



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



Telekom**Slovenije**

## Contents

<b>1.</b>	<b>INTRODUCTORY NOTE .....</b>	<b>1</b>
1.1.	Statement of responsibility of the Management Board .....	1
<b>2.</b>	<b>VISION, MISSION AND VALUES OF THE TELEKOM SLOVENIJE GROUP .....</b>	<b>2</b>
2.1.	Vision, mission and values .....	2
2.2.	Key strategic objectives.....	3
<b>3.</b>	<b>TELEKOM SLOVENIJE GROUP .....</b>	<b>4</b>
3.1.	Markets and companies of the Telekom Slovenije Group .....	4
3.2.	Operating highlights .....	5
3.3.	Key financial indicators for the Telekom Slovenije Group.....	6
3.4.	Overview by company and key market .....	6
3.5.	Ownership structure and share trading .....	9
3.6.	Market and market shares in key service segments .....	12
3.7.	Risk management .....	13
<b>4.</b>	<b>CORPORATE GOVERNANCE .....</b>	<b>17</b>
<b>5.</b>	<b>SIGNIFICANT EVENTS IN THE PERIOD JANUARY – JUNE 2020.....</b>	<b>19</b>
<b>6.</b>	<b>EVENTS AFTER THE REPORTING DATE .....</b>	<b>22</b>
<b>7.</b>	<b>CONDENSED INTERIM ACCOUNTING REPORT OF THE TELEKOM SLOVENIJE GROUP AND TELEKOM SLOVENIJE FOR THE PERIOD JANUARY TO JUNE 2020.....</b>	<b>23</b>
7.1.1.	Condensed interim financial statements of the Telekom Slovenije Group and Telekom Slovenije, d. d. ....	25
7.1.2.	Notes to the interim financial statements of the Telekom Slovenije Group and Telekom Slovenije, d. d. ....	33
7.1.	Financial risk management .....	42

Ljubljana, 30 July 2020

# 1. INTRODUCTORY NOTE

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

The condensed interim financial statements for the period ending 30 June 2020 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2019. The financial statements for the period January to June 2020 have not been audited.

Telekom Slovenije's Supervisory Board discussed the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the aforementioned period at its session on 29 July 2020.

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

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

## 1.1. Statement of responsibility of the Management Board

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

to the best of our knowledge, the unaudited report of the Telekom Slovenije Group and Telekom Slovenije was compiled and published in accordance with valid legislation and the International Financial Reporting Standards as adopted by the EU;

the condensed interim financial statements for the period ending 30 June 2020 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2019;

the selected accounting policies were applied consistently in the compilation of the condensed financial statements and any changes to those policies were disclosed, and that accounting estimates were made fairly and with careful consideration, according to the principle of prudence and the diligence of a good manager, and under the assumption that Telekom Slovenije and the Telekom Slovenije Group are going concerns; and the interim business report presents a fair picture of information regarding major transactions with related parties, in accordance with regulations.



Tomaž Seljak, MSc  
President of the  
Management Board



Dr. Vida Žurga  
Vice-President of the  
Management Board



Matjaž Beričič, MSc  
Member of the  
Management Board



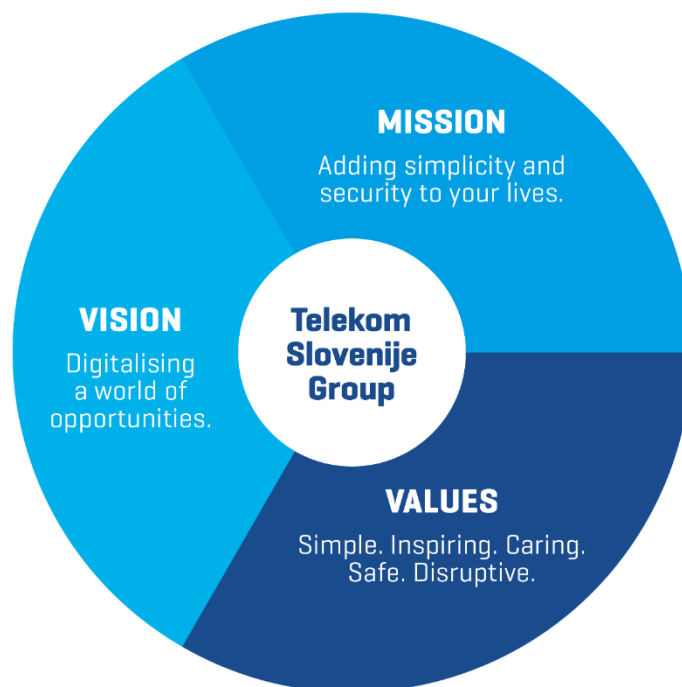
Tomaž Jontes  
Member of the  
Management Board



Špela Fortin  
Member of the  
Management  
Board – Workers  
Director

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

### 2.1. Vision, mission and values



## 2.2. Key strategic objectives

The strategy for the period 2021 to 2025 is a core corporate document in which the future development and strategic policies of the Telekom Slovenije Group are defined through its mission, vision, values, objectives and strategy. The Telekom Slovenije Group is implementing its established strategy in 2020 in accordance with adopted strategic policies. The strategic business plan is updated every year taking into account conditions in the sector and across the globe.

### Leader in user experience

The leading user experience will be based on the best fibre optic and most advanced 4G/5G network for the B2C market, business verticals and a critical infrastructure. We will create that experience in accordance with the latest trends, and the needs and requirements of users. We are building a long-term strategic position as the first choice of users and business partners for a carefree and secure digital life and operations. We will achieve this through digitalisation, by ensuring excellence, security and contactless operations, and by adapting dynamically to the constantly changing habits of the users of communication services.

### Digitalisation of operations

With the aim of ensuring efficient operations, the Telekom Slovenije Group will continue with the accelerated digitalisation of operations through the optimisation and automation of business processes.

### Growth in ICT services

Growth in ICT services for our users will be based on the existing superior LTE/4G network, the development of the Internet of Things and the smart infrastructure (smart cities, smart communities, Industry 4.0, etc.), ensuring cyber security, artificial intelligence and the opportunities offered by fifth generation (5G) mobile networks. On that basis, Telekom Slovenije will be the leading partner in Slovenia's digital development. Growth will be achieved through organic growth and the consolidation of the Slovenian ICT market.

### Maintaining the level of revenues from the core activity in Slovenia

We will maintain our market position and revenues from the telecommunications activity in Slovenia through continued digitalisation (including the development of e-commerce, e-identity and other digital services), a range of comprehensive services, the development of a unique, tailor-made user

experience, and the continuous development of networks and services.

### Consolidation on individual markets

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

### Optimal staffing structure

Achieving objectives is possible through the systematic management of the employer's reputation and brand, the optimal staffing structure, an effective remuneration system, the development of employees' knowledge and competences, and through the appropriate organisational structure and job systematisation. The Telekom Slovenije Group will continue to ensure the optimal number of employees, taking into account the needs of work processes at individual companies.

### Financial stability

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

### Social responsibility

The Group actively identifies and will continue to identify opportunities where it can contribute to the development of the social and economic environment in which it operates, through its expertise, and financial and other resources. Thus, the principles of sustainable development are and will continue to be built into our operations, products, services and content, while we also responsibly manage the economic, social and environmental impacts of our operations.

### Key objectives of the Telekom Slovenije Group for 2020

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

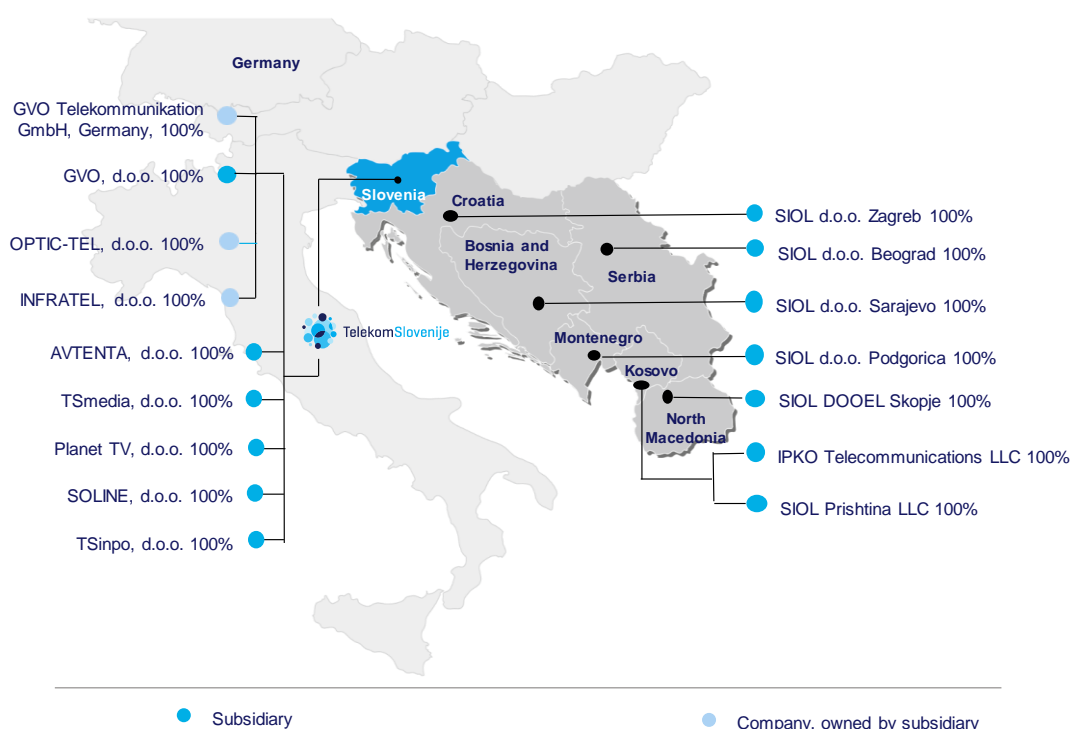
## 3. TELEKOM SLOVENIJE GROUP

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

The Telekom Slovenije Group comprises the parent company Telekom Slovenije, d. d. and its subsidiaries. The composition of the Telekom Slovenije Group and participating interests as at 30 June 2020 are presented in the picture below.

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

#### Situation as at 30 June 2020



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

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

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



## 3.2. Operating highlights

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

- The Telekom Slovenije Group generated EUR 335.4 million in operating revenues during the first half of 2020, a decrease of 2% on the revenues generated during the first half of 2019.
- Net sales revenue amounted to EUR 325.4 million. The following categories are down in 2020: revenues from the mobile segment of the end-user market due to the shift of subscribers to new, more affordable packages and an aggressive competitive offer and due to lower revenues from roaming as the result of the coronavirus, revenues from the fixed segment of the end-user market, primarily due to lower revenues from traditional telephony, revenues on the wholesale market due to reduced international voice traffic and lower revenues from roaming by non-residents as a result of the coronavirus, and other revenues and revenues from other merchandise due to the coronavirus. New revenue sources were up relative to the same period last year, primarily on account of higher energy revenues. Revenues from e-commerce were up by 70% during the reporting period relative to the same period last year.
- The Telekom Slovenije Group's operating expenses totalled EUR 314.7 million, a decrease of 1% or EUR 4.5 million relative to the same period in 2019.
- Earnings before interest and taxes (EBIT) amounted to EUR 20.7 million in the period January to June 2020, a decrease of 13% or EUR 3.1 million relative to the same period last year. Taking into account an adjustment for the effect of the agreement on the sale of Planet TV, EBIT would have amounted to EUR 27.3 million, an increase of 15% or EUR 3.5 million relative to the same period last year.
- Earnings before interest, taxes, amortisation and depreciation (EBITDA) totalled EUR 104.3 million, a decrease of EUR 8.0 million relative to the first half of 2019. The EBITDA margin (i.e. EBITDA as a proportion of net sales revenue) amounted to 32.1%. Taking into account an adjustment for the effect of the agreement on the sale of Planet TV, EBITDA would have amounted to EUR 111.0 million.
- Following the calculation of income tax (including deferred taxes), the Telekom Slovenije Group generated a net profit of EUR 14.8 million during the first half of 2020, a decrease of 24% or EUR 4.7 million relative to the same period in 2019. Taking into account an adjustment for the effect of the agreement on the sale of Planet TV, net profit would have amounted to EUR 21.5 million, an increase of EUR 1.9 million relative to the same period in 2019.
- The epidemic affected the net sales revenue of Telekom Slovenije on the retail and wholesale (international) market, while it also affected other Group companies due to the stagnation of transactions during the epidemic and the reduced volume of transactions after the epidemic. In response, the Group immediately adopted and began to implement additional measures with the aim of further optimising operations and limiting the effects on its operations this year. According to initial estimates, the Telekom Slovenije Group assesses that the epidemic will have a negative impact on the Group's EBITDA of around 3% relative to planned EBITDA for 2020. The Telekom Slovenije Group is otherwise financially stable. In that context and given conditions on the market, it is adapting its business activities to the changing circumstances and closely monitoring and assessing risks in connection with supply chains, credit risk, the functioning of systems and the profitability of individual services, while adopting the appropriate measures.

