

**ANNUAL REPORT  
2013**

SI.MOBIL, MARCH 2014

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## The Customer is First

We put the customer at the forefront of our activities. Providing the best customer experience is the driving force behind everything we do. It is the very foundation of our development and strategic planning. Our services are a response to our users' needs.

As our users are our top priority, we offer them what they need. Our portfolio comprises a broad range of friendly and flexible services, ensuring that everyone can find the perfect match. The further our ideas take us, the closer we get to our users.

We are not perfect, but we are always striving to make things better. Our self-improvement is a constant and never-ending process. Our motivated employees are continually working to create fresh, innovative, advanced, and efficient services, removing our users' worries.

Our operations are responsible, and we truly live our values. Our excellence in business ensures our competitiveness, our successful operations, and job creation. We do things the right way, as there is never a wrong time for that.

The results presented in this annual report, as well as the goals we are striving to reach, are achieved by the application of the knowledge we gain from both our own experience as well as the experience of the other companies of the Telekom Austria Group. We think differently, as we are an integral part of an international environment.

Providing the best customer experience and advanced telecommunication services remain our path for 2014. We are ahead of our time today, focused on responsibility for tomorrow, and dependable forever, and our actions speak louder than words ever could.

PRESENTATION



DEJAN TURK  
CHAIRMAN OF THE MANAGEMENT BOARD



BOŠTJAN ŠKUFCA ZAVERŠEK  
MANAGEMENT BOARD MEMBER

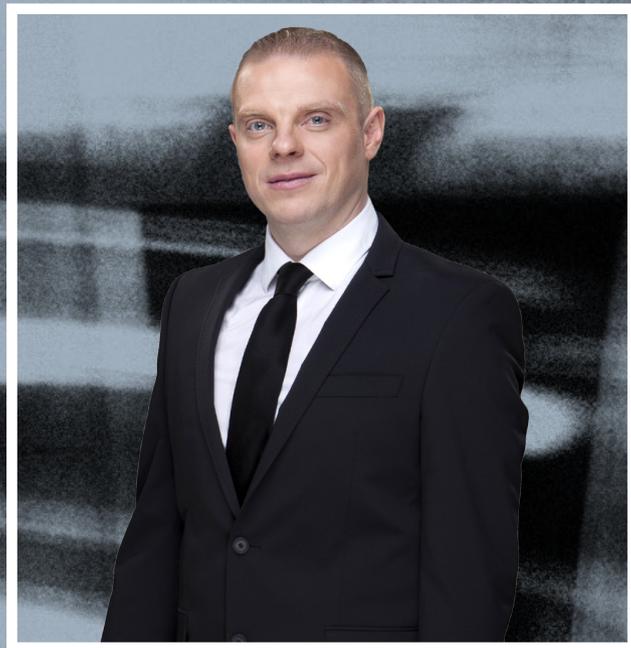


BOŠTJAN ŠKUFCA ZAVERŠEK  
MANAGEMENT BOARD MEMBER

PRESENTATION



**BARBARA GORŠE**  
CUSTOMER SECTOR DIRECTOR



**JOHANNES NABECKER**  
ACCESS AND TRANSPORT NETWORK DIRECTOR



**EVA ALJANČIČ**  
MARKETING AND SALES DIRECTOR



**TAMARA VALENCIČ**  
PR AND HR DIRECTOR



GREGOR KASTELIC  
CORE NETWORK AND IT SECTOR DIRECTOR



SUZANA BANIČ DRAŠLER  
FINANCE SECTOR DIRECTOR



ANDREJA ŠTIRN  
BUSINESS INTELLIGENCE SECTOR DIRECTOR

# Company Info Sheet

## PRESENTATION

### COMPANY INFO

Name	Si.mobil telekomunikacijske storitve, d.d.
Headquarters	Šmartinska 134b, SI-1000 Ljubljana
Phone	+386 (0)40 40 40 40
E-mail for residential users	info@simobil.si
E-mail for business users	info.poslovni@simobil.si
Website	www.simobil.si
Main activity	61.200 – Wireless telecommunications activities
Activity code	J61.200
Founded in:	1998
VAT ID number	SI 60595256
Company registration number	1196332
Share capital	SRG 1/29430/00 Ljubljana €38,781,000

### OWNERSHIP

Si.mobil, d.d., is fully owned by Mobilkom Beteiligungsgesellschaft mbH.

### MANAGEMENT BOARD

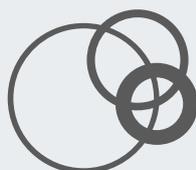
Dejan Turk	Chairman of the Management Board
Boštjan Škufca Zaveršek	Management Board Member
Ulrich Rokita	Management Board Member

### DIRECTORS

Barbara Gorše	Customer Sector Director
Johannes Nabecker	Access and Transport Network Director
Eva Aljančič	Marketing and Sales Director
Tamara Valenčič	PR and HR Director
Gregor Kastelic	Core Network and IT Sector Director
Suzana Banič Drašler	Finance Sector Director
Andreja Štirn	Business Intelligence Sector Director

### SUPERVISORY BOARD

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



## Ownership Structure

In 2013 there were no changes to the structure of Si.mobil shareholders. Since 2006 Si.mobil has been a fully owned subsidiary of Mobilkom Beteiligungsgesellschaft mbH.

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

The financial data in the table below are an extract from our internal reporting package for 2013, prepared for the Telekom Austria Group AG in accordance with IFRS financial standards.

In million €	Total revenue	EBITDA	EBIT	Net profit
Slovenian Accounting Standards 2013	198.01	60.48	36.44	31.77
The difference in handling the costs of acquiring new subscribers – adjustments	0	1.89	1.89	1.89
The difference in handling the costs of acquiring new subscribers – reallocation	10.42	0	0	0
Adjustments for deferred taxes	0	0	0	-0.54
Adjustments for amortization	0	0	1.25	1.25
Other adjustments	-7.09	0.29	0.29	0.05
Telekom Austria IFRS rules and guidelines for 2013	201.34	62.66	39.87	34.42
Telekom Austria IFRS rules and guidelines for 2012	199.67	57.99	36.38	30.16

More information on IFRS rules and guidelines for the Telekom Austria Group is available in the official annual report for 2013 that the group published on its website [www.telekom.at](http://www.telekom.at).

## Changes in Management

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

There were no changes to the Management Board in 2013.

There were no changes to the Supervisory Board in 2013.





**OUR SELF-IMPROVEMENT  
IS A CONSTANT AND  
NEVER-ENDING PROCESS.  
WE WORK FOR THE FUTURE,  
AND FOR OUR FELLOW MAN.**

## The Management Board's Address



We managed to achieve good business results in the face of the deceleration of the Slovenian telecommunication market's fast growth. We increased our total revenue from operations by 1.5% and the number of our users grew by 2.5% to 679,172. The user remains in the forefront of our activities and the best customer experience was again the driving force behind everything we did in 2013. It is the very foundation of our development and strategic planning. We consider the results presented in our annual report to be a success. We would not have been able to achieve such results without effective management, motivated employees, and the firm support of our owners the Telekom Austria Group.

With 110% saturation, the Slovenian telecommunications market has reached a high degree of maturity, and we expected slower growth in the future. Competition among providers of telecommunication services will intensify, which is why we are seeking additional market opportunities and creating new services to serve as effective support to the new communication habits of our users.

Knowing your users and their needs, wishes, and ever-changing habits has become one of the key elements of doing good business. Accordingly, we continued pursuing our strategy based on providing best customer experience in 2013. This will be our policy 2014 as well. We will continue to focus on providing the most advanced and comprehensive telecommunication solutions, and on increasing our number of users and the value per user. Added value is no longer measured so much by the growth of our operations, but by the value that individual users contribute to our company. The next logical step was to create a new department within Si.mobil dedicated exclusively to our users, and to their needs and desires.

A steady feature of this year was a very high level of reliability of our network, with the highest level of network services. Network reliability and performance are an important part of ensuring the best customer experience, with high-quality voice and data services, which may only be offered by continuously upgrading and improving our network. State-of-the-art infrastructure allows us to widely expand the development of cloud-based services, which we will closely connect with our business solutions, fixed telephone, and internet services.

As users want comprehensive and advanced services which they can use carefree, we introduced new plans in 2013 for residential users. We see ourselves as an important part of the Slovenian business ecosystem, which is why we have taken it upon ourselves to speed up the progress of entrepreneurship, holding several events for entrepreneurs. We took our services for business users to the next level and got close to entrepreneurs through subsidies, competitions, and various other ways of investing in the Slovenian business environment.

We do business responsibly. This includes responsibility to our employees, users, the environment, and society. We want to create a pleasant and encouraging work environment which facilitates employees' development both as individuals as well as in terms of their career, whether at Si.mobil or elsewhere within the Telekom Austria Group. We successfully renewed our full Family Friendly Enterprise Certificate, and our renovation of our headquarters made for our employees' better sense of well-being at the work place. At Si.mobil we encourage a creative work environment and outside of the box thinking, as we are fully aware that efficient operations and the search for new sources of revenue outside the traditional confines of telecommunications services will be important factors in doing business. We believe that the future will see most of our revenue coming from products and services which outshine our current offer.

In addition, the coming period will be strongly marked by the public auction for frequencies, which the Agency for Communication Networks and Services of the Republic of Slovenia is expected to conduct in the first half of 2014.

Effectiveness, care, responsibility, and prudence remain the guiding principles of our operations into 2014. We will continue to build a strong brand name in the future, striving to remain the friendliest provider of comprehensive communications services a user could hope to choose.



**Dejan Turk**  
Chairman of the  
Management Board



**Boštjan Škufca Zaveršek**  
Member of the  
Management Board



**Ulrich Rokita**  
Member of the  
Management Board

Ljubljana, the 28<sup>th</sup> of January 2014

## Statement of Management Responsibility

The Management Board has been informed of the content of the 2013 Annual Report and has approved it. The Annual Report has been prepared in accordance with Slovenian Accounting Standards and the Companies Act. In our opinion, the appropriate accounting policies have been applied and the annual report shows the true value of the company's assets and liabilities, and the true nature of its financial position, and results in 2013.



**Dejan Turk**  
Chairman of the  
Management Board



**Boštjan Škufca Zaveršek**  
Member of the  
Management Board



**Ulrich Rokita**  
Member of the  
Management Board

Ljubljana, the 28<sup>th</sup> of January 2014

## Address of the Chairman of the Supervisory Board



Fierce competition presents an issue in almost all markets of Telekom Austria Group, exerting downward pressure on mobile prices. The economic success of Telekom Austria Group thus hinges to a great extent on its ability to safeguard margins by continuously increasing cost efficiency. Furthermore, regulatory provisions in the form of interconnection and roaming rate reductions cause added drag on revenues, especially in those segments which must conform to EU regulation.

Si.mobil continued to successfully defend itself against a difficult macroeconomic environment and fierce competition by focusing on its successful multi-brand strategy and on increasing the number of users. Providing them with an outstanding customer experience and advanced telecommunication services remain the company's main goals. Si.mobil's management assured business excellence through efficient business, implementing principles of lean organization where relevant, striving toward new business opportunities and providing the best customer experience.

Telekom Austria Group will continue and enhance existing strategy that focuses on convergence, operational excellence, market turnaround and in-market consolidation. With another puzzle piece where Si.mobil represents an important part is the sustainability. Re.misli/Re.think is not only supporting group's strategy but is also an inspiration for it.

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

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

Johannes Ametsreiter  
Chairman of the Supervisory Board

## Key Performance Indicators

In 2013, total operating revenue increased by 1.5% compared to 2012, mostly due to other operating revenue and revenue from the sale of goods, where we recorded a 14% growth. Revenue from the sale of basic telecommunication services dropped slightly, while the revenue from domestic interconnections and international roaming was down by 4% due to the further decrease of prices of telecommunication services in the EU, resulting from price regulation.

Our earnings before interest, taxes, depreciation, and amortization (EBITDA) at the end of 2013 amounted to €60.48 million, which is 2.34% more than in the previous year. The rise in EBITDA is the result of higher revenue and improved efficiency of operations, which is one of the company's key strategic guidelines.

Si.mobil finished the year with a positive EBIT of €36.44 million, which is somewhat below the 2012 figure due to the fees paid for renewing frequencies in the 900 MHz radio frequency band and acquisition of additional frequencies in the 1800 MHz band. Earnings before tax stood at €36.86 million.

At the end of 2013, Si.mobil had 679,172 users, which is a 2.5% increase compared to the year before. Growth was the highest among subscribers (4.5%), who represent 78% of all users.

**The average revenue per user (ARPU) reached €19.9 at the end of 2013.**

## SI.MOBIL IN 2013

### OUR FINANCIAL DEVELOPMENT IN 2013 AND 2012 (IN ACCORDANCE WITH SLOVENIAN ACCOUNTING STANDARDS)

In million €	2013	2012
<b>Income Statement</b>		
Total revenue	198.01	195.04
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	60.48	59.10
Earnings before interest and taxes (EBIT)	36.44	36.85
Financial Profit	0.42	0.05
Earnings before tax (EBT)	36.86	36.90
<b>Balance Sheet</b>		
Assets	201.29	263.69
Tangible assets	66.54	71.76
Current assets	84.27	150.66
Financial and operating liabilities	31.87	95.51
Equity	157.95	155.88
<b>Selected Performance Indicators</b>		
EBITDA margin	30.54%	30.30%
Investments in tangible fixed assets	14.18	17.36
Average no. of employees	408	380
Number of employees (the 31 <sup>st</sup> of December 2013)	418	389
Number of users (the 31 <sup>st</sup> of December 2013)	679,172	662,646
Number of subscribers	529,458	506,572

## Achievements in 2013

### 679.172 Si.mobil Users

At the end of 2013, Si.mobil had 679,172 users, which represents a 2.5% growth in comparison to the previous year. Si.mobil ended the year with positive earnings before interest and taxes (EBIT) in the amount of €36.44 million, while EBITDA was €60.48 million. The average revenue per user (ARPU) reached €19.9 at the end of 2013.

### User-friendly and Flexible Services

Providing the best customer experience continues to remain our central strategic focus. With that in mind we design friendly and flexible services which really benefit our users and let them communicate reliably, comfortable, and free of worry. We offer every user segment a specifically tailored range of products and services, as well as a host of safeguards and options providing users with secure usage and a way to monitor their costs. We are continually upgrading and improving our services, so anyone can find the right choice for them at any time.

### One million euros in subsidies for the development of entrepreneurship in Slovenia

We see Si.mobil as an important part of the Slovenian business ecosystem. By promoting entrepreneurship and events for entrepreneurs we are investing in the Slovenian business environment and our future. In 2013, we gave Slovenian companies the chance to win a subsidy from Si.mobil's €1 million fund in the form of selected Si.mobil services. This allows companies to make their operations more efficient and more successful.

### New ORTO Plans

Si.mobil's ORTO brand introduced new plans which make the best offer for young people on the market. The new ORTO STARTASTIK, ORTO FANTASTIK, and ORTO BOMBASTIK plans all adapt to the needs of people between 11 and 31, offering unlimited on-net calls and unlimited text and multimedia messages. They differ in the amount of minutes of off-net calls, as well as by the amount of included data allowance. We designed a new programme It's good to be ORTO exclusively for ORTO users. The program provides young people with discounts on clothing, shoes, athletic equipment, consumer electronics, and also offers more affordable travel options.

### Network Upgrade

After intense investments in its 3G network's coverage in rural areas over the past 2 years, Si.mobil's investments in 2013 were directed primarily at upgrading its 2G and 3G equipment and its capacities in Central Slovenia, Kranj, Nova Gorica and the northern Primorska region, and Novo mesto and Krško. We replaced the existing equipment in these regions with state of the art systems, which are not only more energy efficient, but are also designed to be easily upgradeable with the upcoming LTE technology. After the network upgrade the region of Ljubljana now boasts 50% LTE coverage.

### Making mobile technology more accessible to the elderly

In 2013, we were extremely active in bringing the world of mobile phones closer to the generation that grew up without them. Here the experience we gained through our active engagement on the intergenerational Simbioza project was a huge help. Every week throughout Slovenia's major towns and cities, our sales centers held free workshops on using mobile phones. On the basis of seniors' FAQ regarding the mobile phone use and safety and security we put together a handy brochure. We made the next step by adding a special offer tailored to the seniors' needs.

### The TopTalk 2013 business event with Niki Lauda

In 2013, we once again brought a world class speaker from the business world in front of our business users and the broader business public. Niki Lauda, the legendary Formula 1 driver and successful businessman, shared at the TopTalk business event his wealth of experience in dealing with challenges and how to overcome unexpected obstacles with a little bit of perseverance and daring.

### Spreading great ideas with the Party with a Cause

The Party with a Cause is one of the most popular charity events for young people in Slovenia. Throughout the years its mission and vision have remained the same: youth for youth. After the successful tender and launch of the A Job Is (not) Looking for Me project, which helped 16 young people find employment, the Party with a Cause once again issued a tender in 2013. This time young people voted to give the funds collected at the 12<sup>th</sup> Party with a Cause to Zavod Študentska svetovalnica (the Student Consulting Institute) for its Hiša SRCe (House of Heart) project, which provides young people with a variety of solutions to their problems.

