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THE BEST
CUSTOMER
EXPERIENCE

WE GIVE YOU WORRY-FREE COMMUNICATION

662,646
USERS

SECURE
SERVICES

INTRODUCTION

MANAGEMENT BOARD'S ADDRESS



Over the past few years, we have witnessed a deceleration in the growth of the telecommunications field. Added value is no longer measured in growth itself, but in the value of each individual user. Knowing and understanding users, their desires and needs, as well as their changing habits, has become one of the key elements of good business practices. At the end of last year, Si.mobil reached a 30% market share. The data on ported numbers and new subscription agreements show that, with just under 50%, we have taken the lead among all operators in the country. We are very proud that we are able to actively hire new employees during these difficult times. The most important thing is that we have bravely overcome uncertain conditions, as we leveraged our competent management and leadership and enjoyed the support of our stable owner to finish out the year successfully.

In 2012, our total operating revenue increased by 3.6% compared to 2011. Revenue from the sale of basic telecommunication services increased by 8.7% compared to the year before, which is the result of growth in users and an increased usage of data services. On the other hand, revenue from national network interconnection and international roaming declined by a good 18% because of further price regulation.

Higher revenue was also reflected in EBITDA, which amounted to 59.10 million euros at year's end, a 10.2% increase compared to the year before. Si.mobil finished the year with a positive EBIT of 36.85 million euros. EBT stood at 36.90 million euros.

At the end of 2012, Si.mobil had 662,646 users, which is a 3.6% increase compared to the year before. We recorded the highest growth among post-paid users (+6.0%), who make up 76% of all our users. We achieved growth in the number of our users, despite the fact that the measured penetration of mobile telecommunications in the Slovenian market exceeds one hundred percent (107.1%), and despite our competitors' aggressive offers.

The average revenue per user (ARPU) reached 21.8 euros at the end of 2012.

In 2012 we continued with our strategy focusing on increasing the number and value of our users. Providing them with an outstanding user experience and advanced telecommunication services remain our primary goals.

Because business users require end-to-end services, we began offering fixed services, initially just through leased fixed infrastructure. After carefully monitoring trends and user habits, as well as because of the surprising growth in data transfer in the second half of 2012, we will be paying special attention to a new approach to data transfer services. Just the mere fact that

MANAGEMENT BOARD'S ADDRESS

more than 50% of our users have smartphones requires us to find a new approach to designing our portfolio of products and price plans. It is also a fact that the network we upgraded in 2012, which today is the biggest and fastest in the country, must be constantly upgraded to conform with ever newer technologies including LTE which we were the first to commercially offer on the market. In 2013, network optimization will demand more focus on network throughput and responsiveness, as well as on capacity. At the same time we will naturally have to make smart and sensible investments, precisely where necessary.

We believe that after 2013, the telecommunications market will no longer resemble its current form. In all likelihood, the market will be forced to consolidate, at least at the level of infrastructure competition. If we want to continue providing services at the appropriate level in the future and continue investing in the development of new technologies like LTE, the market will most likely not support the construction and maintenance of four separate infrastructures. This will also be the year for extending the licenses for 900 MHz frequencies, and the year the major tender will be issued for key frequency bands. The price of acquiring said bands is expected to be low enough to allow further investments into the Slovenian market. Throughout this process Si.mobil's key focus remains the same – to provide our users with solutions that will save them time and money, and above all provide them with an excellent user experience. This is why we continually invest in the development of new technologies, enhancing our existing services, expanding and upgrading the network that by 2012 had already grown into the biggest 3G network in the country, and investing in the development of our employees and our sales network.

All our investments will be made in moderation, keeping in mind cost-effectiveness, which is one of our major strategic focus points. Efficiency will be even more important than it has been in the past, and will also be measured by the productivity and engagement of our colleagues. In the past two years we have been employing new colleagues because of our new strategic requirements and new know-how, and we estimate that our workforce will grow in 2013 by approximately 10%.

The core of our strategic focus remains the same, as we set providing the best user experience not just as our goal, but as the premise of everything we do. We will continue developing our strong and leading brand, which will allow us to expand our user base, as well as increase the value of existing users. At the same time we will strive to become a provider of truly end-to-end communication solutions. In this process, we will take the greatest possible advantage of the synergies provided by the fact that we are part of the Telekom Austria Group, the largest group of mobile operators in Central Europe, and we will also introduce certain changes which will simplify internal operations.



Dejan Turk
*Chairman of the
Management Board*



Boštjan Škufca Zaveršek
*Member of the
Management Board*



Ulrich Rokita
*Member of the
Management Board*

SUPERVISORY BOARD'S ADDRESS



A highly competitive environment, regulatory cuts leading to lower mobile termination and roaming rates, as well as macro-economic headwinds have led to a decline in the Group's revenues. However the additional segments, including Slovenia, have shown stable performance, an increase in the number of subscribers, and a boost in usage that resulted in revenue growth. Due to stable business and the strategic leadership of Si.mobil's management, the company enjoyed successful operations.

In 2012 Si.mobil continued with its strategy, focusing on increasing the number and value of users. Providing them with an outstanding user experience and advanced telecommunication services remain the company's main goals. Si.mobil continued its successful marketing activities, with a focus on the Value Customer segment, by offering attractive deals on smartphones. Everything it did was driven by one simple but relevant principle – to offer the best customer experience possible. The constant growth of Si.mobil's market share and its customer base is proof that its business model is well accepted and appreciated by the market.


Si.mobil's contribution to the Group is significant. The way they introduced cloud services in 2012 was recognized as a role model for Group-wide cloud service implementation. The Group's competence center will also be stationed in Slovenia, providing know-how across all markets. Sustainable business is becoming an increasingly important key performance indicator for investors. Here Si.mobil is among the Group's leading companies, contributing to its higher value.

I am confident that with a clear strategy, a competent workforce, deep understanding of customer needs, and openness to future trends, Si.mobil will successfully meet whatever challenges it faces.

A handwritten signature in black ink, appearing to read 'J. Ametsreiter', with a stylized flourish at the end.

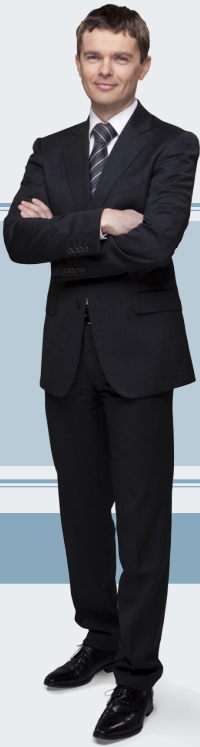
Johannes Ametsreiter
Chairman of the Supervisory Board

Management Board



Best customer experience remains the core of our strategic focus.

Dejan Turk, Chairman of the Management Board



Total operating revenue increased by 3.6%.

Boštjan Škufca Zaveršek, Member of the Management Board



We are committed to continuing our project of implementing the latest technologies and fixed services.

Ulrich Rokita, Member of the Management Board

Directors

At the end of 2012,
Si.mobil had
662.646
users.

Barbara Gorše,
Customer Services director



We were the first mobile
operator in Slovenia
to commercially
provide LTE services.

Johannes Nabecker,
Access and Transport
Network director



With strong market
position Si.mobil
continues with its
growth strategy.

Eva Aljančič, Marketing
and Sales director



.....
Ethical and transparent
operations are an
important element of
our culture and values.

Tamara Valenčič,
Corporate Communication
and Human Resources director



INTRODUCTION



Market changes requires us to enter new fields outside of our standard telecommunications portfolio.

Gregor Kastelic, Core Service Network and IT director

.....
We are intensively working on increasing customer value.

Andreja Štirn, Business Intelligence director



Earnings before tax stood at 36.90 million euros.

Suzana Banič Drašler, Finance Sector director

Selected business indicators

Compared to 2011, total operating revenue increased by 3.6% in 2012, while revenue from the sale of basic telecommunication services was 8.7% higher. Revenue from domestic interconnection and international roaming dropped by another 18% due to further price regulation.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to 59.10 million euros, which is 10.2% more than the year before, and earnings before interest and tax (EBIT) stood at 36.85 million euros. Earnings before tax stood at 36.90 million euros.

At the end of 2012, Si.mobil had 662,646 users, which is a 3.6% increase compared to the year before. Growth was the highest among subscribers (+6%), which represent 76% of all users.

Average revenue per user (ARPU) at the end of 2012 was 21.8 euros.

**Total operating revenue
increased by 3.6% in 2012.**

Achievements in 2012

662,646 users

At the end of 2012, Si.mobil had 662,646 users, which is a 3.6% increase compared to the year before. Average revenue per user (ARPU) amounted to 21.8 euros. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to 59.10 million euros, and earnings before tax (EBT) stood at 36.90 million euros.

New price plans for the whole family

In 2012, we designed our range of services and products in a manner that successfully catered to the entire family. We offered SIMPL KIDZ prepaid price plans for the youngest ones, ORTO price plans for young people up to the age of 31, ZATE plans for our broadest circle of users, and SENIOR ZATE price plans for seniors.

10th anniversary of the ORTO brand

In September, our ORTO brand for young people, which is the most recognized mobile communications brand in Slovenia, celebrated its 10th birthday. With its daring uniqueness, ORTO completely redefined services and communication in the youth segment, contributing greatly to Si.mobil's growth.

Commercial launch of LTE

One of our strategic commitments is to provide our users with advanced services. In summer 2012, Si.mobil was the first mobile operator in Slovenia to commercially launch an LTE network, which supports data rates of up to 100 Mbps. LTE coverage is available in Ljubljana, Brnik, and Bled.

Online business solutions market – bizstore.si

We launched bizstore.si – the first online market with business solutions in Slovenia – to help companies and business software developers. Bizstore.si was established at the initiative of Si.mobil and developers, and the goal is to make it the largest online market for business solutions in the region.

First sales center for business users

At the beginning of the year we opened our first sales center for business users at Ljubljana's BTC, which further improved our support to business users.

Opening of a new flagship sales center at Ljubljana's Prešeren square

We opened a new flagship store at an elite location in the center of Ljubljana. It introduces a modern approach to sales by tearing down obstacles between customers and sales staff and focusing on users' needs – in terms of what they intend to purchase as well as everyday pace of life. Light colors and natural materials make the space warm and cozy despite its advanced technological nature. We also observed ecological standards and brought our Re.think environmental philosophy forward in designing this store.

Developing competencies and key potentials model

At the beginning of the year we introduced key and leadership competencies that define know-how, skills, abilities, values and personal traits of employees, which we encourage to develop within Si.mobil's environment. One of our important strategic guidelines is also identifying and developing employees with key potential within the company, since we want to establish a solid team of employees on whom we can count in the future.

Operating responsibly

Ethical and transparent operations are an important element of our culture and values. We conduct our business responsibly and with integrity. It is not just our results that matter, but also the way in which we achieve them. The umbrella document governing our business compliance policy is the Code of Conduct.

Pierluigi Collina at Si.mobil's TopTalk 2012 business conference

Si.mobil invited Pierluigi Collina, considered by many to be the best football referee of all time, to be the keynote speaker at the TopTalk 2012 business meeting and conference. The famous Italian referee addressed our business users with a speech on how important it is to make the right decisions quickly, which is crucial in football as well as in business.

INTRODUCTION

11th Party with a Cause

The 11th Party with a Cause was for the first time accompanied by the "Youth for Youth" call for applications, through which ORTO sought a project for young people to receive all the funds raised at the Party with a Cause. A total of 79 projects were submitted in the tender for (co)funding projects or programs. A panel of experts selected three projects, which were put to a vote, and young people selected the winner – the "Služba me-ne išče", (A Job is (not) Looking for Me) project.

Two new Si.voda Fund projects

The Si.voda Fund, a non-profit institute for preserving clean waters, carried out two projects in 2012. The Hans Christian Andersen kindergarten in Ljubljana received a bit over 47,400 euros in funding, which almost completely covered the construction of a rainwater collection system that will be used for flushing the toilets at the Lastovica branch, as well as the installation of three water fountains on the playgrounds. In October, the Si.voda Fund in collaboration with the Sevnica municipality and other partners opened constructed wetlands for wastewater treatment at a popular hiking destination at Lisca. The fund's contribution in the amount of 56,000 euros covered 80% of the investment.

Awards in 2012

- The Federation of European Business Communicators Associations (FEIEA) conferred two of the Grand Prix 2012 awards on us.
- We won two gold prizes at the SEMPL seminar on media trends.
- At the conference WEBSI 2012: Dossier of Slovenian Digital Communications we won the highest professional recognition in two categories – for outstanding web and mobile solutions.
- Our Perfect Office service received an award at Microsoft's NT conference for the best example of applying cloud services in business.
- The Marketing Association of Slovenia awarded Si.mobil's Marketing and Sales director Eva Aljančič with the title of 2012 Marketing Director of the Year.
- Gregor Kastelic, Si.mobil's Core Service Network and IT director, was meanwhile named IT Manager of the Year 2012 at the CIO conference.
- At the 21st Slovenian Advertising Festival, our ORTO became the Brand of the Year for the second time in a row. We also received an award in the festival's events category for our ORTO 4EVER event.
- At the first Outstanding festival, the "Stay ORTO Forever" poster received an award for outdoor advertising.
- We received recognition for the best human resources management project in 2012 for the "Innovation Concept at Si.mobil" project.
- In the Golden Thread selection of best employers in Slovenia, Si.mobil was among the finalists in the category of large companies.

Company Info Sheet

COMPANY INFO

Name	Si.mobil telekomunikacijske storitve, d.d.
Headquarters	Šmartinska 134b, SI-1000 Ljubljana
Phone	+386 (0)40 40 40 40
Fax	+386 (0)40 443 099
E-mail for residential users	info@simobil.si
E-mail for business users	info.poslovni@simobil.si
Website	www.simobil.si
Main activity	61.200 – wireless telecommunications
Activity code	J 61.200
Year of establishment	1998
Tax ID number	SI 60595256
Company registration number	1196332
Share capital	SRG 1/29430/00 Ljubljana 38,781,000 euros

OWNERSHIP

Mobilkom Beteiligungsgesellschaft mbH is the 100% owner of Si.mobil, d.d.

MANAGEMENT BOARD

Dejan Turk	Chairman of the Management Board
Boštjan Škufca Zaveršek	Member of the Management Board
Ulrich Rokita	Member of the Management Board

DIRECTORS

Barbara Gorše	Customer Services director
Johannes Nabecker	Access and Transport Network director
Eva Aljančič	Marketing and Sales director
Tamara Valenčič	Corporate Communication and Human Resources director
Gregor Kastelic	Core Service Network and IT director
Andreja Štirn	Business Intelligence director
Suzana Banič Drašler	Finance Sector director

SUPERVISORY BOARD

Johannes Ametsreiter	Chairman
Johann Tschuden	Deputy chairman
Johann Pichler	Member
Reinhard Zuba	Member
Silvia Buchinger	Member



10 YEARS
OF ORTO

CLOUD
SERVICES

ORTO

WE OFFER
RELIABLE
SERVICES

PLANS
FOR THE
WHOLE
FAMILY

SIMPL
KIDZ

MARKET DEVELOPMENT

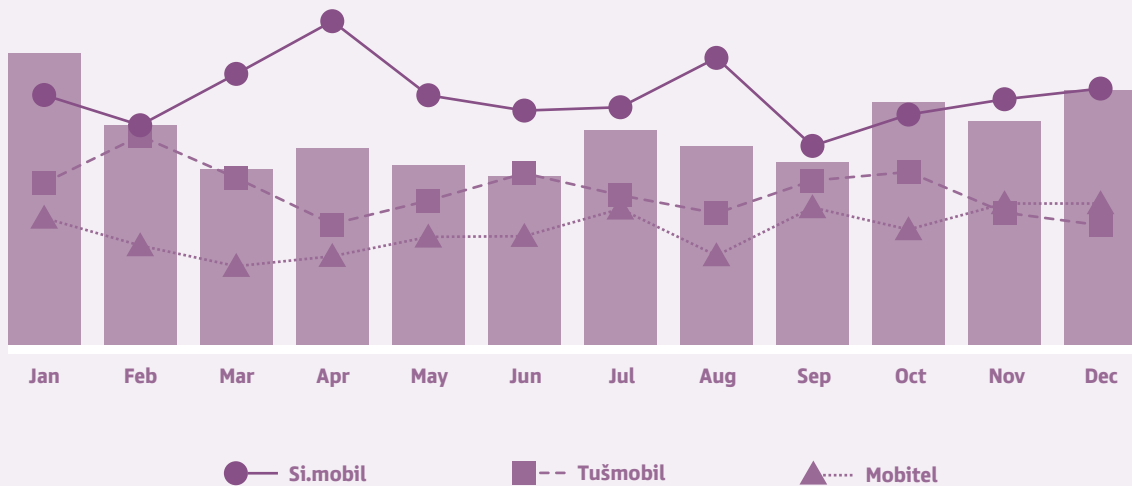
Market environment

At the end of 2012 Si.mobil had 662,646 users, 506,572 of whom were subscribers and 156,074 prepaid users. Compared to 2011, we succeeded in increasing our market share to 30%. In 2012, we were the mobile operator with the highest share of ported numbers i.e. with the highest share of new users throughout the year.

For the majority of 2012, Si.mobil was the mobile operator with the largest number of ported numbers. These results correspond to market studies on user loyalty, which reveal that Si.mobil's users are the most loyal and consider switching operators least frequently. For most, Si.mobil is also the first choice of users who are considering switching their mobile services provider.

Quality, professionalism, and best value for money will remain our key guidelines into the future. These are the points where we can strengthen our brand's position and increase user preference for it. We will continue striving to provide the best user experience. Net promoter score surveys on user satisfaction and recommendations confirm that this is the right strategy.

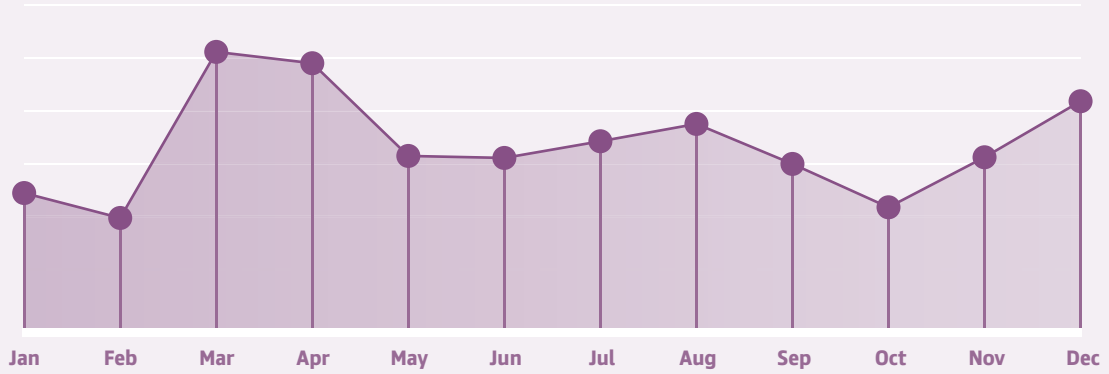
Chart 1: Numbers ported between mobile operators in Slovenia (in percent)



Source: internal

MARKET DEVELOPMENT

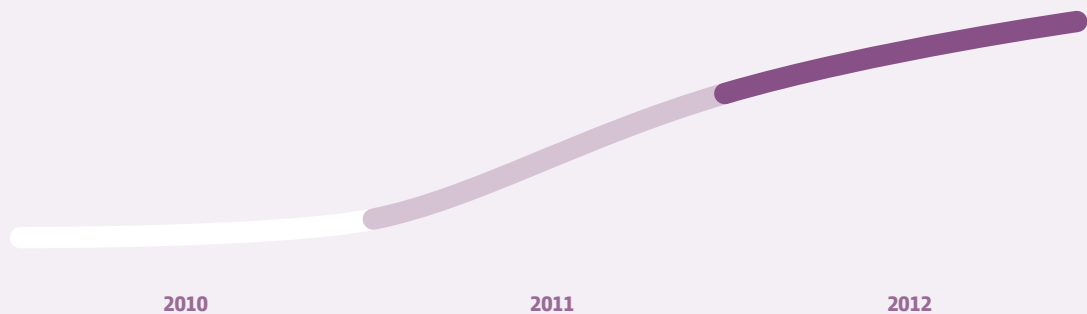
Chart 2: Si.mobil's share in acquired new users



Source: internal

The popularity of smartphones among users continued to grow in 2012. The number of smartphones used in Si.mobil's network has doubled since 2009, and the share of smartphones among mobile phones exceeds 60%.

