



TelekomSlovenije

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



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1. Introductory note

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

The condensed interim financial statements for the period ending 30 September 2019 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2018. The financial statements for the period January to September 2019 have not been audited.

Telekom Slovenije's Supervisory Board discussed the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the aforementioned period at its session on 6 November 2019.

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

The Unaudited Business Report for the period January to September 2019 is also available on the Company's website at www.telekom.si.

1.1. Statement of responsibility of the Management Board

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

- to the best of our knowledge, the unaudited report of the Telekom Slovenije Group and Telekom Slovenije was compiled and published in accordance with valid legislation and the International Financial Reporting Standards as adopted by the EU;
- the condensed interim financial statements for the period ending 30 September 2019 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2018;
- the selected accounting policies were applied consistently in the compilation of the condensed financial statements and any changes to those policies were disclosed, and that accounting estimates were made fairly and with careful consideration, according to the principle of prudence and the diligence of a good manager, and under the assumption that Telekom Slovenije and the Telekom Slovenije Group are going concerns; and
- the interim business report presents a fair picture of information regarding major transactions with related parties, in accordance with regulations.

Matjaž Merkan, MSc,
President of the
Management Board

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

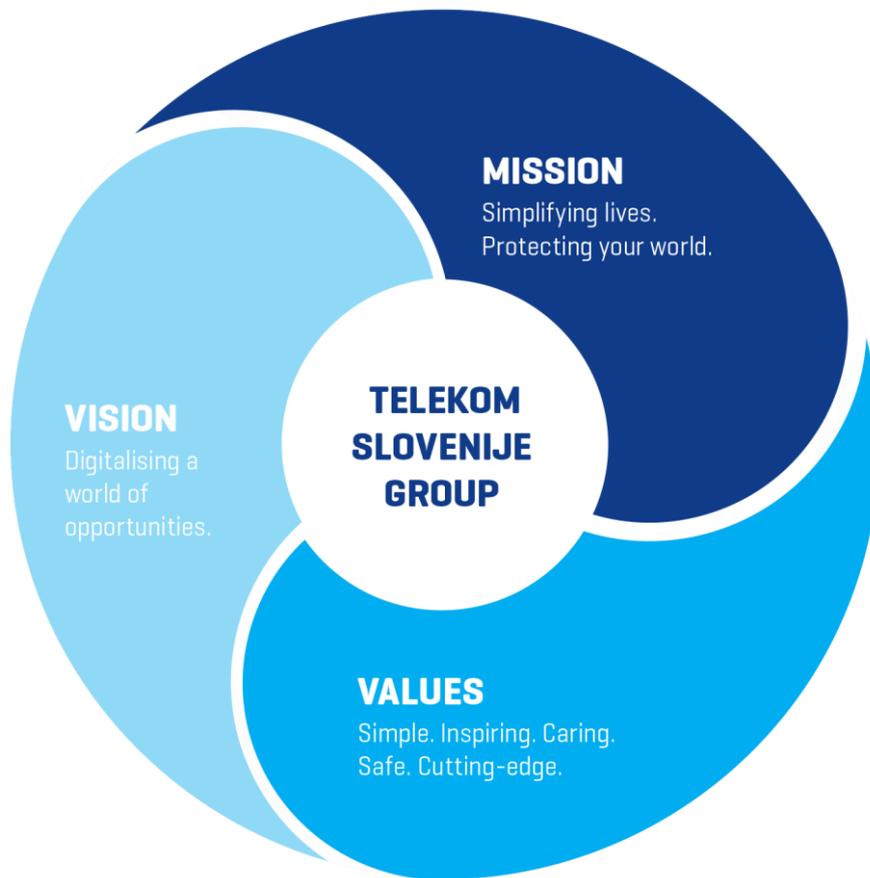
Dr Vida Žurga,
Member of the
Management Board

Ranko Jelača,
Member of the
Management Board

Špela Fortin,
Member of the
Management Board
– Workers' Director

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

2.1. Vision, mission and values



2.2. Key strategic policies

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

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

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

2. New revenue sources

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

3. Maintaining a superior network

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

4. Consolidation on individual markets

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

5. Simplification of processes, products and platforms

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

6. Optimal staffing structure

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

7. Financial stability

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

8. Quality

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

9. Social responsibility

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

Key objectives of the Telekom Slovenije Group for 2019¹

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

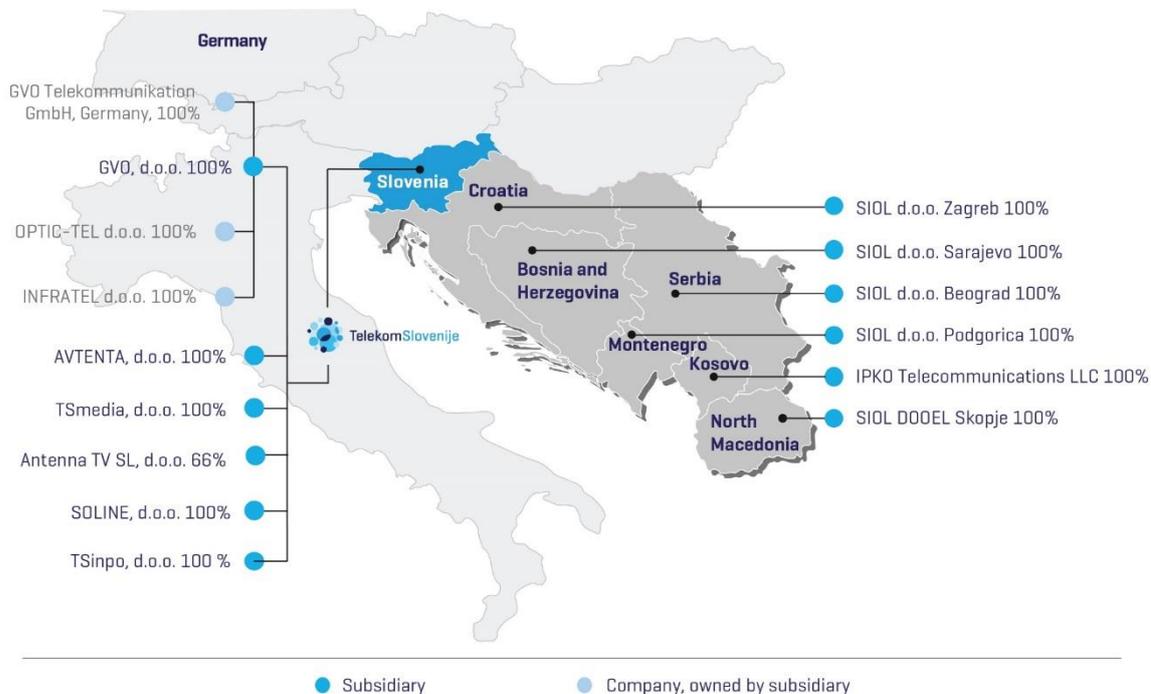
¹ In accordance with IFRS 15 and IFRS 16.

3. Telekom Slovenije Group

3.1. Markets and companies of the Telekom Slovenije Group

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

Situation as at 30 September 2019



Changes in the composition of the Group in 2019

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

Telekom Slovenije is the founder of the Heart Foundation, the aim of which is to help the children of the employees of Slovenian Telekom Slovenije Group companies who have lost a parent or who are seriously ill. The majority of the foundation's funds are contributed by the employees of Slovenian Telekom Slovenije Group companies. The Heart Foundation was entered in the records of institutions on 25 April 2019.

3.2. Operating highlights

The Telekom Slovenije Group achieved the following in the period January to September 2019:²

- The Telekom Slovenije Group generated EUR 511.4 million in operating revenues during the first nine months of 2019.
- Net sales revenue amounted to EUR 507.4 million, which is a decrease of 6% relative to the same period in 2018. It should be noted that revenues in 2019 no longer include the revenues generated by Blicnet, which was sold in 2018. In terms of the adjustment to 2018 figures, excluding the operations of Blicnet, net sales revenue was down 4% on the same period in 2018. Revenues from mobile merchandise on the end-user market, revenues from the fixed segment of the end-user market (primarily due to lower revenues from IT merchandise and licences) and revenues on the wholesale market were all down in 2019.
- The Telekom Slovenije Group's operating expenses totalled EUR 475.5 million, a decrease of 8% or EUR 38.9 million relative to the same period in 2018, or in terms of the adjustment to 2018 figures, excluding the operations of Blicnet, down 6% or EUR 32.5 million on the same period in 2018.
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled EUR 166.2 million, an increase of 9% or EUR 13.3 million relative to the first nine months in 2018, or in terms of the adjustment to 2018 figures, excluding the operations of Blicnet, up 11% or EUR 16.9 million on the first nine months of 2018, and accounted for 32.8% of net sales revenue.
- Earnings before interest and taxes (EBIT) amounted to EUR 35.9 million during the first nine months of 2019, an increase of 29% or EUR 8.1 million relative to the first nine months of 2018, or in terms of the adjustment to 2018 figures, excluding the operations of Blicnet, up 33% or EUR 8.9 million on the first nine months of 2018.
- Following the calculation of income tax (including deferred taxes), the Telekom Slovenije Group generated a net profit of EUR 29.4 million during the first nine months of 2019, an increase of 25% or EUR 5.8 million relative to the same period in 2018, or in terms of the adjustment to 2018 figures, excluding the operations of Blicnet, up 28% or EUR 6.4 million on the first nine months of 2018.

3.3. Key financial indicators for the Telekom Slovenije Group

EUR thousand / in %	Telekom Slovenije Group			Telekom Slovenije		
	I - IX 2019 / 30.9.2019	I - IX 2018 / 31.12.2018	Index 19/18	I - IX 2019 / 30.9.2019	I - IX 2018 / 31.12.2018	Index 19/18
Net sales revenue	507,370	538,118	94	453,406	481,863	94
Other operating income	4,040	4,070	99	2,057	1,909	108
Operating revenue	511,410	542,188	94	455,463	483,772	94
EBITDA	166,203	152,933	109	138,967	124,050	112
EBITDA margin	32.8%	28.4%	115	30.6%	25.7%	119
EBIT	35,893	27,759	129	32,709	24,908	131
Return on sales: ROS (EBIT/net sales revenue)	7.1%	5.2%	137	7.2%	5.2%	140
Net profit	29,365	23,544	125	29,614	22,687	131
Assets	1,286,936	1,232,719	104	1,273,788	1,223,526	104
Equity	619,429	619,628	100	634,312	634,196	100
Equity ratio	48.1%	50.3%	96	49.8%	51.8%	96
Net financial debt	390,162	352,484	111	391,718	350,395	112

²The 2018 figures are not harmonised with the new IFRS 16 Leases standard, which entered into force on 1 January 2019.

