



Unaudited
Business Report
**of the Telekom Slovenije Group and
Telekom Slovenije, d. d.**

for the period January to March 2021



TelekomSlovenije

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Ljubljana, 13 May 2021

1. INTRODUCTORY NOTE

Pursuant to the law and the Rules of the Ljubljana Stock Exchange, Telekom Slovenije, d. d. (hereinafter: Telekom Slovenije), with its registered office at Cigaletova 15, Ljubljana, hereby publishes the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the period January to March 2021.

The condensed interim financial statements for the period ending 31 March 2021 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2020. The financial statements for the period January to March 2021 have not been audited.

Telekom Slovenije's Supervisory Board discussed the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the period under consideration at its session on 12 May 2021.

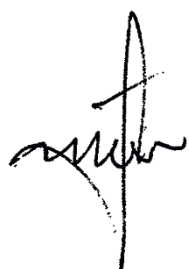
Any significant changes to the data contained in the prospectus for listing on the stock exchange are regularly published by the Company on the Ljubljana Stock Exchange's SEOnet website and on the Company's website at www.telekom.si.

The Unaudited Business Report for the period January to March 2021 is also accessible on the Company's website at www.telekom.si.

1.1. Statement of responsibility of the Management Board

The members of Telekom Slovenije, d. d.'s Management Board responsible for compiling the unaudited report of the Telekom Slovenije Group and Telekom Slovenije for the period January to March 2021, hereby find that:

- to the best of our knowledge, the unaudited report of the Telekom Slovenije Group and Telekom Slovenije was compiled and published in accordance with valid legislation and the International Financial Reporting Standards as adopted by the EU;
- the condensed interim financial statements for the period ending 31 March 2021 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2020;
- the selected accounting policies were applied consistently in the compilation of the condensed financial statements and any changes to those policies were disclosed, and that accounting estimates were made fairly and with careful consideration, according to the principle of prudence and the diligence of a good manager, and under the assumption that the Telekom Slovenije Group and Telekom Slovenije are going concerns; and
- the interim business report presents a fair picture of information regarding major transactions with related parties, in accordance with regulations.



Cvetko Sršen
President of the
management board



Tomaž Jontes
Vice-President of the
Management Board



Dr Mitja Štular
Member of the
Management Board



Barbara Galičič
Drakslar
Member of the
Management Board



Špela Fortin
Member of the
Management Board
– Workers Director

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

2.1. Vision, mission and values



2.2. Key strategic objectives

The strategy for the period 2021 to 2025 is a core corporate document in which the future development and strategic policies of the Telekom Slovenije Group are defined through its mission, vision, values and strategic objectives. The Telekom Slovenije Group is implementing its established strategy in 2021 in accordance with adopted strategic policies. The strategic business plan is updated every year taking into account conditions in the sector and across the globe.

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

| | |
|--------------------|-------------------|
| Operating revenues | EUR 653.0 million |
| EBITDA | EUR 210.6 million |
| Net profit | EUR 30.8 million |
| Investments | EUR 203.7 million |

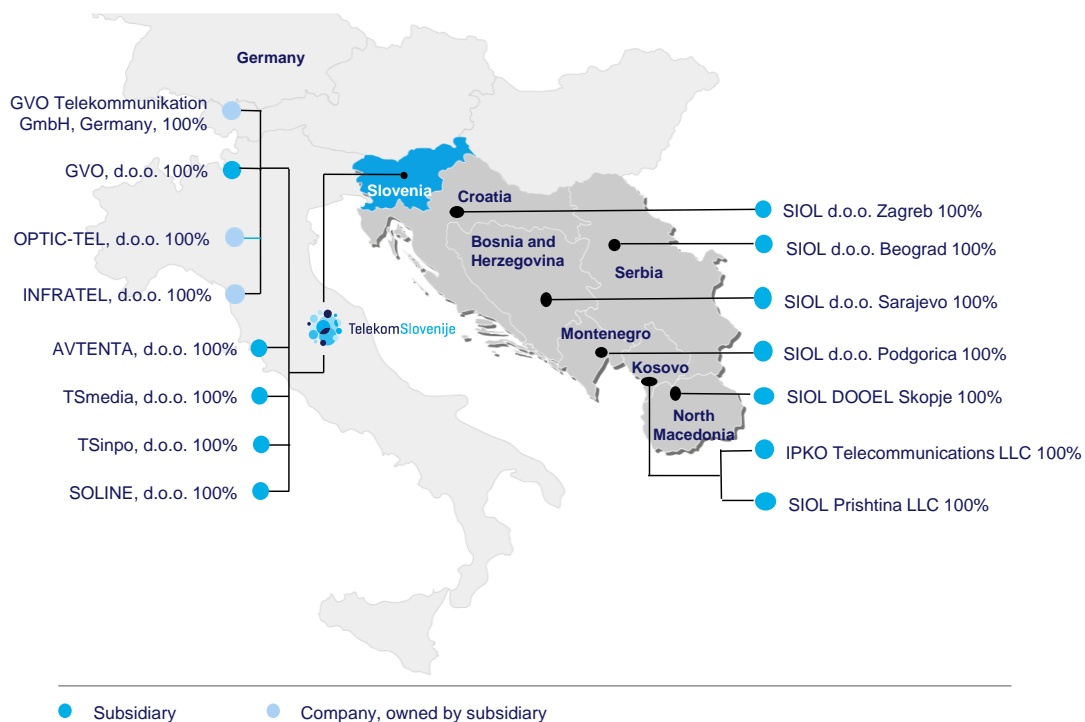
3. TELEKOM SLOVENIJE GROUP

3.1. Markets and companies of the Telekom Slovenije Group

The Telekom Slovenije Group comprises the parent company Telekom Slovenije and its subsidiaries. The composition of the Telekom Slovenije Group and participating interests as at 31 March 2021 are presented in the picture below.

The detailed composition of the Telekom Slovenije Group is presented on the website <https://www.telekom.si/o-podjetju/skupina-telekom-slovenije/odvisne-druzbe>.

Situation as at 31 March 2021



Changes in the Telekom Slovenije Group in 2021

There were no changes in the period January to March 2021.

Telekom Slovenije is the founder of the Heart Foundation, the aim of which is to help the children of employees of Slovenian Telekom Slovenije Group companies who have lost a parent or who are seriously ill. The majority of the foundation's funds are contributed by the employees of Slovenian Telekom Slovenije Group companies.

3.2. Operating highlights

The Telekom Slovenije Group achieved the following in the period January to March 2021:

- The Telekom Slovenije Group generated EUR 157.5 million in operating revenues in the period January to March 2021, a decrease of 6% relative to the revenues generated during the same period in 2020.
- Net sales revenue amounted to EUR 156.8 million. The COVID-19 pandemic is affecting sales revenue in 2021 due to lower revenues from the roaming of users in the networks of foreign operators and roaming by foreign users in our mobile networks, and due to lower revenues from international voice services. Having the most significant impact on lower revenues are IT licences, which result in lower costs on the other hand. Revenues are also declining due to the optimisation of subscribers who have an increasing number of services included in their monthly subscription fee, while revenues from traditional telephony have been declining for several years. Sales revenue was up relative to the same period last year at the subsidiary IPKO.
- The Telekom Slovenije Group's operating expenses totalled EUR 143.5 million, a decrease of 5% or EUR 8.2 million relative to the same period in 2020.
- Earnings before interest and taxes (EBIT) amounted to EUR 14.0 million in the period January to March 2021, a decrease of 10% or EUR 1.5 million relative to the same period last year. Taking into account one-off effects in 2020, EBIT was 16% higher in 2021 relative to the same period last year.
- Earnings before interest, taxes, amortisation and depreciation (EBITDA) totalled EUR 55.7 million at the Telekom Slovenije Group level, a decrease of 3% relative to the first quarter of 2020. Taking into account one-off effects in 2020, EBITDA was 3% higher in 2021 relative to the same period last year. The EBITDA margin (i.e. EBITDA as a proportion of sales revenue) was 35.5% at the Group level.
- Following the calculation of income tax (including deferred taxes), the Telekom Slovenije Group generated a net profit of EUR 9.7 million during the first quarter of 2021, a decrease of EUR 1.6 million relative to the same period in 2020. Taking into account one-off effects in 2020, net profit was 8% higher in 2021 relative to the same period last year.
- Despite the challenges in connection with the COVID-19 pandemic, the Telekom Slovenije Group is financially stable. In that context and given conditions on the market, it is adapting its 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.

3.3. Key financial indicators for the Telekom Slovenije Group

Key financial indicators for the Telekom Slovenije Group, in accordance with the accounting report:

| EUR thousand / % | Telekom Slovenije Group | | | Telekom Slovenije | | |
|--|----------------------------|------------------------------|----------------|----------------------------|------------------------------|----------------|
| | I - III 2021/ 31.3.2021 | I - III 2020 / 31.12.2020 | Index 21/20 | I - III 2021/ 31.3.2021 | I - III 2020 / 31.12.2020 | Index 21/20 |
| Revenue | 156,768 | 166,760 | 94 | 142,243 | 152,861 | 93 |
| Other operating income | 725 | 469 | 155 | 286 | 251 | 114 |
| Operating revenue | 157,493 | 167,229 | 94 | 142,529 | 153,112 | 93 |
| EBITDA | 55,707 | 57,391 | 97 | 46,465 | 49,043 | 95 |
| EBITDA margin | 35.5% | 34.4% | 103 | 32.7% | 32.1% | 102 |
| EBIT | 13,993 | 15,539 | 90 | 11,870 | 14,905 | 80 |
| Return on sales: ROS (EBIT/ sales revenue) | 8.9% | 9.3% | 96 | 8.3% | 9.8% | 86 |
| Net profit from continuing operations | 9,717 | 12,388 | 78 | 8,470 | 12,554 | 67 |
| Loss from discontinued operations | 0 | -1,054 | - | 0 | 0 | - |
| Net profit | 9,717 | 11,334 | 86 | 8,470 | 12,554 | 67 |
| Assets | 1,251,921 | 1,227,839 | 102 | 1,233,602 | 1,226,566 | 101 |
| Equity | 600,407 | 590,484 | 102 | 614,444 | 605,784 | 101 |
| Equity ratio | 48.0% | 48.1% | 100 | 49.8% | 49.4% | 101 |
| Net financial debt | 379,431 | 378,377 | 100 | 389,432 | 390,067 | 100 |

The Telekom Slovenije Group also uses the Alternative Performance Measures (APMs) defined by the ESMA to present its operating results.

Net profit for the comparable period is broken down into profit or loss from continuing and discontinued operations. More information can be found in the accounting report.

3.4. Overview by company and key market

Operating revenue

| EUR thousand | I - III 2021 | I - III 2020 | Index 21/20 |
|--------------------------------|----------------|----------------|----------------|
| Telekom Slovenije | 142,529 | 153,112 | 93 |
| Other companies in Slovenia | 18,668 | 19,777 | 94 |
| IPKO - Kosovo | 15,160 | 13,851 | 109 |
| Other companies abroad | 978 | 993 | 98 |
| Total - unconsolidated | 177,335 | 187,733 | 94 |
| Eliminations and adjustments | -19,842 | -20,504 | 97 |
| Telekom Slovenije Group | 157,493 | 167,229 | 94 |

EBITDA – earnings before interest, taxes, depreciation and amortisation

| EUR thousand | I - III 2021 | I - III 2020 | Index 21/20 |
|--------------------------------|---------------|---------------|-------------|
| Telekom Slovenije | 46,465 | 49,043 | 95 |
| Other companies in Slovenia | 1,876 | 1,211 | 155 |
| IPKO - Kosovo | 8,363 | 6,745 | 124 |
| Other companies abroad | 643 | 698 | 92 |
| Total - unconsolidated | 57,347 | 57,697 | 99 |
| Eliminations and adjustments | -1,640 | -306 | - |
| Telekom Slovenije Group | 55,707 | 57,391 | 97 |

EBIT – earnings before interest and taxes

| EUR thousand | I - III 2021 | I - III 2020 | Index 21/20 |
|--------------------------------|---------------|---------------|-------------|
| Telekom Slovenije | 11,870 | 14,905 | 80 |
| Other companies in Slovenia | 613 | -109 | - |
| IPKO - Kosovo | 1,943 | -204 | - |
| Other companies abroad | 135 | 186 | 72 |
| Total - unconsolidated | 14,561 | 14,778 | 99 |
| Eliminations and adjustments | -568 | 761 | - |
| Telekom Slovenije Group | 13,993 | 15,539 | 90 |

Net profit or loss

| EUR thousand | I - III 2021 | I - III 2020 | Index 21/20 |
|--|--------------|---------------|-------------|
| Telekom Slovenije | 8,470 | 12,554 | 67 |
| Other companies in Slovenia | 404 | -235 | - |
| IPKO - Kosovo | 1,240 | -886 | - |
| Other companies abroad | 36 | 66 | 54 |
| Eliminations and adjustments | -432 | 889 | - |
| Net profit from continuing operations | 9,717 | 12,388 | |
| Loss from discontinued operations | 0 | -1,054 | - |
| Telekom Slovenije Group | 9,717 | 11,334 | 86 |

Investments

| EUR thousand | I - III 2021 | I - III 2020 | Index 21/20 |
|--------------------------------|---------------|---------------|-------------|
| Telekom Slovenije | 39,962 | 43,349 | 92 |
| Other companies in Slovenia | 361 | 780 | 46 |
| IPKO - Kosovo | 2,119 | 1,221 | 174 |
| Other companies abroad | 698 | 84 | 831 |
| Eliminations and adjustments | 18 | -949 | - |
| Telekom Slovenije Group | 43,158 | 44,485 | 97 |