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

EUR thousand / %	Telekom Slovenije Group				Telekom Slovenije		
	I - VI 2020 / 30.6.2020	Adjusted for Planet TV effect	I - VI 2019 / 31.12.2019	Index 20/19	I - VI 2020 / 30.6.2020	I - VI 2019 / 31.12.2019	Index 20/19
Net sales revenue	325,363	325,363	340,626	96	296,311	308,103	96
Other operating income	10,025	10,025	2,426	413	8,703	1,049	830
Operating revenue	335,388	335,388	343,052	98	305,014	309,152	99
EBITDA	104,346	110,991	112,343	93	96,012	96,868	99
EBITDA margin	32.1%	34.1%	33.0%	97	32.4%	31.4%	103
EBIT	20,661	27,306	23,781	87	28,173	25,314	111
Return on sales: ROS (EBIT/net sales revenue)	6.4%	8.4%	7.0%	91	9.5%	8.2%	116
Net profit	14,833	21,478	19,572	76	15,246	23,202	66
Assets	1,229,399	1,236,044	1,232,860	100	1,223,790	1,223,536	100
Equity	582,711	589,356	590,878	99	598,433	606,136	99
Equity ratio	47.4%	47.7%	47.9%	99	48.9%	49.5%	99
Net financial debt	400,431	399,497	402,861	99	417,462	419,602	99

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

### 3.4. Overview by company and key market

#### Operating revenues

EUR thousand	I - VI 2020	I - VI 2019	Index 20/19
Telekom Slovenije	305,014	309,152	99
Other companies in Slovenia	46,396	42,829	108
IPKO - Kosovo	26,406	29,791	89
Other companies abroad	1,844	1,668	111
<b>Total - unconsolidated</b>	<b>379,660</b>	<b>383,440</b>	<b>99</b>
Eliminations and adjustments	-44,272	-40,388	-
<b>Telekom Slovenije Group</b>	<b>335,388</b>	<b>343,052</b>	<b>98</b>

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

EUR thousand	I - VI 2020	I - VI 2019	Index 20/19
Telekom Slovenije	96,012	96,868	99
Other companies in Slovenia	2,956	2,414	122
IPKO - Kosovo	13,017	13,977	93
Other companies abroad	1,268	1,194	106
<b>Total - unconsolidated</b>	<b>113,252</b>	<b>114,453</b>	<b>99</b>
Eliminations and adjustments	-8,906	-2,110	-
<b>Telekom Slovenije Group</b>	<b>104,346</b>	<b>112,343</b>	<b>93</b>



## EBIT – earnings before interest and taxes

EUR thousand	I - VI 2020	I - VI 2019	Index 20/19
Telekom Slovenije	28,173	25,314	111
Other companies in Slovenia	139	-423	-
IPKO - Kosovo	-1,134	-1,308	-
Other companies abroad	197	451	44
<b>Total - unconsolidated</b>	<b>27,375</b>	<b>24,034</b>	<b>114</b>
Eliminations and adjustments	-6,714	-253	-
<b>Telekom Slovenije Group</b>	<b>20,661</b>	<b>23,781</b>	<b>87</b>

## Net profit or loss

EUR thousand	I - VI 2020	I - VI 2019	Index 20/19
Telekom Slovenije	15,246	23,202	66
Other companies in Slovenia	-425	-1,160	-
IPKO - Kosovo	-2,487	-2,768	-
Other companies abroad	-30	266	-
<b>Total - unconsolidated</b>	<b>12,303</b>	<b>19,540</b>	<b>63</b>
Eliminations and adjustments	2,530	32	-
<b>Telekom Slovenije Group</b>	<b>14,833</b>	<b>19,572</b>	<b>76</b>

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

### Broadband connections

Number of retail BB connections as at	30.6.2020	31.12.2019	Index 20/19
Slovenia	203,658	206,925	98
Kosovo	96,928	111,930	87
<b>Telekom Slovenije Group</b>	<b>300,586</b>	<b>318,855</b>	<b>94</b>

### Fixed and mobile telephony connections

Number of retail connections as at	30.6.2020	31.12.2019	Index 20/19
Slovenia, mobile telephony	982,099	1,002,917	98
Slovenia, fixed voice telephony	308,371	322,058	96
SE Europe, mobile telephony:	699,163	817,145	86
<b>Telekom Slovenije Group</b>	<b>1,989,633</b>	<b>2,142,120</b>	<b>93</b>
VoIP services			
Slovenia	185,133	188,041	98
Kosovo	33,894*	10,912	-
<b>Telekom Slovenije Group</b>	<b>219,027</b>	<b>198,953</b>	<b>110</b>

\* Change in counting methodology.

## Number of mobile and fixed telephony connections / services

Number of retail connections as at	30.6.2020	31.12.2019	Index 20/19
Total mobile telephony	1,681,262	1,820,062	92
Total fixed voice telephony services**	527,398	521,011	101
<b>Telekom Slovenije Group</b>	<b>2,208,660</b>	<b>2,341,073</b>	<b>94</b>

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

## Investments

EUR thousand	I - VI 2020	I - VI 2019	Index 20/19
Telekom Slovenije	83,836	53,208	158
Other companies in Slovenia	1,228	1,074	114
IPKO - Kosovo	11,754	15,428	76
Other companies abroad	112	340	33
Eliminations and adjustments	-2,941	-817	-
<b>Telekom Slovenije Group</b>	<b>93,990</b>	<b>69,233</b>	<b>136</b>

## Human resources

Number of employees at	30.6.2020	31.12.2019	Index 20/19
Telekom Slovenije	2,199	2,182	101
Other companies in Slovenia	740	719	103
IPKO - Kosovo	528	528	100
<b>Telekom Slovenije Group</b>	<b>3,467</b>	<b>3,429</b>	<b>101</b>

### 3.5. Ownership structure and share trading

#### General information regarding Telekom Slovenije shares as at 30 June 2020

General information regarding shares	
Ticker symbol	TLSG
Listing	Ljubljana Stock Exchange, prime market
Share capital (EUR)	272,720,664.33
Number of ordinary registered no-par value shares	6,535,478
Number of shares held in treasury	30,000
Number of shareholders as at 30 June 2020	8,976

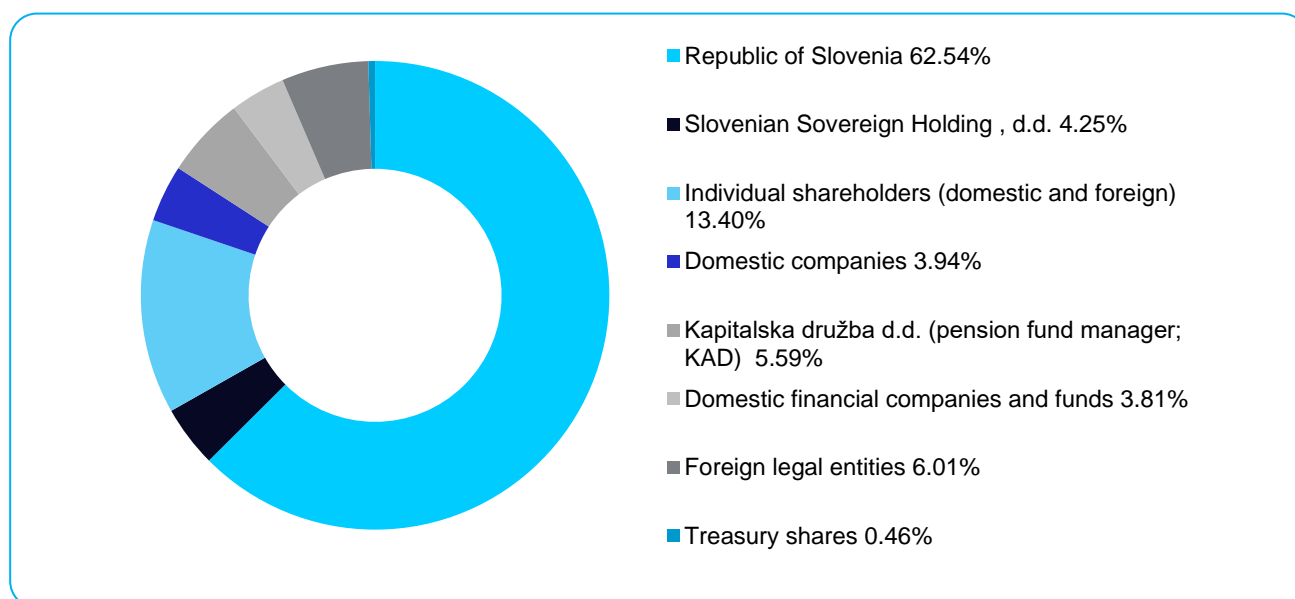
#### Ownership structure and largest shareholders as at 30 June 2020

Telekom Slovenije had 8,976 shareholders as at 30 June 2020, a decrease of 160 relative to the end of 2019.

With a total stake of 93.7%, domestic investors are still predominant in the Company's ownership structure. The Company's largest shareholder is the Republic of Slovenia, together with Kapitalska družba, Slovenski državni holding, the First Pension Fund of Modra zavarovalnica and the latter's guarantee fund. Collectively, 73.36% of the Company's shares were directly or indirectly held by the government.

Individual shareholders represent the second largest category of owners. Their stake was up during the first half of 2020. Domestic legal entities also increased their stake, while financial corporations, funds and foreign legal entities decreased their stake.

#### Ownership structure as at 30 June 2020



#### Ten largest shareholders as at 30 June 2020

The concentration of ownership, as measured by the ownership stake held by the ten largest shareholders, stood at 79.33% at the end of the first half of 2020, an increase of 0.09 percentage points relative to the end of 2019. The overall structure of the ten largest shareholders was unchanged; only their positions in that ranking changed.



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

Members of the Supervisory Board held 306 TLGS shares as at 30 June 2020.

Name	Office	No of shares	% of equity
<b>Supervisory Board</b>			
Igor Rozman	Member of the Supervisory Board	54	0.00083
Drago Kijevčanin	Vice-President	212	0.00324
Dušan Pišek	Member of the Supervisory Board	36	0.00055
Jana Žižek Kuhar	Member of the Supervisory Board	4	0.00006
<b>Total</b>		<b>306</b>	<b>0.00468</b>

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

## Movement in the TLGS share price

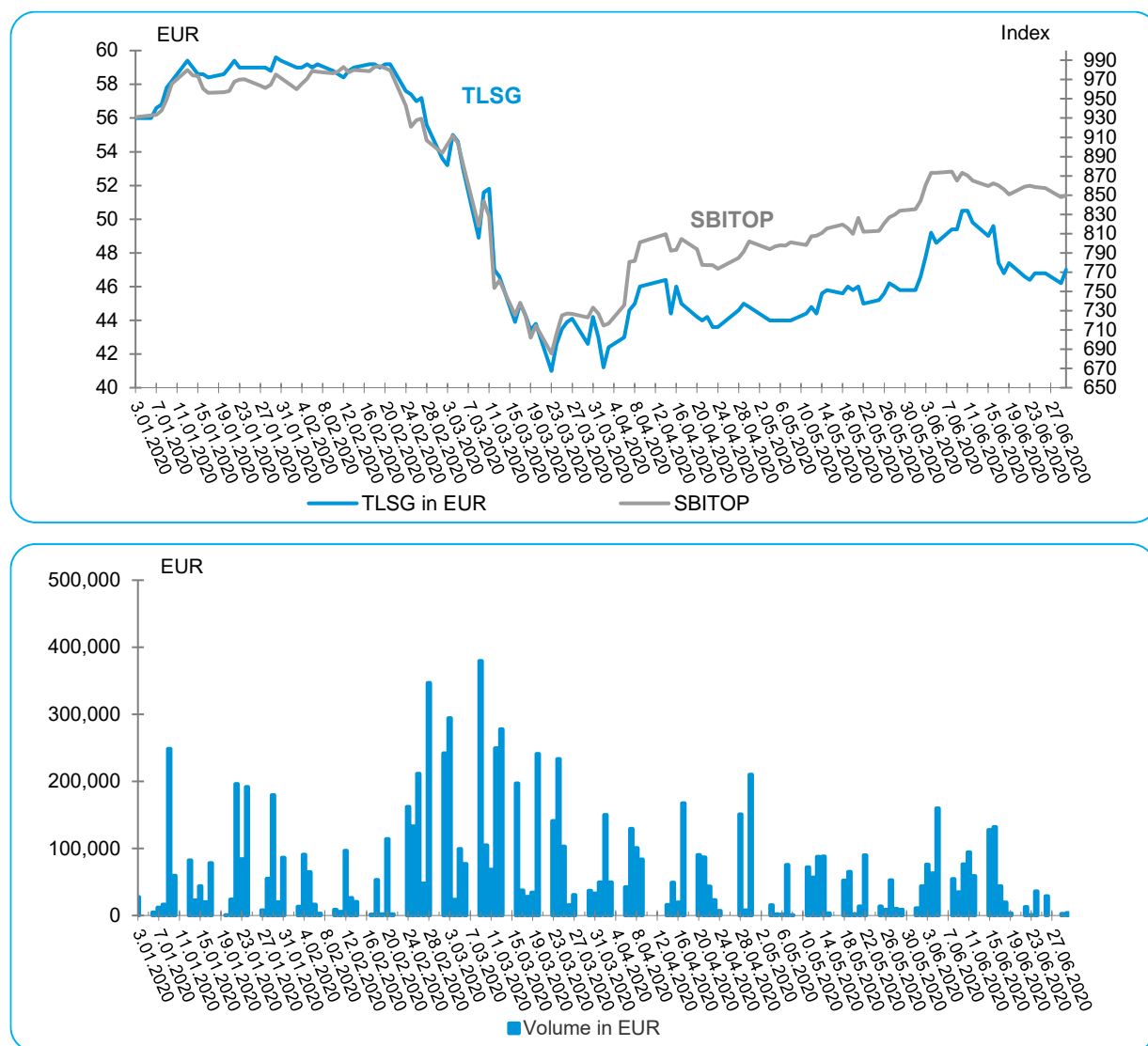
The shares of Telekom Slovenije are listed on the prime securities market of the Ljubljana Stock Exchange under the ticker symbol TLGS. The Company's shares are included in the SBITOP index, and accounted for a 6.17% share of that index at the end of June 2020. Since 19 June 2019 TLGS shares are also included in the ADRIAprime share index, which is a composite index of selected companies listed on the prime markets of the Ljubljana Stock Exchange and Zagreb Stock Exchange. It is a total return index that takes into account both changes in share prices and dividend yield.

