



ANNUAL REPORT 2008

CONTENT

Management Board Address	5
Supervisory Board Address	6
Management Introduction	7
Key Business Indicators	11
Important Events and Awards	12
About Si.mobil	14
Si.mobil on the market	15
Subscribers	16
ZAME Packages	16
ORTO Packages	17
Business Offer	19
Prepaid	20
HALO Packages	20
Data Services	21
Mobile Internet	21
Advanced Services	23
Vodafone live!	23
Si.navigator	24
Si.most	25
Telemetry	26
Customer Care	27
Call Center and Back Office	27
Sales	29
Market Environment	29
Sales Network	32



CONTENT

Marketing	33
Service Development	33
Brand Care	34
Communicating with Users	36
Network	38
Re.think	40
Employee Development	41
Education and Training	42
Measuring Organisational Climate	43
Care for Employees	44
Family-Friendly Enterprise	44
Communication with Employees	45
Environmental Care	46
Sponsorships	48
Donations	49
Si.mobil in Numbers	51
Management Report	52
Financial Statements	56
General Disclosure	56
Independent Auditors' Report	58
Balance Sheet as of 31 December 2008	59
Income Statement for 2008 – Format I	61
Statement of Cash Flows for the Period from 1 January to 31 December 2008 – Format II	62
Statement of Changes in Equity	63
Summary of the Significant Accounting Policies	65
Notes to the Financial Statements	69
Risk Exposure	87
Other Disclosures	88



WE ARE THE MOST ATTRACTIVE COMMUNICATIONS PROVIDER IN SLOVENIA

Si.mobil is the second largest Slovenian mobile operator. At the end of 2008, we were joined by our 570,600th user and achieved a 27.7 percent market share.

We finished the business year successfully. With a clear market approach and understanding of the users' needs, we preserved the trend of business growth. In 2008, all financial indices increased. Despite the lower incomes from international roaming, we concluded the year with EUR 197.65 million in operating incomes, which represents a 5.9 percent increase compared to the previous year.

There were two key changes that marked our business operations in 2008. We entered the market with an overhauled brand Si.mobil and the new slogan "Say Something Beautiful". And we first introduced our socially responsible Re.misli (Re.think) philosophy to the public.

OUR VALUES

Customer is the king!

First, we want to understand the users, since this is the only way we can offer them the solutions that they really need.

Value for money

Our greatest task is to provide quality services at optimal prices.

Professionalism

The market is inexorable and only the best brands will live to see "tomorrow". That is why quality, professionalism and reliability are the three cornerstones we build on.

OUR ORIENTATION

We made our end-to-end socially responsible behavior an even bigger part of our business operations. We named it Re.think. Re.think is conceived as an invitation to rethink things and as an idea of responsible living where every individual and every seemingly small gesture counts.



MANAGEMENT BOARD ADDRESS

Changes need to be implemented while we are on our way up. Already a successfully growing company, Si.mobil re-evaluated its accomplishments so far and redesigned its identity, set course in a new direction and launched a new economic paradigm called Re.misli (Re.think) in 2008. We could say that "Re.think" and "Say Something Beautiful" were our main guidelines for 2008.

Following extensive market surveys and finding out how users perceive Si.mobil, we concluded in February that we need to change our identity and renew our operations. Users saw us mainly as youthful and playful and less as professional and reliable. And hence our new identity and values – some remaining the same and some are upgraded – are the key to our success. When our brand conveys that people are important to us, this means that we treat all equally well – colleagues and users. Users are given a professional approach, quality and value for money, which can only be achieved with dedicated people. This is why we have improved our activities in development and reformed the concept of education. All with the focus on users and the well-being of each of us.

Market demanded great adaptations and shifts. While investing in technical infrastructure we had to confront with thorough consideration and thoughtful planning. Our approach to excellence consists of offering services where users need them, while strengthening capacities and improving quality in areas, where there is a critical mass of users. An external independent expert institution also recognized our quality.

Considering our users' needs we started to change our offer. Following the investments in the new infrastructure and the new offer, we launched new ZAME (FOR ME) subscription packages. They were designed to suit all subscriber needs. This helped us achieve another victory. After we crossed the magic line of half a million users in 2008, we managed to end the year with 570,600 users, which represent a 27.7 percent market share. The share of subscribers in the entire user base also grew significantly – today subscribers make up for a 65.8 percent of the user base. Consequently the average revenue per user (ARPU) increased as well, now reaching 24 EUR.

2008 was marked by the rise of all financial indicators. In spite of lower revenue from international roaming, we finished the year with 197.65 million EUR from all operating activities, which is 5.9 percent more than in the year before. This was mainly due to the 24.5% increase in revenue from selling services and products to our users.

Our earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to 61.47 million EUR at year's end, which is an increase of 12.5 percent comparing with the year before. This was made possible by a larger user base and the cost effective management of operations. At the end of the year our earnings before interests and taxes (EBIT) were 43.67 million EUR and the net profit was 32.07 million EUR.

While considering these facts we must also keep in mind the market is saturated, because the official level of penetration is already higher than 100 percent. This is why we are aware that we will have to face challenges not only in terms of prices and phones, but will also have to work on our approach and added value, which can mostly be conveyed through high levels of quality and professionalism.

We are confident that the changes made in 2008 will keep us on the right track. In addition to offers and prices our brand provides an emotional experience, while the Re.think component brings added value. We are gradually implementing our green offering and environmental and social awareness; this is the way to provide our users with a lot more than just mobile telephony services. We offer them a chance to rethink by themselves and try to work towards positive changes. As we are all aware, we are entering an age where no man will want to be just a part of the problem, but instead we will all wish to contribute to solving the problems our world is facing. In 2009 we will all face the financial crisis, which is already emerging, and in the future we will have to face existential problems of the planet itself and a possible deterioration of core human values.

Si.mobil will continue to operate in the spirit of best practices, responsibly matching the costs to revenue and draw from synergies of mobilkom austria group and the advantages of the Vodafone partnership. We have to ensure a steady growth, but at the same time also look after our users and colleagues. We also cannot forget to pay close attention to conditions on the market and the actions of our competition. We believe we will be able to keep our promises in the future too, and are ready to face future challenges.

DEJAN TURK,
Chairman of the Management Board

MILAN ZALETEL,
Member of the Management Board



ADDRESS OF THE CHAIRMAN OF THE SUPERVISORY BOARD



In spite of the exceptional penetration growth and subsequent saturation of the Slovenian mobile market, Si.mobil prioritised the importance of growth and managed to realize it. Si.mobil was able to retain the steady growth in operations and simultaneously establish solid foundations enabling the company to adapt to market conditions and assure the future development.

Owners and the Supervisory Board show acute interest and closely monitor trends and events on the Slovenian market and give full support to the sound investments and Si.mobil business strategy. We, on the group level, utilize knowledge and experiences as well as best practice of Si.mobil to contribute to the group development thus enabling successful expansion onto the markets of Eastern and South-Eastern Europe. This close connection of knowledge and experiences inside the mobilkom austria group will surely help Si.mobil become even more successful on the Slovenian market. Cross-border expertise and technological synergy are Si.mobil's key competitive advantages. We in the Supervisory Board are proud of Si.mobil's achievements and will continue to give adequate support to the management. This will allow the company to continue with stable and sound development and will guarantee that Si.mobil remains an important cornerstone of the mobilkom austria group.

BORIS NEMŠIČ,
Chairman of the Supervisory Board



MANAGEMENT BOARD



Dejan Turk, M.A.

Chairman of the Management Board

Dejan Turk joined Si.mobil in August 2004 as the head of Marketing and Sales. Two years later, he became member of the Management Board responsible for the market and, in the spring of 2007, he became Chairman of the Management Board of Si.mobil. Under his leadership, Si.mobil further increased its exceptional business growth and, in January 2008, reached the magical number of 500,000 customers. The company obtained the Family-Friendly Enterprise and Reputable Employer certificates as well as numerous awards in the communications field.

After graduating in marketing and finances from the Vienna University of Economics and Business Administration, Dejan Turk was employed by McDonald's Slovenija. In 1998, he was named CEO of McDonald's Slovenija, and a year later the CEO of the whole restaurant chain in Slovenia and Croatia. Afterwards, he was employed at Metropolis Media, where he worked as the CEO until coming to Si.mobil.



Milan Zaletel,

Member of the Management Board

He joined Si.mobil in September 2003 as the head of the Financial Sector. He was a member of the team responsible for the preparation and implementation of strategic changes in the company. From November 2004 to August 2006, he was also Si.mobil's confidential clerk. In August 2006, he became a member of the Management Board responsible for finances. He is responsible for financial reporting, auditing the company's business performance, cooperation with the mobilkom austria group in the financial area and from May 2008 also for the technical services. Before coming to Si.mobil, he was head of the controlling and financial sector of Elan.



SECTOR DIRECTORS

Barbara Gorše,

Customer Sector Director

Barbara Gorše has been head of the Call Center, Back Office and Internal Support Office since 2008. She cooperated in establishing the key functions of the Customer Sector and has been head of the Call Center ever since Si.mobil entered the market in 1999. Before coming to Si.mobil, she worked at Mladinska knjiga Založba, where she was in charge of developing the most state-of-the-art call center at the time.



Rok Založnik,

Technical Services Director

Rok Založnik has been head of the IT Sector and the Value Added Services Platform Office since 2007. He has several years of experience in the field of technology, development, and project management. Before coming to Si.mobil, he was head of the IT Department at Sparkasse.



Peter Curk,

Marketing Director

Peter Curk has been head of the Product Marketing, Marketing Communications, Market Intelligence and Service & Content Departments since 2007. He joined Si.mobil as Marketing Director Assistant in 2001. He created Si.mobil's customer relations program and headed the development of products for residential users, later taking over the managing of the whole Product Marketing Department.

Andrej Špik,

Regulatory and Wholesale Director

Since 2007, Andrej Špik has been in charge of the Regulative and Wholesale Sector. He gathered years of consulting experience in the area of regulation, lobbying, electronic communication and IT.



Gregor Banič,

Sales Director

Gregor Banič has been head of the Direct Sales, Indirect Sales, Business Sales and Sales Support Departments since 2007. He began his career as market analyst, stockbroker and sales consultant to management boards. Before coming to Si.mobil, he was employed at SRC.SI as management board consultant.



Boštjan Škufca Zaveršek,

Financial Director

Boštjan Škufca Zaveršek joined Si.mobil in 1999. He designed the Si.mobil project controlling and the in-house auditing service. From 2004 to 2008 he was Director of the Fraud, Billing and Collection Department, and later became Director of the Financial Sector. Under his leadership Si.mobil successfully carried out some projects based on electronic operation, among which are the e-bill and the Si.asistent service.



Tomi Mlinar,

Network and Quality of Service Director

Tomi Mlinar has been head of the Access and Core Network and Service Quality Assurance Departments since 2008. Before coming to Si.mobil, he was Expert Director at the Institute for Telecommunications and head of their Laboratory of Electromagnetic Radiation. He is coauthor and editor of the book *Elektromagnetna sevanja* (Electromagnetic Radiation), author of numerous scientific articles and program head of the Radiocommunications Seminar.



KEY BUSINESS INDICATORS

		2008	2007
STATEMENT OF INCOME			
Total operating revenues	Mio EUR	197.65	186.72
Earnings, EBITDA	Mio EUR	61.47	54.66
EBIT	Mio EUR	43.67	33.83
Financial items, net	Mio EUR	-1.55	-2.68
Net Income	Mio EUR	32.07	25.42

Total operating revenues in 2008 have grown by 5.9 percent compared to 2007 reaching 197.65 million EUR. This increase is driven by an increase of revenues from sales of services to our customers (+24.5 percent) and one time effect on revenues. Net income was positive at 32.07 million EUR.

		2008	2007
BALANCE SHEET			
Total balance	Mio EUR	209.94	202.35
Tangible fixed assets	Mio EUR	71.77	66.20
Current assets	Mio EUR	85.43	77.92
Loans and liabilities	Mio EUR	110.46	135.02
Shareholder's equity	Mio EUR	90.1	58.03

		2008	2007
KEY RATIOS			
EBITDA margin	%	31.1	29.3
Investments in fixed assets, net	Mio EUR	20.62	22.37
Average number of employees		344	324
Employees year end		353	329
Users, year end		570,600	497,300
Hereof contract subscribers		375,300	311,100

In spite of challenging environment with aggressive competition and saturated market Si.mobil managed to increase market share by 0.8 percent point to 27.7 percent of the mobile communications market. At the end of 2008 Si.mobil had 570,600 customers. EBITDA reached 61.47 million EUR and is 12.5 percent higher compared to 2007. The positive development is attributable to the increased revenues and sustainable growth that resulted in stable opex comparing to previous year.



IMPORTANT EVENTS AND AWARDS IN 2008

January

- We lowered the prices of on-net calls within Si.mobil network and, with the new Opcija stacionarni (Fixed Option) offered cheaper calls to all Slovene fixed networks.
- On 23 January 2008, we recorded the 500,000th user.
- We opened a sales center at a new location in Kranj.

February

- We presented Smart20 – our price plan offer with packaged talk time and SMS messages.

March

- We opened a new sales center in Koper.
- On 12th March, traditional folk celebration of spring, we presented environmental project Re.misli to our employees for the first time.
- At the 17th Slovenian Advertising Festival we received:
 - Golden Award in the overall advertising campaign category: Vsi smo malo Orto (We are all a bit Orto).
 - Silver Award in the TV adds category for the Christmas campaign Zaupanje (Trust).
 - Silver Award in the innovative forms of communication category for the Orto Smart campaign.
 - Silver Award in the posters category for the poster Nategnjeni jezik (Stretched Tongue) for a confrontation at the lecture Orto Smart versus Itak.
 - Award for interactive advertising for Si.mobil's island of fun in the Second Life virtual world at www.ortoego.si.

April

- We presented new price plans and options for the Mobile Internet service. Si.mobil was the first Slovenian mobile operator to offer a price plan with unlimited data transfer. The promotional campaign for the Unlimited price plan was accompanied by the possibility of a free 15-day trial.
- As part of the spring campaign, we offered new Smart price plan users the benefit of six months without a subscription fee.
- In the framework of the Zlata nit (Golden Thread) project, we were among the finalists for the Best Slovenian Employer Award in the big companies category. At the conclusion of the project, we received the award for one of the best employers in Slovenia.

May

- With the departure of Management Board Member responsible for the technical field Walter Goldenits, Si.mobil was left with a two-person management composed of Dejan Turk, Chairman of the Management Board, and Milan Zaletel, Management Board Member responsible for the financial, legal and technical field.
- The call center was moved to a new location.

June

- We changed our brand. After five years of appearing under the dual brand Si.mobil – Vodafone and the slogan "Ujemi svet (Catch the World)", we entered the market independently under the Si.mobil brand and the new slogan "Povej nekaj lepega (Say Something Beautiful)".
- As part of the special summer offer, we offered new Smart price plan with the benefit of nine months without a subscription fee, while the new and current Orto Smart price plan users were offered free calls on weekends.
- We lowered the price of roaming. We lowered the Eurotariff price ahead of time for EU countries and presented a special international calls price plan. We lowered the price for data services abroad and introduced the Eurodata option.
- Employee invitation to Eco Team received the Odmev (Echo) 2008 award for the most recognizable invitation.
- Boštjan Škufca Zaveršek took over the management of the financial sector at Si.mobil.

July

- We launched the procedure for acquiring the ISO 14001 certificate and started with training workshops for internal auditors.

August

- We overhauled the offer for the young. The Orto Smart price plan was replaced by the more affordable ORTO U NULO price plan for the young.
- We organized the fifth Žur z razlogom (Party With a Cause). A popular event of electronic music with DJ Umek is designed to promote SMS donation among the young. The event of a charitable nature was attended by a record 30,000 visitors. This year, too, the raised funds went to the Beli obroč Association for young victims of crime.
- Simultaneously with the fifth Žur z razlogom (Party With a Cause), on the day of the event, we opened the Slovenian Welcome Island in the Second Life virtual world.

September

- Upon the introduction of the new ORTO U NULO postpaid price plan, we prepared a prize-winning contest – ORTO Records, in which youngsters competed in breaking records in talking on the phone and sending SMS messages.

October

- We were the first Slovenian mobile operator to offer youngsters the BlackBerry® service within the ORTO BERI price plan. The price plan combines the advantages of the ORTO U NULO price plan and the BlackBerry® smartphone.



- At the Slovene Conference on Public Relations, Si.mobil received the **Prizma 2008** award for excellence in communication for an overall communication program of the overhauled Si.mobil – Povej nekaj lepega (Say Something Beautiful) brand.

November

- We completely overhauled our postpaid offer. We offered residential users an overhauled SMART price plan and new ZAME price plans (enaZAME, triZAME, petZAME), whereas business users were offered a refreshed Business Smart price plan.
- We presented to the public our environmental project **Re.misli (Re.think)**. The project is accompanied by an action of collecting and recycling disused mobile phones, batteries and chargers.
- In Maribor, we opened the first environment friendly store. Following the example of this almost paperless and interactive store, we will gradually renovate also all other sales centers.
- The shortlist for the **SEMPLER** award for best achievements in the field of media planning included also two Si.mobil campaigns – Žur z razlogom (Party With a Cause) and ORTO records.

December

- We introduced a new music portal **MUZIQ**.
- We prepared a **special Christmas offer** for new HALO prepaid price plan users with a 100 percent reimbursement of the acquisition price in the form of monthly bonuses on services.
- With the www.simobil.si corporate web site, we participated in the final selection for the Netko award conferred by the Commerce Chamber of Slovenia for the best business and administrative web site.



ABOUT SI.MOBIL

Name: Si.mobil telekomunikacijske storitve, d.d.
Seat: Šmartinska 134 b, 1000 Ljubljana
Phone: 080 40 40 40
Fax: 040 44 30 99
E-mail for residential users: info@simobil.si
E-mail for business users: info.poslovni@simobil.si

Website: <http://www.simobil.si>

Main activity: 61.200 – wireless telecommunications activities
Activity code: J61.200
Year of establishment: 1998
VAT ID: SI 60595256
Registration entry number: 1196332
Share capital: SRG 1/29430/00 Ljubljana, EUR 38,781,000

Management Board

Dejan Turk, Chairman of the Management Board
Milan Zaletel, Member of the Management Board

Directors

Barbara Gorše, Customer Sector Director
Gregor Banič, Sales Director
Peter Curk, Marketing Director
Boštjan Škufca Zaveršek, Financial Director
Rok Založnik, Technical Services Director
Tomi Mlinar, Network and Quality of Service Director
Andrej Špik, Regulatory and Wholesale Director

Ownership

100 percent owner of Si.mobil d.d. is mobilkom Beteiligungsgesellschaft mbH.

Supervisory Board

Boris Nemšič, Chairman of the Supervisory Board
Erich Gnad, Deputy Chairman of the Supervisory Board
Alfred Gattringer, Member
Hannes Ametsreiter, Member
Josef Vinatzer, Member (term expired on 31 October 2008)
Andreas Maierhofer, Member
Walter Goldenits, Member

Entering the market with confidence.
Confronting innovative ideas.
Spreading advanced thoughts.

Si.mobil
on the market





SUBSCRIBERS

ZAME PACKAGES

Understanding the user's needs and requests is exceptionally important nowadays.

The decrease in the purchasing capacity and the tendency of users to save due to economic stagnation will lead to the users becoming even more price sensitive. This is why they will switch to the operator that will offer them both a quality user experience and more for the money. The new ZAME postpaid price plans are our answer to market demands.

At the end of 2008, postpaid users represented a 65.8 percent share of Si.mobil users. This user segment is growing, having increased by 20.6 percent in the last year. This is why a complete overhaul of the postpaid offer was of an exceptional strategic importance.

After having overhauled the postpaid offer for the young (ORTO segment), we offered new ZAME postpaid price plans – enaZAME, triZAME and petZAME – also to the central segment of Si.mobil postpaid users (SMART segment).

- The overhauled SMART price plan is the only one among the new price plans that has kept the key characteristic of the old Smart price plans – payment according to the actual calls made. It is intended to complement the new offer.

The new price plans have a simpler form and the call tariffs within a particular ZAME price plan are unified. Price plans differ according to the number services available for 0 EUR.

Users can create a community within which they can talk and send each other SMS messages for 0 EUR. This community can be composed of:

- Si.mobil users or
- Si.mobil users and users of all fixed networks or
- all users of fixed and mobile networks in Slovenia.

