



Unaudited
Business Report of the
Telekom Slovenije Group and
Telekom Slovenije, d.d.
for the period January to March 2023



TelekomSlovenije

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Ljubljana, 11 May 2023

1. INTRODUCTORY NOTE

Pursuant to the law and the Rules of the Ljubljana Stock Exchange, Telekom Slovenije, d.d. (hereinafter: Telekom Slovenije), with its registered office at Cigaletova 15, Ljubljana, hereby publishes the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the period January to March 2023.

The condensed interim financial statements for the period ending 31 March 2023 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 2022. The financial statements for the period January to March 2023 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 10 May 2023.

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

The Unaudited Business Report for the period January to March 2023 is also accessible on the Company's website at www.telekom.si.

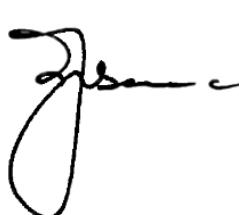
1.1. Statement of responsibility of the Management Board

The members of Telekom Slovenije, d.d.'s Management Board responsible for compiling the unaudited report of the Telekom Slovenije Group and Telekom Slovenije for the period January to March 2023, hereby find that:

- to the best of our knowledge, the unaudited report of the Telekom Slovenije Group and Telekom Slovenije was compiled and published in accordance with valid legislation and the International Financial Reporting Standards as adopted by the EU;
- the condensed interim financial statements for the period ending 31 March 2023 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 2022;
- 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.



Boštjan Košak
President of the
Management Board



Boštjan
Škufca Zaveršek,
MSc
Vice-President of
the Management
Board



Irma Gubanec, MSc
Member of the
Management Board



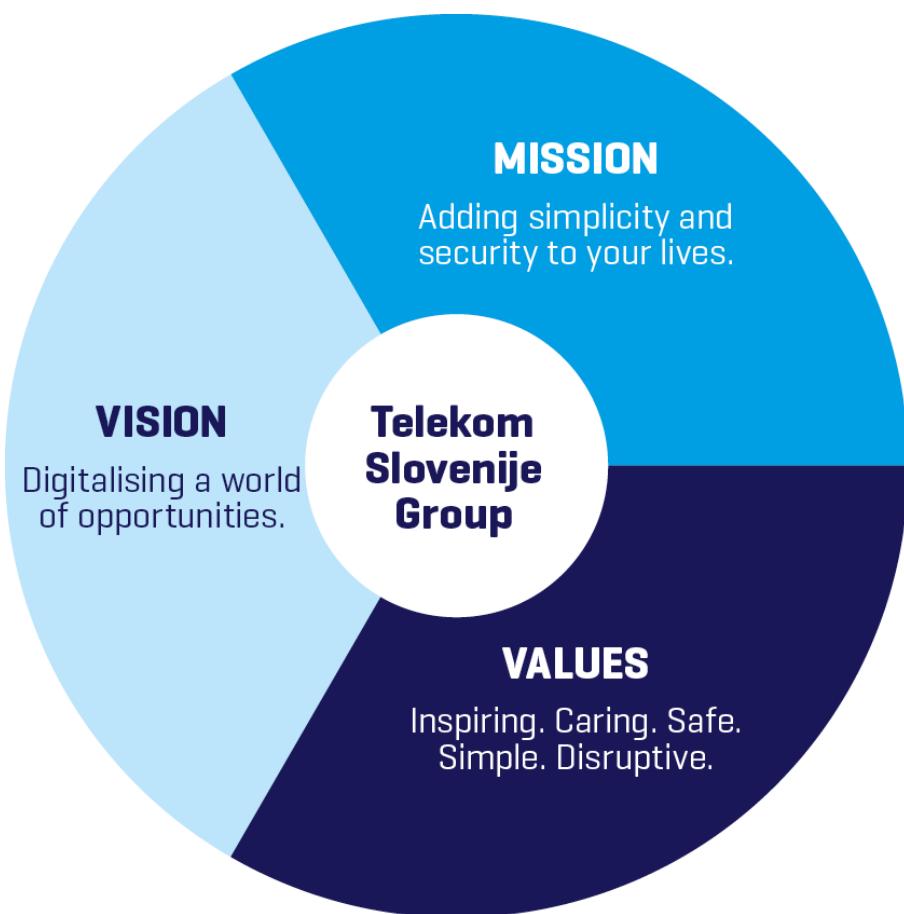
Vesna Prodnik, MSc
Member of the
Management Board



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 Telekom Slovenije Group implements its strategy in accordance with adopted strategic policies. The Strategic Business Plan is the core corporate document. Defined in that document through its mission, vision, values, business model, objectives and strategy are the Telekom Slovenije Group's future development and strategic policies. The document outlines the future business strategy of the Telekom Slovenije Group.

Expectations for 2023 are characterised by uncertainty in the economic environment, primarily in connection with conditions on the energy markets, and the continuation of the war in Ukraine and high inflation. The Telekom Slovenije Group expects uncertainty in the international environment to continue rising, but is still planning growth and development.

The Group drew up an ambitious business plan for 2023, the goal of which is to reverse the trend of recent years, and achieve growth in revenues and the number of users in all segments, and further strengthen its market shares. The Telekom Slovenije Group is and strives to be the first choice of users, while it provides the most advanced services and an excellent user experience in a superior network based on continuous development.

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.

generation (5G) mobile networks. 5G technology will facilitate the development of smart industry and smart cities, as well as the introduction of virtual campus networks, which in turn will enable the continued digitalisation of various verticals, such as energy, transportation, logistics, industry, smart cities, healthcare, and protection and rescue (public safety). The Telekom Slovenije Group will ensure the digitalisation of society as a whole on that basis. We will achieve overall growth through organic growth and the consolidation of the Slovenian ICT market.

Digitalisation of operations



We will improve the efficiency of operations through accelerated digitalisation. In the digital transformation process, we will digitalise key business processes involving users. This, in turn, will significantly improve the speed and efficiency of the Telekom Slovenije Group's operations, and also facilitate the improved competitiveness of the Group in the future.



Stabilisation of 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.

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



Consolidation on individual markets

The European telecommunications market is experiencing the 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 Telekom Slovenije Group is actively involved in consolidation processes on the markets where it operates.

Optimal employee structure

The Telekom Slovenije Group will continue to ensure the optimal employee structure, 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 are building the employer brand through an effective remuneration system, and the development of knowledge and competences.



Financial stability and the optimisation of all types of costs

We are implementing activities that facilitate the effective management of liquidity, and ensure a high level of financial stability and the optimal level of borrowing. We continuously optimise all types of costs in connection with the performance of individual processes and the provision of services.



Creating a sustainable future

The Group actively identifies opportunities where it can contribute to the development of the social and economic environment in which it operates, through its expertise, and financial and other resources. 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 2023

Operating revenues:

EUR 680.8 million

EBITDA:

EUR 206.2 million

Net profit:

EUR 20.1 million

Investments:

EUR 205.5 million

3. TELEKOM SLOVENIJE GROUP

3.1. Markets and companies of the Telekom Slovenije Group

The Telekom Slovenije Group comprises the controlling company Telekom Slovenije and its subsidiaries. The composition of the Telekom Slovenije Group and participating interests as at 31 March 2023 are presented in the picture below.

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

Situation as at 31 March 2023



There were no changes in the composition of the Telekom Slovenije Group in the period January to March 2023. The liquidation of GVO Telekommunikation GmbH, which is owned by GVO, began in March 2022. The completion of the liquidation and deletion of that company from the companies register in Germany are expected during the first half of 2023.

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 results in the period January to March 2023:

- The Telekom Slovenia Group generated EUR 164.1 million in operating revenues in the period January to March 2023.
- Sales revenue totalled EUR 163.2 million, an increase of 8% relative to the same period in 2022. Revenues were up in the mobile segment of the end-user market primarily due to an increased number of subscribers and prepaid users at IPKO in Kosovo, which is the result of intensive marketing activities to attract new customers, and higher revenues from mobile merchandise at Telekom Slovenije. Revenues on the wholesale market were also up, primarily on account of higher revenues from domestic wholesale services in Slovenia. Telekom Slovenije is recording growth in revenues from financial, eHealth and insurance services. Higher revenues were also achieved on the market by subsidiaries.
- The Telekom Slovenije Group's operating expenses totalled EUR 150.2 million, an increase of 10% relative to the same period in 2022.
- Earnings before interest and taxes (EBIT) amounted to EUR 14.0 million over the first three months of the year, a decrease of 13% relative to the same period last year. Had energy prices remained at the 2022 level, EBIT would have been 13% higher than the same period in 2022.
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled EUR 54.2 million at the Telekom Slovenije Group level, a decrease of EUR 2.6 million relative to the same period in 2022. Had energy prices remained at the 2022 level, EBITDA would have been up 3% relative to the same period in 2022. The EBITDA margin (i.e. EBITDA as a proportion of sales revenue) was 33.2% at the Group level.
- Following the calculation of income tax (including deferred taxes), the Telekom Slovenije Group generated a net profit of EUR 8.2 million during the first three months of 2023, a decrease of EUR 4.0 million or 32% relative to the same period in 2022.

3.3. Key operating indicators of the Telekom Slovenije Group

Key operating indicators of the Telekom Slovenije Group, in accordance with the financial report:

in EUR thousand and %	Telekom Slovenije Group			Telekom Slovenije		
	I – III 2023 / 31 March 2023	I – III 2022 / 31 December 2022	Index 23/22	I – III 2023 / 31 March 2023	I – III 2022 / 31 December 2022	Index 23/22
Sales revenue	163,216	151,162	108	143,482	134,885	106
Other operating income	924	1,350	68	343	384	89
Operating revenues	164,140	152,512	108	143,825	135,269	106
EBITDA	54,183	56,735	96	42,832	46,552	92
EBITDA margin = EBITDA / sales revenue	33.2%	37.5%	88	29.9%	34.5%	86
EBIT	13,974	16,110	87	9,190	12,037	76
Return on sales = EBIT / sales revenue	8.6%	10.7%	80	6.4%	8.9%	72
Net profit from continuing operations	8,188	11,984	68	5,144	8,684	59
Assets*	1,280,448	1,275,338	100	1,220,498	1,223,290	100
Equity*	620,031	611,677	101	611,638	606,233	101
Equity ratio	48.4%	48.0%	101	50.1%	49.6%	100
Net financial debt*	408,920	401,168	102	413,791	411,749	100

* Comparative data as at 31 December 2022.

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

3.4. Overview of operations by company and key market

Operating revenues

in EUR thousand	I – III 2023	I – III 2022	Index 23/22
Telekom Slovenije	143,825	135,269	106
Other companies in Slovenia	21,560	15,819	136
IPKO – Kosovo	19,100	17,509	109
Other companies abroad	992	989	100
Exclusions and adjustments	-21,337	-17,074	-
Telekom Slovenije Group	164,140	152,512	108

Earnings before interest, taxes, depreciation and amortisation

in EUR thousand	I – III 2023	I – III 2022	Index 23/22
Telekom Slovenije	42,832	46,552	92
Other companies in Slovenia	1,940	966	201
IPKO – Kosovo	10,037	9,313	108
Other companies abroad	714	755	95
Exclusions and adjustments	-1,341	-851	-
Telekom Slovenije Group	54,182	56,735	96

Earnings before interest and taxes

in EUR thousand	I – III 2023	I – III 2022	Index 23/22
Telekom Slovenije	9,190	12,037	76
Other companies in Slovenia	425	-329	329
IPKO – Kosovo	4,137	3,821	108
Other companies abroad	253	293	86
Exclusions and adjustments	-32	288	-
Telekom Slovenije Group	13,973	16,110	87

Net profit

in EUR thousand	I – III 2023	I – III 2022	Index 23/22
Telekom Slovenije	5,144	8,684	59
Other companies in Slovenia	201	-390	252
IPKO – Kosovo	2,657	3,073	86
Other companies abroad	146	201	73
Exclusions and adjustments	40	416	-
Telekom Slovenije Group	8,188	11,984	68

Investments

in EUR thousand	I – III 2023	I – III 2022	Index 23/22
Telekom Slovenije	35,372	25,227	140
Other companies in Slovenia	9,292	1,875	496
IPKO – Kosovo*	7,304	2,416	302
Other companies abroad	168	187	90
Exclusions and adjustments	-5,543	-2,626	-
Telekom Slovenije Group	46,593	27,079	172

* IPKO – Kosovo: includes the acquisition in 2023 of the radio frequency spectrum for 2x10 MHz capacities in the 800 MHz frequency band and 1x100 MHz in the 3.6 GHz frequency band. The investment in this regard amounts to EUR 4,921 thousand.

