding to risks, and for the systematic and comprehensive quarterly reporting on risks. The assessment of risks and opportunities is also the responsibility of risk owners who formulate risk management measures.

Representing an integral part of risk management is the review and verification of key internal controls that are in place in the implementation of business processes. The Group verifies the functioning and establishment of internal controls once a year in accordance with the methodology on the self-assessment of internal controls, and reports to the Internal Controls Committee, Risk Committee and Supervisory Board's Audit Committee in that regard. The self-assessment contributes to the more transparent identification of weaknesses and to more effective risk management.



IMPROVEMENTS TO THE RISK MANAGEMENT FRAMEWORK

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

In the process of drafting the Telekom Slovenije Group's Strategic Business Plan, we also assess risks, review measures to manage those risks and monitor trends. These include risks linked to the market and competition, risks relating to the confidentiality, integrity and availability of networks, including cyber security risks, regulatory framework, risks in connection with disruptions in the supply chain, employees and pressures for change that derive from new technologies and rapid development.

Register and catalogue of risks and internal controls

Risks are recorded in a risk register, while the catalogue of risks includes information that is important for the assessment of risks and exposure to risks. Internal controls are similarly included in an internal controls register, while the associated catalogue includes the characteristics of internal

controls and a self-assessment thereof. In 2020, all Group companies applied the same bases for their register and catalogue of risks and internal controls. The register and catalogue are the main source of information for an overview of risks and internal controls, and for reporting purposes.

Key risk indicators

Telekom Slovenije has introduced key risk indicators for key risks, and monitors those indicators in the scope of quarterly risk assessments. The use of indicators is linked to the impact on the assessed level of risk and assessed exposure to risk.

Link between risks

In addition to the individual assessment and monitoring of risks, we also take into account risks collectively to improve the understanding of the entire range of risks at the Company. By identifying the link between risks, we also carried out the analysis of a selected scenario, through which we verified the mutual link between the impact and consequences of risks, and the strategy of implementing measures to manage those risks.

Updating of acts governing risks and opportunities, and the self-assessment of internal controls

We updated the Risk Management Policy, the methodology for assessing risks and opportunities, and reporting on and the methodology for the self-assessment of internal controls. Those documents apply to the entire Group. Significant changes also relate to the standard risk assessment methodology.

Risk assessment models

The parent company's Risk Committee also discusses risk assessment models that are integrated into risk management processes and procedures. Those models also include a risk assessment that derives from the self-assessment of internal controls, which is carried out once a year for all Group companies. The risk management and internal control officer maintains a list of risk assessment models used. Those models are continuously updated and adjusted to the requirements and needs of a company.

Culture of risk and opportunity management

Responsibilities in the risk management process are clearly defined, while a training and awareness-raising programme help ensure that

we possess the appropriate competences, as the environment, and methods and measures for managing risks are constantly changing. We organise training events at the Group level every year in cooperation with the Internal Audit Service and compliance officers.

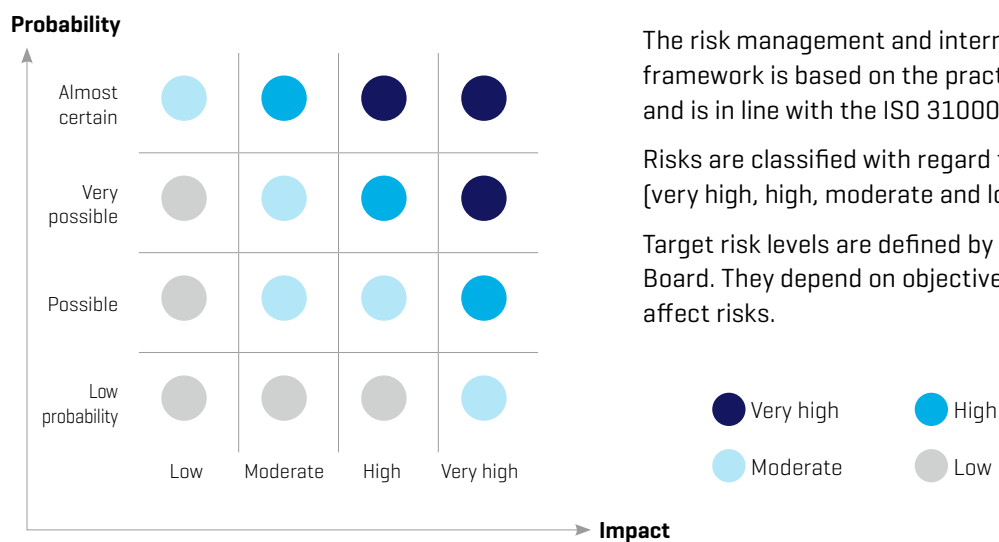
Monitoring of risks in the environment and developments in the area of risks

Both previously identified risks and risks that are only emerging are important for the Telekom Slovenije Group. We therefore monitor risks in the environment and sector, risk trends and the latest developments in specialist fields.

Assessment of risks due to the impact of the COVID-19 pandemic

Given events in the environment in connection with COVID-19, all Group companies have performed an additional risk assessment. The starting points for risk assessment under specific scenarios are the same for all Group companies. The risk assessment due to the impact of COVID-19 is separate from the general risk assessment, and only includes factors that are connected with COVID-19. The assessment of risks due to the impact of the pandemic are updated quarterly.

RISKS WITHIN THE TELEKOM SLOVENIJE GROUP



The risk management and internal controls framework is based on the practices of the COSO and is in line with the ISO 31000 standard.

Risks are classified with regard to the level of risk [very high, high, moderate and low].

Target risk levels are defined by the Management Board. They depend on objectives and factors that affect risks.











The tables below present key risks during the final quarter of 2020 and the trend relative to the same period in 2019.





Trends are indicated as follows:  assessed risk is unchanged  assessed risk is lower  assessed risk is higher

TELEKOM SLOVENIJE

STRATEGIC RISKS

On the Slovenian market, Telekom Slovenije faces stiff competition, regulatory effects, price-sensitive users, and the migration of voice traffic to OTT platforms. Users demand an increasing number of high-quality services at a low price, while consumer habits are also changing. The market is saturated, which means there is very little 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 constant introduction of the latest developments for specific groups and segments of users.

Risk	What is the risk?	What is the effect?	How is the risk managed?
Diminishing profitability of subscribers and services – B2C	Aggressive competition in the development of services and package offers, reduction of the general level of prices of services, rapid changes to the portfolio and unlimited packages.	Loss of revenues. Lower margin.	Competitive range of products and the introduction of innovative offers. Lean business model that includes the simplification of services and a digitalisation programme to improve the quality of services, and the speed/agility of processes. Product lifecycle management.
 Level of risk	 Trend		
Loss of subscribers – B2C	Loss of subscribers due to migrations between operators. Changing user requirements.	Loss of market share. Loss of revenues.	New range of products and programme to maintain subscribers. Target-oriented approach by subscriber segment. Improvement of the user experience, as seen in the increased transparency and simplicity of the portfolio, which distinguishes us from the competition. Use of advanced programmes to analyse data. Strengthening of online transactions.
 Level of risk	 Trend		
Drop in revenues due to regulatory obligations – wholesale market	New and/or additional regulatory obligations on regulated markets.	Loss of revenues.	Active participation in market analysis and supervision processes by the regulator, and the monitoring of market development. Adaptation of the wholesale portfolio in accordance with regulatory obligations and the needs of the market. Employee training in connection with regulatory developments.
 Level of risk	 Trend		
Diminishing profitability of services – wholesale market	Saturated wholesale services market, migration of voice traffic to OTT platforms, and ever-increasing competition in Slovenia and the region in terms of services and the infrastructure.	Loss of revenues. Lower margin.	Competitive offer. Conclusion of longer-term agreements and an agreed traffic volume. Expansion of roaming capacities. Monitoring of profitability of wholesale services.
 Level of risk	 Trend		

Risk	What is the risk?	What is the effect?	How is the risk managed?
Loss of subscribers – B2B	Aggressive competition and switching of subscribers between operators. New technologies and price erosion.	Loss of revenues. Higher costs.	Strategic partnerships for innovative solutions in the following areas: Internet of Things, smart cities, 5G mobile ICT solutions, healthcare. Programme to maintain subscribers.
 Level of risk	 Trend		
Diminishing profitability of subscribers and services – B2B	Migration of traffic to OTT. Increased scope of services at a lower price.	Loss of revenues. Higher costs.	Integrated solutions for the 'cross sell' and 'upsell' programme. Improved offer and introduction of a new offer that takes into account changing user requirements. Reduced development time for new solutions.
 Level of risk	 Trend		

Impact of the COVID-19 pandemic

The COVID-19 pandemic has resulted in the increased needs of users for reliable and secure telecommunication services and computer equipment. Adjustments are being made on the B2B market due to the shutdown of certain economic sectors [e.g. catering and tourism], and the suspension and/or delay of some previously agreed major ICT transactions, while companies in specific sectors are encountering problems in their operations.

The closure of points of sale has had a major impact on sales of merchandise, which cannot be offset by increased sales via the Online Store and the transformation of points of sale into pick-up points. Factors in lower revenues and a falling margin include the restricted movement of the population and travel limitations, which has reduced the number of foreign users who roam in Telekom Slovenije's mobile network, while the number of Telekom Slovenije users in the networks of foreign operators is also down. Measures include the monitoring of the sales margin of international wholesale services, the conclusion of longer-term agreements with international operators and an agreed traffic volume, and the proactive search for new destinations and revenues.

The pandemic is affecting the perception of our brand. As a provider of ICT services and solutions, we comprehensively supported private and business users. In addition to ensuring the smooth functioning of the network and services, we provided business users additional capacities and upgraded existing IT solutions, covered the special needs of government bodies and facilitated the rapid implementation of video identification services, provided private users free mobile data transfer quantities and upgraded the TV programme offer with children's, documentary, popular science, film and sports content, free of charge.

For Telekom Slovenije, all of the efforts made during the pandemic also represent an opportunity for the more rapid development of advanced and digitally supported solutions for products and services due to social shifts. Our priority task is focusing on the user, for whom we facilitate the integration and accessibility of content and applications. For us, our experience and the digital transformation facilitate efficiency, rapid development and partnerships. As a company, we have responded to the pandemic in a socially responsible manner and ensured the connectivity of users.

FINANCIAL RISKS

We regularly monitor the dynamics of the financial environment that are reflected in various types of risks to which we are exposed in operations. We actively monitor liquidity, credit and interest-rate risks. Various financial risk management models and derivatives are used to reduce exposure to specific types of risks.





Telekom Slovenije manages liquidity risk through the regular management and planning of cash flows for different time periods, 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. We manage short-term imbalances in cash flows using liquidity reserves in the form of short-term credit lines.

Credit risk is managed by Telekom Slovenije through the active monitoring of the operations of customers and their credit ratings, and by limiting maximum allowable exposures. We further hedge against the risk of the deteriorating financial position of customers through credit insurance and by regularly monitoring the

appropriateness thereof. Monitoring of the settlement of contractual obligations and the active recovery of past-due debt are also elements of the systematic credit risk management tool.

We manage against interest-rate risk using interest-rate swaps.

We manage credit risk in connection with receivables from loans to subsidiaries by including various collateral instruments in loan agreements, while we regularly monitor the operations and liquidity of subsidiaries.

Risk	What is the risk?	What is the effect?	How is the risk managed?
Subscriber credit risk	Increased proportion of past-due receivables.	Scope and structure of receivables.	Subscriber credit assessment, credit check process, obtaining credit insurance. Recovery of past-due receivables.
 Level of risk	 Trend		
Long-term solvency and capital adequacy.	Additional borrowing requirements.	Reduced financial flexibility. Higher net debt.	Creation of a structure of financing for the fulfilment of financial commitments from loan agreements. Appropriate debt-to-equity ratio.
 Level of risk	 Trend		

Impact of the COVID-19 pandemic

A comprehensive approach to managing liquidity risk and the implementation of measures in other areas of operations have contributed to the fact that the pandemic has not had a significant impact on the Company's liquidity. To that end, we adopted additional measures aimed at the optimisation of costs and the mitigation of the effects of the pandemic on the Company's cash flow. In managing liquidity, we follow a conservative approach and ensure the best possible composition of sources of financing. We carefully monitor the economic situation and business factors, including the dynamics of received payments.





We extended the payment deadlines of customers' past-due liabilities by amending recovery procedures. Telekom Slovenije regularly monitors and supervises the operations and liquidity position of subsidiaries. If the negative effects of the pandemic will affect subsidiaries' ability to service their loans, activities will be implemented with the aim of refinancing loans or amending loan repayment schedules.

REGULATORY AND COMPLIANCE-RELATED RISKS

The Agency for Communication Networks and Services of the Republic of Slovenia (AKOS) began preparing a multi-frequency public tender with a public auction of frequencies for the 5G network. The AKOS published an informative memorandum on 3 August 2020 regarding the multi-frequency auction, followed by the public tender in December 2020. The auction is expected to begin at the end of March or beginning of April 2021.

Telekom Slovenije processes a large quantity of personal data relating to users, business partners, employees and other stakeholders. We thus encounter risk in connection with that processing. Of significance in terms of that risk is 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, and repealing Directive 95/46/EC (General Data Protection Regulation), which entered into force on 25 May 2018 and brought increased awareness of both users and the general public regarding the protection of the data. We ensure compliance with the requirements of the aforementioned regulation through the continuous monitoring, updating and improvement of personal data processing and internal control processes. We also monitor the drafting of new regulations in the area of personal data protection at the national level [e.g. the ZEKom-2, ZVOP-2 and ZEISZ] and EU level [e.g. the e-privacy directive] that will impact the processing of data during the provision of the Company's services.

In our operations, we comply with valid legislation, as well as adopted decisions and aspects of sectoral regulations and other competent bodies. We manage regulatory risks through organisational and procedural measures in the Company's operations, through constructive dialogue, by putting forth opinions, comments and suggestions in public consultations regarding drafts of general and specific laws issued by the regulator, and by taking legal action against issued regulatory decisions, whenever that is justified.

Risk	What is the risk?	What is the effect?	How is the risk managed?
Risk of regulatory pressures on the markets of fixed and mobile electronic communications	New models for setting prices and additional obligations for regulated services.	Higher costs and loss of revenues.	Communication with regulatory bodies. Active participation in market analyses, and in the adoption of new laws and other acts. Implementation of issued regulatory decisions and compliance. Monitoring of changes in the EU regulatory framework.
 Level of risk	 Trend		
Compliance in the area of personal data protection	Breach of personal data protection.	Loss of users' trust. Payment of fines and claims for damage.	Implementation of internal controls for maintaining records of personal data, the handling of personal data and assessments of effects. Cooperation and controls in the updating of rules and conditions for the processing of personal data in respect of new services. Employee training in the area of personal data protection.
 Level of risk	 Trend		

Impact of the COVID-19 pandemic

Remote operations and measures limiting gatherings of people in order to control the pandemic bring new challenges in personal data protection. At the same time, increased access to data regarding users via digital communication channels offers numerous opportunities for adapted solutions or new business models.

One precondition for the successful application of new solutions is users' trust in a high level of personal data security. We therefore take all legal requirements into account when adapting operations and/or services. In connection with managing the epidemic in Slovenia, several proposals were put forward regarding the use of mobile operators' data and how mobile operators could help in preventing the spread of COVID-19. We are thus monitoring those proposals.

OPERATIONAL RISKS

Telekom Slovenije dedicates 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, the growing demands of applications and devices, and on account of the regulatory framework.

We manage risks through the development of access and core systems, and BSS and OSS, by improving operational efficiency and by providing support for new business opportunities.

In the scope of business continuity, we ensure the necessary topologies and 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. We implement updates and increase capacities through redundancy in those network segments where we have identified increased functional and security-related risks.











Based on an assessment of risks in the area of ICT security, we continuously develop systems for monitoring technologies and anomalies in the ICT infrastructure and services, and conduct internal and external penetration testing. We have in place the Cyber Security Operation Centre. We manage risks through the implementation of the security policy, by identifying security threats and vulnerabilities, and by spreading the security culture to employees and users.

We 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, excessively high auction prices and other related conditions of the public tender for the frequency auction, which the AKOS published in the Official Gazette of the Republic of Slovenia on 18 December 2020. All of that could affect the possibility of acquiring the tendered radio frequency spectrum at that auction. The Company is actively preparing for the auction with a team of internal and external experts.

We manage 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 the risk of cooperation with suppliers. To that end, we monitor compliance with contractual provisions. The Supplier Code falls into this category of activities.

We are also exposed to human resource risks, in particular the risk of retaining or recruiting key staff and employees with crucial knowledge and certificates, as there is increased demand for professionally qualified employees on the labour market. In that respect, we focus on the systematic development of employees and career planning, the internal transfer of knowledge and the upgrading of advanced development-training programmes, while ensuring employee motivation and remuneration systems. By providing scholarships to young people, we offer them the opportunity to make contact with the latest technologies and top experts, and facilitate their development. We carry out the measurement of organisational vitality, and implement activities to enhance the employer brand.

Operational risks include sustainability risks, such as environmental risks and risks in connection with workplace safety. We have also identified reputation risk, which includes risks in connection with managing stakeholder relations.

Risk	What is the risk?	What is the effect?	How is the risk managed?
Functioning of systems – ICT security	Threats to the confidentiality, integrity and availability of networks, systems or data that are the result of a cyber-attack.	Loss of revenues and reputation, higher costs and user dissatisfaction.	Strict implementation and updating of the security policy and processes and planned works, and internal and external assessments. Strengthening of the employee structure of the Operational Service Centre, processes and tools. Focus on user security. Adequate external insurance.
 Level of risk	 Trend		
Functioning of systems – backbone network	The suspension or limited performance of the key services of domestic, international and transit traffic due to the failure of network elements or the MPLS-VPN or ICT infrastructure; inability to fulfil SLAs.	Loss of revenues and reputation, higher costs and user dissatisfaction.	MPLS-core management strategy, monitoring of the functioning of the infrastructure and capacity utilisation rate, continuous improvements to operational and security procedures and knowledge, and hiring of additional employees. Comprehensive information security management system (ISMS), and business continuity management in the event of emergencies.
 Level of risk	 Trend		
Risks associated with the unfavourable results and conditions of the frequency auction	Conditions of the frequency auction and the unfavourable results thereof.	Higher price to purchase frequencies.	Active cooperation and the submission of comments and recommendations regarding published documents, and monitoring of the allocation of the frequency spectrum in the EU. Thorough preparations for the auction with a team of experts.
 Level of risk	 Trend		
Management of procurement process	Dependence on suppliers. Ability of suppliers to execute transactions. Breach of contractual provisions by suppliers.	Higher costs. Loss of reputation.	Centralised purchasing. Standardised procurement process. Assessment of supplier-related risks. Monitoring of the cooperation of strategic partners, and supplier assessment. Supplier Code of Conduct.
 Level of risk	 Trend		
Departure of key employees	Departure of key employees, and employees with crucial knowledge and certificates.	Costs in connection with the training of new employees. Lack of competences.	Focus on employee development and the internal transfer of knowledge. Employee education and training, and employee remuneration and motivation system. Internal mobility of employees and the acquisition of new skills and competences. Company scholarships.
 Level of risk	 Trend		

Impact of the COVID-19 pandemic

Based on the business continuity management system (BCMS), which is certified in accordance with the ISO/IEC 22301 standard, Telekom Slovenije adopted preventive measures and a 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 is prepared for and capable of ensuring key services and processes, even in emergencies. The number of security incidents has risen due to the impact of COVID-19 and the mass transition to remote work and distance learning. We adapted the work of experts to ensure the smooth functioning of services 24 hours a day, as well as the quality, security and control over capacities. We ensure the timely supply of equipment and services in the context of increased communication with suppliers, ensure buffer stocks of strategic materials, have established at least two sources of supply, and make timely procurements due to possible supply disruptions and delays.

We also ensure compliance with security and preventive measures for employees, and ensure remote work. As a telecommunications operator and employer, we responsibly adopt measures to protect employees and users, and to ensure the continuous functioning of services, which for many represent the only form of communication in a period of limited social contacts. Through our responsiveness, agility and implemented measures, we have demonstrated that we are a driving force of digitalisation in society and that we are enhancing our resilience. Digitalisation has once again proven to be the backbone of the economy and society.



Presentation of risks by risk category

The graph presents levels of risk at Telekom Slovenije by risk category during the final quarter of 2020 and a comparison with target levels of risk. Target levels are in line with risk management efforts at the Company, and are reviewed and defined once a year.



AVTENTA



Risk	What is the risk?	What is the effect?	How is the risk managed?
Human resource risks	Lack of experts for project implementation.	Higher costs and impact on project implementation.	HR strategy focused on retaining and recruiting staff. Employee motivation.

 Level of risk
  Trend

The risk in connection with the impact of the COVID-19 pandemic includes pressure to reduce the scope and/or prices set out in previously signed agreements. Measures include communication for the purpose of coordinating project delays. The company sees an opportunity in the development of adapted solutions or new business models.

GVO



Risk	What is the risk?	What is the effect?	How is the risk managed?
Risks associated with rising prices of construction services	Rising prices of subcontractors for construction services on account of economic growth and an increase in demand for construction works.	Higher costs and loss of revenues.	Coordination with subcontractors and the continuous review of implemented works. Adaptation of the work organisation and processes.

 Level of risk
  Trend

Risks in connection with the impact of the COVID-19 pandemic derive from restrictions on the implementation of investment works on the market, restrictions on own resources and the resources of subcontractors, disruptions in the supply of input construction materials and the inability to hire new employees. Measures were adopted to ensure occupational health and safety and the rotation of implementing teams. The company sees an opportunity in the implementation of construction works in the accelerated expansion of the network.




TSINPO

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

 Level of risk
  Trend



Risks due to the COVID-19 pandemic have resulted in a drop in demand for cardboard products, the generation of additional costs and delays in product launches. In progress are active communication with customers, care for employees and the exploitation of state aid to mitigate the impact of the epidemic. The company sees an opportunity in the acceleration of the digitalisation and automation of operations.

TSMEDIA

Risk	What is the risk?	What is the effect?	How is the risk managed?
Risks associated with achieving planned revenues	Reduction in the scope of advertising.	Loss of revenues.	Conclusion of annual agreements, promotional prices, new advertising products.
 Level of risk	 Trend		
Risks associated with the sale of the company	Disclosure of documentation regarding operations. Departure of employees. Appropriate organisation of processes.	Loss of revenues.	Conservative approach to the disclosure of documentation. Employee motivation. Organisation of processes.
 Level of risk	New		





Risks in connection with the impact of the COVID-19 pandemic are linked to a reduction in the scope and cancellation of previously approved advertising campaigns and projects. Measures relate to delays in campaigns and projects, and additional negotiations, the attracting of new customers and new forms of advertising. The company sees an opportunity in new digital work methods.











SOLINE

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

Risks due to the COVID-19 pandemic are having an additional impact on operations, as sales in the company's retail outlet network, and visits to the Lepa Vida Spa and the nature park are highly dependent on tourists. Opportunities for the company lie in new sales programmes and the adaptation of the infrastructure to climate change.

IPKO

Risk	What is the risk?	What is the effect?	How is the risk managed?
Revenue-loss risk – mobile segment	Use of OTT applications and WiFi networks. Optimisation of the use of prepaid services. Reduction in number of users.	Loss of revenues.	Monitoring of market development, active adaptation of the portfolio and appropriate market approaches. Improved user loyalty.
 Level of risk	 Trend		
Risk of the loss of prepaid users – fixed segment	Aggressive competition, lower prices of competitors, migrations of users of prepaid services to other operators.	Loss of revenues. Reduced number of subscribers.	Innovative offers to attract new users and maintain existing users. Adaptation of offer.
 Level of risk	 Trend		

Risk	What is the risk?	What is the effect?	How is the risk managed?
Diminishing profitability of subscribers and services – fixed segment	Aggressive competition, low prices and migration of users to more affordable packages.	Lower margin.	Monitoring of market development. Additional benefits for users, and an 'up sell' and 'cross sell' offer.
 Level of risk	 Trend		
Revenue-loss risk – roaming	Reduced scope of services with the transition to the new +383 code in Kosovo.	Loss of revenues.	Negotiations with foreign operators with regard to prices and retail packages linked to Kosovo. Appropriate market approaches.
 Level of risk	 Trend		
Risks associated with ensuring high-quality programme content	Change in programme content.	Lower revenues.	Constant monitoring of broadcast content. Regular communication with suppliers.
 Level of risk	 Trend		
Risks associated with the payment of copyright fees for the transmission of programmes via the cable network	Additional fees paid to the collective association for programme broadcasting.	Higher costs.	Negotiations with government bodies regarding the level of fees.
 Level of risk	 Trend		
Compliance with tax legislation in terms of licence fees	Additional fee for the broadcasting of channels, and the use of hardware and software.	Higher costs.	Preparation of documentation. Communication with the tax authorities. Inclusion of a tax consultant.
 Level of risk	Novo		
Risks associated with the payment of additional fees for the use of the infrastructure in municipalities	Additional fees for the fixed and mobile infrastructure in municipalities.	Higher costs.	Use of all legal remedies.
 Level of risk	Novo		

Impact of the COVID-19 pandemic

The pandemic is affecting operations, as it has led to a sharp drop in the use of mobile services in Kosovo due to the lockdown and restrictions on the operations of companies. That drop in use has led directly to a drop in revenues and profit on account of the prepaid market. That impact can also be felt in the fixed segment where users are opting for the less expensive products of the competition. IPKO is faced with lower revenues and the effect on margins due to restricted migrations and travel, and the inability of ex-pats to return to Kosovo, as well as the reduced number of foreign users who roam in IPKO's mobile network. A business continuity management team was activated, while the company is continuously adapting operational processes in connection with government recommendations to ensure business continuity and the availability of services in the technical and market segment. The company is attempting to redirect users to online services, while there has been an increase in calls between users and the call centre and retail outlets. Certain investments were postponed to the next year in order to ensure the sustainable financial position of the company. The company is investing in the development of a new portfolio in order to improve the customer experience. The company also sees further changes and opportunities in digitalisation and the migration of sales of services to the web.

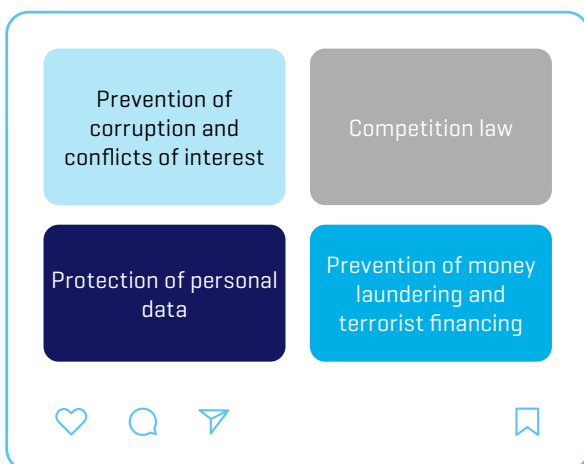
2.5 COMPLIANCE, COMPETITION PROTECTION AND AUDITING

2.5.1 COMPLIANCE AND ANTI-CORRUPTION²²

The Telekom Slovenije Group has identified compliance as a crucial element for long-term successful operations. By ensuring compliance, we safeguard the rights and legitimate interests of the Company, senior management, employees and other stakeholders, while contributing to the strengthening of integrity and the Company's reputation. In the scope of the business continuity management system, we adopted the Integrity Plan of Telekom Slovenije in 2020 as an additional mechanism for operations that are compliant with legislation, other rules, applicable recommendations, internal regulations and ethical principles.

KEY AREAS OF THE COMPLIANCE MANAGEMENT SYSTEM

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



Telekom Slovenije has appointed officers for specific areas of compliance. Those persons perform their functions independently, while compliance is also governed by the company's internal acts. This area is primarily governed by the **Telekom Slovenije Group's Compliance Management Policy**, which was updated in 2020 and applies to all Group companies.

Through the **Code of Ethics of the Telekom Slovenije Group**, we set out the basic principles of operations and the responsibilities of employees in mutual relationships, and in relationships with the users of services and all other stakeholders. Certain areas of the aforementioned code are also defined in more detail in other internal acts. The content of the code is verified and adapted as necessary by the compliance and integrity officer.

In 2020, Telekom Slovenije signed the **Commitment to respect human rights in the course of operations**, which is part of the National Action Plan of the Republic of Slovenia on the Respect of Human Rights in Business. We thus made an additional commitment to respect human rights in the business process and to prevent potential negative effects on human rights.

We strive for compliance along the entire supply chain. To that end, we adopted the **Code of Conduct for the Suppliers of the Telekom Slovenije Group** in 2018, and included the contents of that code in business relationships with suppliers. The code binds suppliers to act in accordance with valid national and international regulations in their operations, and to respect the highest standards of ethics and business conduct.

Telekom Slovenije places transparent business and personal connections at the heart of managing conflicts of interest. **Rules Governing Conflicts of Interest** were updated in 2020 with the basic rules of lawful lobbying, while those rules emphasise the importance of avoiding conflicts of interest

and exercising personal interests. They define the actions expected of employees to prevent conflicts of interest from arising, the obligation of management staff to submit annual statements regarding conflicts of interest, and the role of the Compliance Committee, which assesses employee notifications (regarding the disclosure of circumstances that could result in the existence of potential conflicts of interest) via an online application.

With the **Rules on the Acceptance and Offering of Gifts and Invitations**, we defined in more detail rules regarding the acceptance and offering of gifts and invitations in the course of daily transactions with business partners, public servants and officials. We thus further protect Telekom Slovenije Group employees from erroneous assessments regarding the acceptance and offering of gifts and invitations, which could result in financial damage, and damage to the reputation of management, employees or the company.

As a dominant operator on specific markets, Telekom Slovenije dedicates special attention to the area of competition law. Through the **Guidelines on Assuring Compliance with Competition Law**, we defined procedures and internal controls for assuring compliance with competition law, and provided various instructions to employees on how to act in certain situations. To that end, we also organise regular employee education and training.

Using different channels, employees and other stakeholders may anonymously and confidentially **report breaches of the Code of Ethics and other internal acts**, or potential illegal conduct. A system for receiving, handling and investigating reports was established at the Group level in 2014, and is defined in the Rules on the Management of Reports and Protecting Whistleblowers. The compliance and integrity officer is responsible for handling reports and proposing the adoption of measures in the event breaches are identified.

Telekom Slovenije addresses potential risks associated with corruption in sponsorship and donation activities through the **Rules on the Treatment and Approval of Sponsorships and Donations**. The rules in that regard are also in line with the Code of Ethics, which states that Group

companies may not use their financial resources or in any other way support political parties.²³

No cases of corruption were identified and confirmed within the Telekom Slovenije Group in 2020.²⁴

PERSONAL DATA PROTECTION

The Telekom Slovenije Group is aware of the importance of and its responsibility in connection with the protection of the privacy and data of our users and other persons whose data we process. As the leading Slovenian operator and provider of additional services, we process enormous amounts of personal data from our users. We therefore dedicate constant and close attention to this area.

In 2020, we determined that users are increasingly aware of the processing of their personal data and their rights in that regard. Important building blocks in the introduction of new services and the success of digitalisation processes are the security and compliance of data processing, as we are aware that users will only use those services if they trust in the security of their data.

When updating existing services and introducing new services (e.g. the transformation of the VALÚ KLUB loyalty programme and the PIAZZ online marketplace), we carefully reviewed and appropriately formulated data processing rules. Also important in the context of the ever-increasing digitalisation of operations is constantly ensuring cyber security. To that end, we ensure the cyber security of Group companies and our services, while we also offer users cyber security services.

In addition to general regulations, sectoral regulations, in particular the Electronic Communications Act, have an equally important impact on our data processing activities. Being drafted is a new law, where we are striving for the revision of provisions that govern data processing with the aim of ensuring that those provisions will facilitate modern operations, and ensuring their harmonisation with the General Data Protection Regulation (GDPR).

We provide individuals information regarding personal data processing through the publication of data processing rules. We share that information primarily through the **Privacy Policy**, which

23 GRI GS 415-1

24 GRI GS 205-1

provides subscribers and users general information regarding the processing of their personal data and their rights, through the terms and conditions of individual services, which in turn provide specific information in connection with the processing of data for those services, and by responding to the questions of individuals.

We continuously monitor, update and improve personal data processing processes and procedures, taking into account feedback from users and other stakeholders, as well as information obtained through internal and external controls, in complaint resolution procedures and in the handling of potential breaches of personal data protection. We also adapt processes and procedures with respect to changes in the environment, which include changes due to measures in connection with the COVID-19 pandemic, and changes in the regulatory environment.

As a major controller of personal data, we are subject to frequent supervision by the competent bodies. Five supervision proceedings were conducted at Telekom Slovenije in 2020 (including two proceedings that began in 2019) by the Information Commissioner. Two proceedings have already been completed, without identified breaches.

Measures in connection with the COVID-19 pandemic have resulted in the active migration of operations to the digital environment and the transition to remote operations. Our numerous responses include cooperation with the competent state bodies in the development of an application for reporting the health status of employees for the needs of healthcare institutions. That application is available to business users. During that development, we took into account the sensitive nature of processed data and applied high standards for the protection thereof.

Telekom Slovenije is bound to comply with the **Prevention of Money Laundering and Terrorist Financing Act**. In addition to payment and electronic money issuance services (in the form of the VALÚ and VALÚ Moneta services), we also included real estate transactions (leasing out) in the prevention of money laundering and terrorist

financing system in 2020. A system is in place for the aforementioned services, as are rules, measures, procedures and internal controls aimed at the prevention of money laundering and terrorist financing. In the scope of these activities, we did not identify any transactions in 2020 for which money laundering or terrorist financing was suspected.

The Telekom Slovenije Group organises regular training, workshops and e-learning on the subject of compliance for employees and authorised agents. We inform them via the intranet or electronically about the importance of compliance, current topics and challenges, and about specific activities and previously implemented mechanisms in the area of compliance.

Together with all subsidiaries, we strive to pursue the highest ethical and business standards, such that we have established and regularly upgrade the compliance management system for the entire Telekom Slovenije Group.

REPORTING ON TAXES²⁵

The organisation and functioning of the tax function are governed at Telekom Slovenije by the document Organisation of the Tax Function at Telekom Slovenije.

The Telekom Slovenije Group is committed to legally compliant operations. Tax-related risks are therefore unacceptable. We have in place internal controls and procedures in accordance with the Methodology on the Self-Assessment of Internal Controls and Reporting within the Telekom Slovenije Group, which ensures that tax treatment is verified before the execution of new types of transaction.

The document Tax Strategy and Tax Management within the Telekom Slovenije Group defines a tax policy at the Group level, the management of tax risks and transfer prices. The underlying principle of the Telekom Slovenije Group's tax policy is the functioning of all Group companies in accordance with local tax legislation in the countries where those companies are registered to perform an activity.

The Telekom Slovenije Group's tax policy has been defined to ensure the appropriate organisation and functioning of the tax function within the Group, with the aim of optimising the tax burden through the accurate, lawful and timely calculation and payment of taxes.

Tax-related risks are included in the risk assessment and reporting process. The Company's catalogue of identified risks includes risks associated with compliance with tax legislation, i.e. the accurate and timely fulfilment of all types of tax obligations.

Telekom Slovenije reports on taxes for itself and the Telekom Slovenije Group, while subsidiaries report for themselves in accordance with the laws of the countries in which they are registered. Subsidiaries are obliged to establish the appropriate internal controls, and to report all deviations from the provisions of the adopted tax policy to the parent company regularly and in a timely manner.

Every subsidiary must define the areas and adopt the general guidelines set out in the TSG's tax policy independently, taking into account valid laws in the specific tax jurisdiction in which a company operates.

2.5.2 COMPETITION PROTECTION AND PROCEEDINGS BEFORE THE COURTS AND OTHER BODIES²⁶

No new proceedings were initiated against Telekom Slovenije in 2020 due to the potential breach of competition rules or monopolistic behaviour. There were two proceedings in this area before the Competition Protection Agency (CPA) in previous years. Those proceedings are still pending. There were also no new proceedings initiated against the subsidiary IPKO in Kosovo. Two proceedings initiated by IPKO were still pending before the Kosovo Competition Authority.

Telekom Slovenije was party to the following significant proceedings before the courts in 2020:

- The Ljubljana Higher Court rejected Telekom Slovenije's claim in the commercial dispute between Telekom Slovenije and Bojan Dremelj, Dušan Mitič, Filip Ogris Martič, Željko Puljić and Darja Senica for the payment of EUR 7,635,500.00 with appertaining costs. The court ordered Telekom Slovenije to reimburse the litigation costs of the defendants and interveners, which the Company paid in full.
- Based on the resolution adopted by the General Meeting of Shareholders on 5 June 2020, an out-of-court settlement was reached before the Ljubljana District Court in the commercial dispute between Telekom Slovenije and Bojan Dremelj, Dušan Mitič, Filip Ogris Martič, Željko

Puljić and Darja Senica for the payment of EUR 48,051,294.00 with appertaining costs. On that basis, the insurance company involved paid Telekom Slovenije EUR 2.8 million on 24 June 2020. With the settlement of that obligation, all mutual relations between the litigants were put in order.

- As the defendant in the commercial dispute involving 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. 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.

Provisions for obligations arising from legal actions are disclosed in the Accounting Report in point [31 Provisions](#).

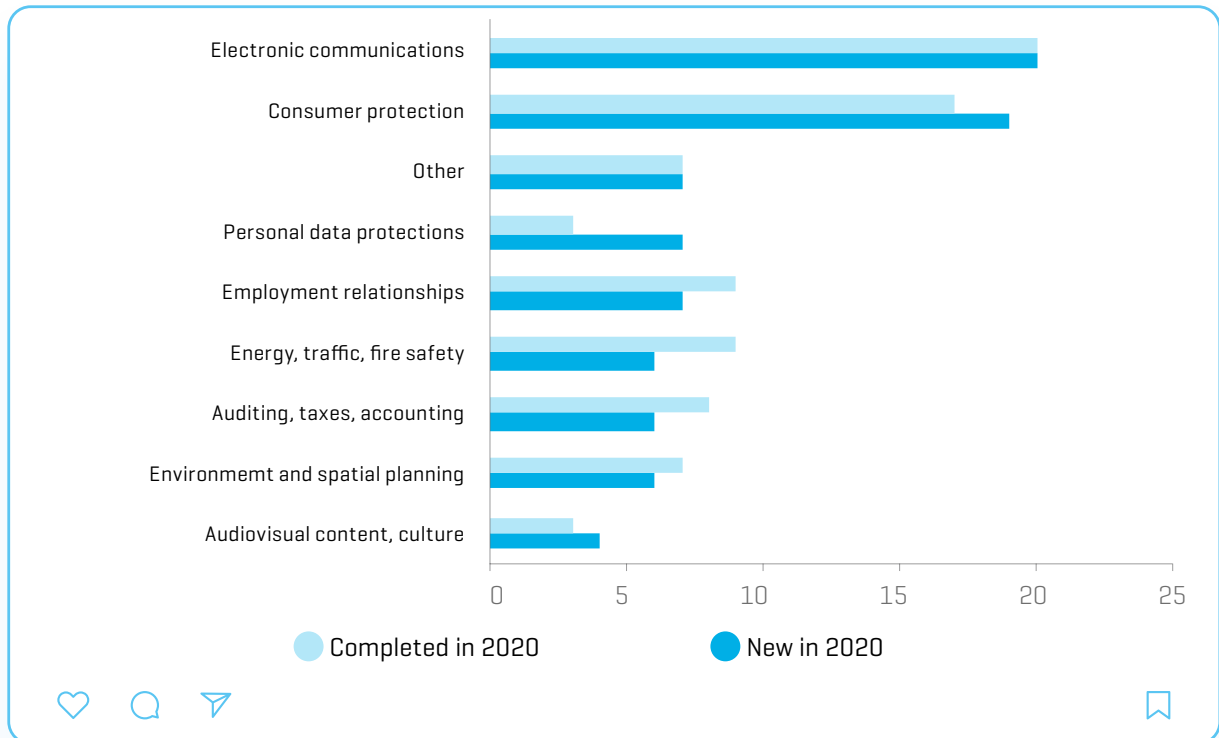
EXTERNAL SUPERVISION PROCEEDINGS²⁷

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

compliance with legal or contractual provisions or standards in the performance of its activities.

There was a total of 82 external supervision proceedings within the Telekom Slovenije Group in 2020: 63 at Telekom Slovenije and 19 at subsidiaries. A total of 83 external supervision proceedings were completed, 64 at Telekom Slovenije and 19 at subsidiaries.

Review of supervision proceedings within the Telekom Slovenije Group in 2020 by area



Telekom Slovenije paid a fine in the scope of two supervision proceedings in 2020 (in the areas of electronic communications and traffic). In neither of those cases did the fine exceed EUR 4,000. Fines were not imposed against the legal entity and responsible person in completed supervision proceedings involving subsidiaries.

2.5.3 AUDITING

INTERNAL AUDITING

Telekom Slovenije's Internal Audit Service (IAS) conducts internal auditing for all Telekom Slovenije Group companies. With its in-depth understanding of the operations of the Telekom Slovenije Group, the IAS performs auditing tasks, provides objective assurances based on risk assessment and performs advisory tasks. It thus contributes to the strengthening and protection of the organisation's value, continuous improvements in the effectiveness of risk management, control procedures and corporate governance

at Group companies. IAS employees regularly attend professional training and are members of professional associations, while every internal auditor holds at least one professional title from the areas covered by the IAS. An independent external assessment in 2016 and internal assessments of quality in the years that followed have confirmed the compliance of the work of the IAS with the International Standards for the Professional Practice of Internal Auditing.

The areas of auditing for 2020 were defined in the IAS's work plan, and derive from its multi-year plan for the period 2020 to 2024. Annual and multi-year plans are adopted by the Management Board, and were also reviewed by the Audit Committee and approved by the Supervisory Board. The IAS also performed an extraordinary audit by resolution of the Management Board.

During audits of Group companies in 2020, the IAS assessed the effectiveness of internal control and risk management systems, and governance in the following areas: retail sales, project management, the generation of revenues, security upgrades to key information sources, access rights, the operations of subsidiaries, and compliance in the areas of documentary materials and financial services. The IAS also performed advisory tasks. It issued recommendations for improving internal controls and the more effective management of risks in areas subject to audit, and regularly monitored the implementation of adopted recommendations. The IAS reports regularly to the

Management Board and Supervisory Board's Audit Committee on findings and recommendations, and on the implementation thereof.

The IAS also faced challenges in 2020 due to COVID-19, as the majority of audit work was performed remotely. In its remote work, the IAS followed the Telekom Slovenije Group's guidelines in connection with the protection of data and information.

EXTERNAL AUDITING

In accordance with the Guidelines for Ensuring the Independence of the Auditor of the Financial Statements of the Telekom Slovenije Group, the audit firm PricewaterhouseCoopers (PwC) was appointed to audit the financial statements of Telekom Slovenije and the Telekom Slovenije Group for the 2020, 2021 and 2022 financial years at Telekom Slovenije's 31st General Meeting of Shareholders. Costs associated with the auditor are disclosed in the Accounting Report in point [43 Costs of auditor](#).



2.6 BUSINESS ENVIRONMENT AND TRENDS IN THE SECTOR

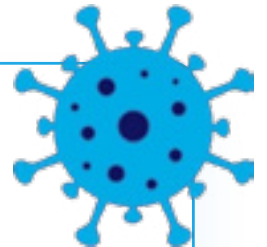
2.6.1 IMPACT OF THE MACROECONOMIC ENVIRONMENT ON OPERATIONS

SLOVENIJA

In combination with strict health and protective measures, the COVID-19 pandemic hit economic activity hard in 2020, and that effect could still be felt during the first quarter of 2021. Strict measures to contain the spread of the virus at the global level and in Slovenia resulted in a sharp drop in economic activity in 2020, most notably in the second quarter due to the shut-down of non-essential service activities, and the hampered activities of industry and other service sectors. Restrictions on movement, limited spending opportunities and a high level of uncertainty led to a significant contraction in household spending.

The spring forecast of the UMAR for 2021 envisages 4.6% GDP growth and similar growth in 2022 (4.4%). Available data and confidence indicators show that trends from the end of 2020 continue. There is not expected to be any notable recovery during the first quarter of 2021, primarily due to continuing work restrictions in service activities. Given the expected improvement in the epidemiological situation, the start of a recovery is also foreseen in service activities during the second quarter, which will have a positive impact on growth in overall economic activity.

Risks and opportunities in connection with more rapid growth are closely linked to epidemiological conditions



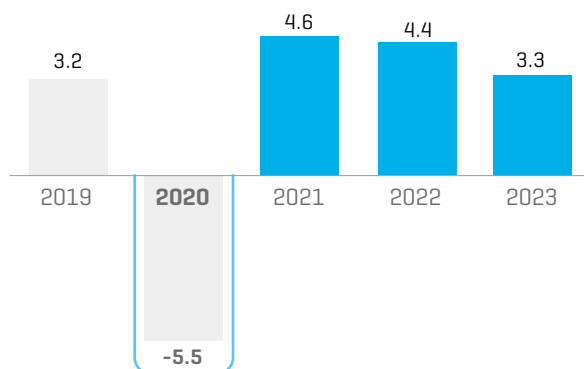
The greatest risk associated with the realisation of forecasts continues to be linked to epidemiological conditions in Slovenia and its most important trading partners, while the gradual and prudent easing of measures to mitigate the consequences of the epidemic is also important.

The recovery will be slower in the event of more protracted adverse epidemiological conditions, more stringent restrictive measures due to new waves of infections, in part due to new and more infectious mutations of the coronavirus and/or slower vaccinations, and the resulting major shut-down of the economy.

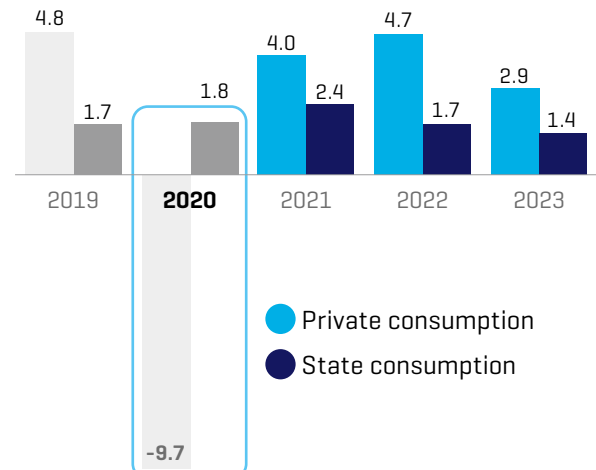


Key macroeconomic indicators in Slovenia

GDP real growth in %



Real growth in %



KOSOVO

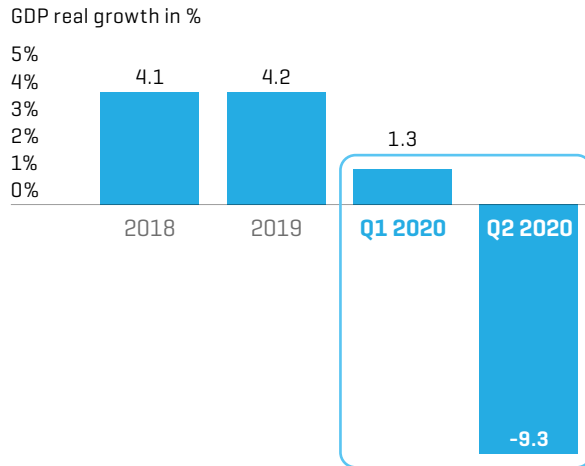
IPKO operates in Kosovo, where GDP is at the level of emerging countries, and six times lower than in Slovenia. Due to low GDP and high unemployment, the prices of telecommunication services are still significantly lower than in Slovenia. The economy remains dependent on economic and employment developments in Western Europe, and on foreign direct investments.

Economic growth was 4.2% in 2019, and was down by 9.3% in the second quarter of 2020 relative to the same period in 2019. Economic sectors characterised by a decline are construction, trade, transport, accommodation and food services, professional and administrative services, financial and insurance services, agriculture, forestry and fishing.

Conditions on the labour market have improved slightly, with the unemployment rate falling, but still very high at 29.1% during the first quarter of 2020. The size of the working-age population can be

expected to grow rapidly over the next ten years, as Kosovo is among the countries in Europe with the youngest population [sources: Kosovo, Ministry of Finance, Labour Force Survey Q1 2020].

Real GDP growth in Kosovo in %



Source: Central Bank of Kosovo, Kosovo Economy at a Glance, December 2020.

2.6.2 STATE OF THE TELECOMMUNICATIONS SECTOR AND TRENDS

According to the forecasts of analysts from Analysys Mason prior to the outbreak of the COVID-19 pandemic, **global** revenues from the services of telecommunication operators were expected to grow constantly at an annual rate of 1.4% [CAGR] between 2019 and 2024. Forecasts were cut considerably due to the pandemic, as a sharp drop is expected in 2020, while the rate of recovery in the coming years will depend on the depth of the recession. Taking into account different scenarios, CAGR is expected to fall by between 0.1% and 0.8% in the period 2019 to 2024.

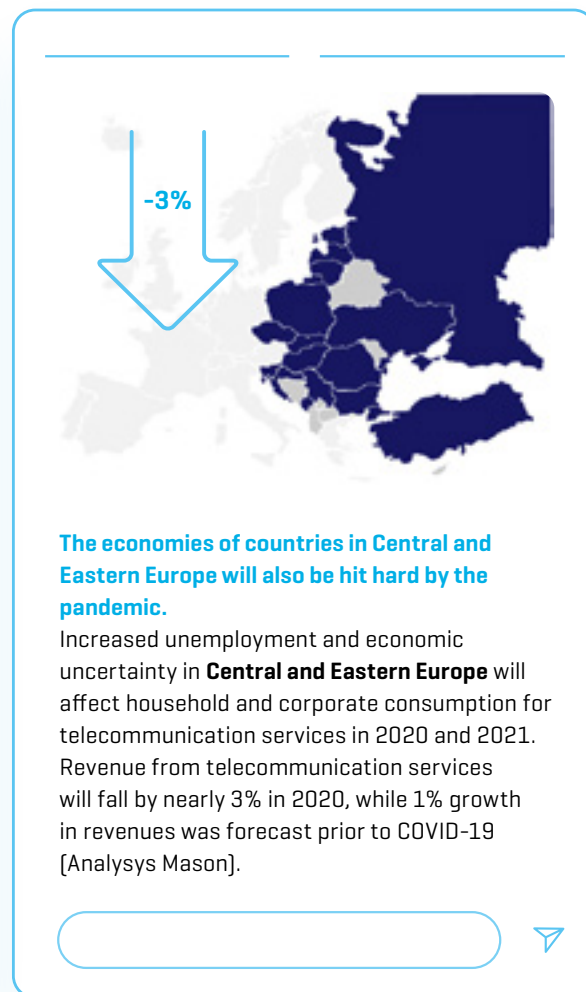
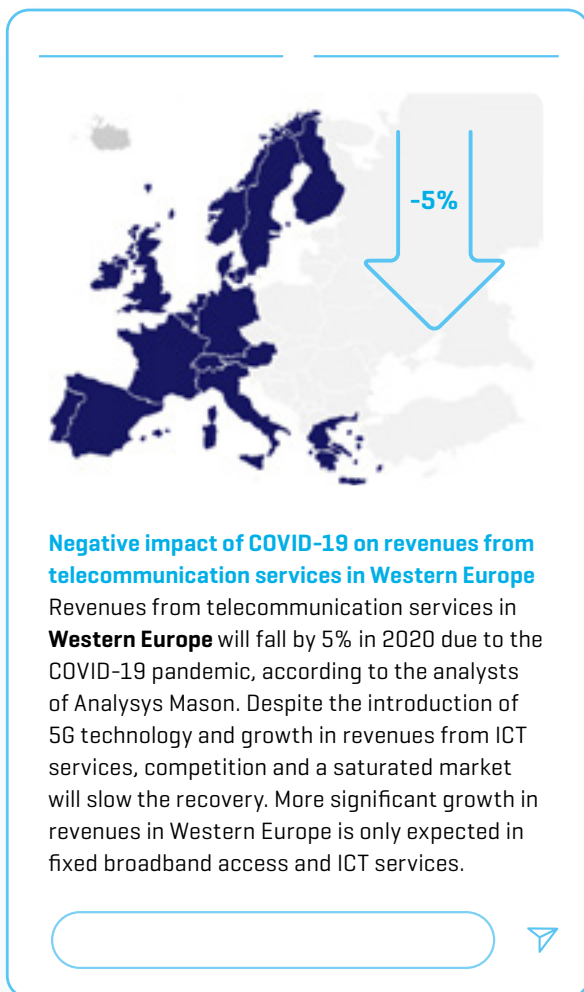
In terms of regions, the sharpest drop in 2020 is expected in North America [-8.5%], as revenues from residential and business mobile telecommunication services are falling sharply due to the severe economic contraction. The most optimistic scenario of moderate growth [2.6%] is for sub-Saharan Africa due to existing strong growth trends, continued dependence on mobile services and the later arrival of COVID-19 in the aforementioned region.



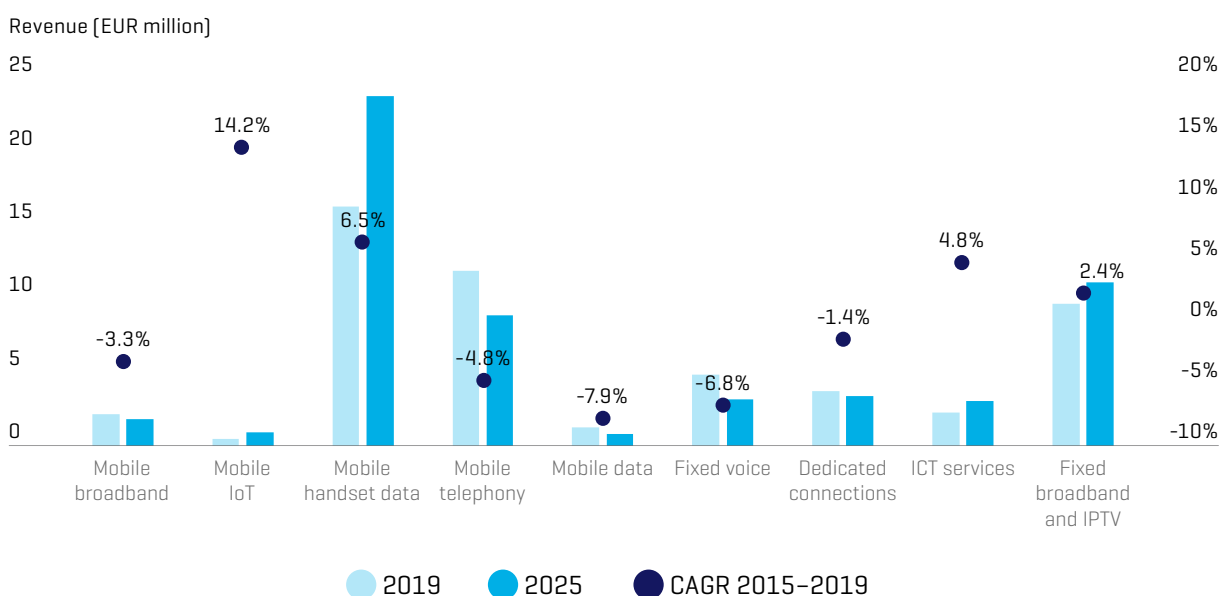
Forecasts of revenues from telecommunication services have been cut considerably due to the pandemic.

The revenues of operators will fall by **between 2.5% and 5.6%** in 2020 compared with the forecast prior to the COVID-19 pandemic, which envisaged growth of 1.8%. Mobile services for residents and fixed business services will be hit the hardest. Despite recent events, revenues from ICT services are growing rapidly, and could rise by between 7.3% and 10.0% in 2020.





Revenue from telecommunications services – **Central and Eastern Europe** in the period 2019 to 2025 [in EUR billion]



Source: Analysys Mason – Central and Eastern Europe telecoms market: trends and forecasts 2020-2025.

Amongst individual services, the highest growth will be achieved by the mobile Internet of Things services and mobile data transfer, followed by ICT services and fixed broadband access with IPTV. The sharpest decline in revenues will be seen in traditional mobile services [calls and messages] and fixed telephony.



MOBILE SERVICES

According to the forecasts of Analysys Mason, the mobile services segment will stagnate. The introduction of LTE networks will be the main driver of growth

in revenues from mobile services and the increased scope of mobile data transfer traffic. Operators in the majority of countries in Central and Eastern Europe have not yet introduced commercial 5G services, while governments continue to strive to achieve the EU's objective of the coverage of at least one city in every EU country with 5G services by 2020. Thus, 5G services will not achieve mass use before 2022, when coverage will be higher and more affordable 5G mobile phones will be available.

Operators will continue to invest in improved coverage by LTE/4G, in order to increase mobile data transfer and average spend per user (ASPU). LTE/4G services will facilitate the simple migration of the users of data services from prepaid to subscriber relationships and thus maintain growth in ARPU, as demand for mobile data transfer services remains high in the region. Growth in the use of mobile data transfer services will slow after 2020, while ARPU will fall due to uncertainties in connection with COVID-19. However, ARPU will recover in the majority of countries in Central and Eastern Europe due to the increased use of data services and reduced price competition.



OPERATOR REVENUES

Operator revenues from dedicated connections will fall. Demand for bandwidth per connection is rising due to the growing migration of business applications to the cloud. However, price competition and the increased availability of high-quality broadband services will limit revenue growth.

Revenues from ICT services, which include security, unified communications, collocation and cloud services, such as SaaS and IaaS, will rise from EUR 2 billion in 2020 to EUR 3 billion by 2025. The use of these services is still relatively infrequent in many countries in Central and Eastern Europe, but sharp growth can be expected in this segment due to the pandemic and the search for solutions to improve business continuity. IT service providers dominate the provision of many of the aforementioned services, but operators also have an opportunity to increase their market shares.

The number of IoT connections will rise between 2019 and 2025 at an annual rate of 17% (CAGR), primarily due to growth on the automotive sector and on account of operators who are introducing low-power wide-area (LPWA) networks. Revenues from other sectors (such as healthcare and smart buildings) are also expected to rise during the aforementioned period. The number of wireless IoT connections will rise by 20% between 2019 and 2025 (CAGR) in all of the countries of Central and Eastern Europe.



FIXED SERVICES

By 2025, a total of 72% of households in Central and Eastern Europe will have

an active gigabit broadband connection, which will facilitate an increasing number of convergent operators who offer packages of fixed and mobile services. Competition will intensify, as an increasing number of operators will search for opportunities in the convergent services and pay TV segments.

Average spend per user (ASPU) will rise in 2020 due to the increased scope of work from home, but stiff competition will trigger a fall from 2021 on.



PAY TV

IPTV will stimulate growth in the number of traditional pay TV connections in Central and Eastern Europe.

The number of cable TV subscribers will fall after 2020, primarily due to the migration of users from cable to other technologies.

The number of satellite connections reached its peak in 2019. The highest proportion of those are in Russia, where the number of satellite connections will continue to grow, but fall in the remainder of the region. The number of IPTV connections will rise from 18.9 million in 2020 to 24.5 million in 2025 in Central and Eastern Europe. Contributing to that rise will be growth in Russia, Poland and Turkey.

Numerous operators have introduced OTT services in recent years, meaning that the number of users of such services will rise sharply in Central and Eastern Europe between 2020 and 2025 (to 27.1 million). Turkey has the highest of number of OTT video services users.

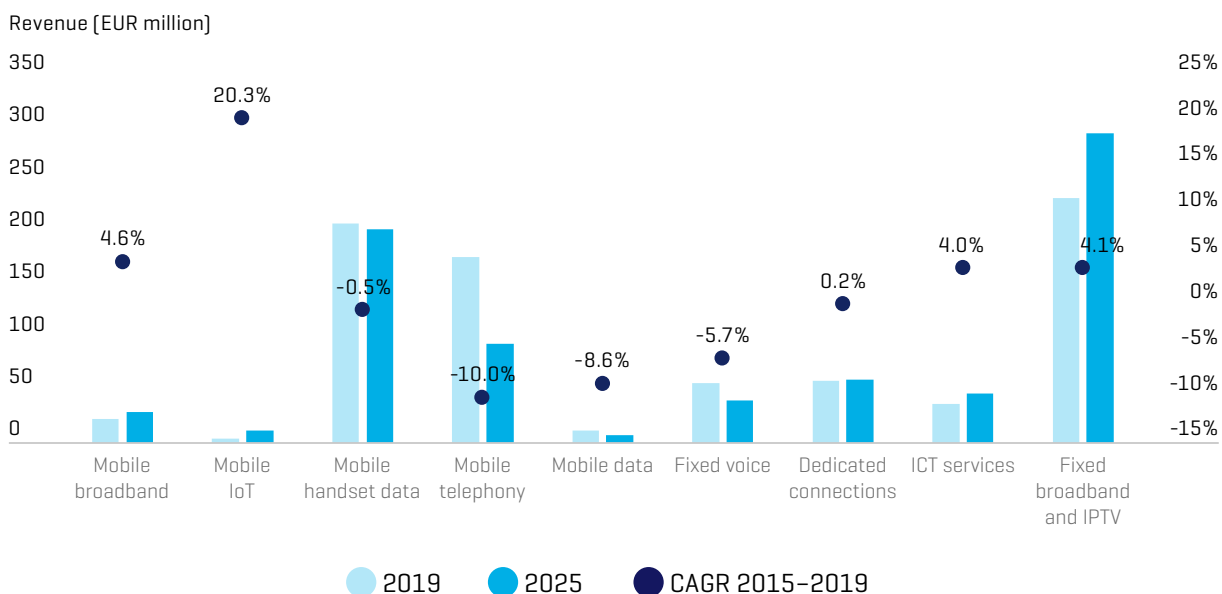




The Slovenian communications market is nearly saturated, but sharp growth in coverage in the fixed segment will drive growth in revenues.

Slovenia has the highest GDP per capita in Central and Eastern Europe. It will maintain that advantage over the entire period until 2025, despite the macroeconomic shock due to the COVID-19 pandemic. Revenues from telecommunication services will stagnate in 2020 [0.1% growth relative to 2019].

Revenue from telecommunications services – **Slovenia** in the period 2019 to 2025 [in EUR million]

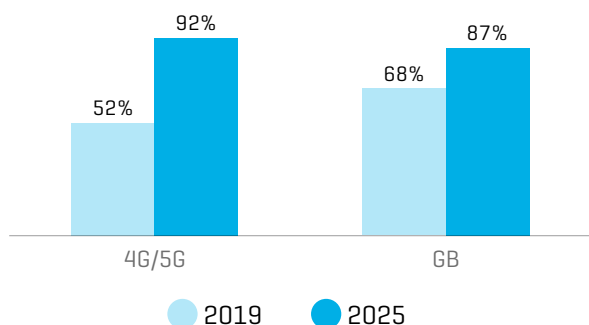


Source: Analysys Mason – Central and Eastern Europe telecoms market: trends and forecasts 2019–2025.

According to forecasts, the sharpest decline in revenues in Slovenia will be seen in traditional mobile services [calls and messages] and fixed telephony. Amongst individual services, the highest growth will be achieved by the mobile IoT, mobile broadband access, fixed broadband access and IPTV, and ICT services. Mobile data transfer will remain at the same level. Strong demand for high-speed fixed broadband connections will help offset falling revenues in the mobile segment.

The development of 5G services will rise quickly in 2021. Together with demographic trends, smart mobile phones and high-speed data connections, which are the norm in the Slovenian mobile segment, will be the driver of the majority potential for revenue growth in the sale of larger quantities of mobile data. The migration to 4G networks and the recent launch of 5G services will satisfy growing demand, which will trigger rapid growth in the use of mobile data per connection [CAGR of 21% between 2019 and 2025]. ARPU will fall due to stiff competition between Telekom Slovenije, A1 and Telemach.

Proportion of 4G/5G connections and proportion of gigabit fixed broadband connections in Slovenia, 2019–2025



Source: Analysys Mason – Central and Eastern Europe telecoms market: trends and forecasts 2019–2025.

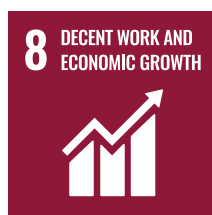
EU initiatives and government support will help ensure fibre optic access, even in remote regions of the country, while the high acceptance of fibre optics will stimulate growth in revenues from fixed services. The analysts of Analysys Mason forecast that the fixed segment will operate better than the mobile segment in the period until 2025. The use of fixed voice services has been falling for some time, while revenues from fixed telephony are showing signs of stabilisation.

IT MARKET IN SLOVENIA²⁸

According to the analysts of Analysys Mason, growth in revenues from ICT services in Slovenia is expected to be 4% in 2020 [relative to 2019] and 3.5% in 2021 [relative to 2020].

At Telekom Slovenije, growth in ICT services will be based on the existing superior LTE/4G network, the development of the Internet of Things and the smart infrastructure (smart cities, smart communities, Industry 4.0, etc.), ensuring cyber security, artificial intelligence and the opportunities offered by fifth generation (5G) mobile networks. Telekom Slovenije will be the leading partner in Slovenia’s digital development.

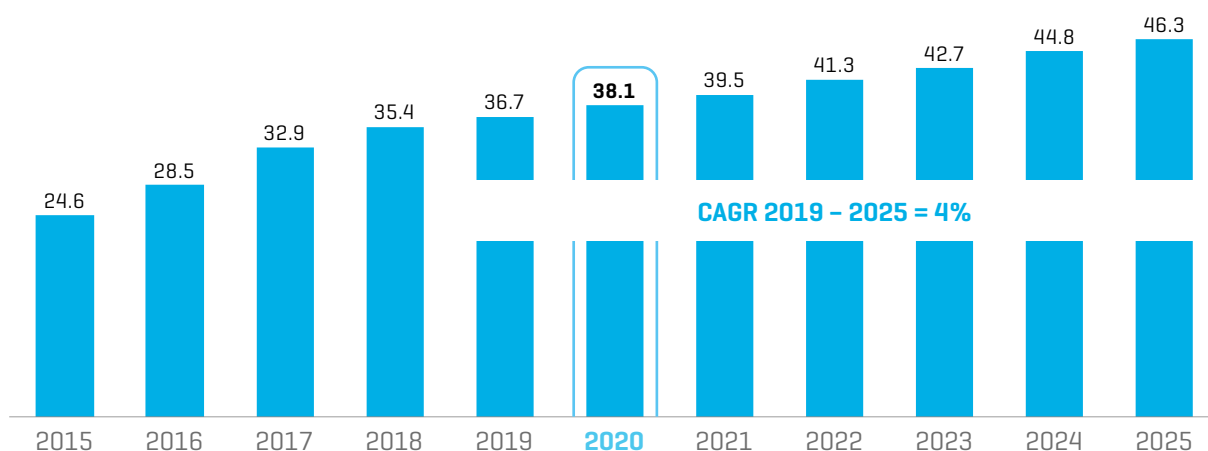
Growth will be achieved through organic growth and the consolidation of the Slovenian ICT market.



The increased digitalisation of operations is accompanied by increasing cyber security threats. Ensuring information security and the continuous control of the network and services thus serve as the

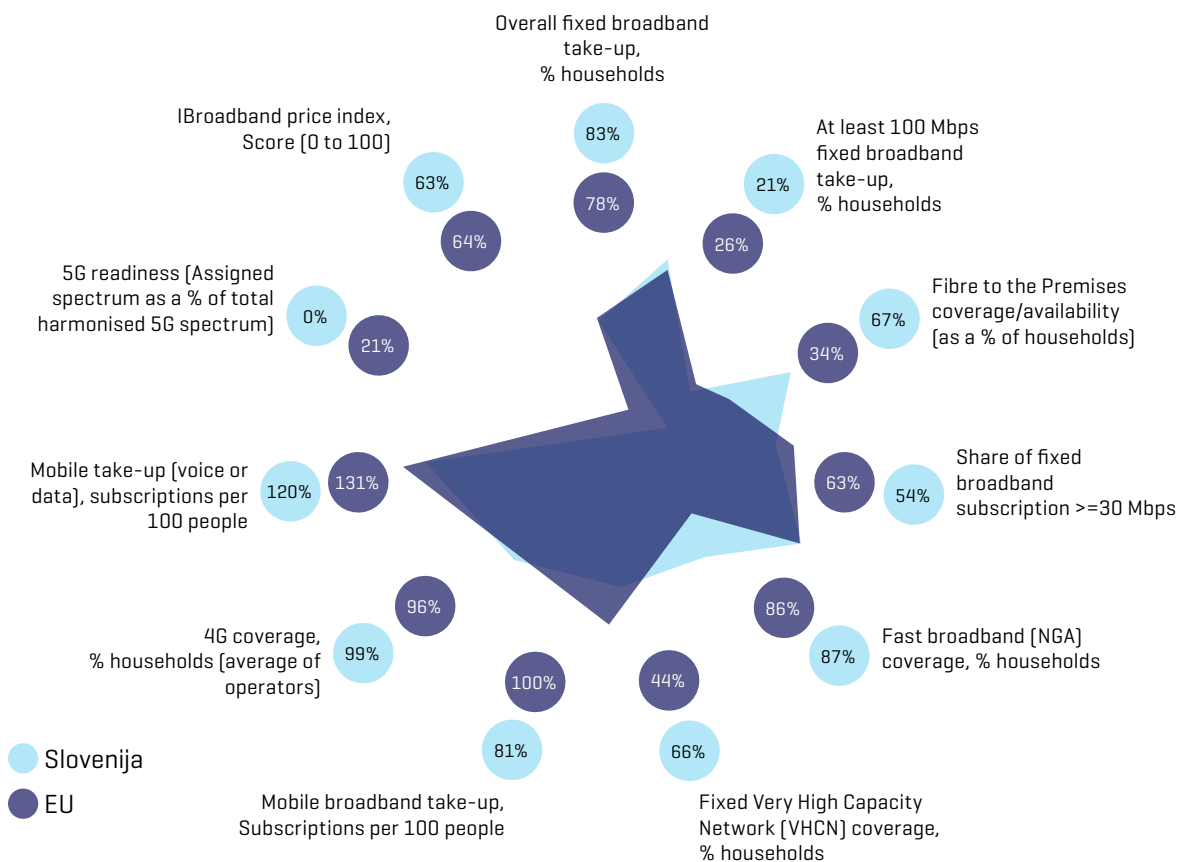
basis of the operations of Telekom Slovenije, which facilitates the secure connectivity of fixed and mobile services via the internet and provides cloud services for private and business users.

Revenues from ICT services, forecast for Slovenia, EUR million



Source: Analysys Mason – Central and Eastern Europe telecoms market: trends and forecasts 2019–2025.

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



Source: European Commission, Digital Economy and Society Index 2020 (values for 2019, 5G for 2020).

FIXED BROADBAND ACCESS MARKET

The general penetration of fixed broadband connections in Slovenia remains stable (at 83%) and is above the EU average (78%). The penetration of fixed broadband connections with a speed of at least 100 Mb/s has risen by 5 percentage points and has thus neared the EU average (26%). At 87%, coverage with high-speed next-generation networks has improved slightly (86% in the EU), while coverage with the very high-capacity network has also improved, but at a slower pace than in previous years. The latter reached 66% in Slovenia and is above the EU average (44%).



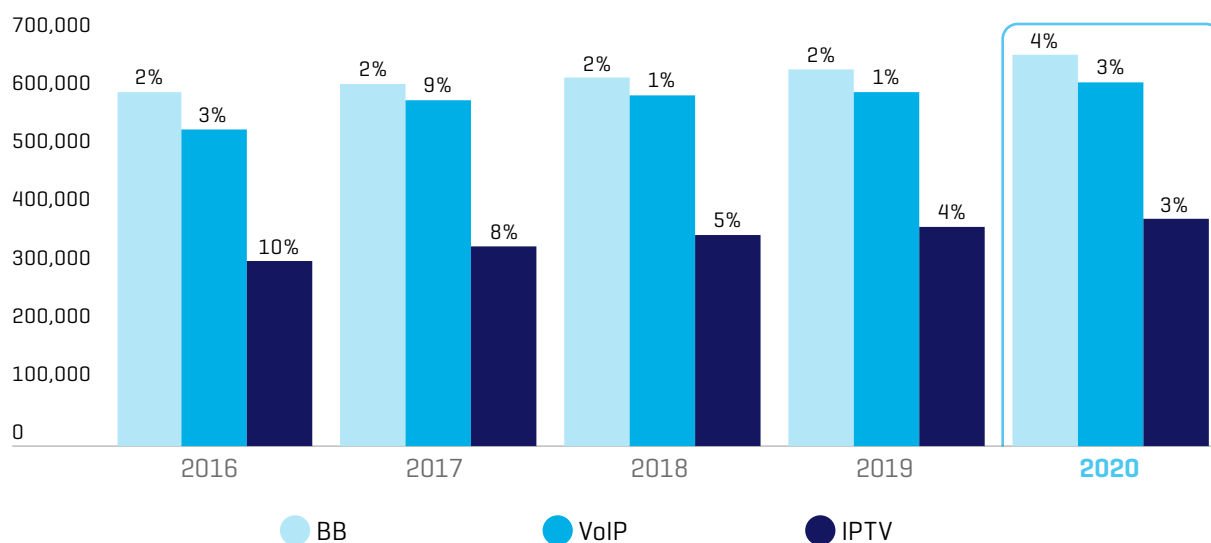
The fixed broadband connection market in Slovenia continues to grow at a slow pace. IPTV achieves slightly higher growth, but that growth is also slowing, while VoIP services record the lowest growth.



Telekom Slovenije is upgrading and expanding its fibre optic access network, and is thus laying the infrastructure foundations for the future of the telecommunications activity. We facilitate the connection of more than 370,000 Slovenian households to the aforementioned network.



Growth in fixed broadband connections in Slovenia



Source: AKOS, SURS, 4Q 2020.

According to data from the European Commission for 2019, 66.5% of Slovenian households access the internet via fibre optics compared with 33.5% of EU households. FTTX connections accounted for 44% of all broadband connections in Slovenia in the fourth quarter of 2020.

PAY TV MARKET

OTT video services will generate more revenues than traditional pay TV services in Western Europe by 2023. The drop in revenues from traditional pay TV services from 2019 to 2020 will be sharp due to the COVID-19 pandemic. That decline is expected to continue until 2025, albeit at a slower pace. Total revenues from traditional pay TV will fall by just 1% because growth in revenues from IPTV will offset the drop in revenues from satellite, cable and pay terrestrial TV.



IPTV accounts for 56.6% of all TV connections in Slovenia [fourth quarter of 2020; source: the AKOS] and continues to grow. It is followed by cable TV [37.5%], where the number of connections has stagnated.