Chart 3: Share of smartphones among Si.mobil's users



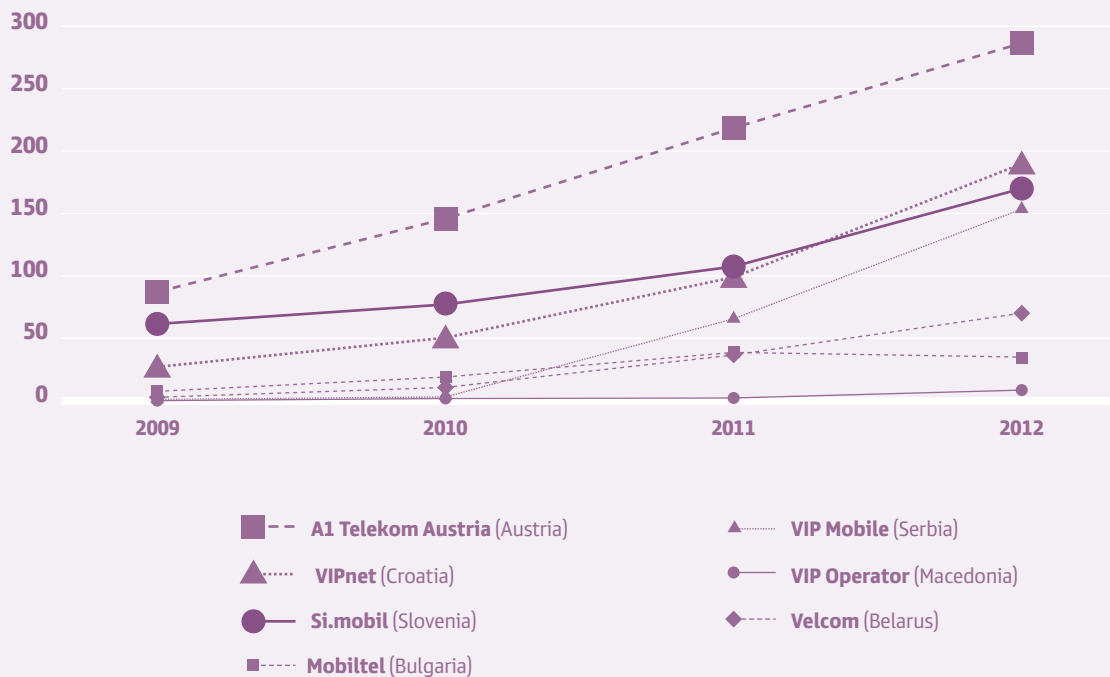
Source: internal

MARKET DEVELOPMENT

Use of **mobile internet** in Si.mobil's network increased by around 300% in 2012. There are three main reasons for such growth: an increase in the use of smartphones and state-of-the-art devices such as tablets and Mi-Fi and Wi-Fi devices, the increasingly popular use of apps and other mobile content (for example video streaming) on smartphones, and increased capacities in our mobile network, which supports very high data rates. To protect users from a potential rapid increase in costs, Si.mobil introduced some solutions to make the use of mobile internet more carefree, such as automatic notifications on data transfer usage and a data rate cap set at 64 kbps when a user's data allowance is exceeded by 50 MB.

An increase in data transfer was recorded throughout the Telekom Austria Group, of which Si.mobil is a member. Si.mobil's users are third most active mobile internet users in terms of the average amount of transferred data per user in the group, following users of Austrian A1 Telekom Austria in the first and Croatian VIPnet in the second places.

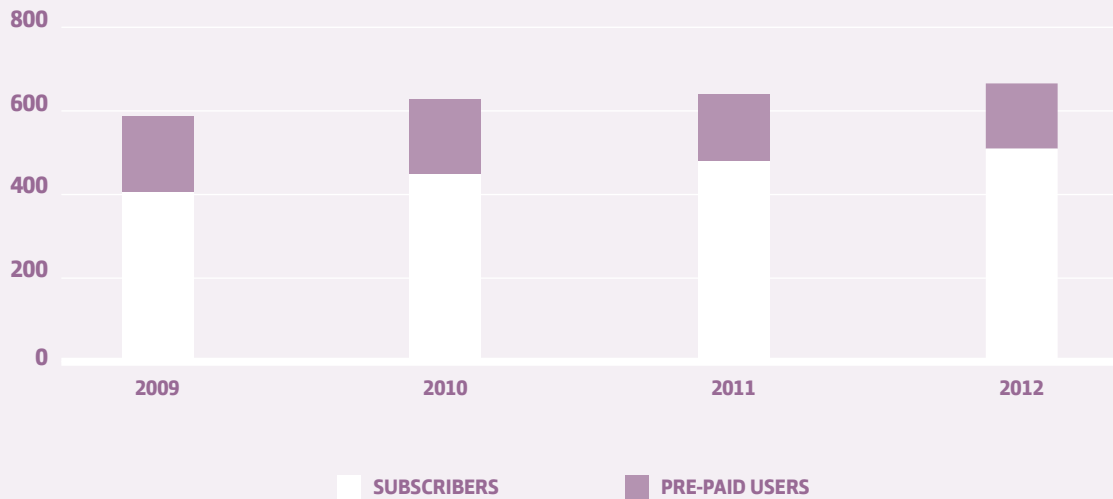
Chart 4: Average amount of transferred data per user in the Telekom Austria Group



Source: Telekom Austria Group

MARKET DEVELOPMENT

Chart 5: Growth in the number of Si.mobil's users



	2009	2010	2011	2012
Subscribers	408,055	440,856	476,308	506,572
Pre-paid users	181,372	178,032	163,390	156,074
All users	589,427	618,888	639,698	662,646

Users

In 2012, we designed our range of services and products for residential users in a manner that successfully catered to the entire family. We offered SIMPL KIDZ prepaid price plans for the youngest ones, ORTO price plans for young people up to the age of 31, ZATE plans for our broadest circle of users, and SENIOR ZATE price plans for seniors.

Products and services for residential users

In April we introduced the new **ZATE price plans**, which include an important new feature in the Slovenian market – rollover of unused minutes to the following month. These price plans have everything that the broadest circle of users' needs – calls, text messages, and data transfer.

In April we also overhauled the **SIMPL** pre-paid price plan. Despite the increasing number of users with subscription price plans, Si.mobil still had 156,074 pre-paid users at the end of 2012. The crucial advantage of the overhauled pre-paid price plan is the new, single SIMPL tariff, to which users can simply add data transfer or text message options according to their needs, without losing the main advantages of pre-paid price plans: anonymity, easier control over costs, and no lock-in.

We also addressed two new user segments with new price plans. To seniors we offered a **SENIOR ZATE** price plan, which is tailored to their needs, and introduced the **SIMPL KIDZ** pre-paid price plan for children.

SENIOR ZATE is our first price plan actively focusing on seniors. We designed a simple price plan that includes calls to all networks and text messages, and offered a range of simple-to-use mobile phones, since Si.mobil has noticed that senior users are showing a growing interest in new technologies and are aware of the advantages of mobile telephony. In 2012, we again joined the Simbioz@ intergenerational project of improving computer and internet literacy. This time we stepped up our collaboration by becoming the project's main sponsor, and also contributed our knowledge and experience in designing a new training module on mobile telephones, which was offered to seniors for the first time in 2012. We invited our employees to participate in the teaching module as volunteers, and they showed senior users how to use a mobile phone. Involvement in such projects adds quality to our range of products and services for senior citizens and encourages volunteer work among employees. The excellent response among seniors meanwhile shows that they wish to stay up-to-date with technology.

In June, we addressed the children's segment for the first time, and indirectly also their parents. A survey on the use of mobile phones, which we conducted together with Aragon, showed that 97% of children under 12 have their own mobile phone. Parents usually buy their children's first mobile phone when they become more independent and less reliant on adults. The advantages that parents see in their children us-

MARKET DEVELOPMENT

ing mobile telephones primarily include safety, the possibility of checking where their child is, and a simpler coordination of family schedules, which are constantly changing due to the fast pace of life. Parents usually select a prepaid price plan that allows them to control their child's spending.

Existing prepaid price plans were not suited to children's needs, so Si.mobil prepared a special prepaid price plan for them – **SIMPL KIDZ** (**SIMPL KIDZ+**, which brings additional benefits, for children of Si.mobil's subscribers), which includes safeguards preventing fraud and the uncontrolled rise of costs:

- blocked calls to commercial 090 numbers;
- the option of limiting access to mobile internet;
- blocked mobile MONETA payment service;
- blocked access to adult content on the Vodafone live! Portal;
- availability even with no credit on the SIMPL KIDZ account and up to 90 days after the last top up;
- text message notifications to parents about the balance on the SIMPL KIDZ+ account.

To make the use even safer and more carefree, we prepared a handbook for parents and a brochure for children with useful advice on how to prevent potential abuse and how to control costs, as well as advice on appropriate etiquette in phone communication.

At the end of the year we offered **holiday price plans** to our users. In addition to calls, messages, data allowance, and rollover of unused minutes to the next month, these price plans also include a mobile device (mobile phone, tablet, camera or mobile game console) with no surcharge.

In December we also organized the first **Si.mobil Ski Days** for our users. On selected Saturdays from December to March, Si.mobil's users could ski at discounted prices at selected ski resorts in Austria, which we accompanied with cheaper data roaming. Si.mobil's ski days were organized in collaboration with Elan and Skipass Travel.

Products and services for business users

In 2012, we continued developing our products and services for business users and added IT solutions to our existing range of telecommunication business solutions. By doing so, we successfully rounded out our range of products and services and took a step forward in meeting our business users' needs. Adding IT solutions further strengthens our promise to business users, allowing them to simply focus on their business, while we take care of everything else. This will remain our guiding principle in the future.

Part of our activities in 2012 was also focused on our new sales channel for business solutions **bizstore.si**. This is the first Slovenian online business solutions marketplace, which Si.mobil developed in collaboration with a few business solution developers, and the goal is to make it the largest online marketplace offering business solutions in the region. Bizstore.si expands developers' business opportunities, since it is based on the principle of open sales. Developers can publish and sell their products in the online marketplace simply, helping them reach new business users. In addition to the concrete opportunity of selling and promoting their business solutions, bizstore.si also provides developers with a ready to use billing system and 24/7 user support. Bizstore.si makes entering the market easier for developers and allows them to increase the visibility of their products, while businesses can lease a new business solution with just a few clicks, considerably cutting the costs of establishing an IT infrastructure.

Bizstore.si is not limited to Si.mobil's users, as it also provides business solutions to companies and sole proprietors who use other operators' telecommunication services.

The majority of developers have hailed bizstore.si as an interesting and effective sales channel, which is why we expect its portfolio of business solutions to expand in 2013. Some developers' solutions will be added to Si.mobil's regular range of business solutions sold under the Perfect Office brand.

Services and products for youth

One of the biggest milestones for Si.mobil in 2012 was the 10th anniversary of its **ORTO** brand. ORTO is a brand that has left its mark on a generation of young people. Its launch in 2002 was one of the key points that set Si.mobil apart from its competitors, and ORTO has significantly contributed to Si.mobil's rise. The success of the ORTO brand is without a doubt the result of the attractive products and services it comprises, which are tailored to young people's needs, as well as the result of its bold and unique communication strategies. The success of the ORTO brand's communication has been reaffirmed by numerous awards, including the Brand of the Year title that it won at the Slovenian Advertising Festival two times in a row, both in 2010 and 2011.

At the 10th anniversary of the ORTO brand, we prepared the **ORTO TEMPEST** campaign. The campaign was centered on Srečko Kosovel, a relentless herald of his (his period's ORTO) generation. His poem *Tempest, Tempest* still resonates, since its unrest and call for action are analogous to the feelings of today's youth that things must change.

In accordance with our policy of providing the best user experience, we thoroughly overhauled our range of products and services for young people in 2012, adjusting our price plans to the fact that the use of text messages and data transfer among young people is on the rise. Alongside the basic ORTO U NULO price plan, we offered the **ORTO SMART** price plan, which includes unlimited on-net calls, unlimited

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text and multimedia messages, 1 GB data allowance, and 201 minutes of off-net calls. ORTO SMART also allows users to purchase selected mobile phones at more affordable prices, which makes this price plan even more attractive for the target group.

Since an increasing number of young people are using a second mobile device such as tablets or laptops, in addition to a mobile phone, we designed a new, affordable ORTO NET data price plan, which comes with data allowance without subscription or lock-in.

Due to a rise in demand for ORTO price plans also among tweens, we lowered the age required for concluding subscription agreements for ORTO price plans from 12 to 11 years.

Also in 2012, we launched several innovative and recognizable ORTO campaigns that highlighted our services and products for young people. In January, the ORTO FOREVER campaign promoted the extra benefit of a free Mobile internet option with a 3 GB data allowance for 24 months. In February, we launched the new ORTO SMART price plan. In May and June, we launched the ORTO SMART HAS IT ALL campaign and offered all ORTO SMART subscribers the Tujina SMS option free for 6 months, allowing users to send free text messages when vacationing abroad. In July, we joined the summer sales and held our traditional sale of mobile phones, i.e. the ORTO HALFSIES campaign. The autumn was marked by the ORTO TEMPEST campaign, which promoted our special offer for ORTO brand's 10th birthday – the ORTO SMART price plan with extra 1000 minutes of off-net calls. We concluded 2012 with the SMART U NULO campaign, in which subscribers to the ORTO SMART price plan were given a discount on the monthly subscription fee for a period of six months.

Throughout the year we pursued our IT'S GOOD TO BE

ORTO motto and carried out several promotional campaigns at student events. We also offered extra benefits for young people in collaboration with external partners. We participated in student events with our ORTO RAFFLE campaign. The lucky winners got mobile phones or discounts on ORTO services for several months. Together with e-Študenstski servis, we organized the ORTO CASH campaign, in which we awarded discounts of up to 50 euros to students purchasing mobile phones. In collaboration with the insurance house Adriatic Slovenica, we gave everyone who concluded a complementary health insurance policy over their mobile phones a 40 euros bonus, which they could spend on paying their monthly invoices or when purchasing a new phone.

As a result of changing market conditions, we withdrew two price plans for young people: ORTO MUZIQ, which included musical services on mobile phones, and ORTO BERI, which included BlackBerry devices. Music lovers can still use the MUZIQ portal, where they can purchase tunes, while BlackBerry users can enjoy all the functions on their BlackBerry devices by selecting the ORTO BlackBerry option to complement their ORTO SMART price plan.

Sales network

In 2012, we upgraded our sales network, introduced a few new features related to collaboration with partner stores, continued to expand our network of franchises, and introduced a completely new and modern concept for Si.mobil stores, which we deem to be an exceptional achievement. This represents the foundation for developing existing and new sales channels.

We concluded a vast project – renovating all Si.mobil and resellers' stores. When renovating our stores, we followed the ISO 14001 environmental standard, since we are striving to cut our CO₂ emissions as much as possible. We computerized the operations to a great extent and cut paper consumption, since all stores, both Si.mobil's and partners', have the e-signature system, which greatly reduces the need to print out contracts and other documents. The majority of stores use energy efficient light bulbs and LEDs, which reduces electricity consumption, and Re.think bins for old phones, chargers, and batteries. We started installing pay machines, where users can pay their invoices without a commission. Over 50 such machines are now available users available to users.

We also continued expanding our franchise network. A franchise store in Nova Gorica joined the franchises in Maribor, Novo mesto, and Velenje. The franchise in Murska Sobota was transformed into a Si.mobil store.

We introduced a new financial model for collaboration with partner stores. This model brings in a more transparent method of classifying resellers based on professional know-how, design, and size of operations. We also adapted our commission model to market conditions, expanding our focus beyond sales to include care for users.

Since making sure that advice given at all stores is of the same quality is an important factor in providing the best possible user experience, we introduced regular training courses for the sales staff in our as well as partner stores in 2012. We provide transfer of know-how through the Si.mobil academy, and in 2013 we will upgrade our training activities by issuing certificates in business solutions know-how.

Another important achievement in our sales network was the opening of our new flagship store at an elite location on Prešeren square in Ljubljana's center. This is a pilot project, as the store is based on our new concept of approaching customers, which is very simple at its core: making sure that customers feel as cozy and as at home as possible at the store. The architects achieved this with a bright environment, to which they added the warmth of natural wood. The store introduces a new approach in addressing customers, tearing down barriers between store visitors and Si.mobil's agents, and putting users' needs at the forefront. This can be seen not only in terms of pure purchase intention, which is reflected in the placement of counters with displayed mobile phones in the center of the store, but also in terms of the everyday pace of life. That is why the store has a children's corner, a living room, a vertical garden, rent-a-desk space, and a conference room, which anyone can rent.

CONVERGENT SERVICES



LTE
up to 100 Mbps

WE BRING YOU STATE OF THE ART TECHNOLOGY

MORE THAN 90% MOBILE
BROADBAND COVERAGE

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TECHNOLOGICAL DEVELOPMENT

Network development

After completing one of our largest investments in overhauling and upgrading our network in 2011, we continued developing our network in 2012. We invested 11 million euros in our access, core, and transport network in 2012. By prudently investing in our network, we are pursuing our core mission: providing the best user experience.

Mobile services users' habits are changing rapidly. While the increase in the use of voice services is stable, the use of data transfer is rising steeply. This is the result of users' growing interest in smartphones, which now represent 60% of all mobile phones used in our network

In 2011 we invested heavily in the 3G network. We introduced UMTS 900 technology, which provides high data rates to users in rural areas. The UMTS signal on the 900 MHz frequency has broader reach than on the 2100 MHz frequency, so adequate territorial coverage requires significantly fewer transmitters, while the use of existing base stations sites is also possible. This also makes the introduction of UMTS 900 in rural areas more rational from the environmental and economic point of view. After upgrading the network, Si.mobil's network population coverage stands at:

- 99.6% for voice services
- 99.6% for mobile internet with data rates of up to 236 kbps
- more than 90% for mobile broadband internet with data rates of up to 42 Mbps

In 2012, we focused on increasing network capacities, improving data transfer backhaul and increasing network responsiveness. We:

- were the first mobile operator in Slovenia to commercially provide LTE services, which support data rates of up to 100 Mbps, in Ljubljana, Bled, and Brnik;
- put up 24 new 2G base stations, 112 new 3G base stations and 26 new 4G base stations;
- overhauled 70% of the 2G network and 60% of the 3G network;
- installed HSPA+ technology on 72% of our 3G network;
- installed Dual Carrier HSPA+ technology, which supports data rates of up to 42Mbps, on 50 base stations;
- replaced existing base stations with new, more energy efficient ones, cutting electricity consumption by 17% in total;
- increased the capacities of the transport network.