Si.mobil thus offers the possibility that the community within which the users talk for 0 EUR per minute are no longer only our dearest, as was the case in the mobile operator offers so far. In the case of the petZAME price plan, these can now be all Slovene users. In view of this, can we even imagine life without zeros?



In creating new price plans, we proceeded from Si.mobil's values:

- Value for money,
- Professionalism and
- Customer is the king.

Market research gave us an insight into the user habits of our customers, for we wished to know what our users need here and now. Research results gave us a solid empirical basis on which we built the development of products according to the actual user needs. In 2008, the former price plans – Smart I, Smart II and Smart III – were replaced by a new family of call price plans enaZAME, triZAME and petZAME and an overhauled SMART price plan.

Individual price plans are intended for a particular kind of user:

- The enaZAME price plan is intended for price sensitive users who want to have foreseeable costs and call only a narrow circle of people (family and friends).
- The triZAME price plan is intended for users who call more and use also mobile telephony services, especially SMS messages.
- The petZAME price plan was created for intensive users who use their mobile phones for calls as well as data transfer. In addition to calls and SMS messages, they use also MMS messages, e-mail and data transfer.
- In addition to the benefits of the petZAME package, the petZAME BlackBerry package also includes unlimited data transfer in Slovenia via the blackberry.net access point and up to 100 MB data transfer via other access points in Slovenia.

NEW POSTPAID OFFER STRUCTURE

USER SEGMENT	FORMER PRICE PLANS	NEW PRICE PLANS
Young (15 – 30 years)	Orto Smart	ORTO U NULO, ORTO BERI
Residential users (+ 31 years)	Smart I, Smart II, Smart III	enaZAME
		triZAME
		petZAME
		SMART
Business users	Business Smart, BlackBerry Business	Poslovni SMART
		Poslovni BlackBerry

We decided to completely overhaul the postpaid offer because we wanted to adapt the former offer to the needs of users. The new offer makes it simpler for the user to choose the appropriate postpaid price plan according to their calling habits.



SUBSCRIBERS

ORTO PACKAGES

Four years ago, understanding the values, wishes and lifestyle of the young led us to create a special communication adapted to the style and language of youngsters. We were convinced that the young deserve more than simply a generic service or offer. We developed ORTO.

With constantly adapting the offer and tone of the communication with the target group, we managed to preserve a leading role among mobile operators in the segment of the young between 15 and 31 years of age. Among the important strategic decisions we adopted in 2008 was the creation of the **ORTO subbrand**. In opposition to the Si.mobil brand, the ORTO subbrand allows a more easygoing and relaxed tone of communication with which we drew even closer to the youth segment.

The essential advantages of the new price plan are more affordable calls, greater transparency and simplicity:

- ORTO U NULO no longer distinguishes between the higher and lower call tariff.
- Call prices are unified: 0 EUR for on-net calls and 0.1 EUR for calls to other mobile and fixed networks.

ORTO Records

The main theme of communicating the ORTO U NULO price plan during its introduction to the market was records. It is a price plan that, in view of its benefits, represented a sort of a record in the offer of mobile operators until then.

Upon introducing the new ORTO U NULO postpaid price plan, Si.mobil invited the young to present any ORTO record and then in the finals of the prize-winning contest compete with their friends in breaking call and SMS records for an attractive award – a concert by Madonna in New York. As opposed to the past prize-winning contests (Orto Smart audition, Orto Smart challenge), we wanted to use this prize-winning contest to strengthen the idea of a community among friends also on the web site. 1,127 group members and their supporters participated in the contest, with the number of profiles at www.orto.si almost doubling during the campaign.



Vsi smo malo ORTO (We are all a bit ORTO).

The ORTO subbrand relates to the interests of the young, follows their wishes, but at the same time sets trends for them. ORTO communication with the young is based on dialogue. It is an invitation to them to express their creativity, compete or simply socialize at **ORTO events** and/or in the **ORTO web community**, which came to life at www.orto.si.

In the target group of the young, the web represents a very important communication channel. For them, the www.orto.si web site is thus a source of information on events and the ORTO offer as well as a place for web socializing. Youngsters can create their own **ORTO profile** at www.orto.si, join a web group or create one, compete in web prize-winning contests or share their photos and videos with other ORTO users. The ORTO web community has more than 7,000 registered users.

In Autumn 2008, we overhauled the ORTO offer, which now comprises products and services in the field of tariffs (ORTO U NULO price plan) as well as the field of data transfer (ORTO BERI price plan) and entertainment contents on the portal Vodafone live!.

ORTO U NULO Price Plan



Za U NULO dolge pogovore
(For totally long conversations free of charge).

The new ORTO U NULO price plan replaced the former Orto Smart price plan. Since the young make the most on-net calls and send a lot of SMS messages, the new price plan offers them precisely such benefits – making on-net calls and sending SMS messages at 0 EUR. The ORTO U NULO is the first post-paid price plan under the ORTO subbrand.

DJ UMEK AT ŽUR Z RAZLOGOM (PARTY WITH A CAUSE)



The electronic music events, such as the traditional Si.mobil charity Žur z razlogom (Party With a Cause), Dan elektronike (Day of Electronics) and DiscoNautica, are a representative example of addressing the ORTO generation in its own language.



SUBSCRIBERS

ORTO BERI Price Plan

Although the BlackBerry® service is primarily intended for business users and is also a very popular service in the business world, we offered it to the young for the first time in autumn together with the BlackBerry® smartphones.



ORTO skonektan, ORTO BERI
(ORTO connected, ORTO BERI).

For the young between 15 and 31 years of age, we created the ORTO BERI price plan. The price plan combines the advantages of the ORTO U NULO price plan and the BlackBerry® smartphones. In addition to the affordable calls and SMS messages, ORTO BERI offers also up to 100 MB of data transfer. Monthly subscription fee can thus be the only potential cost for the user since the price plan enables them to make on-net calls and send SMS messages at 0 EUR, while they can talk free-of-charge to the users of other networks via the free-of-charge web applications (Google Talk, BlackBerry® Messenger, Live Messenger, Yahoo Messenger, Facebook, etc.). With the help of the BlackBerry® PDA, users can be in touch with their friends wherever and whenever.

ORTO BERI



Due to the increasing number of free-of-charge applications, instant messaging, push e-mail, constant internet access and web communities, the BlackBerry® service is increasingly more suitable also for the young who are keen web users. Si.mobil is the first mobile operator offering special price plan for the young, which also includes data transfer.



SUBSCRIBERS

BUSINESS OFFER

We strive towards offering our business customers the most useful mobile telephony services. We bring them complete communication solutions through our range of business products and services. We treat business customers individually, providing them guidance through our key account managers, responsible for each individual company.

Business Smart Package

Poslovni Smart (Business Smart) package presents a sound choice for entrepreneurs who want to make the most of their money. The key characteristics of the package are lower prices of calls and SMS/MMS messages, as well as a dropping subscription price with the rising number of subscriptions.



We adapt our offer to companies' needs.

We offer our business customers:

- additional services at no extra charge (Si.asistent (Si.assistant), voice mail, call holding, call forwarding, call waiting, call barring, caller identity barring),
- additional services (Mobile Internet Options, fax number, select your number, two SIM cards – one number),
- extended offering of new mobile phones,
- the option of favorable roaming with partner operators all over the world,
- data transfer in partner networks abroad,
- MMS services at competitive prices,
- additional services connected with the Vodafone group (Vodafone WORLD – lower and more transparent roaming prices all over the world), The Vodafone Mobile Connect Express card, the Vodafone Mobile Connect USB modem, BlackBerry® from Vodafone and the portal Vodafone live!),
- The Si.mobil VPN service connecting users into a private business network. Members of the VPN business network can make calls using short phone numbers at extremely low prices in Slovenia.

Business Mix Package

Business Mix is a prepaid package for business users. It is perfect for companies that want to give their employees a mobile phone, while at the same time maintain control of their expenses. Companies can also set the bonus amount for each user to be automatically charged every month. Along with automatic topping-up users can also top-up their accounts with HALO vouchers.

Broadband Mobile Internet

The **Mobile Internet Unlimited** packet and option provide business customers with unlimited data transfer through a data card VMCC Express, Vodafone Connect USB modem or BlackBerry® from Vodafone smartphone.

International Roaming

Si.mobil business customers can roam at attractive prices in numerous countries all over the world. Si.mobil is a part of the largest mobile operator group in Central and Eastern Europe, the mobilkom austria group, and also has a partnership with world's leading mobile telecommunications company Vodafone.

In cooperation with Vodafone we offer the transparent basic **Vodafone WORLD** tariff. The tariff covers 115 countries, divided into five Vodafone WORLD areas. It includes cheaper calls from partner networks, comparing with other networks within the same Vodafone WORLD area, as well as a control over expenses due to transparency.

Besides the basic tariff the business customers can select the option **Smart Tujina 30** (Smart Abroad 30), which provides the lowest call prices in European Union countries, Croatia, Bosnia and Herzegovina and Switzerland – the most frequented countries by our business users.

Those business customers who frequently use data services in Europe can select the **Eurodata** option, which provides the cheapest data transfer in Europe. BlackBerry® users who use e-mail services also abroad can select one of the two **BlackBerry Tujina (BlackBerry Abroad)** options, which include 3 MB or 10 MB data abroad.



PREPAID USERS

HALO PACKAGES

Si.mobil provides its prepaid offer in the form of HALO prepaid packages. Users decide for the prepaid offer above all because of simple use, the possibility of an immediate phone number activation, monitoring usage and transparency, no monthly bills or subscription and anonymity.

Si.mobil users can choose between two price plans:

- HALO SIM includes only a SIM card without a phone,
- while HALO price plan includes also a mobile phone.

HALO users can choose between two tariffs:

- The HALO Smart price plan is suitable for those who make a lot of on-net calls.
- If the user makes more calls to other mobile and fixed networks and sends a lot of SMS messages, the HALO SMS price plans is more appropriate for them. The HALO SMS price plan users can make calls to other networks at a unified price and send SMS messages at a more affordable price.

Switching between tariffs is simple. The user changes the tariff by sending an SMS message with the appropriate key word or calling the free telephone number and following the answerphone instructions.

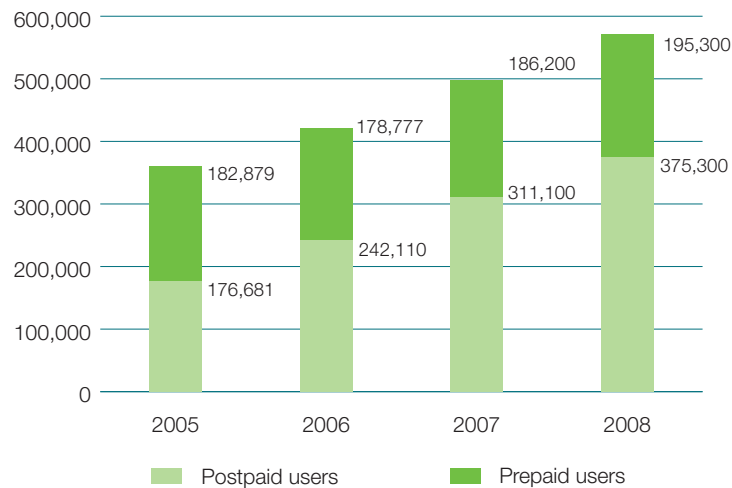
At the end of 2008, Si.mobil prepared a special Christmas offer for all new HALO users. All who bought a HALO package during the special offer campaign received a 100 percent reimbursement of the acquisition price in the form of a one-year monthly bonus on services. The special offer applied to HALO packages with a phone as well as the HALO SIM packages without a phone.



At the end of 2008, Si.mobil had 195,300 prepaid users, representing a 35 percent share among Si.mobil users.

In addition to the basic call services, the HALO price plans offer users also additional services, such as monthly bonuses in the framework of the HALO Bonus Club, free-of-charge SMS messages when topping up one's account with 10 EUR or 20 EUR, the possibility of choosing the call tariff, access to the portal Vodafone live! and numerous others (online account top-up, sending MMS messages, voicemail, missed call SMS notification, Mobile Internet service, possibility of making calls abroad).

THE NUMBER OF SI.MOBIL'S PREPAID USERS IN YEARS 2005 - 2008



The share of prepaid price plans users has been decreasing. At the end of 2008, the share of prepaid users among Si.mobil users was less than 35 percent.



DATA SERVICES

MOBILE INTERNET

The essential new feature that Si.mobil presented to the users in 2008 was a substantial reduction in the prices of the Mobile Internet service in on-net usage as well as in the case of roaming in foreign networks. Mobile internet thus became more accessible to the users.

Today's society is becoming increasingly more mobile and strives towards efficiency. This is why the need of individuals for constant communication, downloading music, sharing photos and constant e-mail and World Wide Web access is also growing. For the user, mobile internet means freedom, since they can get rid of the fixed internet access. They can access the digital world simply and securely wherever and whenever.

In comparison to the lengthy process of setting up a fixed connection, mobile internet access is simple and quick. Only a few minutes can separate the purchase and enabled use of mobile internet.

Mobile internet use in Slovenia is on the increase. Despite this, the degree of its presence in Slovenia is still relatively small in comparison to the West European countries. The causes for this can be found especially in the limited offer in the market, high prices of mobile internet and poor equipment distribution. In 2008 Si.mobil offered package with unlimited data transfer – Unlimited Package.

Mobile Internet Packages and Options

Si.mobil offers its residential and business users quick and quality internet access. This was confirmed, among other things, by an independent research – the **Mobile Networks Test** – conducted by a German company P3 Solution and Connect magazine.

According to their needs, Si.mobil users can choose among various mobile internet packages and options. **Mobile Internet Packages** represent an independent offer that includes a SIM card, ensuring that the use of the mobile phone is not disturbed while browsing the internet. **Mobile Internet Options** enable the call price plan users to choose data transfer as an additional service with their existing SIM card and thus access the Internet via their own phone. The condition on signing up for Mobile Internet Options is a signed subscription contract. USB modems or data cards enable broadband connection.

Mobile Internet Packages and Options in Si.mobil's offer:

- The **Mobile Internet Unlimited** Package or Option includes unlimited data transfer in Slovenia and is therefore suitable for users who are constantly on the go, very often access the Internet and want to constantly check their e-mail. It is highly suitable also for users who do not have fixed internet access. Since the monthly subscription to the Unlimited Package/Option includes an unlimited amount of data transfer,

the costs are completely foreseeable for the subscriber.

- The **Mobile Internet Plus** Package or Option includes 10 GB of transferred data and is designed for more demanding mobile internet and business applications users, who access data at home or on the go, via a desktop computer or a laptop.
- The **Mobile Internet Basic** Package or Option includes up to 100 MB of transferred data, which satisfies the needs of those who want to check their e-mail and the most essential web pages via their laptop.
- The **Mobile Internet Start** Option includes up to 10 MB of transferred data and is designed especially for using the portal Vodafone live! and visiting other web pages on the mobile phone.
- **General transfer.** The users that rarely use mobile internet can do this without an option or package and are charged according to the unified tariff for general data transfer.

PROMOTION CAMPAIGN FOR UNLIMITED PACKAGE



Si.mobil was the first mobile operator in Slovenia to offer the Unlimited Package with unlimited data transfer. With a monthly subscription of 19 EUR, this package is more affordable than the majority of packages in the offer of fixed internet access. The promotional campaign for the Unlimited Package was accompanied by the possibility of a 15-day free-of-charge trial.



DATA SERVICES

PREVIOUS AND NEW PACKAGES/OPTIONS IN SI.MOBIL'S MOBILE INTERNET OFFER



In the spring of 2008, Si.mobil overhauled its offer of Mobile Internet Packages and Options. With a substantial reduction of prices to 54 percent, Si.mobil overcame the greatest obstacle preventing the spread of mobile internet among users – high price of data transfer.



VODAFONE LIVE!

Vodafone live! is a mobile multimedia portal, which provides Si.mobil users with simple and quick access to the world of mobile internet. Using the portal is becoming increasingly similar to the personal computer experience. It is easy to use, and its four content specific tabs provide quick access to the content of user's choice: current or entertaining information, games, music, e-mail, online communities or chats.



Entering point into the world of entertainment and information with mobile phone.

We completely revamped the portal Vodafone live! in 2007. In 2008 we included the following new additions:

- **Facebook.** We provided our users with easy and quick access to Facebook, a popular social network. Vodafone live! users can change their status, comment on other users' statuses, make friends, upload and view photos, send and read messages.
- **Updated access to mobile internet.** In order to present mobile internet to our users the best way possible, we updated the fourth tab of the portal Vodafone live! in 2008, where our users can access the internet. We added direct access to the most popular internet links and made the access to the Si.web mobile search engine more visible.
- **EURO 2008 and UEFA 2008 subpage.** Football lovers can go to the Sports category to keep up-to-date with the scores and schedules of the EURO 2008 and the UEFA championship. Aside from that, the subpage features profiles of the national team members, stadiums (EURO 2008) and football club members (UEFA 2008). During the 2008 UEFA Cup competition, users could subscribe to SMS/MMS messages informing them of the scores. Video footage of goals was also available.
- **The erotic portal gets revamped.** In 2008, we revamped the erotic portal. The existing adult content was upgraded with promotional modules for making the most attractive content more visible. We also enabled our users faster access to the content and improved the picture galleries. We offered quick keyword SMS access. The main new additions are the erotic cinema and the possibility to see entire erotic films on your phone. Due to the nature of the content we pay special attention to controlling access to the portal.

MUZIQ Portal

Si.mobil users can use the portal Vodafone live! to access the MUZIQ portal, which we introduced at the end of 2008. Si.mobil, in association with the biggest foreign and Slovenian record labels, uses the MUZIQ portal to present a wide array of currently popular music and video content. Si.mobil was the first in Slovenia to offer its users complete ringtones with double transfer. A user can now download complete ringtones onto his personal computer and mobile phone and only pay once.

Users can go to the portal and in a very simple way browse through and shop for different music content, which ranges from polyphonic ringtones, real ringtones, complete ringtones, foreplays, video content to performer-themed backgrounds. The ringtones are divided into several categories on the portal, which enables the users to browse through them more quickly. Users can browse through content by albums, artists, individual ringtones, video content and background featuring their favorite stars.

Users can access the MUZIQ portal not only via the portal Vodafone live! but also by visiting the muziq.simobil.si web site. Quick SMS access by sending the keyword 'V MUZIQ' to 1919 is also possible.



ADVANCED SERVICES

SI.NAVIGATOR

In 2007, Si.mobil first presented its mobile navigation service Si.navigators. The service is based on the GPS (Global Positioning System), which is used in standard navigation devices.

With the rise in phones with a built-in GPS navigation system, there has also been a rise in the use of mobile navigation services.

The Si.navigators service has been expanded by two new services that enable the user easier route planning. These are [Spletni Si.navigators \(Web Si.navigators\)](#) and following [Google Earth](#). The Web Si.navigators complements the Si.navigators service. It enables searching for locations, editing and saving routes on the internet and synchronization of information with a mobile phone.



Si.navigators turns your mobile phone into a navigation device.

The reasons for a greater user interest in mobile navigation services can be found in:

- simple and immediate use of the service,
- up-to-date maps,
- fast application operation and map upload,
- simple route planning since the system automatically detects changes of the set course, and adapts to the new route,
- additional information on the way provided by the service.

HOW DOES THE SI.NAVIGATORS SERVICE WORK?



The mobile phone with built-in GPS navigation system establishes the connection to the server containing the maps. The map with the user's location is then downloaded to the mobile phone and the system starts guiding the user to their destination with the use of voice and graphic instructions.



ADVANCED SERVICES

SI.MOST

Technology development in mobile telephony offers increasingly more services and practically unlimited possibilities for various ways of providing information, marketing and building customer loyalty. Under the Si.most brand, Si.mobil offers a cluster of mobile services that make it easier to access target groups and enable efficient and direct communication with them via the mobile phone.

What is special about the mobile phone as a medium is its immediacy, since it is with the user always and everywhere.

In 2008 we upgraded turnkey solutions, enabling customers to have the solution available immediately. We developed the new **Web interface** application for monitoring user responses. The analyses of these responses present a basis on which customers can more successfully build the success of their marketing campaigns and have clearer focus.






Si.most offers direct, transparent and secure communications with clients.