The TLGS share price closed at EUR 47 on the last trading day of June. The share price fell by 13.6% during the first half of the year and largely tracked the general fall in share prices on the Ljubljana Stock Exchange. The SBITOP index, which tracks the movement of the most liquid and largest shares on the stock exchange, fell by 8.2% during the same period. The market capitalisation of Telekom Slovenije stood at EUR 307.2 million on the last trading day of June. Turnover in Telekom Slovenije shares totalled EUR 9.1 million during the period January to June 2020, representing 3.8% of total turnover on the stock exchange.

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

Standard price in EUR	I – VI 2020	I – VI 2019
Highest daily price	59.60	68.20
Lowest daily price	41.00	56.60
Average daily price	50.28	63.47
Volume in EUR thousand	I – VI 2020	I – VI 2019
Total volume for the year	9,094.28	6,653.74
Highest daily volume	379.22	660.91
Lowest daily volume	0.18	0.13
Average daily volume	73.94	55.91

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



Source: Ljubljana Stock Exchange, archive of share prices.

### Key financial data relating to shares

	30. 6. 2020 / I – VI 2020	30. 6. 2019 / I – VI 2019
Closing price (P) of one share on the last trading day of the period in EUR	47.00	61.80
Book value (BV) <sup>1</sup> of one share in EUR	89.16	90.41
Earnings per share (EPS) <sup>2</sup> in EUR	2.28	3.01
Market to book value ratio	0.53	0.63
Capital return per share during the period in % <sup>3</sup>	-13.60	4.75

Notes:

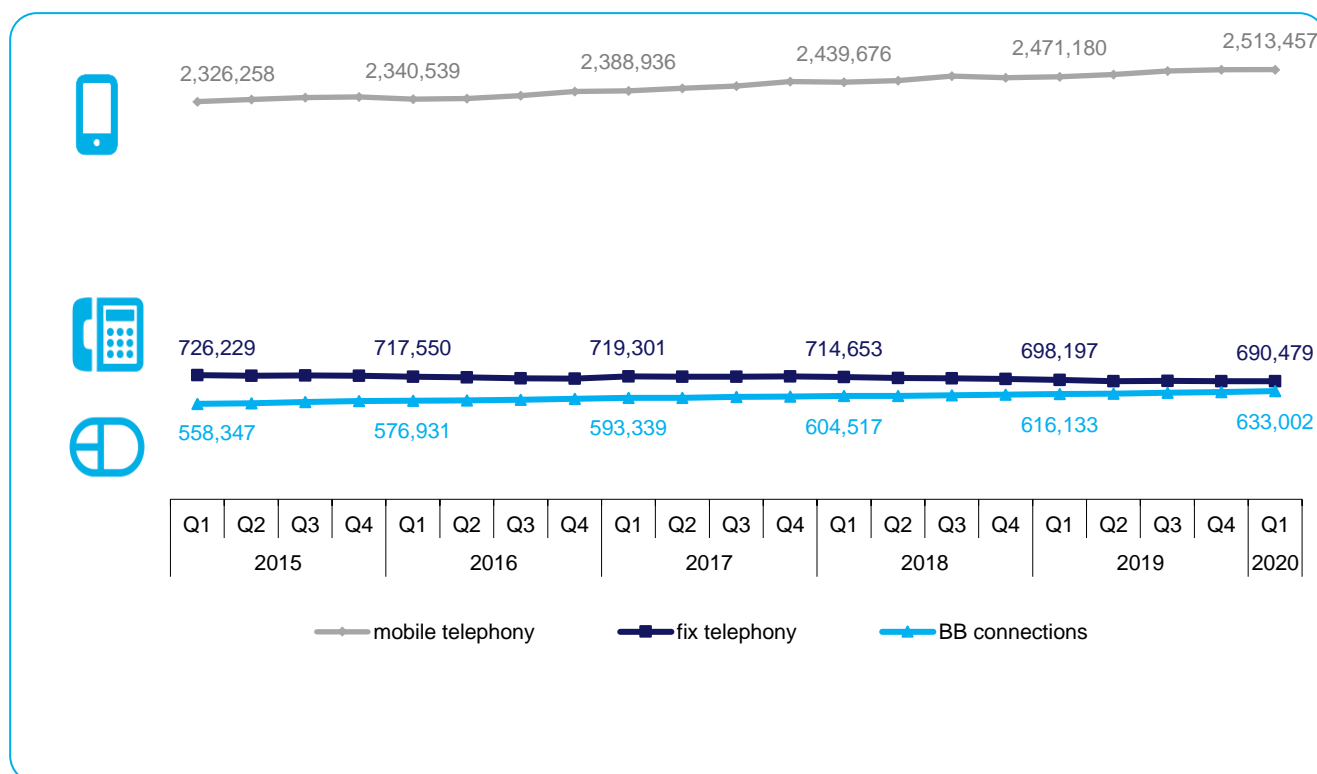
<sup>1</sup> The book value of one share is calculated as the ratio of the book value of the Telekom Slovenije Group's equity on the last day of the period to the number of issued ordinary shares. Comparable data from the statement of financial position are from 31 December 2019.

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

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

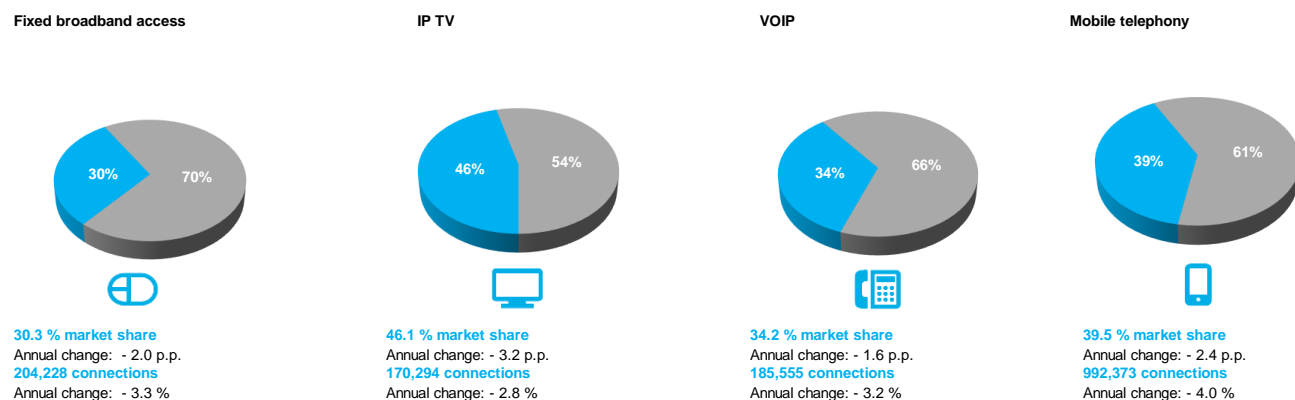
### 3.6. Market and market shares in key service segments

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



Source: Statistical Office of the Republic of Slovenia, Electronic Communications, first quarter of 2020, June 2020.

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



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



### 3.7. Risk management

Key risks are presented below by Telekom Slovenije Group company.

#### TELEKOM SLOVENIJE

##### Strategic risks

- Telekom Slovenije faces competition, regulatory effects and price-sensitive users on the domestic market. Users demand an increasing number of high-quality services at a low price. The Slovenian market is becoming increasingly saturated, which means less manoeuvring room for attracting new users. The management of such risks requires the regular performance of activities to ensure competitiveness, control over regulatory measures, a targeted and active market approach, the provision of high-quality and readily available services, the continuous adaptation of business solutions, the adaptation of the portfolio, and the constant introduction of the latest developments for specific groups and segments of users.
- In the area of strategic risks, activities are also being carried out on the retail market due to the impact of the coronavirus, including an adapted portfolio of services such as telemedicine, video identification and sales via the contact centre, while campaigns to maintain users are being carried out at points of sale. Telekom centres began to open again across Slovenia in April, while the Company is implementing various activities with business partners and adapting to the reduced scope of operations in certain sectors, which could affect the implementation of some planned projects. Measures include the monitoring of the marketing margin of international wholesale services, and the proactive search for new destinations and revenues. Sales of products and services via digital channels are rising.

##### Financial risks

- Telekom Slovenije regularly monitors the dynamics of the financial environment that reflect the various types of risks to which the Company is exposed in its operations. The Company actively monitors liquidity, credit and interest-rate risk, while various financial risk management models and derivatives are used to reduce exposure to specific types of risks.
- Liquidity risk is managed through the regular management and planning of cash flows for different maturities by ensuring the appropriate maturities and the diversification of financial debt, and through financing within the Group and the optimisation of working capital and cash. The Company manages short-term imbalances in cash flows using liquidity reserves in the form

of short-term credit lines. A comprehensive approach to managing liquidity risk and measures implemented in other areas of operations mean the coronavirus has not had a significant impact on the Company's liquidity.

- Credit risk is managed by the Company through the active monitoring of the operations of customers and their credit ratings, and by limiting maximum allowable exposures. The Company further hedges against the risk of the deteriorating financial position of customers through credit insurance and by regularly monitoring the appropriateness thereof. Monitoring of the settlement of contractual obligations and the active recovery of past-due debt are also elements of the system tool used for credit risk management, while Telekom Slovenije regularly monitors credit exposure to customers. During the epidemic, we extended the payment deadlines of customers' past-due liabilities by amending recovery procedures. There has been no significant deterioration in the structure of receivable during the coronavirus epidemic.
- The Company also hedges against interest-rate risk by concluding interest-rate swaps. Fixed or hedged interest rates account for 59.7% of interest-bearing financial liabilities at the Company level.
- Telekom Slovenije manages credit risk in connection with receivables from loans to subsidiaries by including various collateral instruments in loan agreements, while it regularly monitors the operations and liquidity of subsidiaries. If the effects of the coronavirus will have a negative impact on subsidiaries' ability to service their loans, activities will be implemented with the aim of refinancing loans or amending loan repayment schedules.

##### Regulatory and compliance-related risks

- Regulatory risks derive from changes to the regulatory framework and policies, and potential decisions of the regulator regarding the imposition of additional obligations or changes in prices in individual market segments.
- The European Electronic Communications Code (EECC) must be transposed into national legislation by 20 December 2020. By putting forth constructive and expert proposals, Telekom Slovenije is involved in the process of transposing the aforementioned code into Slovenian legislation. The Company is expecting public consultations regarding the draft act in the coming months. At the European

level, the Digital Services Act (DSA) package is currently the subject of public consultations. That package includes proposed new and amended rules for the strengthening of the Single Market for digital services.

- 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 that directive into national law is two years from its entry into force. The EU Council also adopted the BEREC regulation, the aim of which is to provide aid to Member States for the expansion of very high-capacity electronic communications networks, and for the ongoing and consistent application of the regulatory measures set out in the aforementioned code.
- The Agency for Communication Networks and Services of the Republic of Slovenia (AKOS) began preparing a multi-frequency public tender with a public auction of frequencies for fifth generation (5G) mobile networks. That public tender is expected to be published in October/November 2020, while the auction is expected to start in January/ February 2021. On 26 June 2020, based on the strategic guidelines of the Ministry of Public Administration, the AKOS drew up a draft strategy for managing the frequency spectrum for the period 2021 to 2023.
- The risks associated with personal data protection derive from the large scope and categories of personal data that Telekom Slovenije processes as the leading operator in Slovenia. Of significance with regard to that risk is the application of Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, which entered into force on 25 May 2018 and brought stricter regulation and increased awareness regarding the protection of the data of users and the general public. Telekom Slovenije ensures compliance with the requirements of the aforementioned regulation through the continuous monitoring, updating and improvement of personal data processing and internal control processes for personal data protection. The Company is also monitoring the drafting of new regulations, including the new Personal Data Protection Act (ZVOP-2) and Electronic Identification and Trust Services Act (ZEIZS). The EU's new ePrivacy Regulation is also being coordinated by stakeholders (EU institutions and Member States). That regulation will affect data processing as it relates to the provision of

electronic communications services.

- In its operations, Telekom Slovenije complies with valid legislation, as well as decisions and aspects of sectoral regulations and other competent bodies. Regulatory risks are managed through organisational and procedural measures in the Company's operations, through constructive dialogue, by putting forth opinions, comments and suggestions in public consultations regarding drafts of general and specific laws issued by the regulator, and by taking legal action against issued regulatory decisions, whenever that is justified.
- The Company is monitoring proposals for the use of mobile operators' data for managing the coronavirus epidemic, and is making adjustments to operations and services, taking into account requirements regarding the protection of personal data.

#### Operational risks

- Telekom Slovenije gives a great deal of attention to managing operational risks associated with ICT networks, services and devices, and to the management and development of employees in this area. The complexity of comprehensive management is increasing due to the development of technologies and ICT services, and the growing demands of applications and devices. Telekom Slovenije manages this risk through the development of 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. We implement updates and increase capacities through redundancy in those network segments where increased functional and security-related risks have been

identified.