TECHNOLOGICAL DEVELOPMENT

TABLE 1: INVESTMENTS IN NETWORK DEVELOPMENT (IN MILLION EUROS)

Network	2010	2011	2012	Difference 2012/2011
Access network	5.10	8.27	5.24	-37%
Core network	2.86	1.16	2.87	148%
Transport network	2.38	3.45	2.94	-15%
Total	10.34	12.88	11.05	-14%

Core network and IT

The development of the telecommunications market strongly affects the operations and mission of the technical sector. Merely having excellent technological know-how and appropriate technical support and keeping up to date with and implementing the latest technologies is not enough if we wish to keep up with users and their needs.

Changes in the market require us to enter new areas outside the traditional telecommunication areas of voice services, text and multimedia messages, and data transfer. Developing new products and services requires close collaboration with the company's business sectors.

In 2012, we started strategically transforming the IT sector into a service-oriented organizational unit. This huge logistic and organizational challenge also resulted in necessary changes in our organizational culture and way of thinking and acting, which is why such a transformation would not be possible without the support of the entire company.

Our first step was introducing the position of business analyst. A business analyst's role is to connect the company's business functions and IT through a demand management procedure, which supports:

- capturing new ideas and defining opportunities;
- preparing business requirements and analyzing benefits;
- priority handling and approval procedures;
- portfolio planning.

The key activities carried out in areas of IT and core network in 2012 were:

- We were the first mobile operator in Slovenia to commercially

provide our users with an LTE network, which supports data rates of up to 100 Mbps, in Ljubljana, Bled, and Brnik.

- In the spring, we launched national roaming for T-2.
- In the autumn, we successfully concluded the project of transitioning to a new voice mail platform. Now our subscribers can also receive voice mail to their e-mail.
- We are intensively continuing our project of introducing fixed services.
- As a provider of converged services, we are constantly upgrading our core network. In 2012, we started the project of migrating the HLR (home location register)/HSS (home subscription server) system, which is based on the new concept of centralizing our user database. At the same time we are replacing the R4 and IMS core system.
- In addition to integrating the EPC (evolved packet core) solution on the packet network, which takes us towards converged services in the 4G network, we are continuing the implementation of the IPv6 protocol and PCRF (policy and charging rules function) solution. This solution will support more dynamic and high-quality data transfer service, which among other things includes notifying users when data transfer surges.
- We launched bizstore.si – the first online marketplace with business solutions in Slovenia – to help companies and

TECHNOLOGICAL DEVELOPMENT

business software developers. The service is fully integrated with our business IT system, which means that users can simply log in, purchase, and download selected business solutions in the cloud. The online market is designed in a way that supports easy and simple adding of new solutions.

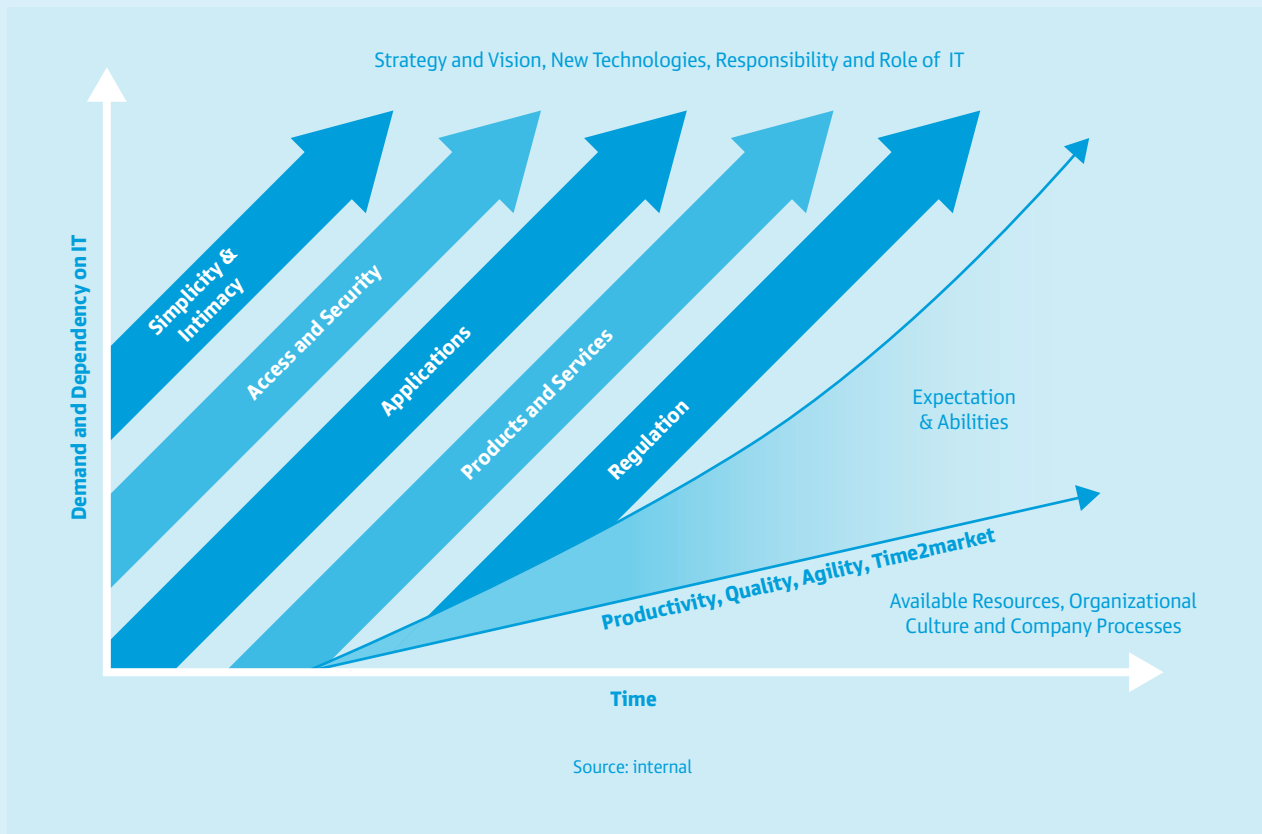
- We added new services to our innovative mobile marketing solution Si.most (Si.bridge).
- In accordance with new legislative provisions, we introduced a direct debit system into the SEPA system. For this purpose we made adjustments to our central billing system and unified the procedure for selecting the most appropriate payment cycle for our clients.
- In order to provide the best possible user experience and protect users from a potential rapid increase in costs, Si.mobil introduced some solutions to make the use of mobile internet more carefree, such as automatic text message notifications about data transfer usage and a data rate cap set at 64 kbps when a user's data allowance is exceeded by 50 MB. Users can monitor usage through the Si.info mobile app and the Moj Si.mobil (My Si.mobil) portal.
- To make the use of mobile phone safe for our youngest users with a SIMPL KIDZ price plan, we added appropriate security settings for controlling usage, as well as for block-

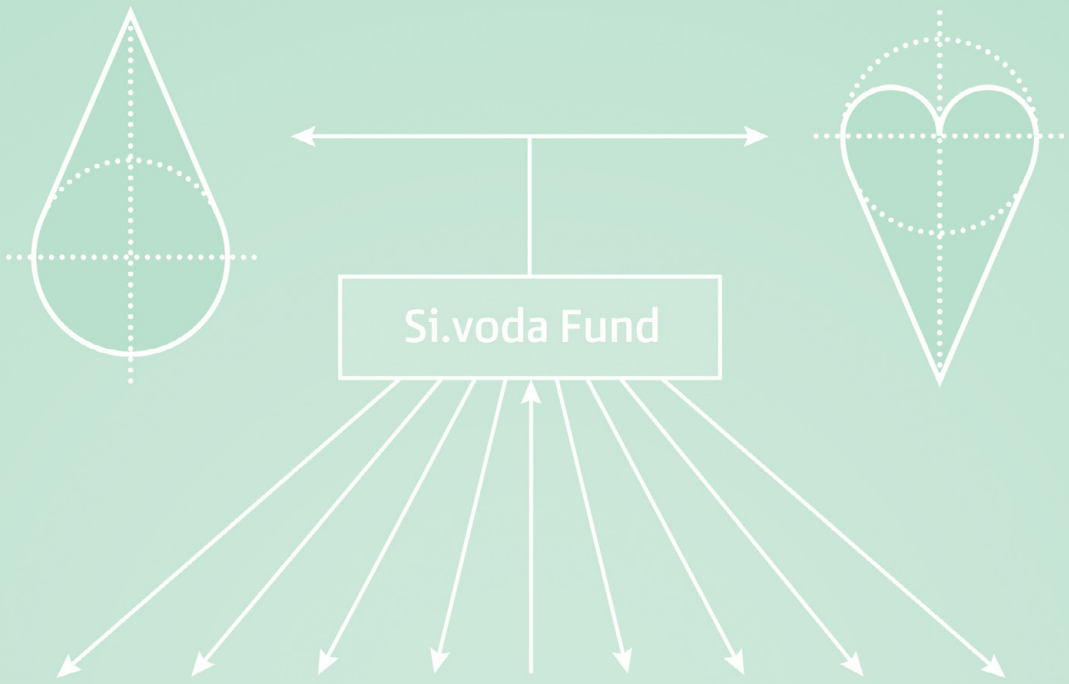
ing commercial calls and messages, and access to inappropriate content. We also added the option of limiting data transfer and different ways for topping up the SIMPL KIDZ account. We provided all these functionalities by upgrading the billing systems, payment modules, and text message channels within the CRM system.

In the areas of core network and IT we will continue putting the most emphasis on providing the best possible user experience. Our goal is to provide users with innovative services, and we aim to accomplish that through new partnerships and entering new service segments. In 2013 we are planning to conclude our comprehensive core and radio networks upgrade, and by introducing cutting-edge technologies we will also be able to support converged services in the LTE network.

With the development of new technologies, changes in consumer habits, and the growing need for information, the demand for the development of information technologies has increased, while the desired time between the idea and commercial launch of a product has shortened. Users want bigger, faster, and cheaper. The gap between desires and needs on the one hand and the current capabilities of information technologies on the other is growing, which is why a transformation of the information technology sector towards a service organization is necessary.

Scheme 1: Key factors in IT





WE CALL FOR CONSIDERATE THINKING



RESPONSIBILITY

Responsibility towards employees

The rapidly developing telecommunications industry also requires constant adjustments and progress in the area of HR development. In 2012, we defined key and leadership competencies in collaboration with key potentials and other employees who wanted to actively participate. This provides employees with guidelines on the competencies that Si.mobil requires.

Data on employees

SELECTED EMPLOYEE-RELATED INDICATORS FOR 2012

Number of employees	389
Number of new employees	38
Average employee age	35.83 years
Share of women among employees	47.56%
Share of women working in management and leadership positions	36.59%
Share of employees with indefinite contracts	90.75%
Sick leave	3.12%
Fluctuation	4.21%

EMPLOYEE TRAINING IN 2012

Average number of training days per employee	4.4 days
Share of employees working as in-house lecturers	7.50%
Share of leaders with individual business coaching	53%

EDUCATIONAL STRUCTURE OF EMPLOYEES IN 2012

Vocational education or less	5.39%
Secondary school	36.76%
Higher education, 2-year school	14.40%
Higher education, 3-year school	12.60%
University education	27.25%
Postgraduate education	3.60%

RESPONSIBILITY

Responsible people development

In 2012, Si.mobil carried out the following activities in the field of people development:

- **Annual interviews with employees** are an important tool for meeting corporate strategic goals, as these goals are translated into individual goals for every employee. This way every employee is aware of their role in pursuing the company's vision. When setting individual goals, we also define employees' individual development plans.
- The **270° performance appraisal**, which gives us feedback on the performance of management and other employees. In 2012, we made extensive changes to the questionnaire based on key and leadership competencies. The appraisal is basis for the interview with the supervisor and preparing employee's development plan. At the company level, the 270° performance appraisal helps us develop desired behavior that strengthens our organizational culture.
- **Survey on employee commitment – TAGisfaction.** In 2012, Telekom Austria conducted its unified group level survey on employee engagement – TAGisfaction. The results showed that 94% of Si.mobil employees selected commitment as the highest appraised TAGisfaction distinctive category. This result ranked Si.mobil very high compared to European companies and the telecommunications industry in general.
- **The Si.academy training catalogue.** Before beginning annual interviews with employees, we prepared a training catalogue, which contains all the basic topics designed for the development of our employees. This catalogue and its high-quality topics also help leaders in determining individual development plans. In 2012, we successfully continued internal programs within the framework of Si.academy, and paid special attention to employees who are in direct contact with our users. Our in-house lecturers, who help transfer theory into practice, share their professional know-how, best practices, and experience, even at the international level. In 2012, Si.mobil had 29 in-house lecturers.
- **Si.academy** Competent employees contribute the most to company development and performance. In 2011 Si.mobil started actively providing goal-oriented training courses and we upgraded their curriculum in 2012. Training is conducted in the form of traditional lectures, interactive courses, workshops, and e-training courses. We categorized training courses by means of six pillars designed for different groups of employees:
 - **all employees** – courses for all employees;
 - **best customer experience** – a training program for all employees in constant contact with our users;
 - **management** – a program for developing leadership skills and individual coaching for effective, motivating, and responsible leadership;
 - **professional training** – specialized training courses for developing professional competencies;
 - **obligatory training** – training required by law;
 - **formal training** – a training program for employees aimed at increasing their level of formal education.
- **Recognizing and developing employees who are key potential** is an important strategic orientation for Si.mobil, which is pursued by the Management Board, sector directors and People Development and Strategic HRM department. It is designed to form and develop a solid team of employees, whom Si.mobil can count on in the future. Approximately 9% of employees are included in the program of developing key potentials, with sector directors taking the role of the mentors.
- **Retention program** is designed for employees with specific know-how, and significant work experience. After forming the first group included in the retention program in April 2011, new employees were included a year later. Currently a little under 5% of employees are part of the program, in which they are given extra financial and non-financial incentives.
- **TAG Business School.** The Telekom Austria Group's business school has conducted 65 different training courses with internationally renowned and in-house lecturers since it was established in 2010. So far 140 of our employees have attended business school, of which 42 attended courses on different topics in 2012. In 2012, courses focused primarily on developing talented employees for management and leadership positions within the Telekom Austria Group, developing young employees with potential, specialized programs (marketing academy, finance academy, technical academy), and other programs of an open nature.
- **The x.change program** is an opportunity for Si.mobil's employees to gain experience in Telekom Austria Group's international environment. In 2012, 26 Si.mobil's employees took part in the x.change program, and Si.mobil hosted 13 employees from other Telekom Austria Group companies.

We also provide our employees with the possibility of joining an **additional pension insurance** scheme to start saving for old age in time. Si.mobil contributes 2.8% of an employee's gross salary to the premium.

Recognizing and developing key potentials is our important strategic orientation.

RESPONSIBILITY

Balancing professional and private life

Helping employees balance their professional and private life is part of Si.mobil's strategy. This makes employees more motivated for work, more committed and productive, and last but not least, more loyal to the company. We would like to be an employer that is attractive to people with families, who find it very important to be able to balance their professional and private lives.

In 2007, Si.mobil was among the first companies in Slovenia to be awarded the basic Family Friendly Enterprise certificate, and we implemented the following measures:

- a child time bonus,
- flexible work breaks,
- an internal expert team,
- informing employees,
- public relations,
- management trainings,
- reintegration into the work process after maternity or parental leave;

At the end of 2010, we adopted additional measures and were awarded the full Family Friendly Enterprise certificate:

- take your kid to work day,
- planning and conducting further training programs,
- gifts for employees with newborns,
- New Year's gifts for employees' children,
- surveys on balancing professional and private life among employees.

In 2012, we adopted another measure, providing daycare for employees' children during school breaks. Now they have the opportunity of having excellent and creative vacations full of games, fun, trips, and educational activities focused on environmental protection. In 2012, we provided daycare during summer, autumn, and winter school breaks for 55 children, while 15 children attended daycare during the general strike in the public sector.

Responsible operations

Ethical and transparent operations are an important element of Si.mobil's culture and values. We must operate with responsibility and integrity, because this is the way to gain trust and credibility not only in the eyes of our business partners and suppliers, but also in the eyes of our users and the general public. It is not just our results that matter, but also the way in which we achieve them.

The Code of Conduct, which provides a complete overview of our way of conduct and operations, is the umbrella document of the entire business compliance policy. This document, which is implemented throughout the whole Telekom Austria Group, defines values of the entire group and the principles of our operations. The purpose of the Code is to unify instructions for appropriate business conduct, and set a common denominator for business culture within the group.

It is important that all employees working at Si.mobil are familiar with our business compliance policy, which is why business compliance documents are published on the intranet. We introduced obligatory e-training on business compliance for all employees, those employed through employment agencies, and students, and prepared a statement which they must sign to confirm they are familiar with the Rules of Conduct for Si.mobil Employees. The Rules provide guidelines which are binding for all employees, those working through employment agencies and students, and any violation of the rules or guidelines constitutes a violation of employment relationship. We adopted the following guidelines:

- Guidelines on gifts and invitations,
- Guidelines on sponsorships, donations, and advertising,
- Guidelines on consulting services and lobbying,
- Guidelines on corruption and conflict of interest prevention,
- Guidelines regarding competition law.

Training on business compliance is obligatory for all 17,000 employees in Telekom Austria Group, and is divided into three modules:

- recognizing and preventing elements of corruption and bribery;
- appropriate conduct when receiving gifts and invitations from business partners;
- appropriate handling of confidential and personal data.

We also appointed an internal team in charge of introducing and implementing business compliance guidelines, which employees can turn to if they have any questions or dilem-

RESPONSIBILITY

mas. We also created a portal for reporting any violations or suspected abuse, where reports can be made completely anonymously, and which is carefully managed by the head of the business compliance team.

Safe use of services

Our responsibility in business operations also includes the safe use of services. In 2012, we paid a lot of attention to secure communications, data protection, the safety of our employees, and the security of our systems.

Due to increasing requirements from the environment and ever higher standards, we designed a new IT security policy, which is compliant with Telekom Austria Group's security policy. We are preparing a comprehensive plan for business continuity, which will allow us to operate without interruptions in emergency situations, and rapid recovery of operations.

We also implemented a number of improvements in user services. We were one of the first operators in the world to improve the A5/3 security algorithm in the 2G network, in collaboration with the group's subsidiary A1 Telekom Austria. We introduced an authentication system for every call, which significantly improved the security of calls. We also activated randomize padding, which even further improves the security of our communication channel. Our business model of cloud services was lauded at the level of the Telekom Austria Group, and was highlighted as an example of best practice and an example for other companies within the group. This model also received an award as the best example of applying cloud computing services in business in 2012. The award is conferred by EuroCloud Slovenija.

Already in 2011, we introduced the new position of IT security manager in the area of IT and general security. To upgrade security at all levels of Si.mobil and to continually improve security, we annually conduct a comprehensive review of IT security, while external experts analyze the information protection management system. We are also preparing an e-training program on information security for employees, which should be implemented in 2013.

We also put a lot of emphasis on educating the general public about the safe use of mobile phones. In 2012, our efforts at raising awareness were focused on the two groups who are the least skillful in using mobile phones – children and seniors.