Employees

| Number of employees at | 31.3.2021 | 31.12.2020 | Index 21/20 |
|--------------------------------|--------------|--------------|-------------|
| Telekom Slovenije | 2,162 | 2,165 | 100 |
| Other companies in Slovenia | 702 | 699 | 100 |
| IPKO - Kosovo | 528 | 528 | 100 |
| Other companies abroad | 0 | 0 | - |
| Telekom Slovenije Group | 3,392 | 3,392 | 100 |

TELEKOM SLOVENIJE GROUP CONNECTIONS AND SERVICES BY TYPE AND MARKET

Broadband connections

| Number as at | 31.3.2021 | 31.12.2020 | Index 21/20 |
|-------------------------------|----------------|----------------|-------------|
| <i>Slovenia - retail</i> | 200,273 | 201,420 | 99 |
| <i>Slovenia - wholesale</i> | 162,464 | 160,323 | 101 |
| Slovenia total | 362,737 | 361,743 | 100 |
| Kosovo - retail | 102,063 | 102,515 | 100 |
| Telekom Slovenia Group | 464,800 | 464,258 | 100 |

Mobile telephony

| Number as at | 31.3.2021 | 31.12.2020 | Index 21/20 |
|-------------------------------|------------------|------------------|-------------|
| <i>Slovenia - retail</i> | 959,481 | 965,867 | 99 |
| <i>Slovenia - wholesale</i> | 138,604 | 132,861 | 104 |
| Slovenia total | 1,098,085 | 1,098,728 | 100 |
| Kosovo - retail | 804,880 | 775,148 | 104 |
| Telekom Slovenia Group | 1,902,965 | 1,873,876 | 102 |

Fixed telephony and VoIP services

| Number as at | 31.3.2021 | 31.12.2020 | Index 21/20 |
|---|----------------|----------------|-------------|
| <i>Slovenia - classical fixed telephony</i> | 300,292 | 302,867 | 99 |
| <i>Slovenia - VoIP</i> | 182,149 | 183,174 | 99 |
| Slovenia total | 482,441 | 486,041 | 99 |
| Kosovo - VoIP | 35,055 | 35,027 | 100 |
| Telekom Slovenia Group | 517,496 | 521,068 | 99 |

3.5. Ownership structure and share trading

General information regarding Telekom Slovenije shares as at 31 March 2021

| 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 March 2021 | 8,782 |

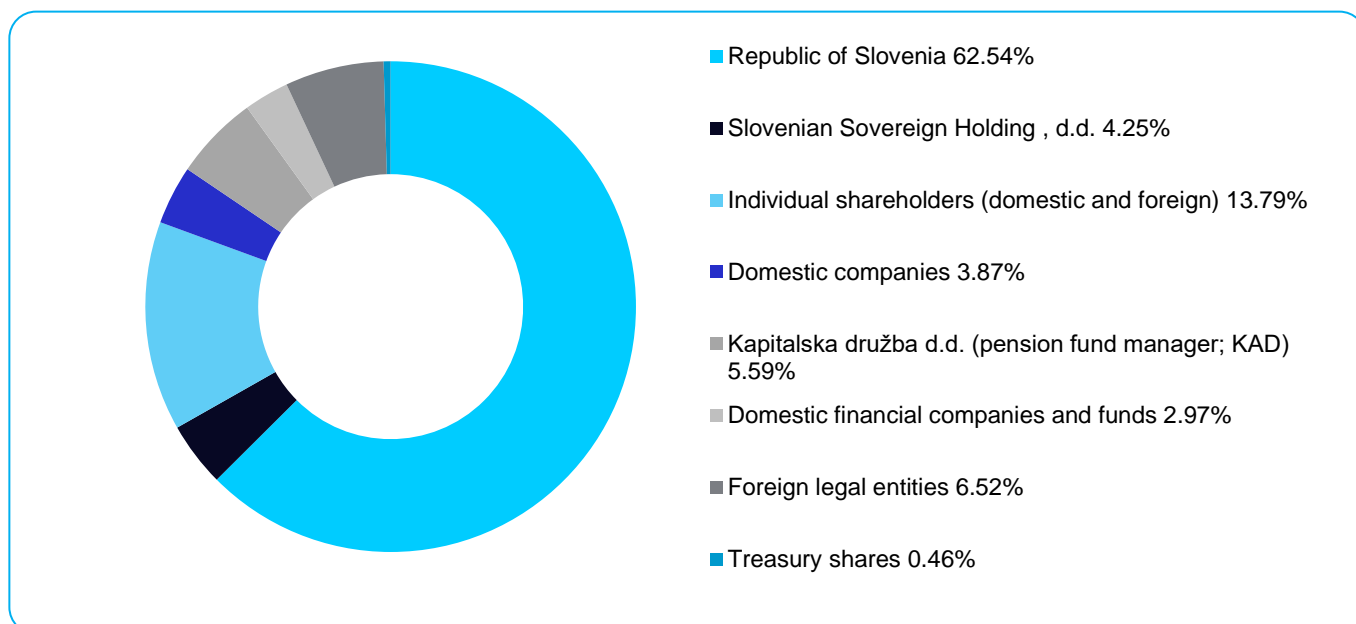
Ownership structure and largest shareholders as at 31 March 2021

Telekom Slovenije had 8,782 shareholders as at 31 March 2021, a decrease of 83 relative to the end of 2020.

With a total stake of 93.2%, domestic investors are predominant in the Company's ownership structure. The Company's largest shareholder is the Republic of Slovenia, together with Kapitalska družba, Slovenski državni holding, the First Pension Fund of Modra zavarovalnica and the latter's guarantee fund. Collectively, 73.36% of the Company's shares were directly or indirectly held by the government.

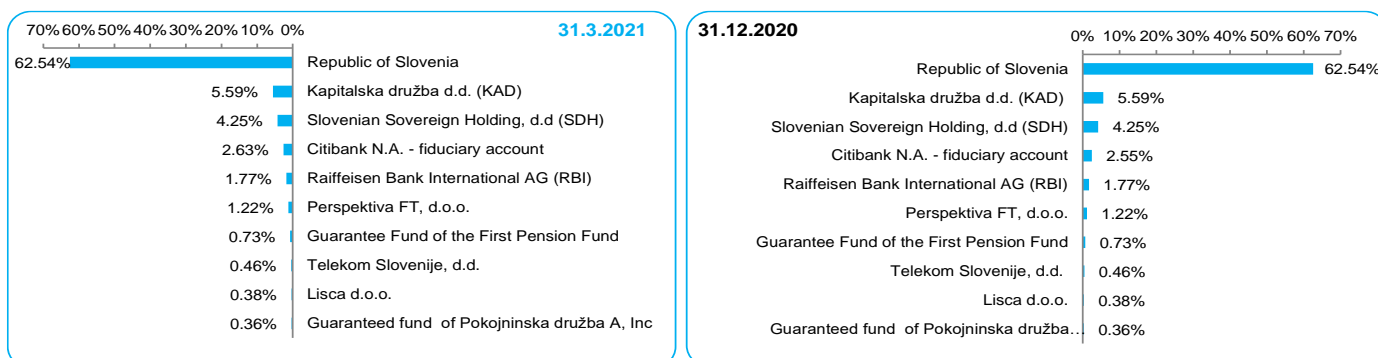
Individual shareholders represent the second largest category of owners. Their stake was up during the first quarter of 2021. Foreign legal entities also increased their stake, while domestic legal entities, financial corporations and funds decreased their stake. Government-held stakes were unchanged.

Ownership structure as at 31 March 2021



Ten largest shareholders as at 31 March 2021

The concentration of ownership, as measured by the ownership stake held by the ten largest shareholders, stood at 79.93% as at 31 March 2021, an increase of 0.08 percentage points relative to the end of 2020. There was no change in the order of the top ten shareholders.



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

Members of the Management Board and Supervisory Board held 724 TLSG shares as at 31 March 2021.

| Name | Office | Number of shares | % in equity |
|--------------------------|---|------------------|----------------|
| Management Board | | | |
| dr. Mitja Štular | Member of the Management Board | 470 | 0.00719 |
| Supervisory board | | | |
| Marko Kerin | Member of the Supervisory Board | 2 | 0.00003 |
| Drago Kijevčanin | Vice-President of the Supervisory Board | 212 | 0.00324 |
| Dušan Pišek | Member of the Supervisory Board | 36 | 0.00055 |
| Jana Žižek Kuhar | Member of the Supervisory Board | 4 | 0.00006 |
| Total | | 724 | 0.01108 |

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

Movement in the TLSG share price

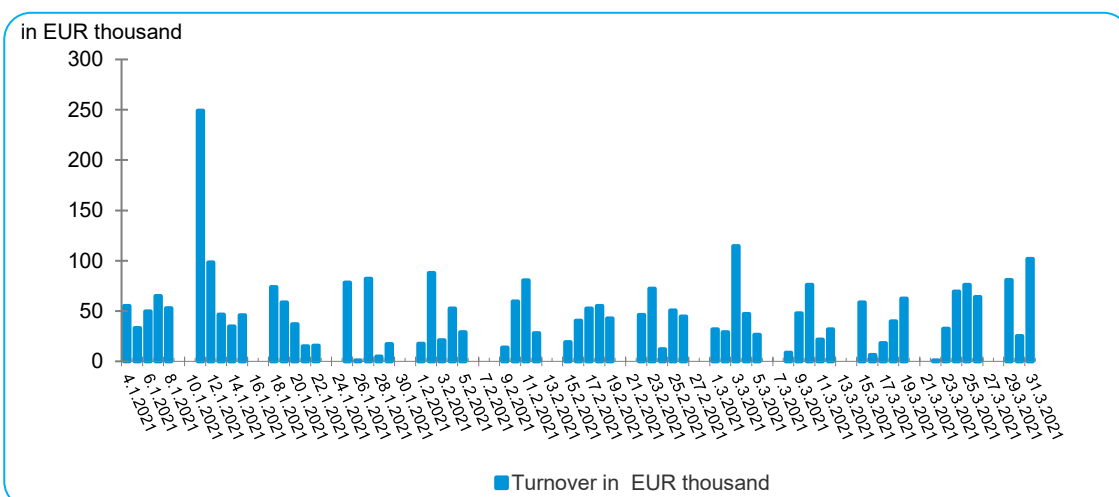
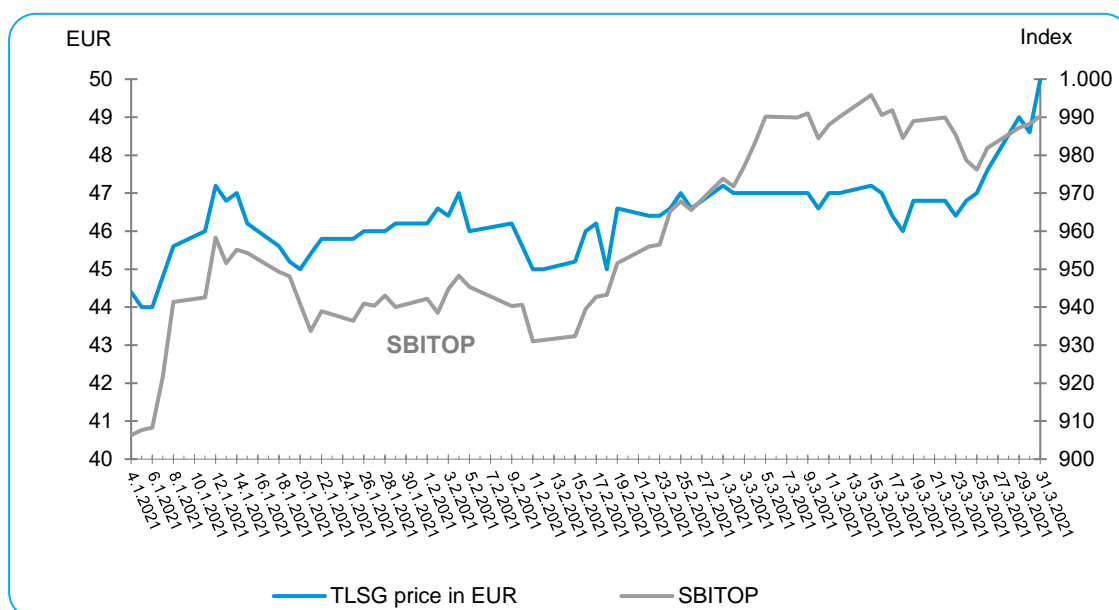
The shares of Telekom Slovenije are listed on the prime securities market of the Ljubljana Stock Exchange under the ticker symbol TLSG. The shares are included in the SBITOP share index, and accounted for 5.18% of that index according to the half-yearly review of the composition and parameters of the SBITOP conducted on 22 March 2021. 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 price of TLSG shares closed at EUR 50.00 on the last trading day of March 2021. The share price rose by 14.68% during the first quarter of the year, while the SBITOP index, which provides information regarding the movement of the most liquid and largest shares on the stock exchange, was up by 9.98% during the same period. The market capitalisation of Telekom Slovenije stood at EUR 326.77 million on the last trading day of March. Turnover in Telekom Slovenije shares totalled EUR 3.01 million during the period January to March 2021, representing 2.4% of total turnover on the stock exchange.

Trading statistics for TLSG shares on the Ljubljana Stock Exchange

| Standard price in EUR | I – III 2021 | I – III 2020 |
|---------------------------|--------------|--------------|
| Highest daily price | 50.00 | 59.60 |
| Lowest daily price | 44.00 | 41.00 |
| Average daily price | 46.36 | 54.50 |
| Volume in EUR thousand | I – III 2021 | I – III 2020 |
| Total volume for the year | 3,008.68 | 5,820.26 |
| Highest daily volume | 249.10 | 379.22 |
| Lowest daily volume | 0.89 | 0.18 |
| Average daily volume | 48.53 | 92.39 |

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



Source: Ljubljana Stock Exchange, archive of data.