3.4. Overview by company and key market

Operating revenues

EUR thousand	I - IX 2019	I - IX 2018	Index 19/18
Telekom Slovenije	455,463	483,772	94
Other companies in Slovenia	69,767	54,613	128
IPKO - Kosovo	46,550	54,598	85
Other companies abroad	2,473	14,782	17
Total - unconsolidated	574,253	607,765	94
Eliminations and adjustments	-62,843	-65,577	-
Telekom Slovenije Group	511,410	542,188	94

EBITDA – earnings before interest, taxes, depreciation and amortisation

EUR thousand	I - IX 2019	I - IX 2018	Index 19/18
Telekom Slovenije	138,967	124,050	112
Other companies in Slovenia	5,973	1,706	350
IPKO - Kosovo	23,043	23,386	99
Other companies abroad	1,778	4,738	38
Total - unconsolidated	169,761	153,880	110
Eliminations and adjustments	-3,558	-947	-
Telekom Slovenije Group	166,203	152,933	109

EBIT – earnings before interest and taxes

EUR thousand	I - IX 2019	I - IX 2018	Index 19/18
Telekom Slovenije	32,709	24,908	131
Other companies in Slovenia	1,741	-1,246	-
IPKO - Kosovo	1,567	3,023	52
Other companies abroad	657	1,351	49
Total - unconsolidated	36,674	28,036	131
Eliminations and adjustments	-781	-277	-
Telekom Slovenije Group	35,893	27,759	129

Net profit or loss

EUR thousand	I - IX 2019	I - IX 2018	Index 19/18
Telekom Slovenije	29,614	22,687	131
Other companies in Slovenia	354	-2,324	-
IPKO - Kosovo	-621	900	-
Other companies abroad	380	1,053	36
Total - unconsolidated	29,727	22,316	133
Eliminations and adjustments	-362	1,228	-
Telekom Slovenije Group	29,365	23,544	125

TELEKOM SLOVENIJE GROUP CONNECTIONS AND SERVICES BY TYPE AND MARKET

Broadband connections

Number of retail BB connections as at	30.9.2019	31.12.2018	Index 19/18
Slovenia	209,047	214,163	98
SE Europe	125,487	148,170	85
Kosovo	125,487	120,999	104
Bosnia and Herzegovina	0	27,171	-
Telekom Slovenije Group	334,534	362,333	92

Fixed and mobile telephony connections

Number of retail connections as at	30.9.2019	31.12.2018	Index 19/18
Slovenia, mobile telephony	1,018,347	1,049,230	97
Slovenia, fixed voice telephony	325,905	331,192	98
SE Europe, mobile telephony:	832,371	722,812	115
Kosovo	832,371	719,771	116
Bosnia and Herzegovina	0	3,041	-
SE Europe, fixed voice telephony	0	1,366	-
Telekom Slovenije Group	2,176,623	2,104,600	103
VoIP services			
Slovenia	189,902	193,412	98
SE Europe	10,959	24,427	45
Telekom Slovenije Group	200,861	217,839	92

Number of mobile and fixed telephony connections / services

Number of retail connections as at	30.9.2019	31.12.2018	Index 19/18
Total mobile telephony	1,850,718	1,772,042	104
Total fixed voice telephony services*	526,766	550,397	96
Telekom Slovenije Group	2,377,484	2,322,439	102

* Sum of fixed telephony connections and VoIP services.

Investments

EUR thousand	I - IX 2019	I - IX 2018	Index 19/18
Telekom Slovenije	83,965	63,132	133
Other companies in Slovenia	2,219	1,988	112
Ipko - Kosovo	30,847	11,547	267
Other companies abroad	664	9,514	7
Eliminations and adjustments	-1,585	-6,735	-
Telekom Slovenije Group	116,110	79,446	146

Employees

number of employees at	30.9.2019	31.12.2018	Index 19/18
Telekom Slovenije	2,189	2,196	100
Other companies in Slovenia	738	707	104
Ipko - Kosovo	528	528	100
Other companies abroad	0	99	-
Telekom Slovenije Group	3,455	3,530	98

3.5. Ownership structure and share trading

General information regarding Telekom Slovenije shares as at 30 September 2019

General information regarding shares	
Ticker symbol	TLSG
Listing	Ljubljana Stock Exchange, prime market
Share capital (EUR)	272,720,664.33
Number of ordinary registered no-par value shares	6,535,478
Number of shares held in treasury	30,000
Number of shareholders as at 30 September 2019	9,295

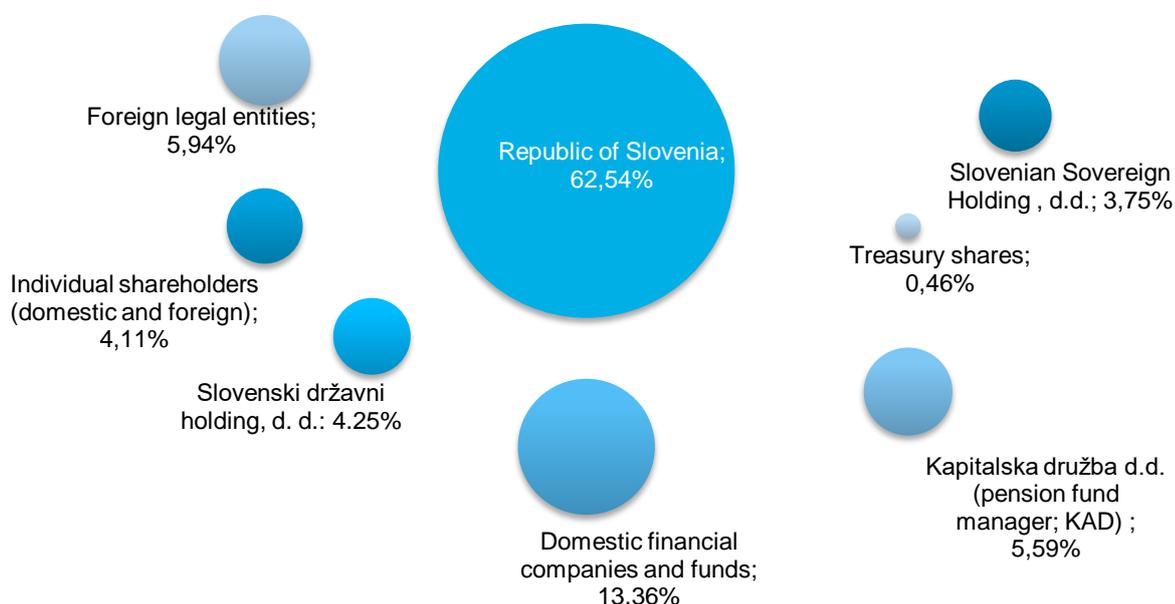
Ownership structure and largest shareholders as at 30 September 2019

Telekom Slovenije had 9,295 shareholders as at 30 September 2019, a decrease of 112 on the end of 2018.

With a total stake of 93.8%, domestic investors are still predominant in the Company's ownership structure. The Company's largest shareholder is the Republic of Slovenia, together with Kapitalaska družba, Slovenski državni holding, the First Pension Fund of Modra zavarovalnica and the latter's guarantee fund. Collectively, 73.46% of the Company's shares were directly or indirectly held by the government.

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

Ownership structure as at 30 September 2019



Ten largest shareholders as at 30 September 2019

The concentration of ownership, as measured by the ownership stake held by the ten largest shareholders, stood at 78.99% at the end of the first nine months of 2019, an increase of 0.70 percentage points relative to the end of 2018, with changes also being made to the structure of the first ten shareholders.



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

Members of the Supervisory Board held 306 TLSG shares as at 30 September 2019.

Name and surname	Office	Number of shares	% of equity
Supervisory Board			
Igor Rozman	Member of the Supervisory Board	54	0.00083
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		306	0.00468

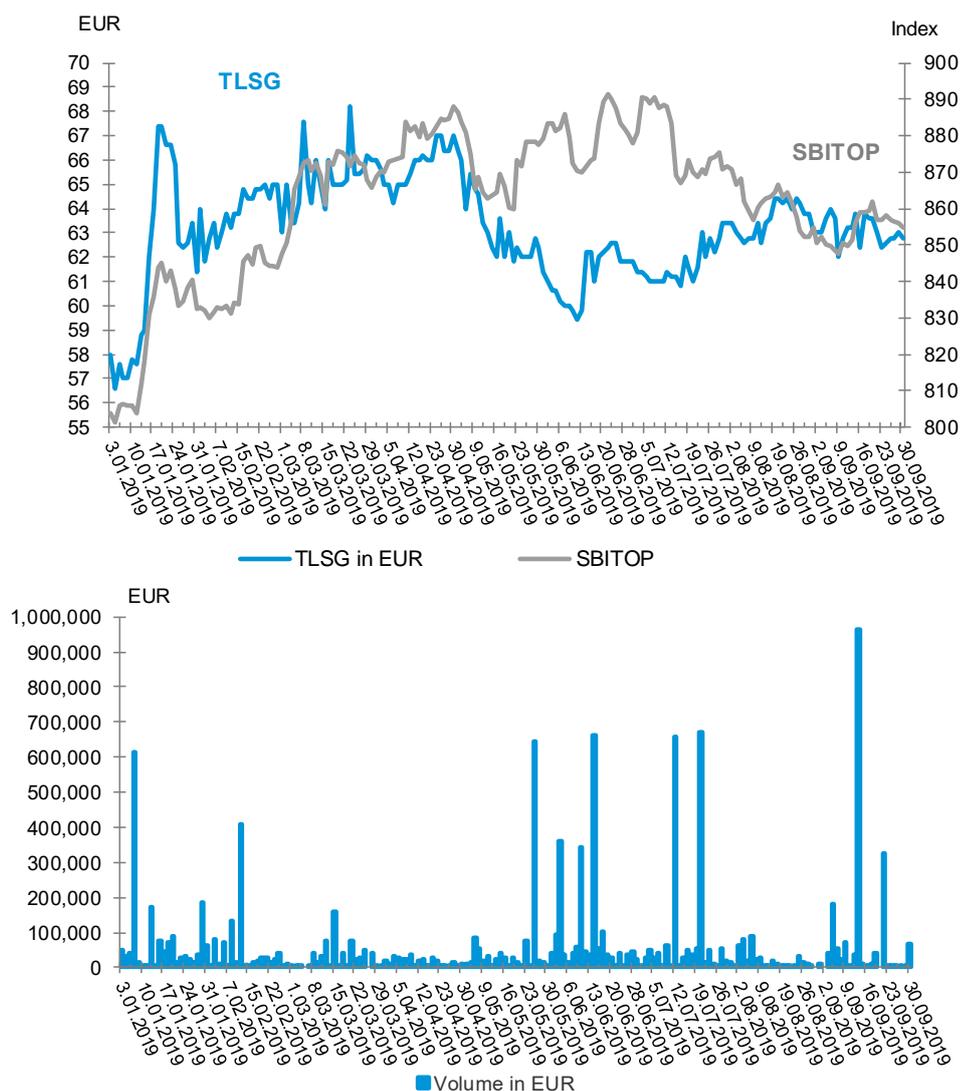
When corporate shares are traded by representatives of the Company and when reporting on such transactions at Telekom Slovenije, we comply with the applicable legislation and the Rules Restricting Trading in the Shares of Telekom Slovenije.

Movement in the TLSG share price

Turnover in Telekom Slovenije shares totalled EUR 10.86 million during the period January to September 2019, representing 5.29% of total turnover on the stock exchange. The price of TLSG shares closed at EUR 62.80 on the last trading day of September. The share price rose by 6.44% during the first nine months of the year. The highest share price of EUR 68.20 was achieved during the last week of March. The market capitalisation of Telekom Slovenije stood at EUR 410.43 million on the last trading day of September, accounting for 6.3% of the market capitalisation of all shares on the stock exchange.