We first presented Si.most to companies and organizations in 2007. At the time, it included the following services: Glasnik (Messenger), Glasovanje (Voting) and Donator. In 2008, we expanded the range of services. Si.most includes:

- Enosmerni glasnik (One-way Messenger)
- Dvosmerni glasnik – ključna beseda (Two-way Messenger – Key Word)
- Dvosmerni glasnik – samostojna številka (Two-way Messenger – Independent Number)
- Si.nakup (Si.purchase)
- Glasovanje (Voting)
- Donacija (Donation)

MOBILE SERVICES UNDER SI.MOST BRAND

ONE-WAY MESSENGER	TWO-WAY MESSENGER – KEY WORD	TWO-WAY MESSENGER – INDEPENDENT NUMBER	SI.PURCHASE	VOTING	DONATION
Say it to everyone at once!	When the key word triggers a response!	Let many know your number!	Make shopping easier!	Every vote counts (for you)!	Help never comes by itself!
SMS notification and advertising	Leasing key words for promotional games, quizzes, chat rooms, surveys, voting and sale	Recognizability in the market with one's own number	Shopping online or by an SMS message independently of bank or credit cards	Casting votes	Collecting charity contributions with SMS messages
 turnkey solution				 turnkey solution	 turnkey solution

Si.most was extended to three new services in 2008. This wider portfolio of services allows us to better suit the needs of customers, because they have a better choice of services.



ADVANCED SERVICES

TELEMETRY

Customers' demands for remotely managing devices are increasing. Hence Si.mobil developed a special data package M2M-data, which enables direct communication between devices and applications.

It can be used by private and business customers, but the business world is showing a higher demand for this service. Machine to machine communication is conducted over the GPRS/UMTS network, the Circuit Switched Data protocol, SMS and MMS messages or a voice call. The M2M package can be used for managing and tracing vehicles, audio or video surveillance of buildings and for alarm devices, ATM machines, parking meters and POS terminals.



Because it is affordable and very handy the M2M service is extremely well received by business users.

Si.daljinec (Si.remote)

With the Si.daljinec (Si.remote) service users can remotely control business processes, objects and parking lots, manage machines and devices, and check temperatures in rooms even when they are not present. The Si.daljinec subscription package is based on telemetry and a special module with which a user can control up to two devices at a remote location with SMS messages.



CUSTOMER CARE

CALL CENTER AND BACK OFFICE

Most users find it difficult to follow the exceptional development of mobile services and the constant improving of their offer. This is why, at Si.mobil, we strive to bring the services closer to our users and provide them help with their use. We provide them with the Geslo (Password) service to securely manage their accounts.

Call Center

Here, the **quality advice** provided by our Call Center is crucial. In addition to the advisors in the Call Center, we also have a team of specialized technical experts who can help users with more demanding technical problems.

In 2008, the number of advisors in the Call Center ranged between 50 and 54. This number includes also the employees providing technical support.



Our advisors in the call center are available to our users 24 hours a day, every day in the year.

In addition to the standard trainings connected to the topics we deal with, we, in 2008, devoted special attention also to courses in rhetoric, resolving conflicts and individual work with advisors at the call centre. The success of such trainings is reflected in the exceptionally high user satisfaction index regarding the operation of Si.mobil's Call Center. In August, the user satisfaction index regarding the work of the Call Center was 93.4 percent, which is the highest value in the last two years. In 2007, the average user satisfaction index regarding the operation of the Call Center was 90.3, while in 2008 it amounted to 92.1.

We substantially improved the **working conditions** of Call Center employees. In May, we moved the Call Center to a new location, thus obtaining more room, a larger number of work posts and better equipment. The Call Center employees also received a state-of-the-art classroom and a special room for relaxation. The move to the new location had an encouraging effect on the motivation of advisors in the Call Center, which is of exceptional importance in their care for an excellent user experience.

In 2008, we concentrated on the development of **automated communications channels** that do not demand any interaction between the user and the advisor in the Call Center. We offered new services on the interactive answering machine and raised the number of calls terminated on the automated answering machine by more than 20 percent. We shall continue the development of such activities also in 2009.

In order for our users to be better informed, we implemented the **QoS GEO** application. The application offers a geographical presentation of signal coverage and also of signal failure for every individual location in Slovenia. All advisors in the Call Center have access to the mentioned data, which ensures exceptional reliability and speed in providing information to users.

In order to establish the quality of information transfer from the Call Center to the user, we regularly conduct **quarterly user satisfaction surveys** regarding the Call Center. These surveys are the most important index of the quality of our work. At the same time, they help us determine the guidelines for planning trainings for advisors in the Call Center.

As in the past years, we continued with the education of our employees at the sales points and the Call Center. We thus develop and expand "our" knowledge and skills to the contact points, which leads to a better quality of customer relations and the solution of a larger number of complaints, already during the first contact between the user and Si.mobil staff.

Back Office

The Back Office provides help to the Call Center and the sales persons in their dealings with user complaints, requests and demands. We strive to consider each customer individually, to the greatest extent possible. With most positively resolved complaints, we offered the users additional bonuses in the form of a small gift or suitable discount.

With numerous system optimizations, we facilitated the work of advisors at the Business Support Department and the Pre-paid and Post-paid Residential Users Department. We thus achieved a greater flexibility of the sales staff and greater user satisfaction.

At the complaints department, we introduced the so-called concept of **value added complaints resolution**. This is an individual approach to customers, giving them our in-depth, broad and devoted attention. When we decide in favor of the complaint, we want not merely to compensate the customer for their expenses, but also offer them additional benefits or non-material services. A perfected and quality customer service has positive effects on the customer as well as the employees. The customers are satisfied and loyal, while the employees are more motivated since they see themselves as advisors and not merely as persons who routinely resolve cases. Value added complaints resolution encourages creativity, self-motivation and commitment of employees.



CUSTOMER CARE

Si.asistent (Si.assistant)

To help our users, we opened an access point **Si.asistent**. With this service, the users themselves can manage their price plan in a simple way. Si.asistent is a secure and user-friendly service that offers an online overview of current use, call specifications and bill archive. With Si.asistent, the users can, among other things, switch their price plan, pay bills, file complaints and review their use.

E-bill

We offer Si.mobil users the possibility to decide on receiving their bill in electronic form and not on paper. The users receive the electronically signed **e-bill** free of charge as an attachment to their chosen e-mail address. The e-bill looks exactly the same as its printed counterpart, but for the call specification, which is visually adapted to electronic form. The use of e-bill is simple also for business users since they can transfer the e-bill into the company's business systems. If the user wishes, we can send them an SMS message notifying them of the sent e-bill.



MARKET ENVIRONMENT

The number of active users of mobile telephony in Slovenia keeps growing and has overreached 100 percent at the end of 2008. This indicates that just like in the majority of EU member states the mobile telephony market in Slovenia is saturated.

In 2008, the number of mobile operators increased by another provider – T-2. So in the end of 2008, users could choose among five providers of GSM services and four providers of UMTS services. Amis also announced it would enter the market in 2009.

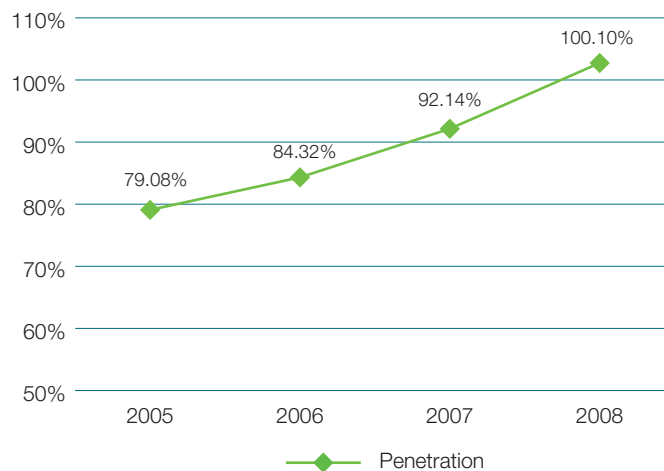
The European market of mobile telephony was also marked by the European Commission's efforts to regulate the rates of mobile roaming. The trend of lowering the prices of voice and SMS/MMS services as well as mobile internet will likely continue until 2010.



In the end of 2008, Si.mobil had 570,600 users and a 27.7 percent market share.

Because of the large number of mobile services providers and the saturation of the market, the growth of the number of users depends on users switching their mobile operators. Despite market saturation and entering of three new mobile telephony providers in the Slovenian market, Si.mobil's market share is constantly growing. Thanks to Si.mobil's targeted marketing strategy, the number of Si.mobil's users grew by almost 15 percent in 2008 (from 497,300 users in 2007 to 570,600 in 2008) and its market share increased by 0.81 percentage points.

PENETRATION OF MOBILE TELEPHONY USERS IN YEARS 2005 - 2008



According to the information of Post and Electronic Communications Agency the number of mobile phone users in Slovenia has exceeded 100 percent of the population.



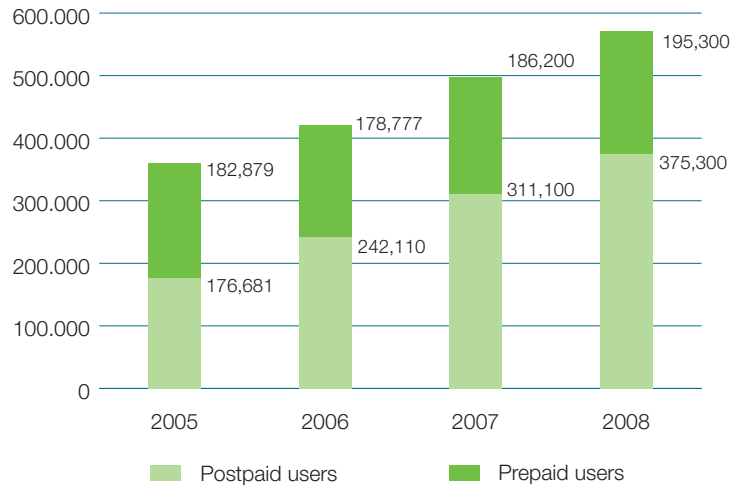
CUSTOMER CARE / SALES

MOBILE PENETRATION IN THE EU FOR THE THIRD QUARTER OF 2008



In spite of the high level of user penetration Slovenia still ranks low in comparison with other EU member countries. The average level of mobile penetration in the EU amounts to 120 percent.

THE GROWTH OF THE NUMBER OF SI.MOBIL'S USERS

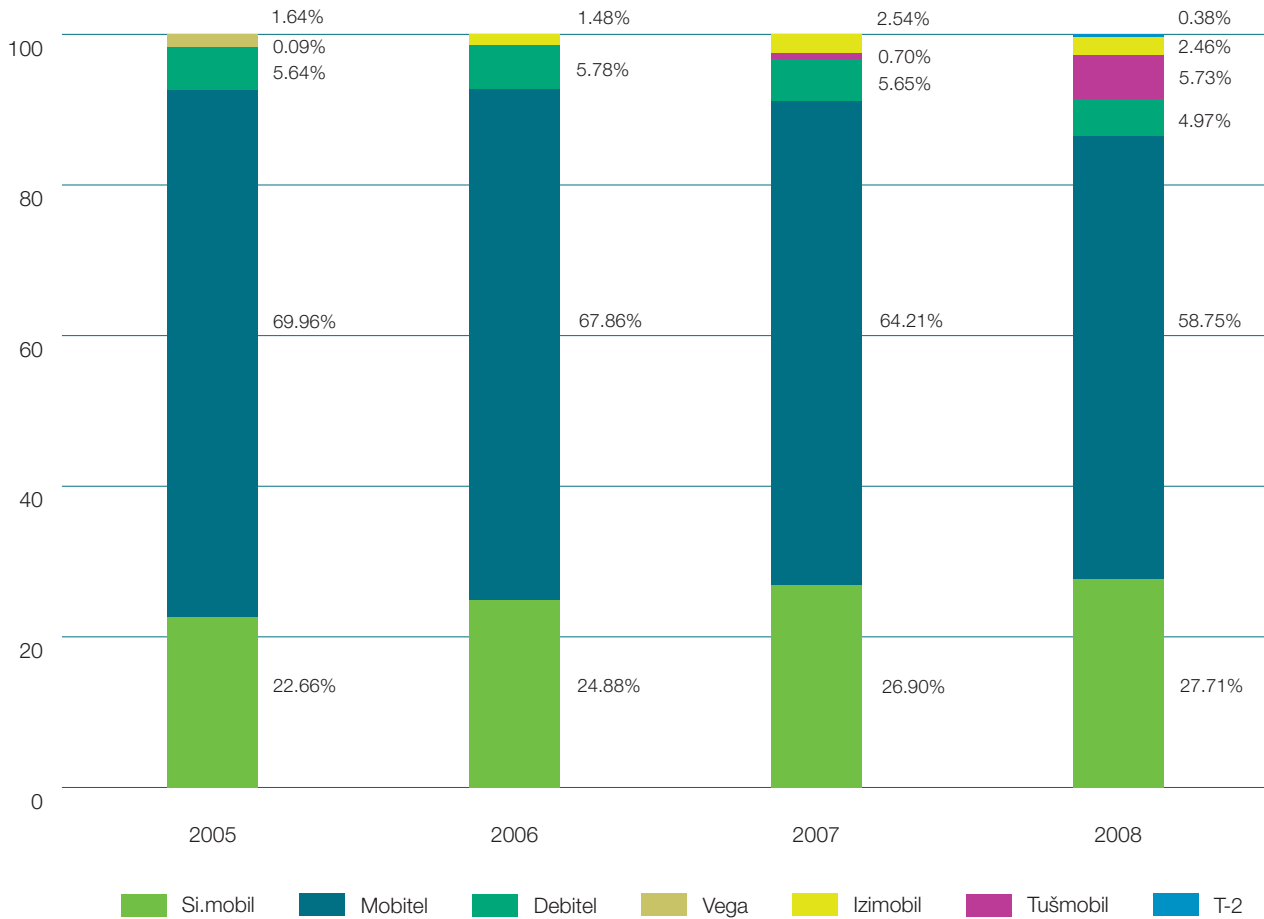


We retain the trend of new users' growth mostly by attracting new subscribers. In 2008, the number of subscribers increased by 20.6 percent compared to 2007.



CUSTOMER CARE / SALES

MARKET SHARES ON THE MOBILE TELEPHONY MARKET IN YEARS 2005 - 2008



Mobitel had a 58.75 percent market share in the end of 2008. Si.mobil was second with a 27.71 percent share. They were followed by Tušmobil (5.73 percent), Debitel (4.97 percent), Izimobil (2.46 percent) and T-2 (0.38 percent).



SALES NETWORK

We market our services through a broad network of our own sales centers and authorized retailers. Sales points are one of the most important meeting points of the user and Si.mobil. This is why, in 2008, we began renovating our sales centers according to our Re.think environmental orientation and started unifying the interior design and service quality of our authorized retailers.

In November, we opened the first sale center whose design is in line with our commitment to reduce our impact on the environment. The renovated sales center in Maribor is an example of a contemporary, user and environment friendly store, combining ecology and technology. The sales center operations are almost paperless. The whole offer of mobile phones and accessories is displayed on LCD screens. LED lights that substantially lower the consumption of electrical energy in the store replaced the former fluorescent lighting. The store will save approximately 50 percent of electrical energy, thus emitting 6 tons of carbon dioxide less. In addition to this, in November, we set up recycle bins in the Maribor store and other Si.mobil sales centers, so that users can safely discard their old telephones and batteries. The Maribor store is also the first sales center where, as an authorized Apple retailer, Si.mobil offers their products in a special Apple corner.

Slovenije branch offices. In 2009, we intend to expand our e-vouchers network also to other sales points (authorized retailers and M mobil sales points, Spar, Tobačna-3DVA and Delo Prodaja). Users can purchase e-vouchers at Si.mobil sales points, whereby they can select the desired amount of credit between 0.1 EUR and 100 EUR.

In order to make a step towards a paperless business we plan to introduce digital signatures for contracts in 2009. This way printing of contracts will no longer be required, but will be saved only in the digital format instead.



We opened the first environment friendly store in Maribor.

At the end of 2008, we had 115 authorized sales points. Within a year, we plan to open approximately 20 more, especially in areas where we are less present (Savinjska region, Koroška, Prekmurje). In 2009, we will renovate approximately 80 authorized sales points, strictly following the concept of unifying the design and service quality.

At the end of 2008, we set up the B2B portal intended for our intermediaries. The portal enables electronic ordering of goods via the system and the current stock of articles in warehouses.

In all our sales centers and select authorized retailers, we offered our users the Copy Service (CelleBrite), with which we enable the copying of data from a mobile phone and SIM card to a new mobile phone or SIM card. The system is quick and simple since the transfer of such data is no longer manual. The service is free of charge for new users and the ones extending their subscription contract.

In 2009, we will upgrade our services at the sales points themselves. At our own stores and authorized sales centers we will set up 20 terminals for settling monthly bills without provision. Currently, our prepaid users can buy our e-vouchers at all VAT machines, all Petrol gas stations and at Pošta

RENOVATED STORE IN MARIBOR



Our currently most state-of-the-art store combines ecology and technology which is reflected in the interior made from natural unvarnished wood and glass. The use of LED technology gives the store a colorful sublighting tone since it enables the change of color in the room, thus influencing the atmosphere in the store.



DEVELOPMENT OF SERVICES

We develop services with the sole purpose of satisfying the users' needs. Understanding their lifestyle and the constant following of their habits are the keys to success. This is why Si.mobil tries to understand the users and offer them the solutions they actually need.

Si.mobil's offer is not limited to voice and data services, but expands to the field of information, navigation and entertainment services, according to market demands. An important factor in conceiving the products is their relevancy for the consumer and the best possible user experience. When creating services and products we build on the values of our new brand: professionalism, customer is the king and value for money. The (prepaid and postpaid) tariff models and ways of accessing data via the mobile phone, as well as the rich selection of mobile phones, are conceived for every need and every purse. In order to make it easier for the user to monitor their usage and change the elements of their postpaid price plan, Si.mobil developed the Si.asistent web service.

access to target groups and especially direct communication with them.

Due to the lower development potential, the prepaid market has not been part of our strategic focus for some time. We see the development of this segment by the selection of mobile phones and the creation of services that facilitate the management of the prepaid price plan (HALO Top-Up and HALO SMS).



We want to offer users
the most for their money.

We develop services by following the trends in the telecommunications industry, using the advantages provided by the exchange of technologies and knowledge within the mobilkom austria group, our owner, and the partnership with Vodafone. The partnership with Vodafone brought Si.mobil vast possibilities of roaming in international networks and the use of advanced Vodafone services and its exclusive offers (EuroCall, DataCall, portal Vodafone live!, BlackBerry® from Vodafone, Vodafone Mobile Connect).

Focusing on the young, Si.mobil developed the ORTO subbrand, which comprises products and services in the field of tariffs (ORTO U NULO price plan) and also data transfer (ORTO BERI price plan) and entertainment contents (portal Vodafone live!). In the ORTO segment, we have turned to the development of products that enable socializing, creativity and convergence with other technologies. With the MUZIQ portal, which we launched on the market in December, we offered an integrated access to music contents. The ORTO BERI price plan with inclusive data transfer enables the young to access social networks and web communities, such as Facebook, YouTube and Flickr.

In developing products for residential and business users, we take into account their fast lifestyle and the lack of time. This is why we offer them end-to-end solutions that meet their communications needs in an optimal way. For companies, organizations and educational institutions mobile telephony is becoming an increasingly more important medium for reaching their target groups, as mobile phones bring new possibilities for notification, marketing and building customer loyalty. Si.mobil offers a cluster of mobile services Si.most, which enable easier



CARE FOR THE BRAND

Brands demand constant care and development to retain their value and competitive advantage. After five years of dual branding with the Si.mobil – Vodafone brand we decided in the summer of 2008 to return to our original Si.mobil brand. With the revamped brand we focused on the customers even more, which is also expressed through our new values: customer is king, professional approach and value for money.

In the last ten years the Slovenian mobile telephony market went through great changes. It went from monopoly to a competitive market and now to a saturated market. Mobile telephony user penetration has surpassed the 100 percent threshold. Hence the key differentiating advantage of mobile operators is the brand perception.

For Si.mobil revamping the brand was an opportunity:

- to harmonize the brand with the business strategy,
- to distinguish ourselves from the Si.mobil – Vodafone double branding. We wanted be present on the market as an independent brand with a clearly defined identity,
- to introduce our end-to-end socially responsible strategy Re.misli into the essence of the new brand,
- to even more integrate employees into the corporate organizational culture.

Before deciding to revamp the brand we conducted a survey of telecommunication service providers' brands : It showed that the Si.mobil brand is well accepted among Slovenian users. 79 percent of all people surveyed were able to spontaneously recall it. And only 9 percent of the people surveyed were able to spontaneously recall the Si.mobil – Vodafone brand. The results of the survey showed that in spite of the more current use of the Si.mobil – Vodafone brand, the company was better known under the Si.mobil brand.