Key financial data relating to shares

| | 31. 3. 2021 / I – III 2021 | 31. 3. 2020/ I – III 2020 |
|---|-------------------------------|------------------------------|
| Closing price of one share on the last trading day of the period in EUR | 50.00 | 44.20 |
| Book value of one share in EUR ¹ | 91.87 | 90.35 |
| Net earnings per share in EUR ² | 1.49 | 1.74 |
| P/BV | 0.54 | - |
| Capital return per share during the period in % ³ | 14.68 | -18.75 |

Notes:

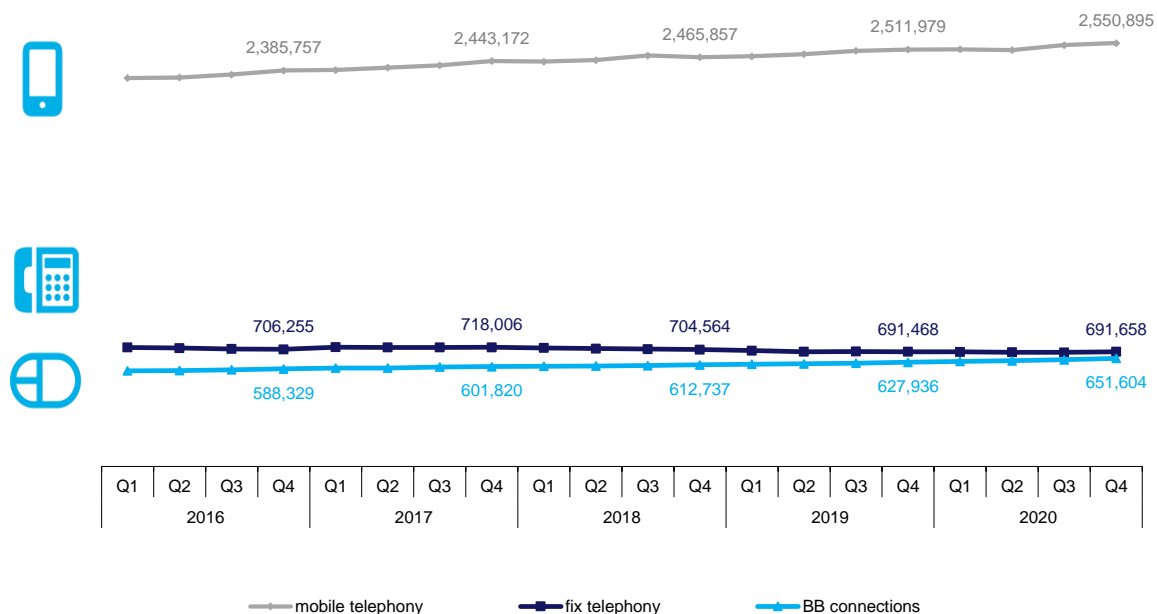
¹ The book value of one share is calculated as the ratio of the book value of the Telekom Slovenije Group's equity on the last day of the period to the number of issued ordinary shares. Comparable data from the statement of financial position are from 31 December 2020.

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

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

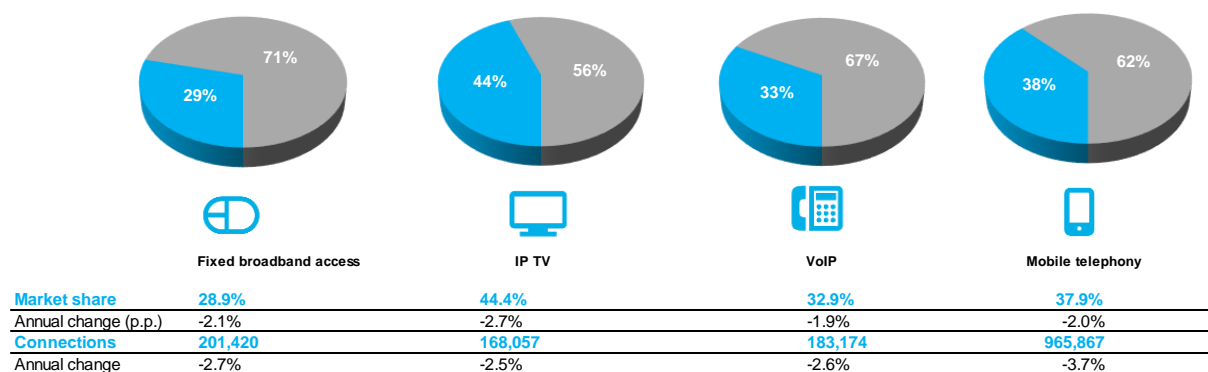
3.6. Market and market shares in key service segments

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



Source: Statistical Office of the Republic of Slovenia, Electronic Communications, fourth quarter of 2020, March 2021.

Telekom Slovenije's market shares in the fourth quarter of 2020 in key market segments



Source: AKOS: eAnalitik portal, March 2021; internal Telekom Slovenije figures.

3.7. Risk management

Key risks are presented below by Telekom Slovenije Group company.

TELEKOM SLOVENIJE

Strategic risks

- In terms of strategic risks, Telekom Slovenije faces competition, regulatory effects and 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. The Slovenian market is saturated, which means less manoeuvring room for attracting new users. The management of such risks requires the regular implementation 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 and the portfolio, and the introduction of the latest developments for specific groups and segments of users.
- In the area of strategic risks, activities are also being carried out on the retail market due to the impact of the COVID-19 pandemic, including an adapted portfolio of services and a separate approach for the user segment. A programme is being implemented to maintain subscribers. Sales of telemedicine and eCare services have risen during the pandemic, which is opening new opportunities to support users in changing operating conditions. The Company is adapting activities to the reduced scope of operations in certain sectors, which is affecting the implementation of some planned projects for business users. Sales of services and products through digital channels are being promoted. The restricted movement of the population and travel limitations have 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, and the proactive search for new destinations and new revenues. The closure of points of sale had a significant impact on merchandise sales, resulting in the adaptation of some points of sale that operated as pick-up points. Purchases during this period shifted to a great extent to the digital environment. Telekom Slovenije is focusing on the user, for whom it facilitates the integration and accessibility of content and applications.

Financial risks

- Telekom Slovenije regularly monitors the dynamics of the financial environment that reflect the various types of risks to which the Company is exposed in its operations. The Company actively monitors liquidity, credit and interest-rate risk, while various financial risk management models and derivatives are used to reduce exposure to specific types of risks.
- Liquidity risk is managed through the regular management and planning of cash flows by ensuring the appropriate maturities and the diversification of financial debt, and through financing within the Group and the optimisation of working capital and cash. The Company manages cash flows using liquidity reserves in the form of short-term credit lines. Also in progress is the raising of a long-term loan, a larger portion of which will be earmarked for the refinancing of issued bonds, while the remainder will be used for other investments. A comprehensive approach to managing liquidity risk and measures implemented in other areas of operations mean that the COVID-19 pandemic is not having a significant impact on the Company's liquidity. To that end, additional measures were adopted to optimise costs and mitigate 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.
- Credit risk is managed by the Company through the active monitoring of the operations of customers and their credit ratings, and by limiting maximum allowable exposures. The Company further hedges against the risk of the deteriorating financial position of customers through credit insurance and by regularly monitoring the appropriateness thereof. Monitoring of the settlement of contractual obligations and the active recovery of past-due debt are also elements of the system tool used for credit risk management, while Telekom Slovenije regularly monitors credit exposure to customers. There has been no significant deterioration in the structure of receivables during the COVID-19 pandemic.
- The Company also hedges against interest-rate risk by concluding interest-rate swaps. Fixed or

hedged interest rates account for 65.0% of interest-bearing financial liabilities at the Company level.

- Telekom Slovenije manages credit risk in connection with receivables from loans to subsidiaries by including various collateral instruments in loan agreements, while it regularly monitors the operations and liquidity of subsidiaries. If the effects of the COVID-19 pandemic will have a negative impact on 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

- Regulatory risks derive from changes to the regulatory framework and policies, and potential decisions of the regulator regarding the imposition of additional obligations or changes in prices in individual market segments.
- Currently being drafted is the new Electronic Communications Act (ZEKom-2), which will transpose the European Electronic Communications Code (EECC). Telekom Slovenije is participating in the drafting of that act through constructive expert proposals in the scope of a working group. At the European level, the Digital Services Act (DSA) package is currently the subject of public consultations. That package includes proposed new and amended rules for the strengthening of the Single Market for digital services.
- On 18 December 2020, the Agency for Communication Networks and Services (AKOS) published a decision regarding the organisation of a public tender with a public auction for the allocation of radio frequencies for the provision of public communication services to end-users in the 700 MHz, 1500 MHz, 2100 MHz, 2300 MHz, 3600 MHz and 26 GHz radio frequency bands. During the public opening of bids, the tender committee determined that four complete tenders were received in a timely manner. The public auction began on 7 April 2021 and was completed on 16 April 2021. Telekom Slovenije secured the radio frequency spectrum in the 700 MHz FDD band, 700 MHz SDL band, 1500 MHz band, 2100 MHz band, 3600 MHz band and 26 GHz band.
- The risk associated with personal data protection derives from the large scope and categories of personal data that Telekom Slovenije processes as the leading operator in Slovenia. Of significance with regard to that risk is the application of Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data

Protection Regulation or GDPR) and sectoral legislation, in particular the Electronic Communications Act (ZEKom-1), where the GDPR brought stricter regulation and increased the awareness of both users and the general public regarding the protection of the data, while sectoral legislation sets out the specific obligations of Telekom Slovenije in individual areas of operations. Telekom Slovenije ensures compliance through the continuous monitoring, updating and improvement of personal data processing and internal control processes for personal data protection. It also monitors 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 (where the e-privacy directive is being coordinated by EU bodies) that will impact the processing of data during the provision of the Company's services.

- The new ZGD-1K was published on 9 February 2021 and entered into force on 24 February 2021. Activities are being carried out to implement changes.
- In its operations, Telekom Slovenije complies with valid legislation, as well as decisions and aspects of sectoral regulations and other competent bodies. Regulatory risks are managed through organisational and procedural measures in the Company's operations, through constructive dialogue, by putting forth opinions, comments and suggestions in public consultations regarding drafts of general and specific laws issued by the regulator, and by taking legal action against issued regulatory decisions, whenever that is justified.
- Remote operations and measures necessary 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, in which all legal requirements are complied with in full.

Operational risks

- Telekom Slovenije gives a great deal of attention to managing ICT-related operational risks. These risks are controlled through the management and development of all sub-systems, and by improving operational efficiency, processes and staff, while supporting new business opportunities. Risks in the area of security are managed through the continuous development and implementation of the security policy, by identifying security threats and vulnerabilities, and by spreading the security culture to employees and users.
- The Company adopted a plan of measures and activities in response to the impact of the

COVID-19 pandemic. That plan also takes into account national measures and adapts all activities accordingly with the aim of ensuring business continuity, while protecting the health of users and employees to the greatest extent possible. The Company also ensures compliance with all security and preventive measures with the aim of protecting the health of employees and ensuring remote work where the latter is possible.

- Telekom Slovenije also faces risks associated with recruiting and retaining key employees, as it is increasingly difficult to recruit qualified candidates with specific knowledge and retain employees with crucial expertise due to market conditions and increased demand for professionally qualified personnel. The Company focuses on the systematic development of employees and career planning, the internal transfer of knowledge, the introduction and implementation of advanced development-training programmes and ensuring employee motivation and remuneration systems. By providing scholarships to young people, the Company offers them the opportunity to make contact with the latest technologies and top experts, and facilitates their further development.
- As an operator and employer, we responsibly adopt measures to protect employees, users and other stakeholders, and to ensure the continuous functioning of services, which for many represent the only form of communication in a period of limited social contacts.
- Telekom Slovenije manages risks in connection with procurement processes through a centralised procurement function, a standard process for the implementation of procurement procedures and a methodology for assessing the risk of cooperation with suppliers. The Company monitors compliance with contractual provisions. The Supplier Code falls into this category of activities. The Rules on the procurement of goods and services are being updated, while activities are being implemented to provide new information support for the procurement process.
- The Company ensures the timely supply of equipment and services in the context of increased communication with suppliers due to the COVID-19 pandemic, and ensures an appropriate buffer stocks of strategic materials. A system is in place with at least two sources of supply due to possible supply disruptions and delays.

AVTENTA

- Risks in connection with achieving planned revenues are managed through a competitive portfolio and the development of digital

solutions.

- Risks in connection with the COVID-19 pandemic have resulted in delays in the implementation of projects and the reduced scope of new projects.

GVO

- Risks associated with rising prices of construction services are managed by adapting the organisation of work and processes.
- Risks in connection with the COVID-19 pandemic are affecting operations in terms of the implementation of investment and maintenance works, and due to the limited resources of subcontractors.

SOLINE

- Weather-related risks are tied to the risk of a loss of salt production due to adverse weather conditions, as salt production is a seasonal activity. The operations of Soline are being adapted to climate change via new sales programmes, while the infrastructure is also being adapted with the help of the Climate Plan of the Republic of Slovenia.
- Changes to the concession agreement on the management of the Sečovlje Salina Nature Park can have a significant effect on the company's business model. The company is in the process of obtaining the necessary authorisations to extend the existing salt-mining concession, which expires at the end of 2021.
- Risks in connection with the COVID-19 pandemic are having a negative effect on the company's operations, as part of the retail sales network is closed, while part of that network is operating according to an adjusted schedule. Salt production is being carried out in two shifts due to safety measures.

TSinpo

- Risks in connection with achieving planned sales of other market services relate to falling demand and pressure from the competition. Currently in progress at the company are active sales via online communication and the adaptation of scanning and packing services to market requirements.
- Risks in connection with the COVID-19 pandemic are having a negative effect on the company's operations due to declining demand and the postponed market launch of products. The company is communicating actively with customers, while activities for finishing transactions are also being implemented.