Standard price in EUR	I - IX 2019	I - IX 2018
Highest daily price	68.20	92.40
Lowest daily price	56.60	68.40
Average daily price	63.21	82,89
Volume in EUR thousand	I - IX 2019	I - IX 2018
Total volume for the year	10,859.46	21,834.11
Highest daily volume	962.77	664.56
Lowest daily volume	0.13	0.38
Average daily volume	60.00	119.31

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



Sources: Ljubljana Stock Exchange, archive of share prices.

Key financial data relating to shares

	30. 9. 2019 / I – IX 2019	31. 12. 2018 / I – IX 2018
Closing price (P) of one share on the last trading day of the period in EUR	62.80	68.40
Book value (BV) ¹ of one share in EUR	94.78	94.81
Earnings per share (EPS) ² in EUR	4.51	3.62
P/BV	0.66	0.72
Capital return per share during the period in % ³	6.44	-17.47
Dividend yield ⁴ in %	22.77	20.91

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 2018.

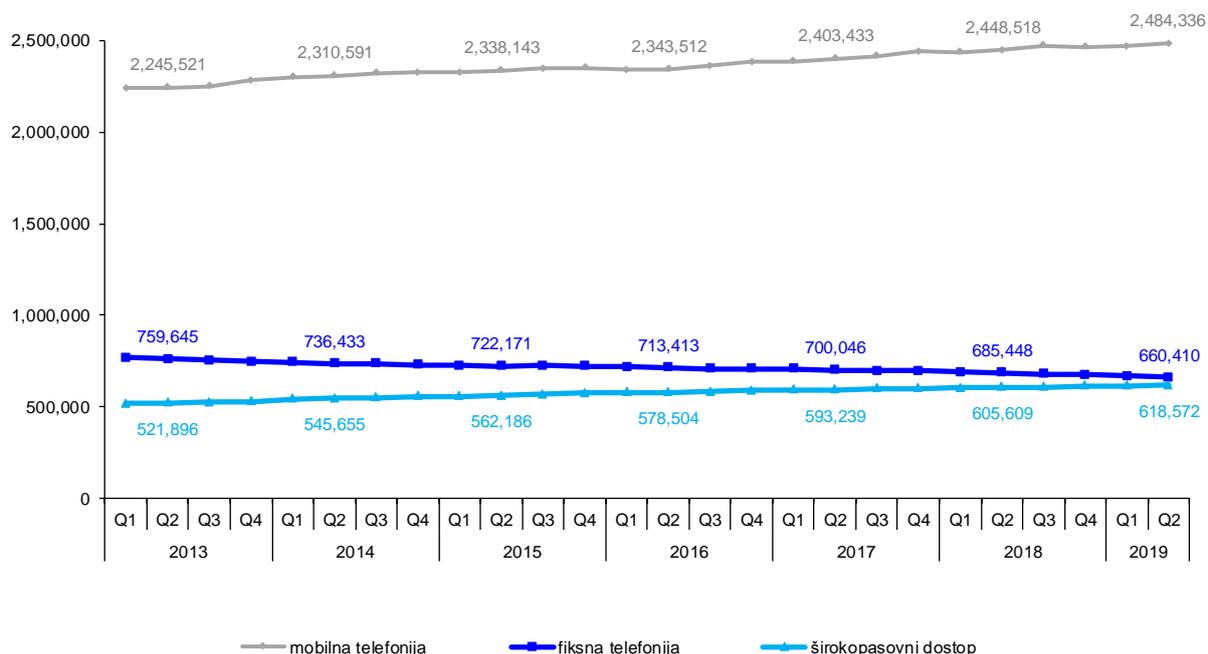
² Net earnings per share is calculated as the ratio of the Telekom Slovenije Group's net operating profit for the accounting period to the average number of issued ordinary shares, excluding treasury shares.

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 final trading day of the previous period to the share price on the final trading day of the previous period.

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

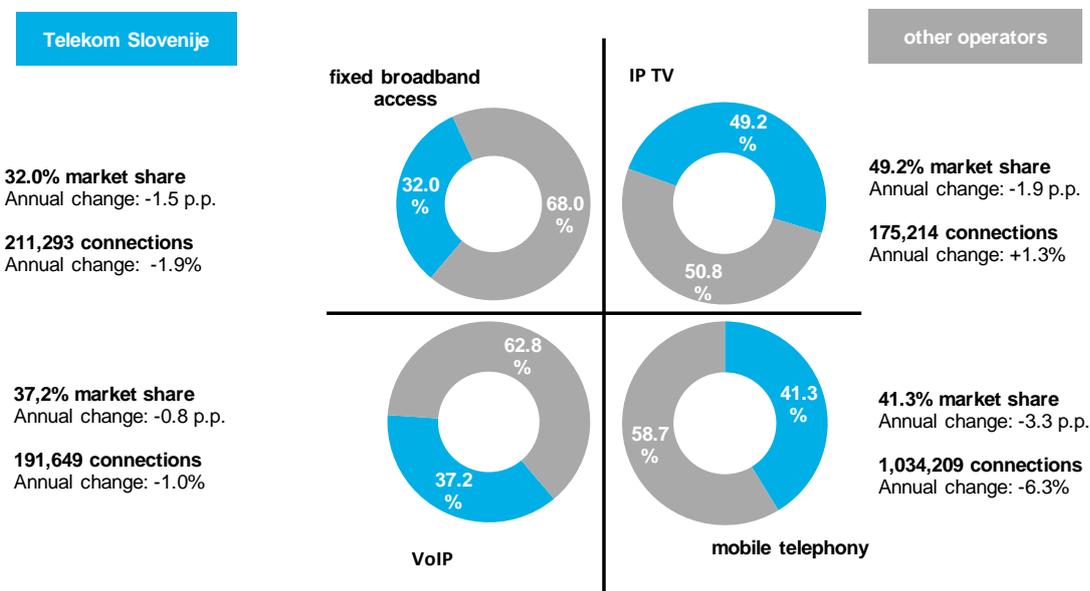
3.6. Market and market shares in key service segments

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



Sources: SURS, Electronic communication services, October 2019.

Telekom Slovenije Group market shares in the second quarter of 2019 in key market segments



Sources: AKOS: eAnalitik portal, October 2019; internal Telekom Slovenije figures.

3.7. Risk management

Key risks are presented below by Telekom Slovenije Group company.

Telekom Slovenije
<p>Strategic risks</p> <ul style="list-style-type: none">• Telekom Slovenije faces increasingly strong competition, regulatory effects and price-sensitive users on both the European and domestic inter-operator market. Users demand high-quality services at the lowest possible prices. The market is becoming increasingly saturated due to continuously growing competition, which means less manoeuvring room for maintaining existing users and attracting new users. The management of such risks requires regular performance of activities to ensure competitiveness, control over regulatory measures, a targeted and active market approach, the provision of high-quality, readily available services, the continuous adaptation of business solutions, the adaptation of and changes to the portfolio, and the introduction of the latest technical developments for specific groups and segments of users.
<p>Financial risks</p> <ul style="list-style-type: none">• 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 planning and management of cash flows, by ensuring the appropriate maturities and the diversification of financial debt, and through financing within the Group and the optimisation of working capital and cash. Short-term imbalances in cash flows are managed through short-term revolving loans from banks, while we also have long-term reserve credit lines as an additional element of financial security.• Credit risk is managed 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.• The Company also hedges against interest-rate risk by concluding interest-rate swaps. Fixed or hedged interest rates account for 58.44% of interest-bearing financial liabilities at the Company level.
<p>Regulatory and compliance-related risks</p> <ul style="list-style-type: none">• Regulatory risks remain high for Telekom Slovenije and derive from changes to the regulatory framework and policies, and from the potential decisions of the regulator regarding the imposition of additional obligations or changes in prices in individual market segments.• Taking into account the initial planned public auction of a portion of the 700 MHz radio frequency band for the fifth-generation (5G) mobile networks, as well as the strategy for the management of the radio frequency spectrum published by the AKOS, the Company has identified risks associated with the conditions of that public auction, requirements regarding the use of frequencies, excessively high auction prices, and other conditions associated directly or indirectly with the public auction. All of that could affect the possibility of acquiring the tendered radio frequency spectrum for the provision of electronic communications services. The strategy for the management of the radio frequency spectrum has yet to be adopted.• The EU directive establishing the European Electronic Communications Code (EECC) was adopted at the end of 2018. That directive includes measures for stimulating competition and investments in very high-capacity electronic communications networks and covers various areas of electronic communications. The deadline for the transposition of the aforementioned directive into national law is two years from its entry into force. The EU Council also adopted the BEREC regulation, the aim of which is to provide aid to Member States for the expansion of very high-capacity electronic communications networks, and for the ongoing and consistent application of the regulatory measures set out in the aforementioned code. The regulation, which applies directly in Member States since 15 May 2019, introduced limits on the retail prices of calls and text messages within the EU.• Of significance in terms of compliance is the implementation of Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, the application of which began on 25 May 2018. Following the

entry into force of the aforementioned regulation, Telekom Slovenije adapted business processes and upgraded information support systems with the aim of ensuring compliance with the requirements of that regulation. The Company is continuing to update and improve personal data processing also in 2019. Currently being drawn up is the new Personal Data Protection Act (ZVOP-2). The Company submitted comments regarding the draft act via the Chamber of Commerce and Industry of Slovenia during public consultations. The EU's new ePrivacy Regulation is also being coordinated by stakeholders (EU institutions and Member States). That regulation will affect data processing as it relates to the provision of electronic communications services.

- In its operations, Telekom Slovenije complies with valid legislation, as well as decisions and aspects of sectoral regulations and other competent bodies. The Company manages regulatory risks through organisational and procedural measures in its 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.

Operational risk

- Telekom Slovenije gives a great deal of attention to managing operational risks associated with ICT networks, services and devices, as well as to the management and development of employees in this area. The development of technologies and ICT services, and the growing demands of applications and devices are accompanied by growing complexity in the comprehensive management thereof. Telekom Slovenije manages this risk through the development of BSS and OSS, by improving operational efficiency and by providing support for new business opportunities. Operations support systems (OSS) are and will continue to be a key differentiating factor between operators on the B2C, B2B and wholesale markets. One objective of the OSS strategy in the period until 2023 is to ensure that the Telekom Slovenije Group has one of the most effective, most responsive and most flexible OSS, including a high level of automation in operational processes. That automation shortens the time of processes, reduces the number of participants in processes, decreases the number of errors in processes, and reduces operational costs. In terms of business continuity, Telekom Slovenije ensures the necessary capacities of the ICT infrastructure and services, and of transmission, backbone and access segments. The risks associated with the malfunctioning of connections and services provided by other entities are managed by introducing processes to monitor and report on SLA indicators on leased networks, and by standardising requirements vis-à-vis network providers for newly leased networks. Regular notification regarding planned works on the networks of operators has been established.
- In the area of ICT security, the Company continuously develops systems for monitoring technologies and anomalies in the ICT infrastructure and services, and conducts internal and external penetration testing. It also established the Cyber Security Operation Centre (CSOC) in 2018 and received the first market references. The Company manages this risk through the implementation of the security policy, by identifying security threats and vulnerabilities, and by spreading the security culture to employees and users.
- We face certain challenges in the SAP ERP application area, the upgrading of the system to a newer version (s4Hana) by 2024 being one of them. The existing system also includes non-standard solutions, which have been produced since 1998, meaning that the case in question is not merely a standard system upgrade to a higher version but the operational processes will also need to be thoroughly examined and changed/adapted as required.