Telekom Slovenije

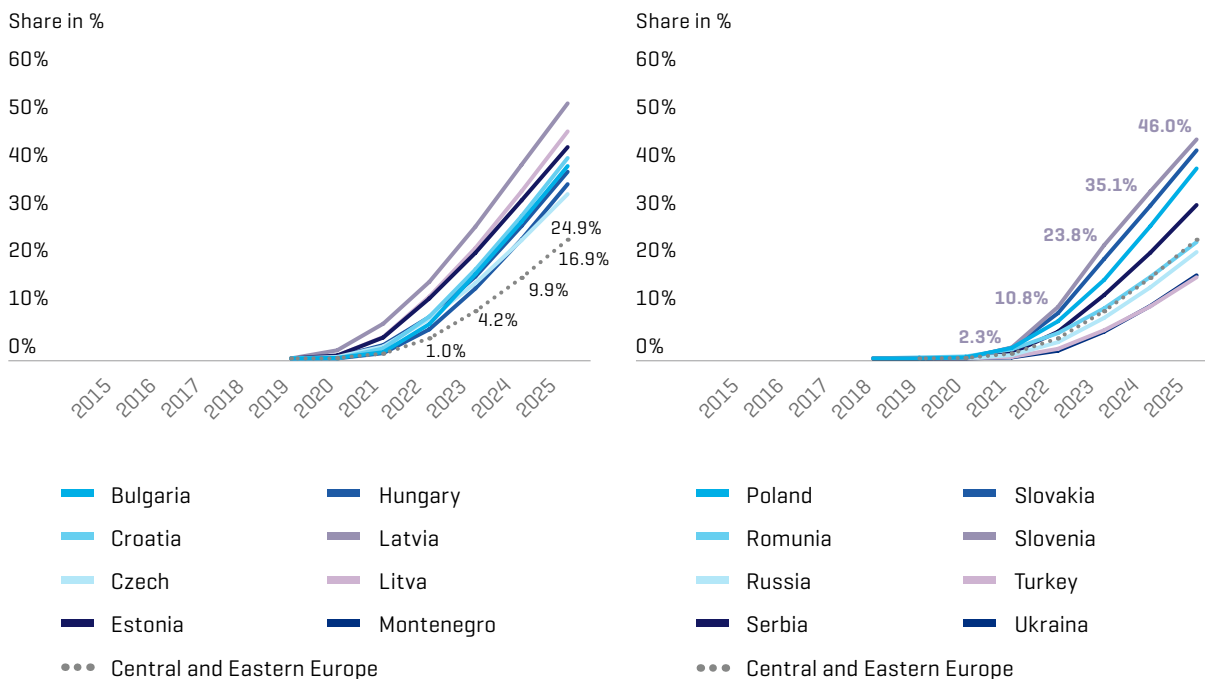
At 44.4% [fourth quarter of 2020], Telekom Slovenije holds the highest share of the IPTV market [source: Q4 2020, AKOS].



MOBILE BROADBAND ACCESS

One of the fastest growing segments in Europe is mobile broadband internet access, where the penetration rate of active mobile SIM cards with a mobile broadband connection is 100.2% [European Commission, 2020]. The majority of those cards are used on smart phones, only then followed by tablets and laptop computers. Europeans primarily use fixed technologies to access the internet at home, while an increasing number of households are also opting for mobile internet.

Proportion of 5G mobile connections in the countries of Central and Eastern Europe and Slovenia until 2025



Source: Analysys Mason – Central and Eastern Europe telecoms market: trends and forecasts 2019–2025.



5G is the latest generation of mobile networks and will facilitate the development of new opportunities of use and a better user experience.



Telekom Slovenije was the first in Slovenia to establish a national fifth mobile generation [5G] network on existing base stations and in the existing 2,600 MHz frequency spectrum, which is also used for the fourth mobile generation network.



FIXED AND MOBILE TELEPHONY

According to the forecasts of analysts at Analysys Mason, revenues from **fixed telephony** will contract at an annual rate of -6.8% (CAGR) in Central and Eastern Europe and -5.7% in Slovenia until 2025.

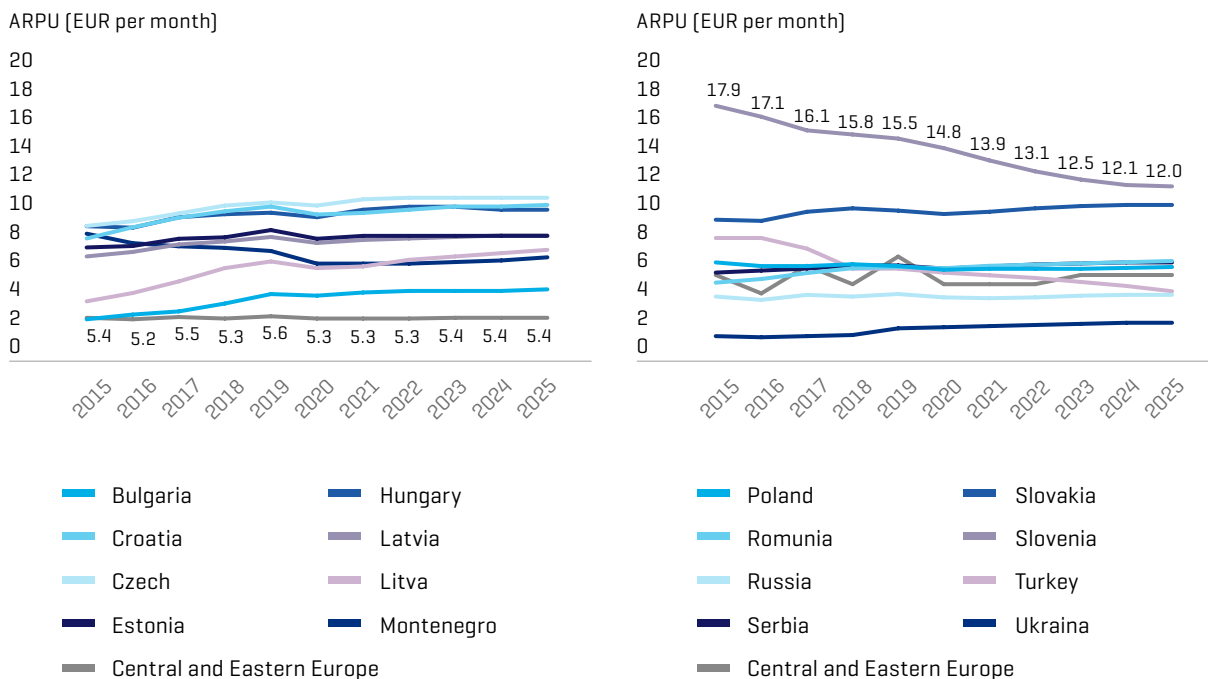
In Slovenia, the proportion of the market accounted for by IP telephony is growing constantly, such that at the end of the fourth quarter of 2020, the share of the Slovenian market accounted for by IP connections has already reached 87.6% (85.6% in 2019). The share held by traditional telephony continues to decline and stood at 12.4%.

In the **mobile segment**, Slovenia has one of the lowest per capita penetration rates of active mobile telephony users in the EU (120.8% in the fourth quarter of 2020), giving it sufficient room for further development.

The migration from prepaid to subscriber services is characteristic of the EU mobile telephony market. Slovenia is among the countries with the highest proportion of subscriptions (81,4% in the fourth quarter of 2020) compared with the European average.

The proportion of traffic from the mobile network and VoIP is rising, while the proportion of traffic from the fixed network is declining. That trend is quite obvious in Slovenia, as traffic from the fixed network accounted for just 6.4% of total traffic in the fourth quarter of 2020, compared with 93.6% from the mobile network.


Average revenue per user (ARPU) in Central and Eastern Europe, and Slovenia until 2025 (in EUR)



Source: Analysys Mason – Central and Eastern Europe telecoms market: trends and forecasts 2019–2025.



B2B

The analysts at Analysys Mason are forecasting a global drop in operator revenues in the B2B segment of between 4.9% and 8.8% in 2020 due to the pandemic, while growth is expected again in 2021, but is lower than the pre-pandemic forecast.





Closure of borders, social distancing, less business travel, rising unemployment and a falling number of business users.

Revenues: drop of between 7.6% and 12.4% in 2020


Closures of outlets, small companies, and accelerated migration to less expensive IP telephony and voice solutions in the cloud.

Revenues: drop of between 7.9% and 11.6% in 2020

ICT: high demand for unified communications and security services to support remote work.

Revenues: growth of between 7.3% and 10.0% in 2020



2.6.4 REGULATION OF ELECTRONIC COMMUNICATIONS

DEVELOPMENT OF NEXT GENERATION BROADBAND NETWORKS

In March 2020, the Ministry of Public Administration published a tender for the co-financing of the construction of the next generation of open broadband networks (OBNs). On 4 October it began to draw up the Digital Slovenia 2027 strategy, which represents the continuation of Digital Slovenia 2020.

NATIONAL LEGISLATION AND EU REGULATIONS

On 28 August 2020, the Ministry of Public Administration submitted a draft of the new Electronic Communications Act (ZEKom-2) in the scope of public consultations. That act transposes into Slovenian law the directive on the implementation of the European Electronic Communications Code (EECC), which entered into force on 20 December 2018. Telekom Slovenije submitted comments and proposed amendments to the draft act.

RELEVANT MARKETS

The regulatory body (AKOS) conducted various inspections with respect to Telekom Slovenije in connection with imposed obligations on regulated relevant markets. A decision entered into force in July on relevant market 2 (Call termination in the mobile network), on which Telekom Slovenije is one of four operators with significant market power. With the publication of the analysis of the effects of regulation of markets 3a and 3b, the regulatory body began a new round of analyses of the aforementioned relevant markets in May 2020.

Relevant market	Change
Regulation of relevant market 2 'Wholesale voice call termination in individual mobile networks'	A decision entered into force on 16 June 2020. Telekom Slovenije published its revised sample offer on 15 July 2020, while a new call termination price entered into force on 1 August 2020.

FREQUENCIES

In 2020, the AKOS began preparing a multi-frequency public tender with a public auction of frequencies for fifth generation (5G) mobile networks. It published an informative memorandum in August, and a public tender for the multi-frequency auction on 18 December. Based on the new strategic guidelines of the Ministry of Public Administration, the strategy for managing the frequency spectrum for the period 2021 to 2023 was put forward for public consultations on 13 November. A public tender with a public auction was published on 4 December for the allocation of radio frequencies to ensure commercially critical machine-to-machine (M2M) communication via dedicated networks in 700 MHz frequency band.

UNIVERSAL SERVICES

On 3 December 2020, the regulatory body published proposed changes to two general acts, one regarding transfer speeds for functional access to the internet (planned increase in speeds to 10/2 Mbit/s), and the other regarding the quality of universal services and an analysis of the impact of changes to those general acts.

RESOLUTION OF DISPUTES IN PROCEEDINGS BEFORE THE REGULATORY BODY

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

NEW SERVICES

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

REGULATORY DEVELOPMENT IN KOSOVO

In accordance with the decision of the local regulatory body, IPKO published a sample offer for wholesale access to bit-streaming on 12 August 2020. In October, IPKO was defined as one of three operators with significant market power on the relevant market for the wholesale call termination in specific mobile networks.

SALES AND MARKETING



#CONNECTED WITH THE USERS OF OUR SERVICES

During the COVID-19 pandemic, our services were for many the only form of contact with families, friends and co-workers, and with information and other content. For uninterrupted remote work and distance learning, we provided users additional data transfer quantities and increased their internet speeds. We also provided entertainment by upgrading the TV programme offer, free of charge, with children's, popular science, film and sports content. And last but not least, we worked with partners to rapidly adapt the telemedicine solution, making it possible for medical staff to monitor COVID-19 patients remotely.



2.7 MARKETING AND SALES

2.7.1 MARKET AND MARKET SHARES IN KEY SERVICE SEGMENTS²⁹

Key indicators of the Slovenian communications market



Source: Analysys Mason, Slovenia telecoms market report 2020, AKOS, SURS [fourth quarter of 2020].

The Slovenian communications market is consolidated and dominated by four convergent operators. Telekom Slovenije, Telekom Austria Group [A1 Slovenija], United Group [Telemach] and T-2 dominate the fixed and mobile market, and compete amongst each other with a range of package services. Competition is stiff, while the purchase of smaller operators by larger ones is common.

LEADING OPERATORS ON THE SLOVENIAN COMMUNICATIONS MARKET

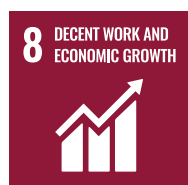
OPERATOR	TELEKOM SLOVENIJE	A1 SLOVENIJA	TELEMACH	T-2
FIXED TELEPHONY	PSTN, ISDN, VoIP	VoIP	VoIP	VoIP
FIXED INTERNET	ADSL, VDSL, FTTH	ADSL, VDSL, KABEL (PREK PARTNERSKIH OMREŽIJ)	CABLE	FTTH, ADSL, VDSL (LLU)
PAY TV	IPTV, CABLE	IPTV	CABLE	IPTV
MOBILE SERVICE	✓	✓	✓	✓
COMPREHENSIVE IT SERVICES	✓	✓	✗	✗

MARKET SHARES OF LEADING OPERATORS IN KEY SEGMENTS, IN %

OPERATOR	TELEKOM SLOVENIJE	T-2	TELEMACH	A1 SLOVENIJA
FIXED BB ACCESS	29	21	31	14
IPTV	44	32	3	21
VoIP	33	21	34	9
MOBILE TELEPHONY	38	6	24	28
MOBILE INTERNET	33	6	27	29

Source: AKOS, fourth quarter of 2020.

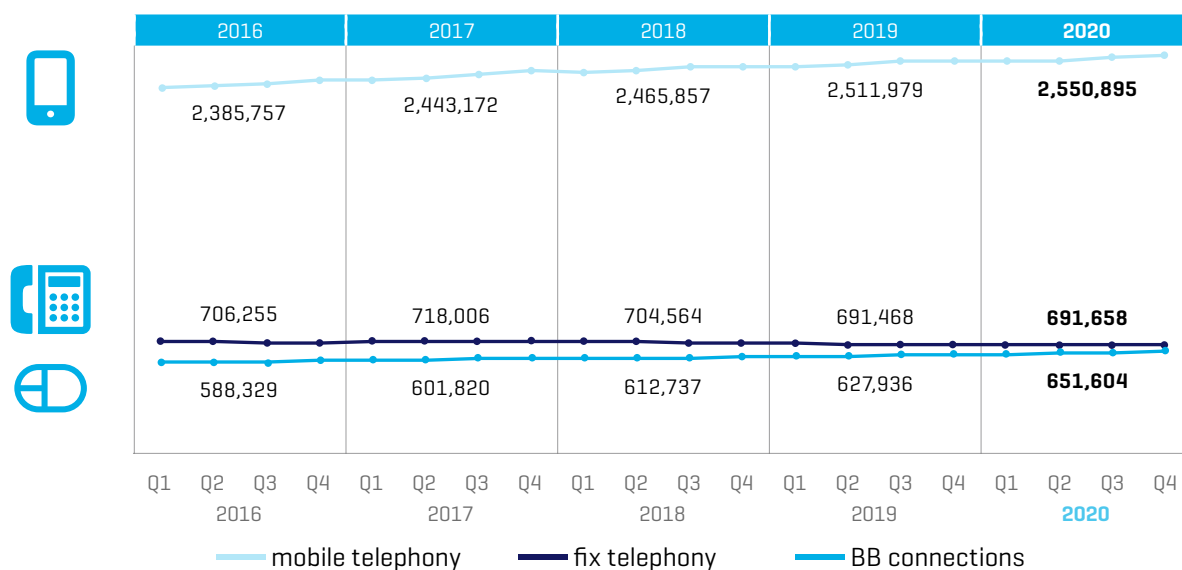
MARKET IN KEY SERVICE SEGMENTS



Telekom Slovenije achieves a high market share in all segments of operations, primarily through the most state-of-the-art services tailored to the needs of users: a superior user experience, the best sales and after-sales care for users, the most advanced and reliable network, convergent packages, an offer outside of the core activity, a comprehensive range of ICT solutions, and information and cyber security services.

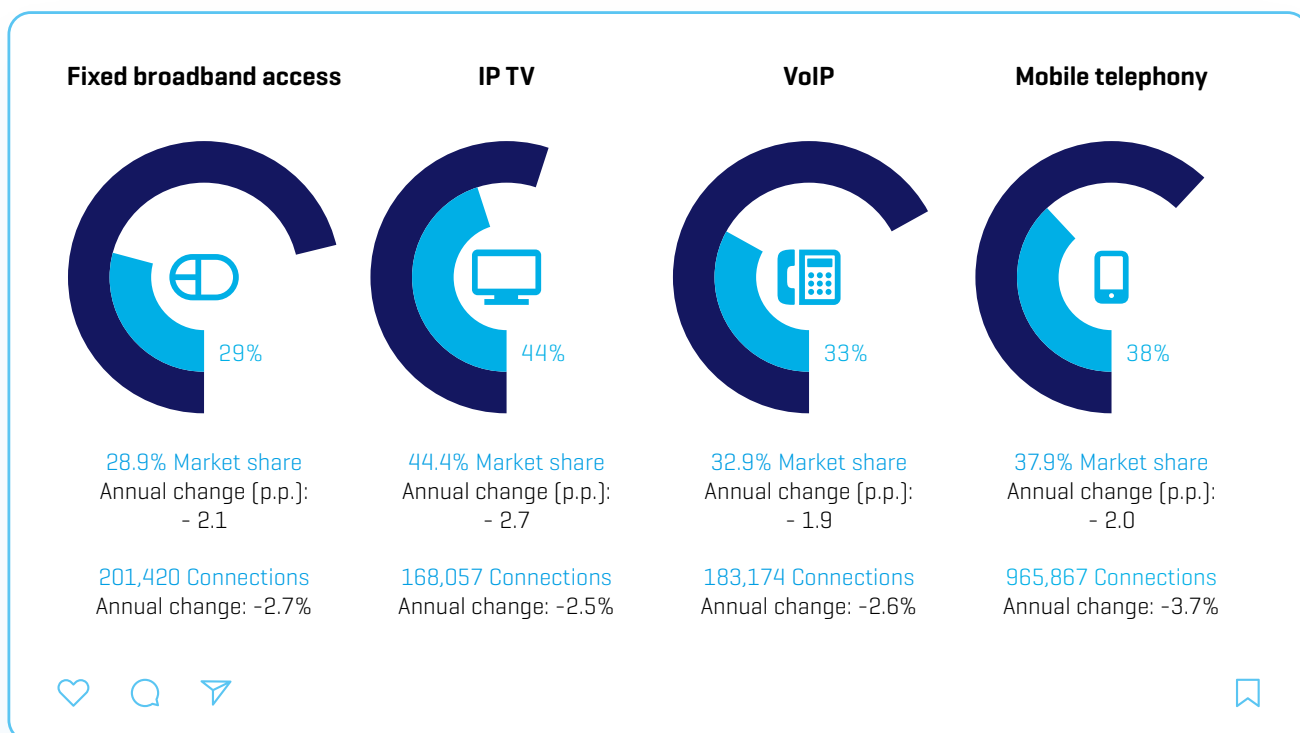
In order to adapt dynamically to users, we will continue to invest in the expansion and upgrading of technologies, accelerated digitalisation, the further optimisation of processes and the empowerment of employees.

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



Source: Statistical Office of the Republic of Slovenia, fourth quarter of 2020.

Telekom Slovenije's market shares in key segments



Source: Report on the development of the electronic communications market for the fourth quarter of 2020, AKOS; internal Telekom Slovenije figures.

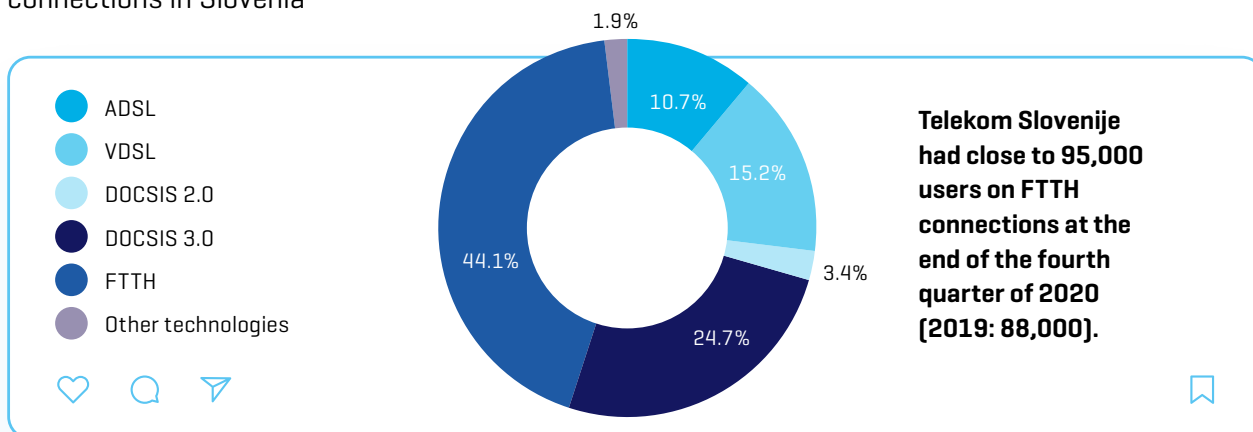
FIXED BROADBAND ACCESS

There was a total of 651,604 broadband connections at the end of the fourth quarter of 2020 (compared with 627,939 during the same period in 2019), 86.3% of which were accounted for by residential broadband connections. The household fixed broadband access penetration rate reached 84.8% in Slovenia [83.2% in 2019]³⁰ Telekom Slovenije holds a 28.9% market share in the aforementioned segment.

The proportion of fibre optic connections and the range of high-speed internet services are continuously rising. Thus, at the end of the fourth quarter of 2020, the number of active fibre optic connections in Slovenia is already 287,532, accounting for 44.1% of all connections. The number of fibre optic connections rose by 14.4% in one year.

The household fixed broadband access penetration rate reached **84.8%** in Slovenia.

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

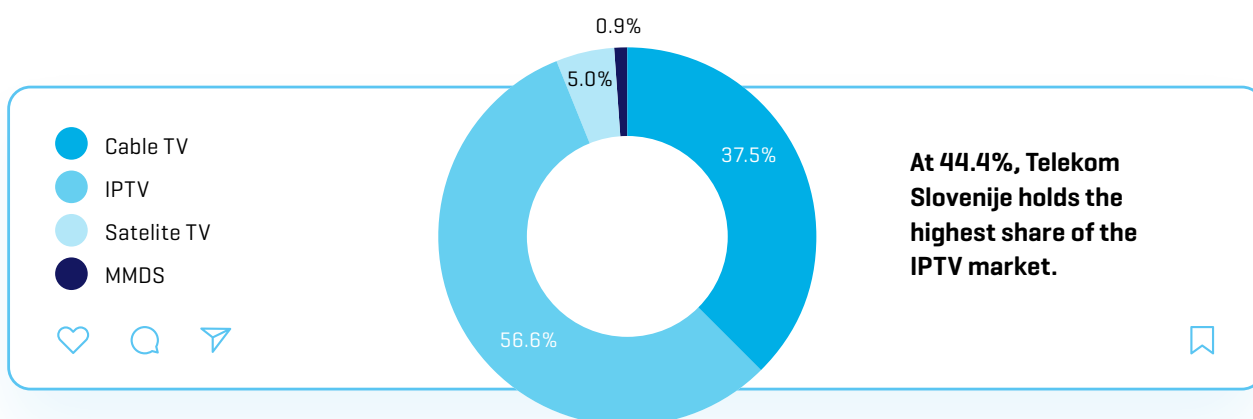


Source: Report on the development of the electronic communications market for the fourth quarter of 2020, AKOS.

PAY TV MARKET

IPTV already accounts for 56.6% of all TV connections in Slovenia, followed by cable TV, the proportion of which is falling. According to figures from the AKOS, pay TV was already present in 81.7% of households in the fourth quarter of 2020, compared with 80.3% in the fourth quarter of 2019.

Market shares of TV connections by technology



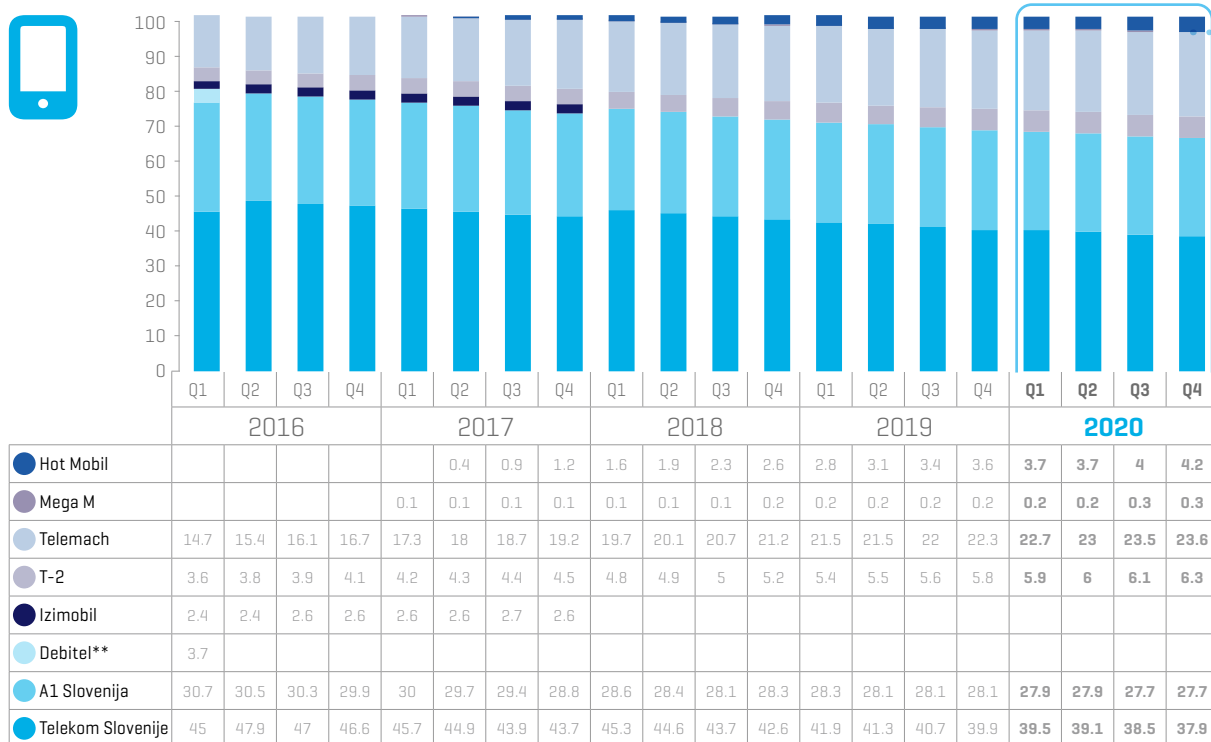
Source: Report on the development of the electronic communications market for the fourth quarter of 2020, AKOS.

³⁰ Source: AKOS: amongst the most important indicators of the level of development of the electronic communications market is broadband access penetration, which is calculated as the number of residential and business broadband connections relative to the number of citizens or households in the Republic of Slovenia.

MOBILE TELEPHONY

The number of active mobile telephony users was up by 1.5% in the fourth quarter of 2020 or by almost 39,000 users relative to the same period in 2019. The penetration rate was also up slightly, and stood at 120.8%. At 37.9%, Telekom Slovenije maintains the leading share of the mobile telephony market.

Shares of the mobile telephony market in Slovenia



Source: Report on the development of the electronic communications market for the fourth quarter of 2020, AKOS.

Data traffic in 4G networks and the most advanced networks with mobile broadband access is growing. At 32.8%, Telekom Slovenije also holds the highest share of the mobile broadband internet access market.



ADVERTISING MARKET

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



Source: MOSS, December 2020



IPKO AND THE COMPETITIVE ENVIRONMENT IN KOSOVO

IPKO has been the strongest brand in Kosovo for several years in the fixed services segment, and ranks second in the mobile segment. The company is known on the market as innovative, with the fastest mobile internet, the best coverage by the 3G/4G network, the best mobile and fixed network, and as a leader in the segment of young people and technology enthusiasts.

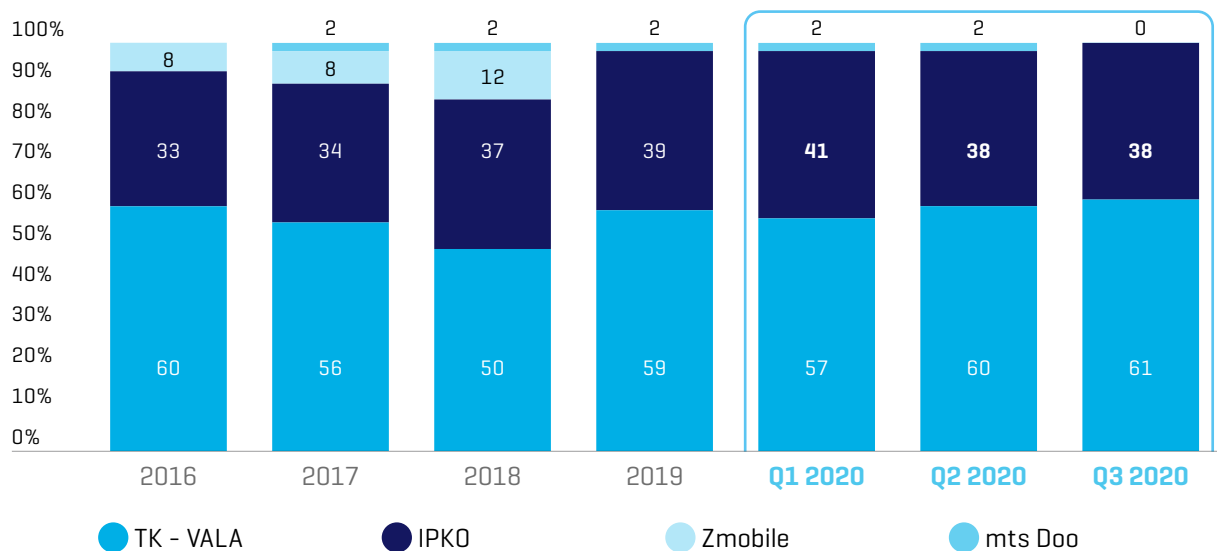


IPKO is an important provider on the **mobile services** market, with market shares of 47% and 38%, respectively, in terms of revenues and users [third quarter of 2020]. The household penetration rate of active mobile telephony users has reached 107%, which translates to 1.9 million users [source: Kosovo ARKEP regulatory authority].

The mobile telephony market in Kosovo is dominated by Vala and IPKO. At the end of 2019, Zmobile (MVNO) wound up its operations due to the termination of the agreement by Telekom Kosovo/Vala (TK), while a third operator, MTS, has limited and temporary market authorisation as a local branch of Telekom Srbija. The household penetration rate of active mobile telephony users in Kosovo has reached 107%, which translates to 1.94 million users (third quarter of 2020). IPKO made a major breakthrough in 2018 with subscriber packages, which currently account for nearly 21% of all users.

It is the only operator in Kosovo that implemented all phases in accordance with regulatory requirements relating to the Kosovo country code [+383]. Following the successful implementation of the code in June 2019, IPKO concluded 145 international roaming agreements that covered more than 95% of users' needs. It took all necessary steps for roaming in the Western Balkans, as required by the ARKEP (the regulatory body for electronic and postal communication), and made all preparations for the final phase starting 1 July 2021. It also introduced a new price for calls with all Western Balkan countries in July 2020.

Market shares of operators in the mobile telephony segment in Kosovo



Source: ARKEP, report for the third quarter of 2020.

There was a major challenge in the **fixed services** segment in recent years due to the large number of competitors on the market. Here, it is worth mentioning small internet service providers who put direct pressure on price strategies. As a premium brand, IPKO remains the leading provider of fixed services (DTV and internet).

Three main providers are fighting for market share in the fixed segment: IPKO, Kujtesa and Artmotion, followed by PTK and Telkos/Orange/Ardi net (as an interconnected group). According to the latest RAEP report, the fixed broadband connection penetration rate reached 122% in Kosovo in the third quarter of 2020, with 362 thousand household connections. IPKO holds a 28% market share in terms of fixed broadband connection subscribers.

2.7.2 MANAGEMENT OF THE PORTFOLIO OF BRANDS³¹

Telekom Slovenije continuously develops new services and the most advanced solutions for users by closely monitoring their communication habits and needs. We are also developing the portfolio of brands through the development of services.

CORPORATE BRAND IDENTITY

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

The Telekom Slovenije brand has once again assumed the role of leading telecommunications provider, and is again the strongest brand in the convergent, fixed and mobile categories. The brand remains strongest in the advanced living segment, while its share of the users of convergent services is continuously rising [Brand Track; autumn 2020]. The brand ranks amongst the most reputable Slovenian companies in the eyes of both the general public and business public [Reputation of Slovenian Companies; autumn 2020].

From the corporate brand, we also developed the employer brand in 2020 by adding the hashtag #Connected to the basic logo. We use the employer brand in the communication of HR activities, in communication with employees and in communication on social networks. The common theme of activities is the commitment of the employer brand: Co-creating the digital future of Slovenia.



PORTFOLIO OF BRANDS

The Telekom Slovenije Group has 316 registered brands, while Telekom Slovenije has 206³² brands, broken down as follows:

- 149 national brands,
- 18 European brands,
- 21 international brands,
- 8 national brands in North Macedonia,
- 8 national brands in Kosovo,
- 1 brand in Bosnia and Herzegovina, and
- 1 brand in Serbia.

Telekom Slovenije registered one new brand in 2020, the national brand Moja prijava. We extended the registration of eight brands [three national, three European and two international brands], while we let the registration of 10 brands expire.

Registered brands include Mobitel, SiOL, Mobi, Itak, TViN and Moneta, and the partner brand WiFreeLjubljana.

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

KEY BRANDS IN THE PORTFOLIO



PIAZZ is the brand name of an online market place that brings merchants and their portfolios together with consumers, who may comparison shop with regard to product price, quality, needs, delivery time, credibility of merchants, etc. It is a new Telekom Slovenije brand that allows consumers to make simple and secure purchases. The essence of the brand is 'global purchases tailored to your needs', while the main slogan is 'Best Online Marketplace'.

The name derives from the Italian word 'piazza', which literally means market. The symbolic message is that PIAZZ is a place where people meet and socialise, where a lot is going on at one time, and where everyone finds something for themselves. The registered trademark is an irregularly shaped quadrilateral that continuously changes shape. The aim is to show that PIAZZ adapts to the consumer, and takes into account their needs and habits to make everyone feel good.

31 GRI GS 102-2

32 GRI GS 102-7



The **NEO** brand is a platform for smart living that links the best solutions for home and entertainment in one place: simplified viewing and advanced searches for TV content, including voice-control searching in Slovene, the simplified management of smart devices, and purchases via the TV screen.



The **VALÚ** brand is more than a smart wallet and payment and identification system; it is a comprehensive service that changes a mobile phone into a handy smart device for accessing everything the user needs in contemporary urban life. The essence of the brand is that it 'generates value', while its positioning slogan is 'Everything. Better.'

We created the new VALÚ KLUB loyalty programme in 2020 and merged it with Telekom Slovenije's Loyalty Programme. In the new loyalty programme, users receive VALÚ points that they exchange for benefits. At the end of the year, we also offered users the VALÚ MasterCard that they can use to make payments at 53 million points of sale across the globe.

We renamed the registered Moneta brand to VALÚ Moneta with the launch of VALÚ. VALÚ Moneta facilitates payments using a mobile phone at [numerous payment points](#) bearing the VALÚ logo.

More detailed guiding principles for all key brands are also accessible at <https://www.telekom.si/o-podjetju/skupina-telekom-slovenije/blagovne-znamke>.

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



Enostavno IZI

The IZI brand addresses the segments of young users for whom a contemporary prepaid mobile offer is important. At the identity level, we created a friendly and affable brand for which relationships are important. The essence of the brand is 'Nothing could be simpler', while the tagline is 'Simply IZI'.



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

VALUES AND BRANDS

Each brand has defined elements, such as a brand's essence and the values of the umbrella brand, followed by a brand's own values, approach strategy, primary segment, possibility of extensions and key indicators. All elements are reviewed and updated every year.

2.7.3 SALES OF THE TELEKOM SLOVENIJE GROUP³³

At the end of 2020, the number of the Telekom Slovenije Group's retail and wholesale **broadband connections** was down by 1% relative to the previous year. The total number of connections was up by 1% in Slovenia and down by 8% in Kosovo.

The number of retail and wholesale **mobile telephony** users was down by 2% in Slovenia and by 5% in Kosovo. The total number of mobile telephony users was 3% lower.

The number of traditional **fixed voice telephony** connections is in constant decline on developed markets. In Slovenia, the number of connections was down by 6% in 2020 relative to the end of 2019. Together with VoIP services, the number of voice telephony connections remained at the level of the previous year.

TELEKOM SLOVENIJE GROUP CONNECTIONS AND SERVICES BY TYPE AND MARKET

BROADBAND CONNECTIONS

Number of connections as at	31.12.2020	31.12.2019	Index 20/19
Slovenia - retail	201,420	206,925	97
Slovenia - wholesale	160,323	151,840	106
Slovenia total	361,743	358,765	101
Kosovo - retail	102,515	111,930	92
Telekom Slovenije Group	464,258	470,695	99

MOBILE TELEPHONY

Number of connections as at	31.12.2020	31.12.2019	Index 20/19
Slovenia - retail	965,867	1,002,917	96
Slovenia - wholesale	132,861	119,562	111
Slovenia total	1,098,728	1,122,479	98
Kosovo - retail	775,148	817,145	95
Telekom Slovenije Group	1,873,876	1,939,624	97

FIXED TELEPHONY AND VOIP SERVICES

Number of connections as at	31.12.2020	31.12.2019	Index 20/19
Slovenia - classical fixed voice telephony	302,867	322,058	94
Slovenia - VoIP	183,174	188,041	97
Slovenia total	486,041	510,099	95
Kosovo - VoIP*	35,027	10,912	321
Telekom Slovenije Group	521,068	521,011	100

* Change in counting methodology.

SALES REVENUE OF THE TELEKOM SLOVENIJE GROUP

The Telekom Slovenije Group's sales revenue totalled EUR 647.2 million in 2020, a decrease of 3% relative to 2019. The year 2020 does not include the revenues of Planet TV.

BREAKDOWN OF SALES REVENUE BY COMPANY³⁴

EUR thousand	2020*	2019*	Index 20/19
Telekom Slovenije	591,693	602,231	98
Other companies in Slovenia	78,180	81,790	96
IPKO – Kosovo	56,156	60,247	93
Other companies abroad	3,908	3,351	117
Total unconsolidated	729,938	747,619	98
Exclusions and adjustments	-82,761	-82,727	100
Telekom Slovenije Group	647,177	664,892	97

* Excluding Planet TV.

TELEKOM SLOVENIJE

Telekom Slovenije's sales revenue was down by 2% or EUR 10.5 million in 2020 relative to 2019, to stand at EUR 591.7 million. Revenues from new sources were up relative to the previous year: e-Health services, energy services, financial and insurance services, and revenues from the sale of goods and services and e-commerce. Revenues generated by mobile subscribers were down, as the latter are migrating to new, more affordable packages with unlimited communication in Slovenia and EU countries. Also having a negative effect on revenues was the COVID-19 pandemic, which resulted in lower revenues from roaming. Revenues from traditional voice telephony have been declining for several years due to the migration to mobile and VoIP telephony.

B2C MARKET

The effects of the pandemic have been seen in the changing behaviour, habits, needs and expectations of the users of communication services. We reacted swiftly to those changes and focused on the more in-depth monitoring of user habits and needs, and immediately began adapting the portfolio and communication. We introduced positioning in a comprehensive online marketplace that simplifies the lives of users and protects their world.

In the **mobile** segment, we upgraded the existing Naj mobile packages with two new packages: Naj C akcija and Naj 5G. In addition to unlimited calls and messages, the latter also includes 300 GB of data transfer, the use of 5G services, as well as VoLTE and VoWiFi services. The use of the 5G network was free until the end of 2020, even for the subscribers of other mobile packages, by sending a simple text message.

For even easier access to superior mobile phones by users, we made it possible to purchase such devices on 36 instalments when concluding a 12-month subscriber agreement.

In the **segment of young** mobile subscribers, we prepared a special online offer of selected mobile phones with the conclusion of a subscriber agreement with the NekiNeki and Naj C packages with the Mladi special offer. We successfully engaged young users through prize contests on social networks, which were a key communication channel due to the pandemic.

In the segment of **prepaid users**, we prepared a special offer for Mobi users and double quantities in the Mini Mobi and Čvekaj Mobi packages. Special sales promotion campaigns were organised at Telekom centres, in the Online Shop, and at Spar and Petrol points of sale.

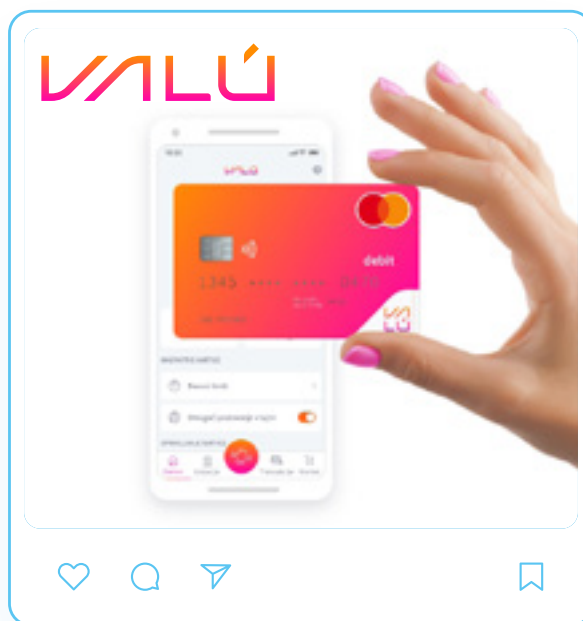
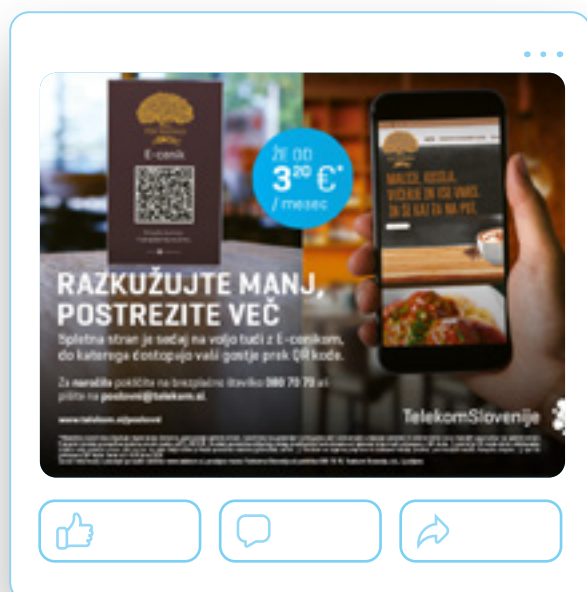
We launched the new line of KUL packages in the scope of the IZI portfolio. The line of IZI MiniKUL, IZI KUL and IZI SuperKUL packages is intended for price-sensitive consumers and users between the ages of 15 and 27 years who need simple services, while the quantity of data transfer is also very important to them.

We presented Microsoft 365 and MS Teams management services to **business users**.

Through the Managed Workplace service, we offered users a range of high-quality business laptops, cloud services, security solutions and technical IT support. Using these elements, users avoid initial set-up costs, simplify their operations and ensure a higher level of security.

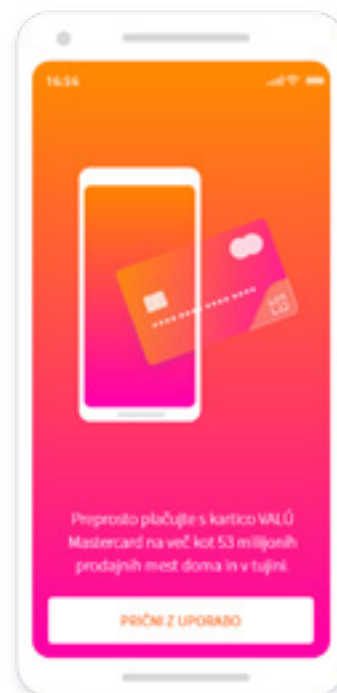
We further strengthened cooperation with Datablab and introduced the new Pantheon Web Light licence, a cutting-edge solution for managing the operations of micro and small enterprises.

We also ensured security in the services sector, and updated the website design service with the **new e-pricelist** functionality. Using a QR code, that functionality is an ideal solution for catering establishments and simplifies compliance with the recommendations of the National Institute of Public Health to limit the spread of COVID-19. Use of the e-pricelist contributes to more effective, secure and affordable operations, as the disinfecting of pricelists is no longer required. The e-pricelist, which is accessed by guests by scanning a QR code with their mobile phone, facilitates quick viewing of an establishment's bill of fare without touching a physical pricelist.



The area of advanced payments services (VALÚ) has been most characterised by growth in the number of users of the VALÚ smart wallet, which already has nearly 70,000 registered users. Our users have executed more than 2 million transactions within the integrated VALÚ ecosystem. In addition to upgrading services with the **VALÚ KLUB** loyalty programme, we also expanded the range of VALÚ Market products and services, where users can purchase digital goods, such as ski passes, train tickets, and tickets for concerts, performances and sporting events.

The VALÚ KLUB loyalty programme offers more than 2,200 products spanning over 90 categories. Of particular note is the increase in the sale of products intended for remote work (laptops, tablet computers and other computer equipment) due to restrictions linked to the pandemic. With a broader range of products, sales were up by one half relative to 2019, while the number of customers was up by one third.



Online sales were up sharply. The value of sales via the Online Shop was almost 1.5 times higher than in 2019, while the number of online customers was 1.4 times higher and the number of different products sold was 1.6 times higher. We upgraded the sales offer and offered customers products for work from home and distance learning, and well as products for the household, garden and housework. At the same time, we strove to improve the user experience and implemented additional functionalities, such as the underwriting of insurance for devices during the online purchase process. Telekom Slovenije already has more than 5,000 products available for online sales, with computers, televisions, smart watches, household appliances and other entertainment electronics representing the best-sold categories.

In 2020, we introduced the new **NEO Svet** fixed packages that include both mobile and fixed services. Distance learning and work from home resulted in a significant increase in users' needs for higher internet speeds. We therefore increased download speeds to 100 Mbit/s on the FTTH and open broadband networks, free of charge, while we also increased the basic upload speed to 100 Mbit/s in the NEO C, NEO Svet C and NEO SuperNet packages.

We introduced user profiles on the NEO platform for the easier management and monitoring of TV content, and thus improved the user experience in terms of recommending content based on user habits, and upgraded voice control and the functionality of the NEO smart home service.



NEO has become a WiFi access point that facilitates and extends the spatial range of the WiFi signal. To that end, we developed the new NEO TV Lite application for smart TV devices. That application can be ordered by internet subscribers and by IPTV subscribers who have at least one NEO Smartbox.

We offered subscribers a full range of TV programmes, programme schemes and options. We upgraded the TV programme scheme with 40 new TV programmes. During both waves of the epidemic, we upgraded TV programme schemes with additional children's, film, sports, music and documentary content, free of charge.

During that period, we helped users enjoy their time at home more actively. In the scope of the NEO platform, we worked with

20 fitness instructors to develop the socially beneficial project **#vaididoma** [#exerciseathome] to ensure we remain physically active. In the area of culture, we served as the main sponsor of the **31st Ljubljana International Film Festival (LIFFe)** and ensured that enthusiasts could watch films via the NEO platform. We made it possible for children to watch certain puppet shows organised by Ljubljana Puppet Theatre.

For users who live in areas where the fibre optic network is not yet available, we developed a **hybrid access** service that facilitates the use of the internet via the LTE/4G mobile network with speeds up to 50/10 Mbit/s.

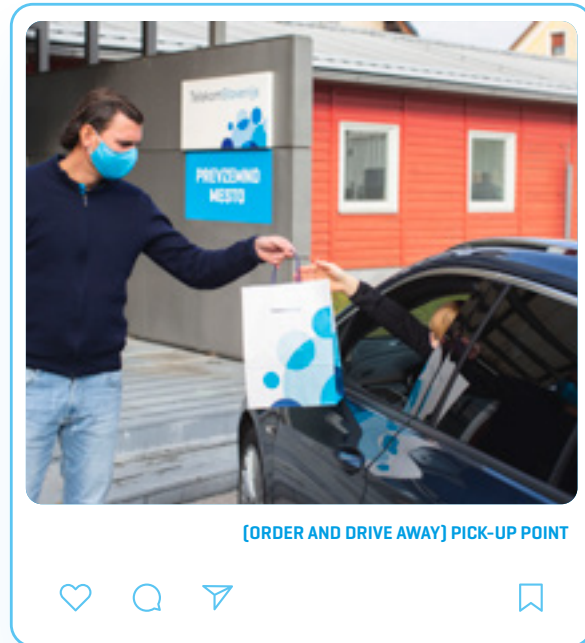
Demand amongst users for the **insurance of devices** is on the rise. We added additional coverages to the insurance of mobile devices, such as an extended guarantee of up to 36 months from the date of purchase for mobile phones, and coverage for the unauthorised use of the VALÚ smart wallet in the event of burglary, theft or pick-pocketing.

We continued to strengthen our position as a supplier of **electricity** to households and small business customers. Those services are complementary as services for the home.

Points of sale and sales network

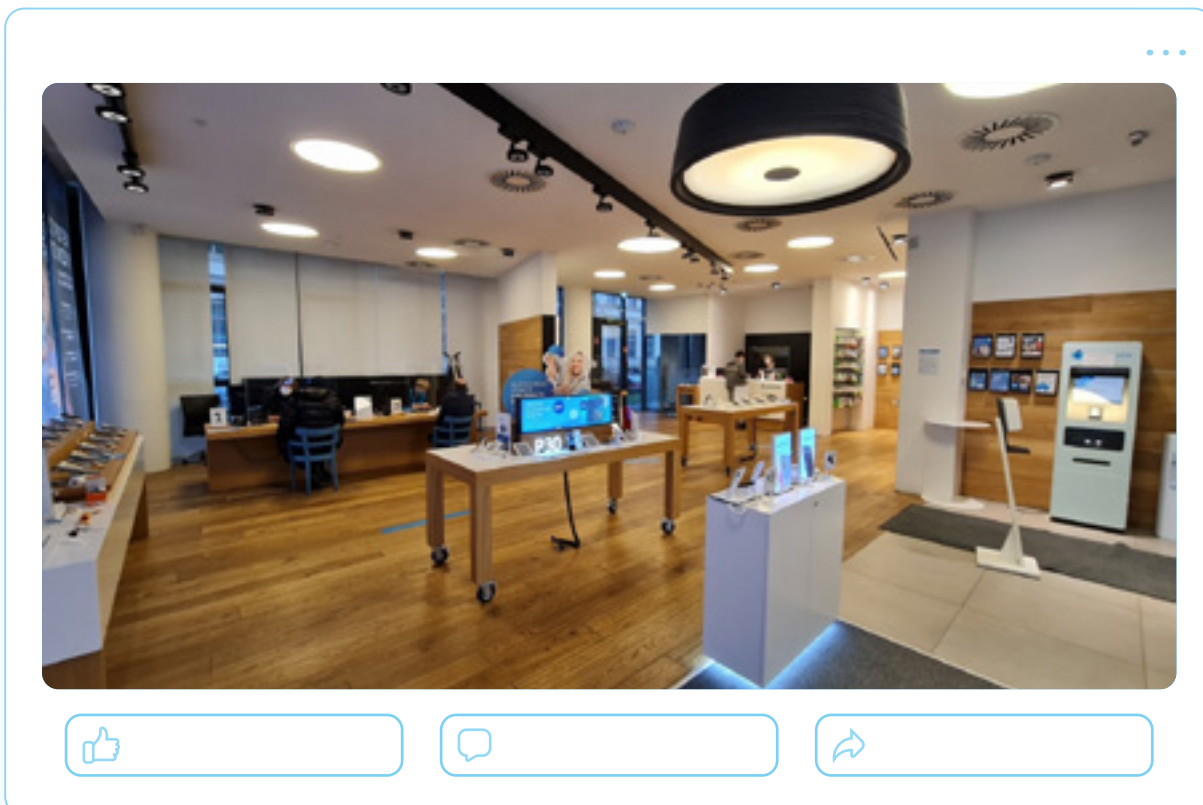
We continued to optimise Telekom centres and the network of authorised agents with the aim of ensuring optimal geographic coverage, accessibility to our services and the increased profitability of the sales network. We opened a new Telekom centre at the Aleja shopping mall in Ljubljana.

Our points of sales were closed for several months in 2020, so we transformed them into pick-up points where users could pick up or exchange equipment with prior notice. We opened our first pick-up point according to the drive-in system, which we called *Naroči in odpelji* (Order and Drive Away), and thus facilitated the pickup of goods and equipment by car. We also facilitated the new video



call option to Telekom centres via the Viber and WhatsApp platforms.

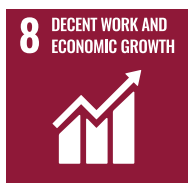
We strengthened call centre teams and adapted processes, which enabled the improved responsiveness and availability of call centre advisers. We continued with the Sales Excellence programme, and organised 38 e-courses and 48 webinars between March and December.



B2B MARKET

Through a comprehensive approach, vertical solutions and access to the most advanced technological solutions, we are transforming and creating user platforms for the future in the private and public sectors. By upgrading the existing infrastructure, we are creating new, more friendly and safer services.

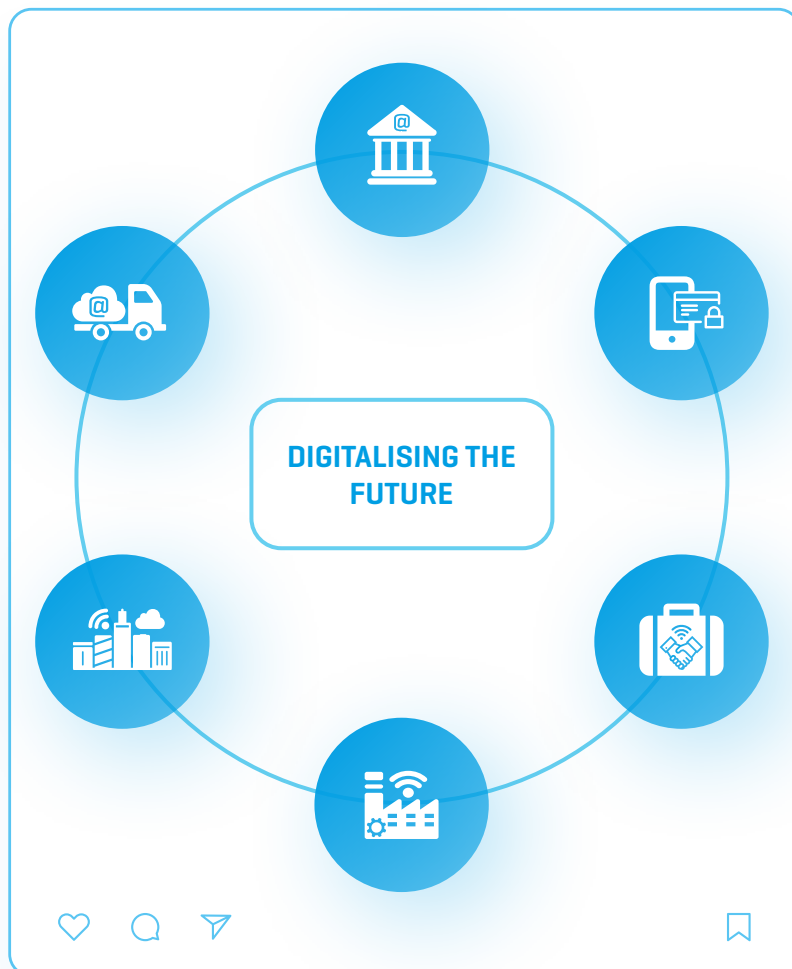
Comprehensive ICT solutions



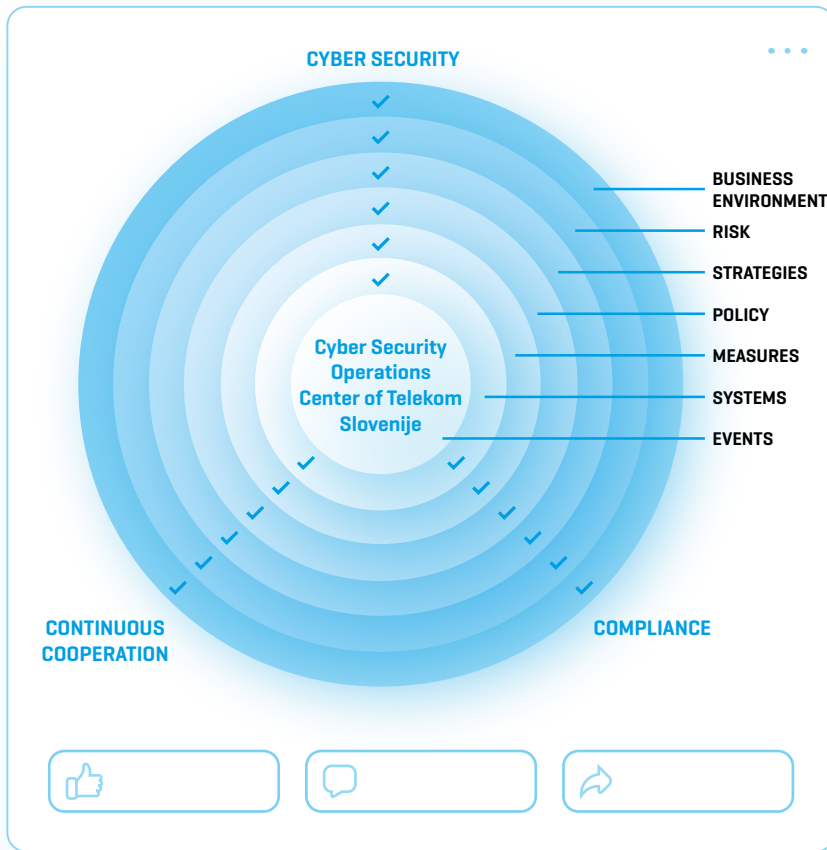
For the provision of comprehensive ICT solutions, we obtain the requisite

certificates and partner statuses, and strengthen employee competences. Worthy of mentioning are the following **important partner statuses and certificates**:

- **CSP [Cloud Solution Provider]** and Gold Partner for the sale of Microsoft cloud services [Office 365, Azure and Express Route]. In that respect, we also supply Microsoft software through SPLA [Service Provider Licence Agreement] channels and high-volume agreements [Open License in Open Value Program]. We hold the Gold Partner status for seven competences, the most important being Cloud Productivity [Silver] and the latest called Security. The above is a partnership in the area of Microsoft SPLA and Open Channel services. Our comprehensive portfolio also includes our own services in the Microsoft environment, such as management, maintenance, migration and various consultancy services.



- **Premier partner status with the CMSP [Cloud and Managed Services Program]** certificate for MPLS VPN [virtual private networks] and IaaS [infrastructure as a service] for solutions based on Cisco technologies
 - **HP Partner First Platinum status** for the sale of HP personal and printing systems; registered with the HPE as a Business Partner for the sale of server and network systems, and data storage systems.
 - **Gold status for Dell Technologies**, which combines Dell, EMC, VMware and AirWatch, and security portfolio that primarily comprises RSA and CarbonBlack. That status is supplemented with EMC, VMware and AirWatch competences.
 - **Gold Level Oracle partner status for the distribution of cloud services.** We are included in the Oracle Cloud Managed Service Provider programme, and are specialised in IaaS. We offer large business users the transfer of their complete server infrastructure to Telekom Slovenije's cloud or to the clouds of other major cloud service providers.
- Cyber security** is a mainstay in the handling of operational risks at all organisations, regardless of size and sector. In 2020, we introduced the Varen poslovni splet [Secure Business Web] service, which is intended for all of our subscribers to commercial internet access services and for companies that are not [yet] our subscribers. The aforementioned service effectively prevents



includes a control application for municipalities and a mobile application for citizens.

We implemented major pilot projects in parking lots, shopping centres and similar environments where data collection conditions are demanding due to the topology or location of data capture [sensors in shafts and basements]. To that end, NB-IoT functions stably and ensures the reliable transfer of data packages when a signal is weaker.

In terms of preparations for the next period of EU development perspectives, we are able to offer a single but modular approach to the development of smart city and community scenarios in joint projects with subscribers, municipalities and public utility companies. This involves more than just IoT solutions; it also includes solutions that provide users a tailored range of municipal services.

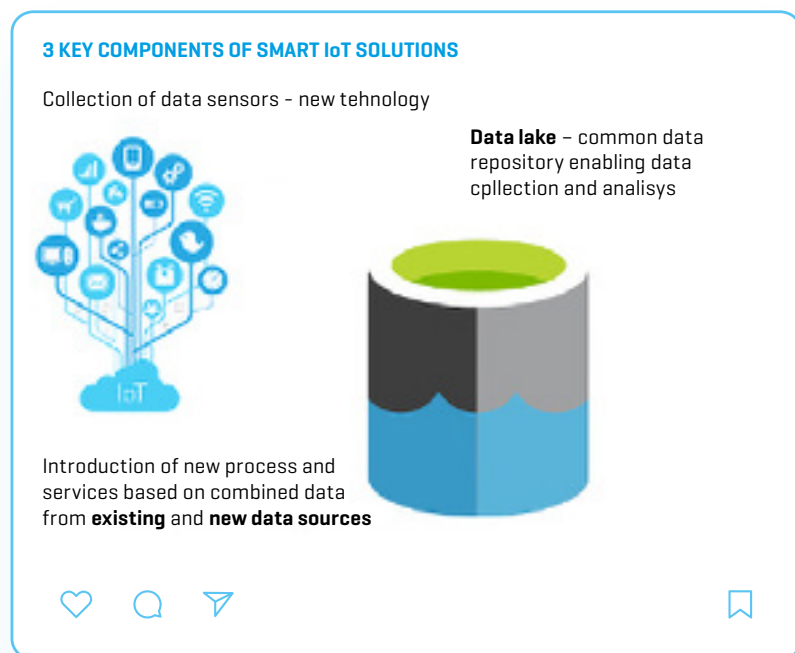
Schematic of the basic building blocks for setting up smart city and community solutions:

access to malicious websites with malware, or phishing pages that obtain passwords and other information from users.

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

With regard to **IoT services for smart cities**, we expanded the range of solutions and verified their functioning in the real environment with NB-IoT communication protocols in 2020. The latter facilitates the effective mass communication of devices connected to the Internet of Things, and represents the next milestone in the development of fifth-generation [5G] mobile networks.

Our single platform facilitates the collection and processing of data, the inclusion of the solutions of partners who are experts in specific areas and a single overview of data. It also

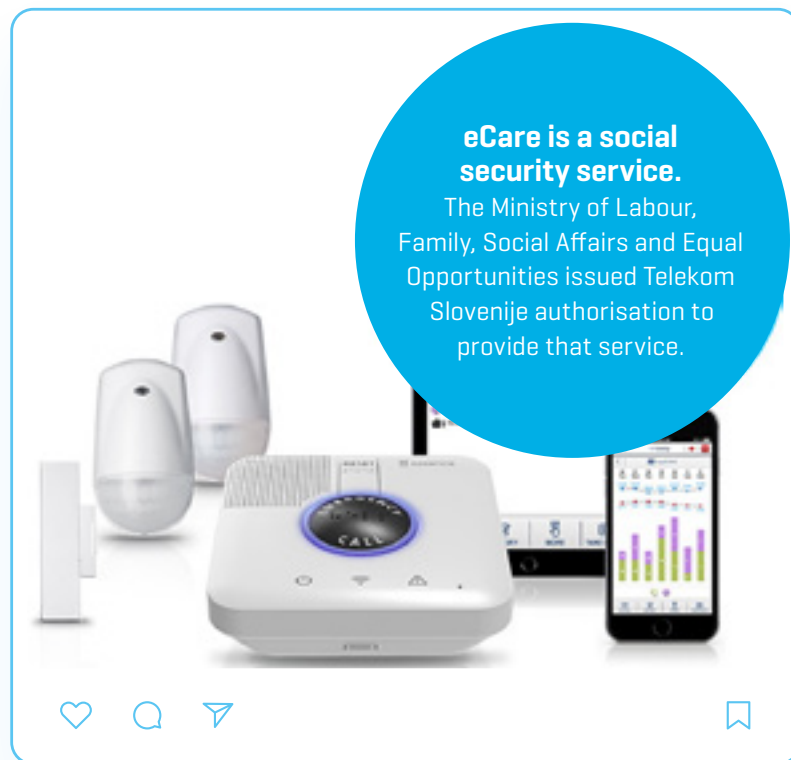




In the scope of the international HOPE, HoCare and ITCHA programmes,

the **smart system of integrated healthcare** was recognised as an international example of best practices. In addition to Telekom Slovenije, which has developed and set-up the technological infrastructure [e.g. a telemedicine platform and other ICT support], project participants included the Ljubljana University Medical Centre, Trebnje Health Centre, Golnik Clinic, National Institute of Public Health and Faculty of Medicine at the University of Ljubljana.

The solution allows healthcare institutions to provide telemedical treatment to treat patients with the most common chronic diseases [chronic heart failure, asthma, chronic obstructive pulmonary disease, diabetes and high blood pressure], and to monitor and treat them remotely. In March, together with the Ljubljana University Medical Centre, we developed a national telemedicine centre and the telemedical treatment of patients. Using the telemedicine services makes it easier to remotely monitor COVID-19 patients being treated at home. In November 2020, we developed a system for the centralised, real-time monitoring of the vital functions of patients seriously affected by the coronavirus, and set that system up in additional COVID-19 wards at the Ljubljana University Medical Centre. Other local and foreign hospitals have expressed interest in the aforementioned solution. Our



eCare is a social security service.

The Ministry of Labour, Family, Social Affairs and Equal Opportunities issued Telekom Slovenije authorisation to provide that service.

solutions have proven the **clinical success and effectiveness of treatment, and a reduction in the number of premature deaths, complications, visits, hospitalisations and the associated unnecessary costs.**

The smart system of integrated healthcare makes it possible for chronic patients to remain in constant contact with healthcare staff from anywhere [e.g. from their home environment]. Vital functions can also be monitored remotely, without visiting a clinic. A special remote care **eCare service** is available to patients, the elderly, disabled persons and others requiring assistance to live independently in their home environment. One of the things that the aforementioned service facilitates is the detection of falls at home.

In the segment of **integrated communications** [fixed and mobile], we facilitated voice telephony connections to MS

Teams services. We updated the portfolio of videoconferencing equipment and services due to the increased need for work from home and virtual meetings.

INTER-OPERATOR SEGMENT

Domestic wholesale services

Revenues from the domestic wholesale market in 2020 were similar to the level recorded in 2019. Revenues from broadband services for operators who roam on the copper access and fibre optic networks were up. Revenues from the leasing of dark fibres were down slightly. We revised and extended the agreement with the operator T-2 on national roaming in the mobile network. The pandemic forced us to expand inter-network voice and data capacities with other operators significantly due to sharp growth in traffic flows.

TELEKOM SLOVENIJE'S REGIONAL FIBRE OPTIC NETWORK



International wholesale services

The pandemic had a major negative impact primarily on roaming services, as travel was virtually impossible, meaning that traffic from voice services was also lower. A drop in voice traffic was also noted due to increased work from home and growth in the use of alternative technologies that facilitate user calls and content in one place. We maintained our market position, despite the aforementioned negative trend, the migration of traffic to alternative technologies

[OTT providers] and falling prices. Special attention was given to cost control in the area of roaming services, as the traffic of Telekom Slovenije's subscribers in countries covered by the EU tariff is rising sharply as the result of roaming services on the single market ('roam like at home'). Internet traffic was up, which triggered the upgrading of existing capacities and reduced margins on data services.

The **regional fibre optic network** represents an important strategic advantage of Telekom Slovenije on the data services

market in the region. We provide the highest-quality services through that network. We sell free capacities on the regional network to our international partners and large end-users on the wholesale and retail markets. Connections based on Telekom Slovenije's backbone network bring an alternative connection between the Balkans and other major hubs in Western Europe.

TSMEDIA³⁵

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

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

TSmedia generated sales revenue of EUR 5.6 million in 2020, a decrease of 11% relative to 2019. That fall was the result of the reduced scope of advertising. Through intensive marketing, the rapid adaption of the portfolio and a focus on niche

content, TSmedia increased revenue per SiOL product by 3% relative to the previous year.

AVTENTA

Avtenta is the **leading partner for managing and implementing SAP solutions and paperless operations** on the Slovenian market. It specialises in:

- the implementation of SAP ERP solutions;
- the implementation of paperless operations;
- the provision of expert support and assistance to more than 15,000 users of our solutions [SLA]; and
- information support for business processes with standardised package solutions [SAPaaS and BCaaS] and integration with various systems.

Avtenta generated sales revenue of EUR 8.1 million in 2020, a decrease of 4% relative to 2019. Revenues were down due to stagnating sales of SAP solutions and document systems on the external market.

SOLINE

Soline protects and sustainably **preserves natural and cultural heritage in the Sečovlje Salina Nature Park and produces salt using a traditional method.**

Soline generated sales revenue of EUR 2.8 million in 2020, a decrease of nearly one half relative to 2019. The main reasons for that decline were the halting of climate fund works and lower sales of products in the company's own outlets.

avtenta.

Vodilni
na področju
SAP rešitev in
brezpapirnega
poslovanja

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GVO

GVO is the **leading provider of comprehensive solutions in the areas of project design, and the construction, management and maintenance of telecommunications networks** in Slovenia. The company is also expanding to related activities in the construction and maintenance of infrastructure facilities. It participates in public-private partnership projects co-financed by the European Union from the European Regional Development Fund and by funds from the Slovenian budget. These are projects to construct and manage open broadband networks in primarily rural areas.

GVO generated sales revenue of EUR 58.0 million in 2020, an decrease of 1% relative to 2019. The company continues to record growth in revenues on the market from the management and maintenance

of open broadband networks, and from investments for the parent company. The company generated lower revenues from maintenance for the parent company, primarily as the result of the continuous upgrading and development of the network which, following upgrades on fibre optic lines, requires less maintenance.

IPKO

IPKO has developed from the first internet provider to cover all of Kosovo into a contemporary company that offers a **comprehensive range of convergent mobile communication, fixed telephony, internet and cable TV services.**

The company generated sales revenue of EUR 56.2 million in 2020, a decrease of 7% relative to 2019. That decrease was primarily the result of a decline in revenues from transit traffic on the wholesale market, while

the impact of the pandemic and the inability of ex-pats to return to Kosovo was also negative. In the fixed segment, IPKO faced aggressive marketing campaigns by the competition aimed at attracting new subscribers, but nevertheless successfully stabilised its user base. IPKO remains the strongest brand amongst telecommunication companies in Kosovo.

TSINPO

TSinpo is a service and disabled workers' company. The company produces and markets cardboard tubes and packaging under its own brand. The company is present primarily on the Slovenian market with small-batch production, but is also present to a lesser extent in neighbouring countries, almost exclusively on the B2B market. TSinpo provides the parent company various support services, such as the control, servicing and distribution of telecommunications terminal equipment, the technical preparation of telecommunication works, the compilation of sales and other packages, the distribution of marketing materials, the preparation and distribution of CRM materials for end-users, the maintenance of the documentary material archive and a correspondence contact centre. It is also present on the market with documentary material scanning and packaging services.

TSinpo generated sales revenue of EUR 1.4 million in 2020, an increase of 2% relative to 2019, primarily on account of the introduction of a correspondence contact centre programme adapted to the work of disabled persons.

2.7.4 CUSTOMER SATISFACTION³⁶

The COVID-19 pandemic also affected the habits, needs and mood of the users of our services. In the digital environment, parents perform their work from home, and children and students of all ages have been forced into distance learning. Meetings, different gatherings and training are being organised remotely, while the volume of online shopping was up sharply due to the closure of shops and other restrictive measures. As

a result, the expectations of users regarding communication services have risen considerably, while Telekom Slovenije has remained accessible to them via numerous channels, such as the call centre, the Technical Help Desk, email, points of sale (which we converted into pick-up points) and the digital adviser Maks. Users can manage their communication services using My Telekom, and can find almost everything they need for home,

business and entertainment in the Online Shop.

Users were very satisfied with our responsiveness, accessibility and personal approach during these extraordinary circumstances. Also worthy of note in that regard is our social engagement and care for users, which we demonstrated through additional free services and our rapid responses. We achieved an above-average satisfaction index during this period.



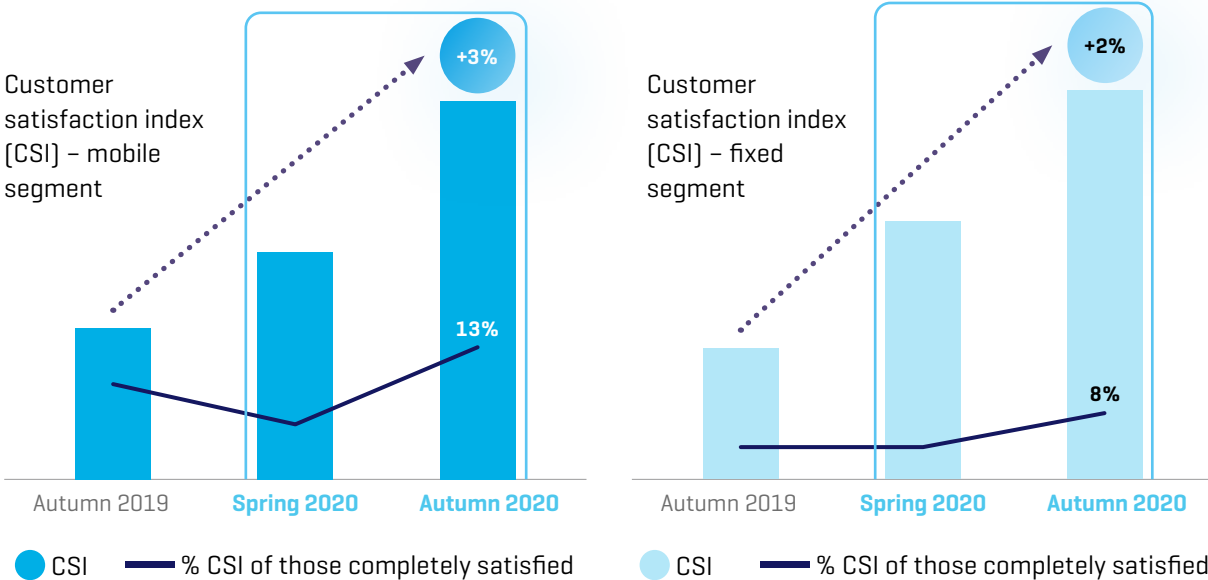
Telekom Slovenije creates the leading user experience, which is based on the best fibre optic and 4G/5G network for the B2C market, business and the critical infrastructure. We create that experience in accordance with the latest trends, and the needs and wishes of users. We will continue to be the first choice of users and business partners in the future through digitalisation, by ensuring excellence, security and contactless operations, and by adapting dynamically to the constantly changing habits of the users of communication services.



CUSTOMER SATISFACTION WITH TELEKOM SLOVENIJE'S SERVICES


Through regular measurements of customer satisfaction, we gain important insight for the upgrading of services and the adaption of the portfolio to the needs and wishes of users. Telekom Slovenije improved the satisfaction of its users in 2020.

Satisfaction index for Telekom Slovenije's users




Source: Valicon, Satisfaction of the users of telecommunication services; autumn 2020.