Due to increasing requirements from the environment and ever higher standards, we designed a new IT security policy.

Environmental responsibility

2012 was an important year for our environmental management system. In addition to already established environmental management programs and activities, we performed our first review according to the ISO 14001:2004 standard in June, and successfully renewed the certificate for the fourth time. The Si.voda Fund, which was founded by Si.mobil at its own initiative, funded two projects for protecting and preserving clean drinking water in the total amount of 93,970.56 euros in 2012.

Si.mobil is aware of the importance of responsible and environmentally-friendly operations, which is why care for the environment is part of our long-term business strategy and everyday business processes.

We established the **Eco Team** to engage employees in environmental activities. Over 20% of our employees actively participate in this team. Together we learn and look for effective solutions for reducing our impact on the environment.

The Si.voda Fund

The Si.voda Fund, an institute for clean and healthy water, is an independent organization, established in the spirit of Si.mobil's **Re.think** philosophy of corporate responsibility. As the initiator and founder of the fund, Si.mobil is working towards preserving clean drinking water so it will continue to be available to future generations. In 2012, the Si.voda fund continued to invest in projects that actively tackle the issue of water quality and wastewater treatment, and which encourage more efficient water consumption in Slovenia. Tangible results and projects' effectiveness are important criteria in granting a donation.

In 2012, the Foundation Council and Council of Experts adopted ethical guidelines for the fund's operations.

Following up on the successful completion of its first two projects (the constructed wetlands for wastewater treatment at the outdoor classroom in Modraže near Poljčane in 2010, and another such facility at Kozjanski park in 2011), the Si.voda fund invested a total of 93,970.56 euros in two projects in 2012 – a system for collecting rainwater at the Hans Christian Andersen kindergarten in Ljubljana, and constructed wetlands for wastewater treatment at Lisca nad Sevnico.

RESPONSIBILITY

Rainwater collection system at the Hans Christian Andersen kindergarten

The efficient use of water is one of the most important measures we can take in protecting potable water, since a very small share of it is actually used for drinking. The majority of potable water is used for other purposes, primarily for flushing toilets, and a lot of it can be replaced with rainwater. At the end of September 2012, the fund helped put up a rainwater collection system at the Hans Christian Andersen kindergarten in Ljubljana. The 151 children and 26 employees from the Lastovica branch will save enough water to fill an Olympic swimming pool every year. Two reservoirs for rainwater with a total capacity of 40 m³ were constructed under the playground. The rainwater will be used primarily for flushing toilets, as well as for watering plants and grass and washing the kindergarten's vehicles. In case of drought and a lack of rainwater, the system will automatically switch to the water supply network.

As part of the project, the kindergarten also installed water fountains on playgrounds in three units to encourage children to drink tap water. The quality of the water from water fountains will be checked by the Institute of Public Health of Ljubljana.

The Si.voda Fund contributed 37,930.56 euros or 80% of all the funds for the project, while the remaining part of the investment was covered by the kindergarten.

Constructed wetlands for wastewater treatment at Lisca nad Sevnico

The second project that the fund supported in 2012 was the construction of wetlands for wastewater treatment at the popular hiking destination Lisca nad Sevnico (at an altitude of 948 m). Constructed wetlands for wastewater treatment use nature's ability of self-regeneration to clean wastewater. They filter water through wetland plants' root systems and are an effective solution especially in areas with a dispersed population, where the construction of traditional wastewater treatment facilities would not be environmentally or economically viable. These constructed wetlands for wastewater treatment were a great solution for the location due to its geographic characteristics and the sensitivity of the natural landscape, since the impact of placing such a facility in the environment is negligent.

The facility at Lisca will clean wastewater from Tončkov dom and Jurkova koča. Beds cover a 125 m² area directly behind Tončkov dom, and the water will be filtered by wetland plants such as the common reed, bulrush, and sedges. The constructed wetlands for wastewater treatment at Lisca can treat wastewater produced by up to 49 people.

The total value of the investment is 68,520 euros, of which the Si.voda Fund donated 56,040 euros or 82%.

Fundraising

Fundraising sources are defined by the Si.voda Fund's Articles of Association. These determine that the institute may raise funds for its operations from its founder, through its own activities, from donors, from local, state, and international calls for funding applications, or other sources in a manner and under the conditions defined by Articles of Association. The fund undertakes to raise funds transparently.

Si.mobil's users can also make one-time 1 euro donations to the fund by texting SIVODA to 1919, or monthly 1 euro donations by activating the Re.misli option. Si.mobil donates 1 euro to the fund for every user activating e-invoicing, for every used mobile phone brought to any of Si.mobil's stores to be recycled, for every activated Re.misli option, and for every text message donation made to the fund.

Balance sheet

The fund's balance sheet disclosed a total profit in the amount of 55,147 euros on the 31st of December 2012, which represents a cumulative operating result since the fund's establishment. The fund was established on the 30th of March 2009, with Si.mobil contributing the founding capital of 10,000 euros. On the 31st of December 2012, the fund did not disclose long-term provisions set aside, or any spent set-aside provisions. It also had no fixed assets, stock, receivables or liabilities. The fund does not employ anyone, which is why it does not incur any labor costs.

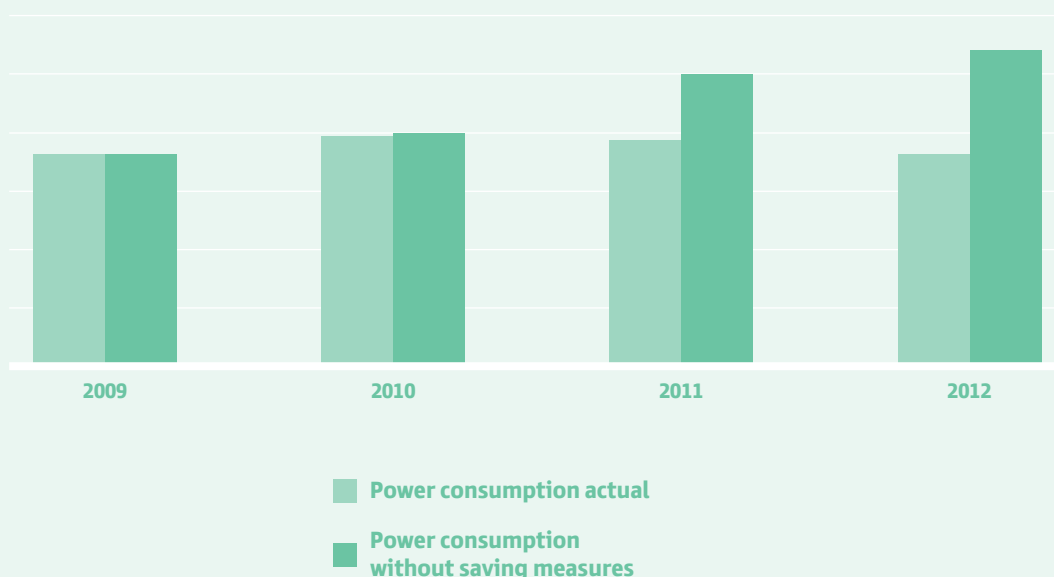
RESPONSIBILITY

Environmental management system

We prepared an environmental program plan for 2012 in collaboration with the Eco Team. The key criterion in planning and implementing programs was the efficiency of the investment. The following areas were included: potable water consumption, electricity consumption at headquarters and in the radio network, CO₂ emissions, paper consumption, and the amount of produced waste.

In 2012 we successfully renewed our ISO 14000:2004 environmental certificate. We thoroughly revised and updated documents and processes related to Si.mobil's environment management system, and carried out both an internal and external review. We follow the standards prescribed by the certificate in all our business processes. We made a major step forward in efficient electricity consumption for operating base station. Despite increasing our number of GSM base stations by 11% and UMTS base stations by 89% in 2011, and putting up 4% more GSM base stations and 33% more UMTS base stations in 2012, electricity consumption remained the same or even slightly dropped. This is the result of using new, modern base stations that consume significantly less energy, and we also optimized the air conditioning which cools the technical equipment at base stations.

Chart 6: Electricity consumption at base stations



Responsibility towards people

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We see our responsibility towards others above all in helping them realize their ideas, and increasing the amount of quality and security in their lives. We strengthen our ties with users and local communities with donations and sponsorships, which we include in our communication and marketing activities.

—

The 11th Party with a Cause

The Party with a Cause has become a well-known and popular musical event for young people. Its unique nature comes from its mission, which has remained the same for all these years: raising awareness among young people about the importance of raising funds for their peers who are in need and for youth programs and projects that contribute to the development of young people. Funds raised through the Party with a Cause thus return to the youth community.

Since the 10th of December 2004, when a crowd of young people gathered in the center of Ljubljana and collected donations for their peers for the first time, more than 153,000 young people have raised, together with Si.mobil and partners over 235,000 euros at ten events. At the beginning young people could make donations through text messages, and since 2009 funds have also been raised with a 1 euro admission fee with a cause.

At the beginning they supported the Mali vitez foundation, which helps young people who have conquered cancer. We also supported the Beli obroč Slovenije association, which raises awareness about violence among young people and cares for young victims of violence. Beli obroč Slovenije used the funds raised at Parties with a Cause to grant several scholarships for young victims of violence, and for opening children-friendly interview rooms around Slovenia. The interview rooms are used to interview underage crime victims, and the interview is recorded and the tape is labeled with a special stamp, and as such represents credible evidence that can be used by the court, the prosecution, and other experts.

In 2012 we made a change. The 11th Party with a Cause was accompanied by the Youth for Youth call for applications, through which we searched for a project that would be given all the funds raised at the Party with a Cause. The call for applications was designed for NGO projects/programs that support youth in different areas of their activities (education, culture, sport, and humanitarian, environmental or social activities, etc.).

A total of 79 projects were submitted in the tender for (co)funding. The panel of experts selected a three-project shortlist that was then put to a vote. Young people selected the project Služba me-ne išče (A Job is (not) Looking for Me) submitted by the Nefiks organization.

RESPONSIBILITY

The purpose of the project is to help young people find jobs through employment clubs. With the help of experienced HR officers, young people met potential employers, acquired new know-how and skills that could help them find jobs, and learned how to attract employers' attention. Mentors also encouraged self-initiative, so that participants actively got involved in the project and learned from one another. Participants met twice a month, between October 2012 and May 2013, in Ljubljana, Maribor, Nova Gorica, Koper, and Zagorje.

Participation in the Simbioz@ project promoting solidarity between generations

Si.mobil once again joined the Simbioz@ project of intergenerational solidarity in 2012. We were encouraged by the outstanding response among seniors from the year before, when our volunteers took part in the first Simobioz@ project e-Literate Slovenia, where they taught seniors basic computer skills. In 2012 we upgraded our partnership with Simbioz@ by becoming the project's main sponsor, and by being actively involved in designing and conducting the 5th module on mobile telephony.

Encouraging volunteering among employees

Si.mobil allows its employees to work as volunteers within their work hours. Every Si.mobil employee can take up to 2 paid days off in a year to do voluntary work, and these two days will be counted as regular work.

We help ideas come true

In 2012 Si.mobil supported the Hekovnik institute's Start:Cloud program in collaboration with the Association of Informatics and Telecommunication at the Slovenian Chamber of Commerce and Industry and the EuroCloud Slovenia association. Between June and September, 23 start-ups and independent developers of business applications were included in a competition and a mentoring program for developing cloud-based business services. The main prize in the amount of 10,000 euros, which was conferred by Si.mobil, went to the Shopamine app. Awards were also given for the apps NeedleFound, MART Housekeeping, and MetaKocka. After the program ended, one of the participating teams set off for the Silicon Valley. Some of the apps developed in the program were included in Si.mobil's online marketplace of business solutions bizstore.si, so developers also got an opportunity to market their solutions.

Sponsorships

Corporate sponsorships

When it comes to corporate sponsorships, we select partners in areas that are important to Si.mobil:

- Faculty of Social Sciences,
- Safe.si,
- Zrno soli,
- Simbioz@,
- Slovenian Advertising Festival,
- Slovenian Public Relations Conference,
- the EFFIE prize for effectiveness in advertising,
- CIO conference,
- HR conference,
- Austrian National Day.

Business sponsorships

Si.mobil's business sponsorships are aimed at increasing the company's reputation as a provider of comprehensive communication services:

- IBM Forum,
- Best Business Idea (Akademija Finance),
- Telecommunications conference,
- NT Conference,
- Open Blend conference,
- Minimum and Optimum IT,
- CEED association,
- Advanced Business Approaches conference,
- Business Solutions Arena,
- the Hekovnik institute,

- the EuroCloud Slovenia association.

ORTO sponsorships

We provide financial and/or communication support to youth events and projects that provide further education and extra activities. In 2012 we supported:

- the Student Section of the Slovenian PR Association (PR teater),
- the Student Section of the Slovenian Marketing Association,
- Student Business Conference at the Ljubljana Faculty of Economics,
- Marketing Traffic Light and Marketing Club,
- Days of industrial robotics,
- the Šiška creative zone,
- Kino Otok / Isola Cinema,
- Prejk12,
- S AcademY,
- Media Day in Maribor.

Donations

Si.mobil helps charity organizations raise funds through the SMS Donator (text message donation) service. Users who text a keyword to the number 1919 donate 1 euro or 5 euros to the selected organization. Si.mobil waives all revenues from the sent text messages.

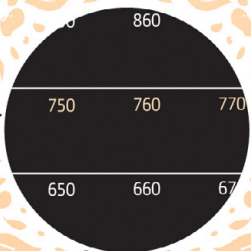
EBITDA
=====
+12.3 %



COMPLIANCE

WE SUPPORT RESPONSIBLE OPERATIONS

EMPLOYEE
DEVELOPMENT



Management Report for the year ending on the 31st of December 2012

Over the past few years, we have witnessed a deceleration of growth in the field of telecommunications. Added value is no longer measured in growth itself, but in the value of each individual user. Knowledge and understanding of users, their desires and needs, as well as their changing habits, has become one of the key elements of good business practices. At the end of last year Si.mobil reached a 30% market share. The data on ported numbers and new subscription agreements show that, with just under 50%, we have taken the lead among all operators in the country. We are very proud that we are able to actively hire new employees during these difficult times. The most important thing is that we bravely overcame uncertain conditions, as we leveraged our competent management and leadership and enjoyed the support of our stable owner to finish out the year successfully.

Selected Performance Indicators

In 2012, our total operating revenue increased by 3.6% compared to 2011. Revenue from the sale of basic telecommunication services increased by 8.7% compared to the year before, which is the result of the growth in users and increased usage of data services. On the other hand, revenue from national network interconnection and international roaming declined by a good 18% because of further price regulation.

Higher revenue was also reflected in EBITDA, which amounted to 59.10 million euros at year's end, which is a 10.2% increase compared to the year before. Si.mobil finished the year with a positive EBIT of 36.85 million euros. EBT stood at 36.90 million euros.

At the end of 2012, Si.mobil had 662,646 users, which is a 3.6% increase compared to the year before. We recorded the highest growth among post-paid users (+6.0%), who make up 76% of all users. We achieved growth in our number of users, despite the fact that the measured penetration of mobile telecommunications in the Slovenian market surpasses one hundred percent (107.1%), and despite our competitors' aggressive offers.

The average revenue per user (ARPU) reached 21.8 euros at the end of 2012.

SI.MOBIL IN NUMBERS

THE GENERAL PRESENTATION OF OUR FINANCIAL DEVELOPMENT FOR 2012 AND 2011 (IN ACCORDANCE WITH SLOVENIAN ACCOUNTING STANDARDS) IS AS FOLLOWS:

		2012	2011
Profit and Loss Statement			
Total revenue	in million euros	195.04	188.34
EBITDA	in million euros	59.10	53.65
EBIT	in million euros	36.85	32.78
Profit or loss	in million euros	0.05	1.21
EBT	in million euros	36.90	33.99
Balance Sheet			
Assets	in million euros	263.69	239.01
Tangible assets	in million euros	71.37	71.76
Current assets	in million euros	150.08	126.13
Financial and operating liabilities	in million euros	95.51	76.06
Equity	in million euros	155.88	150.35
Selected Indicators			
EBITDA/total revenue	%	30.30%	28.49%
Investment into tangible assets	in million euros	17.36	15.32
Average number of employees		380	360
Number of employees (year-end)		389	369
Number of users (year-end)		662,646	639,698
Of which post-paid		506,572	476,308

SI.MOBIL IN NUMBERS

OWNERSHIP STRUCTURE

In 2012 there were no changes to the structure of Si.mobil shareholders. Since 2006 Si.mobil has been a fully-owned subsidiary of Mobilkom Beteiligungsgesellschaft mbH.

Through its owner Mobilkom Beteiligungsgesellschaft, Si.mobil is a member of the Telekom Austria AG Group, which is listed on the Vienna Stock Exchange. Telekom Austria AG Group has been using International Financial Reporting Standards (IFRS) as its main financial reporting standards since 2006. Consequently Si.mobil prepares its financial reports for the purpose of the Group's consolidated financial reports in accordance with internal accounting rules and guidelines, which allows the Telekom Austria AG Group to prepare the consolidated financial reports in accordance with the IFRS rules. These rules and guidelines are also used in the enterprise resource planning system for preparing plans and forecasts.

The financial data in the table below are an extract from our internal reporting package for 2012, prepared for the Telekom Austria AG Group in accordance with IFRS financial standards.

In million euros	Total revenue	EBITDA	EBIT	Net profit
Slovenian Accounting Standards – 2012	195.04	59.10	36.85	31.23
The difference in handling the costs of acquiring new subscribers – adjustments	0.00	-1.23	-1.23	-1.23
The difference in handling the costs of acquiring new subscribers – reallocation	11.94	0.00	0.00	0.00
Adjustments for deferred taxes	0.00	0.00	0.00	-0.23
Adjustments for amortization	0.00	0.00	0.53	0.53
Other adjustments	-7.31	0.12	0.23	-0.14
Telekom Austria IFRS rules and guidelines for 2012	199.67	57.99	36.38	30.16
Telekom Austria IFRS rules and guidelines for 2011	192.84	51.67	30.23	24.91

More information on IFRS rules and guidelines for the Telekom Austria AG Group is available in the official annual report for 2012 that the Group published on its website www.telekom.at.

NEW PRODUCTS AND SERVICES

In 2012 we designed our range of services and products for residential users to successfully cater to the entire family. We offered **SIMPL KIDZ** prepaid price plans for the youngest ones, **ORTO** price plans for young people up to the age of 31, **ZATE** plans for our broadest circle of users, and **SENIOR ZATE** price plans for seniors. We also introduced an important new feature – rollover of unused minutes to the following month.

Mobile internet use within Si.mobil's network increased by around 300% in 2012. There are three main reasons for such growth: an increase in the use of smartphones and state-of-the-art devices such as tablets and Mi-Fi and Wi-Fi devices, the increased use of apps and other mobile phone features (for example video streaming) on smartphones, and the increased capacities of our mobile network, which supports extremely high data rates. To protect users from a potential rapid increase in costs, Si.mobil introduced some solutions to make the use of mobile internet more carefree, such as automatic notifications on data transfer usage and a data rate cap set at 64 kbps when a user's data allowance is exceeded by 50 MB.

In 2012 we continued developing our products and services for business users and added IT solutions to our existing range of telecommunication business solutions. By doing this, we successfully rounded out our service and product range and made a step forward in meeting our business users' needs. Adding IT solutions further strengthens our promise to business users, allowing them to just focus on their business, while we take care of everything else. This will remain our key direction in the future.