Avtenta

- Avtenta manages risks associated with a lack of experts in the service element of project implementation through external partners.

Antenna TV SL

- Risks associated with solvency are very high. The company is optimising its operations, and the required financing is secured via its owners.

TSmedia

- Market and revenue risks are associated with the reduced scope of advertising on outdoor screens and fewer visits to TSmedia portals (Siol.net, najdi.si, TIS and Bizi). This risk is managed through account management, the monitoring of sales, the technical and creative development of portals, and training for all sales channels.

<ul style="list-style-type: none"> • Compliance risks in the area of personal data protection are managed through the implementation of legal requirements and European directives, and through employee training.
TSinpo
<ul style="list-style-type: none"> • Risks associated with the sale of cardboard products are managed through active sales and the attraction of new customers.
GVO
<ul style="list-style-type: none"> • Risks associated with lack of qualified staff required for project implementation are managed through the appropriate employee structure and by adapting to the scope of operations.
Soline
<ul style="list-style-type: none"> • The risk of poor weather conditions is constantly present, as this is a seasonal activity. An extended period of sunny weather and a dry wind are crucial for the traditional production of sufficient quantities of salt.
IPKO
<ul style="list-style-type: none"> • IPKO responds to the risk of the loss of users and revenues in the segment of fixed and mobile services and to the risk of unfair competition through the appropriate market approaches and the use of legal remedies. • The company is exposed to the risk of higher costs because proceedings initiated by a collective rights organisation to set prices for the payment of copyright fees for the broadcasting of programmes via the cable network are still in progress. • ICT risks exist due to the outdated BSS architecture, unstructured, non-standard solutions and the departure of several IT experts. IPKO is managing those risks by defining a strategic BSS architecture and through employee training. • The risk associated with sales activities is managed through a conservative approach to the disclosure of documentation regarding operations and through the required organisation of operations for the implementation of processes and employee motivation.

4. Corporate governance

Management Board

Telekom Slovenije is managed by its Management Board, comprising the following members as at 30 September 2019:

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

On 8 January 2019, Telekom Slovenije's Supervisory Board appointed Dr Vida Žurga to serve as member of the Management Board. Dr Žurga's four-year term of office began on 1 February 2019.

On 16 April 2019, Telekom Slovenije's Supervisory Board was briefed on the decision of the President of the Management Board, Rudolf Skobe, MSc regarding the early termination of his term of office. On that basis, the Supervisory Board reached an agreement on the early termination of Mr Skobe's term of office. Telekom Slovenije was headed by the Vice-President of the Management Board, Tomaž Seljak, MSc until the appointment of a new president.

On 27 August 2019, the Supervisory Board of Telekom Slovenije appointed Matjaž Merkan, MSc as President of the Management Board. Matjaž Merkan, MSc began his four-year term of office as President of the Management Board on 16 September 2019.

The Company's Supervisory Board was briefed on the resignation of member of the Management Board and Workers' Director Dean Žigon on 31 July 2019. Dean Žigon's term of office ended on the date of the appointment of the new member of the Management Board and Workers' Director. Pursuant to the Workers' Participation in Management Act and the proposal of the Works Council, Telekom Slovenije's Supervisory Board appointed Špela Fortin to serve as member of the Management Board and Workers Director on 13 September 2019. Ms Fortin's four-year term of office began on 14 September 2019.

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

Supervisory Board

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

Telekom Slovenije's Supervisory Board comprised the following members as at 30 September 2019:

Shareholder representatives:

- Barbara Kürner Čad, chair,
- Barbara Gorjup, MSc, deputy chair,
- Dimitrij Marjanović, member,
- Bernarda Babič, MSc, member,
- Barbara Cerovšek Zupančič, MSc, member,
- Igor Rozman, member.

Employee representatives:

- Drago Kijevčanin, deputy chair,
- Dušan Pišek, member,
- Jana Žižek Kuhar, member.

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

Supervisory Board members are appointed for a four-year term of office. Supervisory Board members, as employee representatives, began their terms of office as replacement members on 19 September 2018 and will serve in their functions until 14 November 2021.

At the session held on 13 September 2019, Telekom Slovenije's Supervisory Board appointed Barbara Kürner Čad to serve as Chair of the Supervisory Board and Barbara Gorjup as her deputy and shareholder representative. Drago Kijevčanin was also appointed deputy chair and employee representative.

Composition of management and governance bodies at subsidiaries of the Telekom Slovenije Group as at 30 September 2019

Slovenia

GVO, d. o. o.

Managing Director: Borut Radi

Avtenta, d. o. o.

Managing Director: Miran Potočnik

Miha Praunseis served as Managing Director until 28 February 2019.

TSmedia, d. o. o.

Managing Director: Rolando Žel:

Tina Česen, MSc served as Managing Director until 30 August 2019.

Soline, d. o. o.

Managing Director: Klavdij Godnič

Antenna TV SL, d. o. o.

General Manager: Rolando Žel:

Managing Director: Petra Šušteršič

Tina Česen, MSc served as Managing Director until 30 August 2019.

TSinpo, d. o. o.

Managing Director: Danilo Tomšič, MSc

Procurator: Vesna Lednik

Other countries

IPKO Telecommunications LLC, Kosovo

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

CEO: Robert Erzin, MSc

The term of office of member of the Board of Directors Rudolf Skobe, MSc expired on 24 April 2019, while the term of office of Tomaž Seljak, MSc began on 9 May 2019.

SIOL, d. o. o. Zagreb, Croatia

Managing Director: Matjaž Pogačnik, MBA

SIOL, d. o. o. Podgorica, Montenegro

Managing Director: Matjaž Pogačnik, MBA

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

Managing Director: Matjaž Pogačnik, MBA

SIOL DOOEL Skopje, Macedonia

Managing Director: Matjaž Pogačnik, MBA

SIOL DOO BELGRADE, Serbia

Managing Director: Matjaž Pogačnik, MBA

5. Significant events in the period January to September 2019

First quarter of 2019

January

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

February

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

March

- During an independent test conducted by the German company P3, Telekom Slovenije's mobile network proved to be the best in Slovenia. Telekom therefore received P3's 'Best in Test' certificate. That certificate is valid for the global industry standard for measuring network quality and user satisfaction. Measurements were performed from October to December 2018 in more than 88% of built-up areas and on numerous transport routes throughout Slovenia. The test was conducted on five elements of the network: voice service coverage, data transfer coverage, coverage by LTE/4G technology, data download speed and availability of the data network.
- Telekom Slovenije received two awards for communication effectiveness: a Silver Effie in the market communication category for its *Modri Svet* (Blue World) campaign and a Bronze Effie for the commercial campaign *Vi podpirate Slovenijo, mi skrbimo za vas* (You Support Slovenia, We Take Care of You). It also ranked among the finalists for its *Za naše* (For Our Own) campaign. Telekom Slovenije also received recognition for the most effective brand and most effective advertiser in the period 2016–2018.
- Telekom Slovenije simplified its range of mobile and fixed subscriber packages. Now available to users are *Naj* (Best) mobile packages and fixed packages with a comprehensive range of services for the home under the NEO brand. All of the aforementioned packages are designed so that users can select the combination of benefits that best suit their needs.
- The Supervisory Board of Telekom Slovenije approved the annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2018.
- Avtenta received the AAA Golden Creditworthiness Certificate of Excellence from the ratings agency Bisnode as a reliable, credible and trustworthy partner.

Second quarter of 2019

April

- Telekom Slovenije, as the first Slovene operator, upgraded its entire mobile network with Narrowband Internet of Things (NB-IoT) technology. The latter is a standardised technology for the effective mass communication of devices (connected to the Internet of Things) that generate a low amount of data traffic.

NB-IoT technology opens new opportunities for the development of innovative solutions with high value added for the optimisation of processes, resource management, ensuring a high level of security and a higher quality of living. It also represents the next milestone in the development of fifth-generation (5G) mobile networks.

- Telekom Slovenije's Supervisory Board was briefed on the decision of the President of the Management Board, Rudolf Skobe, MSc regarding the early termination of his term of office. On that basis, the Supervisory Board and Mr Skobe reached an agreement on the early termination of his term of office as President of the Company's Management Board, effective on the day the aforementioned agreement was signed, i.e. on 16 April 2019. Telekom Slovenije was headed by the Vice-President of the Management Board, Tomaž Seljak, MSc until the appointment of a new president.

May

- Reduced retail prices for fixed and mobile calls, and for text messages from Slovenia to EU Member States took effect (pursuant to Regulation (EU) No 2015/2120). The aforementioned change applies to the subscribers of mobile and fixed packages, and Mobi users. From 15 May on, the price of mobile and fixed calls from any Slovenian network to the networks of other operators in EU Member States is 19 cents (excluding VAT) a minute, while the price of a sent text message is 6 cents (excluding VAT).

June

- At a conference of healthcare organisations organised under the auspices of the European Hospital and Healthcare Federation, a great deal of attention was generated by the Slovenian smart system for the provision of integrated healthcare services. That system was developed by Telekom Slovenije, the University Medical Centre Ljubljana, the Golnik Clinic, the National Institute of Public Health, the Slovene Federation of Pensioners' Associations (ZDUS), the Anton Trstenjak Institute, the Faculty of Medicine in Ljubljana and the Trebnje Health Centre.
- In the scope of the *Slojenčki* (SLObaby) humanitarian campaign, which is intended for the collection of funds for the upgrading of equipment at maternity hospitals and medical devices for newborns, Telekom Slovenije donated two CTG machines to the Postojna Women's and Maternity Hospital and the Department for Perinatology at the Maribor University Medical Centre. Using the most state-of-the-art CTG machines, doctors are able to closely monitor the beating of the foetus' heart and uterine activity, which is very important for the correct management of pregnancy and birth. Two years ago, Telekom Slovenije donated a CTG machine to the Ljubljana Maternity Hospital for the monitoring of twins.
- Telekom Slovenije and Sparkle, the leading Italian provider of international communication services and also one of the ten largest operators in the world, established a new international fibre optic connection that links Ljubljana and Milan. That new connection, which is based on the backbone network of Telekom Slovenije and Sparkle, brings a shorter, alternative connection between the Balkans and Milan and other major hubs in Western Europe, with the possibility of access from Ljubljana, Sofia and Istanbul. The connection covers the needs of operators that do business in the Balkans and Middle East, as well as the international providers of telecommunication services and content that they require for a reliable and responsive international network.
- After redefining the TV experience at the end of 2018 with the NEO platform, Telekom Slovenije continues to redefine the use of mobile phones. To that end, it is creating an integrated ecosystem that will simplify life in terms of purchasing, ordering, paying for and using smart city and e-commerce services. The first step in that direction is the VALÚ smart wallet, through which Telekom Slovenije is solidifying its position on the financial services market. The VALÚ smart wallet is not intended solely for payments using a mobile phone, a service that is on the rise in Slovenia, but primarily represents a new generation of financial solutions for the prompt and convenient use of inter-related local services, and effective cash management.
- The Chair of the Supervisory Board Lidija Glavina received the resignation of member of the Supervisory Board Ljubomir Rajšič. Mr Rajšič's resignation took effect on 18 June 2019.
- The President of the Supervisory Board Lidija Glavina tendered her resignation from her position, effective on the day of the new General Meeting of Shareholders of Telekom Slovenije.
- Telekom Slovenije successfully upgraded its ISO 27001 information security certificate. The aforementioned certificate, which represents the standard for a high-quality and secure information security management system, was obtained several years ago and is successfully extended every year. It was also extended to the provision of cyber security, and the control of the network and services in 2018. It was further upgraded this year to include processes associated with integrated communication services and network services in the backbone network, which include services provided by the Cyber Security Operation Centre. Telekom Slovenije has committed to taking additional steps in the future to expand the certificate to the entire network.

