



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

for the period January to June 2021



TelekomSlovenije

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1. INTRODUCTORY NOTE

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

The condensed interim financial statements for the period ending 30 June 2021 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2020. The financial statements for the period January to June 2021 have not been audited.

Telekom Slovenije's Supervisory Board discussed the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the period under consideration at its session on 28 July 2021.

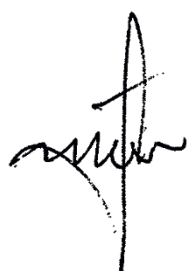
Any significant changes to the data contained in the prospectus for listing on the stock exchange are regularly published by the Company on the Ljubljana Stock Exchange's SEOnet website and on the Company's website at www.telekom.si.

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

1.1. Statement of responsibility of the Management Board

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

- to the best of our knowledge, the unaudited report of the Telekom Slovenije Group and Telekom Slovenije was compiled and published in accordance with valid legislation and the International Financial Reporting Standards as adopted by the EU;
- the condensed interim financial statements for the period ending 30 June 2021 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2020;
- the selected accounting policies were applied consistently in the compilation of the condensed financial statements and any changes to those policies were disclosed, and that accounting estimates were made fairly and with careful consideration, according to the principle of prudence and the diligence of a good manager, and under the assumption that the Telekom Slovenije Group and Telekom Slovenije are going concerns; and
- the interim business report presents a fair picture of information regarding major transactions with related parties, in accordance with regulations.



Cvetko Sršen
President of the
Management Board



Tomaž Jontes
Vice-President of the
Management Board



Dr Mitja Štular
Member of the
Management Board



Barbara Galičič
Drakslar
Member of the
Management Board



Špela Fortin
Member of the
Management Board
– Workers Director

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

2.1. Vision, mission and values



2.2. Key strategic objectives

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

Strategic objectives of the Telekom Slovenije Group



Leader in user experience

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



Digitalisation of operations

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



Growth in ICT services

Growth in ICT services and solutions will be based on the existing superior LTE/4G network, and the opportunities offered by fifth generation (5G) mobile networks. 5G technology will facilitate the development of the smart industry and smart cities, as well as the introduction of virtual campus networks, which in turn will enable the continued digitalisation of various verticals, such as energy, transportation, logistics, industry, smart cities, healthcare, and protection and rescue (public safety).



Maintaining the level of revenues from the core activity in Slovenia

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



Consolidation on individual markets

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



Optimal employee structure

The Telekom Slovenije Group will continue to ensure the optimal number of employees, taking into account the needs of work processes at individual companies. We are

optimising the employee structure through the strategic planning of needs for staff, and the appropriate organisational structure and job classification. We build the employer brand through an effective remuneration system, and the development of knowledge and competences.



Financial stability

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



Responsibility to the environment and society

We actively identify opportunities where we can contribute to the development of the social and economic environment in which we operate through our expertise, and financial and other resources. The principles of sustainable development are built into our operations, products, services and content, while we also responsibly manage the economic, social and environmental impacts of our operations.

Key objectives of the Telekom Slovenije Group for 2021

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

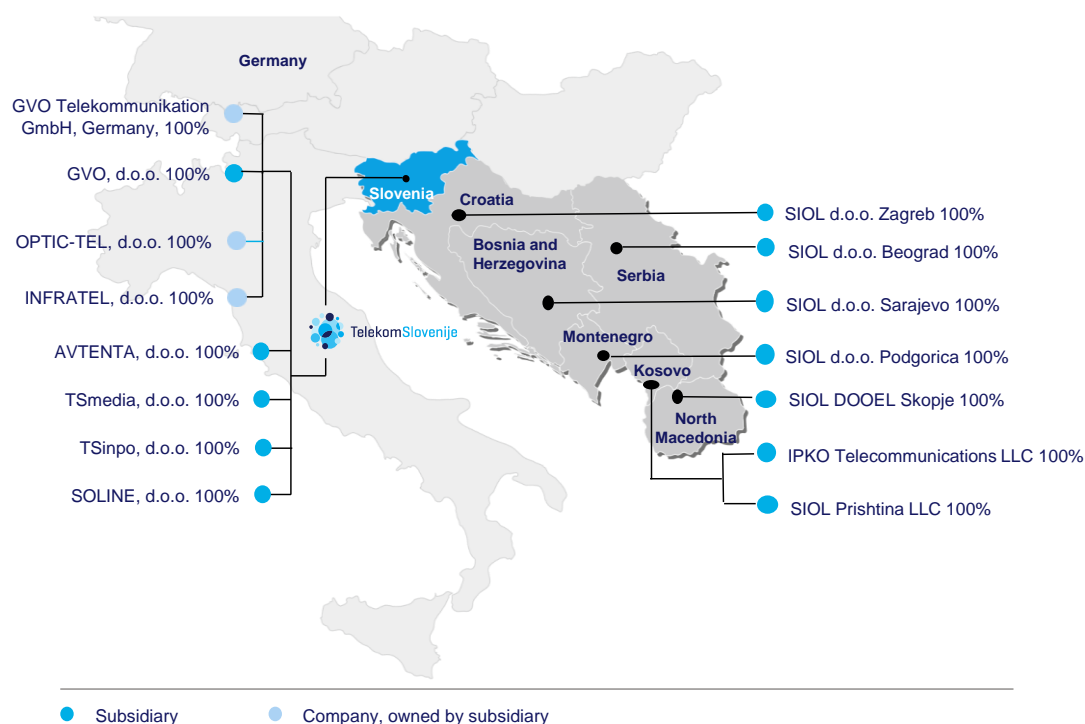
3. TELEKOM SLOVENIJE GROUP

3.1. Markets and companies of the Telekom Slovenije Group

The Telekom Slovenije Group comprises the parent company Telekom Slovenije and its subsidiaries. The composition of the Telekom Slovenije Group and participating interests as at 30 June 2021 are presented in the picture below.

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

Situation as at 30 June 2021



Changes in the Telekom Slovenije Group in 2021:

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

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

3.2. Operating highlights

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

- The Telekom Slovenije Group generated EUR 319.5 million in operating revenues in the period January to June 2021, a decrease of 2% relative to the revenues generated during the same period in 2020.
- Net sales revenue amounted to EUR 317.6 million, which is 1% below the figures achieved in the first six months of 2020. The COVID-19 pandemic is affecting sales revenue in 2021 due to lower revenues from the roaming of users in the networks of foreign operators and roaming by foreign users in our mobile networks. Having the most significant impact on lower revenues are IT licences, which also result in lower costs on the other hand. Revenues are also declining due to the optimisation of subscribers who have an increasing number of services included in their monthly subscription fee, while revenues from traditional telephony have also been declining for several years. Sales revenue was up relative to the same period last year at the subsidiary IPKO.
- The Telekom Slovenije Group's operating expenses totalled EUR 290.3 million, a decrease of 3% relative to the same period in 2020.
- Earnings before interest and taxes (EBIT) amounted to EUR 29.3 million in the period January to June 2021, which is equivalent to the same period last year. Taking into account one-off effects in 2020, EBIT was 26% higher in 2021 relative to the same period last year.
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled EUR 113.7 million at the Telekom Slovenije Group level, an increase of 1% relative to the same period in 2020. Taking into account one-off effects in 2020, EBITDA was 6% higher in 2021 relative to the same period last year. The EBITDA margin (i.e. EBITDA as a proportion of sales revenue) was 35.8% at the Group level.
- Following the calculation of income tax (including deferred taxes), the Telekom Slovenije Group generated a net profit of EUR 21.3 million during the first half of 2021, an increase of EUR 6.5 million relative to the same period in 2020. Taking into account one-off effects in 2020, net profit was 22% higher in 2021 relative to the same period last year.
- Despite the challenges in connection with the COVID-19 pandemic, the Telekom Slovenije Group is financially stable. In that context and given conditions on the market, it is adapting its business activities to the changing circumstances and closely monitoring and assessing risks in connection with supply chains, credit risk, the functioning of systems and the profitability of individual services, while adopting the appropriate measures.

3.3. Key performance indicators for the Telekom Slovenije Group

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

EUR thousand / %	Telekom Slovenije Group			Telekom Slovenije		
	I - VI 2021/ 30.6.2021	I - VI 2020 / 31.12.2020	Index 21/20	I - VI 2021/ 30.6.2021	I - VI 2020 / 31.12.2020	Index 21/20
Revenue	317,564	321,751	99	287,270	296,311	97
Other operating income	1,950	5,453	36	806	4,203	19
Total operating revenue	319,514	327,204	98	288,076	300,514	96
EBITDA	113,675	112,882	101	94,042	96,012	98
EBITDA margin	35.8%	35.1%	102	32.7%	32.4%	101
EBIT	29,288	29,305	100	23,726	28,173	84
Return on sales: ROS (EBIT/ sales revenue)	9.2%	9.1%	101	8.3%	9.5%	87
Net profit from continuing operations	21,332	23,466	91	28,451	15,246	187
Loss from discontinued operations	0	-8,633	-	0	-	-
Net profit	21,332	14,833	144	28,451	15,246	187
Assets	1,271,525	1,227,839	104	1,261,894	1,226,566	103
Equity	582,875	590,484	99	605,268	605,784	100
Equity ratio	45.8%	48.1%	95	48.0%	49.4%	97
Net financial debt	444,414	378,377	117	448,014	390,067	115

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

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

3.4. Overview of operations by company and key market

Operating revenues

EUR thousand	I - VI 2021	I - VI 2020	Index 21/20
Telekom Slovenije	288,076	300,514	96
Other companies in Slovenia	38,044	40,906	93
IPKO – Kosovo	31,482	26,406	119
Other companies abroad	1,955	1,844	106
Total – unconsolidated	359,557	369,670	97
Eliminations and adjustments	-40,043	-42,466	-
Telekom Slovenije Group	319,514	327,204	98

EBITDA – earnings before interest, taxes, depreciation and amortisation

EUR thousand	I - VI 2021	I - VI 2020	Index 21/20
Telekom Slovenije	94,042	96,012	98
Other companies in Slovenia	4,184	3,771	111
IPKO – Kosovo	17,369	13,017	133
Other companies abroad	1,384	1,268	109
Total – unconsolidated	116,979	114,068	103
Eliminations and adjustments	-3,304	-1,186	-
Telekom Slovenije Group	113,675	112,882	101

EBIT – earnings before interest and taxes

EUR thousand	I - VI 2021	I - VI 2020	Index 21/20
Telekom Slovenije	23,726	28,173	84
Other companies in Slovenia	1,654	1,145	144
IPKO – Kosovo	4,748	-1,134	-
Other companies abroad	324	197	164
Total – unconsolidated	30,452	28,382	107
Eliminations and adjustments	-1,164	923	-
Telekom Slovenije Group	29,288	29,305	100

Net profit or loss

EUR thousand	I - VI 2021	I - VI 2020	Index 21/20
Telekom Slovenije	28,451	15,246	187
Other companies in Slovenia	1,243	697	178
IPKO – Kosovo	3,384	-2,487	-
Other companies abroad	133	-30	-
Eliminations and adjustments	-11,878	10,040	-
Net profit from continuing operations	21,332	23,466	91
Loss from discontinued operations	0	-8,633	-
Telekom Slovenije Group	21,332	14,833	144

Investments

EUR thousand	I - VI 2021	I - VI 2020	Index 21/20
Telekom Slovenije*	119,374	83,836	142
Other companies in Slovenia	1,044	1,211	86
IPKO – Kosovo	3,798	2,554	149
Other companies abroad	823	112	735
Eliminations and adjustments	-709	-2,941	-
Telekom Slovenije Group	124,331	84,772	147

*Includes acquisition of the radio frequency spectrum in the amount of EUR 52.1 million in the 700 MHz FDD band, 700 MHz SDL band, 1500 MHz band, 2100 MHz band, 3600 MHz band and 26 GHz band.

Employees

Number of employees as at	30.6.2021	31.12.2020	Index 21/20
Telekom Slovenije	2,162	2,165	100
Other companies in Slovenia	706	699	101
IPKO – Kosovo	528	528	100
Telekom Slovenije Group	3,396	3,392	100

TELEKOM SLOVENIJE GROUP CONNECTIONS AND SERVICES BY TYPE AND MARKET

Broadband connections

Number as at	30.6.2021	31.12.2020	Index 21/20
<i>Slovenia - retail</i>	199,613	201,420	99
<i>Slovenia - wholesale</i>	164,170	160,323	102
Slovenia total	363,783	361,743	101
Kosovo - retail	104,756	102,515	102
Telekom Slovenia Group	468,539	464,258	101

Mobile telephony

Number as at	30.6.2021	31.12.2020	Index 21/20
<i>Slovenia - retail</i>	954,932	965,867	99
<i>Slovenia - wholesale</i>	143,572	132,861	108
Slovenia total	1,098,504	1,098,728	100
Kosovo - retail	801,930	775,148	103
Telekom Slovenia Group	1,900,434	1,873,876	101

Fixed telephony and VoIP services

Number as at	30.6.2021	31.12.2020	Index 21/20
<i>Slovenia - classical fixed telephony</i>	294,842	302,867	97
<i>Slovenia - VoIP</i>	181,464	183,174	99
Slovenia total	476,306	486,041	98
Kosovo - VoIP	35,114	35,027	100
Telekom Slovenia Group	511,420	521,068	98

3.5. Ownership structure and share trading

General information regarding Telekom Slovenije shares as at 30 June 2021

General information regarding shares	
Ticker symbol	TLSG
Listing	Ljubljana Stock Exchange, prime
Share capital (EUR)	272,720,664.33
Number of ordinary registered no-par value	6,535,478
Number of shares held in treasury	30,000
Number of shareholders as at 30 June 2021	8,714