- In the area of ICT security, Telekom Slovenije continuously develops systems for monitoring technologies and anomalies in the ICT infrastructure and services, and conducts internal and external penetration testing. A Cyber Security Operation Centre has been established. Risks are managed through the implementation of the security policy, by identifying security threats and vulnerabilities, and by spreading the security culture to employees and users.
- Telekom Slovenije faces certain challenges with regard to SAP ERP application, including the upgrading of the system to a new version (s4Hana). Operational processes must be analysed, and amended/adapted as required.
- We have also identified risks in connection with the conditions of the multi-frequency public auction for fifth-generation (5G) mobile networks, requirements regarding the use of frequencies, excessively high auction prices and other related conditions of the public tender. All of that could affect the possibility of acquiring the tendered radio frequency spectrum for the provision of electronic communications services. Activities to prepare for the auction are in progress at the Company, with a team of internal and external experts.
- Telekom Slovenije also faces risks associated with retaining employees, as it is increasingly difficult to recruit and retain qualified employees due to market conditions and increased demand for professionally qualified personnel. With the aim of retaining employees, the Company focuses on systematic development and career planning, and the transfer of knowledge and training, while ensuring motivational remuneration systems.
- Telekom Slovenije manages risks in connection with procurement processes through a centralised procurement function, a standard process for the implementation of procurement procedures and a methodology for assessing risks associated with suppliers. Compliance with contractual provisions is monitored. The Supplier Code falls into this category of activities. A comprehensive supplier assessment is performed. The objective of risk management is to ensure a smooth supply process and to contribute to the Company's competitive advantages. The Company is managing risks in connection with the spread of the novel coronavirus through regular contacts with suppliers.
- Based on the business continuity management system (BCMS), which is in place in the event of emergencies and certified in accordance with the ISO/IEC 22301 standard, the Company adopted preventive measures and a special

plan of measures and activities in the event of a pandemic. It also planned activities in the event of the activation of the National Civil Protection and Disaster Relief Plan. In accordance with the BCMS, Telekom Slovenije is prepared for and capable of ensuring key services and processes, even in emergencies.

- The BCMS is a tool for establishing organisational resilience and responding effectively. In addition to concern for employees, another key function of that system is to protect the interests of business partners, users and other stakeholders. Due to the impact of measures to prevent the spread of the coronavirus, activities include priorities such as ensuring quality, security, control over capacities, the timely delivery of equipment and services, the coordination of external and internal stakeholders, compliance with security measures for employees, ensuring remote work and redirection to the digital environment, ensuring the implementation of activities in connection with changes and defining priorities on a daily basis, i.e. 24/7.

#### AVTENTA

- Risks in connection with achieving planned revenues are managed through a competitive portfolio, customer relationship management and a focus on the development of digital solutions.
- Risks in connection with the coronavirus are having an additional impact on operations in the form of the reduced scope of projects.

#### GVO

- Risks associated with rising prices of construction services are managed by adapting the organisation of work and processes.
- Risks in connection with the coronavirus are having an additional impact on operations in terms of the implementation of investment and maintenance works.

#### PLANET TV

- Risks associated with the management of liquidity are very high. The company is undergoing business and financial restructuring. Risks associated with the sale of the company are managed through a conservative approach to the disclosure of documentation regarding operations, and through the appropriate organisation of operations and the motivation of employees.
- Risks in connection with the coronavirus are having an additional impact on operations, as the scope of previously approved advertising campaigns has been reduced. The filming of own productions has been adapted taking into account safety measures.

## SOLINE

- 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.
- Risks in connection with the coronavirus are having an additional impact on operations, as sales in the company's retail outlet network, and visits to the Lepa Vida Spa and the Sečovelje Salina Nature Park (SSNP) depend primarily on tourists.

## TSinpo

- Risks associated with HR management and workplace safety are managed through the appropriate employee structure and preventive workplace safety measures.
- Risks in connection with the coronavirus are having an additional impact on operations, as demand for and the production of cardboard sleeves is down, while delays are also being incurred in sales of other programmes.

## TSmedia

- Risks in connection with achieving planned revenues are managed by entering into annual contracts and through bundling marketing.
- Risks in connection with the coronavirus are having an additional impact on operations, as the scope of advertising campaigns has been reduced. The company is attracting new customers through direct marketing, new forms of advertising and campaigns to promote advertising, and by creating joint projects with end-advertisers.

## IPKO

- The company responds to the risk of the loss of users and revenues in the segment of fixed and mobile services due to unfair competition through the active adaptation of its portfolio and the appropriate market approaches.
- The company remains exposed to the risk of higher costs due to the setting of prices for the payment of copyright fees for the broadcasting of programmes via the cable network.
- The company manages the risk of the loss of revenues in connection with roaming through negotiations and its range of retail products and services.
- Risks associated with the sales procedure are managed through a conservative approach to the disclosure of documentation regarding operations, through the appropriate organisation of operations for the implementation of processes, and through the motivation of employees.
- Risks in connection with the coronavirus are having an additional impact on operations, as the government in Kosovo decided, as part of its package of measures, that public procurement legislation does not apply to the telecommunication services provided by Telekom Kosova. The Company is attempting to redirect users to services via the online store and application, and by promoting the activation of services via the web. Due to preventive measures aimed at protecting the health of employees, most work has been performed from home since the middle of March.

## 4. CORPORATE GOVERNANCE

### Management Board

Telekom Slovenije is managed by its Management Board, comprising the following members as at 30 June 2020:

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

On 22 June 2020, the Supervisory Board appointed Tomaž Jontes to serve as member of the Company's Management Board responsible for the commercial sector. Mr Jontes' four-year term of office began on the day of his appointment.

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 June 2020:

Shareholder representatives:

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

Employee representatives:

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

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

On 5 June 2020, the General Meeting of Shareholders elected Aleš Šabeder to serve as member of the Supervisory Board and shareholder representative. Mr Šabeder's four-year term of office began on the same day. On 15 June 2020, Telekom Slovenije's Supervisory Board unanimously carried out the reorganisation of all functions of members of the Supervisory Board and its committees. Aleš Šabeder was elected President of the Supervisory Board. Barbara Gorjup, as shareholder representative, and Drago Kijevčanin, as employee representative, were appointed Vice-Presidents.

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



## SLOVENIA

### GVO, d. o. o.

Managing Director: Borut Radi

### INFRATEL, d. o. o.

Managing Director: Borut Radi

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

Managing Director: Borut Radi

### Avtenta, d. o. o.

Managing Director: Primož Kučič

Miran Potočnik served as Managing Director until 31 January 2020. Primož Kučič has managed the company since 1 February 2020, and will continue to do so until the appointment of a new Managing Director.

### TSmedia, d. o. o.

Managing Director: Simon Furlan, MSc

Rolando Žel served as Managing Director until 31 March 2020. Simon Furlan has managed the company since 1 April 2020, and will continue to do so until the appointment of a new Managing Director.

### Soline, d. o. o.

Managing Director: Klavdij Godnič

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

Managing Director: Samo Ošina

Rolando Žel served as Managing Director until 31 March 2020. Samo Ošina has managed the company since 1 April 2020, and will continue to do so until the appointment of a new Managing Director.

Procurator: Nevenka Črnko

Nevenka Črnko has served as Procurator since 1 April 2020. Prior to that time, the company did not have a procurator.

### TSinpo, d. o. o.

Managing Director: Danilo Tomšič, MSc

Procurator: Vesna Lednik

## OTHER COUNTRIES

### IPKO Telecommunications LLC, Kosovo

CEO: Robert Erzin, MSc

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

Managing Director: Matjaž Pogačnik, MBA

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

Managing Director: Matjaž Pogačnik, MBA

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

Managing Director: Matjaž Pogačnik, MBA

### SIOL DOOEL Skopje, Macedonia

Managing Director: Matjaž Pogačnik, MBA

### SIOL DOO BELGRADE, Serbia

Managing Director: Matjaž Pogačnik, MBA

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

Managing Director: Matjaž Pogačnik, MBA

### GVO Telekommunikation GmbH

Managing Directors: Borut Radi, Darko Gradišnik and Roman Mazi



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

### FIRST QUARTER OF 2020

#### JANUARY

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

#### FEBRUARY

- In accordance with the Decree on the Terms, Conditions and Methods of Borrowing by Legal Entities referred to in Article 87 of the Public Finance Act, Telekom Slovenije submitted a request to the Ministry of Finance for the issue of consent to begin proceedings to raise long-term borrowings in the amount of EUR 100 million. The Company is planning to secure the aforementioned funds from the European Investment Bank, which demonstrated interest in the form of a non-binding offer. Telekom Slovenije will use those funds in the period until 2023 to finance the expansion and construction of the fibre optic access network in Slovenia, through which it is laying the infrastructure foundations for the future of the telecommunications activity.
- Avtenta received the AAA Golden Creditworthiness Certificate of Excellence from the ratings agency Bisnode as a reliable, credible and trustworthy partner. The aforementioned company received the title of Marg Gold Partner in the area of BusinessConnect/GovernmentConnect document system solutions and became a partner of the company BizBox.

#### MARCH

- As the defendant in the commercial dispute involving the plaintiff Sky Net, Telekom Slovenije (previously Mobitel, d. d.) received a ruling and

decision from the Ljubljana District Court on 2 March 2020 in connection with the execution of an agreement under two lawsuits. Under that ruling and decision, the aforementioned court rejected both the part of the subordinated claim of Sky Net regarding the construction of base stations and the drafting of documentation relating to 2007, and the remainder of that subordinated claim regarding the issue of an order for the construction of 414 base stations and orders to obtain documentation for 434 base stations. The court also ruled that Sky Net is obliged to reimburse Telekom Slovenije litigation costs in the amount of EUR 30,146.32.

- On 4 March 2020, Telekom Slovenije received a ruling from the Ljubljana Higher Court, issued on 13 February 2020, in the commercial dispute between the plaintiff Telekom Slovenije and the defendants Bojan Dremelj, Dušan Mitič, Filip Ogris Martič, Željko Puljić and Darja Senica for the payment of EUR 7,635,500.00 with appertaining costs. Under the aforementioned ruling and decision, the court ruled in favour of Telekom Slovenije's appeal in the part relating to the costs of third-party intervenors and overturned the District Court's ruling in that part. In the part that was not overturned, the Ljubljana Higher Court rejected Telekom Slovenije's appeal and upheld the District Court's ruling in the contested part of the appeal. Telekom Slovenije was ordered to repay the defendants for the costs of appeals proceedings.
- Telekom Slovenije amended the conditions of the previously initiated proceedings to recapitalise Planet TV through the entry of a new owner to the sale of its 100% participating interests in that company.
- As COVID-19 began to spread across Europe, Telekom Slovenije adopted a plan of measures and activities in the event of a pandemic. It based that plan on its business continuity management system (BCMS), which is certified in accordance with the ISO/IEC 22301 standard. To that end, it also planned activities in the event of the activation of the National Civil Protection and Disaster Relief Plan. Measures are aimed at the protection of both employees and users. The Company is giving special attention in that regard to the security of the network and services, and to the functioning thereof, as prescribed in the event of emergencies. The Company has adapted the work of its experts to ensure 24/7 uninterrupted control over the functioning of the network to the greatest extent possible, while ensuring technical support to

users and the coverage of the special needs of government institutions and the commercial sector for increased capacities or additional services. The Company is continuously adapting the capacities of its network, the highest-capacity and most efficient network in Slovenia.

- Telekom Slovenije successfully passed the external assessment for the recertification of the ISO 27001 certificate for its information security management system (ISMS) and the ISO 22301 certificate for its business continuity management system.
- On 19 March 2020 the Supervisory Board gave its consent to the appointment of Simon Furlan, MSc as Managing Director of TSmedia and Samo Ošina as Managing Director of Planet TV, effective 1 April 2020. Simon Furlan, the Director of the Wholesale Market at Telekom Slovenije, and Samo Ošina, the Director of Telekom Slovenije's B2C Market, will manage the aforementioned companies based on the relevant management contract, until the appointment of new managing directors.
- Avtenta successfully passed certification for SAP HEC solutions.
- During the coronavirus epidemic, TSmedia has recorded a sharp rise in the number of users of websites via Siol.net. Following a record number of visits in February, when it recorded 696 thousand different users, Siol.net recorded more than 808 thousand different users in March, meaning 30% growth relative to last March and 57% growth in the number of page views.

## SECOND QUARTER OF 2020

### APRIL

- The Supervisory Board of Telekom Slovenije approved the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2019.
- Telekom Slovenije's Supervisory Board approved the appointment of Klavdij Godnič to serve a third four-year term of office as the Managing Director of Soline, effective 1 July 2020.
- On 2 April 2020, the Management Board of Telekom Slovenije convened the 31st General Meeting of Shareholders for 5 June 2020.
- Following the implementation of measures to prevent the spread of the coronavirus, the operations of companies migrated for the most part to the digital environment. In addition to needs for increased capacities and upgrades to existing ICT solutions, there was a sharp increase in demand for video identification and digital signature services during this period.

- Telekom Slovenije, which together with its partners developed and presented a technological solution in 2019 for the remote telemedical treatment of patients with chronic diseases, upgraded that solution to make it possible for medical staff to monitor coronavirus patients remotely.
- With the help of a donation from Telekom Slovenije in the amount of EUR 20,000, the Hospital for Women's Diseases and Obstetrics in Postojna will purchase a new modern maternity bed intended for pregnant women who are infected or suspected of being infected with COVID-19. Telekom Slovenije donated funds 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.

### MAY

- Telekom Slovenije opened the most state-of-the-art Telekom centre in Slovenia at the Aleja shopping mall in Ljubljana. The centre is equipped with modern workstations and a special NEO living room where visitors can test voice-managed TV content and smart home devices, while there is a special area dedicated to the presentation of products from the Loyalty Programme that Telekom Slovenije users can purchase via the Online Shop.
- Telekom Slovenije's Cyber Security Operation Centre received an award for best innovative security solution. According to the Institute for Corporate Security Studies, which presents the aforementioned award in conjunction with the Slovenian Corporate Security Association, the aforementioned centre is an information-security solution that represents significant added-value in terms of ensuring cyber security in the Republic of Slovenia. Telekom Slovenije's Cyber Security Operation Centre is the highest capacity centre of its kind in Slovenia, where top experts manage security events 24 hours a day, every day of the year with the help of control and analytical tools. The cyber security services provided by the centre are used by Telekom Slovenije for its own needs, and by other organisations and companies.
- After announcing in February their cooperation in the development of hybrid public-private 4G/5G networks to support the growing smart industry, Telekom Slovenije and Iskratel established a test 5G network at Iskratel's production facility in Kranj. In this way, they enabled the development of new business models and the testing of a smart 5G infrastructure that facilitates numerous virtual dedicated networks for specific business verticals, including factories.