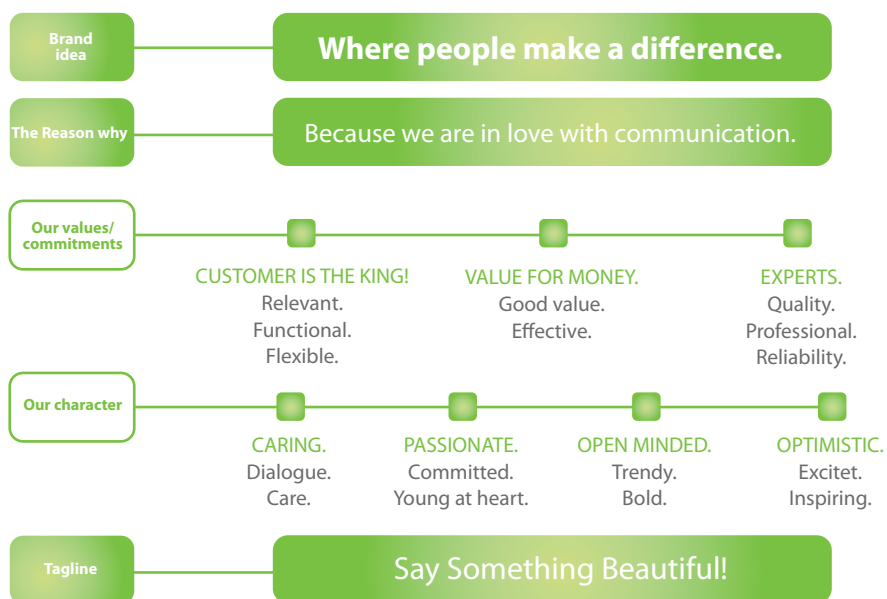


Only user oriented brands

will make it in the future.

We were aware that in fierce competition only the best brands will remain on the market, the brands that focus on the customer and are in line with the company's business strategy. After revamping the new brand should reflect our vision and our mission: we understand the customers' wishes, to offer them the right, high-quality solutions at optimal prices and a professional attitude.

THE ESSENCE OF THE NEW BRAND



¹ The survey was conducted by the research and planning company Aragon in February 2008 on behalf of Si.mobil. The research sample included 1,603 users of six mobile service providers: Si.mobil, Mobitel, Debitel, Izi mobil, Mmobil and Tušmobil.



CUSTOMER CARE / MARKETING

Si.mobil users also recognized the three values that are the essence of the new brand:

- Customer is the king: over 95 percent of Si.mobil users surveyed agreed with the statement that Si.mobil is meeting their demands.
- Value for money: 78 percent of Si.mobil users were of the opinion that Si.mobil offers the most for the price.
- Professional approach: 89 percent of Si.mobil users were of the opinion that Si.mobil is a professional communication service provider.



The new brand reflects optimism
and inspires with positive energy.

The revamped brand reflects what we are and what we offer our customers. With the new "Say Something Beautiful" tagline Si.mobil wants to affect the social environment in a positive way. The idea of the brand is that everybody, our customers and our employees, are first and foremost human beings with feelings and a heart. We infuse love to communication into our business, which is all about enabling communication. We want to first understand our customer and offer him or her high-quality services, which he or she actually needs, and all that at optimal prices. And we are careful, passionate, daring, open to changes and optimistic while doing that.

The rebranding is a big step for Si.mobil. Along with the new corporate image and the slogan the new brand also brought new values. If we wanted the brand to successfully enter the market, our employees were the first that had to understand it and live by it. Hence we focused a lot of attention to communicating the brand to our employees. In addition to a high level of technical infrastructure, highly proficient employees are the ones that give the brand its added value.

In spite of separating from Vodafone at the brand appearance level Si.mobil is maintaining its global character, continuing the partnership with Vodafone, the leading global operator. In cooperation with Vodafone Si.mobil will keep providing established global products and services, along with numerous international roaming advantages in the Slovene market.



CUSTOMER CARE / MARKETING

COMMUNICATION WITH USERS

In the beginning of 2008, Si.mobil – Vodafone was recognized as a brand specialized for young people. Its nature arose especially from the campaigns and activities conducted in the spirit of the Orto Smart generation. This is why especially the members of the younger target generation identified with its boldness, openness and, at times, slight provocation. The nature of the brand did not cover somewhat older representatives of the Smart and business segment. This was an important element we took into consideration in the process of rebranding our brand in the summer of 2008.

Orto Smart, which was the most recognizable bearer of our communication until we changed the brand, was converted to the ORTO subbrand. We thus created room for maneuver within which we can communicate in a bold style perfectly suited to the young, without it influencing the main brand – Si.mobil. With the mentioned change, the Si.mobil brand thus got the opportunity to be presented as more responsible and mature. Not only through the tone and style of communication but also the expressiveness itself. A step towards to professionalism of the brand is also the communication of prestige and limited edition products.

We thus unified corporate and commercial values. The user has always been at the center of our attention, but in time we have also begun to pay attention to professionally following user's wishes and needs not only by offering a fair price, but also by offering them quality services and overall solutions.

ORTO Events

Žur z razlogom (Party With a Cause)

In August, Si.mobil organised the 5th Party With a Cause, which attracted a record number of visitors. Some 30,000 young partied at the Ljubljana Tivoli park together with the most popular Slovenian DJ Umek. At the same time, Party With a Cause took place in the Second Life virtual world, where Si.mobil opened a Slovenian welcome island on that day.

The main aim of this popular electronic music event is to promote SMS charity donations among the young. Also this year, Si.mobil donated the funds collected through SMS messages, the Vodafone live! portal and charity auction of Umek's record player to the Beli obroč (White Rig) organisation, which helps young victims of criminal offences.

Dan elektronike (Day of Electronic Music)

In May, DJ Umek organised under the sponsorship of Si.mobil for the second time in a row a 15-hour event of electronic music dubbed Dan elektronike (Day of Electronics). A particularity of this event is that it promotes commercially less known, however leading world names of the electronic music production.

DiscoNautica

Si.mobil is the main sponsor of the biggest electronic music festival in Slovenia, DiscoNautica. The two-day event, which took place for the third time in July 2008, is a point connecting young Slovenian DJs and renown world names of electronic music.

ORTO EVENTS

Subbrand ORTO uses music as the primary means of addressing the young, so Si.mobil traditionally organises and sponsors electronic music events in Slovenia.



Si kar si (You are what you are)

Si kar si (You are what you are) magazine is intended for our users. All our existing subscribers have it delivered to their home address, but it can also be found at Si.mobil's sales centers. The magazine serves to inform our users, strengthen their loyalty to Si.mobil and helps us develop a good relationship with them. In order to attract other users, we add it as a supplement to selected magazines that express a wish to become part of our community. The magazine is published twice a year, with the print run of 245,000 copies.

The magazine is divided into three thematic sections: in the informative part, we present the activities of Si.mobil and information on mobile phones and mobile telephony, the promotional part includes new offers, while the entertainment part is devoted to more easygoing and social contents.

In 2008, we made an essential leap and decided to search for synergy between the segments of Si.mobil's users. We therefore included in Si kar si, which was initially oriented towards ORTO users, also the contents interesting for the Smart segment.

The research we conducted among users in the summer of 2008 showed that the average user rate of the magazine's general appeal was 3.94 (on a scale from 1 to 5, where 1 means 'I do not like it' and 5 'I like it a lot'); that the users find the magazine attractive and consider its design appealing; the contents seem up-to-date, informative and easygoing.

Si.mobil in the Virtual World

In 2007, Si.mobil was the first Slovenian company to open its island in the **Second Life** virtual world, intended above all for socializing and fun. With the close interconnection between the actual and the virtual world, we want to offer users innovative experience in using mobile telephony.

In 2008, we continued our activities in the virtual world Second Life. Exactly one year after the presentation of the first Si.mobil virtual island, we opened the Slovenian Welcome Island in its proximity. As in the case of our first island, we opened the second island on the day Žur z razlogom (Party With a Cause) took place. The island is principally intended for new users, since it offers simple instructions in Slovenian about everything the user needs to begin its virtual life. Slovenia is one of the rare countries whose welcome island in Second Life operates in its national language. Slovenian users can register for Second Life in Slovenian, directly on www.ortoego.si.

In order to stress the connection between the real and the virtual world and encourage users to visit Second Life, we prepared a prize-winning contest in 2008. It took place in the virtual world, but the winners received their prizes in the real world. Si.mobil users can send free SMS messages from Si.mobil's virtual island to the real world.

USER'S MAGAZINE SI KAR SI



Si kar si magazine represents a direct communications channel with our users.

SI.MOBIL'S ISLAND IN SECOND LIFE VIRTUAL WORLD



Si.mobil's virtual community is growing by the day.



NETWORK

One of the essential tasks in customer care is also ensuring the greatest possible signal coverage and high network quality. This is why, in 2008, we continued to build new base stations and expand the existing network capacity. We strengthened the signal in the covered areas and also built some base stations in the yet uncovered parts of Slovenia.

GSM Network

GSM (Global System for Mobile Communications) is a network used for transferring voice and basic data packages, such as, for example, SMS messages.



From the very introduction of the 3G system, Si.mobil has been offering its users the latest HSDPA technology.

In 2008, we focused especially on increasing the strength and quality of the signal in the already covered areas constructing and included some of the base station in the yet uncovered parts of our territory. Si.mobil provides a 99.6 percent GSM signal coverage of Slovenian population.

UMTS Network

UMTS (Universal Mobile Telecommunication System) is a system of the third generation of mobile telecommunications (3G). It enables a significantly faster data transfer compared to the systems of the second generation GSM/GPRS (2G) and a more quality use of multimedia contents.

Our efforts to improve the UMTS signal coverage in 2008 were centered especially on additional coverage and the strengthening of the UMTS signal in two of the largest Slovenian cities, Ljubljana and Maribor. In addition, we built base stations in all larger Slovenian towns, which we will continue to do also in 2009. We currently provide UMTS signal coverage for Ljubljana, Maribor, Celje, Kranj, Jesenice, Škofja Loka, Murska Sobota, Koper, Slovenska Bistrica, Ptuj, Domžale, Kamnik, Mengeš, Novo Mesto, Krško, Postojna, Koper, Portorož, Izola, Nova Gorica, Velenje, Bled, Žalec, Radovljica, Prevalje, Šenčur, Medvode, Šoštanj, Nazarje and Vrhnika. Si.mobil provides a 53.3 percent UMTS signal coverage of the Slovenian population.

INVESTMENTS IN NETWORK (IN EUR)	2007	2008	DIFFERENCE 2008/2007	ASSET SHARE
Access network (base stations)	8,304,346.55	7,509,499.59	794,846.96	90.43%
Core network (exchanges with accompanying infrastructure)	3,042,241.02	2,713,152.77	329,088.25	89.18%
Transfer network (connections between base stations and exchange, and connections between exchanges)	2,566,740.66	2,533,908.85	32,831.81	98.72%
Total	13,913,328.23	12,756,561.21	1,156,767.02	91.69%

Investments in the network development are slowly decreasing as we have already reached good coverage. This is why, in 2008, we allocated 9 percent less resources for network construction and upgrades than the year before. In addition, we launched our own UMTS network in 2007, this is why a major part of resources was used in that period.



Network Expansion

We currently provide a 53.3 percent UMTS signal coverage of the population (data transfer speed up to 3.6 Mbit/s), a 90 percent EDGE signal coverage (data transfer speed up to 236 kbit/s) and a 99.6 percent GSM/GPRS signal coverage (data transfer speed up to 80 kbit/s). In 2009, we will continue to increase our capacities in Slovenian cities where we are already present with the third generation signal and expand the coverage also to other towns.

The research group tested the networks of three of the largest mobile telephony providers in Slovenia – Mobitel, Tušmobil and Si.mobil. The team conducted the measurements:

- across the whole of Slovenia,
- while stationary and while driving,
- separately for calls and data transfer.

Individual measurements were conducted for all operators simultaneously, but so as to avoid mutual interference. The 2G and 3G network selection was set to automatic, depending on signal coverage.

For calls, the group measured:

- the successfulness of establishing a connection,
- call interruption,
- time of connection.
- call quality.

For data transfer via the HTTP, IMAP and SMTP protocols the group measured:

- network quality while surfing the internet,
- receiving and sending e-mail.

It turned out that Slovenian operators came very close in the results of call measurements, Si.mobil being the best on motorways and roads outside settlements. In the measurements of data transfer via the IMAP protocol, Si.mobil had the best times and speeds. The results of Connect magazine's non-partial tests are in accordance also with our internal measurements.

Tests confirmed the correctness of our strategic approach to technical network development that takes into account, above all, the needs of users. We thus know that we are on the right path of ensuring an excellent user experience.

Connect magazine published the test conducted on Slovenian mobile networks in its October - November 2008 issue.



Investing into network development is one of our main tasks. We devoted the most attention to the development of a third generation network.

New base stations

By the end of 2008, we set up 50 GSM BTS base stations for the GSM network and 76 UMTS NodeB base stations for the UMTS/HSDPA network. The total number of Si.mobil's UMTS/HSDPA and GSM base stations thus increased to 173 and 605 respectively. In comparison to the previous year, we thus built 11 GSM and 21 UMTS base stations less.

Expansion of the existing network

We put in a lot of work on expanding the capacities of the connections to base stations. Throughout 2008, we thus continuously replaced and optimized the existing transfer equipment. We also carried out numerous expansions on 2G and 3G base stations. In 2008, we built 450 TRX capacity enlargement modules into the existing network.

Network Quality

The Slovene edition of the Connect magazine in cooperation with the German company P3 Solutions conducted measurements of Slovenian mobile network quality in the first half of July 2008. These are first commercial quality measurements whose results were intended for publication. The results showed that, compared to the networks of European mobile operators, Si.mobil network is of an above average quality.



Si.mobil achieved the best results in ensuring services on motorways and outside settlements and in transferring data via the IMAP protocol.

We make your deepest thoughts
see the light of day.
And breathe life into them.

Re.think



EMPLOYEES

EMPLOYEES DEVELOPMENT

In 2008, we paid a lot of attention to the development of our employees. We are convinced that investments into knowledge and development of employees are what pays off the most, since employees with their potentials are the ones contributing to Si.mobil's long-term growth.

It has been almost ten years since Si.mobil started its commercial operations as the first private mobile operator in Slovenia. In this time we have grown into a commercially successful and technologically developed company with a good mobile network and an excellent infrastructure. We would be unable to accomplish all this without highly motivated and adequately trained employees. We are aware of the importance of employees development, so:

- we follow the ambitions of our employees and help them in planning their careers,
- we direct them in developing their talents,
- we encourage an organisational culture that supports innovativeness and self-initiative of employees.

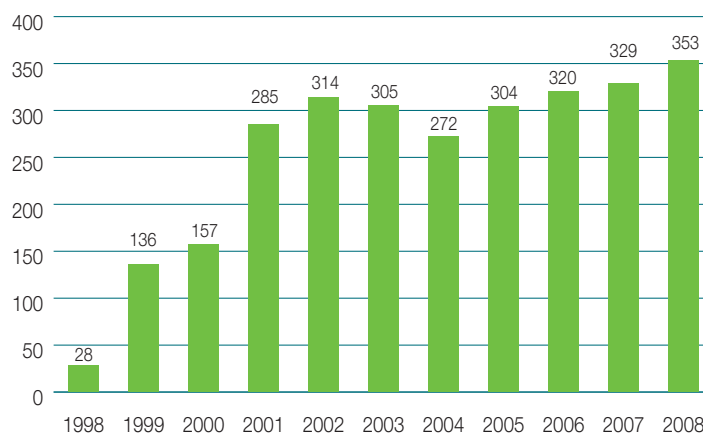
We regularly inform and educate our employees and take care of their wellbeing. We strive to make the job at Si.mobil not only a challenge but also a pleasant experience. And we are successful in our endeavours, as great loyalty to the company

is also demonstrated by a low fluctuation rate, which was slightly above 9.8 percent in 2008.

We are a proud owner of the **Family-Friendly Enterprise** certificate. We have adopted a number of measures with which we try to help employed parents to balance their jobs and families. Certificate **Reputable Employee** meanwhile shows that we are recognized as one of the most desirable choice among job seekers. This is very important to us because it shows that we were recognised as a company offering professional and personal growth to its employees by job seekers themselves. We were also shortlisted in the **Golden Thread** project, making it among top seven big Slovenian companies that had proven themselves as best employers in the country.

On 31 December 2008, Si.mobil employed 353 people, up 6.7 percent compared to the same time the year before. Currently we employ one foreigner, while two of our employees have been assigned to posts abroad for a longer period of time.

GROWTH OF THE NUMBER OF EMPLOYEES





EMPLOYEES

Education and Training

We are a young team, the average age of our employees being 33.85 years. The majority of our employees have secondary (48 percent) or high and higher education (42 percent). A bit under one third of our employees have university education, and almost 5 percent have obtained master's degree.

At Si.mobil, we systematically provide for our employees' development. Between January and end of December 2008 we carried out 2,178 days of training for all our employees, or 2.5 times more than the year before. This year, we signed a contract on funding their studies with five employees and currently we support 19 employees who are in the process of acquiring formal education. The employees can upgrade their knowledge also in international environment, since Si.mobil is part of the mobilkom austria group.

In 2008, we joined all trainings at the company under one roof of the **Human resources/People development office**. We followed the goal of unifying our trainings, especially in the Sales and Costumers Service Sector. With this unified training system of all employees who take care of our users and who are in direct contact with them we have achieved a unified and consistently good approach to users.

In the past years we have carried out intensive workshops for managerial workers on all levels. In 2009, we will turn towards practical, individual coaching programmes for directors and department heads. This way we attain a unified way of leadership and build a unified organisational culture.

Year 2008 was strongly marked by the launch of a **programme for the development of key workers**. The aim of the programme is to assure personal and career development of our best employees. In 2009, we will upgrade this programme with experience acquired so far.

The Human resources/People development office has developed several tools that help superiors in developing their workers. It is important that they know how to use these tools and offer the colleagues adequate and oriented development. In 2008 42 employees were promoted vertically and 146 horizontally following a salary increase.

EDUCATIONAL STRUCTURE	EDUCATION LEVEL	2005	2006	2007	2008
Primary school	I.	1	4	3	2
Primary school	II.	0	0	0	0
Two-year secondary school	III.	0	0	0	0
Three-year secondary school	IV.	22	23	22	20
Four-year secondary school	V.	146	151	161	167
Higher and high education	VI.	31	37	33	39
University degree	VII.	94	92	97	109
Master's degree	VIII.	10	12	13	16
Doctor's degree	IX.	0	1	0	0
Together		304	320	329	353



EMPLOYEES

Measuring Organisational Climate

We have been measuring the organisational climate and our employees' satisfaction since 2005, when we joined a project of researching and observing the organisational climate in Slovenian organisations, SiOK. This way we get a view of the characteristics of our work environment every year. Based on the results we determine strong and weak points of our organisational climate and adopt proposals for improving relations between employees, internal organisation, manner of management, motivation and initiative of the employees and knowing of mutual goals.

Because SiOK's questionnaires are identical for all companies, we can directly compare our organisational climate to that in other Slovenian firms included in the SiOK project, and organisational climate in companies from the telecommunications sector.

Results of the organisational climate measurement at Si.mobil for 2008 revealed that the average grade was high and stood at 3.88, which is:

- 0.45 point more than Si.mobil's average in 2007,
- 0.69 point higher than the Slovenian average in 2007,
- 0.22 point above the average in the telecommunications sector in 2008.

The survey has shown that employees at Si.mobil are very innovative, and carry a lot of initiative and motivation for personal and expert development. We are familiar with Si.mobil's mission and goals and feel loyal to the organisation. We are also satisfied with the running of the company and conditions for expert training.