TSmedia

- Risks in connection with achieving planned revenues are managed by entering into annual contracts and by monitoring revenues. Promotional prices are being developed to address existing customers and new potential advertisers with an increased scope of work and services. A selection was made of sales lines adapted to specific advertisers.
- Risks associated with the sale of the company are managed through a conservative approach to the disclosure of documentation regarding operations, and through the appropriate organisation of processes and the motivation of employees.
- Risks in connection with the COVID-19 pandemic have resulted in the reduced number of advertising campaigns. The company is attracting new customers through direct marketing, new forms of advertising and campaigns to promote advertising, and by creating joint projects with end-advertisers.

IPKO

- The company responds to the risk of the loss of users and revenues in the segment of fixed and mobile services due to unfair competition through the active adaptation of its portfolio and the appropriate market approaches.
- There are risks in connection with the introduction of RLAH for the countries of the Western Balkans on 1 July 2021 and the loss of revenues from roaming. The company will file a request for a surcharge in accordance with the fair use regulation.

- Risks in connection with programme broadcasting rights are managed through the constant monitoring of software content and regular communication with partners.
- The risk of additional investments relating to the shift from an aerial to an underground infrastructure is managed through cooperation with Kosovo Energy Distribution Services (KEDS) and other operators for an optimal solution.
- The company filed a lawsuit before the Constitutional Court at the end of 2020 in connection with the management of risks associated with the payment of additional fees for the use of the infrastructure in municipalities.
- There are risks associated with a change in legislation and the interpretation thereof. The company expects that the new public procurement act will be in line with EU directives.
- The company has hired a tax consultant and is working with tax authorities in connection with risks associated with compliance with tax legislation governing licence fees for the broadcasting of channels and tax on other right-of-use licences.
- Risks in connection with the COVID-19 pandemic are having an additional impact on operations, as travel is limited, while measures have been adopted at the national level. The company is adapting its operations with the aim of ensuring business continuity and the availability of services. The company is intensively marketing services via online media.

4. CORPORATE GOVERNANCE

Management Board

Telekom Slovenije is managed by a five-member Management Board, comprising the following members as at 31 March 2021:

- Cvetko Sršen, President,
- Tomaž Jontes, Vice-President,
- Dr Mitja Štular, member
- Barbara Galičič Drakslar, member, and
- Špela Fortin, member and Workers' Director.

At its session held on 10 March 2021, Telekom Slovenije's Supervisory Board concluded an agreement with the President and three members of the Company's Management Board on the termination of their employment contracts and their recall. Accordingly, the terms of office of the President of the Management Board Tomaž Seljak, MSc and members Dr Vida Žurga, Matjaž Beričič, MSc and Tomaž Jontes were terminated, effective 10 March 2021. The Supervisory Board appointed Cvetko Sršen to serve as new President and Dr Mitja Štular and Tomaž Jontes to serve as members of the Company's Management Board. Their terms of office began on 10 March 2021.

At its 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 began on 31 March 2021.

Supervisory board

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

Telekom Slovenije's Supervisory Board comprised the following members as at 31 March 2021:

Shareholder representatives:

- Iztok Černoša, President,
- Barbara Kürner Čad, Vice-President,
- Aleksander Igličar, MSc, member,
- Marko Kerin, member,
- Radovan Cerjak, member,
- Barbara Gorjup, MSc, member.

Employee representatives:

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

Members of the Supervisory Board are elected for a four-year term of office that begins on the day an individual member is appointed.

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 Kürner Čad and Drago Kijevčanin to serve as Vice-Presidents. The Supervisory Board's committees were also reconstituted.

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.

For more information, visit <https://www.telekom.si/o-podjetju/predstavitev/organiziranost-in-upravljanje>.

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

TSmedia, d. o. o.

Managing Director: Simon Furlan, MSc

Soline, d. o. o.

Managing Director: Klavdij Godnič

TSinpo, d. o. o.

Managing Director: Danilo Tomšič, MSc

Procurator: Vesna Lednik

OTHER COUNTRIES

IPKO Telecommunications LLC, Kosovo

CEO: Robert Erzin, MSc

SIOL, d. o. o. Zagreb, Croatia

Managing Director: Matjaž Pogačnik, MBA

SIOL, d. o. o. Podgorica, Montenegro

Managing Director: Matjaž Pogačnik, MBA

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

Managing Director: Matjaž Pogačnik, MBA

SIOL DOOEL Skopje, Macedonia

Managing Director: Matjaž Pogačnik, MBA

SIOL DOO BELGRADE, Serbia

Managing Director: Matjaž Pogačnik, MBA

SIOL Prishtina L.L.C., Kosovo

Managing Director: Matjaž Pogačnik, MBA

GVO Telekommunikation GmbH

Managing Directors: Borut Radi, Darko Gradišnik and Roman Mazi

5. SIGNIFICANT EVENTS IN THE PERIOD JANUARY – MARCH 2021

FIRST QUARTER OF 2021

JANUARY

- At the 32nd General Meeting of Shareholders of Telekom Slovenije, d. d., which was held on Thursday, 21 January 2021, shareholders adopted proposed changes to the Articles of Association of Telekom Slovenije, d. d. and adopted the consolidated text thereof. The General Meeting of 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 as members and shareholder representatives, effective 22 January 2021. With the election of new members to the Supervisory Board, the terms of office of the following persons, who were appointed under the decision of Ljubljana District Court of 3 November 2020, were terminated: Boštjan Koler, Dimitrij Marjanović and Štefan Belingar.
- After setting up the first national fifth-generation (5G) mobile network last year, Telekom Slovenije facilitated the first 5G mobile roaming this January. Subscribers to Telekom Slovenije's mobile services can thus roam in the 5G network of the Austrian operator Hutchison Drei Austria. The name of the network is written as '3 AT' or 'Drei'.

FEBRUARY

- Telekom Slovenije received a lawsuit on 1 February 2021 due to alleged breaches of contractual obligations. The value of the claim is less than 5% of capital, which represents a contingent liability with no impact on the financial statements of the Company and Group. Telekom Slovenije responded to the lawsuit in a timely manner and assesses that the plaintiff will be unsuccessful in the dispute in question.
- After being closed from 24 October 2020 to 9 February 2021, Telekom Slovenije's points of sale reopened on 10 February 2021. We ensure the weekly testing of employees at Telekom centres, where we implement all necessary protective measures.
- On 11 February 2021, Telekom Slovenije's Supervisory Board elected Iztok Černoša to serve as its President. Barbara Kürner Čad, as shareholder representative, and Drago Kijevčanin, as employee representative, were

appointed Vice-Presidents. Given the changes to the composition of the Supervisory Board, the latter's committees were also reconstituted.

- On 10 December 2020, the Company announced the initiation of the merger of Avtenta with Telekom Slovenije, a process that was 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 facilitated cloud gaming via the NEO platform, which has brought an entirely new experience to Slovenian homes in terms of managing TV content through voice control functionality.
- For the Biathlon World Championships in Pokljuka, Telekom Slovenije provided rapid and reliable communications via the fixed and mobile networks, including the latest generation 5G mobile communications. Pokljuka was thus the first biathlon world championship site where organisers, competitors and media outlets had internet access via the 5G network at their disposal.
- The Slovenian Consumers' Association named the *Naj* 5G mobile package, which provides subscribers the fastest mobile internet with speeds of up to 450/100 Mbit/s, the best package in the category of subscriber and prepaid packages with unlimited calls and messaging.

MARCH

- On 2 March 2021, Telekom Slovenije was notified by the Ljubljana District Court of a lawsuit filed by T-2 for the payment of ordinary damages in the amount of EUR 12,195,656, payment for lost profit in the amount of EUR 35,760,909 and the non-existence of claims in the amount of EUR 1,778,033 with appertaining amounts. The aforementioned claim represents damages that the plaintiff allegedly incurred in the period 1 September 2018 to 31 July 2020. Telekom Slovenije believes that the plaintiff's lawsuit will be rejected in full.
- At its session held on 10 March 2021, Telekom Slovenije's Supervisory Board concluded an agreement with the President and three members of the Company's Management Board on the termination of their employment contracts and their recall from those positions.

Accordingly, the terms of office of the President of the Management Board Tomaž Seljak, MSc and members Dr Vida Žurga, Matjaž Beričič, MSc and Tomaž Jontes were terminated, effective 10 March 2021. The Supervisory Board appointed Cvetko Sršen to serve as new President and Dr Mitja Štular and Tomaž Jontes to serve as members of the Management Board. Their terms of office began on 10 March 2021.

- At its session held on 22 March 2021, Telekom Slovenije's Supervisory Board appointed Barbara Galičič Drakslar to the function of member of the Management Board. Her four-year term of office began on 31 March 2021.
- Key to the future success of companies will be digitalisation, which allows employees to work from anywhere. The establishment of a secure and reliable ICT environment that facilitates remote work remains a challenge for many companies. For this reason, Telekom Slovenije

has developed a solution that represents something entirely new on the Slovenian market and that responds to such needs. That solution entails comprehensive IT services, including the leasing of devices and equipment for specific workplaces, tools to improve efficiency, the IT management of implemented solutions and IT assistance and support.

- Telekom Slovenije has published changes to its financial calendar for 2021. Those changes include the dates of the publication of the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2020, the corporate governance statement, the convening of the Company's 33rd General Meeting of Shareholders, the Company's 33rd General Meeting of Shareholders, the resolutions of the Company's 33rd General Meeting of Shareholders and the payment of dividends.

6. EVENTS AFTER THE REPORTING DATE

SECOND QUARTER OF 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 due to the regular weekly testing of employees. During that period, certain Telekom centres operated according to adjusted or reduced working hours. As of 12 April, Telekom centres once again operate according to the usual schedule.
- Two and a half years after Telekom Slovenije achieved a new milestone and became one of the first in the world to present a solution that allows TV viewers to manage content via voice commands in Slovene instead of using a traditional remote control, the NEO platform is now used by 100,000 users, with the voice control of content becoming increasingly popular. Users gave 8.6 million voice commands in March of this year (of which 185,000 were different commands), which translates to an average of 126 voice commands a month per user.
- At a public auction for the allocation of radio frequencies for the provision of public communication services to end-users, Telekom Slovenije secured the radio frequency spectrum in the 700 MHz FDD band, 700 MHz SDL band, 1500 MHz band, 2100 MHz band, 3600 MHz band and 26 GHz band, for which it will pay a total of EUR 52,078,177.00. During the auction, Telekom Slovenije secured the planned frequency spectrum required to provide private users, companies and operators that roam in its network the most advanced services and solutions in the future, with the best user experience.
- Telekom Slovenije has developed a comprehensive range of smart city solutions for sustainable living and the improved quality of life of the inhabitants of cities and communities. Using those solutions, cities and communities can monitor emissions and water loss, improve energy efficiency, ensure the smart management of parking lots and traffic flows, provide smart lighting, etc. To that end, Telekom Slovenije also set up a free public WiFi network in all major Slovenian cities in the scope of the WiFi4EU project.
- On 3 May 2021, Telekom Slovenije received the decision of the Slovenian Competition Protection Agency (AVK) with which AVK informs it that the procedure of establishing a violation of Article 9 of the Prevention of Restriction of Competition Act (ZPOmK-1) and Article 102 of the Treaty on the Functioning of the European Union (TFEU; formerly Article 82 of the Treaty establishing the European Community) has been stopped. AVK launched the procedure on 19 March 2009 against Mobitel and continued the procedure against Telekom Slovenije as its legal successor. AVK launched the procedure following because of alleged abuse of dominant position on the retail market for mobile telephone services by leading a pricing policy of indirectly or directly setting unfair retail prices of its Itak Džabest price plan. On 13 February 2012, AVK issued a decision, determining that Telekom Slovenije did violate ZPOmK-1 and TFEU by offering the retail price plan Itak Džabest at unfair prices between November 2008 and July 2010, as the incremental revenue was lower than the incremental costs. Telekom Slovenije, d.d., lodged a lawsuit at the Supreme Court of the Republic of Slovenia against the decision, and on 26 November 2013 it ruled in favour of Telekom Slovenije returning AVK's decision back to AVK for a new procedure. AVK issued a decision on 22 April 2021 on stopping the procedure with the explanation that it did not manage to obtain evidence on the existence of a predatory exclusionary strategy of Telekom Slovenije the repeated procedure.

7. CONDENSED INTERIM ACCOUNTING REPORT OF THE TELEKOM SLOVENIJE GROUP AND TELEKOM SLOVENIJE, D. D. FOR THE PERIOD JANUARY TO MARCH 2021

The condensed financial statements of the Telekom Slovenije Group and the condensed financial statements of the parent company Telekom Slovenije for the reported period and the comparable period last year were compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the requirements of the Companies Act (ZGD).

The condensed financial statements for the period ending 31 March 2021 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read together with the financial statements and disclosures compiled for the 2020 financial year. The financial statements for the period January–March 2021 and the comparable period January–March 2020 are unaudited, while the financial statements for the comparable period ending 31 December 2020 are audited.

The financial statements of the Group and Company were compiled under the assumption that both are going concerns. Operations are not seasonal.

Changes in accounting policies

The accounting policies used in the compilation of the interim condensed financial statements are the same as those applied in the compilation of the financial statements for the financial year ending 31 December 2020.

Use of significant estimates and judgements

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

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

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

Changes in the Telekom Slovenije Group

There were no changes in the composition of the Telekom Slovenije Group in the period January to March 2021.

Coronavirus pandemic

The COVID-19 pandemic hit Europe and the rest of the world in 2020, affecting the population and companies alike.

The Telekom Slovenije Group and Telekom Slovenije verified the need for the impairment of assets and liabilities in 2020 during the pandemic and determined that additional impairments were unnecessary. There was also no reduction in or waiving of lease payments in connection with IFRS 16 Leases.