Employees

Number of employees as at	I – III 2023	I – III 2022	Index 23/22
Telekom Slovenije	2,103	2,103	100
Other companies in Slovenia	682	681	100
IPKO – Kosovo	466	478	97
Telekom Slovenije Group	3,251	3,262	100

TELEKOM SLOVENIJE GROUP CONNECTIONS AND SERVICES BY TYPE AND MARKET

Broadband connections

Number of connections as at	31 March 2023	31 December 2022	Index 23/22
Slovenia – retail	196,142	196,610	100
Slovenia – wholesale	177,237	176,250	101
Slovenia total	373,379	372,860	100
Kosovo – retail	98,232	101,285	97
Telekom Slovenije Group	471,611	474,145	99

Mobile telephony

Number of connections as at	31 March 2023	31 December 2022	Index 23/22
Slovenia – retail	944,294	949,779	99
Slovenia – wholesale	163,443	159,722	102
Slovenia total	1,107,737	1,109,501	100
Kosovo – retail	869,531	892,665	97
Telekom Slovenije Group	1,977,268	2,002,166	99

Fixed telephony and VoIP services

Number of connections as at	31 March 2023	31 December 2022	Index 23/22
Slovenia – traditional fixed voice telephony	275,913	280,959	98
Slovenia – VoIP	178,098	179,326	99
Slovenia total	454,011	460,285	99
Kosovo – VoIP	34,167	34,362	99
Telekom Slovenije Group	488,178	494,647	99

3.5. Share trading and ownership structure

General information regarding Telekom Slovenije shares as at 31 March 2023

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	36,836
Number of shareholders as at 31 March 2023	8,418

Trading in TLSG shares

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 and SBITOP TR share indices, and accounted for 3.93% of those indices according to the half-yearly review of the composition and computational parameters of both indices conducted on 20 March 2023. The SBITOP and SBITOP TR are the Slovenian 'blue chip' indices and offer information regarding the movement of the most liquid and largest shares on the Ljubljana Stock Exchange. In contrast to the SBITOP, the SBITOP TR takes into account both market prices and dividends in its calculation. 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.

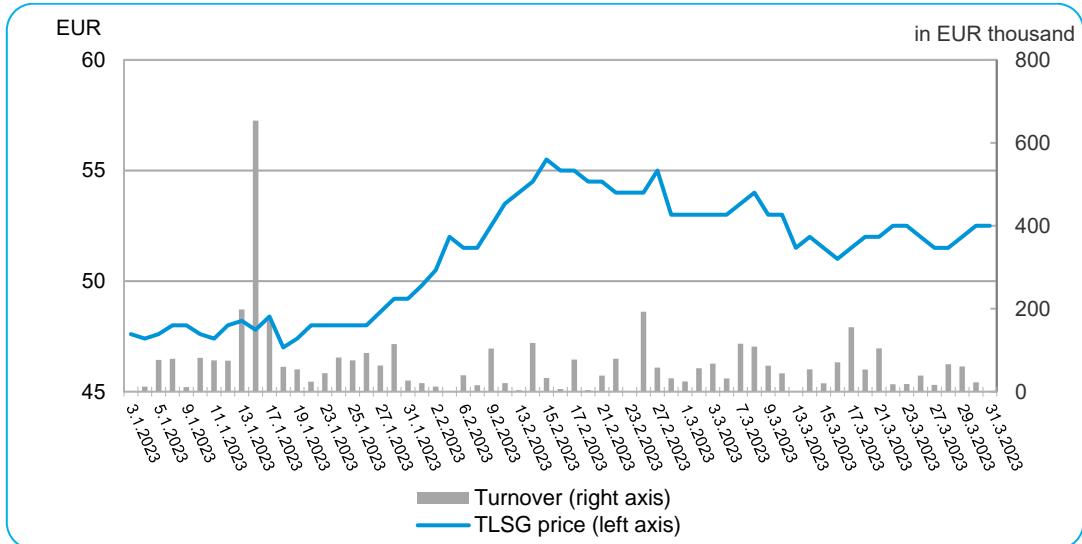
The price of TLSG shares closed at EUR 52.50 on the last trading day of March 2023. The share price rose by 11.2% in the period January–March 2023, while the SBITOP index was up by 14.7% during the same period. The market capitalisation of Telekom Slovenije stood at EUR 343.1 million on the last trading day of March. Turnover in Telekom Slovenije shares totalled EUR 2.7 million during the period January to March 2023, representing 4.2% of total turnover on the stock exchange.

Trading statistics for TLSG shares on the Ljubljana Stock Exchange

Standard price in EUR	I – III 2023	I – III 2022
Highest daily price	55.50	61.00
Lowest daily price	47.00	52.80
Average daily price	51.20	57.47
Volume in EUR thousand	I – III 2023	I – III 2022
Total volume for the period*	2,724.59	4,152.97
Highest daily volume	485.54	653.46
Lowest daily volume	0.00	0.17
Average daily volume	43.25	65.92

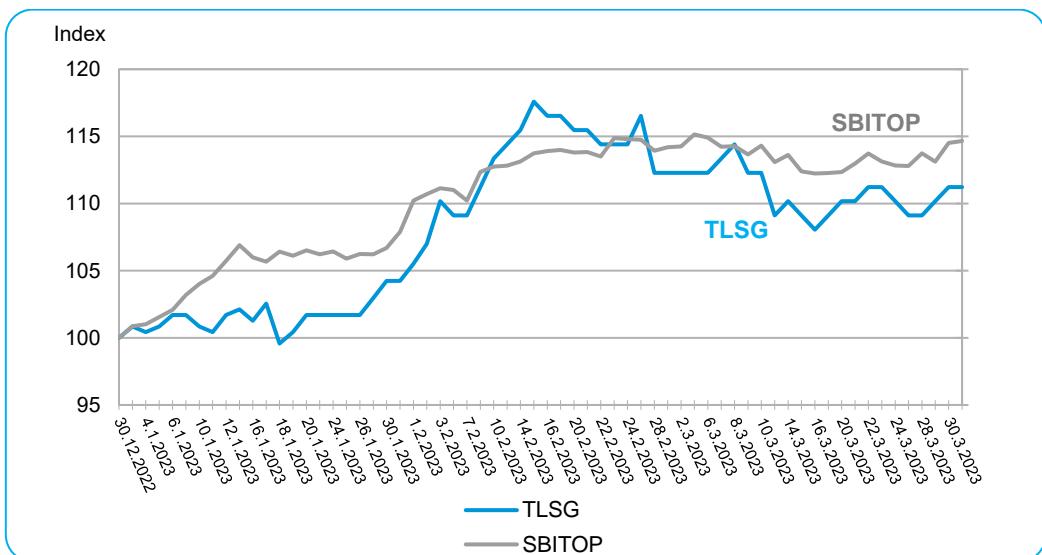
* Also includes block trades.

Movement in the share price and volume of trading in TLSG shares



Source: Ljubljana Stock Exchange, archive of data.

Movement in the TLSG share price compared to the SBITOP (index: 31 December 2022 = 100)



Source: Ljubljana Stock Exchange, archive of data.

Key financial data relating to shares

	31 March 2023 / I – III 2023	31 March 2022/ I – III 2022
Closing price of one share on the last trading day of the period in EUR	52.50	57.80
Book value of one share in EUR ¹	94.87	93.68
P/BV	0.55	0.62
Net earnings per share in EUR ²	1.26	1.84
Capital return per share during the period in % ³	11.23	2.85

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.

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.

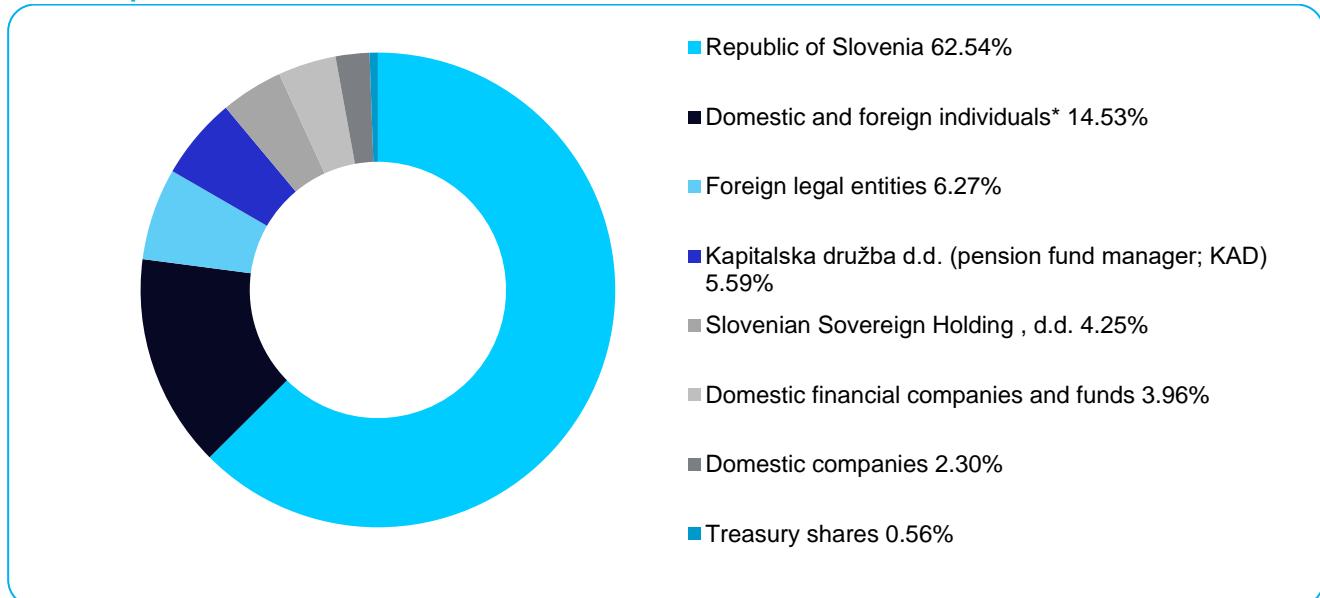
³ The capital return per share is calculated as follows: (share price on the final trading day of the period – share price on the final trading day of the previous period) / share price on the final trading day of the previous period.

Ownership structure and largest shareholders as at 31 March 2023

Telekom Slovenije had 8,418 shareholders as at 31 March 2023, a decrease of 40 relative to the end of 2022.

At 0.20 percentage points, domestic financial corporations and funds recorded the most significant decrease in ownership stake during the first three months of 2023. Domestic and foreign individual shareholders increased their ownership stake by 0.17 percentage points, while foreign legal entities increased their stake by 0.03 percentage points.

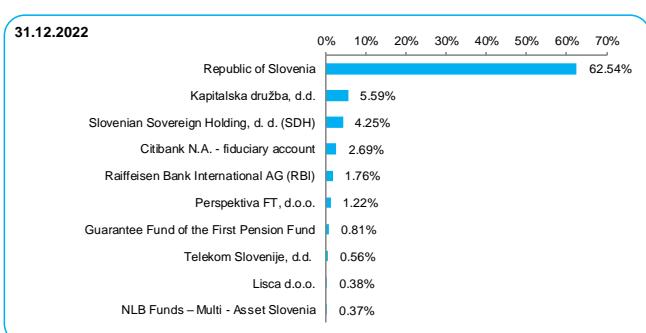
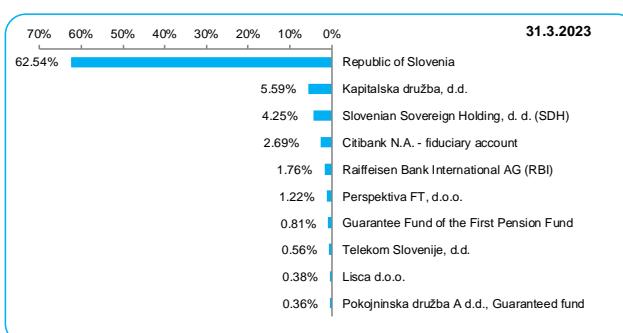
Ownership structure as at 31 March 2023



* Individual shareholders include individuals who pursue gainful activities on the market.

Ten largest shareholders as at 31 March 2023

The concentration of ownership, as measured by the ownership stake held by the ten largest shareholders, stood at 80.16% as at 31 March 2023, a decrease of 0.01 percentage points relative to the end of 2022. The order of the top ten owners changed. With a stake of 0.36%, the life-cycle guarantee fund of Pokojninska družba A, d.d. replaced NLB Funds (Slovenian balanced funds) as the tenth largest shareholder.



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

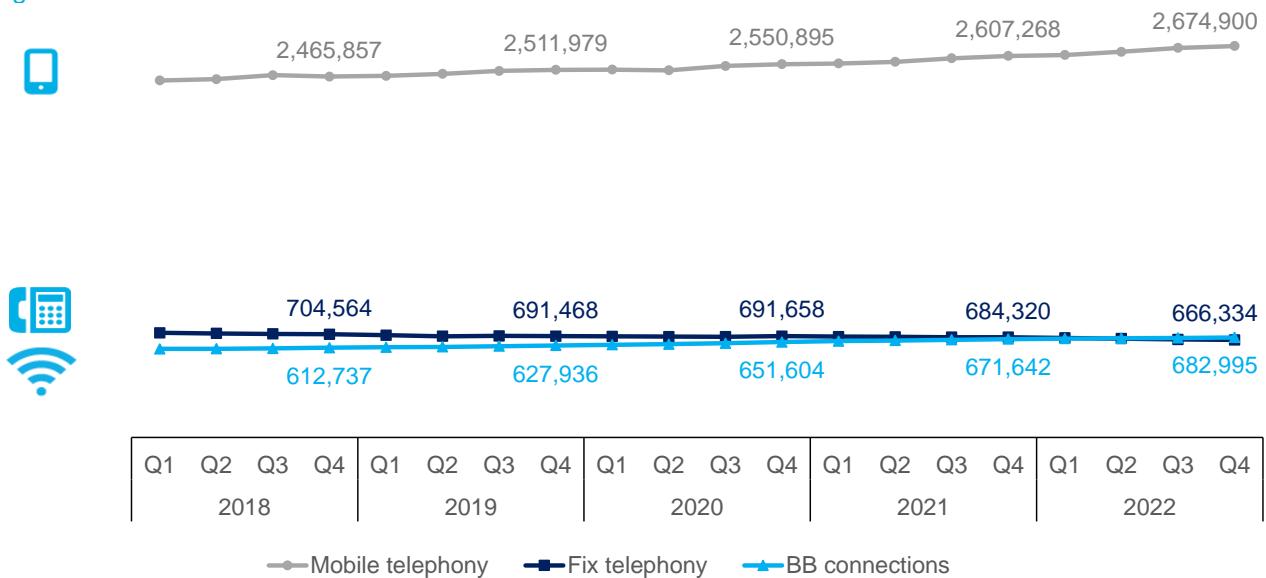
Members of the Management Board and Supervisory Board held 1,178 TLSG shares as at 31 March 2023.