SIOK	RESULTS SI.MOBIL 2008	DIFFERENCE SI.MOBIL 2008/ SI.MOBIL 2007	DIFFERENCE SI.MOBIL 2008/ SLOVENIAN AVERAGE 2007	DIFFERENCE SI.MOBIL 2008/ TELECOMMUNICATIONS 2008
Attitude towards quality	4.15	0.48	0.49	0.17
Inventiveness and initiative	4.14	0.37	0.63	0.19
Motivation and enthusiasm	4.11	0.54	0.71	0.16
Internal relations	4.06	0.52	0.82	0.4
Additional questions about systems	4	0.26	0.96	0.23
Familiarity with the mission, vision and goals	3.98	0.44	0.8	0.29
Loyalty to organisation	3.96	0.44	0.66	0.35
Leadership	3.92	0.38	0.7	0.12
Professional competence and learning	3.92	3.92	0.66	0.27
Structure	3.87	0.53	0.7	0.29
Internal communication and informing	3.8	0.42	0.85	0.28
Career development	3.34	0.61	0.61	0.11
Stimulations	3.17	0.36	0.55	0.08
Satisfaction	3.86	0.25	0.45	0.11
Average	3.88	0.45	0.69	0.22



EMPLOYEES

Care for Employees

Exercising social responsibility, which also includes care for employees, is one of the pillars of successful operations. Care for employees results in employees' greater loyalty to the company. Si.mobil practices its mission of being a caring and responsible employer in several ways:

- **Interviews.** All employees get a chance for a thorough interview with their superiors twice a year. Annual interviews present a base for setting goals, and more importantly, employees' personal and career development.
- **Promotions.** Employees have the chance for regular promotion every two years by up to two wage brackets. In addition to this, superiors have the chance to give proposals for granting extraordinary promotions for their workers. Promotions are a regular procedure carried out once a year.
- **Stimulations for good performance.** We are aware that material stimulations are also an important element in motivating the employees. Employees at Si.mobil have the chance to receive a yearly bonus in the amount of 12 percent of their gross yearly pay if they achieve the set goals. Employees and their superiors set the goals at yearly interviews, and check their realisation at least once during the year. Furthermore, they receive the highest amount of untaxed pay for annual leave determined by the law.
- **Additional training.** Besides internal and external trainings (workshops, seminars and courses) we also offer the possibility of financing or partly financing school fees. We encourage our employees to transfer knowledge, for which our internal instructors are responsible.
- **Care for safe old age.** We help our employees in providing for their social security in old age. Si.mobil pays monthly contributions in the amount of 1.8 percent of gross pay at the Prva pokojninska družba pension insurer for those who had opted to enter the collective supplementary pension insurance scheme.
- **Accident insurance.** Our employees are included in collective accident insurance at Slovenica.
- **Extra signs of attention.** Si.mobil's employees are entitled to free mobile phones and to be used free of charge for job related calls and calls to other numbers in Slovenia between 7 AM and 7 PM. They furthermore receive congratulatory notes at important moments in life, coupons at birth of their child, flu vaccination, New Year presents, promotion materials such as t-shirts, caps, umbrellas, etc., free coffee and fresh fruit, and are entitled to the use of company cars and parking places, and bicycles and scooters for business trips around Ljubljana, picnics and New Year's parties, and clear and open communication.
- **Family-Friendly Enterprise.** We have joined the Family-Friendly Company project, carried out by the Labour, Family and Social Affairs Ministry in cooperation with development partnership Young Mothers/Family-Friendly Employment. In May 2007, we were awarded basic certificate Family-Friendly Company.
- **Participation in various groups within the Enterprise.** Employees can express our skills and interests by actively participating in the Family-Friendly Enterprise group, Eco Team, or can search for possibilities for a more active life through activities offered by the Sports Group.

Family-Friendly Enterprise

Surveys show that at family-friendly companies the fluctuation of employees' decreases. Measures enabling easier balancing of professional and family lives are an elementary part of our organisational culture. We strive to create as family-friendly company as possible and to improve the wellbeing of our employees with every measure. In 2008, we had 36 newborns so today almost half of us are parents.

In the last three years 62 daddies went on their paternity leave:

- in 2006: 24 daddies (1,648 paternity leave hours),
- in 2007: 20 daddies (1,808 paternity leave hours),
- in 2008: 18 daddies (1,576 paternity leave hours).

We have adopted seven measures with which we wish to improve the organisation of work, so we would make it even easier for our employees to balance their professional and family lives:

- **Children time bonus.** Employees with children have an extra paid day off on the day their children enter the first grade of the school for the first time. Employees are entitled to an extra paid days off also if their children switch schools (on the first day in the new school up to the 4th grade of primary school). When children are getting used to pre-school care, parents have the possibility of flexible working time with shorter working hours for two weeks. The right applies to 14 days in a row, and employees compensate for shorter working hours in this period by working overtime.
- **Flexible breaks.** Because family sometimes brings obligations that cannot be postponed, we have enabled our employees to take off up to four hours a month at any time they require.
- **Reintegration into the working process after maternity or paternity leave.** Upon returning to work after a maternity or paternity leave we enable the employees to get included into the processes of training. Reintegration into the working process can be fully adjusted to the demands of the employee's profession. The employees have the chance to refresh their knowledge and skills, if requirements for their posts have changed during their absence.
- **Informing of employees.** In balancing family life and work we also help each other. We search for solutions and discuss typical problems faced by employed parent on the intranet. Furthermore, all employees have access to internal rules regulating the family-friendly company measures.
- **Training on family friendly employment policy for our management workers.** To make the company as family friendly as possible, special trainings on possible measures are organised for management workers on all levels. If managers are well informed, balancing of family and professional lives is easier and implementation of measures for a family-friendly company is more efficient.
- **Expert group tasked with harmonising the interests of the employees and the company.** An expert group supervises the implementation of all measures and looks for and crafts new solutions for better balancing of professional and family lives. It also deals will concrete problems that arise and for which appropriate measures have not been taken yet.



EMPLOYEES

Communication with Employees

Every organisation has many different target groups on which its success depends. There is however one target group present in all organisations – its employees. A company can operate efficiently only if there is synergy between the management and employees, if employees are familiar with the company's mission and vision and if they identify themselves with its values. That is why internal communication at Si.mobil is carefully planned.

It befits a telecommunications company to be good at communications and at Si.mobil we hold to this principle also in our internal interaction. Besides communicating through the intranet, weekly e-newsletter *Si.weekly* that all employees receive via e-mail every Friday is an important tool of internal communication. It informs the employees about novelties, new marketing or promotion actions, new acquisitions and activities of Si.mobil (new contracts on international roaming, new base stations). In *Si.weekly* employees are also informed about new colleagues, promotions and media reports on us. Four times a year we also issue an internal paper edited by a committee comprising representatives of all sectors – *Inside*. Articles for *Inside* are written by employees themselves, so this is a paper from people to people.

Depending on the importance and contents, employees are also informed about news through other e-reports that they receive before these are published in the media. Information about the company and its achievements is sent through *Corporate Communication Info* by Human resources/People development office, staffing information and information about employee development are distributed through the *HR Info* channel, while *Management Board Info* is used for communication between the management and employees. Si.mobil provides its employees with environmental and socially responsible issues via the *Re.think Info* e-mail.

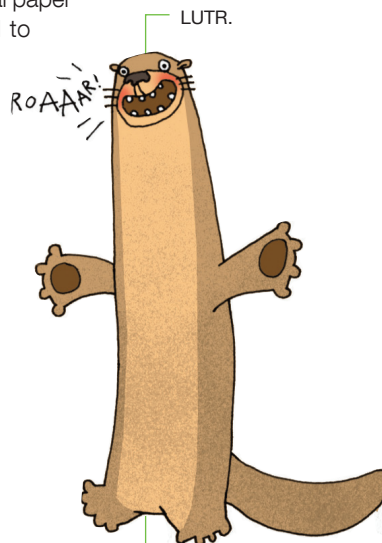
Employees who are absent for a longer period of time because of maternity/paternity or sick leave can also keep in contact with the company during this time. We send the *Inside* internal paper to their home address and *Si.weekly* can be e-mailed to their private e-mail address. This way employees can reintegrate in the working process faster and easier after their return.

At least three times a year we organise *regular gatherings* for the employees. We meet for the first time at the beginning of the year, when the management presents the operations of the previous year and plans for the new year. The second meeting is a picnic in the summer, and at the end of the year we hold a New Year's party. We organise special meetings for key players at Si.mobil who need additional and more in depth-information, usually three times a year.

An important supplement to communication within Si.mobil is communication within the *mobilkom austria* group. We are included in *groupnet* – the group's intranet, where we can find information on individual markets and operators included in the *mobilkom austria* group, information on the group's activities and various documents. We also receive e-newsletter *mag monthly*, which *mobilkom austria* distributes among the companies in the group every month. Once a year, the group organises a meeting of key people from the group, where participants discuss the group's development and future, strategy and direction.

Si.mobil also pays a lot of attention to our youngest, children of Si.mobil's employees. At a child's birth, every employee receives a card and we also present the parent with a coupon. Every December, we organise a celebration with Santa Claus for the children.

We included our youngest too in the *Re.think* story, which we launched in 2008, because we want to raise awareness about clean and healthy waters in Slovenia also among them. We have developed a special character for this purpose – *Lutr*. *Lutr* is a male otter, who was named after the Latin words for otter. Otters are one of the most endangered species in Slovenia, since they need clean waters and intact nature for their existence. *Lutr* will keep the children company in all our future environmental actions. *Lutr* was first presented to the children on invitations to a celebration with Santa Claus. Besides Santa Claus they also met *Lutr*.



We have developed the character of an otter called *Lutr*, for our employees' children. *Lutr* will accompany children at all Si.mobil's environmental activities.



CARE FOR ENVIRONMENT

2008 proved to be an extraordinary year for us, especially in the context of decreasing our effect on the environment. In January we started implementing our strategic environmental project called Re.misli (Re.think). Our goal is to become the most environment friendly telecommunications company and a synonym for clean and healthy waters in Slovenia in the coming years.

We named our comprehensive socially responsible stance **Re.think**. It is designed as responsible existence, where every individual and every act, however small, which contributes to a better quality of life, counts. It comes from the widely accepted Rethink (upgrade of the concept Reduce, Reuse and Recycle) concept, which encompasses environmental awareness and social responsibility of individuals as well as companies. We designed our business operations, communications and our new environmentally friendly offer in the spirit of a new economic paradigm, where the path is as important as the goal.



Re.think is an invitation to rethink.

We oriented the Re.think manifestation in the following few years towards decreasing our effect on the environment. Si.mobil wishes to become a green company. Not green with envy, but with green awareness. In order to do that we carried out a range of activities, where we started from within, from the core — our employees. We started carrying out the Re.think project within the company and in January we invited our employees to join us. At our Business conference, which took place in November in Portorož, we presented Re.think to the wider public for the first time. At the same time we launched a campaign for collecting used mobile phones, chargers and batteries in our stores.

In 2008 we started the procedure for establishing a fund, which we would use to carry out activities related to preservation of clean and healthy waters in Slovenia. We named it **Sklad Si.voda** (**Fund Si.water**).

In June 2008 Si.mobil became part of the **Klub Rituali — Eko pisarna** (Rituals Club — Eco Office), which was established by the Slovenian NGO called Umanotera.

Employees

The first and biggest phase of implementing the Re.misli philosophy was its implementation within the company. On 12 March we invited our colleagues to voluntarily join the in-house **Eco Team**. Our Eco Team invitation — a box made out of our old annual reports, a pot with soil and seeds where everyone could sow their own house grass — got the 2008 Odmev second place award for the best invitation. The award is given by

Planet GV. At the end of 2008, 16 percent of all Si.mobil employees were members of the Eco Team.

In accordance with our philosophy that in the context of care for the environment everyone should do their own bit, we carried out a thorough analysis of our effect on the environment. We prepared detailed tables and representatives of all the departments helped us collect data concerning the main building, stores, the warehouse and base stations. We included the results of the survey in our in-house report. Our carbon footprint is evident from the report, as well as where we affect the environment the most. We presented the results to our employees on the intranet and called on them to provide us with concrete suggestions on how to lessen our affect on the environment. In the future we will use the inventory as a basis for determining desired results, obtaining the ISO 14001 environmental certificate and report to our owner, mobilkom austria group.

We have developed the character of an otter called Lutr. for our employees' children. The otter (Lat. *Lutra Lutra*) is one of the most endangered animal species in Europe; it needs clean water and intact nature in order to survive. These are the values we strive to embody at Si.mobil. Lutr. will accompany children at all Si.mobil's environmental activities.

In our endeavours to protect the environment, we pay special attention to waters. On 22 March, World Water Day, we put up various stickers in our main building to remind us of the importance of conserving drinking water.

On 22 April, Earth Day, we set up eco areas for separating waste on every floor of our main building. On that same day, the members of the Eco Team carried out a cleaning drive around the main building. We will be organizing a cleaning drive every year from now.

We encourage our employees to ride bicycles or nonmotorized scooters instead of cars, so in May, when our call center was relocated, we provided five bicycles and 10 non-motorized scooters which have been at our employees' disposal since then. In the beginning of July we also set up a bike room. With Studio Moderna we agreed on a collaboration regarding the use and promotion of Big Fish folding bikes. We received ten folding bikes to be used by our stores free of charge for the following three years. All the bikes have a sticker, which says *One car less*.



In June, we prepared an energy-saving campaign in our main building. We put footstep stickers on our staircases and in front of lifts (My carbon footprint) and quotes reminding us of small steps and big changes. Our employees received a set of stickers that motivate us to reduce our consumption of electricity, which they could put on electronic equipment.

When we were replacing our promotional material because of Si.mobil's new corporate identity, we chose to work with contractors with environment friendly products, and we intend to continue that in the future.

We changed all the lighting in our Ljubljana store (Čopova ulica) in association with Philips and started using energy-saving light bulbs. With the new light bulbs, we will consume as up to 50 percent less electricity than before. That is also the amount of energy we will be saving at our first environment store in Maribor. The Maribor store is our first store where we fully exercised our commitment to decrease the effect we have on the environment. The store is almost entirely operating paperless. The offer of mobile phones and other offers are displayed on LCD monitors. The former fluorescent lighting was substituted with energy-saving LED lights, which lower the energy consumption at the store considerably.

Users

In November, we presented Re.think to our users. We started a recycling campaign for old phones, chargers and batteries at our Si.mobil stores. Everybody who came to recycle their equipment got an eco-chic gift — an organic cotton tote bag. We also shot a short documentary on the importance of recycling mobile phones and posted it on our website and on YouTube.

In November, our offer included environment friendly products for the first time — three solar and energy-saving chargers. We will keep upgrading our green offer in association with our suppliers.

In order to promote our environmental orientation, we designed a special guarantee sticker to be used on the selected devices and reminds buyers that the product was chosen as a result of environmental awareness. We designed a collection of small gifts for our users called Another Chance. They are all made out of recycled materials.

Environmental Certificate

In 2008, we started the procedure for obtaining the environmental certificate ISO 14001. Nine members of our in-house Eco Team volunteered to set up a system for obtaining the certificate and also obtained qualifications for assessing the certificate within the company.

The team did the following on seven training workshops in 2008:

- They developed our environmental policy.
- They made a list of areas crucial for decreasing our effect on the environment, and defined the associated criteria.
- They made a list of eco-friendly suppliers.
- They drew up the document called Environmental objectives and programs.
- They wrote the Rules of Procedure, which are available to all our employees.



SPONSORSHIPS

Strategic grounds for our sponsorship actions derive from business vision and values of the Si.mobil brand. Sponsorships from profound bonds with select target public or those whom we wish to reach with our services.

By sponsoring business events and conferences we turn to professionalism, maturity, seriousness and responsibility, thus opening the path towards the business public. We also support cultural festivals and training events for the young.

All sponsorships round off Si.mobil's vision of being a socially responsible company, strengthen the popularity of its brand and increase users' identification with it. In 2008, Si.mobil allocated 0.44 percent of total income for sponsorships.

Sponsorship of running events

Also in 2008, Si.mobil was a strong sponsor of running events, as running befits Si.mobil's philosophy: it is clean, relaxing and does not burden the environment. The size of Si.mobil's running team keeps growing. The close connection between Si.mobil and running is also demonstrated by our services that were designed exclusively for runners.

In 2008, Si.mobil sponsored the following runs:

- Three Hearts Marathon, Radenci,
- Mali maraton državnosti/ Half Marathon of Statehood, Celje,
- The Ultra Marathon Celje – Logarska dolina,
- The Ljubljana Marathon, Ljubljana.

Other Sponsorships

We also allocate part of our funds for sponsorship of cultural projects. In May, we supported the Druga godba world music festival, and in August we sponsored Days of Poetry and Wine in Medana, where we organised a competition in SMS poetry together with the Študentska založba publisher. Participants in the competition used mobile communications as means and conveyed their poetry as up to 150 signs long text messages.

Because the young are an important target group for us, we supported the Days of Curiosity festival also this year. The five-day event organised by the Maribor multimedia centre Kibla is intended for primary school children, secondary school pupils and students who are on the point of deciding about their professional path.



Si.mobil is a partner of the biggest running events in Slovenia.

Business Sponsorships

To increase our reputation in the business target group and strengthen relations with our business partners, Si.mobil also established a number of business sponsorships. By doing so, we increase our reputation among business executives and seek new business opportunities. Si.mobil sponsors:

- the Spring Meeting of the Manager Association,
- the IBM forum,
- the Young Executives Society (YES),
- Golf tournaments: IBM, AmCham, Diners, Golf Portorož,
- the Business Conference.

SMS POETRY AT THE DAYS OF POETRY AND WINE IN MEDANA

Glasujte za najboljšega Si.pesnika.

Posijite SMS z zaporedno številko izbrane pesmi na **040 66 11 33** in se pridružite igri za nagrade. Svoj glas lahko oddate od 26. 8. do 30. 8. 2008, do 19.00 ure. Najboljše Si.pesnike bomo razglasili in nagradili na zaključni prireditvi festivala Dnevi poezije in vina, v soboto 30. avgusta v Smartnem v Goriških Brdih.

Med vsemi, ki boste oddali svoj glas za najboljšo pesem bomo izžrebali tri srečneže, ki bodo prejeli **Si.mobilov darilni paket** (majica, kapa, blokec, obesek za ključke in svinčnik) ter **zbornik Medana 2008**.

Za najboljšo pesem lahko glasujete uporabniki kateregakoli mobilnega operaterja. V nagradni igri ne morejo sodelovati zaposleni v Študentski založbi in v Si.mobilu ter njihovi oči družinski člani. Več informacij o pravilih sodelovanja v nagradni igri je na voljo na spletni strani www.medana.org

www.simobil.si
Si.mobil, d.d. | Šmartnška cesta 134b | SI-1000 Ljubljana | 080 40 40 40



The winner of the 2008 SMS poetry competition Si.pesnik:
*Ne sekiraj se, (Don't worry)
če ti uide norost. (If madness escapes you.)
Saj pride druga. (You'll get another chance.)*



DONATIONS

Si.mobil has a clear focus on the environment in which it thrives and on the services it offers. One of our most important means of making donations is the SMS Donator, where Si.mobil waives all income of the service.

SMS Donations

In 2008, Si.mobil continued with its practice of the past years of cooperating with a number of charitable organizations and societies. With the free-of-charge SMS donation service, Si.mobil enables them to receive donations by way of users sending a certain key word to 1919. Si.mobil renounces all its profits from SMS messages. The single SMS donation can be set at 0.96 EUR or 1 EUR.



Si.mobil realizes its concern for the needs of the social environment in two ways:

- Free-of-charge SMS Donator,
- Direct donations.

List of charitable societies and organizations that Si.mobil provided its SMS donation service to in 2008:

Beli obroč Association

- Key word BELIOBROC for helping young victims of crimes.
- For the fifth year in a row Si.mobil has tried to raise awareness about the importance of helping others in the frame of Žur z razlogom (Party With a Cause) event. In addition to the 10,000 EUR it donated to the Beli obroč association at the event itself, it also organized an SMS Donation.

Unicef

- Key word UNICEF and UNICEFSPOT for Unicef aid programs.

Slovenian Red Cross

- Key word UJMA for helping people affected by a natural hazard in July (SMS costs 1 EUR).
- Key word ZIVLJENJE for blood tests to help patients who need a bone marrow transplantation.
- Key word PLAMEN for helping the victims of violence, abuse and torture.
- Key word ZDRAVJE for the campaign of raising funds for a new x-ray machine for the Slovenj Gradec hospital.
- Key word MORJE for helping children and older people from a socially weaker environment by sending 500 children and 100 older people on vacation to the Red Cross seaside resorts in Debeli rtič and Punat (on Krk island) (SMS costs 1 EUR).

Slovenska Karitas

- Key word KARITAS for Karitas aid programs.
- Key word UPANJE for helping families, children and older people.
- Key word ZVEZEK for the purchase of school requisites and AFRIKA for helping families in Africa.

Moste Polje Association of the Friends of Youth

- Key word TALENTI for equal opportunity for the development of the abilities and talents of children from economically threatened families.

Županov sklad (Mayor's Fund) and Benka Pulko

- Key word NARAVA for field trips for Slovenian children.
- Key word SOLNINA for the education of Tibetan girls in exile.