In accordance with the Act Determining Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy, certain Telekom Slovenije Group companies took advantage of individual state aid measures during the first quarter of 2021, as follows:

- the following companies took advantage of the reimbursement of compensation during temporary absence from work due to sickness covered by the employer for up to three days: Telekom Slovenije, GVO and Soline, in the total amount of EUR 8 thousand;
- the following companies took advantage of the reimbursement of wage compensation for furloughed workers and for the period a worker did not perform their work due to *force majeure*: Telekom Slovenije, GVO, Avtenta, TSmedia, TSinpo and Soline, in the total amount of EUR 111 thousand;

- the following companies took advantage of the reimbursement of compensation for the period of quarantine: Telekom Slovenije and GVO, in the total amount of EUR 10 thousand;
- Soline took advantage of the reimbursement of fixed costs, in the amount of EUR 89 thousand; and
- the following companies took advantage of the payment of an additional crisis bonus: Telekom Slovenije, GVO, Avtenta, TSmedia and TSinpo, in the total amount of EUR 111 thousand.

The reporting currency of the Telekom Slovenije Group is the euro, which is also the functional and reporting currency of the parent company Telekom Slovenije. All financial information is presented in thousands of euros, unless otherwise stated.

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

Unaudited consolidated and separate income statement for the period ending 31 March 2021

| EUR thousand | Telekom Slovenije Group | | Telekom Slovenije | |
|--|-------------------------|-----------------|-------------------|-----------------|
| | I - III 2021 | I - III 2020 | I - III 2021 | I - III 2020 |
| Revenue | 156,768 | 166,760 | 142,243 | 152,861 |
| Other operating income | 725 | 469 | 286 | 251 |
| Cost of goods sold | -22,574 | -19,018 | -24,627 | -20,771 |
| Cost of materials and energy | -4,088 | -3,666 | -2,540 | -2,817 |
| Cost of services | -48,829 | -63,412 | -46,430 | -61,033 |
| Labour costs | -24,904 | -25,424 | -20,862 | -21,303 |
| Depreciation/Amortisation | -41,714 | -41,852 | -34,595 | -34,138 |
| Other operating expenses | -1,391 | 1,682 | -1,605 | 1,855 |
| Total operating expenses | -143,500 | -151,690 | -130,659 | -138,207 |
| Operating profit | 13,993 | 15,539 | 11,870 | 14,905 |
| Finance income* | 284 | 341 | 867 | 1,045 |
| Finance expenses* | -2,546 | -2,581 | -2,438 | -2,568 |
| Profit before tax | 11,731 | 13,299 | 10,299 | 13,382 |
| Current tax | -1,216 | -1,158 | -1,017 | -1,037 |
| Deferred tax expense | -798 | 247 | -812 | 209 |
| Net profit from continuing operations | 9,717 | 12,388 | 8,470 | 12,554 |
| Loss from discontinued operations | 0 | -1,054 | 0 | 0 |
| Net profit for the period | 9,717 | 11,334 | 8,470 | 12,554 |
| Total earnings per share - from continuing operations in EUR | 1.49 | 1.90 | 1.30 | 1.93 |
| Total earnings per share in EUR | 1.49 | 1.74 | 1.30 | 1.93 |

* The finance income and costs of Telekom Slovenije include interest on loans to and from subsidiaries.

Unaudited consolidated and separate statement of other comprehensive income for the period ending 31 March 2021

| EUR thousand | Telekom Slovenije Group | | Telekom Slovenije | |
|--|-------------------------|---------------|-------------------|---------------|
| | I - III 2021 | I - III 2020 | I - III 2021 | I - III 2020 |
| Net profit for the period | 9,717 | 11,334 | 8,470 | 12,554 |
| <i>Items that may be reclassified subsequently to the statement of profit or loss</i> | | | | |
| Translation reserves | 14 | 21 | 0 | 0 |
| Change in fair value of hedging financial instruments | 105 | -83 | 105 | -83 |
| Deferred tax | -20 | 16 | -20 | 16 |
| Change in fair value of hedging financial instruments (net) | 85 | -67 | 85 | -67 |
| <i>Items that may not be reclassified subsequently to the statement of profit or loss</i> | | | | |
| Actuarial remeasurements of defined benefit obligation | 0 | 0 | 0 | 0 |
| Change in fair value of investments in equity instruments measured at fair value through other comprehensive income | 130 | -437 | 130 | -437 |
| Deferred tax | -25 | 83 | -25 | 83 |
| Change in fair value of investments in equity instruments measured at fair value through other comprehensive income, net of tax | 105 | -354 | 105 | -354 |
| | 0 | 0 | 0 | 0 |
| Other comprehensive income for the period after tax | 204 | -400 | 190 | -421 |
| Total comprehensive income for the period | 9,921 | 10,934 | 8,660 | 12,133 |
| Comprehensive income attributable to owners of the controlling company | | | | |
| Continuing operations | 9,921 | 11,988 | 0 | 0 |
| Discontinued operations | 0 | -1,054 | 0 | 0 |

Unaudited consolidated and separate statement of financial position as at 31 March 2021

| EUR thousand | Telekom Slovenije Group | | Telekom Slovenije | |
|---|-------------------------|------------------|-------------------|------------------|
| | 31.03.2021 | 31.12.2020 | 31.03.2021 | 31.12.2020 |
| ASSETS | | | | |
| Intangible assets | 194,972 | 190,033 | 147,217 | 141,451 |
| Property, plant and equipment | 664,512 | 664,644 | 602,480 | 600,532 |
| Right-of-use assets | 76,676 | 77,420 | 84,111 | 86,506 |
| Investments in subsidiaries | 0 | 0 | 37,001 | 37,001 |
| Other investments | 3,191 | 3,068 | 64,858 | 63,951 |
| Contract assets | 2,596 | 2,668 | 2,167 | 2,337 |
| Other receivables | 17,661 | 17,081 | 17,657 | 17,081 |
| Deferred costs | 1,561 | 1,438 | 1,831 | 1,636 |
| Investment property | 1,243 | 1,258 | 4,215 | 4,230 |
| Deferred tax assets | 43,630 | 44,448 | 43,097 | 43,929 |
| Total non-current assets | 1,006,042 | 1,002,058 | 1,004,634 | 998,654 |
| Assets held for sale | 214 | 214 | 214 | 214 |
| Inventories | 27,223 | 26,175 | 23,512 | 21,811 |
| Trade and other receivables | 150,593 | 162,936 | 141,209 | 158,367 |
| Contract assets | 27,149 | 23,527 | 27,001 | 23,309 |
| Deferred costs | 8,388 | 4,250 | 6,900 | 4,740 |
| Investments | 509 | 512 | 16,575 | 17,385 |
| Cash and cash equivalents | 31,803 | 8,167 | 13,557 | 2,086 |
| Total current assets | 245,879 | 225,781 | 228,968 | 227,912 |
| Total assets | 1,251,921 | 1,227,839 | 1,233,602 | 1,226,566 |
| EQUITY AND LIABILITIES | | | | |
| Share capital | 272,721 | 272,721 | 272,721 | 272,721 |
| Capital reserves | 181,489 | 181,489 | 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 | 42,993 | 33,305 | 58,828 | 50,359 |
| <i>Retain earnings from previous periods</i> | 33,276 | 8,440 | 50,358 | 26,185 |
| <i>Profit or loss for the period</i> | 9,717 | 24,865 | 8,470 | 24,174 |
| Fair value reserve | -307 | -497 | -306 | -497 |
| Reserves for actuarial gains/losses | -2,958 | -2,988 | -2,733 | -2,733 |
| Translation reserve | -10 | -25 | 0 | 0 |
| Total equity | 600,407 | 590,484 | 614,444 | 605,784 |
| Contract liabilities | 14,463 | 14,955 | 13,828 | 14,302 |
| Provisions | 20,588 | 20,407 | 16,298 | 16,184 |
| Other payables | 41,902 | 38,896 | 24,842 | 20,856 |
| Deferred liabilities | 836 | 817 | 669 | 672 |
| Loans and borrowings | 184,265 | 184,221 | 184,265 | 184,221 |
| Lease liabilities | 58,032 | 59,092 | 64,597 | 67,093 |
| Other financial liabilities | 237 | 244 | 237 | 244 |
| Deferred tax liabilities | 1,588 | 1,563 | 260 | 235 |
| Total non-current liabilities | 321,911 | 320,195 | 304,996 | 303,807 |
| Trade payables | 94,569 | 119,058 | 87,751 | 109,755 |
| Income tax payable | 1,149 | 90 | 1,018 | 0 |
| Loans and borrowings | 57,470 | 32,080 | 57,475 | 45,083 |
| Lease liabilities | 10,107 | 10,180 | 11,357 | 11,660 |
| Other financial liabilities | 101,632 | 101,239 | 101,630 | 101,237 |
| Contract liabilities | 12,324 | 12,721 | 8,932 | 8,869 |
| Deferred liabilities | 52,352 | 41,792 | 45,999 | 40,371 |
| Total current liabilities | 329,603 | 317,160 | 314,162 | 316,975 |
| Total liabilities | 651,514 | 637,355 | 619,158 | 620,782 |
| Total equity and liabilities | 1,251,921 | 1,227,839 | 1,233,602 | 1,226,566 |

Unaudited consolidated statement of changes in equity of the Telekom Slovenije Group for the period ending 31 March 2021

| EUR thousand | Called-up capital | Capital surplus | Revenue reserves | | | | | Retained earnings | | Fair value reserve on available-for-sale financial assets | Fair value reserve for hedging instruments | Fair value reserve for actuarial deficit and surplus | Translation reserve | Total |
|--|-------------------|-----------------|------------------|------------------------|-----------------|--------------------|------------------------|---------------------------------------|-------------------------------|---|--|--|---------------------|----------------|
| | | | Legal reserves | Treasury share reserve | Treasury shares | Statutory reserves | Other revenue reserves | Retained earnings from previous years | Profit or loss for the period | | | | | |
| Balance at 1 Jan 2021 | 272,721 | 181,489 | 51,612 | 3,671 | -3,671 | 54,854 | 13 | 8,440 | 24,865 | -219 | -278 | -2,988 | -25 | 590,484 |
| Net profit or loss for the period | | | | | | | | | 9,717 | | | | | 9,717 |
| Other comprehensive income for the period | | | | | | | | | | 105 | 85 | 0 | 14 | 204 |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,717 | 105 | 85 | 0 | 14 | 9,921 |
| Dividends paid | | | | | | | | 0 | | | | | | 0 |
| Transactions with owners | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer of profit or loss from previous period to retained earnings or losses | | | | | | | | 24,865 | -24,865 | | | | | 0 |
| Other | 0 | 0 | | | | | | -29 | 0 | 0 | | 30 | 1 | 2 |
| Balance at 31 March 2021 | 272,721 | 181,489 | 51,612 | 3,671 | -3,671 | 54,854 | 13 | 33,276 | 9,717 | -114 | -193 | -2,958 | -10 | 600,407 |

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

| EUR thousand | Called-up capital | Capital surplus | Revenue reserves | | | | | Retained earnings | | Fair value reserve on available-for-sale financial assets | Fair value reserve for hedging instruments | Fair value reserve for actuarial deficit and surplus | Translation reserve | Total |
|--|-------------------|-----------------|------------------|------------------------|-----------------|--------------------|------------------------|---------------------------------------|-------------------------------|---|--|--|---------------------|---------|
| | | | Legal reserves | Treasury share reserve | Treasury shares | Statutory reserves | Other revenue reserves | Retained earnings from previous years | Profit or loss for the period | | | | | |
| Balance at 1 Jan 2020 | 272,721 | 181,488 | 51,612 | 3,671 | -3,671 | 54,854 | 13 | 30,648 | 941 | 1,171 | -507 | -2,347 | -6 | 590,588 |
| Profit or loss for the period | | | | | | | | | 11,334 | | | | | 11,334 |
| Other comprehensive income for the period | | | | | | | | | | -354 | -67 | 0 | 21 | -400 |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,334 | -354 | -67 | 0 | 21 | 10,934 |
| Dividends paid | | | | | | | | 0 | | | | | | 0 |
| Transactions with owners | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer of retained earnings from previous years to retained earnings | | | | | | | | 941 | -941 | | | | | 0 |
| Other | | | | | | | | -1 | 0 | | | | | -1 |
| Balance at 31 March 2020 | 272,721 | 181,488 | 51,612 | 3,671 | -3,671 | 54,854 | 13 | 31,588 | 11,334 | 817 | -574 | -2,347 | 15 | 601,521 |

Unaudited separate statement of changes in equity of Telekom Slovenije, d. d. for the period ending 31 March 2021

| EUR thousand | Called-up capital | Capital surplus | Revenue reserves | | | | | Retained earnings | | Fair value reserve on available-for-sale financial assets | Fair value reserve for hedging instruments | Fair value reserve for actuarial deficit and surplus | Total |
|--|-------------------|-----------------|------------------|------------------------|-----------------|--------------------|------------------------|---------------------------------------|-------------------------------|---|--|--|---------|
| | | | Legal reserves | Treasury share reserve | Treasury shares | Statutory reserves | Other revenue reserves | Retained earnings from previous years | Profit or loss for the period | | | | |
| Balance at 1 Jan 2021 | 272,721 | 180,956 | 50,434 | 3,671 | -3,671 | 54,544 | 0 | 26,185 | 24,174 | -219 | -278 | -2,733 | 605,784 |
| Profit or loss for the period | | | | | | | | | 8,470 | | | | 8,470 |
| Other comprehensive income for the period | | | | | | | | | | 105 | 85 | 0 | 190 |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,470 | 105 | 85 | 0 | 8,660 |
| Dividends paid | | | | | | | | 0 | | | | | 0 |
| Transactions with owners | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer of profit or loss from previous period to retained earnings or losses | | | | | | | | 24,174 | -24,174 | | | | 0 |
| Balance at 31 March 2021 | 272,721 | 180,956 | 50,434 | 3,671 | -3,671 | 54,544 | 0 | 50,358 | 8,470 | -114 | -193 | -2,733 | 614,444 |