Part of our activities in 2012 was also focused on the new sales channel for business solutions bizstore.si. This is the first Slovenian online market with business solutions, which Si.mobil developed in collaboration with a few business solution developers, and the goal is to make it the largest online market offering business solutions in the region. [Bizstore.si](http://bizstore.si) expands business opportunities for developers, since it is based on the principle of open sales. Developers can simply publish and sell their products in the online market, helping them reach new business users. In addition to the concrete opportunity to sell and promote their business solutions, bizstore.si also provides developers with a ready to use billing system and 24/7 user support. [Bizstore.si](http://bizstore.si) makes entering the market easier for developers and allows them to increase the visibility of their products, while businesses can lease a new business solution with just a few clicks, considerably cutting the costs of establishing an IT infrastructure.

One of the biggest milestones for Si.mobil in 2012 was the 10th anniversary of the ORTO brand. ORTO is a brand that has left its mark on a generation of young people. Its launch in 2002 was one of the key points that set Si.mobil apart from its competitors, and ORTO has significantly contributed to Si.mobil's rise. The success of the ORTO brand is without a doubt the result of the attractive products and services it comprises, which are tailored to young people's needs, as well as the result of its bold and unique communication strategies. The success of the ORTO brand's communication has been confirmed by numerous awards, including the Brand of the Year title that it won at the Slovenian Advertising Festival two times in a row, both in 2010 and 2011.

Si.mobil users are among the most active in Slovenia. According to the [Report on the Development of the Electronic Communications Market for the Third Quarter of 2012](#), compiled by the Post and Electronic Communications Agency, Si.mobil users became the most active senders of text messages for the first time in 2012, sending nearly 50% of all text messages. Throughout the whole of 2012 they sent nearly 840 million. Compared to 2011, the number of sent text messages increased by 27%. In 2012 Si.mobil users sent more than 18 million multimedia messages, which is 32% more than the year before.

SI.MOBIL IN NUMBERS

CHANGES IN MANAGEMENT

The Management Board of Si.mobil, d.d. is comprised of CEO Dejan Turk, CFO Boštjan Škufca Zaveršek, and CTO Ulrich Rokita.

In September 2012 the CFO Milan Zaletel departed from the Management Board, and was replaced on the 15th of October 2012 by Boštjan Škufca Zaveršek.

There were no changes to the Supervisory Board in 2012.

TRANSACTIONS WITH RELATED PARTIES

Based on the company's legal structure and the services it provides, the company conducts business transactions with related parties. These are usual telecommunications related services such as international roaming and network interconnection. Along with that, A1 Telekom Austria also charges Si.mobil for the costs of administration and the technical services it conducts on its behalf.

FUTURE PLANS

In 2012 we continued with our strategy focusing on growing the number and value of our users. Providing them with an outstanding user experience and advanced telecommunication services remain our main goals.

Because business users require end-to-end services, we began offering fixed services, initially just through leased fixed infrastructure. In 2013 we will already have the option of providing converged services through our own infrastructure.

After carefully monitoring trends and user habits, as well as because of the surprising growth in data transfer in the second half of 2012, we will be paying special attention to a new approach to data transfer services. Just the mere fact that an astounding 75% of our users have smartphones requires us to find a new approach to designing our portfolio of products and price plans. It is also a fact that the network we upgraded in 2012, which today is the biggest and fastest in the country, requires constant upgrades to ever newer technologies. In 2013 network optimization will demand more focus on network throughput and responsiveness, as well as on capacity. At the same time we will naturally have to make smart and sensible investments, exactly where necessary.

We believe that after 2013, the telecommunications market will no longer resemble what it is today. In all likelihood, the market will have to consolidate, at least at the level of infrastructure competition. If we want to continue providing services at the appropriate level in the future and investing in the development of new technologies like LTE, the market will most likely not support the construction and maintenance of four separate infrastructures. This will also be the year for extending the licenses for 900 MHz frequencies, and the preparation for the major tender for key frequency bands, the price of which we expect will make further investments into the Slovenian market possible. Throughout this process Si.mobil's key focus remains the same – to provide our users with solutions that will save them time and money, and above all provide them with an excellent user experience. This is why we continue investing in the development of new technologies, enhancing our existing services, expanding and upgrading the network that has already in 2012 grown into the biggest 3G network, and investing in the development of our employees and our sales network.

In all our investments we will act cost-effectively and invest moderately, and that is one of our major strategic focus points. Efficiency will be even more important than it has been in the past, and will also be measured by the productivity and engagement of our colleagues. In the past two years we have been employing new colleagues because of our new strategic requirements and new know-how, and we estimate that our workforce will grow in 2013 by approximately 10%.

The core of our strategic focus remains the same, as we set providing the best user experience not just as

SI.MOBIL IN NUMBERS

our goal, but as the premise of everything we do. We will continue developing our strong and leading brand, which will allow us to expand our user base, as well as increase the value of existing users. At the same time we will strive to become a provider of truly end-to-end communication solutions. In this process, we will take the greatest possible advantage of the synergies provided by the fact that we are part of the Telekom Austria Group, the largest group of mobile operators in Central Europe, and we will also introduce certain changes which will simplify internal operations.

BUSINESS EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date of the 31st of December 2012, there have been no business events that would have an effect on 2012 financial report.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board has been informed of the content of the 2012 Annual Report and has approved it. The Annual Report has been prepared in accordance with Slovenian Accounting Standards and the Companies Act. In our opinion, the appropriate accounting policies have been applied and the annual report shows the true value of the company's assets and liabilities, and the true nature of its financial position, and results in 2012.



Dejan Turk
*Chairman of the
Management Board*



Boštjan Škufca Zaveršek
*Member of the
Management Board*



Ulrich Rokita
*Member of the
Management Board*

Ljubljana, the 6th of February 2013

Financial Statements for the year ending on the 31st of December 2012

1. General Disclosure

1.1. INTRODUCTORY PRESENTATION OF THE COMPANY

1.1.1. ESTABLISHMENT AND OWNERSHIP STRUCTURE

Si.mobil, telekomunikacijske storitve d.d., Šmartinska 134b, Ljubljana, was entered in the register of companies at the District Court in Ljubljana under the entry number 1/29430/00, decree no. SRG 97/07454 of the 6th of February 1998.

The Company was founded on the 23rd of December 1997. As at the 31st of December 2012 the ownership structure was as follows:

Shareholder	No. of shares	Structure
Mobilkom Beteiligungsgesellschaft mbH	9,300,000	100.00%
Total	9,300,000	100.00%

Company name:	Si.mobil, telekomunikacijske storitve d.d.
Shortened Company name:	Si.mobil d.d.
Share capital:	38,781,000 euros
Reg. no. in the CSO register:	1196332
VAT ID:	SI60595256
Classification code:	61.200
Size of the Company:	large joint-stock company under the Companies Act
Financial year:	calendar year

1.1.2. ACTIVITIES OF THE COMPANY

The principal activity of the Company is telecommunication. In addition to telecommunication, other activities have also been registered.

SI.MOBIL IN NUMBERS

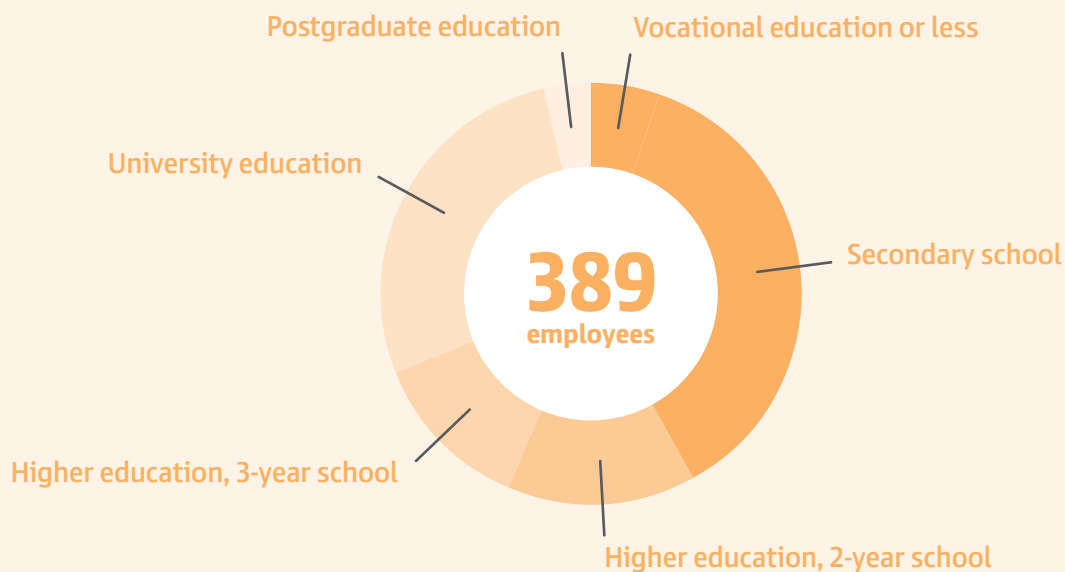
1.1.3. DATA ON THE CONTROLLING COMPANY

Si.mobil d.d. is a subsidiary of Mobilkom Beteiligungsgesellschaft mbH, Lassallestrasse 9, Vienna, Austria and is included in its consolidated financial statements (for more information refer to www.mobilkom.at). The consolidated financial statements of Mobilkom are included in the consolidated financial statements of Telekom Austria AG, Lassallestrasse 9, Vienna, Austria. In the financial statements of Si.mobil d.d., the companies of Telekom Austria AG are treated as Group companies.

1.1.4. EMPLOYEES

- the number of employees at the end of the 2012 business year was 389 (369 at the end of business year 2011);
- the average number of employees in the 2012 business year was 380;
- number of employees according to their level of education:

Level of education	Number of employees
Vocational education or less	21
Secondary school	143
Higher education, 2-year school	56
Higher education, 3-year school	49
University education	106
Postgraduate education	14
Total	389



2. Auditor's Report



Independent Auditor's Report

To the Shareholders of SI.MOBIL d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of SI.MOBIL d.d., which comprise the balance sheet as at 31 December 2012, the income statement and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Slovene Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SI.MOBIL d.d., as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements

Katja Dolinšek
Katja Dolinšek, univ. dipl. ekon.
pooblaščen revizor

Ljubljana, 6 February 2013

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Jagon Stachurski
Jagon Stachurski, B.Sc.Ec.
Certified Auditor
Partner

KPMG Slovenija, d.o.o.

3. Balance Sheet as of the 31st of December 2012

In euros	Notes	31 st Dec 2012	31 st Dec 2011
ASSETS		263,687,417	239,011,398
A. LONG-TERM ASSETS		107,075,431	106,835,974
I. Intangible assets and long-term deferred costs and accrued revenue	8.1.1.	34,970,108	35,018,476
1. Long-term property rights		14,269,684	15,603,295
5. Other long-term deferred costs and accrued revenue		20,700,424	19,415,181
II. Property, plant and equipment	8.1.2.	71,367,763	71,755,726
1. Land		9,039	9,039
3. Other plant and equipment		61,309,174	61,449,225
4. Property, plant and equipment in acquisition		10,049,550	10,297,462
a) Property, plant and equipment in the course of construction		10,049,550	10,246,518
b) Advances for acquisition of property, plant and equipment		0	50,944
IV. Long-term financial investments	8.1.3.	10,750	10,750
V. Long-term receivables	8.1.4.	54,546	51,022
3. Long-term receivables other		54,546	51,022
VI. Deferred tax assets	8.1.5.	672,264	0
B. CURRENT ASSETS		150,661,063	126,126,895
II. Inventories	8.1.6.	5,207,949	5,930,586
4. Products and merchandise		5,207,949	5,930,586
IV. Short-term operating receivables	8.1.7.	89,990,780	65,618,223
1. Short-term operating receivables due from Group companies		14,036,339	5,279,322
2. Short-term operating trade receivables		73,765,875	58,969,006
3. Short-term operating receivables due from others		2,188,566	1,369,895
V. Cash	8.1.8.	55,462,334	54,578,086
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE	8.1.9.	5,950,923	6,048,529
OFF-BALANCE SHEET ITEMS	8.1.15.	192,601,829	139,065,815

SI.MOBIL IN NUMBERS

In euros	Notes		
EQUITY AND LIABILITIES		263,687,417	239,011,398
A. EQUITY	8.1.10.	155,878,163	150,347,633
I. Called-up capital		38,781,000	38,781,000
1. Share capital		38,781,000	38,781,000
II. Capital surplus		83,941,657	83,941,657
III. Profit reserves		3,442,775	1,881,249
1. Statutory reserves		3,442,775	1,881,249
V. Retained net profit		43,727	4,435
VII. Net profit for the financial year		29,669,004	25,739,292
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE	8.1.11.	6,846,742	4,487,677
1. Provisions for pensions and other similar liabilities		281,231	258,739
2. Other long-term provisions		6,467,421	4,100,418
3. Long-term accrued costs and deferred revenue		98,090	128,520
C. LONG-TERM LIABILITIES		0	286,196
III. Long-term liabilities for deferred taxes	8.1.12.	0	286,196
D. SHORT-TERM LIABILITIES	8.1.13.	95,515,010	76,058,642
III. Short-term operating liabilities		95,515,010	76,058,642
1. Short-term operating liabilities to Group companies		10,237,818	3,325,475
2. Short-term trade payables		83,237,092	67,266,892
3. Other short-term operating liabilities		2,040,100	5,466,275
E. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	8.1.14.	5,447,502	7,831,250
OFF-BALANCE SHEET ITEMS	8.1.15.	192,601,829	139,065,815

4. Profit and Loss Statement for 2012 – Version I

In euros	Notes	2012	2011
1. Net sales	8.2.1.	190,120,022	185,573,738
4. Other operating revenue (including revaluation operating revenue)	8.2.2.	4,923,753	2,769,108
5. Costs of goods, materials and services	8.2.3.	112,779,126	115,687,022
a) Costs of goods and materials sold and costs of materials used		13,906,937	16,297,220
b) Costs of services		98,872,190	99,389,802
6. Labour costs	8.2.4.	15,526,822	13,836,994
a) Payroll costs		11,804,942	10,478,563
b) Social security costs		2,325,126	1,972,326
c) Other labour costs		1,396,754	1,386,105
7. Write-downs in value		28,454,908	24,506,885
a) Depreciation and amortisation expense	8.2.5.	22,250,606	20,875,997
b) Revaluation operating expenses associated with intangible assets and property, plant and equipment		272,100	2,653
c) Revaluation operating expenses for working capital	8.2.6.	5,932,202	3,628,235
8. Other operating expenses	8.2.7.	1,430,064	1,533,365
Operating result (EBIT)		36,852,855	32,778,580
11. Financial revenue from operating receivables	8.2.8.	283,010	1,369,641
a) Financial revenue from operating receivables due from Group companies		37,062	344,684
b) Financial revenue from operating receivables due from others		245,948	1,024,957
14. Financial expenses for operating liabilities	8.2.9.	234,052	156,565
b) Financial expenses for trade payables and bills payable		1,235	1,553
c) Financial expenses for other operating liabilities		232,817	155,012
Total profit before taxes		36,901,813	33,991,656
17. Income tax	8.2.11.	-6,629,743	-7,196,254
18. Deferred taxes	8.2.12.	958,460	298,589
19. Net profit for the period	8.2.10.	31,230,530	27,093,991

5. Statement of Cash Flows for the Period from the 1st of January to the 31st of December 2012 – Version II

In euros	2012	2011
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a) Items from income statement	53,753,236	47,972,641
Operating revenue (except for revaluation) and financial revenue from operating receivables	195,326,785	189,712,486
Operating expenses excluding depreciation or amortisation (except for revaluation) and financial expenses from operating liabilities	-135,902,266	-134,842,180
Income taxes and other taxes not included in operating expenses	-5,671,283	-6,897,665
Changes in net operating assets in balance sheet		
b) items (including accruals and deferrals, provisions and deferred tax assets and liabilities)	-5,082,612	371,500
Opening less closing operating receivables	-24,376,080	-20,580,278
Opening less closing deferred costs and accrued revenue	97,605	29,970
Opening less closing deferred tax assets	-672,264	0
Opening less closing inventories	722,637	-238,924
Closing less opening operating liabilities	19,170,173	19,825,229
Closing less opening accrued costs and deferred revenue, and provisions	-24,683	1,335,503
c) Net cash flows from operations or net cash flows applied to operations (a+b)	48,670,624	48,344,141
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a) Receipts from investing activities	0	0
Receipts from investing activities intangible fixed asset	0	0
b) Cash payments for investing activities	-22,086,376	-23,532,823
Cash payments to acquire intangible assets	-5,383,020	-8,355,326
Cash payments to acquire property, plant and equipment	-16,703,356	-15,177,497
Cash payments to acquire long-term financial investments	0	0
c) Net cash from investing activities or net cash flows applied to investing activities (a+b)	-22,086,376	-23,532,823

SI.MOBIL IN NUMBERS

C. CASH FLOWS FROM FINANCING ACTIVITIES			
a)	Cash receipts from financing activity	0	0
	Cash proceeds from increase in long-term financial liabilities	0	0
b)	Cash payments for financing activities	-25,700,000	-10,000,000
	Interest paid on financing activities	0	0
	Cash repayments of long-term financial liabilities	0	0
	Cash repayments of short-term financial liabilities	0	0
	Dividends paid	-25,700,000	-10,000,000
c)	Net cash from financing activities or net cash flows applied to financing activities (a+b)	-25,700,000	-10,000,000
D. CLOSING CASH BALANCE		55,462,334	54,578,086
x)	Net cash inflow or outflow for the period	884,248	14,811,318
y)	Opening cash balance	54,578,086	39,766,768

6. Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY FROM THE 1ST OF JANUARY 2012 UNTIL THE 31ST OF DECEMBER 2012

Business events	Share capital	Capital reserves	Statutory reserves	Retained earnings	Net profit for the period	Total capital
	I	II	III	V	VI	VII
A.1. Closing balance as at 31st of December 2011	38,781,000	83,941,657	1,881,249	25,743,727	0	150,347,633
A.2. Opening balance as at 1st of January 2012	38,781,000	83,941,657	1,881,249	25,743,727	0	150,347,633
B.1. Changes in share capital	0	0	0	-25,700,000	0	-25,700,000
g) Dividend payments	0	0	0	-25,700,000	0	-25,700,000
B.2. Total comprehensive income for the period	0	0	0	0	31,230,530	31,230,530
a) Net profit for the period	0	0	0	0	31,230,530	31,230,530
B.3. Changes in capital	0	0	1,561,526	0	-1,561,526	0
b) Allocation of profit as capital by the resolution of management or supervisory board	0	0	1,561,526	0	-1,561,526	0
c) Allocation of profit as capital by the resolution of general assembly	0	0	0	0	0	0
d) Settlement of loss as a deduction component of capital	0	0	0	0	0	0
C. Closing balance as at 31st of December 2013	38,781,000	83,941,657	3,442,775	43,727	29,669,004	155,878,163
Accumulated profit 2012				43,727	29,669,004	29,712,731

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STATEMENT OF CHANGES IN EQUITY
FROM THE 1ST OF JANUARY 2011 UNTIL THE 31ST DECEMBER 2011

	Share capital	Capital reserves	Statutory reserves	Retained earnings	Net profit for the period	Total capital
Business events	I	II	III	V	VI	VII
A.1. Closing balance as at 31st of December 2010	38,781,000	83,941,657	526,549	10,004,435	0	133,253,641
A.2. Opening balance as at 1st of January 2011	38,781,000	83,941,657	526,549	10,004,435	0	133,253,641
B.1. Changes in share capital	0	0	0	-10,000,000	0	-10,000,000
g) Dividend payments	0	0	0	-10,000,000	0	-10,000,000
B.2. Total comprehensive income for the period	0	0	0	0	27,093,991	27,093,991
a) Net profit for the period	0	0	0	0	27,093,991	27,093,991
B.3. Changes in capital	0	0	1,354,699	0	-1,354,699	0
b) Allocation of profit as capital by the resolution of management or supervisory board	0	0	1,354,699	0	-1,354,699	0
c) Allocation of profit as capital by the resolution of General Assembly	0	0	0	0	0	0
d) Settlement of loss as a deduction component of capital	0	0	0	0	0	0
C. Closing balance as at 31st of December 2011	38,781,000	83,941,657	1,881,249	4,435	25,739,292	150,347,633
Accumulated profit 2011				4,435	25,739,292	25,743,727

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ACCUMULATED PROFIT/LOSS

In euros	2012	2011
a) Net profit or loss for the period	31,230,530	27,093,991
b) + retained loss from previous periods	43,727	4,435
c) + decrease in revenue reserves	0	0
d) - increase in profit reserves based on a decision of the management (legal reserves, reserves for own shares and interests, and statutory reserves)	-1,561,526	-1,354,699
e) - increase in profit reserves based on a decision of the management and the supervisory board (other revenue reserves)	0	0
f) = Accumulated profit (a+b+c-d-e) appropriated by the annual general meeting of shareholders as follows:	29,712,731	25,743,727
- distributed to shareholders	0	25,700,000
- allocated to other reserves		
- carried forward to the following period and	0	43,727
- appropriated for other purposes		
Or		
= Accumulated loss	0	0

OTHER COMPREHENSIVE INCOME

In euros	2012	2011
Other comprehensive income	31,230,530	27,093,991

7. Summary of the significant accounting policies

7.1. PRINCIPLES OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with Slovenian Accounting Standards 2006 issued by the Slovenian Institute of Auditors.