Institute for the Rehabilitation of Children

- Key word KROS for completing the building of a children's ward for the rehabilitation of children.

Red Noses Society

- Key word NOSKI for clown-doctors who brighten up the young patients' days in hospital.

University Medical Centre Ljubljana

- Key word CT for the purchase of a new CT machine.

Association of the Friends of Youth

- Key word AVTIZEM for an overall consideration of building a network for autistic children and their families.

Piters

- Key word PITERS for helping victims of family violence and gambling addicts.

Kralji ulic

- Key word BREZDOMCI for helping the homeless.

OZARA Society Slovenia

- Key word OZARA for the programs helping persons with psychical health problems.

Institution – Foundation to Help Children

- Key word POMOC for ill and poor Slovenian children.

Maribor Society for Prematurely Born Children

- Key word MALIBORCI for the purchase of a new respirator.

Institution for Helping Children with Cancer

- Key word FLORIS for children with cancer.

Mena Society – charity organization for helping women with incontinence and menopause problems

- Key word MENA for helping women with incontinence and menopause problems.

Institute for Blind and Partially Sighted Children

- Key word ZVEZDICA for helping blind and partially sighted children.



DONATIONS

Slovenian Association of the Friends of Youth in cooperation with KD Življenje

- Key word ZIRAFa for ZOO entrance fees for economically threatened families.

Joint campaign with the Val 202 radio station

- Key words: VAL1, VAL2, VAL3, VAL4 and VAL5. By voting for "the most popular person of the week" via an SMS message, the listeners of the Val 202 radio station at the same time donated EUR 1 to five charitable societies: Society for Helping People With Mental Disorders Barka, Society for a Quality Rehabilitation of Children in Slovenia KROS, Gorenjska Safe House, Society of Oncological Patients of Slovenia and Novo mesto Society for Voluntary Work Development.

Direct Donations

In addition to SMS donations, in 2008, Si.mobil also:

- co-financed the education of a young musician, Anja German, at the renowned Julliard School Of Music in New York,
- cooperated in the charity dinner A Night of 1,000 Dinners for the International Trust Fund for Demining and Mine Victims Assistance,
- made a donation at the charity concert of Eroika organized by the Red Cross.

We follow the current of
groundbreaking and transparent
business operations.
For results, which can hold water.

Si.mobil in numbers





MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

In 2008 Si.mobil re-evaluated its accomplishments so far and redesigned its identity, set course in a new direction and launched a new economic paradigm called Re.misli (Re.think). Following extensive market surveys and finding out how users perceive Si.mobil, we concluded in February that we need to change our brand identity and renew our operations. Users saw us mainly as youthful and playful and less as professional and reliable. And hence our new identity and values – some remaining the same and some are upgraded – are the key to our success. When our brand conveys that people are important to us, this means that we treat all equally well – colleagues and users. Users are given a professional approach, quality and value for money, which can only be achieved with dedicated people. This is why we have improved our activities in development and reformed the concept of education. All with the focus on users and the well-being of each of us.

Market demanded great adaptations and shifts. While investing in technical infrastructure we had to thread with thorough consideration and thoughtful planning. Our approach to excellence consists of offering services where users need them, while strengthening capacities and improving quality in areas, where there is a critical mass of users. Our quality was also recognized by an external independent expert institution.

Considering our users' needs we started to change our offer. Following the investments in the new infrastructure and the new offer, we launched a group of new ZAME (FOR ME) subscription packages. They were designed to suit all subscribers' needs.

		2008	2007
STATEMENT OF INCOME			
Total operating revenues	Mio EUR	197.65	186.72
Earnings, EBITDA	Mio EUR	61.47	54.66
EBIT	Mio EUR	43.67	33.83
Financial items, net	Mio EUR	-1.55	-2.68
Net Income	Mio EUR	32.07	25.42
BALANCE SHEET			
Total balance	Mio EUR	209.94	202.35
Tangible fixed assets	Mio EUR	71.77	66.20
Current assets	Mio EUR	85.43	77.92
Loans and liabilities	Mio EUR	110.46	135.02
Shareholder's equity	Mio EUR	90.1	58.03
KEY RATIOS			
EBITDA margin	%	31.1	29.3
Investments in fixed assets, net	Mio EUR	20.62	22.37
Average number of employees		344	324
Employees year end		353	329
Users, year end		570,600	497,300
Hereof contract subscribers		375,300	311,100



MANAGEMENT REPORT

Key indicators

Total operating revenues in 2008 have grown by 5.9% compared to 2007 reaching 197.65 million EUR. This increase is driven by an increase of revenues from sales of services to our customers (+24.5%) and one time effect on revenues, both compensating lower roaming revenues that were subject to EU regulation.

EBITDA reached 61.47 million EUR and is 12.5% higher compared to 2007. The positive development is attributable to the increased revenues and sustainable growth that resulted in stable opex comparing to previous year. Si.mobil ended the year with positive EBIT in amount of 43.67 million EUR (+29.1%). Net income was positive at 32.07 million EUR.

At the end of 2008 Si.mobil had 570,561 customers. In spite of challenging environment with aggressive competition and clearly saturated market resulting in penetration rate exceeding 100% for the first time in Slovenia, Si.mobil managed to increase market share by 0.8 percent point to 27.7% of the mobile communications market and therewith further securing position of the second largest mobile operator in Slovenia. Subscriber growth was realised on both segments, however significantly higher growth on contract customers (+20.6%) resulted in further increase of contract customer share in total customers. In 2008 it accounted for 65.8% of the total customer base. Other non financial indicators support positive trends from previous years also in 2008. Churn rate staid on previous year

level in spite of market pressures, which is result of both strong inflow of new customers as well as positive customer experience.

The average revenue per user (ARPU) grew by 3.4% with regard to the previous year, and is now at EUR 24.0. Taking in consideration market situation this clearly indicates positive shift in customer structure.

Si.mobil has shown growth on majority of non-financial indicators throughout 2008 resulting in financial results growing continuously in spite of significant market changes we are facing.

Overall, the financial development (according to Slovene Accounting Standards) is as follows in the table on page 52.

Ownership relations

There were no changes in shareholder structure of Si.mobil in 2008. Si.mobil remains in full ownership of mobilkom austria since 2006.

Through its owner, mobilkom austria, Si.mobil is a member of Telekom Austria AG. Telekom Austria AG is listed on the Vienna stock exchange. From 2006 leading reporting standards for the group are IFRS and Telekom Austria prepares its consolidated financial statements in accordance with these accounting and reporting principles. As a result, Si.mobil prepares financial

IN MIO EUR	TOTAL OPERATING REVENUES	EBITDA	EBIT	EARNINGS
Slovene Accounting Standards – 2008	197.65	61.47	43.67	32.07
Difference in treatment of subscriber acquisition costs – adjustment	0.00	-2.31	-2.31	-2.31
Difference in treatment of subscriber acquisition costs – reclassification	15.40	0.00	0.00	0.00
Deferred tax assets adjustment	0.00	0.00	0.00	1.72
Depreciation/amortization adjustment	0.00	0.00	-3.38	-3.38
Other adjustments	-3.06	-0.46	-0.35	-2.49
mobilkom austria IFRS guidelines 2008	209.99	58.70	37.63	25.61
mobilkom austria IFRS guidelines 2007	198.11	53.20	30.37	22.45

For more information on the mobilkom austria IFRS guidelines and application, we refer to the official annual report for 2008 published by the mobilkom austria group and available on www.mobilkom.at.



MANAGEMENT REPORT

information for group consolidation purpose in accordance with the accounting instructions and guidelines, internal to the group, which ultimately allow Telekom Austria AG to prepare its IFRS consolidated financial statements. These instructions and guidelines are also used in our management information system and for the purpose of planning and forecasting.

The financial information in the table on page 53 is an extract from our internal reporting package for 2008, which was prepared in accordance with the mobilkom austria IFRS Accounting Instructions.

New products and services

We marked 2008 with a new brand identity, which brings optimism and fresh energy to these unpredictable times. Through the "Say Something Beautiful" tag line Si.mobil aims to positively influence the social environment. From 6 June the company is represented by the independent brand, which is user oriented and conveys professionalism and value for money. Our values guide us at every step we make and are thoroughly connected to all our operations. Si.mobil remains a Vodafone partner and will keep providing Slovenian market with the established global products and services.

At the end of 2008, postpaid users represented a 65.8% share of Si.mobil users. This user segment is growing, having increased by 33.9% in the last three years. This is why a complete overhaul of the postpaid offer was of an exceptional strategic importance. Market research gave us an insight into the user habits of our customers, for we wished to know what our users need here and now. Research results gave us a solid empirical basis on which we built the development of products according to the actual user needs. In 2008, the former price plans – Smart I, Smart II and Smart III – were replaced by a new family of call price plans **enaZAME**, **triZAME** and **petZAME** and an overhauled **SMART** price plan. The new price plans have a simpler form and the call tariffs within a particular ZAME price plan are uniform, making it easier for the users to choose among the various price plans. They can autonomously create a community within which they can talk and send each other SMS messages for 0 EUR per minute.

Four years ago, understanding the values, wishes and lifestyle of the young led us to create a special communication adapted to the style and language of youngsters. We were convinced that the young deserve more than simply a generic service or offer. We developed **ORTO**. With constantly adapting the offer and tone of the communication with the target group, we managed to preserve a leading role among mobile operators in the segment of the young between 15 and 31 years of age. In opposition to the Si.mobil umbrella brand, the ORTO subbrand allows for a more easygoing and relaxed tone of communication with which we drew even closer to the segment of the young. In autumn 2008, we overhauled the ORTO offer, which now comprises products and services in the field of tariffs (ORTO U NULO price plan) as well as the field of data transfer (ORTO BERI price plan) and entertainment contents on the Vodafone live! portal.

Today's society is becoming increasingly more mobile and strives towards efficiency. This is why the need of individuals for constant communication, downloading music, sharing photos and constant e-mail and World Wide Web access is also growing. **For the user, mobile internet presents freedom**, since they can get rid of the fixed line internet access. They can access the digital world simply and securely wherever and whenever. Si.mobil offers its residential and business users quick and quality internet access. This was confirmed, among other things, by an independent research – the **Mobile Networks Test** – conducted by a German company P3 Solution and Connect magazine. According to their needs, Si.mobil users can choose among various mobile internet packages and options: **Start**, **Basic**, **Plus** and **Unlimited**. The essential new feature that Si.mobil presented to the users in 2008 was a substantial reduction in the prices of the Mobile Internet service in its own network as well as in the case of roaming in foreign networks. Mobile Internet thus became more accessible to the users.

Si.mobil provides its prepaid offer in the form of **HALO** prepaid packages. Si.mobil users can choose between two price plans: **HALO SIM** includes only a SIM card without a phone, while **HALO** also includes a mobile phone.

In addition, Si.mobil opened a new island in Second Life, namely one of the first national entrance islands in this virtual world. The Slovenian welcoming island is positioned closely to the first Si.mobil island, which was introduced a year ago. This year too the grand opening was simultaneous with the Party With a Cause charity event, which took place on Saturday, 30 August, in Tivoli park in Ljubljana. The virtual Party With a Cause took place at the same time as the real Party With a Cause. As the first Slovenian company Si.mobil opened positions in the virtual world. It opened the positions for guides on the Si.mobil island. This was an advanced employment practice and a first ever instance for the real world Slovenian company to offer employment in the virtual world.

In line with its Re.think philosophy Si.mobil encourages visitors to reconsider their everyday actions in the virtual world as well. This is why it opened an exhibition by the UNICEF humanitarian delegation in Rwanda. The photographs, taken by Dejan Turk, Chairman of the Management Board at Si.mobil, who took part in the humanitarian mission, were exhibited in Second Life. The exhibition was shown at the gallery between the Si.mobil island and the Slovenian entrance island. Because more than 100 visitors came to see the exhibition, and touch the holiday tree with their avatars to reach out a helping hand to the children of the world, Si.mobil donated 1,000 EUR to UNICEF. The symbolic handover of the check between the Chairman of the Board and the UNICEF representative avatars also took place in Second Life.

In 2008 Si.mobil redesigned and upgraded many other services as well. Vodafone live! portal users were offered the new MUZIQ music portal with an excellent selection of the most popular music and video content, which we provide in cooperation with all the major foreign and Slovenian labels.

In the next three years, Si.mobil aims to become the leader among all Slovenian companies in terms of introducing and



MANAGEMENT REPORT

developing "green operations" and "green offer" and also be known for its care for clean and healthy water in Slovenia. This is why, at the end of the year, it extended its offer to include products, selected with the environment in mind. Users can now opt for energy saving and solar chargers, in addition, the company provides the chance of safe disposal and recycling of old phones, chargers and batteries, while still looking for new ways to provide more environmentally sound operations.

Changes in management

In May 2008 there were some changes in Si.mobil d.d. management. Walter Goldenits, the Chairman of the Board, in charge of technical area, returned to Austria after one year, to continue his post as the IT Director at mobilkom austria and a member of the Technical Management of mobilkom austria group. Si.mobil d.d. Management Board thus consist of Dejan Turk, Chairman of the Management Board, and Milan Zaletel, Management Board Member, responsible for finances, legal and technical area.

After the end of October 2008 Josef Vinatzer is no longer a Member of the Supervisory Board of Si.mobil. On 1 September Walter Goldenits became a Member of the Supervisory Board of Si.mobil.

Related party transactions

As part of the Company's legal organisation structure and the type of services provided, the Company is involved in various related party transactions. These transactions mainly relate to ordinary transactions associated with the telecommunications operations, such as interconnection and roaming. In addition, the Company is incurring various costs for management seconded by mobilkom austria and for technical services provided by mobilkom austria.

The Company has incurred borrowing costs regarding the shareholder loan provided by mobilkom austria.

Future plans

2008 has been a year of further implementation of our strategy focusing on customer growth and retention by offering the best products and services to our customers and providing them with unique excellent experience.

Being part of the mobilkom austria group, the largest group of mobile operators in Central Europe, requires us also to show growth and excellent business performance. This expectation has not changed. The positive trends in financial results are the basis for further development, further investments in developing and new technologies, improving existing services and further extending our signal presence. Our strategic directions are unchanged, we will continue to pursue them and will continue to work for and with our customers in defining their future needs and by doing so defining our future. We will follow our strategic

direction in building a strong and meaningful brand, grow subscribers in core target segments and grow value and usage of our customer base.

Mobile market in Slovenia is mature and will therefore grow at a rather slow rate in the future. New competitors entering and announcing to enter to the market mean that the competition between providers will become even more intense. Consequently, retaining existing customers and obtaining new customers will be main focus and challenge for Si.mobil. We have proven in the past that this one of our core competencies and we will improve our knowledge and approach in this field also in the future.

These elements were built into Si.mobil's mid-term Business Plan. Growth of revenues and EBITDA is expected also in 2009.

Si.mobil will continue to invest in the network, our investments will be focused on building up UMTS network and optimization and network upgrades of existing GSM network. Compared to previous years, in 2009 we expect investments to be in line with 2008.

Subsequent events

Subsequent to 31 December 2008, there were no events affecting the company's result of operations and financial position as at 31 December 2008.

Management statement

The Management Board has considered and approved the Annual Report for 2008 of Si.mobil. The Annual Report has been prepared in accordance with the Slovenian Accounting Standards (2006) and the Company's Act. In our opinion, the accounting principles applied are appropriate and the Annual Report gives a true and fair view of the Company's assets, liabilities, financial position and the results of the operations for the year 2008.



FINANCIAL STATEMENTS

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 6 February 1998.

The Company was founded on 23 December 1997. As at 31 December 2008 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 EUR
Reg.no. in the CSO register:	1196332
VAT ID:	SI60595256
Classification code:	64.200
Size of the Company:	large joint-stock company under the Companies Act
Financial year:	calendar year



FINANCIAL STATEMENTS

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.

1.1.3. Data on the controlling company

Si.mobil d.d. is a subsidiary of mobilkom Beteiligungsgesellschaft mbH, Obere Donaustrasse 29, 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 A.G., Lassallestrasse 9, Vienna, Austria. In the financial statements of Si.mobil d.d., the enterprises of Telekom Austria are treated as Group enterprises.

1.1.4. Employees

- the number of employees at the end of the 2008 business year was 353 (329 at the end of business year 2007);
- the average number of employees in the 2008 business year was 344;
- number of employees per level of education:

- 1 st level:	2
- 4 th level:	20
- 5 th level:	167
- 6 th level:	39
- 7 th level:	109
- 8 th level:	16



2. INDEPENDENT AUDITORS' REPORT



Independent Auditors' Report

To the Shareholders of Si.mobil d.d.

We have audited the accompanying financial statements of the Si.mobil d.d. which comprise the balance sheet as at 31 December 2008, the income statement, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

We also read the Management Report.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements prepared in accordance with the Slovenian Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements.

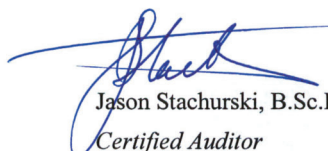
An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 principles 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 the Company as at 31 December 2008, its financial performance and its cash flows for the year then ended in accordance with the Slovenian Accounting Standards.

The Management Report is in conformity with the audited financial statements.



Jason Stachurski, B.Sc.Ec.
Certified Auditor

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



Boris Drobnič, B.Sc.Ec.
Certified Auditor
Partner

Ljubljana, 10 February 2009

KPMG Slovenija, d.o.o.
1



FINANCIAL STATEMENTS

3. BALANCE SHEET AS OF 31 DECEMBER 2008

in EUR		Notes	31.12. 2008	31.12. 2007
	ASSETS		209.942.624	202.352.182
A	LONG-TERM ASSETS		119.086.560	118.071.547
I.	Intangible assets and long-term deferred costs and accrued revenue	8.1.1.	42,924,087	37,425,577
1	Intangible assets		19,137,135	19,322,106
a)	Long-term property rights		19,137,135	19,322,106
2	Other long-term deferred costs and accrued revenue		23,786,952	18,103,471
II.	Property, plant and equipment	8.1.2.	71,769,426	66,201,913
1	Land		9,039	9,039
4	Other plant and equipment		54,680,259	43,251,510
6	Property, plant and equipment in the course of construction		15,923,725	20,320,879
7	Advances for acquisition of property, plant and equipment		1,156,403	2,620,485
VI.	Deferred tax assets	8.1.3.	4,393,047	14,444,057
B	CURRENT ASSETS		85,431,321	77,919,410
II.	Inventories	8.1.4.	10,952,596	16,569,777
4	Products and merchandise		10,952,596	16,569,777
IV.	Short-term operating receivables	8.1.5.	26,159,891	30,869,344
1	Short-term operating receivables due from group companies		2,093,715	5,370,381
2	Short-term operating trade receivables		20,364,950	22,662,367
3	Short-term operating receivables due from others		3,701,226	2,836,596
V.	Cash	8.1.6.	48,318,834	30,480,289
C	SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE	8.1.7.	5,424,743	6,361,226
	OFF-BALANCE SHEET ITEMS	8.1.13.	173,489	20,879,872



FINANCIAL STATEMENTS

in EUR		Notes	31.12. 2008	31.12. 2007
	EQUITY AND LIABILITIES		209,942,624	202,352,182
A	EQUITY	8.1.8.	90,102,542	58,031,958
I.	Called-up capital		38,781,000	38,781,000
1	Share capital		38,781,000	38,781,000
II.	Capital surplus		87,171,037	87,171,036
VI.	Retained net loss		67,920,079	93,344,174
VII.	Net profit for the financial year		32,070,584	25,424,096
B	PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE	8.1.9.	3,057,085	3,451,528
1	Provisions		3,007,975	3,261,713
2	Long-term accrued costs and deferred revenue		49,110	189,815
C	LONG-TERM LIABILITIES	8.1.10.	0	76,038,577
I.	Long-term financial liabilities		0	76,038,577
1	Long-term financial liabilities to group companies		0	76,038,577
2	Long-term financial liabilities to banks		0	0
Č	SHORT-TERM LIABILITIES	8.1.11	110,462,345	58,986,329
II.	Short-term financial liabilities		70,469,775	7,231,705
1	Short-term financial liabilities to group companies		70,469,775	7,231,705
2	Short-term financial liabilities to banks		0	0
3	Other short-term financial liabilities		0	0
III.	Short-term operating liabilities		39,992,570	51,754,624
1	Short-term operating liabilities to group companies		6,640,100	15,185,767
2	Short-term trade payables		32,363,880	35,739,605
3	Other short-term operating liabilities		988,590	829,252
D	SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	8.1.12.	6,320,652	5,843,789
	OFF-BALANCE SHEET ITEMS	8.1.13.	173,489	20,879,872