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

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

Unaudited consolidated cash flow statement for the period ending 31 March 2021

| EUR thousand | Telekom Slovenije Group | | Telekom Slovenije | |
|--|-------------------------|----------------|-------------------|----------------|
| | I - III 2021 | I - III 2020 | I - III 2021 | I - III 2020 |
| Cash flows from operating activities | | | | |
| Net profit for the period | 9,717 | 11,334 | 8,470 | 12,554 |
| Adjustments for: | | | | |
| Depreciation/Amortisation | 41,714 | 41,907 | 34,595 | 34,138 |
| Impairment and write-offs of property, plant and equipment, and intangible assets | 0 | 163 | 0 | 0 |
| Gain or loss on disposal of property, plant and equipment | 127 | 119 | 127 | 113 |
| Impairment and write-off of inventories | 251 | 220 | 252 | 220 |
| Net impairment of receivables | 728 | 841 | 679 | 572 |
| Change in provisions and other changes | 2 | -4,499 | 0 | -4,500 |
| Finance income | -284 | -341 | -867 | -1,045 |
| Finance expenses | 2,546 | 2,584 | 2,438 | 2,568 |
| Income tax expense | 2,015 | 911 | 1,830 | 828 |
| Cash flows from operating activities prior to changes in working capital and provisions | 56,816 | 53,239 | 47,524 | 45,448 |
| Change in inventories | -896 | -3,338 | -1,548 | -2,998 |
| Change in trade and other receivables | 11,035 | 3,610 | 17,469 | 21,237 |
| Change in accrued and deferred asset items and contract assets | -7,811 | 1,007 | -7,471 | -16,975 |
| Change in provisions | 179 | 214 | 114 | 157 |
| Change in trade and other payables | -24,122 | -14,698 | -17,624 | -8,381 |
| Change in accrued and deferred liability items and contract liabilities | 9,690 | 10,545 | 5,225 | 9,461 |
| Income tax paid | -164 | -94 | 0 | 0 |
| Net cash from operating activities | 44,727 | 50,485 | 43,689 | 47,949 |
| Cash flows from investing activities | | | | |
| Receipts from investing activities | 43 | 33 | 1,592 | 1,044 |
| Proceeds from the sale of property, plant and equipment | 28 | 14 | 28 | 14 |
| Interest received | 0 | 0 | 556 | 61 |
| Receipts from repayment of loans and deposits | 15 | 19 | 1,008 | 969 |
| Disbursements from investing activities | -41,424 | -41,892 | -41,275 | -41,167 |
| Purchases of property, plant and equipment | -21,181 | -19,154 | -20,240 | -18,168 |
| Purchases of intangible non-current assets | -20,243 | -22,732 | -20,085 | -22,649 |
| Loans granted and acquisition of deposits | 0 | -6 | -950 | -350 |
| Net cash from investing activities | -41,381 | -41,859 | -39,683 | -40,123 |
| Cash flows from financing activities | | | | |
| Proceeds from financing activities | 24,500 | 0 | 11,500 | 0 |
| Current borrowings | 24,500 | 0 | 11,500 | 0 |
| Disbursements from financing activities | -4,259 | -4,023 | -4,084 | -5,751 |
| Loan originating costs and bond issued | -232 | 0 | -232 | 0 |
| Repayment of lease liabilities – principal | -3,378 | -2,865 | -3,205 | -2,618 |
| Repayment of current borrowings | 0 | -500 | 0 | -2,500 |
| Repayment of non-current borrowings | 0 | -16 | 0 | 0 |
| Interest paid | -649 | -642 | -647 | -633 |
| Net cash from financing activities | 20,241 | -4,023 | 7,416 | -5,751 |
| Net increase/decrease in cash and cash equivalents | 23,587 | 4,603 | 11,422 | 2,075 |
| Opening balance of cash | 8,167 | 13,219 | 2,086 | 1,153 |
| Effects of exchange rate changes on cash and cash equivalents | 49 | 64 | 49 | 64 |
| Closing balance of cash | 31,803 | 17,886 | 13,557 | 3,292 |

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

Telekom Slovenije Group

The Telekom Slovenije Group comprised the parent company Telekom Slovenije and the following subsidiaries as at the reporting date:

| Company | Country | 31.3.2021 |
|-----------------------------|------------------------|-----------|
| GVO, d.o.o. | Slovenia | 100 % |
| OPTIC-TEL, d.o.o. | Slovenia | 100 % |
| INFRATEL, d.o.o. | Slovenia | 100 % |
| GVO Telekommunikation GmbH | Germany | 100 % |
| TSmedia, d.o.o. | Slovenia | 100 % |
| AVTENTA, d.o.o. | Slovenia | 100 % |
| SOLINE, d.o.o. | Slovenia | 100 % |
| TSinpo, d.o.o. | Slovenia | 100 % |
| IPKO Telecommunications LLC | Kosovo | 100 % |
| SIOL, d.o.o. Zagreb | Croatia | 100 % |
| SIOL, d.o.o. Sarajevo | Bosnia and Herzegovina | 100 % |
| SIOL, d.o.o. Podgorica | Montenegro | 100 % |
| SIOL, DOOEL Skopje | North Macedonia | 100 % |
| SIOL, d.o.o. Beograd | Serbia | 100 % |
| SIOL, d.o.o. Prishtina | Kosovo | 100 % |
| USTANOVA SRČNI SKLAD | Kosovo | 100 % |

Segment reporting

Segment reporting is based on the internal reporting system used by management in the decision-making process. The criterion for segment reporting is the registered office where an activity is performed. The Telekom Slovenije Group thus presents its operations in the following two segments:

Slovenia: this segment includes all Group companies registered in Slovenia, and primarily activities in the areas of fixed and mobile telephony services, the construction and maintenance of the telecommunications network, multimedia and internet services, and content and digital TV. The segment comprises the following companies: Telekom Slovenije, GVO, Avtenta, TSmedia, Soline, TSinpo, OPTIC-TEL and INFRATEL, as well as the Heart Foundation, which organises and collects donations, grants and other monetary and non-monetary contributions to achieve the foundation's charitable mission.

Other countries: this segment comprises other Group companies, including IPKO, SiOL Zagreb, SiOL Sarajevo, SiOL Podgorica, SiOL Skopje, SiOL Belgrade, SiOL Prishtina and GVO Telekommunikation GmbH. This segment's main activity is the provision of telecommunication services.

Inter-segment sales were executed according to market terms. Intra-group transactions are eliminated in the consolidation process, and included in eliminations and adjustments.

The Group does not disclose finance income and costs by segment, as the Group's financing is centralised at the level of the parent company. Disclosures regarding revenues generated with external customers are described by type in the note 'Sales revenue'.

The accounting policies that apply to segments are the same as those that apply to the Group.

Operating segments: I – III 2021

| EUR thousand | Slovenia | Other countries | Eliminations and adjustments* | Total |
|-------------------------------------|----------------|-----------------|-------------------------------|----------------|
| External sales | 142,218 | 14,550 | | 156,768 |
| Intersegment sales | 18,363 | 1,473 | -19,836 | 0 |
| Total segment revenue | 160,581 | 16,023 | -19,836 | 156,768 |
| Other revenue | 615 | 110 | | 725 |
| Total operating expenses | -130,248 | -13,252 | | -143,500 |
| Operating profit per segment | 30,948 | 2,881 | -19,836 | 13,993 |
| Finance income | | | | 284 |
| Finance expenses | | | | -2,546 |
| Profit before tax | | | | 11,731 |
| Income tax | | | | -1,216 |
| Deferred taxes | | | | -798 |
| Net profit for the period | | | | 9,717 |

| Other data by segment 31. 3. 2021 | Slovenia | Other countries | Eliminations and adjustments* | Total |
|--------------------------------------|-----------|-----------------|-------------------------------|-----------|
| Segment assets | 1,308,793 | 133,033 | -189,905 | 1,251,921 |
| Segment liabilities | 649,795 | 121,457 | -119,738 | 651,514 |

* Inter-company amounts are excluded from the consolidated financial statements.

Revenues by segment: I – III 2021

| EUR thousand | Slovenia | Other countries | Total |
|--|----------------|-----------------|----------------|
| Mobile services in end-customer market | 52,877 | 8,853 | 61,730 |
| Fixed-line telephone services on end-customer market | 46,542 | 5,419 | 51,961 |
| Additional services | 1,880 | 0 | 1,880 |
| Wholesale market | 35,504 | 278 | 35,782 |
| Other revenues and merchandise | 5,415 | 0 | 5,415 |
| Total revenue | 142,218 | 14,550 | 156,768 |

| EUR thousand | Slovenia | Other countries | Total |
|--------------------------------|----------------|-----------------|----------------|
| Revenue from services rendered | 118,785 | 14,139 | 132,924 |
| Sales revenue - goods | 23,433 | 411 | 23,844 |
| Total revenue | 142,218 | 14,550 | 156,768 |

Operating segments: I – III 2020

| EUR thousand | Slovenia | Other countries | Eliminations and adjustments* | Total |
|-------------------------------------|-----------------|-----------------|-------------------------------|-----------------|
| External sales | 153,425 | 13,335 | | 166,760 |
| Intersegment sales | 19,863 | 1,480 | -21,343 | 0 |
| Total segment revenue | 173,288 | 14,815 | -21,343 | 166,760 |
| Other revenue | 442 | 27 | | 469 |
| Total operating expenses | -137,405 | -14,285 | | -151,690 |
| Operating profit per segment | 36,325 | 557 | -21,343 | 15,539 |
| Finance income | | | | 341 |
| Finance costs | | | | -2,581 |
| Profit before tax | | | | 13,299 |
| Income tax expense | | | | -1,158 |
| Deferred tax | | | | 247 |
| Net profit for the period | | | | 12,388 |

| Other data by segment 31. 12. 2020 | Slovenia | Other countries | Eliminations and adjustments* | Total |
|---------------------------------------|-----------|-----------------|-------------------------------|------------------|
| Segment assets | 1,315,843 | 132,105 | -220,109 | 1,227,839 |
| Segment liabilities | 655,272 | 121,819 | -139,736 | 637,355 |

* Inter-company amounts are excluded from the consolidated financial statements.

Revenues by segment: I – III 2020

| EUR thousand | Slovenia | Other countries | Total |
|--|----------------|-----------------|----------------|
| Mobile services in end-customer market | 50,108 | 7,534 | 57,642 |
| Fixed-line telephone services on end-customer market | 55,936 | 5,569 | 61,505 |
| Additional services | 1,887 | 0 | 1,887 |
| Wholesale market | 38,702 | 232 | 38,934 |
| Other revenues and merchandise | 6,792 | 0 | 6,792 |
| Total revenue | 153,425 | 13,335 | 166,760 |

| EUR thousand | Slovenia | Other countries | Total |
|--------------------------------|----------------|-----------------|----------------|
| Revenue from services rendered | 134,102 | 13,090 | 147,192 |
| Sales revenue - goods | 19,323 | 245 | 19,568 |
| Total revenue | 153,425 | 13,335 | 166,760 |

The sales revenue of the Telekom Slovenije Group amounted to EUR 156.8 million in the period January–March 2021, a decrease of 6% relative to 2020.

National measures in connection with the COVID-19 pandemic contributed to lower revenues.

Revenues were higher **in the mobile segment of the end-user market**, primarily on account of higher revenues from mobile merchandise at Telekom Slovenije. Revenues were also up relative to the same period last year at the subsidiary IPKO. The decline in revenues at Telekom Slovenije related to people not crossing national borders due to the COVID-19 pandemic, which in turn resulted in lower revenues from the roaming of users in the

networks of foreign operators. Revenues are also declining due to the optimisation of subscribers who have an increasing number of services included in their monthly subscription fee.

Revenues were lower **in the fixed segment of the end-user market**, primarily due to lower sales of IT licences, which simultaneously reduces costs, and due to a decline in revenues from traditional voice telephony, as the result of the falling number of traditional connections and their replacement with mobile and IP telephony.

Revenues from financial services, energy, eHealth services and insurance are recorded in **additional services**. Revenues from eHealth services were up in 2021, while revenues from other services were down.

Revenues **on the wholesale market** were lower than in 2020, primarily due to lower revenues from international voice services and the roaming of foreign users in our mobile networks.

Other revenues and merchandise were down relative to 2020 due to lower revenues on account of the COVID-19 pandemic.

Rental income

The Telekom Slovenije Group generated rental income in the amount of EUR 2,156 thousand during the first quarter of 2021, compared with EUR 2,731 thousand during the same period last year.

Telekom Slovenije generated rental income in the amount of EUR 2,352 thousand in that period, compared with EUR 2,971 thousand during the same period last year.

Costs of services

| EUR thousand | Telekom Slovenije Group | | Telekom Slovenije | |
|---|-------------------------|---------------|-------------------|---------------|
| | I - III 2021 | I - III 2020 | I - III 2021 | I - III 2020 |
| Telecommunications services | 26,590 | 30,350 | 26,372 | 30,218 |
| Costs of leased lines, networks and platforms | 1,420 | 1,447 | 2,082 | 2,058 |
| Multimedia content | 2,220 | 4,225 | 2,204 | 4,871 |
| Costs of subcontractors | 4,771 | 13,134 | 3,571 | 11,326 |
| Maintenance of property, plant and equipment | 5,268 | 5,257 | 5,278 | 5,161 |
| Costs of other services | 8,560 | 8,999 | 6,923 | 7,399 |
| Total cost of services | 48,829 | 63,412 | 46,430 | 61,033 |

The costs of services incurred by the Group in the period January–March 2021 were down by EUR 14,583 thousand relative to the same period in 2020. Revenues from the roaming of users in the networks of foreign operators and roaming by foreign users in our mobile networks were lower during 2021 due to the pandemic, as were revenues from international voice services, which also resulted in lower costs of telecommunication services. The costs of leased lines, networks and platforms were also slightly lower.