The financial statements are presented in euros, rounded to the nearest unit.

In the preparation of financial statements the management of the Company has made certain judgments, estimates and assumptions that affected the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The Company's operations are not divided into service lines or geographical sectors.

7.2. EXCHANGE RATE AND THE METHOD OF TRANSLATION INTO LOCAL CURRENCY

Transactions in foreign currency are translated into euros at the exchange rate of Bank of Slovenia effective at the date of the transaction. Foreign exchange differences between the date of the transaction and the day of payment are recorded in the profit and loss statement as financial revenues or expenses.

Foreign operating receivables and liabilities are translated into euros at the exchange rate of Bank of Slovenia effective at the balance sheet date. Financial liabilities denominated in foreign currency are translated into local currency at the exchange rate of Bank of Slovenia effective at the balance sheet date. Cash, long-term and short-term investments denominated in foreign currency are translated into local currency at the exchange rate of Bank of Slovenia effective at the balance sheet date. Foreign exchange differences arising from these transactions are recorded in the profit and loss statement as financial revenues or expenses.

7.3. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES

Intangible assets comprise investments into property rights. The Company has chosen the cost model and hence measures intangible assets at costs of purchase less accumulated straight-line amortisation and impairment adjustments. The acquisition value also includes a price-index revaluation adjustment, which was recognised until 2001.

Long-term deferred costs and accrued revenue refer to long-term deferred subscriber acquisition costs, long-term deferred connection fees for data lines and long-term deferred rents for base station sites. Subscriber acquisition costs are incurred by subsidising the handsets and are deferred over the (typically) two-year subscription agreement. The subsidised handset costs are decreased by upfront estimated subscriber churn, connection fees are deferred in the period of the granted concession, whereas rents are deferred over the contractual rent period.

7.4. PROPERTY, PLANT AND EQUIPMENT

The Company has chosen the cost model and hence measures property, plant and equipment at costs of purchase less accumulated straight-line depreciation and impairment adjustments. The acquisition value also includes a price index revaluation adjustment, which was recognised until 2001.

The acquisition value of property, plant and equipment includes its purchase price, including import duties and non-refundable purchase taxes, as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, especially costs of transport and installation. Own produced assets are recognised and measured at costs of material, hourly rates of own work and the related part of overhead costs. The acquisition value of certain assets (base stations) also includes the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Company incurs contractually. The costs of dismantling and removing the item are estimated based on contractor prices for each type of base station, increased for inflation until the estimated period of dismantling and discounted to their present value.

Property, plant and equipment donated is measured at fair value.

In case an item of property, plant and equipment is composed of separate components of higher value with different useful lives, the components are recognised and measured separately.

Subsequent expenditures incurred in relation with property, plant and equipment increase the purchase value of an asset if its future benefits are increased compared to those assessed originally. Major repairs or maintenance are intended to renew or maintain the future economic benefits that are expected on the basis of the originally estimated rate of performance of an asset and are recognised as expenses when incurred.

The carrying amounts of the Company's property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of property, plant and equipment is the greater of the net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The difference between the net sales value and the net book value of disposed or liquidated assets is transferred to revelatory operating revenue or expense.

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7.5. DEPRECIATION AND AMORTISATION COSTS

Property, plant and equipment and intangible assets are depreciated and amortised on a straight-line basis. Low-value assets are depreciated using the composite-life method of depreciation. Land is not depreciated.

Property, plant and equipment are subject to depreciation on the first day of the month after they have been ready for operation. An intangible asset is subject to amortisation when ready for use.

Rates of depreciation and amortisation are based on the useful life of assets and are as follows:

Item	Useful life (in years)
Intangible assets	
Concessions	15
Software and licences	1–10
Property, plant and equipment	
Base stations and mobile switches	5–15
Computer equipment	3–4
Transportation equipment	7
Other equipment	3–7
Low-value assets and spare parts	3–8

7.6. LONG TERM FINANCIAL INVESTMENTS

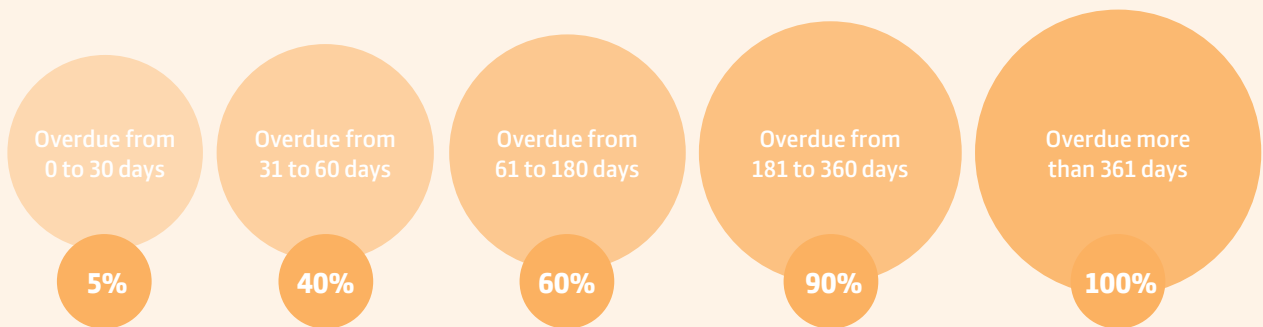
Among long-term financial investments, the company records equity investments in subsidiaries that are not quoted on the Stock Exchange and are measured at cost of purchase.

7.7. RECEIVABLES

Receivables of all categories are initially recognised at the nominal amounts stated in the accounting documents less allowance for doubtful receivables, which is based on historical experience and future expectations.

Subsequent write-off of receivables is subject to the availability of substantiating documents, such as a court decision, a decision on compulsory settlement, a decision on a bankruptcy proceeding and other documents.

Provisions are created for receivables that are believed to be uncollectible by their due date (as stipulated in a contract or other official document) or that are overdue, are deemed doubtful, and a valuation allowance is calculated for their value. The valuation allowance is calculated, as follows:



Bad debt expense for doubtful receivables are formed and charged to revaluatory operating expenses.

7.8. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost price for inventory units is determined using the moving average method. Costs of inventories comprise of: purchase price, import duties and other non-refundable duties, and other directly attributable costs of acquisition, such as costs of transportation, forwarding charges, customs clearance charges, and import charges.

7.9. CASH

Cash includes cash in hand, cash in banks, cash in transit and callable deposits. Cash is carried at nominal value.

7.10. EQUITY

Total equity comprises share capital, capital surplus, retained profit from previous periods and net profit for the financial period not yet appropriated.

Share capital is recorded in local currency.

7.11. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risk specific to the liability.

Provisions include long-term service benefits other than pension plans, which are measured at the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is formed based on actuarial calculation and is discounted to its present value.

Provisions also include the asset retirement obligation for the location of base stations, based on contractual obligations. The obligation is calculated based on contractor prices for each type of base station, increased for inflation until the estimated period of dismantling and discounted to their present value. The obligation is increasing due to passage of time.

Long-term accrued costs and deferred revenue includes long-term deferred revenue for assets acquired free of charge. The deferral is released in line with depreciation of the fixed assets.

7.12. LIABILITIES

Liabilities of all categories are initially stated at their cost from appropriate documents (without the transaction fees). Liabilities are decreased either by paid amounts or by other forms of settlement approved by the creditor. The portion of long-term liabilities payable within one year is shown under current liabilities.

7.13. SHORT-TERM ACCRUED AND DEFERRED ITEMS

Short-term deferred costs include amounts paid for services not yet rendered. Revenues are accrued when the Company has considered the service rendered but where no invoice has yet been issued to the customer and no payment has been received.

Accrued costs include costs incurred and services rendered by suppliers, where supporting documents are yet to be received. They relate to the accounting period for which the operating result is to be determined. Revenues are deferred when the Company has invoiced the customer or when payment has been received for services it has agreed to render in the future.

7.14. RECOGNITION OF REVENUES

Operating revenues comprise revenues earned from sales of merchandise and services in the accounting period. They are recognised in the profit and loss statement under the following conditions:

- delivery of goods or the performance of services has been accomplished;
- the risk has passed to the buyer;
- the revenue can be reliably measured;
- it can be justifiably expected that the revenues will lead to cash inflows.

Revenue is measured excluding VAT, taxes and discounts in relation to the sale.

Revenue from services relates to telecommunications and comprises amounts charged to customers in respect of monthly fixed fees, airtime usage, messaging, provision of other telecommunications services

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(including data services and information provision) and connection fees for connecting customers to the network.

Fixed fees and airtime charged incurred by contract customers are invoiced and recorded as part of a periodic billing cycle and recognised as turnover over the related period. Unbilled turnover resulting from services already provided from the billing cycle date to the end of each period is accrued. Unearned monthly fixed fees, which are paid in advance by customers and relate to periods after period end are deferred. Revenue from the sale of prepaid airtime is deferred until such time as the customer uses the airtime.

Roaming revenues for visitors in the Si.mobil network are charged on a monthly basis to roaming partners.

Revenue from the sale of goods is primarily related to handsets and accessories. The handsets are sold to end-customers at a subsidised price. The subsidy is treated as subscriber acquisition costs and is capitalised and amortised over the two year subscription service period less an initial adjustment for expected churn.

Revaluation operating revenues result from the disposal of tangible and intangible fixed assets.

Financial revenues (including revaluation financial revenues) are revenues from interests and foreign exchange gains.

7.15. RECOGNITION OF EXPENSES

Operating expenses are recognised when the merchandise is sold or the service is rendered. Payments made under operating lease are recognised in the income statement on a straight-line basis over the term of the lease.

Revaluation operating expenses are recognised when revaluation is performed.

7.16. TAXES

Tax expense (income) in the profit and loss for the year refers to current tax expense (income) and deferred tax expense (income).

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantially enacted at the balance sheet date, and any adjustment to the tax payable in respect of previous years.

Deferred taxes derive from the deductible temporary differences based on the balance sheet liability method, where temporary differences between the book and tax value of assets and liabilities are considered.

Deferred tax assets are recognised if there is assurance beyond reasonable doubt that future taxable income would be sufficient to allow the benefit to be realised. Deferred tax assets are reduced for the amount, for which it is no longer considered probable that the tax benefit would be realised.

7.17. STATEMENT OF CASH FLOWS

The statement of cash flows has been prepared using the indirect method of reporting cash flow, taking into account data from the balance sheet as of the 31st of December 2012, the balance sheet as of the 31st of December 2011, the profit and loss statement for the year 2012, and additional data, which are required to adjust inflows and outflows and to adequately itemise significant items.

The cash flow statement comprises cash flows from operating, investing and financing activities.

The cash flows from operating activities are calculated based on the profit and loss statement of the accounting period, adjusted for the change in inventories, accounts receivables, short-term accrued and deferred items, accounts payables, deferred taxes and corporate income tax.

The cash flows from investing activities comprise cash flows related to acquisition and disposal of intangible, tangible and financial fixed assets.

The cash flows from financing activities include changes in amount or composition of equity, increase or decrease of debts and dividend payments.

8. Notes to the financial statements

8.1. BALANCE SHEET

8.1.1. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUE **34,970,108 EUROS**

In euros	31 st of December 2012	31 st of December 2011
Long-term property rights	14,269,684	15,603,295
Concessions	5,452,660	6,947,997
Software and licences	8,817,024	8,655,298
Long-term deferred costs and accrued revenue	20,700,424	19,415,181
Investments in fixed assets owned by third parties	0	0
Long-term deferred costs for usage of data lines	175,657	282,236
Long-term deferred costs for usage of land for base stations	1,184,712	1,119,355
Long-term deferred costs of customer acquisition	19,340,055	18,013,590
Total	34,970,108	35,018,476

Concessions

The item includes concessions for the use of radio-frequency spectrums for GSM mobile telephony (GSM 900/1800 MHz networks) as well as the UMTS concession, obtained in 2006. Concessions for GSM are amortised over the term of the concession agreement (until 2013), whereas the concession for UMTS will be amortised until 2021.

Software and licences

In 2012, additions to software and licences amounted to 3,476,379 euros (2011: 3,854,623 euros).

Refer to Enclosure 1 for a schedule of movements in intangible assets and long-term deferred costs and accrued revenue.

Commitments

As of the 31st of December 2012 the company did not have commitments for the purchase of intangible assets.

8.1.2. PROPERTY, PLANT AND EQUIPMENT **71,367,763 EUROS**

Item in euros	31 st of December 2012	31 st of December 2011
Land	9,039	9,039
Base stations and mobile switches	47,438,904	46,422,735
Computer equipment	2,305,827	3,019,875
Investments in fixed assets owned by third parties	2,260,810	2,033,446
Other equipment	9,067,551	9,703,067
Low-value assets and spare parts	236,082	270,102
Tangible fixed assets under construction	10,049,550	10,246,518
Advances for tangible fixed assets	0	50,944
Total	71,367,763	71,755,726

Land

Land includes land that has been purchased in order to ensure access to base stations. There were no new investments in land during 2012.

Base stations and mobile switches

In 2012, additions to base stations and mobile switches amounted to 12,704,974 euros (2011: 11,939,049 euros). The estimated useful life of base stations is 5 years for equipment and 15 years for infrastructure assets. The straight-line method of depreciation is used.

Book value of assets retirement costs included in the base stations value amounted to 3,923,696 euros as per the 31st of December 2012 (2011: 1,939,295 euros).

Based on performed analysis and defined parameters in A1 Telekom Austria Group, the parameters for local financial reporting for asset retirement obligation calculation are changed in financial year 2012 as follows: discount rate from 6% to 3.5%.

Changes in calculation resulted to increase in asset in amount of 2,033,978 euros and increase of asset retirement liability in amount of 2,033,978 euros.

Other plant and equipment

In 2012, other additions to property, plant and equipment included additions to computer equipment in amount of 664,583 euros (2011: 1,057,454 euros), investments in fixed assets owned by third parties in amount of 550,167 euros (2011: 395,545 euros), other equipment in amount of 3,427,136 euros (2011: 3,331,288 euros) and low-value assets and spare parts in amount of 207,336 euros (2011: 180,056 euros).

Property, plant and equipment in the course of construction and advances for acquisition of property, plant and equipment

The item includes investments in base stations and mobile switches as well as investments in materials, which are required for network construction. Property, plant and equipment in the course of construction also includes investments in IT equipment related to base stations.

Refer to Enclosure 2 for a schedule of movements in property, plant and equipment.

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Mortgages

As of the 31st of December 2012, no fixed assets were pledged as security.

Commitments

The amount of commitments for the purchase of property, plant and equipment amounted to 1,222,318 euros on the 31st of December 2012 (2011: 3,379,671 euros).

8.1.3. LONG-TERM FINANCIAL INVESTMENTS **10,750 EUROS**

Long-term financial investment in amount of 10,000 euros refer to an investment to the Si.voda Fund, which is in 100% ownership of the Company and an investment to the ICT Technological Network Institute in amount of 750 euros.

8.1.4. LONG TERM RECEIVABLES **54,546 EUROS**

Long-term operating receivables includes long term security deposits given to Euromarkt d.o.o. in amount of 33,135 euros, to Globus trgovina d.o.o. in amount of 12,750 euros, to the GF nepremičnine in amount of 3,524 euros and to the Mercator d.d. in amount of 5,137 euros.

8.1.5. DEFERRED TAX ASSETS **672,264 EUROS**

In euros	31 st of December 2012	31 st of December 2011
From deductible temporary differences	672,264	0
Total	672,264	0

The Company recognises deferred tax assets in the amount of 672,264 euros, from tax non-deductible valuation allowances of receivables in the amount of 1,205,544 euros (2011: 604,140 euros), as well as tax non-deductible provisions for jubilee payments, from retirement indemnity payments in the amount of 30,074 euros (2011: 34,599 euros) and assets retirement provision in the amount of 172,468 euros (2011: 179,047 euros) and deductible temporary differences (different depreciation and amortisation periods for business than for tax purposes the liability in the amount of 735,822 euros (2011: liability in the amount of 1,103,982 euros). Deferred tax is calculated at the rate of 17%.

In euros	Deferred tax assets 1 st of January 2012	Additions	Reversals	Utilisation	Deferred tax assets 31 st of December 2012
From deductible temporary differences	0	672,264	0	0	672,264
Total	0	672,264	0	0	672,264

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8.1.6. INVENTORIES **5,207,949 EUROS**

Inventories include inventories of merchandise, which comprises mobile phones, prepaid packages and handset accessories as well as other goods of merchandise.

In euros	Gross amount	Allowances	Net amount 31 st of December 2012	Net amount 31 st of December 2011
Products and merchandise	5,410,745	202,796	5,207,949	5,930,586
Total	5,410,745	202,796	5,207,949	5,930,586

There is no significant difference between book and net realisable values. Stock taking in 2012 resulted in 16,272 euros (2011: 12,947 euros) of negative differences. As of the 31st of December 2012, no inventories were pledged as security.

8.1.7. SHORT-TERM OPERATING RECEIVABLES **89,990,780 EUROS**

Receivables in euros	31 st of December 2012	31 st of December 2011
Short-term operating trade receivables	73,723,996	58,915,016
Short-term advances and security deposits	41,879	53,990
Short-term operating receivables due from Group companies	14,036,339	5,279,322
Short-term operating receivables due by others	2,188,566	1,369,895
Total	89,990,780	65,618,223

The Company is showing amount of 55.778,391 euros in short-term operating trade receivables to Telekom Slovenije d.d. on the 31st of December 2012 (on the 31st of December 2011 in amount of 38.226,561 euros). At the same time the Company has 58.910.153 euros in short-term trade payables to Telekom Slovenija d.d. (on the 31st of December 2011 in amount of 40.771,928 euros). See section 8.1.13. and Risk exposure.