**Renewal of our full Family Friendly Enterprise Certificate**

Only motivated and satisfied employees can help build a successful company, which is why Si.mobil decided to become one of the first companies in Slovenia to obtain a Family Friendly Enterprise Certificate. We have held the full certificate for 3 years now, successfully renewing our claim in 2013. We are proud to inform employees about 2 additions to the measures we already have in place – free gynecological exams and mammograms for female colleagues and ultrasounds of testicles and the urinary tract for male colleagues.

**Preserving traditional know-how of Slovenian watercourse managers**

The Si.voda Fund, an institute for clean and healthy waters, has supported the initiative of the Institute for Water of the Republic of Slovenia to enter the Krainer wall into the Ministry of Culture's Register of Intangible Cultural Heritage in accordance with the standards of the UNESCO Convention on Safeguarding Intangible Cultural Heritage. The Krainer wall is a unique technique for water course management in the Alps and the Alpine foothills. This entry into the register is a big step forward in reviving this exceptional bit of technical heritage from Slovenian watercourse managers.

**Our awards in 2013**

- Chairman of the Management Board Dejan Turk accepted the Award of the Chamber of Commerce and Industry of Slovenia for exemplary business and entrepreneurial achievements in 2012.
- We received the Invest FDI Slovenia Award. This award is conferred by the SPIRIT Slovenija agency upon companies with foreign ownership which had excellent results and contributed to the development of the Slovenian economy.
- We received recognition as one of the most volunteer-friendly companies for our efforts in volunteering, awarded by Slovene Philanthropy on International Volunteer Day.
- In the Golden Thread competition, the selection of the best employers in Slovenia, Si.mobil was a finalist in the large enterprise category.
- We received special praise from the Ekvilib Institute upon the renewal of our full Family Friendly Enterprise Certificate.
- We again received recognition as a Reputable Employer from the employment portal mojedelo.com according to those on the job hunt.
- As part of the 16<sup>th</sup> HRM conference, Si.mobil received a recognition for 3<sup>rd</sup> place in the category of best HRM project in 2013 for its Employee Engagement 2.0 program.

- Our Inside internal magazine won 2 awards from the Federation of European Internal Communicators: 2<sup>nd</sup> place in the best European Internal magazine/news-magazine category, and 1<sup>st</sup> place in the Front cover design on an internal publication. Inside also won the Papyrus award from the Slovenian Public Relations Association in the best front cover design for an internal publication.
- At the 22<sup>nd</sup> Slovenian Advertising Festival we won 7 gold recognitions, 8 silver, and one grand prix. ORTO has been chosen as brand of the year for the 3<sup>rd</sup> year in a row, and Chairman of the Management Board Dejan Turk won an award for Advertising Person of the Year.
- Our SIMPL campaign and our long-term management of the ORTO brand both took home gold EFFIE awards.
- At the SEMPL media trends seminar our ORTO brand took home the Golden Sempler in the Best Use of the Digital World category for the new Unlimited ORTO plans.
- At the WEBSI 2013 conference we won 2 awards in the social network category for the ORTO knjiga (ORTO Book) project and Si.mobil's Twitter channel, as well as 2 awards in the innovative digital project category for the ORTO kolesa (ORTO Bikes) project and the ORTO vadnica (ORTO Gym) project.
- Through the project WEBSI – Online Champions of 2013 we won 2 first place awards – in the social network category for the ORTO Book project and in the innovative digital project for the ORTO Bikes project.
- The Association of Informatics and Telecommunications at the Chamber of Commerce and Industry of Slovenia presented Si.mobil with the EuroCloud Slovenija 2013 award in the category of best example of use of a cloud-based service in the private sector.
- Our fleet won recognition from Finance newspaper for most ecological fleet.

**We always want bigger and better,  
and the awards we have won prove  
we are on the right track.**

## Future Plans

The rapid growth in the telecommunications sector has been slowing down in recent years, since the market has reached maturity with 110% penetration. Accordingly, telecommunication companies are looking for new opportunities and creating new services which will efficiently support new ways of communication.

At Si.mobil we have been noticing that while the growth of voice services has remained steady, the use of mobile internet has been growing rapidly. Smart mobile devices that allow users to access the internet, e-mail, social networks, and mobile apps are gaining in popularity. This has resulted in an increase in data transfer, which has more than tripled in Si.mobil's network in the past four years. One challenge all operators are facing is how to keep the growth of revenue on a level comparable to the increase in usage. This is exacerbated by the pressure on prices, which we are already facing because of a highly competitive market and the depleted purchasing power of the Slovenian population. At Si.mobil we are fighting the negative trend by effectively managing costs and optimizing internal processes, as well as by taking advantage of the synergies provided by the Telekom Austria Group.

At the same time we are also actively expanding the scope of our operations by looking for new business opportunities and distinctive advantages that put us ahead of our competitors. Operators are continuously fighting for users and the competition is tough, while users, who can select from an ever growing range of services and products, are becoming increasingly demanding. It is not only the price of services that counts, what is also important, is their experience at every point of contact with the service provider.

Accordingly, we continued pursuing our strategy based on providing best customer experience in 2013. This will be our policy in 2014 as well. We will continue to focus on providing the most advanced and comprehensive telecommunication solutions, and on increasing our number of users and the value per user.

State-of-the-art infrastructure allows us to widely expand the development of cloud-based services, which we will closely connect with our business solutions, fixed telephone, and internet services. In collaboration with our parent company we are developing know-how and competencies in M2M technology and successfully taking advantage of market opportunities.

The coming period will also be strongly marked by the public auction for frequencies, which the Agency for Communication Networks and Services of the Republic of Slovenia (until recently Post and Electronic Communications Agency of the Republic of Slovenia – APEK) is expected to conduct in the first half of 2014. At Si.mobil we hope that the auction will be conducted within the set timeline and in a manner that will benefit end users. End users can only benefit if operators sufficiently invest in cutting-edge technologies.

Efficient operations and the search for new sources of revenue outside traditional telecommunications services will be important factors in the future. This is why Si.mobil encourages a creative work environment and thinking outside the box. We are conducting a number of activities that help us keep our internal entrepreneurial spirit alive and develop it so it generates results. We believe that the future will see most of our revenue coming from products and services which outshine our current offer.

čten telefon  
upokojenje

paketu

bezplačno



SIMPL  
KIDZ

**WE ARE COMMITTED TO  
LISTENING TO OUR USERS,  
AND OUR SERVICES ARE THE  
ANSWER TO THEIR NEEDS.**

JAVA

THE MARKET

DOBRO  
JE BITI  
OBUTI  
MAČEK

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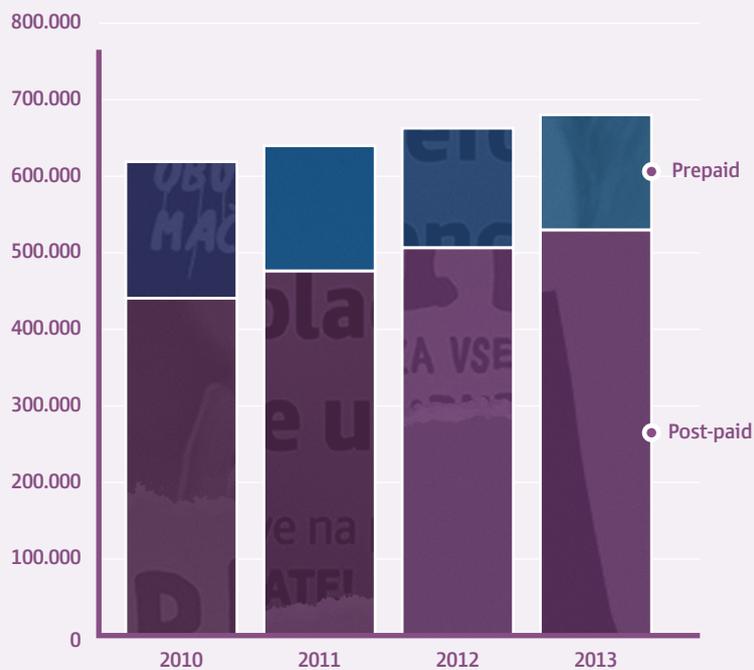
## Market Environment

The Slovenian telecommunications market is highly mature, which results in slower market growth and more intense competition. The constant decrease of roaming prices in EU member states presents an additional risk for mobile operators. Under such conditions, Si.mobil is focusing especially on optimizing its business operations, finding new revenue sources, and on activities related to maintaining and acquiring new subscribers.

According to the numbers from the Agency for Communication Networks and Services for the fourth quarter of 2013, the level of active mobile user penetration in Slovenia has reached 110.8%. That is why we expect the telecommunications market to grow more slowly in the future. Under such market conditions the competition between the operators will only intensify, and retaining existing and acquiring new customers will be a major challenge for all the players. Si.mobil will continue to focus in increasing its efforts on customer retention and acquisition.

**At the end of 2013 Si.mobil had 679,172 users, 529,458 of which were subscribers and 149,714 prepaid users. Si.mobil's market share was 30%.**

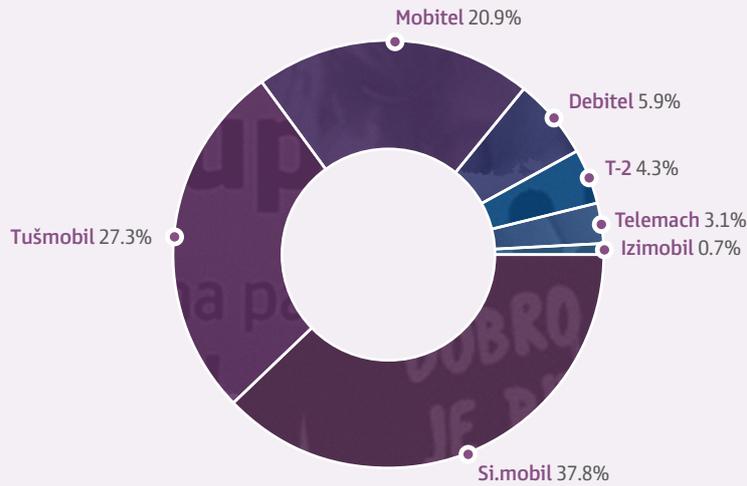
**Graph 1: Si.mobil's users between 2010 and 2013**



## THE MARKET

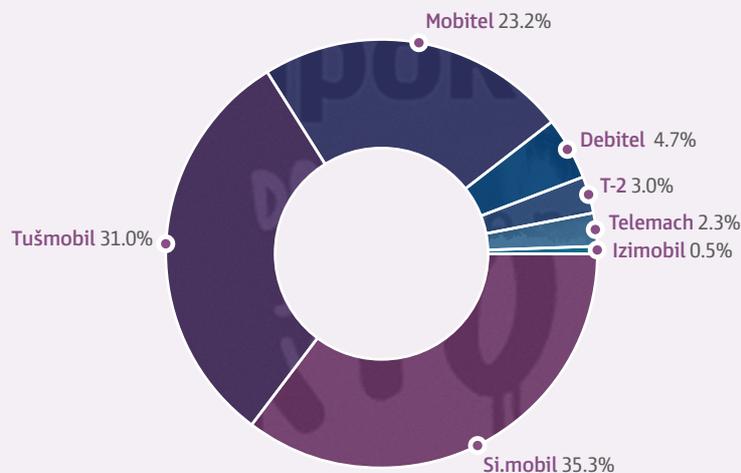
In 2013, Si.mobil was once again the operator which acquired the largest number of new users, and is the most frequent user choice among those thinking about switching to a different mobile service provider.

**Graph 2: Number portings between mobile operators in Slovenia in 2013**



Among its own users, Si.mobil maintains the image of a trendy provider of advanced services and mobile devices at competitive prices. Quality, expertise, and value for money remain our key focuses, helping us strengthen the position of Si.mobil's brand and increase users' preference to it. The latest NPS (net promoter score) on customer satisfaction and recommendation prove that providing the best customer experience is the best way.

**Graph 3: Si.mobil's share of newly acquired users**



## THE MARKET

The popularity of smartphones among users has soared, and has well overtaken the sale of feature mobile phones. Already about two thirds of mobile phones in Si.mobil's network are smartphones. Smartphone use also increases the scope of data transfer in Si.mobil's network. Through intensive network overhauls and upgrades through the past three years we made it possible for smartphones and tablet users to transfer data at extremely high rates of up to 42 Mbps, and in Ljubljana, Brnik, Bled and Maribor, where we provide LTE network coverage, they can connect at speeds of up to 150 Mbps in download and 50 Mbps in upload. In order to protect users from incurring potential high costs, we introduced certain solutions for carefree mobile internet use, such as automatic notifications on mobile internet use and limiting the data transfer rate to 64 Kbps when the amount of transferred data exceeds the data allowance by 50 MB.

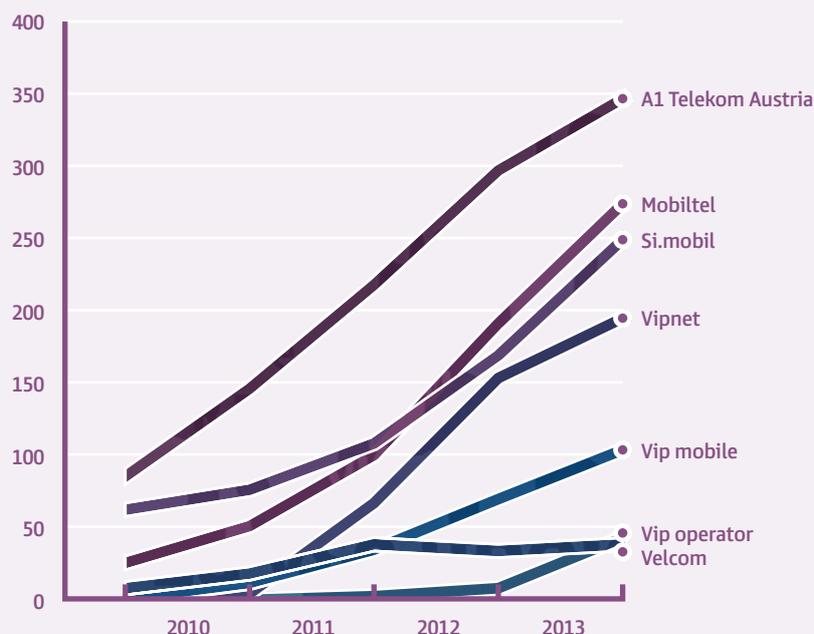
**Graph 4: Si.mobil's share of smartphones sold in 2012 and 2013 compared to the total Slovenian market**



## THE MARKET

Our parent company Telekom Austria Group has also noted the continuing trend of mobile internet use growth. The Austrian A1 Telekom network had the most data transfer, followed by the Croatian Vipnet and Si.mobil.

**Graph 5: Average per user data transfer in the Telekom Austria Group between 2010 and 2013**



## Risk Exposure

### Market Risks and Competition Related Risks

The Slovenian mobile communications market is highly mature. According to the numbers from Agency for Communication Networks and Services of the Republic of Slovenia (AKOS) for the third quarter of 2013, the level of active mobile user penetration in Slovenia has reached 109.7%. That is why we expect the telecommunications market to grow more slowly in the future. Under such market conditions the competition between the operators will only intensify, and retaining existing and acquiring new customers will be a major challenge for all the players. Si.mobil will continue to focus in increasing its efforts on customer retention and acquisition.

### REGULATORY RISKS

#### Regulation of Call Termination in Mobile Networks

In 2009 AKOS, which regulates and supervises the electronic communications market, on the basis of its analysis of the relevant market 7, imposed price control upon Mobitel (mer-

## THE MARKET

ged by acquisition into Telekom Slovenije as of the 1<sup>st</sup> of July 2011), Si.mobil, Tušmobil, and T-2. Relevant market 7 includes call termination services in an operator's own network, as well as over interconnection, i.e. conducting call termination for calls from other operators' networks.

The aim of this price control was to achieve a price decrease and consequently to remove the market asymmetry for the mobile operators with the smallest market shares, namely Tušmobil and T-2. AKOS set the price of call termination in Telekom Slovenije's and Si.mobil's networks in the same highest scope (the price was set in the scope of €0 to €0.0324 per minute), calculated based on a theoretical model of an ideally efficient operator with a 25% market share. In accordance with AKOS's decision the prices were equalized as of the 1<sup>st</sup> of January 2013 in the amount of a cost-orientated price of termination of an efficient operator.

Because of prices that were set for Telekom Slovenije and Si.mobil in an equal scale, Telekom Slovenije was able to take advantage of its significantly higher market share and its resulting significantly higher economy of scale and achieve a high margin when charging the maximum allowed regulated price. Telekom Slovenije can use this margin for cross-subsidizing retail services, as it did with the Itak Džabest price plan. In the event of a change to users' calling habits, the regulation of the highest price for call termination could lead to additionally unbalanced, i.e. asymmetric traffic between Telekom Slovenije and Si.mobil's networks. When traffic in one direction is higher than in the other this results in unbalanced payments, which at Si.mobil's estimate amount to over €100,000 per month at Si.mobil's disadvantage.

As of the 1<sup>st</sup> of January 2013, the maximum price allowed by regulations for call termination in the Tušmobil and T-2 mobile networks is equal to Si.mobil's price. The end of asymmetry had a positive effect on the payments between both companies and Si.mobil. Should users' calling habits change, this could have a negative impact on the balanced traffic, i.e. on the equal number of calls between Tušmobil's and T-2's networks and Si.mobil's network, which could result in unbalanced payments at Si.mobil's disadvantage.