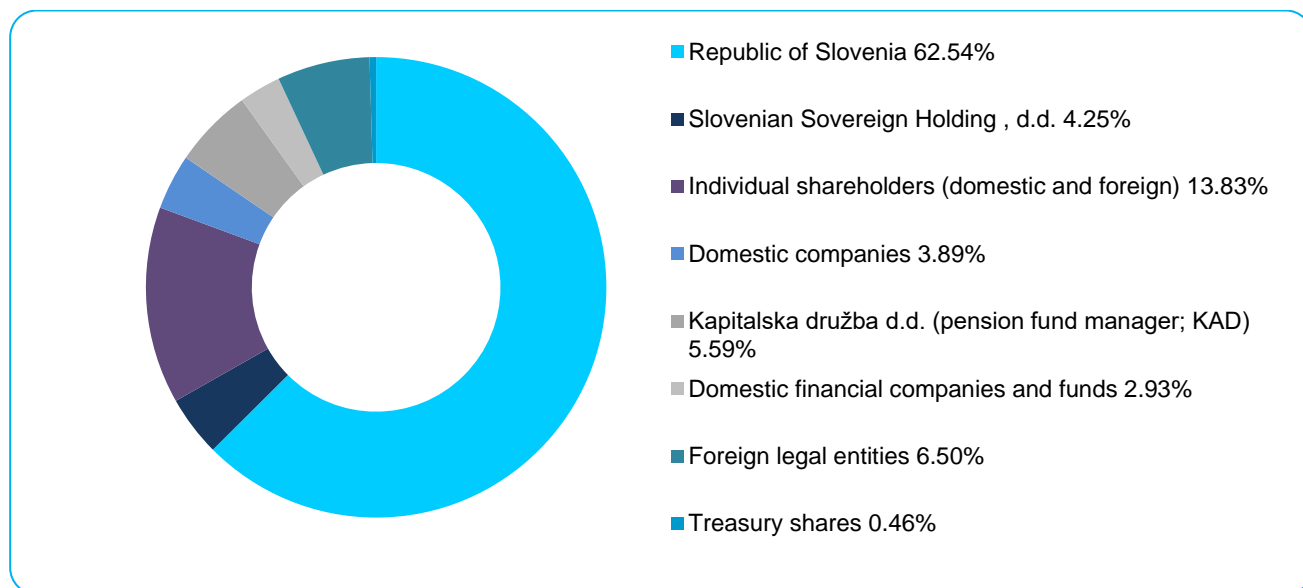
Ownership structure and largest shareholders as at 30 June 2021

Telekom Slovenije had 8,714 shareholders as at 30 June 2021, a decrease of 151 relative to the end of 2020.

With a total stake of 93.3%, domestic investors are predominant in the Company's ownership structure. The Company's largest shareholder is the Republic of Slovenia, together with Kapitalska družba, Slovenski državni holding, the First Pension Fund of Modra zavarovalnica and the latter's guarantee fund. Collectively, 73.36% of the Company's shares were directly or indirectly held by the government.

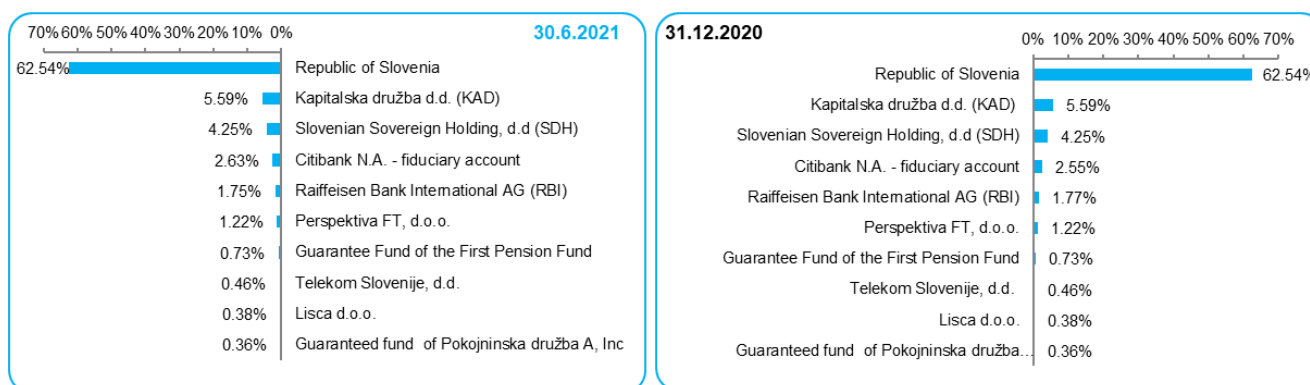
Individual shareholders represent the second largest category of owners. Their stake was up during the first half of 2021. Foreign legal entities also increased their stake, while domestic legal entities, financial corporations and funds decreased their stake. Government-held stakes were unchanged.

Ownership structure as at 30 June 2021



Ten largest shareholders as at 30 June 2021

The concentration of ownership, as measured by the ownership stake held by the ten largest shareholders, stood at 79.91% as at 30 June 2021, an increase of 0.06 percentage points relative to the end of 2020. There was no change in the order of the top ten shareholders.



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

Members of the Management Board and Supervisory Board held 724 TLSG shares as at 30 June 2021.

First name and surname	Office	Number of shares	% in equity
Management Board			
Dr Mitja Štular	Member of the Management Board	470	0.00719
Supervisory Board			
Marko Kerin	Member of the Supervisory Board	2	0.00003
Drago Kijevčanin	Vice-President of the Supervisory Board	212	0.00324
Dušan Pišek	Member of the Supervisory Board	36	0.00055
Jana Žižek Kuhar	Member of the Supervisory Board	4	0.00006
Total		724	0.01108

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

Movement in the TLSG share price

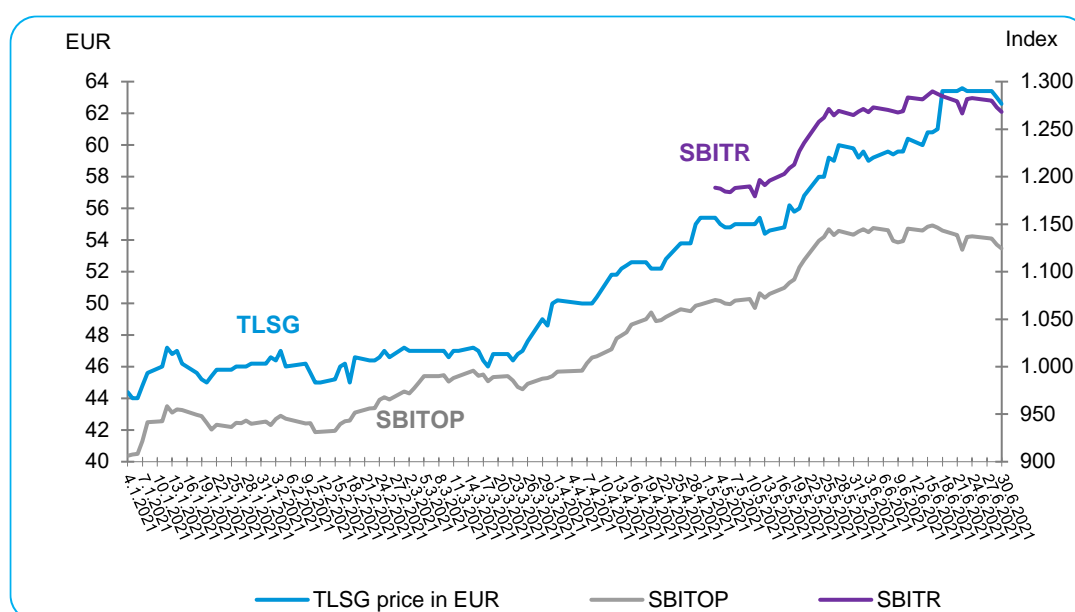
The shares of Telekom Slovenije are listed on the prime securities market of the Ljubljana Stock Exchange under the ticker symbol TLSG. The shares are included in the SBITOP share index, and accounted for 5.83% of that index according to the quarterly review of the composition and parameters of the SBITOP conducted on 21 June 2021. The shares are also included in the SBITOP TR index, the Slovenian "blue chip" total return index, which was introduced on 3 May 2021 and the calculation of which takes into account both market prices and confirmed dividends. Since 19 June 2019, TLSG shares are also included in the ADRIAprime share index, which is a composite index of selected companies listed on the prime markets of the Ljubljana Stock Exchange and Zagreb Stock Exchange. This is also a total return index that takes into account both changes in share prices and dividend yield.

The price of TLSG shares closed at EUR 62.60 on the last trading day of June 2021. The share price rose by 43.6% during the first half of the year, while the SBITOP index, which provides information regarding the movement of the most liquid and largest shares on the stock exchange, was up by 24.9% during the same period. The market capitalisation of Telekom Slovenije stood at EUR 409.12 million on the last trading day of June. Turnover in Telekom Slovenije shares totalled EUR 5.95 million during the period January to June 2021, representing 2.7% of total turnover on the stock exchange.

Trading statistics for TLSG shares on the Ljubljana Stock Exchange

Standard price in EUR	I – VI 2021	I – VI 2020
Highest daily price	63.60	59.60
Lowest daily price	44.00	41.00
Average daily price	51.49	50.28
Volume in EUR thousand	I – VI 2021	I – VI 2020
Total volume of the period	5,948.74	9,094.28
Highest daily price	374.47	379.22
Lowest daily price	0.27	0.18
Average daily price	48.36	73.94

Movement in the TLSG share price compared to the SBITOP index



Source: Ljubljana Stock Exchange, archive of data.

Key data relating to shares

	30 June 2021 / I – VI 2021	30 June 2020 / I – VI 2020
Closing price of one share on the last trading day of the period in EUR	62.60	47.00
Book value of one share in EUR ¹	89.19	90.35
P/BV	0.70	-
Net earnings per share in EUR ²	3.28	2.28
Capital return per share during the period in % ³	43.58	-13.60

Notes:

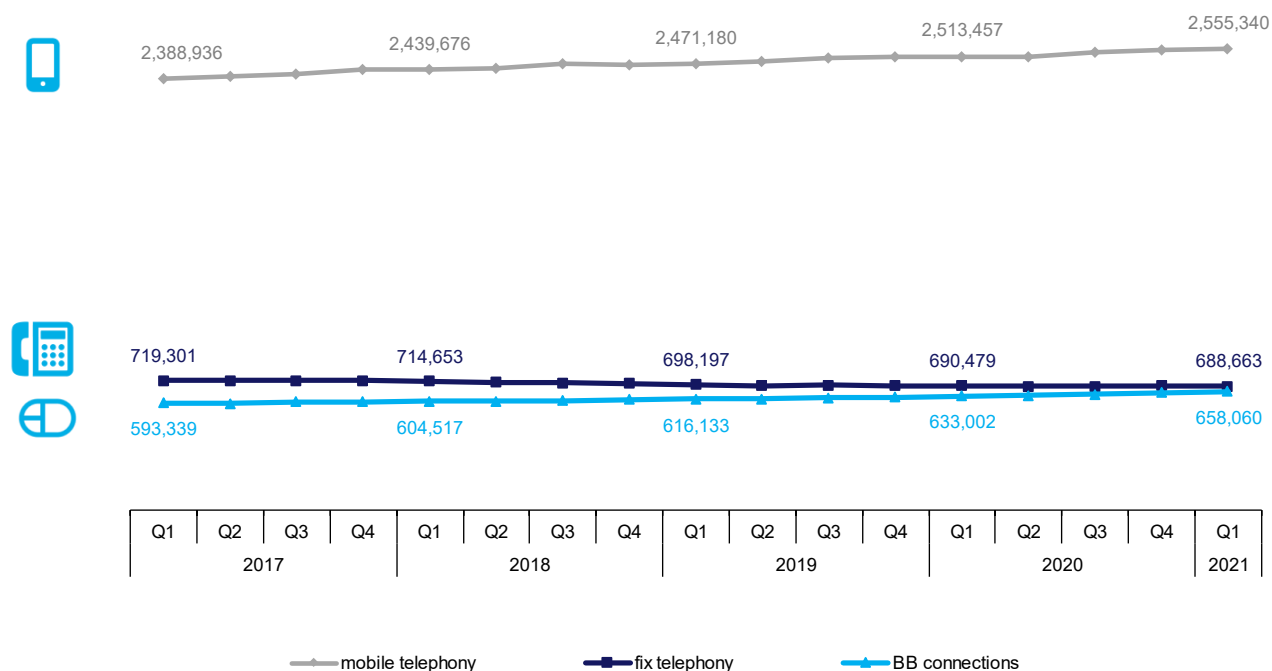
¹ The book value of one share is calculated as the ratio of the book value of the Telekom Slovenije Group's equity on the last day of the period to the number of issued ordinary shares. Comparable data from the statement of financial position are from 31 December 2020.

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

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

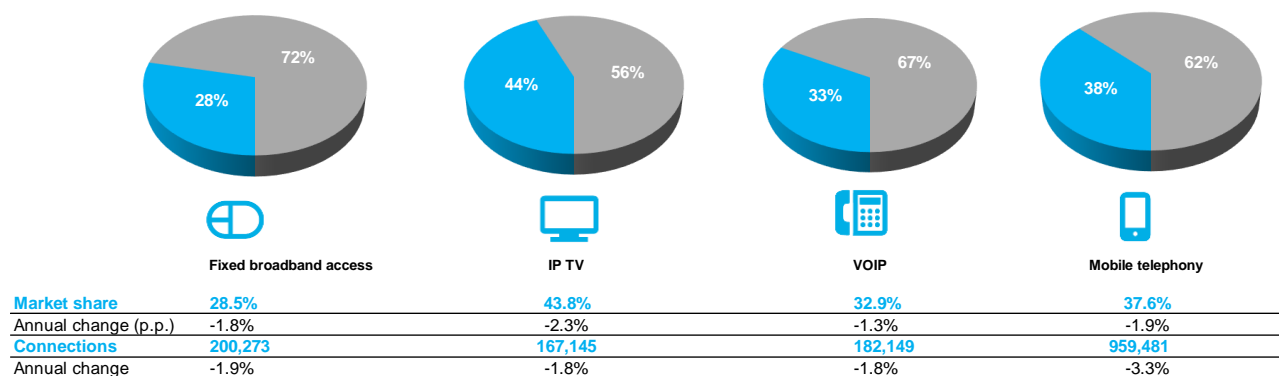
3.6. Market and market shares in key service segments

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 2021, June 2021.