KEY BUILDING BLOCKS OF THE SATISFACTION OF TELEKOM SLOVENIJE'S USERS



- ✓ stable functioning of the internet
- ✓ stable functioning of TV services
- ✓ back-viewing as part of TV services
- ✓ reliability of the operator



- ✓ stable functioning of the internet
- ✓ coverage and stability of the mobile network
- ✓ reliability of the operator



- ✓ stable functioning of the internet
- ✓ stable functioning of TV services
- ✓ back-viewing as part of TV services
- ✓ coverage and stability of the mobile network
- ✓ reliability of the operator

IMPORTANCE OF THE STABILITY AND FUNCTIONING OF THE NETWORK

According to consumers, **Telekom Slovenije** is the operator with the **best and fastest mobile and fixed network**. The best and fastest mobile network is one of the top five elements for Telekom Slovenije, while the proportions of other Slovenian operators are nearly one half lower. The best fixed network is one of the top three elements, while the fastest network falls somewhere in the middle, but still ranks better than the competition [Source: Valicon, Monitoring of brand strength and image; September 2020].

Of above-average importance to users are the coverage, stability and reliability of the network, while customer satisfaction with those attributes is also above-average [Source: Valicon; Satisfaction with fixed and mobile services; October 2020].

NEO

The **NEO Smartbox** brings greater user satisfaction than other TV interfaces. Users are most impressed by the video store services, recording features, the ability to use applications and the search for content. There has also been a notable improvement in the NEO TV remote control over time [Valicon, Monitoring of product brands – NEO; December 2020].

A total of 88% of NEO users are satisfied, while 55% of them are very and completely satisfied. More than 90% of users are satisfied with the most commonly used user functions in TV services: back view and delay functions [95% of satisfied users], content search functions [92% of satisfied users], remote control functions [92% of satisfied users], and applications [91% of satisfied users] [Valicon, Satisfaction of the users of telecommunication services; autumn 2020].



- NEO facilitates the quick and easy search for content;
- NEO brings together all content in one place;
- NEO is simple;
- NEO is the most innovative and offers the best platform for smart living; and
- NEO understands the needs of users and facilitates the best user experience.



VALÚ

Users consider **VALÚ** a resourceful and friendly service for active people. Elements such as trustworthiness, locally-based and a feeling of security are also demonstrating growth. Payment cards and cash are the most frequently used forms of payment for daily obligations. The volume of payments via online or mobile banking services has risen, while the number of users of digital wallet

services has remained at the level recorded in previous measurements. The proportion of cash payments fell from 86% in December 2019 to 79% in December 2020 due to COVID-19 restrictions.

VALÚ raised its brand strength slightly [+2 points] relative to the previous measurement, and maintained 4th place. Growth was recorded in recognition, selection and use [Valicon, Monitoring of product brands – VALÚ; December 2020].

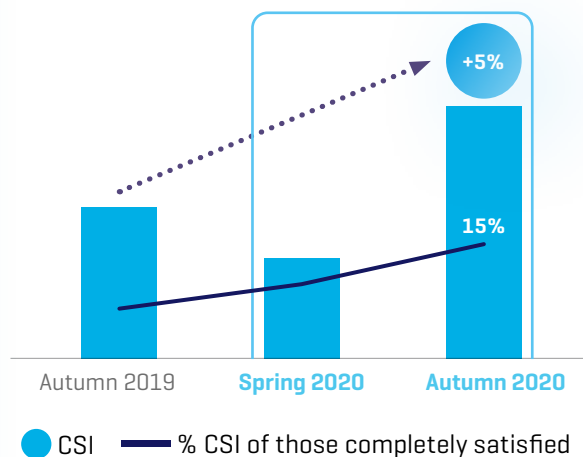
SATISFACTION OF BUSINESS USERS



The proportion of completely satisfied business users continues to rise. Satisfaction was up relative to the previous measurement in all elements, most notably in reachability

when help is required, responsiveness in terms of help and in the ratio of price to value. Key elements [with the highest level of customer satisfaction and the greatest importance of elements] include the **reliability of the operator, and the quality and functioning of services.**

Index of business user satisfaction



Source: Valicon, Satisfaction amongst business users, June 2020.

Telekom Slovenije improved::

- responsiveness and reachability; and
- the quality to price ratio.

The foundations of the satisfaction of Telekom Slovenije's business users remain the **reliability, quality and functioning of services.**



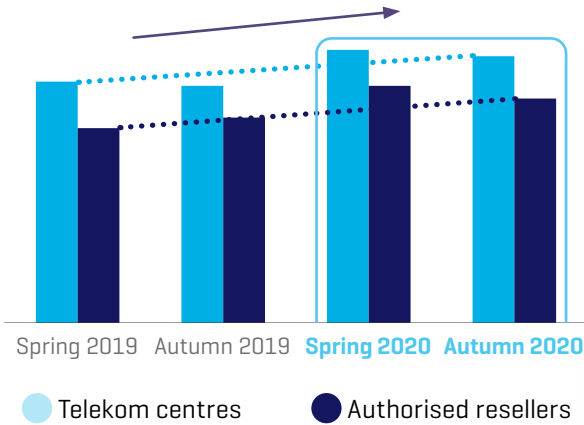
SATISFACTION WITH TELEKOM SLOVENIJE'S POINTS OF SALE



We measure the satisfaction of visitors to points of sale, satisfaction with contact centres and responsiveness to messages sent via

email to info@telekom.si through Mystery Shopper research conducted twice a year. All channels receive high ratings, which are on the rise.

Top score per sales channel



Source: Valicon, Mystery Shopper research; autumn 2020.

Visitors to Telekom Slovenije's points of sale express the **highest level of satisfaction** with the following factors (Mystery Shopper research; second half of 2020):

- the orderliness of surroundings and the interior of branches;
- sales staff are available to users, are helpful and create a pleasant atmosphere; and
- the advisory process.

NET PROMOTER SCORE (NPS)

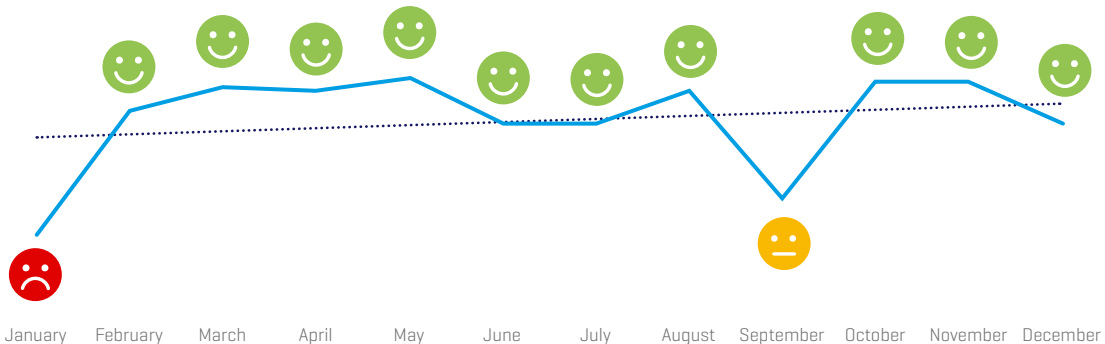


The Net Promoter Score (NPS) indicates to what extent users are prepared to recommend services to others. Globally, it is

the most frequently used metric for monitoring the user experience, which in one point combines the indicator of a user's willingness to recommend a company/product/service, user satisfaction, perception of user experience excellence and an expression of the user's loyalty to a provider.

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

Surveyed NPS in 2020:



Source: Valicon, Surveyed NPS, 2020.



CUSTOMER SATISFACTION AT OTHER COMPANIES

TSmedia

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

avtenta

Avtenta measures customer satisfaction once a year through research that includes the measurement of NPS. Avtenta's customer satisfaction index [CSI] was 64, an increase of 2 points relative to the previous year. The growing trend that we have recorded since 2018 is primarily the result of an increase in the proportion of completely satisfied users [from 9% in 2019 to 17% in 2020].

Satisfaction improved most amongst Telekom Slovenije's users [CSI = 59, an increase of 4 points relative to the previous year], while the satisfaction of other users was at the level recorded in 2019 [CSI = 69]. In general, NPS was down slightly, by 4 points taking into account the entire sample, and by 2 points amongst Telekom Slovenije's users, which could be the result of fewer contacts during the COVID-19 pandemic. Poorer ratings were given for responsiveness in the elimination of faults, while those surveyed assessed cooperation during the pandemic and the upgrading of systems as good.

GVO

GVO regularly measures customer satisfaction after the completion of construction, and once a year by performing an analysis in accordance with the ISO 9001 standard, for the areas of construction and project design. In the area of construction, GVO received assessments of 'excellent' [56%] and 'very good' [44%] from Telekom Slovenije in 2020. It only received assessments of 'excellent' [100%] from external customers. In the area of project design, GVO received assessments from Telekom Slovenije of 'excellent' [33%] and 'very good' [67%], and only assessments of 'excellent' [100%] from external customers.

TSinpo

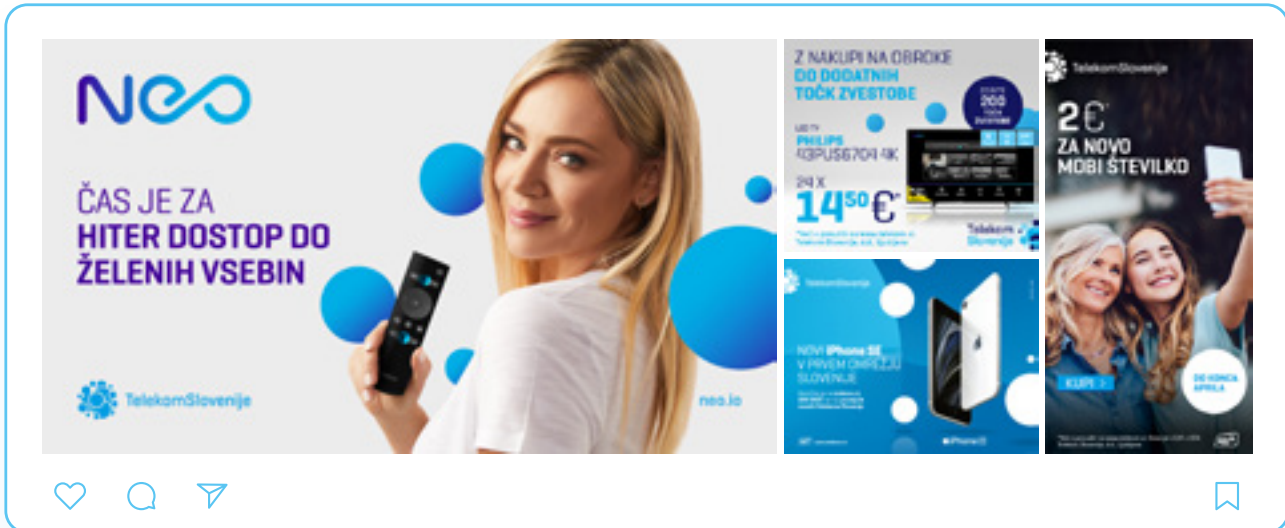
TSinpo carries out unstructured interviews with users once a year. Qualitative assessments of satisfaction were at the level recorded in previous years.

IPKO

IPKO regularly monitors user responses via market research, social networks and quarterly quantitative studies. Market research was not conducted in 2020 due to the COVID-19 pandemic. According to the BrandTrack 2019 market research, IPKO's NPS [amongst users] for 2019 was positive and higher than other operators for mobile and fixed services. In the mobile segment, IPKO's users are more satisfied than the users of other operators [8.3 on a scale of 1 to 10], while only a slight change was recorded relative to the previous year [assessment of 7.6] in terms of fixed services [internet and digital TV].

2.7.5 MARKET COMMUNICATION³⁷

We updated market communication materials in the spring due to the rejuvenation of our umbrella brand and the standardisation of image of our other key brands.



In addition to a fresh image, we also developed and introduced an audio signature that we use at the end of all audio-visual content, and thus further strengthened brand recognition and the standardisation of communications. That audio signature is made up of the letters **T** and **S** from the Morse Code. Those letters create a melody by converting the basic colours of corporate identity into an audio recording using selected frequencies and then 'playing' them in a chosen rhythm. This creates a unique audio sequence that reflects basic forms of communication in an innovative way, and thus combines audio and visual recognition in one place.

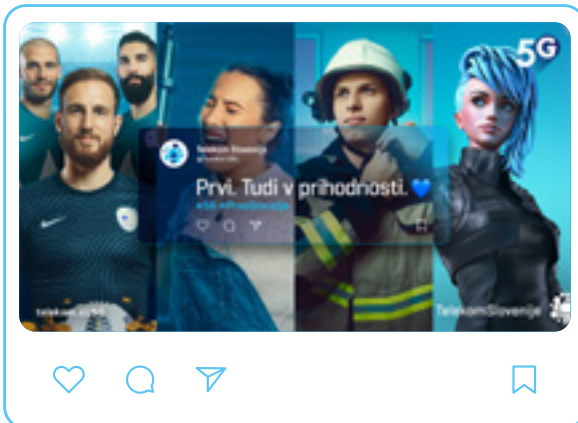
REVIEW OF MARKET COMMUNICATION ACTIVITIES

The pandemic also forced us to respond quickly in the area of communications, and adapt marketing campaign processes, communication content and communication channels. We executed around 100 advertising campaigns and projects in 2020.

We created an advertising platform for **fixed services** starring Katarina Čas, who became the face of NEO campaigns in 2020. We thus presented the NEO experience through a series of humorous TV and online videos. The results indicated that 67% of those surveyed correctly linked advertisements for the new NEO Svet packages to the Telekom Slovenije brand.



In 2020, we were the first in Slovenia to establish a national fifth generation [5G] mobile network that we supported with communication campaigns using the slogan 'The first. In the future, too.'. In addition to launching the 5G network, we rounded off the year in the mobile segment of the portfolio with various promotional offers and the associated communication activities, with an emphasis on Naj packages and promotional offers of different mobile phones.



During the first wave of the epidemic, we also communicated about the reliable functioning of our network and our efforts to ensure connectivity in a time when the latter was extremely important. We communicated to users that we **#STAYCONNECTED**.



In **residential user segment**, we placed greater emphasis on TV and online advertising, and updated the digital communication method by introducing the see-think-do-care model, which was well received.

We continuously supported sales activities by communicating the ever-expanding portfolio of the Loyalty Programme, through monthly Modri Fon campaigns and through the 'Black Friday' campaign in November, in which we captured various aspects of the portfolio, from the Loyalty Programme to Turbo WiFi services.



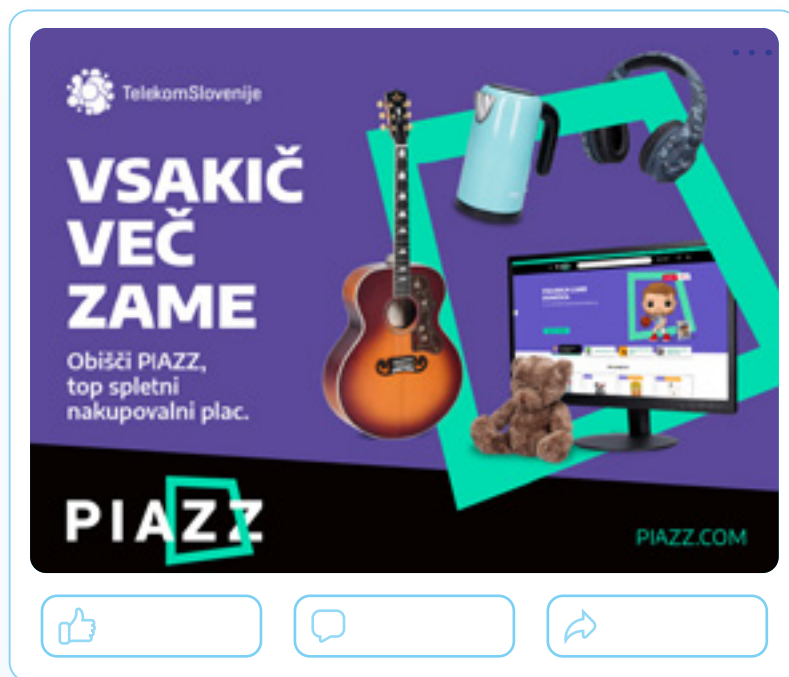
We primarily addressed the **segment of young users** through digital activities and channels, including the **NekiNeki** YouTube channel. We communicated a special offer of mobile phones with the option of ordering via the web. Through the 'Neki te rabim' [I Need You For Something] campaign, we presented the new 'Pripelji prijatelja' [Invite a Friend] offer, through which both friends save on subscription fees for the entire year.





For the prepaid **IZI** services we addressed the target group of young, simple users in the autumn, based on which we organised a campaign using videos on the TikTok network. That campaign continued on the web with continuous communication activities.

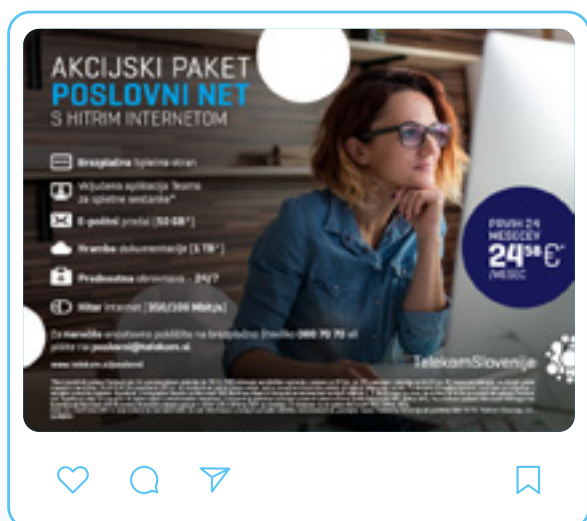
We communicated the range of **VALÚ** smart wallet services via digital campaigns through which we encouraged the updating of profiles, while regular activities were carried out for the downloading of the VALÚ application. In October, we



presented the new PIAZZ brand, under which we launched a new online marketplace. That launch was accompanied by a campaign with the slogan 'Vsakič več zame. Obišči PIAZZ, top spletni nakupovalni plac' [More for Me Every Time. Visit PIAZZ, the Best Online Marketplace], which was followed by continuous communication on the web.

During the first half of the year in the **segment of small and medium-sized enterprises**, we communicated about services that facilitate secure and simplified operations, and work

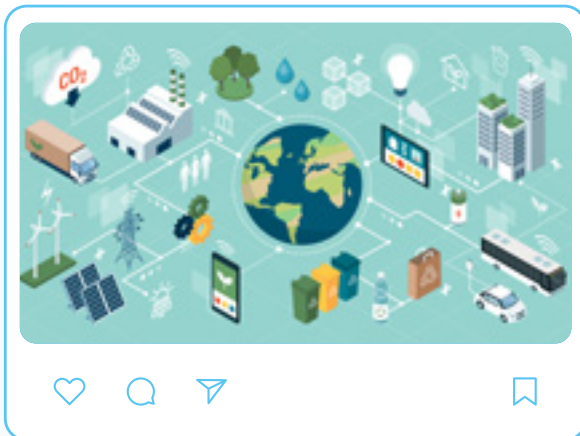
from home [Office 365, Varen splet [Safe Web], Kaspersky, the Poslovni net [Business Net] package, and Mobilna blagajna [Mobile Cash Register] for the simple issuing of invoices]. In the autumn, we presented a new communication platform that included a **mobile campaign** with the **Naj C** package and two Samsung mobile phones, a campaign with business packages and professional Bosch and Philips devices, a campaign for the **design of a website with the e-pricelist** and a campaign for **VALÚ** and the **Poslovni net [Business Net] package**.



We used various media channels throughout the year to present the **eCare** service to the elderly and their families. The service facilitates carefree and safe living for older people, especially if they live alone.

We organised nine webinars over a four-month period for **key business users**. Those webinars included current topics in the areas of cyber security, secure commercial mobility, firewalls, workplace management, eCare and video communications. They were well received, as we averaged 90 registered participants who asked lecturers many questions.

We also participated in the virtual **Corporate Security Days event**, at which our Cyber Security Operation Centre received an award for best innovative security solution.



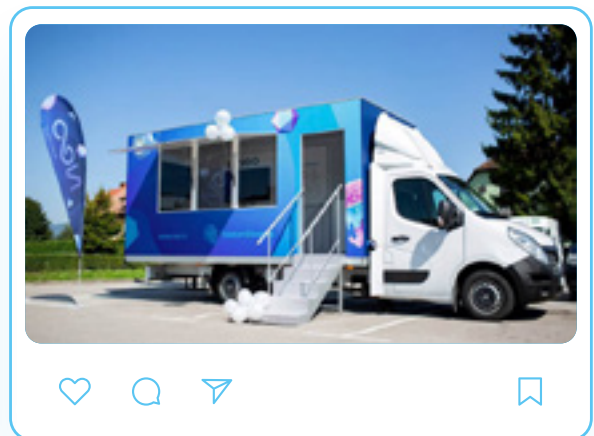
Through our **smart city solutions**, we serve as an important partner to municipalities and public utility companies in raising the quality of services provided to citizens, in reducing emissions and water losses, in energy efficiency and in the improved quality of life. In Zagorje ob Savi, we set up solutions which, in the form of a smart street lamp, also facilitates the monitoring and analysis of different factors for the better planning and management of resources, such as public lighting, parking spaces, public utility services, etc. Together with partners, we designed advanced smart city solutions in Novo Mesto, and prepared a range of IoT solutions for potential subscribers with the common name of Modro mesto [Smart City].

We prepared **video content in the following four areas**: Smart City, video communication, remote metering reading and digital messaging and 20 different flyers for the B2B market.

EVENTS, PROMOTIONS AND COMMUNICATIONS WITH USERS

Measures to prevent the spread of COVID-19 resulted in fewer events, but we nevertheless attended 28 events and promotional presentations in 2020. In the area of direct communication, we addressed users via 450 direct-mail and text-message campaigns. We adapted the distribution of direct mail and prepared the majority of content in electronic form.

We prepared seven catalogues for users in 2020, four of which were sales catalogues, while two catalogues were intended for small and medium-sized enterprises and one catalogue of products was for members of the Loyalty Programme. We also prepared 100 other pieces of printed materials [flyers, leaflets and brochures].

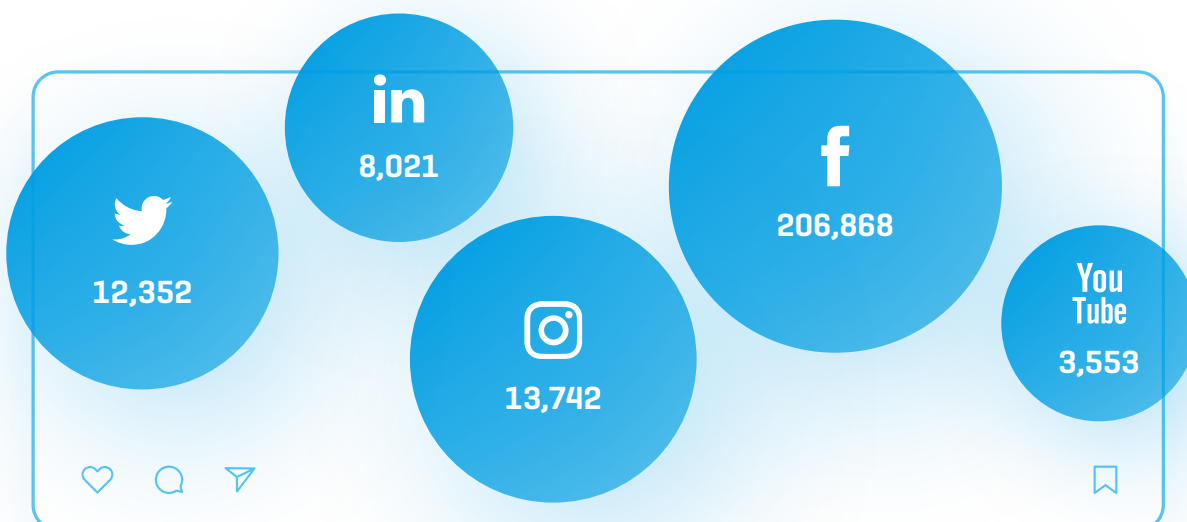


We opened a new Telekom centre at the Aleja shopping mall in Ljubljana, and visited more than 15 cities and towns across Slovenia with the **NEO house**. We organised 22 promotional days between July and October.

PRESENCE ON SOCIAL NETWORKS

The main www.telekom.si website recorded nearly 28.5 million visits, an increase of almost 15% relative to 2019. The proportion of access to the www.telekom.si website using mobile devices continues to rise, and reached 71% at the end of the year.

On all social networks where the Company is present [Facebook, Twitter, Instagram, YouTube and LinkedIn], we have one of the **largest bases of followers** among companies in Slovenia who transact directly with users.



Also rising is the number of followers of the VALÚ, IZI and PIAZZ brands on social networks, where we are present on Facebook and also on Instagram with the VALÚ and PIAZZ brand. We executed a communication campaign for the IZI brand on the new, fast-growing TikTok social network, while we communicate PIAZZ on the LinkedIn social network in order to search for and connect with new partners.

Effective **user lifecycle management** is the aim of every organisation. In 2020, we updated rules on the execution of campaigns and adjusted the time of user contacts, so that the latter would be continuously informed about new developments, the current portfolio and personalised content to the greatest extent possible. We sent more than 10 million emails, executed 1,300 text-message campaigns, sent more than 1.5 million short text messages and organised nearly 700 call campaigns with more than 35,000 calls. We simultaneously update our systematic support with learning technology and improve the success of automated personalised campaigns.

ETHICAL MARKETING

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

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

The market communication activities of Telekom Slovenije and TSmedia are in line with the [Media Act and the Slovenian Advertising Code](#). In market communication, we self-regulate advertising, meaning we verify compliance with the law and codes every time communication projects are planned. We also adhere to the examples of best practices drawn up by the Slovenian Advertising Chamber [www.soz.si/projekti_soz/dobra_praksa/]. IPKO also respects general professional advertising codes³⁸.

In 2020, the Advertising Tribunal of the Slovenian Advertising Chamber ruled in favour of a complaint filed by Telekom Slovenije. The Advertising Tribunal ruled that the use of the superlative 'largest GIGA network in Slovenia' by Telemach is not permitted. The Market Inspectorate of the Republic of Slovenia also found that the aforementioned company breached the Consumer Protection Act in terms of unfair business practices, and therefore ordered Telemach to rectify the aforementioned breach and cease with misleading advertising. TSmedia received a negative opinion from the Advertising Tribunal regarding the publication of paid-for articles. The company immediately rectified that breach. Telekom Slovenije Group companies did not record other breaches of codes or voluntary standards in the area of marketing communication³⁹.

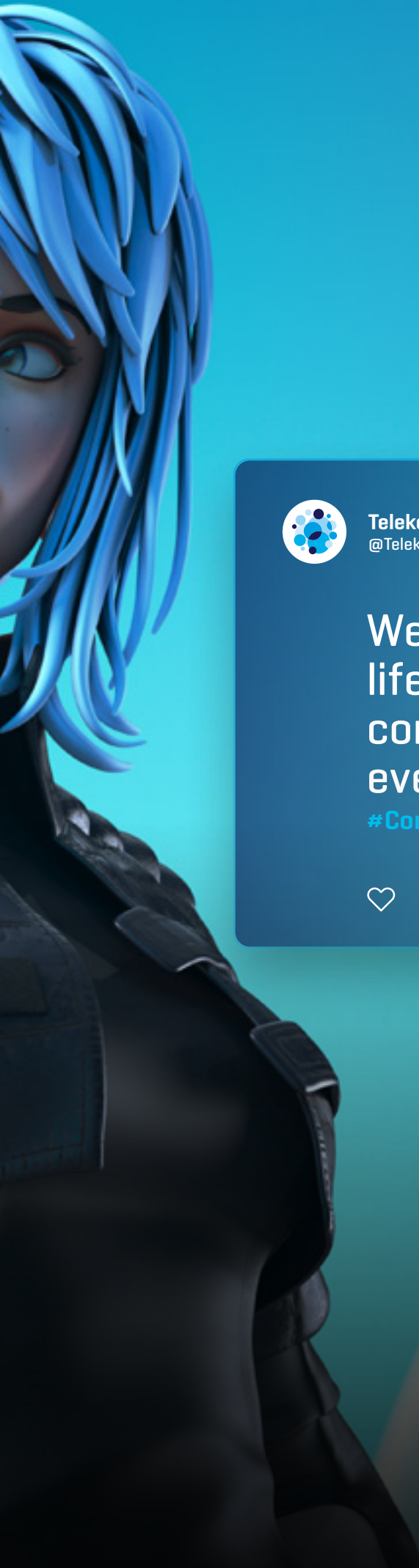
38 GRI GS 103-1, 103-2, 103-3

39 GRI GS 417-3

NETWORK, TECHNOLOGIES AND IT

#CONNECTED, IN THE FIRST 5G NETWORK IN SLOVENIA

No breakthrough has ever occurred overnight. And every breakthrough is simply the first step in a new direction. Thus, the establishment of fifth generation mobile networks is not our goal, but rather our path. A path that will take Slovenia from the era of kilobit and megabit speeds to a gigabit decade. Every step opens a new opportunity; through new opportunities, we will connect the increasing number of smart devices, smart industries, smart homes and smart cities more rapidly, more securely and more reliably. We take steps on the path to technological development prudently and responsibly, and by consistently respecting the environment in which we work and live.



Telekom Slovenije
@TelekomSlo

We can no longer imagine
life without high-capacity
communication services
every step of the way.

[#Connected](#) [#BestNetwork](#)



2.8 NETWORK, TECHNOLOGIES AND IT

2.8.1 DEVELOPMENT OF NETWORKS, SERVICES AND PROJECTS⁴⁰

EU PROJECTS

Telekom Slovenije participates in the **EU's Horizon 2020 programme** in the area of research and development. That programme supports top-level international research projects with the aim of addressing social challenges with greater success and thus increasing the competitiveness of the EU in the future.

We focus primarily on the development of technologies that will form the market of state-of-the-art telecommunications in the near future. Most important are activities relating to 5G networks. Internet of Things technologies (smart grids, connected homes, smart cities, eHealth, etc.), and cloud and big data services will facilitate a crucial step forward in the future.

We applied as a participating partner for several EU projects (ECRYPT-CSA, PRECINCT, PERSEUS and CyberNet) in the area of next-generation networks and services, including cyber security. We are still waiting on the results of applications. We are expecting progress in the area of critical public services, such as emergency call services, to which we are giving a great deal of attention.

We participated in two major research and development projects in 2020: 5G Security [<https://5gvarnost.iskratel.com/>] and 5G-LOGINNOV [<https://cordis.europa.eu/project/id/957400>], while we also began activities on the EU 5G-IANA project, which will formally start in 2021.



The **5G-LOGINNOV** European development project is being financed by the European Commission in the scope of the Horizon 2020 programme. The project includes 15 partners from several European countries, including the Port of Koper, Telekom Slovenije and Internet Institute from Slovenia. The 5G-LOGINNOV project focuses on the 5G network, in terms of developing innovative logistics solutions in the scope of Industry 4.0.

Telekom Slovenije will set-up a development-test 5G network in the vicinity of the Port of Koper. The aim of that network will be the development and testing of solutions to optimise processes, increase efficiency and reduce environmental impacts in specific cases where the network will be used in the management of transport logistics. When testing solutions, project partners will use the latest fifth generation network technologies and devices, sensors, automation, analytics and traffic management systems, including the use of self-driving freight vehicles. Other project partners will test similar solutions at ports in Hamburg and Piraeus. The project will last three years and is expected to be completed in September 2023. As part of the Horizon 2020 programme, we will participate in another European 5G development project: **5G-IANA**. The aim of the project is to set up an open experimental 5G platform for the rapid and effective development of services in connection with self-driving vehicles and communication between devices in vehicles. This will accelerate the development of the software required for the functioning of vehicles of the future.

The platform is intended primarily for small and medium-sized enterprises that will get the opportunity to develop, set up and test their innovative solutions. To that end, Telekom Slovenije will provide the appropriate 5G infrastructure,



Telekom Slovenije will set up a development-test 5G network in the vicinity of the Port of Koper in the scope of the 5G-LOGINNOV project.



and offer a cloud service infrastructure and the necessary virtualised environment, in which partners will establish virtual network functions (VNFs). Above all, the project will facilitate the

development of services in the area of artificial intelligence and machine learning intended for use in the automotive industry. The project will last until the middle of 2024.

2.8.2 ACCESS NETWORKS

Through the fixed access network, we ensure broadband coverage, and the high performance of the cable network and active access devices. We continued to **modernise the radio and fibre optic access networks** in 2020. Development activities focus on the Internet of Things, 5G technology and the provision of services through the mobile network.

ACCESS DEVICES AND FTTH



We provided users transfer speeds of up to 1 Gbit/s on the fibre optic network back in 2007, which more than meets the bandwidth needs of contemporary and future telecommunication services. We continue to expand Telekom Slovenije's **fibre optic access network**, and thus currently facilitate the connection of more than 370,000 Slovenian households to the fibre optic network. We facilitated the connection of an additional 43,994 Slovenian households to the fibre optic infrastructure in 2020. We provide users higher internet speeds and a superior user experience in terms of broadband content. We are also optimising cost efficiency and working to achieve the objectives of the Digital Agenda for Europe, which lays down development until 2025 [Connectivity for a European Gigabit Society].

We are introducing an advanced technological access solution that enables symmetrical gigabit connections on the fibre optic network with a speed of up to 10 Gb/s.

We are also introducing GPON (and in the future, XGS-PON) technologies on the existing FTTH network using point to point topology, which allows us to optimise the number of functional locations with active equipment and reduce the amount of required active equipment, and facilitates higher speeds throughout the entire FTTH network. On the copper network, ADSL2+ technology is making way for **VDSL2** technology. In addition to higher speed, symmetrical transmission is also possible, primarily from the user to the network, which was crucial in a year when work from home and distance learning became a constant. The proportion of xDSL subscribers using VDSL2 equipment rose from 69% to 78% in 2020.

TRANSMISSION SYSTEMS

We continued to introduce optical transport network functionalities at key locations, and built a DWDM network in the Prekmurje region.

We continued with the implementation of 100 G connections for the needs of high-speed backbone connections. Where additional 10 G connections were needed, we implemented 10 x 10 interfaces to the greatest extent possible to facilitate the rapid upgrade to 100 G interfaces.

We tested synchronous transmission for the 5G network. We also achieved excellent results in the DWDM segment that satisfy synchronous transmission via the DWDM network.

We built the Varaždin–Maribor DWDM section on the regional optical network (RON), while construction continues on the Ravne–Gradec–Vienna section. We also included additional 100 G connections on the Ljubljana–Sofia section. We are planning the construction of the Nova Gorica–Milano DWDM section and the inclusion of higher-capacity 12 x 100 G connections on the Milano–Ljubljana–Sofia section.

TELECOMMUNICATIONS CABLE NETWORK

We are building a network in urban and rural areas in accordance with the development strategy, economic criteria and the expectations of users and the Company's owners. We provided users transfer speeds of up to 1 Gbit/s on the fibre optic network back in 2007, while we are also introducing an advanced technological solution that will facilitate symmetrical gigabit connections on the fibre optic network with a speed of up to 10 Gb/s. In that respect, we are consistently fulfilling all commitments we have given regarding the construction of a fibre optic network where we have expressed interest, and are pursuing the objective to develop the communications network in Slovenia. We are working with municipalities, local communities and other infrastructure operators in the joint construction and upgrading of the infrastructure, and are thus making it possible for users to connect to the broadband network. As a result, we are accelerating the discontinuation of copper networks and migrating to high-capacity and reliable fibre optic networks.

RADIO NETWORK

We continued to upgrade base stations at existing locations, modernised 2G, 3G and 4G equipment, and updated software in 2020. We increased the capacities of base stations due to the rising volume of mobile data traffic. We also increased capacities due to work from home and distance learning, and improved the external and internal coverage of the mobile radio signal, in part through the construction of new locations. We **upgraded the 4G network to 5G in the existing 2,600 MHz frequency band.**

There were 1,342 GSM base stations, 911 UMTS base stations, 1,372 LTE/4G base stations and 249 5G base stations connected to a total of 1,494 locations on Telekom Slovenije's radio access network in Slovenia at the end of 2020. We currently cover 96.64% of the population with the LTE/4G signal, 87.26% of the population with the LTE/4G+ signal and 32.44% of the population with the 5G signal. A total of 123 small cells were also included for internal coverage needs.

According to internal measurements, Telekom Slovenije has the leading mobile network in terms of the following key elements of a superior user experience:

- the coverage of territory and the population;
- average download speeds;
- average upload speeds; and
- the time required to establish a call and the success of that process.



Telekom Slovenije upgraded the network with 5G technology in 2020. The first phase of the upgrading of the network with 5G technology is based on the non-standalone [NSA] principle, where the control element continues to use the 4G network. This required the modernisation of and upgrading of software at 4G locations to which we connected the 5G network. We are planning a standalone [SA] implementation in the future, meaning that the 5G network will function independently. 5G technology has brought users faster and more reliable mobile data transfer and reduced lags relative to 4G. In the scope of upgrading the network with 5G technology, the first production verticals were connected, to bring digitalisation closer to the manufacturing sector and the economy as a whole. Coverage of the population with the 5G network stood at 32.44% at the end of 2020 in the existing 2,600 MHz frequency band, primarily in cities, business centres and along transport routes. Telekom Slovenije is planning the smart 5G infrastructure in such a way that we will be able to facilitate numerous virtual dedicated networks on that infrastructure for specific business verticals, such as healthcare, energy, transport, factories, smart cities and communities, etc.



The completion of the frequency spectrum auction in Slovenia, which will facilitate the use of the full potential of 5G technology is expected in 2021. The next phases of 5G evolution will follow.

The need for even higher-capacity mobile internet access is rising every year, while that trend was even more evident in 2020 due to the extraordinary circumstances.

We provided our users Voice-over LTE (VoLTE) services, for which we carried out the comprehensive optimisation of the radio element of the network. We thus facilitated the increased use of the most advanced and highest-quality voice services, so that we will free up the frequency band intended for 3G (UMTS), which is slower in terms of data transfer compared with 4G and 5G and makes poorer use of the frequency domain, and use it for 4G and 5G. Accordingly, we are planning to stop using 3G by the end of 2023.

PROVISION OF SERVICES TO USERS

We implemented nearly 270,000 activities for the provision of services in 2020. We manage the entire segment of residential users, SOHO and large business users, where we ensure the rectification of service-related incidents, and the inclusion of new users and changes to the configurations and user devices of existing users. We also implement technical solutions adapted to the needs of large business users and provide connectivity at major sports and social events. We are continuing to

optimise processes and activities, which shortens time-to-market and facilitates the achievement of KPIs.

We are implementing the S.M.A.R.T. development and training programme, which affects the excellence of the user experience. We achieved a high transactional NPS (technician visit), which was 81 index points in 2020. We are also implementing sales activities and providing advisory services to users.

We carried out lightning-related activities again during the year, through which we raised users' awareness about the consequences of lightning strikes, and advised users to disconnect their electronic devices from the electricity and communications networks during storms and when they are away for extended periods. Users in Slovenia also have at their disposal the text-message alarm service, which provides real-time information regarding lightning strikes close to the address where they have their telecommunications connection. Activities brought tangible positive results in reducing the amount of destroyed equipment and in the optimisation of technicians' work (fewer field visits).

We **reduced service-related incidents by 19%** in 2020. We achieved this by increasing the number of users on the fibre optic network, and through the migration of users from the copper network to the fibre optic network, preventive activities and the optimisation of multiplex devices.

2.8.3 ICT AND NETWORK SERVICES⁴¹

We ensure the smooth functioning of the network and services 24 hours a day, every day of the year. Due to the extraordinary circumstances during the pandemic, numerous activities were required in connection with the expansion of necessary capacities, support for remote work, the adaptation of the portfolio to COVID-19, the adaptation of call centres and Telekom centres, analytics and the extraordinary notification of the general public. All of society made a lightning-quick and mass migration to work from home and distance learning. The area of ICT and network services had to be one step ahead in order to support that migration. This was accomplished primarily through the necessary expansion and testing of remote

access systems. We achieved a notable rise in satisfaction (NPS) with the Technical Help Desk. At the beginning of the year, we introduced digital technical support in the form of bot technology. In that respect, we successfully addressed the growing number of challenges in the area of cyber security throughout the year. We continued to develop the **Cyber Security Operation Centre**, for which we received a **prestigious security product** of the year award. Through that centre, we provide an increasing number of companies and organisations additional security services. We needed to increase capacities in the network and at inter-network connections due to the need for increasingly higher data transfer speeds for end users and companies.

Data traffic is continuously growing in terms of speed and volume, as is video traffic, while voice traffic rose by close to 80% during the epidemic. We implemented numerous activities to ensure the undisputed best network. We supported the testing of network speeds via an application for that purpose outside of user data quotas (AKOS test net, Speedtest). We increased the necessary network capacities remotely or in the field, increased speeds in the fixed and mobile network, and did everything necessary to ensure the best possible user experience. Previous investments in the 4G+ and fibre optic networks, a robust core network and the IT infrastructure paid off, otherwise we would have been unable to control the situation. We made the necessary upgrades to and generational replacements of various service platforms. In that respect, we took the first step in the upgrading of the network to 5G technology. We are aware of the importance of the security protection of systems, and thus dedicate a great deal of activities to enhance the cyber security of those systems.

Due to the need for the increased capacity and availability of the basic infrastructure, we upgraded the core and aggregation network, in part due to the introduction of the 5G network. We also dedicate a great deal of attention to improving the security aspects of internal business network and data centres, where we are migrating to software-defined networking (SDN) technology. We implemented numerous projects on the B2B market for atypical ICT solutions, such as network solutions, technical support and the maintenance of communications equipment, workstation support, etc.

Telekom Slovenije renewed the **ISO 27001 certificate for its information security management system (ISMS)** and the **ISO 22301 certificate for its business continuity management system (BCMS)**. In addition to previous solutions, we included financial services (VALÚ) in the certification process.



Cyber security

One of the strategic priorities of our operations is compliance with the highest standards in the area of information and cyber security. Another priority is ensuring business continuity, even in the extraordinary circumstances to which we are witness due to the pandemic. Both management systems, in particular the BCMS, have proven to be very important support tools in these extraordinary conditions in terms of ensuring the functioning and security of the network, as well as our key services and processes. To that end, we completed various specialist certifications in the area of information technology.



Telemedical treatment of patients

Together with partners, we developed and presented a technological solution back in 2019 for the remote telemedical treatment of patients with chronic diseases. For the needs of monitoring COVID-19 patients, we upgraded the aforementioned solution together with the Ljubljana University Medical Centre to make it possible for medical staff to monitor coronavirus patients remotely. In cooperation with the Ministry of Public Administration, we developed an application for recording the health of employees that facilitates the safe and efficient recording of the health status of employees in healthcare institutions who are in contact with patients. Using the application, data that used to be recorded on paper are now communicated by employees securely and digitally. If an employee shows signs of COVID-19 infection, it is very important that they do not come into contact with co-workers and patients, and stay at home.

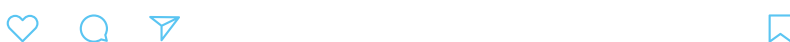
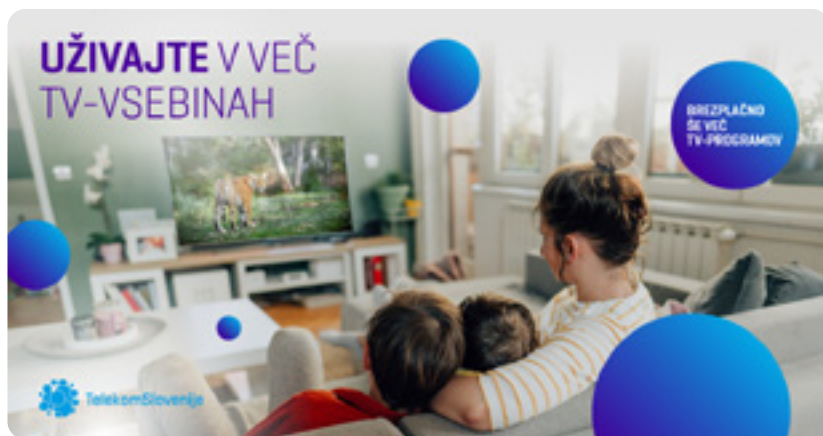


We supported growth in the digitalisation of operations in all forms, particularly in the area of **subscriber support and the Online Shop**. We also supported the online submission of request for subscriptions and the replacement of SIM cards, adapted applications for the contactless pick-up of goods, and continued planned steps to modernise business support systems. Because the call centre, in combination with a text-message campaign,

became the primary sales channel, we upgraded the link between incoming call contacts and the SAS, and made adaptations to electronic signing. We further developed the self-service My Telekom portal. We also introduced information support for numerous other sales activities, such as video identification for the contactless conclusion of subscriber agreements. We provided technical support for the PIAZZ digital marketplace.

Through the stabilisation and continued development of the NEO platform, we added new functionalities according to the product plan: new secure home functions and devices, an Info link, an application for smart TV, games, new video content, etc. We upgraded the functionalities of the VALÚ solution, as appropriate.

Together with Iskratel, Telekom Slovenije established the first **test 5G network** in Slovenia at Iskratel's production facility in Kranj. We thus enabled the development of new business models and the testing of a smart 5G infrastructure that facilitates numerous virtual dedicated networks for specific business verticals, including factories. Many activities during the year we dedicated to IoT projects for smart cities and communities. Based on the successful completion of testing, we launched the first commercial solution for remote meter reading. We were also active in the area of smart city verticals, such as parking lots, environmental sensors, lighting, etc. We set up two commercial solutions in the area of smart parking. Given major changes in the global development of the IT architecture in the direction of cloud platforms and applications, we began to implement containerisation technologies.



SUSTAINABLE DEVELOPMENT



#CONNECTED, WE CARE FOR ONE ANOTHER

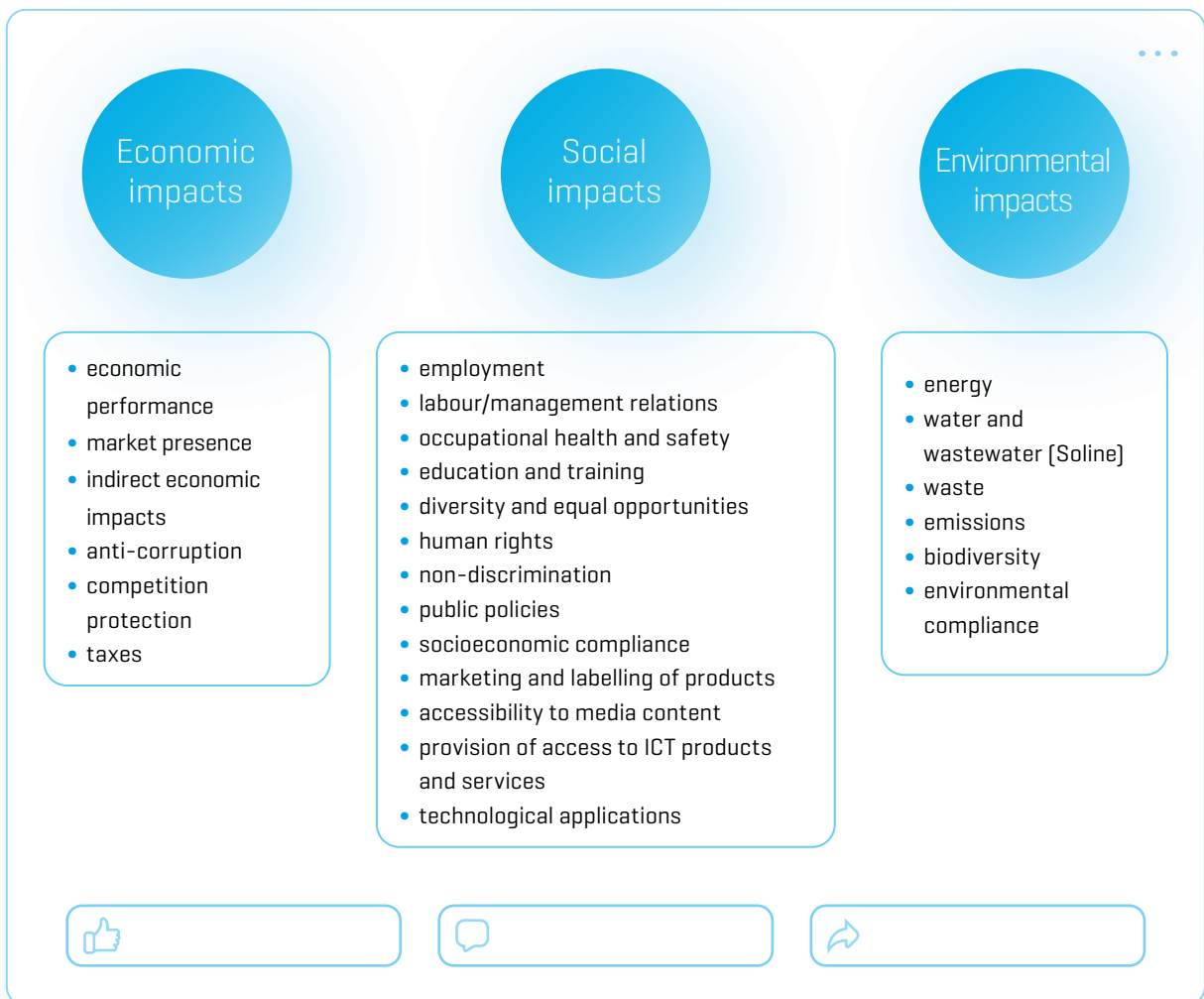
We believe that a smiling face and a kind word are particularly priceless in these extraordinary circumstances. Thus, during this period of limited social contacts, we have dedicated special attention to the most vulnerable: elderly people living alone and in retirement homes, and students from socially disadvantaged environments across all of Slovenia. Through donations, we support hospitals in the purchase of urgent medical equipment, and help firefighters who unconditionally personify the values of humanitarianism, volunteer work and solidarity.



2.9 SUSTAINABLE DEVELOPMENT

The Telekom Slovenije Group understands sustainable development as the **responsible management of the economic, social and environmental impacts of our operations**. It is an integral part of business processes and is one of the strategic policies of the Telekom Slovenije Group. We attempt to integrate the principles of sustainable development into operations, products, services and content to the greatest extent possible. When reporting on sustainable development, we focus on the material topics that are presented in the table below, and include content throughout the entire report.

Material topics regarding the Telekom Slovenije Group's sustainable development⁴²



2.9.1 ABOUT THE ANNUAL REPORT

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

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

We report non-financial information, i.e. progress in environmental, social and economic areas, comprehensively in annual reports in accordance with the **international Global Reporting Initiative (GRI) standards**. We have been reporting in

accordance with the GRI Guidelines since 2009. Since 2016 we have been reporting in accordance with the latest Global Standards, while taking into account previous generations of GRI recommendations for the ICT and IT sectors, and the media. Compliance with those guidelines is verified by independent external institutes.

Non-financial information for our stakeholders is included in all chapters, which can be seen from the references to GRI indicators throughout the report and from the transparent GRI content index. The inclusion of information regarding non-financial operations and the diversity of management and supervisory bodies is thus in line with the requirements of the new Companies Act (ZGD-1J) adopted in 2017.

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

DRAFTING OF THE REPORT AND SCOPE OF REPORTING⁴³

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

The annual report presents sustainable development indicators for each previous calendar year. The most recent annual report, for 2019, was published on 2 April 2020. The report is primarily intended for shareholders and the financial public, as well as users, employees and other stakeholders. Reporting relates to the Telekom Slovenije Group. Where standard reporting guidelines are not yet in place for the entire Group, it is specifically stated that the content applies to the parent company Telekom Slovenije or a specific Group company.

There were no significant changes to data from previous years or to reporting limitations. In the

event of changes in a methodology used to disclose data, those changes and the associated reasons are clarified in the accompanying comments. We sold the subsidiary Planet TV in 2020. For this reason, some data are not directly comparable with previous years, which is explained in each specific case or is evident from data in tables.

When defining the scope and content of the annual report, we performed materiality and stakeholder analyses. We verified the scope, content and topics of the annual report for 2020 using a questionnaire found on the website www.telekom.si. That questionnaire was completed by 204 stakeholders from Slovenia. We asked each stakeholder group to assess individual interest on a scale of 1 to 5, where 1 means least important and 5 means most important. We also asked stakeholders which content from the annual report is most important to them and which content they would like us to report on to a greater extent.

Based on the results, we defined **categories of interests most important to individual stakeholders**, by selecting those with a score exceeding 3.8. If the scores of interests for various stakeholder groups were duplicated, we took into account the interest for the group that gave the highest score. Their importance in terms of their impact on the operations of the Telekom Slovenije Group was assessed by the heads of Telekom Slovenije's organisational units.

On that basis, we prepared a materiality **matrix** that is presented below.

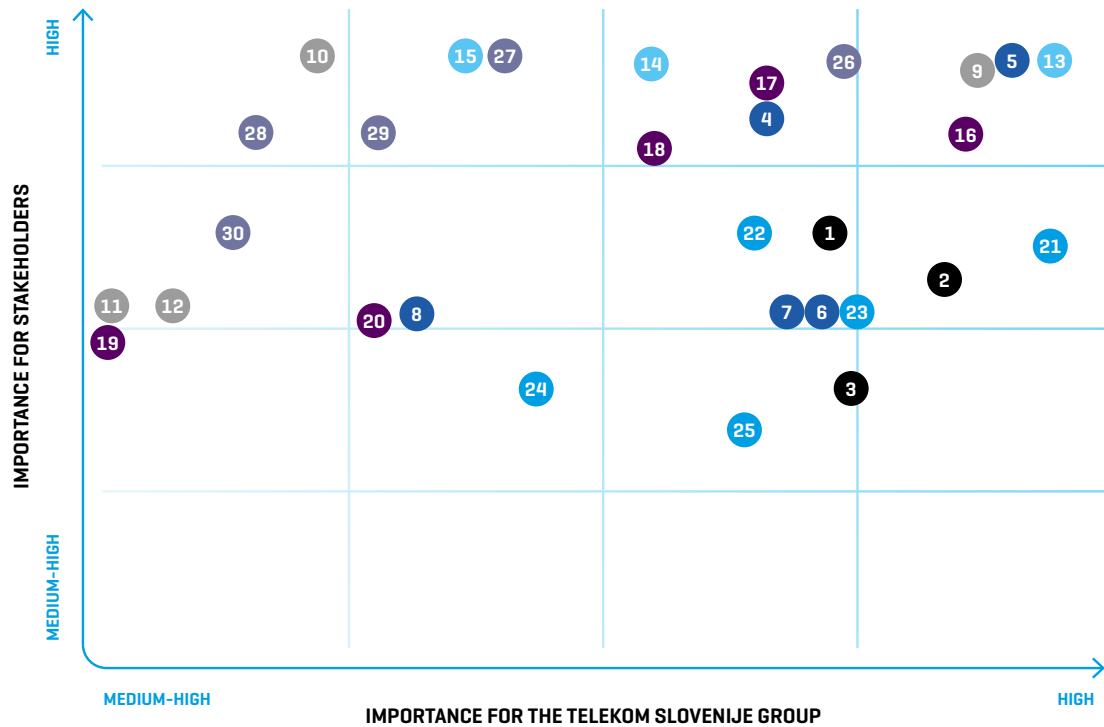
The results of stakeholder analyses are reviewed every year by experts who prepare the content for the annual report of the Telekom Slovenije Group and Telekom Slovenije. That review was carried out in 2020 via an online workshop attended by 54 persons responsible for preparing content. The results of stakeholder analyses serve as the basis for defining material topics and the scope of annual GRI GS disclosures, which are evident in point [2.10 Content according to GRI Reporting Standards](#) and the interactive references throughout the entire annual report. We do not report on immaterial topics.

43 GRI GS 102-46, 102-48, 102-49, 102-50, 102-51, 102-52

VERIFICATION OF NON-FINANCIAL REPORTING

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

Matrix of the materiality of stakeholders' interests



SHAREHOLDERS, INVESTORS, ANALYSTS AND OTHER FINANCIAL PUBLICS

1. Effective corporate governance
2. Long-term value of investment
3. Operations that enable the payment of stable dividends

LOCAL AND WIDER COMMUNITY

4. Wide access to services and responsible infrastructure expansion (fixed and mobile network)
5. Guaranteed functioning of the network in emergency situations
6. Cyber security
7. Respect for human rights
8. ICT solutions to tackle today's healthcare challenges

MEDIA

9. Business ethics and compliance
10. Reducing electromagnetic interference
11. Media and ICT literacy
12. Social responsibility [support for sport, culture, science and humanitarian causes in the form of sponsorships and donations]

REGULATORY AND GOVERNMENT BODIES

13. Compliance with regulations and decisions of the regulatory body
14. Provision of high-quality access to telecommunication services
15. Limitation of environmental impacts and a focus on sustainable development

EMPLOYEES

16. Healthy and safe working environment
17. Professional and effective management
18. Acquisition of further knowledge
19. Employee involvement in decision-making
20. Career development opportunities

USERS

21. Prompt elimination of faults
22. Personal data protection
23. Superior quality of the network and the development of services that meet
24. users' needs and expectations
25. Best quality-to-price ratio for services
26. Simple and prompt communication with Telekom Slovenije advisers

SUPPLIERS AND OTHER BUSINESS PARTNERS




27. Clear supplier selection criteria and compliance with business agreements
28. Client responsiveness and approach
29. Long-term cooperation
30. Respect for the rights of workers, and the safety and health of employees in the supply chain
31. Responsible energy and waste management in the supply chain



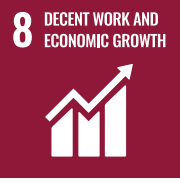

REALISATION OF THE UNITED NATION'S SUSTAINABLE DEVELOPMENT GOALS

We also strive to align our sustainable impacts as closely as possible with the Sustainable Development Goals [SDGs] of the United Nations and key content of the latter's 2030 Agenda.

For the fourth year in a row, we prepared an overview of how and in what areas we contribute to the realisation of those goals. We supplemented that overview this year with the specific business objectives of the Telekom Slovenije Group.

OVERVIEW OF THE REALISATION OF SDG GOALS IN 2020

SDG	Our measures / our efforts	Our objectives
 <p>1 NO POVERTY</p>	<p>To provide all persons, particularly the poor and vulnerable groups, equal access to economic resources, basic services, natural resources, new technologies and financial services.</p>	<ul style="list-style-type: none"> • We are investing at an accelerated pace in the upgrading and expansion of telecommunications networks and • in next generation technologies, such as 4G/LTE, 4G+/LTE and 5G, and in the construction of the most advanced fibre optic network in urban centres and rural areas. • We offer adapted services and devices to vulnerable groups, such as the elderly and the hearing impaired. • We develop financial and insurance services that are accessible to everyone. • TSinpo employs disabled persons within the Telekom Slovenije Group. • As a sponsor and donator, we also support humanitarian organisations, and help needy individuals through those organisations. To that end, we also support organisations and projects in the areas of culture, education and sport.
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>To develop a high-quality, sustainable and reliable infrastructure that will support economic development and human welfare, with an emphasis on affordable and attractive access.</p>	<ul style="list-style-type: none"> • To ensure access to 5G technology by 94% of the Slovenian population by 2025 and by 99% of the population by 2030. • To facilitate fully independent access to Telekom centres and points of sale by disabled persons by 2025. • We are committed to giving back to the social environment and vulnerable groups to the best of our ability, and to ensuring the security of the internet, connections and systems.
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>To achieve universal access to healthcare, high-quality healthcare services, and safe, effective and affordable medicines.</p>	<ul style="list-style-type: none"> • To provide telecare and telemedicine to 10% of the Slovenian population older than 65 years [around 40,000 citizens] by 2030.

	SDG	Our measures / our efforts	Our objectives
	To improve energy efficiency.	<ul style="list-style-type: none"> • Through an energy management system and other measures, we reduce the consumption of energy and the environmental burden of our activity. • We facilitate the purchase of electricity by users under affordable conditions. 	<ul style="list-style-type: none"> • To reduce electricity consumption by 0.5% annually.
	To achieve the sustainable management and efficient use of natural resources.	<ul style="list-style-type: none"> • We reduce the consumption of energy and improve our energy efficiency through an energy management system. • We reduce the consumption of paper via paperless operations. 	<ul style="list-style-type: none"> • To reduce fuel consumption by 1% annually.
	To promote inclusive and sustainable economic growth, full employment and decent work.	<ul style="list-style-type: none"> • To provide business users ICT services and solutions to facilitate the development of operations and digitalisation. • As a family-friendly company, we make it easier for employees to achieve a work-life balance, and ensure a safe, healthy and stimulating work environment. 	<ul style="list-style-type: none"> • We are committed to respecting human rights, and will draw up rules and appoint a human rights officer in 2021. • To promote intergenerational cooperation and implement measures aimed at the transfer of knowledge.
	To promote sustainable urbanisation, and the sustainable planning and management of cities. Implementation of an integrated policy for inclusion, the efficient use of resources and the mitigation of and adaptation to climate change.	<ul style="list-style-type: none"> • We integrate ICT solutions for companies and local communities for the comprehensive and safe management of the urban infrastructure. Solutions facilitate smart lighting, parking, the monitoring of natural resources, waste management, asset tracking, etc. 	<ul style="list-style-type: none"> • To design and implement an integrated solution for managing traffic flows in urban settlements, to have an overview of air and water quality, and to manage energy smartly and efficiently.

2.9.2 INCLUSION AND PARTICIPATION OF STAKEHOLDERS⁴⁴

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

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

OVERVIEW OF TELEKOM SLOVENIJE'S STAKEHOLDERS AND THE INCLUSION THEREOF

Stakeholders	What is most important to them?	Frequency of contact	How are they included?	Activities
Shareholders, analysts and other financial circles	<ul style="list-style-type: none"> Effective corporate governance; long-term value of an investment; operations that facilitate the payment of stable dividends; relevant, current and timely information regarding operations and TLSSG shares. 	<ul style="list-style-type: none"> Responses to questions sent to the following contact emails: ir@telekom.si, skupscina@telekom.si, dividenda@telekom.si; quarterly contact through the publication of reports on operations and the issue of the electronic TLSSG newsletter; once a year in conjunction with the publication of the annual report; at General Meetings of Shareholders; periodic contact at investment conferences. 	<ul style="list-style-type: none"> Investor relations section of the Company's website; participation at investment conferences; via email [ir@telekom.si, skupscina@telekom.si, dividenda@telekom.si]; publication of business information in the Ljubljana Stock Exchange's SEDnet system. 	<ul style="list-style-type: none"> We communicated regularly, proactively and comprehensively with existing and potential shareholders regarding the operations of the Telekom Slovenije Group. We transparently disclosed expected deviations from annual plans as the result of the COVID-19 pandemic. We organised the 31st General Meeting of Shareholders. We paid shareholders gross dividends of EUR 3.50 per share in June 2020.
Users	<ul style="list-style-type: none"> Prompt elimination of faults; security of personal data; superior quality networks and the development of services that meet their needs and expectations; the best quality-to-price ratio for services; simple and prompt communication with the Group. 	<ul style="list-style-type: none"> Regular contacts: Telekom centres, 24/7 contact centre, communication via info@telekom.si and social networks; twice a year through migration analyses for the fixed and mobile segments; twice a year through research according to the mystery shopping principle; through annual user satisfaction research; regular contact through page view statistics; regular measurement of the NPS [Net Promoter Score] at contact points. 	<ul style="list-style-type: none"> Personal contacts; web services; advertising and communication of the portfolio, services and innovations that are relevant for users in broad-reaching media and via social networks; regular communication regarding the portfolio, services and innovations in broad-reaching media and communication via other channels [invoices, direct mailing, catalogues, trade fairs, social networks, promotions at events, special events, etc.]; communication via social networks; possibility of selecting a return call option to avoid extended waits for responses to calls to the contact centre. 	<ul style="list-style-type: none"> We present users new services, the portfolio and content that is important to them through numerous personal and electronic channels. Due to measures to limit the spread of COVID-19, we transformed Telekom centres into pick-up points, and organised the first pick-up point according to the drive-in system, called <i>Naroči in odpelji</i> [Order and Drive Away]. We currently cover 96.64% of the population with the LTE/4G signal, 87.26% of the population with the LTE/4G+ signal and 32.44% of the population with the 5G signal. A total of 123 small cells were also included for internal coverage needs. We improved the already high level of satisfaction of the users of fixed and mobile services. The call centre received 565,518 calls and 161,620 emails from users in 2020, we established the digital adviser Maks and actively communicated via social networks.

44 GRI GS 102-40, 102-42, 102-43, 102-44

Stakeholders	What is most important to them?	Frequency of contact	How are they included?	Activities
Employees	<ul style="list-style-type: none"> Healthy and safe working environment; professional and effective management; acquisition of additional knowledge and competences; inclusion in decision-making; education and career development opportunities; information regarding the Company's operations and strategic plans, and on current developments at the Company and in its activities. 	<ul style="list-style-type: none"> Regular information regarding the Company's operations and developments at the Company on internal portals; regular contacts between the Works Council and trade unions and senior management. appraisal-development interviews twice a year; measurement of the organisational culture every other year. 	<ul style="list-style-type: none"> Regular briefing of employees on events and current activities at the Company and within the Group via established channels (intranet, electronic screens, bulletin boards, email, the system of meetings, etc.); promotion of innovation in the scope of the Brihta programme; cooperation with the Works Council and trade unions; activities relating to employee health, in the scope of the Modro jabolko [Wise Apple] portal and the Živijo, stres! [Hello, Stress!] project, and inclusion via the TSsport sports club; measurement of organisational vitality and the organisational culture, and appraisal-development interviews. 	<ul style="list-style-type: none"> A total of 91% of Group employees were included in education and training in 2020. During the 2019/2020 scholastic year, Telekom Slovenije supported nine secondary school and university students by providing them company scholarships, bringing the total to 24 scholarship holders. We maintained regular dialogue with social partners (notifications, joint consultations, issuing of consents, etc.). The Works Council met at seven regular and two correspondence sessions in 2020.
Suppliers and other business partners	<ul style="list-style-type: none"> Clear supplier selection criteria and compliance with business agreements; responsiveness and approach of the ordering party; long-term cooperation; respect for the rights of workers, and the safety and health of employees in the supply chain; responsible energy and waste management in the supply chain. 	<ul style="list-style-type: none"> Annual questionnaire; cooperation in the scope of procurement procedures; 	<ul style="list-style-type: none"> Compliance with the Rules on the Procurement of Goods and Services at Telekom Slovenije, and other internal acts; Code of Conduct for the Suppliers of the Telekom Slovenije Group; establishment of long-term relationships with suppliers. 	<ul style="list-style-type: none"> We settled our liabilities by the agreed payment deadlines, and even before those deadlines in the event of surplus liquid funds. We dedicated a great deal of attention to addressing challenges as they arise. Based on an assessment of each supplier, we define a development strategy, possibilities for additional cooperation, or measures to mitigate/eliminate risks. The transparent and equal treatment of potential suppliers is ensured through a standardised procurement procedure that defines clear selection criteria.
Regulatory and government bodies	<ul style="list-style-type: none"> Compliance with regulations and decisions of the regulatory body; provision of high-quality access to telecommunication services; limitation of environmental impacts and a focus on sustainable development. 	<ul style="list-style-type: none"> Periodic contact in the event of legislative changes; regular contact following inspections in connection with imposed obligations by the AKDS on regulated relevant markets. 	<ul style="list-style-type: none"> Expert responses to decisions of regulatory bodies; participation in the drafting of legislation, with expert comments. 	<ul style="list-style-type: none"> We consistently adhered to applicable laws, regulatory measures, regulations and best practices (i.e. the abolishment of roaming within the EU) in all phases of the business process and operations. We responded by preparing comments to published analyses of relevant markets.
Local and wider community	<ul style="list-style-type: none"> Wide access to services and responsible infrastructure expansion (fixed and mobile network); respect for human rights; ICT solutions to tackle today's healthcare challenges; guaranteed functioning of the network in emergency situations. 	<ul style="list-style-type: none"> Regular cooperation in the scope of humanitarian and other activities; regular contact with local communities when upgrading and building networks. 	<ul style="list-style-type: none"> Support for sporting, cultural, education and humanitarian organisations and projects; selection of projects with an emphasis on social responsibility and the monitoring of associated effects; assessment of environmental impacts as an integral aspect of all development activities. 	<ul style="list-style-type: none"> Sponsorships and donations were earmarked for organisations and projects at the national and regional levels. The Telekom Slovenije Group earmarked EUR 2.5 million for those purposes in 2020. Due to the expansion of the LTE/4G network and establishment of the 5G network, we performed additional measurements of electromagnetic radiation and thus ensured that they do not exceed the legally prescribed thresholds. We conducted 267 measurements in Slovenia in 2020. The results of EMR measurements are accessible by local communities.
Media	<ul style="list-style-type: none"> Business ethics and compliance; media and ICT literacy; social responsibility; continuous and current information about the operations of the Telekom Slovenije Group and the development of services. 	<ul style="list-style-type: none"> Proactive and reactive communication; regular responses to journalists' questions; organisation of occasional events; communication via press releases; maintenance of regular formal and informal relationships. 	<ul style="list-style-type: none"> Management of media relations (press conferences, press releases and responses to journalists' questions, maintenance of formal and informal relationships); communication about corporate topics, new services and products, and other topics related to the Company's operations. 	<ul style="list-style-type: none"> We responded to 350 questions from journalists in 2020 and drafted 72 press releases for the Slovenian media and three for foreign outlets, while around 5,000 articles about Telekom Slovenije were published in the media.

COMMUNICATION WITH STAKEHOLDERS

Communication with stakeholders is open, balanced, proactive and reactive. We focus on **balancing communication on the domestic and foreign markets**, and on the provision of accurate, relevant and clear messages. We report on communication with stakeholders in specific sections where they are addressed comprehensively.

INFORMATION OF A PUBLIC NATURE

In accordance with the Access to Public Information Act (ZDIJZ), we publish on the websites of Telekom Slovenije and individual subsidiaries basic information regarding representatives, members of management and supervisory bodies (the agreed amount and payment of remuneration to those bodies), and regarding transactions concluded in connection with donations, sponsorships, consultancy and copyright or other intellectual services (type of transaction, contractual partner, value of transaction, date of conclusion and duration of transaction).

We proactively published information and handled requests for access to information, and implemented support activities (e.g. employee training) in 2020.

We have appointed a public information officer, while

employees at Telekom Slovenije have an internal portal at their disposal with all relevant information. Contact data for the submission of requests for electronic access to information of a public nature can also be found on the websites of Telekom Slovenije and individual subsidiaries.

COMMUNICATION WITH THE MEDIA⁴⁵

In the comprehensive management of public relations, special attention is given to relations with the media, through which we disseminate information regarding the activities of the Company and Group. Long-term, open, proactive and correct relations with journalists were particularly evident in 2020, when we again responded rapidly and effectively in communication with the media.

In connection with the pandemic, we dedicated a great deal of attention in 2020 to communication regarding the functioning of our network, regarding our socially responsible activities and regarding the Company's general response to the changing conditions. We also communicated with the media about corporate topics, the latest developments in the portfolio, and development and technological topics, while special attention was given to the introduction of the first national 5G network and to open communications in that regard.

We responded continuously to journalists' questions. Telekom Slovenije was mentioned in around 5,000 articles in 2020, where the main topics were our services, social responsibility and the network. We responded to around 350 questions from national, regional, local and specialised media outlets. We issued 75 press releases in 2020, three of which were for foreign media outlets.

COMMUNICATION WITH REGULATORY AND GOVERNMENT BODIES⁴⁶

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

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

In addition to the ICT sector, we also operate in other sectors governed by their own regulations and rules.

45 GRI GS 102-43, 102-44

46 GRI GS 102-43, 102-44

2.9.3 ALTERNATIVE PERFORMANCE MEASURES

The Telekom Slovenije Group also uses the Alternative Performance Measures [APMs] defined by the ESMA to present its operating results.

The Telekom Slovenije Group also uses APMs to plan the operations of organisational units, subsidiaries and the Group, in reporting for the internal needs of monitoring

the implementation of plans, and for setting of the objectives of organisational units and individuals for the needs of the remuneration system.

Items are expressed in values rounded to the nearest one thousand, except where it is stated that a measure is given in euros. The number of employees based on hours worked is not

calculated for the Telekom Slovenije Group. The average number of employees is thus calculated based on the balance at the beginning and end of the period.

All proportions are expressed in percentages, generally rounded to one decimal place, or as the ratio between two categories.

ALTERNATIVE PERFORMANCE MEASURES ARE DISCLOSED BETWEEN KEY OPERATING HIGHLIGHTS AND ARE AS FOLLOWS:

Alternative performance measure	Calculation methodology	Selection of measure
EBIT (earnings before interest and taxes)	Operating revenues – operating expenses	One of the key indicators of the performance of a company, and an indicator of the profitability that a company achieves in the performance of its core activity.
Adjusted EBIT (operating profit)	Operating revenues – operating expenses taking into account one-off events that are not part of ordinary operations, such as one-time impairments of assets, adjustments for IFRS 16, etc.; stated under the calculation table.	We eliminate the effects of one-off events for the sake of consistency and the comparability of operations with the previous year.
EBITDA (earnings before interest, taxes, depreciation and amortisation)	EBIT + depreciation and amortisation	Operating profit or loss before write-downs. Indicator of the performance of a company in its core activity and a good approximation of cash flows from operating activities.
Adjusted EBITDA	EBIT + depreciation and amortisation taking into account adjustments for one-off events that are not part of ordinary operations, such as one-time impairments of assets, adjustments for IFRS 16, etc.; stated under the calculation table.	We eliminate the effects of one-off events for the sake of consistency and the comparability of operations with the previous year.
EBITDA margin as a proportion of sales revenue in %	$EBITDA / \text{sales revenue} \times 100$	Measure of commercial success and profitability.
EBITDA margin as a proportion of operating revenues in %	$EBITDA / \text{operating revenues} \times 100$	Measure of commercial success and profitability. The measure is used by SDH to measure the performance of companies with capital assets of the state.
Adjusted net profit or loss	Net profit or loss after taxes taking into account adjustments for one-off events that are not part of ordinary operations, such as one-time impairments of assets, adjustments for IFRS 16, etc.; stated under the calculation table.	We eliminate the effects of one-off events for the sake of consistency and the comparability of operations with the previous year.
EBITDA – CAPEX	EBITDA – value of investments in the acquisition of property, plant and equipment and intangible assets	Indicator of free cash flow.