In March 2013 AKOS published a new analysis of market 7. The analysis plans for a significant decrease of call termination prices in mobile networks, including Si.mobil's. Significantly lower call termination prices will have a strong impact on Si.mobil's revenues in 2014.

### **Lawsuit against Telekom Slovenije**

The Slovenian Competition Protection Agency of the Republic of Slovenia (AVK, until recently Competition Protection Office) issued a decision in 2012 finding that Telekom Slovenije (formerly Mobitel) had breached Article 9 of the Prevention of Restriction of Competition Act, and Article 102 of the Treaty on the functioning of the European Union. In its Decision the Office finds that between November 2008 and

July 2010 Telekom Slovenije offered the retail price plan Itak Džabest at unfair retail prices with the aim of strengthening or retaining its market power in a significant part of the retail mobile communications services market. The revenues from this plan were below the costs that Telekom Slovenije incurred for an average subscriber to this plan, or from the costs that an equally efficient operator would have incurred. This means that there is a high probability that Telekom Slovenije intended to push its competitors from the market in an unfair way. Telekom Slovenije has filed a law suit against this Decision before the Supreme Court of the Republic of Slovenia which annulled the Decision. AVK will have to repeat the procedure.

In November 2011, Si.mobil filed a lawsuit against Telekom Slovenije on the grounds of abuse of its monopoly position. The amount of the claim is based on the estimates of an internationally recognized competition expert, who assessed that the damage suffered in the event Telekom Slovenije's activities were to have remain unchanged until 2015 would surpass €286 million. The new decision from the Slovenian Competition Protection Agency could have an impact on the claim and the amount of damages.

### **The Regulation of Roaming in European Mobile Networks**

On the 1<sup>st</sup> of July 2012, the EU Regulation (EU) No 531/2012 on roaming in the public mobile communication network in the European Union came into force. With this Decision the European Union additionally lowered the retail and wholesale prices of international mobile roaming, which are set to decrease even further in 2014. At the same time this Decision introduces additional measures for promoting competition at the retail as well as the carrier level. These additional measures came into force in 2013 (carrier access for roaming), while the measure of selling regulated retail roaming services separately will come into force in 2014. Implementing these measures will result in additional costs for Si.mobil, as well as administrative and technical changes to operations in 2014. This Regulation will have a negative impact on Si.mobil's future operations.

In September 2013, the European Commission published the Proposal for a regulation laying down measures concerning the European single market for electronic communications and to achieve a Connected Continent, and amending Directives 2002/20/EC, 2002/21/EC, and 2002/22/EC and Regulations (EC) No. 1211/2009 and (EU) No. 531/2012. Should the Proposal be adopted, it would have numerous direct and indirect negative consequences on Si.mobil's operations.

### **Public Tender for the Assignment of Radio Frequencies**

In September 2013, AKOS published the Draft Information Memorandum setting the conditions of the public tender with a public auction for assigning radio frequencies for the provision of public communication services in the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, and 2600 MHz radio frequency

## THE MARKET

bands. The Draft also includes the schedule for conducting the frequency auction, with AKOS planning to issue its decisions on assigning radio frequencies by July 2014 at the latest. On the 31<sup>st</sup> of December 2013, the Decision on the initiation of a public tender with a public auction for assigning radio frequencies for the provision of public communication services was published. Considering the fact that the public tender will lead into a public auction, there is some uncertainty regarding obtaining the required frequency space and the amount of payments.

### CREDIT RISK

Company revenue came from different sources, the majority being revenue from calls and subscription fees from subscribers. As the main part of subscribers at the end of 2013 were natural persons, the credit risk is broadly dispersed, and is not a significant factor. Other revenue sources are connected to resellers (from sale of mobile devices), and other domestic and foreign mobile communications operators (from interconnection and international roaming). Past experience shows that there are no significant risks associated with these activities. As of the balance sheet date there were no significant dependencies on any of the above debtors.

### INTEREST RATE RISK

In 2013 the company did not enter into any loan contract relationships and with the exception of a deposit to the Cash Pooling system is not exposed to interest rate risks. The company does not use special financial instruments for interest rate hedging.

### CURRENCY RISK

The company currency in 2013 was the euro. Only a small share of transactions is conducted in US dollars and other currencies, therefore currency risk is not significant for the company. The company does not use special financial instruments for currency hedging.

### FUNDING LIQUIDITY RISK

The company generates funding liquidity from operations, and from inflows from financing based on loans from the owner, which the parent company grants when required. Development has shown that the company continues to improve its operations, and thereby inflows from operations. New technologies, which require high up front investments, might require additional funds for execution.

## Range of Services

Our range of services is comprised of advanced, simple, and carefree communication services that are truly useful to people. The best customer experience continues to remain our central strategic focus.

**We established a new department in 2013 dedicated entirely to providing the best customer experience.**

### **Providing the Best Customer Experience**

One of our key advantages on the market is providing the best customer experience, which is why we are placing a lot of attention on this area. Si.mobil is recognized as a friendly communication service provider, and we also strive for users to perceive us as the provider with the best customer experience. We accordingly undertook the formation of a new department within the company that will focus exclusively on the customer experience. We began with the unification of our sales processes and channels, as well as points of direct contact with users. We will continue working hard in developing our activities for providing the best customer experience in 2014 as well.

### **Residential Users**

In 2013 we were among the first Slovenian mobile operators to offer users the NESKONČNI (unlimited) plans with unlimited voice minutes to all Slovenian networks, unlimited messaging, and a large data allowance.

For users who do not require unlimited amounts of minutes or text and multimedia messaging we prepared two great price plans, OSNOVNI S (basic S) and OSNOVNI M (basic M). Both include a certain amount of voice minutes and messages, and OSNOVNI M also includes some data allowance.

In summer our users were happy to use the extremely attractive offer for mobile internet use in Croatia. Si.mobil's subscribers were able to use mobile internet completely carefree in our sister network Vipnet, send and read email, and share their holiday moments on social networks.

We continued developing new offers for seniors and children which we first introduced in 2012, and then upgraded in 2013. We especially focused on educating and informing both of these user segments regarding safe and secure use of mobile technology, as these two groups are only just coming into contact with the world of mobile communications.

The youngest were able to learn about mobile phone security settings as part of the SIMPL KIDZ FRČOPARK courses, which were set up at the Luna festivals in Ljubljana and Visoko, at the Pippi Longstocking festival in Velenje, and at Art Camp, which took place in the scope of the Lent Festival in Maribor. The SIMPL KIDZ gang characters, Lili d Kit, dr. Danger, and Franci also taught the children about safe and secure mobile phone use through augmented reality (AR).

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We offered senior users the SENIOR plan, which includes unlimited on-net calls and calls to all fixed networks in Slovenia, as well as a generous amount of voice minutes to other networks and text and multimedia messaging at a low monthly subscription fee. We were informing seniors about security and the use of mobile technology through several methods: We prepared and published a special brochure titled Safe and Secure Mobile Phone Use: Advice and Information for Seniors. Once again we provided support to the Simbioza project, where our employees were once more active in educating seniors on mobile technologies. Through the experience we gained collaborating on the Simbioza project we noticed that the elderly want to get to know mobile technology better, and we prepared a special offer for them, which included a free mobile phone without a contract, and SENIOR HOURS – free workshops on mobile phone use, taking place each week at Si.mobil's shops in larger towns across Slovenia.

### Business Users

We see Si.mobil as an important part of the Slovenian business ecosystem. By promoting entrepreneurship and events for entrepreneurs we are investing in the Slovenian business environment. At Si.mobil we make business happen through our services, which are adapted for business users' needs, encourage an entrepreneurial mindset with motivational stories of experienced entrepreneurs headlining our business events, and develop entrepreneurship through partnerships and sponsorships of various projects and organizations.

In order to encourage companies towards more efficient business operations we prepared a special offer for our business users at the start of 2013. We focus on showcasing how moving business operations online can help especially small companies save time and make it easier to focus on their business. We provided them with two free months of the Shopamine business solution which they can use to simply set up an online shop, and we also added 300 MB of data allowance to the PODJETNI START (business start) price plans. In March we began a trial of the Perfect Phone service, the only business solution in Slovenia to combine fixed, mobile, and IP phone services into one. The services make it possible for the user to receive a call on their mobile or fixed number, regardless of where they are or which device they are using.

In the summer we prepared another exceptional offer for businesses – a six-month subsidy to all Si.mobil services in the form of a 100% discount for half a year. This campaign also included a special competition for small businesses

with up to 10 employees, which took place in the form of an elevator pitch. The final round of the competition took place in an actual elevator, where the representatives of the ten finalists had to convince the jury during an elevator ride that it was their company which deserved the subsidy in the form of Si.mobil's Perfect Office services. 53 companies signed up for the competition, and the winning company receiving a reward in the amount of €10,000.

In October, we continued with the planned strategy of developing the entrepreneurial environment. We launched the Si.mobil Fund valued at €1 million, used for subsidizing Slovenian companies by providing them with selected business services, making their business operations more efficient. In order to provide support to the campaign and because of the great response to the first competition for small businesses, we launched our second elevator pitch in November. The response was even better this time, as over 70 businesses signed up.

Si.mobil's owner, the Telekom Austria Group, recognized Si.mobil as an advanced company in implementing offers for cloud computing services. As a result it set up a competency center in Slovenia to support the development of the cloud computing services offer within the Telekom Austria Group. The role of the competency center is to acquire new know-how, as well as to upgrade cloud computing services, provide training, and transfer experience with the goal of helping other Group companies also become leading local cloud computing service providers. This way the competency center is contributing to the transformation of the Telekom Austria Group from a telecommunications provider into a provider of comprehensive communication services, which takes advantage of our good understanding of foreign markets and the Group's synergies. The competency center follows the three strategic goals based on the cornerstone of operational excellence:

- adapting cloud computing services within the Group;
- providing an excellent range of services;
- offering the optimum strategy and support for launching a product on the market.

We invited our business users and partners to the Business TopTalk 2013 event, where we hosted the legendary Formula 1 race car driver Niki Lauda. His main message was that one must make decisions, even if they are wrong, as mistakes as well as rises and falls are a part of every business path.

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### Young People

ORTO is a brand that has put its mark on the generation of young people, and contributed significantly to Si.mobil's rise. Daring communication and an offer tailored to young people were key to the development of the ORTO brand in 2013 as well.

In this spirit we launched the new ORTO plans in September, replacing the former ORTO U NULO (Totally ORTO) and ORTO SMART plans. The new ORTO STARTASTIK, ORTO FANTASTIK, and ORTO BOMBASTIK plans are aimed at young people who want to be constantly connected with their friends, offering them unlimited on-net calls and unlimited text and multimedia messages. They differ in the amount of minutes of off-net calls, as well as in the amount of included data allowance, serving different needs of different users.

In November, we developed the new benefits program It's Good to Be ORTO. We designed the program based on research that showed about 44% of young people are left with less than €100 for personal use, after paying for all their expenses. Young people prefer spending this money on clothing, footwear, traveling, sports equipment, and consumer electronics. That is why we launched the It's Good to Be ORTO program, through which in collaboration with our partners we provide young people with discounts on purchasing popular products and services.



**WE THINK DIFFERENTLY.  
THE FURTHER OUR IDEAS  
TAKE US, THE CLOSER WE  
GET TO OUR USERS.**

TECHNOLOGY

## Core Network and IT

Providing the best customer experience both to our users, as well as our colleagues, is tightly interwoven with a modern and service oriented technical development and support.

**Throughout 2013 we worked on the project of upgrading the entire core and packet network.**

In the field of IT and core network we continued working on two large-scale projects in 2013. Throughout the year we were upgrading the entire core network, so that it will be ready in 2014 to take advantage of cutting-edge technologies in delivering the latest services. We also continued the reorganization of the Core Network and IT sector into an effective and service-oriented organization.

The sector reorganization required an internal restructuring of the Core Network and IT department, along with an overhaul of business processes from the ground up. Factors like changes in the market and consumer habits, as well as the increasingly shorter time to market for new services encouraged us to make these decisive changes. After more than a year of work we are finalizing the renovation of our IT architecture, which will allow us to usher in uniform order management, a product catalog, and unified processes. In 2013 we provided suitable technical support to Si.mobil's technical processes of business request management, service and application development, and change and error management.

In the field of cloud computing service provision we are especially proud of the EuroCloud Slovenia 2013 award conferred to us by the Association of Informatics and Telecommunications at the Chamber of Commerce and Industry of Slovenia for the best example of using cloud computing services in the private sector. Our cutting edge in cloud computing service provision is also demonstrated by our parent company's decision to make Si.mobil the competency center for cloud computing services for the whole Telekom Austria Group. In 2013 we helped our sister company Vipnet in Croatia set up a similar service to what Si.mobil markets under the Popolna pisarna (The Perfect Office) brand.

We also continued with the convergence of our services. We began providing IP telephone services to business users over converged centrex, as well as offering the Popolna telefonija (The Perfect Phone) service. This is a unique, modern, and completely adaptable communication solution which combines fixed, mobile, and VoIP services.

Key achievements in IT and core network in 2013:

- We successfully completed the project of migrating all of our prepaid users to a new system. In spite of the high intensity and complexity of the project we managed to complete it in one year, without our users noticing any impact on the quality of their service. The project also included

## TECHNOLOGY

transition to a new system of voucher management.

- In October, we provided technical support for the introduction of the new method of charging subscription fees, which is now billed for the previous month, the same as all other services. The advantage of this method is increased transparency.
- We also provided technical support to the new sales channel – telemarketing – which our call center is performing.

Throughout 2013 we worked on the project of upgrading the entire core and packet network.

- In March, we replaced the SGSN in our core network, an important element of our packet network that establishes data sessions in the GPRS/UMTS/LTE network, and enables data transfer in the home network.
- We began with the process of switching over to a new IP Multimedia Subsystem (IMS) which will become the central system for our converged services.
- We continued working on the project of migrating our HLR system to a HLR/HSS system (home location register/home subscription server), which is now based on the new concept of a centralized user database. All fourth generation network LTE users have already been transferred to the new HSS.
- We also continued working on the upgrade and replacement of our R4 core network, which will be completed in 2014.

## Access and Transport Network

As a result of the growing use of smartphones and the increased scope of data transfer, we have to constantly work on upgrading our network. High-quality voice services and extremely fast mobile internet are the promises we make to our users.

The increasing popularity of smartphones is showing an impact on our users' habits. Today most of our users regularly use mobile internet for checking e-mail, accessing social networks, and browsing the web. There are already more smartphones than feature phones in our network, and their share continues to grow. The increasing intensity of smartphone usage also results in a greater scope of data transfer, and we expect the rapid pace of mobile internet growth to continue also in the future.

After the intensive network upgrade in 2011 and 2012, through which we achieved better 3G network coverage in Slovenian rural areas, we focused in 2013 on upgrading the 2G and 3G network in the broader areas of Ljubljana and Kranj, Novo mesto and Krško, and in the northern Primorska region. After the upgrades, our network has greater capacity and is more responsive, with significantly improved 3G coverage. We installed state-of-the-art technologies in our network that are not only more energy efficient, with a 30% reduction in electricity usage, but also ready for further upgrades with future technologies, such as LTE. The new technologies improve network capacity, providing greater data throughput and shorter response times.

**We took LTE to even further corners of the map in 2013**

Graph 6: Population coverage in Si.mobil's network

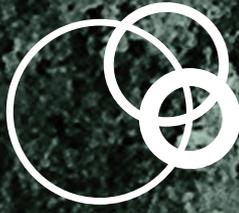


## TECHNOLOGY

In 2013, we set up 27 new 2G base stations and 81 new 3G base stations. After we became the first Slovenian mobile operator to launch an LTE network, providing coverage in Ljubljana, Bled, and Brnik, we continued with the expansion of the LTE network in 2013, connecting 35 new LTE base stations.

Table 1: Investments in network development (in €)

	2011	2012	2013	2013/2012 difference (in %)
Access network	8,273,578	5,239,500	5,639,441	7.63
Core network	1,157,567	2,866,207	2,149,562	-25.00
Transport network	3,446,460	2,937,284	2,082,155	-29.11
<b>Total</b>	<b>12,877,605</b>	<b>11,042,991</b>	<b>9,871,158</b>	<b>-10.61</b>



**WE DO IT RIGHT. IT IS ALWAYS  
THE RIGHT TIME FOR THAT.**

RESPONSIBILITY

## Employees

Today a job is hardly perceived as simply fulfilling one's obligations during an eight-hour working day. Today it is becoming a way of life. This is why Si.mobil wants to create an encouraging and relaxed work environment which allows our employees to develop and progress in their professional as well as private lives. We give special attention to the balance between family and professional lives, which makes us an attractive employer also for those with children.

Responsibility takes root within the company, which is why caring for our employees is an important part of our operations.

### Data on Employees

#### KEY EMPLOYEE-RELATED INDICATORS FOR 2013

Number of employees	418
Increase in the number of employees	26
Average employee age	36,44 years
Share of women among employees	48,09%
Share of women in management and leadership positions	40,43%
Share of employees with contracts for indefinite time	90,67%
Sick leave absence rate	3,62%
Fluctuation	4,66%

#### EMPLOYEE TRAINING IN 2013

Average number of training days per employee	4,17 days
Share of employees working as internal lecturers	8,37%

#### EMPLOYEE STRUCTURE BY EDUCATION LEVEL IN 2013

Vocational school or less	5.74%
Secondary school	34.69%
Higher education, 2-year school	14.35%
Higher education, 4-year school	14.83%
University education	26.56%
Post-graduate education	3.83%

## RESPONSIBILITY

### ACHIEVEMENTS IN 2013

#### **Two New Measures Added to the Family Friendly Enterprise Certificate**

At the end of 2013, we have successfully renewed full Family Friendly Enterprise Certificate, which we were awarded three years ago as one of the first companies in Slovenia, and added two new measures. Our female colleagues can now take free of charge gynecological examinations and breast ultrasounds, while our male colleagues can get a free ultrasound of their testicles and urinary tract, as well as PSA hormone analysis. We also implemented additional measures with the purpose of raising awareness about a very common disease of our age – cancer – and of encouraging employees to take better care of their health.