The costs of services of sub-contractors were lower, primarily due to lower sales of IT licences.

The costs of other services primarily comprise the costs of advertising and sponsorships in the amount of EUR 1,721 thousand (January–March 2020: EUR 1,770 thousand), the costs of intellectual and personal services in the amount of EUR 1,543 thousand (January–March 2020: EUR 1,518 thousand), the costs of insurance premiums in the amount of EUR 704 thousand (January–March 2020: EUR 759 thousand) and the costs of other services in the amount of EUR 2,213 thousand (January–March 2020: EUR 2,367 thousand).

Operating profit and net profit

Telekom Slovenije Group

Earnings before interest and taxes (EBIT) in the amount of EUR 13,993 thousand were down by EUR 1,546 thousand relative to the same period last year. A net profit of EUR 9,717 thousand was achieved for the accounting period in the context of a net financial loss of EUR 2,262 thousand.

Telekom Slovenije

Earnings before interest and taxes (EBIT) in the amount of EUR 11,870 thousand were down by EUR 3,035 thousand relative to the same period last year. A net profit of EUR 8,470 thousand was achieved for the accounting period in the context of a net financial loss of EUR 1,571 thousand.

Intangible assets

Intangible assets were up by EUR 4,939 thousand at the Telekom Slovenije Group level, and were up by EUR 5,766 thousand at Telekom Slovenije relative to the end of 2020. Commitments for intangible assets amounted to EUR 7,948 thousand at the Telekom Slovenije Group level and to EUR 9,087 thousand at Telekom Slovenije as at 31 March 2021.

Property, plant and equipment

The Telekom Slovenije Group's property, plant and equipment amounted to EUR 664,512 thousand as at 31 March 2021, representing 53.1% of total assets. The balance of property, plant and equipment was down by EUR 132 thousand relative to the end of 2020. Commitments for property, plant and equipment totalled EUR 6,569 thousand at the Group level as at 31 March 2021.

Telekom Slovenije's property, plant and equipment amounted to EUR 602,480 thousand, representing 48.8% of total assets. Assets were up by EUR 1,948 thousand relative to the end of 2020, while commitments for property, plant and equipment totalled EUR 25,748 thousand as at 31 March 2021.

Assets under lease

Assets under lease amounted to EUR 76,676 thousand at the Telekom Slovenije Group level and to EUR 84,111 thousand at Telekom Slovenije as at 31 March 2021.

Depreciation in the amount of EUR 3,048 thousand and interest expense on lease liabilities in the amount of EUR 544 thousand were disclosed in the Telekom Slovenije Group's income statement in the period January–March 2021. The Group disclosed depreciation in the amount of EUR 3,114 thousand and interest expense in the amount of EUR 572 thousand during the same period last year.

Depreciation in the amount of EUR 2,742 thousand and interest expense on lease liabilities in the amount of EUR 528 thousand were disclosed in Telekom Slovenije's income statement in the period January–March 2021. The Company disclosed depreciation in the amount of EUR 2,788 thousand and interest expense in the amount of EUR 565 thousand during the same period last year.

Trade and other receivables

The Group and Company disclose receivables from the sale of merchandise with a maturity exceeding one year in non-current receivables. Corrections to the value of receivables relate to expected credit losses. The ageing structure of receivables is presented in Section 7.3.

Current trade and other receivables were down by EUR 12,343 thousand at the Telekom Slovenije Group level and by EUR 17,158 thousand at Telekom Slovenije relative to the balance at the end of 2020.

Financial liabilities

Financial liabilities amounted to EUR 343,604 thousand at the Telekom Slovenije Group level and to EUR 343,607 thousand at Telekom Slovenije as at 31 March 2021. They mainly relate to:

- borrowings received in the amount of EUR 241,735 thousand at the Telekom Slovenije Group level and EUR 241,740 thousand at Telekom Slovenije; and
- other non-current financial liabilities relate to liabilities in connection with an interest-rate swap in the amount of EUR 237 thousand at both the Group and Company levels. Current financial liabilities comprise liabilities from issued bonds in the amount of EUR 101,569 thousand at the Group and Company levels, and other liabilities in the amount of EUR 63 thousand at the Telekom Slovenije Group level and EUR 61 thousand at Telekom Slovenije.

Lease liabilities

The lease liabilities of the Telekom Slovenije Group amounted to EUR 68,139 thousand as at 31 March 2021 and were down by EUR 1,133 thousand relative to the end of 2020.

The lease liabilities of Telekom Slovenije amounted to EUR 75,954 thousand as at 31 March 2021 and were down by EUR 2,799 thousand relative to the end of 2020.

Fair value hierarchy

Given accounting policies and the classification of individual items, the determination of fair value was required in certain cases for financial and non-financial assets and liabilities. The Group and Company take into account the following hierarchy when determining fair value:

Level 1: fair value is determined by directly quoting an officially published price on an active market;

Level 2: other techniques for determining fair value based on assumptions with a significant impact on fair value that are in line with current observable market transactions with the same instruments, either directly or indirectly; and

Level 3: other techniques for determining fair value based on assumptions with a significant impact on fair value that are not in line with current observable market transactions with the same instruments.

The table below only includes information regarding classification to the fair value hierarchy for assets and financial liabilities measured at fair value and for which fair value is disclosed.

Carrying amount and fair value of the Telekom Slovenije Group's financial instruments as at 31 March 2021

| EUR thousand | Carrying amount | Fair values | 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 | 1,984 | 1,984 | 1,984 | | |
| 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 | 91 | 91 | | 91 | |
| Other financial assets | 7 | 7 | | 7 | |
| Other receivables | 17,661 | 17,661 | | 17,661 | |
| Current financial assets | | | | | |
| Loans granted | 58 | 58 | | 58 | |
| Other current financial assets | 451 | 451 | | 451 | |
| Trade and other receivables | 150,593 | 150,593 | | 150,593 | |
| Cash and cash equivalents | 31,803 | 31,803 | | 31,803 | |
| Non-current financial liabilities | | | | | |
| Borrowings | 184,265 | 184,265 | | 184,265 | |
| Liabilities for interest rate swap | 237 | 237 | | 237 | |
| Other payables | 41,902 | 41,902 | | 41,902 | |
| Current financial liabilities | | | | | |
| Bonds | 101,569 | 100,500 | 100,500 | | |
| Borrowings | 57,470 | 57,470 | | 57,470 | |
| Other financial liabilities | 63 | 63 | | 63 | |
| Trade payables | 94,569 | 94,569 | | 94,569 | |

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

| EUR thousand | Carrying amount | Fair values | 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 | | | | | |
| 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 | 98 | 98 | | 98 | |
| Trade payables | 119,058 | 119,058 | | 119,058 | |

Carrying amount and fair value of Telekom Slovenije's financial instruments as at 31 March 2021

| EUR thousand | Carrying amount | Fair values | 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 | 1,984 | 1,984 | 1,984 | | |
| 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 | 61,765 | 61,765 | | 61,765 | |
| Other receivables | 17,657 | 17,657 | | 17,657 | |
| Current financial assets | | | | | |
| Loans granted | 16,575 | 16,575 | | 16,575 | |
| Trade and other receivables | 141,209 | 141,209 | | 141,209 | |
| Cash and cash equivalents | 13,557 | 13,557 | | 13,557 | |
| Non-current financial liabilities | | | | | |
| Borrowings | 184,265 | 184,265 | | 184,265 | |
| Liabilities for interest rate swap | 237 | 237 | | 237 | |
| Other payables | 24,842 | 24,842 | | 24,842 | |
| Current financial liabilities | | | | | |
| Bonds | 101,569 | 100,500 | 100,500 | | |
| Borrowings | 57,475 | 57,475 | | 57,475 | |
| Other financial liabilities | 61 | 61 | | 61 | |
| Trade payables | 87,751 | 87,751 | | 87,751 | |

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

| EUR thousand | Carrying amount | Fair values | 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 financial assets | | | | | |
| Other receivables | 17,081 | 17,081 | | 17,081 | |
| Current financial assets | | | | | |
| Loans granted | 17,385 | 17,385 | | 17,385 | |
| Other current financial assets | | | | | |
| Trade and other receivables | 158,367 | 158,367 | | 158,367 | |
| Cash and cash equivalents | 2,086 | 2,086 | | 2,086 | |
| Non-current financial liabilities | | | | | |
| Bonds | | | | | |
| 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 | | | | | |
| Borrowings | 101,078 | 100,500 | 100,500 | | |
| Liabilities for interest rate swap | 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 | |

The fair values in levels 2 and 3 of the hierarchy were assessed using the discounted cash flow valuation technique.

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

Contingent liabilities from lawsuits

The Telekom Slovenije Group received two lawsuits in the period January–March 2021:

- a lawsuit was received on 1 February 2021 due to alleged breaches of contractual obligations. Telekom Slovenije responded in a timely manner and assesses that the plaintiff will be unsuccessful in the dispute in question; and
- a lawsuit was received on 2 March 2021 claiming ordinary damages, lost income and the non-existence of claims. Telekom Slovenije believes that the plaintiff's lawsuit will be rejected in full.

Contingent liabilities from guarantees issued

The Group had provided the following guarantees as at 31 March 2021:

- performance guarantees and warranty bonds in the amount of EUR 8,854 thousand, and
- other guarantees in the amount of EUR 212 thousand.

The Company had provided the following guarantees as at 31 March 2021:

- performance guarantees and warranty bonds in the amount of EUR 7,208 thousand, and
- collateral and other guarantees in the amount of EUR 483 thousand.

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

Transactions with related parties

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

Transactions with individuals

Natural persons (members of the Management Board and Supervisory Board) held 724 shares in Telekom Slovenije as at 31 March 2021, representing a holding of 0.01108%.

Transactions with owners and parties related thereto

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

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

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

| EUR thousand | Telekom Slovenije Group | | Telekom Slovenije | |
|---|-------------------------|--------------|-------------------|--------------|
| | 31.3.2021 | 31.12.2020 | 31.3.2021 | 31.12.2020 |
| Outstanding trade receivables | 3,069 | 3,480 | 2,890 | 3,336 |
| Outstanding trade payables | 2,051 | 2,156 | 1,981 | 2,060 |
| VAT liabilities | 4,575 | 5,845 | 4,524 | 6,026 |
| Income tax payable | 1,283 | 75 | 1,018 | 0 |
| EUR thousand | I – III 2021 | I – III 2020 | I – III 2021 | I – III 2020 |
| Revenue | 3,430 | 5,213 | 3,152 | 4,060 |
| Purchase costs of material and services | 2,369 | 2,499 | 2,148 | 2,244 |
| EUR thousand | I – III 2021 | I – III 2020 | I – III 2021 | I – III 2020 |
| VAT payment | 14,615 | 13,297 | 14,743 | 13,313 |
| Corporate income tax payment | 160 | 163 | 0 | 0 |

Transactions with Group companies

Telekom Slovenije recorded the following transactions with Group companies:

| EUR thousand | 31.3.2021 | 31.12.2020 |
|---|--------------|--------------|
| Receivables due from companies in the Group | | |
| Subsidiaries – gross amount | 3,432 | 3,872 |
| Subsidiaries – impairment | -15 | -22 |
| Subsidiaries – net amount | 3,417 | 3,850 |
| Borrowings to companies in the Group | | |
| Subsidiaries – gross amount | 78,192 | 78,209 |
| Subsidiaries – impairment | 0 | 0 |
| Subsidiaries – net amount | 78,192 | 78,209 |
| Liabilities to companies in the Group | | |
| Subsidiaries | 26,455 | 41,810 |
| EUR thousand | I - III 2021 | I - III 2020 |
| Net Group revenue | 2,915 | 3,594 |
| Subsidiaries | 2,915 | 3,594 |
| Purchase of material and services in the Group | 3,962 | 4,818 |
| Subsidiaries | 3,962 | 4,818 |

Loans granted to subsidiaries

| EUR thousand | 31.3.2021 | 31.12.2020 |
|---------------------|-----------|------------|
| TSmedia, d.o.o. | 1,831 | 1,556 |
| IPKO d.o.o. | 65,149 | 65,650 |
| SOLINE d.o.o. | 1,968 | 1,998 |
| SIOL d.o.o., Zagreb | 614 | 150 |

| | | |
|------------------------------|---------------|---------------|
| SiOL d.o.o. Sarajevo | 5,166 | 5,290 |
| SIOL BEOGRAD | 178 | 240 |
| SIOL Priština | 3,286 | 3,325 |
| Total to subsidiaries | 78,192 | 78,209 |

All transactions between related parties are executed at market prices.

Events after the reporting date

Events after the reporting date are described in the business section of this report, in Section 6 Events after the reporting date

7.3. Financial risk management

The financial risks to which the Telekom Slovenije Group is most exposed in its operations are credit risk, short-term and long-term solvency risk and interest-rate risk. The Telekom Slovenije Group assesses exposure to specific types of financial risks and implements measures to control those risks based on their effects on cash flows and the income statement.

Presented below are the most significant financial risks that the Group regularly assesses in accordance with the relevant policy. It also verifies the appropriateness of measures to manage those risks.