- In the scope of the Horizon 2020 programme for research and innovation, the European Commission will co-finance the implementation of the European 5G-LOGINNOV development project that includes the Port of Koper, Telekom Slovenije and the company Internet Institut, amongst 15 partners from several European countries. The project, which is expected to kick-off in September 2020 and last three years, focuses on the next generation 5G mobile network, primarily in terms of developing innovative logistics solutions in the scope of Industry 4.0. As part of the project, Telekom Slovenije will set-up a development-test 5G network in the vicinity of the Port of Koper. The aim of that network will be the development and testing of solutions to optimise processes, increase efficiency and reduce environmental impacts in specific cases where the network will be used in the management of transport logistics. Telekom Slovenije was the only Slovenian operator actively involved in two European projects relating to the introduction of 5G, while the Company is also participating in the Slovenian 5G Security project.
- Together with its partners Enerkon and 2GG-DS Meritve za Komunalno podjetje Velenje, Telekom Slovenije established a solution in Velenje that facilitates the digitalisation and simplification of the central management of meters by municipal service companies in Slovenia, and the automatic metering of the consumption of energy sources, such as hot water, heating and natural gas. It is a test solution that will make it possible for Slovenian municipal service companies to digitalise metering points (meters) and establish the automatic metering of the consumption and balance of energy products. The solution also includes a system for the effective management and optimisation of the distribution and supply of energy products in real time. The solution functions based on Narrowband Internet of Things (NB-IoT) technology. Telekom Slovenije became the first to fully upgrade its network with that technology more than a year ago. It is the first such NB-IoT pilot set-up with the aforementioned technology in the wider Velenje region.
- Telekom Slovenije upgraded NEO, which brought an entirely new experience in the management of TV and other content and smart home devices to Slovenian homes, with new functionalities. The NEO Smartbox now serves as a WiFi access point, while the new speech recogniser for Slovene and English facilitates the more effective search for content, as it now features a display of the appropriateness of voice volume. Recommended content is more relevant for users, as it is based on family user

profiles. The NEO remote control facilitates the comprehensive management of TV, while the management of smart home devices is even easier.

- Avtenta successfully passed PCoE (Partner Centre of Expertise) recertification, based on which it may implement and provide support for SAP ERP, SAP S/4HANA and SAP Analytics products. The certificate, which is valid for two years, is recognition that Avtenta's services and support are in line with SAP's current technical and organisational standards that apply to SAP SE partners.

## JUNE

- At the 31st General Meeting of Shareholders of Telekom Slovenije, shareholders supported the proposal that EUR 22,796,173.00 be earmarked for the payment of dividends, representing a gross dividend of EUR 3.50 per share, while the remainder in the amount of EUR 7,395,372.48 was brought forward to the next year. Dividends were paid on 19 June 2020 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 18 June 2020. The General Meeting of Shareholders was briefed on the annual report for the 2019 financial year and on the Supervisory Board's written report on the approval of the annual report for the 2019 financial year, and conferred official approval on the Management Board and Supervisory Board for the 2019 financial year. The General Meeting of Shareholders was briefed on the remuneration of members of the Company's management and supervisory bodies, and on the remuneration of members of the management bodies of the Company's subsidiaries. It was also briefed on the remuneration policy for members of the Company's management bodies and on the remuneration policy for members of the management bodies of subsidiaries. At the General Meeting of Shareholders, shareholders were informed that the term of office of member of the Supervisory Board and shareholder representative Dimitrij Marjanovič expired on 13 May 2020. The General Meeting of Shareholders elected Aleš Šabeder to serve as member of the Supervisory Board and shareholder representative. Mr Šabeder's four-year term of office began on the same day. The General Meeting of Shareholders appointed the audit firm PricewaterhouseCoopers (PwC) to audit the financial statements of Telekom Slovenije for the 2020, 2021 and 2022 financial years. In accordance with the recommendations of the Corporate Governance Code for Companies with Capital Assets of the State, the General Meeting of Shareholders set the

remuneration of members of the Supervisory Board for the performance of their functions. The General Meeting of Shareholders also gave its consent to the intended conclusion of a settlement that will finally arrange all mutual issues and claims arising from court proceedings before the Ljubljana District Court in which the Company filed a claim against the former members of its Management Board. Based on the resolution of the General Meeting of Shareholders, the insurance company that provided liability insurance for the former members of the Management Board paid the Company the amount of EUR 2.8 million on 24 June 2020. With the settlement of that obligation, all mutual relations between the litigants have been put in order.

- Telekom Slovenije, which facilitates the connection to the fibre optic network for more than 345,000 Slovenian households, tested an advanced technological solution that enables symmetrical gigabit connections on the fibre optic network with a speed of up to 10 Gb/s. This involves download speeds that are eight times faster than the speeds currently enabled by the most widely used GPON technology.
- Together with Telekom Slovenije, Zavarovalnica Triglav introduced the possibility of remote digital signing and remote video identification services that were well-received by policyholders during the COVID-19 epidemic, when operations were migrated to the digital environment. The user-friendly video identification system facilitates quick, secure and convenient remote identification that complies with legal provisions. In this way, policyholders receive an electronic identity for the provision of services in the digital environment.
- The VALÚ smart wallet, which Telekom Slovenije launched a year ago, and VALÚ Moneta are already used by more than a quarter of a million users. VALÚ represents a new generation of financial solutions for quick and convenient payments using a mobile phone, as well as the use of inter-related local services and effective cash management.
- Telekom Slovenije and Metronik, a leading company in the area of automation, process management and digitalisation in industry and buildings, signed a strategic cooperation agreement for the establishment of a pilot Internet of Things (IoT) platform for the remote monitoring of the functioning of machinery. In this way, the partners are developing new information solutions relating to Industry 4.0.
- At its 12th ordinary session held on 15 June 2020, Telekom Slovenije's Supervisory Board unanimously carried out the reorganisation of all functions of members of the Supervisory Board

and its committees. Aleš Šabeder was elected President of the Supervisory Board. Barbara Gorjup, as shareholder representative, and Drago Kijevčanin, as employee representative, were appointed Vice-Presidents.

- At the 1st regular session in its new composition held on 22 June 2020, the Supervisory Board appointed Tomaž Jontes to serve as member of the Company's Management Board responsible for the commercial sector. In his function on the Management Board, Mr Jontes is responsible for the B2C and B2B markets, and for marketing. His term of office began on 22 June 2020.
- Telekom Slovenije's Supervisory Board adopted the Policy Governing the Diversity of the Management Board and Supervisory Board of Telekom Slovenije, which is published on the Company's website.
- Avtenta extended its ISO 9001:2015 certificate for its quality management system, management function, resource management, implementation of the core activity and control (measurement, analyses and improvements).

## 6. EVENTS AFTER THE REPORTING DATE

### THIRD QUARTER OF 2020

#### JULY

- Telekom Slovenije and the Hungarian joint-stock company TV2 MEDIA CSOPORT ZRT signed an agreement on the sale of all of the Company's participating interests in Planet TV, which together represent 100% of the nominal value of Planet TV's share capital. The agreed consideration is EUR 5.0 million. The entire transaction will be completed following the fulfilment of all suspensive conditions agreed in the sales agreement and after the buyer obtains all consents from the competent authorities. The transaction is expected to be completed by the end of September 2020. The Supervisory Board of Telekom Slovenije gave its prior consent to the conclusion of the transaction. Telekom Slovenije will not reveal other details until the transaction is completed.
- The Supervisory Board of Telekom Slovenije discussed and approved the strategy of the Telekom Slovenije Group for the period 2021 to 2025. That strategy, which focuses on digitalisation at all levels of operations, represents guidelines for the drafting of the strategic business plan for the coming period.



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

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 June 2020 were compiled in accordance with IAS 34 Interim Financial Reporting. The financial statements for the period January to June 2020 and for the comparative period January to June 2019 have not been audited, while the financial statements for the comparative period ending 31 December 2019 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 2019.

### Use of significant estimates and judgements

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

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

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

During the reporting period, Telekom Slovenije changed the useful lives of modems and GPON interfaces installed in the fibre optic network. Before that change, the useful life of the aforementioned equipment was four years; the new useful life is five years. Depreciation was down by EUR 234 thousand during the reporting period due to the change in useful lives. The Company decided to change useful lives due to the lower number of failures of modems and GPON interfaces on the fibre optic network, as the rate of failure due to power surges before the end of the associated depreciation period is significantly lower on the fibre optic network than on the copper network.

Based on an analysis of the average lifespan of subscribers, Telekom Slovenije also amended the useful life of intangible assets linked to the costs of securing contracts with customers (commissions paid to agents), as follows:

Costs to obtain a contract with a customer	old useful lives in months	new useful lives in months
- for mobile services	12- 24	30
- for fix services		42
- for convergence products		30

Since 1 January 2020, the Company recognises commissions paid to agents for the conclusion of contracts with no commitment as intangible assets. Amortisation of the aforementioned assets was up by EUR 12 thousand during the reporting period.

Total amortisation was EUR 1,411 thousand lower during the reporting period due to a change in the useful life of intangible assets linked to the costs of securing contracts with customers.

Based on the binding offer received for the purchase of participating interests in Planet TV, Telekom Slovenije assessed the recoverable amount of its investment in the subsidiary Planet TV and impaired loans to that company in the amount of EUR 9,742 thousand. Impairments are disclosed in Telekom Slovenije's income statement under the item 'finance costs'. The Telekom Slovenije Group reclassified the assets and liabilities of the aforementioned company to assets and liabilities held for sale, and impaired assets in the amount of EUR 6,645 thousand. Impairments are disclosed in the Telekom Slovenije Group's income statement under the item 'other operating expenses'.

### Coronavirus pandemic

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

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

In accordance with the Act Determining Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy, Telekom Slovenije took advantage of offered state aid, as follows:

- the partial waiving of the payment of pension and disability insurance contributions; and
- the reimbursement of compensation during temporary absence from work due to sickness or injury covered by the employer.

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

- the following companies took advantage of the partial waiving of the payment of pension and disability insurance contributions: Telekom Slovenije, d. d., GVO, d. o. o., Avtenta, d. o. o, TSinpo, d. o. o. and Soline, d. o. o.;
- the following companies took advantage of the reimbursement of compensation during temporary absence from work due to sickness or injury covered by the employer: Telekom Slovenije, d. d., GVO, d. o. o., TSinpo, d. o. o., TSmedia, d. o. o., Planet TV, d. o. o. and Soline, d. o. o.;
- Soline, d. o. o. took advantage of the reimbursement of wage compensation for furloughed workers and for the period a worker did not perform their work due to *force majeure*; and
- Soline, d. o. o. took advantage of the reimbursement of compensation for the period of quarantine.

Companies that took advantage of the partial waiving of the payment of pension and disability insurance contributions paid a crisis bonus.

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 June 2020

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I - VI 2020	I - VI 2019	I - VI 2020	I - VI 2019
Revenue	325,363	340,626	296,311	308,103
Other operating income	10,025	2,426	8,703	1,049
Cost of goods sold	-41,468	-39,593	-44,997	-41,412
Cost of materials and energy	-6,665	-6,866	-5,083	-5,043
Cost of services	-119,702	-130,139	-111,876	-121,239
Employee benefits expense	-52,076	-51,481	-42,939	-41,996
Amortisation and depreciation expense	-83,685	-88,562	-67,839	-71,554
Other operating expenses	-4,486	-2,630	-4,107	-2,594
Impairment of assets held for sale	-6,645	0	0	0
<b>Total operating expenses</b>	<b>-314,727</b>	<b>-319,271</b>	<b>-276,841</b>	<b>-283,838</b>
<b>Profit from operations</b>	<b>20,661</b>	<b>23,781</b>	<b>28,173</b>	<b>25,314</b>
Finance income	761	2,386	2,972	4,139
Finance costs	-4,749	-4,834	-14,431	-4,693
<b>Profit before tax</b>	<b>16,673</b>	<b>21,333</b>	<b>16,714</b>	<b>24,760</b>
Income tax expense	-2,572	-231	-2,131	0
Deferred tax	732	-1,530	663	-1,558
<b>Net profit for the period</b>	<b>14,833</b>	<b>19,572</b>	<b>15,246</b>	<b>23,202</b>
Profit attributable to				
Owners of the company	14,833	20,025	0	0
Non-controlling interest	0	-453	0	0
<b>Earnings per share - basic and diluted (in EUR)</b>	<b>2.28</b>	<b>3.01</b>	<b>2.34</b>	<b>3.57</b>

## Unaudited statement of other comprehensive income for the period ending 30 June 2020

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I - VI 2020	I - VI 2019	I - VI 2020	I - VI 2019
<b>Net profit for the period</b>	<b>14,833</b>	<b>19,572</b>	<b>15,246</b>	<b>23,202</b>
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>				
Translation reserves	-21	3	0	0
Changes in fair value of hedging instruments	135	-325	135	-325
Deferred tax	-26	62	-26	62
<b>Net gain on changes in fair value of hedging instruments</b>	<b>109</b>	<b>-263</b>	<b>109</b>	<b>-263</b>
<i>Other comprehensive income that shall not be transferred to profit or loss in future periods</i>				
<b>Change in the fair value for actuarial deficits and surpluses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in fair value of investments measured at fair value through other comprehensive income	-356	89	-356	89
Deferred tax	68	-17	68	-17
<b>Change in fair value of investments measured at fair value through other comprehensive income</b>	<b>-289</b>	<b>72</b>	<b>-289</b>	<b>72</b>
<b>Other comprehensive income for the period after tax</b>	<b>-200</b>	<b>-188</b>	<b>-179</b>	<b>-191</b>
<b>Total comprehensive income for the period</b>	<b>14,633</b>	<b>19,384</b>	<b>15,067</b>	<b>23,011</b>
<b>Total comprehensive income attributable to</b>				
Owners of the company	14,633	19,837	0	0
Non-controlling interest	0	-453	0	0