Third quarter of 2019

July

- In accordance with the Telekom Slovenije Group's strategy for the period 2019–2023, which envisages the possibility of further consolidation through expansion or divestment on the markets where the Group operates, Telekom Slovenije began activities to sell its 100% participating interest in IPKO Telecommunications LLC in Kosovo. Telekom Slovenije will inform stakeholders of further procedures via the SEOnet system and its website.
- Telekom Slovenije's Supervisory Board approved the appointment of Rolando Žel to a four-year term of office as the Managing Director of companies TSmedia d.o.o. and Antena TV SL d.o.o., beginning on 1 September.
- The Company's Supervisory Board was briefed on the resignation of member of the Management Board and Workers' Director Dean Žigon. Dean Žigon's term of office expires on the date of the appointment of a new member of the Management Board and Workers' Director.
- Telekom Slovenije began the sale of Apple Watch Series 4 (GPS) smart watches.

August

- Telekom Slovenije signed an agreement with the Zagorje ob Savi Municipality to establish a central communication station. This is Telekom Slovenije's solution for smart cities, which in the form of a smart street lamp in addition to public lighting also facilitates the monitoring and analysis of different factors for better planning and management of resources, such as public lighting, parking spaces, public utilities' services, etc. This is the first commercial use of a solution for smart cities that is based on the use of the NB-IoT (Narrowband Internet of Things) in Slovenia.
- Telekom Slovenije's Supervisory Board appointed Matjaž Merkan, MSc as the Company's new President of the Management Board. Matjaž Merkan, MSc began his four-year term of office on 16 September.
- At Telekom Slovenije's 30th General Meeting of Shareholders, shareholders supported the proposal of the Management Board and Supervisory Board regarding the use of distributable profit for the 2018 financial year. Shareholders supported the proposal that distributable profit in the amount of EUR 38,986,324.96 for 2018 be used for the payment of dividends in the amount of EUR 29,274,651.00, meaning a gross dividend of EUR 4.50 per share, while the remainder in the amount of EUR 9,711,673.96 is brought forward to the next year. Dividends are paid to the holders of shares and/or other beneficiaries entered as such in the share register, with the right to dividends, on the cut-off date of 28 October 2019. Dividends will be paid on 29 October 2019. The General Meeting was briefed on the Supervisory Board's written report on the approval of the 2018 annual report, and conferred official approval on the Management Board and Supervisory Board for the 2018 financial year. Shareholders at the General Meeting appointed Barbara Cerovšek Zupančič, MSc and Igor Rozman to serve as members and shareholder representatives on the Supervisory Board.

September

- Telekom Slovenije as the only Slovene operator enabled subscribers of selected mobile packages to share or give away the gigabytes or data transfer capacities that are included in their respective packages to other users. The sole condition for this is that the recipient of gigabytes is a subscriber of Telekom Slovenije's mobile services or a user of the Mobi pre-paid mobile service.
- Telekom Slovenije introduced a new feature, the Turbo WiFi solution, which provides supreme coverage of flats, houses and business premises by the wireless internet network. Turbo WiFi addresses the challenge of providing a supreme WiFi network in all corners of a flat, multi-floor houses and business premises due to the distance from the modem or physical obstacles, and provides high-speed data transfer, even exceeding 1 Gbit/s.
- Pursuant to the Workers' Participation in Management Act and the proposal of the Works Council, Telekom Slovenije's Supervisory Board appointed Špela Fortin to serve as member of the Management Board and Workers Director on 13 September 2019. Ms Fortin's four-year term of office began on 14 September 2019.
- Telekom Slovenije provided its subscribers of mobile services with the Da Vinci Kids mobile software option. This is a mobile application with educational video content for children six to twelve years of age, which in an interactive and humorous way teach children about science, maths, technology, history, culture, nature and sports. The Da Vinci Kids application is exclusively available in Slovenian only at Telekom Slovenije.
- Telekom Slovenije presented NEO (a platform for smart living) at the globally most influential media, entertainment and technology show (IBC), where the Company's platform impressed everyone. The majority of the attention of the business and professional public was drawn, in addition to NEO being one of the rare platform that was presented at the show as already functioning and not merely as a demo

version, by its simple use, interface speed, advanced features and sophistication of the solution, the monitoring of real-time viewer rating and potential for expansion/upgrades.

- NEO won in the category of 'Best IoT product technology or application' at the CSI Awards 2019. In addition, NEO was included on the shortlist in the category of 'Best TV user experience' Before that NEO received the 'Honouree' award at one of the most important global events in the area of innovation (CES 2018) in the category 'Tech For A Better World product'; inclusion on the shortlist in the category 'Advanced TV Innovation of the year', as judged by the CIA (Content Innovation Awards); and recognition at the CSI Awards 2018, as 'Highly Commended' service in the category 'Best IoT/Smart home or 5G Technology' and shortlist candidate in the category 'Best TV everywhere or multi-screen video'. NEO also received the Bronze Award for Innovations in the region of Central Slovenia (Chamber of Commerce and Industry of Slovenia), and was best in the category of 'Advanced Technology Use' in the competition for WebSI awards that reward exceptional achievements in Slovenia.

6. Significant events after the balance-sheet date

Fourth quarter of 2019

October

- For the purpose of the comprehensive management of the regional fibre optic network, Telekom Slovenije established SIOL Prishtina L.L.C., as the latter's 100% owner. SIOL Prishtina L.L.C. was entered in the companies register in Kosovo on 16 October 2019. Matjaž Pogačnik was appointed the company's managing director.

November

- On 31 October 2019 Telekom Slovenije received the decision of the Court of Arbitration of the International Chamber of Commerce (ICC) in the arbitration procedure no. 23310/MHM between Telekom Slovenije, d.d., and Antenna Slovenia B.V. The procedure was launched to determine the purchase fee amount in exercising the put option by Antenna Slovenia B.V. for the sale of a 34% share in Antenna TV SL, televizijska dejavnost, d.o.o., to Telekom Slovenije, d.d. The Court of Arbitration has ruled that Antenna Slovenia B.V. exercised its put option correctly, and has imposed on Telekom Slovenije, d.d., to pay EUR 17,595,000.00 with default interest and costs of the arbitration procedure for the 34% share in Antenna TV SL, televizijska dejavnost, d.o.o. The ruling of the Court of Arbitration is final and binding for both parties.

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

7.1. Introductory notes

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

The condensed interim financial statements for the period ending 30 September 2019 were compiled in accordance with IAS 34 Interim Financial Reporting. The financial statements for the period January to September 2019 and for the comparative period January to September 2018 have not been audited, while the financial statements for the comparative period ending 31 December 2018 have been audited.

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

Changes in accounting policies

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

Use of significant estimates and judgements

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

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

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

During the reporting period, Telekom Slovenije changed the useful lives of certain intangible assets (e.g. certain software and software upgrades). The impact of the change in useful lives during the reporting period is lower amortisation costs in the amount of EUR 486 thousand.

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

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

Unaudited income statement for the period ending 30 September 2019

EUR thousand	Telekom Slovenije Group		Telekom Slovenije d.d.	
	I - IX 2019	I - IX 2018	I - IX 2019	I - IX 2018
Revenue	507,370	538,118	453,406	481,863
Other operating income	4,040	4,070	2,057	1,909
Cost of goods sold	-61,134	-65,222	-64,234	-68,654
Cost of materials and energy	-10,986	-11,168	-7,847	-8,055
Cost of services	-190,718	-227,866	-176,224	-213,565
Employee benefits expense	-78,275	-80,242	-64,067	-65,043
Amortisation and depreciation expense	-130,310	-125,174	-106,258	-99,142
Other operating expenses	-4,094	-4,757	-4,124	-4,405
Total operating expenses	-475,517	-514,429	-422,754	-458,864
Profit from operations	35,893	27,759	32,709	24,908
Finance income	2,781	3,360	5,461	4,624
Finance costs	-7,419	-5,714	-7,203	-5,506
		-1		
Profit before tax	31,255	25,404	30,967	24,026
Income tax expense	-546	-436	0	0
Deferred tax	-1,344	-1,424	-1,353	-1,339
Net profit for the period	29,365	23,544	29,614	22,687
Profit attributable to				
Owners of the company	29,880	24,637	0	0
Non-controlling interest	-515	-1,093	0	0
Earnings per share - basic and diluted (in EUR)	4.51	3.62	4.55	3.49

Unaudited statement of other comprehensive income for the period ending 30 September 2019

EUR thousand	Telekom Slovenije Group		Telekom Slovenije d.d.	
	I - IX 2019	I - IX 2018	I - IX 2019	I - IX 2018
Net profit for the period	29,365	23,544	29,614	22,687
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>				
Translation reserves	-14	14	0	0
Changes in fair value of hedging instruments	-386	-109	-386	-109
Deferred tax	73	21	73	21
Reclassification of change in fair value of hedging instruments				
Deferred tax				
Net gain on changes in fair value of hedging instruments	-313	-88	-313	-88
<i>Other comprehensive income that shall not be transferred to profit or loss in future periods</i>				
Change in the fair value for actuarial deficits and surpluses	0	0	0	0
Change in fair value of investments measured at fair value through other comprehensive income	40	-9	40	-9
Deferred tax	-7	2	-7	2
Change in deferred taxes due to restatement of tax rate				
Change in fair value of investments measured at fair value through other comprehensive income	33	-7	33	-7
Other comprehensive income for the period after tax	-294	-81	-280	-95
Total comprehensive income for the period	29,071	23,463	29,334	22,592
Total comprehensive income attributable to				
Owners of the company	29,586	24,556		
Non-controlling interest	-515	-1,093		