Name	Office	Number of shares	% in equity
Management Board			
Boštjan Škufca Zaveršek, MSc	Vice-President of the Management Board	380	0.00581
Vesna Prodnik, MSc	Member of the Management Board	400	0.00612
Supervisory Board			
Aleksander Igličar, MSc	Member of the Supervisory Board	150	0.00230
Drago Kijevčanin	Vice-President of the Supervisory Board	212	0.00324
Dušan Pišek	Member of the Supervisory Board	36	0.00055
Total Management Board and Supervisory Board		1,178	0.01802

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

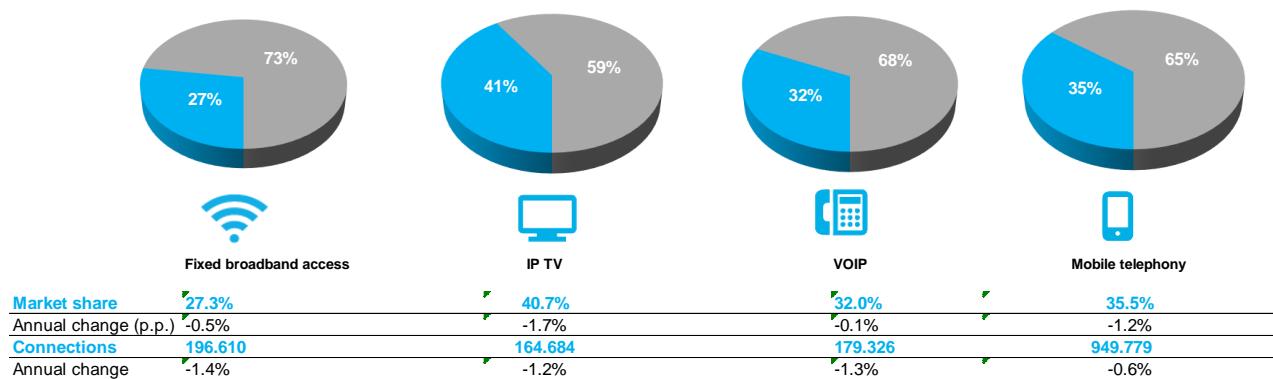
3.6. Market and market shares in key service segments

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



Source: Statistical Office of the Republic of Slovenia, Electronic Communications, fourth quarter of 2022.

Telekom Slovenije's market shares in the fourth quarter of 2022 in key market segments



Source: Report on the development of the electronic communications market for the fourth quarter of 2022, AKOS and internal Telekom Slovenije figures.

3.7. Risk management

Key risks are presented below by Telekom Slovenije Group company.

TELEKOM SLOVENIJE

Strategic risks

- On the market, Telekom Slovenije faces stiff competition, regulatory requirements, the changing needs and price-sensitivity of users and the migration of voice traffic to OTT platforms. Users demand high-quality and more extensive services at lower prices. The management of such risks requires a targeted market approach, the constant introduction of innovations, and the active monitoring of the expectations of users and current market trends. The focus is on ensuring high quality and a broad range of services for individual user segments, and the continuous adaptation of business solutions and the portfolio. The optimisation and development of the product portfolio are ongoing processes. The use of advanced mobile payment options is encouraged. Mobile and fixed packages have been revamped, and include increased internet speeds for an improved user experience. Intensive activities are being carried in the sale of cyber security, IT support, eCare and telemedicine services, and comprehensive ICT solutions tailored to the needs of business users, while strategic partnerships are being formed for innovative solutions. Programmes are being implemented to maintain subscribers and digitalise processes for users (digital communication, simple IT architecture and technology). A new CRM system is being implemented for business users and for the needs of the wholesale market. Longer-term agreements are being concluded with international operators with an agreed traffic volume. The wholesale portfolio is being adapted in accordance with regulatory obligations and taking into account market needs. Additional international redundant connections have been established to increase cyber security.

Financial risks

- Telekom Slovenije actively monitors changes in the financial environment, as well as various financial risks to which it is exposed in its operations. To that end, it balances optimal sources of financing and ensures the appropriate maturities and diversification of financial debt.
- Liquidity risk is managed through the management and planning of cash flows, through the optimisation of working capital, by

ensuring the appropriate maturities of financial debt, and through short-term credit lines that are regularly rolled over taking into account needs and the use of liquid assets within the Group.

- The Company manages credit risk through the active monitoring of credit exposure to customers, and the operations and credit ratings thereof, and by limiting maximum allowable exposures. It 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 customers' contractual obligations and the active recovery of past-due debt are elements of comprehensive credit risk management.
- Due to unfavourable trends in market interest rates, the Company closely monitors developments on the financial markets, and manages the risk of rising interest rates by ensuring the appropriate structure of debt bearing fixed and variable interest rates. At the level of the Group and Company, 27.6% of financial debt from loans raised bears a fixed interest rate.
- Telekom Slovenije manages credit risk in connection with receivables from loans to subsidiaries by regularly monitoring and controlling the operations and level of exposure to 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.
- 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. Key in that respect 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 and the new ZEKom-2). The GDPR brought stricter regulation and increased the awareness of both users and the general public regarding the protection of data, while sectoral legislation sets out the obligations of the Company in individual areas of operations. The new Personal Data Protection Act (ZVOP-2) entered into force on 26 January 2023. Under that act, the Information Commissioner will carry out supervision in accordance with the GDPR, while the new act also brought updated requirements for specific areas of personal data processing. Telekom Slovenije ensures compliance through the continuous monitoring, updating and improvement of personal data processing and internal control processes for personal data protection. Accordingly, it is monitoring 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 and the draft Data Act is under consideration) 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. The Company continuously optimises the network, data centres and other technical infrastructure taking into account the development of the market and technologies. The use of standard (cloud) building blocks in the network and information systems is increasing. The capacity of equipment is being upgraded and the number of licences increased in the mobile network in line with growth in traffic. Multiple activities are in progress to replace communication equipment in the MPLS backbone network and to upgrade the mobile packet network. Modern network technology (Software Defined Access), which includes the 'zero trust' principle of cyber security and advanced user authentication and authorisation techniques, is being introduced at an accelerated rate in the internal business network. In the area of ICT security, the Company continuously develops systems for monitoring technologies and anomalies in the infrastructure and ICT services, and conducts internal and external penetration testing. It also

performs security checks and shares knowledge and data regarding threats with European telecommunications operators, in particular with international cyber incident response teams. In place is the state-of-the-art Cyber Security Operation Centre that functions 365/24/7. Risks are managed through the implementation of the security policy, by identifying security threats and vulnerabilities, and by spreading the security culture. Investments are made continuously in the development of the capacities (people, processes and technologies) required to improve cyber resilience. The network (fixed and mobile) is continuously upgraded to prevent abuse by users in the national network and in international roaming.

- The Company constantly improves IT processes and mechanisms to ensure the smooth functioning of systems and applications, and makes technological upgrades in line with trends.
- It monitors market electricity prices and adapts purchasing models.
- Telekom Slovenije also faces risks associated with retaining employees, as it is increasingly difficult to recruit and retain staff with specific expertise due to labour market conditions and increased demand for professionally qualified personnel. The Company responds to these risks through targeted development and training programmes, promotes the transfer of knowledge through mentors, offers support to employees in the acquisition of additional knowledge and competences, promotes cooperation and internal mobility, and carries out other activities to motivate and retain employees. It works actively with various educational institutions, and implements numerous activities to further build the employer brand and attract a diverse range of candidates. The Company has also conducted interviews this year aimed at retaining employees with key knowledge.
- The Company manages risks associated with procurement procedures through a centralised procurement function and a standard process in connection with those procedures. In that context, it ensures regular communication with suppliers and the continuous monitoring of the availability of goods and the timeliness of deliveries. It also ensures the necessary safety stocks of strategic materials, searches for alternative suppliers and employs a strategy of multiple suppliers. The Company monitors compliance with contractual provisions.

Risks relating to sustainable operations

- All aspects of sustainability (ESG) are integrated into the Strategic Business Plan of Telekom Slovenije and the Telekom Slovenije Group, as are the United Nations' sustainable development goals (SDGs), which represent an important factor in business decisions.
- The Company identifies impacts from the external and internal environment through a stakeholder analysis and materiality assessment, and regularly monitors impacts and assesses risks on that basis. Risk management measures primarily relate to further efforts aimed at more efficient energy consumption and the reduction of emissions.
- The Company and its partners are developing new ICT solutions that facilitate energy savings and the reduction of the carbon footprint.
- Telekom Slovenije regularly briefs stakeholders and provides information regarding activities relating to its socially responsible and sustainable conduct.

Impact of the war in Ukraine

- The war in Ukraine has led to higher prices of energy, commodities, goods and services, disruptions in the supply chain, growth in labour costs due to higher transportation costs, rising interest rates and falling revenues due to reduced purchasing power. The changing conditions are also increasing risks in the area of cyber security.

AVTENTA

- Risks in connection with achieving planned revenues are managed through new sales opportunities and the development of digital solutions.

GVO

- Risks in connection with achieving planned revenues are managed through the search for new transactions via public tenders, and the search for new opportunities where the company serves as subcontractor on major projects (via public tenders and private investments).

SOLINE

- A change to conditions for the extension of the concession agreement on salt production can have a significant effect on the company's business model. The company is waiting for a decision from the Ministry of Natural Resources and Spatial Planning regarding that extension. A report on implementation of the concession agreement on the SSNP for the 10-year period 2011 to 2021, which is a precondition for extension of the concession agreement, and

the plan for the management of the park for the period 2022 to 2032 have been submitted.

- There is no insurance product that covers the risk of unfavourable weather conditions.

TSinfo

- Risks in connection with achieving planned sales of other market services are managed through online and direct communication, and by ensuring the optimal staffing.

TSmedia

- Risks in connection with achieving planned revenues are managed through new content projects and the expansion of the outdoor jumbo network, the search for new opportunities and new sales campaigns, which include the preparation of the creative basis for advertisements for larger orders.

IPKO

- The company responds to the risk of the loss of users and revenues in the segment of fixed services due to aggressive competition through special promotional offers and the appropriate market approaches.
- Risks associated with the loss of premium fixed segment customers due to the offer of programme content are managed through advertising and the promotion of new packages to maintain users, including the further enhancement of content and the search for alternative approaches.
- Risks in connection with achieving revenues from business users are managed via campaigns to attract new users, and through cross-selling and additional sales.
- There is risk in connection with maintaining growth in the number of subscribers in the mobile segment. The company is responding to that risk with promotional offers and through the appropriate market approaches.
- The risk of additional investments due to regulatory requirements and the demands of the business environment relating to the shift from an aerial to an underground infrastructure is managed by coordinating with the Kosovo Energy Distribution Services (KEDS), local communities and other operators. The regulatory agency (RAEPC) is informed about potential negative impacts on the functioning of telecommunication services.
- Risks in connection with non-standard IT are managed through the continuation of the BSS transformation programme and the consolidation of processes.
- The company negotiates and communicates with all stakeholders in connection with the risk associated with the payment of copyright fees and fees for the transmission of programmes

- via the cable network.
- There is a risk of an additional reduction in the prices of call termination from countries of the Western Balkans, which will affect the company's revenues.
- The migration of citizens affects market potential, growth in the number of subscribers and the company's share of the telecommunication services market. That risk is managed through campaigns adapted to business and residential users.

4. CORPORATE GOVERNANCE

Management Board

Telekom Slovenije's Management Board comprised the following members as at 31 March 2023:

- Boštjan Košak, President,
- Boštjan Škufca Zaveršek, MSc, Vice-President,
- Irma Gubanec, MSc, member,
- Vesna Prodnik, MSc, member, and
- Špela Fortin, member and Workers' Director.

The President of the Management Board, Boštjan Košak, began his four-year term of office on 4 October 2022. Based on the President's proposal, the Supervisory Board appointed two new members to the Management Board on 11 October 2022: Irma Gubanec, MSc, who covers the area of finance, and Boštjan Škufca Zaveršek, MSc, who covers the area of sales. Ms Gubanec's four-year term of office began on 12 October 2022, while Mr Škufca Zaveršek's four-year term of office began on 14 November 2022. Boštjan Škufca Zaveršek was appointed Vice-President of the Management Board. Based on the proposal of President of the Management Board, the Supervisory Board appointed Vesna Prodnik, MSc as member of the Management Board responsible for technology on 19 October 2022. Her four-year term of office began on 14 November 2022.

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.

The Supervisory Board comprised the following members as at 31 March 2023:

Shareholder representatives:

- Žiga Debeljak, MSc, President,
- Karla Pinter, MSc, Vice-President,
- Marko Boštjančič, member,
- Alenka Čok Pangeršič, MSc, member,
- Mateja Čuk Orel, MSc, member, and
- Aleksander Igličar, MSc, member,

Employee representatives:

- Drago Kijevčanin, Vice-President,
- Dušan Pišek, member, and
- Rok Pleteršek, member.