Alternative performance measure	Calculation methodology	Selection of measure
Ratio of [EBITDA – CAPEX] to EBITDA (cash margin)	$[\text{EBITDA} - \text{value of investments in the acquisition of property, plant and equipment and intangible assets}] / \text{EBITDA}$	
Leverage ratio	Equity ratio	Equity financing ratio
Distributed economic value	Operating costs + labour costs + dividends + corporate income tax	Scope of generated assets divided amongst stakeholders.
Value added	Labour costs + finance costs + pre-tax profit	Operating results that are allocated to: employees in the form of wages and reimbursements; to lenders and creditors in the form of interest and other fees; to owners in the form of dividends and other types of compensation; to a company through the creation of reserves and retained earnings, and to the state in the form of taxes.
Value added per employee (in EUR)	$[(\text{Value added} / (\text{number of employees at the beginning of the period} + \text{the number of employees at the end of the period}) / 2)] \times 1,000$	Productivity ratio that indicates how much value, on average, relates to a single employee in a given period.
Gross added value per employee	$[(\text{Gross operating profit} - \text{costs of goods, materials and services} - \text{other operating expenses}) / ((\text{number of employees at the beginning of the period} + \text{the number of employees at the end of the period}) / 2)] \times 1,000$	Basic economic indicator and basic measure of economic activity and success. Represents the newly generated value of a company in a given period. The measure is also used by SDH to measure the performance of companies with capital assets of the state.
Return on sales	$\text{EBIT} / \text{sales revenue}$	Indicator of a company's pricing policy and ability to control costs.
NFD (net financial debt)	Non-current financial liabilities + current financial liabilities – cash and cash equivalents – current financial assets	Current and non-current financial liabilities, less liquid assets that can be used to repay those liabilities.
Net financial debt to EBITDA ratio	$\text{NFD} / \text{EBITDA}$	Ratio that indicates how many years would be required to repay financial debt from existing liquid assets and cash flows from operating activities, assuming the same level of operations and profitability
ROA (net return on assets) in %	$\text{Net profit or loss} / (\text{value of assets on first day of period} + \text{value of assets on last day of period}) / 2 \times 100$	Indicator of a company's efficiency in the management of assets available to generate a profit.
ROE (net return on equity) in %	$\text{Net profit or loss} / (\text{value of equity on first day of period} + \text{value of equity on last day of period}) / 2 \times 100$	Indicator of a company's efficiency in the generation of profit from sources provided by owners and/or shareholders. The measure is also used by SDH to measure the performance of companies with capital assets of the state.
CAPEX as a proportion of operating revenues	$(\text{Gross}) \text{ outflows for the acquisition of property, plant and equipment and intangible assets} / \text{operating revenues.}$	The measure is also used by SDH to measure the performance of companies with capital assets of the state.
Sponsorships and donations as a proportion of sales revenue	$\text{Sponsorships and donations} / \text{sales revenue}$	Indicator of the value of a company's investments in the social environment. The measure is also used by SDH to measure the performance of companies with capital assets of the state.

2.9.4 SOCIAL ENVIRONMENT⁴⁷

The Telekom Slovenije Group cares for the social environment in which it operates throughout the year. At the end of the year, we provide further assistance to those who need help the most. Following the declaration of the pandemic, we made donations to retirement homes, to young people from socially disadvantaged environments, to healthcare institutions, to schools and to many others.

The elderly are even more vulnerable in times of limited contacts, and being connected and the possibility of communication are that much more important. We thus equipped 75 retirement homes across Slovenia (we offered help to all retirement homes) with mobile phones and facilitated free voice and video calls between the residents of those

homes and their loved ones. We are aware that a familiar smiling face and a kind word are particularly priceless in these extraordinary circumstances.

At the end of the year, we supported four humanitarian organisations who ease the loneliness of and offer assistance to elderly people who live alone. We earmarked a total of EUR 20,000 for the **Slovene Philanthropy Association**, the **Humanitarček organisation**, the **Zlata mreža institute** and the **Sopotniki institute**.

We also worked with the **Slovenian chapter of the Europa Donna association** in 2020. In the scope of October's Modri Fon campaign, we informed female users about the importance of preventive measures and the advantages of a healthy and active lifestyle, and encouraged

them to perform regular breast self-exams using the free Breast Test application. At the end of the campaign, we teamed forces with Samsung and donated EUR 10,000 to the association for the fight against breast cancer.

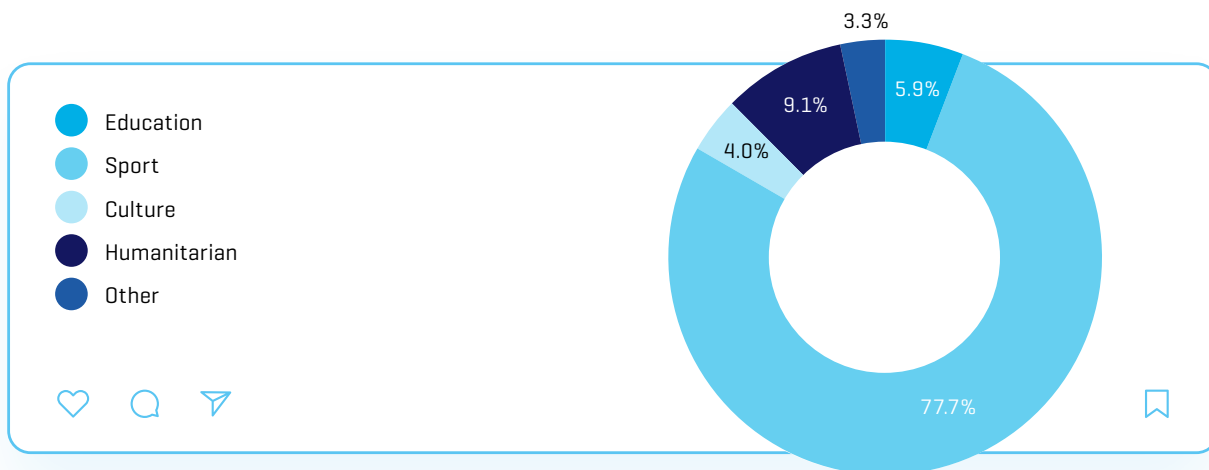
SPONSORSHIP AND DONATIONS

Through our knowledge, and financial and other resources, we maintain our role as an important donor and sponsor at the national level, where special attention is also given to geographical diversity. We have supported humanitarian, cultural, environmental, educational and scientific projects and institutions, as well as Slovenian athletes and sporting organisations for many years as a sponsor or donator. We place special emphasis on sports, where we provide assistance to individuals and teams, sporting associations and sporting events. Requests for sponsorships and donations are reviewed by a committee that makes decisions regularly throughout the year. That committee takes into account the interests of those requesting help and Telekom Slovenije Group's strategic business plan when allocating funds.

The Telekom Slovenije Group earmarked a total of EUR 2.2 million or **0.3% of its operating revenues** for sponsorships and donations in 2020. Due to the pandemic and the resulting cancellation of numerous sporting events, we redirected a portion of funds to donations and thus helped many of those affected.



Major sponsorships and donations in 2020



HUMANITARIAN PROJECTS

As volunteers, we regularly participate in humanitarian projects aimed at overcoming social differences. In 2020, **251 employees participated in blood drives**, while one employee was active in civil protection. In addition to others, we assisted the following organisations:

- the University Medical Centres in Ljubljana and Maribor in the purchase of ventilators and other equipment needed to treat COVID-19 patients;
- the Postojna Gynaecological and Maternity Hospital (in the scope of the Slojenčki humanitarian campaign) in the purchase of a new maternity bed for women who are infected or suspected of being infected with COVID-19;
- the Slovenian Hospice Association;
- the Slovenian Red Cross's Debeli rtič youth spa and resort for the exterior of the east wing of the Martinček Youth Home;
- the Sopotniki institute to provide free transportation for elderly people who live alone;
- the Humanitarček organisation for providing assistance to socially disadvantaged elderly people;
- the Zlata mreža institute to provide free transportation for elderly people who live alone;
- the Slovene Philanthropy Association to help elderly people in distress;
- the Friends of Youth Association for the TOM telephone intended for children and adolescents in distress;
- the Association of Counsellors to help those in distress via telephone line;
- the Association of Disabled Persons – Forum of Slovenia;
- the Slovene Federation of Pensioners' Associations [ZDUS]; and
- Fire Fighters Association of Slovenia; and
- the anonymous Samaritan line.

EDUCATION AND SCIENCE

Telekom Slovenije supports numerous educational and scientific projects, conferences and events, and serves as an important sponsor of projects and organisations. We also supported educational institutions in 2020 in the implementation of distance learning.

We donated **300 mobile modems** to students from socially disadvantaged environments (via the National Education Institute), together with free mobile data transfer quantities for distance learning. We also donated **used computer equipment** to more than 40 schools and other educational institutions. We donated funds to IEDC – Bled Business School for the purchase of technical equipment for remote learning.

We also supported the following projects and institutions:

- the Reading Badge project,
- the *Varno na kolesu* [Safe Cycling] project,

- the Corporate Security Days conference,
- the Technical Culture Association of Slovenia,
- the multimedia educational programme at the Faculty of Electrical Engineering at the University of Ljubljana, and
- the Post and Telecommunications Museum, which Telekom Slovenije co-founded.

CULTURE

In the area of culture, we support contextually varied and geographically dispersed events, as well as cultural events that with our support have become an essential element of cultural expression, both in Slovenia and internationally. Such events in 2020 included:

- the Ljubljana Festival,
- the Ljubljana International Film Festival – LIFFe,
- the Ljubljana Puppet Theatre,
- the National Opera and Ballet in Maribor,
- Carnival in Ptuj, and
- 100th anniversary of the Novo mesto Spring.

SPORTS

We continuously support numerous major and minor events that are intended primarily for children and adolescents. Our sponsorship activities in 2020 included support for the following:

- **sporting associations:** The Slovenian Olympic Committee, the Slovenian Football Association [the national team and Telekom First Football League], the Ski Association of Slovenia, the Ice Hockey Federation of Slovenia, the Slovenian Volleyball Association, the Slovenian Athletics Association, the Slovenian Kayaking Association, the Slovenian Handball Association, the Alpine



Association of Slovenia, the Slovenian Cycling Federation, the Slovenian Sailing Federation, the Shooting Union of Slovenia, the Slovenian Gymnastics Association and the Rowing Association of Slovenia;

- **sporting clubs:** The Maribor football club, the Olimpija, Krka Novo mesto and Domžale basketball clubs, the Celje Pivovarna Laško and Gorenje Velenje handball clubs and others; and
- **sporting events:** the 2020 World Cup ski flying competition in Planica, the 2020 World Cup women's ski jumping competition in Ljubno, the Golden Fox World Cup 2020 ski event, the Franja Marathon, the Red Bull Goni Pony na Vršič event, the Triglav The Rock Ljubljana climbing spectacle, and the 3-on-3 national basketball championship.

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

We donated EUR 20,000 to Slovenian fire fighters for further training.

"In the functioning of protection, rescue and security units, where every second counts, reliable communications technology is crucial. In such work, fire fighters personify the values of humanitarianism, volunteer work and solidarity. In every single natural and other disaster, they demonstrate unconditionally that they are the ones we can count on, anytime, anywhere," emphasised **Tomaž Jontes**, member of Telekom Slovenije's Management Board responsible for sales and marketing, during the presentation of the fifth general mobile network. On behalf of Telekom Slovenije, Mr Jontes presented the President of the Fire Fighters Association of Slovenia, **Janko Cerkvenik**, and Captain **Franci Petek** a donation in the amount of EUR 20,000 that the aforementioned association will use for the further training of fire fighters. Fire fighters are witness to many tragedies that would be even greater without their sacrifice and commitment.



2.9.5 USERS⁴⁸

6.2 million⁴⁹
no. of issued
invoices

0.57%
proportion of
complaints

SIGNIFICANT ACTIVITIES

Following the declaration of the epidemic in Slovenia, **we upgraded TV programme schemes** for all fixed package subscribers with children's, documentary, popular science, film and sports content, **free of charge**. With the mass migration to distance learning and work from home, we **gifted 5 GB of data transfer** to mobile package subscribers in March, and then reset their data transfer quantities. This means that we gifted to subscribers data transfer quantities used up until that moment in March and reverted the balance back to the balance on the first day of that month.

We also facilitated **free changes to mobile packages**, while in the purchase of selected mobile phones, we joined forces with different suppliers to continuously offer the most varied benefits [free instalments, discounts on monthly subscription fees for a given period, etc.].

The role of **Moj Telekom** [My Telekom], as the digital centre for the control and management of Telekom Slovenije's services, was further enhanced during this period, while we also enable access to services via **video identification**. We recruited the **digital adviser Maks** for the Technical Help Desk. Maks eased the burden on advisers at support contact points and above all contributed to the faster resolution of users' technical challenges. We provided business users new solutions for remote operations, and with the new **Moja prijava** website [<https://mojaprijava.si>] established a single, secure and simple electronic identity within the digital ecosystem.

COMMUNICATION WITH USERS⁵⁰

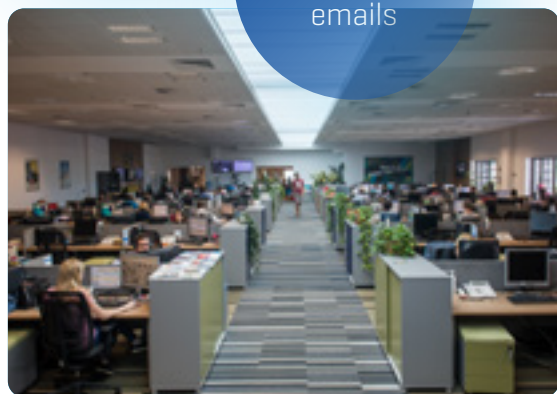
In a period when the majority of users migrated to work from home, the contact centre became an even more important customer relations point. Because we also began to work remotely, we rapidly adapted processes for that purpose, so that we were available to users at all times and established conditions for remote sales. The call centre also assumed a more important role due to the introduction of video identification services, which we began providing for several companies, including some from abroad. The number of calls requiring video identification was up sharply: after responding to 349 such calls in 2019, we recorded 5,451 calls in 2020.

During both waves of the epidemic, we merged the sales and general information call centres, and thus increased efficiency. We answered 565,518 calls and responded to 161,620 emails in 2020.

5,451
calls with video
identification

565,518
received calls

161,620
answered
emails



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

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

50 GRI GS 102-43, 102-44

TECHNICAL HELP DESK

The Technical Help Desk recorded a **record number of contacts** in 2020. We recorded more calls for assistance and support in the use of services, while calls due to service-related faults were down relative to 2019. The call response success rate was up by 7% relative to the previous year. The average response time was down. The average call time was up slightly relative to 2019 due to the specific content and work method. There was also increased activity via other channels [emails, text messages, webchat and online check-in]. We are expecting increased interaction between users and the digital adviser Maks in the future.

TRANSPARENCY IN THE CHARGING OF SERVICES⁵¹

We continuously create a caring and environmentally friendly society, in part through the gradual discontinuation of paper operations. In our concern for the environment, we are also implementing a number of initiatives and activities to encourage users to opt for electronic instead of printed invoices. We thus **increased the number of invoices in some electronic format** in 2020. The proportion of total issued invoices accounted for by electronic invoices has risen to 25%.

We issued a total of 6.2 million invoices for telecommunication services in 2020 (excluding non-standard invoices and credit notes). The overall complaint rate relative to total invoices issued was 0.57%.

CONCERN FOR THE SECURITY OF USERS, IN PARTICULAR CHILDREN AND ADOLESCENTS⁵²

With regard to users, special attention is given to the safe use of communication services, with particular emphasis placed on raising the awareness of parents and guardians, children and adolescents. We established and maintained a link with users throughout the year, while we strengthened their trust by ensuring safe and high-quality services.

With the aim of ensuring the conditions for uninterrupted distance learning, we donated 300 modems to young people from socially disadvantaged environments via the National Education Institute, and will provide them unlimited mobile data transfer quantities until August 2021. We donated **268 pieces of used computer equipment** to educational institutions. Because a great deal of schooling and work is carried out remotely, we **increased internet speeds** in fixed packages.

Through the **Children's Park** service in the scope of the NEO platform, we provide children a carefree area in which parents or guardians can limit what a child views to content that is appropriate depending on a child's age. **Da Vinci Kids** content is also available to children through the NEO platform. The Da Vinci Kids application brings children closer to science, math, technology, history, culture, nature and sports in Slovene in a humorous and interesting way.

For the responsible use of mobile devices, we offer the **Kaspersky Safe Kids mobile application** that parents can use to limit the use of the internet and services by children, as necessary.

At the beginning of the year, the Company and **Minicity Ljubljana** presented to children telecommunication professions and an internet corner, where we encouraged responsible and safe internet use. In March, we migrated our activities to the virtual environment. We published advice on safe internet use and continued to implement the **Moja prva pogodba** [My First Contract] project, which facilitates the conclusion of an agreement between parents and children on the use of mobile devices.

But we did not forget about fun side. We migrated the **social game Vprašaj me, vprašaj se** [Ask Me, Ask Yourself] to the web. We developed the aforementioned game in conjunction with the **Logout organisation**. The game is designed in such a way that carefully selected questions stimulate conversation through which parents, guardians, teachers, grandmothers and grandfathers raise children's awareness about the responsible use of the internet and mobile devices in a fun way. We gave the game to children in the scope of prize contests and socially responsible activities.

We provide advice regarding the safe use of modern communication devices and services at Telekom

51 GRI PA10

52 GRI G4-DMA, G4-M4

centres and in the tab **Recommendations for the safe use of mobile devices and services**. We organised several training events for sales staff on this topic again in 2020. Users may additionally protect their devices by installing **Kaspersky security protection** that is available in our portfolio and that facilitates parental control, the protection of a user's identity and safe web browsing. Also available is the **Varen splet** (Safe Web) **service** that allows users to protect data traffic and manage all devices on the network.

SERVICES FOR VULNERABLE USER GROUPS⁵³



As a socially responsible company, we offer vulnerable user groups an adapted range of products and services. We have more affordable mobile packages available to

pensioners, while we supplemented fixed services in 2020 with the Ugodni (Affordable) package, which offers reliable internet and TV services, and a fixed telephony connection at an affordable price. The aforementioned package is intended for price-sensitive users who require a basic connection and watch TV linearly.

Affordably priced services are also available to disabled persons, while we facilitate the purchase of terminal equipment at historical cost and publish a list of public telephone booths and terminals accessible by wheelchair. We give **priority to disabled persons in connection to the public communications network and fault** clearance, and provide access to emergency services by the deaf and hearing impaired. With a valid disability status certificate, disabled persons are entitled to a discount of EUR 2 on their monthly subscription fee for fixed packages.

The portfolio includes the Gluhi A mobile package **for the deaf and hearing impaired**, which facilitates worry-free communication. Volunteer protection and rescue organisations were offered mobile service packages with no subscription fee. The members of fire fighter and police associations and trade unions and their immediate family members are entitled to a discount on the monthly subscription fee for mobile packages.

The **eCare** for safer living at home is available to the elderly and their family members. The

mentioned socially responsible service has already proven crucial several times as a life saver, as it ensures a continuous [24/7] link to an assistance centre. Users can initiate a call whenever they need help. Sensor equipment can be installed in a user's home to detect falls and sudden changes in movement, and notify the assistance centre. The service is also provided in the scope of the **Safe and Connected at Home** project, together with 36 Slovenian municipalities that subsidise the eCare service or provide it to citizens for free. The project is being implemented in conjunction with the Slovene Federation of Pensioners' Associations.

BROAD ACCESS TO GROUP SERVICES⁵⁴



The Telekom Slovenije Group ensures access to the most advanced ICT services and content by citizens who live in less-populated regions.

The mobile telephony signal is accessible by 99.74% of the population, while a large portion of territory is covered by broadband internet access and fixed telephony.



We cover 32.44% of the population with the fifth generation [5G] mobile network, more than 87% of the population with the LTE/4G+ network and 97% of the population with the LTE/4G network. Fixed services are provided via the mobile network to users in areas where setting up a fixed connection is not possible, but the LTE/4G mobile signal is available. We are constructing at an accelerated pace the most advanced fibre optic network, to which we already facilitate connections by more than 370,000 Slovenian households.⁵⁵

COVERAGE OF THE POPULATION WITH INDIVIDUAL RADIO NETWORK TECHNOLOGIES IN SLOVENIA

2G/GSM	3G / UMTS	4G/LTE	5G
99.74%	more than 93%	96.64%	32.44%

IPKO in Kosovo is also helping to bridge the digital divide in its own environment by expanding the coverage of the mobile network with new base station locations and by upgrading existing base stations with LTE/4G technology. An agreement was reached in December 2020 with the Ministry

53 PA2
54 GRI PA1, PA2, SDG 9.1
55 GRI PA4, SDG 1.4

of Economic Development on the financing of 80% of the project to upgrade hardware and software at five 2G/4G locations, which will facilitate the upgrade to 5G technology in 2021. IPKO is also upgrading locations in city centres and moving existing equipment to rural areas.

COVERAGE OF THE POPULATION WITH INDIVIDUAL RADIO NETWORK TECHNOLOGIES IN KOSOVO

2G	3G	4G
99.2%	91.0%	87.9%

2.9.6 EMPLOYEES

The Telekom Slovenije Group strives for a stimulating and pleasant work environment, open to innovation and cooperation. To that end, we provide for continuous employee training and education in various areas, and introduce innovative approaches for empowering employees. We are active in the areas of health and the prevention of burnout, upgrade employee remuneration and motivation systems, and implement numerous activities to strengthen the employer's brand..⁵⁶

CODE OF ETHICS⁵⁷

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

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

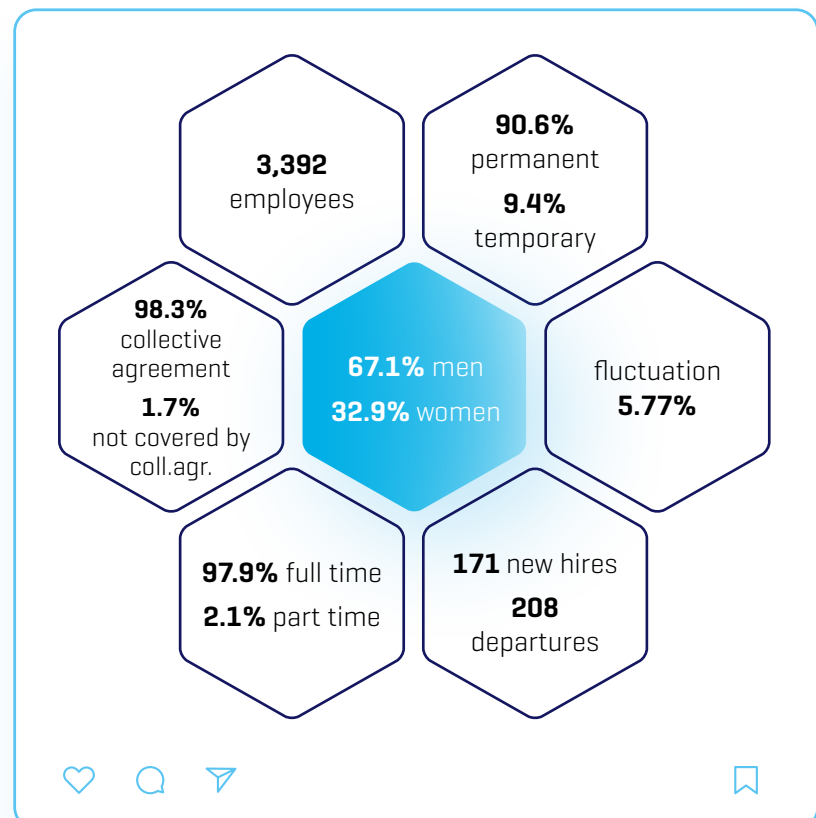
Similar to previous years, Telekom Slovenije Group companies did not receive any complaints due to discrimination in 2020.⁵⁸

STRUCTURE OF EMPLOYEES⁵⁹

The Telekom Slovenije Group had 3,392 employees at the end of the year, with Slovenian companies accounting for 2,864 of that number. The total number of employees was down by 1.1% relative to 2019, primarily due to the sale of Planet TV, the

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

At 5.77%, employee turnover within the Telekom Slovenije Group was up by 0.37 percentage points relative to the previous year.



⁵⁶ GRI GS 103-1, 103-2

⁵⁷ GRI GS 102-16, GS 103-1, 103-2, 103-3

⁵⁸ GRI GS 406-1

⁵⁹ GRI GS 401-1, GS 102-7

STRUCTURE OF EMPLOYEES AT TELEKOM SLOVENIJE GROUP COMPANIES⁶⁰

Situation as at 31 December	2020	2019	2018	Change in 2020	Index 20/19
SLOVENIA	2,864	2,901	2,903	-37	99
Telekom Slovenije	2,165	2,182	2,196	-17	99
Other companies in Slovenia	699	720	707	-20	97
Planet TV	0	42	44	-42	0
TSmedia	58	55	56	3	105
Avtenta	46	40	43	6	115
GVO	462	444	431	18	104
Soline	89	95	92	-6	94
TSinpo	44	43	41	1	102
SOUTH-EASTERN EUROPE	528	528	627	0	100
IPKO – Kosovo	528	528	528	0	100
Blicnet – Bosnia and Herzegovina	0	0	99	0	0
TELEKOM SLOVENIJE GROUP	3,392	3,429	3,530	-37	99

NUMBER OF NEW HIRES AND DEPARTURES IN 2020 BY AGE GROUP⁶¹

Age group	Telekom Slovenije Group		Telekom Slovenije		Other companies in Slovenia		South-Eastern Europe – IPKO	
	New hires	Departures	New hires	Departures	New hires	Departures	New hires	Departures
18-30	97	34	28	5	46	27	23	2
31-40	48	77	24	15	18	40	6	22
41-50	18	51	5	28	13	20	0	3
51-60	8	40	2	25	6	14	0	1
61-65	0	6	0	3	0	2	0	1
Total	171	208	59	76	83	103	29	29

60 GRI GS 102-8

61 GRI GS 401-1

The average age of employees at Telekom Slovenije is 45.7 years. The average age is lowest at IPKO [35.8 years] and highest at TSinpo [52.1 years]. Through an active employment policy, the average age was reduced to 40 years at GVO.

A total of 98.3% of Telekom Slovenije Group employees have an employment contract based on a collective agreement, which was close to the same proportion as the previous year [98.2%]. The remaining 1.7% of employees have contracts outside the collective bargaining system. These are primarily employees in management positions.⁶²

EMPLOYEES BY TYPE OF EMPLOYMENT AND GENDER⁶³

A total of 90.6% of Telekom Slovenije Group employees are on permanent contracts, while that proportion is 98.7% at Telekom Slovenije, 87.3% at other Slovenian companies and 61.7% at IPKO in Kosovo. The main reason Slovenian companies employ workers for a fixed period of time is to cover temporary increases in the work load. There are more employees on fixed contracts in Kosovo, which is an indication of local legislation and the company's employment policy. Full-time employees account for the largest proportion [98%] of employees at the Group level,

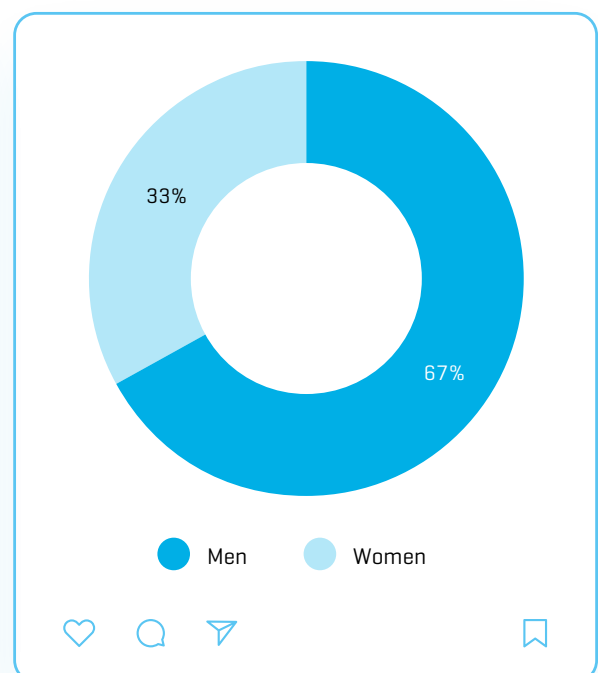
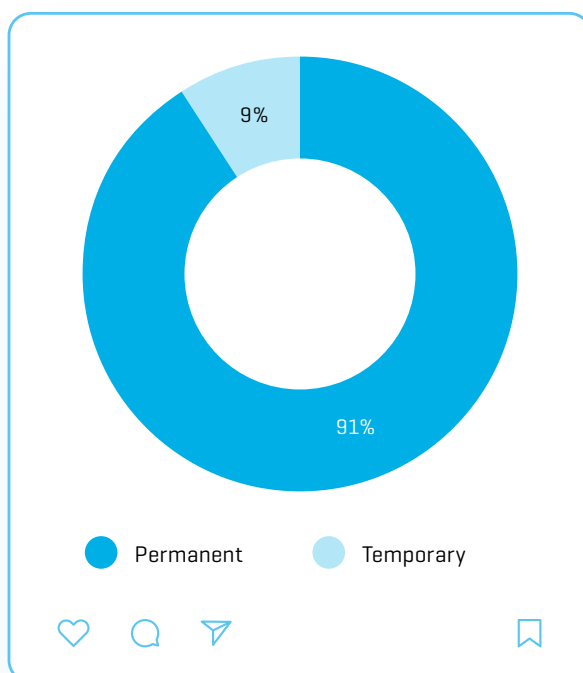
while part-time workers account for a smaller proportion [2%].⁶⁴

Men accounted for 67.1% of all Telekom Slovenije Group employees in 2020, while women accounted for 32.9%. Men are prevalent at companies in Slovenia, while the gender ratio in favour of men is slightly lower at IPKO [56.6%].⁶⁵ This ratio differs from company to company depending on their activity.

All retiring Telekom Slovenije Group employees are entitled to severance pay in accordance with valid legislation and the provisions of the collective agreement, where it applies. We carry out pre-retirement activities for employees in the scope of intergenerational cooperation and the management of older workers, who are also included in regular education and training.⁶⁶

EDUCATIONAL STRUCTURE OF EMPLOYEES

At 35.1%, persons with a level VII education account for the highest proportion of employees within the Telekom Slovenije Group. They are followed by employees with a level V education [30.1%] and level VI education [20.8%]. The Group has 161 employees with a master's degree or doctorate [4.7% of employees].



62 GRI GS 102-41

63 GRI GS 102-8

64 GRI GS 102-8

65 GRI GS 405-1

66 GRI GS 404-2

EMPLOYMENT AND TRAINING OF DISABLED PERSONS⁶⁷

There were 100 employees of various disability levels working in the Telekom Slovenije Group. Of those persons, 50% are full-time workers. Telekom Slovenije and GVO regularly exceed the legally prescribed quota of disabled employees, which is the result of our efforts to facilitate the regular employment of persons with work limitations due to disability. The quota for the information and communications sector is 2%, while the quota for the construction sector is 3%. These companies were therefore entitled to compensation in the amount of 20% of the minimum monthly wage for each disabled employee over the prescribed quota. Companies abroad do not have such a compensation system in place.



TSinpo is a service and disabled workers' company that facilitates the employment and training of disabled persons, and the adaptation of jobs to their

needs. The company employs disabled persons from within the Telekom Slovenije Group and from the labour market. The company addressed the temporary increase in the workload in 2020 by employing disabled persons from the labour market for a fixed period of time. The company is continuing to implement a vocational rehabilitation programme with 44 employees. In cooperation with external authorised organisations and with the help of its own mentoring team, TSinpo trains employees with work limitations for adapted work. In this way, it increases the employment of disabled persons in the wider social community and opens opportunities to advance their careers.



TRAINING AND HR DEVELOPMENT⁶⁸

We can only develop the most advanced services and create new business opportunities with a team of top-flight experts, expertise and common values and objectives. We therefore dedicate a great deal of attention to strengthening employee

competences and the acquisition of new knowledge, which we share in our everyday work. Through continuous planned education and training, and the management and transfer of knowledge, we ensure the growth and development of the Company and its employees. The training and education programme is updated every year with new and current content.

Employee education and training at Telekom Slovenije are carried out in accordance with the annual plans defined in the [Education and Training Rules](#). Employee development and training plans are drafted every year in the context of annual development interviews, and are based on the Education and Training Programme. In the planning process, we define the purpose and objectives of education and training, which derive from the organisation's overall objectives. Objectives are clear and measurable, which is important for monitoring the effectiveness of education and training.

Despite the COVID-19 pandemic, we continued with our projects, and planned education and training. The majority of planned live international and external domestic training events were cancelled or shifted to the virtual environment in 2020. Internal workshops that were initially planned in classrooms were also organised virtually in the form of webinars. The response of employees exceeded expectations. There was a great deal of interest in technical content and soft skills, stress management workshops, workplace endurance, work from home, etc. We organised training for close to 40 internal lecturers and helped them prepare virtual content. In the current circumstances, employees have enthusiastically embraced this form of learning, primarily due to the time and space aspects.

We begin measuring the effects of education and training during the implementation phase, by measuring the satisfaction of participants. We receive an assessment of the implementation of education or training and feedback regarding its usefulness through an electronic questionnaire. We use coaching, workplace mentoring and focus groups to measure acquired knowledge and skills. A survey of employees conducted in 2020 indicated that online forms of training are appropriate for shorter courses, while live workshops are preferred for longer training. Employees would like more content from the areas of stress management, soft skills (communication, relationships, personal growth, etc.), user services/products and equipment, programming languages, the use of internal programmes and project management.

67 SDG 1

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

KEY FIGURES REGARDING EMPLOYEE TRAINING WITHIN THE TELEKOM SLOVENIJE GROUP AND AT TELEKOM SLOVENIJE⁶⁹

	Telekom Slovenije Group				Telekom Slovenije			
	2020	2019	2018	Index 20/19	2020	2019	2018	Index 20/19
Number of participants in training	3,085	3,150	3,286	98	2,170	2,205	2,460	98
Number of training hours	63,069	91,368	92,821	69	54,635	75,131	79,241	73
Proportion of employees included in training	91%	92%	93%	99	100%*	101%*	112%*	99
Number of training hours per employee	18.6	26.6	26.3	70	25.2	34.4	36.1	73

* The proportion of employees included in education and training also includes persons who attended courses during the year but were no longer employed by the Telekom Slovenije Group as at 31 December.

The number of education and training hours was down by 31% and 27% at the Telekom Slovenije Group and Telekom Slovenije, respectively, relative to 2019 on account of the COVID-19 pandemic. Of the total number of education and training hours, 47% of hours were organised remotely, 41% of education and training hours took the form of traditional workshops and 12% of education and training hours were in the form of e-courses in the scope of the Znam! learning portal. Internal lecturers conducted 39% of education and training hours or 57% of all courses.

At Telekom Slovenije, men accounted for 65% and women 35% of all employees included in education and training programmes, which corresponds to the overall employee gender ratio, as training is based on workplace needs, with no distinction made by gender. Men accounted for 70% and women for 30% of Telekom Slovenije Group employees included in education and training.

In terms of the number of hours, technicians and sales staff at the Telekom Slovenije Group level and at Telekom Slovenije received the most education and training, as they are the first contact point for our users. The index for the category 'Other' was up because that category includes education and training regarding the development of personal and team potentials, the induction programme for new employees and future trends. Of the total of 63,069 education and training hours, 66.7% or 42,096 hours were organised for technicians and sales staff.⁷⁰

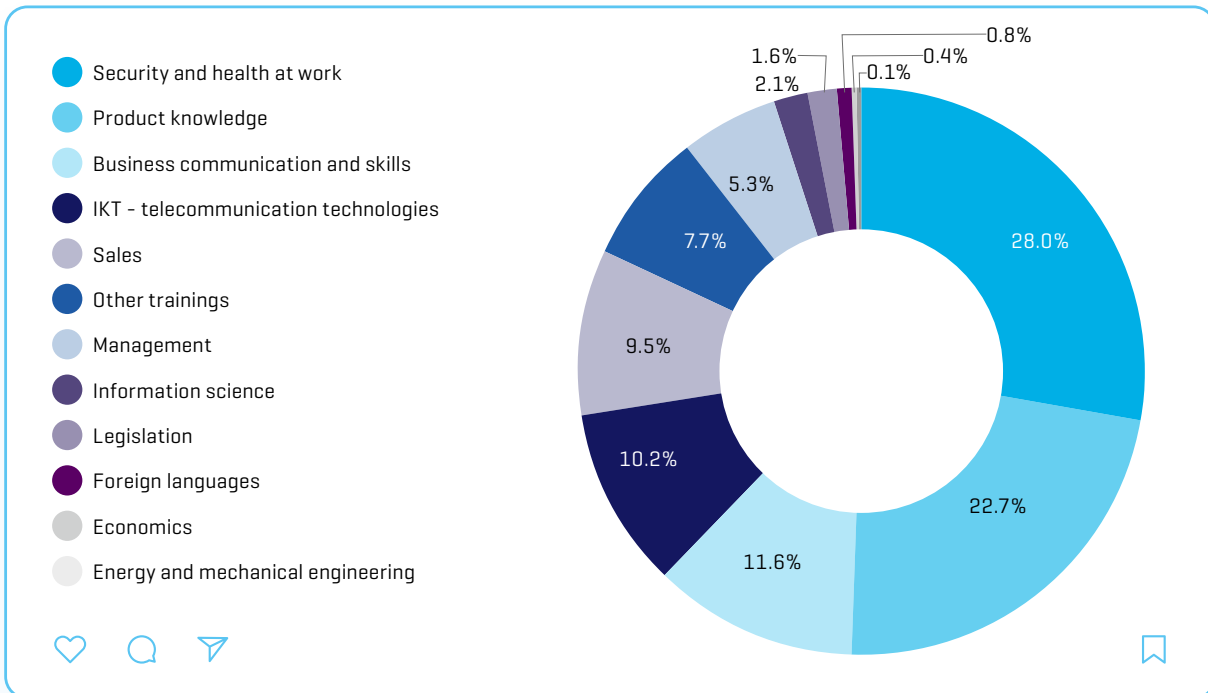
STRUCTURE OF TRAINING BY AREA

The majority or 28% of training within the Telekom Slovenije Group was in the area of occupational health and safety. In the scope of the Živijo, stres! [Hello, Stress!] project, Telekom Slovenije educated employees and raised their awareness about stress management and the prevention of burnout. We spent 1,530 hours on stress management training. A total of 674 hours were dedicated to measures and ensuring a safe work environment during the period of an increased number of COVID-19 infections. We also organised e-courses on information security and business continuity (i.e. employee conduct in emergencies), the protection of confidential information, social engineering and the identification of dangers that threaten us, and a refresher course on the Code of Ethics.

Due to the nature of the work at Telekom Slovenije, we handle various personal data that we are obliged to protect diligently. A total of 261 hours of training were carried out at Telekom Slovenije in this area in 2020, during which time we presented employees the basics of personal data protection and the lawful processing thereof, improved knowledge of rules governing the protection and processing of personal data and increased employee awareness.⁷¹

69 GRI GS 401-1
70 GRI GS 401-1
71 GRI GS 412-2, 205-2

Structure of training by area within the Telekom Slovenije Group in 2020



Employees also receive continuous training in the area of information and communication technologies, and regarding laws and regulations.

Telekom Slovenije has an e-training portal call **'Znam!'**

[I Have the Knowledge!]. That portal supports rapid learning and the preparation of materials of varying scope and complexity, primarily for the organisation of interesting shorter courses. The latest knowledge is thus readily accessible by the employees of

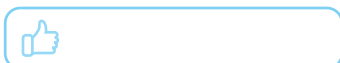
Telekom Slovenije, the employees of the subsidiaries TSmedia, Avtenta and TSinpo, and by our authorised agents.

A total of 148 e-courses were published on the Znam! portal in 2020, representing 29% of all training at Telekom Slovenije.

S.M.A.R.T. – AN ADVANCED DEVELOPMENT-TRAINING PROGRAMME



- S** – self-responsible and simple
- M** – motivated and wise
- A** – engaged and authentic
- R** – serious and committed
- T** – team player and precise



The aim of the **S.M.A.R.T.** training and development programme is to ensure the excellence of the user experience at all major contact points with the users of our services. Through that programme, we are building four key elements in contact with users: a uniform approach, the raising of values, the development of competences and team work.

In 2020, we expanded the activities of the S.M.A.R.T. programme to the Technical Help Desk, where we predefined objectives and the desired behaviour of advisors, and prepared a digital manual on the excellence of the user experience. All advisors attended training and workshops to improve the desired behaviours, while we also identified an additional six employees who will dedicate part of their work time to the development and empowerment of employees to achieve a superior user experience.

INVESTMENTS IN EMPLOYEE KNOWLEDGE

Activities in this area include the financing of on-the-job studies and paid leave to prepare for study requirements. At the end of 2020, a total of 45 employees had contracts with the Telekom Slovenije Group to obtain a higher level of education, 40 employees at Telekom Slovenije, four employees at GVO and one employee at Avtenta.

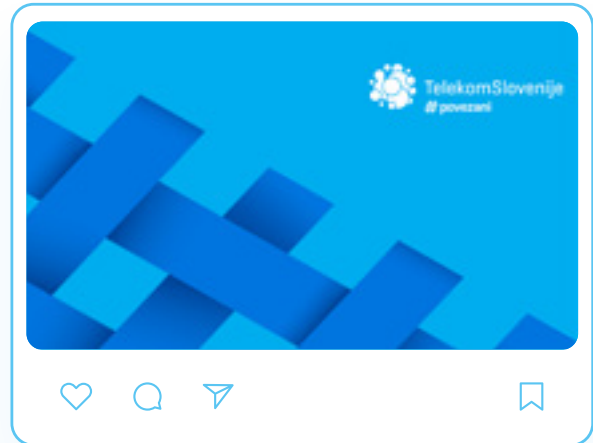
EMPLOYER BRAND

We worked intensively in 2020 to upgrade the employer brand. Our promise – to co-create the digital future of Slovenia – is based on knowledge and development. We added the #connected hashtag to the corporate logo, which is recognised by both the internal and external public.

Telekom Slovenije ranks among the ten most reputable employers in Slovenia.

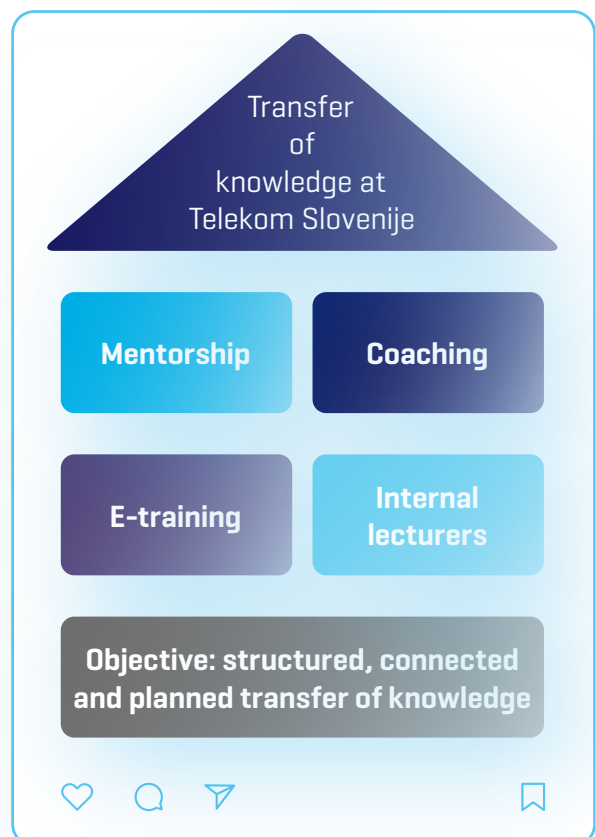
KNOWLEDGE TRANSFER COMPETENCE CENTRE

We established the **Knowledge Transfer Competence Centre** in 2020. The aim of that centre is to accelerate the internal transfer of knowledge, and thus ensure the development and growth of both employees and the Company. The competence centre has four pillars. In the scope of each, we develop tailored development and training programmes that help knowledge ambassadors develop the necessary skills, themselves, mutual links and the exchange of knowledge.



MENTORSHIP

Our employees are a treasure trove of knowledge and experience. It is therefore important to preserve this at the Company and encourage the transfer of that knowledge and experience between employees. This is particularly true for key expertise that gives the Company a competitive advantage and that is difficult or impossible to obtain on the market. Systematic development and the preservation and upgrading of key knowledge is ensured through a single mentoring system. In the scope of that system, we keep records of technical and key knowledge and the persons who possess it. The latter transfer that knowledge to recipients in the mentoring process – successors,



new employees, employees who change work areas or who return to work after a prolonged absence, and high school and college students completing their internship, working via student services or on scholarship. We digitalised the mentoring process in 2020 and trained mentors on remote mentoring.

KEY AND PERSPECTIVE PERSONNEL⁷²

Telekom Slovenije includes in its system of key and perspective personnel individuals who contribute an above-average share to the achievement of the Company’s objectives (special work achievements), who have highly developed competences or who demonstrate potential and the motivation for further development.

We break them down into the following categories:

- **key personnel – creators** who with their creativity and commitment achieve better results, and who have high development potential to take on more demanding work and to advance to higher professional and management positions;
- **key personnel – experts** are the bearers of knowledge that is crucial and specific to the Company, and that has been gained through rich experiences and is difficult to find on the labour market; and
- **perspective personnel:** young employees who are still developing as managers or professionals.

This involves a continuous process in which we identify key and perspective employees. Through planned training, we develop their potentials, prepare successors and strive to keep them employed at the Company.

According to the Company’s adopted methodology, 8.9% of employees have been identified as key and perspective personnel. Together with supervisors, we draw up individual development plans to obtain the necessary expertise and desired competences.

RECRUITING NEW EMPLOYEES, PROFESSIONAL TRAINING OF SECONDARY SCHOOL AND UNIVERSITY STUDENTS, AND THE AWARDING OF SCHOLARSHIPS

Our aim is to recruit the best secondary school and university students, primarily in strategically important areas, such as multimedia, cloud services, user interfaces, etc. Telekom Slovenije thus facilitates the practical training of secondary

school students and the practical education of university students from various professions. The best candidates who could be potential candidates for employment are entered into a database of employment candidates.

Despite the extraordinary circumstances, Telekom Slovenije provided practical training opportunities to 60 secondary school and university students in 2020. For the third year in a row, Telekom Slovenije has also **awarded company scholarships**. We awarded nine such scholarships for the 2019/2020 scholastic year. We employed two scholarship holders, bringing the total to 24 active scholarship holders.

MANAGEMENT OF OLDER EMPLOYEES⁷³

Measures to manage older employees and intergenerational cooperation are an important element of the HR management strategy for the period 2021 to 2025, and represent our response to current and future demographic challenges. The average age of employees at Telekom Slovenije is 45.7 years.

Measures are aimed at strengthening competences in connection with the Company’s values and the four strategic pillars. The purpose of the latter is to search for comprehensive solutions to mitigate risks associated with the ageing of employees. These include awareness about the importance of a healthy lifestyle and active care for own health and lifelong learning. The aforementioned measures cover the following areas: promotion and awareness, the protection of health, ergonomics and the workplace, working hours and the nature of work, career and personal development, training to improve competences and intergenerational cooperation. Priority was given to measures drawn up for employees over the age of 50 years, but are intended for all employees.

We are aware of the importance of the **transfer of knowledge and lifelong learning**. We therefore promote such processes amongst all employees, but particularly amongst older employees. Older employees represent a treasure trove of knowledge and experience. It is thus important to encourage them to be innovative and to transfer their knowledge and experiences to co-workers and successors.

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 72 GRI GS 404-2
 73 GRI GS 404-2

STRESS MANAGEMENT AND THE PREVENTION OF EMPLOYEE BURNOUT⁷⁴

We raise awareness about the importance of stress management and avoiding burnout in the scope of Živijo, stres! [Hello, Stress!] activities. In 2020, we continued with the organisation of lectures and workshops by various experts from the areas of psychology, group [team] dynamics, orthopaedics and anthropology. We learned to protect ourselves against stress, as well as self-massage techniques.

We also continued to raise employee awareness in the scope of periodic educational workshops and through the promotion of active work breaks, and exercise and sporting activities, including through our own FIT.SI mobile application. Due to measures to prevent the spread of COVID-19, we temporarily halted massages and exercise in the workplace, and provided the opportunity to speak with a psychologist twice a week [instead of once a week] via the **Modri telefon [Wise Telephone]**. Useful information and advice regarding a healthy lifestyle are also available to all employees on a special intranet portal.

MOTIVATION OF EMPLOYEES

We strive to provide employees a work environment in which they will be satisfied, motivated, committed and loyal. In 2020, when people were working from home all over Slovenia, we paid particular attention to activities to keep them #connected. We have an established and precisely structured bonus system in the form of monetary and non-monetary bonuses that are awarded in accordance with the collective agreement and other internal acts.

We are giving remuneration within the Telekom Slovenije Group an increasing amount of attention, while we encourage individual and collective success. Bonuses are paid to employees based on the company-level collective agreement and other internal acts. The most frequent form of employee remuneration remains material remuneration. Collective remuneration is based on pre-defined and expected results. A year-end bonus [13th salary] is paid based on business results, while a Christmas bonus is paid in the amount of 70% of the average wage in the Republic of Slovenia. Certain companies pay a lower Christmas bonus depending on operating results, as well as stimulation and bonuses for outstanding

achievements. Individual remuneration depends on an assessment of the achievement of personal objectives [stimulation], and is paid twice a year.

Non-monetary forms of employee remuneration also derive from our activities [discounts in the Online Shop, gift certificates for Soline, getaways at Hotel Tisa, etc.]. We also offer employees other benefits, such as additional medical examinations, payments to the second pension pillar, preventive treatments and flexible working hours, etc.

Full-time and temporary employees enjoy the same benefits, except the payment of voluntary pension insurance premiums, which new employees are entitled to after one year of employment. The premium for employees who have been employed by their respective company for at least one year is paid by Telekom Slovenije [97% of employees], GVO [92% of employees], TSmedia [96% of employees], Avtenta [100% of employees] and TSinpo [100% of employees].

Employees in Slovenia receive severance pay at retirement in accordance with the collective agreement. IPKO in Kosovo pays its employees' compulsory contributions for pension insurance in accordance with local laws, but does not pay premiums for supplemental pension insurance for them.⁷⁵

A Telekom Slovenije Group employee's base salary is not based on gender, location or activity, but is equivalent to the value of the wage grade for a particular position for which an employment



74 GRI GS 403-6

75 GRI GS 401-2, 201-3

contract has been concluded. Employees at companies in Slovenia have a higher minimum wage than the legally prescribed minimum wage in Slovenia. Employees at IPKO also have a higher wage [index of 216].⁷⁶

COOPERATION WITH RESEARCH INSTITUTIONS

Telekom Slovenije is aware of the need to strengthen the employer brand amongst young people and of the need for fresh technical knowledge. We therefore actively cooperate with faculties and secondary schools. We have been a partner of the multimedia study programme at the University of Ljubljana's Faculty of Electrical Engineering for many years. We also work closely with the **Faculty of Computer and Information Science at the same university**.

In 2020, we strengthened cooperation with the **University of Ljubljana's School of Economics and Business**, as it is important to us that young people recognise us as a potential employer in other areas of study that are crucial for the activities that we perform.

In the area of employee education and e-training, we work with the Telecommunications **Laboratory at the University of Ljubljana's Faculty of Electrical Engineering** (LTFE) and with the Faculty of Computer and Information Science at the same university. We likewise work with the **School Centre for Postal Services, Economics and Telecommunications**. IPKO includes students from universities in Kosovo, such as American University and Dardania University in its activities in various ways.

ORGANISATIONAL VITALITY

The measurement of organisational vitality, which includes the organisational climate, and employee satisfaction and commitment, is carried out every two years. The next measurement will be carried out in 2021.

ORGANISATIONAL CULTURE

We are transforming Telekom Slovenije's organisational culture into a culture that is based on the constructive style of employees' behaviours

and attitudes. A constructive style positively promotes superior quality, development, mutual cooperation and business excellence. We took into account the latest trends when drafting the action plan for the transformation of the organisational culture. Activities are being carried out with an emphasis on cooperation between organisational units and employees, and on the promotion of innovation and creativity.

APPRAISAL-DEVELOPMENT INTERVIEWS⁷⁷

Appraisal interviews are conducted twice a year for all Telekom Slovenije employees covered by the collective agreement and for employees under individual contracts who are not first and second level directors. Those interviews are conducted once a year for the latter. Interviews are conducted once a year at the majority of subsidiaries. The overall assessment of work performance comprises an assessment of the achievement of objectives and an assessment of competences. A training programme for the upcoming year is drawn up for every employee at the beginning of the year in the scope of appraisal interviews.

Annual appraisal interviews were conducted in 2020 with all employees at the majority of companies in Slovenia, except those employees on lengthy sick leave or parental leave, with new employees and reassigned employees, and with employees in the process of employment termination.

MANAGING INNOVATION



We continuously encourage employees to share ideas and develop innovations. We do this primarily through publications on the intranet, and through the organisation of workshops and events.

We gather ideas through the **Brihta digital collection box**, to which employees submit their ideas. In place is an established procedure and comprehensive overview of proposals, from submission to potential implementation or feedback. Employees receive practical awards for useful ideas. Ideas that become innovations with higher added value may also be rewarded financially.

76 GRI GS 202-1, 405-2

77 GRI GS 404-1

The employees of Avtenta, TSmedia and GVO also have the opportunity to submit proposals for improvements, ideas and innovations in individual areas. IPKO holds a competition to collect proposals, with rewards given for the best.

COOPERATION WITH EMPLOYEE REPRESENTATIVES⁷⁸

We cooperate constructively with the works councils of Telekom Slovenije, GVO and TSmedia, and maintain constant social dialogue with trade union representatives (notification, joint consultation, issuing of consent, etc.) in accordance with the Workers' Participation in Management Act.

Telekom Slovenije's Works Council met at seven regular and two correspondence sessions in 2020. The majority of regular sessions were carried out in a virtual environment. The majority of initiatives and questions put forth by employees and their representatives related to the COVID-19 pandemic, the Company's operations and the HR Policy. The members of the Management Board and head of HR Management and General Affairs reported accordingly on a regular basis.

There are also three employee representatives on Telekom Slovenije's Supervisory Board, who regularly inform employees and their representatives about activities in accordance with valid legislation.

RESPONSIBILITY FOR EMPLOYEES AND THEIR ACTIVITIES OUTSIDE THE WORKPLACE

Telekom Slovenije Group provides support to employees in various ways, including leisure activities, while we devote special attention to our employees' children and pensioners. We organise events with employees, give gifts to employees' first-graders and new-borns, organise holiday day care services for employees' children, support Telekom Slovenije's pensioners clubs, etc.

Functioning under the auspices of Telekom Slovenije is the **TSsport** sports club, which facilitates the participation of employees in recreational activities and championships in various sports. The club's members are all employees, who can sign up for regular notification about activities. The club provides employees affordable offers for different

branches of sports and the purchase of equipment. Only a ski championship was organised in 2020, as the organisation of recreational activities at locations throughout Slovenia was very limited. We encouraged employees to exercise during working hours by providing video content and via the #vadidoma platform, which we organised in the scope of the NEO platform. We also developed the FIT.SI mobile application to get employees moving.

OCCUPATIONAL HEALTH AND SAFETY⁷⁹

The area of occupational health and safety was particularly demanding in 2020 due to the COVID-19 pandemic. Taking into account the instructions of professional institutions, the Telekom Slovenije Group gave priority to measures aimed at preventing the spread of infections, provided employees information about preventive activities at home and in the workplace, and established protocols and instructions on what employees should do in the event of infection.



Contributing most to the relatively low infection rate at the Company was the timely adoption of measures, including the quick decision to implement work from home for most employees, if the nature of their work allowed it. The source of the majority of infections and cases of quarantine involving employees was the external environment, i.e. private life. On account of work from home and other measures that were communicated to employees daily by the Business Recovery Team in a transparent manner, infections did not spread within the Company.

We regularly provided employees all necessary protective equipment: protective masks, hand disinfectant, disinfectant wipes, disinfectant spray to disinfect work surfaces, protective gloves, etc. If employees became infected or were in touch with others who were infected, we continuously provided professional responses to questions and established the necessary communication with all stakeholders. We organised testing at professional institutions when business travel abroad was urgent.

78 GRI GS 103-1, 103-2, GS 102-43, 102-44, GS 401-1

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

Occupational health and safety is otherwise managed within the Telekom Slovenije Group in accordance with legal requirements that are defined for all employees and for each sector separately. We implemented all key measures relating to occupational health and safety, and fire protection in 2020. We took regular measurements of environmental conditions and lighting in the work environment for all locations where deemed necessary. The identification of dangers associated with safe work was carried out via regular occupational safety training, regular on-site inspections and various project groups.

All training, both theoretical and practical, in the area of occupational **health and safety** was in line with the requirements of the law. Training was organised in the form of lectures, and took place primarily via e-training in 2020. Training was carried out in the following areas in 2020: workplace injuries, fire safety, work at height and training for those persons responsible for carrying out evacuations. We regularly provided personal protective equipment and supervised its use. Major locations and Telekom Slovenije centres are equipped with semi-automatic defibrillators to provide aid in the event of cardiac arrest.⁸⁰



Telekom Slovenije notifies employees about preventive examinations, vaccinations against various diseases and current health content via the Modro jabolko [Wise Apple] portal. We promote a healthy lifestyle by publishing various

articles and information about physical activity and a healthy diet. Via the portal, employees are also provided access to supplementary healthcare services [that are not part of regular occupational medicine examinations]. At the beginning of every year, we publish a schedule of additional medical examinations that employees may sign up for.⁸¹

The area of occupational health and safety is comprehensively governed at Telekom Slovenije Group companies in Slovenia by the Occupational Health and Safety Act [ZVZD-1] and by declarations

of safety with risk assessments. This area is governed at IPKO by local legislation and through a health, safety and quality control system. It carried out measurements of microclimatic conditions, defined potential risks in the workplace, and adopted measures and recommendations in 2020. It also organised training for all employees.⁸²

Telekom Slovenije employees attending training are encouraged to participate in the development, implementation and evaluation of occupational health and safety. Responsibility is defined by the law and authorisations, while decisions are made by managers at levels in cooperation with employees. We also encourage employees to report potential dangers whenever they arise. In this way, we prevent or mitigate potential negative effects on health and safety. GVO has an Occupational Safety Committee that is appointed by the Works Council. Every workplace injury is analysed and reported to the competent authorities [ER-8]. IPKO has a Health and Safety Team that comprises representatives of employees from various organisational units who monitor the implementation of a programme in the aforementioned area.⁸³

HEALTHCARE⁸⁴

Preventive medical examinations are organised for employees at Telekom Slovenije and other Slovenian subsidiaries in accordance with the law. Occupational medicine specialists inspect work areas, working conditions and work processes at the Company as necessary. Based on those inspections and specific identified health indicators, they propose measures to improve the situation. Occupational medical services are accessible via preliminary, periodic or control examinations. We organised **vaccinations against tick-borne meningoencephalitis** for employees working in forests.⁸⁵ We also organise **flu vaccinations** for employees in Slovenia.

IPKO organises preventive medical examinations for employees in accordance with labour legislation in Kosovo, as well as special training for employees who work in the field.

80 GRI GS 403-5
81 GRI GS 403-6
82 GRI GS 403-1, 403-2
83 GRI GS 403-4
84 GRI 403-3
85 GRI I03

HEALTHCARE AND WORKPLACE INJURIES IN THE TELEKOM SLOVENIJE GROUP⁸⁶

Occupational health and safety	2020	2019	2018	Index 20/19
Number of injuries	34	44	36	77
Number of working days lost	1,345	1,536	1,265	88
Number of working hours lost	10,719	11,138	10,125	96
Number of medical examinations	835	998	957	84
- preliminary examinations	114	135	160	84
- periodic examinations	721	863	797	84
Number of deaths	0	0	0	-

The Telekom Slovenije Group has no employees at high risk to occupational diseases.

FIRE SAFETY

We drafted new fire safety rules and revised evacuation and fire plans for those buildings where major changes were made. Fire safety training is organised in the scope of occupational safety training. Fire extinguishers and

hydrant networks were inspected and serviced in all buildings, while several evacuation drills were conducted. We regularly maintained and serviced active fire safety systems at buildings throughout Slovenia,

and completely renovated the emergency lighting system at the buildings located at Cigaletova 15 and 17, Golovec and Vilharjeva 23. Telekom Slovenije Group companies did not record any fires in 2020.



SRČNI SKLAD

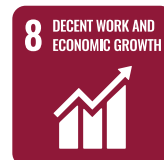
THE HEART FOUNDATION

The employees of the Telekom Slovenije Group have big hearts, and we join together when events shake us and help those affected to the best of our ability. We therefore established the Heart Foundation in 2019 with the aim of helping the children of employees of Slovenian Telekom Slovenije Group companies who have lost a parent or who are seriously ill. Currently, 1,230 employees contribute to the fund every month.

Employees can make monthly donations of EUR 2, EUR 4 or EUR 6 to the Heart Foundation, and can also donate via text messages, in the form of a one-time donation or periodic contribution. We used monthly donations to help 33 children in 2020. We also helped seven seriously ill children through a one-time donation.



FAMILY-FRIENDLY COMPANY CERTIFICATE⁸⁷



The full Family-Friendly Certificate is an important element of Telekom Slovenije's organisational culture and social responsibility. Through that certificate, we promote awareness about the importance of work-life balance. Through the implementation of measures, we ensure the short- and long-term effects of successful HR management, a friendly work environment and a competitive advantage in recruitment. Best practices, which are seen in the activities linked to specific measures, are intertwined with the Company's values. The Family-Friendly Certificate is thus an investment that brings positive results to Telekom Slovenije and its employees.



86 GRI GS 403-9

87 SDG 8

PARENTAL LEAVE⁸⁸

The use of parental leave is one element of achieving work-life balance in the scope of the Family-Friendly Company certificate. Most employees who use parental leave are mothers,

who make full use of maternity and child care leave. Fathers also take child care leave in the early child development stage in the form of paternity leave. Employees in Slovenia return

to their jobs following the end of parental leave, as adopted measures provide opportunities that make it easier to find the right work-life balance.

	Telekom Slovenije Group			Telekom Slovenije		
	2020	2019	2018	2020	2019	2018
Number of employees on parental leave	101	132	109	22	45	48
Of which: women	82	102	106	22	43	47
male	19	30	3	0	2	1
Employees who returned to work following parental leave: number	84	109	82	22	45	45
proportion in %	83	83	75	100	100	94
Of which: women	65	80	79	22	43	44
proportion in %	79	78	74	100	100	94
male	19	29	3	0	2	1
proportion in %	100	97	100	0	100	100

COMMUNICATION WITH EMPLOYEES⁸⁹

The Telekom Slovenije Group communicates proactively with employees throughout the year via various communication channels. The main tool for communicating with employees is the **intranet news portal**, where all of the latest information regarding events at Group companies is accessible by employees. That portal is accessible by all employees and facilitates the secure transfer of internal documents, such as manuals, rules, instructions, forms, etc. We also communicate with employees via other channels, such as digital displays, email and an electronic bulletin, while we use various types of meetings for the transfer of information, such as

special events, councils, working meetings, workshops, etc.

For Telekom Slovenije and its employees, the pandemic has been an opportunity to show that even large companies can be quick, agile, effective, creative and focused on supporting the society in which we operate. We actively communicated with employees every day, and clearly demonstrated our social responsibility, both internally and externally. Our main challenge in that regard was how to ensure employees stayed connected when 70% of them worked from their homes all across Slovenia if the nature of their work so allowed. Our guiding principle in the formulation of the communication strategy

was to find a simple anchoring point for all communication activities that will address the emotional side in a synergistic way and bring us together in the best team in these extraordinary circumstances. We found that anchoring point in the hashtag **#CONNECTED**. The latter derives from our core activity of ensuring connectivity, while it also builds a community of stronger, more engaged and more successful people in the face of challenges. During a period when the majority of employees worked remotely, we communicated with employees every day via **emails from the Operational Recovery Group and other activities** (emails from the President of the Management

88 GRI GS 401-3
89 GRI GS 102-43, 102-44

Board, preventive measures, video communication, etc.). We communicated all events at the Company, and also included content contributed by employees in messages. We strengthened trust, reduced uncertainty, improved employees' sense of affiliation and built connectivity. A total of 70.14% employees participated in research we conducted in

May. Their answers indicated that employees have never felt as #connected with the Company as they do in these extraordinary circumstances and that they are proud of the way Telekom Slovenije has responded to the epidemic.

Every Telekom Slovenije Group company has its own channels for communicating with employees.

2.9.7 QUALITY MANAGEMENT

Quality management covers the entire lifecycle of our services, from design and development, the securing of resources, logistics and maintaining the quality of services to the controlled conclusion of the lifecycle of individual products and services.

These factors are monitored comprehensively through:

- measurements of key performance indicators;
- measurements of user and stakeholder satisfaction;
- initiatives for improving satisfaction [e.g. CEX – excellence of the customer experience]⁹⁰; and
- the introduction and maintenance of tools for quality management.

QUALITY MANAGEMENT SYSTEMS

Telekom Slovenije and its subsidiaries successfully maintained all previously implemented systems in 2020.

REVIEW OF COMPLIANCE CERTIFICATES FOR MANAGEMENT SYSTEMS BASED ON ISO, IEC, EN AND SIST STANDARDS

Company – Certificate of Conformance	Validity	Scope of the system
Telekom Slovenije		
SIST EN ISO 22301	11 April 2022	Services and processes of Telekom Slovenije, d. d.
SIST EN ISO/IEC 27001	28 April 2023	Cyber Security Operations Center, Financial Services, Business ICT Services, Network Services Monitoring, Technical Support for Business Solutions
SIST EN ISO 50001	31 January 2023	Telekom Slovenije energy services for internal use
SIST EN 50518	27 October 2022	ARC of Telekom Slovenije, d. d., Cigaletova 15, 1000 Ljubljana, Slovenia
SIST EN ISO 14001	31 January 2023	Development, planning, construction and management of telecommunication networks and services
GVO		
SIST EN 50518	31 December 2023	Design, construction and maintenance of telecommunications and electro energetic networks
SIST EN ISO 14001	31 December 2023	Design, construction and maintenance of telecommunications and electro energetic networks
Avtenta		
SIST EN ISO 9001	30 June 2022	Development and integration of business solutions, service delivery and consulting, system integration, project management and sales
IPKO		
SIST EN ISO 9001	24 December 2023	Digital Cable TV, Internet Services and Fixed and Mobile Telephony
SIST EN IEC/ISO 27001	24 December 2023	Digital Cable TV, Internet Services and Fixed and Mobile Telephony

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90 For more details, see section 1.8.4 Strategic Projects.

Other audits were successfully passed to maintain the certificates of manufacturers, such as MS Partner, Cisco, Oracle and HP [for more details, see section 2.7.3 Sales of the Telekom Slovenije Group], and for other systems that are based on other recommendations [internal rules, Family-Friendly Company requirements, the ECS-PPT/DARSGo management system, etc.].

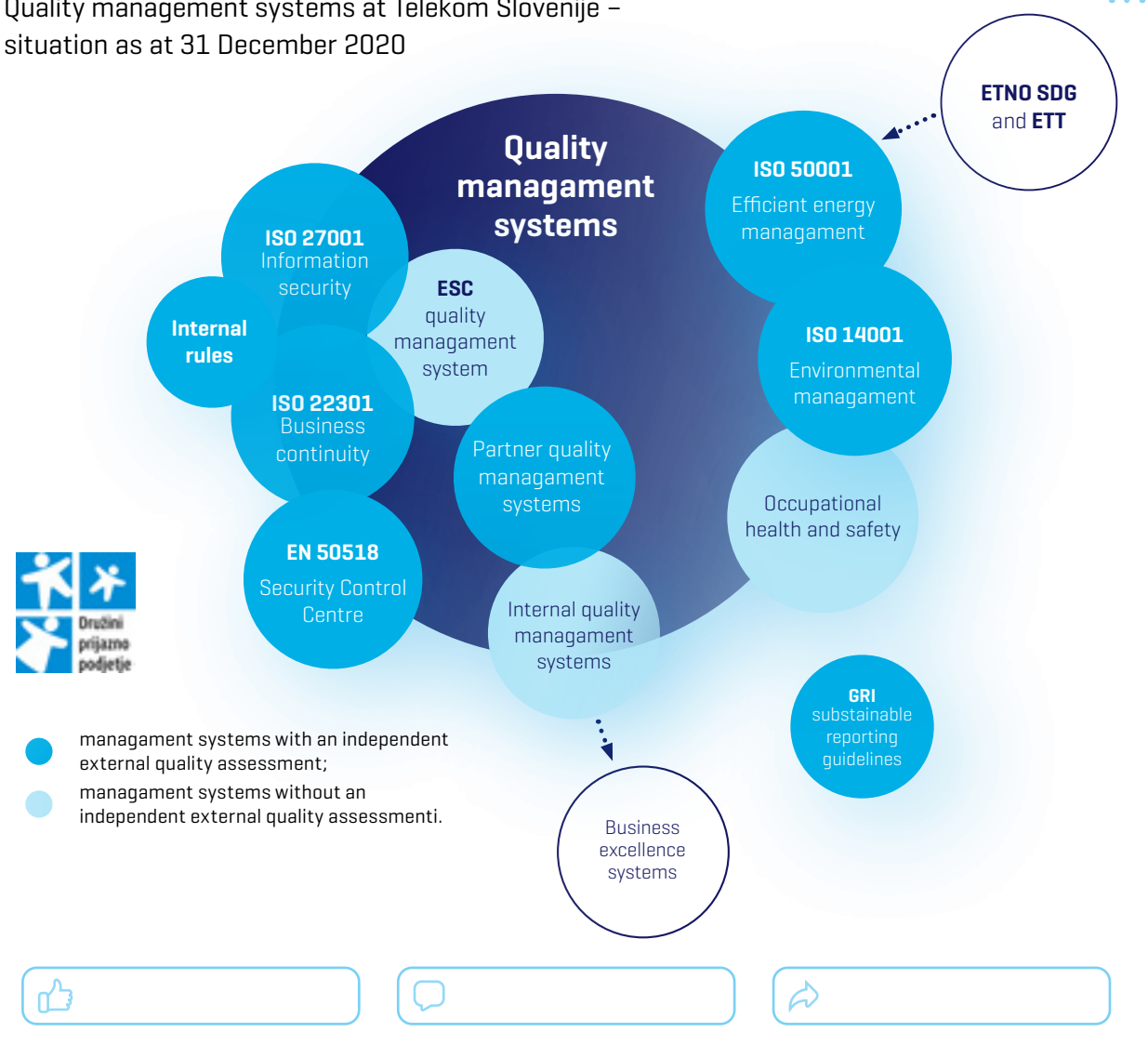
The business continuity management system [BCMS; compliant with the requirements of ISO 22301] was a key quality management mechanism during the period of measures on account of pandemic.

IPKO introduced and certified a quality management [in accordance with the requirements of ISO 9001] and information security management system [in accordance with the requirements of ISO/IEC 27001]. Certification of the compliance of those two systems will allow IPKO to apply for public tenders in Kosovo in the future.

Following successful recertification, Telekom Slovenije broadened the area certified under the ISO/IEC 27001 standard. GVO also recertified both systems in the scope of its integrated management system [compliant with the requirements of ISO 9001 and ISO 14001].

In all systems, we dedicated attention to measurements of objective progress indicators, and promoted the increased integration of systems into the everyday sustainable operations and management of companies. At the end of the year, we began preparatory activities for the performance of a self-assessment of operational excellence according to the EFQM 2020 model. Through the application of GRI Guidelines in the annual report, we continue to fulfil the requirements of the non-financial reporting directive and the Companies Act [ZGD-1].

Quality management systems at Telekom Slovenije – situation as at 31 December 2020



2.9.8 ENVIRONMENTAL MANAGEMENT⁹¹

Sustainable operations are one of the key strategic objectives of the Telekom Slovenije Group, as we are aware that our operations affect both the natural and social environments. Thus, through our conduct and business practices, we strive to contribute to environmental protection and the preservation of natural resources wherever we are present, and attempt to reduce impacts to the greatest extent possible when they arise.

We strive for the continuous improvement of environmental and energy efficiency through the methodical monitoring of the consumption of energy and other resources, and through the setting of specific targets. Because we are aware of our responsibility in this area, we adopted a new environmental statement for Telekom Slovenije in [Environmental management \[telekom.si\]](#)

We adapt our services and products to global guidelines on energy and environmental development. We are committed to monitoring and complying with all Slovenian and European legal requirements in this area. We also monitor and comply with other requirements linked to the energy and environmental aspects of ICT services and operations. We also encourage our users to take a responsible approach to managing energy and the environment. Progress in this area is monitored using measurable indicators.

Key policies in this regard are as follows:

- regular monitoring of the use of resources, in particular energy consumption and associated costs;
- strategic and operational energy objectives that are in line with our operations and development;
- monitoring and compliance with the requirements of Slovenian and European law; and
- methodical prevention and reduction of the impacts of the Group's activities on the environment and the world we live in.

Telekom Slovenije provides the majority of energy and environmental services for companies in Slovenia in operational terms, while subsidiaries are also taking greater responsibility for their own energy and environmental impacts. The total energy costs of the Telekom Slovenije Group amounted to

EUR 11.5 million in 2020, a decrease of 1% relative to the previous year. The majority (EUR 9.1 million or 79.5%) is accounted for by the costs of Telekom Slovenije, followed by IPKO in Kosovo (14.7%), where costs were up by 3% in 2019, and subsidiaries in Slovenia (5.7%).

TELEKOM SLOVENIJE

ENERGY REPORT

Energy consumption represents one of Telekom Slovenije's most significant impacts on the environment. We contribute to improved energy efficiency primarily through the achievement of strategic and operational objectives that are in line with business needs and the expectations of our stakeholders. We also comply with energy efficiency guidelines over the entire lifecycle in the procurement process and in the development of services.

We actively include employees, suppliers, external contractors and business partners in our activities to achieve energy efficiency. Awareness amongst employees about the importance of this area is spread through training and communication at all levels of the Company's operations. We also encourage our users to take a responsible approach to energy and the environment. Through e-services, they are able to reduce their carbon footprint. We report to regulatory and other government authorities (e.g. MI, ARSO, SURS, FURS and AKOS) in accordance with the law.



We began implementing an energy management system (EnMS) in 2009, and have used that system over the years to reduce total energy consumption. Because our energy management system is subjected to independent external audits, we fulfil the conditions to perform energy with our own experts. With more than 140 completed energy

reviews, we are among the leaders in Slovenia. On an annual basis, this means savings of close to EUR 40 thousand. We performed internal energy reviews again in 2020 for all buildings for which the validity of the previous review expired.

91 GRI GS 103-1, 103-2, 103-3, SDG 12.2

ELECTRICITY⁹²

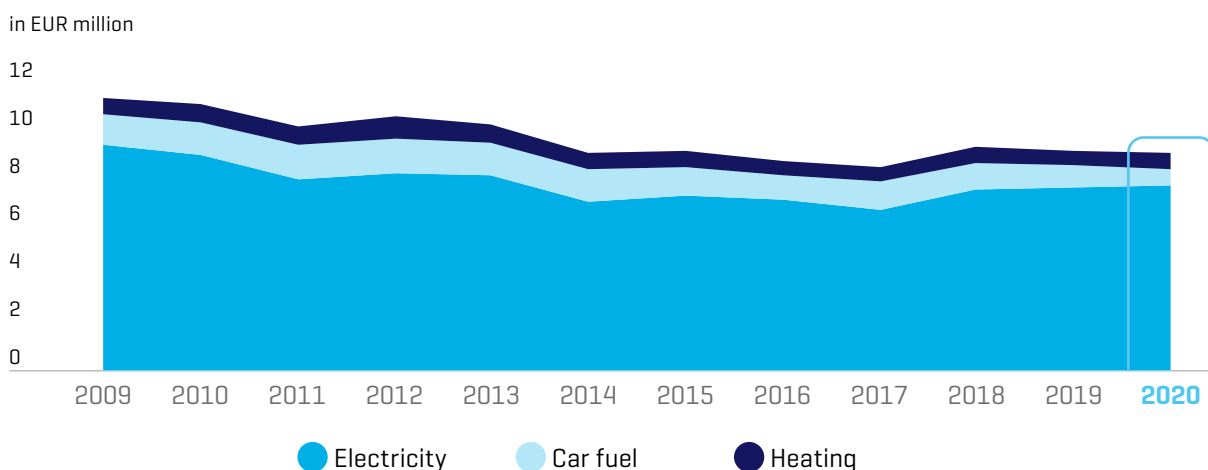
Prior to the establishment of the ISO 50001 project in 2009, the annual energy costs of the Telekom Slovenije Group and Telekom Slovenije totalled more than EUR 18 million and EUR 11.5 million, respectively. Despite rising energy prices, we reduced total energy costs by EUR 112.8 thousand in 2020 relative to the previous year, while the same costs have been reduced by more than EUR 2.4 million relative to the baseline year of 2009.