#### **New Offices**

In 2013, we started the renovation of Si.mobil's headquarters, which is the final stage of our two-and-a-half-year-long project of overhauling our premises. When renovating, we followed contemporary trends in the field of interior design and office planning, focusing on ergonomics, color scheme, and natural materials. Renovated offices provide a friendly and relaxing work environment, improve work efficiency, and promote collaboration and bonding between colleagues. Creative points on all floors provide space for creating and an opportunity for a short break from computer screens.

#### **Management Standards Included in the Competencies Model**

Si.mobil's competencies model defines key guidelines that employees should follow in their everyday work. In 2013, we expanded Si.mobil's list of key competencies with management standards, which represent a guideline for our executives in their day-to-day management. Based on the management competencies of Si.mobil and other companies in the Telekom Austria Group, we introduced new management standards, which define guidelines that good managers should observe in relation to themselves, their teams, and the company.

### EMPLOYEE DEVELOPMENT AND INCENTIVES

#### **Program for Developing Key Potentials**

Si.mobil constantly analyzes trends in the field, as well as the company's current and future needs, striving to identify people with potential. We then develop and educate these employees, and prepare them to take over managerial and executive or strategic professional positions at the company in the future. In 2013, we selected the third generation of key potentials, and around 10% of all employees are included in the program. In 2013, the company's Management Board invited all key potentials and employees included in the retention program to actively contribute to the company's strategic initiatives.

Key potentials were also offered a number of activities, including participation in the Case Study competition, organized by IEDC Bled, Lisa Steward's lecture on the importance of introducing ethical management principles in everyday work, and an exclusive greet and meet with Niki Lauda, who visited Si.mobil as part of the TopTalk event.

#### **Retention Program**

The retention program is designed for employees with specific know-how, competencies, and experience. We selected the first group of employees for our retention program at the beginning of 2011, and the second one a year later. In spring 2013, we invited the third generation of employees to join the program, so currently slightly over 7% of all our employees are included in the program. Employees in this program are given extra financial benefits and non-financial incentives. The results are tangible, as the share of retained talented and key employees is very high.

#### **TAG Business School**

We encouraged our employees to join the TAG Business School program – Telekom Austria Group's business school, which is being held for the third year in a row. They were given the opportunity to benefit from training at the highest level and in an international environment. A technical, marketing, and finance academy, as well as the Group Young Potential Program designed for the development of young experts, took place throughout the year as part of the TAG Business School. TAG Business School also includes open training modules for all employees and modules for top-level management. In 2013, 76 of our employees went to TAG Business School, and they expanded their knowledge and competencies regarding 24 different topics.

#### **The x.change Program**

The x.change program is conducted on the level of the Telekom Austria Group with the purpose of exchanging know-how, experience, and practice between experts within the group. The program helps employees develop professionally as well as personally, as it is an opportunity to gain experience in different and culturally diverse business environments. In 2013, 20 Si.mobil's employees took part in the x.change program, and Si.mobil hosted 9 employees from other Telekom Austria Group companies.

#### **Si.academy**

The main goal of Si.academy is to constantly invest in employees' know-how and development and to support development using internal resources. In addition to promoting knowledge, Si.academy's mission also comprises organizing high-quality training courses, workshops, and seminars, implementing the acquired knowledge into practice, and helping employees in specific business challenges.

The People Development Office works together with colleagues from other sectors and annually drafts a plan

## RESPONSIBILITY

of training topics, and all the training courses for different groups of employees are then collected in the Si.academy Training Catalog.

In 2013, Si.academy consisted of the following seven pillars:

- all employees – courses for the personal and professional development of all employees;
- the best possible customer experience – training courses for employees in constant contact with our users;
- management – a program for developing management skills, and individual coaching;
- professional training – specialized training courses for acquiring professional know-how;
- obligatory training – training required by law;
- formal education – a program for employees aimed at increasing their level of formal education;
- the TAG Business School – business school of Telekom Austria Group.

The training is conducted in different ways, most frequently through individual or group lectures, workshops, practice, coaching, and e-courses. We also provide systematic internal sharing of know-how, which is carried out with the help of experienced internal lecturers. In 2013 we focused on the development of our team leaders' management skills, leaders who had not undergone such training in the year 2012, as well as some key potentials. We also paid special attention to the development of employees in constant contact with our users.

### Management Competencies and Standards

Management standards are based on Si.mobil's management competencies, and they define characteristics of a good manager and the quality level that should be met in management in relation to oneself, the team and the company. Key competences, required from all Si.mobil's employees, were compiled in collaboration between the Management Board, leaders, and the People Development Office. In 2013, we upgraded local set of management competences based on the management competencies of all sister companies from the Telekom Austria Group and created management standards. Management standards define what it means to be a good leader in relation to oneself, the team, and the company. Leaders learn about management standards and develop them as part of in-depth training in management skills.

### Smart Talks Summer School

This year we boosted our successful collaboration with business partners by sharing know-how and experience at the Smart Talks summer training sessions. These sessions co-

vered seven topics: social media, conjoint analysis, branding, bicycle management, change management, new technologies, and the start-up mindset.

### Management by Objectives – Annual Interviews with Employees

Si.mobil has always been encouraging and constantly developing Management by Objectives as one of the tools for fulfilling the company's strategic plans. This allows us to realize the company's strategy, while every individual can achieve their set goals. We further upgraded and improved this tool at the beginning of 2013. We organized a special workshop, where all leaders who set goals for their colleagues received additional training on how to set appropriate goals and expectations. As part of Management by Objectives, development goals are also set for employees every year.

We reward employees for their good performance through Management by Objectives. Employees in constant contact with users also received quarterly performance-based bonuses in addition to rewards based on Management by Objectives. Furthermore, any employee can receive a special monetary bonus anytime of the year for remarkable achievements.

### TAGisfaction

In 2013, the Telekom Austria Group conducted for the second time its TAGisfaction internal survey, in which we collect our employees' opinions on their integration and satisfaction in the company. A total of 81.4% of Si.mobil's employees responded to the invitation to participate in the survey. Our results were above average in all categories.

### Balancing Personal and Professional Lives

We have been part of the Family Friendly Enterprise initiative since the beginning. We implemented the first set of measures already in 2007 as part of the basic Family Friendly Enterprise Certificate. Three years later we upgraded our basic certificate to the full Family Friendly Enterprise Certificate and became one of the first companies in Slovenia to start implementing a broader set of measures aimed at helping our employees in balancing their family and professional lives.

We were awarded the basic certificate in 2007, and introduced the following measures:

- child time bonus,
- flexible work breaks,
- establishment of an expert team,
- informing employees,
- public relations,
- training for supervisors,

## RESPONSIBILITY

- re-integration into the work process after maternity or parental leave.

At the end of 2010, we adopted additional measures:

- open door day,
- planning and conducting further training programs,
- gifts for employees with newborns,
- New Year's gifts for employees' children,
- surveys on balancing professional and private lives among employees.

Continuing with the existing measures and adding new ones is a constant process, in which we actively involve our employees, since the measures are adopted with their support. In 2013, we introduced two new measures – free breast ultrasound and gynecological examinations for our female colleagues, and free testicle and urinary tract ultrasounds and PSA hormone analysis for our male colleagues. We also organized two lectures on breast and prostate cancer as part of the Family Friendly Enterprise week. We organized a week of activities on the topic of balancing private life and career to mark the third anniversary of our being awarded the full Family Friendly Enterprise Certificate.

### **Daycare for Employees' Children during School Holidays**

We once again provided daycare for our employees' children during school holidays. In 2013, we provided daycare for 92 children during school holidays and the public sector strike. At daycare children could take part in a variety of social and athletic activities, and they could also attend a winter break in Mojstrana and a summer break at Debeli rtič.

### **Care for Employees' Health and Well-being**

Si.mobil is aware how important it is to care for employees' health. Everyone is responsible for their own health, we however believe we should encourage our employees to take

care of their health, since healthy and relaxed employees are better at tackling their challenges at work as well as in their private life. For this purpose, we designed a set of health promotion measures aimed at helping our employees reduce the risk of diseases, injuries, and occupational diseases, and at encouraging them to lead a healthy lifestyle. For years we have been providing a safe work environment, and we will intensify our activities in this area even further in the future.

### **Voluntary Pension Insurance**

We also provide our employees with the possibility of joining a collective additional pension insurance scheme to start saving for old age in time and provide for better social security in their retirement. Si.mobil contributes 2.8% of an employee's salary to the premium.

## Customers

We conduct our business responsibly. We ensure that the use of our services is safe and secure, while offering our users solutions for a higher level of control over usage and costs. We are constantly upgrading our security system and ensuring data protection, while providing our users with education on the safe and secure use of mobile devices.

We exercise responsibility towards our users by developing secure services for easily managing telecommunications services, educating users about security, and by providing an effective data protection system.

### Care for Customers

The simple and safe use of our services, together with advanced technologies, is an important element of providing the best customer experience and our responsibility towards users, which is why in 2013 we offered our users a number of services that allow them to better and more simply control and monitor their costs and usage. The Moj Si.mobil (My Si.mobil) web portal allows Si.mobil's users to manage their services and spare themselves a visit to our sales points. Through the portal, users can monitor their usage, switch between price plans, amend their personal data, top up their SIMPL accounts or the SIMPL accounts of their loved ones, check their usage for the past 12 months in the archive, pay their invoices, and activate or deactivate safeguards and services when traveling abroad.

The Si.info app is designed for smartphone users. With this app Si.mobil's subscribers can check their monthly usage and international roaming fees. The app also comprises a functionality that allows users to find the nearest Si.mobil sales point and sales points' contact information.

All users can opt for electronic instead of paper invoices, which make paying for monthly costs simpler.

### Safe Use of Mobile Services

The increased use of smartphones and social networks in recent years resulted in a significant rise in the use of mobile internet among our users. Consequently, users are more exposed to the traps that can be found online, especially if they are inexperienced in using the internet and mobile apps. This is why in 2013 we devoted a lot of attention to informing users about the safe use of mobile technology and data protection, as well as teaching employees about security and security systems. We introduced safeguards, blocks, and automatic text message notifications for data allowance usage and international roaming.

To promote the safe use of mobile services, we continued our collaboration with the Forum EMS and SI-CERT, the national center for incident response and security of electronic networks and information. Together with SI-CERT we prepared a brochure for senior users of mobile services – Safe Use of Mobile Phones: Tips and Info for Elderly Users. We also taught seniors as part of the Simbioza project, and we organized special SENIOR HOURS – weekly lessons for seniors, which took place at Si.mobil's sales points in major Slovenian towns.

## RESPONSIBILITY

Our youngest could learn about security settings on mobile phones at SIMPL KIDZ FRČOPARK courses, which we held at major family events around Slovenia. The SIMPL KIDZ gang characters, Lili d Kit, Dr. Danger, and Franci also taught the children about safe and secure mobile phone use through augmented reality.

### **Protecting Personal and Confidential Data**

Our responsibilities in business operations also include ensuring the safe use of our services. In 2013, we devoted a lot of attention to secure communications, data protection, the safety of our employees, and the security of our systems. Due to increasing requirements from the environment and ever higher security standards, we implemented a new IT security policy, which we regularly upgrade and reconcile with the Telekom Austria Group's security policy.

We are putting the finishing touches on the comprehensive plan for business continuity, which will allow us to operate without interruptions in emergency situations, and recover operations after an emergency in the shortest time possible. The business continuity plan will also serve as the basis for conducting an analysis of the business continuity management system.

To upgrade security at all levels and to continually improve it, we annually conduct a comprehensive review of IT security, while external experts analyze the information protection management system.

We are also preparing an e-training program on information security and workplace safety for employees, which should be implemented in 2014.

Educating the general public about the safe use of mobile phones is also an important element of our socially responsible activities. In 2013, our efforts at raising awareness were focused on the two groups which have the fewest skills in using mobile phones – children and seniors.

## Operations

Si.mobil is very focused on following its values. We operate ethically and transparently, and in the long run this strengthens our reputation and public trust in our work. Excellence in business helps us preserve our competitive edge, successful operations, and jobs.

**In 2013, we drafted new business guidelines based on our values.**

In 2013 we made a huge step forward in business compliance by drafting new guidelines for our operations based on Si.mobil's values. We conducted several internal training courses aimed at helping our employees in understanding which key rules of conduct they should follow, how to refrain from inappropriate actions, and how to respond if they notice unethical or even forbidden conduct in our work environment.

The Code of Conduct is the key and umbrella document covering business compliance, and is applied throughout Telekom Austria Group. The Code defines business values and principles within the entire group. In addition to the Code, our work and conduct is regulated in more detail by the following guidelines:

- Guidelines Gifts and Invitations,
- Guidelines Management Consulting and Lobbying,
- Guidelines Sponsoring, Donations and Advertising,
- Guidelines Anti-corruption and Conflict of Interests,
- Guidelines Antitrust Law.

The guidelines are accompanied by an executive document governing business compliance – Regulations on employee conduct in Si.mobil, which among other things defines the work of the Compliance Assessment Team and employees' rights and obligations in procedures related to the business compliance policy.

The business compliance policy must be observed by all of Si.mobil's employees, as well as everyone working for Si.mobil through an agency or as a student. Accordingly everyone must sign a statement stating that they are familiar with the Code of Conduct and all the guidelines. This is why we pay a lot of attention to training and informing our employees about business compliance, because they must be familiar with the Code of Conduct and other key documents governing business compliance. Through training, employees learn to recognize situations not in compliance with the policy, such as a conflict of interests, abuse of company assets, disclosure of trade secrets to unauthorized persons, false data, or conflicts at the workplace.

## RESPONSIBILITY

In 2013, we conducted a number of training courses and discussions adapted for individual groups of employees. We introduced regular training into all internal Si.academy modules, as well as introductory training for new employees. We also prepared an e-course on personal data protection, which was taken by all employees. The internal Compliance Assessment Team also started its work, helping employees with their questions or dilemmas in the concrete situations that they face in everyday work.

Si.mobil also expects its suppliers and other business partners to observe compliance standards, which is why they sign the Code for Suppliers and undertake to conduct business ethically, honestly, and transparently.

Our activities in the framework of the compliance policy were also reviewed in 2013 by the German branch of the PricewaterhouseCoopers auditing firm, which awarded Si.mobil with the IDW 980 compliance certificate, confirming that Si.mobil's compliance policy is appropriate.

## Environment

Sustainable eco-management is strongly incorporated into our business vision, which is why we are creating an advanced work environment in which we use water, energy and other resources efficiently. We encourage the preservation of drinking water and we are improving the quality of life in Slovenia. We constantly monitor our efforts, and we are pleased that environmental indicators have been on the rise every year.

**In 2013 we took our environmental activities to the next level, and the Si.voda Fund supported an impressive four new projects.**

### Environmental Management System

In 2013, we successfully upgraded our ISO 14001:2004 certificate with measures that meet the requirements for registering with the Eco-Management and Audit Scheme. We are planning to complete this registration in 2014. We took this step because of our desire to increase the monitoring of environmental parameters, the efficient use of resources, and transparent reporting to the highest possible level. We strive in our operations to constantly improve our processes, prevent pollution, and minimize our environmental impact. We advocate the growth of business, but insist on causing the smallest environmental impact in the process.

Our environmental activities are focused on:

- the efficient use of resources, especially energy (an energy-efficient network, offices, and stores);
- environmentally friendly products and services, such as e-invoices, e-archive, e-signature, and other paperless forms of operation;
- informing, educating, and training our employees;
- raising public awareness.

Our environmental management system covers all of Si.mobil's operations, our wired, wireless and satellite communication activities, our headquarters in Ljubljana, and all Si.mobil sales points.

### Internal Resources

The main internal document governing our environmental management system is the environmental management procedure manual. The procedure manual defines the main guidelines of the environmental management system, as well as the responsibilities and competences in fulfilling the requirements as determined by the ISO 14001:2004 standard and the EMAS system. The procedure manual is regularly updated by members of the Eco reviewers team and those in charge of individual areas.

To encourage employees to get more involved in the company's environmental initiatives, an internal Eco Team has been operating at Si.mobil for years and over 20% of all employees voluntarily participate in its activities. Together we learn and look for innovative solutions which will first help us sweep up our own doorstep, and later through small

## RESPONSIBILITY

achievements make major changes which will even exceed legislative requirements.

At Si.mobil, everyone performing tasks that have a significant impact on the environment has received appropriate training. The company has established a process for identifying employees' needs for training regarding environmental impact, and records on training courses are kept at the HR department.

### Environmental Aspects and Goals

As part of our ISO 14001:2004 international environmental management system standard, we defined and set several criteria for evaluating the environmental aspects of our operations, as well as our services and products. The criteria used for evaluating these environmental aspects are the severity of the impact, legislative requirements, public opinion, and the opinion of our employees.