Telekom Slovenije's market shares in the first quarter of 2021 in key market segments



Source: AKOS: eAnalitik portal, June 2021; 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, and the migration of voice traffic to OTT platforms. Users demand an increasing number of high-quality services at a low price. The Slovenian market is saturated, which means less manoeuvring room for attracting new users. The management of such risks requires the regular 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. Emphasis is given to digitalisation and quick response to user requests.

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, currency and interest-rate risk, while various financial risk management and interest rate hedging models are used to reduce exposure to specific types of risks.
- Liquidity risk is managed through the regular management and planning of cash flows through the optimisation of working capital, by ensuring the appropriate maturities of financial debt, and through financing within the Group. The Company manages cash flows using liquidity reserves in the form of short-term (revolving) credit lines. In the beginning of June, the Company by signing a loan contract successfully completed the process of acquiring a long-term loan with which it repaid the issue of bonds due in June, while earmarking a portion of the loan to other investments. In managing liquidity, the Company follows a conservative approach and ensures the best possible composition of sources of financing. It carefully monitors the economic situation and business factors, including the dynamics of received payments.
- Credit risk is managed by the Company through the active monitoring of the operations of

customers and their credit ratings, and by limiting maximum allowable exposures. The Company further hedges against the risk of the deteriorating financial position of customers through credit insurance and by regularly monitoring the appropriateness thereof. Monitoring of the settlement of contractual obligations and the active recovery of past-due debt are also elements of the system tool used for credit risk management.

- The Company also hedges against interest-rate risk by concluding interest-rate swaps. Fixed or hedged interest rates account for 46.70% 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.

Regulatory and compliance-related risks

- 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.
- Currently being drafted is the new Electronic Communications Act (ZEKom-2), which will transpose the European Electronic Communications Code (EECC). Telekom Slovenije is participating in the process with constructive and expert proposals, also by drafting comments and suggestions for the draft act. At the European level, the Digital Services Act (DSA) package is currently the subject of public consultations. That package includes proposed new and amended rules for the strengthening of the Single Market for digital services.
- On 10 June 2021, with the issue of decisions on the allocation of radio frequencies the Agency for Communication Networks and Services (AKOS) concluded the public tender with a public auction for the allocation of radio

frequencies for the provision of public communication services to end-users in the 700 MHz, 1500 MHz, 2100 MHz, 2300 MHz, 3600 MHz and 26 GHz radio frequency bands. Operators were therefore able to use the frequencies that they bid on.

- The risk associated with personal data protection derives from the large scope and categories of personal data that Telekom Slovenije processes as the leading operator in Slovenia. Of significance with regard to that risk is the application of Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation or GDPR) and sectoral legislation, in particular the Electronic Communications Act (ZEKom-1). The GDPR brought stricter regulation and increased the awareness of both users and the general public regarding the protection of the data, while sectoral legislation sets out the obligations of Telekom Slovenije in individual areas of operations. Telekom Slovenije ensures compliance through the continuous monitoring, updating and improvement of personal data processing and internal control processes for personal data protection. A draft of the new Personal Data Protection Act (ZVOP-2) is being prepared, in which Telekom Slovenije was involved in drafting comments and suggestions in the scope of the Chamber of Commerce and Industry of Slovenia and other sectoral associations. The Company also monitors the drafting of other regulations in the area of personal data protection at the national level (e.g. the ZEISZ) and EU level (where the e-privacy regulation is being coordinated by EU bodies, with the Data Act also being prepared) that will impact the processing of data during the provision of the Company's services.

Operational risks

- Telekom Slovenije gives a great deal of attention to managing ICT-related operational risks. These risks are controlled through the management and development of sub-systems, and by improving operational efficiency, processes and staff, while supporting new business opportunities. Risks in the area of security are managed through the continuous development and implementation of the security policy, by identifying security threats and vulnerabilities, and by spreading the security culture to employees and users.
- Telekom Slovenije also faces risks associated with recruiting and retaining key employees, as it is increasingly difficult to recruit qualified

candidates with specific knowledge and retain employees with crucial expertise due to increased demand on the labour market for professionally qualified personnel. The Company focuses on the systematic development of employees and career planning, the internal transfer of knowledge, the introduction and implementation of advanced development-training programmes, while also ensuring the conditions for employee motivation and remuneration. Company scholarships given to young people allow them to stay in touch with the most state-of-the-art technologies and cooperate with top experts, thereby providing them with opportunities for career and personal development.

- Telekom Slovenije manages risks in connection with procurement processes through a centralised procurement function, a standard process for the implementation of procurement procedures and a methodology for assessing the risk of cooperation with suppliers. The Company monitors compliance with contractual provisions. The Supplier Code falls into this category of activities. The Rules on the procurement of goods and services at Telekom Slovenije are being updated, while activities are being implemented to update information support for the procurement process.

Effect of the COVID-19 pandemic

- Activities and the retail market portfolio were adapted due to the COVID-19 pandemic, while special attention is given to specific segments of users. Activities are being carried out to retain users. Sales of telemedicine and eCare services have risen during the pandemic. The Company is adapting activities to the reduced scope of operations in certain sectors, which is affecting the implementation of some planned projects for business users. Sales of services and products through digital channels are being promoted, striving towards the simplification of processes and digitalisation. The restricted movement of the population and travel limitations have reduced the number of foreign users who roam in Telekom Slovenije's mobile network, while the number of Telekom Slovenije mobile users in the networks of foreign operators is also down. Measures involve the seeking out of new sources of revenue.
- A comprehensive approach to managing liquidity and credit risks and measures implemented in other areas of operations contributed to the COVID-19 pandemic not having a significant impact on the Company's liquidity.
- The Company adopted a plan of measures and activities during the pandemic. That plan also

takes into account national measures and adapts all activities accordingly with the aim of ensuring business continuity, while protecting the health of users and employees. The Company complies with all security and preventive measures, providing the possibility of remote work to employees where the nature of their work so allows. The Company ensures the timely supply of equipment and services. Delivery delays or even potential contract terminations are possible due to higher prices of material and disruptions in the production of certain components of goods and equipment, as certain suppliers are no longer able to ensure deliveries at the agreed prices. The Company therefore ensures the required safety stocks of strategic material. Where possible, at least two sources of delivery have been ensured.

AVTENTA

- Risks in connection with achieving planned revenues are managed through a competitive portfolio and the development of digital solutions.
- Risks in connection with the COVID-19 pandemic continue to cause delays in the implementation of projects and the reduced scope of new projects.

GVO

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

SOLINE

- Weather-related risks are tied to the risk of a loss of salt production due to adverse weather conditions, as salt production is a seasonal activity. The operations of Soline are being adapted through the expansion of sales programmes, while the infrastructure is also being adapted with the help of the Climate Plan of the Republic of Slovenia.
- Changes to the concession agreement on the management of the Sečovelje Salina Nature Park can have a significant effect on the company's business model. The company is in the process of obtaining the necessary authorisations to extend the existing salt-mining concession, which expires at the end of 2021.
- Risks in connection with the COVID-19 pandemic are having a negative effect on the

company's operations, as visits to the park as well as visits to its own stores are down due to less foreign tourists.

TSinpo

- Risks in connection with achieving planned sales of other market services relate to falling demand and pressure from the competition. Currently in progress at the company are active sales via online communication and the adaptation of scanning and packing services to market requirements.
- Risks in connection with the COVID-19 pandemic are having a negative effect on the company's operations due to declining demand and the postponed market launch of products and rising raw material prices. Active communication with customers is ongoing, as well as activities seeking substitute transactions and activities to compensate for the rise in raw material prices.

TSmedia

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

IPKO

- Risks in connection with broadcasting rights is managed through negotiations with the current contractual partner and by seeking new partners to provide broadcasting content.
- 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.
- Risks in connection with the introduction of RLAH for the countries of the Western Balkans impact loss of revenues from roaming.
- The risk of additional investments relating to the shift from an aerial to an underground infrastructure is managed through cooperation with Kosovo Energy Distribution Services (KEDS) and other operators for an optimal solution.
- The company lodged a complaint before the Constitutional Court at the end of 2020 in connection with the payment of additional fees for the use of the infrastructure in municipalities.
- There are risks associated with a change in legislation and the interpretation thereof in relation to public contracts. The company expects that the new public procurement act will be in line with EU directives.
- The company has hired a tax consultant and is working with tax authorities in connection with risks associated with compliance with tax legislation governing licence fees for the broadcasting of channels and tax on other right-of-use licences.
- Risks in connection with the COVID-19 pandemic have affected the company's operations. The company is continuously adapting its operations with the aim of ensuring business continuity and the availability of services.

4. CORPORATE GOVERNANCE

Management Board

Telekom Slovenije is managed by its Management Board, comprising the following members as at 30 June 2021:

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

At its session held on 10 March 2021, Telekom Slovenije's Supervisory Board concluded an agreement with the President and three members of the Company's Management Board on the termination of their employment contracts and their recall. Accordingly, the terms of office of the President of the Management Board Tomaž Seljak, MSc and members Dr Vida Žurga, Matjaž Beričič, MSc and Tomaž Jontes were terminated, effective 10 March 2021. The Supervisory Board appointed Cvetko Sršen to serve as new President and Dr Mitja Štular and Tomaž Jontes to serve as members of the Company's Management Board. Their terms of office began on 10 March 2021. At its session held on 22 March 2021, Telekom Slovenije's Supervisory Board appointed Barbara Galičič Drakslar to serve as member of the Management Board. Her four-year term of office began on 31 March 2021.

Supervisory Board

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

Telekom Slovenije's Supervisory Board comprised the following members as at 30 June 2021:

Shareholder representatives:

- Iztok Černoša, President,
- Karla Pinter, MSc, Vice-President,
- Radovan Cerjak, member,
- Aleksander Igličar, MSc, member,
- Marko Kerin, member and
- Dr Jurij Toplak, member.

Employee representatives:

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

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

On 21 January 2021, the General Meeting of Shareholders recalled member of the Supervisory Board Igor Rozman. On 22 January 2021, Iztok Černoša, Aleksander Igličar, MSc, Marko Kerin and Radovan Cerjak were appointed to four-year terms of office as new members of the Supervisory Board. With the election of the new members of the Supervisory Board, the terms of office of the persons who were appointed under the decision of Ljubljana District Court of 3 November 2020 were terminated: Boštjan Koler, Dimitrij Marjanović and Štefan Belingar, MSc.

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

The terms of office of Supervisory Board members and shareholder representatives Barbara Kürner Čad and Barbara Gorjup, MSc expired on 27 April 2021. The Company's General Meeting of Shareholders elected Karla Pinter, MSc and Dr Jurij Toplak on 18 June 2021 to a four-year term of office to serve as members of the

Supervisory Board and shareholder representatives, effective the day of being elected at the General Meeting of Shareholders. On 22 June 2021, the Supervisory Board elected Karla Pinter, MSc to serve as Vice-President of the Supervisory Board.

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

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

Composition of management and governance bodies at subsidiaries of the Telekom Slovenije Group

SLOVENIA

GVO, d. o. o.

Managing Director: Borut Radi

Supervisory board: Dr Mitja Štular, Sabina Merhar (both since 28 May 2021), Helena Jakič (since 17 June 2021)

INFRATEL, d. o. o.

Managing Director: Borut Radi

Optic-Tel, d. o. o.

Managing Director: Borut Radi

Avtenta, d. o. o.

Managing Director: Primož Kučič

TSmedia, d. o. o.

Managing Director: Simon Furlan, MSc

Soline, d. o. o.

Managing Director: Klavdij Godnič

TSinpo, d. o. o.

Managing Director: Danilo Tomšič, MSc

Procurator: Vesna Lednik (until 1 May 2021)

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 2021

FIRST QUARTER OF 2021

JANUARY

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

FEBRUARY

- Telekom Slovenije received a lawsuit on 1 February 2021 due to alleged breaches of contractual obligations. The value of the claim is less than 5% of capital, which represents a contingent liability with no impact on the financial statements of the Company and Group. Telekom Slovenije responded to the lawsuit in a timely manner and assesses that the plaintiff will be unsuccessful in the dispute in question.
- After being closed from 24 October 2020 to 9 February 2021, Telekom Slovenije's points of sale reopened on 10 February 2021. We carefully carry out all the protective measures associated with preventing the spread of COVID-19 at points of sale.
- On 11 February 2021, Telekom Slovenije's Supervisory Board elected Iztok Černoša to serve as its President. Barbara Kürner Čad, as shareholder representative, and Drago Kijevčanin, as employee representative, were

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

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

MARCH

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

to serve as members of the Management Board. Their terms of office began on 10 March 2021.

- At its session held on 22 March 2021, Telekom Slovenije's Supervisory Board appointed Barbara Galičič Drakslar to the function of member of the Management Board. Her four-year term of office began on 31 March 2021.
- The establishment of a secure and reliable ICT environment that facilitates remote work remains a challenge for many companies. For this reason, Telekom Slovenije has developed a solution that represents something entirely new on the Slovenian market. That solution entails comprehensive IT services, including the leasing of devices and equipment for specific workplaces, tools to improve efficiency, the IT management of implemented solutions and IT assistance and support.