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SHORT-TERM OPERATING RECEIVABLES AS PER DUE DATE ON THE 31ST OF DECEMBER 2012

In euros	Short-term operating receivables (STOR)	STOR without Telekom Slovenije
Not yet due	13,401,378	10,375,158
Due from 1–30 days	5,886,906	5,637,577
Due from 31–180 days	10,967,250	3,926,198
Due from 181–360 days	12,634,166	2,249,263
Due over 361 days	52,071,942	16,995,055
Total	94,961,642	39,183,251

SHORT-TERM OPERATING TRADE RECEIVABLES

In euros	Gross amount	Allowances	Net amount 31 st of December 2012	Net amount 31 st of December 2011
Domestic customers – subscribers	30,343,847	19,842,731	10,501,116	13,689,576
Domestic customers – others	62,750,428	1,227,646	61,522,782	42,106,287
Foreign customers	1,867,367	167,270	1,700,097	3,119,153
Total	94,961,642	21,237,647	73,723,995	58,915,016

As of the 31st of December 2012, short-term operating trade receivables due from post-paid customers included receivables related to monthly subscription, airtime and other GSM services in the amount of 10,501,116 euros (2011: 13,689,576 euros). In 2012, additional allowances were formed for these receivables in the net amount of 5,348,338 euros and spent in the amount of 4,973,871 euros, in consumption is included write-off of receivables with VAT in amount of 1,597,568 euros (2011: added in amount of 2,596,695 euros, spent in amount of 1,902,162 euros).

Short-term operating trade receivables include receivables from other domestic customers including dealers, retailers and interconnection partners. In 2012, allowances increased in the net amount of 125,439 euros and spent in the amount of 265,051 euros, write-off of receivables with VAT in amount of 28,308 euros (2011: increased for 249,417 euros and spent in amount of 102,777 euros).

Receivables due to customers abroad include mainly receivables from international roaming. In 2012 the allowances decreased by 443,882 euros and spent in amount of 306,507 euros (2011: spent in the amount of 72,814 euros).

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In euros	Valuation allowance 1 st of January 2012	Additions	Utilisation (write-off)	Valuation allowance 31 st of December 2012
Domestic customers – subscribers	19,468,265	5,348,338	4,973,871	19,842,732
Domestic customers – others	1,367,258	125,439	265,051	1,227,646
Foreign customers	29,895	443,882	306,507	167,270
Total	20,865,418	5,917,659	5,545,429	21,237,648

SHORT-TERM ADVANCES AND SECURITY DEPOSITS

In euros	Gross amount	Allowances	Net amount 31 st of December 2012	Net amount 31 st of December 2011
Advances for current assets	26,467	14,543	11,925	18,476
Advances to bailiffs	34,667	0	34,668	3,381
Advances to suppliers abroad	2,470	0	2,470	2,470
Security deposits	5,390	0	5,390	29,663
Total	68,994	14,543	54,452	53,990

SHORT-TERM OPERATING RECEIVABLES DUE FROM GROUP COMPANIES

In euros	Gross amount	Allowances	Net amount 31 st of December 2012	Net amount 31 st of December 2011
VIPnet	12,185,639	0	12,185,639	3,605,572
A1 Telekom Austria	707,029	0	707,029	1,437,034
Telekom Austria	18,750	0	18,750	17,000
Mobikom Liechtenstein	18,989		18,989	214
VIP operator	163,822	0	163,822	39,191
VIP mobile	792,233	0	792,233	74,934
Mobikom Belarus	0	0	0	50,381
Velcom	11,105	0	11,105	-4,939
Mobitel EAD	133,768	0	133,768	59,935
TAG M2M	5,004	0	5,004	0
Total	14,036,339	0	14,036,339	5,279,322

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SHORT-TERM OPERATING RECEIVABLES DUE FROM OTHERS

In euros	Gross amount	Allowances	Net amount 31 st of December 2012	Net amount 31 st of December 2011
VAT receivable	1,634,071	0	1,634,071	825,275
Receivables for refund of compensation payments	21,598	0	21,598	19,071
Receivables due from banks	85,088	0	85,088	133,437
Receivables due from credit card issuers	293,985	0	293,985	340,040
Receivables due from employees	2,833	0	2,833	8,073
Other receivables	150,991	0	150,991	43,999
Total	2,188,566	0	2,188,566	1,369,895

Receivables are not secured.

Credit risk from short-term operating trade receivables due from subscribers is widely diversified and is not considered significant as most of the users as per year end 2012 were residential users. For other receivables due from dealers as well as other local and foreign mobile operators, historical experience has shown that there are also no significant risks involved. As of the balance sheet date there was no significant dependency on any of the aforementioned debtors.

Only a relatively small portion of the transactions is denominated in USD, therefore currency risk is not considered significant.

8.1.8. CASH **55,462,334 EUROS**

The Company handles cash on hand, bank balances and callable deposits.

In euros	31 st of December 2012	31 st of December 2011
Bank balances	2,038,453	1,901,413
Cash on hand	37,693	69,275
Callable deposits	53,386,188	52,607,398
Cash pooling - Telekom Finanzmanagement	53,181,075	52,476,518
Callable deposit NKBM	205,113	130,880
Total Cash and Cash Equivalents	55,462,334	54,578,086

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8.1.9. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES **5,950,923 EUROS**

In euros	31 st of December 2012	31 st of December 2011
Deferred costs (expenses)	681,686	1,404,684
Accrued revenues	5,269,237	4,643,845
Total	5,950,923	6,048,529

Deferred costs (expenses) include deferred costs of rental fees for land (base stations) and other deferred costs (power supply, car insurance, technical literature, etc.).

Accrued revenues include revenues from mobile communication services provided in December 2012 and billed in January 2013, revenues from roaming and interconnection services provided in December 2012 and billed in January 2013, and other accrued revenues.

8.1.10. EQUITY **155,878,163 EUROS**

As of the 31st of December 2012, positive equity in the amount of 155,878,163 euros was recorded. The share capital is divided into 9,300,000 ordinary shares at par value of 4.17 euros. All shares are called. Capital surplus amounts to 83,941,657 euros and refers to a payment from the majority shareholder. Net profit for 2012 amounts 31,230,530 euros. Net profit per share amounts to 3.36 euros (31,230,530 euros divided by 9,300,000 shares).

8.1.11. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE **6,846,742 EUROS**

Long-term provisions include accrued costs for jubilee payments, a provision for retirement indemnity payments, accrued costs for long term incentives program for key employees and a provision for dismantling costs. Long-term accrued costs and deferred revenue includes an item resulting from received fixed assets received free-of-charge, which is released in line with the depreciation of these assets.

In euros	Provisions 1 st of January 2012	Additions	Releases	Utilisation	Provisions 31 st of December 2012
Jubilee payments	99,800	11,929	0	9,660	102,069
Retirement indemnity	158,939	20,223	0	0	179,162
Long term incentive program	28,586	0	28,586	0	0
Assets retirement provision	4,071,832	2,419,411	0	23,822	6,467,421
Free-of-charge assets	128,520	0	0	30,430	98,090
Total	4,487,677	2,451,563	28,586	63,912	6,846,742

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Provisions for jubilee payments and accrued costs for retirement indemnity payments are formed based on actuarial calculation. The liabilities are equal to the current value of future payouts.

Provisions for long term incentive program for key employees are formed based on calculation of Telekom Austria Group.

Asset retirement provision was additionally formed due to making new contracts for these locations and a change in the discount rate from 6% to 3.5%.

The provisions related to fixed assets attained free of charge are released at the amount of the current amortisation of these assets.

There are no significant discrepancies between the planned formation and utilisation, and the realised formation and utilisation.

8.1.12. LONG TERM LIABILITIES **0 EUROS**

In euros	Liabilities for deferred tax 31 st of December 2012	Liabilities for deferred tax 31 st of December 2011
From deductible temporary differences	0	286,196
Total	0	286,196

The Company does not recognise long term liabilities for deferred taxes. The Company recognises deferred tax assets in 2012. See section 8.1.5..

In euros	Liabilities for deferred tax 1 st of January 2012	Additions	Reversals	Utilisation	Liabilities for deferred tax 31 st of December 2012
From deductible temporary differences	286,196	0	0	286,196	0
Total	286,196	0	0	286,196	0

8.1.13. SHORT- TERM LIABILITIES **95,515,010 EUROS**

In euros	31 st of December 2012	31 st of December 2011
Short-term operating liabilities	95,515,010	76,058,642
Total	95,515,010	76,058,642

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SHORT-TERM OPERATING LIABILITIES

In euros	31 st of December 2012	31 st of December 2011
Short-term operating liabilities from advances	820,242	503,021
Short-term trade payables	82,416,850	66,763,871
Short-term operating liabilities to Group companies	10,237,818	3,325,475
Other short-term operating liabilities	2,040,100	5,466,275
Total	95,515,010	76,058,642

The Company is showing amount of 58,910,153 euros in short-term trade payables to Telekom Slovenije d.d. on the 31st of December 2012 (on the 31st of December 2011 in amount of 40,771,928 euros). At the same time the Company has the 55,778,391 euros in short-term operating trade receivables to Telekom Slovenija d.d. (on the 31st December 2011 in amount of 38,226,561 euros). See section 8.1.7. and Risk exposure.

SHORT-TERM OPERATING LIABILITIES FROM ADVANCES

In euros	31 st of December 2012	31 st of December 2011
Payables for advances – others	820,242	503,021
Total	820,242	503,021

SHORT-TERM TRADE PAYABLES

In euros	31 st of December 2012	31 st of December 2011
Short-term trade payables to domestic suppliers	74,187,968	55,528,103
Short-term trade payables to foreign suppliers	18,466,700	11,235,768
Total	92,654,668	66,763,871

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SHORT-TERM OPERATING LIABILITIES TO GROUP COMPANIES

In euros	31 st of December 2012	31 st of December 2011
A1 Telekom Austria	3,261,320	3,062,133
VIPnet	5,416,738	60,010
Mobikom Liechtenstein	3,430	2,423
Telekom Austria	543,000	44,165
VipNet usluge	205,149	28,943
VIP mobile	678,741	15,216
Velcom	13,895	1,594
VIP operator	86,061	-33,792
World direct	3,920	210
Mobitel	25,564	144,573
Total	10,237,818	3,325,475

OTHER SHORT-TERM OPERATING LIABILITIES

In euros	31 st of December 2012	31 st of December 2011
Net wages and salaries	594,697	562,139
Taxes from gross wages and salaries	162,415	173,023
Contributions from gross wages and salaries	209,309	212,194
Other payables to employees (meal allowance, commuting allowance)	71,582	105,470
Concession fee payable	441	6
Taxes on wages and salaries	152,479	154,580
Liabilities for VAT	262,313	928,101
Liabilities for corporate income tax	432,614	3,281,348
Other short-term liabilities (debts)	154,250	49,414
Total	2,040,100	5,466,275

Liabilities of the Company are not secured as well there are no mortgages of assets for the liabilities.

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8.1.14. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE **5,447,502 EUROS**

In euros	31 st of December 2012	31 st of December 2011
Short-term deferred revenues	3,368,180	6,301,524
Short-term accrued costs (expenses)	2,079,322	1,529,726
Total	5,447,502	7,831,250

Short-term accrued costs and expenses include costs of bonus for 2012 for directors, managers and employees, costs for unused holidays for the year 2012 and other accrued costs.

Short-term deferred revenues include deferred revenues from sale of call vouchers yet to be activated and those activated but not yet used up (SIMPL system) and for revenues from subscriptions for January 2013 charged in advance.

There are no significant discrepancies between the planned formation and utilisation, and the realised formation and utilisation.

8.1.15. OFF-BALANCE SHEET ITEMS **192,601,829 EUROS**

Off balance sheet items include given guarantees in the amount of 93,842 euros (2011: 114,111 euros), received guarantees in the amount of 0 euros (2011: 27,370 euros) potential liability based on lawsuit in amount of 901,215 euros (2011: 901,215 euros), potential revenue from interest and court costs of enforcement procedures in amount of 420,698 euros (2011: 0 euros) and potential revenue from lawsuit against Telekom Slovenije in amount of 191,186,074 euros (2011: 138,023,119 euros).

According to the concession agreements, the Company is obliged to pay concession fees until the expiration of the contract in 2013 (GSM) and 2021 (UMTS).

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8.2. PROFIT AND LOSS STATEMENT

The profit and loss statement has been prepared showing cost items by types; the profit and loss statement showing cost items by individual functional groups is shown below:

In euros	2012	2011
Net revenues from sale, utilised own products and other revenues	195,043,775	188,342,845
Cost of sales (with amortisation), or original cost of sold goods	101,879,149	100,042,085
Selling costs (with amortisation)	37,408,343	39,137,320
Administrative costs (with amortisation)	15,661,022	16,384,860
Operating result (EBIT)	40,095,261	32,778,580

8.2.1. NET SALES **190,120,022 EUROS**

In euros	2012	2011
Revenues from sale of services	175,275,057	169,425,435
Revenues from sale of goods	14,844,965	16,148,303
Total	190,120,022	185,573,738

REVENUES FROM SALE ON DOMESTIC AND FOREIGN MARKETS

In euros	2012	2011
Revenues from sale on domestic market	180,773,919	171,593,265
Revenues from sale of services	165,928,954	155,490,762
Revenues from sale of goods	14,844,965	16,102,503
Revenues from sale on foreign markets	9,346,103	13,980,473
Revenues from sale of services to Group companies	3,713,872	9,006,850
Revenues from sale of services to other foreign companies	5,632,231	4,927,823
Revenues from sale of goods to Group companies	0	45,800
Total	190,120,022	185,573,738

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REVENUES FROM SALE OF SERVICES – BY TYPE OF SERVICE

In euros	2012	2011
Services to subscribers and prepaid users	144,297,685	132,752,113
Interconnection and roaming services	27,539,830	33,704,871
Other revenues from sale of services	3,437,542	2,968,451
Total	175,275,057	169,425,435

8.2.2. OTHER OPERATING REVENUE (INCLUDING REVALUATION OPERATING REVENUE) **4,923,753 EUROS**

Other operating revenues include revenues from asset disposals in the amount of 22,971 euros (2011: 8,987 euros), revenues from the release of long-term provisions from donated fixed assets in the amount of 30,430 euros (2011: 30,430 euros), revenues from the release of long-term provision for asset retirement in amount of 10,377 euros (2011: 5,666 euros), revaluation operating revenues from receivables in the amount of 3,797,521 euros (2011: 1,666,802 euros), collected receivables balance, court costs in the amount of 976,513 euros (2011: 950,477 euros), Incomes from paid write-off receivables amounting to 30,292 euros (2011: 38,925 euros), revaluation operating revenues from stock in the amount of 27,814 euros (2011: 0 euros) and other revenues in the amount 27,835 euros (2011: 12,767 euros).

8.2.3. COST OF GOODS SOLD, MATERIALS AND SERVICES **112,779,126 EUROS**

In euros	2012	2011
Cost of goods	10,497,217	12,998,477
Cost of materials	3,409,719	3,298,743
Cost of services	98,872,190	99,389,802
Total	112,779,126	115,687,022

The costs of goods are reduced by the deferred costs related to subscriber acquisition in the amount of 22,928,968 euros (2011: 22,348,945 euros). Amortisation of long-term deferred costs of subscriber acquisition was included in other costs of services in the amount of 21,602,504 euros (2011: 17,037,479 euros).

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COST OF MATERIALS

In euros	2012	2011
Costs of energy	2,546,945	2,216,308
Costs of spare parts and materials for maintenance	464	41,394
Low-value assets write-off	81,226	147,622
Other material costs	52,146	45,501
Costs of office stationary and technical literature	728,939	847,918
Total	3,409,720	3,298,743

COST OF SERVICES

In euros	2012	2011
Service costs for outsourced manufacturing and services	5,539,524	5,924,568
Costs of transportation services	261,329	204,720
Costs of maintenance services	8,502,769	7,533,025
Rental expenses	9,269,735	9,885,721
Costs of fund transfer services and bank charges	655,638	549,572
Remuneration of travel expenses to employees	370,811	391,625
Costs of professional services	3,314,651	3,407,084
Insurance premiums	198,810	196,864
Costs of interconnection and roaming services	32,428,786	38,468,038
Marketing costs	11,639,648	10,479,576
Other costs of services	26,690,489	22,349,009
Total	98,872,190	99,389,802

Other costs of services include costs of subscriber acquisition, postal charges, telephone charges and other costs.

Audit costs amounted to 53,082 euros in 2012, in total for year-end audit.

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8.2.4. LABOUR COSTS **15,526,822 EUROS**

In euros	2012	2011
Cost of wages and salaries	11,804,942	10,478,563
Pension insurance costs	1,428,047	1,233,481
Other social insurance costs	897,079	738,845
Other labour costs		
Commuting allowances	462,120	440,939
Meal allowances	457,592	436,460
Vacation allowances	382,250	340,496
Severance pays and anniversary bonuses	23,270	126,043
Costs of unused holidays	19,736	20,054
Other labour costs	51,786	22,113
Total	15,526,822	13,836,994

8.2.5. DEPRECIATION AND AMORTISATION EXPENSE **22,250,606 EUROS**

In euros	2012	2011
Depreciation of property, plant and equipment	16,819,218	15,450,284
Amortisation of intangible assets	5,431,388	5,425,713
Total	22,250,606	20,875,997

In 2012, the Company has, according to the plans of renovation and replacement of equipment provided a new useful life of certain equipment for the core network. The Company will take out of service a certain equipment for the core network in 2013 and 2014 and, based on this data calculate the new useful life. The effect of shortening useful life has increased depreciation in 2012 for the amount of 855,033 euros.

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8.2.6. REVALUATION OPERATING EXPENSES FOR WORKING CAPITAL **5,932,202 EUROS**

In euros	2012	2011
Allowances for doubtful receivables	5,932,202	3,535,432
Allowances for slow-moving and obsolete stock	0	92,803
Total	5,932,202	3,628,235

8.2.7. OTHER OPERATING EXPENSES **1,430,064 EUROS**

In euros	2012	2011
Fiscal charges	1,125,202	1,174,009
Other expenses	304,862	359,356
Total	1,430,064	1,533,365

Fiscal charges include concession fees in the amount of 702,986 euros (2011: 580,769 euros) and administrative fees and court fees. Other expenses include costs of permits and concessions and other costs.

8.2.8. FINANCIAL REVENUE FROM OPERATING RECEIVABLES **283,010 EUROS**

In euros	2012	2011
Interest income - others	105,261	831,442
Interest income – Group companies – cash pooling	37,062	344,684
Foreign exchange gains	129,503	184,483
Other financial revenues	11,184	9,032
Total	283,010	1,369,641

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8.2.9. FINANCIAL EXPENSES FOR OPERATING LIABILITIES **234,052 EUROS**

In euros	2012	2011
Late interest charges to suppliers	1,235	1,553
Negative foreign exchange differences	216,997	144,983
Other interest	15,820	10,029
Total	234,052	156,565

8.2.10. NET PROFIT FOR THE PERIOD **31,230,530 EUROS**

In euros	2012	2011
Operating result	36,852,855	32,778,580
Financial result	48,958	1,213,076
Income before taxes	36,901,813	33,991,656
Income tax	-6,629,743	-7,196,254
Deferred tax	958,460	298,589
Total	31,230,530	27,093,991

8.2.11. INCOME TAX **6,629,743 EUROS**

Taxable income for the current year was partially offset with deductions for supplementary pension insurance and donations and allowances for investments. The current year tax expense amounts to 6,629,743 euros (2011: 7,196,254 euros). Effective tax rate is 18%. As per the 31st of December total unexpired tax loss carry-forward from previous years amounts to 0 euros (2010: 0 euros).