Credit risk

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

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

| EUR thousand | Telekom Slovenije Group | | Telekom Slovenije | |
|------------------------------|-------------------------|----------------|-------------------|----------------|
| | 31.3.2021 | 31.12.2020 | 31.3.2021 | 31.12.2020 |
| Loans granted | 149 | 164 | 78,340 | 78,373 |
| Investments | 451 | 451 | 0 | 0 |
| Trade and other receivables | 150,593 | 162,936 | 141,209 | 158,367 |
| - of which trade receivables | 146,062 | 156,771 | 137,692 | 153,688 |
| Cash and cash equivalents | 31,803 | 8,167 | 13,557 | 2,086 |
| TOTAL | 182,996 | 171,718 | 233,106 | 238,826 |

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

Credit risk or the risk of counterparty default derives from default by subscribers (retail) and by operators (wholesale). The highest exposure to credit risk is seen in trade receivables. The latter amounted to EUR 150,593 thousand as at 31 March 2021, a decrease of EUR 12,343 thousand relative to the end of 2020. Telekom Slovenije's receivables make up the majority of the Group's trade and other receivables. The majority of receivables are unsecured. The Group's receivables are accounted for by a large number of individuals and legal entities. Its largest customers are operators, where turnover generally flows in both directions, which reduces net credit exposure. We assess that there is no significant concentration of credit risk vis-à-vis a particular customer or economic sector.

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

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

The Telekom Slovenije Group and Telekom Slovenije also monitor credit risk in other areas of operations. Cash on accounts is allocated according to the principles of minimising risks and achieving the appropriate diversification by banks. The associated risk is low, as there is no major risk associated with maintaining cash on accounts due to the stability of the banking system and the high liquidity of banks.

The Group is also exposed to risks associated with receivables arising from loans to employees and investments in short-term deposits. The risk associated with loans granted is low, as those loans are repaid for the most part when employees' wages are paid, while the risks associated with other investments are mitigated through the appropriate diversification of investments and by monitoring the credit ratings of individual banks.

Telekom Slovenije is also exposed to credit risk in connection with receivables from loans to subsidiaries.

The Company manages risks associated with borrowers' failure to fulfil their obligations through the use of various collateral instruments in loan agreements, such as the establishment of liens on real estate and moveable property, the assignment of existing and future receivables, liens, declarations of surety and other appropriate forms of collateral. The Company also regularly monitors and supervises the operations of subsidiaries to further mitigate the associated risks.

Ageing analysis of receivables of the Telekom Slovenije Group as at the reporting date

| EUR thousand | 31.03.2021 | | | 31.12.2020 | |
|---|----------------|--------------------|------------------|----------------|----------------|
| | Gross value | Expected loss rate | Value adjustment | Net value | Net value |
| Total trade receivables | 162,297 | | -16,235 | 146,062 | 156,770 |
| Trade receivables not past due | 122,503 | 0.7% | -830 | 121,673 | 138,728 |
| Past due | | | | | |
| - up to and including 30 days | 17,434 | 2.2% | -386 | 17,047 | 11,385 |
| - from and including 31 days to and including 60 days | 2,753 | 7.4% | -204 | 2,550 | 3,198 |
| - from and including 61 days to and including 90 days | 2,016 | 8.5% | -171 | 1,845 | 551 |
| - from and including 91 days to and including 180 days | 1,313 | 51.6% | -677 | 636 | 698 |
| - from and including 181 days to and including 365 days | 2,450 | 49.9% | -1,222 | 1,228 | 1,168 |
| - from and including 366 days up to 2 years | 4,812 | 80.0% | -3,851 | 961 | 926 |
| - over 2 years | 5,049 | 97.8% | -4,937 | 112 | 108 |
| - trade receivables in insolvency proceedings | 3,967 | 99.7% | -3,957 | 10 | 8 |
| Total trade receivables past due | 39,794 | | -15,405 | 24,389 | 18,042 |
| Other trade receivables | 4,539 | | -8 | 4,531 | 6,166 |
| Total receivables | 166,836 | | -16,243 | 150,593 | 162,936 |

Ageing analysis of receivables of Telekom Slovenije as at the reporting date

| EUR thousand | 31.03.2021 | | | 31.12.2020 | |
|---|----------------|--------------------|------------------|----------------|----------------|
| | Gross value | Expected loss rate | Value adjustment | Net value | Net value |
| Total trade receivables | 150,452 | | -12,761 | 137,692 | 153,688 |
| Trade receivables not past due | 122,716 | 0.7% | -845 | 121,872 | 139,217 |
| Past due | | | | | |
| - up to and including 30 days | 9,648 | 4.0% | -386 | 9,262 | 8,172 |
| - from and including 31 days to and including 60 days | 2,262 | 9.0% | -203 | 2,059 | 2,981 |
| - from and including 61 days to and including 90 days | 1,899 | 9.0% | -171 | 1,728 | 589 |
| - from and including 91 days to and including 180 days | 1,161 | 49.0% | -569 | 592 | 655 |
| - from and including 181 days to and including 365 days | 2,219 | 49.0% | -1,087 | 1,132 | 1,162 |
| - from and including 366 days up to 2 years | 2,375 | 60.0% | -1,425 | 950 | 819 |
| - over 2 years | 4,857 | 98.0% | -4,760 | 97 | 93 |
| - trade receivables in insolvency proceedings | 3,315 | 100.0% | -3,315 | 0 | 0 |

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Total trade receivables past due | 27,736 | -11,916 | 15,820 | 14,471 |
| Other trade receivables | 3,517 | 0 | 3,517 | 4,679 |
| Total receivables | 153,969 | -12,761 | 141,209 | 158,367 |

Trade receivables within the Group are classified to the appropriate maturity buckets. Expected credit losses for receivables within the Group are taken into account at the same rate applied to other receivables.

Non-current trade receivables are outstanding in full.

Maturity dates of loans granted

| In EUR thousand | Telekom Slovenije Group | | Telekom Slovenije | |
|---------------------------|-------------------------|------------|-------------------|---------------|
| | 31.3.2021 | 31.12.2020 | 31.3.2021 | 31.12.2020 |
| Past due | 6 | 6 | 6 | 6 |
| Not past due: | 143 | 158 | 78,334 | 78,367 |
| - in less than 3 months | 14 | 15 | 1,277 | 323 |
| - between 3 and 12 months | 38 | 40 | 15,292 | 17,056 |
| - between 1 and 2 years | 35 | 40 | 19,677 | 9,582 |
| - between 2 and 5 years | 49 | 53 | 34,917 | 44,358 |
| - over 5 years | 7 | 10 | 7,171 | 7,049 |
| Total | 149 | 164 | 78,340 | 78,373 |

Ageing analysis of loans granted as at 31 March 2021

| Telekom Slovenije Group | 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 | | 143 | 6 | 0 | 0 | 0 | 0 | 149 |

| Telekom Slovenije | 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 | | 78,334 | 6 | 0 | 0 | 0 | 0 | 78,340 |

Ageing analysis of loans granted as at 31 December 2020

| Telekom Slovenije Group | 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 | 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 |

Liquidity risk

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

Debt is relatively low at the level of the Group and Company. The majority of the financial liabilities of the Group relate to a long-term syndicated loan in the amount of EUR 215.4 million, five-year bonds in the amount of EUR 100 million, and finance lease liabilities in the amount of EUR 68.1 million at the Group level and EUR 76.0 million at the Company level. The Group and Company regularly repay their liabilities from financing.

For the purpose of ensuring a high level of liquidity, the Group has open short-term credit lines at banks that are rolled over as required. Total liquidity reserves in the form of approved but undrawn short-term revolving credit lines amounted to EUR 100 million at the end of the first quarter of 2021, while a long-term loan in the amount of EUR 100 million under an agreement with the European Investment Bank is likewise undrawn. The Company began activities during the first quarter of 2021 to secure new long-term sources to repay bonds that mature in June 2021.

Maturity of liabilities of the Telekom Slovenije Group as at 31 March 2021 and 3 December 2020

| In EUR thousand | Past due | Callable | Up to 3 months | Not past due: | | | | Total |
|----------------------------------|--------------|--------------|----------------|-------------------------|-----------------------|-----------------------|---------------|----------------|
| | | | | Between 3 and 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | |
| 31 March 2021 | | | | | | | | |
| Loans and borrowings | 0 | 0 | 16,260 | 41,385 | 30,769 | 153,846 | 0 | 242,260 |
| Anticipated interest on loans | 0 | 0 | 1,649 | 1,562 | 2,725 | 2,756 | 0 | 8,692 |
| Other financial liabilities | 61 | 0 | 101,569 | 2 | 237 | 0 | 0 | 101,869 |
| Anticipated interest on bonds | 0 | 0 | 1,950 | 0 | 0 | 0 | 0 | 1,950 |
| Trade and other payables | 816 | 2,686 | 72,587 | 18,480 | 16,157 | 8,467 | 17,278 | 136,471 |
| Financial liabilities from lease | 81 | 6 | 3,897 | 6,123 | 7,961 | 17,604 | 32,467 | 68,139 |
| Total | 958 | 2,692 | 197,912 | 67,552 | 57,849 | 182,673 | 49,745 | 559,381 |
| 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 |

Maturity of liabilities of Telekom Slovenije as at 31 March 2021 and 31 December 2020

| v tisoč EUR | Not past due: | | | | | | | Total |
|----------------------------------|---------------|--------------|----------------|-------------------------|-----------------------|-----------------------|---------------|----------------|
| | Past due | Callable | Up to 3 months | Between 3 and 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | |
| 31 March 2021 | | | | | | | | |
| Loans and borrowings | 0 | 0 | 16,265 | 41,385 | 30,769 | 153,846 | 0 | 242,265 |
| Anticipated interest on loans | 0 | 0 | 1,649 | 1,562 | 2,725 | 2,756 | 0 | 8,692 |
| Other financial liabilities | 61 | 0 | 101,569 | 0 | 237 | 0 | 0 | 101,867 |
| Anticipated interest on bonds | 0 | 0 | 1,950 | 0 | 0 | 0 | 0 | 1,950 |
| Trade and other payables | 15 | 1,305 | 69,303 | 17,128 | 16,160 | 8,467 | 215 | 112,593 |
| Financial liabilities from lease | 14 | 6 | 4,402 | 6,934 | 8,849 | 22,254 | 33,495 | 75,954 |
| Total | 90 | 1,311 | 195,138 | 67,009 | 58,740 | 187,323 | 33,710 | 543,321 |
| 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 |

Interest rate risk

Interest-rate risk is the risk of the negative effect of a change in market interest rates on the Group's operations. The Group's exposure to interest-rate risk as at 31 March 2021 derives from a potential change in the EURIBOR reference interest rate linked to interest-sensitive liabilities. The target ratio of financial liabilities with a variable interest rate to financial liabilities with a fixed or hedged interest rate that the Group and Company pursue is 50% of liabilities with a fixed or hedged interest rate.

Liabilities from loans raised with variable interest rates tied to the 6-month EURIBOR accounted for 52.6% of the Group's interest-bearing financial liabilities and 51.6% of the Company's interest-bearing financial liabilities as at 31 March 2021. The remaining liabilities are accounted for by short-term loans, issued bonds and a finance lease with a fixed interest rate.

The Group and Company entered into an interest-rate swap in the amount of 50% of two of three loan tranches with the aim of hedging exposure to interest-rate risk as the result of a long-term syndicated loan with a final repayment deadline of 31 December 2025. The amount of the secured principal stood at EUR 69.2 million as at 31 March 2021. By hedging interest-rate exposure through the use of an interest-rate swap (IRS), the Group and Company hedge future cash flows against the risk of rising interest rates. The principal is hedged against a rise in the reference interest rate if the latter is higher than or equal to zero. Fixed or hedged interest rates account for 64.3% of interest-bearing financial liabilities at the Group level and 65.0% at the Company level.

Exposure to interest rate risk

| EUR thousand | Telekom Slovenije Group | | Telekom Slovenije | |
|--|-------------------------|----------------|-------------------|----------------|
| | 31.3.2021 | 31.12.2020 | 31.3.2021 | 31.12.2020 |
| Financial instruments with variable interest rate | | | | |
| Financial receivables | 0 | 0 | 0 | 0 |
| Financial liabilities | 146,154 | 147,654 | 146,154 | 147,654 |
| Net financial liabilities | 146,154 | 147,654 | 146,154 | 147,654 |

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

Sensitivity analysis

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

Interest rate risk table

| 31.3.2021 | Interest rate increase/decrease | Effect on profit before tax in EUR thousand | |
|-----------|---------------------------------|---|-------------------|
| | | Telekom Slovenije Group | Telekom Slovenije |
| EURO | +100 bp | -209 | -209 |
| EURO | -100 bp | -692 | -692 |

| 2020 | Interest rate increase/decrease | Effect on profit before tax in EUR thousand | |
|------|---------------------------------|---|-------------------|
| | | Telekom Slovenije Group | Telekom Slovenije |
| EURO | +100 bp | -202 | -202 |
| EURO | -100 bp | -692 | -692 |

Euribor interest rate values

| Euribor | Value as at 31 March 2021 | Value as at 31 Dec. 2020 | Change in % |
|---------|---------------------------|--------------------------|-------------|
| 6-month | -0.513 | -0.523 | 1.91 |

Capital management

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

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

| EUR thousand | Telekom Slovenije Group | | Telekom Slovenije | |
|--|-------------------------|------------------|-------------------|------------------|
| | 31.3.2021 | 31.12.2020 | 31.3.2021 | 31.12.2020 |
| Borrowings and other financial liabilities | 411,743 | 387,056 | 419,561 | 409,538 |
| Less current investments and cash with short-term deposits | -32,312 | -8,679 | -30,132 | -19,471 |
| Net liabilities | 379,431 | 378,377 | 389,429 | 390,067 |
| Equity | 600,407 | 590,484 | 614,444 | 605,784 |
| Total assets | 1,251,921 | 1,227,839 | 1,233,602 | 1,226,566 |
| Debt/equity ratio | 63.2% | 64.1% | 63.4% | 64.4% |
| Equity/total assets ratio | 48.0% | 48.1% | 49.8% | 49.4% |