Unaudited statement of financial position as at 30 September 2019

EUR thousand	Skupina Telekom Slovenije		Telekom Slovenije d.d.	
	30. 9. 2019	31.12.2018	30. 9. 2019	31.12.2018
ASSETS				
Intangible assets	181.760	189.007	133.708	155.371
Property, plant and equipment	643.246	655.640	572.135	576.896
Right of use assets	79.905	0	84.382	0
Investments in subsidiaries	0	0	36.551	36.548
Other investments	4.869	5.116	94.428	99.032
Long-term contract assets	2.742	4.519	2.319	4.029
Other non-current assets	45.021	47.314	33.097	34.840
Investment property	3.999	4.039	3.999	4.039
Deferred tax assets	43.946	45.215	43.422	44.701
Total non-current assets	1.005.488	950.850	1.004.041	955.456
Assets held for sale	500	526	500	526
Inventories	28.935	27.467	23.691	22.546
Trade and other receivables	142.166	193.166	138.421	185.222
Short-term contract assets	18.153	12.099	17.399	12.099
Short-term deferred assets	21.069	37.836	16.317	34.486
Current financial assets	10.082	91	26.585	11.180
Cash and cash equivalents	60.543	10.684	46.834	2.011
Total current assets	281.448	281.869	269.747	268.070
Total assets	1.286.936	1.232.719	1.273.788	1.223.526
EQUITY AND LIABILITIES				
Called-up capital	272.721	272.721	272.721	272.721
Capital surplus	181.488	181.488	180.956	180.956
Revenue reserves	123.492	123.492	121.991	121.991
<i>Legal reserves</i>	51.612	51.612	50.434	50.434
<i>Treasury share reserve</i>	3.671	3.671	3.671	3.671
<i>Treasury shares</i>	-3.671	-3.671	-3.671	-3.671
<i>Statutory reserves</i>	54.854	54.854	54.544	54.544
<i>Other revenue reserves</i>	17.026	17.026	17.013	17.013
Retained earnings	48.548	47.938	60.902	60.506
<i>Retain earnings from previous periods</i>	18.668	30.324	31.288	43.493
<i>Profit or loss for the period</i>	29.880	17.614	29.614	17.013
Fair value reserve	115	395	115	395
Fair value reserve for actuarial deficit and surplus	-2.356	-2.356	-2.373	-2.373
Translation reserve	2	16	0	0
Equity attributable to owners of the Company	624.010	623.694	634.312	634.196
Non-controlling interest	-4.581	-4.066	0	0
Total capital	619.429	619.628	634.312	634.196
Long-term contract liabilities	1.329	13.450	148	13.405
Provisions	22.351	21.776	18.836	18.431
Non-current operating liabilities	23.920	13.711	9.657	12.910
Non-current deferred operating liabilities	21.578	2.702	21.770	2.054
Interest bearing borrowings	230.153	210.341	230.121	210.310
Non-current lease liabilities	60.022	0	63.386	0
Other non-current financial liabilities	101.166	100.759	101.121	100.703
Deferred tax liabilities	1.917	1.910	245	238
Total non-current liabilities	462.436	364.649	445.284	358.051
Trade and other payables	83.980	146.391	76.030	132.537
Income tax payable	319	82	0	0
Interest-bearing borrowings	30.524	50.897	30.508	51.335
Current lease liabilities	8.951	0	10.037	0
Other current financial liabilities	29.971	1.262	29.964	1.238
Short-term contract liabilities	6.105	1.621	3.157	1.621
Current deferred operating liabilities	45.221	48.189	44.496	44.548
Total current liabilities	205.071	248.442	194.192	231.279
Total liabilities	667.507	613.091	639.476	589.330
Total equity and liabilities	1.286.936	1.232.719	1.273.788	1.223.526

Unaudited statement of changes in equity of the Telekom Slovenije Group for the period ending 30 September 2019

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and surplus	Translation reserve	Total	Non-controlling interests	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other revenue reserves	Retained earnings from previous years	Profit or loss for the period							
Balance at 1 Jan 2019	272,721	181,488	51,612	3,671	-3,671	54,854	17,026	30,324	17,614	1,013	-618	-2,356	16	623,694	-4,066	619,628
Profit or loss for the period									29,880					29,880	-515	29,365
Other comprehensive income for the period										33	-313	0	-14	-294		-294
Total comprehensive income for the period	0	0	0	0	0	0	0	0	29,880	33	-313	0	-14	29,586	-515	29,071
Dividends paid								-29,218						-29,218		-29,218
Transactions with owners	0	0	0	0	0	0	0	-29,218	0	0	0	0	0	-29,218	0	-29,218
Transfer of profit or loss from previous period to retained earnings or losses								17,614	-17,614					0		0
Other								-52	0					-52		-52
Balance at 30 September 2019	272,721	181,488	51,612	3,671	-3,671	54,854	17,026	18,668	29,880	1,046	-931	-2,356	2	624,010	-4,581	619,429

Unaudited statement of changes in equity of the Telekom Slovenije Group for the period ending 30 September 2018

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and surplus	Translation reserve	Total	Non-controlling interests	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other revenue reserves	Retained earnings from previous years	Profit or loss for the period							
Balance at 1 Jan 2018	272,721	181,488	51,612	3,671	-3,671	54,854	13	113,836	11,203	955	-472	-2,585	0	683,625	-2,760	680,865
Impact of change in accounting policy								-1,695						-1,695		-1,695
Balance at 1 Jan 2018	272,721	181,488	51,612	3,671	-3,671	54,854	13	112,141	11,203	955	-472	-2,585	0	681,930	-2,760	679,170
Profit or loss for the period									24,637					24,637	-1,093	23,544
Other comprehensive income for the period										-7	-88	0	14	-81		-81
Total comprehensive income for the period	0	0	0	0	0	0	0	0	24,637	-7	-88	0	14	24,556	-1,093	23,463
Dividends paid								-93,028						-93,028		-93,028
Transactions with owners	0	0	0	0	0	0	0	-93,028	0	0	0	0	0	-93,028	0	-93,028
Transfer of retained earnings from previous years to retained earnings								11,203	-11,203					0		0
Balance at 30 September 2018	272,721	181,488	51,612	3,671	-3,671	54,854	13	30,316	24,637	948	-560	-2,585	14	613,458	-3,853	609,605

Unaudited statement of changes in equity of Telekom Slovenije, d. d. for the period ending 30 September 2019

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and surplus	Translation reserve
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other revenue reserves	Retained earnings from previous years	Profit or loss for the period				
Balance at 1 Jan 2019	272,721	180,956	50,434	3,671	-3,671	54,544	17,013	43,493	17,013	1,013	-618	-2,373	634,196
Profit or loss for the period									29,614				29,614
Other comprehensive income for the period										33	-313	0	-280
Total comprehensive income for the period	0	0	0	0	0	0	0	0	29,614	33	-313	0	29,334
Dividends paid								-29,218					-29,218
Transactions with owners	0	0	0	0	0	0	0	-29,218	0	0	0	0	-29,218
Transfer of profit or loss from previous period to retained earnings or losses								17,013	-17,013				0
Balance at 30 September 2019	272,721	180,956	50,434	3,671	-3,671	54,544	17,013	31,288	29,614	1,046	-931	-2,373	634,312

Unaudited statement of changes in equity of Telekom Slovenije, d. d. for the period ending 30 September 2018

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and 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 2018	272,721	180,956	50,434	3,671	-3,671	54,544	0	134,801	1,720	955	-472	-2,539	693,120
Profit or loss for the period									22,687				22,687
Other comprehensive income for the period										-7	-88	0	-95
Total comprehensive income for the period	0	0	0	0	0	0	0	0	22,687	-7	-88	0	22,592
Dividends paid								-93,028					-93,028
Transactions with owners	0	0	0	0	0	0	0	-93,028	0	0	0	0	-93,028
Transfer of retained earnings from previous years to retained earnings								1,720	-1,720				0
Balance at 30 September 2018	272,721	180,956	50,434	3,671	-3,671	54,544	0	43,493	22,687	948	-560	-2,539	622,684

Unconsolidated cash flow statement for the period ending 30 September 2019

EUR thousand	Telekom Slovenije Group		Telekom Slovenije d.d.	
	I - IX 2019	I - IX 2018	I - IX 2019	I - IX 2018
Cash flows from operating activities				
Profit	29,365	23,544	29,614	22,687
Adjustments for:				
Depreciation and amortization	130,310	125,174	106,258	99,142
Impairment and write-offs of intangible assets, property, plant and equipment, intangible assets and investment property	0	15	0	0
Gain or loss on disposal of property, plant and equipment	62	-147	107	-141
Finance income	-2,781	-3,360	-5,461	-4,624
Finance costs	7,419	5,715	7,203	5,506
Income tax expense and deferred tax	1,890	1,860	1,353	1,339
Operating cash flow prior to changes in net working capital and provisions	166,265	152,801	139,074	123,909
Change in assets held for sale	26	0	0	0
Change in trade and other receivables	14,776	366	11,235	24
Change in deferred costs, accrued income and contract assets	11,777	7,086	14,277	10,223
Change in other non-current assets	-7,142	2,072	-7,759	4,476
Change in inventories	103	-3,094	426	-3,250
Change in provisions	575	-4,034	405	-3,038
Change in long-term, short-term deferred income and contract liabilities	1,075	1,432	499	2,013
Change in accrued costs and expenses	5,773	3,859	6,062	4,548
Change in trade and other payables	-51,774	-31,454	-61,070	-34,117
Income tax paid	145	-1,356	0	0
Net cash from operating activities	141,599	127,678	103,149	104,789
Cash flows from investing activities				
Receipts from investing activities	38,643	78,740	45,400	111,472
Sale of property, plant and equipment	842	1,042	781	1,035
Dividends received	158	169	158	169
Interest received	24	14	2,359	2,438
Disposal of non-current investments	37,617	424	42,102	30,739
Disposal of current investments	2	77,091	0	77,091
Disbursements from investing activities	-113,496	-86,182	-88,784	-92,568
Acquisition of property, plant and equipment	-58,589	-48,798	-53,457	-41,289
Acquisition of intangible assets	-45,393	-30,648	-20,364	-21,774
Acquisition of investments	-9,500	-288	-9,500	-288
Investments in subsidiaries and associates	-12	-6,447	-15	-17,980
Interest-bearing loans	-3	-1	-5,448	-11,237
Net cash from investing activities	-74,854	-7,442	-43,384	18,903
Cash flows from financing activities				
Receipts from financing activities	35,000	64,000	35,000	65,500
Non-current borrowings	35,000	0	35,000	0
Current borrowings	0	64,000	0	65,500
Disbursements from financing activities	-51,886	-205,241	-49,942	-205,188
Maturity of short-term commercial paper	-11,850	0	-9,456	0
Repayment of current borrowings	-28,000	0	-28,500	0
Repayment of non-current borrowings	-7,739	-107,739	-7,692	-107,692
Interest paid	-4,297	-4,474	-4,294	-4,468
Dividends paid	0	-93,028	0	-93,028
Net cash from financing activities	-16,886	-141,241	-14,942	-139,688
Net increase/decrease in cash and cash equivalents	49,859	-21,005	44,823	-15,996
Opening balance of cash	10,684	29,245	2,011	17,358
Closing balance of cash	60,543	8,240	46,834	1,362

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

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

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

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

The standard introduces possible limited exemptions for lessees, including:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value.