SECOND QUARTER OF 2021

APRIL

- Telekom Slovenije received a decision from the Supreme Court of the Republic of Slovenia on 24 March 2021 in the administrative dispute with the Competition Protection Agency (CPA) due to the alleged abuse of the Company's dominant position on the inter-operator market. In its decision, the Supreme Court partially ruled in favour of Telekom Slovenije's request for review and overruled the contested judgement of the Administrative Court of 9 January 2018 in the part rejecting Telekom Slovenije's claim. In that part, the Supreme Court overturned the contested judgement and returned the matter to the court of first instance for retrial. That matter involves the reversal of the CPA's decision no. 306-23/2013-151 of 2 February 2015. In accordance with the Supreme Court's ruling, the aforementioned decision is no longer partially final.
- In the period 1 April to 11 April, when stricter measures were in place at the national level in order to prevent the spread of the coronavirus, our points of sale remained open due to the regular weekly testing of employees, with a flextime arrangement being adopted at certain points of sale. As of 12 April, points of sale once again operate according to the usual schedule.
- Two and a half years after Telekom Slovenije achieved a new milestone and became one of the first in the world to present a solution that allows TV viewers to manage content via voice commands in Slovene instead of using a traditional remote control, the NEO platform is now used by 100,000 users. Voice control of content is becoming increasingly popular among users. Users gave 8.6 million voice commands in March of this year (of which 185,000 were different commands), which translates to an average of 126 voice commands a month per user.
- At a public auction for the allocation of radio frequencies for the provision of public communication services to end-users, Telekom Slovenije secured the radio frequency spectrum in the 700 MHz FDD band, 700 MHz SDL band, 1500 MHz band, 2100 MHz band, 3600 MHz band and 26 GHz band, for which it will pay a total of EUR 52,078,177.00. During the auction, Telekom Slovenije secured the planned frequency spectrum required to provide private users, companies and operators that roam in its network the most advanced services and solutions in the future, with the best user experience.
- Telekom Slovenije has developed a comprehensive range of smart city solutions for sustainable living and the improved quality of life of the inhabitants of cities and communities. Using those solutions, cities and communities can monitor emissions and water loss, improve energy efficiency, ensure the smart management of parking lots and traffic flows, provide smart lighting, etc. To that end, Telekom Slovenije also set up a free public WiFi network in all major Slovenian cities in the scope of the WiFi4EU project.
- On 3 May 2021, Telekom Slovenije received a decision from the Competition Protection Office (CPA) via which the CPA halted the proceedings to determine the breach of Article 9 of the Prevention of Restriction of Competition (ZPOMk-1) and Article 102 of the Treaty on the Functioning of the European Union (TFEU; previously Article 82 of the Treaty Establishing the European Community). The CPA introduced the proceeding on 19 March 2009 against Mobitel, then continued the proceeding against Telekom Slovenije as its legal successor, due to allegedly abusing its dominant position on the mobile telephony retail market by applying a pricing policy of indirect or direct setting of unfair sales prices within the Itak Džabest package. On 13 February 2012, the CPA issued a decision ruling that Telekom Slovenije breached the ZPOMk-1 and TFEU by offering the Itak Džabest retail package at unfair sales prices from November 2008 to July 2010, as the incremental revenues from the aforementioned package were lower than the incremental costs. Telekom Slovenije filed a lawsuit against this decision before the Supreme Court, which found in favour of the plaintiff on 26 November 2013 and reversed the CPA's decision and returned the matter to the same body for readjudication. The CPA issued a decision on 22 April 2021 to halt the proceedings explaining that it was unable to

obtain evidence in the retrial that would support the existence of Telekom Slovenije's predatory and exclusionary strategy.

MAY

- On 12 May 2021, Telekom Slovenije's Supervisory Board also discussed the consolidation activities on the Slovenian market and gave its consent to halt Avtenta's merger procedure with Telekom Slovenije. Given the ICT market dynamic, Avtenta, the leading partner for managing and implementing SAP solutions and paperless operations on the Slovenian market, continued to strengthen its position on the market of advanced e-business solutions as an independent company within the Telekom Slovenije Group. The Supervisory Board also gave its consent to halt the process to sell TSmedia. The process was concluded without the selection of a buyer. TSmedia thus remains part of the Telekom Slovenije Group.
- In the Tržič Municipality, Telekom Slovenije put in place a smart parking system, which directs drivers automatically to vacant parking spaces for more efficient management of parking spaces. The smart parking system is one of those solutions that Telekom Slovenije provides in the scope of developing smart cities.
- Telekom Slovenije introduced a new advanced Varen splet (Safe Web) solution that provides both businesses and private users comprehensive protection of internet data traffic on the mobile and fixed network, as well as during roaming.
- On 13 May 2021, Telekom Slovenije published the convening of the 33rd General Meeting of Shareholders.
Telekom Slovenije as the sole owner of GVO, gradnja in vzdrževanje telekomunikacijskih omrežij, d.o.o., adopted provisions of the company's amended articles of association, in accordance with which the company also comprises a supervisory board. Telekom Slovenije appointed Dr Mitja Štular and Sabina Merhar to a four-year term of office to serve as members of the Supervisory Board, effective 28 May 2021, and Helena Jakič to a four-year term of office to serve as member of the Supervisory Board and employee representative, effective 17 June 2021.

JUNE

- Telekom Slovenije further improved the user experience of NEO platform users by updating the neo.io website and with a new NEO mobile application, which both bring the same range of TV programmes that is available to TV users via the NEO Smartbox.
- On 3 June 2021, Telekom Slovenije signed a

long-term syndicated loan agreement in the amount of EUR 130 million with a syndicate of banks organised by Nova Ljubljanska banka, and comprising Banka Intesa Sanpaolo, Nova Ljubljanska banka, SKB banka and UniCredit Banka Slovenija. By securing the aforementioned long-term loan, Telekom Slovenije has ensured the necessary liquidity for the repayment of issued bonds in the amount of EUR 100 million that fell due for payment in June 2021. A portion of the loan will also be earmarked for investments in connection with the continued implementation of the Company's established strategy. The syndicated loan has a maturity of seven years and is divided into three tranches.

- During the Trusted Brand independent survey, which is conducted by the Mediana Institute for Market and Media Research, survey respondents recognised Telekom Slovenije as the most trustworthy brand, both for mobile and internet services.
- Telekom Slovenije, as the only Slovenian operator that established a national fifth mobile generation (5G) network last year that covers more than 33% of all Slovenian inhabitants, upgraded its network on 15 June at a number of locations in Ljubljana with an additional 3600 MHz frequency spectrum.
- At the 33rd General Meeting of Shareholders, shareholders supported the proposal that of the EUR 34,981,050.48 in distributable profit in 2020 EUR 29,274,651.00 be earmarked for the payment of dividends, representing a gross dividend of EUR 4.50 per share, while the remainder in the amount of EUR 5,706,399.48 is brought forward to the next year. Dividends shall be paid on 3 August 2021 to shareholders and other beneficiaries who are entered in the register of shareholders as such on the cut-off date of 2 August 2021. The General Meeting of Shareholders was briefed on the annual report for the 2020 financial year and on the Supervisory Board's written report on the approval of the annual report for the 2020 financial year, and conferred official approval on the Management Board and Supervisory Board for the 2020 financial year. The General Meeting of Shareholders was also 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 in 2020. The Company's General Meeting of Shareholders was briefed that the term of office of two members of the Supervisory Board and shareholder representatives Barbara Kürner Čad and Barbara Gorjup, MSc expired on 27 April 2021, and elected Karla Pinter and Dr Jurij Toplak to a four-year term of office to

serve as members of the Supervisory Board, effective on the day of their election by the General Meeting of Shareholders. The shareholders adopted a resolution on the remuneration of Supervisory Board members in accordance with the Corporate Governance Code for Companies with Capital Assets of the State. The General Meeting of Shareholders

authorised Telekom Slovenije's Management Board to purchase and dispose of treasury shares, whereby total treasury shares, together with the shares the Company already holds, may not exceed 5% of share capital or 326,773 shares. This authorisation is valid for 12 months from the day the relevant resolution is adopted.

6. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

THIRD QUARTER OF 2021

JULY

- There were no significant events in July that could affect the Group's financial statements after the balance sheet date of 30 June 2021.

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

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

The condensed financial statements for the period ending 30 June 2021 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read together with the financial statements and disclosures compiled for the 2020 financial year. The financial statements for the period January to June 2021 and for the comparative period January to June 2020 have not been audited, while the financial statements for the comparative period ending 31 December 2020 have been audited.

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

Changes in accounting policies

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

Use of significant estimates and judgements

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

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

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

Changes in the Telekom Slovenije Group

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

COVID-19 pandemic

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

In the first half of 2021, the Telekom Slovenije Group and Telekom Slovenije created no additional impairments in connection with the COVID-19 pandemic. There was also no reduction in or waiving of lease payments in connection with IFRS 16 Leases.

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

- the following companies took advantage of the reimbursement of compensation during temporary absence from work due to sickness covered by the employer for up to three days: Telekom Slovenije, GVO, TSmedia, TSinpo and Soline, in the total amount of EUR 10 thousand;
- the following companies took advantage of the reimbursement of wage compensation for furloughed workers and for the period a worker did not perform their work due to force majeure: Telekom Slovenije, GVO, Avtenta, TSmedia, TSinpo and Soline, in the total amount of EUR 90 thousand;
- Soline took advantage of the reimbursement of wage compensation for furloughed workers, in the amount of EUR 48 thousand; and

- Soline took advantage of the reimbursement of wage compensation for part-time work, in the amount of EUR 18 thousand;
- the following companies took advantage of the reimbursement of compensation for the period of quarantine: Telekom Slovenije and GVO, in the total amount of EUR 14 thousand;
- Soline took advantage of the reimbursement of fixed costs, in the amount of EUR 178 thousand;
- the following companies took advantage of the reimbursement of an additional crisis bonus: Telekom Slovenije, GVO, Avtenta, TSmedia and TSinpo, in the total amount of EUR 111 thousand.

Functional and reporting currency

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

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

Unaudited consolidated and separate income statement for the period ending 30 June 2021

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I – VI 2021	I – VI 2020	I – VI 2021	I – VI 2020
Revenue	317,564	321,751	287,270	296,311
Other operating income	1,950	5,453	806	4,203
Cost of goods sold	-41,974	-41,468	-45,807	-44,997
Cost of materials and energy	-7,692	-6,653	-5,066	-5,083
Cost of services	-103,531	-115,167	-98,453	-111,876
Labour costs	-49,974	-51,163	-41,729	-42,939
Depreciation/Amortisation	-84,387	-83,577	-70,316	-67,839
Other operating expenses	-2,668	129	-2,979	393
Total operating expenses	-290,226	-297,899	-264,350	-272,341
Operating profit	29,288	29,305	23,726	28,173
Finance income*	1,046	746	13,200	2,972
Finance expenses*	-4,550	-4,745	-4,399	-14,431
Profit before tax	25,784	25,306	32,527	16,714
Current tax	-2,540	-2,572	-2,139	-2,131
Deferred tax expense	-1,912	732	-1,937	663
Net profit from continuing operations	21,332	23,466	28,451	15,246
Loss from discontinued operations	0	-8,633	0	0
Net profit for the period	21,332	14,833	28,451	15,246
Total earnings per share – from continuing operations in EUR	3.28	3.61		
Total earnings per share in EUR	3.28	2.28	4.37	2.34

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

Unaudited consolidated and separate statement of other comprehensive income for the period ending 30 June 2021

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I – VI 2021	I – VI 2020	I – VI 2021	I – VI 2020
Net profit for the period	21,332	14,833	28,451	15,246
<i>Items that may be reclassified subsequently to the statement of profit or loss</i>				
Translation reserves	36	-21	0	0
Change in the fair value of hedging financial instruments	190	135	191	136
Deferred tax	-36	-26	-36	-26
Change in fair value of hedging financial instruments (net)	154	109	155	110
<i>Item that may not be reclassified subsequently to statement of profit or loss</i>				
Actuarial remeasurements of defined benefit obligation	0	0	0	0
Change in fair value of investments in equity instruments measured at fair value through other comprehensive income	191	-356	191	-357
Deferred tax	-36	68	-36	68
Change in fair value of investments in equity instruments measured at fair value through other comprehensive income	155	-288	155	-289
Other comprehensive income for the period after tax	345	-200	310	-179
Total comprehensive income for the period	21,677	14,633	28,761	15,067
Comprehensive income attributable to owners of the controlling company				
Continuing operations	21,677	23,266	0	0
Discontinued operations	0	-8,633	0	0

Unaudited consolidated and separate statement of financial position as at 30 June 2021

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
ASSETS				
Intangible assets	237,597	190,033	192,835	141,451
Property, plant and equipment	662,021	664,644	602,041	600,532
Right-of-use assets	74,318	77,420	81,898	86,506
Investments in subsidiaries	0	0	37,001	37,001
Other investments	3,241	3,068	64,148	63,951
Contract assets	2,515	2,668	2,059	2,337
Other receivables	16,818	17,081	16,814	17,081
Deferred costs	1,365	1,438	1,800	1,636
Investment property	1,229	1,258	4,201	4,230
Deferred tax assets	42,500	44,448	41,956	43,929
Total non-current assets	1,041,604	1,002,058	1,044,753	998,654
Assets held for sale	214	214	214	214
Inventories	28,416	26,175	24,312	21,811
Trade and other receivables	152,361	162,936	141,602	158,367
Contract assets	25,220	23,527	24,853	23,309
Deferred costs	7,414	4,250	5,478	4,740
Investments	755	512	17,386	17,385
Cash and cash equivalents	15,541	8,167	3,296	2,086
Total current assets	229,921	225,781	217,141	227,912
Total assets	1,271,525	1,227,839	1,261,894	1,226,566
EQUITY AND LIABILITIES				
Share capital	272,721	272,721	272,721	272,721
Share premium	181,489	181,489	180,956	180,956
Profit 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>Reserves for treasury shares and interests</i>	<i>3,671</i>	<i>3,671</i>	<i>3,671</i>	<i>3,671</i>
<i>Treasury shares and interests</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 profit reserves</i>	<i>13</i>	<i>13</i>	<i>0</i>	<i>0</i>
Retained earnings	25,322	33,305	49,534	50,359
<i>Retained earnings from previous periods</i>	<i>3,990</i>	<i>8,440</i>	<i>21,083</i>	<i>26,185</i>
<i>Profit or loss for the period</i>	<i>21,332</i>	<i>24,865</i>	<i>28,451</i>	<i>24,174</i>
Fair value reserve	-189	-497	-188	-497
Reserves for actuarial gains/losses	-2,958	-2,988	-2,733	-2,733
Translation reserve	11	-25	0	0
Total equity	582,875	590,484	605,268	605,784
Contract liabilities	14,821	14,955	14,136	14,302
Provisions	20,181	20,407	16,211	16,184
Other payables	35,648	38,896	20,819	20,856
Deferred liabilities	943	817	821	672
Loans and borrowings	301,320	184,221	301,320	184,221
Lease liabilities	56,521	59,092	63,170	67,093
Other financial liabilities	152	244	152	244
Deferred tax liabilities	1,600	1,563	271	235
Total non-current liabilities	431,186	320,195	416,900	303,807
Trade payables	92,119	119,058	82,892	109,755
Income tax payable	2,263	90	2,139	0
Loans and borrowings	63,689	32,080	63,694	45,083
Lease liabilities	9,691	10,180	11,024	11,660
Other financial liabilities	29,337	101,239	29,336	101,237
Contract liabilities	11,750	12,656	8,376	8,805
Deferred liabilities	48,615	41,857	42,265	40,435
Total current liabilities	257,464	317,160	239,726	316,975
Total liabilities	688,650	637,355	656,626	620,782
Total equity and liabilities	1,271,525	1,227,839	1,261,894	1,226,566