Electricity is the prevalent energy source in terms of quantity and costs. Electricity consumption was reduced by 0.4% in 2020 relative to 2019, while electricity costs were up by 0.9%. Energy consumption was up primarily at base stations due to the upgrading of capacities to the latest mobile generations, increased growth in traffic and the use of the devices of other users in our premises. Other users of our real estate account for a fifth of electricity consumption. Production by own solar power plants accounted for close to a quarter of a percent of total electricity consumption (207 MWh).

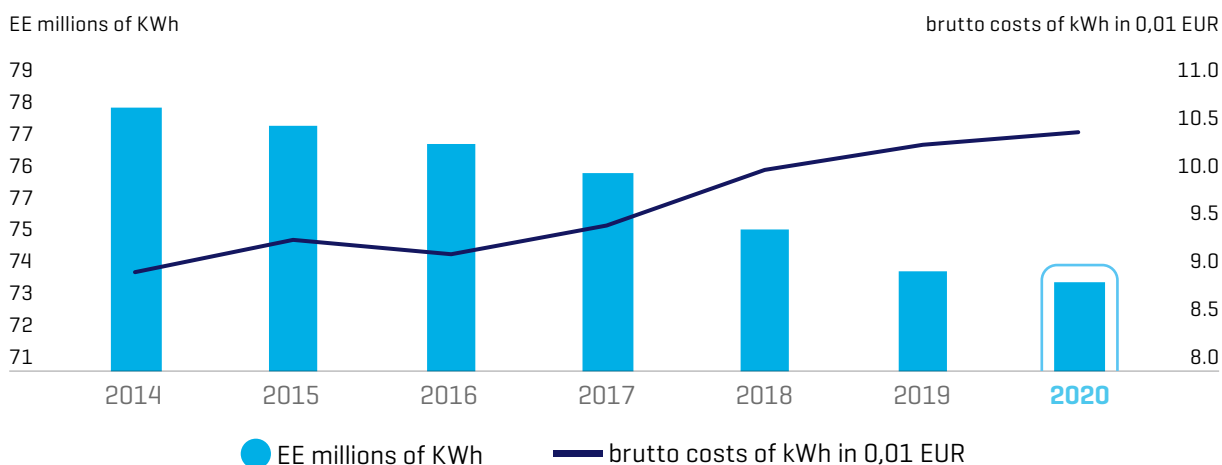
Telekom Slovenije’s energy management system facilitates effective control over energy consumption, and includes 2,380 metering points, 85 locations with heating devices and more than 12 thousand data entities. We continuously upgrade and supplement the system through the development of the network.

The figures below illustrate electricity consumption and costs by year compared with changes in gross energy costs.

Energy costs of Telekom Slovenije (in EUR million)



Electricity consumption and average cost per kWh



92 GRI GS 302-1, 302-4, SDG 7

COSTS AND CONSUMPTION OF ENERGY SOURCES AT TELEKOM SLOVENIJE

Telekom Slovenije	2020	2019	2018	Index 20/19
Electricity costs (in EUR thousand)	7,728.5	7,660.4	7,584.1	101
Total electricity consumption (in GWh)*	73.5	73.8	75.0	100
Cost of fuel for vehicle fleet (in EUR thousand)	755.4	953.7	1,151.8	79
Cost of fuel for heating (in EUR thousand)	633.5	616.1	628.5	103

Source: SAP; except for electricity consumption – energy management system.

* Includes the consumption of electricity by Telekom Slovenije, subsidiaries in our business premises and other lessees (co-locations, etc.). Terajoule/GWh conversion factor = 3.6; GWh = one million kWh.

ACHIEVEMENT OF ENERGY OBJECTIVES

The overall energy objective – to reduce total electricity consumption – is integrated into the personal objectives of the primarily responsible organisational unit. The energy management system is likewise integrated into regular work processes. To that end, we also take into account other objectives [e.g. to improve the energy efficiency of the vehicle fleet, reduce noise and emissions into the atmosphere by modernising technological devices, etc.].

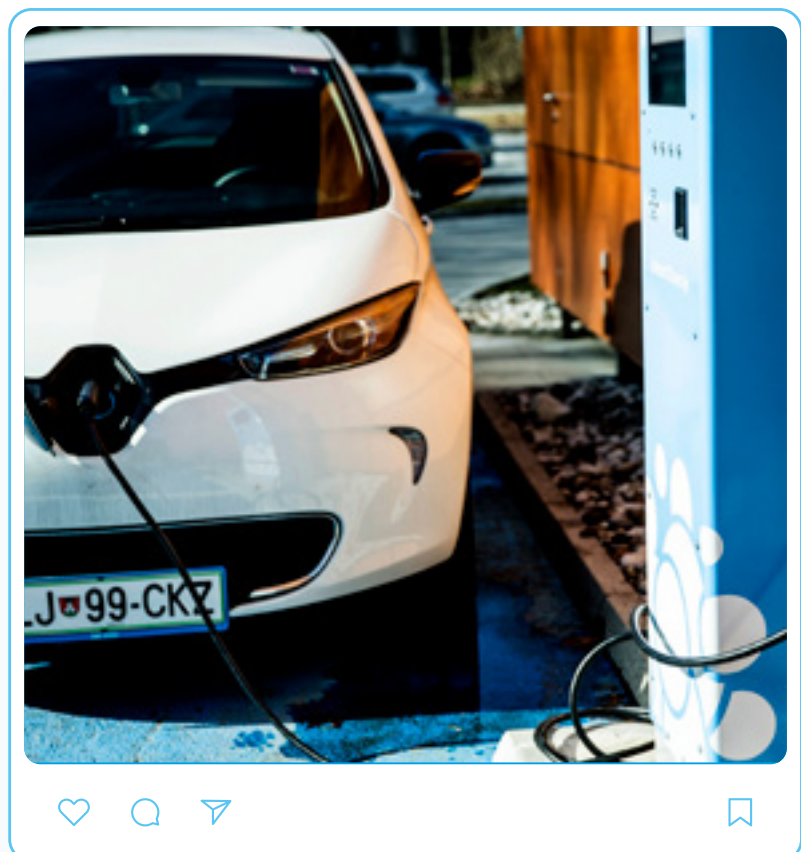
We achieved strategic and operational objectives in connection with efficient consumption, and even exceeded them in several segments. By optimising equipment and premises at functional locations, we succeeded in exceeding the majority of established objectives for reducing energy consumption in the fixed segment of the network, despite the fact that the associated costs in 2020 were slightly higher than in 2019 due to higher energy prices. It is difficult to forecast the trend for 2021 due to the potential impacts of the pandemic, while longer-term

forecasts indicate continued growth in energy prices. Due to the increasing capacities of data centres and the expansion and development of the mobile network we are expecting a rise in electricity consumption in those segments in 2021.

We replaced old air conditioning units in several buildings with technologically more advanced and more energy efficient

units, and upgraded direct and alternating current systems in buildings in the fixed and mobile network with the aim of ensuring a continuous and back-up power supply.

The transition to new generations of ICT equipment and the discontinued use of previous generations represent an important element of energy savings.



ELECTROMAGNETIC RADIATION (EMR)⁹³

Telekom Slovenije carried out 267 EMR measurements in 2020 (261 in 2019) due to the expansion of the fourth and fifth generation mobile network, 92 of those EMR measurements for 5G technology. All measurements were carried out by institutions authorised to perform EMR measurements in Slovenia. The level of radiation at base stations upgraded with LTE/4G and 5G NR technology has increased slightly, but remains environmentally acceptable and within the limits established by Slovenian law, which in some respects is

even stricter than European law. In accordance with the Decree on Electromagnetic Radiation in the Natural and Living Environment, all reports on EMR measurements are submitted to the Slovenian Environment Agency. The aforementioned agency monitors data and facilitates the public viewing of that data. EMR measurements are also accessible at <http://www.arso.gov.si/varstvo%20okolja/sevanja/>.

We did not record any formal complaint proceedings in 2020 in connection with EMR in the environment.

In cooperation with Forum EMS, the population is informed about radiation and other environmental impacts through brochures at points of sale. In the scope of the e-card EMS project, Forum EMS also developed a mobile application that allows interested parties to access data regarding harmful impacts on the environment due to high-frequency EMR and the effect of exposure due to the use of mobile phones:

http://www.inis.si/index.php?id=348&no_cache=1,
<http://www.inis.si/index.php?id=347#.WEfua3kzW70>.



VEHICLE FLEET⁹⁴

Changes in the area of mobility occur quickly due to environmental challenges, rapid technological development and the need to improve the quality of life. In 2020, Telekom Slovenije drove 1,535,380 km less than in 2019 due to the impact of the pandemic and remote work. As a result, total fuel consumption was down by 11%. We are setting up a charging infrastructure for the transition to electric mobility. We purchased two electric freight vehicles in order to achieve a new user experience and include electric vehicles in the regular work process.

NUMBER OF VEHICLES BY FUEL TYPE AND CONSUMPTION IN LITRES AT TELEKOM SLOVENIJE

Telekom Slovenije	Diesel, no. of vehicles	Diesel, consumption in litres	Petrol, no. of vehicles	Petrol, consumption in litres	Total no. of vehicles	Total consumption in litres
2020	380	519,741	278	268,803	658	788,544
2019	387	556,543	296	326,801	683	883,344
2018	381	559,162	308	397,140	689	956,302

Source: SAP/BI

CARBON FOOTPRINT⁹⁵

Nearly four fifths of Telekom Slovenije's carbon footprint is accounted for by electricity consumption (Scope 2). Telekom Slovenije's total carbon footprint over the last three years is estimated at around 50,000 tonnes of CO_{2eq}, of which close to 39,300 tonnes is accounted for by emissions due to electricity. Direct emissions (Scope 1), which include the consumption and emissions by other lessees of our locations, account for around 2,200 tonnes, while other indirect emissions (Scope 3) account for more than 8,000 tonnes of CO_{2ekv}.⁹⁶

ENVIRONMENTAL REPORT REAL ESTATE MANAGEMENT

In real estate management, we strive for the optimisation and management of the costs of fees, energy, maintenance, insurance, amortisation and depreciation and investments. Technological premises are an important element of ensuring a stable and secure network. Because we have concluded easement or lease agreements for the majority of that real estate, special attention is given to ensuring legal aspects are in order. We also strive for the most appropriate and rational use possible.

WASTE MANAGEMENT⁹⁷

Telekom Slovenije forwarded a total of 8,900 tonnes of waste in 2020, an increase of 7% relative to the previous year, as the result of an increase in the volume of construction waste and waste electrical and electronic equipment (WEEE). The associated activities generated 8,347 tonnes of construction waste or 93.8% of total waste. The majority of forwarded waste (72.1%), primarily due to the prevalence of construction waste in terms of quantity, is recycled or reused (R_05 procedure).

We inform Telekom Slovenije employees about responsibility to the natural environment and the importance of separate waste collection through internal media, and train environmental management system administrators.

We are reducing the number of collections or the volume of containers at locations where employees are not present at all times. We have placed special containers in high-traffic areas at Telekom centres for the collection of used batteries. Users can also dispose of waste packaging from purchased products and used electronic devices at points of sale, for which they receive special benefits. We thus collected 2,028 kg of WEEE in 2020, including 1,901 kg of modems, telephones and adapters, 97 kg of monitors and tablet computers, and 30 kg of batteries. In this way, we continue on our path to the circular economy model.

94 GRI GS 302-1

95 GRI GS 103-1, 103-2, GS 305-1, 305-2, 305-3

96 The absolute result [expressed in kg of CO_{2eq}] depends on conversion factors, which are not known for the previous year prior to the third quarter of the following year, while those factors differ from supplier to supplier. The estimate given for Telekom Slovenije is a rough estimate according to the principle of ceteris paribus, based on publicly accessible emission factors.

97 GRI GS 301-1, 103-1, 103-2, 103-3, GS 306-2

QUANTITIES OF SEPARATED WASTE AT TELEKOM SLOVENIJE IN TONNES

Type of waste [in tonnes]	2020	2019	2018	Index 20/19
Metal, WEEE and batteries	302	208	175	145
Waste packaging	150	177	148	85
Other	100	134	78	70
Construction waste	8,347	7,815	3,295	107
Total	8,900	8,333	3,697	107

WATER MANAGEMENT

Water does not represent an important environment aspect for Telekom Slovenije, as it is not a major consumer of water and it does not need water to perform its core activity. We monitor data manually due to the scattering of locations owned by the Company throughout Slovenia [only a few of which are in water protection areas] and due to various ordinances on the provision of municipal services. Drinking water is monitored via received bills, and we cannot currently disclose precise consumption in terms of quantity. The majority of the locations owned by the Company comprise properties where employees are seldom present. Water consumption at those locations is thus low.

PAPERLESS OPERATION⁹⁸



Telekom Slovenije continue to help create a caring and environmentally friendly society again in 2020 through the gradual discontinuation of paper operations. Because we care

for the environment and environmentally friendly operations, we implement numerous initiatives and activities to reduce the number of printed invoices. Through activities implemented in 2020, we succeeded in improving the ratio of electronic invoices to printed invoices relative to 2019.

A total of 46.9% of invoices were thus received in electronic form in 2020, an increase of 4 percentage points relative to 2019.

The consumption of office paper was down by 24% compared with 2019, as the result of digitalisation and remote work.

CONSUMPTION OF OFFICE PAPER AT TELEKOM SLOVENIJE IN EUROS

2020	2019	2018	Index 20/19
14,759	19,533	17,366	76

We use a **qualified digital certificate** for the signing of subscriber-related documents, while users are also able to sign documents using a digital tablet, meaning an increasing proportion of documents retain their original form and remain in electronic form for their entire life cycle. Our field technicians also sign documents electronically in their work. A large proportion of agreements and other documents are sent to users in electronic form after they are signed. We also digitalise incoming documents, so that more than 70% of those documents are already digitalised.

Users who gave their consent for direct debit only receive their monthly invoice for services in electronic form. We also encourage users to receive **electronic invoices for the purpose of electronic banking.**

The Company's archive materials represent an important part of its documentary materials and are of permanent importance for its history, the broader environment, science, culture and legal protection. We received certification at the end of 2018 in the form of a decision from the Archives of the Republic of Slovenia that Telekom Slovenije's internal rules are compliant with the law governing the protection of documentary and archive materials.

TSmedia also uses e-invoices, as well as electronic forms for procurement and the reservation of company vehicles, while orders are sent to suppliers electronically. The telephone directory, which is accessible on DVD and on the itis.si website, is also issued electronically.

REDUCTION OF ENVIRONMENTAL IMPACTS THROUGH EFFICIENT PROCUREMENT AND LOGISTICS

When fulfilling orders, we require suppliers to comply with all valid legal requirements and best practices in the area of energy and environmental management and related areas, in particular provisions governing occupational health and safety, the handling of chemicals and other hazardous materials, the transportation of hazardous goods, fire protection and energy efficiency.

Suppliers must also comply with Telekom Slovenije's environmental statement and energy statement, its waste management plan and Rules on Separate Waste Collection by Location. In their work, suppliers must comply with best practices and technologies (BAT - Best Available Technologies and

Practices), and have in place the appropriate management of packaging, packaging waste, electrical and electronic equipment, waste electrical and electronic equipment, batteries and waste batteries in accordance with valid regulations governing these areas.

When ordering energy services, products and equipment, those that are energy efficient have priority. We thus take into account an assessment of energy efficiency over the entire expected lifecycle of a service, product or equipment.

KEY ENERGY AND ENVIRONMENTAL INDICATORS AT OTHER TELEKOM SLOVENIJE GROUP COMPANIES

Telekom Slovenije provides the majority of energy and environmental services for companies in Slovenia in operational terms, while

subsidiaries are also taking greater responsibility for their own energy and environmental impacts.

The total energy costs of the Telekom Slovenije Group amounted to EUR 11.5 million in 2020, a decrease of 1% relative to the previous year. The majority or 79.2% is accounted for by the costs of Telekom Slovenije, followed by IPKO (14.7%), where costs were up by 3% in 2019, and subsidiaries in Slovenia (6.1%).

Among subsidiaries in Slovenia, **GVO** is the largest consumer of fuels due to transportation activities and work machinery. The company continued the upgrading of its vehicles fleet, the optimisation of resource and vehicle planning in an internal application, and the raising of employee awareness about economical and safe driving.

Total fuel consumption was up by 5% in 2020 relative to 2019, primarily due to an increase in the scope of field work. Fuel costs were down by 13% relative to 2019 due to lower fuel prices. Efficiency in terms of distance travelled per litre of fuel was down minimally.

In accordance with established programmes aimed at the achievement of environmental objectives in 2020, GVO applied internal knowledge to draw up a design concept and project documentation, and built charging stations for electric vehicles at four locations (Ljubljana, Maribor, Celje and Nova Gorica). Two electric vehicles were added to the fleet. GVO thus continues to implement its established sustainable development strategy, which it will continue to pursue in the coming years.



COSTS AND CONSUMPTION OF ENERGY SOURCES AT GVO⁹⁹

	2020	2019	2018	Index 20/19
Fuel costs (in EUR)	464,438	533,000	530,000	87
Fuel (in litres)	532,273	507,289	493,895	105
Electricity costs (in EUR)	47,872	45,577	40,670	105
Total electricity consumption (in kWh)	438,779	417,575	357,905	105

Avtenta implements permanent measures in the premises it leases for the economical consumption of electricity and the separation of waste.

TSinpo systematically monitors and controls the consumption of energy. It owns two company vehicles.

COSTS AND CONSUMPTION OF ENERGY SOURCES AT TSINPO¹⁰⁰

	2020	2019	2018	Index 20/19
Electricity (in kWh)	10,909	10,363	11,595	105
Fuel (in litres)	5,614	5,449	4,338	103
Electricity costs (in EUR)	1,430	1,438	1,484	100
Fuel costs (in EUR)	4,717	5,547	4,462	85

IPKO¹⁰¹

IPKO used 15.4 GWh of electricity in 2020. It reduced total electricity consumption by 1.6% through projects to improve energy efficiency and integration procedures. If we take into account an increase in the number of locations by 101, consumption per location was down by nearly eight percent.

Savings were also the result of the modernisation of GSM base stations with 3G and 4G technologies. The company has 454 base stations, 21 of which are shared with Vala. Estimated savings of electricity on account of the sharing of base stations amount to 309,600 kWh a year. IPKO also has a solar plant on the roof of its warehouse.

The company reduced the consumption of fuel for generators by 10%. IPKO saved nearly 10,500 litres of fuel through the improved control and management of generators and the sharing of base stations.

EUR	2020	2019	2018	Index 20/19
Electricity costs	1,471,136	1,386,125	1,369,938	101
Fuel costs	212,401	255,007	300,857	94

99 GRI GS 302-1
 100 GRI GS 302-1
 101 GRI GS 302-1, 302-4

SOLINE

Soline manages the state-protected Sečovlje Salina Nature Park (SSNP) under a concession agreement concluded with the Republic of Slovenia. Key administrative objectives for the period 2011 to 2021 were set out in the plan for managing the Sečovlje Salina Nature Park adopted by the Slovenian government. The most important of those objectives include the **preservation of the wetland characteristics of the saltpan ecosystem, its biodiversity and the economic and cultural values** of the region. An annual plan and a report on the management of the park are submitted to the Ministry of the Environment and Spatial Planning for approval. Every activity that exceeds the normal impacts on the environment must be approved by the department responsible for the protection of nature and cultural heritage.¹⁰²

We are achieving administrative objectives through the following activities:

- maintaining the saltpan ecosystem;
- preserving traditional salt production processes and centuries-old technological processes; and
- continuing the production of salt, which has been the historical driving force behind the economic development of the region.

The area of the park, measuring 700 hectares, land and other real estate are owned by the Slovenian government. In the scope of the climate fund, we renovated around 400 meters

of embankments in the Lera salt production area in 2020.¹⁰³

The saltpan ecosystem is specific to the coastal wetlands. The entire salt production process is based on traditional, 700-year-old processes and components from the local environment, and thus does not produce any environmentally harmful by-products. The aforementioned concession agreement requires us to continue producing salt using traditional processes, as the latter are crucial for maintaining the cultural landscape and biodiversity. The use of the civil works and traffic infrastructure is kept to a minimum.

Research confirms that invasive exotic species have not been introduced to the saltpans due to the production process. The presence and number of such species are not yet so high as to have significant consequences for ecosystems or communities. The number of species in the Sečovlje Salina Nature Park has not fallen over the last ten years; on the contrary, we have recorded continuous growth in populations. Additional measures aimed at the state of the hydrological regime have led to an increase in the number of natural habitats for which halophilus plants are characteristic. No major changes in ecological processes were seen in 2020.

The inclusion of the local community in the raising of awareness and the preservation of cultural heritage is crucial. The local community is included in the management of the park

through its participation in the Sečovlje Salina Nature Park Committee. This cooperation also takes place through the organisation of joint on-site events and presentations. There are no endangered animal or plant species from the IUCN's global list of endangered species present in the SSNP.¹⁰⁴

Around 20 bird species are included in the annexes to the Birds Directive, while two species of fish, four amphibious species and one reptilian species are included in the annexes to the EU's Habitat Directive. At least 45 plants are included on the national list of endangered plant species. The Sečovlje Saltpans are included in the European Natura 2000 network, while the region is recognised as one of two that are of national importance to the migration of birds according to the Bird Directive. The saltpans are defined as a wetland of international importance according to the Ramsar Convention.

Due to the COVID-19 pandemic and the associated drop in the number of tourists and local visitors, we recorded a drastic drop in the number of visits to the SSNP in 2020. The SSNP received 24,457 visitors, a decrease of 51% relative to 2019. A total of 79 guided tours of Lera were organised, an 80% decrease in the number of tours relative to the previous year. There were no guided tours of the Saltworks Museum, as the museum was closed to visitors.

The sensitive natural environment in which the park

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

103 GRI GS 304-1, 304-3

104 GRI GS 304-4

is situated dictates that the company continuously improves environmental and energy efficiency. The consumption of electricity was reduced in previous years through changes

in the regime for managing cooling and heating devices in visitor buildings. We use web conferencing and mobile telephones to communicate in the area of international

cooperation in the scope of park management, through which we reduce work-related travel. Soline was not fined for failure to comply with environmental laws and regulations.¹⁰⁵



CONSUMPTION OF ENERGY AND NATURAL RESOURCES AT SOLINE¹⁰⁶

Soline	2020	2019	2018	Index 20/19
Consumption of natural gas [in m ³]	4,006	4,129	3,958	97
Consumption of electricity [in MWh]	401.43	392.12	393.28	102
Consumption of fuel [in litres]	25,970	35,295	30,809	74
Consumption of sanitary water in m ³	1,582	6,292	7,421	25
Consumption of sea water in m ³	184,050	196,210	181,658	94
• salt production	182,000	194,000	180,000	94
• Thalasso Spa Lepa Vida	2,050	2,210	1,658	93
Waste in m ³	117	135	120	87
Paper consumption in tonnes	4	9	10	44

105 GRI GS 307-1
 106 GRI GS 302-1, 303-3, 306-2

We maintained the consumption of natural gas and electricity at a level similar to the previous year, while fuel consumption was down sharply due to the suspension of construction works from the climate fund and reduced business travel.

Sea water is essential to the operations of Soline, as it is required for the production of salt and the functioning of the Lepa Vida Thalasso Spa. Sea water from the production of salt is returned to the sea uncontaminated. Only used sanitary water that is discharged into the public sewerage network is treated as waste water. Due to the rehabilitation of the water supply network within the Lera salt production area, we reduced the consumption of sanitary water by 75% in 2020,

while overall consumption of sea water was down by 6%. We used 7% less sea water for the functioning of the Lepa Vida Thalasso Spa, in particular for the pool and salt-water showers, where the use of soap and shampoo is forbidden. The sea water that is used for showering and the rinsing of salt-pan mud from the body passes through two collectors to separate mud from the water, which is discharged back into the sea. The sea water used in the swimming pool flows to a collection tank during filtering, where it is dechlorinated and passes to a drainage system for its return to the sea.¹⁰⁷

Waste is also consistently separated and disposed of by the competent municipal department.



LEPA VIDA THALASSO SPA

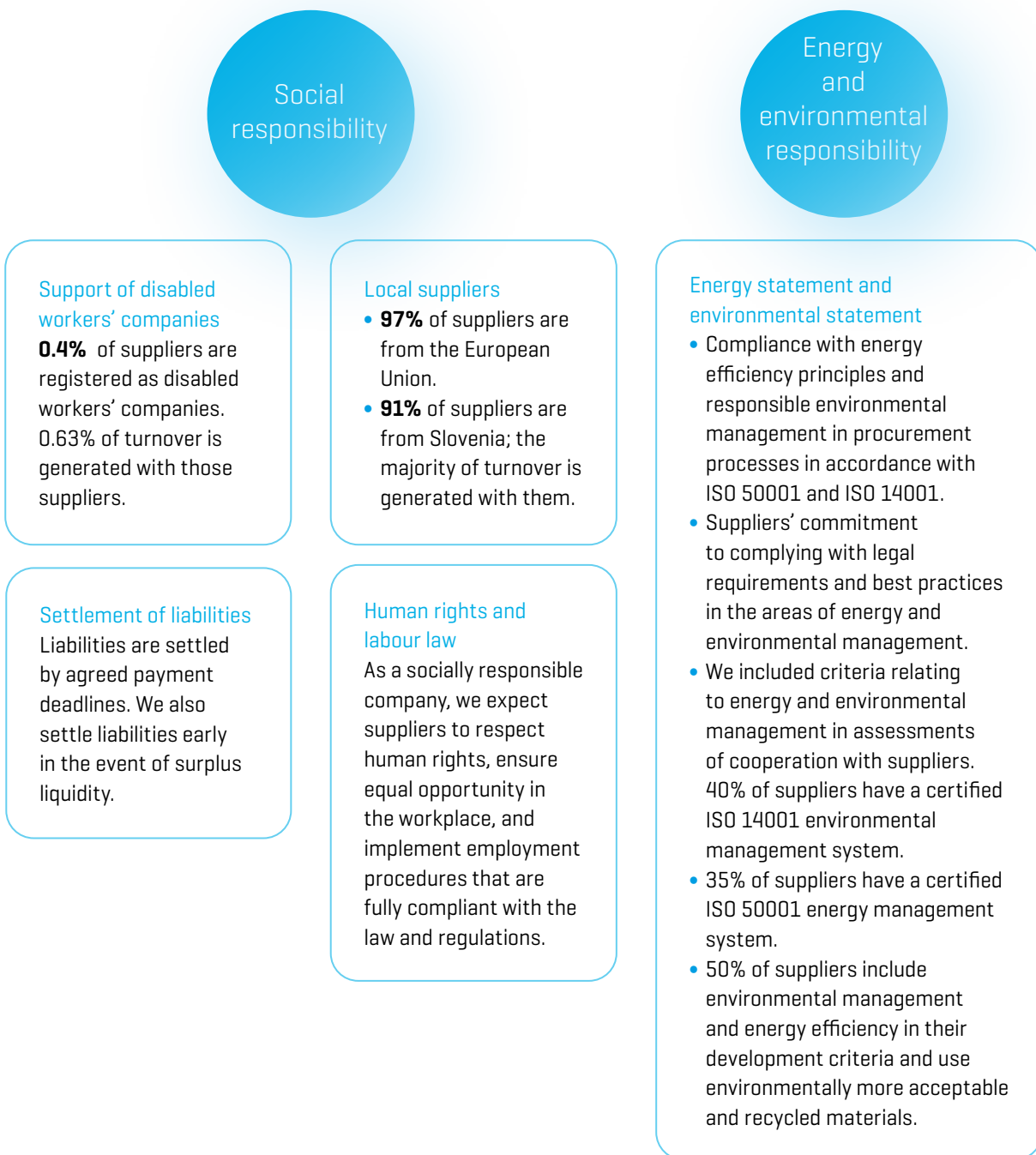


2.9.9 SUPPLY CHAIN¹⁰⁸

PROCUREMENT FUNCTION

The procurement function is centralised, and thus facilitates the use of funds in a more economic, efficient and transparent manner. To facilitate management, purchases of specific goods and services, for which procedures are carried out by experts from the ordering area, are excluded from central procurement. The procurement of those goods and services is carried out by decentralised procurement units at the Company that are given the necessary authorisations to carry out procurement procedures.

PROCUREMENT PRACTICES AT TELEKOM SLOVENIJE



The Company has a standardised procurement procedure in place that facilitates the transparent and equal treatment of potential suppliers. We assess the risks of cooperation with new suppliers, and thus prevent increased costs and the loss of reputation. We regularly review existing strategic suppliers, assess them and define measures for improving cooperation.

We classify business partners as suppliers, operators and agents in the sale of goods and the conclusion of subscriptions. Telekom Slovenije cooperates with more than 3,000 suppliers from 38 countries. The majority or 97% of suppliers are from the European Union.

Total turnover between Telekom Slovenije and its Slovenian subsidiaries and their business partners amounted to more than EUR 638 million in 2020, including VAT. The aforementioned amount includes sponsorships and donations.

We expect suppliers to respect the **Code of Conduct for the Suppliers of the Telekom Slovenije Group**, which defines basic principles of conduct and standards. If a breach is suspected, the Company verifies whether a supplier's conduct is in line with the aforementioned code.

Anti-corruption clauses are built into general procurement terms and conditions, and in agreements with suppliers. By signing a statement, we eliminate potential conflicts of interest in the procurement process. We also verify potential conflicts of interest with suppliers.

2.9.10 PROTECTING THE COMPANY, NETWORKS, SYSTEMS AND SERVICES

Ensuring the secure functioning of the work environment and the comprehensive protection of the Company's assets remain two of the priority corporate security tasks within the Telekom Slovenije Group. Through the comprehensive management of corporate security, we facilitate a more rapid response to recorded security events and mitigate security risks. By constantly monitoring development in the area of corporate security, implementing innovative solutions to prevent security events and rapidly identifying new threats, we ensure the security and quality of the network and services, which represents an important competitive advantage of the Group.

In the unpredictable conditions of the pandemic, we ensured constant communication with suppliers for the uninterrupted supply of equipment and implementation of services at Telekom Slovenije, and regularly monitored the impact of the pandemic on supply. We increased inventories of strategic materials and consistently ensured buffer stocks. With the exception of a few minor delays that did not affect operations, we did not encounter any major problems in supply.

We also ensured uninterrupted supply by asking suppliers who have a business continuity management system in place or who hold an ISO 22301 certificate to report on how their system is set up and what activities they are planning to ensure supply.

LOGISTICS

Market conditions require an agile logistics function, which is achieved through constant improvements, in terms of the optimisation of logistics processes with the help of information technology and stakeholders included in the logistics chain. We continuously monitor inventory levels through a reporting system. We follow the guiding principle of satisfying the internal and external users of services through optimal logistics costs and stakeholders. Due to measures in connection with COVID-19, we identified a significant increase in the activities of the Online Store in 2020, and made the necessary adjustments for the delivery of goods to all stakeholders.

The year 2020 demanded immediate adaptations and changes to the Company's processes. The established BCMS helped us adapt processes quickly and effectively, while we adapted security measures through the ISMS. We placed even more emphasis on cyber security, where the Cyber Security Operation Centre plays a key role. We thus identified and appropriately responded to cyber security threats more quickly.

Through continuous training and the testing of the identification of security threats, primarily in the area of cyber security, we ensured that the security culture and employees' awareness of the importance of security are at a high level.

We also informed users about security threats and the secure use of electronic communications.

2.10 CONTENT ACCORDING TO GRI REPORTING STANDARDS¹⁰⁹

Content according to GRI GS – core option “This report has been prepared in accordance with the GRI Standards: Core option.”				
GENERAL STANDARD DISCLOSURES				
GRI standard and disclosure	Description	Reporting boundaries (within and outside the organisation)	Section/page	Comments/external assurance ¹¹⁰
GRI 101: Foundation 2016				
GRI 102: General disclosures 2016 Presentation of the organisation				
102-1	Name of the organisation	Telekom Slovenije Group	1.1/p. 8	✓
102-2	Brands, products and services	Telekom Slovenije Group	- brands and products: 1.1/p. 9, 2.7.2/p. 109–110, - service types: 2.7.3/p. 111–121	✓ There are no limitations on the services marketed by Telekom Slovenije Group companies.
102-3	Location of headquarters	Telekom Slovenije Group	1.1/p. 8	✓
102-4	Location of operations	Telekom Slovenije Group	1.6/p. 23	
102-5	Ownership and legal form	Telekom Slovenije Group	1.1/p. 8 1.11/p. 59	✓
102-6	Markets served (geographical and sectoral breakdown and types of customers)	Telekom Slovenije Group	- geographical breakdown: 1.6/p. 23, - service segments: 2.7.1/p. 102–108, - customer types: 2.7.3/p. 111	✓
102-7	Size of organisation	Telekom Slovenije Group	- number of employees: 2.9.6/p. 159, - sales revenue, debt-to-equity: 2.1/p. 64 - number of products and services: 2.7.2/p. 109–110, 2.7.3/p. 111	✓ We do not report on the number of organisational units and the number of products. No employees, with the exception of IPKO, a foreign company, and the parent company GVO.
102-8	Employees by type of employment, type of contract, region and gender	Telekom Slovenije Group	2.9.6/p. 159, 160	✓ Data regarding the number of employees with respect to contract type (permanent/temporary) are not reported by gender, nor are data regarding the number of employees with respect to type of employment (full-time/part-time). We do not report on the activities of contracted workers. Data regarding employees are collected via a questionnaire completed by all Group companies.
102-9	Description of the organisation's supply chain	Telekom Slovenije	2.9.9/p. 185	We report on types of suppliers and the scope of cooperation with them.

109 GRI GS 102-47, 102-54, 102-55

110 GRI GS 102-56

102-10	Significant changes regarding the organisation's size, structure, ownership and supply chain	Telekom Slovenije Group, Telekom Slovenije	- size and structure of the organisation: 1.6/p. 23, 2.1/p. 66 - ownership: 1.11/p. 57, - supply chain: 2.9.9/p. 185	There were no significant changes in the supply chain in 2020.
102-11	Clarification whether and how the organisation takes into account the precautionary principle	Telekom Slovenije, local and wider environment	2.9.8/p. 177	✓
102-12	External documents, principles and other economic, environmental and social initiatives to which the organisation is a signatory or supports	Telekom Slovenije Group	1.7/p. 25	✓
102-13	Membership in organisations	Telekom Slovenije Group	1.7/p. 25	✓
Strategy and analysis				
102-14	Statement of the highest decision-making body on the importance of sustainable development for the organisation and strategy	Telekom Slovenije Group	1.3/p. 16-18	✓ The Group's sustainable development objectives are defined in the Strategic Business Plan (SBP) for the period 2020 to 2023 and the SBP for the period 2021 to 2025, which were adopted by Telekom Slovenije's Management Board. Strategic policies are also accessible on the Company's website at http://www.telekom.si/o-podjetju/predstavitev/strateske-usmeritve .
Ethics and integrity				
102-16	Values, principles and standards of behaviour, such as codes of conduct and ethics	Telekom Slovenije Group, suppliers, local and wider community	- values: 1.8.1/p. 27, - Code of Conduct: 2.5.1/p. 82, - Code of Ethics: 2.9.6 /p. 158	✓
Governance				
102-18	Governance structure of the organisation, including committees of the highest governance body	Telekom Slovenije Group	1.6/p. 23 1.10.3/ p. 46, 49	✓
Stakeholder engagement				
102-40	List of stakeholder groups engaged by the organisation	Telekom Slovenije Group	2.9.2/p. 147-149	✓
102-41	Percentage of employees covered by collective agreements	Telekom Slovenije Group	2.9.6/p. 160	✓
102-42	Basis for identification and selection of stakeholder groups with whom to engage.	Telekom Slovenije Group	2.9.2/p. 147, 148	✓ The communication strategy with stakeholders is an integral part of Telekom Slovenije, d. d.'s Corporate Governance Policy and is accessible on the Company's website.

102-43	Approaches to stakeholder engagement and frequency of engagement by stakeholder group	Telekom Slovenije Group	Key information: 2.9.2/p. 147–149, additional information in the sections: - shareholders: 1.11/p. 61, - users: 2.7.4/p. 122–126 , 2.9.5/p. 155, - media and regulators: 2.9.2/p. 147, 149, - employees: 2.9.6/p. 168, 171	✓
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to them, including through reporting	Telekom Slovenije Group	Key information: 2.9.2/p. 147, 149, additional information in the sections: - shareholders: 1.11/p. 61 , - users: 2.7.4/p. 122–126, 2.9.5/p. 155, - media and regulators: 2.9.2/p. 147, 149, - employees: 2.9.6/p. 168, 171	✓
Report profile				
102-45	Entities included in the consolidated financial statements	Telekom Slovenije Group	Note 5 in the Accounting Report (composition of the Telekom Slovenije Group), p. 233–234	✓
102-46	Process of defining report content and aspect boundaries	Telekom Slovenije Group	2.9.1/p. 143	✓
102-47	List of material topics	Telekom Slovenije Group	2.9/p. 142, 2.10/p. 187–196	Material topics that the Telekom Slovenije Group has identified are stated in the GRI content index We do not report on immaterial topics.
102-48	Effects of restatements of information provided in previous reports, and the reasons for such restatements	Telekom Slovenije Group	2.9.1/p. 143	✓
102-49	Significant changes from previous reporting periods in the scope of reporting and aspect boundaries	Telekom Slovenije Group	2.9.1/p. 143	✓ There has been no significant change in the scope of reporting relative to previous reports.
102-50	Reporting period	Telekom Slovenije Group	2.9.1/p. 143	✓
102-51	Date of most recent previous report	Telekom Slovenije Group	2.9.1/p. 143	✓
102-52	Reporting cycle (annual, quarterly)	Telekom Slovenije Group	2.9.1/p. 143	✓
102-53	Contact point for questions regarding the report	Telekom Slovenije Group	1.1/p. 8	✓
102-54	Claims of reporting in accordance with GRI Standards		2.10/p. 187	✓
102-55	GRI content index		2.10/p. 187–196	
102-56	External assurance of reporting	Telekom Slovenije Group	2.10/p. 187 2.11/p. 197	✓ We regularly submit the annual report for external assurance since 2009, when the GRI Sustainability Reporting Guidelines were first included in the report. The scope and basis of external assurance are evident from the sustainability report verification statement.

SPECIFIC STANDARD DISCLOSURES				
Management approaches and disclosures	Material topics	Reporting boundaries	Page	Reasons for omission/explanations
ECONOMIC IMPACTS				
GRI 201: Economic performance 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries		1.8.3/p. 30-31	✓
201-1	Direct economic value generated and distributed	Telekom Slovenije Group, shareholders, local and wider community	- revenues, labour costs, payments to shareholders: 1.2/p. 10-15, - revenues: 2.1/p. 66, 2.7.3/p. 112 - donations and other investments in the community: 2.9.4/p. 152, 153	✓ We only report on taxes for the Telekom Slovenije Group.
201-2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Telekom Slovenije Group, users		✓ Due to the exposure of the Telekom Slovenije Group's telecommunications equipment, our definition of key risks includes risks associated with the external environment and climate change. Those risks are also present at Soline, and impact salt production and the number of visitors to the Lepa Vida spa. These risks are prevented in investments in new networks through underground construction. We do not report on financial consequences.
201-3	Defined benefit plan obligations and other retirement plans	Telekom Slovenije Group [employees]	2.9.6/p. 166	✓
GRI 202: Market presence 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries		1.8.3/p. 30-31	✓
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Telekom Slovenije Group	2.9.6/p. 166	We do not report on ratios.
GRI 203: Indirect economic impacts 2016				
103-1, 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	- 103-1, 103-2: 2.3/p. 69, - 103-3: 2.8.1/p. 134	✓
203-1	Development and impact of significant infrastructure investments and services supported by the organisation	Telekom Slovenije Group, users, local and wider community	2.3/p. 69, 2.8.1/p. 134	✓
GRI 205: Anti-corruption 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.5.1/p. 82	✓ The area of anti-corruption, in connection with the management approach [GRI GS 103-3], is monitored and adapted as required by the compliance and integrity officer.

205-1	Number and percentage of activities assessed for risks related to corruption and the significant risks identified	Telekom Slovenije Group	2.5.1/p. 83	✓
205-2	Communication and training about anti-corruption policies and procedures	Telekom Slovenije	2.9.6/p. 162	✓ We do not report on the number of employee training hours.
GRI 206: Anti-competitive behaviour 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.5.1/p. 82	✓ The basic premise for the management approach according to GRI GS 103-3 are the Guidelines for ensuring compliance with competition law, which are monitored and adapted as required by the compliance and integrity officer.
206-1	Number of legal proceedings for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Telekom Slovenije	2.5.2/p. 85	✓
GRI 207: Tax 2019				
103-1 103-2 103-3 207-1	Approach to tax	Telekom Slovenije Group	2.5.1/p. 82	✓ We do not report on the evaluation of the approach to the management of taxes or on the link between the management of tax liabilities and sustainable development.
207-2	Tax governance, control and risk management	Telekom Slovenije Group	2.5.1/p. 84	✓
207-3	Stakeholder engagement	Telekom Slovenije Group	2.5.1/p. 84	✓ We include stakeholders and tax-related regulatory bodies in the process of fulfilling tax obligations.
207-4	Country-by-country reporting	Telekom Slovenije Group	Note 5 in the Accounting Report [composition of the Telekom Slovenije Group], p. 233–234 and Note 13. Corporate income tax, deferred tax assets and liabilities, p. 244	✓ We report on tax rates.
ENVIRONMENTAL IMPACTS				
GRI 302: Energy 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.9.8/p. 174	✓ The area of energy is governed in Slovenia by the Energy Act. We also have in place a system in accordance with international standards ISO 50001 [energy management system] and ISO 14001 [environmental management system].
302-1	Energy consumption within the organisation	Telekom Slovenije, TSmedia, Avtenta, GVO, TSinpo, IPKO and Soline	2.9.8/p. 175, 176, 181, 183, 184	✓ We report on electricity consumption in kWh for companies in Slovenia. We report on the consumption of heating fuel in euros. We do not report on energy sources consumed [renewable and non-renewable sources].
302-4	Reduction of energy consumption	Telekom Slovenije, IPKO	2.9.8/p. 175, 181	✓

GRI 303: Waste and effluents 2018					
103-1 103-2 103-3 303-1	Interactions with water as a shared resource	Soline	103-1, 103-2, 103-3; 2.9.8/p. 179, 303-1: 2.9.8/p. 184	✓	We only report on how water is withdrawn and discharged.
303-2	Management of water discharge-related impacts	Soline	2.9.8/p. 184	✓	We do not report on the methodology/standards used to determine the consumption and quality of the discharge of water.
303-3	Water withdrawal	Soline	2.9.8/p. 184	✓	
GRI 304: Biodiversity 2016					
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Soline	2.9.8/p. 182	✓	
304-1	Location and size of land managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Soline, local and wider community	2.9.8/p. 182	✓	We report on the location and size of land managed by the company in protected natural areas.
304-3	Habitats protected or restored	Soline, local and wider community	2.9.8/p. 182		We do not report on the methodologies that were used for that purpose.
304-4	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations	Soline, local and wider community	2.9.8/p. 182	✓	
GRI 305: Emissions 2016					
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije, local and wider community	2.9.8/p. 178	✓	The majority of greenhouse gases generated by the Telekom Slovenije Group are generated indirectly through the consumption of electricity and the car fleet. In terms of greenhouse gases, the Group is bound in Slovenia to comply with Regulation [EC] No 1005/2009 on substances that deplete the ozone layer and Regulation [EC] 842/2006 on certain fluorinated greenhouse gases, and the Regulation on the use of ozone-depleting substances and fluorinated greenhouse gases. We control the evaluation of the approach in accordance with the ISO 14001 standard.
305-1	Direct [Scope 1] GHG emissions	Telekom Slovenije	2.9.8/p. 178	✓	We only report on the total estimated amount of emissions.
305-2	Energy indirect [Scope 2] GHG emissions	Telekom Slovenije	2.9.8/p. 178	✓	We only report on the total estimated amount of emissions.
305-3	Other indirect [Scope 3] GHG emissions	Telekom Slovenije	2.9.8/p. 178	✓	We only report on the total estimated amount of emissions.
GRI 306: Effluents and waste 2016					
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije	2.9.8/p. 178	✓	We control the evaluation of the approach in accordance with the ISO 14001:2015 standard.
306-2	Total weight of waste by type and disposal method	Telekom Slovenije, Soline	2.9.8/p. 178, 183	✓	Kvantitativni podatki o načinih odstranjevanja so vključeni delno. Prikazani podatki izhajajo iz evidenčnih listov.

GRI 307: Environmental compliance 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije	2.5.1/p. 83	✓ Regular and transparent reporting to the regulatory body and other government authorities (e.g. ARSO, SORS, FARS, AKOS and ETNO) also represent an important element of the Group's energy and environmental activities.
307-1	Value of significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations	Telekom Slovenije, Soline	2.5.2/p. 85, 2.9.8 /p. 183	✓ No monetary or non-monetary sanctions with respect to the environment were imposed against Telekom Slovenije and Soline.
SOCIAL IMPACTS				
GRI 401: Employment 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.9.6/p. 158	✓ 103-3: The Code of Ethics is amended on the basis of periodic reviews performed by the compliance and integrity officer.
401-1	Total number and rate of new employee hires and employee turnover	Telekom Slovenije Group	2.9.6/p. 158, 159	✓ Data by gender are not disclosed.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Telekom Slovenije, GVO, TSmedia, Avtenta	2.9.6/p. 166	✓
401-3	Return to work and retention rates after parental leave, by gender	Telekom Slovenije Group, Telekom Slovenije	2.9.6/p. 171, 172	✓ We do not report on the number of persons entitled to parental leave, the number of persons who were employed for an additional 12 months following their return from parental leave or on the retention rate of employees who exercised their right to parental leave.
GRI 402: Labour/management relations 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije	2.9.6/p. 168	✓
402-1	Minimum notice period regarding significant operational changes, including whether this is specified in the collective agreement	Telekom Slovenije	2.9.6/p. 168	✓ Deadlines for notifying employees are in line with valid legislation and are not included in the collective agreement.
GRI 403: Occupational health and safety 2018				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.9.6/p. 168	✓
403-1	Occupational health and safety management system	All companies in Slovenia, except Soline.	2.9.6/p. 169	✓
403-2	Hazard identification, risk assessment and incident investigation	All companies in Slovenia, except Soline.	2.9.6/p. 169	✓ We analyse every accident using form ER-8.
403-3	Occupational health services	All companies in Slovenia, except Soline.	2.9.6/p. 169	✓
403-4	Worker participation in the development, implementation and evaluation of the occupational health and safety system	All companies in Slovenia, except Soline.	2.9.6/p. 169	✓

403-5	Training in the area of occupational health and safety	All companies in Slovenia, except Soline.	2.9.6/p. 169	✓
403-6	Promotion of health	All companies in Slovenia, except Soline.	2.9.6/p. 166, 169	✓
403-7	Prevention and mitigation of occupational health and safety impacts directly linked to a company's services and products	Telekom Slovenije		✓ We define electromagnetic radiation as one of the more significant impacts of our operations. We inform employees about this topic via the intranet and users via brochures at points of sale.
403-9	Number of work-related injuries and rate	Telekom Slovenije Group	2.9.6/p. 170	✓ Reporting relates to the number of injuries.
GRI 404: Training and education 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.9.6/p. 161	✓ 103-3: We evaluate education and training using a questionnaire after each event.
404-1	Average hours of training per employee by gender and by employee category	Telekom Slovenije Group, Telekom Slovenije	2.9.6/p. 166	✓ We do not report on the number of employee training hours by category and gender.
404-2	Programmes for training and lifelong learning	Telekom Slovenije	2.9.6/p. 160, 165	✓
404-3	Percentage of employees receiving regular performance and career development reviews by gender	Telekom Slovenije Group	2.9.6/p. 167	✓ We do not report by employee category. We do not report by gender, as we do not make a distinction in this regard.
GRI 405: Diversity and equal opportunity 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.9.6/p. 158	✓ 103-3: The Code of Ethics is amended on the basis of periodic reviews performed by the compliance and integrity officer.
405-1	Composition of governance bodies and the breakdown of employees by employee category [gender, age, minority group membership and other relevant indicators of diversity]	Telekom Slovenije Group	1.10.3/p. 46-49, 2.9.6/p. 160	✓ We do not report data regarding employees by age. We also do not report by minorities, as we do not make a distinction in this regard.
405-2	Ratio of basic salary and remuneration of women to men, by significant locations of operation	Telekom Slovenije Group	2.9.6/p. 167	✓
GRI 406: Non-discrimination 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.9.6/p. 158	✓ 103-3: The Code of Ethics is amended on the basis of periodic reviews performed by the compliance and integrity officer.
406-1	Total number of incidents of discrimination and corrective actions taken	Telekom Slovenije Group	2.9.6/p. 158	✓
GRI 412: Human rights assessment 2016				
103-1 103-2 103-3		Telekom Slovenije Group	2.9.6/p. 158	✓ 103-3: The Code of Ethics is amended on the basis of periodic reviews performed by the compliance and integrity officer.

412-2	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Telekom Slovenije	2.9.6/p. 162	✓ Training on human rights focused on the protection of personal data and the Code of Ethics. The Group does not report on the percentage of employees included in training.
GRI 415: Public policy 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	103-3: 2.5.1/p. 82	✓ In terms of public policies, the risk of pressure from the regulatory body regarding price-related, technical and technological obligations exists for Telekom Slovenije. Telekom Slovenije proactively participates in all regulatory proceedings by submitting remarks, positions and the appropriate analyses. Telekom Slovenije issued a Corporate Governance Statement on compliance with corporate integrity guidelines and on the prevention of conflicts of interest by members of the Supervisory Board and Management Board [see section 1.10 Corporate Governance Statement].
415-1	Political contributions	Telekom Slovenije Group	2.5.1/p. 82	✓ No political contributions were made.
GRI 417: Marketing and labelling of products				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije, TSmedia, IPKO, users	2.7.5/p. 131	✓ We do not report on product marking.
417-3	Total number of incidents of non-compliance with regulations and codes concerning marketing communications, including advertising, promotion and sponsorship, by type of non-compliance and by outcomes	Telekom Slovenije, TSmedia, IPKO, users	2.7.5/p. 131	✓
GRI 419: Socioeconomic compliance 2016				
103-1 103-2 103-3	Explanation of the material topic and its boundaries	Telekom Slovenije Group	2.5.1/p. 82	✓ The area of socioeconomic compliance, in connection with the management approach [GRI GS 103-3], is monitored and adapted as required by the compliance and integrity officer.
419-1	Monetary value of fines and number of non-monetary sanctions for non-compliance with laws and regulations in the social and economic area	Telekom Slovenije Group	2.5.2/p. 86	✓ We do not report on the total value of fines and non-monetary sanctions imposed.
SPECIFIC SECTOR INDICATORS [MEDIA]				
Accessibility to media content				
DMA		Telekom Slovenije, TSmedia, users, local and wider community	2.9.5/p. 156	✓
G4-M4	Measures to improve accessibility to media content and the protection of vulnerable audiences	Telekom Slovenije, TSmedia, users, local and wider community	2.9.5/p. 156	✓

SPECIFIC SECTOR INDICATORS (TELECOMMUNICATIONS)				
Internal operations				
I01	Infrastructure investments in the telecommunications network by region	Telekom Slovenije Group, users, local and wider community	2.3/p. 69, 2.8.1/p. 134	✓
I03	Health and safety measures for field personnel	Telekom Slovenije,	2.9.6/p. 168, 169	✓
Provision of access to ICT products and services				
PA1	Policies and practices for providing access to the telecommunications infrastructure, products and services to the population in remote, less populated regions	Telekom Slovenije, IPKO, users, local and wider community	2.9.5/p. 157	✓
PA2	Policies and practices for overcoming obstacles in accessing and using telecommunication products and services relating to the language, culture, illiteracy, deficient education, revenues, special needs and age	Telekom Slovenije, users	2.9.5/p. 157	✓
PA4	Quantitative level of available telecommunication products and services in operating regions	Telekom Slovenije, IPKO	2.7.3/p. 111, 2.9.5/p. 157	✓
PA6	Programmes for providing and maintaining telecommunication links and services in extraordinary circumstances and in the event of natural disasters	Telekom Slovenije	2.8.3/p. 137	✓ Responses to emergencies are also part of the business continuity plan.
PA8	Policies and practices to publicly communicate on EMR-related issues	Telekom Slovenije, users, local and wider community	2.9.8/p. 177	✓
PA10	Initiatives to ensure the clarity of charges and tariffs	Telekom Slovenije, users	2.9.5/p. 156	✓ We improved the transparency of invoices by updating them in 2019.
Technological applications				
TA2	Examples of telecommunication products, services and applications that can replace some physical form of use [e.g. online telephone directories and video conferences].	Telekom Slovenije, TSmedia, users	2.7.3/p. 120 2.9.8/p. 179	✓

2.11 SUSTAINABILITY REPORT ASSURANCE STATEMENT¹¹¹



Sustainability report assurance statement

Objective and scope of assurance

On the basis of the 2016, 2018 and 2019 GRI Sustainability Reporting Standards, SIQ was commissioned by Telekom Slovenije, d. d., Cigaletova 15, 1000 Ljubljana, Slovenia to perform external assurance with respect to the sustainability report, which is an integral part of the annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2020. The Company voluntarily submitted to the external assurance with respect to the sustainability report. The objective of assurance was to assess whether the facts and data stated in the report are credible and reflect the current state of sustainable development at the Company and the Group.

Limitations

The sustainability report relates to the Telekom Slovenije Group and the parent company Telekom Slovenije, d. d. to the extent and within the limitations set out in section 2.9.1 of the annual report and in individual disclosures. Although the report was drawn up for the Group, certain disclosures relate solely to the parent company Telekom Slovenije, d. d. or to the Telekom Slovenije Group. A materiality analysis was performed via a questionnaire on the Company's website for the purpose of defining the scope and content of the annual report. Based on the results of that analysis, categories of the most important interests to stakeholders were created. Their importance in terms of their impact on the operations of the Telekom Slovenije Group was assessed by the heads of Telekom Slovenije's organisational units.

Because the data for the Telekom Slovenije Group were collected using specific-purpose questionnaires, we were unable to verify the direct source of certain data, as the assessment was carried out at the parent company. Because the graphic design of the report was in progress at the time of verification, we verified the accuracy of references to sections and pages of the report in the GRI content index (section 2.10), valid at the time of verification.

Assurance methodology

Stakeholders did not participate in the assurance process, as this was not requested or ensured by the contracting authority. The assurance process therefore involved a review of the sustainability report included in the annual report of the parent company and the Telekom Slovenije Group, interviews with responsible Company representatives, and assurance with respect to documentation and other data at the Company's registered office. The data in the audited financial statements were not re-audited.

Responsibility

The management of Telekom Slovenije, d. d. and the Telekom Slovenije Group is responsible for the data presented in the sustainability report and for setting assessment criteria. It is also responsible for collecting, classifying and certifying data, and for reporting. SIQ and its representatives were not involved in the processing and presentation of reported data. SIQ representatives are responsible for independent assurance with respect to the sustainability report's compliance with the GRI Standards and the actual situation, and for drawing up an opinion regarding the sustainability report.

Independence and impartiality

SIQ is a professional, independent and impartial institution that provides comprehensive solutions in the areas of product testing and certification, management systems assessment, metrology and training. Numerous accreditations and memberships in international certification schemes and associations are evidence of the international recognition and high professional level of SIQ's work. The assessor who carried out the assurance process is a registered assessor of quality management systems, environmental management systems and the Eco-Management and Audit Scheme (EMAS), and energy management, occupational health and safety management and information security management systems.


Findings

The assessor carefully examined compliance with the requirements of reporting standards and principles, and the mandatory disclosures for the basic level of reporting. Sustainable development is an integral part of the strategy set out in the Telekom Slovenije Group's strategic policies. In its report, the Company presented 56 disclosures in 26 areas, of which 10 were sectoral indicators (Telecommunications and Media). Disclosures on management approaches and the results of performance indicators confirm the sustainability-oriented nature of the parent company and the Telekom Slovenije Group. Based on our findings, we hereby declare that the facts and data stated in the sustainability report are reliable and reflect the current state of management systems and the sustainable operations of Telekom Slovenije, d. d. and Telekom Slovenije Group. Taking into account the aforementioned limitations and assurance methodology, we hereby find that the sustainability report, which is an integral part of the annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2020, meets the requirements of the 2016 GRI Sustainability Reporting Standards, basic level (three standards from the 2018 and 2019 versions of the standards were taken into account). With its decision to have external assurance performed with respect to the sustainability report for the parent company and the Telekom Slovenije Group, the management of Telekom Slovenije, d. d. raises awareness regarding the importance of sustainable development, and thus contributes to the establishment of internationally comparable best practices relating to sustainable development reporting.

Recommendations

Several opportunities were identified during the assurance process to improve operations and reporting in the area of sustainable development. These are noted in the assurance report. In that respect, we highlight recommendations regarding the more exhaustive reporting of content in certain disclosures.

In the name and on behalf of SIQ


Igor Bizjak



Ljubljana, 17 March 2021


Miloš Seržin
Management Systems Assessment

ACCOUNTING REPORT



Telekom Slovenija
@TelekomSlo

Developing in step
with technology are
society, the economy
and our lives.

#Connected #BestNetwork



#CONNECTED, WE ARE PREPARED FOR THE FUTURE

We can look back proudly on our achievements, but are also focused on the future. Superior technology, innovative solutions and continuous development are responses to the needs of contemporary society. Digitalisation brings even more connectivity, brings users ever more entertainment, and brings companies even more flexibility, efficiency and unlimited opportunities. Through an ever-expanding and comprehensive ecosystem of innovative solutions, we are co-creating the digital future of Slovenia.



3 ACCOUNTING REPORT OF THE TELEKOM SLOVENIJE GROUP AND TELEKOM SLOVENIJE, D. D., FOR 2020

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3.1 FINANCIAL STATEMENTS OF THE TELEKOM SLOVENIJE GROUP AND TELEKOM SLOVENIJE

Consolidated and separate statement of profit or loss

In EUR thousand	Note	Telekom Slovenije Group		Telekom Slovenije	
		I-XII 2020	I-XII 2019 Restated	I-XII 2020	I-XII 2019
Revenue	7	647,177	664,892	591,693	602,231
Other operating income	8	7,694	5,938	5,254	2,954
Cost of goods sold	9	-90,427	-87,000	-98,493	-92,604
Costs of materials and energy	9	-14,546	-15,303	-10,752	-10,646
Costs of services	9	-226,036	-236,945	-217,367	-228,123
Labour costs	10	-111,101	-109,633	-93,320	-91,770
Depreciation/Amortisation	15, 16, 17, 22	-167,279	-173,791	-137,351	-141,651
Other operating expenses	11	-2,879	-6,955	-2,734	-6,575
Total operating expenses		-612,268	-629,627	-560,017	-571,369
Operating profit		42,603	41,203	36,930	33,816
Finance income*	12	2,177	2,905	5,724	6,497
Finance expenses*	12	-10,173	-13,843	-18,501	-38,457
Profit before tax		34,607	30,265	24,153	1,856
Current tax	13	-636	-705	0	0
Deferred tax expense	13	113	-1,016	21	-1,271
Net profit from continuing operations		34,084	28,544	24,174	585
Loss from discontinued operations	5	-9,219	-27,603	n/a	n/a
Net profit for the year		24,865	941	24,174	585
Total earnings per share - from continuing operations in EUR	14	5.24	4.39	3.72	0.09
Total earnings per share in EUR	14	3.82	0.14	3.72	0.09

*Finance income of Telekom Slovenije includes dividends received and interest on loans to subsidiaries. Finance expenses of Telekom Slovenije include the effect of the sale of Planet TV. More details in Note 12.

The correction is presented in detail in Note 41.

Notes on pages 210 to 300 are an integral part of these consolidated financial statements.

Consolidated and separate statement of other comprehensive income

In EUR thousand	Note	Telekom Slovenije Group		Telekom Slovenije	
		I-XII 2020	I-XII 2019 Restated	I-XII 2020	I-XII 2019
Net profit for the year		24,865	941	24,174	585
<i>Items that may be reclassified subsequently to the statement of profit or loss</i>					
Translation reserve	29	-18	-22	0	0
Change in fair value of hedging financial instruments	29	283	137	283	137
Deferred tax	13	-54	-26	-54	-26
Change in fair value of hedging financial instruments (net)		229	111	229	111
<i>Items that may not be reclassified subsequently to the statement of profit or loss</i>					
Actuarial remeasurements of defined benefit obligation	29	-638	9	-662	304
Change in fair value of investments in equity instruments measured at fair value through other comprehensive income	29	-1,716	195	-1,716	195
Deferred tax	13	326	-37	326	-37
Change in fair value of investments in equity instruments measured at fair value through other comprehensive income, net of tax		-1,390	158	-1,390	158
Other comprehensive income for the year after tax		-1,817	256	-1,823	573
Total comprehensive income for the year		23,048	1,197	22,351	1,158
Comprehensive income attributable to owners of the controlling company		23,048	1,197	0	0
Continuing operations		32,267	28,796	0	0
Discontinued operations		-9,219	-27,599	0	0

The correction is presented in detail in Note 41.

Notes on pages 210 to 300 are an integral part of these consolidated financial statements.

Consolidated and separate balance sheet

In EUR thousand	Note	Skupina Telekom Slovenije		Telekom Slovenije	
		31 Dec 2020	31 Dec 2019 Restated	31 Dec 2020	31 Dec 2019
ASSETS					
Intangible assets	15	190,033	194,945	141,451	132,692
Property, plant and equipment	16	664,644	656,383	600,532	584,117
Right-of-use assets	17	77,420	79,300	86,506	86,402
Investments in subsidiaries	18	0	0	37,001	37,001
Other investments	19	3,068	4,860	63,951	90,421
Contract assets	20	2,668	3,646	2,337	3,280
Other receivables	25	17,081	24,405	17,081	24,405
Deferred costs	21	1,438	7,603	1,636	1,247
Investment property	22	1,258	1,030	4,230	4,002
Deferred tax assets	13	44,448	44,044	43,929	43,545
Total non-current assets		1,002,058	1,016,216	998,654	1,007,112
Assets held for sale	23	214	500	214	500
Inventories	24	26,175	24,620	21,811	20,579
Trade and other receivables	25	162,936	153,559	158,367	145,644
Contract assets	26	23,527	22,780	23,309	22,813
Deferred costs	27	4,250	18,638	4,740	15,509
Investments	19	512	679	17,385	10,226
Cash and cash equivalents	28	8,167	13,219	2,086	1,153
Total current assets		225,781	233,995	227,912	216,424
Total assets		1,227,839	1,250,211	1,226,566	1,223,536
EQUITY AND LIABILITIES					
Share capital	29	272,721	272,721	272,721	272,721
Share premium	29	181,489	181,488	180,956	180,956
Profit reserves	29	106,479	106,479	104,978	104,978
<i>Legal reserves</i>	29	51,612	51,612	50,434	50,434
<i>Reserves for treasury shares and interests</i>	29	3,671	3,671	3,671	3,671
<i>Treasury shares and interests</i>	29	-3,671	-3,671	-3,671	-3,671
<i>Statutory reserves</i>	29	54,854	54,854	54,544	54,544
<i>Other profit reserves</i>	29	13	13	0	0
Retained earnings	29	33,305	31,589	50,359	48,886
<i>Retained earnings from previous periods</i>		8,440	30,648	26,185	48,301
<i>Profit or loss for the period</i>		24,865	941	24,174	585
Fair value reserve	29	-497	664	-497	664
Reserves for actuarial gains/losses	29	-2,988	-2,347	-2,733	-2,069
Translation reserves	29	-25	-6	0	0
Total equity		590,484	590,588	605,784	606,136
Contract liabilities	30	15,772	16,691	14,974	15,655
Provisions	31	20,407	23,293	16,184	19,138
Other payables	32	38,896	40,469	20,856	10,722
Loans and borrowings	33	184,221	214,802	184,221	214,802
Lease liabilities	34	59,092	60,068	67,093	66,351
Other financial liabilities	35	244	100,641	244	100,608
Deferred tax liabilities	13	1,563	1,676	235	274
Total non-current liabilities		320,195	457,640	303,807	427,550
Trade payables	36	119,058	113,342	109,755	99,945
Income tax payable	13	90	354	0	0
Loans and borrowings	33	32,080	31,038	45,083	38,008
Lease liabilities	34	10,180	8,986	11,660	10,031
Other financial liabilities	35	101,239	1,224	101,237	1,181
Contract liabilities	37	12,721	9,103	8,869	5,412
Accrued costs	38	41,792	37,936	40,371	35,273
Total current liabilities		317,160	201,983	316,975	189,850
Total liabilities		637,355	659,623	620,782	617,400
Total equity and liabilities		1,227,839	1,250,211	1,226,566	1,223,536

The correction is presented in detail in Note 41.

Notes on pages 210 to 300 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity of the Telekom Slovenije Group

v tisoč EUR	Profit reserves							Retained earnings		Fair value reserve for financial instruments	Fair value reserve for hedging financial instruments in net amount	Reserves for actuarial deficits and surpluses	Translation reserves	Total
	Share capital	Share premium	Legal reserves	Treasury shares reserve	Treasury shares	Statutory reserves	Other profit reserves	Retained earnings from previous periods	Profit or loss for the period					
Balance as at 1 Jan 2020	272,721	181,488	51,612	3,671	-3,671	54,854	13	30,648	941	1,171	-507	-2,347	-6	590,588
Net profit or loss for the period									24,865					24,865
Other comprehensive income/loss for the period										-1,390	229	-638	-18	-1,817
Total comprehensive income for the period	0	0	0	0	0	0	0	0	24,865	-1,390	229	-638	-18	23,048
Dividends paid								-22,769						-22,769
Transactions with owners	0	0	0	0	0	0	0	-22,769	0	0	0	0	0	-22,769
Transfer of profit or loss from previous period to retained earnings or losses								941	-941					0
Other		1						-380				-3	-1	-383
Balance as at 31 Dec 2020	272,721	181,489	51,612	3,671	-3,671	54,854	13	8,440	24,865	-219	-278	-2,988	-25	590,484

Notes on pages [210](#) to [300](#) are an integral part of these consolidated financial statements.

More details in Note [29](#).

Consolidated statement of changes in equity of the Telekom Slovenije Group

In EUR thousand	Profit reserves							Retained earnings		Fair value reserve for financial instruments	Fair value reserve for hedging financial instruments in net amount	Reserves for actuarial deficits and surpluses	Translation reserves	Total	Non-controlling interest	Total
	Share capital	Share premium	Legal reserves	Treasury shares reserve	Treasury shares	Statutory reserves	Other profit reserves	Retained earnings from previous periods	Profit or loss for the period							
Balance as 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
Net profit or loss for the period									941					941	0	941
Other comprehensive income/loss for the period – restated										158	111	9	-22	256		256
Total comprehensive income for the period	0	0	0	0	0	0	0	0	941	158	111	9	-22	1,197	0	1,197
Dividends paid								-29,218						-29,218		-29,218
Transactions with owners	0	0	0	0	0	0	0	-29,218	0	0	0	0	0	-29,218	0	-29,218
Transfer of profit or loss from previous period to retained earnings or losses								17,614	-17,614					0		0
Reversal of other provisions							-17,013	17,013						0		0
Changes in the composition of the Group*								-4,066						-4,066	4,066	0
Other								-1,019						-1,019		-1,019
Balance as at 31 Dec 2019	272,721	181,488	51,612	3,671	-3,671	54,854	13	30,648	941	1,171	-507	-2,347	-6	590,588	0	590,588

*In 2019, Telekom Slovenije became the 100% owner of Planet TV and derecognised the non-controlling interest.

The correction is presented in detail in Note 41.

Notes on pages 210 to 300 are an integral part of these consolidated financial statements.

Seperate statement of changes in equity of Telekom Slovenije

In EUR thousand	Profit reserves							Retained earnings		Fair value reserve for financial instruments	Fair value reserve for hedging financial instruments in net amount	Reserves for actuarial deficits and surpluses	Total
	Share capital	Share premium	Legal reserves	Treasury shares reserve	Treasury shares	Statutory reserves	Other profit reserves	Retained earnings from previous periods	Profit or loss for the period				
Balance as 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
Net profit or loss for the period									24,174				24,174
Other comprehensive income/loss for the period										-1,390	229	-662	-1,823
Total comprehensive income for the period	0	0	0	0	0	0	0	0	24,174	-1,390	229	-662	22,351
Dividends paid								-22,769					-22,769
Transactions with owners	0	0	0	0	0	0	0	-22,769	0	0	0	0	-22,769
Transfer of profit or loss from previous period to retained earnings or losses								585	-585				0
Other								68				-2	66
Balance as at 31 Dec 2020	272,721	180,956	50,434	3,671	-3,671	54,544	0	26,185	24,174	-219	-278	-2,733	605,784

Notes on pages 210 to 300 are an integral part of these consolidated financial statements.

More details in Note 29.

Separate statement of changes in equity of Telekom Slovenije

v tisoč EUR	Profit reserves							Retained earnings		Fair value reserve for financial instruments	Fair value reserve for hedging financial instruments in net amount	Reserves for actuarial deficits and surpluses	Total
	Share capital	Share premium	Legal reserves	Treasury shares reserve	Treasury shares	Statutory reserves	Other profit reserves	Retained earnings from previous periods	Profit or loss for the period				
Balance as 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
Net profit or loss for the period									585				585
Other comprehensive income/ loss for the period										158	111	304	573
Total comprehensive income for the period	0	0	0	0	0	0	0	0	585	158	111	304	1,158
Dividends paid								-29,218					-29,218
Transactions with owners	0	0	0	0	0	0	0	-29,218	0	0	0	0	-29,218
Transfer of profit or loss from previous period to retained earnings or losses								17,013	-17,013				0
Reversal of other provisions based on the resolution of the Management Board							-17,013	17,013					0
Balance as at 31 Dec 2019	272,721	180,956	50,434	3,671	-3,671	54,544	0	48,301	585	1,171	-507	-2,069	606,136

Notes on pages 210 to 300 are an integral part of these consolidated financial statements.

Consolidated and separate cash flow

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I-XII 2020	I-XII 2019 Restated	I-XII 2020	I-XII 2019
Cash flows from operating activities				
Net profit for the period	24,865	941	24,174	585
Adjustments for:				
Depreciation/Amortisation	167,279	173,791	137,351	141,651
Impairment and write-offs of property, plant and equipment, and intangible assets	222	0	59	0
Gain or loss on disposal of property, plant and equipment	285	-130	369	-95
Adjustment for discontinued operations	5,688	17,595	0	0
Impairment and write-off of inventories	1,231	1,991	1,000	1,063
Net impairment of receivables	2,491	1,498	2,038	1,281
Change in provisions and other changes	-4,344	276	-4,500	0
Finance income	-2,177	-2,905	-5,724	-6,497
Finance expenses	10,173	13,843	18,501	38,457
Income tax expense	523	1,721	-21	1,271
Cash flows from operating activities prior to changes in working capital and provisions	206,236	208,621	173,247	177,716
Change in inventories	-5,421	-349	-4,867	-301
Change in trade and other receivables	-13,466	1,739	-14,761	2,674
Change in accrued and deferred asset items and contract assets	19,069	15,600	19,818	8,976
Change in provisions	1,538	1,241	1,546	707
Change in trade and other payables	6,077	-6,051	19,592	-33,884
Change in accrued and deferred liability items and contract liabilities	7,565	-5,416	7,518	-8,432
Income tax paid	-848	56	0	0
Net cash from operating activities	220,750	215,441	202,093	147,456
Cash flows from investing activities				
Receipts from investing activities	5,569	39,564	17,129	55,705
Proceeds from the sale of property, plant and equipment	322	1,721	322	1,659
Dividends received	6	159	840	159
Interest received	1	8	2,420	2,989
Proceeds from disposal of subsidiaries, net of disposed cash	5,000	37,593	5,000	37,593
Receipts from repayment of loans and deposits	240	83	8,547	13,305
Disbursements from investing activities	-160,279	-170,100	-153,932	-147,031
Purchases of property, plant and equipment	-97,475	-92,887	-89,013	-84,549
Purchases of intangible non-current assets	-62,798	-77,110	-63,464	-33,756
Acquisition of non-controlling interest in subsidiaries	0	0	0	-18,060
Loans granted and acquisition of deposits	-6	-103	-1,455	-10,666
Net cash used in investing activities	-154,710	-130,536	-136,803	-91,326
Cash flows from financing activities				
Proceeds from financing activities	1,000	35,000	7,000	35,000
Non-current borrowings	0	35,000	0	35,000
Current borrowings	1,000	0	7,000	0
Disbursements from financing activities	-72,136	-117,429	-71,401	-92,047
Repayment of lease liabilities – principal	-9,819	-10,896	-9,113	-9,829
Repayment of current borrowings	0	-27,500	0	-21,000
Repayment of non-current borrowings	-30,801	-23,139	-30,769	-23,077
Interest paid	-8,747	-9,012	-8,750	-8,866
Acquisition of non-controlling interest in subsidiaries	0	-17,607	0	0
Dividends paid	-22,769	-29,275	-22,769	-29,275
Net cash used in financing activities	-71,136	-82,429	-64,401	-57,047
Net increase/decrease in cash and cash equivalents	-5,096	2,476	889	-917
Opening balance of cash	13,219	10,684	1,153	2,011
Effects of exchange rate changes on cash and cash equivalents	44	59	44	59
Closing balance of cash	8,167	13,219	2,086	1,153

The correction is presented in detail in Note 41.

Notes on pages 210 to 300 are an integral part of these consolidated financial statements.

3.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TELEKOM SLOVENIJE GROUP AND TO THE SEPARATE FINANCIAL STATEMENTS OF TELEKOM SLOVENIJE

1. REPORTING ENTITY

Telekom Slovenije, d. d. [hereinafter 'Telekom Slovenije' or 'Company'] and its subsidiaries comprise the Telekom Slovenije Group [hereinafter 'Telekom Slovenije Group' or 'Group']. A detailed overview of the Group's composition is given in the business report herein.

Telekom Slovenije is a public limited company. The Company's address is:
 TELEKOM SLOVENIJE, d. d.
 Cigaletova 15, Ljubljana
 Slovenija

The Company is incorporated and domiciled in the Republic of Slovenia. Its shares are included in the first listing of the Ljubljana Stock Exchange.

The Company's majority owner is the Republic of Slovenia, which holds a 62.54% share in Telekom Slovenije [Note 29 below].

The core activity of the Group is the provision of telecommunication services and products. These include fixed-line and mobile telephony services, internet and television services, installation and maintenance of telecommunications networks, systems integration of business solutions, digital content and advertising. The Telekom Slovenije Group operates in the following countries: Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Kosovo and Northern Macedonia.