FINANCIAL STATEMENTS

4. INCOME STATEMENT FOR 2008 – FORMAT I

in EUR		Note	2008	2007
1	Net sales	8.2.1.	195,781,660	185,740,910
3	Capitalised own products and own services		0	0
4	Other operating revenue (including revaluation operating revenue)	8.2.2.	1,867,136	975,208
5	Costs of goods, materials and services	8.2.3.	121,291,902	118,399,361
a)	Costs of goods and materials sold and costs of materials used		21,031,347	26,443,460
b)	Costs of services		100,260,555	91,955,901
6	Labour costs	8.2.4.	11,807,936	10,654,330
a)	Payroll costs		8,702,179	7,681,052
b)	Social security costs		1,889,110	1,934,763
c)	Other labour costs		1,216,647	1,038,515
7	Write-downs in value		19,624,673	22,947,372
a)	Depreciation and amortisation expense	8.2.5.	17,795,304	20,838,101
b)	Revaluation operating expenses associated with intangible assets and property, plant and equipment	8.2.5.	90,107	187,311
c)	Revaluation operating expenses for working capital	8.2.6.	1,739,262	1,921,960
8	Other operating expenses	8.2.7.	1,250,364	889,724
	Operating result (EBIT)		43,673,921	33,825,331
11	Financial revenue from operating receivables	8.2.8.	2,560,535	1,400,477
b)	Financial revenue from operating receivables due from others		2,560,535	1,400,477
12	Financial expenses due to impairment and write-offs of investments	8.2.9.	273,737	140,853
13	Financial expenses for financial liabilities	8.2.9.	3,819,029	3,924,993
a)	Financial expenses for loans, received from group companies		3,819,029	3,905,404
b)	Financial expenses for loans, received from banks		0	19,589
14	Financial expenses for operating liabilities	8.2.9.	20,097	13,802
b)	Financial expenses for trade payables and bills payable		20,097	13,802
	Total profit before taxes		42,121,593	31,146,160
17	Income tax	8.2.11.	0	0
18	Deferred taxes	8.2.12.	-10,051,009	-5,722,064
19	Net profit for the period	8.2.10.	32,070,584	25,424,096



FINANCIAL STATEMENTS

5. STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008 – FORMAT II

		2008	2007
A	CASH FLOWS FROM OPERATING ACTIVITIES		
a)	Income statement items	54,048,761	50,515,354
	Operating revenue (except from revaluation) and financial revenue from operating receivables	200,209,331	188,116,595
	Operating expenses excluding depreciation or amortisation (except for revaluation) and financial expenses from operating liabilities	-136,109,561	-131,879,177
	Income taxes and other taxes not included in operating expenses	-10,051,009	-5,722,064
b)	Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)	9,634,493	502,726
	Opening less closing operating receivables	4,709,453	-9,679,822
	Opening less closing deferred costs and accrued revenue	936,483	-1,922,729
	Opening less closing deferred tax assets	10,051,010	5,722,064
	Opening less closing inventories	5,617,181	-13,462,911
	Closing less opening operating liabilities	-11,762,055	18,169,387
	Closing less opening accrued costs and deferred revenue, and provisions	82,421	1,676,737
c)	Net cash flows from operations or net cash flows applied to operations (a+b)	63,683,254	51,018,080
B	CASH FLOWS FROM INVESTING ACTIVITIES		
a)	Cash receipts from investing activities	0	0
b)	Cash payments for investing activities	-28,951,434	-27,302,481
	Cash payments to acquire intangible assets	-10,036,462	-6,895,946
	Cash payments to acquire property, plant and equipment	-18,914,972	-20,406,535
c)	Net cash from investing activities or net cash flows applied to investing activities (a+b)	-28,951,434	-27,302,481
C	CASH FLOWS FROM FINANCING ACTIVITIES		
a)	Cash receipts from financing activities	0	0
	Cash proceeds from increase in long-term financial liabilities	0	0
b)	Cash payments for financing activities	-16,893,273	-6,294,728
	Interest paid on financing activities	-4,092,766	-4,065,846
	Cash repayments of long-term financial liabilities	-76,038,577	-81,251
	Cash repayments of short-term financial liabilities	63,238,070	-2,147,631
c)	Net cash from financing activities or net cash flows applied to financing activities (a+b)	-16,893,273	-6,294,728
D	CLOSING BALANCE OF CASH	48,318,834	30,480,289
x)	Net cash inflow or outflow for the period	17,838,547	17,420,871
y)	Opening balance of cash	30,480,289	13,059,418



FINANCIAL STATEMENTS

6. STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity from 1 January 2008 until 31 December 2008

IN EUR	I. CALLED-UP CAPITAL	II. CAPITAL SURPLUS	V. RETAINED EARNINGS	VI. NET PROFIT OR LOSS FOR THE PERIOD	TOTAL
	1. SHARE CAPITAL		2. RETAINED NET LOSS	1. NET PROFIT FOR THE PERIOD	
A. Opening balance as per 01 January 2008	38,781,000	87,171,037	-67,920,079	0	58,031,958
B. Movements into equity	0	0	0	32,070,584	32,070,584
d) Net profit or loss for the period	0	0	0	32,070,584	32,070,584
C. Movements within equity	0		32,070,584	-32,070,584	0
c) Settlement of loss as a deduction component of equity	0	0	32,070,584	-32,070,584	0
D. Movements out of equity	0	0	0	0	0
E. Closing balance as per 31 December 2008	38,781,000	87,171,037	-35,849,495	0	90,102,542

Statement of changes in equity from 1 January 2007 until 31 December 2007

IN EUR	I. CALLED-UP CAPITAL	II. CAPITAL SURPLUS	IV. RETAINED EARNINGS	V. NET PROFIT OR LOSS FOR THE PERIOD	TOTAL
	1. SHARE CAPITAL		2. RETAINED NET LOSS	1. NET PROFIT FOR THE PERIOD	
A. Opening balance as per 01 January 2007	38,808,212	87,143,825	-93,344,175	0	32,607,862
B. Movements into equity	0	0	0	25,424,096	25,424,096
d) Net profit or loss for the period	0	0	0	25,424,096	25,424,096
C. Movements within equity	-27,212	27,212	25,424,096	-25,424,096	0
c) Settlement of loss as a deduction component of equity	0	0	25,424,096	-25,424,096	0
D. Movements out of equity	0	0	0	0	0
E. Closing balance as per 31 December 2007	38,781,000	87,171,037	-67,920,079	0	58,031,958



FINANCIAL STATEMENTS

Accumulated loss:

in EUR		2008	2007
a)	Net profit or loss for the period	32,070,584	25,424,096
b)	+ retained loss from previous periods	-67,920,079	-93,344,175
c)	+ decrease in revenue reserves	0	0
d)	- increase in revenue reserves based on a decision of the management (legal reserves, reserves for own shares and interests, and statutory reserves)	0	0
e)	- increase in revenue reserves based on a decision of the management and the supervisory board (other revenue reserves)	0	0
= Accumulated profit (a+b+c-d-e) appropriated by the annual general meeting of shareholders as follows:			
	- distributed to shareholders		
	- allocated to other reserves		
	- carried forward to the following period and		
	- appropriated for other purposes		
	or		
	= Accumulated loss	-35,849,495	-67,920,079



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 as 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. Actual results may differ from these estimates.

The Company does not have any business or geographical reporting segments.

7.2. Exchange rate and the method of translation into local currency

Transactions in foreign currency are translated into EUR at the middle 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 income statement as financial revenues or expenses.

Foreign operating receivables and liabilities are translated into EUR at the middle 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 middle 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 middle exchange rate of Bank of Slovenia effective at the balance sheet date. Foreign exchange differences arising from these transactions are recorded in the income 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, investments in fixed

assets owned by third parties, 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. Investments in fixed assets owned by third parties are deferred over 10 years, whereas connection fees are deferred across the period of the granted concession (until 2013). 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. Self 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. The Company does not include borrowing costs into the acquisition value of property, plant and equipment.

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



FINANCIAL STATEMENTS

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 revaluation operating revenue or expense.

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 made 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) 2008
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. 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:

• overdue from 0 to 30 days	5%
• overdue from 31 to 60 days	40%
• overdue from 61 to 180 days	60%
• overdue from 181 to 365 days	90%
• overdue more than 365 days	100%

Allowance for doubtful receivables for contractual penalties is calculated, as follows:

• receivables not yet due	45%
• overdue from 0 to 365 days	90%
• overdue more than 365 days	100%

Bad debt expense for doubtful receivables are formed and charged to revaluation operating expenses, except for bad debt expense for doubtful receivables from contractual penalties, which are formed and charged as a reduction of deferred revenues.

7.7. 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: 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.

7.8. Cash

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

7.9. Equity

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

Share capital is recorded in local currency.



FINANCIAL STATEMENTS

7.10. 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 the 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.

7.11. 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.

7.12. 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. Revenues may also be deferred, when the related payment remains doubtful at the moment of sale.

7.13. Recognition of revenues

Operating revenues comprise revenues earned from sales of merchandise and services in the accounting period. They are recognised in the income 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 mobile telecommunications and comprises amounts charged to customers in respect of monthly fixed fees, airtime usage, messaging, provision of other mobile telecommunications services (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.

7.14. 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.



FINANCIAL STATEMENTS

7.15. Taxes

Tax expense (income) in the income statement 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 tax loss carry-forwards and 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.

7.16. 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 31 December 2008, the balance sheet as of 31 December 2007, the income statement for the year 2008, and additional data, which are required to adjust inflows and outflows and to appropriately 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 income 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

in EUR	31.12.2008	31.12.2007
INTANGIBLE ASSETS	19,137,135	19,322,106
Concessions	11,434,007	12,929,343
Software and licences	7,703,128	6,392,763
LONG-TERM DEFERRED COSTS AND ACCRUED REVENUE	23,786,952	18,103,471
Investments in fixed assets owned by third parties	2,114,790	1,533,142
Long-term deferred costs for usage of data lines	574,663	632,543
Long-term deferred costs for usage of land for base stations	706,475	670,636
Long-term deferred costs of customer acquisition	20,391,024	15,267,150
TOTAL	42,924,087	37,425,577

Concessions

The item includes concessions for the use of radio-frequency spectra 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 2008, additions to software and licences amounted to 3,914,270 EUR.

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

Financial liabilities

As of 31 December 2008 the Company did not have financial liabilities for the purchase of intangible assets.



FINANCIAL STATEMENTS

8.1.2. Property, plant and equipment

in EUR	31.12.2008	31.12.2007
ITEM		
Land	9,039	9,039
Base stations and mobile switches	41,533,751	36,431,530
Computer equipment	2,649,473	1,503,236
Transport equipment	0	35,243
Other equipment	9,874,572	4,692,604
Low-value assets and spare parts	622,463	588,897
Tangible fixed assets under construction	15,923,725	20,320,879
Advances for tangible fixed assets	1,156,403	2,727,916
TOTAL	71,769,426	66,309,344

Land

Land includes land that has been purchased in order to ensure access to base stations. There were no new investments in land during 2008.

Base stations and mobile switches

In 2008, additions to base stations and mobile switches amounted to 15,324,338 EUR. 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 977,515 EUR as per 31 December 2008.

Other plant and equipment

In 2008, other additions to property, plant and equipment included additions to computer equipment (2,095,754 EUR), other equipment (7,184,037 EUR) and low-value assets and spare parts (412,427 EUR).

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.

Mortgages

As of 31 December 2008, no fixed assets were pledged as security.

Financial liabilities

The amount of financial liabilities for the purchase of property, plant and equipment amounted to 615,845 EUR on 31 December 2008.

8.1.3. Deferred tax assets

	31.12.2008	31.12.2007
From tax loss carry-forwards	2,902,388	11,387,059
From deductible temporary differences	1,490,659	3,056,998
TOTAL	4,393,047	14,444,057



FINANCIAL STATEMENTS

The Company recognises deferred tax assets in the amount of 4,393,047 EUR, thereof 2,902,388 EUR from tax loss carry-forwards and 1,490,659 EUR from deductible temporary differences (shorter depreciation and amortisation periods for business than for tax purposes in the amount of 1,152,307 EUR, tax non-deductible valuation allowances of receivables in the amount of 61,864 EUR, as well as tax non-deductible provisions for jubilee payments and retirement indemnity payments in the amount of 52,241 EUR and assets retirement provision in the amount of 224,247 EUR).

Based on a tax plan for future years and based on the valid tax legislation the Company has assessed that there will be enough taxable income available to recognise deferred tax assets in full.

The reduction of the deferred tax assets for tax losses carried forward arises from covering tax losses from the preceding years with the income of the fiscal year. The reduction of the deferred tax assets for deductible temporary difference arises from different useful lives of tangible and intangible assets for business purposes. Reversals of deferred tax assets result from changes in tax rate for the year 2009 and abolition of non tax deductible Assets retirement provision.

IN EUR	DEFERRED TAX ASSETS 01.01.2008	ADDITIONS	REVERSALS	UTILISATION	DEFERRED TAX ASSETS 31.12.2008
From tax loss carry-forwards	11,387,059		141,230	8,343,441	2,902,388
From deductible temporary differences	3,056,998	22,426	525,900	1,062,865	1,490,659
Total	14,444,057	22,426	667,130	9,406,306	4,393,047

8.1.4. Inventories

IN EUR	GROSS AMOUNT	ALLOWANCES	NET AMOUNT 31.12.2008	NET AMOUNT 31.12.2007
Products and merchandise	6,545,200	196,927	6,348,273	6,445,166
Telecommunications equipment	7,477,654	2,873,331	4,604,323	10,124,611
Total	14,022,854	3,070,258	10,952,596	16,569,777

Inventories include inventories of merchandise. The portion of inventories of merchandise comprises telecommunications equipment the Company purchased in 2007 with the intent of selling. The remaining amount comprises mobile phones, prepaid packages and handset accessories as well as other goods of merchandise.

There is no significant difference between book and net realisable values.

Stock taking in 2008 resulted in 2,879 EUR of negative differences.



FINANCIAL STATEMENTS

8.1.5. Short-term operating receivables

in EUR	31.12.2008	31.12.2007
RECEIVABLES		
Short-term operating trade receivables	19,055,863	16,676,525
Short-term advances and security deposits	1,309,087	5,985,842
Short-term operating receivables due from group companies	2,093,715	5,370,381
Short-term operating receivables due by others	3,701,226	2,836,596
TOTAL	26,159,891	30,869,344

Short-term operating receivables as per due date on 31 December 2008:

	RECEIVABLES
Not yet due	14,376,378
Due	11,783,513
Total	26,159,891

Short-term operating trade receivables:

IN EUR	GROSS AMOUNT	ALLOWANCES	NET AMOUNT 31.12.2008	NET AMOUNT 31.12.2007
Domestic customers – subscribers	27,885,164	18,219,780	9,665,384	8,467,897
Domestic customers – others	8,374,593	486,141	7,888,452	5,408,436
Foreign customers	1,619,068	117,041	1,502,027	2,800,192
Total	37,878,825	18,822,962	19,055,863	16,676,525

As of 31 December 2008, 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 9,665,384 EUR. In 2008, additional allowances were formed for these receivables in the net amount of 1,562,338 EUR.

Short-term operating trade receivables include receivables from other domestic customers including dealers, retailers and interconnection partners. In 2008, allowances increased in the net amount of 169,363 EUR.

Receivables due to customers abroad include mainly receivables from international roaming. In 2008, the allowances decreased by 262,187 EUR.



FINANCIAL STATEMENTS

IN EUR	VALUATION ALLOWANCE 01.01.2008	ADDITIONS	ADDITIONS (CHARGED TO DEFERRED REVENUES)	UTILISATION (WRITE-OFF)	VALUATION ALLOWANCE 31.12.2008
Domestic customers – subscribers	16,657,442	542,978	1,019,360	0	18,219,780
Domestic customers – others	316,778	208,894	0	39,531	486,141
Customers abroad	379,228	0	0	262,187	117,041
Total	17,353,448	751,872	1,019,360	301,718	18,822,962

Short-term advances and security deposits:

IN EUR	GROSS AMOUNT	ALLOWANCES	NET AMOUNT 31.12.2008	NET AMOUNT 31.12.2007
Advances for current assets	16,473	11,995	4,478	54,640
Advances to bailiffs	53,005	47,705	5,300	7,522
Advances to suppliers abroad	1,225,709	0	1,225,709	5,855,080
Security deposits	73,600	0	73,600	68,600
Total	1,368,787	59,700	1,309,087	5,985,842

Short-term operating receivables due from group companies:

IN EUR	GROSS AMOUNT	ALLOWANCES	NET AMOUNT 31.12.2008	NET AMOUNT 31.12.2007
VIPnet	902,799	0	902,799	894,129
mobilkom austria AG & Co KG	506,637	0	506,637	684,751
mobilkom austria group Services GmbH	0	0	0	0
mobilkom CEE	0	0	0	1,900,146
mobilkom liechtenstein AG	693	0	693	1,440
Vip Operator	70,861	0	70,861	1,147,405
Vip mobile	574,125	0	574,125	327,579
mobilkom Belarus	40,300	0	40,300	0
VELCOM	2,637	0	2,637	0
MobilTel AD	-4,337	0	-4,337	414,931
Total	2,093,715	0	2,093,715	5,370,381



FINANCIAL STATEMENTS

Short-term operating receivables due from others:

IN EUR	GROSS AMOUNT	ALLOWANCES	NET AMOUNT 31.12.2008	NET AMOUNT 31.12.2007
VAT receivable	3,059,323	0	3,059,323	2,266,170
Receivables for refund of compensation payments	7,393	0	7,393	9,980
Receivables due from banks	483,495	0	483,495	393,794
Receivables due from credit card issuers	74,148	0	74,148	110,479
Receivables due from employees	5,362	0	5,362	3,803
Interest receivables	0	0	0	60
Other receivables	71,505	0	71,505	52,310
Total	3,701,226	0	3,701,226	2,836,596

Receivables are not secured, except for advances given to a foreign company for services in 2007, which is covered by a bank guarantee.

Credit risk from short-term operating trade receivables due from subscribers is widely diversified and is not considered significant as most of the customers as per year end 2008 were private individuals. 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 and other foreign currencies, therefore currency risk is not considered significant.

8.1.6. Cash and cash equivalents

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

in EUR	31.12.2008	31.12.2007
Bank balances	1,417,195	3,275,807
Cash on hand	46,489	30,248
Callable deposits:		
Cash pooling – TFG	46,855,150	27,174,234
TOTAL	48,318,834	30,480,289



FINANCIAL STATEMENTS

8.1.7. Short-term deferred costs (expenses) and accrued revenues

in EUR	31.12.2008	31.12.2007
Deferred costs (expenses)	715,183	630,880
Accrued revenues	4,709,560	5,730,346
TOTAL	5,424,743	6,361,226

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

revenues from roaming and interconnection services provided in December 2008 and billed in January 2009, and other accrued revenues.

Accrued revenues include revenues from mobile communication services provided in December 2008 and billed in January 2009,

8.1.8. Equity

As of 31 December 2008, positive equity in the amount of 90,102,542 EUR was recorded. The share capital is divided into 9,300,000 ordinary shares at par value of 4.17 EUR. All shares are called. Capital surplus amounts to 87,171,037 EUR and relates to additionally paid-in amounts from the majority

shareholder in the amount of 83,914,446 EUR and general equity capital revaluation allowance in the amount of 3,256,591 EUR. Net profit for 2008 amounts to 32,070,584 EUR. Net profit per share amounts to 3.45 EUR (32,070,584 EUR divided by 9,300,000 shares).

8.1.9. Provisions and long-term accrued costs and deferred revenue

Long-term provisions include accrued costs for jubilee payments, accrued costs for retirement indemnity payments 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 EUR	PROVISIONS 01.01.2008	ADDITIONS	RELEASES	UTILISATION	PROVISIONS 31.12.2008
Jubilee payments	91,874	0	4,642	3,700	83,532
Retirement indemnity	56,330	0	32,069	9,020	15,241
Assets retirement provision	3,113,509	417,570	621,877	0	2,909,202
Free-of-charge assets	189,815	6,800	0	147,505	49,110
TOTAL	3,451,528	424,370	658,588	160,225	3,057,085

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

Releases of assets retirement provision refer to abolition of provision already depreciated for which new provision was formed due to making new contracts for these locations. According to expectations the dismantling of base stations

should start after 2013, when the GSM 900 license expires (without considering the possibility of extending the license).