Unaudited consolidated statement of changes in equity of the Telekom Slovenije Group for the period ending 30 June 2021

EUR thousand	Share capital	Share premium	Revenue reserves					Retained earnings		Fair value reserve for financial instruments	Fair value reserve for hedging instruments in net amount	Fair value reserve for actuarial deficit and surplus	Translation reserve	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other profit reserves	Retained earnings from previous years	Profit or loss for the period					
Balance as at 1 Jan 2021	272,721	181,489	51,612	3,671	-3,671	54,854	13	8,440	24,865	-219	-278	-2,988	-25	590,484
Net profit for the period									21,332					21,332
Other comprehensive income for the period										155	154	0	36	345
Total comprehensive income for the period	0	0	0	0	0	0	0	0	21,332	155	154	0	36	21,677
Dividends paid								-29,275						-29,275
Transactions with owners	0	0	0	0	0	0	0	-29,275	0	0	0	0	0	-29,275
Transfer of profit from previous period to retained earnings								24,865	-24,865					0
Other								-40		-1		30		-11
Balance as at 30 Jun 2021	272,721	181,489	51,612	3,671	-3,671	54,854	13	3,990	21,332	-65	-124	-2,958	11	582,875

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

EUR thousand	Share capital	Share premium t	Revenue reserves					Retained earnings		Fair value reserve for financial instruments	Fair value reserve for hedging instruments in net amount	Fair value reserve for actuarial deficit and surplus	Translation reserve	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other profit reserves	Retained earnings from previous years	Profit or loss for the period					
Balance as at 1 Jan 2020	272,721	181,488	51,612	3,671	-3,671	54,854	13	30,648	941	1,171	-507	-2,347	-6	590,588
Net profit for the period									14,833					14,833
Other comprehensive income for the period										-288	109	0	-21	-200
Total comprehensive income for the period	0	0	0	0	0	0	0	0	14,833	-288	109	0	-21	14,633
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 from previous period to retained earnings								941	-941					0
Other								-28						-28
Balance as at 30 Jun 2020	272,721	181,488	51,612	3,671	-3,671	54,854	13	8,792	14,833	883	-398	-2,347	-27	582,424

Unaudited separate statement of changes in equity of Telekom Slovenije, d. d. for the period ending 30 June 2021

EUR thousand	Share capital	Share premium	Revenue reserves					Retained earnings		Fair value reserve for financial instruments	Fair value reserve for hedging instruments in net amount	Fair value reserve for actuarial deficit and surplus	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other profit reserves	Retained earnings from previous years	Profit or loss for the period				
Balance as at 1 Jan 2021	272,721	180,956	50,434	3,671	-3,671	54,544	0	26,185	24,174	-219	-278	-2,733	605,784
Net profit for the period									28,451				28,451
Other comprehensive income for the period										155	155	0	310
Total comprehensive income for the period	0	0	0	0	0	0	0	0	28,451	155	155	0	28,761
Dividends paid								-29,275					-29,275
Transactions with owners	0	0	0	0	0	0	0	-29,275	0	0	0	0	-29,275
Transfer of profit from previous period to retained earnings								24,174	-24,174				0
Other								-1		-1			-2
Balance as at 30 Jun 2021	272,721	180,956	50,434	3,671	-3,671	54,544	0	21,083	28,451	-65	-123	-2,733	605,268

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

EUR thousand	Share capital	Share premium t	Revenue reserves					Retained earnings		Fair value reserve for financial instruments	Fair value reserve for hedging instruments in net amount	Fair value reserve for actuarial deficit and surplus	Total
			Legal reserves	Treasury share reserve	Treasury shares	Statutory reserves	Other profit reserves	Retained earnings from previous years	Profit or loss for the period				
Balance as at 1 Jan 2020	272,721	180,956	50,434	3,671	-3,671	54,544	0	48,301	585	1,171	-507	-2,069	606,136
Net profit for the period									15,246				15,246
Other comprehensive income for the period										-289	110	0	-179
Total comprehensive income for the period	0	0	0	0	0	0	0	0	15,246	-289	110	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 from previous period to retained earnings								585	-585				0
Other												-1	-1
Balance as at 30 Jun 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 consolidated cash flow statement for the period ending 30 June 2021

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I – VI 2021	I – VI 2020	I – VI 2021	I – VI 2020
Cash flows from operating activities				
Net profit for the period	21,332	14,833	28,451	15,246
Adjustments for:				
Amortisation	84,388	83,577	70,316	67,839
Impairment and write-offs of property, plant and equipment and intangible assets	3	166	0	0
Gain or loss on disposal of property, plant and equipment	146	87	146	135
Adjustment for discontinued operations	0	6,645	0	0
Impairments and write-off of inventories	451	504	451	504
Net impairment of receivables	1,356	1,658	1,149	1,186
Change in provisions and other changes	8	-4,382	0	-4,500
Finance income	-1,046	-746	-13,200	-2,972
Finance expenses	4,550	4,745	4,398	14,431
Current tax and deferred tax expense	4,452	1,840	4,076	1,468
Cash flows from operating activities prior to changes in working capital and provisions	115,640	108,927	95,787	93,337
Change in inventories	-1,787	-5,609	-2,047	-4,945
Change in trade and other receivables	9,482	1,026	16,523	18,149
Change in accrued and deferred asset items and contract assets	-4,631	10,963	-2,838	-8,525
Change in provisions	-234	389	27	313
Change in trade and other payables	-31,219	4,128	-25,360	10,424
Change in accrued and deferred liability items and contract liabilities	5,844	3,803	1,395	3,007
Income tax paid	-389	-508	0	0
Net cash from operating activities	92,706	123,119	83,487	111,760
Cash flows from investing activities				
Receipts from investing activities	331	752	14,076	2,380
Proceeds from sale of property, plant and equipment	196	108	196	108
Dividends received	100	0	11,100	0
Interest received	3	1	1,110	1,204
Receipts from repayment of loans and deposits	32	643	1,670	1,068
Disbursements from investing activities	-121,895	-87,522	-119,981	-80,941
Purchases of property, plant and equipment	-39,484	-41,822	-37,885	-39,930
Purchases of intangible non-current assets	-82,161	-45,694	-80,446	-40,161
Loans granted and acquisition of deposits	-250	-6	-1,650	-850
Net cash from investing activities	-121,564	-86,770	-105,905	-78,561
Cash flows from financing activities				
Proceeds from financing activities	164,500	14,500	166,000	14,900
Non-current borrowings	140,000	0	140,000	0
Current borrowings	24,500	14,500	26,000	14,900
Disbursements from financing activities	-128,305	-48,513	-142,409	-48,109
Loan originating costs and bonds issued	-578	0	-578	0
Repayment of lease liabilities – principal	-7,395	-4,926	-6,975	-4,598
Repayment of current borrowings	0	0	-14,500	0
Repayment of non-current borrowings	-115,385	-15,416	-115,385	-15,385
Interest paid	-4,947	-5,402	-4,971	-5,357
Dividends paid	0	-22,769	0	-22,769
Net cash from financing activities	36,195	-34,013	23,591	-33,209
Net increase/decrease in cash and cash equivalents	7,337	2,336	1,173	-10
Opening balance of cash and cash equivalents	8,167	13,219	2,086	1,153
Effects of exchange rate changes on cash and cash equivalents	37	62	37	62
Closing balance of cash and cash equivalents	15,541	15,617	3,296	1,205

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

Telekom Slovenije Group

The Telekom Slovenije Group comprised the parent company Telekom Slovenije and the following subsidiaries as at the reporting date (30 June 2021):

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

Segment reporting

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

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

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

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

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

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

Operating segments: I – VI 2021

EUR thousand	Slovenia	Other countries	Eliminations and adjustments*	Total
Revenue	287,611	29,953		317,564
Inter-segment sales	37,055	2,978	-40,033	0
Total segment revenue	324,666	32,931	-40,033	317,564
Other operating income	1,454	496		1,950
Total operating expenses	-263,496	-26,730		-290,226
Operating profit per segment	62,624	6,697	-40,033	29,288
Finance income				1,046
Finance expenses				-4,550
Profit before tax				25,784
Current tax				-2,540
Deferred taxes				-1,912
Net profit for the period				21,332

Other data by segment 30 Jun 2021	Slovenia	Other countries	Eliminations and adjustments*	Total
Segment assets	1,329,223	131,986	-189,684	1,271,525
Segment liabilities	689,561	118,158	-119,069	688,650

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

Revenue by segment: I – VI 2021

EUR thousand	Slovenia	Other countries	Total
Mobile services on end-user market	103,137	18,182	121,319
Fixed-line telephone services on end-user market	93,939	10,879	104,818
Additional services	3,663	0	3,663
Wholesale market	74,204	892	75,096
Other revenues and merchandise	12,668	0	12,668
Total revenue	287,611	29,953	317,564

EUR thousand	Slovenia	Other countries	Total
Revenue from services rendered	243,794	29,244	273,038
Sales revenue – goods	43,817	709	44,526
Total revenue	287,611	29,953	317,564

Operating segments: I – VI 2020

EUR thousand	Slovenia	Other countries	Eliminations and adjustments*	Total
Revenue	296,301	25,450		321,751
Inter-segment sales	41,313	2,713	-44,026	0
Total segment revenue	337,614	28,163	-44,026	321,751
Other operating revenue	5,367	86		5,453
Total operating expenses	-269,806	-28,093		-297,899
Operating profit per segment	73,175	156	-44,026	29,305
Finance income				746
Finance expenses				-4,745
Profit before tax				25,306
Current tax				-2,572
Deferred taxes				732
Net profit for the period				23,466

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

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

Revenue by segment: I – VI 2020

EUR thousand	Slovenia	Other countries	Total
Mobile services on end-user market	101,425	14,371	115,796
Fixed-line telephone services on end-user market	105,801	10,664	116,465
Additional services	3,800	0	3,800
Wholesale market	72,953	415	73,368
Other revenues and merchandise	12,322	0	12,322
Total revenue	296,301	25,450	321,751

EUR thousand	Slovenia	Other countries	Total
Revenue from services rendered	254,478	24,942	279,420
Sales revenue – goods	41,823	508	42,331
Total revenue	296,301	25,450	321,751

Revenue

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I – VI 2021	I – VI 2020	I – VI 2021	I – VI 2020
Mobile services on end-user market	121,319	115,796	103,226	101,542
Fixed-line telephone services on end-user market	104,818	116,465	94,721	106,482
Additional services	3,663	3,800	3,663	3,800
Wholesale market	75,096	73,368	74,595	73,359
Other revenues and merchandise	12,668	12,322	11,065	11,128
Total revenue	317,564	321,751	287,270	296,311

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I – VI 2021	I – VI 2020	I – VI 2021	I – VI 2020
Revenue from services rendered	273,038	279,420	240,615	250,814
Sales revenue – goods	44,526	42,331	46,655	45,497
Total revenue	317,564	321,751	287,270	296,311

The sales revenue of the Telekom Slovenije Group amounted to EUR 317.6 million in the period January–June 2021, a decrease of 1% relative to the same period in 2020.

National measures in connection with the COVID-19 pandemic contributed to lower revenues (for more details see point 3.2 Operating highlights).

Revenues were higher **in the mobile segment of the end-user market**, primarily on account of higher revenues from mobile merchandise at Telekom Slovenije. Revenues were also up relative to the same period last year at the subsidiary IPKO. The decline in revenues at Telekom Slovenije related to restrictions on travel due to the COVID-19 pandemic, which in turn resulted in lower revenues from the roaming of users in the networks of foreign operators. Revenues are also declining due to the optimisation of subscribers who have an increasing number of services included in their monthly subscription fee.

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

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

Revenues **on the wholesale market** were higher than in the same period in 2020, primarily due to higher revenues from international voice services.

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

Rental income

The Telekom Slovenije Group generated rental income in the amount of EUR 4,903 thousand during the first half of 2021, compared with EUR 5,270 thousand during the same period last year.

Telekom Slovenije generated rental income in the amount of EUR 5,306 thousand in that period, compared with EUR 5,751 thousand during the same period last year.

Costs of services

EUR thousand			Telekom Slovenije	
	I – VI 2021	I – VI 2020	I – VI 2021	I – VI 2020
Telecommunication services	56,029	56,880	55,468	56,536
Costs of leased lines, networks and platforms	2,769	2,879	4,089	4,118
Multimedia content	4,502	8,371	4,502	9,538
Costs of subcontractors	11,108	19,137	8,891	16,361
Maintenance of property, plant and equipment	10,990	10,113	10,595	10,452
Costs of other services	18,133	17,787	14,908	14,871
Total costs of services	103,531	115,167	98,453	111,876

The costs of services incurred by the Group in the period January–June 2021 were down by EUR 11,636 thousand relative to the same period in 2020. Revenues from the roaming of users in the networks of foreign operators and roaming by foreign users in our mobile networks were lower during 2021 due to the pandemic, which also resulted in lower costs of telecommunication services. The costs of leased lines, networks and platforms were also slightly lower.