2. BASIS FOR THE PREPARATION

a. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Telekom Slovenije Group and the financial statements of Telekom Slovenije have been prepared in accordance with the International Financial Reporting Standards [IFRS] as adopted by the EU and in accordance with provisions of the Companies Act [ZGD].

The financial statements of the Telekom Slovenije Group and of Telekom Slovenije were approved by the Management Board on 25 February 2021.

b. MEASUREMENT BASES

The Group's and the Company's financial statements have been prepared based on the going concern assumption. The operations are not of seasonal nature. Although current liabilities are higher than current assets due to the bonds maturing in June 2021, the Company has sufficient liquidity reserve [Note 45]; in addition, the long-term loan arising from the contract signed with the European Investment Bank [Note 33] has remained fully non-utilised. In the first quarter of 2021, activities aimed at providing new long-term resources for the repayment of bonds commenced.

The financial statements have been prepared based on historical cost, with the exception of:

- derivative financial instruments [swaps] measured at fair value and
- equity instruments at fair value through other comprehensive income.

c. FUNCTIONAL AND PRESENTATION CURRENCY

Presentation currency of the Telekom Slovenije Group is euro, which is also the functional and presentation currency of the controlling company, Telekom Slovenije. All financial measurement is presented in thousands of euros unless otherwise defined.

d. USE OF SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make certain estimates, judgements and assumptions that impact the carrying amounts of assets and liabilities and the disclosure of contingent liabilities on the balance sheet date and the balances of income and expenses for the period then ended.

Future events and their effects cannot be determined with certainty. Accordingly, the accounting estimates made require the exercise of judgement, and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional measurement is obtained and as the business environment changes. The actual values may differ from those estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Changes in accounting estimates are recognised for the period in which the estimates change and in any future periods affected.

Estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements include:

DETERMINING THE USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

In estimating the useful lives of assets, the Group and the Company take into account the expected physical wear and tear, as well as technical or commercial obsolescence. The adequacy of the useful lives is monitored by a working group, which annually checks the useful lives and the residual value; if expectations differ significantly from earlier estimates of depreciation/amortisation rates, the useful lives and residual values are restated for the current and future periods.

For right-of-use assets, the Group and the Company determine the useful life based on the lease contract term if the latter is shorter than the useful life. If the contract is concluded for an indefinite period or is renewed annually, the expected useful life for each category of assets are used. The estimated useful lives of assets are presented in Notes 3.c, 3.d and 3.e.

In the period in question, Telekom Slovenije changed the useful lives of modems and GPON interfaces, which are part of the optic network. Prior to the change, the useful life of this equipment amounted to 4 years, and now it is 5 years. Due to the change of the useful lives, the depreciation in the reported period is lower by EUR 399 thousand. The Company decided to change the estimated useful life because of fewer breakdowns on modems and GPON interfaces in the optic network, as the level of failure resulting from an overvoltage surge was significantly lower in the optic network compared to the copper network prior to the end of useful life.

Based on the prepared analysis of the average life span of subscribers, Telekom Slovenije also changed the useful life of intangible fixed assets linked to the costs of obtaining contracts with customers (commissions to agents), namely:

Costs of obtaining contracts with customers	previous life span in months	new life span in months
- mobile telephony contracts		30
- fixed telephony contracts	12-24	42
- convergence contracts		30

Until 1 January 2020, the Company recognised as intangible assets only commissions to agents resulting from conclusion of contracts with a fixed term of duration. As of 2020, the Company also recognises commissions to agents resulting from conclusion of contracts without a fixed term of duration as intangible assets. In the reported period, the relating amortisation is higher by EUR 58 thousand.

Due to the change of the useful lives of intangible assets arising from costs of obtaining contracts with customers, total amortisation in the reported period is lower by EUR 2,179 thousand.

IMPAIRMENT OF ASSETS

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group and the Company check on an annual basis the carrying amounts of significant items of property, plant and equipment and intangible assets in order to establish whether there is any need to impair any of the assets. Upon assessing whether indication for impairment exists, it is checked whether significant technological changes, market changes or a significant decrease in interest rates occurred. If so, the asset's recoverable amount is ascertained. Impairment is recognized out if the asset's carrying amount exceeds its recoverable amount.

Impairment of goodwill is established at least once a year. For this purpose, the Group obtained, on 30 November 2020, a valuation by an external valuer, according to which the recoverable amount of goodwill exceeds its carrying amount.

Inmeasurement about other significant assessments of uncertainty taken into consideration by management in the case of asset impairment are described in the following notes:

- Intangible assets and goodwill – Note 3.c And Note 15,
- Property, plant and equipment – Note 3.d and Note 16,

INVESTMENTS IN SUBSIDIARIES

For impairment of investments in subsidiaries, the Group checks indicators of impairment particularly for companies that reported negative operating results and/or disclosed negative equity or if there were other indicators of impairment. In such cases, the Group obtains an estimate of the recoverable amount of investments in subsidiaries by a certified business appraiser. Cash generating units (CGU) at Group level are individual group companies.

For 2020, based on checking for signs of impairment and due to the impact of the COVID-19 epidemic on individual companies, the Group opted to assess the recoverable amount for all of its subsidiaries, except for GVO GmbH and the Heart Foundation Institution [in Slovene: Srčni Sklad]. The recoverable amount of a 100% ownership interest and the value of non-current assets in individual companies were assessed by a certified business appraiser. The appraisal reports showed no need for impairment of investments, as the recoverable amount exceeded the carrying amount in all of the appraised companies. Details of establishing recoverable amounts are described in Note 3.f.

INVESTMENTS IN INTERESTS AND SHARES OF OTHER COMPANIES

The Company records investments in equity instruments or shares and interests under financial assets measured at fair value through other comprehensive income. For 2020, the Company checked for indications of impairment of the more significant investments, namely the interests in IECD- Poslovna šola Bled, d.o.o. and ABCITI, Družba za investiranje, d.o.o. The appraisals were conducted by a certified business appraiser. The impact of appraisals is described in Notes 4 and 19.

LOANS GRANTED

The Company and the Group judge on the needs for impairment in accordance with the requirements of standards for loans granted as well. The method of judgement is described in Note 3.f.

TRADE RECEIVABLES

To value receivables in accordance with IFRS 9, the Group and the Company use a simplified approach with the lifetime expected credit losses within the entire useful life. Probability of default represents the key input data used to measure expected credit losses. Probability of default is estimated based on experience from past years and future expectations. The Group's policies are detailed in Notes 3.f, 25 and 45.

DEFERRED TAX ASSETS

Deferred tax is calculated using the balance sheet liability method, providing for all temporary differences between the carrying amounts and tax bases of assets and liabilities. The amount of deferred tax is determined based on the expected method of payment or settlement of the carrying amount of assets and liabilities using the tax rates expected in future periods. Upon any change in the tax rate, the Group and the Company would make corresponding recalculations for deferred tax assets. The Group and the Company recognise deferred tax assets if it is probable that sufficient future taxable profit will be available, against which deductible temporary differences can be utilised.

Detailed disclosure regarding the measurement of deferred taxes is available in Notes 3.q and 13.

PROVISIONS FOR LAWSUITS

Provisions are recognised if a present obligation (legal or constructive) exists as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if the amount of the obligation can be estimated reliably. Provisions are recognised depending on management's estimation of the amount and timing of the obligation and the probability of an outflow of resources required to settle the obligation, either legal or constructive. Managements of individual companies within the Group check regularly, i.e. on a monthly basis, whether the circumstances surrounding the measurement of the amount of provisions have changed. In the event of a change, the estimate of the amount of provision may change depending on the expected date and amount of settlement. Measurement of individual provisions is detailed in Notes 3.l and 31.

SERVICE CONCESSION ARRANGEMENTS AT SOLINE, D. O. O.

The Company assessed the importance of applying provisions of IFRIC 12 Service Concession Arrangements and SIC-29 Service Concession Arrangements: Disclosures, and estimated that items from the financial statements of Soline, d. o. o. as at 31 December 2020 are immaterial and that no adjustment to individual items in the consolidated financial statements of the Telekom Slovenije Group are needed.

e. ERRORS FROM PAST YEARS

In 2020, the Group rectified an error from 2019 arising from the recognition of a contract on the purchase of TV channels in Kosovo. The contract was concluded in May 2019 and the Group therefore increased the assets and trade payables for discounted future payments under this contract in the 2019 financial statements.

The correction of this error is described in detail in Note 41.

f. NEW ACCOUNTING STANDARDS AND AMENDMENTS TO EXISTING ONES

The following new standards, amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU but not yet valid on 1 January 2020 and are mandatory for the current year or later:

COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020. The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease.

Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 [issued on 31 March 2021]. The International Accounting Standards Board (Board) has extended by one year the application period of the practical expedient in IFRS 16 Leases to help lessees accounting for COVID-19-related rent concessions.

In response to calls from stakeholders and because the COVID-19 pandemic is still at its height, the Board has extended the relief by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021.

The Company and the Group made no significant COVID-19-related rent concessions.

Amendments to IAS 1, Practice statement 2 and IAS 8 [issued on 12 February 2021]

- Disclosure of Accounting Policies, which amends IAS 1 and IFRS Practice Statement 2; and
- Definition of Accounting Estimates, which amends IAS 8.

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted [subject to any local endorsement process].

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group and the Company:

- Amendments to the Conceptual Framework for Financial Reporting [issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020].
- Definition of a business – Amendments to IFRS 3 [issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020].
- Definition of materiality – Amendments to IAS 1 and IAS 8 [issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020].
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 [issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020].

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Company has not adopted early.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the COVID-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018–2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- ***Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:***
For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

The Telekom Slovenije Group and Telekom Slovenije expects that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group and the Company in the period of initial application. As amendments to other standards that do not bind the Group and the Company will have no impact on the financial statements, they are not disclosed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. BASIS FOR CONSOLIDATION

The consolidated financial statements of the Group comprise the financial statements of Telekom Slovenije and its subsidiaries for the financial year 2020. Financial statements of the Group companies have been prepared for the same reporting year as the financial statements of the parent company using consistent accounting policies. In the event of inconsistencies in accounting policies, individual companies make relevant modifications in their financial statements, which form the basis for the consolidated financial statements.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method on/as of the date when the parent/ Group company obtains control over the subsidiary. The acquired assets and liabilities are recognised in the consolidated financial statements at fair value estimated on the acquisition date.

The purchase consideration in excess of the net fair value of the acquired assets is disclosed under intangible assets as goodwill. If the surplus is negative, it is recognised directly in profit or loss as finance income.

SUBSIDIARIES

Subsidiaries are entities that are controlled, indirectly or directly, by Telekom Slovenije.. The Group controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the company. Control exists when the Telekom Slovenije Group has the ability to affect the financial and business decisions of the company in order to benefit from its operations.

Subsidiaries are consolidated by the Group since the date the control is obtained.. Subsidiaries are de-consolidated from the date on which control over the subsidiary ceases. If control over a subsidiary ceases during the year, the financial statements of the Group include the results of the subsidiary up until the date on which such control over the subsidiary still existed. Upon loss of control, all assets and liabilities of the subsidiary are derecognised and the gain or loss due to the deconsolidation is recognised in the statement of profit or loss. If the Group keeps an interest in the previous subsidiary, this interest is measured at fair value as at the date of losing control. Subsequently, this interest is accounted for as investment in an associate [applying the equity method] or as investment in equity instruments in accordance with IFRS 9, depending on the level of interest retained in the company.

Consolidated financial statements do not include intra-group transactions, assets and liabilities, equity, income and expenses, and cash flows between Group companies.

b. FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the functional currency using the exchange rate at the date of the transaction. Cash, receivables and liabilities and other monetary assets are translated on the balance sheet date into the functional currency using the spot exchange rate as at the balance sheet date. Non-monetary assets and liabilities expressed in a foreign currency and measured at historical cost are translated using the exchange rate applicable on the date of transaction. Non-monetary assets and liabilities expressed in a foreign currency and measured at fair value are translated using the exchange rate as at the date on which the fair value was determined. All exchange rate differences are recognised in the statement of profit or loss, except for differences that arise on revaluation of investments in equity instruments classified as measured at fair value through other comprehensive income that are recognised directly in other comprehensive income.

COMPANIES CONDUCTING BUSINESS OPERATIONS IN FOREIGN CURRENCIES

On the reporting date, foreign subsidiaries whose functional currency is not euro translate their asset and liabilities into euro by using the exchange rate of the European Central Bank (ECB) as at the reporting date, while the average exchange rate of the reporting period is applied for the statement of profit or loss.

Until the foreign subsidiary is disposed of, exchange differences that occur in the translation from the functional into the presentation currency are recorded in the statement of other comprehensive income and accumulated within equity as translation reserve. Upon the disposal, these exchange differences are transferred from other comprehensive income to the statement of profit or loss.

c. INTANGIBLE ASSETS

An item of intangible assets is recognised when it is probable that future economic benefits associated with the item will flow to the Group or the Company and the cost of the item can be measured reliably.

Upon initial recognition, intangible assets with finite useful lives are stated at cost less accumulated amortisation and less impairment losses. For intangible assets with an indefinite useful life, it is ascertained at least once a year whether they need to be impaired in accordance with IAS 36.

All intangible assets have finite useful lives, except the item of goodwill.

The Group and the Company monitor the useful lives of significant items of intangible assets through administrators of these assets and within a working group, which annually checks the useful lives and residual values. If expectations differ significantly from the applicable estimates of amortisation rates, the impact is restated for the current and future periods. The Group explains the effect of such a change in notes within the accounting period in which the change occurred. In 2020, the Group changed the useful lives of certain assets, which is described in section 2.d. Use of significant estimates and judgements.

Amortisation of intangible assets is accounted on a straight-line basis over their estimated useful lives and begins when the asset becomes available for use.

Estimated useful lives of groups of intangible assets in years 2020 and 2019

Groups of intangible assets	2020	2019
	Useful lives in years	Useful lives in years
- concessions	15 to 20	15 to 20
- trademarks	10	10
- licences	1 to 7	1 to 7
- programme rights - TV content	1 to 6	1 to 6
- cost of obtaining contracts with customers	2 to 3.5	1 to 2
- customer list	3 to 5	3 to 5
- computer software	3 to 7	3 to 7
- property rights	3 to 20	3 to 20

The costs of concessions obtained for the use of the radio frequency spectrum are capitalised at cost and amortised on a straight-line basis over the term of the concession contract, which is between 3 and 20 years - Note 46.

The costs of obtaining contracts with customers are costs that are directly related to the obtaining of subscribers and represent additional costs the Group has with obtaining contracts with customers and which would not have been incurred had the Group not obtained the contract.

Sales commissions are recorded as costs of obtaining contracts with customers and are amortised in line with the transfer of the economic benefits to the customer, i.e. within the period of expected contract

term. If terminated subscriptions and subsequent accounting of sales commissions exceeded 5% of the annual capitalised commissions, the Group would adequately decrease intangible assets relating to sales commissions. The termination-related estimate is verified on an annual basis.

Capitalised costs comprise costs of material, direct labour costs and other costs that can be directly attributed to bringing the asset to the condition necessary for the intended use. The Group monitors through project administrators to ensure that only those costs are capitalised that meet the criteria defined.

Development costs are recognised under intangible assets if they can be measured reliably, if the product or the process is technically and commercially feasible, if future economic benefits will result from its use, if sufficient resources are available to complete development and when the entity intends to use or sell the asset.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of an intangible asset and measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the statement of profit or loss upon derecognition.

The Group and the Company monitor the progress of individual projects and investments through project administrators. If it is established that a certain project will not be finished, it is written off.

The carrying amounts of significant assets is checked at least once a year as at the financial statement date in order to establish whether there is any need to impair any of intangible assets. A significant intangible asset is an asset whose carrying amount exceeds 5% of the carrying amount of all intangible assets. Upon assessment of whether this indication of impairment of intangible assets exists, it is checked whether significant technological changes, market changes or a significant decrease in interest rates occurred. If so, the asset's recoverable amount is ascertained. Impairment is recognized if the carrying amount of an intangible asset exceeds its recoverable amount. The Group and the Company plan positive results and cash flows for the current and coming years, therefore the need for impairment was not established.

GOODWILL

Goodwill arises upon acquiring a subsidiary and is measured at cost less accumulated impairment losses. Impairment of goodwill is tested for the cash generating unit (CGU) at least once a year. Recoverable amount is calculated as value in use, that is calculated based on management estimate of the future cash flows from the CGU and appropriate discount rate. Impairment is recognised in the statement of profit or loss among other operating expenses under the item 'impairment of intangible assets and property, plant and equipment'.

d. PROPERTY, PLANT AND EQUIPMENT

Upon acquisition, items of property, plant and equipment owned by Group companies are disclosed at cost. Cost includes all costs that may be directly attributed to getting an item of property, plant and equipment ready for its intended use.

Estimated costs of restoring locations for receiving-transmitting stations to their original condition are disclosed as an integral component of the asset's cost and are amortised over the asset's residual useful life. Provisions required to restore the asset to the original condition, discounted to present value, are reported under non-current provisions.

The cost of an item of property, plant and equipment constructed/made within the Group/Company includes the costs of material and direct labour. The costs of construction/making of property, plant and equipment that are included in cost are recognised as cost reduction within profit or loss.

When an item of property, plant and equipment comprises major components with different useful lives, these components are accounted for as separate items of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment increases their cost if it is probable that future economic benefits will flow to the Group or Company.

The progress of individual projects and investments is monitored by the Group and the Company through project administrators on a monthly basis. If it is established that a certain project will not be finished, a write-off is carried out.

Upon initial recognition, property, plant and equipment are measured at cost less depreciation costs or impairment.

Residual values and useful lives of significant items of property, plant and equipment are reassessed on an annual basis and if expectations differ significantly from earlier estimates, depreciation rates are adjusted for the current and future periods. The effect of the change in estimate is described by the Group in the notes on the accounting period in which the change in estimate occurred.

Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment.

Estimated useful lives of groups of property, plant and equipment in years

Groups of property, plant and equipment	Useful lives in years
- buildings	50
- electrical and machine installations	15 to 30
- cable lines	33.3
- cable network – air	10
- cable network – land	20 to 25
- exchange switches	5 to 12.5
- other equipment	1 to 15

The estimated useful lives did not change compared to last year. Items of property, plant and equipment under construction are recognised at cost. Land and items of property, plant and equipment under construction are not depreciated. Depreciation begins when items of property, plant and equipment are made available for use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the disposal of an item of property, plant and equipment and measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss once the item of property, plant and equipment is disposed of.

Administrators of fixed assets assess annually whether there are any internal or external impairment indicators [significant technological changes, market changes, obsolescence or physical condition of an item of property, plant and equipment] that could provide significant indication on the [non-]suitability of the useful life or indication that an item of property, plant and equipment should be impaired. An item of property, plant and equipment is subject to impairment if its carrying amount exceeds its recoverable amount. The recoverable amount equals fair value less costs of sale or the value in use, whichever is higher. Value in use is assessed as the present value of expected future cash flows, whereby the expected future cash flows are discounted to the present value by the discount rate before taxes.

Impairment is recognised in the statement of profit or loss among other operating expenses, under impairments of intangible assets and property, plant and equipment.

e. LEASES

THE GROUP AS THE LESSEE

Upon signing the contract, the Group assesses whether the contract contains a lease in line with IFRS 16. Under this standard, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Telekom Slovenije Group and Telekom Slovenije did not use exemptions envisaged by the standard for low-value lease contracts and for leases expiring earlier than 12 months from initial application.

For such contracts, the standard requires a lessee to recognise a right-of-use asset and a lease liability at the commencement of the lease.

A right-of-use asset is recognised on the day the lease begins, i.e. when the asset is available for use. The initial measurement of an asset includes the amount of the lease liability at its initial recognition (discounted present value of lease payments outstanding as at that date), lease payments made at or before the lease commencement date less any lease incentives received and an estimate of potential costs to be incurred by the lessee in dismantling and removing the underlying asset. Variable lease payments that are not subject to inflation or interest rates changes are not included in the measurement of lease liabilities and right-of-use assets. The related payments are recognised in other operating expense as incurred.

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

Right-of-use assets are classified in the following categories and, in the case of contracts of indefinite duration, the following useful lives are applied:

Category or right-of-use assets	Useful lives in years
Base stations – easement and lease	15
Rental of premises	10
Technological premises – easement and lease	15
Lease of lines	15
Other	5

The estimated useful lives did not change compared to last year.

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

Lease liabilities are recognised on the asset's lease commencement date at the present value of lease payments that have not been paid yet. Liabilities mostly comprise contractually determined leases, while some contracts also include an adjustment of liabilities in line with the changes in the consumer price index. These lease payments are discounted. The discount rate is determined using the interest rate derived from borrowing costs and based on the interest rate at which the Group and the Company, taking credit rating into account, can obtain a loan for the purchase of property, plant and equipment of a comparable amount (value) and maturity. Upon subsequent measurement of a financial liability from lease the latter increases to reflect the interest on the lease liability, decreases by the value of the lease payments and, if the lease terms change, the present value is remeasured based on a reassessment of future lease payments or a change in the lease term (duration or price).

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

a decrease in scope, the gain or loss associated with the partial or full termination of the lease is recognised in the statement of profit or loss.

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

Leases comprise the lease of lines, business and technological premises, the creation of easement or lease of land or premises for base stations, and functional locations. Inter-operator leases in Slovenia are, for most services, regulated by published price lists. Non-current leases are subject to conclusion of contracts with a fixed-term period of predominantly 15 years.

For business premises, base stations and functional locations, easement compensation or lease payment is defined on the basis of agreements, valuations and the lessors' price lists. Lease contracts are concluded for a definite or indefinite period of time, while easement agreements are entered into for the period of operation of electronic communication network and the pertaining infrastructure, or for a fixed term with the possibility of extension based on new negotiations. Contracts or agreements concluded for an indefinite period of time and for the period of operation can be terminated based on certain conditions. These are as follows:

- the lessee or the easement beneficiary can terminate the contract in writing within 3 months if the property in question does not meet the technical requirements or is no longer needed;
- the owner can terminate the contract without a notice period if the lessee destroys the building;
- a notice period of 3 to 12 months applies if the lessee violates provisions of the concluded contract;
- the possibility of termination by the owner within 1 year pursuant to provisions of the Code of Obligations and the Office Buildings and Business Premises Act.

Contracts are terminated only in exceptional circumstances.

THE GROUP AS THE LESSOR

The Telekom Slovenije Group classifies all leases as operating leases, as the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Lease payments arising from operating lease are recognised in the statement of profit or loss within the lease term period. These refer primarily to co-locations, lease of business premises and base stations. For the purpose of determining possible lease payments, sample contracts are provided for regulated services, while commercial tariffs are applied for unregulated services. The bases for lease payments are prepared under the same terms and conditions as when the Group acts as a lessee. Lease contracts for the use of premises, co-locations and base stations are mostly concluded for an indefinite period of time. The notice periods range from 2 to 12 months. The customer has the right to terminate the contract under the terms defined in the contract itself. In the event of extraordinary circumstances [default], the contract may also be terminated by the Group. Contracts are terminated only in exceptional circumstances.

f. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

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

When a financial asset is recognised for the first time, the classification will depend on the business model for managing financial assets and their contractual cash flow characteristics, and the asset will be classified into one of the following categories:

- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income.

Financial assets measured at amortised cost are financial instruments which the Group holds within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This category includes loans, trade and other receivables, deposits, and cash and cash equivalents.

Loans and receivables are recognised on the settlement date and are initially measured at fair value, plus any direct transaction costs. Upon initial recognition, they are measured at amortised cost using the effective interest method, less expected credit losses.

Profits and losses are recognised in the profit or loss:

- if the financial asset is derecognised,
- if the financial asset is reclassified into a category financial asset measured at fair value through profit or loss,
- as a result of impairment.

Financial assets measured at fair value through other comprehensive income

This category includes investments in debt and equity instruments or shares and interests in other companies.

After initial recognition of investments in equity instruments not held for trading, the Group irrevocably decides to measure these investments at fair value through other comprehensive income. This decision is made individually for each investment.

The fair value of investments that are listed on the stock exchange is measured at the closing stock market price on each reporting date.

Investments are recognised/derecognised as at the date of purchase/sale, respectively.

Any gains or losses arising from changes in fair value are recognised in other comprehensive income and presented directly in equity within the fair value reserve for financial instruments in the net amount. Amounts presented in other comprehensive income may not be subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity.

Dividends on such investments are recognised in profit or loss only:

- upon establishment of the company's right to receive a dividend,
- if it is likely that economic benefits arising from the dividend will flow into the company, and
- if it is possible to reliably measure the amount of the dividend,

except if the dividend clearly represents a recovery of part of the cost of the investment.

Derivative financial instruments are used to hedge a company's exposure to risks arising from financing and investing activities. The method of recognition of gains or losses arising from the change in fair value depends on whether hedge accounting has been applied or not. Interest rate swap liabilities are measured at fair value obtained by the Company from the banks involved in the transaction. At least every three months, the Company checks whether interest rate hedging is still adequate and, if so, discloses valuation effects in other comprehensive income. In the event of positive valuation, the fair value is disclosed in the balance sheet under financial assets, and in the event of negative valuation, it is disclosed under financial liabilities.

TRADE AND OTHER RECEIVABLES

Trade receivables are amounts of receivables due from business partners arising from the sale of goods and services in the ordinary course of business.

To measure expected credit losses in line with IFRS 9, the Group uses a simplified approach. Impairment is calculated as an amount equal to the expected credit losses within the entire useful life of the receivable. To measure expected credit losses, receivables were grouped based on the common characteristics of credit

risk and maturity. The expected loss rates are based on data on payments over the last 36 months and past credit losses generated in this period. The effect of future-facing macro-economic data on expected credit losses was deemed insignificant.

Loss due to impairment of receivables is recognised in the statement of profit or loss as impairment and write-off of trade and other of receivables.

IMPAIRMENT OF FINANCIAL ASSETS

In line with IFRS 9, the Group and the Company use the expected loss model and must, in addition to the losses incurred, recognise losses expected to arise in the future. To that end, the Group and the Company assess evidence of impairment of financial assets.

On each reporting date, the Group and the Company must recognise expected credit losses for the entire duration, for all financial assets where an increase in credit risk has been noted since initial recognition. In this context, they must consider all relevant and provable inmeasurement, including future-facing inmeasurement.

To estimate impairment, the Group and the Company apply the ECL measurement methodology, which is based on the risk parameters:

- Exposure at Default (EAD),
- Probability of Default (PD) and
- Loss Given Default (LGD).

The risk parameter assessments, which the Company considers in estimating expected credit losses, are based on a combination of own and external (market) data.

For the purpose of potential impairment, financial assets are assessed individually.

If, on the reporting date, the credit risk for said financial instrument has not significantly increased since initial recognition, the Group measures impairment loss for the relevant financial instrument as an amount that is equivalent to expected credit losses over a 12-month period.

For trade receivables and current contract assets that do not include a significant financing component, a simplified approach is used that requires impairment loss always to be measured as an amount that is equivalent to expected credit losses in the entire duration.

In 2020, the Group and the Company did not change the valuation technique or significant assumptions in assessing impairment of these financial assets.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset is derecognised when:

- the contractual rights to receive cash flows from the financial asset are transferred, or
- contractual rights to receive cash flows are retained, but an obligation to pay those cash flows to one or more recipients (ultimate beneficiaries) is assumed and there is no obligation to pay any amounts unless the relevant amounts from the underlying asset are received.

On derecognition of an entire financial asset, the difference between the carrying amount (on the date of derecognition) and the consideration received (including any newly acquired asset, minus any newly-undertaken liability) is recognised in profit or loss, with the exception of investments in shares and interests of other companies, for which the Group irrevocably decided to present subsequent changes in fair value under other comprehensive income.

FINANCIAL LIABILITIES

The Group's and the Company's financial liabilities mainly comprise borrowings, financial liabilities arising from bonds and interest rate swap liabilities.

Upon initial recognition, borrowings are disclosed at their fair value less possible costs. After initial recognition, borrowings are stated at amortised cost using the effective interest rate method.

Upon recognition, liabilities arising from bonds and interest rate swap liabilities are measured at fair value, less any transaction costs. Upon initial recognition, bonds are measured at amortised cost using the effective interest rate method.

Under financial liabilities, liabilities arising from profit or loss distribution (dividends) are disclosed as well. Dividends are recognised as a liability in the period in which they are approved at the General Meeting of Shareholders and at the amount at which they are approved.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

TRADE AND OTHER PAYABLES

Upon initial recognition, trade and other payables are disclosed at fair value. Subsequently, they are stated at amortised cost. Non-current trade payables primarily include programme rights, frequency fees and other trade payables.

INVESTMENTS OF TELEKOM SLOVENIJE IN SUBSIDIARIES

Investments in subsidiaries are disclosed in Telekom Slovenije's separate financial statements at cost, less any impairment losses. Investments in subsidiaries are recognised on the date when risks and benefits are transferred to the controlling company, i.e. when control is obtained.

The Group has no investments in associates and joint ventures.

Indications for impairment of investments in subsidiaries are mainly assessed under two criteria, namely:

- comparing the investment's carrying amount with the proportionate share of the carrying amount of the total equity of the subsidiary on the cut-off date. Indication of impairment exists when the carrying amount of the investment on cut-off date exceeds the proportionate share of equity by more than 20%;
- comparing the key ratios for the financial year with projections.

At the end of the year, Telekom Slovenije prepared estimates of its subsidiaries' recoverable amount in order to test for purposes of impairment for the needs of financial reporting. Each subsidiary represents its own cash-generating unit. In accordance with ESMA recommendations, which highlighted the importance of assessing impairment resulting from the impact of COVID-19, the appraiser applied an additional method to estimate the recoverable amount of non-current assets of Telekom Slovenije and its subsidiaries as cash-generating units. Appraisals were conducted by a certified business appraiser.

As all appraisals of the recoverable value of 100% equity interest of companies conducted for the purposes of financial reporting exceed the value of investments in individual subsidiaries, impairment of investments in subsidiaries is not required in 2020. In addition, there are no indications for impairment that might affect the financial statements of the Telekom Slovenije Group.

g. INVESTMENT PROPERTY

Investment property is initially measured at cost. The cost of an investment property comprises its purchase price and costs that may be directly attributed to the acquisition (transaction costs). After initial recognition, investment property is measured at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis over the useful lives of the assets. Land is not depreciated. The useful life of investment property equals the useful lives of property, plant and equipment.

Indication of impairment is assessed in the same way as for property, plant and equipment.

Investment property is derecognised upon disposal or when it is permanently withdrawn from use and no future economic benefits are expected. Gains or losses arising from the derecognition of an item of investment property are calculated as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss for the period during which the item of investment property is derecognised.

h. ASSETS HELD FOR SALE

Assets held for sale are assets that are expected to be recovered through sale rather than through continuing use. The sale of these assets must be highly probable and anticipated in the coming 12 months. The sale is highly probable when the Group or the Company receives a buyer's written commitment for purchasing the assets.

In September 2020, Telekom Slovenije initiated procedures to carry out the process of selling TSmedia, medijske vsebine in storitve, d.o.o. At 31 December 2020, an assessment of the need to reclassify TS media under assets held for sale was conducted. Given the defined direction and phase of the sales procedure, TSmedia does not meet the conditions for reclassification among assets held for sale, as the parent company has not yet received binding offers and does not possess key measurement based on which it could estimate the likelihood of the sale.

Assets are reclassified under assets held for sale at the lower of their carrying amount and fair value, less costs to sell. Assets held for sale are not depreciated.

Impairment losses on assets held for sale are recognised in the statement of profit or loss among 'other operating expenses', 'impairment of intangible assets and property, plant and equipment' (Note 11).

The Group checks periodically whether the assets still meet the criteria for being classified as held for sale. If the asset no longer meets these criteria, it is reclassified back as an item of property, plant and equipment. This type of assets is measured at the lower of the following values:

- carrying amount prior to the asset's classification among assets held for sale, adjusted for possible depreciation that would have been recognised if a property were not classified as property held for sale,
- recoverable amount on the date of the subsequent decision that the asset will not be sold.

Adjustments of the carrying amounts of assets which are no longer treated as assets held for sale are included in the profit or loss for the period in which the recognition criteria are no longer met.

i. INVENTORIES

Inventories are initially recognised at cost comprising the purchase price inclusive of discounts granted, import duties and other non-refundable purchase duties, as well as costs directly attributable to the acquisition.

Inventories are accounted for using the moving average price method.

Slow-moving, obsolete or damaged inventories are written down to their net realisable value, which is lower than the carrying amount or the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs of selling.

j. DEFERRED COSTS

They mainly represent prepaid costs of leased capacities of the lines not defined under lease according to IFRS 16, programme rights and other assets deferred that are recognized in profit or loss on a straight-line

basis over the contract period., with the transfer commencing on the effective date of the contract. In terms of duration, they are classified as non-current (over 12 months) and current assets (up to 12 months).

Deferred costs mainly refer to the costs of calculating international services.

K. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and deposits held at call with banks, short-term deposits with original maturity of up to 3 months, where the risk of fair value change is minimal.

I. PROVISIONS

Provisions are recognised if a present obligation (legal or constructive) exists as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if the amount of the obligation can be estimated reliably. If the effect is material, provisions are determined by discounting the expected future cash flows.

Obligations with uncertain timing and amount are treated depending on management's estimation of the amount and timing of the obligation and the probability of an outflow of resources that will be required to settle the obligation, either legal or constructive.

Contingent liabilities are not recognised in financial statements as their exact amount could not be measured reliably or their existence will be confirmed only upon the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

The management of each Group company continually assess contingent liabilities to determine whether an outflow of resources embodying economic benefits has become probable. In this case, a provision is recognised in the financial statements of the period in which the change in probability occurs.

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

Provisions for probable liabilities from lawsuits are recognized on the basis of the estimate of the lawsuit outcome made by the relevant departments or external parties. The measurement of provisions is assessed individually taking into account the amount of the lawsuit, its subject matter, the plaintiff's assertions and the course of each individual procedure. Due to uncertainty, the actual liabilities may differ from those initially assessed. Management's estimates may change if new measurement is received. Amendments to these estimates can have a significant impact on the business results. The amount of provisions formed for lawsuits is disclosed in Note 31.

Retirement and jubilee benefits are recognized based on statutory requirements, collective agreements and internal rules and regulations, according to which the company is obliged to pay severance pays upon retirement and jubilee benefits. Provisions are formed based on an actuarial calculation prepared by a certified actuary. They are formed in the amount of estimated future payments of severance pays upon retirement and jubilee benefits discounted at the balance sheet date. A calculation is made per individual employee, taking into account the cost of severance pays upon retirement and the cost of all expected jubilee benefits by the time of retirement. At each year-end, the amount of provisions is assessed and either increased or decreased accordingly. This applies mostly for determining the discount rate, the estimate of staff fluctuation and salary growth. The estimate on these liabilities can change in the future due to the complexity of the actuarial calculation and its long-term nature. Retirement benefits relate to defined benefit plans. Assumptions applied are disclosed in Note 31.

Provisions for costs of removing base stations refer to the costs of removing receiving-transmitting base stations and restoring leased property to its original condition. Provisions are considered the best estimate for the removal of base stations. Provisions are recognized at the present value of expenditures expected to be incurred at the concession contract end date.. The applied discount rate is based on the long-term return rate of the risk-free securities. The cost analysis on the removal of base stations, which is usually compiled

every three years, is used as basis for the estimate. At the end of each year, the Group assesses whether the amount of formed provisions is sufficient; if not, the value is properly adjusted.

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

m. OTHER PAYABLES

Other payables primarily include programme rights, frequency fees and other payables.

n. ACCRUED COSTS

Accrued costs comprise costs of unused annual leave, costs arising from calculation of international services assessed on the basis of turnover made, for which invoices have not yet been received, and other accrued costs. Differences between accrual and actual costs are included in profit or loss upon the receipt of invoices. If no invoice is received for the already accrued costs within 3 years after recognition, they are derecognised after this period expires. The latter does not apply to costs arising from the calculation of international services, whose derecognition is assessed individually.

o. REVENUE

Revenue is recognised solely on the basis of the contract entered into with the customer. It is recognised when goods and services are transferred to the customer in the amount that reflects the compensation expected in exchange for these goods and services.

Each promised good or service is treated as a separate performance obligation if it is distinct. It is distinct when the customer can benefit from said good or service. Performance obligation is a promise to provide goods or services to the customer. The Group has identified the following performance obligations:

- service,
- goods.

In the case of contracts with customers with a term [of 12 or 24 months] that include several performance obligations [e.g. a partially subsidised mobile telephone or other telecommunications equipment along with a service], the price of the whole transaction is allocated to individual performance obligations based on relative stand-alone selling prices of devices or services. The revenue from the sale of goods is recognised immediately, while the revenue from services is recognised over the contractual term. In this context, the contract assets are recognised that are associated with the right to consideration for sold goods or services that were rendered but not billed on the reporting date. Payment deadlines are up to 90 days.

The price of the whole transaction is the amount of the compensation expected in exchange for transferring promised goods or services. The price can be fixed or variable.

Revenue is recognised when the performance obligation is satisfied, i.e. when control of a good or service is transferred to a customer. Control means that the customer has the ability to direct the use of and obtain substantially all of the main benefits from the asset and the ability to prevent others from directing the use of and obtaining the benefits from the asset. With services where performance obligations are met gradually, the Group recognises revenue on a monthly basis in the amount that directly corresponds to the value of the part of the obligation fulfilled up to that moment. Based on the services rendered or transfer of goods to the customer, the Group recognises revenue in the accounting period in which the services are rendered, or the goods are transferred, and does so in the amount which it is entitled to charge.

Discounts granted upon contract signing are allocated between all performance obligations and are deferred over the contract term. All discounts granted subsequently are recognised in the period for which they were granted, as a revenue decrease.

Revenue is recognised in a net amount, exclusive of value added tax, other taxes and any sales-related discounts.

Revenue relating to the mobile segment includes revenue from connection fees, subscriptions, conversations, messages, data transfer, roaming out and additional services [e.g. service with added value, M-vrata], and revenue from the sale of mobile phones and accessories.

Revenue from the sale of prepaid cards is deferred and recognised in the period when the customer uses prepaid services. Should the customer fail to make use of them, the revenue is recognised when the validity of an individual prepaid account expires.

Revenue from the fixed-line segment comprises revenue from connection fees, subscriptions, conversations, and revenue from the sale of merchandise. Fixed-line services comprise revenue from broadband services, classic fixed-line phone services and Centrex, fixed-line data services [services with added value], data communication, IT-services and goods, and revenue from other telecommunications services.

Connection fees in the mobile and fixed-line segment are recorded in the period in which the connection of the customer is completed. Subscriptions are charged on a monthly basis. Revenue from services with added value is disclosed on the net basis in the amount of the contractual commission. Revenue from IT services and goods [e.g. system integrations, cloud computing, management of integrated IT solutions] is recorded depending on the contractual relationship with the customer. In the event of providing services and maintenance thereof, the revenue is charged on a monthly basis or deferred and recognized over the contract period. Revenue generated from the sale of licences or IT products is recognised in the period when the sale is made.

Revenue from wholesale market comprises broad-band access, stream broad-band access, network interconnection, lease of network, national tracking, and foreign inter-operator services.

Revenue from international network interconnection is recognised based on the estimated value expected in view of the traffic performed in the previous month. Monthly differences between estimated and actual revenue arise mostly as a result of the tolerance allowed with data about traffic, and the price changes. The tolerance allowed differs from one contract to another, amounting to a maximum of 2% of the contractual value. These differences are included in profit or loss when the actual balance of revenue is established. Revenue is recognised on the gross basis, as the Group provides services by means of own network and equipment, based on contractually defined prices. Revenue is recognised in the period in which the services are rendered.

Other revenue and other merchandise of the Telekom Slovenije Group include revenue generated through network construction and maintenance by GVO, business IT solutions provided by Avtenta, salt and related products of the company Soline, and multi-media content of TSmedia.

With services where performance obligations are met gradually [e.g. telecommunication network construction and maintenance], the Group recognises revenue on a monthly basis in the amount that directly corresponds to the value of the part of the company's obligation fulfilled up to that moment. The Group measures gradual progress towards complete fulfilment of performance obligation by applying the output method. The Group has contracts in place under which the interim situation in terms of the work done is established on a monthly basis. Based on the completed situations confirmed by the customer, a monthly invoice is issued and revenue is recognised.

Other revenue and other merchandise of Telekom Slovenije include income from rendering support services for subsidiaries, lease of premises and equipment, tourism, other non-telecommunication services, and income from the sale of material and other merchandise.

Revenue from new services mainly comprises income from electricity and financial services [VALÚ Moneta]. In the sale of electricity, the Group and the Company act as the principal, and therefore revenues are recognised on the gross basis. Excise duty, contributions and use of network for electricity are not included in sales revenue.

In all previously mentioned cases, the Group and the Company observe the policy of concurrent recognition of revenue and costs in the period when the service is rendered or goods sold, regardless of when the payment is made.

CONTRACT ASSETS AND CONTRACT LIABILITIES

A contract asset from contracts with customers is the Group's and the Company's right to consideration in exchange for goods or services that the Group or the Company has transferred to a customer, if this right is conditional on something other than the passage of time [e.g. the performance of future obligations]. A contract asset arises if goods or services are transferred to a customer before the consideration is paid and are classified as non-current and current contract assets.

It is necessary to check on the reporting date whether contract assets should be impaired. To determine impairment of contract assets that do not include a significant financing component, a simplified approach is used, which requires impairment loss always to be measured as an amount that is equivalent to lifetime expected credit losses in the entire duration.

The Group and the Company impair contract assets for expected losses. The contract asset is derecognised upon contract termination and expense from write-off of contract assets is recognised.

Contract liabilities are obligations to transfer goods or services to the customer, for which the Group has already received consideration from the customer. Contract liabilities with, expected transfer of the goods or services to the customer in a period longer than 12 months, are recorded as non-current liabilities.

Contract liabilities mainly refer to co-locations billed in advance, which are defined as a service under IFRS 15 and are transferred to other revenue according to the contractually agreed term of co-location. Contract liabilities involve an estimate of credits issued from the calculation of international services, valued by turnover made, liabilities arising from the sale of prepaid phone cards, and the customer loyalty programme. Co-funded projects refer to cash received from these projects.

Upon terminating a contract with customers, which caused the liability to be recognised, the liability is derecognised and income arising from write-off of liabilities from contracts with customers is recognised.

GOVERNMENT GRANTS AND CO-FUNDED PROJECTS

Government grants from co-funded projects are recognised in the balance sheet depending on the contract and documentation for an individual project when there is assurance that the Company will receive the grant and fulfil the relating conditions. Cash received from projects, which is not yet income, is recognised as deferred income, as the costs which these amounts are meant to cover have not been incurred yet. The Company and the Group reverse the recognition of such accruals and deferrals by calculating eligible costs. Accrued income arises when project-related costs have already been incurred but conditions for issuing an invoice have yet to be met

In line with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the Company and the Group present grants related to income as other operating income.

p. FINANCE INCOME AND FINANCE EXPENSES

Interest income and expenses are recognised in the statement of profit or loss in the period in which they occurred on the basis of the contractually set interest rate.

Dividend income is recognised on the day when the Group becomes entitled to the dividend.

q. INCOME TAX

Income tax for the year comprises current and deferred tax.

Income tax is recognised in the statement of profit or loss unless it relates to items directly recognised in other comprehensive income or equity, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for all temporary differences between the carrying amounts and tax bases of assets and liabilities. The amount of deferred tax is determined based on the expected method of payment or settlement of the carrying amount of assets and liabilities using the tax rates expected in future periods. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset if there is a legal right to offset current tax assets and current income tax liabilities and if the deferred tax is related to the same taxable legal entity and the same taxation authority. Deferred tax is charged or credited directly to equity or other comprehensive income if the tax relates to items that are credited or charged in the same or a different period, directly to equity or other comprehensive income.

r. STATEMENT OF CASH FLOWS

The statement of cash flows is compiled using the indirect method based on items of the balance sheet as at 31 December 2020 and 31 December 2019, statement of profit or loss for 2020, and additional measurement necessary to make adjustments of cash inflows and outflows.

4. FAIR VALUE DETERMINATION

In view of the accounting policies and itemisation, the fair value of financial and non-financial assets and liabilities is to be determined in certain cases. The Group and the Company apply the following hierarchy in determining fair values:

Level 1: determination of fair value directly by referencing the official published price on an active market;

Level 2: other models used to determine fair value based on assumptions and material impact on fair value in line with observed current market transactions with the same instruments either directly or indirectly;

Level 3: other models used to determine fair value based on assumptions and material impact on fair value that are not in line with observed current market transactions with the same instruments and investments.

The fair values of individual groups of assets are defined for the purpose of measurement and reporting using the methods described below. With reference to assumptions for determining fair values, additional clarifications are required and thereby stated in the breakdown to individual items of assets and liabilities. More details to be found in Note 39.

INVESTMENT PROPERTY

Fair values of investment property must be disclosed on an annual basis. The fair value is established annually with the support of external real estate appraisers. The fair value defined as the price that would be received in case of the assets' sale or paid for the transfer in an agreed transaction among the market participants as at the date of measurement is used as the basis for assessing the value. During the value assessment, the suitability of all valuation methods used for measuring the values of ownership rights (i.e. market approach, income approach and cost approach) was examined.

INVESTMENTS IN EQUITY INSTRUMENTS

Fair value of investments in equity instruments that are listed on the stock exchange is defined on the basis of the closing stock exchange rate as at the reporting date.

The fair value of investments in equity instruments that are not listed on the stock exchange is determined based on an appraisal conducted by a certified business appraiser for the two major investments, namely an investment in IEDC – Poslovna šola Bled, d.o.o. and ABCITI, Družba za investiranje, d.o.o. The impact of appraisals is described in Note 19.

TRADE AND OTHER RECEIVABLES

Current trade receivables are not discounted due to their short-term nature and their carrying value (net of expected credit losses) approximates their fair value.

FINANCIAL LIABILITIES

For reporting purposes, financial liabilities arising from bonds are determined based on the stock exchange quotation as at the reporting date.

In financial liabilities arising from borrowings, the fair value does not deviate from amortised cost.



5. COMPOSITION OF THE TELEKOM SLOVENIJE GROUP

SUBSIDIARIES¹¹²

As at the reporting date, the Telekom Slovenije Group comprises the parent company Telekom Slovenije and the following subsidiaries:

Subsidiaries

Name	Address	Country	Activity	Tax rate	Share in equity in %	Share in voting rights in %	Share in voting rights in %	Carrying amount of equity in EUR thousand		Profit or loss in EUR thousand		
						2020	2019	2020	2019	2020	2019	
SLOVENIA												
1	GVO, gradnja in vzdrževanje telekomunikacijskih omrežij, d.o.o.	Slovenija	Cigaletova 10, Ljubljana	19%	100%	100%	100%	30,824	27,739	2,915	3,184	
2	Avtenta, napredne poslovne rešitve, d.o.o.	Slovenija	Stegne 19, Ljubljana	19%	100%	100%	100%	2,915	2,738	240	253	
3	TSmedia, medijske vsebine in storitve, d.o.o.	Slovenija	Stegne 19, Ljubljana	19%	100%	100%	100%	-1,215	-708	-453	-318	
4	SOLINE Pridelava soli, d.o.o.	Slovenija	Seča 115, Portorož	19%	100%	100%	100%	1,470	2,501	-1,012	-114	
5	Planet TV, d.o.o.*	Slovenija	Stegne 19, Ljubljana	19%	100%	100%	100%	10,635	-20,678	-2,480	-8,691	
6	TSinpo, d.o.o.	Slovenija	Litostrojska cesta 58 A	19%	100%	100%	100%	16	6	19	2	
7	Optic-Tel, d.o.o.	Slovenija	Cigaletova 10, Ljubljana	19%	100%	100%	100%	5,137	5,117	20	1	
8	Infratel, d.o.o.	Slovenija	Cigaletova 10, Ljubljana	19%	100%	100%	100%	4,981	4,976	6	2	
9	USTANOVA SRČNI SKLAD	Slovenija	Cigaletova 15, Ljubljana	19%	100%	100%	100%	23	11	12	8	

*part of the Group till 30 September 2020

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Subsidiaries

Name	Address	Country	Activity	Tax rate	Share in equity in %	Share in voting rights in %	Share in voting rights in %	Carrying amount of equity in EUR thousand		Profit or loss in EUR thousand		
						2020	2019	2020	2019	2020	2019	
ABROAD												
10	IPKO Telecommunications LLC	Lagija Ulpiana, Rruga »Zija Shemsiu«, Nr 34, Prishtina	Kosovo	telecommunication services	10%	100%	100%	100%	2,995	4,998	-1,601	-1,154
11	SIOL, d.o.o., Zagreb	Margaretska 3, Zagreb	Croatia	telecommunication services	20%	100%	100%	100%	839	800	58	13
12	SIOL d.o.o., Sarajevo	Fra Andela Zvizdovića 1, Sarajevo	Bosnia and Herzegovina	telecommunication services	10%	100%	100%	100%	1,762	1,779	-20	15
13	SIOL, d.o.o., Podgorica	Džordža Vašingtona 108/36A, The Capital Plaza, Podgorica	Montenegro	telecommunication services	9%	100%	100%	100%	2,695	2,935	75	76
14	SIOL, d.o.o., Skopje	Dimitrie Chupovski no. 22A-1/13, Skopje	North Macedonia	telecommunication services	10%	100%	100%	100%	1,363	1,852	78	277
15	SIOL DOO BEOGRAD-PALILULA	Ulica 27. Marta 11, Beograd Palilula	Serbia	telecommunication services	15%	100%	100%	100%	424	425	-4	59
16	GVO Telekommunikation GmbH	Schorlemer StraÙe 48, Ahaus	Germany	building and maintenance works on telecommunication networks	15%	100%	100%	100%	27	28	-1	83
17	SIOL, d.o.o. Prishtina	Pejton, Str. Mujo Ulqinaku 5/1, 10000 Priština	Kosovo	telecommunication services	10%	100%	100%	100%	182	207	-27	7

CHANGES IN THE COMPOSITION OF THE GROUP

PLANET TV

On 30 September 2020, after fulfilling all suspensive conditions from the contract on the sale of business interests in Planet TV, televizijska dejavnost, d.o.o. [hereinafter: Planet TV], concluded on 7 July 2020, Telekom Slovenije transferred its business interests in Planet TV to TV2 ADRIA, d.o.o. The purchase price for the business interests in Planet TV amounted to EUR 5.0 million.

Prior to the transfer of business interests, Telekom Slovenije carried out a capital increase of Planet TV, namely by converting Telekom Slovenije's receivables into company equity.

Statement of profit or loss relating to discontinued operations – Planet TV

In EUR thousand	2020	2019
Sales revenue	5,205	10,525
Other operating income	14	70
Total operating expenses	-14,491	-20,524
Operating profit	-9,272	-9,929
Finance income	63	6
Finance expenses	-10	-17,680
Profit before tax	-9,219	-27,603
Taxes	0	0
Net profit or loss from discontinued operations attributable to the owner	-9,219	-27,603

In addition to income, expenses and profit or loss from discontinued operations after taxation, the net profit or loss from discontinued operations includes the effect of recognised loss upon measuring the fair value and the sale of Planet TV in the amount of EUR 5,635 thousand, under the item of operating expenses.

Loss from the sale of discontinued operations – Planet TV

In EUR thousand	Net assets value
ASSETS	
Intangible assets	94
Property, plant and equipment	277
Other non-current assets	7,154
Current assets	6,134
- of which cash and cash equivalents	207
Total assets	13,659
Non-current liabilities	376
Current liabilities	2,648
Total liabilities	3,024
Fair value of net assets	10,635
Consideration received	5,000
Loss from the sale of discontinued operations	-5,635

Cash flow from discontinued operations – Planet TV

in EUR 000	I - IX 2020	I - XII 2019
Net cash flow from operating activities	-3,661	-6,123
Net cash flow from investing activities	-14	-87
Net cash flow from financing activities	-42	-113
Net decrease of cash	-3,718	-6,323

In 2019, Telekom Slovenije founded a new subsidiary named SiOL Prishtina and an institution named Ustanova Srčni sklad. Telekom Slovenije became the 100% owner of Planet TV, derecognised the non-controlling stake, and finished the sales process of the 100% interest in Blicnet d. o. o., Banja Luka.

6. SEGMENT REPORTING

Segment reporting disclosures are based on an internal reporting system used by management in decision-making. The criterion for segment reporting is the country of a company's headquarters, hence the Group records two segments, namely Slovenia and other countries.

Slovenia – this segment encompasses companies with a registered office in Slovenia and activities in the areas of fixed and mobile telephony telecommunication services, the installation and maintenance of telecommunications network, the provision of multimedia and internet services and content, and digital television. This segment includes: Telekom Slovenije, GVO, Avtenta, TSmedia, Soline, TSinpo, OPTIC-TEL, and Infratel as well as Ustanova Srčni sklad, which organises and collects donations, subsidies and other monetary and non-monetary funds to pursue its charity mission. Planet TV, which is disclosed as a discontinued operation due to the sale, is not disclosed in segments.

Other countries – includes all other Group companies, namely IPKO, SiOL Zagreb, SiOL Sarajevo, SiOL Podgorica, SiOL Skopje, SiOL Beograd, SiOL Prishtina and GVO Telekommunikation GmbH. The core activity of this segment is the provision of telecommunication services.

Sale transactions between individual segments are effected at market values. Intragroup transactions are eliminated in the consolidation procedure and included among eliminations and adjustments.

The Group does not disclose finance income and expenses per segments as the Group's financing is centralised and conducted on the level of the parent company. Disclosures on revenue from external sales by type of revenue are provided in Note 7.

Segment's accounting policies equal those applied by the Group, as outlined in Section 3.

Operating segments 2020

In EUR thousand	Slovenia	Other countries	Eliminations and adjustments*	Total
External sales	592,883	54,294		647,177
Intersegment sales	79,074	5,771	-84,845	0
Total segment revenue	671,957	60,065	-84,845	647,177
Other revenue	7,167	527		7,694
Cost of goods and material sold	-88,488	-1,939		-90,427
Costs of materials and energy	-12,709	-1,837		-14,546
Costs of services	-210,340	-15,696		-226,036
Labour costs	-105,340	-5,761		-111,101
Depreciation/Amortisation	-138,417	-28,862		-167,279
Other operating expenses	-1,479	-1,400		-2,879
Total operating expenses	-556,773	-55,495		-612,268
Operating profit per segment	122,351	5,097	-84,845	42,603
Finance income				2,177
Finance expenses				-10,173
Profit before tax				34,607
Income tax				-636
Deferred taxes				113
Net profit for the period				34,084

*Amount arising from intercompany relations, which is eliminated from the consolidated statements

Other data by segment 31 December 2020	Slovenia	Other countries	Eliminations and adjustments*	Total
Segment assets	1,315,843	132,105	-220,109	1,227,839
Carrying amount of goodwill	3,718	0	0	3,718
Investments in intangible assets	61,208	1,590	0	62,798
Investments in property, plant and equipment	91,571	7,945	0	99,516
Segment liabilities	655,272	121,819	-139,736	637,355

*Amount arising from intercompany relations, which is eliminated from the consolidated statements

Revenue by segments

In EUR thousand	Slovenia	Other countries	Total
Mobile services on end-customer market	207,521	31,889	239,410
Fixed-line telephone services on end-customer market	207,893	21,276	229,169
New sources of revenue	7,209	0	7,209
Wholesale market	143,963	1,128	145,091
Other revenue and merchandise	26,297	1	26,298
Total revenue	592,883	54,294	647,177

In EUR thousand	Slovenia	Other countries	Total
Revenue from services rendered	500,260	53,216	553,476
Sales revenue - goods	92,623	1,078	93,701
Total revenue	592,883	54,294	647,177

Operating segments 2019

In EUR thousand	Slovenia	Other countries	Eliminations and adjustments*	Total
External sales	607,816	57,076		664,892
Intersegment sales	79,798	6,522	-86,320	0
Total segment revenue	687,614	63,598	-86,320	664,892
Other revenue	3,728	2,210		5,938
Cost of goods and material sold	-84,614	-2,386		-87,000
Costs of materials and energy	-13,486	-1,817		-15,303
Costs of services	-218,817	-18,128		-236,945
Labour costs	-103,900	-5,733		-109,633
Depreciation/Amortisation	-143,382	-30,409		-173,791
Other operating expenses	-5,820	-1,135		-6,955
Total operating expenses	-570,019	-59,608		-629,627
Operating profit per segment	121,323	6,200	-86,320	41,203
Finance income				2,905
Finance expenses				-13,843
Profit before tax				30,265
Income tax				-705
Deferred taxes				-1,016
Net profit for the period				28,544

*Amount arising from intercompany relations, which is eliminated from the consolidated statements

Other data by segment 31 December 2019	Slovenia	Other countries	Eliminations and adjustments*	Total
Segment assets	1,316,094	154,337	-220,220	1,250,211
Impairment and write-off of non-financial assets	3,438	141	0	3,579
Carrying amount of goodwill	3,718	0	0	3,718
Investments in intangible assets	34,344	42,766	0	77,110
Investments in property, plant and equipment	85,596	8,496	0	94,092
Segment liabilities	688,256	141,313	-169,946	659,623

*Amount arising from intercompany relations, which is eliminated from the consolidated statements

Revenue by segments

In EUR thousand	Slovenia	Other countries	Total
Mobile services on end-customer market	216,015	32,631	248,646
Fixed-line telephone services on end-customer market	207,583	23,467	231,050
New sources of revenue	6,483	0	6,483
Wholesale market	148,949	978	149,927
Other revenue and merchandise	28,786	0	28,786
Total revenue	607,816	57,076	664,892

In EUR thousand	Slovenia	Other countries	Total
Revenue from services rendered	519,630	55,686	575,316
Sales revenue - goods	88,186	1,390	89,576
Total revenue	607,816	57,076	664,892

7. REVENUE

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I-XII 2020	I-XII 2019	I-XII 2020	I-XII 2019
Mobile services on end-customer market	239,410	248,646	207,727	216,629
Fixed-line telephone services on end-customer market	229,169	231,050	209,839	209,069
New sources of revenue	7,209	6,483	7,209	6,483
Wholesale market	145,091	149,927	144,654	151,243
Other revenue and merchandise	26,298	28,786	22,264	18,807
Total revenue	647,177	664,892	591,693	602,231

The Group and the Company recognises revenue based on a contract with a customer and when goods and services are passed to the customer in the amount that reflects the consideration to which the Group expects to be entitled.

In the case of contracts with customers with a term of 12 or 24 months that include several performance obligations [e.g. partially subsidised mobile phone or other telecommunication device, bundled with the service], the transaction price is allocated to individual performance obligations on the basis of relative stand-alone selling prices of the device and service. The revenue from the sale of goods is recognised immediately, while revenue from services is recognised over the contractual term. In this context, the contract assets are recognised that are associated with the right to consideration for sold goods or services that were rendered but not billed on the reporting date.

Management expects that 75% of the transaction price allocated to unfulfilled obligations as at 31 December 2020 will be recognised as revenue in the amount of EUR 61,604 thousand in the following reporting period. The remaining 25%, i.e. EUR 20,349 thousand, will be recognised in the financial year 2022. All other subscription contracts are valid for one year or less or are charged depending on duration. The Group and the Company used the practical expedient provided under IFRS 15.121 and chose not to disclose inmeasurement about the unsatisfied performance obligations for these contracts.

In 2020, the Group recognised revenue in amount of EUR 5,034 thousand, which was included in the contract liability balance at the beginning of the period.

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I-XII 2020	I-XII 2019	I-XII 2020	I-XII 2019
Revenue from services rendered	553,476	575,308	491,855	508,374
Revenue from sale of goods	93,701	89,584	99,838	93,857
Total revenue	647,177	664,892	591,693	602,231

Revenues of the Telekom Slovenije Group stood at EUR 647.2 million or 3% less than in the same period of 2019.

In 2020, revenue was influenced by measures relating to the state-wide declaration of two waves of the COVID-19 epidemic, such as the closure of Telekom centres, lockdown of public life and restricted passage across state borders.

As for the mobile services on end-customer market, revenue is lower mainly due to the restrictions relating to the restricted passage across state borders due to the declaration of two waves of the COVID-19 epidemic and consequently lower revenue from user roaming in foreign operator networks. This has resulted in lower revenue both for Telekom Slovenije and IPKO. The lower revenue of the latter was additionally impacted by the non-arrival of workers abroad to Kosovo. Revenue is also declining due to the optimisation of subscribers whose monthly subscription includes a larger number of services.

In the fixed-line telephone services on end-customer market, revenue is lower as a result of the decrease in revenue from fixed-line phone services, which is the result of a decline in classical connections and their replacement with mobile and IP-telephony, as well as due to lower revenue from IPKO, which is mainly the result of restrictions relating to the declared COVID-19 epidemic and the non-arrival of workers from abroad.

Under the **new sources of revenue**, we record revenue arising from financial services, energy sector, eHealth and insurance. In 2020, all of the above sectors recorded growth, with the exception of financial services, which remained at the 2019 level.

Revenue on the **wholesale market** is lower than the one achieved in 2019, mainly due to lower revenue arising from foreign users' roaming in out mobile networks.

Other revenue and merchandise are lower compared to 2019 due to lower revenues of subsidiaries outside the telecommunications activity, which is the result of two waves of the COVID-19 epidemic declared.

In comparison with the previous year, revenue from e-commerce, recorded by the goods sold (mobile, fixed or other goods), increased by 55%.

OPERATING LEASE INCOME

In 2020, the Telekom Slovenije Group generated EUR 9,468 thousand of revenue from lease, while the 2019 revenue from lease amounted to EUR 10,983.

Telekom Slovenije generated EUR 10,392 thousand of revenue from lease in 2020, while the 2019 revenue from lease amounted to EUR 11,711.

Lease payment maturity analysis - undiscounted lease payments to be received in the period

Maturity date in EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	2020	2019	2020	2019
- up to 1 year	6,377	6,654	7,168	7,535
- from 1 up to 2 years	10,790	6,049	11,581	6,930
- from 2 up to 3 years	5,964	10,448	6,681	11,295
- from 3 up to 4 years	5,814	5,776	6,530	6,329
- from 4 up to 5 years	5,723	5,632	5,921	6,170
- over 5 years	34,928	34,737	35,509	34,143

8. OTHER OPERATING INCOME

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I-XII 2020	I-XII 2019	I-XII 2020	I-XII 2019
Government grants and other aids	2,910	964	1,228	318
Gains on disposal of property, plant and equipment	278	680	182	628
Revaluation other income	101	184	1	6
Revenue from write-off of liabilities from contracts with customers	22	9	14	8
Revenue from humanitarian foundation	60	35	0	0
Other income	4,323	4,066	3,829	1,994
Total other income	7,694	5,938	5,254	2,954

Other income mainly refers to compensations received from the insurance company in the amount of EUR 3,256 thousand [2019: EUR 1,120 thousand]. Income from government grants and other aids received mostly comprises state aid measures intended to alleviate COVID-19 epidemic effects. In accordance with the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy, some of the Telekom Slovenije Group companies utilised individual state aid measures:

- partial exemption from payment of contributions for pension and disability insurance was used by the following companies: Telekom Slovenije, GVO, Avtenta, TSinpo, Soline in the total amount of EUR 1,444 thousand,
- reimbursement of compensation during temporary absence from work due to illness or injury borne by the employer was used by the following companies: Telekom Slovenije, GVO, Avtenta, TSinpo, TSmedia, Soline in the total amount of EUR 134 thousand,
- reimbursement of salary compensation during furlough and for the period in which an employee could not perform work due to force majeure was used by the following companies: Telekom Slovenije, GVO, Avtenta, TSmedia, TSinpo, Soline in the total amount of EUR 174 thousand,
- reimbursement of compensation for the quarantine period was used by the following companies: Telekom Slovenije, GVO, Soline in the total amount of EUR 22 thousand,
- reimbursement of fixed costs was used by Soline in the total amount of EUR 89 thousand
- reimbursement of additionally paid crisis allowance was used by the following companies: Telekom Slovenije, GVO, Avtenta, TSmedia, TSinpo, Soline in the total amount of EUR 25 thousand.

The companies that used exemption from payment of contributions for pension and disability insurance paid out crisis allowance in the total amount of EUR 797 thousand [Note 10].

9. COST OF GOODS SOLD, COSTS OF MATERIALS, ENERGY AND SERVICES

COST OF GOODS SOLD

Cost includes mobile and fixed telephony goods and other goods. Mobile telephony goods include mobile phones, whereas fixed telephony goods comprise TV sets, tablets, laptops, IT goods, and other goods consist of household equipment, material and electricity. In 2020, the cost of goods sold amounted to EUR 90,427 thousand in the Telekom Slovenije Group [2019: EUR 87,000 thousand], while the costs of goods sold in Telekom Slovenije totalled at EUR 98,493 thousand [2019: EUR 92,604 thousand].

COSTS OF MATERIALS AND ENERGY

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I-XII 2020	I-XII 2019	I-XII 2020	I-XII 2019
Costs of material	3,092	3,703	1,635	1,415
Costs of energy	11,454	11,600	9,117	9,231
Total costs of materials and energy	14,546	15,303	10,752	10,646

The costs of material mainly include material for network maintenance, office supplies and computer accessories, sales promotion material, professional literature and small tools. The bulk of the costs of energy is accounted for by electricity and fuel.

COSTS OF SERVICES

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I–XII 2020	I–XII 2019	I–XII 2020	I–XII 2019
Telecommunications services	110,722	115,096	109,705	115,870
Costs of leased lines, networks and platforms	5,819	6,273	8,365	8,752
Multimedia content	16,559	18,432	17,845	20,020
Costs of subcontractors	34,067	35,403	28,409	28,058
Maintenance of property, plant and equipment	21,335	22,407	21,912	23,624
Costs of other services	37,534	39,334	31,131	31,799
Total costs of services	226,036	236,945	217,367	228,123

Compared to 2019, the costs of services in 2020 were EUR 10,909 thousand lower. In 2020, the declaration of the epidemic resulted in lower revenue from users roaming in foreign operator networks and foreign user roaming in our mobile network, which also resulted in lower costs of telecommunications services. The costs of leased lines, networks and platforms also declined.

The costs of maintaining property, plant and equipment are lower as a result of optimising the costs of access and core network and IT solutions.

The costs of other services mainly comprise advertising and sponsorship costs in the amount of EUR 7,271 thousand (2019: EUR 9,106 thousand), costs of intellectual and personal services in the amount of EUR 7,480 thousand (2019: EUR 7,794 thousand), costs of insurance premiums in the amount of EUR 2,825 thousand (2019: EUR 2,976 thousand) and costs of other services in the amount of EUR 10,191 thousand (2019: EUR 10,371 thousand).

In the costs of leasing lines, networks and platforms (not subject to IFRS 16 standard) are also included costs related to variable lease payments that amount to EUR 159 thousand (2019: EUR 113 thousand) for the Telekom Slovenije Group, and EUR 41 thousand (2019: EUR 76 thousand) for Telekom Slovenije.

10. LABOUR COSTS

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I–XII 2020	I–XII 2019	I–XII 2020	I–XII 2019
Salaries and compensations	96,077	93,346	74,529	72,170
Social security contributions	18,696	18,291	15,179	14,915
- of which defined contribution	11,996	11,901	9,663	9,650
Other labour costs	12,429	12,452	8,903	8,901
Provisions for jubilee rewards	82	28	382	369
Provisions for severance pays	734	539	47	0
- of which provisions for restructuring	273	103	0	0
Capitalised own products and services	-16,917	-15,023	-5,720	-4,585
Total labour costs	111,101	109,633	93,320	91,770

Of the total of EUR 19,037 thousand of capitalised own products and services (2019: EUR 16,837 thousand), the **Telekom Slovenije Group** disclosed EUR 16,917 thousand (2019: EUR 15,023 thousand) under labour costs. The remaining value is disclosed under Other operating expenses (Note 11). Services rendered for the needs of the Group are capitalised among intangible assets and property, plant and equipment (Notes 15 and 16).

Other labour costs include the paid-out crisis allowance in the total amount of EUR 797 thousand, which was paid out by the companies that availed themselves of exemption from payment of contributions for pension and disability insurance (Note 8).

In 2020, the average number of employees by hours worked in the Telekom Slovenije Group was 3,176.80 (2019: 3,286.24).

Of the total of EUR 6,629 thousand of capitalised own products and services (2019: EUR 5,345 thousand), **Telekom Slovenije** disclosed EUR 5,720 thousand (2019: EUR 5,345 thousand) under labour costs. The remaining value is disclosed under Other operating expenses (Note 11). Services rendered for the needs of the Group are capitalised among intangible assets and property, plant and equipment (Notes 15 and 16).

In 2020, the average number of employees by hours worked in Telekom Slovenije was 2,103.37 (2019: 2,102.11).

Employee structure by level of education

Level/Number of employees	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Level I-IV	312	324	116	120
Level V	1,022	1,049	722	740
Level VI	706	708	384	386
Level VII	1,191	1,181	829	817
Level VIII	161	167	114	119
Total	3,392	3,429	2,165	2,182

11. OTHER OPERATING EXPENSES

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I-XII 2020	I-XII 2019	I-XII 2020	I-XII 2019
Provisions	-4,587	-9	-4,500	0
Loss on disposal of intangible assets and property, plant and equipment	564	550	552	533
Impairment and write-off of inventories	1,231	1,991	1,000	1,063
Impairment and write-off of trade and other receivables	2,487	1,463	2,038	1,281
Adjustment and write-off of contract assets	795	1,011	769	990
Impairment of intangible assets and property, plant and equipment	222	0	59	0
Impairment of right-of-use assets	35	5	39	4
Capitalised own products and services	-2,120	-1,814	-909	-760
Other humanitarian expenditure – Srčni sklad	63	37	0	0
Other expenses	4,189	3,721	3,686	3,464
Total other operating expenses	2,879	6,955	2,734	6,575

In 2020, expenses for provisions are negative both in the Group and in the Company due to a reversal of provisions for probable liabilities resulting from lawsuits (Note 31).

Other expenses mainly refer to compensations from settlements, considerations and other costs in the amount of EUR 1,056 thousand (2019: EUR 920 thousand), fee for the use of building land in the amount of EUR 610 thousand (2019: EUR 601 thousand) and other costs.

12. FINANCE INCOME AND FINANCE EXPENSES

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I-XII 2020	I-XII 2019	I-XII 2020	I-XII 2019
Dividend income	8	159	841	159
Other revenue from shares and interests	0	1,292	0	1,292
Interest income	1,375	1,435	4,087	5,026
Net exchange gains	688	0	691	1
Revenue from write-off of liabilities for right-of-use assets	75	15	75	15
Other finance income	31	4	30	4
Total finance income	2,177	2,905	5,724	6,497
Interest on bonds issued	1,992	1,992	1,992	1,992
Interest expense from borrowings	4,825	7,898	4,804	7,872
Net exchange loss	0	91	1	90
Impairments of investments	0	108	8,888	17,703
Impairment and write-off of loans	0	0	0	7,723
Interest expenses from right-of-use assets	2,348	2,331	2,352	2,188
Other finance expenses	1,008	1,423	464	889
Total finance expenses	10,173	13,843	18,501	38,457
Financial result	-7,996	-10,938	-12,777	-31,960

In 2020, **Telekom Slovenije** sold 100% interest in its subsidiary Planet TV. The purchase consideration amounted to EUR 5,000 thousand. The Company realized a loss in the amount of EUR 8,888 thousand from sale of investment in Planet TV [Impairments of investments].

In 2019, the Company impaired loans granted to Planet TV in the amount of EUR 7,723 thousand [Impairment and write-off of loans] based on an estimate of cash flows available for repayment of loans. Based on the decision of the International Court of Arbitration of the International Chamber of Commerce in the arbitration proceedings between Telekom Slovenije and Antenna Slovenia B.V., the value of the option for a 34% business interest in Planet TV, purchased in 2019, was determined at EUR 17,595 thousand [Impairment and write-off of investments].

13. INCOME TAX, DEFERRED TAX ASSETS AND LIABILITIES

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I-XII 2020	I-XII 2019	I-XII 2020	I-XII 2019
Current tax	-636	-705	0	0
Deferred tax	244	-875	152	-1,130
Other taxes not disclosed under other items	-131	-141	-131	-141
Total tax	-523	-1,721	21	-1,271

Other taxes not disclosed under other items include the write-off of the withholding tax paid abroad, which cannot be claimed as the Company discloses tax loss and has no tax liability in 2020.

Reconciliation of the actual and accounted tax expenses considering the effective tax rate

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	2020	2019	2020	2019
Profit before tax	34,607	30,265	24,153	1,856
Income tax using the prescribed tax rate	-6,575	-561	-4,589	-353
Tax-free dividends received	154	96	154	96
Tax relief used in the current period	240	885	0	657
Reversal of tax relief used in previous periods	-1,034	-4	-1,034	-3
Non-deductible expenses	-3,356	-6,991	-3,242	-6,892
Deductible expenses from impairment in subsidiaries	13,472	1,270	13,473	1,270
Tax loss	-6,061	0	-6,061	0
Unused tax relief	1,450	4,095	1,450	4,095
Other items (corrections, withholding tax)	1,187	-511	-130	-141
Total tax	-523	-1,721	21	-1,271
Effective tax rate	1.5%	5.7%	0.0%	68.5%

As at 31 December 2020, the tax loss of the **Telekom Slovenije Group** amounts to EUR 116,606 thousand (31 December 2019: EUR 141,450 thousand).

As at 31 December 2020 the tax loss of **Telekom Slovenije** amounts to EUR 91,967 thousand (31 December 2019: EUR 60,069 thousand). In 2020, the Company disclosed tax loss in the amount of EUR 31,898 thousand in its tax returns.

The Group's balance of unused tax reliefs amounts to EUR 66,508 thousand in 2020, whereas the 2019 amount was EUR 55,700 thousand.

As at 31 December 2020, Telekom Slovenije's balance of unused tax reliefs amounts to EUR 65,771 thousand (31 December 2019: EUR 54,551 thousand).

Deferred tax assets and liabilities are calculated on the basis of temporary differences under the balance sheet liability method using the corporate income tax rate in the following years.

In the period concerned, corporate income was taxed at a 19% tax rate (2019: 19%) in Slovenia. For other companies, tax rates are defined in the table of subsidiaries under Note 5.

Deferred tax assets

In EUR thousand	Telekom Slovenije Group				Telekom Slovenije			
	2020	2019	Through profit or loss	Through comprehensive income	2020	2019	Through profit or loss	Through comprehensive income
Intangible assets, and property, plant and equipment	17,000	17,914	-914		16,990	17,903	-913	
Investments	1,232	999		233	1,232	999		233
Trade receivables	2,493	2,431	62		2,371	2,262	109	
Tax loss carry forwards and unused tax reliefs	23,156	21,778	1,377		23,155	21,778	1,377	
Provisions	567	922	-355		181	603	-422	
Deferred tax assets	44,448	44,044	170	233	43,929	43,545	151	233

Deferred taxes from intangible assets and property, plant and equipment arise from the difference between the operating and tax amortisation.

As at 31 December 2020, the Group and the Company have EUR 11,742 thousand in deferred tax assets arising from unused investment tax reliefs. In 2020, the Group and the Company formed the relating deferred tax assets only for the part that is to be used in view of the projection up to 2025. In line with the strategic business plan, the deferred tax assets arising from investment relief will be fully used in the period covered by the strategic business plan.