Based on environmental aspects, we created the following environmental programs:

- cutting CO<sub>2</sub> emissions,
- energy, electricity and renewables,
- business trips,
- paper consumption,
- waste and recycling,
- energy efficiency.

### Si.mobil's Environmental Goals

1. Cutting CO<sub>2</sub> emissions by 15% by 2020,
2. Increasing the share of energy from renewable sources to 40% by 2020,
3. Improving energy efficiency by 10% by 2015,
4. Increasing our rate of recycling by 5% by 2015,
5. Cutting paper consumption by 10% by 2015,
6. Decreasing the number of kilometers covered by airplane.

### Environmental Indicators

We measure our progress in reaching our environmental goals with environmental indicators. In 2012, we switched to a new methodology for calculating these indicators, which has been standardized throughout the Telekom Austria Group.

### Care for Healthy and Clean Waters

Si.mobil put its care for preserving clean and healthy drinking water into practice by founding the independent and



non-profit Si.voda Fund. The Si.voda Fund's mission is to use a professional approach to raise awareness about the importance of preserving clean and healthy waters and individuals' impact on them, while actively tackling the issue of water quality in Slovenia. The Si.voda Fund was established in the spirit of Si.mobil's Re.think philosophy of corporate responsibility.

The Si.voda Fund's vision is to use a sustainable approach to make sure that clean and healthy water will also be available to future generations. The Si.voda Fund provides financial and professional support for projects that actively tackle the issue of water quality and wastewater treatment, and encourage more efficient water consumption in Slovenia. Tangible results and the projects' effectiveness are important criteria in granting a donation.

The Si.voda Fund adopted ethical guidelines, with which it undertakes to operate professionally, transparently, and effectively, and to set its goals economically. Members of the Expert Council and the Foundation Council are also bound by these guidelines, even when appearing in other capacities outside the Si.voda Fund.

**These environmental programs are aimed at fulfilling our measurable environmental goals.**

## RESPONSIBILITY

### Fundraising for the Si.voda Fund

Fundraising sources are defined by Si.voda Fund's Articles of Association, which determine that the institute may raise funds for its operations from its founder, through its own activities, from donors, from local, state, and international calls for funding applications, or from other sources in a manner and under the conditions defined by Articles of Association. The fund undertakes to raise funds transparently. Si.mobil's users can also make one-time €1 donations to the fund by texting SIVODA to 1919, or monthly €1 donations by activating the Re.misli option. Si.mobil donates €1 to the fund for every user who decides on e-invoicing, for every used mobile phone brought to any of Si.mobil's stores to be recycled, for every activated Re.misli option, and for every text message donation made to the fund.

### Balance Sheet

As at the 31<sup>st</sup> of December 2013, the Fund had no planned or already used planned long-term provisions, nor did it have any fixed assets, inventories, or liabilities. The Fund was founded on the 30<sup>th</sup> of March 2009. The balance sheet shows an initial investment of €10,000 which was paid by the founder, and a cumulative surplus of revenues over expenditure in the amount of €100,250.

As at the 31<sup>st</sup> of December 2013 the fund had €109,822 in assets and €428 in receivables for interest on a deposit.

### Si.voda Fund's Projects in 2013

Since its founding in 2009, the Si.voda Fund has invested a total of €159,189 in eight projects. Between 2009 and 2012, the Si.voda Fund made the following projects a reality:

- constructed wetlands for wastewater treatment at the outdoor classroom in Modraže, in the Poljčane municipality;
- constructed wetlands for wastewater treatment in Kozjanski park (a protected biotope);
- constructed wetlands for wastewater treatment at the popular hiking spot Lisca nad Sevnico;
- a rainwater reservoir and drinking fountains at the Hans Christian Andersen kindergarten in Ljubljana.

In 2013, the Si.voda Fund funded four projects for protecting and preserving clean drinking water in the total amount of €21,119:

- a biological wastewater treatment plant at the Ivan Tavčar elementary school (eco school) in Lučine in the Gorenja vas – Poljane municipality;
- constructed wetlands for wastewater treatment at Mrzli Vrh in the Žiri municipality (whose opening is scheduled for

spring 2014);

- the initiative of the Institute for Water of the Republic of Slovenia for entering the Krainer wall technique into the Register of Intangible Cultural Heritage kept by the Ministry of Culture of the Republic of Slovenia;
- installation of drinking fountains at four schools of the Mojca kindergarten in the Ljubljana municipality.

### The Biological Wastewater Treatment System for Lučine Elementary School

The Ivan Tavčar Gorenja vas elementary school, together with the Gorenja vas – Poljane municipality, the Sora Development Agency, and the Si.voda Fund officially opened a biological wastewater treatment system in September 2013. This biological wastewater treatment system is a great new asset for the school, which currently hosts 51 children and 8 employees. The system is an efficient, economical, and sustainable solution for the school, which is built on extremely delicate karst terrain and which does not have the possibility of connecting to the public sewage system. The project is also an upgrade of the school's activities in the area of environmental and ecological education, as the school holds the title of an Eco school. The investment amounted to €12,011, of which the Gorenja vas – Poljane municipality contributed €3,211 and the Si.voda Fund €8,800.

### The Constructed Wetlands for Wastewater Treatment at Mrzli Vrh in the Žiri Municipality

In 2013, the Si.voda Fund made a donation to the constructed wetlands for wastewater treatment at Mrzli Vrh in the Žiri municipality. The facility will treat wastewater from the new mountain lodge at Mrzli vrh. These constructed wetlands for wastewater treatment are a perfect solution for the location due to its geographic characteristics and the sensitivity of the natural landscape, since the impact of placing such a facility in the environment is negligent. Constructed wetlands for wastewater treatment are an effective solution, especially in areas with a dispersed population, where the construction of traditional wastewater treatment facilities would not be environmentally or economically viable. The official opening of the facility is scheduled for spring 2014, when all the work in the new mountain lodge and its surroundings should be finished.

### Entering the Krainer Wall Technique into the Register of Intangible Cultural Heritage

In the autumn 2013, the Si.voda Fund supported the initiative of the Institute for Water of the Republic of Slovenia to enter the Krainer wall into the Register of Intangible Cultural Heritage, which is kept by the Ministry of Culture of the Republic of Slovenia in accordance with the UNESCO Convention for the Safeguarding of Intangible Cultural Heritage. This is the first example of a water conservation technique being en-

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tered in the Slovenian Register of Intangible Cultural Heritage in accordance with the UNESCO convention.

The Krainer wall is a unique technique for water course management, characteristic of the Alps and Alpine foothills. It is built using techniques and natural materials from local surroundings, such as wood and stone, and efficiently reduces erosion, while seamlessly fitting into the local environment. Reviving this remarkable example of Slovenian watercourse managers' technical heritage is a huge step forward in the area of preserving and boosting sustainable watercourse regulation, which makes its cultural, economic, technical, and ecological importance extraordinary.

At a press conference held at Bled in the autumn 2013 as part of the congress of Slovenian geographers, the Si.voda Fund and the Institute for Water of the Republic of Slovenia symbolically handed the certificate on entering the technique into the register to Jošt Jakša, Director General at the Forestry, Hunting and Fisheries Directorate of the Ministry of Agriculture and the Environment of the Republic of Slovenia.

### **Installation of Drinking Fountains at Mojca Kindergarten**

The Mojca kindergarten in Ljubljana installed six drinking fountains on the playgrounds of all four of its branches. This will encourage the 860 children enrolled to drink tap water and decrease the use of plastic bottles and cups. The project of installing drinking fountains was financially supported by the Si.voda Foundation, an organization for clean and healthy waters, in the amount of €5,796. The total value of the project was €7,244 of which the kindergarten contributed €1,449. Among other things, the Si.voda Fund obtained the funds for this project also by selling used furniture to employees during the renovation of our headquarters in 2013. Employees could buy used office furniture and equipment at a symbolic price, and Si.mobil donated all the proceeds from the sale to the Si.voda Fund.

**From its establishment to the end of 2013, the Si.voda Fund invested a total of €159,189 in different projects.**

## Society

Care for a better quality of life and assistance in bringing business ideas to fruition are significant factors in our operations. We are constantly giving back to the broader society by supporting ongoing social projects and developing our own activities. The resonant effect of the Party with a Cause and the award for the Most Volunteer-Friendly Company of 2013 are proof that our actions are welcome.

### WE IMPROVE PEOPLE'S QUALITY OF LIVING

#### 12<sup>th</sup> Party with a Cause

ORTO, Si.mobil's brand for young people, follows its vision of Youth for Youth, exploring many avenues to give back to the community of young people. It accordingly held the 12<sup>th</sup> Party with a Cause, the biggest and most popular charity event for young people, which is expanding into new dimensions. Young people are directly involved throughout the process of determining the recipient of the funds raised at the Party with a Cause – through a call for applications, in which NGOs can submit projects benefiting young people from any field, by voting on the project they think is most worthy of receiving the donation, and then by actually generating these funds by attending the event and paying the admission fee with a cause.

Twenty-five projects were submitted in the tender in 2013, then the expert committee whittled this number down to a 6-member shortlist, and the voting was underway. Twice as many votes were cast in 2013 than the year before, successfully determining the recipient of all the funds from the 12<sup>th</sup> Party with a Cause. Zavod študentska svetovalnica (The Student Counseling Institute) received €26,582.55 for its Hiša SRCe (House of Heart), which helps young people by offering them free legal, social, and psychological counseling, advice on studying abroad, and by providing them with housing.

#### ORTO SUPPORTS

ORTO SUPPORTS is the name given to the range of ORTO's sponsorship activities, reflecting the effective ways the brand uses to realize its vision of Youth for Youth. ORTO financially and professionally supports those projects for young people which bring the greatest benefit to the biggest number of young people. It also supports inquisitive, creative, and exceptionally engaged young people who, within of educational institutions or at their own behest, bring to life educational projects for their peers.

In the spirit of ORTO SUPPORTS, the second season of the A Job Is (not) Looking for Me project got underway in 2013. The aim of this project, which is run by the Nefiks Institute, is to use employment clubs to help young people who are seeking jobs. Nefiks financed the first season of its employment clubs with the funds from the 11<sup>th</sup> Party with a Cause, which it received as the winner of the online ballot. Since its first season was incredibly successful – 16 club members found a job – ORTO continued to support Nefiks's employment clubs in its second season, too.

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ORTO also supports daring and creative projects founded by young people and young collectives. The young longboard maker Žiga Komperšek and the community of longboarders received such support in 2013. Žiga designed a series of longboards specifically for ORTO called the ORTO Cruiser, which can still be borrowed at 9 lending points in the bigger cities throughout Slovenia. Young Slovenian illustrators and designers contributed unique illustrations for these longboards.

### **Bringing the World of Mobile Technology to the Elderly**

As the general sponsor in 2013, Si.mobil supported the intergenerational collaborative project Simbioza, run by Zavod Ypsilon. For the third year in a row, our employees volunteered to teach the elderly about the use of mobile phones and tablets. The experience we gained through our active engagement in the project was a huge help in designing a brochure with FAQ for the elderly on using mobile devices. We want this brochure to bring the world of mobile services closer to the generation that grew up in a world without mobile technology, helping them use these ever more popular devices in a secure manner. All participants in Simbioza's workshops received this brochure, which we designed in collaboration with the University of Maribor's Faculty of Criminal Justice and Security, the Slovenian Computer Emergency Response Team (SI-CERT), and Zavod Ypsilon. You can also find a copy at [www.simobil.si](http://www.simobil.si).

### **A Volunteer Friendly Enterprise**

Si.mobil systematically includes volunteerism in all the segments of its operations, making a clear distinction between volunteerism and charity. We encourage employees to devote a part of their working hours to volunteer efforts. They can therefore take 2 days of paid leave per year for volunteering, and this leave counts as if they were actually at work.

Among other activities, our employees helped in the Botrstvo (Sponsorship) project, the Day for Changes event of Slovene Philanthropy, and AmCham Slovenija's initiative during its Corporate Volunteering Week. They also helped in holding Simbioza during the week of intergenerational learning and donated blood, while the majority of our team building activities included helping restore and beautify local environments. At Simbioza alone 107 Si.mobil employees volunteered.

Altogether, around 250 employees took part in volunteer campaigns in 2013, contributing more than 1400 hours of their time. Si.mobil received a recognition for the most volunteer-friendly company in 2012, awarded by Slovene Philanthropy on International Volunteer Day.

### **Helping Charities and other Organizations in Fundraising**

We offer charities free use of our Text Message Donor service, which allows fundraising via text messages. Both Si.mobil subscribers as well as pre-paid users can make donations this way. For every text message sent to 1919 with the campaign's keyword users can contribute €1 or €5. All funds collected

this way are given by Si.mobil to the participating charity organization. Si.mobil even waives the revenue generated by these text messages, giving it to the charity instead. There were more than 40 such keyword campaigns in 2013. We also developed the new Moneta text messaging platform for other organizations which would like to hold goodwill campaigns, as they will now be able to collect funds through Moneta's mobile payment service. Radio Študent was the first organization to use this service for its Reši RŠ (Save RŠ) campaign.

### **Sponsorship**

Si.mobil supported several projects in 2013. We decide to conclude sponsorship agreements with organizations based on how much their project or event is related to our objectives, values, or the appearance of our brands. Among other things in 2013 we participated in the FEEL international conference on ethical leadership, collaborated with the Safe.si national awareness center, with the Faculty of Criminal Justice and Security at the conference on information security, participated in the telecommunications conference at the Slovenian Advertising Festival, and were active at the CIO-ICT Management conference.

## WE HELP MAKE IDEAS A REALITY

We see Si.mobil as an important part of the Slovenian business ecosystem. By promoting entrepreneurship and events for entrepreneurs we are investing in the Slovenian business environment and our future. Si.mobil makes business possible in many ways – through its services and products, through its sponsorship of projects and organizations, as well as through its own or through its partners' events, with a special emphasis on motivating and connecting entrepreneurs. We developed the Meeting Point online tool for networking, where visitors of various events can respond to an invitation via a text message or email, allowing them to connect and schedule a meeting with other users before the event itself.

Si.mobil supported the start:Cloud accelerator for the second year in a row in 2013. The program is designed for startup companies which are developing cloud-based business solutions, and is based on focused training and mentoring. Experienced mentors from both the technical and the business realms help the participating teams in designing their development and their marketing model. The start:Cloud 2013 program, run once again by Helovnik with the support of Si.mobil, the Association of Informatics and Telecommunications (ZITex) at the Chamber of Commerce and Industry of Slovenia, and EuroCloud Slovenija, was entered by 26 teams, of which 14 teams successfully completed it. The winners of start:Cloud 2013 were the solutions Enolyze, Medinar, and Esponce, which all received awards from the supporters of the project. The solutions developed in the program which are commercially interesting will also be published at Slovenia's first online business solutions market bizstore.si.

## RESPONSIBILITY

Our start:Cloud program and bizstore.si help us achieve our goal of making it easier for developers of cloud-based solutions to enter the market and introduce their products to potential buyers. Bizstore.si expands business opportunities for developers, as it works on the principle of open sales. Developers can simply publish their products and sell them at the online store, reaching new business users in Slovenia or the other countries covered by the Telekom Austria Group. Besides the actual opportunities for business and the promotion of business solutions, bizstore.si also offers a built-in billing system and metrics data about users.

To help connect developers of cloud-based business solutions and to encourage the exchange of know-how and experience, Si.mobil and Hekovnik held 8 monthly Cloud:Thursdays events. These events were held on the last Thursday of the month, and were attended by both developers and users of cloud-based business services.

Si.mobil also supports the CEED association and Zavod mladi podjetnik (The Young Entrepreneur Institute), with which it shares similar views on the world of business. We are of the belief that with this fertile collaboration with our partners we can help entrepreneurs and those who are only just deciding to pursue an entrepreneurial path, that we can raise the bar in terms of entrepreneurial know-how, and that we can promote entrepreneurship as a positive value in broader society.

In 2013 we also devoted attention to small businesses. We held 2 elevator pitch competitions, which awarded the best presentations with a subsidy in the form of Si.mobil services. The competition helped finalists acquire experience in acquiring investments, as company representatives actually gave their pitch during an elevator ride. Effectively presenting a company brings success, which is why we treated the finalists of the second elevator pitch to a workshop on public speaking. The winning company also gave a presentation on Slovenian national television Televizija Slovenija.

**Si.mobil supported the start:Cloud accelerator for the second year in a row in 2013.**



**WE LIVE OUR VALUES WITH  
HONESTY AND SINCERITY,  
WHICH RESULTS  
IN ADDED VALUE.**

## 6.1 General Disclosure

### 6.1.1 INTRODUCTORY PRESENTATION OF THE COMPANY

#### 6.1.1.1 Establishment and ownership structure

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

The Company was founded on the 23<sup>rd</sup> of December 1997. As at the 31<sup>st</sup> of December 2013 the ownership structure was as follows:

Shareholder	No. of shares	Structure
Mobikom Beteiligungsgesellschaft mbH	9,300,000	100.00%
<b>Total</b>	<b>9,300,000</b>	<b>100.00%</b>

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

#### 6.1.1.2 Activities of the Company

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

#### 6.1.1.3 Data on the controlling company

Si.mobil d.d. is a subsidiary of Mobikom Beteiligungsgesellschaft mbH, Lassallestrasse 9, Vienna, Austria and is included in its consolidated financial statements (for more information refer to [www.a1.net](http://www.a1.net)), Mobikom's consolidated financial statements are included in the consolidated financial statements of Telekom Austria AG, Lassallestrasse 9, Vienna, Austria. In Si.mobil's financial statements the enterprises of Telekom Austria are treated as Group enterprises.