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8.2.12. DEFERRED TAXES 958,460 EUROS

Long-term deferred tax liabilities in the year 2012 decreased by 286,196 euros and long-term deferred tax receivables increased by 672,264 euros, which affects the income tax deferred. The amount of deferred tax receivables at the date of the 31st of December 2012 is 672,264 euros (2011: liabilities in amount of 286,196 euros).

The reconciliation between tax expense and taxable income is as follows:

In euros	Tax rate	Base	Tax
CURRENT TAXES			
Income before taxes		36,901,813	
Income tax (by using the official tax rate)	18%	36,901,813	6,642,326
Tax non-deductible items – permanent differences	18%	6,520,592	1,173,706
Tax non-deductible items – temporary differences	18%	1,156,227	208,121
Current tax	18%	44,578,632	8,024,154
Usage of temporary differences	18%	-1,379,131	-248,243
Usage of deductions	18%	-6,841,626	-1,231,493
Corrections of previous year		0	85,325
Usage of tax loss carry-forwards			
Actual current tax		36,357,875	6,629,743
DEFERRED TAXES			
From deductible temporary differences			
Additions to deferred taxes from deductible temporary differences	17%	7,960,063	1,353,210
Usage of formed deferred taxes from temporary differences	17%	-2,818,602	-479,162
Effect of change in tax rate			40,490
Corrections of previous year		244,016	43,922
Total deferred taxes from deductible temporary differences			958,460
Total deferred taxes			958,460

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NET PROFIT OR LOSS FOR THE PERIOD AFTER THE REVALUATION OF EQUITY BY THE USE OF THE COST OF LIVING INDEX

	Amount of capital	Increase in %	Effect	Decrease in net profit or loss for the financial year
Equity – all items of capital except current net profit or loss (by the use of the cost of living index)	124,647,633	2,70%	3,365,486	23,728,505

8.2.13. FINANCIAL OVERVIEW OF TRANSACTIONS WITH RELATED PARTIES

Mobilkom Beteiligungsgesellschaft mbH is the sole owner of Si.mobil d.d. and is not registered in Slovenia. Telekom Austria AG owns Mobilkom Beteiligungsgesellschaft mbH. Thus Telekom Austria AG is an indirect owner of Si.mobil.

In addition to the parent company, Si.mobil also conducts transactions with with some of other indirectly connected companies, namely VIPnet and VipNet usluge, registered in Croatia, Mobiltel of Bulgaria, Mobilkom Liechtenstein of Lichtenstein, Serbian VIP mobile, Macedonian VIP operator, Velcom and Mobilkom Belarus of Belarus, and Mobilkom CEE, A1 Telekom Austria AG, Telekom Finanzmanagement (TFG) and TAG M2M of Austria.

The company operates with connected subjects in the filed of international roaming, network interconnection, technical systems hosting, backbone network, services by managers and leading experts, purchasing mobile phones and other equipment, software use, and other fields.

REVENUES FROM SALES

In euros	2012	2011
A1 Telekom Austria	2,879,999	8,530,836
VIPnet	290,885	153,734
Mobilkom Liechtenstein	15,885	1,070
Telekom Austria	207,858	121,025
VIP Mobile	94,959	91,120
Mobilkom Belarus	0	40,381
Velcom	2,966	4,294
TAG M2M	5,004	0
VIP Operator	69,290	70,372
Mobiltel	147,027	39,818
Total	3,713,873	9,052,650

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OTHER REVENUES (INTERESTS, CURRENCY DIFFERENCES)

In euros	2012	2011
Mobikom Liechtenstein	-3	-26
Velcom	0	0
Telekom Finanzmanagement (TFG)	37,062	344,685
VIP Operator	-288	288
Total	36,771	344,946

COSTS OF SERVICES AND OTHER OPERATING EXPENSES

In euros	2012	2011
A1 Telekom Austria	8,424,122	7,501,627
VIPnet	1,451,746	2,915,546
Mobikom Liechtenstein	263	325
Telekom Austria	586,461	516,374
VipNet usluge	194,808	233,555
VIP Mobile	223,150	254,106
Mobikom Belarus	0	40,381
Velcom	968	2,802
VIP Operator	24,239	30,488
World direct	3,710	2,410
Mobitel	22,667	68,723
Total	10,932,134	11,566,337

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OTHER EXPENSES (INTERESTS, CURRENCY DIFFERENCES)

In euros	2012	2011
Mobikom Liechtenstein	-5	0
VIPnet	0	1,900
Mobitel	0	63
Velcom	0	17
Total	-5	1,980

8.2.14. EVENTS AFTER THE DATE OF THE BALANCE SHEET

Since the date of the balance sheet the Company has not become aware of any events, which would have a significant impact on the balance sheet.

9. Risk exposure

MARKET AND COMPETITION-RELATED RISKS

The mobile communications market in Slovenia is very mature and will thus grow at a slower rate in the future. In such market conditions, competition between operators in the market will intensify. As a result of that, the retention of existing and acquisition of new customers will be a great challenge for Si.mobil, leading to a further increase of expenses in acquiring and retaining subscribers.

REGULATORY RISKS

In October 2009, the Post and Electronic Communications Agency of the Republic of Slovenia (APEK), on the basis of its analysis of the relevant market 7, imposed regulatory measures including price control upon the following mobile operators: Mobitel (as of the 1st of July 2011, merged by acquisition into Telekom Slovenije), Si.mobil, Tušmobil, and T-2. In its decision, APEK set a glide path for prices of call termination in these operators' networks until the 1st of January 2013. Call termination prices change every six months (the first change came into effect on the 1st of January 2010). The decisions will result in a price decrease, as well as a decrease in asymmetry for Tušmobil and T-2. The price for Telekom Slovenije and Si.mobil is set in an equal maximum range. According to the decisions, the termination prices will become equal (in the maximum range) on the 1st of January 2013, specifically in the amount of the cost-oriented price of call termination for an efficient operator (APEK's LRIC CCA model). Because of prices that are set for Telekom Slovenije and Si.mobil in an equal range and calculated on the basis of a theoretical ideally efficient operator with a 25-percent market share, Telekom Slovenije (because of its significantly higher market share and its resulting significantly higher economies of scale) is achieving a high margin when charging the maximum allowed regulated price, the profits from which it can use to cross-subsidize retail services (e.g. the Džabest price plan).

If both Telekom Slovenije and Si.mobil were to charge call termination at the highest level allowed by APEK's regulation, this could, in the event of further changes to call patterns, result in additionally unbalanced traffic between the networks, which would lead to a greater unbalance of payments between the two operators, exceeding 100,000 euros per month at Si.mobil's disadvantage. The maximum allowed regulated price for call termination in the Tušmobil public mobile network is equal to Si.mobil's price as of the 1st of January 2013. The elimination of the asymmetry of maximum allowed prices will have a positive effect on payments between companies. In the event of additional changes to call patterns this could have a negative effect on balanced traffic between the networks, which would also mean unbalanced payments at Si.mobil's disadvantage. The maximum regulatory allowed price for call termination in the T-2 public mobile network is equal to Si.mobil's price as of the 1st of January 2013. The elimination of the asymmetry of maximum allowed prices will have a positive effect on payments between companies. In the event of additional changes to call patterns this could have a negative effect on balanced traffic between the networks, which would also mean unbalanced payments at Si.mobil's disadvantage.

In 2012 APEK conducted another analysis of the relevant market 15 (Access to public mobile networks and call origination from these networks – carrier market), establishing that the conditions are sufficiently competitive, and that regulation of the market or Telekom Slovenije is no longer required. With this decision APEK removed regulation, which significantly reduced the transparency of Telekom Slovenije's reference offer (e.g. national roaming services, network resale, etc.) for existing and interested service providers in Slovenia. This brings with it the very palpable risk that Telekom Slovenije could prepare special carrier access offers for selected providers and/or purposes with the goal of hindering the effective and economically viable competition of other infrastructure providers, including Si.mobil. This is also supported by the fact that, during the period of APEK's regulation of market 15, Telekom Slovenije, in the scope of imposed

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transparency, published the information on concluded agreements in such a way that the actual offers/ prices of carrier access were never possible to verify, due to the lack of any relevant data for calculating the final price.

In November 2012 APEK published its Program of Work and Financial Plan for 2013, in which it announced that it would issue a decision on the relevant market 7 on the 30th of September 2013. Considering the content of APEK's document, we can expect that it will set up a system of symmetric call termination prices for all operators, along with the compulsory use of the BU-LRIC cost model. We can expect further cuts to call termination prices. Network traffic balancing will be the decisive factor for balancing wholesale payments between carriers in the future.

On the 1st of July 2012, the Regulation (EU) No. 531/2012 on roaming in the public mobile communication network in the European Union came into force. This Regulation additionally brings down retail and wholesale international roaming prices, while at the same time the Regulation introduces several other measures for encouraging competition at the retail and carrier levels that will come into effect in 2013 (carrier access for roaming) and 2014 (separated sale of regulated retail roaming services) respectively. The implementation of these measures will result in additional costs, as well as administrative and technical changes to operations in 2013 and beyond. This Regulation will have a negative impact on Si.mobil's future operations.

In June 2012 APEK notified the public that it had appointed an expert project group to prepare answers to key questions about the future use of the frequency spectrum for electronic communication services. The group's main task is to prepare expert guidelines for the national strategy as well as for the tender for the fourth generation network frequencies that support mobile broadband access. This document should be completed in early 2013, when it will also be submitted for public discussion. This will constitute the experts' basis for preparing the strategy for utilizing the radio frequency spectrum for electronic communication services, which is being prepared by the Ministry of Education, Science, Culture and Sports. Based on the adopted strategy, APEK plans to prepare the tender for LTE by the end of 2013.

One of the main problems and sources of uncertainty was not resolved in 2012, namely the extension of the rights to use frequencies in the 900 MHz band, which will expire for Si.mobil in October 2013. The new Electronic Communications Act (ZEKom-1), which was adopted at the end of 2012 and comes into force in early 2013, does allow for an extension for the use of these frequencies. In the event an extension is granted, the Act presumes the payment of a certain fee for the efficient use of a limited natural resource. The amount of this fee and the method of payment are set by APEK following the government's prior approval.

Si.mobil is involved in a dispute with Telekom Slovenije d.d. regarding the price of voice call termination in the Telekom Slovenije public mobile telephone network (market 7). The receivables and liabilities also include receivables and liabilities of Telekom Slovenije.

In February 2012, Telekom Slovenije received a Decision from the Competition Protection Office of the Republic of Slovenia issued in the procedure no. 306-14/2009-239. In its Decision the Competition Protection Office finds that Telekom Slovenije, d.d. (formerly Mobitel d.d.) breached Article 9 of the Prevention of Restriction of Competition Act and Article 102 of the European Union Treaty by offering the retail price plan Itak Džabest at unfair retail prices between November 2008 and July 2010, with the aim of enhancing or retaining its market power in a significant segment of the retail mobile communications services market, as the price plan's incremental revenues were lower than the incremental costs that Telekom Slovenije incurred for an average subscriber, or that which an equally efficient competitor would have had, which means that there was the probability of forcing Telekom Slovenije's competitors out of the market. Telekom Slovenije has filed a lawsuit challenging this Decision before the Supreme Court of the Republic of Slovenia. The Supreme Court's decision is expected in 2013.

In November 2011 Si.mobil filed a lawsuit against Telekom Slovenije on the grounds of abuse of its monopoly position. According to the estimates of an internationally recognized competition expert, the damage suffered if Telekom Slovenije's activities remain unchanged until 2015 would surpass 286 million euros. The amount of the claim was based on this detailed expert estimate. The decision of the Supreme Court in the case of Telekom Slovenije vs. the Competition Protection Office Decision (see above) will also affect our claim and the amount of claimed damages. The case is expected to continue in 2013, however the Court's

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decision on Si.mobil's claim is not yet expected.

On the 15th of January 2013, ZEKom-1 comes into force, transposing the new EU legislative framework in the field of electronic communications into Slovenian legislation, as well as introducing new provisions and changes. In general, the Act imposes new obligations and requirements for operators, which will result in additional costs to Si.mobil's business operations.

CREDIT RISK

Company revenues stem from various sources, of which most revenues arise from voice calls and monthly subscriptions. Because the main body of subscribers at the end of 2012 were individuals, the credit risk is widely dispersed and insignificant. Other income sources are connected to sales representatives (for selling mobile phones) and other local and foreign mobile telephony operators (for selling interconnection and international roaming). Previous experience shows that there are no important risks posed by these activities. As of the date of issue of the balance sheet, there was no important dependency posed by any of the above-stated partners.

INTEREST-RATE RISK

In 2012, the Company was not party to any loan-agreements and, except for its deposit in the cash pooling system, it is not exposed to interest-rate risks. The company does not use special financial instruments for safeguarding from interest-rate risks.

FOREIGN-EXCHANGE RISK

The company's functional currency in 2012 was the euro. Only a small share of transactions is conducted in USD or other currencies, therefore the currency risk is not considered significant. The company does not use special financial instruments for safeguarding against foreign-exchange risks.

LIQUIDITY RISK

The company ensures liquid funds from business operations and from financing, based on loans from the ownership that are provided when needed. Development has proved that the company is constantly improving its business operations and as such its financial assets from operations. New technologies that demand high up-front investments might demand additional financial funds for their use.

10. Other disclosures

10.1. BODIES OF THE COMPANY

The members of the management board of Si.mobil are:

Dejan Turk, Chairman of the Management Board
Ulrich Rokita, Member of the Management Board
Boštjan Škufca Zaveršek, Member of the Management Board (from the 15th of October 2012)
Milan Zaletel, Member of the Management Board (to the 30th of September 2012)

The Supervisory Board at the end of the year 2012 consisted of:

- Johannes Ametsreiter (Chairman)
- Johann Tschuden (Deputy chairman)
- Johann Pichler
- Silvia Buchinger
- Reinhard Zuba

The total cost of the management board, the supervisory board and the employees with individual contracts in 2012 includes gross income, included in the personal income tax return, holiday allowance, fringe benefits and profit sharing. In 2012 this amounted to:

- Management Board: 551,305 euros;
- Supervisory Board: 0 euros;
- employees with individual contracts: 726,110 euros

INCOME BY MEMBERS OF THE MANAGEMENT BOARD

In euros	Fixed income	Variable income	Fringe benefits	Other income
Dejan Turk	134,589	160,650	17,350	3,761
Milan Zaletel	56,002	94,080	4,081	2,607
Ulrich Rokita	0	0	48,718	0
Boštjan Škufca Zaveršek	17,362	10,000	1,511	594
Total	207,953	264,730	71,660	6,962

Member of the management board Ulrich Rokita is employed by the parent company and except for fringe benefits did not have any income paid by Si.mobil.

The Company has no recorded receivables from or liabilities to the management board or the members of the supervisory board.

11. Statement of the Management

Management confirms the financial statements of Si.mobil d.d. as at the 31st of December 2011.

Management confirms that appropriate accounting policies were consistently applied to the preparation the financial statements, that accounting estimates were made in accordance with the principle of prudence, and due professional care and that the annual report presents the true and fair position of the Company and results of its operation for the year 2012.

Management is responsible for the preparation and fair presentation of the financial statements above in accordance with the SAS (Slovenian Accounting Standards). This responsibility includes the establishment, implementation and maintenance of internal controls relating to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error, selection and application of appropriate accounting policies, and preparation of accounting estimates that are reasonable under the circumstances.



Dejan Turk
*Chairman of the
Management Board*



Boštjan Škufca Zaveršek
*Member of the
Management Board*



Ulrich Rokita
*Member of the
Management Board*

Ljubljana, the 6th of February 2013

SI.MOBIL IN NUMBERS

ENCLOSURE 1: SCHEDULE OF INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUE MOVEMENTS (IN EUROS)

2012	Concessions	Software and licences	Long-term deferred connection fees of data lines	Long-term deferred lease of land	Long-term deferred sub- scriber acqui- sition costs	Total
1. Costs of purchase						
Balance as of the 1 st of January 2012	22,430,050	37,084,897	1,885,296	2,291,753	161,825,731	225,517,727
Additions	0	3,476,379	29,234	228,995	22,928,969	26,663,577
Disposals	0	0	0	0	-16,931,664	-16,931,664
Transfer	0	0	0	0	0	0
Balance as of the 31 st of December 2012	22,430,050	40,561,276	1,914,530	2,520,748	167,823,036	235,249,640
2. Accumulated amortisation						
Balance as of the 1 st of January 2012	15,482,053	28,429,599	1,603,060	1,172,398	143,812,141	190,499,251
Additions, amortisation	1,495,337	3,314,654	0	0	0	4,809,991
Additions, recognised in costs	0	0	135,813	163,637	21,602,504	21,901,954
Disposals	0	0	0	0	-16,931,664	-16,931,664
Transfer	0	0	0	0	0	0
Balance as of the 31 st of December 2012	16,977,390	31,744,253	1,738,873	1,336,035	148,482,981	200,279,532
3. Net carrying amount						
Balance as of the 1 st January 2012	6,947,997	8,655,298	282,236	1,119,355	18,013,590	35,018,476
Balance as of the 31 st of December 2012	5,452,660	8,817,023	175,657	1,184,713	19,340,055	34,970,108

SI.MOBIL IN NUMBERS

ENCLOSURE 2: SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT MOVEMENTS (IN EUROS)

2012	Land	Base stations and mobile switches	Computer equipment	Investments in fixed assets owned by third parties	Other equipment	Low-value assets and spare parts	Property, plant and equipment in the course of construction	Total
1. Costs of purchase								
Balance as of the 1 st of January 2012	9,039	156,821,024	12,457,549	4,478,736	24,807,200	1,867,009	10,246,518	210,687,075
Additions	0	12,704,974	664,583	550,167	3,427,136	207,336	-196,968	17,357,228
Disposals	0	-14,889,363	-63,012	0	-70,350	-142,610	0	-15,165,335
Transfer	0	0	0	0	0	0	0	0
Balance as of the 31 st December 2012	9,039	154,636,635	13,059,120	5,028,903	28,163,986	1,931,735	10,049,550	212,878,968
2. Accumulated depreciation								
Balance as of the 1 st of January 2012	0	110,398,289	9,437,674	2,445,290	15,104,133	1,596,907	0	138,982,293
Additions, depreciation	0	11,437,187	1,378,631	322,803	4,062,652	239,342	0	17,440,615
Disposals	0	-14,637,745	-63,012	0	-70,350	-140,596	0	-14,911,703
Transfer	0	0	0	0	0	0	0	0
Balance as of the 31 st December 2012	0	107,197,731	10,753,293	2,768,093	19,096,435	1,695,653	0	141,511,205
3. Net carrying amount								
Balance as of the 1 st of January 2012	9,039	46,422,735	3,019,875	2,033,446	9,703,067	270,102	10,246,518	71,704,782
Balance as of the 31 st of December 2012	9,039	47,438,904	2,305,827	2,260,810	9,067,551	236,082	10,049,550	71,367,763