Members of the Supervisory Board are elected for a term of four years.

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/en/about-us/company/organisation>.

SLOVENIA

GVO, d.o.o.

Managing Director: Dr Zef Vučaj

Supervisory Board: Vesna Prodnik, MSc (President), Sabina Merhar and Helena Jakič

Infratel, d.o.o.

Managing Director: Dr Zef Vučaj

Optic-Tel, d.o.o.

Managing Director: Dr Zef Vučaj

Avtenta, d.o.o.

Managing Director: Primož Kučič

Matija Nendl has been Managing Director since 1 April 2023.

TSmedia, d.o.o.

Managing Director: Igor Gajster

Soline, d.o.o.

Managing Director: Klavdij Godnič

TSinfo, d.o.o.

Managing Director: Vesna Lednik

Sandra Peršak was Managing Director until 9 January 2023.

OTHER COUNTRIES

IPKO Telecommunications LLC, Kosovo

CEO: Tomaž Seljak, MSc

SIOL, d.o.o. Zagreb, Croatia

Managing Director: Simon Furlan, MSc

SIOL, d.o.o. Podgorica, Montenegro

Managing Director: Simon Furlan, MSc

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

Managing Director: Simon Furlan, MSc

SIOL, DOOEL Skopje, North Macedonia

Managing Director: Simon Furlan, MSc

SIOL DOO BELGRADE, Serbia

Managing Director: Simon Furlan, MSc

SIOL Prishtina LLC, Kosovo

Managing Director: Simon Furlan, MSc

GVO Telekommunikation GmbH

Liquidator: Roman Mazi

5. SIGNIFICANT EVENTS IN THE PERIOD JANUARY TO MARCH 2023

FIRST QUARTER OF 2023

JANUARY

- Telekom Slovenije's Supervisory Board discussed the Company's current business activities at its 9th ordinary session held on 9 January 2023. It gave its consent to the appointment of Vesna Lednik as Managing Director of TSinfo, for a four-year term of office that began on 10 January 2023.
- Telekom Slovenije received a decision from the Ljubljana District Court on 16 January 2023. Under that decision, the court halted proceedings involving a countersuit from POP TV, d.o.o., Ljubljana and Kanal A, d.o.o., which demanded damages from Telekom Slovenije totalling EUR 58,154,012.16, with appertaining amounts. The halting of proceedings was the result of the withdrawal of the lawsuit filed against the two aforementioned companies by Telekom Slovenije and the withdrawal of the countersuit filed by those companies against Telekom Slovenije.
- The independent international organisation, Top Employers Institute, once again awarded Telekom Slovenije the Top Employer certificate for 2023 following an in-depth assessment of HR practices. That certificate represents the global professional standard in recognising excellence in corporate people practices, and is an exceptionally important recognition for companies that receive it. Telekom Slovenije received the Top Employer certificate for the second consecutive year.

FEBRUARY

- On 10 February 2023, member of the Management Board, Vesna Prodnik, MSc, purchased 400 of the Company's shares at a price of EUR 53.50 per share in the total amount of EUR 21,400.00.
- On 13 February 2023, Telekom Slovenije's Supervisory Board gave its consent to the appointment of Matija Nendl as Managing Director of Avtenta, for a four-year term of office that began on 1 April 2023.
- Telekom Slovenije upgraded its 4G and 5G mobile network in Kranjska Gora and Planica with even higher capacities and speeds. In this way, the capacity of the network was prepared and adapted to ensure complete stability and reliability, even in the context of a sharp increase in the number of users (by potentially

tens of thousands). Telekom Slovenije recorded more than 100,000 users of the 5G network in February.

- Soline completed the renovation of four salt workers' houses in the Fontanigge area, which were damaged by floods in 2019 and 2020.

MARCH

- On 20 March 2023, Vice-President of the Management Board, Boštjan Škufca Zaveršek, MSc, purchased 380 of the Company's shares at a price of EUR 52.00 per share in the total amount of EUR 19,760.
- On 23 March 2023, Telekom Slovenije received a class action lawsuit from the Ljubljana District Court. That lawsuit was filed by the Pan-Slovenian Small Shareholders' Association for the reimbursement of damages in the estimated amount of EUR 122,689,762.25 with appertaining amounts. The court also called on the Company to respond with regard to the existence of conditions for confirmation of the class action lawsuit. That lawsuit allegedly represents damages incurred by the Company's subscribers in the period 1 January 2018 to 1 December 2022. Telekom Slovenije will respond to the lawsuit by the legally prescribed deadline.
- On 31 March 2023, Telekom Slovenije received a decision from the Slovenian Competition Protection Agency (hereinafter: the CPA), under which the CPA halted proceedings to determine the breach of Article 9 of the Prevention of Restriction of Competition Act because it was unable to obtain evidence of the existence of the necessary technical solution prior to 3 March 2005 and thus calculations of the economic effect to support allegations of the abuse of a dominant position on the inter-operator broadband access market with bit-streaming in the Republic of Slovenia (by making ADSL connections conditional on the prior leasing of ISDN connections).
- Telekom Slovenije organised a press conference, at which it presented its Cyber Security Operation Centre and activities to ensure cyber resilience. It used the opportunity to raise awareness about the rising number of cyberattacks and attempted attacks on individuals, companies and organisations in Slovenia. In addition to such attacks, there is also an increasing number of attempts to abuse passwords, personal data and payment card data.

- Telekom Slovenije and its partners at the Faculty of Electrical Engineering set up a 5G research and test environment. Modern equipment at technical faculties is crucial for educating the young people who are and will be the creators of the digital future.
- Telekom Slovenije monitors user habits and updated the *NEO* and *Naj* packages on the basis of that monitoring. It included in *NEO* packages even faster internet access and a TV programming scheme with a broad range of content, while everything else is left to the imagination of users. *Naj* packages include even higher mobile data transfer quantities, both domestically and in countries covered by the EU tariff.
- Telekom Slovenije donated EUR 20,000 to the Slovenian Red Cross for the renovation of the Starfish Youth Home at the Debeli Rtič Youth Spa and Resort.
- Soline and the Ministry of Natural Resources and Spatial Planning signed an agreement on the management of the Sečovlje Salina Nature Park for 2023.
- TSinpo launched a new automated line of machines for the manufacture of cardboard sleeves.
- Siol.net organised the fourth *Naj Digi* 2023 for the selection of best smart phone, smart watch and earphones, and the best online store with mobile accessories.

6. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

SECOND QUARTER OF 2023

APRIL

- There were no events.

7. CONDENSED INTERIM ACCOUNTING REPORT OF THE TELEKOM SLOVENIJE GROUP AND TELEKOM SLOVENIJE, D.D. FOR THE PERIOD JANUARY TO MARCH 2023

The condensed financial statements of the Telekom Slovenije Group and the condensed financial statements of the controlling 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 31 March 2023 were compiled in accordance with IAS 34 Interim Financial Reporting, and must be read together with the financial statements and disclosures compiled for the 2022 financial year. The financial statements for the period January–March 2023 and the comparable period January–March 2022 are unaudited, while the financial statements for the comparable period ending 31 December 2022 are audited. The financial statements of the Group and Company were compiled under the assumption that both are going concerns. Operations are not seasonal.

Changes in accounting policies

The accounting policies used in the compilation of the interim condensed financial statements are the same as those applied in the compilation of the financial statements for the financial year ending 31 December 2022.

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.

Functional and presentation currency

The reporting currency of the Telekom Slovenije Group is the euro, which is also the functional and presentation currency of the controlling 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 statement of profit or loss for the period ending 31 March 2023

in EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I – III 2023	I – III 2022	I – III 2023	I – III 2022
Sales revenue	163,216	151,162	143,482	134,885
Other operating income	924	1,350	343	384
Cost of goods sold	-22,270	-19,935	-23,258	-21,120
Costs of materials and energy	-9,649	-4,454	-7,854	-3,396
Costs of services	-48,672	-44,631	-45,466	-42,456
Labour costs	-27,397	-25,806	-22,513	-20,632
Depreciation/amortisation	-40,209	-40,625	-33,620	-34,515
Other operating expenses	-1,969	-951	-1,902	-1,113
Total operating expenses	-150,166	-136,402	-134,613	-123,232
EBIT – earnings before interest and taxes	13,974	16,110	9,212	12,037
Finance income*	152	273	1,168	700
Finance expenses*	-4,135	-2,002	-3,985	-1,986
Profit before tax	9,991	14,381	6,395	10,751
Income tax	-1,056	-1,278	-544	-949
Deferred taxes	-741	-1,119	-732	-1,118
Net profit	8,194	11,984	5,119	8,684
Earnings per share				
Basic earnings per share in EUR	1.26	1.84	0.79	1.33
Diluted earnings per share in EUR	1.26	1.84	0.79	1.33

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

**Unaudited consolidated and separate statement of other comprehensive income for the period ending
31 March 2023**

in EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I – III 2023	I – III 2022	I – III 2023	I – III 2022
Net profit for the period	8,194	11,984	5,119	8,684
<i>Other comprehensive income that may be subsequently reclassified to the statement of profit or loss</i>				
Translation reserves	3	0	0	0
Change in the fair value of hedging financial instruments	-19	21	-20	21
Deferred tax	5	-37	5	-37
Change in fair value of hedging financial instruments (net)	-14	-16	-15	-16
<i>Other comprehensive income that may not be subsequently reclassified to the statement of profit or loss</i>				
Change in fair value of investments in equity instruments measured at fair value through other comprehensive income	338	221	339	221
Deferred tax	-64	-9	-64	-9
Change in fair value of investments in equity instruments measured at fair value through other comprehensive income	274	212	275	212
Other comprehensive income for the period after tax	263	196	260	196
Total comprehensive income for the period	8,457	12,180	5,379	8,880

Unaudited consolidated and separate statement of financial position as at 31 March 2023

in EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
ASSETS				
Intangible assets	208,585	204,352	158,117	155,259
Property, plant and equipment	676,460	679,501	600,486	604,932
Right-of-use assets	77,319	75,419	89,127	78,126
Investments in subsidiaries	0	0	38,720	38,720
Other investments	2,786	2,448	45,537	48,505
Contract assets	4,313	3,624	3,899	3,234
Other receivables	19,280	19,251	19,274	19,246
Deferred costs	2,941	3,293	3,231	3,694
Investment property	4,267	4,304	7,419	7,457
Deferred tax assets	38,583	39,324	38,324	39,057
Total non-current assets	1,034,534	1,031,516	1,004,134	998,230
Assets held for sale	796	796	796	796
Inventories	31,300	25,253	27,158	21,702
Trade and other receivables	154,733	157,680	146,101	150,884
Receivables for corporate income tax	1,835	1,387	1,577	1,286
Contract assets	19,886	15,942	19,794	15,562
Deferred costs	10,203	4,545	7,560	3,741
Investments	814	837	11,110	11,516
Cash and cash equivalents	26,353	37,382	13,049	19,573
Total current assets	245,920	243,822	227,145	225,060
Total assets	1,280,454	1,275,338	1,231,279	1,223,290
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
Legal reserves	51,612	51,612	50,434	50,434
Reserves for treasury shares and interests	4,065	4,065	4,065	4,065
Treasury shares and interests	-4,065	-4,065	-4,065	-4,065
Statutory reserves	54,854	54,854	54,544	54,544
Other profit reserves	13	13	0	0
Retained earnings	58,066	50,003	51,989	46,869
Retained earnings from previous periods	49,872	12,497	46,870	26,076
Profit or loss for the period	8,194	37,506	5,119	20,793
Fair value reserves	72	-188	72	-188
Reserves for actuarial gains/losses	1,155	1,155	897	897
Translation reserves	55	18	0	0
Total equity	620,037	611,677	611,613	606,233
Contract liabilities	17,725	17,072	17,155	16,425
Provisions	21,542	21,220	18,221	17,925
Other liabilities	11,916	8,177	10,056	3,847
Accrued liabilities	5,848	5,810	660	666
Loans and borrowings	236,713	236,683	236,713	236,683
Lease liabilities	60,843	59,342	71,866	60,871
Deferred tax liabilities	1,953	1,893	354	293
Total non-current liabilities	356,540	350,197	355,025	336,710
Trade payables	107,531	123,915	78,916	99,300
Income tax payable	217	221	0	0
Loans and borrowings	128,041	132,757	128,041	132,757
Lease liabilities	10,488	10,603	12,137	12,527
Other financial liabilities	2	2	0	0
Contract liabilities	10,167	10,275	5,496	5,602
Accrued liabilities	47,431	35,691	40,051	30,161
Total current liabilities	303,877	313,464	264,641	280,347
Total liabilities	660,417	663,661	619,666	617,057
Total equity and liabilities	1,280,454	1,275,338	1,231,279	1,223,290

Unaudited consolidated statement of changes in equity of the Telekom Slovenije Group for the period ending 31 March 2023

in EUR thousand	Share capital	Share premium	Profit 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 reserves	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 January 2023	272,721	181,489	51,612	4,065	-4,065	54,854	13	12,497	37,506	-202	14	1,155	18	611,677
Net profit or loss for the period	0	0	0	0	0	0	0	0	8,194	0	0	0	0	8,194
Other comprehensive income for the period	0	0	0	0	0	0	0	0	0	274	-14	0	3	263
Total comprehensive income for the period	0	0	0	0	0	0	0	0	8,194	274	-14	0	3	8,457
Transactions with owners	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of profit or loss from the previous year to retained earnings	0	0	0	0	0	0	0	37,506	-37,506	0	0	0	0	0
Changes in the composition of the Group	0	0	0	0	0	0	0	-34	0	0	0	0	34	0
Changes in equity	0	0	0	0	0	0	0	37,472	-37,506	0	0	0	34	0
Other	0	0	0	0	0	0	0	-97	0	0	0	0	0	-97
Balance as at 31 March 2023	272,721	181,489	51,612	4,065	-4,065	54,854	13	49,872	8,194	72	0	1,155	55	620,037