# Unaudited statement of financial position as at 30 June 2020

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
<b>ASSETS</b>				
Intangible assets	189,802	177,594	146,112	132,692
Property, plant and equipment	650,584	653,411	587,814	584,117
Right of use assets	77,860	79,300	84,040	86,402
Investments in subsidiaries	0	0	37,001	37,001
Other investments	4,464	4,860	81,082	90,421
Long-term contract assets	3,043	3,646	2,718	3,280
Other non-current assets	16,805	43,423	16,902	37,067
Investment property	3,986	4,002	3,986	4,002
Deferred tax assets	44,751	44,044	44,182	43,545
<b>Total non-current assets</b>	<b>991,295</b>	<b>1,010,280</b>	<b>1,003,783</b>	<b>1,018,527</b>
Assets held for sale	8,969	500	512	500
Inventories	29,725	24,620	25,387	20,579
Trade and other receivables	147,524	153,510	147,054	145,595
Short-term contract assets	19,403	14,896	19,218	14,849
Short-term deferred assets	17,835	15,156	17,157	12,107
Current financial assets	72	679	9,474	10,226
Cash and cash equivalents	14,576	13,219	1,205	1,153
<b>Total current assets</b>	<b>238,104</b>	<b>222,580</b>	<b>220,007</b>	<b>205,009</b>
<b>Total assets</b>	<b>1,229,399</b>	<b>1,232,860</b>	<b>1,223,790</b>	<b>1,223,536</b>
<b>EQUITY AND LIABILITIES</b>				
Called-up capital	272,721	272,721	272,721	272,721
Capital surplus	181,489	181,488	180,956	180,956
Revenue reserves	106,479	106,479	104,978	104,978
<i>Legal reserves</i>	<i>51,612</i>	<i>51,612</i>	<i>50,434</i>	<i>50,434</i>
<i>Treasury share reserve</i>	<i>3,671</i>	<i>3,671</i>	<i>3,671</i>	<i>3,671</i>
<i>Treasury shares</i>	<i>-3,671</i>	<i>-3,671</i>	<i>-3,671</i>	<i>-3,671</i>
<i>Statutory reserves</i>	<i>54,854</i>	<i>54,854</i>	<i>54,544</i>	<i>54,544</i>
<i>Other revenue reserves</i>	<i>13</i>	<i>13</i>	<i>0</i>	<i>0</i>
Retained earnings	23,915	31,879	51,106	48,886
<i>Retain earnings from previous periods</i>	<i>9,082</i>	<i>30,648</i>	<i>26,118</i>	<i>48,301</i>
<i>Profit or loss for the period</i>	<i>14,833</i>	<i>1,231</i>	<i>15,246</i>	<i>585</i>
Fair value reserve	484	664	484	664
Fair value reserve for actuarial deficit and surplus	-2,349	-2,347	-2,070	-2,069
Translation reserve	-28	-6	0	0
<b>Total capital</b>	<b>582,711</b>	<b>590,878</b>	<b>598,433</b>	<b>606,136</b>
Long-term contract liabilities	986	1,119	327	180
Provisions	19,214	23,293	14,951	19,138
Non-current operating liabilities	33,160	22,828	20,688	10,722
Non-current deferred operating liabilities	15,852	22,489	15,682	22,702
Interest bearing borrowings	199,519	214,802	199,519	214,802
Non-current lease liabilities	59,574	60,068	64,350	66,351
Other non-current financial liabilities	383	100,641	281	100,608
Deferred tax liabilities	1,608	1,676	207	274
<b>Total non-current liabilities</b>	<b>330,296</b>	<b>446,916</b>	<b>316,005</b>	<b>434,777</b>
Assets and liabilities held for sale	3,456	0	0	0
Trade and other payables	106,385	113,342	99,893	99,945
Income tax payable	2,370	354	2,130	0
Interest-bearing borrowings	45,537	31,038	52,937	38,008
Current lease liabilities	9,608	8,986	10,643	10,031
Other current financial liabilities	100,458	1,224	100,411	1,181
Short-term contract liabilities	5,530	6,591	2,320	3,342
Current deferred operating liabilities	43,048	33,531	41,018	30,116
<b>Total current liabilities</b>	<b>316,392</b>	<b>195,066</b>	<b>309,352</b>	<b>182,623</b>
<b>Total liabilities</b>	<b>646,688</b>	<b>641,982</b>	<b>625,357</b>	<b>617,400</b>
<b>Total equity and liabilities</b>	<b>1,229,399</b>	<b>1,232,860</b>	<b>1,223,790</b>	<b>1,223,536</b>

Unaudited statement of changes in equity of the Telekom Slovenije Group for the period ending 30 June 2020

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and surplus	Translation reserve	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other revenue reserves	Retained earnings from previous years	Profit or loss for the period					
Balance at 1 Jan 2020	272,721	181,488	51,612	3,671	-3,671	54,854	13	30,648	1,231	1,171	-507	-2,347	-6	590,878
Profit or loss for the period									14,883					14,833
Other comprehensive income for the period										-289	109	0	-21	-200
Total comprehensive income for the period	0	0	0	0	0	0	0	0	14,833	-289	109	0	-21	14,833
Dividends paid								-22,769						-22,769
Transactions with owners	0	0	0	0	0	0	0	-22,769	0	0	0	0	0	-22,769
Transfer of profit or loss from previous period to retained earnings or losses								1,231	-1,231					0
Other	0	1						-28	0			-2	-1	-30
Balance at 30 June 2020	272,721	181,489	51,612	3,671	-3,671	54,854	13	9,082	14,833	882	-398	-2,349	-28	582,711

## Unaudited statement of changes in equity of the Telekom Slovenije Group for the period ending 30 June 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									20,025					20,025	-453	19,572
Other comprehensive income for the period										72	-263	0	3	-188		-188
Total comprehensive income for the period	0	0	0	0	0	0	0	0	20,025	72	-263	0	3	19,837	-453	19,384
Dividends paid								0						0		0
Transactions with owners	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of retained earnings from previous years to retained earnings								17,614	-17,614					0		0
Other								-51	0					-51		-51
Balance at 30 June 2019	272,721	181,488	51,612	3,671	-3,671	54,854	17,026	47,887	20,025	1,085	-881	-2,356	19	643,480	-4,519	638,961

Unaudited statement of changes in equity of Telekom Slovenije, d. d. for the period ending 30 June 2020

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and surplus	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other revenue reserves	Retained earnings from previous years	Profit or loss for the period				
Balance at 1 Jan 2020	272,721	180,956	50,434	3,671	-3,671	54,544	0	48,301	585	1,170	-506	-2,070	606,136
Profit or loss for the period									15,246				15,246
Other comprehensive income for the period										-289	109	0	-179
Total comprehensive income for the period	0	0	0	0	0	0	0	0	15,246	-289	109	0	15,067
Dividends paid								-22,769					-22,769
Transactions with owners	0	0	0	0	0	0	0	-22,769	0	0	0	0	-22,769
Transfer of profit or loss from previous period to retained earnings or losses								585	-585				0
Change in group structure													0
Balance at 30 June 2020	272,721	180,956	50,434	3,671	-3,671	54,544	0	26,118	15,246	882	-397	-2,070	598,433



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

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings		Fair value reserve on available-for-sale financial assets	Fair value reserve for hedging instruments	Fair value reserve for actuarial deficit and surplus	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other revenue reserves	Retained earnings from previous years	Profit or loss for the period				
Balance at 1 Jan 2019	272,721	180,956	50,434	3,671	-3,671	54,544	17,013	43,493	17,013	1,013	-618	-2,373	634,196
Profit or loss for the period									23,202				23,202
Other comprehensive income for the period										72	-263	0	-191
Total comprehensive income for the period	0	0	0	0	0	0	0	0	23,202	72	-263	0	23,011
Dividends paid								0					0
Transactions with owners	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of retained earnings from previous years to retained earnings								17,013	-17,013				0
Balance at 30 June 2019	272,721	180,956	50,434	3,671	-3,671	54,544	17,013	60,506	23,202	1,085	-881	-2,373	657,207

## Unaudited cash flow statement for the period ending 30 June 2020

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I - VI 2020	I - VI 2019	I - VI 2020	I - VI 2019
<b>Cash flows from operating activities</b>				
<b>Profit</b>	<b>14,833</b>	<b>19,572</b>	<b>15,246</b>	<b>23,202</b>
<b>Adjustments for:</b>				
Depreciation and amortization	83,685	88,562	67,839	71,554
Impairment and write-offs of intangible assets, property, plant and equipment, intangible assets and investment property	166	0	0	0
Gain or loss on disposal of property, plant and equipment	87	1	135	52
Finance income	-761	-2,386	-2,972	-4,139
Finance costs	11,394	4,834	14,431	4,693
Income tax expense and deferred tax	1,840	1,761	1,468	1,558
<b>Operating cash flow prior to changes in net working capital and provisions</b>	<b>111,244</b>	<b>112,344</b>	<b>96,147</b>	<b>96,920</b>
Change in assets held for sale	-1,053	10	-12	0
Change in trade and other receivables	2,684	11,560	-1,393	10,115
Change in deferred costs, accrued income and contract assets	-10,274	6,850	-8,525	8,330
Change in other non-current assets	21,237	-2,540	20,727	-2,211
Change in inventories	-5,104	-498	-4,440	-525
Change in provisions	-3,993	372	-4,187	229
Change in long-term, short-term deferred income and contract liabilities	-1,715	-122	-1,452	-346
Change in accrued costs and expenses	5,518	1,100	4,459	1,288
Change in trade and other payables	4,103	-53,183	10,497	-55,748
Income tax paid	-508	237	0	0
<b>Net cash from operating activities</b>	<b>122,139</b>	<b>76,129</b>	<b>111,822</b>	<b>58,053</b>
<b>Cash flows from investing activities</b>				
<b>Receipts from investing activities</b>	<b>752</b>	<b>38,886</b>	<b>2,380</b>	<b>44,781</b>
Sale of property, plant and equipment	108	634	108	572
Dividends received	0	152	0	152
Interest received	1	2	1,204	1,677
Disposal of non-current investments	41	37,596	1,068	41,880
Disposal of current investments	603	501	0	500
<b>Disbursements from investing activities</b>	<b>-87,521</b>	<b>-59,976</b>	<b>-80,941</b>	<b>-50,219</b>
Acquisition of property, plant and equipment	-41,822	-35,858	-39,930	-32,780
Acquisition of intangible assets	-45,694	-24,116	-40,161	-12,950
Investments in subsidiaries and associates	0	0	0	-3
Interest-bearing loans	-6	-2	-850	-4,486
<b>Net cash from investing activities</b>	<b>-86,769</b>	<b>-21,090</b>	<b>-78,561</b>	<b>-5,439</b>
<b>Cash flows from financing activities</b>				
<b>Receipts from financing activities</b>	<b>14,500</b>	<b>35,000</b>	<b>14,900</b>	<b>35,000</b>
Non-current borrowings	0	35,000	0	35,000
Current borrowings	14,500	0	14,900	0
<b>Disbursements from financing activities</b>	<b>-48,513</b>	<b>-46,497</b>	<b>-48,109</b>	<b>-45,360</b>
Maturity of short-term commercial paper	-6,106	-6,548	-5,736	-4,944
Repayment of current borrowings	0	-28,000	0	-28,500
Repayment of non-current borrowings	-15,416	-7,723	-15,385	-7,692
Maturity of bond issued	0	0	0	0
Interest paid	-4,222	-4,226	-4,219	-4,224
Dividends paid	-22,769	0	-22,769	0
<b>Net cash from financing activities</b>	<b>-34,013</b>	<b>-11,497</b>	<b>-33,209</b>	<b>-10,360</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>1,357</b>	<b>43,541</b>	<b>52</b>	<b>42,254</b>
<b>Opening balance of cash</b>	<b>13,219</b>	<b>10,684</b>	<b>1,153</b>	<b>2,011</b>
<b>Closing balance of cash</b>	<b>14,576</b>	<b>54,225</b>	<b>1,205</b>	<b>44,265</b>

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

### Telekom Slovenije Group

The Telekom Slovenije Group comprises:

Company	Country	30.6.2020
Telekom Slovenije, d.d.	Slovenia	100 %
GVO, d.o.o.	Slovenia	100 %
OPTIC-TEL, d.o.o.	Slovenia	100 %
INFRATEL, d.o.o.	Slovenia	100 %
GVO Telekomunikation GmbH	Slovenia	100 %
TSmedia, d.o.o.	Slovenia	100 %
AVTENTA, d.o.o.	Slovenia	100 %
SOLINE, d.o.o.	Slovenia	100 %
Planet TV, d.o.o.	Slovenia	100 %
TSinpo, d.o.o.	Slovenia	100 %
IPKO Telecommunications LLC	Kosovo	100 %
SIOL, d.o.o. Zagreb	Croatia	100 %
SIOL, d.o.o. Sarajevo	Bosnia and Herzegovina	100 %
SIOL, d.o.o. Podgorica	Montenegro	100 %
SIOL, DOOEL Skopje	North Macedonia	100 %
SIOL, d.o.o. Beograd	Serbia	100 %
SIOL, d.o.o. Prishtina	Kosovo	100 %
USTANOVA SRČNI SKLAD	Slovenia	100 %