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

The costs of other services primarily comprise the costs of advertising and sponsorships in the amount of EUR 3,994 thousand (January–June 2020: EUR 3,246 thousand), the costs of intellectual and personal services in the amount of EUR 3,369 thousand (January–June 2020: EUR 3,431 thousand), the costs of attracting customers in the amount of EUR 2,203 thousand (January–June 2020: EUR 2,098 thousand), the costs of insurance premiums in the amount of EUR 1,523 thousand (January–June 2020: EUR 1,525 thousand), the costs of communication services in the amount of EUR 1,561 thousand (January–June 2020: EUR 1,568 thousand), and the costs of other services in the amount of EUR 4,535 thousand (January–June 2020: EUR 4,870 thousand).

Operating profit (EBIT) and net profit

Telekom Slovenije Group

Earnings before interest and taxes (EBIT) in the amount of EUR 29,288 thousand were down by EUR 17 thousand relative to the same period last year. A net profit of EUR 21,332 thousand was achieved for the accounting period in the context of a net financial loss of EUR 3,504 thousand.

Telekom Slovenije

Earnings before interest and taxes (EBIT) in the amount of EUR 23,726 thousand were down by EUR 4,447 thousand relative to the same period last year. A net profit of EUR 28,451 thousand was achieved for the accounting period in the context of a net financial profit of EUR 8,801 thousand.

Intangible assets

Changes in intangible assets of the Telekom Slovenije Group in the period January–June 2021

EUR thousand	Goodwill	Concessions and licences	Costs of entering into contracts with customers	Computer programs	Other intangible assets	Intangible assets under construction	Total
Historical cost							
Balance as at 1 Jan 2021	107,654	364,567	20,900	279,791	67,161	15,520	855,593
Increases	0	-39	0	102	3	80,917	80,983
Assets created within the Group	0	0	0	75	0	853	928
Transfers to use	0	46,162	3,390	14,422	30	-64,004	0
Decreases	0	-1,051	0	-5,464	0	0	-6,515
Other transfers*	0	2,467	0	744	0	-126	3,085
Balance as at 30 Jun 2021	107,654	412,106	24,290	289,670	67,194	33,160	934,074
Value adjustment							
Balance as at 1 Jan 2021	103,936	255,793	10,454	249,041	46,070	267	665,560
Decreases	0	-1,051	0	-5,464	0	0	-6,515
Other transfers*	0	257	0	714	0	0	971
Amortisation	0	20,238	3,570	11,348	1,305	0	36,461
Balance as at 30 Jun 2021	103,936	275,237	14,024	255,639	47,375	267	696,477
Carrying amount							
Balance as at 1 Jan 2021	3,718	108,774	10,446	30,750	21,091	15,253	190,033
Balance as at 30 Jun 2021	3,718	136,869	10,266	34,031	19,819	32,893	237,597

*Transfers between intangible assets and property, plant and equipment, and transfers between asset categories are covered in the scope of other transfers.

Changes in intangible assets of the Telekom Slovenije Group in 2020

EUR thousand	Goodwill	Concessions and licences	Costs of entering into contracts with customers	Computer programs	Other intangible assets	Intangible assets under construction	Total
Historical cost							
Balance as at 1 Jan 2020	107,654	359,630	16,683	265,574	66,740	14,612	830,894
Increases	0	614	0	114	269	59,954	60,951
Assets created within the Group	0	0	0	193	0	1,654	1,847
Transfers to use	0	36,066	7,775	16,443	244	-60,528	0
Decreases	0	-31,744	-3,558	-4,017	-89	0	-39,408
Other transfers*	0	1	0	1,484	-3	-172	1,310
Balance as at 31 Dec 2020	107,654	364,567	20,900	279,791	67,161	15,520	855,594
Value adjustment							
Balance as at 1 Jan 2020	103,936	254,855	7,944	228,473	40,473	267	635,948
Decreases	0	-31,562	-3,558	-3,991	-89	0	-39,200
Other transfers*	0	-1	-1	1,189	-2	0	1,185
Amortisation	0	32,500	6,069	23,370	5,688	0	67,627
Balance as at 31 Dec 2020	103,936	255,792	10,454	249,041	46,070	267	665,560
Carrying amount							
Balance as at 1 Jan 2020	3,718	104,775	8,739	37,101	26,267	14,345	194,945
Balance as at 31 Dec 2020	3,718	108,775	10,446	30,750	21,091	15,253	190,033

*Transfers between intangible assets and property, plant and equipment, and transfers between asset categories are covered in the scope of other transfers.

Changes in intangible assets of Telekom Slovenije in the period January–June 2021

EUR thousand	Goodwill	Concessions and licences	Costs of entering into contracts with customers	Computer programs	Other intangible assets	Intangible assets under construction	Total
Historical cost							
Balance as at 1 Jan 2021	3,602	224,008	20,900	267,480	18,893	14,543	549,426
Increases	0	0	0	0	0	80,447	80,447
Assets created within the Company	0	0	0	0	0	818	818
Transfers to use	0	46,011	3,390	13,907	30	-63,338	0
Decreases	0	-1,051	0	-5,465	0	0	-6,516
Other transfers*	0	0	0	743	0	0	743
Balance as at 30 Jun 2021	3,602	268,968	24,290	276,665	18,923	32,470	624,918
Value adjustment							
Balance as at 1 Jan 2021	0	147,865	10,454	234,282	15,374	0	407,975
Decreases	0	-1,051	0	-5,465	0	0	-6,516
Other transfers*	0	0	0	715	0	0	715
Amortisation	0	15,037	3,570	10,773	529	0	29,909
Balance as at 30 Jun 2021	0	161,851	14,024	240,305	15,903	0	432,083
Carrying amount							
Balance as at 1 Jan 2021	3,602	76,143	10,446	33,198	3,519	14,543	141,451
Balance as at 30 Jun 2021	3,602	107,117	10,266	36,360	3,020	32,470	192,835

*Transfers between intangible assets and property, plant and equipment, and transfers between asset categories are covered in the scope of other transfers.

Changes in intangible assets of Telekom Slovenije in 2020

EUR thousand	Goodwill	Concessions and licences	Costs of entering into contracts with customers	Computer programs	Other intangible assets	Intangible assets under construction	Other	Total
Historical cost								
Balance as at 1 Jan 2020	3,602	216,896	16,683	253,812	18,649	14,111	0	523,753
Increases	0	0	0	0	0	61,858	0	61,858
Assets created within the Company	0	0	0	0	0	1,606	0	1,606
Transfers to use	0	38,695	7,775	16,317	244	-63,031	0	0
Decreases	0	-31,583	-3,558	-3,926	0	0	0	-39,067
Other transfers*	0	0	0	1,277	0	-1	0	1,276
Balance as at 31 Dec 2020	3,602	224,008	20,900	267,480	18,893	14,543	0	549,426
Value adjustment								
Balance as at 1 Jan 2020	0	156,875	7,944	215,028	11,214	0	0	391,061
Decreases	0	-31,469	-3,558	-3,926	0	0	0	-38,953
Other transfers*	0	-3	-1	1,187	0	0	0	1,183
Amortisation	0	22,462	6,069	21,993	4,160	0	0	54,684
Balance as at 31 Dec 2020	0	147,865	10,454	234,282	15,374	0	0	407,975
Carrying amount								
Balance as at 1 Jan 2020	3,602	60,021	8,739	38,784	7,435	14,111	0	132,692
Balance as at 31 Dec 2020	3,602	76,143	10,446	33,198	3,519	14,543	0	141,451

*Transfers between intangible assets and property, plant and equipment, and transfers between asset categories are covered in the scope of other transfers.

Commitments for intangible assets amounted to EUR 8,201 thousand at the Telekom Slovenije Group level and to EUR 9,283 thousand at Telekom Slovenije as at 30 June 2021.

Property, plant and equipment

Changes in property, plant and equipment of the Telekom Slovenije Group in the period January–June 2021

EUR thousand	Land, buildings and cable ducts	Cable network	Telephone exchanges	Equipment for the mobile network	Other equipment	Assets under construction	Other	Total
Historical cost								
Balance as at 1 Jan 2021	479,628	1,166,201	105,528	326,580	382,369	36,402	111	2,496,819
Difference from translation to reporting currency	0	4	0	0	23	0	0	27
Increases	0	1,395	0	240	1,476	29,118	0	32,229
Fixed assets created within the Group	0	26	0	21	0	8,180	0	8,227
Transfers to use	7,218	8,863	434	3,312	11,855	-31,850	0	-168
Decreases	-276	-34	-8,836	-10,522	-12,456	-13	0	-32,137
Other transfers*	4	0	-911	137	26	327	42	-375
Balance as at 30 Jun 2021	486,574	1,176,455	96,215	319,768	383,293	42,164	153	2,504,622
Value adjustment								
Balance as at 1 Jan 2021	206,279	930,137	97,239	275,918	311,212	11,390	0	1,832,175
Difference from translation to reporting currency	0	1	0	0	2	0	0	3
Increases	0	0	0	52	-2	0	0	50
Decreases	-239	-34	-8,826	-10,514	-11,094	0	0	-30,707
Depreciation	6,410	11,263	1,915	7,168	15,039	0	0	41,795
Other transfers*	2	0	-717	0	0	0	0	-715
Balance as at 30 Jun 2021	212,452	941,367	89,611	272,624	315,157	11,390	0	1,842,601
Carrying amount								
Balance as at 1 Jan 2021	273,349	236,064	8,289	50,662	71,157	25,012	111	664,644
Balance as at 30 Jun 2021	274,122	235,088	6,604	47,144	68,136	30,774	153	662,021

*Transfers between intangible assets and property, plant and equipment, and transfers between asset categories are covered in the scope of other transfers.

Changes in property, plant and equipment of the Telekom Slovenije Group in 2020

EUR thousand	Land, buildings and cable ducts	Cable network	Telephone exchanges	Equipment for the mobile network	Other equipment	Assets under construction	Other	Total
Historical cost								
Balance as at 1 Jan 2020	466,622	1,130,374	111,950	506,633	407,157	34,727	23	2,657,486
Difference from translation to reporting currency	0	-7	0	0	-3	-23	0	-33
Increases	20	3,066	4	1,377	4,138	74,916	0	83,521
Fixed assets created within the Group	0	47	0	39	0	15,909	0	15,995
Transfers to use	12,912	33,471	1,649	9,462	29,114	-86,607	0	1
Decreases	-327	-4,432	-8,075	-186,735	-57,997	-26	0	-257,592
Other transfers*	401	3,682	0	-4,196	-40	-2,494	88	-2,559
Balance as at 31 Dec 2020	479,628	1,166,201	105,528	326,580	382,369	36,402	111	2,496,819
Value adjustment								
Balance as at 1 Jan 2020	193,284	911,852	101,077	447,344	336,156	11,390	0	2,001,103
Difference from translation to reporting currency	0	-22	0	4	-728	0	0	-746
Increases	0	0	0	20	16	0	0	36
Decreases	-275	-4,347	-8,057	-186,611	-54,521	0	0	-253,811
Depreciation	12,950	22,634	4,219	16,922	30,380	0	0	87,105
Other transfers*	320	20	0	-1,761	-91	0	0	-1,512
Balance as at 31 Dec 2020	206,279	930,137	97,239	275,918	311,212	11,390	0	1,832,175
Carrying amount								
Balance as at 1 Jan 2020	273,338	218,522	10,873	59,289	71,001	23,337	23	656,383
Balance as at 31 Dec 2020	273,349	236,064	8,289	50,662	71,157	25,012	111	664,644

*Transfers between intangible assets and property, plant and equipment, and transfers between asset categories are covered in the scope of other transfers.

Changes in property, plant and equipment of Telekom Slovenije in the period January–June 2021

EUR thousand	Land, buildings and cable ducts	Cable network	Telephone exchanges	Equipment for the mobile network	Other equipment	Assets under construction	Total
Historical cost							
Balance as at 1 Jan 2021	450,523	1,092,744	104,352	213,758	363,176	40,956	2,265,509
Increases	0	0	0	0	0	35,446	35,446
Fixed assets created within the Company	0	0	0	0	0	2,439	2,439
Transfers to use	7,218	8,560	434	2,969	11,176	-30,357	0
Decreases	-276	0	-8,836	-10,395	-12,246	-13	-31,766
Other transfers*	4	0	-911	137	26	0	-744
Balance as at 30 Jun 2021	457,469	1,101,304	95,039	206,469	362,132	48,471	2,270,884
Value adjustment							
Balance as at 1 Jan 2021	198,208	886,373	96,024	185,733	298,639	0	1,664,977
Increases	0	0	0	52	-2	0	50
Decreases	-239	0	-8,826	-10,387	-10,901	0	-30,353
Depreciation	6,138	9,088	1,914	4,335	13,409	0	34,884
Other transfers*	2	0	-717	0	0	0	-715
Balance as at 30 Jun 2021	204,109	895,461	88,395	179,733	301,145	0	1,668,843
Carrying amount							
Balance as at 1 Jan 2021	252,315	206,371	8,328	28,025	64,537	40,956	600,532
Balance as at 30 Jun 2021	253,360	205,843	6,644	26,736	60,987	48,471	602,041

*Transfers between intangible assets and property, plant and equipment, and transfers between asset categories are covered in the scope of other transfers.