Unaudited consolidated statement of changes in equity of the Telekom Slovenije Group for the period ending 31 March 2022

in EUR thousand	Share capital	Share premium	Profit 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 reserves	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 January 2022	272,721	181,489	51,612	3,671	-3,671	54,854	13	4,050	37,888	-26	-40	-2,139	9	600,431
Net profit or loss for the period	0	0	0	0	0	0	0	0	11,984	0	0	0	0	11,984
Other comprehensive income for the period – adjusted*	0	0	0	0	0	0	0	0	0	212	-16	0	0	196
Total comprehensive income for the period	0	0	0	0	0	0	0	0	11,984	212	-16	0	0	12,180
Purchase of treasury shares	0	0	0	0	-394	0	0	0	0	0	0	0	0	-394
Creation of reserves for treasury shares	0	0	0	394	0	0	0	-394	0	0	0	0	0	0
Transactions with owners	0	0	0	394	-394	0	0	-394	0	0	0	0	0	-394
Transfer of profit or loss from the previous year to retained earnings	0	0	0	0	0	0	0	37,888	-37,888	0	0	0	0	0
Changes in equity	0	0	0	0	0	0	0	37,888	-37,888	0	0	0	0	0
Other	0	0	0	0	0	0	0	-2	0	0	0	0	0	-2
Balance as at 31 March 2022	272,721	181,489	51,612	4,065	-4,065	54,854	13	41,542	11,984	186	-56	-2,139	9	612,215

Unaudited separate statement of changes in equity of Telekom Slovenije, d.d. for the period ending 31 March 2023

in EUR thousand	Share capital	Share premium	Profit 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					
Balance as at 1 January 2023	272,721	180,956	50,434	4,065	-4,065	54,544	0	26,076	20,793	-203	15	897	606,233
Net profit or loss for the period	0	0	0	0	0	0	0	0	5,119	0	0	0	5,119
Other comprehensive income for the period	0	0	0	0	0	0	0	0	0	275	-15	0	260
Total comprehensive income for the period	0	0	0	0	0	0	0	0	5,119	275	-15	0	5,379
Transactions with owners	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of profit or loss from the previous year to retained earnings	0	0	0	0	0	0	0	20,793	-20,793	0	0	0	0
Changes in equity	0	0	0	0	0	0	0	20,793	-20,793	0	0	0	0
Other	0	0	0	0	0	0	0	1	0	0	0	0	1
Balance as at 31 March 2023	272,721	180,956	50,434	4,065	-4,065	54,544	0	46,870	5,119	72	0	897	611,613

Unaudited separate statement of changes in equity of Telekom Slovenije, d. d. for the period ending 31 March 2022

in EUR thousand	Share capital	Share premium	Profit 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 January 2022	272,721	180,956	50,434	3,671	-3,671	54,544	0	21,144	34,371	-27	-39	-1,863	612,241
Net profit or loss for the period	0	0	0	0	0	0	0	0	8,684	0	0	0	8,684
Other comprehensive income for the period	0	0	0	0	0	0	0	0	0	212	-16	0	196
Total comprehensive income for the period	0	0	0	0	0	0	0	0	8,684	212	-16	0	8,880
Purchase of treasury shares	0	0	0	0	-394	0	0	0	0	0	0	0	-394
Creation of reserves for treasury shares	0	0	0	394	0	0	0	-394	0	0	0	0	0
Transactions with owners	0	0	0	394	-394	0	0	-394	0	0	0	0	-394
Transfer of profit or loss from the previous year to retained earnings	0	0	0	0	0	0	0	34,371	-34,371	0	0	0	0
Changes in equity	0	0	0	0	0	0	0	34,371	-34,371	0	0	0	0
Balance as at 31 March 2022	272,721	180,956	50,434	4,065	-4,065	54,544	0	55,121	8,684	185	-55	-1,863	620,727

Unaudited consolidated cash flow statement for the period ending 31 March 2023

	Telekom Slovenije Group		Telekom Slovenije	
	I – III 2023	I – III 2022	I – III 2023	I – III 2022
Cash flows from operating activities				
Net profit for the period	8,194	11,984	5,119	8,684
Adjustments for:				
Depreciation/amortisation	40,209	40,625	33,620	34,515
Impairment and write-offs of property, plant and equipment and intangible assets	82	0	0	0
Gain/loss on disposal of property, plant and equipment	-82	-69	106	54
Adjustment for discontinued operations	0	0	0	0
Impairment and write-offs of inventories	167	165	167	165
Net impairment of receivables	1,141	328	905	226
Change in provisions and other changes	-6	-11	0	0
Finance income	-152	-273	-1,168	-700
Finance expenses	4,135	2,002	3,985	1,986
Income tax expense with deferred taxes	1,797	2,397	1,277	2,067
Cash flows from operating activities prior to changes in working capital and provisions	55,485	57,148	44,011	46,997
Change in inventories	-5,712	-3,719	-5,121	-3,023
Change in trade and other receivables	1,775	9,102	3,587	7,598
Change in accrued and deferred asset items and contract assets	-9,939	-9,873	-8,281	-7,123
Change in provisions	328	405	296	360
Change in trade and other payables	11,072	38,033	11,622	33,381
Change in accrued and deferred liability items and contract liabilities	12,323	13,705	10,509	11,972
Income tax paid	-1,095	-161	-888	0
Net cash from operating activities	42,093	28,574	32,491	23,400
Cash flows from investing activities				
Proceeds from investing activities	305	94	5,535	5,583
Proceeds from sale of property, plant and equipment	269	78	58	78
Dividends received	0	0	0	0
Proceeds from interest	0	0	930	414
Proceeds from repayment of loans and deposits	36	16	4,547	5,091
Disbursements from investing activities	41,586	23,773	32,950	20,343
Disbursements for property, plant and equipment	17,207	15,388	12,759	12,056
Disbursements for non-current intangible assets	24,379	-8,3851	19,381	-8,087
Disbursements for loans and deposits issued	0	0	-810	-200
Net cash from investing activities	41,281	23,679	27,415	14,760
Cash flows from financing activities				
Disbursements from financing activities	-11,886	-4,2095	11,645	-5,315
Disbursements for purchase of treasury shares	0	-394	0	-394

Repayment of lease liabilities – principal	-3,222	-3,197	-2,973	-3,046
Repayment of current borrowings	0	0	0	-1,260
Repayment of non-current borrowings	-7,692	0	-7,692	0
Disbursements for interest	-972	-618	-980	-615
Net cash from financing activities	11,886	-4,209	11,645	-5,315
Net increase/decrease in cash and cash equivalents	11,074	686	-6,569	3,325
Opening balance of cash and cash equivalents	37,382	15,935	19,573	3,754
Effect of exchange rate changes on cash and cash equivalents	45	43	45	43
Closing balance of cash and cash equivalents	26,353	16,664	13,049	7,122

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 controlling company Telekom Slovenije and the following subsidiaries as at the reporting date (31 March 2023):

Company	Country	31 March 2023
Telekom Slovenije, d.d.	Slovenia	100%
GVO, d.o.o.	Slovenia	100%
TSmedia, d.o.o.	Slovenia	100%
Avtenta, d.o.o.	Slovenia	100%
Soline, d.o.o.	Slovenia	100%
TSinfo, d.o.o.	Slovenia	100%
Optic-Tel, d.o.o.	Slovenia	100%
Infratel, d.o.o.	Slovenia	100%
IPKO Telecommunications LLC	Kosovo	100%
SIOL, d.o.o., Zagreb	Croatia	100%
SIOL, d.o.o., Sarajevo	Bosnia and Herzegovina	100%
SIOL, d.o.o., Podgorica	Montenegro	100%
GVO Telekommunikation GmbH	Germany	100%
SIOL, DOOEL Skopje	North Macedonia	100%
SIOL DOO Beograd	Serbia	100%
USTANOVA SRČNI SKLAD	Slovenia	100%
SIOL Prishtina LLC	Kosovo	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, TSinfo, 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 expenses by segment, as the Group's financing is centralised at the level of the controlling company. Disclosures regarding revenues generated with external customers are described by type in the note 'Revenue'.

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

Segment reporting

in EUR thousand	Slovenia		Other countries		Eliminations and adjustments*		Total	
	I – III 2023	I – III 2022	I – III 2023	I – III 2022	I – III 2023	I – III 2022	I – III 2023	I – III 2022
Sales to customers	145,301	135,141	17,915	16,021			163,216	151,162
Inter-segment sales	19,252	15,147	2,082	1,922	-21,334	-17,069	0	0
Total segment revenue	164,553	150,288	19,997	17,943	-21,334	-17,069	163,216	151,162
Other operating income	833	801	91	549			924	1,350
Total operating expenses	-135,903	-123,194	-14,263	-13,208			-150,166	-136,402
Operating profit per segment	29,483	27,895	5,825	5,284	-21,334	-17,069	13,974	16,110
Finance income							152	273
Finance expenses							-4,135	-2,002
Profit before tax							9,991	14,381
Income tax							-1,056	-1,278
Deferred taxes							-741	-1,119
Net profit for the period							8,194	11,984

Other data by segment	Slovenia		Other countries		Eliminations and adjustments*		Total	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Segment assets	1,328,108	1,314,368	138,057	138,163	-185,711	-177,193	1,280,454	1,275,338
Segment liabilities	672,920	664,662	97,511	100,423	-110,014	-101,424	660,417	663,661

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

Revenues by segment

in EUR thousand	Slovenia		Other countries		Total	
	I – III 2023	I – III 2022	I – III 2023	I – III 2022	I – III 2023	I – III 2022
Mobile services on end-user market	52,392	49,387	11,270	10,152	63,662	59,539
Fixed-line telephone services on end-user market	46,622	45,813	5,104	5,250	51,726	51,063
- of which IT services	7,577	6,162	85	70	7,662	6,232
Additional services	1,244	900	0	0	1,244	900
Wholesale market	37,499	33,600	1,541	619	39,040	34,219
Other revenues and merchandise	7,544	5,441	0	0	7,544	5,441
Total revenues	145,301	135,141	17,915	16,021	163,216	151,162

Sales revenue

Breakdown of revenue by service category

in EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I – III 2023	I – III 2022	I – III 2023	I – III 2022
Mobile services on end-user market	63,662	59,540	52,442	49,523
Fixed-line telephone services on end-user market	51,726	51,064	46,216	45,698
- of which <i>IT services</i>	7,662	6,231	7,131	6,007
Additional services	1,244	900	1,257	900
Wholesale market	39,040	34,217	38,063	33,857
Other revenues and merchandise	7,544	5,441	5,504	4,907
Total revenues	163,216	151,162	143,482	134,885

in EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I – III 2023	I – III 2022	I – III 2023	I – III 2022
Revenue from services rendered	138,906	130,512	119,040	113,365
Sales revenue – goods	24,310	20,650	24,442	21,520
Total revenues	163,216	151,162	143,482	134,885

The sales revenue of the Telekom Slovenije Group amounted to EUR 163.2 million in the period January–March 2023, an increase of EUR 12 million relative to the same period in 2022.

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, primarily on account of an increased number of users.

Revenues in the fixed segment were up primarily due to higher sales of IT merchandise and services at Telekom Slovenije, despite a drop in revenues from traditional voice telephony, which is the result of the declining number of traditional connections and their replacement by mobile and IP telephony.

Revenues from additional services include revenues from financial services, eHealth services and insurance. All revenue categories have recorded growth in 2023.

Revenues on the wholesale market were up relative to the same period in 2022, primarily due to higher revenues from domestic wholesale services.

Other operating income and revenues from merchandise were up relative to the same period in 2022 due to higher revenues generated by Slovenian subsidiaries on the market and higher revenues from the sale of e-commerce services at Telekom Slovenije.

Revenues from leases

The Telekom Slovenije Group generated revenues from leases in the amount of EUR 3,183 thousand in the period January–March 2023, compared with EUR 2,589 thousand during the same period last year.

Telekom Slovenije generated revenue from leases in the amount of EUR 3,470 thousand in that period, compared with EUR 2,790 thousand during the same period last year.

Costs of services

in EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	I – III 2023	I – III 2022	I – III 2023	I – III 2022
Telecommunication services	24,512	22,838	24,174	22,586
Costs of leased lines, networks and platforms	1,278	1,227	2,071	1,900
Multimedia content	2,289	2,413	2,105	2,239
Costs of subcontractors	6,809	4,291	4,680	3,420
Maintenance of property, plant and equipment	4,964	4,879	5,027	4,897
Costs of other services	8,820	8,983	7,409	7,414
Total costs of services	48,672	44,631	45,466	42,456

The costs of services incurred by the Group in the period January–March 2023 were up by EUR 4,041 thousand relative to the same period in 2022. The costs of telecommunication services were up as the result of higher revenues on the wholesale market.

The costs of subcontractor services were up due to higher sales of IT services and merchandise.