### Segment reporting

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

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

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

## Operating segments I – VI 2020

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
External sales	299,913	25,450	0	325,363
Intersegment sales	41,313	2,713	-44,026	0
<b>Total segment revenue</b>	<b>341,226</b>	<b>28,163</b>	<b>-44,026</b>	<b>325,363</b>
<b>Other revenue</b>	<b>10,184</b>	<b>86</b>	<b>-245</b>	<b>10,025</b>
<b>Total operating expenses</b>	<b>-323,099</b>	<b>-29,186</b>	<b>37,558</b>	<b>-314,727</b>
<b>Operating profit per segment</b>	<b>28,311</b>	<b>-937</b>	<b>-6.713</b>	<b>20,661</b>
Finance income				761
Finance costs				-4,749
<b>Profit before tax</b>				<b>16,673</b>
Income tax expense				-2,572
Deferred tax				732
<b>Profit for the period</b>				<b>14,833</b>

Other segment information at 30. 6. 2020	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Segment assets	1,316,731	132,861	-220,194	<b>1,229,399</b>
Segment liabilities	697,024	122,646	-172,982	<b>646,688</b>

## Sales revenue by segment I – VI 2020

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Mobile services in end-customer market	101,541	14,402	-147	<b>115,796</b>
Fixed-line telephone services on end-customer market	106,482	10,668	-686	<b>116,465</b>
New sources of revenue	3,800	0	-1	<b>3,800</b>
Wholesale market	74,339	3,093	-4,064	<b>73,368</b>
Other revenues and merchandise	55,064	0	-39,129	<b>15,934</b>
<b>Total revenue</b>	<b>341,226</b>	<b>28,163</b>	<b>-44,027</b>	<b>325,363</b>

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Revenues from sale of services	295,375	27,655	-39,999	<b>283,032</b>
Revenues from sale of goods	45,851	508	-4,028	<b>42,331</b>
<b>Total revenue</b>	<b>341,226</b>	<b>28,163</b>	<b>-44,027</b>	<b>325,363</b>

## Operating segments I – VI 2019

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
External sales	314,116	26,510	0	340,626
Intersegment sales	36,113	3,944	-40,057	0
<b>Total segment revenue</b>	<b>350,229</b>	<b>30,454</b>	<b>-40,057</b>	<b>340,626</b>
<b>Other revenue</b>	<b>1,751</b>	<b>1,005</b>	<b>-330</b>	<b>2,426</b>
<b>Total operating expenses</b>	<b>-327,090</b>	<b>-32,316</b>	<b>40,135</b>	<b>-319,271</b>
<b>Operating profit per segment</b>	<b>24,890</b>	<b>-857</b>	<b>-252</b>	<b>23,781</b>
Finance income				2,386
Finance costs				-4,834
<b>Profit before tax</b>				<b>21,333</b>
Income tax expense				-231
Deferred tax				-1,530
<b>Profit for the period</b>				<b>19,572</b>

Other segment information at 31. 12. 2019	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Segment assets	1,316,094	136,986	-220,220	<b>1,232,860</b>
Segment liabilities	688,256	123,672	-169,946	<b>641,982</b>

## Sales revenue by segment I – VI 2019

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Mobile services in end-customer market	105,516	14,436	-383	<b>119,569</b>
Fixed-line telephone services on end-customer market	107,429	11,883	-524	<b>118,788</b>
New sources of revenue	3,255	0	0	<b>3,255</b>
Wholesale market	83,553	4,135	-6,436	<b>81,252</b>
Other revenues and merchandise	50,476	0	-32,714	<b>17,762</b>
<b>Total revenue</b>	<b>350,229</b>	<b>30,454</b>	<b>-40,057</b>	<b>340,626</b>

EUR thousand	Slovenia	Other countries	Eliminations and adjustments	Consolidated
Revenues from sale of services	307,614	29,778	-35,833	<b>301,559</b>
Revenues from sale of goods	42,615	676	-4,224	<b>39,067</b>
<b>Total revenue</b>	<b>350,229</b>	<b>30,454</b>	<b>-40,057</b>	<b>340,626</b>

## Net sales revenue

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I - VI 2020	I - VI 2019	I - VI 2020	I - VI 2019
Mobile services in end-customer market	115,796	119,569	101,541	105,516
Fixed-line telephone services on end-customer market	116,465	118,788	106,482	107,429
New sources of revenue	3,800	3,255	3,800	3,255
Wholesale market	73,368	81,252	73,359	82,664
Other revenues and merchandise	15,934	17,762	11,128	9,239
<b>Total revenue</b>	<b>325,363</b>	<b>340,626</b>	<b>296,311</b>	<b>308,103</b>

Telekom Slovenije Group			Telekom Slovenije	
EUR thousand	I - VI 2020	I - VI 2019	I - VI 2020	I - VI 2019
Revenues from sale of services	283,032	301,559	250,814	267,149
Revenues from sale of goods	42,331	39,067	45,497	40,954
<b>Total revenue</b>	<b>325,363</b>	<b>340,626</b>	<b>296,311</b>	<b>308,103</b>

The Telekom Slovenije Group's net sales revenue totalled EUR 325.4 million, a decrease relative to the same period in 2019. The following categories are down in 2020: revenues from the mobile segment of the end-user market due to the shift of subscribers to new, more affordable packages and an aggressive competitive offer and due to lower revenues from roaming as the result of the coronavirus, revenues from the fixed segment of the end-user market, primarily due to lower revenues from traditional telephony, revenues on the wholesale market due to reduced international voice traffic and lower revenues from roaming by non-residents as a result of the coronavirus, and other revenues and revenues from other merchandise due to the coronavirus. New revenue sources were up relative to the same period last year, primarily on account of higher energy revenues. Revenues from e-commerce were up by 70% during the reporting period relative to the same period last year.

The revenues generated by Telekom Slovenije during the reporting period were down by EUR 11,792 thousand relative to the same period last year for the same reasons given for the Telekom Slovenije Group.

The Telekom Slovenije Group's other revenues and revenues from other merchandise include revenues from investment works, maintenance and the clearance of faults, and sales of non-telecommunication services and merchandise.

### Costs of services

Telekom Slovenije Group			Telekom Slovenije	
EUR thousand	I - VI 2020	I - VI 2019	I - VI 2020	I - VI 2019
Telecommunications services	56,880	60,553	56,536	61,934
Cost of leased lines	2,960	3,286	4,118	4,400
Multimedia services	12,361	15,354	9,538	10,040
Costs of subcontractors' services	19,137	20,003	16,361	17,762
Maintenance of property, plant and equipment	10,115	10,925	10,452	11,342
Other services	18,249	20,018	14,871	15,761
<b>Total cost of services</b>	<b>119,702</b>	<b>130,139</b>	<b>111,876</b>	<b>121,239</b>

The costs of services incurred by the Telekom Slovenije Group were down by EUR 10,437 thousand during the reporting period relative to the same period last year, broken down as follows: the costs of telecommunication services were down by EUR 3,673 thousand due to the reduced volume of international traffic and roaming as the result of the coronavirus, while the costs of multimedia content were down by EUR 2,993 thousand. The indirect costs of services were also lower.

The costs incurred by Telekom Slovenije during the reporting period were down by EUR 9,363 thousand relative to the same period last year. The reasons are the same as those given for the Telekom Slovenije Group.

### Operating profit and net profit

#### Telekom Slovenije Group

Earnings before interest and taxes (EBIT) in the amount of EUR 20,661 thousand were down by EUR 3,120 thousand relative to the same period last year. A net profit of EUR 14,833 thousand was achieved for the accounting period in the context of a net financial loss of EUR 3,988 thousand.



## Telekom Slovenije

Earnings before interest and taxes (EBIT) in the amount of EUR 28,173 thousand were up by EUR 2,859 thousand relative to the same period last year. A net profit of EUR 15,246 thousand was achieved for the accounting period in the context of a net financial loss of EUR 11,459 thousand.

## Intangible assets

Intangible assets were up by EUR 12,310 thousand at the Telekom Slovenije Group level and by EUR 12,208 thousand at Telekom Slovenije relative to the end of 2019. Commitments for intangible assets amounted to EUR 5,768 thousand at the Telekom Slovenije Group level and to EUR 6,914 thousand at Telekom Slovenije as at 30 June 2020.

## Property, plant and equipment

The Telekom Slovenije Group's property, plant and equipment amounted to EUR 650,584 thousand as at 30 June 2020, representing 53% of total assets. Assets were down by EUR 2,827 thousand, primarily as a result of the higher amount of depreciation charged compared with new acquisitions. Commitments for property, plant and equipment totalled EUR 5,571 thousand at the Group level as at 30 June 2020.

Telekom Slovenije's property, plant and equipment amounted to EUR 587,814 thousand, representing 48% of total assets. Assets were up by EUR 3,697 thousand relative to the end of 2019, while commitments for property, plant and equipment totalled EUR 25,705 thousand as at 30 June 2020.

## Trade and other receivables

Current trade and other receivables were down by EUR 5,986 thousand at the Telekom Slovenije Group level and up by EUR 1,459 thousand at Telekom Slovenije relative to the balance at the end of 2019.

## Financial liabilities

Financial liabilities amounted to EUR 415,079 thousand at the Telekom Slovenije Group level and to EUR 428,141 thousand at Telekom Slovenije as at 30 June 2020. They mainly relate to:

- borrowings received in the amount of EUR 245,056 thousand at the Telekom Slovenije Group level and EUR 252,456 thousand at Telekom Slovenije;
- liabilities for bonds issued in the amount of EUR 100,074 thousand were down EUR 962 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 69,182 thousand at the Telekom Slovenije Group level and to EUR 74,993 thousand at Telekom Slovenije as at 30 June 2020.

## 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 June 2020

EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Non-current financial assets</b>					
Available-for-sale financial assets	1,706	1,706	1,706		
Investments in shares and stocks not listed on the securities market	2,620	2,620			2,620
Loans given	139	139			139
<b>Current financial assets</b>	71	71			71
Loans given	2	2			2
Other current financial assets					
<b>Non-current financial liabilities</b>	199,519	199,519			199,519
Interest-bearing borrowings	281	281		281	
Interest-rate swaps	59,574	59,574			59,574
Liabilities arising from leased assets					
<b>Current financial liabilities</b>					
Interest on bonds	100,074	100,500	100,500		
Interest-bearing borrowings	45,537	45,537			45,537
Interest-rate swaps	209	209		209	
Liabilities arising from leased assets	9,608	9,608			9,608
Other financial liabilities	175	175			175

Carrying amount and fair value of the Telekom Slovenije Group's financial instruments as at 31 December 2019

EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Non-current financial assets</b>					
Available-for-sale financial assets	2,062	2,062	2,062		
Loans given	2,619	2,619			2,619
Loans given	172	172			172
Other non-current financial assets	7	7			7
<b>Current financial assets</b>					
Loans given	77	77			77
Other current financial assets	602	602			602
<b>Non-current financial liabilities</b>					
Bonds	99,983	101,800	101,800		
Interest-bearing borrowings	214,802	214,802			214,802
Interest-rate swaps	625	625		625	
Liabilities arising from leased assets	60,068	60,068			60,068
<b>Current financial liabilities</b>					
Bonds	1,053	1,053			1,053
Interest-bearing borrowings	31,038	31,038			31,038
Liabilities arising from leased assets	8,986	8,986			8,986
Other financial liabilities	171	171			171

### Carrying amount and fair value of Telekom Slovenije's financial instruments as at 30 June 2020

EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 2
<b>Non-current financial assets</b>					
Investments in shares quoted on the securities market	1,706	1,706	1,706		
Investments in shares and stocks not listed on the securities market	2,618	2,618			2,618
Loans given	76,705	76,705			76,705
<b>Current financial assets</b>					
Loans given	9,474	9,474			9,474
<b>Non-current financial liabilities</b>					
Interest-bearing borrowings	199,519	199,519			199,519
Interest-rate swaps	281	281		281	
Liabilities arising from leased assets	64,350	64,350			64,350
<b>Current financial liabilities</b>					
Interest on bonds	100,074	100,500	100,500		
Interest-bearing borrowings	52,937	52,937			52,937
Interest-rate swaps	209	209		209	
Liabilities arising from leased assets	10,643	10,643			10,643
Other financial liabilities	128	128			128

### Carrying amount and fair value of Telekom Slovenije's financial instruments as at 31 December 2019

EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 2
<b>Non-current financial assets</b>					
Investments in shares quoted on the securities market	2,062	2,062	2,062		
Investments in shares and stocks not listed on the securities market	2,617	2,617			2,617
Loans given	85,742	85,742			85,742
<b>Current financial assets</b>					
Loans given	10,226	10,226			10,226
<b>Non-current financial liabilities</b>					
Bonds	99,983	101,800	101,800		
Interest-bearing borrowings	214,802	214,802			214,802
Interest-rate swaps	625	625		625	
Liabilities arising from leased assets	66,351	66,351			66,351
<b>Current financial liabilities</b>					
Bonds	1,053	1,053			1,053
Interest-bearing borrowings	38,008	38,008			38,008
Liabilities arising from leased assets	10,031	10,031			10,031
Other financial liabilities	128	128			128

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

### Contingent liabilities from lawsuits

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

### Contingent liabilities from guarantees issued

The Group had provided the following guarantees as at 30 June 2020:

- performance guarantees and warranty bonds in the amount of EUR 7,926 thousand, and
- other guarantees in the amount of EUR 268 thousand.

The Company had provided the following guarantees as at 30 June 2020:

- performance guarantees and warranty bonds in the amount of EUR 5,686 thousand, and
- other guarantees in the amount of EUR 516 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 June 2020, representing a holding of 0.00468%.