## FINANCIAL STATEMENT

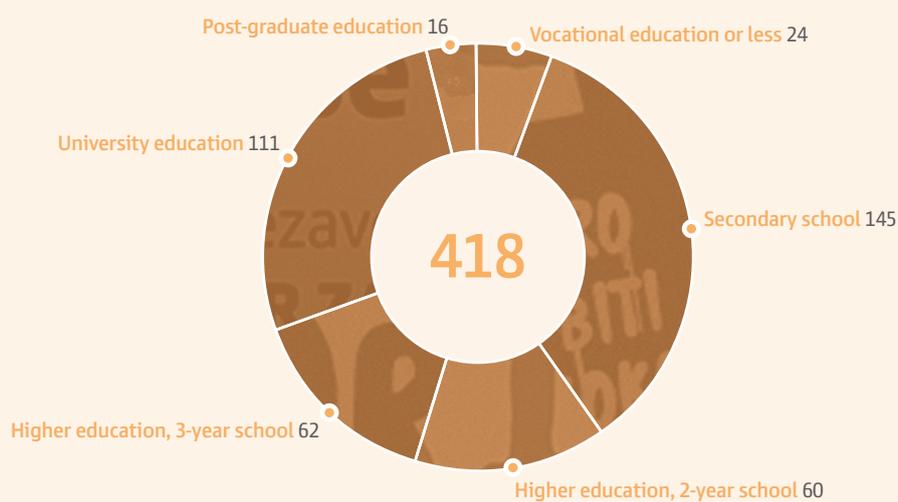
### 6.1.1.4 Employees

- the number of employees at the end of the 2013 business year was 418 (389 at the end of business year 2012).

#### NUMBER OF EMPLOYEES BY EDUCATION LEVEL

Employee education levels	Number of employees
Vocational education or less	24
Secondary school	145
Higher education, 2-year school	60
Higher education, 3-year school	62
University education	111
Post-graduate education	16
<b>Total</b>	<b>418</b>

On the 31<sup>st</sup> of December 2013 the number of employees was 418.



## 6.2 Auditor's Report



Deloitte revizija d.o.o.  
Dunajska cesta 165  
1000 Ljubljana  
Slovenija

Tel: + 386 (0)1 3072 800  
Fax: + 386 (0)1 3072 900  
[www.deloitte.si](http://www.deloitte.si)

### INDEPENDENT AUDITOR'S REPORT To the shareholders of Si.mobil d.d.

#### Report on the Financial Statements

We have audited the accompanying financial statements of Si.mobil d.d. ("the Company"), which comprise the balance sheet as at 31 December 31 2013, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

Ime Deloitte se nanaša na Deloitte Touche Tohmatsu Limited, pravno osebo, ustanovljeno v skladu z zakonodajo Združenega kraljestva Velike Britanije in Severne Irske (v izvirniku »UK private company limited by guarantee«), in mrežo njenih članic, od katerih je vsaka ločena in samostojna pravna oseba. Podroben opis pravne organiziranosti združenja Deloitte Touche Tohmatsu Limited in njenih družb članic je na voljo na [www.deloitte.com/si/nasa-druzba](http://www.deloitte.com/si/nasa-druzba).

Member of Deloitte Touche Tohmatsu Limited

## FINANCIAL STATEMENT

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Si.mobil d.d. as at 31 December, 2013 and its financial performance and its cash flows for the year then ended in accordance with the Slovenian Accounting Standards.

### **Report on Other Legal and Regulatory Requirements:**

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Bojan Bodnaruk  
Certified auditor

Yuri Sidorovich  
President of the Board

*For signature please refer to the original Slovenian version.*

**Deloitte.**

DELOITTE REVIZIJA D.O.O.  
Ljubljana, Slovenija 3

Ljubljana, 6 February 2014

***TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS***

## 6.3 Balance Sheet as at the 31<sup>st</sup> of December

In €	Notes	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
ASSETS		201,294,053	263,687,417
<b>A. LONG-TERM ASSETS</b>		<b>107,403,447</b>	<b>107,075,431</b>
I. Intangible assets and long-term deferred costs and accrued revenue	8.1.1.	35,206,377	34,970,108
1. Long-term property rights		18,040,973	14,269,684
5. Other long-term deferred costs and accrued revenue		17,165,404	20,700,424
II. Property, plant, and equipment	8.1.2.	66,541,000	71,367,763
1. Land		9,039	9,039
3. Other plant and equipment		58,492,975	61,309,174
4. Property, plant, and equipment in acquisition		8,038,986	10,049,550
a) Property, plant, and equipment in the course of construction		8,038,986	10,049,550
IV. Long-term financial investments	8.1.3.	1,764,039	10,750
č) Other long-term financial investments		1,764,039	0
V. Long-term receivables	8.1.4.	2,008,362	54,546
2. Long-term operating receivables		1,953,816	0
3. Long-term receivables other		54,546	54,546
VI. Deferred tax assets	8.1.5.	1,883,669	672,264
<b>B. CURRENT ASSETS</b>		<b>84,270,348</b>	<b>150,661,063</b>
II. Inventories	8.1.6.	4,979,326	5,207,949
4. Products and merchandise		4,979,326	5,207,949
IV. Short-term operating receivables	8.1.7.	31,816,153	89,990,780
1 Short-term operating receivables due from Group companies		8,579,560	14,036,339
2 Short-term operating trade receivables		21,672,949	73,765,875
3 Short-term operating receivables due from others		1,563,644	2,188,566
V. Cash	8.1.8.	47,474,869	55,462,334



## 6.4 Profit and Loss Statement for 2013 – Version I

	In €	Note	2013	2012
1	Net sales	8.2.1.	190,456,085	190,120,022
4	Other operating revenue (including revaluation operating revenue)	8.2.2.	7,555,542	4,923,753
5	Costs of goods, materials, and services	8.2.3.	113,044,467	112,779,126
a)	Costs of goods and materials sold and costs of materials used		15,173,517	13,906,937
b)	Costs of services		97,870,950	98,872,190
6	Labour costs	8.2.4.	16,661,415	15,526,822
a)	Payroll costs		12,670,254	11,804,942
b)	Social security costs		2,494,618	2,325,126
c)	Other labour costs		1,496,543	1,396,754
7	Write-downs in value		30,078,382	28,454,908
a)	Depreciation and amortisation expense	8.2.5.	24,042,152	22,250,606
b)	Revaluation operating expenses associated with intangible assets and property, plant, and equipment		81,480	272,100
c)	Revaluation operating expenses for working capital	8.2.6.	5,954,750	5,932,202
8	Other operating expenses	8.2.7.	1,785,882	1,430,064
	<b>Operating result (EBIT)</b>		<b>36,441,481</b>	<b>36,852,855</b>
11	Financial revenue from operating receivables	8.2.8.	558,031	283,010
a)	Financial revenue from operating receivables due from group companies		474	37,062
b)	Financial revenue from operating receivables due from others		557,557	245,948
14	Financial expenses for operating liabilities	8.2.9.	142,163	234,052
b)	Financial expenses for trade payables and bills payable		2,350	1,235
c)	Financial expenses for other operating liabilities		139,813	232,817
	<b>Total profit before taxes</b>		<b>36,857,349</b>	<b>36,901,813</b>
17	Income tax	8.2.11.	-6,300,350	-6,629,743
18	Deferred taxes	8.2.12.	1,211,405	958,460
19	Net profit for the period	8.2.10.	31,768,404	31,230,530

## FINANCIAL STATEMENT

### OTHER COMPREHENSIVE INCOME

In €	2013	2012
Other comprehensive income	31,768,404	31,230,530

## 6.5 Statement of Cash Flows for the Period from the 1<sup>st</sup> of January to the 31<sup>st</sup> of December 2013 - Version II

In €	2013	2012
<b>A CASH FLOWS FROM OPERATING ACTIVITIES</b>		
a) Items from income statement	55,892,036	53,753,236
Operating revenue (except for revaluation) and financial revenue from operating receivables	198,569,659	195,326,785
Operating expenses excluding depreciation or amortisation (except for revaluation) and financial expenses from operating liabilities	-137,588,678	-135,902,266
Income taxes and other taxes not included in operating expenses	-5,088,945	-5,671,283
b) Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)	-12,893,073	-5,082,612
Opening less closing operating receivables	56,220,812	-24,376,080
Opening less closing deferred costs and accrued revenue	-3,669,335	97,605
Opening less closing deferred tax assets	-1,211,405	-672,264
Opening less closing inventories	228,623	722,637
Closing less opening operating liabilities	-63,606,393	19,170,173
Closing less opening accrued costs and deferred revenue, and provisions	-855,375	-24,683
c) Net cash flows from operations or net cash flows applied to operations (a+b)	42,998,963	48,670,624
<b>B CASH FLOWS FROM INVESTING ACTIVITIES</b>		
a) Receipts from investing activities	0	0
Receipts from investing activities intangible fixed assets	0	0
b) Cash payments for investing activities	-21,286,428	-22,086,376
Cash payments to acquire intangible assets	-6,504,224	-5,383,020
Cash payments to acquire property, plant and equipment	-13,028,915	-16,703,356

## FINANCIAL STATEMENT

	Cash payments to acquire long-term financial investments	-1,753,289	0
c)	Net cash from investing activities or net cash flows applied to investing activities (a+b)	-21,286,428	-22,086,376
<b>C</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
a)	Receipts from investing activities	0	0
	Receipts from investing activities intangible fixed assets	0	0
b)	Cash payments for financing activities	-29.700.000	-25.700.000
	Interest paid on financing activities	0	0
	Cash repayments of long-term financial liabilities	0	0
	Cash repayments of short-term financial liabilities	0	0
	Dividends paid	-29.700.000	-25.700.000
c)	Net cash from financing activities or net cash flows applied to financing activities (a+b)	-29.700.000	-25.700.000
<b>D</b>	<b>CLOSING BALANCE OF CASH</b>	<b>47.474.869</b>	<b>55.462.334</b>
x)	Net cash inflow or outflow for the period	-7.987.465	884.248
y)	Opening balance of cash	55.462.334	54.578.086

FINANCIAL STATEMENT

## 6.6 Statement of Changes in Equity

(A) STATEMENT OF CHANGES IN EQUITY  
FROM THE 1<sup>ST</sup> OF JANUARY 2013 TO THE 31<sup>ST</sup> OF DECEMBER 2013

	Share capital	Capital reserves	Statutory reserves	Retained earnings	Net profit for the period	Total capital
Business events	I	II	III	V	VI	VII
A.1. Closing balance as at the 31 <sup>st</sup> of December 2012	38,781,000	83,941,657	3,442,775	29,712,731	0	155,878,163
A.2. Opening balance as at the 1 <sup>st</sup> of January 2013	38,781,000	83,941,657	3,442,775	29,712,731	0	155,878,163
B.1. Changes in share capital	0	0	0	-29,700,000	0	-29,700,000
g) Dividend payments	0	0	0	-29,700,000	0	-29,700,000
B.2. Total comprehensive income for the period	0	0	0	31,768,404	31,768,404	31.768.404
a) Net profit for the period	0	0	0	31,768,404	31,768,404	31.768.404
B.3. Changes in capital	0	435,325	0	-435,325	0	0
b) Allocation of profit as capital by the resolution of the Management or Supervisory Board	0	0	435,325	0	-435,325	0
c) Allocation of profit as capital by the resolution of the General assembly	0	0	0	0	0	0
d) Settlement of loss as a deduction component of capital	0	0	0	0	0	0
C. C. Closing balance as at the 31 <sup>st</sup> of December 2013	38,781,000	83,941,657	3,878,100	12,731	31,333,079	157,946,567
<b>Accumulated profit 2013</b>				<b>12,731</b>	<b>31,333,079</b>	<b>31,345,810</b>

## FINANCIAL STATEMENT

### (B) STATEMENT OF CHANGES IN EQUITY FROM THE 1<sup>ST</sup> OF JANUARY 2012 UNTIL THE 31<sup>ST</sup> OF DECEMBER 2012

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

## FINANCIAL STATEMENT

### ACCUMULATED PROFIT/LOSS

In €	2013	2012
a) Net profit or loss for the period	31,768,404	31,230,530
b) + retained loss from previous periods	12,731	43,727
c) + decrease in revenue reserves	0	0
increase in profit reserves based on a decision of the Management		
ċ) - Board (legal reserves, reserves for own shares and interests, and statutory reserves)	-435,325	-1,561,526
increase in profit reserves based on a decision of the Management and Supervisory Boards (other revenue reserves)		
d) -		
e) = Accumulated profit (a+b+c-ċ-d) = appropriated by the annual general meeting of shareholders as follows:	31,345,810	29,712,731
- distributed to shareholders	0	0
- allocated to other reserves		
- carried forward to the following period and	0	0
- appropriated for other purposes		
Or		
<b>= = Accumulated loss</b>	<b>0</b>	<b>0</b>

## 6.7 Summary of Significant Accounting Policies

### 6.7.1 PRINCIPLES OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

The Company does not have any defined service line or geographical sectors.

### 6.7.2 EXCHANGE RATE AND THE METHOD OF CONVERSION INTO LOCAL CURRENCY

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

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

### 6.7.3 INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES

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

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

### 6.7.4 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 comprises its purchase price, including import duties and non-refundable purchase taxes, as well as any costs directly attributable to transporting the asset to the location and putting it into a condition necessary for it to be capable of operating in the manner intended by the Management, especially costs of transport and installation. Own produced assets

## FINANCIAL STATEMENT

are recognised and measured at costs of material, hourly rates of own work and the related part of overhead costs. The acquisition value of certain assets (base stations) also includes the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Company incurs contractually. The costs of dismantling and removing the item are estimated based on contractor prices for each type of base station, increased for inflation until the estimated period of dismantling and discounted to their present value.

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

In the event 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 an asset's performance and are recognised as expenses when incurred.

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

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

### 6.7.5 DEPRECIATION AND AMORTISATION COSTS

Property, plant, and equipment, as well as 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.

## FINANCIAL STATEMENT

RATES OF DEPRECIATION AND AMORTISATION ARE BASED ON THE USEFUL LIFE OF ASSETS AND ARE AS FOLLOWS:

Item	Useful life (in years) 2013
<b>Intangible assets</b>	
Radio-frequencies	15 or in accordance with the decisions
Software and licences	1-10
<b>Property, plant, and equipment</b>	
Base stations and mobile switches	5-15
Computer equipment	3-4
Investment in other fixed assets	10
Transportation equipment	7
Other equipment	3-7
Low-value assets and spare parts	3-8

### 6.7.6 LONG-TERM FINANCIAL INVESTMENTS

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

### 6.7.7 RECEIVABLES

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

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

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



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

## FINANCIAL STATEMENT

### 6.7.8 INVENTORIES

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

On the basis of business experiences and the falling prices of mobile phones on the market, the Company recognises the stock imperment. The impairment is calculated by individual stock phone item (for each material type).

### 6.7.9 CASH

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

### 6.7.10 EQUITY

Total equity comprises share capital, capital surplus, retained profit from previous periods, and net profit for the financial period not yet appropriated. Share capital is recorded in local currency.

### 6.7.11 PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects a 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 include long-term deferred revenue for assets acquired free of charge. The deferral is released in line with depreciation of the fixed assets.

### 6.7.12 LIABILITIES

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

## FINANCIAL STATEMENT

### 6.7.13 SHORT-TERM ACCRUED AND DEFERRED ITEMS

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

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

### 6.7.14 RECOGNITION OF REVENUES

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

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

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

Revenue from services relates to telecommunications and comprises amounts charged to customers in respect of monthly fixed fees, airtime usage, messaging, provision of other telecommunications services (including data services and information provision), and connection fees for connecting customers to the network.

Fixed fees and charged airtime 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. Revenue from the sale of prepaid airtime is deferred until such time as the customer uses the airtime.

Roaming revenues for visitors in Si.mobil's 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. This 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.

## FINANCIAL STATEMENT

### 6.7.15 RECOGNITION OF EXPENSES

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

### 6.7.16 TAXES

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

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

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

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

### 6.7.17 STATEMENT OF CASH FLOWS

The statement of cash flows has been prepared using the indirect method of reporting cash flow, taking into account data from the balance sheet as at the 31<sup>st</sup> of December 2013, the balance sheet as at the 31<sup>st</sup> of December 2012, the profit and loss statement for the year 2013, and additional data, which are required to adjust inflows and outflows and to adequately itemise significant items.

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

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

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

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

## 6.8 Notes to the Financial Statements

### 6.8.1 BALANCE SHEET

#### 6.8.1.1 INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUE €35,206,377

	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
Long-term property rights	18,040,973	14,269,684
Radio-frequencies	7,930,590	5,452,660
Software and licences	10,110,383	8,817,024
Long-term deferred costs and accrued revenue	17,165,404	20,700,424
Long-term deferred costs for usage of data lines	81,949	175,657
Long-term deferred costs for usage of land for base stations	1,266,186	1,184,712
Long-term deferred costs of customer acquisition	15,817,269	19,340,055
<b>Total</b>	<b>35,206,377</b>	<b>34,970,108</b>

#### Radio-frequencies

In 2013, the fee for additionally prolonged and awarded radio-frequencies in 900 and 1800 MHz bands amounted to €4,405,454. The fee of radio-frequencies in the 900 and 1800 MHz band is amortised until 2016, whereas the fee for radio-frequencies in the 2100 MHz band will be amortised until 2021.