Changes in property, plant and equipment of Telekom Slovenije in 2020

EUR thousand	Land, buildings and cable ducts	Cable network	Telephone exchanges	Equipment for the mobile network	Other equipment	Assets under construction	Other	Total
Historical cost								
Balance as at 1 Jan 2020	438,151	1,059,317	110,774	391,394	385,997	37,112	0	2,422,745
Increases	0	0	4	0	2,049	83,990	0	86,043
Fixed assets created within the Company	0	0	0	0	0	5,024	0	5,024
Transfers to use	12,882	33,471	1,649	9,461	27,685	-85,148	0	0
Decreases	-276	-42	-8,075	-185,840	-52,514	-22	0	-246,769
Other transfers*	-234	-2	0	-1,257	-41	0	0	-1,534
Balance as at 31 Dec 2020	450,523	1,092,744	104,352	213,758	363,176	40,956	0	2,265,509
Value adjustment								
Balance as at 1 Jan 2020	186,304	868,180	99,863	363,312	320,969	0	0	1,838,628
Increases	0	0	0	20	14	0	0	34
Decreases	-236	-39	-8,057	-185,775	-49,344	0	0	-243,451
Depreciation	12,393	18,232	4,218	9,352	27,014	0	0	71,209
Other transfers*	-253	0	0	-1,176	-14	0	0	-1,443
Balance as at 31 Dec 2020	198,208	886,373	96,024	185,733	298,639	0	0	1,664,977
Carrying amount								
Balance as at 1 Jan 2020	251,847	191,137	10,911	28,082	65,028	37,112	0	584,117
Balance as at 31 Dec 2020	252,315	206,371	8,328	28,025	64,537	40,956	0	600,532

*Transfers between intangible assets and property, plant and equipment, and transfers between asset categories are covered in the scope of other transfers.

Commitments for property, plant and equipment amounted to EUR 6,159 thousand at the Telekom Slovenije Group level and to EUR 25,581 thousand at Telekom Slovenije as at 30 June 2021.

Right-of-use assets

Changes in right-of-use assets of the Telekom Slovenije Group in the period January–June 2021

EUR thousand	Base stations – lease and easement	Technological premises – lease and easement	Lease of premises and land	Vehicles	Leased lines	Other	Total
Historical cost							
Balance as at 1 Jan 2021	60,304	8,421	8,877	2,587	18,826	2,354	101,369
Amendments to agreements	-4	-130	17	-9	4	611	489
Transfer to use – new agreements	2,035	54	0	173	73	112	2,447
Decreases	-45	-297	-5	-26	-68	0	-441
Other transfers	0	0	0	0	0	687	687
Balance as at 30 Jun 2021	62,290	8,048	8,889	2,725	18,835	3,764	104,551
Value adjustment							
Balance as at 1 Jan 2021	14,272	1,765	3,123	1,185	3,053	551	23,949
Decreases	-23	-71	-4	-26	-3	0	-127
Depreciation	3,555	449	759	328	788	237	6,116
Other transfers	0	0	0	0	0	295	295
Balance as at 30 Jun 2021	17,804	2,143	3,878	1,487	3,838	1,083	30,233
Carrying amount							
Balance as at 1 Jan 2021	46,032	6,656	5,754	1,402	15,773	1,803	77,420
Balance as at 30 Jun 2021	44,486	5,905	5,011	1,238	14,997	2,681	74,318

Changes in right-of-use assets of the Telekom Slovenije Group in 2020

EUR thousand	Base stations – lease and easement	Technological premises – lease and easement	Lease of premises and land	Vehicles	Leased lines	Other	Total
Historical cost							
Balance as at 1 Jan 2020	52,656	7,493	8,236	2,541	18,492	2,401	91,819
Amendments to agreements	1,583	445	403	-167	-40	97	2,321
Transfer to use – new agreements	6,282	690	614	755	1,022	253	9,616
Decreases	-217	-207	-376	-585	-648	-464	-2,497
Other transfers	0	0	0	43	0	67	110
Balance as at 31 Dec 2020	60,304	8,421	8,877	2,587	18,826	2,354	101,369
Value adjustment							
Balance as at 1 Jan 2020	6,999	863	1,592	925	1,568	572	12,519
Amendments to agreements	0	0	16	-68	0	-297	-349
Decreases	-83	-35	-58	-535	-121	-464	-1,296
Depreciation	7,356	937	1,587	846	1,592	520	12,838
Other transfers	0	0	-14	17	14	220	237
Balance as at 31 Dec 2020	14,272	1,765	3,123	1,185	3,053	551	23,949
Carrying amount							
Balance as at 1 Jan 2020	45,657	6,630	6,644	1,616	16,924	1,829	79,300
Balance as at 31 Dec 2020	46,032	6,656	5,754	1,402	15,773	1,803	77,420

Changes in right-of-use assets at Telekom Slovenije in the period January–June 2021

EUR thousand	Base stations – lease and easement	Technological premises – lease and easement	Lease of premises and land	Vehicles	Leased lines	Other	Total
Historical cost							
Balance as at 1 Jan 2021	54,081	7,824	3,884	2,352	39,285	661	108,088
Amendments to agreements	-143	-147	6	-9	-848	2	-1,139
Transfer to use – new agreements	2,035	54	0	173	73	0	2,335
Write-offs	-45	-267	0	0	-68	0	-380
Balance as at 30 Jun 2021	55,928	7,465	3,891	2,516	38,442	663	108,904
Value adjustment							
Balance as at 1 Jan 2021	11,208	1,491	1,128	1,055	6,543	156	21,581
Decreases	-23	-42	0	0	-3	0	-69
Depreciation	2,779	347	280	291	1,714	82	5,494
Balance as at 30 Jun 2021	13,965	1,796	1,408	1,346	8,253	238	27,006
Carrying amount							
Balance as at 1 Jan 2021	42,872	6,333	2,756	1,298	32,742	505	86,506
Balance as at 30 Jun 2021	41,963	5,669	2,482	1,170	30,189	425	81,898

Changes in right-of-use assets at Telekom Slovenije in 2020

EUR thousand	Base stations – lease and easement	Technological premises – lease and easement	Lease of premises and land	Vehicles	Leased lines	Other	Total
Historical cost							
Balance as at 1 Jan 2020	46,491	6,900	3,250	2,080	38,335	333	97,389
Amendments to agreements	1,501	694	273	-17	159	446	3,056
Transfer to use – new agreements	6,282	401	614	724	1,022	90	9,134
Write-offs	-193	-171	-253	-435	-230	-209	-1,491
Balance as at 31 Dec 2020	54,081	7,824	3,884	2,352	39,285	661	108,088
Value adjustment							
Balance as at 1 Jan 2020	5,474	728	576	767	3,226	217	10,987
Decreases	-71	-21	-28	-423	-79	-209	-830
Depreciation	5,805	784	580	711	3,396	148	11,424
Balance as at 31 Dec 2020	11,208	1,491	1,128	1,055	6,543	156	21,581
Carrying amount							
Balance as at 1 Jan 2020	41,017	6,172	2,674	1,314	35,108	117	86,402
Balance as at 31 Dec 2020	42,872	6,333	2,756	1,298	32,742	505	86,506

Depreciation in the amount of EUR 6,116 thousand and interest expense on lease liabilities in the amount of EUR 1,086 thousand were disclosed in the Telekom Slovenije Group's income statement in the period January–June 2021. The Group disclosed depreciation in the amount of EUR 6,364 thousand and interest expense in the amount of EUR 1,177 thousand during the same period last year.

Depreciation in the amount of EUR 5,494 thousand and interest expense on lease liabilities in the amount of EUR 1,080 thousand were disclosed in Telekom Slovenije's income statement in the period January–June 2021. The Company disclosed depreciation in the amount of EUR 5,587 thousand and interest expense in the amount of EUR 1,138 thousand during the same period last year.

Trade and other receivables

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

Current trade and other receivables were down by EUR 10,575 thousand at the Telekom Slovenije Group level and by EUR 16,765 thousand at Telekom Slovenije relative to the balance at the end of 2020.

Financial liabilities

Financial liabilities amounted to EUR 394,498 thousand at the Telekom Slovenije Group level and to EUR 394,502 thousand at Telekom Slovenije as at 30 June 2021:

- borrowings received increased compared with the end of 2020 due to the repayment of bonds via the new long-term loan. In the first half of the year EIB long-term loan and short-term bank loans were also drawn. These borrowings amounted to EUR 365,009 thousand at the Telekom Slovenije Group level and EUR 365,014 thousand at Telekom Slovenije as at 30 June 2021.
- other non-current financial liabilities relate to liabilities in connection with an interest-rate swap in the amount of EUR 152 thousand at both the Group and Company levels. Current financial liabilities were down on the figures in 2020 due to the repayment of bonds, and on 30 June 2021 amounted to EUR 29,337 thousand at the Telekom Slovenije Group and Telekom Slovenije level, and relate to unpaid dividends.

Lease liabilities

The lease liabilities of the Telekom Slovenije Group amounted to EUR 66,212 thousand as at 30 June 2021 and were down by EUR 3,060 thousand relative to the end of 2020.

The lease liabilities of Telekom Slovenije amounted to EUR 74,194 thousand as at 30 June 2021 and were down by EUR 4,559 thousand relative to the end of 2020.

Fair value hierarchy

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

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

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

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

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

Carrying amount and fair value of the Telekom Slovenije Group's financial instruments as at 30 June 2021

EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Investments in shares and interests listed on the stock exchange, measured at fair value through other comprehensive income	2,045	2,045	2,045		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	1,109	1,109			1,109
Loans granted	80	80		80	
Other non-current financial assets	7	7		7	
Other receivables	16,818	16,818		16,818	
Current financial assets					
Loans granted	53	53		53	
Other current financial assets	702	702		702	
Trade and other receivables	152,361	152,361		152,361	
Cash and cash equivalents	15,541	15,541		15,541	
Non-current financial liabilities					
Borrowings	301,320	301,320		301,320	
Liabilities for interest rate swaps	152	152		152	
Other payables	35,648	35,648		35,648	
Current financial liabilities					
Borrowings	63,689	63,689		63,689	
Other financial liabilities	29,337	29,337		29,337	
Trade payables	92,119	92,119		92,119	

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

EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Investments in shares and interests listed on the stock exchange, measured at fair value through other comprehensive income	1,854	1,854	1,854		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	1,111	1,111			1,111
Loans granted	103	103		103	
Other receivables	17,081	17,081		17,081	
Current financial assets					
Loans granted	61	61		61	
Other current financial assets	451	451		451	
Trade and other receivables	162,936	162,936		162,936	
Cash and cash equivalents	8,167	8,167		8,167	
Non-current financial liabilities					
Borrowings	184,221	184,221		184,221	
Liabilities for interest rate swaps	244	244		244	
Other payables	38,896	38,896		38,896	
Current financial liabilities					
Bonds	101,078	100,500	100,500		
Borrowings	32,080	32,080		32,080	
Liabilities for interest-rate swaps	98	98		98	
Other financial liabilities	63	63		63	
Trade payables	119,058	119,058		119,058	

Carrying amount and fair value of Telekom Slovenije's financial instruments as at 30 June 2021

EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Investments in shares and interests listed on the stock exchange, measured at fair value through other comprehensive income	2,045	2,045	2,045		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	1,109	1,109			1,109
Loans granted	60,994	60,994		60,994	
Operating receivables	16,814	16,814		16,814	
Current financial assets					
Loans granted	17,386	17,386		17,386	
Trade and other receivables	141,602	141,602		141,602	
Cash and cash equivalents	3,296	3,296		3,296	
Non-current financial liabilities					
Borrowings	301,320	301,320		301,320	
Liabilities for interest rate swaps	152	152		152	
Trade payables	20,819	20,819		20,819	
Current financial liabilities					
Borrowings	63,694	63,694		63,694	
Other financial liabilities	29,336	29,336		29,336	
Trade payables	82,892	82,892		82,892	

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

EUR thousand	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Investments in shares and interests listed on the stock exchange, measured at fair value through other comprehensive income	1,854	1,854	1,854		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	1,109	1,109			1,109
Loans granted	60,988	60,988		60,988	
Other receivables	17,081	17,081		17,081	
Current financial assets					
Loans granted	17,385	17,385		17,385	
Trade and other receivables	158,367	158,367		158,367	
Cash and cash equivalents	2,086	2,086		2,086	
Non-current financial liabilities					
Borrowings	184,221	184,221		184,221	
Liabilities for interest rate swaps	244	244		244	
Other payables	20,856	20,856		20,856	
Current financial liabilities					
Bonds	101,078	100,500	100,500		
Borrowings	45,083	45,083		45,083	
Liabilities for interest-rate swaps	98	98		98	
Other financial liabilities	61	61		61	
Trade payables	109,755	109,755		109,755	

The fair values in levels 2 and 3 of the hierarchy were assessed using the discounted cash flow valuation technique. Neither the Group nor the Company recorded any transitions between fair value levels during the reporting period.

Contingent liabilities from lawsuits

In the period January–June 2021 Telekom Slovenije received four lawsuits, as follows:

- a lawsuit was received due to alleged breaches of contractual obligations. Telekom Slovenije responded in a timely manner and assesses that the plaintiff will be unsuccessful in the dispute in question;
- a lawsuit was received on claiming ordinary damages, lost income and the non-existence of claims. Telekom Slovenije believes that the plaintiff's lawsuit will be rejected in full; and
- two lawsuits due to a prohibition on the use of copyright work and payment of a civil penalty and due to damages. Telekom Slovenije assesses that the two lawsuits are completely unfounded.

Contingent liabilities from guarantees issued

The Group had provided the following guarantees as at 30 June 2021:

- performance guarantees and warranty bonds in the amount of EUR 9,183 thousand (at the end of 2020: EUR 9,292 thousand);
- other guarantees in the amount of EUR 243 thousand (at the end of 2020: EUR 405 thousand).

The Company had provided the following guarantees as at 30 June 2021:

- performance guarantees and warranty bonds in the amount of EUR 7,486 thousand (at the end of 2020: EUR 7,587 thousand);
- collateral and other guarantees in the amount of EUR 513 thousand (at the end of 2020: EUR 593 thousand).

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

Transactions with related parties

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

family members.