### Transactions with owners and parties related thereto

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

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

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

Telekom Slovenije Group			Telekom Slovenije	
EUR thousand	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Outstanding operating receivables	3,833	4,414	3,375	3,056
Outstanding operating liabilities	1,873	2,269	1,798	1,982
EUR thousand	I - VI 2020	I - VI 2019	I - VI 2020	I - VI 2019
Operating revenue	9,423	9,973	7,641	8,463
Purchase costs of material and services	4,613	4,747	4,179	4,299

### Transactions with Group companies

Telekom Slovenije recorded the following transactions with Group companies

EUR thousand	I - VI 2020	I - VI 2019
<b>Net revenue in the Group</b>	<b>7,196</b>	<b>8,188</b>
Subsidiaries	7,196	8,188
<b>Purchase of material and services in the Group</b>	<b>9,604</b>	<b>11,835</b>
Subsidiaries	9,604	11,835

EUR thousand	30.06.2020	31.12.2019
<b>Receivables due from companies in the Group</b>	<b>7,366</b>	<b>5,925</b>
Subsidiaries	7,366	5,925
<b>Loans to companies in the Group</b>	<b>85,927</b>	<b>95,727</b>
Subsidiaries	85,927	95,727
<b>Liabilities to companies in the Group</b>	<b>37,551</b>	<b>35,544</b>
Subsidiaries	37,551	35,544

All transactions between related parties are executed at market prices.

#### Events after the reporting date

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

## 7.1. Financial risk management

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

### Credit risk

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

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

### Exposure to credit risk

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Loans given	210	249	86,719	95,968
Other current investments	2	602	0	0
Trade and other receivables	147,524	153,510	147,054	145,595
- <i>whereof trade receivables</i>	141,991	145,645	142,680	140,511
Cash and cash equivalents	14,576	13,219	1,205	1,153
<b>Total</b>	<b>162,312</b>	<b>167,580</b>	<b>234,438</b>	<b>242,716</b>

Credit risk or the risk of counterparty default derives from default by subscribers (retail) and by operators (wholesale). The highest exposure to credit risk is seen in trade receivables. The latter amounted to EUR 141,911 thousand as at 30 June 2020, a decrease of EUR 3,653 thousand relative to the end of 2019. Telekom Slovenije's receivables make up the majority of the Group's trade and other receivables. The majority of receivables are unsecured. The Group's receivables are accounted for by a large number of individuals and legal entities. Its largest customers are operators, where turnover generally flows in both directions, which reduces net credit exposure. We assess that there is no significant concentration of credit risk vis-à-vis a particular customer or economic sector.

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

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

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

Telekom Slovenije is also exposed to credit risk in connection with receivables from loans to subsidiaries. The Company manages the risk of borrowers' failure to settle their obligations through the use of various collateral instruments in loan agreements, while it regularly monitors the operations and solvency of subsidiaries.



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

EUR thousand	30.6.2020		31.12.2019	
	Gross value	Value adjustments	Net value	Net value
<b>Total trade receivables</b>	<b>160,965</b>	<b>-18,974</b>	<b>141,991</b>	<b>145,645</b>
Undue trade receivables	125,153	-168	124,985	128,101
<b>Past due</b>				
up to 30 days	10,891	-1	10,889	12,155
31 to 60 days	3,322	-6	3,317	3,596
61 to 90 days	951	-6	945	481
91 to 120 days	1,117	-599	518	-5
More than 121 days	19,532	-18,195	1,337	1,317
<b>Total past due trade receivables</b>	<b>35,813</b>	<b>-18,807</b>	<b>17,006</b>	<b>17,544</b>
Other operating receivables	5,541	-8	5,533	7,865
<b>Total receivables</b>	<b>166,506</b>	<b>-18,982</b>	<b>147,524</b>	<b>153,510</b>

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

EUR thousand	30.6.2020		31.12.2019	
	Gross value	Value adjustments	Net value	Net value
<b>Total Trade receivables</b>	<b>154,996</b>	<b>-12,316</b>	<b>142,680</b>	<b>140,511</b>
Undue trade receivables	125,390	0	125,390	124,804
<b>Past due</b>				
- up to 30 days	9,222	-1	9,220	9,045
- 31 to 60 days	3,140	-6	3,135	3,056
- 61 to 90 days	986	-6	980	534
- 91 to 120 days	791	-386	406	256
- more than 121 days on	15,467	-11,917	3,549	2,816
<b>TOTAL past due trade receivables</b>	<b>29,606</b>	<b>-12,316</b>	<b>17,290</b>	<b>15,707</b>
Other operating receivables	4,374	0	4,374	5,084
<b>Total receivables</b>	<b>159,370</b>	<b>-12,316</b>	<b>147,054</b>	<b>145,595</b>

### Maturity profile of loans given

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
<b>Due</b>	<b>6</b>	<b>7</b>	<b>1,936</b>	<b>403</b>
<b>Undue:</b>	<b>204</b>	<b>242</b>	<b>84,242</b>	<b>95,565</b>
- up to 3 months	16	18	2,894	1,175
- 3 to 12 months	48	52	4,644	8,648
- 1 to 2 years	49	59	7,001	6,947
- 2 to 5 years	69	84	34,843	43,615
- more than 5 years	21	29	34,861	35,180
<b>Total</b>	<b>210</b>	<b>249</b>	<b>86,179</b>	<b>95,968</b>

#### Ageing structure of loans given as at 30 June 2020

Telekom Slovenije Group			Past due				
EUR thousand	Undue	Less than 3 months	EUR thousand	Undue	Less than 3 months	EUR thousand	Undue
Loans given	204	6	0	0	0	0	210

Telekom Slovenije			Past due				
EUR thousand	Undue	Less than 3 months	EUR thousand	Undue	Less than 3 months	EUR thousand	Undue
Loans given	82,242	1,106	517	313	0	0	86,179

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

Telekom Slovenije Group				Past due			
EUR thousand	Undue	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Loans given	242	7	0	0	0	0	249

Telekom Slovenije				Past due			
EUR thousand	Undue	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Loans given	95,565	35	368	0	0	0	95,968

The Company's senior management assesses the credit quality of the above-stated financial assets, which were not impaired or overdue as at 30 June 2020, as good.

#### Solvency risk

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

The Telekom Slovenije Group has revolving credit lines open at banks that ensure a high level of liquidity within the Group. Total liquidity reserves in the form of approved undrawn credit lines at banks amounted to EUR 155 million as at 30 June 2020. Telekom also has open revolving credit lines at subsidiaries in the amount of EUR 9 million. A total of EUR 7.4 million of those credit lines had been drawn as at 30 June 2020.

Debt is relatively low at the level of the Group and Company. The majority of the financial liabilities of the Group and Company relate to a long-term syndicated loan in the amount of EUR 230.8 million, five-year bonds in the amount of EUR 100 million, drawn revolving credit lines in the amount of EUR 15.0 million at the Group level and EUR 22.4 million at the Company level, and finance lease liabilities in the amount of EUR 69.2 million at the Group level and EUR 75.0 million at the Company level as the result of the implementation of IFRS 16. The Group and Company regularly repay liabilities from financing.

Maturity of the Telekom Slovenije Group's liabilities as at 30 June 2020 and 31 December 2019 based on contractual non-discounted payments

EUR thousand	Past due	On demand	Less than 3 months	3 to 12 months	Undue 1 to 2 years	2 to 5 years	More than 5 years	Total
<b>30.06.2020</b>								
Loans and borrowings	0	0	0	45,769	30,769	161,538	7,692	245,769
Anticipated interest on loans	0	0	10	3,436	2,969	4,019	53	10,487
Other financial liabilities	156	0	0	100,340	0	383	0	100,879
Anticipated interest in bonds	0	0	0	1,950	0	281	0	2,231
Trade and other payables	1,386	3,138	77,567	24,293	7,502	10,070	15,588	139,544
Financial liabilities from lease	-26	-33	3,933	5,672	6,942	17,160	35,425	69,074
<b>Total</b>	<b>1,517</b>	<b>3,105</b>	<b>81,510</b>	<b>181,461</b>	<b>48,181</b>	<b>193,453</b>	<b>58,758</b>	<b>567,985</b>
<b>31.12.2019</b>								
Loans and borrowings	0	0	0	31,300	30,769	169,231	15,384	246,684
Anticipated interest on loans	0	0	0	3,679	5,328	3,201	158	12,366
Other financial liabilities	128	0	2	1,136	100,347	312	0	101,925
Anticipated interest in bonds	0	0	0	1,950	1,950	0	0	3,900
Trade and other payables	2,397	2,497	95,802	12,737	10,248	221	12,268	136,170
Financial liabilities from lease	46	0	3,935	5,006	6,710	18,371	34,986	69,054
<b>Total</b>	<b>2,571</b>	<b>2,497</b>	<b>99,739</b>	<b>55,808</b>	<b>155,352</b>	<b>191,336</b>	<b>62,796</b>	<b>570,099</b>

Maturity of Telekom Slovenije's liabilities as at 30 June 2020 and 31 December 2019 based on contractual non-discounted payments

in EUR thousand	Past due	On demand	Less than 3 months	3 to 12 months	Undue 1 to 2 years	2 to 5 years	More than 5 years	Total
<b>30.6.2020</b>								
Loans and borrowings	0	0	0	53,169	30,769	161,538	7,692	253,169
Anticipated interest on loans	0	0	10	3,436	2,969	4,019	53	10,487
Other financial liabilities	128	0	0	100,321	0	281	0	100,731
Anticipated interest in bonds	0	0	0	1,950	0	281	0	2,231
Trade and other payables	1,365	1,055	79,583	17,889	8,959	11,398	331	120,581
Financial liabilities from lease	-5	3	4,114	6,531	8,316	21,890	34,144	74,993
<b>Total</b>	<b>1,489</b>	<b>1,058</b>	<b>83,707</b>	<b>183,297</b>	<b>51,013</b>	<b>199,408</b>	<b>42,220</b>	<b>562,192</b>

in EUR thousand	Past due	On demand	Less than 3 months	3 to 12 months	Undue 1 to 2 years	2 to 5 years	More than 5 years	Total
<b>31.12.2019</b>								
Loans and borrowings	0	0	0	38,269	30,769	169,231	15,385	253,654
Anticipated interest on loans	0	0	0	3,679	3,201	5,328	158	12,366
Other financial liabilities	128	0	0	1,095	100,316	310	0	101,849
Anticipated interest in bonds	0	0	0	1,950	1,950	0	0	3,900
Trade and other payables	1,693	1,401	93,224	3,627	10,286	258	178	110,667
Financial liabilities from lease	46	0	4,203	5,782	8,415	22,556	35,380	76,382
<b>Total</b>	<b>1,867</b>	<b>1,401</b>	<b>97,427</b>	<b>54,402</b>	<b>154,937</b>	<b>197,683</b>	<b>51,101</b>	<b>558,818</b>

### Interest rate risk

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

Liabilities from loans raised with variable interest rates tied to the 1-, 3- and 6-month EURIBOR accounted for 59.2% of the Group's interest-bearing financial liabilities and 57.4% of the Company's interest-bearing financial liabilities as at 30 June 2020. The remaining liabilities are accounted for by drawn short-term revolving credit lines (at the Company level), issued bonds and a finance lease with a fixed interest rate.

The Group and Company entered into an interest-rate swap with the aim of hedging exposure to interest-rate risk as the result of a long-term syndicated loan. The amount of the secured principal stood at EUR 73.1 million as at 30 June 2020. The principal is hedged against a rise in the reference interest rate if the latter is higher than or equal to zero. Fixed or hedged interest rates account for 58.4% of interest-bearing financial liabilities at the Group level and 59.7% at the Company level.

### Exposure to interest-rate risk

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019
<b>Financial instruments with variable interest rate</b>				
Financial receivables	0	0	0	29,652
Financial liabilities	172,797	169,299	172,692	169,231
<b>Net financial liabilities</b>	<b>172,797</b>	<b>169,299</b>	<b>172,692</b>	<b>139,579</b>

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

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

### Sensitivity analysis

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

## Interest-rate risk table

30.6. 2020	Interest rate increase/decrease	Effect on profit before tax in EUR thousand	
		Telekom Slovenije Group	Telekom Slovenije
EURO	+100 bps	-682	-682
EURO	-100 bps	-731	-731
31. 12. 2019	Interest rate increase/decrease	Effect on profit before tax in EUR thousand	
		Telekom Slovenije Group	Telekom Slovenije
EURO	+100 bps	-588	-388
EURO	-100 bps	-769	-769

## Value of the EURIBOR

EURIBOR	Value as at 30. 6. 2020	Value as at 31. 12. 2019	Change as %
1-month	-0.504	-0.,444	-13.51
3-month	-0.403	-0.390	-3.33
6-month	-0.283	-0.325	12.92

## Capital management

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

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

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019
Interest-bearing borrowings and other financial liabilities	415,079	416,759	428,141	430,981
Less current investments and cash with short-term deposits	-14,648	-13,898	-10,679	-11,379
<b>Net debt</b>	<b>400,431</b>	<b>402,861</b>	<b>417,462</b>	<b>419,602</b>
Equity	582,711	590,878	598,433	606,136
<b>Balance sheet total</b>	<b>1,229,399</b>	<b>1,232,860</b>	<b>1,232,790</b>	<b>1,223,536</b>
<b>Debt/equity ratio</b>	<b>68.7%</b>	<b>68.2%</b>	<b>68.8%</b>	<b>69.2%</b>
<b>Equity/balance sheet total ratio</b>	<b>47.4%</b>	<b>47.9%</b>	<b>49.9%</b>	<b>49.5%</b>