#### Software and licences

In 2013, additions to software and licences amounted to €4,794,379 (2012: €3,476,379). Refer to Enclosure 1 for a schedule of movements in intangible assets and long-term deferred costs and accrued revenue.

#### Commitments

As at the 31<sup>st</sup> of December 2013, the company did not have commitments for the purchase of intangible assets.

## FINANCIAL STATEMENT

### 6.8.1.2 PROPERTY, PLANT AND EQUIPMENT €66,541,000

Item	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of Decem2012
Land	9,039	9,039
Base stations and mobile switches	44,675,778	47,438,904
Computer equipment	1,651,099	2,305,827
Investments in fixed assets owned by third parties	3,582,208	2,260,810
Other equipment	8,389,652	9,067,551
Low-value assets and spare parts	194,238	236,082
Tangible fixed assets under construction	8,038,986	10,049,550
<b>Total</b>	<b>66,541,000</b>	<b>71,367,763</b>

#### **Land**

Land includes land that has been purchased in order to ensure access to base stations. There were no new investments in land during 2013.

#### **Base stations and mobile switches**

In 2013, additions to base stations and mobile switches amounted to €10,140,043 (2012: €12,704,974). 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. The book value of assets' retirement costs included in the base stations value amounted to €3,527,539 as at the 31<sup>st</sup> of December 2013 (2012: €3,923,696).

Based on performed analysis and defined parameters in the A1 Telekom Austria, the parameters for local financial reporting for asset retirement obligation calculation are changed in financial year 2013 as follows:

- Discount rate from 3.5% to 3%. Inflation rate from 3% to 2.5%

The changes in calculation resulted in a decrease in assets in the amount of €310,744 and a decrease of asset retirement liability in the amount of €310,744.

#### **Other plant and equipment**

In 2013, other additions to property, plant, and equipment included additions to computer equipment in the amount of €559,110 (2012: €664,583), other equipment in the amount of €3,531,375 (2012: €3,427,136) and low-value assets and spare parts in the amount of €185,261 (2012: €270,336).

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 at the 31<sup>st</sup> of December 2013, no fixed assets were pledged as security.

## FINANCIAL STATEMENT

### Commitments

The amount of commitments for the purchase of property, plant, and equipment amounted to €664,815 as at the 31<sup>st</sup> of December 2013 (2012: €1,222,318).

### 6.8.1.3 LONG-TERM FINANCIAL INVESTMENTS €1,764,039

Long-term financial investments in the amount of €10,000 refer to an investment in the Si.voda Fund, which is in 100% ownership of the Company, an investment in Institution Technological network ICT in the amount of €750, and an investment in TA Mreža d.o.o. in the amount of €1,753,289, which is in 100% ownership of the Company.

Sklad Si.voda has on the 31<sup>st</sup> of December 2013 initial input in the amount of €10,000 and assets in the amount of €110,250. Revenues in 2013 were €89,320 and a net profit €55,104.

Ta Mreža d.o.o. has as at the 31<sup>st</sup> of December 2013 equity in the amount of €1,833,439 and €1,889,072 total assets. Revenues in 2013 were €500,471 and net profit €80,150.

The company does not prepare consolidated financial statements because existing investments do not exceed the materiality for a true and fair view according to paragraph 6 of Article 56 of the Company's Act.

### 6.8.1.4 LONG TERM RECEIVABLES €2,008,362

Long-term operating receivables include long term security deposits given to Euromarkt, d.o.o., in the amount of €33,135, to Globus trgovina, d.o.o., in the amount of €12,750, to GF nepremičnine in the amount of €3,524, and to Mercator, d.d., in the amount of €5,137. Long-term operating receivables include receivables from the sale mobile phones in installments in the amount of €1,953,816.

### 6.8.1.5 DEFERRED TAX ASSETS €1,883,669

In €	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
From deductible temporary differences	1,883,669	672,264
<b>Total</b>	<b>1,883,669</b>	<b>672,264</b>

The Company recognises deferred tax assets in the amount of €1,883,669 from tax non-deductible valuation allowances of receivables in the amount of €1,676,190 (2012: €1,205,544), as well as tax non-deductible provisions for jubilee payments, from retirement indemnity payments in the amount of €103,957 (2012: €30,074), assets' retirement provisions in the amount of €191,806 (2012: €172,468), and deductible temporary differences different depreciation and amortisation periods for business than for tax purposes the liability in the amount of €88,284 (2012: €735,822).

In €	Deferred tax assets the 1 <sup>st</sup> of January 2013	Additions	Reversals	Utilisation	Deferred tax assets on the 31 <sup>st</sup> of December 2013
From deductible temporary differences	672,264	1,593,568	0	382,163	1,883,669
<b>Total</b>	<b>672,264</b>	<b>1,593,568</b>	<b>0</b>	<b>382,163</b>	<b>1,883,669</b>

## FINANCIAL STATEMENT

### 6.8.1.6 INVENTORIES €4,979,326

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

In €	Gross amount	Allowances	Net amount on the 31 <sup>st</sup> of December 2013	Net amount on the 31 <sup>st</sup> of December 2012
Products and merchandise	5,661,570	682,244	4,979,326	5,207,949
<b>Total</b>	<b>5,661,570</b>	<b>682,244</b>	<b>4,979,326</b>	<b>5,207,949</b>

Stock taking in 2013 resulted in €3,737 (2012: €16,272) of negative differences.

As at the 31<sup>st</sup> of December 2013, no inventories were pledged as security.

### 6.8.1.7 SHORT-TERM OPERATING RECEIVABLES €31,816,153

Receivables	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
Short-term operating trade receivables	21,614,536	73,723,996
Short-term advances and security deposits	58,413	41,879
Short-term operating receivables due from group companies	8,579,560	14,036,339
Short-term operating receivables due by others	1,563,644	2,188,566
<b>Total</b>	<b>31,816,153</b>	<b>89,990,780</b>

#### SHORT-TERM OPERATING RECEIVABLES AS PER DUE DATE ON THE 31<sup>ST</sup> OF DECEMBER 2013

In €	Short-term operating receivables (STOR)
Not yet due	3,915,884
Due from 1 – 30 days	5,054,531
Due from 31 – 180 days	2,701,545
Due from 181 – 360 days	2,416,470
Due over 361 days	17,727,723
<b>Total</b>	<b>31,816,153</b>

## FINANCIAL STATEMENT

### SHORT-TERM OPERATING TRADE RECEIVABLES

In €	Gross amount	Allowances	Net amount on the 31 <sup>st</sup> of December 2013	Net amount on the 31 <sup>st</sup> of December 2012
Domestic customers – subscribers	34,390,887	21,280,609	13,110,278	10,501,116
Domestic customers – others	9,059,131	1,067,648	7,991,483	61,522,783
Foreign customers	750,723	237,948	512,775	1,700,097
<b>Total</b>	<b>44,200,741</b>	<b>22,586,205</b>	<b>21,614,536</b>	<b>73,723,996</b>

As at the 31<sup>st</sup> of December 2013, short-term operating trade receivables due from post-paid customers included receivables related to monthly subscription, airtime, and other services in the amount of €13,224,342 (2012: €10,501,116). In 2013, additional allowances were formed for these receivables in the net amount of €4,985,516 and spent in the amount of €3,547,639 (2012: added in the amount of €5,348,338, spent in the amount of €4,973,871). The write-off of receivables was in the amount of €500,451.

Short-term operating trade receivables include receivables from other domestic customers including dealers, retailers, and interconnection partners. In 2013, allowances increased in the net amount of €113,994 and spent in the amount of €273,992 (2012: increased for €125,439 and spent in the amount of €265,051). Write-off of receivables was in the amount of €12,062.

Receivables due to customers abroad include mainly receivables from international roaming. In 2013, the allowances increased in the amount of €204,017 and spent in the amount of €133,339 (2012: increased in the amount of 443,882 and spent in the amount of €306,507).

In €	Valuation allowance the 1 <sup>st</sup> of January 2013	Additions	Utilisation (write-off)	Valuation allowance on the 31 <sup>st</sup> of December 2013
Domestic customers – subscribers	19,842,732	4,985,516	3,547,639	21,280,609
Domestic customers – others	1,227,646	113,994	273,992	1,067,648
Foreign customers	167,270	204,017	133,339	237,948
<b>Total</b>	<b>21,237,648</b>	<b>5,303,527</b>	<b>3,954,970</b>	<b>22,586,205</b>

## FINANCIAL STATEMENT

### SHORT-TERM ADVANCES AND SECURITY DEPOSITS

In €	Gross amount	Allowances	Net amount on the 1 <sup>st</sup> of January 2013	Net amount on the 1 <sup>st</sup> of January 2012
Advances for current assets	54,562	15,465	39,097	11,925
Advances to bailiffs	27,082	24,375	2,707	3,467
Advances to suppliers abroad	0	0	0	2,470
Security deposits	16,609	0	16,609	24,017
<b>Total</b>	<b>98,253</b>	<b>39,840</b>	<b>58,413</b>	<b>41,879</b>

### SHORT-TERM OPERATING RECEIVABLES DUE FROM GROUP COMPANIES

In €	Gross amount	Allowances	Net amount on the 31 <sup>st</sup> of December 2013	Net amount on the 31 <sup>st</sup> of December 2012
Vipnet	7,612,004	0	7,612,004	12,185,639
A1 Telekom Austria	46,130	0	46,130	707,029
Telekom Austria	17,000	0	17,000	18,750
mobikom liechtenstein	487	0	487	18,989
Vip operator	111,320	0	111,320	163,822
Vip mobile	685,499	0	685,499	792,233
Velcom	4,714	0	4,714	11,105
Mobiltel	88,936	0	88,936	133,768
TAG M2M	13,470	0	13,470	5,004
<b>Total</b>	<b>8,579,560</b>	<b>0</b>	<b>8,579,560</b>	<b>14,036,339</b>

## FINANCIAL STATEMENT

### SHORT-TERM OPERATING RECEIVABLES DUE FROM OTHERS

In €	Gross amount	Allowances	Net amount on the 31 <sup>st</sup> of December 2013	Net amount on the 31 <sup>st</sup> of December 2012
VAT receivable	1,104,048	0	1,104,048	1,634,071
Receivables for refund of compensation payments	16,668	0	16,668	21,598
Receivables due from banks	79,915	0	79,915	85,088
Receivables due from credit card issuers	226,232	0	226,232	293,985
Receivables due from employees	1,782	0	1,782	2,833
Other receivables	134,999	0	134,999	150,991
<b>Total</b>	<b>1,563,644</b>	<b>0</b>	<b>1,563,644</b>	<b>2,188,566</b>

Receivables are not secured.

Credit risk from short-term operating trade receivables due from subscribers is widely diversified and is not considered significant, as most of the customers as per year end 2013 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, therefore currency risk is not considered significant.

#### 6.8.1.8 CASH €47,474,869

In €	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
Bank balances	1,178,673	2,038,453
Cash on hand	30,099	37,693
Callable deposits	46,266,097	53,386,188
Cash pooling - TFG	45,959,792	53,181,075
Callable deposit NKBM	306,305	205,113
<b>Total Cash and Cash Equivalents</b>	<b>47,474,869</b>	<b>55,462,334</b>

## FINANCIAL STATEMENT

### 6.8.1.9 SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES **€9,620,258**

In €	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
Deferred costs (expenses)	883,435	681,686
Accrued revenues	8,736,823	5,269,237
<b>Total</b>	<b>9,620,258</b>	<b>5,950,923</b>

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

Accrued revenues include revenues from mobile communication services provided in December 2013 and billed in January 2014, revenues from roaming and interconnection services provided in December 2013 and billed in January 2014, and other accrued revenues.

### 6.8.1.10 EQUITY **€157,946,567**

As at the 31<sup>st</sup> of December 2013, positive equity in the amount of €157,946,567 was recorded. The share capital is divided into 9,300,000 ordinary shares at par value of €4.17. All shares are called. Capital surplus amounts to €83,941,657 and refers to a payment from the majority shareholder. Net profit for 2013 amounts to €31,768,404. Net profit per share amounts to €3.42 (€31,768,404 divided by 9,300,000 shares).

### 6.8.1.11 PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE **€7,150,282**

Long-term provisions include accrued costs for jubilee payments, a provision for retirement indemnity payments, accrued costs for long-term incentives program for key employees, and a provision for asset retirement 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 €	Provisions on the 1 <sup>st</sup> of January 2013	Additions	Releases	Utilisation	Provisions on the 31 <sup>st</sup> of December 2013
Jubilee payments	102,069	43,923	0	4,600	141,392
Retirement indemnity	179,162	46,738	0	6,615	219,285
Long term incentive program	0	38,246	0	0	38,246
Assets retirement provision	6,467,421	90,268	0	0	6,557,689
Free-of-charge assets	98,090	82,085	0	107,865	72,310
Government grants	132,991	0	0	11,631	121,360
<b>Total</b>	<b>6,979,733</b>	<b>301,260</b>	<b>0</b>	<b>130,711</b>	<b>7,150,282</b>

## FINANCIAL STATEMENT

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

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

The asset retirement provision was additionally formed due to making new contracts for these locations.

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

Government grants are reduced as they are used.

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

### 6.8.1.12 SHORT TERM LIABILITIES **€31,870,371**

In €	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
Short-term operating liabilities	31,870,371	95,515,010
<b>Total</b>	<b>31,870,371</b>	<b>95,515,010</b>

#### SHORT-TERM OPERATING LIABILITIES

In €	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
Short-term operating liabilities from advances	456,849	820,242
Short-term trade payables	23,187,855	82,416,850
Short-term operating liabilities to group companies	4,349,499	10,237,818
Other short-term operating liabilities	3,876,168	2,040,100
<b>Total</b>	<b>31,870,371</b>	<b>95,515,010</b>

#### SHORT-TERM OPERATING LIABILITIES FROM ADVANCES

In €	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
Payables for advances – others	456,849	820,242
<b>Total</b>	<b>456,849</b>	<b>820,242</b>

## FINANCIAL STATEMENT

### SHORT-TERM TRADE PAYABLES

In €	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
Short-term trade payables to domestic suppliers	16,932,296	74,187,968
Short-term trade payables to foreign suppliers	9,938,835	18,466,700
<b>Total</b>	<b>26,871,131</b>	<b>92,654,668</b>

### SHORT-TERM OPERATING LIABILITIES TO GROUP COMPANIES

In €	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
A1 Telekom Austria	854,165	3,261,320
Vipnet	2,767,557	5,416,738
mobilkom liechtenstein	667	3,430
Telekom Austria	49,604	543,000
Vipnet usluge	192,612	205,149
Vip mobile	419,798	678,741
Velcom	17,928	13,895
Vip operator	62,462	86,061
World direct	0	3,920
TAG M2M	-26,744	0
Mobiltel	11,450	25,564
<b>Total</b>	<b>4,349,499</b>	<b>10,237,818</b>

## FINANCIAL STATEMENT

### OTHER SHORT-TERM OPERATING LIABILITIES

In €	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
Net wages and salaries	699,373	594,697
Taxes from gross wages and salaries	241,589	162,415
Contributions from gross wages and salaries	277,179	209,309
Other payables to employees (meal allowance, commuting allowance)	76,956	71,582
Fee to AKOS	57,117	441
Taxes on wages and salaries	198,039	152,479
Liabilities for VAT	1,576,016	262,313
Liabilities for corporate income tax	634,580	432,614
Other short-term liabilities (debts)	115,319	154,250
<b>Total</b>	<b>3,876,168</b>	<b>2,040,100</b>

The company's liabilities are not secured nor are there are mortgages of assets for the liabilities.

#### 6.8.1.13 SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE €4,326,833

In €	The 31 <sup>st</sup> of December 2013	The 31 <sup>st</sup> of December 2012
Short-term deferred revenues	1,221,527	3,368,180
Short-term accrued costs (expenses)	3,105,306	2,079,322
<b>Total</b>	<b>4,326,833</b>	<b>5,447,502</b>

Short-term accrued costs and expenses for 2013 include the costs of bonuses for directors, managers, and employees, costs for unused holidays for the year 2013, and other accrued costs.

Short-term deferred revenues include deferred revenues from sale of call vouchers yet to be activated and those activated but not yet used up (SIMPL system) and received deposits.

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

## FINANCIAL STATEMENT

### 6.8.1.14 OFF-BALANCE SHEET ITEMS €250,038,076

Off balance sheet items include given guarantees in the amount of €101,823 (2012: €93,842), potential liability based on law suits in the amount of €901,215 (2012: €901,215), potential revenue from interest and court costs of enforcement procedures in the amount of €549,886 (2012: €420,698), and potential revenue from the lawsuit against Telekom Slovenije in the amount of €248,485,152 (2012: €191,186,074).