The costs of other services primarily comprise the costs of advertising and sponsorships in the amount of EUR 1,856 thousand (January–March 2022: EUR 1,947 thousand), the costs of intellectual and personal services in the amount of EUR 1,049 thousand (January–March 2022: EUR 1,477 thousand), the costs of attracting customers in the amount of EUR 1,098 thousand (January–March 2022: EUR 1,153 thousand), the costs of insurance premiums in the amount of EUR 873 thousand (January–March 2022: EUR 842 thousand), and the costs of other services in the amount of EUR 2,444 thousand (January–March 2022: EUR 2,231 thousand).

Operating profit (EBIT) and net profit

Telekom Slovenije Group

Earnings before interest and taxes (EBIT) in the amount of EUR 13,974 thousand were down by EUR 2,136 thousand relative to the same period last year. A net profit of EUR 8,194 thousand was achieved for the accounting period in the context of a net financial loss of EUR 3,983 thousand.

Telekom Slovenije

Earnings before interest and taxes (EBIT) in the amount of EUR 9,212 thousand were down by EUR 2,825 thousand relative to the same period last year. A net profit of EUR 5,119 thousand was achieved for the accounting period in the context of a net financial loss of EUR 2,817 thousand.

Intangible assets

Changes in intangible assets of Telekom Slovenije in the period January–March 2023

in EUR thousand	Goodwill	Concessions and licences	Costs of obtaining contracts with customers	Computer software	Other intangible assets	Intangible assets under construction	Total
Cost							
Balance as at 1 January 2023	49,737	421,679	21,142	253,952	67,620	13,262	827,392
Additions	0	0	0	0	1	24,027	24,028
Assets generated in the Group	0	0	0	0	0	351	351
Transfer into use	0	19,506	2,016	4,489	30	-26,041	0
Disposals	0	-8,730	0	0	0	-126	-8,856
Other transfers*	0	0	0	0	0	0	0
Balance as at 31 March 2023	49,737	432,455	23,158	258,441	67,651	11,473	842,915
Impairment							
Balance as at 1 January 2023	46,019	293,492	10,267	222,667	50,328	267	623,040
Disposals	0	-6,119	0	0	0	0	-6,119
Other transfers*	0	0	0	0	0	0	0
Depreciation/amortisation	0	9,787	1,819	5,319	484	0	17,409
Balance as at 31 March 2023	46,019	297,160	12,086	227,986	50,812	267	634,330
Carrying amount							
Balance as at 1 January 2023	3,718	128,187	10,875	31,285	17,292	12,995	204,352
Balance as at 31 March 2023	3,718	135,295	11,072	30,455	16,839	11,206	208,585

* Other transfers include transfers between intangible assets and property, plant and equipment, and transfers between groups of assets.

Changes in intangible assets of the Telekom Slovenije Group in 2022

in EUR thousand	Goodwill	Concessions and licences	Costs of obtaining contracts with customers	Computer software	Other intangible assets	Intangible assets under construction	Total
Cost							
Balance as at 1 January 2022	49,737	430,342	20,518	303,079	67,366	12,795	883,837
Additions	0	20,031	0	0	2	34,959	54,992
Assets generated in the Group	0	0	0	0	0	1,558	1,558
Transfer into use	0	9,747	7,785	18,264	252	-36,048	0
Disposals	0	-38,442	-7,161	-67,434	0	-2	-113,039
Other transfers*	0	0	0	43	0	0	43
Balance as at 31 December 2022	49,737	421,678	21,142	253,952	67,620	13,262	827,391
Impairment							
Balance as at 1 January 2022	46,019	292,001	10,088	266,959	48,387	267	663,721
Disposals	0	-38,442	-7,161	-67,432	0	0	-113,035
Other transfers*	0	0	0	-4	0	0	-4
Depreciation/amortisation	0	39,932	7,340	23,144	1,941	0	72,357
Balance as at 31 December 2022	46,019	293,491	10,267	222,667	50,328	267	623,039
Carrying amount							
Balance as at 1 January 2022	3,718	138,341	10,430	36,120	18,979	12,528	220,116

Balance as at 31 December 2022	3,718	128,187	10,875	31,285	17,292	12,995	204,352
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* Other transfers include transfers between intangible assets and property, plant and equipment, and transfers between groups of assets.

Changes in intangible assets of Telekom Slovenije in the period January–March 2023

in EUR thousand	Goodwill	Concessions and licences	Costs of obtaining contracts with customers	Computer software	Other intangible assets	Intangible assets under construction	Total
Cost							
Balance as at 1 January 2023	3,602	282,259	21,142	240,290	19,352	12,723	579,368
Additions	0	0	0	0	0	19,057	19,057
Assets generated at the Company	0	0	0	0	0	324	324
Transfer into use	0	14,585	2,016	4,412	30	-21,043	0
Disposals	0	-8,730	0	0	0	0	-8,730
Balance as at 31 March 2023	3,602	288,114	23,158	244,702	19,382	11,061	590,019
Impairment							
Balance as at 1 January 2023	0	190,312	10,267	206,981	16,549	0	424,109
Disposals	0	-6,118	0	0	0	0	-6,118
Depreciation/amortisation	0	6,940	1,819	5,056	96	0	13,911
Balance as at 31 March 2023	0	191,134	12,086	212,037	16,645	0	431,902
Carrying amount							
Balance as at 1 January 2023	3,602	91,947	10,875	33,309	2,803	12,723	155,259
Balance as at 31 March 2023	3,602	96,980	11,072	32,665	2,737	11,061	158,117

* Other transfers include transfers between intangible assets and property, plant and equipment, and transfers between groups of assets.

Changes in intangible assets of Telekom Slovenije in 2022

in EUR thousand	Goodwill	Concessions and licences	Costs of obtaining contracts with customers	Computer software	Other intangible assets	Intangible assets under construction	Total
Cost							
Balance as at 1 January 2022	3,602	288,174	20,518	289,120	19,100	12,480	632,994
Additions	0	0	0	0	0	33,239	33,239
Assets generated at the Company	0	0	0	0	0	1,202	1,202
Transfer into use	0	8,712	7,785	17,447	252	-34,196	0
Disposals	0	-14,627	-7,161	-66,320	0	-2	-88,110
Other transfers*	0	0	0	42	0	0	42
Balance as at 31 December 2022	3,602	282,259	21,142	240,289	19,352	12,723	579,367
Impairment							
Balance as at 1 January 2022	0	175,120	10,088	251,371	16,164	0	452,743
Increase in business combinations	0	0	0	0	0	0	0
Disposals	0	-14,628	-7,161	-66,318	0	0	-88,107
Other transfers*	0	0	0	-5	0	0	-5
Depreciation/amortisation	0	29,820	7,340	21,932	385	0	59,477
Balance as at 31 December 2022	0	190,312	10,267	206,980	16,549	0	424,108
Carrying amount							
Balance as at 1 January 2022	3,602	113,054	10,430	37,749	2,936	12,480	180,251
Balance as at 31 December 2022	3,602	91,947	10,875	33,309	2,803	12,723	155,259

* Other transfers include transfers between intangible assets and property, plant and equipment, and transfers between groups of assets.

Commitments for intangible assets amounted to EUR 4,819 thousand at the Telekom Slovenije Group level and to EUR 6,498 thousand at Telekom Slovenije as at 31 March 2023.

Property, plant and equipment

Changes in property, plant and equipment of the Telekom Slovenije Group in the period January–March 2023

in EUR thousand	Land, buildings and cable ducts	Cable network	Telephone exchanges	Equipment for the mobile network	Other equipment	Assets under construction	Other	Total
Cost								
Balance as at 1 January 2023	518,089	1,219,276	84,890	300,538	355,401	27,491	61	2,505,746
Difference from the translation to the presentation currency	0	-3	0	0	894	-895	0	-4
Additions	0	0	0	0	212	13,512	2	13,726
Assets generated in the Group	0	0	0	0	0	3,860	0	3,860
Transfer into use	6,493	9,224	235	1,591	7,360	-24,903	0	0
Disposals	-117	-91	-144	-40	-6,101	-27	0	-6,520
Other transfers*	160	-161	0	0	0	1	0	0
Balance as at 31 March 2023	524,625	1,228,245	84,981	302,089	357,766	19,039	63	2,516,808
Impairment								
Balance as at 1 January 2023	229,416	971,670	79,481	253,252	281,036	11,390	0	1,826,245
Difference from the translation to the presentation currency	0	-1	0	0	-1	0	0	-2
Additions	11	0	0	0	0	0	0	11
Disposals	-116	-82	-141	-30	-5,187	0	0	-5,556
Depreciation/amortisation	3,357	5,624	454	2,863	7,352	0	0	19,650
Other transfers*	14	-14	0	0	0	0	0	0
Balance as at 31 March 2023	232,682	977,197	79,794	256,085	283,200	11,390	0	1,840,348
Carrying amount								
Balance as at 1 January 2023	288,673	247,606	5,409	47,286	74,365	16,101	61	679,501
Balance as at 31 March 2023	291,943	251,048	5,187	46,004	74,566	7,649	63	676,460

* Other transfers include transfers between intangible assets and property, plant and equipment, transfers to investment property and transfers between groups of assets.

Changes in property, plant and equipment of the Telekom Slovenije Group in 2022

in EUR thousand	Land, buildings and cable ducts	Cable network	Telephone exchanges	Equipment for the mobile network	Other equipment	Assets under construction	Other	Total
Cost								
Balance as at 1 January 2022	490,082	1,190,292	88,832	315,485	385,390	40,823	268	2,511,172
Difference from the translation to the presentation currency	0	2	0	0	0	0	0	2
Additions	104	2,907	0	0	1,205	78,396	-185	82,427
Assets generated in the Group	0	0	0	0	0	15,565	0	15,565
Transfer into use	29,243	28,475	1,260	12,520	35,409	-106,907	0	0
Disposals	-1,354	-2,319	-5,212	-27,461	-66,582	-302	0	-103,230
Other transfers*	13	-81	10	-6	-21	-84	-22	-191
Balance as at 31 December 2022	518,088	1,219,276	84,890	300,538	355,401	27,491	61	2,505,745
Impairment								
Balance as at 1 January 2022	216,747	951,360	82,613	266,825	315,178	11,390	0	1,844,113
Difference from the translation to the presentation currency	0	1	0	0	1	0	0	2
Additions	0	0	0	0	10	0	0	10
Disposals	-489	-2,057	-5,197	-27,387	-63,551	0	0	-98,681
Depreciation/amortisation	13,152	22,408	2,029	13,820	29,452	0	0	80,861
Other transfers*	5	-42	36	-6	-54	0	0	-61
Balance as at 31 December 2022	229,415	971,670	79,481	253,252	281,036	11,390	0	1,826,244
Carrying amount								
Balance as at 1 January 2022	273,335	238,932	6,219	48,660	70,212	29,433	268	667,059
Balance as at 31 December 2022	288,673	247,606	5,409	47,286	74,365	16,101	61	679,501

* Other transfers include transfers between intangible assets and property, plant and equipment, and transfers between groups of assets.

Changes in property, plant and equipment of Telekom Slovenije in the period January–March 2023

in EUR thousand	Land, buildings and cable ducts	Cable network	Telephone exchanges	Equipment for the mobile network	Other equipment	Assets under construction	Total
Cost							
Balance as at 1 January 2023	488,699	1,139,346	83,667	185,471	337,505	20,541	2,255,229
Additions	0	0	0	0	0	11,956	11,956
Assets generated at the Company	0	0	0	0	0	1,180	1,180
Transfer into use	6,493	8,571	235	659	7,004	-22,962	0
Disposals	-122	0	-144	-8	-4,453	0	-4,727
Other transfers*	160	-162	-1	1	1	1	0
Balance as at 31 March 2023	495,230	1,147,755	83,757	186,123	340,057	10,716	2,263,638
Impairment							
Balance as at 1 January 2023	220,231	921,560	78,261	159,495	270,749	0	1,650,296
Additions	11	0	0	0	0	0	11
Disposals	-116	0	-141	-1	-3,583	0	-3,841
Depreciation/amortisation	3,229	4,606	452	1,784	6,616	0	16,687
Other transfers*	14	-14	-2	1	0	0	-1
Balance as at 31 March 2023	223,369	926,152	78,570	161,279	273,782	0	1,663,152
Carrying amount							
Balance as at 1 January 2023	268,468	217,786	5,406	25,976	66,756	20,541	604,933
Balance as at 31 March 2023	271,861	221,603	5,187	24,844	66,275	10,716	600,486

* Other transfers include transfers between intangible assets and property, plant and equipment, transfers to investment property and transfers between groups of assets.

Changes in property, plant and equipment of Telekom Slovenije in 2022

in EUR thousand	Land, buildings and cable ducts	Cable network	Telephone exchanges	Equipment for the mobile network	Other equipment	Assets under construction	Total
Cost							
Balance as at 1 January 2022	460,462	1,115,166	87,656	204,955	364,922	44,080	2,277,241
Additions	0	0	0	0	0	67,136	67,136
Assets generated at the Company	0	0	0	0	0	4,313	4,313
Transfer into use	29,198	25,571	1,212	6,435	32,270	-94,686	0
Disposals	-974	-1,309	-5,212	-25,913	-59,709	-302:	-93,419
Other transfers*	13	-82	9	-5	22	0	-43
Balance as at 31 December 2022	488,699	1,139,346	83,665	185,472	337,505	20,541	2,255,228
Impairment							
Balance as at 1 January 2022	208,124	904,603	81,397	177,141	301,265	0	1,672,530
Additions	0	0	0	0	8	0	8
Disposals	-522	-1,139	-5,197	-25,841	-56,829	0	-89,528
Depreciation/amortisation	12,624	18,139	2,025	8,202	26,293	0	67,283
Other transfers*	5	-42	34	-5	11	0	3
Balance as at 31 December 2022	220,231	921,561	78,259	159,497	270,748	0	1,650,296
Carrying amount							
Balance as at 1 January 2022	252,338	210,563	6,259	27,814	63,657	44,080	604,711
Balance as at 31 December 2022	268,468	217,785	5,406	25,975	66,275	20,541	600,486

* Other transfers include transfers between intangible assets and property, plant and equipment, and transfers between groups of assets.