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 of provisions and long-term accrued costs and deferred revenue.



FINANCIAL STATEMENTS

8.1.10. Long-term liabilities

in EUR	31.12.2008	31.12.2007
mobilkom International GmbH & Co KEG	0	69,538,577
Telekom Finanzmanagement GmbH	0	6,500,000
TOTAL	0	76,038,577

Long-term financial liabilities as per 31 December 2007 included long-term loans received from related companies in amount of 76,038,577 EUR.

The long-term loan from Telekom Finanzmanagement GmbH (TFG) in amount of 6,500,000 EUR was prematurely repaid in 2008.

The long-term loan from mobilkom austria AG is payable in 2009 and was reclassified to short-term financial liabilities.

	LONG-TERM LIABILITIES 01.01.2008	RECLASSIFICATION TO SHORT-TERM LIABILITIES	ADDITIONS	REPAYMENTS	LONG-TERM LIABILITIES 31.12.2008
Long-term financial liabilities to group companies	76,038,577	69,538,577	0	6,500,000	0
Total	76,038,577	69,538,577	0	6,500,000	0

8.1.11. Short-term liabilities

in EUR	31.12.2008	31.12.2007
Short-term financial liabilities	70,469,775	7,231,705
Short-term operating liabilities	39,992,570	51,754,624
TOTAL	110,462,345	58,986,329

Short-term financial liabilities

in EUR	31.12.2008	31.12.2007
Short-term financial liabilities to group companies for interests	931,198	7,231,705
Short-term financial liabilities to group companies for loans	69,538,577	0
Total	70,469,775	7,231,705



FINANCIAL STATEMENTS

	SHORT-TERM LIABILITIES 01.01.2008	RECLASSIFICATION FROM LONG-TERM LIABILITIES	ADDITIONS	REPAYMENTS	SHORT-TERM LIABILITIES 31.12.2008
Short-term financial liabilities to group companies	0	69,538,577	0	0	69,538,577
Total	0	69,538,577	0	0	69,538,577

Short-term financial liabilities to group companies in the amount of 931,198 EUR include accrued mobilkom Austria AG loan interests.

The loan from mobilkom austria AG amounts to 69,538,577 EUR on 31 December 2008. The interest rate applied to the loan increased in 2008 from 5.08% to 5.24% p.a. (80% of the total interest rate is fixed, and 20% is variable, adjusted each quarter). The principal value is payable in March 2009.

The loan is not secured.

Interest rate risk of loans received is considered low, since the interest rates are linked to EURIBOR. Also the risk of non-repayment is low since the development trend has shown that the Company is constantly improving its operations and thus also its operating cash flows.

Short-term operating liabilities

in EUR	31.12.2008	31.12.2007
Short-term operating liabilities from advances	5,592,253	16,860,139
Short-term trade payables	31,577,031	32,653,578
Short-term operating liabilities to group companies	1,834,696	1,411,655
Other short-term operating liabilities	988,590	829,252
Total	39,992,570	51,754,624

Short-term operating liabilities from advances

in EUR	31.12.2008	31.12.2007
Payables for advances – group companies	4,805,404	13,774,112
Payables for advances – others	786,849	3,086,027
Total	5,592,253	16,860,139

Short-term trade payables

in EUR	31.12.2008	31.12.2007
Short-term trade payables to domestic suppliers	21,831,064	18,701,317
Short-term trade payables to foreign suppliers	9,745,967	13,952,261
Total	31,577,031	32,653,578



FINANCIAL STATEMENTS

Short-term operating liabilities to group companies

in EUR	31.12.2008	31.12.2007
mobilkom austria AG & Co KG	1,589,859	495,178
VIPnet	-43,060	543,921
mobilkom liechtenstein AG	21	270
mobilkom austria group Services GmbH	67,435	64,239
Telekom Austria AG	9,400	35,280
VIPnet usluge	175,344	69,047
Vip mobile	26,847	2,628
VELCOM	1,254	0
Vip Operator	4,102	0
MobilTel AD	3,494	201,092
Total	1,834,696	1,411,655

Other short-term operating liabilities

in EUR	31.12.2008	31.12.2007
Net wages and salaries	443,909	384,309
Taxes from gross wages and salaries	111,255	90,377
Contributions from gross wages and salaries	155,424	132,562
Other payables to employees (meal allowance, commuting allowance)	73,392	60,916
Concession fee payable	2,240	1,301
Taxes on wages and salaries	113,216	110,297
Interest payable	0	0
Other short-term liabilities (debts)	89,154	49,490
Total	988,590	829,252



FINANCIAL STATEMENTS

8.1.12. Short-term accrued costs (expenses) and deferred revenues

In EUR	31.12. 2008	31.12. 2007
Short-term deferred revenues	4,455,594	3,546,050
Short-term accrued costs (expenses)	1,865,058	2,299,740
TOTAL	6,320,652	5,843,790

Short-term accrued costs and expenses include costs of bonus for 2008 for directors, managers and employees 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 (HALO system) and for revenues from subscriptions for January 2008 charged in advance.

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

8.1.13. Off-balance sheet items

Off balance sheet items include received guarantees in the amount of 92,659 EUR and given guarantees in the amount of 80,830 EUR.

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).



FINANCIAL STATEMENTS

8.2. Income Statement

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

in EUR	2008	2007
NET REVENUES FROM SALE, UTILISED OWN PRODUCTS AND OTHER REVENUES	197,648,796	186,716,118
Cost of sales (with depreciation and amortisation), or original cost of sold goods	105,512,590	106,903,149
Selling costs (with depreciation and amortisation)	34,194,739	32,448,641
Administrative costs (with depreciation and amortisation)	14,267,546	13,538,997
OPERATING RESULT (EBIT)	43,673,921	33,825,331

8.2.1. Net sales

in EUR	2008	2007
Revenues from sale of services	166,721,110	147,287,413
Revenues from sale of goods	29,060,550	38,453,497
TOTAL	195,781,660	185,740,910

Revenues from sale on domestic and foreign markets

in EUR	2008	2007
Revenues from sale on domestic market	157,671,575	136,996,891
Revenues from sale of services	148,675,796	126,138,446
Revenues from sale of goods	8,995,779	10,858,445
Revenues from sale on foreign markets	38,110,085	48,744,019
Revenues from sale of services to group enterprises	8,560,730	7,803,929
Revenues from sale of services to other foreign enterprises	9,484,584	13,345,038
Revenues from sale of goods to group enterprises	18,004,876	27,595,052
Revenues from sale of goods to other foreign enterprises	2,059,895	0
Total	195,781,660	185,740,910



FINANCIAL STATEMENTS

Revenues from sale of services – by type of service

in EUR	2008	2007
Services to subscribers and prepaid users	117,089,590	93,868,884
Interconnection and roaming services	47,764,241	51,851,034
Other revenues from sale of services	1,867,279	1,567,495
Total	166,721,110	147,287,413

8.2.2. Other operating revenue

Other operating revenues include revenues from asset disposals in the amount of 30,659 EUR, revenues from the release of long-term provisions from donated fixed assets in the amount of 147,505 EUR, revenues from the release of long-term Assets retirement provision in amount of 638,721 EUR as well as revaluation operating revenues from receivables in the amount of 105,804 EUR, and collected receivables balance, court costs in the amount of 870,608 EUR and other revenue in the amount 73,839 EUR.

Revenues from the release of long-term assets retirement provision refer to abolition of provision already depreciated due to temporary contracts for locations bought from Western wireless international in 2005. In the year 2008 new contracts were signed for these locations and also new provision was formed.

8.2.3. Cost of goods sold, materials and services

in EUR	2008	2007
Cost of goods	18,104,636	23,958,543
Cost of materials	2,926,711	2,484,917
Cost of services	100,260,555	91,955,901
TOTAL	121,291,902	118,399,361

The costs of goods are reduced by the deferred costs related to subscriber acquisition in the amount of 25,640,364 EUR (2007: 20,998,625 EUR). Amortisation of long-term deferred costs of

subscriber acquisition was included in other costs of services in the amount of 20,516,490 EUR (2007: 17,619,343 EUR).

Cost of materials

in EUR	2008	2007
Costs of energy	1,774,465	1,579,858
Costs of spare parts and materials for maintenance	19,438	53,510
Low-value assets write-off	71,329	45,438
Other material costs	47,541	35,634
Costs of office stationary and technical literature	1,013,938	770,477
Total	2,926,711	2,484,917



FINANCIAL STATEMENTS

Cost of services

in EUR	2008	2007
Service costs for outsourced manufacturing and services	5,518,679	7,062,016
Costs of transportation services	209,145	131,246
Costs of maintenance services	6,549,659	5,845,270
Rental expenses	7,467,060	6,671,407
Costs of fund transfer services and bank charges	549,214	430,735
Remuneration of travel expenses to employees	523,770	335,894
Costs of professional services	3,001,165	3,118,352
Insurance premiums	342,385	341,146
Costs of interconnection and roaming services	39,223,828	36,518,211
Marketing costs	12,799,888	11,552,852
Other costs of services	24,075,762	19,948,772
Total	100,260,555	91,955,901

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

Audit costs amounted to 50,000 EUR in 2008, in total for the year-end audit.

8.2.4. Labour costs

in EUR	2008	2007
Cost of wages and salaries	8,702,179	7,812,882
Pension insurance costs	1,064,853	796,112
Other social insurance costs	824,257	1,006,821
Other labour costs		
Commuting allowances	406,088	371,699
Meal allowances	386,760	345,574
Vacation bonuses	320,705	275,986
Severance pays and anniversary bonuses	99,945	33,398
Other labour costs	3,149	11,858
TOTAL	11,807,936	10,654,330



FINANCIAL STATEMENTS

8.2.5. Depreciation and amortisation expense and revaluation operating expenses associated with intangible assets and property, plant and equipment

in EUR	2008	2007
Depreciation of property, plant and equipment	13,474,690	15,579,458
Amortisation of intangible assets	4,320,614	5,258,643
Revaluation operating expenses associated with intangible assets and property, plant and equipment	90,107	187,311
TOTAL	17,885,411	21,025,412

8.2.6. Revaluation operating expenses associated with current operating assets

in EUR	2008	2007
Allowances for doubtful receivables	70,097	717,794
Allowances for slow-moving and obsolete stock	1,669,165	1,204,166
TOTAL	1,739,262	1,921,960

8.2.7. Other operating expenses

in EUR	2008	2007
Fiscal charges	845,091	609,311
Other expenses	405,273	280,413
TOTAL	1,250,364	889,724

Fiscal charges include concession fees in the amount of 501,068 EUR 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

in EUR	2008	2007
Interest income – others	781,141	752,239
Interest income – group companies – cash pooling	1,367,658	283,152
Foreign exchange gains	237,907	119,658
Other financial revenues	173,829	245,428
TOTAL	2,560,535	1,400,477



FINANCIAL STATEMENTS

8.2.9. Financial expenses due to impairment and write-offs of investments, for financial and for operating liabilities

in EUR	2008	2007
FINANCIAL EXPENSES DUE TO IMPAIRMENT AND WRITE-OFFS OF INVESTMENTS	273,737	140,853
Negative foreign exchange differences	273,737	140,853
FINANCIAL EXPENSES FOR FINANCIAL LIABILITIES	3,819,029	3,924,993
Financial expenses for loans received from group companies	3,819,029	3,905,404
Financial expenses for loans received from banks	0	19,589
FINANCIAL EXPENSES FOR OPERATING LIABILITIES	20,097	13,802
Late interest charges to suppliers	9,851	5,032
Other interest	10,246	8,770
TOTAL	4,112,863	4,079,648

8.2.10. Total profit for the period

in EUR	2008	2007
Operating result	43,673,921	33,825,331
Financial result	-1,552,328	-2,679,171
Difference in other revenues and expenses	0	0
Income before taxes	42,121,593	31,146,160
Deferred tax	-10,051,009	-5,722,064
TOTAL	32,070,584	25,424,096

8.2.11. Income tax

Taxable income for the current year was fully offset with deductions for supplementary pension insurance and donations, as well as loss carry-forwards from previous years, which reduced the current year tax expense to nil. Effective tax rate is nil. Total unexpired tax loss carry-forward from previous years amounts to 13,820,893 EUR.



FINANCIAL STATEMENTS

8.2.12. Deferred taxes

The opening balance of recognised deferred tax assets amounted to 14,444,057 EUR as per 1 January 2008, and in 2008, a reversal in amount of 10,051,009 EUR was made in deferred tax assets, which impact income from deferred taxes.

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

CURRENT TAXES	TAX RATE	BASE	TAX
Income before taxes		42,121,593	
Income tax (by using the official tax rate)	22%	42,121,593	9,266,751
Tax non-deductible items–permanent differences	22%	816,319	179,590
Tax non-deductible items–temporary differences	22%	101,937	22,426
Current tax	22%	43,039,849	9,468,767
Usage of temporary differences	22%	-4,831,205	-1,062,865
Usage of deductions	22%	-283,914	-62,461
Usage of tax loss carry-forwards	22%	-37,924,730	-8,343,441
Actual current tax		0	0
DEFERRED TAXES			
From tax loss carry-forwards			
Usage of recognised deferred taxes from tax loss carry-forwards in 2006	22%	-37,924,730	-8,343,441
Total deferred taxes from tax loss carry-forwards			-8,343,441
From deductible temporary differences			
Additions to deferred taxes from deductible temporary differences – tax statement 2006	22%	101,937	22,426
Usage of formed deferred taxes from temporary differences	22%	-4,831,205	-1,062,865
Correction to deferred taxes due to change in tax rate	22%	-950,876	-209,193
Correction to deferred taxes from previous years	22%	-2,081,530	-457,937
Total deferred taxes from deductible temporary differences			-1,707,568
TOTAL DEFERRED TAXES			-10,051,009

The Company has assessed the tax rate applicable for each of the temporary differences based on the period in which it is expected to reverse taking into consideration changes to the Slovenian tax legislation which includes annual tax rate

reductions until 2010. The tax rate applied at 31 December 2008 is 22%, correction to deferred taxes due to change in tax rate to 21% in 2009 refer to open amount of deferred tax assets.



FINANCIAL STATEMENTS

8.2.13. Net profit or loss for the period after the revaluation of equity using the cost of living index

IN EUR	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)	58,031,958	2.10%	1,218,671	30,851,913

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 telephony market in Slovenia is very mature and will thus grow at a slower rate in the future. In such market conditions the competition between the 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 of acquiring and retaining subscribers.

Regulatory risks

In April 2008, further remedies from 2007 APEK SMP Decision on Market 16 (termination in mobile networks) came into force. Remedies refer to further decrease of mobile termination rate (MTR) for termination to Si.mobil network. In line with APEK's Decision, Si.mobil's MTR is bound to Mobitel's MTR. The latter was unexpectedly lowered by around 20% in March 2008, followed by the decrease of Si.mobil's MTR accordingly. In 2009, further regulation of termination rates is expected.

Year 2008 was also marked by exceptionally fast growth of third mobile operator Tušmobil. MTR for Tušmobil is significantly higher than MTRs of Si.mobil and Mobitel (disproportional price asymmetry). This price asymmetry can even increase in 2009, causing negative effects on net cash-flow with Tušmobil.

In 2008, the fourth competitor, T-2, entered the market. This competitor offers both, fixed and mobile services. In 2009, a more aggressive market approach is expected.

In line with the Roaming regulation, imposed by EU Commission, year 2008 brought further reductions on retail and wholesale prices of international roaming. The Regulation foresees further remedies also in 2009.

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 2008 were individuals, the credit risk is widely dispersed and is not significant. 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 based on these activities. With the date of issuing the balance sheet there was no important dependency from none of the above stated partners.

Interest-rate risk

The Company is a party to loan-agreements, linked to the loans from the owner. Considering loan conditions, which include for the larger part fixed interest rates, the Company is not significantly exposed to risks regarding changing the interest rate. The Company does not use special financial instruments for safeguarding from interest-rate risks.

Foreign-exchange risk

The Company's functional currency in 2008 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 from foreign-exchange risks.

Liquidity risk

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



FINANCIAL STATEMENTS

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
Milan Zaletel, Member of the Management Board

The Management Board in its current composition was appointed as of 1 May 2008, while from 1 January 2008 until 30 April 2008 the company was managed by Dejan Turk as the Chairman of the Board, and Milan Zaletel and Walter Goldenits as Members of the Board.

The Supervisory Board was joined by a new member in 2008 and two members left in 2008, so at the end of the year it consisted of:

Boris Nemšić
Erich Hubert Gnad
Hannes Ametsreiter
Alfred Gattringer
Andreas Maierhofer
Walter Goldenits

The total cost of the Management Board, the Supervisory Board and the employees with individual contracts in 2008 includes gross income, included in the personal income tax return, holiday pay, fringe benefits and profit sharing. In 2008, this amounted to 509,481 EUR:

- Management Board: 509,481 EUR;
- Supervisory Board: 0 EUR;
- employees with individual contracts: 0 EUR.

The Company has no recorded receivables from or liabilities to the Management Board or the members of the Supervisory Board.



FINANCIAL STATEMENTS

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

	CONCESSIONS	SOFTWARE AND LICENCES	LEASEHOLD IMPROVEMENTS	LONG-TERM DEFERRED CONNECTION FEES OF DATA LINES	LONG-TERM DEFERRED LEASE OF LAND	LONG-TERM DEFERRED SUBSCRIBER ACQUISITION COSTS	TOTAL
COSTS OF PURCHASE							
Balance as of 1 January 2008	22,430,050	23,348,808	2,993,782	1,732,756	1,404,023	75,133,313	127,042,732
Additions	0	3,914,270	803,020	66,491	104,104	25,640,364	30,528,250
Disposals	0	0	0				0
Transfer							0
Balance as of 31 December 2008	22,430,050	27,263,078	3,796,802	1,799,247	1,508,127	100,773,677	157,570,982
ACCUMULATED AMORTISATION							
Balance as of 1 January 2008	9,500,707	16,956,044	1,460,640	1,100,214	733,387	59,866,163	89,617,155
Additions, amortisation	1,495,336	2,603,906	221,372	0			4,320,614
Additions, recognised in costs				124,370	68,265	20,516,490	20,709,125
Disposals	0	0	0	0			0
Transfer							0
Balance as of 31 December 2008	10,996,043	19,559,950	1,682,012	1,224,584	801,652	80,382,653	114,646,894
NET CARRYING AMOUNT							
Balance as of 1 January 2008	12,929,343	6,392,764	1,533,142	632,542	670,636	15,267,150	37,425,577
Balance as of 31 December 2008	11,434,007	7,703,128	2,114,790	574,663	706,475	20,391,024	42,924,087



FINANCIAL STATEMENTS

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

	LAND	BASE STATIONS AND MOBILE SWITCHES	COMPUTER EQUIPMENT	TRANSPORTATION EQUIPMENT	OTHER EQUIPMENT	LOW-VALUE ASSETS AND SPARE PARTS	PROPERTY, PLANT AND EQUIPMENT IN THE COURSE OF CONSTRUCTION	ADVANCES FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	TOTAL
COSTS OF PURCHASE									
Balance as of 1 January 2008	9,039	125,409,926	7,183,270	90,327	10,105,048	2,860,189	20,320,878	2,620,485	168.599.162
Additions	0	15,324,338	2,095,754	0	7,184,037	412,427	-4,397,153	0	20.619.403
Disposals	0	-3,562,532	-416,082	-90,327	-55,904	-23,014	0	0	-4,147,859
Transfer								-1,464,082	-1,464,082
Balance as of 31 December 2008	9,039	137,171,732	8,862,942	0	17,233,181	3,249,602	15,923,725	1,156,403	183,606,624
									0
ACCUMULATED DEPRECIATION									
									0
Balance as of 1 January 2008	0	88,978,396	5,680,033	55,084	5,412,445	2,271,292	0	0	102,397,250
Additions, depreciation	0	10,148,309	949,424	2,453	2,000,325	374,179	0	0	13,474,690
Disposals	0	-3,488,724	-415,988	-57,537	-54,161	-18,332		0	-4,034,742
Transfer									0
Balance as of 31 December 2008	0	95,637,981	6,213,469	0	7,358,609	2,627,139	0	0	111,837,198
NET CARRYING AMOUNT									
Balance as of 1 January 2008	9,039	36,431,530	1,503,237	35,243	4,692,603	588,897	20,320,878	2,620,485	66,201,912
Balance as of 31 December 2008	9,039	41,533,751	2,649,473	0	9,874,572	622,463	15,923,725	1,156,403	71,769,426