Transactions with individuals

Natural persons (members of the Management Board and Supervisory Board) held 724 shares in Telekom Slovenije as at 30 June 2021, representing a holding of 0.01108%.

Transactions with owners and parties related thereto

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

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

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

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Outstanding trade receivables	3,509	3,480	3,258	3,336
Outstanding trade payables	986	2,156	873	2,060
VAT liabilities	4,345	5,845	4,454	6,026
Income tax payable	2,226	75	2,139	0
EUR thousand	I – VI 2021	I – VI 2020	I – VI 2021	I – VI 2020
Revenue	7,547	9,423	6,908	7,641
Purchase costs of material and services	4,917	4,613	4,449	4,179
EUR thousand	I – VI 2021	I – VI 2020	I – VI 2021	I – VI 2020
VAT payment	29,763	28,336	29,669	27,827
Corporate income tax payment	378	537	0	0
Dividends paid	0	33	0	33

Transactions with Group companies

Telekom Slovenije recorded the following transactions with Group companies:

EUR thousand	30 Jun 2021	31 Dec 2020
Receivables due from companies in the Group		
Subsidiaries – gross amount	3,486	3,872
Subsidiaries – impairment	-14	-22
Subsidiaries – net amount	3,471	3,850
Borrowings to companies in the Group		
Subsidiaries – gross amount	78,247	78,209
Subsidiaries – impairment	0	0
Subsidiaries – net amount	78,247	78,209
Liabilities to Group companies		
Subsidiaries	25,607	41,810
EUR thousand	I – VI 2021	I – VI 2020
Net Group revenue	6,331	7,196
Subsidiaries	6,331	7,196
Purchase of material and services in the Group	7,883	9,604
Subsidiaries	7,883	9,604

Loans granted to subsidiaries

EUR thousand	30 Jun 2021	31 Dec 2020
TSmedia, d. o. o.	1,901	1,556
IPKO, d. o. o.	64,649	65,650
SOLINE, d. o. o.	2,037	1,998
SIOL, d. o. o., Zagreb	1,279	150
SIOL, d. o. o., Sarajevo	5,016	5,290
SIOL BEOGRAD	116	240
SIOL Prishtina	3,249	3,325
Total to subsidiaries	78,247	78,209

All transactions between related parties are executed at market terms.

Events after the reporting date

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

7.3. Financial risk management

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

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

Credit risk

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

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

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Loans granted	133	164	78,380	78,373
Investments	702	451	0	0
Trade and other receivables	169,179	180,017	158,416	175,448
- of which trade receivables	163,332	173,852	153,975	170,769
Cash and cash equivalents	15,541	8,167	3,296	2,086
TOTAL	185,555	188,799	240,092	255,907

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

Credit risk or the risk of counterparty default derives from default by subscribers (retail) and by operators (wholesale). The highest exposure to credit risk is seen in trade receivables. The latter amounted to EUR 163,332 thousand as at 30 June 2021, a decrease of EUR 10,520 thousand relative to the end of 2020. Telekom Slovenije's receivables make up the majority of the Group's trade and other receivables. The majority of receivables are unsecured. The Group's receivables are accounted for by a large number of individuals and legal entities. Its largest customers are operators, where turnover generally flows in both directions, which reduces net credit exposure. We assess that there is no significant concentration of credit risk vis-à-vis a particular customer or economic sector.

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

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

The Telekom Slovenije Group and Telekom Slovenije also monitor credit risk in other areas of operations. Cash on accounts is allocated according to the principles of minimising risks and achieving the appropriate

diversification by banks. The associated risk is low, as there is no major risk associated with maintaining cash on accounts due to the stability of the banking system and the high liquidity of banks.

The Group is also exposed to risks associated with receivables arising from loans to employees and investments in short-term deposits. The risk associated with loans granted is low, as those loans are settled 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. The Company also regularly monitors and supervises the operations of subsidiaries to further mitigate the associated credit risk.

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

EUR thousand	30 Jun 2021				31 Dec 2020
	Gross value	Expected credit loss rate	Value adjustment	Net value	Net value
Total trade receivables	179,969		-16,637	163,332	173,852
Trade receivables not past due	142,003	0.7%	-1,026	140,977	155,809
Past due					
- up to and including 30 days	16,359	2.0%	-324	16,035	11,385
- from and including 31 to and including 60 days	2,975	8.1%	-240	2,735	3,199
- from and including 61 to and including 90 days	679	7.1%	-48	631	551
- from and including 91 to and including 180 days	1,608	51.2%	-823	785	698
- from and including 181 to and including 365 days	1,999	54.9%	-1,097	902	1,168
- from and including 366 days up to 2 years	5,140	77.3%	-3,975	1,165	926
- over two years	5,136	99.3%	-5,100	36	108
- trade receivables in insolvency proceedings	4,070	98.4%	-4,004	66	8
Total trade receivables past due	37,966		-15,611	22,355	18,043
Other trade receivables	5,855		-8	5,847	6,165
Total receivables	185,824		-16,645	169,179	180,017

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

EUR thousand	30 Jun 2021				31 Dec 2020
	Gross value	Expected credit loss rate	Value adjustment	Net value	Net value
Total trade receivables	166,999		-13,024	153,975	170,769
Trade receivables not past due	141,604	0.7%	-1,035	140,569	156,298
Past due					
- up to and including 30 days	8,084	4.0%	-323	7,761	8,172
- from and including 31 to and including 60 days	2,672	9.0%	-240	2,432	2,981
- from and including 61 to and including 90 days	528	8.9%	-47	481	589
- from and including 91 to and including 180 days	1,369	49.0%	-671	698	655
- from and including 181 to and including 365 days	1,751	49.0%	-858	893	1,162
- from and including 366 days up to 2 years	2,605	60.0%	-1,563	1,042	819
- over two years	4,961	98.0%	-4,862	99	93
- trade receivables in insolvency proceedings	3,425	100.0%	-3,425	0	0
Total trade receivables past due	25,395		-11,989	13,406	14,471
Other trade receivables	4,441		0	4,441	4,679
Total receivables	171,440		-13,024	158,416	175,448

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

Non-current trade receivables are outstanding in full.

Maturity dates of loans granted

Telekom Slovenije Group			Telekom Slovenije	
EUR thousand	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Past due	5	6	5	6
Not past due:	128	158	78,375	78,367
- in less than 3 months	13	15	382	323
- between 3 and 12 months	35	40	16,999	17,056
- between 1 and 2 years	31	40	19,855	9,582
- between 2 and 5 years	44	53	34,496	44,358
- over 5 years	5	10	6,644	7,049
Total	133	164	78,380	78,373

Ageing analysis of loans granted as at 30 June 2021

Telekom Slovenije Group		Past due					Total
EUR thousand	Not past due	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Loans granted	128	5	0	0	0	0	133

Telekom Slovenije		Past due					Total
EUR thousand	Not past due	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Loans granted	78,375	5	0	0	0	0	78,380

Ageing analysis of loans granted as at 31 December 2020

Telekom Slovenije Group		Past due					Total
EUR thousand	Not past due	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Loans granted	158	6	0	0	0	0	164

Telekom Slovenije		Past due					Total
EUR thousand	Not past due	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Loans granted	78,367	6	0	0	0	0	78,373

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.

Debt is relatively low at the level of the Group and Company. Financial liabilities of the Group and the Company relate to long-term syndicated and bilateral bank loans in the amount of EUR 340.0 million, a short-term bank loan in the amount of EUR 26 million, and lease liabilities in the amount of EUR 66.2 million at the Group level and EUR 74.2 million at the Company level. The Group and Company regularly repay their liabilities from financing.

In the beginning of June 2021, a contract was signed for a long-term syndicated loan in the amount of EUR 130 million, via which Telekom Slovenije has ensured the necessary liquidity for the repayment of issued bonds in the amount of EUR 100 million that fell due for payment in June 2021. A portion of the loan will also be earmarked for investments in connection with the continued implementation of the Company's established strategy.

For the purpose of ensuring a high level of liquidity, the Group has open short-term revolving lines at banks that are rolled over as required. Total liquidity reserves amounted to EUR 74 million at the end of the first half of 2021, and took the form of approved but undrawn short-term revolving credit lines. The Company has also yet to completely draw down two long-term loans according to loan agreements entered into with the European Investment Bank and the syndicate of banks; the undrawn portion according to both contracts amounts to EUR 90 million.

Maturity of the Telekom Slovenije Group's liabilities as at 30 June 2021 and 31 December 2020 based on contractual non-discounted payments

EUR thousand	Past due	Callable	Up to 3 months	Not past due			Over 5 years	Total
				Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years		
30 Jun 2021								
Loans and borrowings	0	0	44,975	18,956	37,912	173,223	90,952	366,018
Anticipated interest on loans	0	0	2,306	2,154	3,916	5,410	2,264	16,050
Other financial liabilities	61	0	29,275	1	152	0	0	29,489
Anticipated interest on bonds	0	0	0	0	0	0	0	0
Trade and other payables	768	2,889	63,135	25,327	14,873	5,738	15,037	127,767
Financial liabilities from leases	13	17	3,818	5,842	7,234	16,583	32,705	66,212
Total	842	2,906	143,509	52,280	64,087	200,954	140,958	605,536
31 Dec 2020								
Loans and borrowings	0	0	1	32,269	30,769	153,846	0	216,885
Anticipated interest on loans	0	0	16	3,202	2,725	2,756	0	8,699
Other financial liabilities	61	0	98	101,097	244	0	0	101,500
Anticipated interest on bonds	0	0	0	1,950	0	0	0	1,950
Trade and other payables	2,593	2,727	103,519	10,220	9,313	18,988	10,594	157,954
Financial liabilities from leases	120	14	5,023	5,023	7,044	18,059	33,989	69,272
Total	2,774	2,741	108,657	153,761	50,095	193,649	44,583	556,260

Maturity of Telekom Slovenije's liabilities as at 30 June 2021 and 31 December 2020 based on contractual non-discounted payments

EUR thousand	Past due	Callable	Up to 3 months	Not past due			Over 5 years	Total
				Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years		
30 Jun 2021								
Loans and borrowings	0	0	44,980	18,956	37,912	173,223	90,952	366,023
Anticipated interest on loans	0	0	2,306	2,154	3,916	5,409	2,264	16,049
Other financial liabilities	61	0	29,275	0	152	0	0	29,488
Anticipated interest on bonds	0	0	0	0	0	0	0	0
Trade and other payables	481	1,419	62,986	18,006	14,875	5,738	206	103,711
Financial liabilities from leases	11	17	4,197	6,799	8,832	21,947	32,391	74,194
Total	553	1,436	143,744	45,915	65,687	206,317	125,813	589,465
31 Dec 2020								
Loans and borrowings	0	0	0	45,272	30,769	153,846	0	229,887
Anticipated interest on loans	0	0	28	3,250	2,725	2,756	0	8,759
Other financial liabilities	61	0	98	101,095	244	0	0	101,498
Anticipated interest on bonds	0	0	0	1,950	0	0	0	1,950
Trade and other payables	1,845	1,376	96,548	9,986	10,551	10,045	260	130,611
Financial liabilities from leases	27	14	5,463	6,155	8,837	22,726	35,531	78,753
Total	1,933	1,390	102,137	167,708	53,126	189,373	35,791	551,458

Interest-rate risk

Interest-rate risk is the risk of the negative effect of a change in market interest rates on the Group's operations. The Group's and the Company's exposure to interest-rate risk as at 30 June 2021 derives from a potential change in the EURIBOR reference interest rate linked to interest-sensitive liabilities. The target ratio of financial liabilities with a variable interest rate to financial liabilities with a fixed or hedged interest rate that the Group and Company pursue is 50% of liabilities with a fixed or hedged interest rate.

Liabilities from loans raised with variable interest rates tied to the 6-month EURIBOR accounted for 69.4% of the Group's interest-bearing financial liabilities and 68.2% of the Company's interest-bearing financial liabilities as at 30 June 2021. The remaining liabilities are accounted for by loans and a finance lease with a fixed interest rate.

The Group and Company entered into an interest-rate swap in the amount of 50% of two of three loan tranches with the aim of hedging exposure to interest-rate risk as the result of a long-term syndicated loan with a final repayment deadline of 31 December 2025. The amount of the secured principal stood at EUR 65.4 million as at 30 June 2021. By hedging interest-rate exposure through the use of an interest-rate swap (IRS), the Group and Company hedge future cash flows against the risk of rising interest rates. The principal is hedged against a rise in the reference interest rate if the latter is higher than or equal to zero. Fixed or hedged interest rates account for 45.7% of interest-bearing financial liabilities at the Group level and 46.7% at the Company level.

Exposure to interest-rate risk

EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Financial instruments with variable interest rates				
Financial receivables	0	0	0	0
Financial liabilities	234,615	147,654	234,615	147,654
Net financial liabilities	234,615	147,654	234,615	147,654

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

Sensitivity analysis

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

Interest-rate risk table

30 Jun 2021	Interest rate increase/decrease	Effect on profit before tax in EUR thousand	
		Telekom Slovenije Group	Telekom Slovenije
EURO	+100 bp	-666	-666
EURO	-100 bp	-654	-654

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

Euribor interest rate values

Euribor	Value as at 30 Jun 2021	Value as at 31 Dec 2020	Change in %
6-month	-0.513	-0.523	1.91

Capital management

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

The Group and Company use the net financial debt to equity and equity to total assets ratios to monitor changes in capital. The Group's net financial debt includes loans received, lease liabilities 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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Borrowings and other financial liabilities	460,710	387,056	468,696	409,538
Less current investments and cash with short-term deposits	-16,296	-8,679	-20,682	-19,471
Net liabilities	444,414	378,377	448,014	390,067
Equity	582,875	590,484	605,268	605,784
Total assets	1,271,525	1,227,839	1,261,894	1,226,566
Debt/equity ratio	76.2%	64.1%	74.0%	64.4%
Equity/total assets ratio	45.8%	48.1%	48.0%	49.4%