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

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

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

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

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

TRANSITION TO IFRS 16

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

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

The effects of the introduction of the new standard on the statement of financial position of the Telekom Slovenije Group and Telekom Slovenije as at 1 January 2019 are presented in the table below:

EUR thousand	Telekom Slovenije Group			Telekom Slovenije, d.d.		
	2018 reported	Adjustments	1. 1. 2019 adjusted	2018 reported	Adjustments	1. 1. 2019 adjusted
ASSETS						
Intangible assets	189,007	0	189,007	155,371	0	155,371
Property, plant and equipment	655,640	0	655,640	576,896	0	576,896
Right of use assets	0	78,413	78,413	0	82,913	82,913
Investments in subsidiaries	0	0	0	36,548	0	36,548
Other investments	5,116	0	5,116	99,032	0	99,032
Long-term contract assets	4,519	0	4,519	4,029	0	4,029
Other non-current assets	47,314	-10,670	36,644	34,840	-10,708	24,132
Investment property	4,039	0	4,039	4,039	0	4,039
Deferred tax assets	45,215	0	45,215	44,701	0	44,701
Total non-current assets	950,850	67,743	1,018,593	955,456	72,205	1,027,661
Assets held for sale	526	0	526	526	0	526
Inventories	27,467	0	27,467	22,546	0	22,546
Trade and other receivables	192,594	0	192,594	185,222	0	185,222
Short-term contract assets	12,099	4,561	16,660	12,099	3,908	16,007
Deferred expenses and accrued revenues	37,836	-5,066	32,770	34,486	-4,413	30,073
Income tax credits	572	0	572	0	0	0
Current financial assets	91	0	91	11,180	0	11,180
Cash and cash equivalents	10,684	0	10,684	2,011	0	2,011
Total current assets	281,869	-505	281,364	268,070	-505	267,565
Total assets	1,232,719	67,238	1,299,957	1,223,526	71,700	1,295,226
EQUITY AND LIABILITIES						
Called-up capital	272,721	0	272,721	272,721	0	272,721
Capital surplus	181,488	0	181,488	180,956	0	180,956
Revenue reserves	123,492	0	123,492	121,991	0	121,991
Retained earnings	47,938	0	47,938	60,506	0	60,506
Fair value reserve	395	0	395	395	0	395
Fair value reserve for actuarial deficit and surplus	-2,356	0	-2,356	-2,373	0	-2,373
Translation reserve	16	0	16	0	0	0
Equity attributable to owners of the Company	623,694	0	623,694	634,196	0	634,196
Non-controlling interest	-4,066	0	-4,066	0	0	0
Total capital	619,628	0	619,628	634,196	0	634,196
Long-term contract liabilities	13,450	-13,245	205	13,405	-13,245	160
Long-term deferred income	2,702	13,245	15,947	2,054	13,245	15,299
Long-term accrued costs and expenses	0	0	0	0	0	0
Provisions	21,776	0	21,776	18,431	0	18,431
Non-current operating liabilities	13,711	0	13,711	12,910	0	12,910
Interest bearing borrowings	210,341	0	210,341	210,310	0	210,310
Non-current lease liabilities	0	57,350	57,350	0	62,653	62,653
Other non-current financial liabilities	100,759	0	100,759	100,703	0	100,703
Deferred tax liabilities	1,910	0	1,910	238	0	238
Total non-current liabilities	364,649	57,350	421,999	358,051	62,653	420,704
Trade and other payables	146,485	0	146,485	132,631	0	132,631
Income tax payable	82	0	82	0	0	0
Interest-bearing borrowings	50,897	0	50,897	51,335	0	51,335
Current lease liabilities	0	9,888	9,888	0	9,047	9,047
Other current financial liabilities	1,262	0	1,262	1,238	0	1,238
Short-term contract liabilities	1,621	4,638	6,259	1,621	1,535	3,156
Short-term deferred income	6,703	-4,638	2,065	3,559	-1,535	2,024
Accrued costs and expenses	41,392	0	41,392	40,895	0	40,895
Total current liabilities	248,442	9,888	258,330	231,279	9,047	240,326
Total liabilities	613,091	67,238	680,329	589,330	71,700	661,030
Total equity and liabilities	1,232,719	67,238	1,299,957	1,223,526	71,700	1,295,226

At the Telekom Slovenije Group level, the value of assets under lease and lease liabilities were up by EUR 67,238 thousand due to the transition to the new standard on 1 January 2019. Also disclosed in assets under lease is the transfer of prepaid lease assets in the amount of EUR 11,175 thousand, which together totalled EUR 78,413 thousand as at 1 January 2019.

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

Telekom Slovenije Group

The Telekom Slovenije Group include:

Company	Country	30.9.2019
Telekom Slovenije, d.d.	Slovenia	100%
GVO, d.o.o.	Slovenia	100%
TSmedia, d.o.o.	Slovenia	100%
AVTENTA, d.o.o.	Slovenia	100%
SOLINE, d.o.o.	Slovenia	100%
Antenna TV SL, d.o.o.	Slovenia	66%
TSinpo, d.o.o.	Slovenia	100%
Optic-tel, d.o.o.	Slovenia	100%
Infratel, 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%
GVO Telekommunikation GmbH	Germany	100%
SiOL, DOOEL Skopje	North Macedonia	100%
SiOL, d.o.o. Beograd	Serbia	100%
THE HEART FOUNDATION	Slovenia	100%

The Heart Foundation, which was established by Telekom Slovenije, was entered in the companies register in April 2019, and is included in the financial statements of the Telekom Slovenije Group since May 2019.

Segment reporting

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

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

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

Operating segments I - IX 2019

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
External sales	464,586	42,784	0	507,370
Intersegment sales	56,964	5,201	-62,165	0
Total segment revenue	521,550	47,985	-62,165	507,370
Other revenue	3,677	1,038	-675	4,040
Total operating expenses	-490,780	-46,799	62,062	-475,517
Operating profit per segment	34,447	2,224	-778	35,893
Finance income				2,781
Finance costs				-7,419
Profit before tax				31,255
Income tax expense				-546
Deferred tax				-1,344
Profit for the period				29,365

Other segment information at 30.9. 20178	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Segment assets	1,370,281	137,709	-221,054	1,286,936
Segment liabilities	707,971	123,751	-164,215	667,507

Sales revenue by segment I – IX 2019

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Mobile services in end-customer market	159,357	24,196	-580	182,973
Fixed-line telephone services on end-customer market	155,417	17,976	-830	172,563
New sources of revenue	4,931	0	0	4,931
Wholesale market	121,519	5,813	-8,569	118,763
Other revenues and merchandise	80,326	0	-52,186	28,140
Total revenue	521,550	47,985	-62,165	507,370

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Revenues from sale of services	456,460	46,941	-56,092	447,309
Revenues from sale of goods	65,090	1,044	-6,073	60,061
Total revenue	521,550	47,985	-62,165	507,370

Operating segments I - IX 2018

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
External sales	484,889	53,229	0	538,118
Intersegment sales	49,949	15,194	-65,143	0
Total segment revenue	534,838	68,423	-65,143	538,118
Other revenue	3,551	957	-438	4,070
Total operating expenses	-514,723	-65,006	65,300	-514,429
Operating profit per segment	23,666	4,374	-281	27,759
Share of profit or loss in associates and joint ventures	-1			-1
Finance income				3,360
Finance costs				-5,714
Profit before tax				25,404
Income tax expense				-436
Deferred tax				-1,424
Profit for the period				23,544

Other segment information at 31. 12. 2018	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Segment assets	1,314,913	142,677	-224,871	1,232,719
Segment liabilities	653,024	107,673	-147,606	613,091

Sales revenue by segment I – IX 2018

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Mobile services in end-customer market	167,101	25,078	-710	191,469
Fixed-line telephone services on end-customer market	165,960	27,537	-943	192,554
New sources of revenue	3,216	0	-2	3,214
Wholesale market	135,767	15,587	-22,443	128,911
Other revenues and merchandise	62,794	221	-41,045	21,970
Total revenue	534,838	68,423	-65,143	538,118

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Revenues from sale of services	467,003	67,267	-61,032	473,238
Revenues from sale of goods	67,835	1,156	-4,111	64,880
Total revenue	534,838	68,423	-65,143	538,118

Net sales revenue

EUR thousand	Telekom Slovenije Group		Telekom Slovenije, d.d.	
	I - IX 2019	I - IX 2018	I - IX 2019	I - IX 2018
Mobile services in end-customer market	182,973	191,469	159,357	167,101
Fixed-line telephone services on end-customer market	172,563	192,554	155,417	165,960
New sources of revenue	4,931	3,214	4,931	3,216
Wholesale market	118,763	128,911	120,133	134,627
Other revenues and merchandise	28,140	21,970	13,568	10,959
Total revenue	507,370	538,118	453,406	481,863

EUR thousand	Telekom Slovenije Group		Telekom Slovenije, d.d.	
	I - IX 2019	I - IX 2018	I - IX 2019	I - IX 2018
Revenues from sale of services	447,309	473,238	390,299	414,715
Revenues from sale of goods	60,061	64,880	63,107	67,148
Total revenue	507,370	538,118	453,406	481,863

The Telekom Slovenije Group's net sales revenue totalled EUR 507.4 million, a decrease of 6% relative to the same period in 2018. It should be noted that revenues in 2019 no longer include the revenues generated by Blicnet, which was sold in 2018. Revenues from mobile merchandise on the end-user market, revenues from the fixed segment of the end-user market (primarily due to lower revenues from IT merchandise and licences) and revenues on the wholesale market were all down in 2019.

The revenues generated by Telekom Slovenije were down during the reporting period, by EUR 28,457 thousand relative to the same period last year.

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

Costs of services

EUR thousand	Telekom Slovenije Group		Telekom Slovenije, d.d.	
	I - IX 2019	I - IX 2018	I - IX 2019	I - IX 2018
Telecommunications services	91,158	103,530	92,253	110,389
Cost of leased lines	4,841	6,687	6,514	9,984
Multimedia services	21,626	25,046	15,132	14,390
Costs of subcontractors' services	26,957	33,974	22,427	28,999
Maintenance of property, plant and equipment	16,585	16,248	17,071	18,287
Other services	29,551	42,381	22,827	31,516
Total cost of services	190,718	227,866	176,224	213,565

The costs of services incurred by the Telekom Slovenije Group were down by 16% or EUR 37,148 thousand during the reporting period relative to the same period last year. This was primarily the result of changes in the recognition of costs arising from leases, which in accordance with the new accounting standard are no longer disclosed as costs of services. Given the selected method of transition to the new IFRS 16 standard (see section Transition to IFRS 16), comparable data have not been restated.

The costs of services incurred by Telekom Slovenije were also down, by 17% or EUR 37,341 thousand during the reporting period relative to the same period last year, for the same reasons stated for the Telekom Slovenije Group.

Operating profit and net profit

Telekom Slovenije Group

Earnings before interest and taxes (EBIT) in the amount of EUR 35,893 thousand were up by EUR 8,134 thousand on the same period last year. A net profit of EUR 29,365 thousand was achieved for the accounting period in the context of a net financial loss of EUR 4,638 thousand.

Telekom Slovenije

Earnings before interest and taxes (EBIT) in the amount of EUR 32,709 thousand were up by EUR 7,801 thousand on the same period last year. A net profit of EUR 29,614 thousand was achieved for the accounting period in the context of a net financial loss of EUR 1,742 thousand.

Intangible assets

Intangible assets were down by EUR 7,247 thousand at the Telekom Slovenije Group level and by EUR 21,663 thousand at Telekom Slovenije relative to the end of 2018. Commitments for intangible assets amounted to EUR 5,480 thousand at the Telekom Slovenije Group level and to EUR 6,016 thousand at Telekom Slovenije as at 30 September 2019.

Property, plant and equipment

Property, plant and equipment totalled EUR 643,246 thousand at the Telekom Slovenije Group level as at 30 September 2019, accounting for 50% of total assets. Assets were down by EUR 12,394 thousand primarily as a result of the higher amount of depreciation charged compared with new acquisitions. Commitments for property, plant and equipment totalled EUR 6,536 thousand at the Group level as at 30 September 2019.

Property, plant and equipment totalled EUR 572,135 thousand at Telekom Slovenije, accounting for 45% of total assets. Assets were lower by EUR 4,761 thousand, while commitments for property, plant and equipment totalled EUR 27,641 thousand as at 30 September 2019.

Trade and other receivables

Trade and other receivables were down by EUR 50,600 thousand at the Telekom Slovenije Group level and by EUR 46,907 thousand at Telekom Slovenije relative to the balance at the end of 2018. That decrease was primarily the result of the receipt of consideration from the sale of Blicnet.