### 6.8.2 PROFIT AND LOSS STATEMENT

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

In €	2013	2012
Net revenues from sale, utilised own products, and other revenues	198,011,627	195,043,775
Cost of sales (with amortisation), or original cost of sold goods	103,904,415	101,731,265
Selling costs (with amortisation)	40,648,299	39,798,142
Administrative costs (with amortisation)	17,017,432	16,661,513
<b>Operating result (EBIT)</b>	<b>36,441,481</b>	<b>36,852,855</b>

### 6.8.2.1 NET SALES €190,456,085

In €	2013	2012
Revenues from the sale of services	173,471,664	175,275,057
Revenues from the sale of goods	16,984,421	14,844,965
<b>Total</b>	<b>190,456,085</b>	<b>190,120,022</b>

## FINANCIAL STATEMENT

### REVENUES FROM SALE ON DOMESTIC AND FOREIGN MARKETS

In €	2013	2012
Revenues from sales on the domestic market	183,780,675	180,773,919
- Revenues from the sale of services	166,796,254	165,928,954
- Revenues from the sale of goods	16,984,421	14,844,965
Revenues from sales on foreign markets	6,675,410	9,346,103
- Revenues from the sale of services to Group enterprises	2,866,263	3,713,872
- Revenues from the sale of services to other foreign enterprises	3,809,147	5,632,231
<b>Total</b>	<b>190,456,085</b>	<b>190,120,022</b>

### REVENUES FROM THE SALE OF SERVICES – BY TYPE OF SERVICE

In €	2013	2012
Services to subscribers and prepaid users	143,655,147	144,297,685
Interconnection and roaming services	26,418,208	27,539,830
Other revenues from the sale of services	3,398,309	3,437,542
<b>Total</b>	<b>173,471,664</b>	<b>175,275,057</b>

#### 6.8.2.2 OTHER OPERATING REVENUE (INCLUDING REVALUATION OF OPERATING REVENUE) **€7,555,542**

Other operating revenues include revenues from asset disposals in the amount of €3,839 (2012: €22,971), revenues from the release of long-term provisions from donated fixed assets in the amount of €107,864 (2012: €30,430), revenues from the release of long term provision for asset retirement in the amount of €0 (2012: €10,377), revaluation operating revenues from receivables in the amount of €3,477,597 (2012: €3,797,521), collected court costs in the amount of €1,136,472 (2012: €976,513), income from paid write-off receivables amounting to €39,207 (2012: €30,292), revaluation operating revenues from stock in the amount of €52,409 (2012: €27,814), incomes from outgoing workers in the amount of €867,000 (2012: €112,500), incomes from court settlement in the amount of €1,841,394 (2012: €0) and other revenues in the amount of €29,760 (2012: €27,835).

## FINANCIAL STATEMENT

### 6.8.2.3 COST OF GOODS SOLD, MATERIALS, AND SERVICES **€113,044,467**

In €	2013	2012
Cost of goods	11,499,584	10,497,217
Cost of materials	3,673,932	3,409,719
Cost of services	97,870,951	98,872,190
<b>Total</b>	<b>113,044,467</b>	<b>112,779,126</b>

The costs of goods are reduced by the deferred costs related to subscriber acquisition in the amount of €19,192,389 (2012: €22,928,968). Amortisation of long-term deferred costs of subscriber acquisition was included in other costs of services in the amount of €22,134,005 (2012: €21,602,504).

### COST OF MATERIALS

In €	2013	2012
Costs of energy	2,735,451	2,546,945
Costs of spare parts and material for maintenance	26,261	464
Low-value assets write-off	80,220	81,226
Other material costs	54,269	52,146
Costs of office stationary and technical literature	777,731	728,939
<b>Total</b>	<b>3,673,932</b>	<b>3,409,720</b>

## FINANCIAL STATEMENT

### COST OF SERVICES

In €	2013	2012
Service costs for outsourced manufacturing and services	5,535,439	5,539,524
Costs of transportation services	283,208	261,329
Costs of maintenance services	8,808,315	8,502,769
Rental expenses	9,392,053	9,269,735
Costs of fund transfer services and bank charges	692,877	655,638
Remuneration of travel expenses to employees	344,608	370,811
Costs of professional services	3,061,299	3,314,651
Insurance premiums	198,292	198,810
Costs of interconnection and roaming services	29,356,282	32,428,786
Marketing costs	11,003,234	11,639,648
Other costs of services	29,195,343	26,690,489
<b>Total</b>	<b>97,870,950</b>	<b>98,872,190</b>

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

Audit costs amounted to €35,000 in 2013, in total for the year-end audit.

## FINANCIAL STATEMENT

### 6.8.2.4 LABOR COSTS €16,661,415

In €	2013	2012
Cost of wages and salaries	12,670,255	11,804,942
Pension insurance costs	1,557,089	1,428,047
Other social insurance costs	937,529	897,079
<b>Other labour costs:</b>		
- Commuting allowances	456,857	462,120
- Meal allowances	491,877	457,592
- Vacation bonuses	405,167	382,250
- Severance pays and anniversary bonuses	79,144	23,270
- Costs of unused holidays	77,409	19,736
- Other labour costs	-13,912	51,786
<b>Total</b>	<b>16,661,415</b>	<b>15,526,822</b>

### 6.8.2.5 DEPRECIATION AND AMORTISATION EXPENSES €24,042,152

In €	2013	2012
Depreciation of property, plant, and equipment	17,774,197	16,819,218
Amortisation of intangible assets	6,267,955	5,431,388
<b>Total</b>	<b>24,042,152</b>	<b>22,250,606</b>

### 6.8.2.6 REVALUATION OPERATING EXPENSES FOR WORKING CAPITAL €5,954,750

In €	2013	2012
Allowances for doubtful receivables	5,422,892	5,932,202
Allowances for slow-moving and obsolete stock	531,858	0
<b>Total</b>	<b>5,954,750</b>	<b>5,932,202</b>

## FINANCIAL STATEMENT

### 6.8.2.7 OTHER OPERATING EXPENSES €1,785,882

In €	2013	2012
Fiscal charges	1,496,053	1,125,202
Other expenses	289,829	304,862
<b>Total</b>	<b>1,785,882</b>	<b>1,430,064</b>

Fiscal charges include fees to AKOS in the amount of €915,570 (2012: €702,986) and administrative fees and court fees. Other expenses include costs of permits, radio-frequencies, and other costs.

### 6.8.2.8 FINANCIAL REVENUE FROM OPERATING RECEIVABLES €558,031

In €	2013	2012
Interest income – others	474,113	105,261
Interest income – group companies – cash pooling	474	37,062
Foreign exchange gains	77,828	129,503
Other financial revenues	5,616	11,184
<b>Total</b>	<b>558,031</b>	<b>283,010</b>

### 6.8.2.9 FINANCIAL EXPENSES FOR OPERATING LIABILITIES €142,163

In €	2013	2012
Late interest charges to suppliers	2,350	1,235
Negative foreign exchange differences	126,729	216,997
Other interest	13,084	15,820
<b>Total</b>	<b>142,163</b>	<b>234,052</b>

## FINANCIAL STATEMENT

### 6.8.2.10 NET PROFIT FOR THE PERIOD **€31,768,404**

In €	2013	2012
Operating result	36,441,481	36,852,855
Financial result	415,868	48,958
Income before taxes	36,857,349	36,901,813
Income tax	-6,300,350	-6,629,743
Deferred tax	1,211,405	958,460
<b>Total</b>	<b>31,768,404</b>	<b>31,230,530</b>

### 6.8.2.11 INCOME TAX **€6,300,350**

Taxable income for the current year was partially offset with deductions for supplementary pension insurance, donations, and allowances for investments. The current year's tax expense amounts to €6,300,350 (2012: €6,629,743). Effective tax rate is 17%.

## FINANCIAL STATEMENT

### 6.8.2.12 DEFERRED TAXES €1,211,405

Long-term deferred tax liabilities in the year 2013 decreased by €252,945, which affects the income tax deferred. The amount of deferred tax receivables as at the 31st of December 2013 is €1,883,669 (2012: €672,264).

THE RECONCILIATION BETWEEN TAX EXPENSE AND TAXABLE INCOME IS AS FOLLOWS:

CURRENT TAXES	Tax rate	Base	Tax
Income before taxes		36,857,349	
Income tax (by using the official tax rate)	17%	36,857,349	6,265,749
Tax non-deductible items—permanent differences	17%	1,085,886	184,601
Tax non-deductible items—temporary differences	17%	9,373,927	1,593,568
Current tax	17%	47,317,162	8,043,918
Usage of temporary differences	17%	-2,248,015	-382,163
Usage of deductions	17%	-8,008,262	-1,361,405
Actual current tax		37,060,885	6,300,350
<b>DEFERRED TAXES</b>			
From deductible temporary differences			
Additions to deferred taxes from deductible temporary differences	17%	9,373,927	1,593,568
Usage of formed deferred taxes from temporary differences	17%	-2,248,015	-382,163
Total deferred taxes from deductible temporary differences			1,211,405
<b>TOTAL DEFERRED TAXES</b>			<b>1,211,405</b>

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

	Amount of capital	Increase in %	Effect	Decrease in net profit or loss for the financial year
Equity – all items of capital except current net profit or loss (by the use of the cost of living index)	126,178,163	0.70%	883,247	26,210,744

## FINANCIAL STATEMENT

### 6.8.2.13 FINANCIAL OVERVIEW OF TRANSACTIONS WITH RELATED PARTIES

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

In addition to said company Si.mobil nonetheless conducts transactions with some other indirectly connected companies, namely Vipnet and Vipnet usluge, registered in Croatia, Mobiltel of Bulgaria, mobilkom liechtenstein of Lichtenstein, Serbian Vip mobile, Macedonian Vip operator, Velcom, Mobilkom Belarus Betelligungsverwaltung GmbH of Belarus, and Mobilkom CEE Beteiligungsverwaltungs GmbH, A1 Telekom Austria, Telekom Finanzmanagement (TFG), and TAG M2M of Austria.

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

### REVENUES FROM SALES

In €	2013	2012
A1 Telekom Austria	1,693,984	2,879,999
Vipnet	84,124	290,885
mobilkom liechtenstein	4,575	15,885
Telekom Austria	204,000	207,858
Vip mobile	67,852	94,959
Velcom	2,127	2,966
TAG M2M	35,210	5,004
Vip operator	37,920	69,290
Mobiltel	736,471	147,027
<b>Total</b>	<b>2,866,263</b>	<b>3,713,873</b>

### OTHER REVENUES (INTERESTS, CURRENCY DIFFERENCES)

In €	2013	2012
mobilkom liechtenstein	0	-3
Telekom Finanzmanagement (TFG)	474	37,062
Vip operator	0	-288
<b>Total</b>	<b>474</b>	<b>36,771</b>

## FINANCIAL STATEMENT

### COSTS OF SERVICES AND OTHER OPERATING EXPENSES

In €	2013	2012
A1 Telekom Austria	9,573,885	8,424,122
Vipnet	1,277,536	1,451,746
mobilkom liechtenstein	254	263
Telekom Austria	561,883	586,461
Vipnet	192,612	194,808
TAG M2M	176	0
Vip mobile	163,791	223,150
Mobilkom	0	0
Velcom	908	968
Vip operator	177,852	24,239
World direct	1,920	3,710
Mobiltel	173,944	22,667
<b>Total</b>	<b>12,124,761</b>	<b>10,932,134</b>

### OTHER EXPENSES (INTEREST, CURRENCY DIFFERENCES)

In €	2013	2012
mobilkom liechtenstein	0	-5
Vip operator	6	0
Vip mobile	2	0
Velcom	2	0
<b>Total</b>	<b>10</b>	<b>-5</b>

#### 6.8.2.14 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.

## 6.9 Other Disclosures

### 6.9.1 BODIES OF THE COMPANY

**The members of Si.mobil's Management Board are:**

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

**The Supervisory Board at the end of the year 2013 consisted of:**

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

The total cost of the Management Board, the Supervisory Board, and the employees with individual contracts in 2013 includes gross income, included in personal income tax returns, holiday pay, fringe benefits, and profit sharing. In 2013 this amounted to:

- Management Board: €541,682;
- Supervisory Board: €0;
- employees with individual contracts: €764,354.

#### INCOME BY MEMBERS OF THE MANAGEMENT BOARD:

In €	Fixed income	Variable income	Fringe benefits	Other income
Dejan Turk	180,962	94,765	25,023	3,933
Ulrich Rokita	0	0	74,064	0
Boštjan Škufca Zaveršek	80,000	71,440	7,504	3,991
<b>Total</b>	<b>260,962</b>	<b>166,205</b>	<b>106,591</b>	<b>7,924</b>

The Management Board Member Ulrich Rokita is employed by the parent company and except for fringe benefits did not have any income paid by Si.mobil.

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

## 6.10 Statement of the Management Board

The Management Board confirms the financial statements of Si.mobil d.d. as at the 31<sup>st</sup> of December 2013.

The Management Board confirms that appropriate accounting policies were consistently applied in the preparation the financial statements, that accounting estimates were made in accordance with the principle of prudence and due professional care, and that the annual report represents the true and fair position of the Company and its results of operation for the year 2013.

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



**Dejan Turk**  
Chairman of the  
Management Board



**Boštjan Škufca Zaveršek**  
Member of the  
Management Board



**Ulrich Rokita**  
Member of the  
Management Board

Ljubljana, the 6<sup>th</sup> of February 2014

## FINANCIAL STATEMENT

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

	Radio-frequencies	Software and licences	Long-term deferred connection fees of data lines	Long-term deferred lease of land	Long-term deferred subscriber acquisition costs	Total
<b>Costs of purchase</b>						
Balance as at the 1 <sup>st</sup> of January 2013	22,430,050	40,561,276	1,914,530	2,520,748	167,823,036	235,249,640
Additions	4,405,454	4,794,379	18,093	312,322	19,192,389	28,722,637
Disposals	0	0	0	0	-19,369,474	-19,369,474
Transfer	0	0	0	0	0	0
Balance as at the 31 <sup>st</sup> of December 2013	26,835,504	45,355,655	1,932,623	2,833,070	167,645,951	244,602,803
<b>Accumulated amortisation</b>						
Balance as at the 1 <sup>st</sup> of January 2013	16,977,390	31,744,253	1,738,873	1,336,035	148,482,981	200,279,532
Additions, amortisation	1,927,524	3,501,019	0	0	0	5,428,543
Additions, recognised in costs	0	0	111,801	230,849	22,715,175	23,057,825
Disposals	0	0	0	0	-19,369,474	-19,369,474
Transfer	0	0	0	0	0	0
Balance as at the 31 <sup>st</sup> of December 2013	18,904,914	35,245,272	1,850,674	1,566,884	151,828,682	209,396,426
<b>Net carrying amount</b>						
Balance as at the 1 <sup>st</sup> of January 2013	5,452,660	8,817,023	175,657	1,184,713	19,340,055	34,970,108
Balance as at the 31 <sup>st</sup> of December 2013	7,930,590	10,110,383	81,949	1,266,186	15,817,269	35,206,377

## FINANCIAL STATEMENT

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

	Land	Base stations and mobile switches	Computer equipment	Investments in fixed assets owned by third parties	Other equipment	Low-value assets and spare parts	Property, plant, and equipment in the course of construction	Total
<b>1. Nabavna vrednost</b>								
Balance as at the 1 <sup>st</sup> of January 2013	9,039	154,636,635	13,059,120	5,028,903	28,163,986	1,931,735	10,049,550	212,878,968
Additions	0	10,140,043	559,110	1,775,432	3,531,375	185,261	-2,010,564	14,180,657
Disposals	0	-1,007,424	-458,995	0	-345,482	-3,318	0	-1,815,219
Transfer	0	0	0	0	0	0	0	0
Balance as at the 31 <sup>st</sup> of December 2013	9,039	163,769,254	13,159,235	6,804,335	31,349,879	2,113,678	8,038,986	225,244,406
<b>2. Accumulated depreciation</b>								
Balance as at the 1 <sup>st</sup> of January 2013	0	107,197,731	10,753,293	2,768,093	19,096,435	1,695,653	0	141,511,205
Additions, depreciation	0	12,530,691	1,211,756	454,034	4,191,286	225,842	0	18,613,609
Disposals	0	-634,946	-456,913	0	-327,494	-2,055	0	-1,421,408
Transfer	0	0	0	0	0	0	0	0
Balance as at the 31 <sup>st</sup> of December 2013	0	119,093,476	11,508,136	3,222,127	22,960,227	1,919,440	0	158,703,406
<b>Net carrying amount</b>								
Balance as at the 1 <sup>st</sup> of January 2013	9,039	47,438,904	2,305,827	2,260,810	9,067,551	236,082	10,049,550	71,367,763
Balance as at the 31 <sup>st</sup> of December 2013	9,039	44,675,778	1,651,099	3,582,208	8,389,652	194,238	8,038,986	66,541,000



**JANE ŠTRAVS**  
**NYC # 21, 2006/2013**

From the American Express series

Special edition for Si.mobil's 2013 Annual Report

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Born in Ljubljana in 1965. In 2003, ZRC SAZU publishes a photo book of his work, with Marina Gržinić and W.J.T. Mitchell providing the commentary text. His works are in numerous public and private collections. He lives and works as a freelance photographer in Ljubljana.

*»American Express, a meticulous study of American reality and the conceptual issues that face New York, that symbol of global capitalism and the new world order. Štravs's black and white expressionistic photos evoke the atmosphere of film noir and the classic American photography of the 1950s. The tone of the shots in which the American iconography shows its profound vulnerability is potentially realistic, unyielding, and even depressing, while at the same time dream-like and sublime. With the American Express series Jane Štravs remains loyal to his aesthetic, which has throughout his career been focusing on uncompromisingly exposing the overt disparity between black and white, between glamor and the social gutter.«*

(Vladimir P. Štefanec, from the explanation of the jury for the TREND 2009 award for visual creativity)