Commitments for property, plant and equipment amounted to EUR 6,664 thousand at the Telekom Slovenije Group level and to EUR 17,053 thousand at Telekom Slovenije as at 31 March 2023.

Right-of-use assets

Changes in right-of-use assets of the Telekom Slovenije Group in the period January–March 2023

in EUR thousand	Base stations – easement and lease	Technological premises – easement and lease	Lease of business premises and land	Vehicles	Lease of lines	Other	Total
Cost							
Balance as at 1 January 2023	74,036	8,929	9,719	2,687	22,246	4,224	121,841
Contract modifications	2,292	205	989	6	53	0	3,545
Transfer to use – new contracts	763	54	0	313	304	29	1,463
Other transfers	0	0	11	0	0	0	11
Balance as at 31 March 2023	77,091	9,188	10,719	3,006	22,603	4,253	126,860
Impairment							
Balance as at 1 January 2023	27,749	3,338	5,922	1,220	6,364	1,829	46,422
Depreciation/amortisation	1,824	217	383	142	428	125	3,119
Balance as at 31 March 2023	29,573	3,555	6,305	1,362	6,792	1,954	49,541
Carrying amount							
Balance as at 1 January 2023	46,287	5,591	3,797	1,467	15,882	2,395	75,419
Balance as at 31 March 2023	47,518	5,633	4,414	1,644	15,811	2,299	77,319

Changes in right-of-use assets of the Telekom Slovenije Group in 2022

in EUR thousand	Base stations – easement and lease	Technological premises – easement and lease	Lease of business premises and land	Vehicles	Lease of lines	Other	Total
Cost							
Balance as at 1 January 2022	65,619	8,507	9,243	2,257	20,557	3,846	110,029
Difference from the translation to the presentation currency	0	0	0	0	-2	0	-2
Contract modifications	5,986	392	592	-14	3,955	88	10,999
Transfer to use – new contracts	3,919	204	356	1,098	-2,172	290	3,695
Disposals	-1,488	-175	-472	-654	-109	0	-2,898
Other transfers**	0	1	0	0	17	0	18
Balance as at 31 December 2022	74,036	8,929	9,719	2,687	22,246	4,224	121,841
Impairment							
Balance as at 1 January 2022	21,501	2,533	4,641	1,310	4,739	1,335	36,059
Disposals	-1,268	-89	-258	-652	-109	0	-2,376
Depreciation/amortisation	7,515	893	1,540	562	1,724	494	12,728
Other transfers**	0	0	0	0	11	0	11
Balance as at 31 December 2022	27,748	3,337	5,923	1,220	6,365	1,829	46,422
Carrying amount							
Balance as at 1 January 2022	44,118	5,974	4,602	947	15,818	2,511	73,970
Balance as at 31 December 2022	46,288	5,592	3,796	1,467	15,881	2,395	75,419

Changes in right-of-use assets at Telekom Slovenije in the period January–March 2023

in EUR thousand	Base stations – easement and lease	Technological premises – easement and lease	Lease of business premises and land	Vehicles	Lease of lines	Other	Total
Cost							
Balance as at 1 January 2023	60,695	7,994	4,054	2,456	44,461	633	120,293
Contract modifications	1,574	193	355	6	10,424	0	12,552
Transfer to use – new contracts	763	54	0	313	304	0	1,434
Balance as at 31 March 2023	63,032	8,241	4,409	2,775	55,189	633	134,279
Impairment							
Balance as at 1 January 2023	21,882	2,884	2,100	1,063	13,759	478	42,167
Depreciation/amortisation	1,551	198	163	132	902	39	2,985
Balance as at 31 March 2023	23,433	3,082	2,263	1,195	14,661	517	45,152
Carrying amount							
Balance as at 1 January 2023	38,813	5,110	1,954	1,393	30,702	155	78,126
Balance as at 31 March 2023	39,599	5,159	2,146	1,580	40,528	116	89,127

Changes in right-of-use assets at Telekom Slovenije in 2022

in EUR thousand	Base stations – easement and lease	Technological premises – easement and lease	Lease of business premises and land	Vehicles	Lease of lines	Other	Total
Cost							
Balance as at 1 January 2022	58,640	7,678	3,785	2,054	40,163	645	112,965
Contract modifications	-485	322	41	-13	3,780	-12	3,633
Transfer to use – new contracts	3,919	164	339	1,039	627	0	6,088
Disposals	-1,379	-170	-111	-624	-109	0	-2,393
Balance as at 31 December 2022	60,695	7,994	4,054	2,456	44,461	633	120,293
Impairment							
Balance as at 1 January 2022	16,933	2,188	1,638	1,163	10,054	321	32,298
Disposals	-1,170	-85	-110	-624	-110	0	-2,099
Depreciation/amortisation	6,119	781	572	524	3,815	157	11,968
Balance as at 31 December 2022	21,882	2,884	2,100	1,063	13,759	478	42,167
Carrying amount							
Balance as at 1 January 2022	41,706	5,490	2,147	891	30,109	324	80,667
Balance as at 31 December 2022	38,813	5,110	1,954	1,393	30,702	155	78,126

Depreciation in the amount of EUR 3,119 thousand and interest expense on lease liabilities in the amount of EUR 557 thousand were disclosed in the Telekom Slovenije Group's statement of profit and loss in the period January–March 2023. The Group disclosed depreciation in the amount of EUR 3,238 thousand and interest expense in the amount of EUR 553 thousand during the same period last year.

Depreciation in the amount of EUR 2,985 thousand and interest expense on lease liabilities in the amount of EUR 565 thousand were disclosed in Telekom Slovenije's statement of profit and loss in the period January–March 2023. The Company disclosed depreciation in the amount of EUR 3,012 thousand and interest expense in the amount of EUR 548 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. Impairment of the value of receivables relates to expected credit losses. The maturity structure of receivables is presented in Section 7.3.

Current trade and other receivables were down by EUR 2,947 thousand at the Telekom Slovenije Group level and by EUR 4.783 thousand at Telekom Slovenije relative to the balance at the end of 2022.

Financial liabilities for borrowings received and other financial liabilities

The financial liabilities of the Telekom Slovenije Group amounted to EUR 364,756 thousand as at 31 March 2023, with loans and borrowings accounting for EUR 364,754 thousand of that amount and other financial liabilities accounting for EUR 2 thousand.

Loans and borrowings account for the full amount of Telekom Slovenije's financial liabilities of EUR 364,754 thousand.

Lease liabilities

The lease liabilities of the Telekom Slovenije Group amounted to EUR 71,331 thousand as at 31 March 2023 and were up by EUR 1,386 thousand relative to the end of 2022.

The lease liabilities of Telekom Slovenije amounted to EUR 84,003 thousand as at 31 March 2023 and were up by EUR 10,605 thousand relative to the end of 2022.

Fair value hierarchy

In view of the accounting policies and breakdown, the fair value of financial and non-financial assets and liabilities is to be determined in certain cases. The Group and the Company apply the following hierarchy in determining fair values:

Level 1: determination of fair value directly by referencing the official published price on an active market;
Level 2: other models used to determine fair value based on assumptions and material impact on fair value in line with observed current market transactions with the same instruments either directly or indirectly; and
Level 3: other models used to determine fair value based on assumptions and material impact on fair value that are not in line with observed current market transactions with the same instruments and investments.

The 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.

Book and fair values of the Telekom Slovenije Group's financial instruments as at 31 March 2023

in EUR thousand	Book value	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	2,479	2,479	2,479		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	284	284			284
Loans granted	7	7		7	
Other non-current financial assets	16	16		16	
Operating receivables	19,280	19,280		19,280	
Current financial assets					
Loans granted	13	13		13	
Other current financial assets	801	801		801	
Trade and other receivables	154,733	154,733		154,733	
Cash and cash equivalents	26,353	26,353		26,353	
Non-current financial liabilities					
Borrowings	236,713	236,713		236,713	
Other liabilities	11,916	11,916		11,916	
Current financial liabilities					
Borrowings	128,041	128,041		128,041	
Other financial liabilities	2	2		2	
Trade payables	107,531	107,531		107,531	

Book and fair values of the Telekom Slovenije Group's financial instruments as at 31 December 2022

in EUR thousand	Book value	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	2,139	2,139	2,139		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	284	284			284
Loans granted	9	9		9	
Other non-current financial assets	16	16		16	
Operating receivables	19,251	19,251		19,251	
Current financial assets					
Loans granted	16	16		16	
Other current financial assets	802	802		802	
Fair value of interest rate swap	19	19		19	
Trade and other receivables	157,680	157,680		157,680	
Cash and cash equivalents					
Borrowings	236,683	236,683		236,683	
Other liabilities					
Borrowings	132,757	132,757		132,757	
Other financial liabilities	2	2		2	
Trade payables	123,915	123,915		123,915	

Book and fair values of Telekom Slovenije's financial instruments as at 31 March 2023

in EUR thousand	Book value	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	2,479	2,479	2,479		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	284	284			284
Loans granted	42,774	42,774	42,774		
Operating receivables	19,274	19,274	19,274		
Current financial assets					
Loans granted	11,110	11,110	11,110		
Trade and other receivables	146,101	146,101	146,101		
Cash and cash equivalents	13,049	13,049	13,049		
Non-current financial liabilities					
Borrowings	236,713	236,713	236,713		
Liabilities for interest rate swaps	0	0	0		
Trade payables	10,056	10,056	10,056		
Current financial liabilities					
Borrowings	128,041	128,041	128,041		
Trade payables	78,917	78,917	78,917		

Book and fair values of Telekom Slovenije's financial instruments as at 31 December 2022

	Book value	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	2,139	2,139	2,139		
Investments in shares and interests not listed on the stock exchange, measured at fair value through other comprehensive income	284	284			284
Loans granted	46,082	46,082	46,082		
Operating receivables	19,246	19,246	19,246		
Current financial assets					
Loans granted	11,496	11,496	11,496		
Fair value of interest rate swap	20	20	20		
Trade and other receivables	150,884	150,884	150,884		
Cash and cash equivalents					
Borrowings	236,683	236,683	236,683		
Liabilities for interest rate swaps	0	0	0		
Trade payables					
Borrowings	132,757	132,757	132,757		
Trade payables	99,300	99,300	99,300		

Fair values at levels 2 and 3 of the hierarchy were estimated using the discounted cash flow valuation technique. The Group and the Company did not record any transfers between fair value levels during the reporting period.

Contingent liabilities from lawsuits

A class action lawsuit was filed against Telekom Slovenije during the first quarter of 2023 by the Pan-Slovenian Small Shareholders' Association (VZMD) for the reimbursement of damages in the estimated amount of EUR 122,689,762.25 with appertaining amounts. That lawsuit allegedly represents damages incurred by the Company's subscribers in the period 1 January 2018 to 1 December 2022. Telekom Slovenije will submit its response by the prescribed deadline with regard to the existence of conditions for confirmation of the class action lawsuit.

Contingent liabilities from guarantees issued

The Group had provided the following guarantees as at 31 March 2022:

- performance guarantees and warranty bonds in the amount of EUR 12,148 thousand (at the end of 2022: EUR 11,507 thousand); and
- other guarantees in the amount of EUR 296 thousand (at the end of 2022: EUR 218 thousand).

The Company had provided the following guarantees as at 31 March 2023:

- performance guarantees and warranty bonds in the amount of EUR 8,993 thousand (at the end of 2022: EUR 8,281 thousand); and
- collateral and other guarantees in the amount of EUR 209 thousand (at the end of 2022: EUR 170 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.

Related party transactions

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

Individuals (members of the Management Board and Supervisory Board) held 1,178 shares in Telekom Slovenije as at 31 March 2023, representing a holding of 0.01802%.

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.

in EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Outstanding trade receivables	4,963	4,726	3,717	4,247
Outstanding trade payables	2,417	4,871	2,296	4,830
VAT liabilities	5,114	3,706	5,229	3,695
Income tax payable	-1,553	3,803	-1,577	3,437
in EUR thousand	I – III 2023	I – III 2022	I – III 2023	I – III 2022
Sales revenue	5,961	3,744	4,393	3,250
Purchase costs of material and services	7,805	2,658	7,519	2,473
in EUR thousand	I – III 2023	I – III 2022	I – III 2023	I – III 2022
VAT payment	13,539	12,080	13,573	11,969
CIT payment	982	1,026	788	888

Transactions with Group companies

Telekom Slovenije recorded the following transactions with Group companies:

in EUR thousand	31 March 2023	31 December 2022
Receivables due from companies in the Group		
Subsidiaries – gross amount	3,600	4,015
Subsidiaries – impairment	-17	-17
Subsidiaries – net amount	3,583	3,998
Borrowings to companies in the Group		
Subsidiaries – gross amount	53,864	57,553
Subsidiaries – net amount	53,864	57,553
Liabilities to Group companies		

Subsidiaries	31,796	26,721
in EUR thousand	I – III 2023	I – III 2022
Net Group revenue	3,342	3,492
Purchase of material and services in the Group	5,007	4,499

Loans granted to subsidiaries

	in EUR thousand	31 March 2023	31 December 2022
GVO, d.o.o.		3,001	2,993
TSmedia, d.o.o.		541	290
IPKO		38,500	42,649
Soline, d.o.o.		1,589	1,275
SIOL, d.o.o., Zagreb		423	458
SIOL, d.o.o., Sarajevo		4,471	4,413
SIOL, Beograd		113	151
Infratel, d.o.o.		2,459	2,453
SIOL Prishtina LLC		2,767	2,871
Total to subsidiaries		53,864	57,553

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 Significant events after the reporting date.