Financial liabilities

Financial liabilities amounted to EUR 460,787 thousand at the Telekom Slovenije Group level and to EUR 465,137 thousand at Telekom Slovenije as at 30 September 2019. They mainly relate to:

- borrowings received in the amount of EUR 260,677 thousand at the Telekom Slovenije Group level and EUR 260,629 thousand at Telekom Slovenije;
- liabilities for bonds issued in the amount of EUR 100,534 thousand were down EUR 459 thousand on the balance at the end of the year; and
- increased financial liabilities for leases that the Group and Company recognised in accordance with the new IFRS 16. Financial liabilities from leases thus amounted to EUR 68,973 thousand at the Telekom Slovenije Group level and to EUR 73,423 thousand at Telekom Slovenije.

Fair value hierarchy

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

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

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

Carrying amount and fair value of the Telekom Slovenije Group's financial instruments as at 30 September 2019

EUR thousand	Book value	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Available-for-sale financial assets	1,907	1,907	1,907		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	2,765	2,765			2,765
Loans given	190	190			190
Other non-current financial assets	7	7			7
Current financial assets					
Loans given	80	80			80
Other current financial assets	10,002	10,002			10,002
Non-current financial liabilities					
Bonds	99,972	101,800	101,800		
Interest-bearing borrowings	230,153	230,153			230,153
Interest-rate swaps	1,149	1,149		1,149	
Non-current lease liabilities	60,022	60,022			60,022
Current financial liabilities					
Current financial liabilities on bonds	562	562			562
Interest-bearing borrowings	30,524	30,524			30,524
Current lease liabilities	8,951	8,951			8,951
Other financial liabilities	29,409	29,409			29,409

Carrying amount and fair value of Telekom Slovenije's financial instruments as at 30 September 2019

EUR thousand	Book value	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Available-for-sale financial assets	1,907	1,907	1,907		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	2,763	2,763			2,763
Loans given	89,758	89,758			89,758
Other non-current financial assets					
Current financial assets	16,585	16,585			16,585
Loans given					
Other current financial assets	99,972	101,800	101,800		
Non-current financial liabilities	230,121	230,121			230,121
Bonds	1,149	1,149		1,149	
Interest-bearing borrowings	63,386	63,386			63,386
Interest-rate swaps					
Non-current lease liabilities	562	562			562
Current financial liabilities	30,508	30,508			30,508
Current financial liabilities on bonds	10,037	10,037			10,037
Interest-bearing borrowings	29,402	29,402			29,402

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

Contingent liabilities from lawsuits

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

Contingent liabilities from guarantees issued

The Group had provided the following guarantees as at 30 September 2019:

- performance guarantees and warranty bonds in the amount of EUR 7,575 thousand, and
- other guarantees in the amount of EUR 2,054 thousand.

The Company had provided the following guarantees as at 30 September 2019:

- performance guarantees and warranty bonds in the amount of EUR 5,151 thousand, and
- other guarantees in the amount of EUR 644 thousand.

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

Transactions with related parties

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

Transactions with individuals

Natural persons (members of the Management Board and Supervisory Board) held 306 shares in Telekom Slovenije as at 30 September 2019, representing a holding of 0.00468%.

Transactions with owners and parties related thereto

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

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

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

Telekom Slovenije Group

EUR thousand	30.09.2019	31.12.2018
Outstanding operating receivables	4,880	4,980
Outstanding operating liabilities	2,018	2,660
EUR thousand	I - IX 2019	I - IX 2018
Net operating revenue	1,673	18,052
Purchase of material and services	7,303	8,871

Telekom Slovenije

EUR thousand	30.09.2019	31.12.2018
Outstanding operating receivables	3,056	4,739
Outstanding operating liabilities	1,982	2,535
EUR thousand	I - IX 2019	I - IX 2018
Net operating revenue	12,737	17,125
Purchase of material and services in the Group	6,542	8,168

Transactions with Group companies

Telekom Slovenije recorded the following transactions with Group companies

EUR thousand	30.09.2019	31.12.2018
Receivables due from companies in the Group	6,432	7,388
Subsidiaries	6,432	7,388
Loans to companies in the Group	106,085	105,030
Subsidiaries	106,085	105,030
Liabilities to companies in the Group	31,462	20,482
Subsidiaries	31,462	20,482
EUR thousand	I - IX 2019	I - IX 2018
Net operating revenue in group	11,889	14,969
Subsidiaries	11,889	14,969
Joint venture	16,718	2,413
Purchase of material and services in the Group	16,718	28,407
Subsidiaries	0	6

All transactions between related parties are executed at market prices.

Events after the reporting date

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

7.2. Financial risk management

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

Credit risk

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

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

Exposure to credit risk

EUR thousand	30.9.2019	31.12.2018
Loans given	270	331
Investments	10,002	2
Operating and other receivables	141,994	192,594
- of which trade receivables	136,055	147,408
Cash and cash equivalents	60,543	10,684
TOTAL	212,809	203,611

Credit risk or the risk of counterparty default derives from default by subscribers (retail) and by operators (wholesale). The latter amounted to EUR 136,055 thousand as at 30 September 2019, a decrease of EUR 11,353 thousand relative to the end of 2018. Telekom Slovenije's receivables make up the majority of the Group's trade and other receivables. The majority of receivables are unsecured. The Group's receivables are accounted for by a large number of individuals and legal entities. Its largest customers are operators, where turnover generally flows in both directions, which reduces net credit exposure. We therefore assess that there is no significant concentration of credit risk vis-à-vis a particular customer or economic sector.

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

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

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

Ageing structure of receivables as at the reporting date

EUR thousand	30.09.2019			31.12.2018		
	Gross value	Allowances	Net value	Allowances	Gross value	Net value
Total trade receivables	156,503	-20,448	136,055	168,577	-21,169	147,408
Not past due trade receivables	120,136	-1	120,135	127,066	-1	127,065
Overdue						
Up to and including 30 days	9,495	-8	9,487	13,978	-6	13,972
31 to and including 60 days	4,202	-9	4,193	3,095	-7	3,088
61 to and including 90 days	675	-13	662	1,522	-16	1,506
91 to and including 120 days	950	-504	446	878	-489	389
121 days and more	21,045	-19,913	1,132	22,038	-20,650	1,388
Total overdue trade receivables	36,367	-20,447	15,920	41,511	-21,168	20,343
Other operating receivables	5,947	-8	5,939	45,194	-8	45,186
Total receivables	162,450	-20,456	141,994	213,771	-21,177	192,594

Maturity profile of loans given

EUR thousand	30.9.2019	31.12.2018
Overdue	8	9
Due in:	262	322
- less than 3 months	19	21
- 3 to 12 months	53	59
- 1 to 2 years	63	70
- 2 to 5 years	95	126
- more than 5 years	32	46
Total	270	331

Ageing structure of loans given as at 30 September 2019

EUR thousand	Not yet due			Due			
	Not yet due	Less than 3 months	3 to 12 months	EUR thousand	Not yet due	Less than 3 months	3 to 12 months
Loans given	262	8	0	0	0	0	270

Ageing structure of loans given as at 31 December 2018

EUR thousand	Not yet due			Due				Total
	Not yet due	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years		
Loans given	322	9	0	0	0	0	331	

The Company's senior management assesses the credit quality of the above-stated financial assets, which were not impaired or overdue as at 30 September 2019, as good.

Solvency risk

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

The Telekom Slovenije Group has long-term credit lines at banks, which together with short-term revolving loans ensure a high level of liquidity within the Group. Total liquidity reserves in the form of undrawn short-term and long-term credit lines at banks amounted to EUR 170 million as at 30 September 2019.

Debt is relatively low at the Group level, which represents a sound basis for achieving an appropriate credit rating and thus lower borrowing costs. The majority of the Group's financial liabilities relate to unpaid principal on a long-term syndicated loan in the amount of EUR 261.5 million, issued bonds in the total amount of EUR 100 million and liabilities from a finance lease in the amount of EUR 69.0 million that arose as the result of the application of IFRS 16.

Maturity of the Telekom Slovenije Group's liabilities as at 30 September 2019 and 31 December 2018 based on contractual non-discounted payments

EUR thousand	Overdue	On demand	Less than 3 months	Not yet due				Total
				3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
30.9.2019								
Loans and borrowings	0	0	0	30,785	30,769	176,954	23,078	261,586
Anticipated interest on loans	0	0	0	3,937	3,436	6,722	318	14,413
Other financial liabilities	128	0	29,274	611	100,627	566	0	131,206
Anticipated interest in bonds	0	0	0	1,950	1,950	0	0	3,900
Trade and other payables	2,054	2,832	66,888	12,205	23,305	265	351	107,900
	87	0	3,053	5,811	6,674	17,756	35,592	68,973
Total	2,269	2,832	99,215	55,299	166,761	202,263	59,339	587,978
31.12.2018								
Loans and borrowings	0	0	0	51,158	30,769	180,416	0	262,343
Anticipated interest on loans	0	0	31	3,605	6,723	3,199	0	13,558
Other financial liabilities	185	0	0	1,119	8	100,811	0	102,123
Anticipated interest in bonds	0	0	0	1,950	3,900	0	0	5,850
Trade and other payables	7,400	2,480	100,920	35,591	3,684	9,228	799	160,102
Total	7,585	2,480	100,951	93,423	45,084	293,654	799	543,976

Interest-rate risk

Interest-rate risk is the risk of the negative effect of a change in market interest rates on the Group's operations. The Group's exposure to interest-rate risk as at 30 September 2019 derives from a potential change in the EURIBOR reference interest rate on account of interest-sensitive liabilities.

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

Liabilities from loans raised and finance leases with variable interest rates tied to the 3- and 6-month EURIBOR accounted for 60.8% of interest-bearing financial liabilities at the Group level as at 30 September 2019. The remaining liabilities are accounted for by issued bonds and a finance lease with a fixed interest rate.

Exposure to interest-rate risk associated with a long-term syndicated loan is hedged via an interest-rate swap. The amount of the secured principal stood at EUR 80.8 million as at 30 September 2019. The principal is hedged against a rise in the reference interest rate if the latter is higher than or equal to zero. Fixed or hedged interest rates account for 58.0% of interest-bearing financial liabilities at the Group level.

Exposure to interest-rate risk

EUR thousand	30.9.2019	31.12.2018
Financial instruments with variable interest rate		
Financial receivables	0	0
Financial liabilities	180,850	164,762
Net financial liabilities	180,850	164,762

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

	Interest rate increase/decrease	Effect on profit before tax in EUR thousand
30.9.2019		
EURO	+100 bps	-548
EURO	-100 bps	-807

	Interest rate increase/decrease	Effect on profit before tax in EUR thousand
31.12.2018		
EURO	+100 bps	-644
EURO	-100 bps	-845

Value of EURIBOR

EURIBOR	Value as at 30.9.2019	Value as at 31.12.2018	Change in %
3-month	-0,413	-0,309	-33,66
6-month	-0,376	-0,237	-58,65

Capital management

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

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

EUR thousand	30.09.2019	31.12.2018
Interest-bearing borrowings and other financial liabilities	460,787	363,259
Less current investments and cash with short-term deposits	-70,625	-10,775
Net debt	390,162	352,484
Equity	619,429	619,628
Balance sheet total	1,286,936	1,232,719
Debt/equity ratio	63.0%	56.9%
Equity/balance sheet total ratio	48.1%	50.3%