Using the deferred tax assets from unused tax losses carried forward is based on the criterion of continuous use of the tax loss and the possibility of lowering the tax base by 50% at the most. As at 31 December 2020, the Group and the Company have EUR 11,413 thousand in deferred tax assets arising from tax loss. The Group and the Company did not recognize deferred tax assets from the tax loss generated in 2020 in the amount of EUR 31,828 thousand. In view of the profit planned in the strategic business plan period, the Group and the Company will, in 2025, use the unused tax losses carried forward and the deferred taxes from tax losses in addition to unused investment tax relief.

The Group and the Company consider two criteria in tax planning, namely their strategic business plan and applicable legislation. The Group and the Company have a confirmed strategic business plan for the next five years, from which future taxable profits arise. In tax planning, the Group and the Company prepared several scenarios of using tax reliefs over the coming 10-year period, according to which deferred taxes arising from unused investment tax reliefs in the plan period of 5 years will be used fully, while unused tax losses carried forward, which are not subject to legal limitations, will begin to be used in 2025 following a different dynamic.

The Group and the Company prepared no simulation of using unused tax losses and unused tax reliefs for the period beyond 10 years, as such estimates are unreliable.

Deferred tax liabilities

In EUR thousand	Telekom Slovenije Group				Telekom Slovenije			
	2020	2019	Through profit or loss	Through other comprehensive income	2020	2019	Through profit or loss	Through other comprehensive income
Intangible assets, and property, plant and equipment	1,328	1,402	-74	0	0	0	0	0
Investments	235	274	0	-39	235	274	0	-39
Deferred tax liabilities	1,563	1,676	-74	-39	235	274	0	-39

Movement of deferred tax assets

In EUR thousand	Telekom Slovenije Group	Telekom Slovenije
Balance as at 1 January 2019	45,215	44,701
Utilisation	-10,074	-10,030
Write off	-990	-837
Measurement	9,893	9,711
Balance as at 31 December 2019	44,044	43,545
Utilisation	-5,704	-5,662
Elimination	-1,957	-1,806
Measurement	8,065	7,852
Balance as at 31 December 2020	44,448	43,929

Movement of deferred tax liabilities

In EUR thousand	Telekom Slovenije Group	Telekom Slovenije
Balance as at 1 January 2019	1,910	238
Elimination	-270	0
Measurement	36	36
Balance as at 31 December 2019	1,676	274
Elimination	-113	-39
Balance as at 31 December 2020	1,563	235

In Telekom Slovenije, deductible temporary differences, tax losses and tax reliefs, for which no deferred tax assets were recognized, amount to:

- EUR 24,338 thousand for 2019, while deferred tax assets would amount to EUR 4,624 thousand
- EUR 46,203 thousand for 2020, while deferred tax assets would amount to EUR 8,778 thousand.

In the Telekom Slovenije Group, deductible temporary differences, tax losses and tax reliefs, for which no deferred tax assets were recognized, amount to:

- EUR 32,959 thousand in 2019, while deferred tax assets would amount to EUR 6,262 thousand
- EUR 47,634 thousand for 2020, while deferred tax assets would amount to EUR 9,050 thousand.

14. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period is calculated on the basis of data about the number of outstanding ordinary shares, taking into account any acquisitions and disposals within the period and the time during which the shares participated in the generation of profit.

As the Company has no dilutive potential ordinary shares, the basic earnings per share equal diluted earnings per share.

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I–XII 2020	I–XII 2019 Restated	I–XII 2020	I–XII 2019
Net profit/loss of continuing operations	34,084	28,544	24,174	585
Weighted average number of ordinary shares for earnings per share	6,505,478	6,505,478	6,505,478	6,505,478
Earnings per share from continuing operations	5.24	4.39	3.72	0.09
Net profit or loss from discontinued operations	-9,219	-27,603		
Earnings per share from discontinued operations	-1.42	-4.24	0.00	0.00
Total net profit	24,865	941	24,174	585
Total earnings per share	3.82	0.14	3.72	0.09

Weighted average number of ordinary shares

	Telekom Slovenije Group		Telekom Slovenije	
	2020	2019	2020	2019
Weighted average number of ordinary shares for earnings per share	6,535,478	6,535,478	6,535,478	6,535,478
Less treasury shares of the Company	-30,000	-30,000	-30,000	-30,000
Total	6,505,478	6,505,478	6,505,478	6,505,478

15. INTANGIBLE ASSETS

Concessions refer to the right to use the frequency spectrum GSM, UMTS and LTE on the territory of the Republic of Slovenia, and GSM in Kosovo in the total amount of EUR 65,910 thousand [2019: EUR 75,282 thousand]. Useful lives of individual concessions are disclosed in Note 46 in the table Concessions for mobile phone services. Under concessions and licences, the Group also discloses programme rights and licences for use of computer software.

Intangible assets also include the values of the Intell customer list in the amount of EUR 133 thousand [2019: EUR 369 thousand] and the IZImobil customer list in the amount of EUR 186 thousand [2019: EUR 2,410 thousand]. According to the value estimates conducted on the customer list, no impairment is needed.

Goodwill of EUR 3,718 thousand in the Telekom Slovenije Group occurred during the takeover of TSinpo (EUR 115 thousand) in 2017 and the takeover and acquisition of Debitel in 2015 (EUR 3,603 thousand). At the end of year 2020, the Group and the Company assessed the recoverable amount of goodwill arising from the acquisition of Debitel. The appraisal was conducted by a certified business appraiser. For the purpose of appraising the recoverable amount of non-current assets of the Debitel CGU, the Group and the Company

applied earnings-based valuation with the discounted cash flows method. It was established that the recoverable value of non-current assets of the Debitel CGU exceeds their carrying amount, thus requiring no impairment of goodwill.

TELEKOM SLOVENIJE GROUP

As at 31 December 2020, the Group disclosed contractual commitments for intangible assets in the amount of EUR 6,057 thousand (2019: EUR 7,074 thousand), which relate to the set-up of computer systems and to software licences.

Changes in intangible assets of the Telekom Slovenije Group in 2020

In EUR thousand	Goodwill	Concessions and licences	Costs of obtaining contracts with customers	Computer software	Other intangible assets	Assets not yet available for use	Total
Cost							
Balance as at 1 January 2020	107,654	359,630	16,683	265,574	66,740	14,612	830,894
Additions	0	614	0	114	269	59,954	60,951
Assets generated in the Group	0	0	0	193	0	1,654	1,847
Transfer into use	0	36,066	7,775	16,443	244	-60,528	0
Disposals	0	-31,744	-3,558	-4,017	-89	0	-39,408
Other transfers*	0	1	0	1,484	-3	-172	1,310
Balance as at 31 December 2020	107,654	364,567	20,900	279,791	67,161	15,520	855,594
Accumulated depreciation and impairment							
Balance as at 1 January 2020	103,936	254,855	7,944	228,473	40,473	267	635,948
Disposals	0	-31,562	-3,558	-3,991	-89	0	-39,200
Other transfers*	0	-1	-1	1,189	-2	0	1,185
Amortisat	0	32,500	6,069	23,370	5,688	0	67,627
Balance as at 31 December 2020	103,936	255,792	10,454	249,041	46,070	267	665,560
Carrying amount							
Balance as at 1 January 2020	3,718	104,775	8,739	37,101	26,267	14,345	194,945
Balance as at 31 December 2020	3,718	108,775	10,446	30,750	21,091	15,253	190,033

*Other transfers include transfers between intangible assets and property, plant and equipment, and transfers among groups of assets.

Changes in intangible assets of the Telekom Slovenije Group in 2019

In EUR thousand	Goodwill	Concessions and licences	Costs of obtaining contracts with customers	Computer software	Other intangible assets	Assets not yet available for use	Total
Cost							
Balance as at 1 January 2019	107,654	322,548	18,423	252,655	65,920	15,904	783,104
Additions	0	38,889	0	757	27	35,885	75,558
Assets generated in the Group	0	82	0	105	0	1,365	1,552
Transfer into use	0	6,603	8,131	19,662	791	-35,187	0
Disposals	0	-8,126	-9,871	-7,065	0	0	-25,062
Other transfers*	0	-553	0	-539	0	-3,355	-4,447
Balance as at 31 December 2019	107,654	359,447	16,683	265,575	66,738	14,612	830,709
Accumulated depreciation and impairment							
Balance as at 1 January 2019	103,936	228,031	9,188	213,058	39,617	267	594,097
Disposals	0	-8,126	-9,871	-7,018	0	0	-25,015
Other transfers*	0	9	0	0	-4,766	0	-4,757
Amortisation	0	34,760	8,627	22,429	5,623	0	71,439
Balance as at 31 December 2019	103,936	254,674	7,944	228,469	40,474	267	635,764
Carrying amount							
Balance as at 1 January 2019	3,718	94,517	9,235	39,597	26,303	15,637	189,007
Balance as at 31 December 2019	3,718	104,773	8,739	37,106	26,264	14,345	194,945

*Other transfers include transfers between intangible assets and property, plant and equipment, and transfers among groups of assets.

Major additions in intangible assets mostly relate to the purchase and development of software.

TELEKOM SLOVENIJE

As at 31 December 2020, the Company disclosed contractual commitments for intangible assets in the amount of EUR 6,585 thousand (2019: EUR 7,924 thousand), which relate to the set-up of computer systems and to software licences.

Changes in intangible assets of Telekom Slovenije in 2020

In EUR thousand	Goodwill	Concessions and licences	Costs of obtaining contracts with customers	Computer software	Other intangible assets	Assets not yet available for use	Total
Cost							
Balance as at 1 January 2020	3,602	216,896	16,683	253,812	18,649	14,111	523,753
Additions	0	0	0	0	0	61,858	61,858
Assets generated in the Company	0	0	0	0	0	1,606	1,606
Transfer into use	0	38,695	7,775	16,317	244	-63,031	0
Disposals	0	-31,583	-3,558	-3,926	0	0	-39,067
Other transfers*	0	0	0	1,277	0	-1	1,276
Balance as at 31 December 2020	3,602	224,008	20,900	267,480	18,893	14,543	549,426
Accumulated depreciation and impairment							
Balance as at 1 January 2020	0	156,875	7,944	215,028	11,214	0	391,061
Disposals	0	-31,469	-3,558	-3,926	0	0	-38,953
Other transfers*	0	-3	-1	1,187	0	0	1,183
Amortisation	0	22,462	6,069	21,993	4,160	0	54,684
Balance as at 31 December 2020	0	147,865	10,454	234,282	15,374	0	407,975
Carrying amount							
Balance as at 1 January 2020	3,602	60,021	8,739	38,784	7,435	14,111	132,692
Balance as at 31 December 2020	3,602	76,143	10,446	33,198	3,519	14,543	141,451

*Other transfers include transfers between intangible assets and property, plant and equipment, and transfers among groups of assets.

Changes in intangible assets of Telekom Slovenije in 2019

In EUR thousand	Goodwill	Concessions and licences	Costs of obtaining contracts with customers	Computer software	Other intangible assets	Assets not yet available for use	Total
Cost							
Balance as at 1 January 2019	3,602	213,039	18,423	234,491	17,981	14,808	502,344
Additions	0	0	0	0	0	32,582	32,582
Assets generated in the Company	0	0	0	0	0	1,174	1,174
Transfer into use	0	6,332	8,131	19,322	668	-34,453	0
Disposals	0	-2,518	-9,871	0	0	0	-12,389
Other transfers*	0	43	0	-1	0	0	42
Balance as at 31 December 2019	3,602	216,896	16,683	253,812	18,649	14,111	523,753
Accumulated depreciation and impairment							
Balance as at 1 January 2019	0	136,551	9,188	194,075	7,159	0	346,973
Disposals	0	-2,518	-9,871	0	0	0	-12,389
Other transfers*	0	9	0	0	0	0	9
Amortisation	0	22,833	8,627	20,953	4,055	0	56,468
Balance as at 31 December 2019	0	156,875	7,944	215,028	11,214	0	391,061
Carrying amount							
Balance as at 1 January 2019	3,602	76,488	9,235	40,416	10,822	14,808	155,371
Balance as at 31 December 2019	3,602	60,021	8,739	38,784	7,435	14,111	132,692

*Other transfers include transfers between intangible assets and property, plant and equipment, and transfers among groups of assets.

The Group companies have unlimited title on intangible assets, which are free of encumbrances.

As capitalised non-current deferred costs of development, the Group and the Company disclose internal and external development in projects/development activities or activities that meet the criteria of recognition under intangible assets. The key judgement elements include technical feasibility of the project, the purpose of completion, as well as the ability to use or sell and thus generate future economic benefits. Development projects involve strategic projects that are pre-planned and for which adequate technical, financial and human resources that are key for project completion are ensured for them, and result in significantly improved products, processes, systems or services prior to the use itself.

As at 31 December 2020, non-current development costs amounted to EUR 16,025 thousand for the Telekom Slovenije Group, and EUR 15,377 thousand for Telekom Slovenije, and mainly refer to the development of computer software. The useful lives of non-current deferred costs of development are finite, and follow the estimated useful lives of intangible fixed assets with straight-line annual amortisation. The balance of non-current deferred costs of development is the deductible item in the calculation of accumulated profit.

Changes in non-current deferred costs of development of the Telekom Slovenije Group in 2020

In EUR thousand	Computer software Own work - development	Other intang. non-curr. assets Own work - development	Computer software External - development	Other intang. non-curr. assets External - development	Ongoing investments	Total
Cost						
Balance as at 1 January 2020	10,100	4	31,456	318	3,670	45,548
Additions - external development	0	0	0	0	3,212	3,212
Additions - own development	0	0	0	0	307	307
Transfer from ongoing investments	440	0	3,261	0	-3,701	0
Disposals	-63	0	-23	0	0	-86
Balance as at 31 December 2020	10,477	4	34,694	318	3,488	48,981
Accumulated depreciation and impairment						
Balance as at 1 January 2020	7,491	2	18,411	64	0	25,968
Disposals	-22	0	-22	0	0	-44
Amortisation	1,338	1	5,677	16	0	7,032
Balance as at 31 December 2020	8,807	3	24,066	80	0	32,956
Carrying amount						
Balance as at 1 January 2020	2,609	2	13,045	254	3,670	19,580
Balance as at 31 December 2020	1,670	1	10,628	238	3,488	16,025

Changes in non-current deferred costs of development of the Telekom Slovenije Group in 2019

In EUR thousand	Computer software Own work - development	Other intang. non-curr. assets Own work - development	Computer software External - development	Other intang. non-curr. assets External - development	Ongoing investments	Total
Cost						
Balance as at 1 January 2019	9,550	4	27,927	318	3,711	41,510
Additions - external development	0	0	0	0	3,583	3,583
Additions - own development	0	0	0	0	458	458
Transfer from ongoing investments	550	0	3,532	0	-4,082	0
Disposals	0	0	-3	0	0	-3
Balance as at 31 December 2019	10,100	4	31,456	318	3,670	45,548
Accumulated depreciation and impairment						
Balance as at 1 January 2019	6,179	1	12,812	47	0	19,039
Disposals	0	0	-3	0	0	-3
Amortisation	1,312	1	5,602	17	0	6,932
Balance as at 31 December 2019	7,491	2	18,411	64	0	25,968
Carrying amount						
Total as at 1 January 2019	3,371	3	15,115	271	3,711	22,471
Total as at 31 December 2019	2,609	2	13,045	254	3,670	19,580

Changes in non-current deferred costs of development of Telekom Slovenije in 2020

In EUR thousand	Computer software Own work - development	Other intang. non-curr. assets Own work - development	Computer software External - development	Other intang. non-curr. assets External - development	Ongoing investments	Total
Cost						
Balance as at 1 January 2020	8,264	4	29,904	318	3,404	41,894
Additions - external development	0	0	0	0	3,105	3,105
Additions - own development	0	0	0	0	259	259
Transfer from assets under construction	424	0	3,154	0	-3,578	0
Disposals	-49	0	-3	0	0	-52
Balance as at 31 December 2020	8,639	4	33,055	318	3,190	45,206
Accumulated depreciation and impairment						
Balance as at 1 January 2020	5,984	2	17,122	64	0	23,172
Disposals	-7	0	-2	0	0	-9
Amortisation	1,144	1	5,505	16	0	6,666
Balance as at 31 December 2020	7,121	3	22,625	80	0	29,829
Carrying amount						
Balance as at 1 January 2020	2,280	2	12,782	254	3,404	18,722
Balance as at 31 December 2020	1,518	1	10,430	238	3,190	15,377

Changes in non-current deferred costs of development of Telekom Slovenije in 2019

In EUR thousand	Computer software Own work - development	Other intang. non-curr. assets Own work - development	Computer software External - development	Other intang. non-curr. assets External - development	Ongoing investments	Total
Cost						
Balance as at 1 January 2019	7,873	4	26,547	318	3,395	38,137
Additions - external development	0	0	0	0	3,453	3,453
Additions - own development	0	0	0	0	303	303
Transfer from ongoing investments	391	0	3,357	0	-3,747	1
Balance as at 31 December 2019	8,264	4	29,904	318	3,404	41,894
Accumulated depreciation and impairment						
Balance as at 1 January 2019	4,872	1	11,698	47	0	16,618
Amortisation	1,112	1	5,424	17	0	6,554
Balance as at 31 December 2019	5,984	2	17,122	64	0	23,172
Carrying amount						
Balance as at 1 January 2019	3,001	3	14,849	271	3,395	21,519
Balance as at 31 December 2019	2,280	2	12,782	254	3,404	18,722

16. PROPERTY, PLANT AND EQUIPMENT

In 2020, significant increases in property, plant and equipment in use refer mostly to the construction and upgrade of cable network and obtainment of cable lines, as well as of telecommunications and other equipment. The item of other equipment comprises modems, other equipment at clients, computer equipment, furniture, cars and other equipment.

Self-constructed property, plant and equipment by in the Group and the Company relate to services that are rendered within the Group and the Company and mostly refer to the set-up of base stations, air-conditioners, electrical power devices and terminal equipment at clients.

The costs of borrowing, which may be directly attributed to the purchase, construction or production of an asset under construction, are part of the cost of said asset. The costs of borrowing in relation to the procurement and construction of assets are capitalised if they are connected to the procurement of a significant asset, whose construction would take over 24 months. In 2020, over 80% of investments were completed in a period shorter than 24 months (over 70% in a period of up to 12 months), including in the segment of constructing cable networks, as they mostly involve upgrading existing networks. In 2020, the Group drew no loans specifically for the purchase or construction of assets. In 2020, the costs of taking out loans for an unspecified purpose were recorded by the Group as costs of the period in which most of the assets were put into use within a period shorter than 12 months.

TELEKOM SLOVENIJE GROUP

As at 31 December 2020, contractual commitments for property, plant and equipment amounted to EUR 5,273 thousand (2019: EUR 5,582 thousand) and largely refer to the set-up of the telecommunications network.

Changes in property, plant and equipment of the Telekom Slovenije Group in 2020

In EUR thousand	Land, buildings, cable lines	Cable network	Telephone exchanges	Mobile network equipment	Other equipment	Assets under construction	Other	Total
Cost								
Balance as at 1 January 2020	466,622	1,130,374	111,950	506,633	407,157	34,727	23	2,657,486
Difference from translation to the presentation currency	0	-7	0	0	-3	-23	0	-33
Additions	20	3,066	4	1,377	4,138	74,916	0	83,521
Fixed assets generated in the Group	0	47	0	39	0	15,909	0	15,995
Transfer to use	12,912	33,471	1,649	9,462	29,114	-86,607	0	1
Disposals	-327	-4,432	-8,075	-186,735	-57,997	-26	0	-257,592
Other transfers*	401	3,682	0	-4,196	-40	-2,494	88	-2,559
Balance as at 31 December 2020	479,628	1,166,201	105,528	326,580	382,369	36,402	111	2,496,819
Accumulated depreciation and impairment								
Balance as at 1 January 2020	193,284	911,852	101,077	447,344	336,156	11,390	0	2,001,103
Difference from translation to the presentation currency	0	-22	0	4	-728	0	0	-746
Additions	0	0	0	20	16	0	0	36
Disposals	-275	-4,347	-8,057	-186,611	-54,521	0	0	-253,811
Depreciation	12,950	22,634	4,219	16,922	30,380	0	0	87,105
Other transfers*	320	20	0	-1,761	-91	0	0	-1,512
Balance as at 31 December 2020	206,279	930,137	97,239	275,918	311,212	11,390	0	1,832,175
Carrying amount								
Balance as at 1 January 2020	273,338	218,522	10,873	59,289	71,001	23,337	23	656,383
Balance as at 31 December 2020	273,349	236,064	8,289	50,662	71,157	25,012	111	664,644

*Other transfers include transfers between intangible assets and property, plant and equipment, and transfers among groups of assets.

Changes in property, plant and equipment of the Telekom Slovenije Group in 2019

In EUR thousand	Land, buildings, cable lines	Cable network	Telephone exchanges	Mobile network equipment	Other equipment	Assets under construction	Other	Total
Cost								
Balance as at 1 January 2019	449,929	1,099,127	125,008	518,677	404,568	37,035	167	2,634,511
Difference from translation to the presentation currency	0	3	0	0	5	-4	0	4
Additions	35	2,551	3	1,170	3,822	72,236	0	79,817
Fixed assets generated in the Group	0	53	0	65	0	14,157	0	14,275
Transfer to use	14,682	29,374	4,280	8,779	27,695	-84,810	0	0
Disposals	-1,042	-5,619	-17,341	-25,039	-29,349	-5	0	-78,395
Other transfers*	3,013	4,885	0	2,982	416	-3,881	-144	7,271
Balance as at 31 December 2019	466,617	1,130,374	111,950	506,634	407,157	34,728	23	2,657,483
Accumulated depreciation and impairment								
Balance as at 1 January 2019	180,391	891,639	113,667	456,267	325,517	11,390	0	1,978,871
Difference from translation to the presentation currency	0	1	0	0	0	0	0	1
Additions	0	0	0	6	72	0	0	78
Disposals	-185	-2,290	-17,323	-27,369	-26,035	0	0	-73,202
Depreciation	13,074	22,505	4,735	18,441	31,082	0	0	89,837
Other transfers*	0	-2	0	0	5,517	0	0	5,515
Balance as at 31 December 2019	193,280	911,853	101,079	447,345	336,153	11,390	0	2,001,100
Carrying amount								
Balance as at 1 January 2019	269,538	207,488	11,341	62,410	79,051	25,645	167	655,640
Balance as at 31 December 2019	273,337	218,521	10,871	59,289	71,004	23,338	23	656,383

* Other transfers include transfers between intangible assets and property, plant and equipment and transfers among groups of assets.

Of total assets, the Telekom Slovenije Group leased out assets in the [carrying] amount:

In 2020

in EUR 000	Land, buildings and cable lines	Cable network	Telephone exchanges	Mobile network equipment	Other equipment	Assets under construction	Other	Total
Assets let out under operating lease	4,491	6,040	0	0	321	0	0	10,851

In 2019

in EUR 000	Land, buildings and cable lines	Cable network	Telephone exchanges	Mobile network equipment	Other equipment	Assets under construction	Other	Total
Assets let out under operating lease	3,856	5,811	0	0	224	0	0	9,891

TELEKOM SLOVENIJE

As at 31 December 2020, the Company disclosed contractual commitments for property, plant and equipment in the amount of EUR 22,862 thousand [31 Dec 2019: EUR 21,686 thousand], which relate to network construction, purchase of telecommunications equipment, purchase and construction of real estate and purchase of hardware and other equipment.

Changes in property, plant and equipment of Telekom Slovenije in 2020

In EUR thousand	Land, buildings, cable lines	Cable network	Telephone exchanges	Mobile network equipment	Other equipment	Assets under construction	Total
Cost							
Balance as at 1 January 2020	438,151	1,059,317	110,774	391,394	385,997	37,112	2,422,745
Additions	0	0	4	0	2,049	83,990	86,043
Fixed assets generated in the Company	0	0	0	0	0	5,024	5,024
Transfer to use	12,882	33,471	1,649	9,461	27,685	-85,148	0
Disposals	-276	-42	-8,075	-185,840	-52,514	-22	-246,769
Other transfers*	-234	-2	0	-1,257	-41	0	-1,534
Balance as at 31 December 2020	450,523	1,092,744	104,352	213,758	363,176	40,956	2,265,509
Accumulated depreciation and impairment							
Balance as at 1 January 2020	186,304	868,180	99,863	363,312	320,969	0	1,838,628
Additions	0	0	0	20	14	0	34
Disposals	-236	-39	-8,057	-185,775	-49,344	0	-243,451
Depreciation	12,393	18,232	4,218	9,352	27,014	0	71,209
Other transfers*	-253	0	0	-1,176	-14	0	-1,443
Balance as at 31 December 2020	198,208	886,373	96,024	185,733	298,639	0	1,664,977
Carrying amount							
Balance as at 1 January 2020	251,847	191,137	10,911	28,082	65,028	37,112	584,117
Balance as at 31 December 2020	252,315	206,371	8,328	28,025	64,537	40,956	600,532

*Other transfers include transfers between intangible assets and property, plant and equipment and transfers among groups of assets.

Changes in property, plant and equipment of Telekom Slovenije in 2019

In EUR thousand	Land, buildings, cable lines	Cable network	Telephone exchanges	Mobile network equipment	Other equipment	Assets under construction	Total
Cost							
Balance as at 1 January 2019	424,562	1,030,001	123,842	394,657	385,229	35,670	2,393,961
Additions	0	0	3	0	1,202	80,378	81,583
Fixed assets generated in the Company	0	0	0	0	0	4,171	4,171
Transfer to use	14,581	29,374	4,270	8,779	26,103	-83,107	0
Disposals	-992	-6	-17,341	-12,042	-26,547	0	-56,928
Other transfers*	0	-52	0	0	10	0	-42
Balance as at 31 December 2019	438,151	1,059,317	110,774	391,394	385,997	37,112	2,422,745
Accumulated depreciation and impairment							
Balance as at 1 January 2019	173,923	849,268	112,452	365,654	315,768	0	1,817,065
Additions	0	0	0	6	69	0	75
Disposals	-145	-1	-17,323	-11,993	-22,956	0	-52,418
Other transfers*	0	-2	0	0	-7	0	-9
Depreciation	12,526	18,915	4,734	9,645	28,095	0	73,915
Balance as at 31 December 2019	186,304	868,180	99,863	363,312	320,969	0	1,838,628
Carrying amount							
Balance as at 1 January 2019	250,639	180,733	11,390	29,003	69,461	35,670	576,896
Balance as at 31 December 2019	251,847	191,137	10,911	28,082	65,028	37,112	584,117

*Other transfers include transfers between intangible assets and property, plant and equipment and transfers among groups of assets.

The Company and the Group have unlimited title on property, plant and equipment, which are free of encumbrances.

Of total assets, Telekom Slovenije leased out assets in the [carrying] amount:

V letu 2020

in EUR 000	Land, buildings and cable lines	Cable network	Telephone exchanges	Mobile network equipment	Other equipment	Assets under construction	Other	Total
Assets let out under operating lease	10,041	404	0	0	36	0	0	10,481

V letu 2019

in EUR 000	Land, buildings and cable lines	Cable network	Telephone exchanges	Mobile network equipment	Other equipment	Assets under construction	Other	Total
Assets let out under operating lease	9,952	400	0	0	78	0	0	10,430

17. RIGHT-OF-USE ASSETS

The Group and the Company have concluded lease contracts for various assets, such as base stations, premises, lines, vehicles and other. Typically, the term of lease contracts is 10–15 years.

Changes in right-of-use assets of the Telekom Slovenije Group in 2020

In EUR thousand	Base stations - easement compensation and lease	Technological premises - easement and lease	Lease of business premises and land	Vehicles	Lease of lines	Other	Total
Cost							
Balance as at 1 January 2020	52,656	7,493	8,236	2,541	18,492	2,401	91,819
Contract modifications	1,583	445	403	-167	-40	97	2,321
Transfer to use - new contracts	6,282	690	614	755	1,022	253	9,616
Disposals	-217	-207	-376	-585	-648	-464	-2,497
Other transfers	0	0	0	43	0	67	110
Balance as at 31 December 2020	60,304	8,421	8,877	2,587	18,826	2,354	101,369
Accumulated depreciation and impairment							
Balance as at 1 January 2020	6,999	863	1,592	925	1,568	572	12,519
Contract modifications	0	0	16	-68	0	-297	-349
Disposals	-83	-35	-58	-535	-121	-464	-1,296
Depreciation	7,356	937	1,587	846	1,592	520	12,838
Other transfers	0	0	-14	17	14	220	237
Balance as at 31 December 2020	14,272	1,765	3,123	1,185	3,053	551	23,949
Carrying amount							
Balance as at 1 January 2020	45,657	6,630	6,644	1,616	16,924	1,829	79,300
Balance as at 31 December 2020	46,032	6,656	5,754	1,402	15,773	1,803	77,420

Changes in right-of-use assets of the Telekom Slovenije Group in 2019

In EUR thousand	Base stations – easement and lease	Technological premises – easement and lease	Lease of business premises and land	Vehicles	Lease of lines	Other	Total
Cost							
Balance as at 1 January 2019	46,055	5,287	5,560	2,674	16,137	2,700	78,413
Contract modifications	452	233	2,587	-189	27	234	3,344
Transfer to use - new contracts	6,473	1,925	133	157	2,557	335	11,580
Disposals	-324	-93	-48	-101	-229	-4	-799
Other transfers	0	141	4	0	0	-864	-719
Balance as at 31 December 2019	52,656	7,493	8,236	2,541	18,492	2,401	91,819
Accumulated depreciation and impairment							
Balance as at 1 January 2019	0	0	0	0	0	0	0
Disposals	-117	-29	-48	-81	-3	-1	-279
Depreciation	7,116	892	1,640	1,006	1,571	573	12,798
Balance as at 31 December 2019	6,999	863	1,592	925	1,568	572	12,519
Carrying amount							
Balance as at 1 January 2019	46,055	5,287	5,560	2,674	16,137	2,700	78,413
Balance as at 31 December 2019	45,657	6,630	6,644	1,616	16,924	1,829	79,300

Changes in right-of-use assets of Telekom Slovenije in 2020

In EUR thousand	Base stations – easement and lease	Technological premises – easement and lease	Lease of business premises and land	Vehicles	Lease of lines	Other	Total
Cost							
Balance as at 1 January 2020	46,491	6,900	3,250	2,080	38,335	333	97,389
Contract modifications	1,501	694	273	-17	159	446	3,056
Transfer to use - new contracts	6,282	401	614	724	1,022	90	9,134
Disposals	-193	-171	-253	-435	-230	-209	-1,491
Balance as at 31 December 2020	54,081	7,824	3,884	2,352	39,285	661	108,088
Accumulated depreciation and impairment							
Balance as at 1 January 2020	5,474	728	576	767	3,226	217	10,987
Disposals	-71	-21	-28	-423	-79	-209	-830
Depreciation	5,805	784	580	711	3,396	148	11,424
Balance as at 31 December 2020	11,208	1,491	1,128	1,055	6,543	156	21,581
Carrying amount							
Balance as at 1 January 2020	41,017	6,172	2,674	1,314	35,108	117	86,402
Balance as at 31 December 2020	42,872	6,333	2,756	1,298	32,742	505	86,506

Changes in right-of-use assets of Telekom Slovenije in 2019

In EUR thousand	Base stations – easement and lease	Technological premises – easement and lease	Lease of business premises and land	Vehicles	Lease of lines	Other	Total
Cost							
Balance as at 1 January 2019	39,942	4,905	2,187	2,280	33,436	163	82,913
Additions - contract modifications	775	136	1,087	72	66	106	2,242
Transfer to use - new contracts	6,473	1,925	0	87	5,117	70	13,672
Disposals - contract modifications	-387	-3	-24	-259	-40	-1	-714
Disposals	-311	-63	0	-100	-245	-4	-723
Balance as at 31 December 2019	46,492	6,900	3,250	2,080	38,334	334	97,390
Accumulated depreciation and impairment							
Balance as at 1 January 2019	0	0	0	0	0	0	0
Disposals	-116	-26	0	-80	-3	-1	-226
Depreciation	5,590	754	576	847	3,229	218	11,214
Balance as at 31 December 2019	5,474	728	576	767	3,226	217	10,988
Carrying amount							
Balance as at 1 January 2019	39,942	4,905	2,187	2,280	33,436	163	82,913
Balance as at 31 December 2019	41,018	6,172	2,674	1,313	35,108	117	86,402

Amounts recognised in the statement of profit or loss

in EUR 000	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Depreciation charge of right-of-use assets	12,838	12,798	11,424	11,214
Interest expense	2,348	2,331	2,352	2,188
Expenses relating to variable lease payments that are not included in the measuring of lease liabilities	159	113	41	76
Total	15,345	15,242	13,817	13,478



18. INVESTMENTS IN SUBSIDIARIES

Telekom Slovenije holds a 100% interest in the following subsidiaries which as at 31 December 2020 amounts to:

In EUR thousand	31 Dec 2019	Additions	Disposals	Impairment	31 Dec 2020
GVO	5,758	0	0	0	5,758
Avtenta	1,323	0	0	0	1,323
TSmedia	2,485	0	0	0	2,485
IPKO	20,730	0	0	0	20,730
Soline	147	0	0	0	147
SIOL Zagreb	501	0	0	0	501
SIOL Podgorica	2,620	0	0	0	2,620
SIOL Sarajevo	1,710	0	0	0	1,710
SIOL Skopje	1,005	0	0	0	1,005
SIOL Beograd	100	0	0	0	100
TSinpo	419	0	0	0	419
Institution Ustanova Srčni sklad	3	0	0	0	3
SIOL Prishtina	200	0	0	0	200
Investments in subsidiaries	37,001	0	0	0	37,001

As at 31 December 2019, investment in Planet TV was of no value and was sold in 2020. Details in chapter 5.

19. OTHER INVESTMENTS

Non-current investments

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Investments in other shares and interests	2,965	4,681	2,963	4,679
Loans to companies	0	0	60,885	85,573
- of which to companies in the Group	0	0	60,885	85,573
Loans to employees	103	172	103	169
Other non-current financial assets	0	7	0	0
Total non-current investments	3,068	4,860	63,951	90,421

Other investments in shares and interests are classified as investments measured at fair value through other comprehensive income. Of the total EUR 2,965 thousand recorded by the Telekom Slovenije Group and of the total EUR 2,963 thousand recorded by Telekom Slovenije, EUR 1,854 thousand [2019: EUR 2,062 thousand] relates to investments which are listed on the stock exchange. Investments are not pledged as collateral and are free of encumbrances.

For 2020, the Company checked for indications of impairment of the more significant investments, namely the 11.7% interest in the IECD – Poslovna šola Bled, d.o.o. and the 11.94% ownership interest in ABCITI, Družba za investiranje, d.o.o. The valuations were conducted by a certified business appraiser.

Based on the obtained valuation, the Group impaired the investment in IECD – Poslovna šola Bled, d.o.o in the amount of EUR 171 thousand and the investment in ABCITI, Družba za investiranje, d.o.o. in the amount of EUR 1,337 thousand. The effects of impairments are recorded in the statement of other comprehensive income as fair value reserve for financial instruments [Note 29].

Current investments

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Short-term loans	0	0	17,324	10,154
<i>* of which to companies in the Group</i>	0	0	17,324	10,154
Loans to employees	61	77	61	72
Bank deposits	451	602	0	0
Total current investments	512	679	17,385	10,226

Table of loans

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Non-current loans granted	103	172	60,988	85,742
Loans granted	0	0	60,885	85,573
Loans to employees	103	172	103	169
Current loans granted	61	77	17,385	10,226
Non-current loan portion falling due in 12 months - loans granted	0	0	15,241	6,771
Non-current loan portion falling due in 12 months - loans to employees	61	77	61	72
Current loans granted and interest	0	0	2,083	3,383
Closing balance – loans granted	164	249	78,373	95,968

The maturity of current and non-current loans as well as other data are disclosed in Note 45.

The interest rate for loans granted to employees ranges between 3.72% and 6.23%.

At **Telekom Slovenije**, non-current loans are primarily loans to subsidiaries. The interest rate for loans granted to subsidiaries ranges between 0.513% and 3.032%. More details in Note 42.

20. NON-CURRENT CONTRACT ASSETS

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Non-current contract assets	2,668	3,646	2,337	3,280
Non-current contract assets	2,668	3,646	2,337	3,280

Non-current contract assets arise if a group transfers of goods or services to a customer before the consideration is paid. Buyers of telecommunication goods and services may commit to a certain subscription period [e.g. 24 months] in order to become eligible for discounts on goods and/or services. Due to the allocation of transaction price to the performance obligation of revenue based on the relative standalone price, the revenue from the sale of goods is recognised sooner, giving rise to contract assets.

Non-current contract assets are impaired in the event that the buyer terminates the contract before expiry. In this case, the contract asset is de-recognised, and impairment is recognised. In 2020, the Group impaired contract assets in the amount of EUR 795 thousand (EUR 1.011 thousand in 2019), while Telekom Slovenije impaired contract assets in the amount of EUR 990 thousand (EUR 990 thousand in 2019).

21. NON-CURRENT DEFERRED COSTS

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Prepaid lease	194	234	194	234
Other non-current assets	1,244	1,108	1,442	1,013
Programme rights [TV content, TV channels]	0	6,261	0	0
Total deferred costs	1,438	7,603	1,636	1,247

Prepaid lease payments comprise the costs of leasing line capacities. Other non-current assets comprise warranties and similar expenses. Programme rights [TV content, TV channels] relate to the subsidiary Planet TV, which was sold in 2020.

22. INVESTMENT PROPERTY

In EUR thousand	Telekom Slovenije Group			Telekom Slovenije		
	Land	Buildings	Total	Land	Buildings	Total
Cost						
Balance as at 1 January 2020	1,893	1,914	3,807	4,865	1,914	6,779
Additions	31	235	266	31	235	266
Balance as at 31 December 2020	1,924	2,149	4,073	4,896	2,149	7,045
Impairment						
Balance as at 1 January 2020	1,689	1,088	2,777	1,689	1,088	2,777
Additions	0	2	2	0	2	2
Depreciation	0	36	36	0	36	36
Balance as at 31 December 2020	1,689	1,126	2,815	1,689	1,126	2,815
Carrying amount						
Balance as at 1 January 2020	204	826	1,030	3,176	826	4,002
Balance as at 31 December 2020	235	1,023	1,258	3,207	1,023	4,230

In EUR thousand	Telekom Slovenije Group			Telekom Slovenije		
	Land	Buildings	Total	Land	Buildings	Total
Cost						
Balance as at 1 January 2019	4,865	1,897	6,762	4,865	1,897	6,762
Additions	0	17	17	0	17	17
Disposals	-2,972	0	-2,972	0	0	0
Balance as at 31 December 2019	1,893	1,914	3,807	4,865	1,914	6,779
Impairment						
Balance as at 1 January 2019	1,689	1,034	2,723	1,689	1,034	2,723
Depreciation	0	54	54	0	54	54
Balance as at 31 December 2019	1,689	1,088	2,777	1,689	1,088	2,777
Carrying amount						
Balance as at 1 January 2019	3,176	863	4,039	3,176	863	4,039
Balance as at 31 December 2019	204	826	1,030	3,176	826	4,002

The Group and the Company carry investment property at cost less accumulated depreciation and impairment losses. Fair value of investment property is presented in Note 39.

As at 31 December 2020, the Telekom Group's investment property disclosed land, landscaping and the building of the Tisa Hotel on Pohorje in the amount of EUR 1,016 thousand, as well as land and the building Rakovnik in the amount of EUR 185 thousand and apartments in the amount of EUR 57 thousand.

Telekom Slovenije additionally discloses land and building at the Sečovlje salt pans amounting to EUR 2,972 thousand and holds investment property in the total amount of EUR 4,230 thousand.

Revenue generated on investment property in 2020 is recognised in the Group's profit or loss in the amount of EUR 283 thousand (2019: EUR 326 thousand). The Group recognised expenses relating to investment property in the statement of profit or loss for 2020 in the amount of EUR 138 thousand (2019: EUR 139 thousand) and disclosed them under cost of material and energy, cost of services, maintenance of property, plant and equipment, costs of other services (Note 9), and under the item of other expenses (Note 11) as other operating expenses.

Telekom Slovenije does not have any limited title to investment property, nor are investments subject to encumbrance.

23. ASSETS HELD FOR SALE

Assets at 31 December 2020, assets held for sale include land and buildings that the Group companies will no longer use for business purposes and which the companies' managements decided to sell. The sale is scheduled for the next 12 months.

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
Balance as at 1 January 2019		526		526
Additions		26		26
Sale		-52		-52
Balance as at 31 December 2019		500		500
Additions		12		12
Sale		-12		-12
Transfer to property, plant and equipment		-286		-286
Balance as at 31 December 2020		214		214

In 2020, the Company and the Group, when assessing the adequacy of the classification of assets, transferred assets in the amount of EUR 286 thousand from assets held for sale to investment property, namely the Rakovnik land and building as well as the apartments.

The Group thus generated EUR 2.5 thousand in gains on sale, which were recognised in the statement of profit or loss under Gains on disposal of property, plant and equipment (Note 8).

24. INVENTORIES

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Material	13,663	11,139	11,362	9,827
Products	764	831	0	0
Merchandise	11,748	12,650	10,449	10,752
Total inventories	26,175	24,620	21,811	20,579

Material was valued at net realisable value at EUR 1,754 thousand (2019: EUR 1,695 thousand) and merchandise at EUR 255 thousand (2019: EUR 290 thousand). Other inventories are valued at their initial cost as the cost of these inventories was lower than their net realisable value. The Group's inventories include no inventories that are pledged for its liabilities.

In 2020, the **Telekom Slovenije Group** impaired and wrote off EUR 1,231 thousand of inventories (2019: EUR 1,991 thousand) and during the inventory count determined deficits in the amount of EUR 63 thousand (EUR 40 thousand in 2019) and EUR 47 thousand of surplus in stock (EUR 18 thousand in 2019).

In 2020, **Telekom Slovenije** wrote off or impaired EUR 1,000 thousand worth of inventories (2019: EUR 1,063 thousand). During the inventory count in 2020, the Company found a deficit of EUR 19 thousand (EUR 8 thousand in 2019) and EUR 5 thousand of surplus (EUR 1 thousand in 2019).

25. TRADE AND OTHER RECEIVABLES

Under other receivables, the Group and Company disclose receivables from the sale of goods with maturity of over one year. Impairments of trade receivables are measured in the amount of life time expected credit losses. Ageing analysis of receivables, loss rate and lifetime expected credit losses are presented in Note 45.

TELEKOM SLOVENIJE GROUP

In EUR thousand	31 Dec 2020			31 Dec 2019
	Gross amount	Impairment	Net amount	Net amount
Other receivables	17,167	-86	17,081	24,405

Current trade receivables

In EUR thousand	31 Dec 2020			31 Dec 2019
	Gross amount	Impairment	Net amount	Net amount
Trade receivables	133,130	-11,935	121,195	126,917
Trade receivables due from foreign operators	18,818	-1,893	16,925	14,610
Trade receivables due from domestic operators	20,697	-2,046	18,651	4,167
Total trade receivables	172,645	-15,874	156,771	145,694
Advance payments made	646	0	646	1,103
VAT and other tax receivables	4,232	0	4,232	5,112
Income tax assets	94	0	94	684
Other receivables	1,201	-8	1,193	966
Total other receivables	6,173	-8	6,165	7,865
Total trade and other receivables	178,818	-15,882	162,936	153,559

Trade receivables do not bear interest.

Changes in impairment of trade receivables

In EUR thousand	31 Dec 2020	31 Dec 2019
Balance as at 1 January	-18,344	-21,177
Changes in Group	91	0
Impairments	-6,520	-6,287
Reversal of impairments	4,502	4,718
Write-offs	4,303	4,402
Balance as at 31 December	-15,968	-18,344

The decrease in the balance of impairment of receivables results from the change in the structure of receivables in favour of receivables not past due. More details on the structure of receivables by age in Note 45.

TELEKOM SLOVENIJE

In EUR thousand	31 Dec 2020			31 Dec 2019
	Gross amount	Impairment	Net amount	Net amount
Other receivables	17,167	-86	17,081	24,405

Kratkoročne poslovne terjatve

In EUR thousand	31 Dec 2020			31 Dec 2019
	Gross amount	Impairment	Net amount	Net amount
Trade receivables	123,351	-8,486	114,865	121,386
Receivables due from foreign operators	19,577	-1,897	17,680	15,005
Receivables due from domestic operators	23,206	-2,063	21,143	4,169
Total trade receivables	166,134	-12,446	153,688	140,560
Paid advances and warranties	460	0	460	285
VAT and other tax receivables	3,398	0	3,398	4,066
Other receivables	821	0	821	733
Total other receivables	4,679	0	4,679	5,084
Total trade and other receivables	170,813	-12,446	158,367	145,644

Changes in impairment of receivables

In EUR thousand	2020	2019
Balance as at 1 January	-11,985	-14,814
Impairments	-6,090	-5,738
Reversal of impairments	3,975	4,269
Write-offs	1,568	4,298
Balance as at 31 December	-12,532	-11,985

The method of forming impairments of receivables remains the same in 2020.

The decrease in the balance of impairment of receivables results from the change in the structure of receivables in favour of receivables not past due. More details on the structure of receivables by age in Note 45.

26. CURRENT CONTRACT ASSETS

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Current contract assets	12,652	14,896	12,492	14,849
Accrued revenue and deferred costs - roaming	10,764	7,745	10,677	7,745
Accrued revenue for services rendered and goods supplied (no invoice as of yet)	111	139	140	219
Total current contract assets	23,527	22,780	23,309	22,813

Current contract assets arise mainly from the sale of telecommunication services and goods, where customer contracts comprise the subscription fee and a subsidised service or good, where customers commit to a 12-month contract period and the short-term part of non-current contract assets.

27. CURRENT DEFERRED COSTS

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Deferred costs	3,243	17,585	3,747	14,548
Other	1,007	1,053	993	961
Total deferred costs	4,250	18,638	4,740	15,509

Current deferred costs include mostly deferred costs in connection with the calculation of international services.

28. CASH AND CASH EQUIVALENTS

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Cash on hand and bank balances	8,160	13,212	2,086	1,153
Short-term bank deposits with maturity of up to three months	7	7	0	0
Total cash and cash equivalents	8,167	13,219	2,086	1,153

To balance short-term liquidity, the Group and the Company have credit lines or revolving loans at banks in the total amount of EUR 100 million and a transaction account overdraft in the amount of EUR 5 million. As at 31 December 2020, these short-term revolving loans and credit lines were drawn in the amount of EUR 1.5 million (2019: EUR 0.5 million). Credit lines are outlined by the Group in Note 33.

29. EQUITY AND RESERVES

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
EQUITY AND RESERVES				
Share capital	272,721	272,721	272,721	272,721
Share premium	181,489	181,488	180,956	180,956
Profit 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 profit reserves</i>	13	13	0	0
Retained earnings	33,305	31,589	50,359	48,886
<i>Retained earnings from previous periods</i>	8,440	30,648	26,185	48,301
<i>Profit or loss for the period</i>	24,865	941	24,174	585
Fair value reserve for financial instruments	-219	1,171	-219	1,171
Fair value reserve for hedging instruments in net amount	-278	-507	-278	-507
Revaluation for actuarial deficits and surpluses	-2,988	-2,347	-2,733	-2,069
Translation reserves	-25	-6	0	0
Total equity and reserves	590,484	590,588	605,784	606,136

Authorised, issued and fully paid-up capital amounts to EUR 272,721 thousand and is divided into 6,535,478 ordinary registered no-par value shares. Each ordinary no-par value share has the same share and attributable amount in the share capital.

Ownership structure

Shareholder	31 Dec 2020		31 Dec 2019	
	Number of shares	Interest in %	Number of shares	Interest in %
Republic of Slovenia	4,087,569	62.54	4,087,569	62.54
Slovenian Sovereign Holding (Slovenski državni holding d. d.) [SSH - SDH]	277,839	4.25	277,839	4.25
Individual shareholders (domestic and foreign)	897,734	13.74	865,862	13.25
Other domestic legal entities	254,874	3.90	241,336	3.69
Kapitalska družba d. d.	365,175	5.59	365,175	5.59
Financial companies and funds	205,218	3.14	258,652	3.96
Foreign legal entities	417,069	6.38	409,045	6.26
Treasury shares	30,000	0.46	30,000	0.46
Total	6,535,478	100.00	6,535,478	100.00

The balances and changes in equity are presented in the statement of changes in equity. There were no changes in the number of issued shares in 2020.

The **share premium** may be used under the conditions and for the purpose set by the law. As at 31 December 2020, share premium of Telekom Slovenija amounted to EUR 180,956 thousand, of which EUR 126,135

thousand of share premium arises from the Company's ownership measurement process. Share premium in the amount of EUR 54.821 thousand in substance represent surpluses from revaluation. Share premium has not changed in 2020.

Legal reserves are formed in such amount that the sum of legal reserves and the share premium equals 20% of share capital.

In accordance with the Companies Act, the share premium and legal reserves can in their excess amount be used to increase share capital from a company's assets and to cover losses brought forward, if profit reserves are not simultaneously used for pay-out of profits to shareholders.

As at 31 December 2020, the parent company had 30,000 **treasury shares** representing 0.46% of equity. The number of treasury shares has not changed since their acquisition in 2003. Treasury shares in the amount of EUR 3,671 thousand are disclosed as equity's deductible item and at their cost. Reserves for treasury shares are formed in the same amount in compliance with legal requirements.

The Group may acquire treasury shares for the purposes defined in the provisions of Article 247 of the Companies Act [ZGD-1].

Statutory reserves are used for forming the treasury share reserve, for covering losses, for share capital increases, and for covering diverse operating and other risks. These reserves can be used in accordance with the Articles of Association, namely for the share capital increase, for the coverage of current and brought forward loss if this loss cannot be settled by means of any other sources, and for creating reserve for treasury shares and if no other funds are available.

When compiling the annual report, the Group can form **other profit reserves** up to 50% of net profit for the year, less amounts used for statutory or legal reserves. Other profit reserves can be used for any purpose in accordance with the law, the Articles of Association, business policy and resolutions adopted by the General Meeting of Shareholders.

RETAINED EARNINGS

Retained earnings include gains brought forward from previous periods and net profit for the period.

Based on the resolution adopted by the General Meeting of Shareholders on 5 June 2020, the accumulated profit for 2019 in the amount of EUR 30,165 thousand was used for dividend pay-out in the amount of EUR 22,769 thousand, i.e. EUR 3.50 gross per share [in 2019, dividends for the year 2018 were paid out in the amount of EUR 29,275 thousand or EUR 4.50 per share]. The residual part in the amount of EUR 7,395 thousand is brought forward to the next year.

Dividends were paid to the shareholders registered in the share register as stockholders on the cut-off date of 18 June 2020, or to other parties entitled to dividends. Dividends were paid out on 19 June 2020.

Determination of accumulated profit of Telekom Slovenije for 2020

	In EUR thousand
Net profit/loss for 2020	24,173,581.24
Retained net profit/loss	26,184,504.15
Decrease in non-current deferred development costs	-15,377,034.91
Total	34,981,050.48
Recommended dividend pay-out for 2020	
Amount per dividend pay-out	26,021,912.00
Dividends per ordinary share	4.00

FAIR VALUE RESERVE FOR FINANCIAL INSTRUMENTS

Fair value reserve for financial instruments includes the change in fair value of investments in equity instruments, measured at fair value through other comprehensive income, and the change in fair value of hedging financial instruments.

Fair value reserve for financial instruments is shown in the statement of other comprehensive income.

For 2020, the Company checked for indications of impairment of the more significant investments, namely the interests in IECD - Poslovna šola Bled, d.o.o. and ABCITI, Družba za investiranje, d.o.o. The effects of appraisals are disclosed in Note 19.

RESERVES FOR ACTUARIAL REMEASUREMENTS OF DEFINED BENEFIT OBLIGATIONS

Reserve for actuarial remeasurements of defined benefit obligations includes changes in the present value of payables to employees due to changed actuarial assumptions and on the basis of experience-based adjustments. The changes in actuarial remeasurements of defined benefit obligations are shown in the statement of changes in equity.

30. NON-CURRENT CONTRACT LIABILITIES

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Non-current contract liabilities	451	528	318	108
Other non-current contract liabilities	617	581	98	62
Government grants received and free-of-charge takeover of property, plant and equipment	596	529	459	524
Non-current deferred revenues - lease of base stations and lines	13,887	13,583	13,886	13,583
Contract liability - international services calculation	221	1,470	213	1,378
Total non-current contract liabilities	15,772	16,691	14,974	15,655

Non-current contract liabilities represent the Group's obligation to either transfer the goods or services to the customer in the future or to refund the consideration received. In both cases, the obligation is measured as the amount of the consideration received from the customer.



31. PROVISIONS

Changes in provisions of the Telekom Slovenije Group in 2020

EUR thousand	31.12.2019	Increase on business combinations	Utilisation	Reversal	Measurement	Change in discount rate	31.12.2020
Provisions for probable liabilities resulting from lawsuits	4,666	0	0	-4,536	119	3	251
Provisions for retirement benefits	10,920	-66	-14	-182	1,283	111	12,052
Provisions for jubilee benefits	2,298	-22	-140	-1	90	126	2,351
Provisions for estimated costs of removal of receiving-transmitting stations	3,868	0	-13	-5	119	263	4,232
Other provisions	1,438	0	-649	-47	505	0	1,248
Provisions for restructuring	103	0	-103	0	273	0	273
Total provisions	23,293	-88	-919	-4,771	2,389	502	20,407

Changes in provisions of the Telekom Slovenije Group in 2019

EUR thousand	31.12.2018	Increase on business combinations	Utilisation	Reversal	Measurement	Change in discount rate	31.12.2019
Provisions for probable liabilities resulting from lawsuits	4,674	0	-7	-16	15	0	4,666
Provisions for retirement benefits	10,100	0	-49	-307	932	244	10,920
Provisions for jubilee benefits	2,126	0	-171	-4	321	26	2,298
Provisions for estimated costs of removal of receiving-transmitting stations	3,411	0	-30	0	67	420	3,868
Other provisions	1,352	0	-168	-271	525	0	1,438
Provisions for restructuring	113	0	-113	0	103	0	103
Total provisions	21,776	0	-538	-598	1,963	690	23,293

Changes in provisions of Telekom Slovenije in 2020

EUR thousand	31.12.2019	Utilisation	Reversal	Measurement	Changes in discount rates	31.12.2020
Provisions for probable liabilities resulting from lawsuits	4,500	0	-4,500	0	0	0
Provisions for retirement benefits	8,916	0	0	1,044	90	10,050
Provisions for jubilee benefits	1,847	-104	0	47	107	1,897
Provisions for estimated costs of removal of receiving-transmitting stations	3,868	-13	-5	119	263	4,232
Other provisions	7	-14	0	12	0	5
Provisions for restructuring	0	0	0	0	0	0
Total provisions	19,138	-131	-4,505	1,222	460	16,184

Changes in provisions of Telekom Slovenije in 2019

EUR thousand	31.12.2018	Utilisation	Reversal	Measurement	Changes in discount rates	31.12.2019
Provisions for probable liabilities resulting from lawsuits	4,500	0	0	0	0	4,500
Provisions for retirement benefits	8,655	-16	-303	369	211	8,916
Provisions for jubilee benefits	1,728	-136	0	255	0	1,847
Provisions for estimated costs of removal of receiving-transmitting stations	3,411	-30	0	67	420	3,868
Other provisions	24	-40	0	23	0	7
Provisions for restructuring	113	-113	0	0	0	0
Total provisions	18,431	-335	-303	714	631	19,138

PROVISIONS FOR PROBABLE LIABILITIES RESULTING FROM LAWSUITS

Provisions for lawsuits are created on the basis of their estimated outcome, conducted with a high level of prudence. Maturity date of the liability cannot be determined. Lawsuits in relation to which provisions were formed are at various stages. The Telekom Slovenije Group was primarily successful in cases finally concluded up to this date, which it also publishes promptly in accordance with the rules of the Stock Exchange.

In 2020, the Telekom Slovenije Group and Telekom Slovenije did not utilise or establish significant provisions for probable liabilities from lawsuits. In 2020, Telekom Slovenije reversed provisions formed as at 31 December 2019 in their entirety.

Provisions formed on the basis of the estimate of the management and obtained legal opinions in the Telekom Slovenije Group amount to EUR 251 thousand, while Telekom Slovenije has no provisions for lawsuits.

Total damages claimed in lawsuits brought against the Telekom Slovenije Group companies amount to EUR 43,136 thousand (2019: EUR 72,677 thousand). Total damages claimed in lawsuits brought against Telekom Slovenije amount to EUR 40,691 thousand (2019: EUR 44,526 thousand). More details in Note 40.

PROVISIONS FOR RETIREMENT AND JUBILEE BENEFITS

Provisions for retirement and jubilee benefits are based on actuarial calculations.

Measurement of provisions for retirement and jubilee benefits

in EUR thousand	Telekom Slovenije Group			Telekom Slovenije		
	Provisions for jubilee benefits	Provisions for retirement benefits	Total	Provisions for jubilee benefits	Provisions for retirement benefits	Total
Provisions as at 1 Jan 2019	2,156	10,292	12,448	1,728	8,655	10,383
Interest costs	50	244	294	41	211	252
Current service costs	138	441	579	103	369	472
Actuarial gains [+] and losses [-]	125	-8	117	111	-303	-192
Payments during the year	-171	-49	-220	-136	-16	-152
Provisions as at 31 Dec 2019	2,298	10,920	13,218	1,847	8,916	10,763
Interest costs	25	112	137	19	90	109
Current service costs	155	476	631	114	382	496
Past service costs	-2	-15	-17	0	0	0
Actuarial gains [+] and losses [-]	38	638	676	21	662	683
- due to changes in financial assumptions	111	579	690	89	639	728
- due to experience-based adjustments	-73	59	-14	-68	23	-45
Changes in the Group	-22	-66	-88	0	0	0
Payments during the year	-141	-13	-154	-104	0	-104
Provisions as at 31 Dec 2020	2,351	12,052	14,403	1,897	10,050	11,947

Telekom Slovenije, d. d. and the Telekom Slovenije Group are exposed to risks arising from long-term employee benefits, especially based on the following:

- changes in legislation governing employment, retirement, contributions and taxes,
- changes in collective agreements and business arrangements as well as other internal documents affecting the type and level of benefits,
- significant changes in amounts to which the benefits relate: average salary in the Republic of Slovenia, employees' salaries, fixed amounts of rewards and tax-free amounts of rewards,
- changes in economic situation, e.g. employment termination benefit.

The present values of long-term employee benefits are exposed to the following risks:

- all risks to which long-term employee benefits are exposed,
- the difference between the actual experience and the actuarial assumption (mortality rate, employee fluctuation, early or late retirement, salary growth rate and tax-free amounts for rewards),
- changes in discount rates used at measuring, depending on different balance sheet dates.

The following actuarial assumptions were considered in the calculation of provisions for jubilee benefits and post-employment benefits:

- demographic assumptions:
 - the expected mortality rate is determined based on the life tables for the population of the Republic of Slovenia (published for 2007),
 - fluctuation that denotes leaving the company by the employee's own choice is determined in linear decline by employee age and averages at 2.1% for Telekom Slovenije d. d., whereas in the Telekom Slovenije Group it averages at 2.5% for 2020, weighed with the number of employees in a specific company, while the estimated date of retirement is determined as the date on which the first criterion for retirement is fulfilled, taking Slovenian legislation into account,

- financial assumptions:
 - expected growth of average salaries in the Republic of Slovenia takes into account projections made by the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia [UMAR]: *Autumn forecast of economic trends 2020* and is determined as 2.5% long-term annual growth,
 - expected increase of employee salaries in the Telekom Slovenije Group considers growth due to inflation, promotion and total period of service bonus, and amounts as follows by companies:

Long-term salary growth at the company	from 2021 on	from 2023 on
Telekom Slovenije	0.76%	
GVO	1.24%	
Avtenta	1.50%	
TSmedia	1.50%	
Soline	0.45%	2.00%
TSinpo	2.80%	

- the chosen discount interest rate amounts to 0.44% p.a., which corresponds to the 10-year yield on high-quality corporate bonds from Euro area issuers as at the end of December 2020 for the companies Telekom Slovenije, Soline, GVO and TSinpo, and 0.72% p.a., which corresponds to the 15-year yield on high-quality corporate bonds from Euro area issuers as at the end of December 2020 for the companies Avtenta and TSmedia.

Sensitivity analysis of the changes in actuarial assumptions in the Telekom Slovenije Group

Assumption	Deviation	Description	Total	Retirement benefits	Jubilee benefits
Central scenario	0.00%	balance	14,403	12,052	2,351
Discount interest rate	-0.50%	balance	15,300	12,843	2,458
		[difference]	898	791	107
Discount interest rate	0.50%	balance	13,582	11,331	2,251
		[difference]	-821	-722	-99
Salary growth	-0.50%	balance	13,586	11,333	2,253
		[difference]	-817	-719	-98
Salary growth	0.50%	balance	15,286	12,831	2,455
		[difference]	883	779	104

Sensitivity analysis of the changes in actuarial assumptions in Telekom Slovenije

Assumption	Deviation	Description	Total	Retirement benefits	Jubilee benefits
Central scenario	0.00%	balance	11,947	10,050	1,897
Discount interest rate	-0.50%	balance	12,695	10,713	1,982
		[difference]	748	663	85
Discount interest rate	0.50%	balance	11,262	9,443	1,818
		[difference]	-685	-606	-79
Salary growth	-0.50%	balance	11,265	9,446	1,819
		[difference]	-682	-604	-78
Salary growth	0.50%	balance	12,683	10,704	1,980
		[difference]	736	654	83

PROVISIONS FOR ESTIMATED COSTS OF REMOVAL OF RECEIVING-TRANSMITTING STATIONS

Provisions were formed in the amount of the estimated cost of removal discounted at the discount rate of 0.72% p.a. (2019: 1.34% p.a.), which corresponds to the 15-year yield on high-quality corporate bonds from Euro area issuers as at the end of December 2020.

PROVISIONS FOR RESTRUCTURING

In 2020, the Group and the Company utilised provisions for restructuring in the amount of EUR 103 thousand, which were created in the previous reporting period. The Telekom Slovenije Group formed additional provisions in the amount of EUR 273 thousand.

Telekom Slovenije did not establish any new provisions for restructuring.

32. OTHER PAYABLES

Other payables of the Telekom Slovenije Group include the frequency fee in Kosovo in the amount of EUR 7,124 thousand.

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Contract liabilities for programme rights	31,074	4,425	20,302	1,500
Other	7,822	36,044	554	9,222
Total other payables	38,896	40,469	20,856	10,722

33. LOANS AND BORROWINGS

This note provides measurement about the contractual terms of borrowings. For more measurement relating to exposure to interest rate risk and foreign currency risk, please refer to Note 45.

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Borrowings				
Borrowings from banks	214,801	245,340	214,801	245,310
- current portion of non-current borrowings	-30,580	-30,538	-30,580	-30,508
- non-current portion of borrowings	184,221	214,802	184,221	214,802
Total non-current portion	184,221	214,802	184,221	214,802
Current borrowings				
Borrowings from banks - revolving loan	1,500	500	1,500	500
Borrowings from companies in the Group	0	0	13,000	7,000
Current portion of non-current bank borrowings	30,580	30,538	30,580	30,508
Interest on loans	0	0	3	0
Total current portion	32,080	31,038	45,083	38,008

Through the parent company Telekom Slovenije, the **Telekom Slovenije Group** has non-current borrowing from banks in the form of a long-term syndicated loan. The syndicated loan comprises three tranches, two of which have respective maturity in 2023 and third in 2025. The loan is linked to a variable interest rate with mark-ups for individual tranches ranging from 1.35% to 1.65% and is collateralised by blank bills of exchange. Telekom Slovenije's current financial liabilities to a bank in the form of short-term revolving loan for liquidity management is subject to a fixed interest rate equalling 0.67%. This short-term loan is also collateralised by blank bills of exchange.

In addition to utilised, **Telekom Slovenije** also has unutilised current credit lines and revolving loans, with banks secured by blank bills of exchange. Short-term revolving loans mature in 2021 and are subject to fixed or variable interest rates and a mark-up ranging from 0.67% to 2.50%. A transaction account overdraft contract has also been signed with one of the banks, with a 2.9% interest rate.

In December 2020, Telekom Slovenije signed a long-term loan agreement with the European Investment Bank (EIB) in the amount of EUR 100 million. The loan can be utilised in the next three years, it was not utilised in 2020.

Banks which have approved long-term loans require that Telekom Slovenije Group's financial ratios specified in loan agreements be maintained: the net financial debt/EBITDA ratio, the equity share in total liabilities and equity as well as the EBITDA/finance expenses ratio. Failure to achieve the prescribed ratios may result in a demand for early repayment of the loans. As at 31 December 2020, all financial covenants at the Group level were achieved.

In addition to the above, **Telekom Slovenije** has liabilities to Group companies in the form of a short-term revolving loan with maturity in 2021, subject to an interest rate between 0.513% and 0,588%.

Changes in borrowings

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	2020	2019	2020	2019
Balance as at 1 Jan	245,840	261,238	252,810	261,645
Drawings	1,000	35,000	7,000	35,000
Repayments	-30,801	-50,639	-30,769	-44,077
Other	262	241	263	242
Balance as at 31.12	216,301	245,840	229,304	252,810

Other changes relate to non-monetary items, namely transfers of prepaid expenses related to the granting of a loan to financial expenses and transfers between individual categories.

34. NON-CURRENT AND CURRENT LEASE LIABILITIES

In 2019, the Group and the Company began applying the new IFRS 16 standard on lease, recognising financial liabilities from lease.

Lease liabilities

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Non-current liabilities from right-of-use assets	59,092	60,068	67,093	66,351
Current liabilities from right-of-use assets	10,180	8,986	11,660	10,031
Total liabilities from right-of-use assets	69,272	69,054	78,753	76,382

Current lease liabilities from lease represent liabilities that are expected to be settled in the next 12 months.

Changes in lease liabilities

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
Balance as at 1 Jan 2019		67,238		71,700
Additions		12,712		14,511
Interest		2,331		2,188
Lease payments		-13,227		-12,017
Balance as at 31 Dec 2019		69,054		76,382
Additions		10,038		11,484
Interest		2,348		2,352
Lease payments		-12,168		-11,465
Balance as at 31 Dec 2020		69,272		78,753
Balance as at 31 Dec 2019				
Current lease liabilities		8,986		10,031
Non-current lease liabilities		60,068		66,351
Total lease liabilities		69,054		76,382
Balance as at 31 Dec 2020				
Current lease liabilities		10,180		11,660
Non-current lease liabilities		59,092		67,093
Total lease liabilities		69,272		78,753

Total cash flow from lease payments amounts to EUR 12,168 thousand for the Telekom Slovenije Group, and EUR 11,465 thousand for Telekom Slovenije, and is disclosed as cash flow from financing activities. The main elements of lease payments provided in the cash flow statement comprise only the repayment of the lease principal, while payments of interest are included in the line referring to interest paid.

35. OTHER NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Bonds	0	99,983	0	99,983
Liabilities for interest rate swap	244	625	244	625
Other	0	33	0	0
Total other non-current financial liabilities	244	100,641	244	100,608

Current financial liabilities

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Bonds	101,078	1,053	101,078	1,053
Liabilities for interest rate swap	98	0	98	0
Other	63	171	61	128
Total other current financial liabilities	101,239	1,224	101,237	1,181

In June 2016, Telekom Slovenije issued bonds with the nominal value of EUR 100,000 thousand with fixed annual interest rate of 1.95% and the maturity date of 10 June 2021. The total issue comprises 100,000 denominations of EUR 1,000. Interest is due for payment on an annual basis, while the nominal value falls due in a single amount. The bonds are measured at amortised cost by applying the effective interest rate of 1.994%. In 2020, the total value of the bonds was transferred to current liabilities.

In February 2017, an interest rate swap was concluded with the purpose of interest rate hedging, the fair value of which as at 31 December 2020 equalled EUR 342 thousand [2019: EUR 625 thousand]. Due to the immateriality of the amount of the interest rate swap, the Group did not prepare any additional disclosures related to risk management.

Changes in other financial liabilities

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	Bonds	Other	Bonds	Other
Balance as at 1 January 2019	100,993	1,028	100,993	948
Interest paid	-1,950	-465	-1,950	-465
Other	1,993	266	1,993	270
Balance as at 31 December 2019	101,036	829	101,036	753
Interest paid	-1,950	-444	-1,950	-444
Other	1,992	20	1,992	94
Balance as at 31 December 2020	101,078	405	101,078	403

Other relates to non-monetary items, namely accrued interests in the amount of EUR 1,950 thousand [2019: EUR 1,950 thousand], transfers of prepaid expenses, related to the issuing of bonds to finance expenses and change in fair value of derivative financial instruments.

36. TRADE AND OTHER PAYABLES

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Trade payables	64,003	70,269	52,939	64,090
Liabilities to domestic operators	1,887	2,349	7,489	2,337
Liabilities to foreign operators	11,161	10,028	11,335	10,280
VAT and other tax liabilities	7,745	7,249	7,105	5,468
Liabilities to employees	8,329	8,278	6,655	6,636
Liabilities for advances and warranties	2,861	3,991	430	495
Other liabilities	23,072	11,178	23,802	10,639
Trade and other payables	119,058	113,342	109,755	99,945

Trade payables are non-interest bearing and are generally settled in the agreed period of 8 to 120 days. The same applies for liabilities to operators which are also non-interest bearing and are generally settled in an agreed-upon term between 10 and 90 days from the date of the invoice issue.

Other liabilities in the Group and the Company mainly involve liabilities from cession, assignments in the amount of EUR 3,030 thousand [2019: EUR 5,980 thousand], programme rights for TV content in the amount of EUR 9,968 thousand [2019: EUR 2,824 thousand] and other liabilities in the amount of EUR 8,671 thousand [2019: EUR 3 thousand].

37. CURRENT CONTRACT LIABILITIES

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Short-term deferred revenue - lease of base stations and lines	1,714	1,682	1,714	1,682
Contract liabilities from customer loyalty programme and mobile services prepayment	10,090	6,547	6,644	3,298
Other deferred revenue	917	874	511	432
Total current contract liabilities	12,721	9,103	8,869	5,412

38. CURRENT ACCRUED COSTS

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Accrued costs and expenses for services rendered and goods supplied [not invoiced]	19,087	14,184	18,297	12,041
Accrued salaries and bonuses	3,823	2,712	3,636	2,497
Accrued costs for unused annual leave	4,477	4,106	3,723	3,416
Other accrued costs arising from international services calculation	14,405	16,934	14,715	17,319
Total accrued costs and expenses	41,792	37,936	40,371	35,273



39. BOOK AND FAIR VALUES

The table contains data on the classification in terms of fair value hierarchy solely for assets and financial liabilities which are measured at fair value and for which fair value is disclosed. All categories are recurring.

Book and fair values of financial instruments of the Telekom Slovenije Group as at 31 December 2020

In EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Investments in shares and interests listed on the stock exchange, measured at fair value through other comprehensive income	1,854	1,854	1,854		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	1,111	1,111			1,111
Loans granted	103	103		103	
Other receivables	17,081	17,081		17,081	
Current financial assets					
Loans granted	61	61		61	
Other current financial assets	451	451		451	
Trade and other receivables	162,936	162,936		162,936	
Cash and cash equivalents	8,167	8,167		8,167	
Non-current financial liabilities					
Borrowings	184,221	184,221		184,221	
Liabilities for interest rate swap	244	244		244	
Other payables	38,896	38,896		38,896	
Current financial liabilities					
Bonds	101,078	100,500	100,500		
Borrowings	32,080	32,080		32,080	
Liabilities for interest rate swap	98	98		98	
Other financial liabilities	63	63		63	
Trade payables	119,058	119,058		119,058	

Book and fair values of financial instruments of the Telekom Slovenije Group as at 31 December 2019

In EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Investments in shares and interests listed on the stock exchange, measured at fair value through other comprehensive income	2,062	2,062	2,062		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	2,619	2,619			2,619
Loans granted	172	172		172	
Other non-current financial assets	7	7		7	
Other receivables	24,405	24,405		24,405	
Current financial assets					
Loans granted	77	77		77	
Other current financial assets	602	602		602	
Trade and other receivables	153,559	153,559		153,559	
Cash and cash equivalents	13,219	13,219		13,219	
Non-current financial liabilities					
Bonds	99,983	101,800	101,800		
Borrowings	214,802	214,802		214,802	
Liabilities for interest rate swap	625	625		625	
Other payables	40,469	40,469		40,469	
Current financial liabilities					
Bonds	1,053	1,053		1,053	
Borrowings	31,038	31,038		31,038	
Other financial liabilities	171	171		171	
Trade payables	113,342	113,342		113,342	

Book and fair values of financial instruments of Telekom Slovenije as at 31 December 2020

In EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Investments in shares and interests listed on the stock exchange, measured at fair value through other comprehensive income	1,854	1,854	1,854		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	1,109	1,109			1,109
Loans granted	60,988	60,988		60,988	
Other receivables	17,081	17,081		17,081	
Current financial assets					
Loans granted	17,385	17,385		17,385	
Trade and other receivables	158,367	158,367		158,367	
Cash and cash equivalents	2,086	2,086		2,086	
Non-current financial liabilities					
Borrowings	184,221	184,221		184,221	
Liabilities for interest rate swap	244	244		244	
Other payables	20,856	20,856		20,856	
Current financial liabilities					
Bonds	101,078	100,500	100,500		
Borrowings	45,083	45,083		45,083	
Liabilities for interest rate swap	98	98		98	
Other financial liabilities	61	61		61	
Trade payables	109,755	109,755		109,755	

Book and fair values of financial instruments of Telekom Slovenije as at 31 December 2019

In EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Investments in shares and interests listed on the stock exchange, measured at fair value through other comprehensive income	2,062	2,062	2,062		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	2,617	2,617			2,617
Loans granted	85,742	85,742		85,742	
Other receivables	24,405	24,402		24,405	
Current financial assets					
Loans granted	10,226	10,226		10,226	
Trade and other receivables	145,644	145,644		145,644	
Cash and cash equivalents	1,153	1,153		1,153	
Non-current financial liabilities					
Bonds	99,983	101,800	101,800		
Borrowings	214,802	214,802		214,802	
Liabilities for interest rate swap	625	625		625	
Other payables	10,722	10,722		10,722	
Current financial liabilities					
Bonds	1,053	1,053		1,053	
Borrowings	38,008	38,008		38,008	
Other financial liabilities	128	128		128	
Trade payables	99,945	99,945		99,945	

Fair values at levels 2 and 3 were estimated using the discounted cash flow valuation technique.

The Group and the Company did not record any transfers between fair value levels in 2019 or 2020.

ASSETS THAT ARE NOT MEASURED AT FAIR VALUE IN THE BALANCE SHEET, BUT OF WHICH THE FAIR VALUE IS DISCLOSED

The Group and the Company carry investment property in their books at cost, whereby they only disclose fair value. The valuation of investment property was prepared by a certified property appraiser as at 30 November 2020. The market comparison approach was used in the assessment of fair value, decreased by the cost of use.