7.3. Financial instruments and risk management

The financial risks to which the Telekom Slovenije Group and Telekom Slovenije are most exposed in their operations are credit risk, solvency (liquidity) risk and interest rate risk. Exposure to individual types of financial risks is assessed regularly, while the appropriate measures to manage those risks are implemented based on an assessment of potential negative effects on financial stability.

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.

The maximum exposure to credit risk equals the book value of financial assets.

in EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Loans granted	20	25	53,884	57,578
Deposits	801	802	0	20
Trade and other receivables	174,013	176,931	165,375	170,130
- of which trade receivables	169,165	170,406	161,558	164,768
Cash and cash equivalents	26,353	37,382	13,049	19,573
TOTAL	201,187	215,140	232,308	247,301

The main credit risk to which the Group and Telekom Slovenije are exposed derives primarily 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 169,165 thousand as at 31 March 2023, a decrease of EUR 1,241 thousand relative to the end of 2022. Telekom Slovenije's receivables make up the majority of the Group's trade and other receivables. Most receivables are unsecured. The Group's receivables are accounted for by a large number of individuals and legal entities. Its largest customers are operators, where turnover generally flows in both directions, which reduces net credit exposure. We assess that there is no significant concentration

of credit risk vis-à-vis a particular customer or economic sector.

Procedures aimed at the management of receivables are implemented at Group companies and include the monitoring of business partners' credit ratings, the collateralisation of receivables, the monitoring of high-traffic subscribers and debt collection activities. The recovery procedure is conducted according to a pre-defined timeline (reminders and disconnection) and through specialised outsourced service providers. Telekom Slovenije requires the prior authorisation of an individual customer for concluding and changing subscription relationships, and for purchasing goods with deferred payment. As an additional measure for managing credit risk, larger Group companies have implemented systems to prevent fraud, i.e. a Fraud Management System (FMS). Telekom Slovenije, which has mostly post-paid customers, also has in place a Credit Management System (CMS).

As a result of procedures introduced for managing receivables, credit risk is assessed as manageable.

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

in EUR thousand	31 March 2023				31 December 2022			
	Gross amount	Expected % of credit losses	Impairment	Net amount	Gross amount	Expected % of credit losses	Impairment	Net amount
Total trade receivables	187,932		-18,767	169,165	188,380		-17,974	170,406
Trade receivables not past due	153,988	0.5%	-698	153,290	155,985	0.5%	-714	155,271
Past due								
- up to and including 30 days	9,002	4%	-338	8,664	8,565	4%	-316	8,249
- from and including 31 days up to and including 60 days	3,439	11%	-365	3,074	2,990	11%	-318	2,672
- from and including 61 days up to and including 90 days	951	15%	-140	811	1,365	16%	-212	1,153
- from and including 91 days up to and including 180 days	2,235	44%	-984	1,251	2,078	45%	-941	1,137
- from and including 181 days up to and including 365 days	2,766	57%	-1,567	1,199	2,297	55%	-1,265	1,032
- from and including 366 days up to two years	5,484	87%	-4,773	711	5,484	84%	-4,605	879
- over two years	7,098	98%	-6,933	165	6,484	100%	-6,472	12
- trade receivables in insolvency proceedings	2,969	100%	-2,969	0	3,132	100%	-3,131	1
Total trade receivables past due	33,944		-18,069	15,875	32,395		-17,260	15,135
Other trade receivables	4,848		0	4,848	6,525		0	6,525
Total receivables	192,780		-18,767	174,013	194,905		-17,974	176,931

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

in EUR thousand	31 March 2023				31 December 2022			
	Gross amount	Expected % of credit losses	Impairment	Net amount	Gross amount	Expected % of credit losses	Impairment	Net amount
Total trade receivables	175,978		-14,420	161,558	178,525		-13,757	164,768
Trade receivables not past due	147,943	0.5%	-730	147,213	151,819	0.5%	-724	151,095
Past due								
- up to and including 30 days	8,312	4%	-332	7,980	7,793	4%	-312	7,481
- from and including 31 days up to and including 60 days	3,091	11%	-345	2,746	2,725	11%	-300	2,425
- from and including 61 days up to and including 90 days	734	15%	-110	624	1,205	15%	-181	1,024
- from and including 91 days up to and including 180 days	1,819	46%	-837	982	1,792	46%	-824	968
- from and including 181 days up to and including 365 days	2,277	50%	-1,139	1,138	1,819	50%	-909	910
- from and including 366 days up to two years	2,431	64%	-1,556	875	2,404	64%	-1,538	866
- over two years	6,924	100%	-6,924	0	6,462	100%	-6,462	0
- trade receivables in insolvency proceedings	2,447	100%	-2,447	0	2,506	100%	-2,507	-1
Total trade receivables past due	28,035		-13,690	14,345	26,706		-13,033	13,673
Other trade receivables	3,817		0	3,817	5,362		0	5,362
Total receivables	179,795		-14,420	165,375	183,887		-13,757	170,130

Expected credit losses from undue trade receivables are estimated at 0.50% (the same as in 2022).

The Telekom Slovenije Group and Telekom Slovenije also monitor credit risk in other areas of operations. Bank balances are allocated according to the principles of minimising risks and achieving the appropriate diversification by banks. Concentration risk is thus low. Credit risk is low as, due to the stability of the banking system and high liquidity of banks, there is no major risk in terms of bank balances. Thus, no expected credit losses have been recorded for cash and cash equivalents, as such losses are deemed insignificant given the dispersion of cash across multiple banks.

The Group is also exposed to risks associated with receivables arising from loans to employees and investments in short-term deposits. Lending risk is low, as loan repayments are mostly settled through payroll, while risks in connection with deposits are managed by monitoring the credit ratings of individual banks. No expected credit losses have been recorded for the aforementioned investments, as the latter are deemed insignificant with regard to total assets.

Telekom Slovenije is exposed to credit risk arising from receivables from loans granted to subsidiaries. The Company did not create impairments of the aforementioned receivables during the first quarter of 2023. The Company regularly monitors and supervises the operations of its subsidiaries and their ability to repay loans, and thus further mitigates the related credit risk.

Maturity of loans granted

in EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Past due	0	0	5	0
Not past due:	20	25	53,879	57,578
- in less than 3 months	6	7	1,016	3,212
- between 3 and 12 months	7	10	10,090	8,284
- between 1 and 2 years	5	6	12,466	14,332
- between 2 and 5 years	2	2	26,330	27,560
- over 5 years	0	0	3,978	4,190
Total	20	25	53,884	57,578

Solvency risk

The Telekom Slovenije Group continuously settles its liabilities. 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 controlling company, which plans and monitors subsidiaries' financing needs, and provides them the sources they require.

The majority of the Group's financial liabilities relate to two long-term syndicated loans in the total amount of EUR 262 million, a long-term loan in the amount of EUR 100 million from the European Investment Bank, and lease liabilities in the amount of EUR 71.3 million at the Group level and EUR 84 million at the Company level. The Group and Company regularly repay their liabilities from financing.

Telekom Slovenije repaid long-term loans in the total amount of EUR 7.7 million during the first quarter of 2023.

For the purpose of ensuring short-term liquidity, the Group and Company have open short-term credit lines at banks that are rolled over taking into account envisaged needs. Total liquidity reserves in the form of approved but undrawn short-term revolving credit lines and overdraft facilities at banks amounted to EUR 72 million as at 31 March 2023.

Maturity of the Telekom Slovenije Group's financial liabilities as at 31 March 2023 and 31 December 2022
based on contractual non-discounted payments

in EUR thousand	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Book value of liabilities
31 March 2023							
Loans and borrowings	9,570	131,539	37,817	97,697	131,086	407,709	365,345
Other financial liabilities	0	2	0	0	0	2	2
Anticipated interest on bonds	0	0	0	0	0	0	0
Trade and other payables	69,153	38,378	7,450	2,713	1,753	119,447	119,447
Financial liabilities from leases	4,831	7,324	12,011	24,209	38,522	86,897	71,330
Total	83,554	177,243	57,278	124,619	171,361	614,055	556,124
31 December 2022							
Loans and borrowings	8,505	137,413	37,817	96,473	132,638	412,846	370,087
Other financial liabilities	2	0	0	0	0	2	2
Anticipated interest on bonds	0	0	0	0	0	0	0
Trade and other payables	89,528	34,387	3,669	443	4,065	132,092	132,092
Financial liabilities from leases	5,541	6,695	12,046	23,504	37,206	84,992	69,945
Total	103,576	178,495	53,532	120,420	173,909	629,932	572,126

Maturity of Telekom Slovenije's financial liabilities as at 31 March 2023 and 31 December 2022 based on contractual non-discounted payments

in EUR thousand	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Book value of liabilities
31 March 2023							
Loans and borrowings	9,570	131,539	37,817	97,697	131,086	407,709	365,345
Other financial liabilities	0	0	0	0	0	0	0
Anticipated interest on bonds	0	0	0	0	0	0	0
Trade and other payables	64,651	14,265	7,190	2,716	150	88,972	88,972
Financial liabilities from leases	5,466	8,776	10,042	26,025	49,982	100,291	84,003
Total	79,687	154,580	55,049	126,438	181,218	596,972	538,320
31 December 2022							
Loans and borrowings	8,505	137,413	37,817	96,473	132,639	412,847	370,087
Other financial liabilities	0	0	0	0	0	0	0
Anticipated interest on bonds	0	0	0	0	0	0	0
Trade and other payables	87,396	11,905	3,278	443	125	103,147	103,147
Financial liabilities from leases	6,194	8,195	10,211	26,011	36,394	87,005	73,398
Total	102,095	157,513	51,306	122,927	169,158	602,999	546,632

Interest-rate risk

Interest rate risk is the risk of the negative impact of a change in market interest rates on the Group's operations. The exposure of the Group and Company to interest rate risk as at 31 March 2023 derives from a potential change in the EURIBOR reference interest rate.

Liabilities from loans raised with variable interest rates tied to the 6-month EURIBOR accounted for 72.4% of the financial liabilities of the Group and Company¹ as at 31 March 2023. Other liabilities derive from long-term loans bearing fixed interest rates.

The Group and Company had an interest rate swap in the amount of 50% on one of three loan tranches that fell due for payment on 31 March 2023 with the aim of partially hedging exposure to interest rate risk as the result of a long-term syndicated loan. By hedging interest rate exposure through the use of an interest rate swap (IRS), the Group and Company partially hedge future cash flows against the risk of rising interest rates.

¹ Includes the balance of principle on long-term loans.

Exposure to interest rate risk

in EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	Balance as at 31 March 2022	31 December 2022	31 March 2023	31 December 2022
Financial instruments with variable interest rate				
Financial liabilities	261,978	265,824		261,978
Net financial liabilities	261,978	265,824		261,978
				265,824

The table does not include non-interest-bearing financial instruments and instruments bearing a fixed interest rate, as they are not exposed to interest rate risk.

Sensitivity analysis

The sensitivity analysis illustrates the impact of a change in the EURIBOR reference interest rate on the profit before tax of the Group and Company on the reporting date.

Interest rate risk table

January to March 2023	Interest rate increase/decrease	Effect on profit before tax in EUR thousand	
		Telekom Slovenije Group	Telekom Slovenije
EURO	+100 bp	-2,620*	-2,620*
EURO	-100 bp	2,620*	2,620*
2022			
2022	Interest rate increase/decrease	Effect on profit before tax in EUR thousand	
		Telekom Slovenije Group	Telekom Slovenije
EURO	+100 bp	-2,526*	-2,526*
EURO	-100 bp	2,658*	2,658*

- * The calculation applies to the previous 12 months.

EURIBOR interest rate value

EURIBOR	Value as at 31 March 2023	Value as at 31 December 2022	Change (in percentage points)
6-month	3.341	2.693	0.648

Capital management

The objectives of the Group's and Company's capital management are capital adequacy and thus long-term liquidity, as well as financial stability, which ensures the best possible credit rating for the further financing of the Group's and Company's operations and development, and consequently the maximisation of shareholder value.

The Group and Company monitor changes in equity using the debt-to-equity and equity-to-total assets ratios. The Group's net financial debt includes loans received and other financial liabilities, less current financial assets and cash and cash equivalents. When adopting decisions relating to capital management, the Group also follows the financial covenants under loan agreements.

in EUR thousand	Telekom Slovenije Group		Telekom Slovenije	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Borrowings and other financial liabilities	436,087	439,387	448,757	442,838
Less current investments, cash and cash equivalents	-27,167	-38,219	-24,159	-31,089
Net liabilities	408,920	401,168	424,598	411,749
Equity	620,037	611,677	611,613	606,233
Total assets	1,280,454	1,275,338	1,231,279	1,223,290
Debt/equity ratio	66.0%	65.6%	69.4%	67.9%
Equity to total assets	48.4%	48.0%	49.7%	49.6%