Book and fair values as at 31 Dec 2020

Telekom Slovenije Group in EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Investment property	1,258	1,704			1,704

Telekom Slovenije in EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Investment property	4,230	4,849			4,849

Book and fair values as at 31 Dec 2019

Telekom Slovenije Group in EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Investment property	1,030	1,033			1,033

Telekom Slovenije in EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Investment property	4,002	4,180			4,180

40. CONTINGENT LIABILITIES

AMOUNTS CLAIMED IN LAWSUITS

Telekom Slovenije Group

In EUR thousand	2020	2019
Amounts claimed in lawsuits	43,136	72,677

The decrease in lawsuits in the year 2020 is mainly due to the completed lawsuits against company TSmedia in the amount of EUR 25,000 thousand.

As at the balance sheet date, the Group recorded 91 lawsuits brought against it (31 Dec 2019: 94), whereof the largest is SKY NET in the amount of EUR 33,047 thousand.

Based on the obtained legal opinions and the estimate of the management, provisions were formed for lawsuits in the amount of EUR 4,666 thousand (Note 31).

Telekom Slovenije

In EUR thousand	2020	2019
Amounts claimed in lawsuits	40,691	44,526

As at the balance sheet date, the Company recorded 51 lawsuits brought against it (31 Dec 2019: 47), whereof the largest is SKY NET in the amount of EUR 33,047 thousand.

The relevant cases are at various stages as follows:

- On 2 March 2020, Telekom Slovenije received the ruling and decision of the Ljubljana District Court concerning the commercial dispute between the plaintiff SKY NET, and the defendant Telekom Slovenije [formerly Mobitel, d. d.] in the matter of contract performance under two lawsuits. In the ruling and decision, the Court dismissed the part of subordinate claim by SKY NET regarding the construction of base stations and the drafting of documentation referring to 2007 as well as the remaining part of the subordinate claim relating to the issue of orders for the construction of 414 base stations and orders for obtaining documentation for 434 base stations. Additionally, the Court ruled that SKY NET was obliged to reimburse Telekom Slovenije legal costs.

Based on the estimate of the management and the obtained legal opinions, the Company has no provisions formed for lawsuits.

Given the proceedings' progress, it is difficult to provide an estimate of the completion of individual cases with a sufficient degree of certainty.

After the balance sheet date, Telekom Slovenije received two lawsuits. On 1 February 2021 a lawsuit for alleged breach of contractual obligations and on 2 March 2021 a lawsuit for payment of ordinary damages, lost profits and of the absence of receivables. More details in Note 47.

GUARANTEES

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Performance bonds and warranty bonds issued by the bank	9,292	7,369	7,587	5,176
Contract performance bonds	0	0	431	1,019
Other guarantees	405	800	162	411
Total guarantees	9,698	8,169	8,180	6,606

The majority of guarantees received or/and issued refer to performance and warranty obligations.

Guarantees issued between Group companies amount to EUR 431 thousand. They refer to collateralisation of contractual obligations and represent guarantees of Telekom Slovenije for securing subsidiary companies' liabilities. None of the stated liabilities meets the terms for recognition among balance sheet items. Thus, no related material consequences are expected for the Group.

41. CORRECTION OF AN ERROR FROM THE PREVIOUS YEAR

In 2020, IPKO restated the error from 2019 which results from the recognition of the contract for the purchase of TV channels for broadcasting in Kosovo. The contract was concluded in May 2019, the Group therefore increased its assets and trade payables for discounted future payments under this contract in its financial statements for 2019.

The contract was concluded on 1 May 2019 for a period of five years in exchange for a fixed annual payment, whereby the Company cannot withdraw from the contract in the first three years.

According to the binding terms of the contract for the first three years, the Company should recognise an intangible asset in the amount of discounted future payments for three years.

The Group corrected the financial statements for the financial year 2019 and recognised an intangible asset in the amount of EUR 17,351 thousand, with a useful life of three years. It simultaneously recognised a liability in the amount of EUR 17,641 thousand, equalling the amount of discounted future payments. The correction of the error resulted in an increase in finance expenses in the amount of EUR 475 thousand and a decrease in

amortization in the amount of EUR 185 thousand. The effect of the error correction is in the reduction of the profit or loss of IPKO and the Telekom Slovenije Group in 2019 in the amount of EUR 290 thousand.

Statement of profit or loss of the Telekom Slovenije Group I–XII 2019 – restated

In EUR thousand	Initially reported I–XII 2019	Error I–XII 2019	Restated I–XII 2019
Sales revenue	664,892	0	664,892
Other operating income	6,223	0	6,223
Depreciation/Amortisation	-173,976	185	-173,791
Total operating expenses	-456,121	0	-456,121
Operating profit	41,018	185	41,203
Finance income	2,905	0	2,905
Finance expenses	-13,368	-475	-13,843
Profit before tax	30,555	-290	30,265
Taxes	-1,721	0	-1,721
Net profit or loss	28,834	-290	28,544

Balance sheet of the Telekom Slovenije Group as at 31 December 2019 – restated

In EUR thousand	Initially reported 2019	Error	Restated 2019
ASSETS			
Intangible assets	177,594	17,351	194,945
Property, plant and equipment	656,383	0	656,383
Other non-current assets	164,888	0	164,888
Current assets	233,995	0	233,995
Total assets	1,232,860	17,351	1,250,211
Share capital	272,721	0	272,721
Share premium	181,488	0	181,488
Profit reserves	106,479	0	106,479
Retained earnings	31,879	-290	31,589
<i>Retained earnings from previous periods</i>	30,648	0	30,648
<i>Profit or loss for the period</i>	1,231	-290	941
Fair value reserve	664	0	664
Reserves for actuarial gains/losses	-2,347	0	-2,347
Translation reserves	-6	0	-6
Total equity	590,878	-290	590,588
Trade payables	22,828	17,641	40,469
Non-current liabilities	417,171	0	417,171
Current liabilities	201,983	0	201,983
Total liabilities	1,232,860	17,351	1,250,211

42. RELATED PARTY TRANSACTIONS

Related entities are individuals or companies related to the Telekom Slovenije Group.

TRANSACTIONS WITH INDIVIDUALS

As at 31 December 2020, related individuals (Deputy Chairman of the Supervisory Board and members of the Supervisory Board) hold a total of 306 shares in the Company, representing an ownership interest of 0.00468%.

No loans were granted to related individuals in 2020.

Data on groups of persons in 2020

In EUR thousand	Total gross payments received	Receipts as profit pay-outs based on the resolution of the General Meeting of Shareholders	Borrowings Unpaid portion at 31 December 2020	Repayments in 2020
<i>Total Board members</i>	934	-	-	-
<i>Members of the Supervisory Board</i>	262	-	-	-
<i>Members of the Supervisory Board Committees</i>	20	-	-	-
<i>Other managerial staff employed under contracts not subject to the tariff part of the collective agreement</i>	4,621	-	7	6

Podatki o skupinah oseb v letu 2019

In EUR thousand	Total gross payments received	Receipts as profit pay-outs based on the resolution of the General Meeting of Shareholders	Borrowings Unpaid portion at 31 December 2019	Repayments in 2019
<i>Total Board members</i>	1,033	-	-	-
<i>Members of the Supervisory Board</i>	258	-	-	-
<i>Members of the Supervisory Board Committees</i>	17	-	-	-
<i>Other managerial staff employed under contracts not subject to the tariff part of the collective agreement</i>	5,616	-	12	9

Loans to other managers and employees in the Group under contracts that are not subject to the tariff part of the collective agreement were granted at interest rates ranging from 4.13 % to 4.24 % p.a. with a repayment period of up to 20 years.

The Group has not granted any advances or guarantees to the respective groups of persons and has no liabilities to these persons. Nor did the Group record any write-offs or waived amounts for these groups.

Remuneration of the members of the Management Board in 2020 - breakdown

In EUR	Salary	Variable remuneration*	Other remuneration	Reimbursement of costs	Annual leave pay	Insurance premiums	Benefits	Voluntary supplementary pension insurance	Total gross**	Total net***
Tomaž Seljak (1 Jan - 31 Dec)	157,783	28,715	0	1,433	1,481	795	9,213	2,819	202,239	87,185
Vida Žurga (1 Jan - 31 Dec)	130,615	11,195	0	1,394	1,481	795	14,381	2,819	162,680	62,568
Matjaž Beričič (1 Jan - 31 Dec)	155,995	780	0	1,383	1,481	795	5,906	2,819	169,159	79,336
Tomaž Jontes (22 Jun - 31 Dec)	82,134	0	0	734	0	218	4,622	1,484	89,192	37,078
Špela Fortin (1 Jan - 31 Dec)	110,456	2,594	0	1,322	1,481	795	7,431	2,819	126,898	57,084
Ranko Jelača (1 Jan - 14 Mar)	31,908	58,703	77,999	166	247	461	1,074	470	171,028	72,313
Rudolf Skobe (for 2019)	0	6,949	0	0	0	0	0	0	6,949	3,962
Dean Žigon (for 2019)	0	5,891	0	0	0	0	0	0	5,891	2,843
Total	668,891	114,827	77,999	6,432	6,171	3,859	42,627	13,230	934,036	402,369

* Variable remuneration refers to the part of the performance bonus for 2017, 2018 and 2019.

** The total gross amount is the sum of all types of labour costs, including net receipts (reimbursement of costs), insurance premiums, the benefits and voluntary supplementary pension insurance.

*** The total net amount comprises the sum of net receipts of Management Board members, inclusive of insurance premiums and benefits, which actually reduce net receipts of Management Board members, and exclusive of the benefits and voluntary supplementary pension insurance, which is remitted to the pension company and not to the members personally.

Members of the Management Board did not receive any profit payouts, options, commissions or other receipts.

Remuneration of the members of the Management Board in 2019 - breakdown

In EUR	Salary	Variable remuneration*	Other remuneration	Reimbursement of costs	Annual leave pay	Insurance premiums	Benefits	Voluntary supplementary pension insurance	Total gross**	Total net***
Tomaž Seljak (1 Jan - 31 Dec)	154,721	33,474		1,444	1,200	710	11,154	2,819	205,522	85,328
Ranko Jelača (1 Jan - 31 Dec)	154,720	30,439		1,672	1,200	840	5,781	2,819	197,471	91,103
Vida Žurga (1 Feb - 31 Dec)	142,146	0		1,510	1,100	670	9,074	2,584	157,084	65,101
Špela Fortin (14 Sep - 31 Dec)	32,067	0		374	0	122	1,045	864	34,472	16,567
Matjaž Beričič (10 Dec - 31 Dec)	9,454	0		73	0	0	396	171	10,094	4,818
Rudolf Skobe (1 Jan - 30 Nov)	141,721	67,422	77,999	423	1,200	670	13,148	2,819	305,402	122,622
Matjaž Merkan (16 Sep - 15 Nov)	26,619	0		250	304	122	1,444	470	29,209	13,383
Dean Žigon (1 Jan - 13 Sep)	76,241	8,521		948	1,200	588	4,878	1,991	94,367	42,389
Total	737,689	139,856	77,999	6,694	6,204	3,722	46,920	14,537	1,033,621	441,311

* Variable remuneration refers to the part of the performance bonus for 2017, 2018 and 2019.

** The total gross amount is the sum of all types of labour costs, including net receipts (reimbursement of costs), insurance premiums, the benefits and voluntary supplementary pension insurance.

*** The total net amount comprises the sum of net receipts of Management Board members, inclusive of insurance premiums and benefits, which actually reduce net receipts of Management Board members, and exclusive of the benefits and voluntary supplementary pension insurance, which is remitted to the pension company and not to the members personally.

Members of the Management Board did not receive any profit pay-outs, options, commissions or other receipts.

TELEKOM SLOVENIJE GROUP LIABILITIES TO RELATED PARTIES

The Telekom Slovenije Group records liabilities to related parties arising from remunerations that have not yet been paid out and amount as follows:

In EUR thousand	Total amount of all liabilities 2020	Total amount of all liabilities 2019
Total Board members	285	79
Other managerial staff employed under contracts not subject to the tariff part of the collective agreement	429	168

Remuneration of the Supervisory Board members in 2020 – breakdown

In EUR	Meetings	Monthly payment	Committees	Travel expenses	Liability insurance	Total gross*	Total net**
External members							
Boštjan Koler [3 Nov – 31 Dec]	1,045	4,539	660	0	0	6,244	4,541
Barbara Gorjup [1 Jan – 31 Dec]	4,950	21,514	5,328	0	409	32,201	23,122
Barbara Kürner Čad [1 Jan – 31 Dec]	4,950	22,463	5,302	0	409	33,124	23,794
Bernarda Babič [1 Jan – 3 Nov]	3,658	16,766	814	264	409	21,911	15,638
Dimitrij Marjanović [1 Jan – 13 May; 3 Nov – 31 Dec]	2,008	9,828	1,236	0	409	13,481	9,507
Aleš Šabeder [5 Jun – 3 Nov]	1,925	11,200	660	0	0	13,785	10,026
Barbara Cerovšek Zupančič [1 Jan – 3 Nov]	3,905	18,163	4,448	0	409	26,925	19,285
Igor Rozman [1 Jan – 31 Dec]	4,950	20,394	2,838	0	409	28,591	20,497
Štefan Belingar [3 Nov – 31 Dec]	1,045	4,195	440	0	0	5,680	4,131
Internal members							
Drago Kijevčanin [1 Jan – 31 Dec]	4,950	21,432	5,328	0	409	32,119	23,063
Dušan Pišek [1 Jan – 31 Dec]	4,675	17,695	2,002	0	409	24,781	17,726
Jana Žižek Kuhar [1 Jan – 31 Dec]	4,675	16,742	880	0	409	22,706	16,217
Total	42,736	184,931	29,936	264	3,681	261,548	187,547

* The total gross amount includes the sum of all attendance fees, basic salaries for performing the function and payments for participating in committees, including net receipts (travel expenses) and liability insurance.

** The total net amount represents the sum of Supervisory Board members' net receipts, inclusive of liability insurance, which actually reduce net receipts, together with travel expenses.

The members of the Supervisory Board received no other remuneration.

Remuneration of the Supervisory Board members in 2019 – breakdown

In EUR	Meetings	Monthly payment	Committees	Travel expenses	Liability insurance	Total gross*	Total net**
External members							
Lidija Glavina [1 Jan – 31 Aug]	3,685	20,125	2,860	454	296	27,420	19,727
Barbara Gorjup [1 Jan – 31 Dec]	5,225	21,107	1,775	0	296	28,403	20,442
Barbara Kürner Čad [1 Jan – 31 Dec]	3,700	23,333	3,300	0	296	30,629	22,061
Bernarda Babič [1 Jan – 31 Dec]	5,225	20,465	1,775	0	296	27,761	19,975
Dimitrij Marjanović [1 Jan – 31 Dec]	3,304	21,000	3,696	0	296	28,296	20,364
Ljubomir Rajšič [1 Jan – 18 Jun]	1,650	10,617	440	3,188	296	16,191	9,931
Barbara Cerovšek Zupančič [1 Sep – 31 Dec]	1,815	7,267	1,100	0	0	10,182	7,406
Igor Rozman [1 Sep – 31 Dec]	1,815	7,802	1,100	0	0	10,717	7,795
Internal members							
Drago Kijevčanin [1 Jan – 31 Dec]	3,084	21,894	3,916	107	296	29,297	21,093
Dušan Pišek [1 Jan – 31 Dec]	5,225	17,500	1,540	0	296	24,561	17,648
Jana Žižek Kuhar [1 Jan – 31 Dec]	5,500	17,500	880	0	296	24,176	17,368
Total	40,228	188,610	22,382	3,749	2,664	257,633	183,810

* The total gross amount includes the sum of all attendance fees, basic salaries for performing the function and payments for participating in committees, including net receipts (travel expenses) and liability insurance.

** The total net amount represents the sum of Supervisory Board members' net receipts, inclusive of liability insurance, which actually reduce net receipts, together with travel expenses.

In 2020, the members of the Supervisory Board were trained in various areas of supervisory board activities. The total cost of training and education amounted to EUR 1,139.12 [2019: EUR 2,202.50]. The members of the Supervisory Board received no other remuneration.

Remuneration of the Supervisory Board members in 2020 – breakdown

In EUR	Meetings	Monthly payment	Committees	Travel expenses	Liability insurance	Total gross*	Total net**
External Committee Members							
Barbara Nose [1 Jan – 31 Dec]	0	9,713	4,096	0	0	13,809	10,043
Melita Malgaj [9 Dec – 31 Dec]	0	216	440	0	0	656	477
Boštjan Koler [12 Feb – 1 Apr]	0	805	616	0	0	1,421	1,033
Alenka Stanič [12 Feb – 1 Apr; 9 Dec – 31 Dec]	0	1,021	1,056	0	0	2,077	1,511
Gregor Rajšp [12 Feb – 1 Apr; 9 Dec – 31 Dec]	0	1,021	1,056	0	0	2,077	1,511
Total	0	12,776	7,264	0	0	20,040	14,575

* The total gross amount includes the sum of the basic salary for performing the function and payments for participating in committees.

** The total net amount refers to net receipts of the members of the Supervisory Board committee.

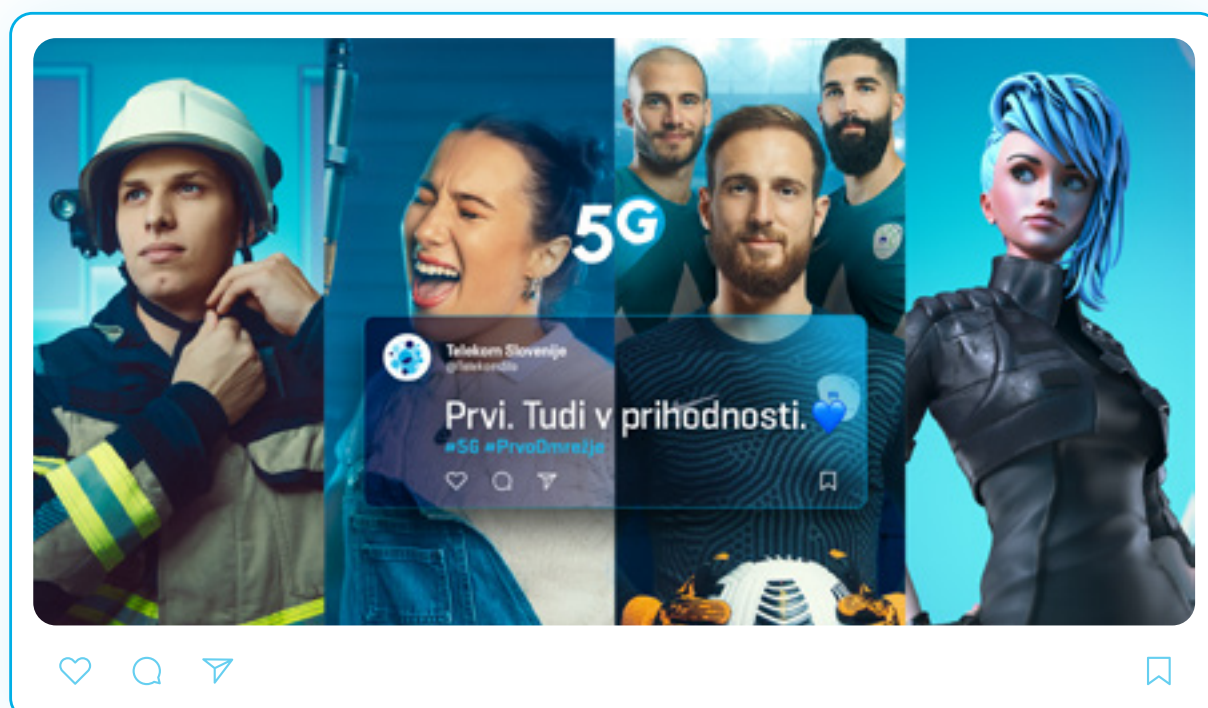
Remuneration of the Supervisory Board members in 2019 – breakdown

In EUR	Meetings	Monthly payment	Committees	Travel expenses	Liability insurance	Total gross*	Total net**
External Committee Members							
Barbara Nose [1 Jan – 31 Dec]	0	10,500	2,376	0	0	12,876	9,365
Slavko Ovcina [1 Jan – 16 Apr]	0	2,061	0	0	0	2,061	1,499
Boštjan Koler [4 Jul – 23 Jul]	0	583	220	0	0	803	584
Alenka Stanič [4 Jul – 23 Jul]	0	583	220	0	0	803	584
Gregor Rajšp [8 Jul – 23 Jul]	0	583	220	0	0	803	584
Total	0	14,310	3,036	0	0	17,346	12,616

* The total gross amount includes the sum of the basic salary for performing the function and payments for participating in committees.

** The total net amount refers to net receipts of the members of the Supervisory Board committee.

Members of the Management Board and the Supervisory Board of Telekom Slovenije are members of supervisory or management boards of other companies or owners of other companies with which Telekom Slovenije conducts business. All related party transactions are carried out at market prices.



TRANSACTIONS WITH COMPANIES IN THE GROUP

All transactions with companies in the Group are performed under market conditions applicable for transactions with unrelated parties.

TELEKOM SLOVENIJE

In EUR thousand	31 Dec 2020	31 Dec 2019
Receivables due from companies in the Group		
Subsidiaries – gross amount	3,872	5,925
Subsidiaries – impairment	-22	-17
Subsidiaries – net amount	3,850	5,908
Borrowings to companies in the Group		
Subsidiaries – gross amount	78,209	115,637
Subsidiaries – impairment	0	19,910
Subsidiaries – net amount	78,209	95,727
Liabilities to companies in the Group		
Subsidiaries	41,810	35,544

In EUR thousand	I–XII 2020	I–XII 2019
Net Group revenue	14,551	15,887
Subsidiaries	14,551	15,887
Purchase of material and services in the Group	18,361	22,610
Subsidiaries	18,361	22,610

The Company generates revenue by selling material to the company GVO, by leasing business premises and property, plant and equipment, rendering telecommunication services and implementing the services of business support. Telekom Slovenije settles the costs of investment construction, maintenance and elimination of defects.

TSmedia pays for the provision of telecommunications services and call centre services, for maintenance, development and purchase of multimedia platforms and contents, for business support services and for the lease of outdoor digital screens and business premises. To the parent company, it charges the sale and management of multimedia services and contents, the use of the BiziPro business application, services related to the universal directory enquiry service, 1977 services, ad management and sale of advertising space. Additionally, it receives revenue arising from the telephone directory, the Bizi.si business directory and call centre services, which Telekom Slovenije charges to end users through a joint invoice.

The Company charges the lease of business premises, communications services at location, support activities services to its subsidiary Avtenta, while paying the subsidiary the costs of ICT services.

Telekom Slovenije charges international IP services, roaming services of its users, traffic transiting services and system lease services to its subsidiary IPKO. The subsidiary charges the lease of lines and international telecommunications services as well as services related to user roaming to the parent company.

Inter-company prices are formed on the same basis as for other users.

As at the reporting date, the amount of contract performance bonds issued by Telekom Slovenije to its subsidiaries equalled EUR 431 thousand [2019: EUR 1,019 thousand].

The Company did not form an impairment for loans granted in 2020, as the estimated expected credit losses are insignificant.

Loans granted to subsidiaries

In EUR thousand	31 Dec 2020	31 Dec 2019
TSmedia	1,556	1,621
IPKO	65,650	71,649
SOLINE	1,998	1,419
SIOL, Zagreb	150	350
SIOL, Sarajevo	5,290	5,790
SIOL BEOGRAD	240	170
Planet TV	0	10,523
SIOL Prishtina	3,325	4,205
Total to subsidiaries	78,209	95,727

TRANSACTIONS WITH OWNERS AND THEIR RELATED COMPANIES

The largest owner of Telekom Slovenije is the Republic of Slovenia, which, together with the Slovenian Sovereign Holding – SSH (Slovenski državni holding – SDH), holds a 66.79% share in Telekom Slovenije.

Companies related to the owners are those in which the Republic of Slovenia and the SSH in total hold an ownership interest of 20% minimum. The list of these companies is published on the SSH website (<http://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb>).

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

v tisoč EUR	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Outstanding trade receivables	3,480	4,414	3,336	3,056
Outstanding trade payables	2,156	2,269	2,060	1,982
VAT liabilities	5,845	4,400	6,026	4,370
Income tax payable	75	320	0	0
In EUR thousand	2020	2019	2020	2019
Revenue	19,346	24,674	16,860	17,222
Purchase costs of material and services	9,300	10,075	8,363	8,892
In EUR thousand	2020	2019	2020	2019
VAT payment	55,249	57,880	55,278	58,201
Corporate income tax payment	794	-105	0	0
Dividends paid	15,312	19,687	15,312	19,687

All related party transactions are carried out under market prices.

43. AUDITOR'S FEE

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	2020	2019	2020	2019
Audit services	225	138	181	92
Other assurance services	13	3	13	3
Other non-audit services	14	28	0	24
Total auditor's fees	252	169	194	119

44. CATEGORIES OF FINANCIAL INSTRUMENTS

The Group classified financial instruments into measurement categories as shown in the table below.

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Financial assets measured at amortised cost				
Cash and cash equivalents	8,167	13,219	2,086	1,153
Bank deposits	451	602	0	0
Loans granted	164	249	78,373	95,968
Trade and other receivables	180,017	177,964	175,448	170,049
Financial assets measured at fair value through other comprehensive income				
Investments in shares and interests of companies	2,965	4,688	2,963	4,679
Financial liabilities at fair value through other comprehensive income				
Liabilities for interest rate swap	244	625	244	625
Financial liabilities measured at amortised cost				
Trade payables	157,954	153,811	130,611	110,667
Borrowings	216,301	245,840	229,304	252,810
Bonds	101,078	101,036	101,078	101,036
Liabilities arising from dividends	63	204	61	128

The Group and the Company did not reclassify these instruments to other groups during the year.

45. FINANCIAL RISK MANAGEMENT

The most significant financial risks the Telekom Slovenije Group is exposed to in the course of its operations are credit risk, long-term and short-term liquidity risk and interest rate risk. Exposure to individual types of financial risks and measures for their management are conducted and assessed by the Telekom Slovenije Group on the basis of effects on cash flows and the statement of profit or loss.

Presented below in more detail are the most significant financial risks, which, in line with the adopted policy, the Group regularly assesses and reviews the adequacy of the measures for their management.

CREDIT RISK

Credit risk is the risk of financial loss in case a client or a contracting party does not settle their liabilities in full or at all.

The maximum exposure to credit risk equals the carrying amount of financial assets.

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Loans granted	164	249	78,373	95,968
Investments	451	602	0	0
Trade and other receivables	162,936	153,559	158,367	145,644
- of which trade receivables	156,771	145,694	153,688	140,560
Cash and cash equivalents	8,167	13,219	2,086	1,153
TOTAL	171,718	167,629	238,826	242,765

When placing investments, the Group ensures their appropriate diversification, so the concentration risk is low.

Credit risk or the settlement and counterparty risk arises mainly from non-payment of liabilities by customers (retail) and by operators (wholesale). Trade receivables represent the maximum exposure to credit risk. As at 31 December 2020, these amounted to EUR 156,771 thousand, having increased by EUR 11,077 thousand compared to the 2019 year-end. Most of the Group's trade and other receivables stand for Telekom Slovenije. Most receivables are unsecured. The Group records receivables due from a large number of natural persons and legal entities. The Group's largest customers are operators, whose turnover is usually reciprocal, which reduces net credit exposure. We estimate that there is no significant credit risk concentration to an individual client or sector.

The Group companies have introduced procedures for managing receivables, which include monitoring business partners' credit rating, monitoring high turnover of subscribers and recovery. The recovery is effected through to a pre-defined timeline (reminders and disconnection) and through specialised outsourced operators. Telekom Slovenije requires prior authorisation for concluding and changing a subscription relationship and purchasing goods on deferred payment. As an additional measure for managing credit risk, the larger Group companies implemented systems to prevent frauds i.e. Fraud Management System (FMS). Telekom Slovenije, which has the most post-paid customers, additionally has in place the Credit Management System (CMS).

As a result of introduced procedures for managing receivables, credit risk is assessed as manageable.

The Telekom Slovenije Group and the Company also monitor credit risks in other segments of business operations. Bank balances are allocated according to the principles of risk minimisation and tracking proper bank diversification. The risk is low, as due to the stability of the banking system and high liquidity of banks, there is no major risk in terms of bank balances. The expected credit losses for cash and cash equivalents are not recorded, they are assessed as insignificant in terms of the amounts of cash and their bank diversification.

The Group is also exposed to risk in relation to receivables from loans to employees and investments in short-term deposits. The lending risk is low, as these loan repayments are mostly settled through payroll, whereas risk in other investments is managed through proper portfolio diversification principles and tracking the individual banks' credit rating. Expected credit losses are not recorded for investments in short-term deposits, as they are assessed as insignificant given the amount of assets and their diversification by banks.

Telekom Slovenije is exposed to credit risk arising also from receivables from loans granted to subsidiaries. For the loans granted, the Company estimated that there was no significant increase in credit risk and therefore impairments for credit losses are measured on the basis of expected credit losses over a 12-month period (Phase 1). In this respect, the Company did not form an impairment in 2020, as the estimated expected credit losses are insignificant.

Borrower default risk is managed by means of diverse insurance instruments in loan contracts, such as right of lien on immovable and movable property, assignment of existing and future claims, liens, guarantee statements and other adequate forms of collateral. Additionally, the Company regularly monitors and supervises the operations of its subsidiaries, thus additionally mitigating the related credit risk. Loans granted are disclosed in more detail in Chapter 19.

Ageing analysis of receivables of the Telekom Slovenije Group as at the reporting date

In EUR thousand	31. 12. 2020				31. 12. 2019			
	Gross value	Expected loss rate	Value adjustment	Net value	Gross value	Expected loss rate	Value adjustment	Net value
Total trade receivables	172,645		-15,874	156,771	163,981		-18,287	145,694
Trade receivables not past due	139,425	0.5%	-697	138,728	128,095	0.5%	-664	127,431
Past due								
- up to and including 30 days	11,726	2.9%	-341	11,385	12,155	3.0%	-359	11,796
- from and including 31 days to and including 60 days	3,492	8.4%	-293	3,199	3,596	7.6%	-273	3,323
- from and including 61 days to and including 90 days	607	9.2%	-56	551	488	8.2%	-40	448
- from and including 91 days to and including 180 days	1,433	51.3%	-735	698	1,370	48.5%	-665	705
- from and including 181 days to and including 365 days	2,546	54.1%	-1,378	1,168	2,104	56.4%	-1,186	918
- from and including 366 days up to 2 years	4,387	78.9%	-3,461	926	7,251	85.8%	-6,222	1,029
- over 2 years	4,894	97.8%	-4,786	108	4,396	99.0%	-4,352	44
- trade receivables in insolvency proceedings	4,135	99.8%	-4,127	8	4,526	100.0%	-4,526	0
Total trade receivables past due	33,220		-15,177	18,043	35,886		-17,623	18,263
Other trade receivables	6,173		-8	6,165	7,873		-8	7,865
Total receivables	178,818		-15,882	162,936	171,854	0	-18,295	153,559

Ageing analysis of receivables of Telekom Slovenije as at the reporting date

In EUR thousand	31. 12. 2020				31. 12. 2019			
	Gross value	Expected loss rate	Value adjustment	Net value	Gross value	Expected loss rate	Value adjustment	Net value
Total trade receivables	166,134		-12,446	153,688	152,496	0	-11,936	140,560
Trade receivables not past due	139,929	0.5%	-712	139,217	124,804	0.5%	-663	124,144
Past due								
- up to and including 30 days	8,512	4.0%	-340	8,172	9,045	4.0%	-359	8,686
- from and including 31 days to and including 60 days	3,276	9.0%	-295	2,981	3,056	8.8%	-270	2,786
- from and including 61 days to and including 90 days	647	9.0%	-58	589	533	7.5%	-40	493
- from and including 91 days to and including 180 days	1,284	49.0%	-629	655	1,506	37.6%	-566	940
- from and including 181 days to and including 365 days	2,279	49.0%	-1,117	1,162	2,570	33.2%	-852	1,718
- from and including 366 days up to 2 years	2,047	60.0%	-1,228	819	3,116	43.8%	-1,365	1,751
- over 2 years	4,617	98.0%	-4,524	93	4,167	98.9%	-4,122	42
- trade receivables in insolvency proceedings	3,543	100.0%	-3,543	0	3,699	100.0%	-3,699	0
Total trade receivables past due	26,205		-11,734	14,471	27,692		-11,273	16,416
Other trade receivables	4,679		0	4,679	5,084		0	5,084
Total receivables	170,813		-12,446	158,367	157,580		-11,936	145,644

Trade receivables due from customers in the Group are classified in corresponding maturity bands. In 2019, expected credit losses for receivables due from within the Group are taken into account at the rate applicable for receivables not past due, which is why expected percentages of credit losses are lower in 2019 compared to 2020.

Non-current trade receivables are fully not past due. Expected credit losses for them are estimated at 0.50% [2019: 0.30%].

Maturity dates of loans granted

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Past due	6	7	6	403
Not past due:	158	242	78,367	95,565
- in less than 3 months	15	18	323	1,175
- between 3 and 12 months	40	52	17,056	8,648
- between 1 and 2 years	40	59	9,582	6,947
- between 2 and 5 years	53	84	44,358	43,615
- over 5 years	10	29	7,049	35,180
Total	164	249	78,373	95,968

Ageing analysis of loans granted as at 31 December 2020

Telekom Slovenije Group

In EUR thousand	Not past due:	Past due					Total
		Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Loans granted	158	6	0	0	0	0	164

Telekom Slovenije

In EUR thousand	Not past due:	Past due					Total
		Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Loans granted	78,367	6	0	0	0	0	78,373

Ageing analysis of loans granted as at 31 December 2019

Skupina Telekom Slovenije

In EUR thousand	Not past due:	Past due					Total
		Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Loans granted	242	7	0	0	0	0	249

Telekom Slovenije

In EUR thousand	Not past due:	Past due					Total
		Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Loans granted	95,565	35	368	0	0	0	95,968

LIQUIDITY RISK

The Group's liquidity is the result of active planning and managing of cash flows, provision of adequate maturity and financial debt diversification, financing within the Group, and the optimisation of working capital and cash. The liquidity risk on the Group level is managed by the parent company, which plans and monitors the cash requirements of subsidiaries and provides them with the necessary funds.

Indebtedness at the Group and the Company level is relatively low. Most of the Group's financial liabilities are accounted for by a non-current syndicated loan in the amount of EUR 215.4 million, the issue of 5-year bonds of EUR 100 million and liabilities from financial lease in the amount of EUR 69.3 million and EUR 78.8 million at the Group and Company level, respectively. The Group and the Company are regularly repaying their financing obligations; EUR 30.8 million of non-current loan obligations were repaid in 2020.

In order to ensure a high level of liquidity with banks, the Group has open current credit lines, which are renewed according to needs. The total liquidity reserve in the form of granted, unused short-term revolving credit lines amounted to EUR 98.5 million at the end of 2020. In addition, Telekom Slovenije has revolving credit lines open with subsidiaries in the amount of EUR 16.5 million, so that at the end of the year the Company's liquidity reserve in the form of unused credit lines amounted to EUR 102 million.

Maturity of liabilities of the Telekom Slovenije Group as at 31 December 2020 and 31 December 2019

In EUR thousand	Past due	Callable	Not past due:					Total
			Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
31 Dec 2020								
Loans and borrowings	0	0	1	32,269	30,769	153,846	0	216,885
Anticipated interest on loans	0	0	16	3,202	2,725	2,756	0	8,699
Other financial liabilities	61	0	98	101,097	244	0	0	101,500
Anticipated interest on bonds	0	0	0	1,950	0	0	0	1,950
Trade and other payables	2,593	2,727	103,519	10,220	9,313	18,988	10,594	157,954
Financial liabilities from lease	120	14	5,023	5,023	7,044	18,059	33,989	69,272
Total	2,774	2,741	108,657	153,761	50,095	193,649	44,583	556,260
31 Dec 2019								
Loans and borrowings	0	0	0	31,300	30,769	169,231	15,384	246,684
Anticipated interest on loans	0	0	0	3,679	3,201	5,328	158	12,366
Other financial liabilities	128	0	2	1,136	100,347	312	0	101,925
Anticipated interest on bonds	0	0	0	1,950	1,950	0	0	3,900
Trade and other payables	2,397	2,497	95,802	12,737	10,248	17,862	12,268	153,811
Financial liabilities from lease	46	0	3,935	5,006	6,710	18,371	34,986	69,054
Total	2,571	2,497	99,739	55,808	153,225	211,104	62,796	587,740

Maturity of liabilities of Telekom Slovenije as at 31 December 2020 and 31 December 2019

In EUR thousand	Past due	Callable	Not past due:					Total
			Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
31 Dec 2020								
Loans and borrowings	0	0	0	45,272	30,769	153,846	0	229,887
Anticipated interest on loans	0	0	28	3,250	2,725	2,756	0	8,759
Other financial liabilities	61	0	98	101,095	244	0	0	101,498
Anticipated interest on bonds	0	0	0	1,950	0	0	0	1,950
Trade and other payables	1,845	1,376	96,548	9,986	10,551	10,045	260	130,611
Financial liabilities from lease	27	14	5,463	6,155	8,837	22,726	35,531	78,753
Total	1,933	1,390	102,137	167,708	53,126	189,373	35,791	551,458
31 Dec 2019								
Loans and borrowings	0	0	0	38,269	30,769	169,231	15,385	253,654
Anticipated interest on loans	0	0	0	3,679	3,201	5,328	158	12,366
Other financial liabilities	128	0	0	1,095	100,316	310	0	101,849
Anticipated interest on bonds	0	0	0	1,950	1,950	0	0	3,900
Trade 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 a negative impact of changes in market interest rates on the Group's operations. As at 31 December 2020, the Group's interest rate exposure arises from the possible increase in the Euribor reference interest rate, relating to interest-sensitive liabilities. The Group and the Company pursue the target ratio between variable interest bearing and fixed interest bearing or hedged financial liabilities, which is to equal 50% of the debt with fixed or hedged interest rate.

In the structure of the Group's interest-bearing financial liabilities as at 31 December 2020, the liabilities relating to borrowings, which bear interest at variable interest rates linked to 3- and 6-month Euribor, account for a share of 56.2% [53.1% at the Company level]. The remaining liabilities arise from utilised short-term revolving loans [at the Company level], bonds issued, and finance leasing with a fixed interest rate.

In order to hedge against interest exposure arising from the non-current syndicated loan, the repayment deadline of which is 31 December 2025, the Group and the Company have in place an interest rate swap in the amount of 50% of two out of three tranches of the loan. As at 31 December 2020, the amount of hedged principal added up to EUR 69.2 million. By hedging the interest rate exposure through the use of an interest rate swap [IRS swap], the Group and the Company are hedging future cash flows against the risk of an increase in the interest rate. The principal is hedged for the growth of the reference interest rate should

the latter equal zero or more. At the level of the Group, it has a fixed or hedged interest rate of 61.8% of interest-bearing financial debt and 63.9% at the Company level.

The Group and the Company use hedge accounting for concluded interest rate swaps; as hedged items and hedging instruments form an effective hedging ratio (hedging performance ranges between 80% and 125%), the valuation effects are disclosed in other comprehensive income.

Exposure to interest rate risk

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Financial instruments with variable interest rate				
Financial receivables	0	0	0	29,652
Financial liabilities	147,654	169,299	147,654	169,231
Net financial liabilities	147,654	169,299	147,654	139,579

Financial receivables take into account the gross value of loans granted, exclusive of impairment.

The table does not include is exclusive of non-interest-bearing financial instruments and instruments bearing a fixed interest rate, as they are not exposed to interest rate risk. It also does not include financial liabilities with hedged interest rate for Euribor growth.

SENSITIVITY ANALYSIS

The following table illustrates the sensitivity analysis of the changed interest rate on the Group's and the Company's profit as at the reporting date, whereby all other variables are constant.

Interest rate risk table

2020	Interest rate increase/decrease	Effect on profit before tax in EUR thousand	
		Telekom Slovenije Group	Telekom Slovenije
EUR0	+100 bt	-202	-202
EUR0	-100 bt	-692	-692

2019	Interest rate increase/decrease	Effect on profit before tax in EUR thousand	
		Telekom Slovenije Group	Telekom Slovenije
EUR0	+100 bt	-588	-388
EUR0	-100 bt	-769	-769

EURIBOR interest rate values

EURIBOR	Value as at 31 December 2020	Value as at 31 December 2019	Change in %
3-month	-0.538	-0.390	-37.95
6-month	-0.523	-0.325	-60.92

CAPITAL MANAGEMENT

The key objectives of the Group's and the Company's capital management are capital adequacy and, consequently, long-term liquidity as well as financial stability which ensures the best possible credit rating for further financing of the Group's and the Company's operations and development and thereby maximising shareholder value.

The Group and the Company monitor changes in equity by using a debt-to-equity ratio and equity-to-total assets ratio. The Group's net financial liabilities include borrowings and other financial liabilities less current investments and cash. When adopting decisions relating to capital management, the Group also considers the financial covenants under loan contracts.

In EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Borrowings and other financial liabilities	387,056	416,759	409,538	430,981
Less current investments and cash with short-term deposits	-8,679	-13,898	-19,471	-11,379
Net liabilities	378,377	402,861	390,067	419,602
Equity	590,484	590,588	605,784	606,136
Total assets	1,227,839	1,250,211	1,226,566	1,223,536
Debt/equity ratio	64.1%	68.2%	64.4%	69.2%
Equity/total assets ratio	48.1%	47.2%	49.4%	49.5%

46. GENERAL AUTHORISATION AND THE RIGHT TO USE RADIO FREQUENCY AND BLOCK NUMBERS

FIXED-LINE AND MOBILE PHONE SERVICES

The Group and the Company hold a general authorisation for providing the electronic communications network or electronic communication services. Prior to the commencement of the provision of public communication network services, a written notification must be provided to the Communications Networks and Services Agency of the Republic of Slovenia (hereinafter: the Agency). Before the commencement of the service stemming from the notification, no explicit decision or administrative act by a local administrative authority is required.

The Group paid an annual consideration for the following major electronic communications services:

- radio frequency consideration;
- consideration for the use of numbering resources;
- consideration based on a decision of 2013, valid until 2021;
- consideration based on the notice on the provision of services and networks
- consideration for entry in the official record of audio-visual media services.

The amount of the consideration is determined by law and the tariff by the General Act of the Agency.

On an annual basis, the Group companies pay right-of-use fees for radio frequencies, telephony numbering space, and other rights for rendering fixed-line and mobile phone services.

Telekom Slovenije Group's total amount of fees in 2020 equalled EUR 3,434 thousand (2019: EUR 3,059 thousand), and of **Telekom Slovenije** EUR 2,034 thousand (2019: EUR 1,766 thousand).

The Group's concessions for mobile phone services

Concession contract	Date of authorisation	Period	Consideration in EUR thousand
Concession contract for the use of the radio frequency spectrum for the provision of services UMTS/IMT-2000	27. 11. 2001	do 21. 9. 2021	91,870
Decision on the allocation of radio frequencies for LTE 800 MHz, UMTS 210 MHz	26. 05. 2014	od 31. 5. 2014 do 31. 5. 2029	26,769
Decision on the allocation of radio frequencies for GSM 900 in 1800 MHz, LTE 2600 MHz	26. 05. 2014	od 4. 1. 2016 do 4. 1. 2031	37,705
Concession contract for the installation, maintenance of and operation of the second generation GSM in the mobile network in the territory of Kosovo	6. 3. 2007	do 5. 3. 2022	75,000
Concession for the frequency 900 dhe 1800 MHz in Kosovo	30. 07. 2019	do 30. 7. 2039	11,734

Concessions shown in the table which refer to Slovenia are held by Telekom Slovenije, whereas concessions in Kosovo are held by IPKO.

47. EVENTS AFTER THE BALANCE SHEET DATE

JANUARY

- On 21 January 2021, the 32nd General Meeting of Shareholders of Telekom Slovenije was held, at which the shareholders adopted the proposed amendments to the text of the Articles of Association of Telekom Slovenije and adopted a clean copy of the Articles of Association. On the day of the General Meeting, the shareholders recalled Igor Rozman, a member of the Supervisory Board - a shareholder representative, and elected Iztok Černoša, Aleksander Igličar, Marko Kerin and Radovan Cerjak as the new members of the Supervisory Board - for a four-year term of office starting 22 January 2021. Upon election of new members of the Supervisory Board - shareholders' representatives, the term expired to members of the Supervisory Board - shareholders' representatives Boštjan Koler, Dimitrij Marjanović and Štefan Belingar, appointed by the Decision of the Ljubljana District Court dated 3 November 2020.

FEBRUARY

- On 1 February 2021, Telekom Slovenije received a lawsuit for alleged breaches of contractual obligations. The value of the filed lawsuit is less than 5% of the capital, which represents a contingent liability without affecting the financial statements of the Company and the Group. Telekom Slovenije responded to the lawsuit within the legal time limits and estimates that the plaintiff will be unsuccessful in their lawsuit.
- After having been closed from 24 October 2020 to 9 February 2021, Telekom Slovenije's points of sale reopened on 10 February 2021. In addition to following all protective measures, we make sure the employees of Telekom centres are tested on a weekly basis. At the Company level, we continue to implement activities in line with the Plan of measures and activities in the event of a pandemic, which we adopted in the framework of the Business Continuity Management System (BCMS), which is certified in accordance with the ISO/IEC 22301 standard. We implement numerous measures aimed at protecting human resources, both our employees and users of our services. To this end, approximately 65% of our employees have been working remotely since November 2020, while 35% of them work at Company locations or perform field work. We pay special attention to providing uninterrupted services, network and service security, as well as to operation as prescribed in the event of emergencies, with particular emphasis on cybersecurity. We provide technical support to our users and additional capacities and services to companies. Measures intended to limit the spread of Covid-19 adopted at the national level have a negative impact on the operations of the Telekom Slovenije Group, especially in terms of lower

revenue from users roaming in foreign operator networks and foreign user roaming in our mobile network, as well as in terms of causing a standstill in operations or lower scope of operations on the commercial market. Accordingly, we implement additional, Group-level measures to achieve our plan.

- While initial forecasts of economic trends for 2021 are rather uncertain, expectations for share markets are mostly positive, also in terms of the expected high liquidity of the financial system, storage charges and negative interest rates. In 2020, numerous measures were adopted at the level of the Telekom Slovenije Group in order to mitigate the negative effects of the coronavirus, especially in terms of costs and investments, which will contribute to the realisation of the strategy set in 2021.
- On 11 February 2021, the members of the Supervisory Board of Telekom Slovenije elected Iztok Černoša Chairman of the Supervisory Board at their 1st regular session following the General Meeting. His deputies remain Barbara Kürner Čad as the capital representative and Drago Kijevčanin as the representative of the employees. In view of the changed membership, the Supervisory Board also re-appointed the Supervisory Board committees.
- On 10 December 2020, Telekom Slovenije announced the beginning of its acquisition of the subsidiary Avtenta, napredne poslovne rešitve, d.o.o., with the anticipated conclusion of activities on 1 April 2021. The merger was not carried out by the planned deadline. The Company will notify shareholders about further activities.

MARCH

- On 2 March 2021, Telekom Slovenije received a lawsuit by T-2, d. o. o. from the Ljubljana District Court, due to the payment of actual losses in the amount of EUR 12,195,656, with all dues, payment of lost profit in the amount of EUR 35,760,909, with all dues, and the declaration of the non-existence of receivables in the amount of EUR 1,778,033, with all dues, s spp. The lawsuit claim supposedly represents the damage incurred to the plaintiff between 1 September 2018 and 31 July 2020. Telekom Slovenije estimates that the claim will be wholly unsuccessful.
- At its 3rd regular session held on 10 March 2021, Telekom Slovenije's Supervisory Board concluded an agreement with the Chairman and three members of the company Management Board on the termination of their employment contracts and dismissal from the position of Chairman of the Management Board and members of the Management Board, respectively. Accordingly, the terms of Tomaž Seljak as Chairman of the Management Board and Vida Žurga, Matjaž Beričič and Tomaž Jontes as members of the Management Board were terminated as of 10 March 2021. The Supervisory Board appointed Cvetko Sršen as new Chairman of the Management Board, while Mitja Štular and Tomaž Jontes were appointed as members of the Management Board. All of them started their 4-year terms as of 10 March 2021. Špela Fortin, Worker Director, remains in the Management Board as member.
- At its 4th ordinary session held on 22 March 2021, Telekom Slovenije's Supervisory Board appointed Barbara Galičič Drakslar to serve as member of the Management Board. Her four-year term of office as a member of Telekom Slovenije's Management Board began on 31 March 2021.

APRIL

- Telekom Slovenije received a decision from the Supreme Court of the Republic of Slovenia on 24 March 2021 in the administrative dispute with the Competition Protection Agency (CPA) due to the alleged abuse of the Company's dominant position on the inter-operator market. In its decision, the Supreme Court partially ruled in favour of Telekom Slovenije's request for review and overruled the contested judgement of the Administrative Court of 9 January 2018 in the part rejecting Telekom Slovenije's claim. In that part, the Supreme Court overturned the contested judgement and returned the matter to the court of first instance for retrial. That matter involves the reversal of the CPA's decision no. 306-23/2013-151 of 2 February 2015. In accordance with the Supreme Court's ruling, the aforementioned decision is no longer partially final.

- In the period 1 April to 11 April, when stricter measures were in place at the national level in order to prevent the spread of the coronavirus, our points of sale remained open on account of conducting regular weekly testing of employees. During that period, certain Telekom centres operated within adjusted or reduced working hours. As of 12 April, Telekom centres once again operate according to the usual schedule.
- At the public auction for awarding radio frequencies for providing public communication services to end users Telekom Slovenije obtained radio frequency spectrum in the 700 MHz FDD band, 700 MHz SDL band, 1500 MHz band, 2100 MHz band, 3600 MHz band and the 26 GHz band for which it shall paid a total of EUR 52,078,177.00. Telekom Slovenije is pleased that the auction is completed, as the frequency spectrum we obtained allows us to continue pursuing our development plan. During the auction, we obtained all the needed and planned frequency spectrum, which will allow us to continue providing residential users, businesses, and operators who use national roaming on our network with cutting-edge services and solutions with the best user experience. We will upgrade our current national 5G network, which we were the first in Slovenia to launch in October last year, and which already has more than 32% population coverage. 5G is an important foundation of the modern digital society, which Telekom Slovenije is actively helping to establish. Our network guarantees residential users and business the most advanced and safest future, and the newly obtained spectrum will also provide continued development for all stakeholders in Telekom Slovenije Group's ecosystem.
- After 31 December 2020, no other significant events have occurred which would require recognition or disclosure in the financial statements.

3.3 INDEPENDENT AUDITOR'S REPORT FOR THE TELEKOM SLOVENIJE GROUP AND TELEKOM SLOVENIJE



Independent Auditor's Report

To the Shareholders of TELEKOM SLOVENIJE d.d.

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of TELEKOM SLOVENIJE d.d. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2020, and the Group's and the Company's consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 23 April 2021.

What we have audited

The Group's and the Company's consolidated and separate financial statements comprise:

- the consolidated and separate statement of profit or loss for the year ended 31 December 2020;
- the consolidated and separate statement of other comprehensive income for the year ended 31 December 2020;
- the consolidated and separate balance sheet as at 31 December 2020;
- the consolidated and separate statement of changes in equity for the year then ended;
- the consolidated and separate statement of cash flow for the year then ended; and
- the notes to the consolidated and separate financial statement, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (the "Regulation"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Company in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Slovenia. We have fulfilled our other ethical responsibilities in accordance with those requirements and with the IESBA Code.

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Matriculation No.: 5717159, VAT No.: SI35498161

The company is registered by District court in Ljubljana under the number 12156800 as well in to the register of the Auditing companies by Agency for Public Oversight of Auditing under the number RO-A-01494. The amount of the registered share capital is EUR 34.802. The list of employed auditors is available at the registered office of the company.



To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiaries are in accordance with the applicable law and regulations in Slovenia and that we have not provided non-audit services that are prohibited under Article 5(1) of the Regulation.

The non-audit services that we have provided to the Company and its subsidiaries, in the period from 1 January 2020 to 31 December 2020, are disclosed in the note 43. to the consolidated and separate financial statements.

Our audit approach

Overview



- Overall materiality for the consolidated financial statements of the Group: EUR 5,931 thousand, which represents approximately 0,9% of total revenues of the Group.
- Overall materiality for the separate financial statements of the Company: EUR 5,931 thousand, which represents approximately 1% of total revenues of the Company.

- We conducted audit work at 5 reporting units in 3 countries.
- Our audit scope addressed 95% of the Group's revenues and 99% of the Group's absolute value of underlying profit before tax.

- Revenue recognition in the consolidated and separate statement of profit or loss
- Investments in subsidiaries and loans to subsidiaries in the separate balance sheet of the Company Telekom Slovenije d.d.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.



Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group and the Company materiality for the consolidated and separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated and separate financial statements as a whole.

Overall Group and Company materiality	The Group: EUR 5,931 thousand The Company: EUR 5,931 thousand
How we determined it	The Group: approximately 0,9% of the Group's total revenue The Company: approximately 1% of the Company's total revenue
Rationale for the materiality benchmark applied	We chose total revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group and the Company is commonly measured by users, in terms of their market share. In addition, profit or loss for previous years was volatile while total revenue was a more consistent measure of performance. We chose the threshold of 1%, which is within the range of acceptable quantitative materiality thresholds for this benchmark.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Revenue recognition in the consolidated and separate statement of profit or loss</i></p> <p>Refer to note 3. o. Summary of significant accounting policies – Revenue.</p> <p>The total amount of related balances, as at 31 December 2020 is disclosed in Note 7:</p> <ul style="list-style-type: none"> • EUR 647,177 million total revenue, for the Group, and • EUR 591,693 million total revenue, for the Company. <p>Revenue is subject to considerable inherent risk due to:</p> <ul style="list-style-type: none"> • the complexity of the systems necessary for proper recording and identifying revenue and 	<p>In light of the fact that the high degree of complexity and estimates and assumptions give rise to an increased risk of accounting misstatements, we assessed the Group and Company's processes and controls over revenue recognition as part of our audit. Our audit approach included testing of the controls and substantive audit procedures, including:</p> <ul style="list-style-type: none"> • Assessing the environment of the IT systems related to invoicing and measurement as well as other relevant systems supporting the accounting of revenue, including the implemented controls of system changes. • Assessing the design of the processes set up to account for the transactions in

Key audit matter

- the impact of ever-changing business, price and tariff models (including tariff structures, customer discounts, incentives).

Against this background, the proper application of the International Financial Reporting Standard 15 – Revenue from Contracts with Customers (IFRS 15) is considered to be complex and to a certain extent based on estimates and assumptions made by management and consequently revenue recognition was of particular importance for our audit.

How our audit addressed the key audit matter

- accordance with the IFRS 15 and testing their operating effectiveness.
- Assessing the invoicing and measurement systems up to entries in the general ledger.
- Examining customer invoices and receipts of payment on a sample basis.
- Assessing accuracy and completeness of separate and consolidated financial statements presentation and disclosures.

Investments in subsidiaries and loans to subsidiaries in the separate balance sheet of the company Telekom Slovenije d.d.

Refer to note 3. f. Summary of significant accounting policies – Financial instruments. The Company has investments in subsidiaries and loans provided to subsidiaries in amount of EUR 97,886 million as at 31 December 2020, recorded in its separate balance sheet.

Investments in subsidiaries are carried at cost less impairment losses, and loans to subsidiaries are carried at amortized cost. As required by the applicable accounting standard — IAS 36, *Impairment of assets*, and IFRS 9, *Financial instruments*, management conducted annual impairment test to assess the recoverability of the carrying value of these investments and the loans.

A significant management judgement is necessary in this process.

The recoverable amount is considered to be a key audit matter due to significant management judgement, as described above, and due to the significance of the balances to the Company's separate statement of financial position.

Our audit approach to testing subsequent measurement of investments in subsidiaries and loans to subsidiaries comprised of the following procedures:

- Assessing whether the recoverable amount is appropriately determined in accordance with requirements of IAS 36 for investments in subsidiaries and IFRS 9 for loans to subsidiaries.
- Our internal valuation expert evaluated the approach and methods used by management. We assessed that the approach used was consistent with the requirements of applicable IFRSs.
- Mathematical calculations of valuations.
- Assessment of assumptions applied to calculate discount rates.
- We have assessed completeness and accuracy of information disclosed in the notes to the separate financial statements.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



The Group engagement team carried out audit work on the Company's separate financial statements. The Group engagement team determined Group audit materiality and issued audit instructions to component auditors and reviewed the work of component auditors.

Reporting on other information including the Business Report

Management is responsible for the other information. The other information comprises "Telekom Slovenija Group in 2020", the "Business Report" and "Appendix" (but does not include the consolidated and separate financial statements and our auditor's report thereon).

Our opinion on the consolidated and separate financial statements does not cover the other information, including the Business Report and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Business Report we also performed procedures required by the Slovenian Companies Act. Those procedures include assessing whether the Business Report is consistent with the consolidated and separate financial statements and whether the Business Report was prepared in accordance with valid legal requirements.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Business Report for the financial year for which the consolidated and separate financial statements are prepared is consistent with the consolidated and separate financial statements; and
- the Business Report has been prepared in accordance with the requirements of the Slovenian Companies Act.

In addition, in the light of knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Business Report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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



Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other



matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company at the shareholders meeting of the Company on 5 June 2020 for the financial year ended 31 December 2020. The president of the supervisory board signed the audit contract on 28 July 2020. The contract was concluded for 3 years. Our uninterrupted period of appointment is one year.

The key audit partners on the audit resulting in this independent auditor's report are Damjan Ahčin and Barbara Kočar.

For and on behalf of PricewaterhouseCoopers d.o.o.

Damjan Ahčin
Certified auditor
Director

Barbara Kočar
Certified auditor

Ljubljana, Slovenia, 23 April 2021

This version of our report is a translation from the original, which was prepared in Slovenian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

3.4 REPORT ON COMPLIANCE WITH THE ESEF REGULATION



Independent auditor's report on the assurance engagement in relation to compliance of the format of the separate and consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

To the Shareholders of TELEKOM SLOVENIJE, d.d.

Introduction

We have been engaged by the Management Board of TELEKOM SLOVENIJE, d.d. (the "Company") on the basis of an agreement to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the electronic reporting format of the separate and consolidated financial statements of TELEKOM SLOVENIJE GROUP (the "Group") for the year ended 31 December 2020 included in the accompanying 2020 Annual Report of the TELEKOM SLOVENIJE GROUP and TELEKOM SLOVENIJE, d.d. (the "Electronic Reporting Format of the Separate and Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Electronic Reporting Format of the Separate and Consolidated Financial Statements has been applied by the Management Board of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Electronic Reporting Format of the Separate and Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Electronic Reporting Format of the Separate and Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

An independent auditor issues an opinion on whether the Electronic Reporting Format of the Separate and Consolidated Financial Statements has been prepared in accordance with the requirements of the ESEF Regulation. This report fulfils this requirement.

Responsibility of the Management Board and the Supervisory Board

The Management Board of the Company is responsible for the application of the Electronic Reporting Format of the Separate and Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate mark-ups in iXBRL using ESEF taxonomy and for designing, implementing and maintaining internal controls relevant for the preparation of the Electronic Reporting Format of the Separate and Consolidated Financial Statements which is free from material non-compliance with the requirements of ESEF Regulation.

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Matriculation No.: 5717159, VAT No.: SI35498161

The company is entered into the company register at Ljubljana District Court under Insert no. 12156800 per resolution Srg. 200110427 dated 19 July 2001 and into the register of audit companies at the Agency for Public Oversight of Auditing under no. RD-A-014/94. The registered share capital is EUR 34,802. The list of employed auditors with valid licenses is available at the company's registered office.



The Supervisory Board is responsible for overseeing the preparation of the Electronic Reporting Format of the Separate and Consolidated Financial Statements as part of the financial reporting process, which should also be understood as the preparation of financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Electronic Reporting Format of the Separate and Consolidated Financial Statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements Other than an Audit or Review of Historical Financial Information 3000 (Revised). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Electronic Reporting Format of the Separate and Consolidated Financial Statements complies prepared, in all material aspects, in accordance with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (R) will always detect the existing material misstatement (material non-compliance with the requirements).

Quality Control requirements

We apply the provisions of the International Standard on Quality Control 1 (IAASB) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Electronic Reporting Format of the Separate and Consolidated Financial Statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included, in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Separate and Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the XBRL mark-up language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's use of XBRL tags selected from the ESEF taxonomy and the creation of extension mark-ups where no suitable element in the ESEF

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- taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We draw your attention to the fact that the application of ESEF Regulation was not subject to audit as defined in International Standards on Auditing. Furthermore, in the course of performing the assurance procedures, we have not conducted an audit or review of the historical financial information used in the process of preparation of the consolidated financial statements and therefore we do not accept any responsibility for the issuance or update of any reports or opinions on historical financial information of the Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed, the Electronic Reporting Format of the Separate and Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

Restrictions on distribution¹ and use

This report has been prepared by PricewaterhouseCoopers d.o.o. for the shareholders of the Company and is intended solely to fulfil the purpose described in the section "Description of a subject matter and applicable criteria". It should not be used for any other purpose or distributed to any other parties.

In connection with this report, PricewaterhouseCoopers d.o.o. does not accept any liability resulting from contractual and non-contractual relationships (including for negligence) with entities other than the Company in the context of this report. The above does not relieve us of liability where such release is excluded by law.

On behalf of PricewaterhouseCoopers d.o.o.:

Barbara Kočar
Statutory auditor

23 April 2021
Ljubljana, Slovenia

Damjan Ahčin,
Statutory auditor
Director

¹ Telekom Slovenije d.d.'s management is responsible for placing information on the Company's web-site and for accuracy of such information. The scope of our performed work does not include reviewing these matters; consequently, we do not assume any responsibility for any amendments that might have been made to the Electronic Reporting Format of the Separate and Consolidated Financial Statements underlying this Independent auditor's report or any differences between the report issued by us and the information presented on the Company's web-site

This version of our report is a translation from the original, which was prepared in Slovenian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

4 APPENDIX

4.1 TELEKOM SLOVENIJE GROUP COMPANIES

Telekom Slovenije, d. d. is the parent company of the Telekom Slovenije Group.



Company:	Telekom Slovenije, d. d.
Registered office:	Ljubljana
Address:	Cigaletova ulica 15, 1000 Ljubljana
Registration number:	5014018000
VAT ID number:	SI98511734
Entry in the companies register:	1/24624/00, Ljubljana District Court
Number of shares:	6,535,478
Ticker symbol of no-par-value shares:	TLSG
Telephone:	+ 386 1 234 10 00
Fax:	+ 386 1 231 47 36
Website	http://www.telekom.si
Email:	info@telekom.si
LinkedIn:	telekom-slovenije
Facebook:	TelekomSlovenije
Twitter:	@TelekomSlo
Instagram:	Telekom_Slovenije
YouTube:	TelekomSlovenije

Subsidiaries in the Group

Companies in Slovenia

GVO

Company: GVO, gradnja in vzdrževanje telekomunikacijskih omrežij, d. o. o.
 Registered office: Ljubljana
 Address: Cigaletova ulica 10, 1000 Ljubljana
 Telephone: + 386 1 234 1950
 Website: www.gvo.si
 Email: gvo@telekom.si

Company: GVO Telekommunikation GmbH
 Registered office: DE 48683 Ahaus, Germany
 Address: Schorlemer Straße 48

Company: OPTIC-TEL telekomunikacije d. o. o.
 Registered office: Ljubljana
 Address: Cigaletova 10, Ljubljana

Company: INFRATEL, telekomunikacijska infrastruktura, d. o. o.
 Registered office: Ljubljana
 Address: Cigaletova 10, Ljubljana

avtenta.

Company: AVTENTA, napredne poslovne rešitve, d. o. o.
 Registered office: Ljubljana
 Address: Stegne 19, 1000 Ljubljana
 Telephone: + 386 1 583 68 00
 Website: www.avtenta.si
 Email: prodaja@avtenta.si, marketing@avtenta.si

TSmedia

Company: TSmedia, medijske vsebine in storitve, d. o. o.
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Company: SOLINE Pridelava soli, d. o. o.
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TSinpo

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Companies abroad



Company:	IPKO Telecommunications LLC
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Website:	www.ipko.com
Email:	info@ipko.com

SIOL

Company:	SIOL d. o. o.
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Website:	http://www.siol.com/

SIOL

Company:	SiOL d. o. o. Sarajevo
Registered office:	Sarajevo, Bosna in Hercegovina
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SIOL

Company:	SIOL d. o. o. Podgorica
Registered office:	Podgorica, Črna gora
Address:	Džordža Vašingtona 108/36A, The Capital Plaza

SIOL

Company:	SIOL DOOEL Skopje
Registered office:	Skopje, Severna Makedonija
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SIOL

Company:	SIOL d. o. o. Beograd-Palilula
Registered office:	Beograd, Srbija
Address:	Ulica 27. marta 11

SIOL

Company:	SIOL Prishtina L.L.C
Registered office:	Priština, Kosovo
Address:	Pejton, Str. Mujo Ulqinaku 5/1

4.2 ABBREVIATIONS OF TECHNICAL TERMS

Abbreviation	English term	Slovene translation
AKOS	Agency for Communication Networks and Services of the Republic of Slovenia	Agencija za komunikacijska omrežja in storitve Republike Slovenije
APM	Alternative Performance Measures	alternativna merila uspešnosti poslovanja
ARKEP	Regulatory Authority of Electronic and Postal Communications of Kosovo	Agencija za elektronske in poštne komunikacije Kosova
ARPU	Average Revenue Per User	povprečni prihodek na uporabnika
ARPL	Average Revenue Per Line	povprečni prihodek na linijo
AR	Augmented Reality	obogatena resničnost
ASPU	Average Spend Per User	povprečna poraba na uporabnika
AVK	Slovenian Competition Protection Agency	Javna agencija Republike Slovenije za varstvo konkurence
BB	BroadBand	širokopasovni dostop
BI/DW	Business Intelligence / Data Warehouse	poslovna inteligenca / podatkovno skladišče
BDP		bruto domači proizvod
	Big data	velepodatki
-	Billing	sistem za zaračunavanje
	Bundle [packet]	skupek v paket povezanih storitev
BSS	Business Support System	sistem za podporo poslovanju
BSS/OSS	Business/Operational Support System	sistem za podporo poslovnega procesa / sistemi za operativni podporni proces
-	BusinessConnect	sodobna rešitev za upravljanje dokumentarnega gradiva
CAGR	Compound Annual Growth Rate	povprečni letni prirast
CAPEX	Capital Expenditure	vrednost investicij
CATV	Cable Television	kabelska televizija
CSCC	Cyber security control center	nadzorni center za kibernetško varnost
CEM	Customer Experience Management	upravljanje uporabniške izkušnje
COSO ERM	Committee of Sponsoring Organizations of the Treadway Commission, Enterprise risk management Integrated Framework	Odbor sponzorskih organizacij Treadwayeve komisije, Upravljanje tveganj v organizaciji v povezavi s strategijo in delovanjem organizacije
	Cloud services	storitve v oblaku
CRM	Customer relationship management	sistemi za upravljanje uporabnikov
-	Cross-sale	navzkrižna prodaja
FURS	Financial administration of the Republic of Slovenia	Finančna uprava RS
DCaaS	Data Center as a Service	podatkovni center kot storitev
-	Data offload	razbremenjevanje mobilnih podatkovnih omrežij na druge tehnologije
DDOS	Distributed Denial of Services	porazdeljena zavrnitev storitve
DTV	Digital television	digitalna televizija
DVB-x/IP	Digital Video Broadcast - IP over x [C, S, T]	digitalna videoradiodifuzija s podporo prenosa IP-podatkovnih paketov prek MPEG-transportnega toka

Abbreviation	English term	Slovene translation
DVB-T	Digital Video Broadcasting-Terrestrial	prizemna digitalna videoradiodifuzija
DVB-T/C/S	Digital Video Broadcasting-Terrestrial/Cable/Satellite	prizemna/kabelska/satelitska digitalna videoradiodifuzija
DWDM	Dense Wavelength Division Multiplex	gosti valovni multipleks
EBIT	Earnings before interest, taxes	dobiček iz poslovanja pred obrestmi in davki
EBITDA	Earnings before interest, taxes, depreciation and amortization	dobiček iz poslovanja pred obrestmi, davki in amortizacijo
EFQM	European Foundation for Quality Management	evropska fundacija za poslovno odličnost
ESMA	European Securities and Markets Authority	Evropski nadzorni organ za vrednostne papirje in trge
ERP	Enterprise Resource Planning	poslovni informacijski sistem
ETNO ETT	Europe's telecommunication network operators Energy Task Team	Evropsko združenje telekomunikacijskih operaterjev – tim za energetske cilje
EU	European Union	Evropska unija
FC	Fiber channel	optični kanal
FTTH	Fiber To The Home	optično vlakno do hiše/stanovanja
FTTH/B/N	Fiber To The Home / Business / Node	optika do hiše/podjetja/vozlišča
FTTx	Fiber To The Exchange	optika do X
	Flagship	vodilna (referenčna) trgovina
GDPR	General Data Protection Regulation	splošna uredba o varstvu osebnih podatkov
GOŠO	Construction of Open Broadband network	gradnja odprtega širokopasovnega omrežja [bele lise – subvencionirano s sredstvi EU]
GPON	Gigabit Pasive Optical Network	gigabitno pasivno optično omrežje
GRI	Global reporting initiative	model trajnostnega poročanja
HFC	Hybrid Fiber Coax	hibridno optično koaksialno omrežje
IaaS	Infrastructure as a Service	infrastruktura kot storitev
IFRS/MSRP	International Financial Reporting Standards	Mednarodni standardi računovodskega poročanja
IoT	Internet of Things	internet stvari
IKT	Information and Communication Technologies	informacijsko-komunikacijske tehnologije
ISO	International Organization for Standardization	Mednarodna organizacija za standardizacijo
ISP	Internet Service provider	ponudnik internetnih storitev
IT	Information Technology	informacijska tehnologija
ITIL	Information Technology Infrastructure Library	
IP	Internet Protocol	internetni protokol
IMS	Internet protocol Multimedia System	
IMS/VOLTE	IP Multimedia Core Network Subsystem Voice over LTE [Long-Term Evolution]	IP-multimedijski sistem / govor prek LTE-omrežja
IMF WEO	International Monetary Fund World Economic Outlook	
IPTV	IP television	televizija prek internetnega protokola
KFI	Key Financial Indicators	ključni finančni indikatorji poslovanja
KPI	Key Performance Indicators	ključni kazalniki poslovanja
KPSS	Sečovlje Salina Nature park	Krajinski park Sečoveljske soline

Abbreviation	English term	Slovene translation
LPWA	Low Power Wide Area	omrežja z nizko porabo in velikim dosegom
LTE	Long Term Evolution	LTE/4G, post LTE/4G, po 3 GPP mobilnem standardu
LTE-A	Long Term Evolution Advanced	LTE/4G z višjo prenosno hitrostjo podatkov [več kot 300 Mb/s]
M2M	Machine to Machine	komunikacijska povezava med napravami
MBB	Mobile Broadband	mobilni širokopasovni dostop
MMDS	Multichannel Multipoint Distribution Service	večpredstavnostni večtočkovni distribucijski sistemi
MMS	Multimedia Messaging Service	multimedijski sporočilni sistem
MVNO	Mobile Virtual Network Operator	mobilni operater navideznega omrežja
MPLS	Multiprotocol label switching	tehnologija za posredovanje, usmerjanje in preklapljanje prometnih tokov skozi omrežje
MPLS VPN	MPLS Virtual private network	navidezno zasebno omrežje
NOC	Network Operations Center	
NGA	Next Generation Access	hitro dostopovno omrežje
NGN	Next Generation Networks	širokopasovna omrežja naslednje generacije
NFV	Network Functions Virtualization	
NPS	Net Promotor Score	merilo za spremljanje uporabniške izkušnje, v eni številki pa združuje indikacijo uporabnikove pripravljenosti priporočanja, njegovega zadovoljstva, zaznav odličnosti uporabniške izkušnje in izražanja pripadnosti ponudniku
OCKV	Operational center of cyber security	Operativni center kibernetске varnosti
OPEX	Operational Expenditure	stroški poslovanja brez amortizacije
OMS	Order management system	sistem upravljanja naročil
OPEX	Operational Expenditure	stroški poslovanja brez amortizacije
OSC	Operating Service Center	operativno storitveni center
OSS	Operations Support system	sistem za podporo delovanja
OŠO	Construction of Open Broadband	odprta širokopasovna omrežja
OTN	Optical Transport Network	optični prenosni sistem
OTT	Over-the-top content	storitve, ki delujejo neodvisno od omrežja – distribucija video- in avdio vsebin prek interneta
P2P	Point to Point	povezava točka-točka [medtočkovna povezava]
P2MP	Point to Multiple Point	povezava točka-več točk
PaaS	Platform as a Service	platforma kot storitev
PDH	Plesiochronous digital hierarchy	plesiohrona digitalna hierarhija
PLM	Product lifecycle management	upravljanje življenjskega cikla produkta
POP	Point Of Presence	dostopovno vozlišče
RAN	Radio Access Network	radijsko mobilno dostopovno omrežje
RAS	Revenue Assurance System	sistem za preprečevanje odtekanja prihodkov
-	Resale	preprodaje maloprodajnih produktov
ROA	Return on Assets	dobičkonosnost sredstev

Abbreviation	English term	Slovene translation
ROADM	Reconfigurable Optical Add-Drop Multiplexer	nastavljiv optični multipleksor za dodajanje in odvzemanje
ROE	Return on Equity	dobičkonosnost kapitala
ROO	Regional Optical Network	regionalno optično omrežje
RNO	Access cable network	razvodno naročniško omrežje
SaaS	Software as a Service	programska oprema kot storitev
SDG	Sustainable Development Goals	cilji trajnostnega razvoja
SDH	Synchronous Digital Hierarchy	sinhrona digitalna hierarhija
SDV/VAS	Value Added Services	storitve z dodano vrednostjo
SeKV		Sekcija za kibernetiko varnost pri GZS
SME/SOHO	Small and Medium Enterprises / Small Office Home Office	mala in srednja podjetja
SMS	Short Message Service	storitev kratkih sporočil
SMB	Small and medium size business	mali in srednje veliki poslovni uporabniki
SLA	Service Level Agreement	Sporazum o ravni zagotavljanja storitve
	Up-sale	nadgradnja storitev
SURS	Statistical office of Republic Slovenia	Statistični urad Republike Slovenije
TDM	Time Division Multiplex	časovni multipleks, sistem s porazdeljevanjem časa
ULR		usredstvena lastna režija
UMTS/HSPA	Universal Mobile Telecommunications System/High Speed Packet Access	univerzalni mobilni telekomunikacijski sistem/protokol 3G, ki pomeni nadgradnjo omrežja UMTS in omogoča večje prenosne hitrosti
UMAR		Urad za makroekonomske analize in razvoj
USO	Universal Service Obligation	obveznost zagotavljanja univerzalnih storitev
VULA	Virtual Unbundled Local Access	virtualna lokalna razvezana zanka
VR	Virtual Reality	navidezna resničnost
VoIP	Voice over IP	govor prek IP-protokola
VDSL	Very High Speed Digital Subscriber Line	digitalni naročniški vod z zelo visokimi hitrosti
Wi-Fi	Wireless Fidelity	brežžično omrežje po standardih IEEE 802.11
WFM	Workforce Management	sistem za optimizacijo terenskega dela
XaaS storitve	Anything as a Service	ponudba celostne palete storitev v oblaku

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