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**SI.MOBIL
2014
ANNUAL
REPORT**



MAY 2015

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ABOUT SI.MOBIL



PRESENTATION



Management Board

MANAGEMENT BOARD (IN 2014)

Jörg Zeddies	Chairman of the Management Board
Boštjan Škufca Zaveršek	CFO
Ulrich Rokita	CTO

DIRECTORS (IN 2014)

Barbara Gorše	Customer Experience Management Director until 13 October 2014, and Acting Customer Service Director from 14 October 2014
Johannes Nabecker	Access and Transport Network Director
Eva Aljančič	Marketing and Sales Director until 30 September 2014, Marketing Director from 1 October until 13 November 2014
Rok Gorjup	Sales Director from 1 October 2014
Tamara Valenčič	Corporate Communications and Strategic Human Resources Management Director until 31 December 2014
Gregor Kastelic	Core Service Network and IT Director until 30 September 2014
Nina Kerčmar	Core Service Network and IT Director from 1 October 2014
Suzana Banič Drašler	Finance Director
Andreja Štirn	Business Intelligence Director

Changes in Management

CHANGES IN THE MANAGEMENT BOARD IN 2014

Until 28 February 2014 the Management Board comprised of Chairman of the Management Board Dejan Turk, CFO Boštjan Škufca Zaveršek, and CTO Ulrich Rokita. Boštjan Škufca Zaveršek was Acting Chairman of the Management Board between 1 March 2014 and 10 August 2014. As of 11 August 2014 Jörg Zeddies took the position of the Chairman of the Management Board.

CHANGES IN THE SUPERVISORY BOARD IN 2014

At the beginning of 2014 the Supervisory Board was comprised of the following members:

- Johannes Ametsreiter, Chairman of the Supervisory Board
- Johann Tschuden, Deputy Chairman of the Supervisory Board
- Johann Pichler, Supervisory Board Member
- Silvia Buchinger, Supervisory Board Member
- Reinhard Zuba, Supervisory Board Member

During the year the Deputy Chairman Johann Tschuden and Member Johann Pichler left the Supervisory Board. Their positions were filled by Siegfried Mayrhofer as Member and Günther Ottendorfer as Deputy Chairman of the Supervisory Board.

PRESENTATION



At the end of 2014 the Supervisory Board members were:

- **Johannes Ametsreiter**, Chairman of the Supervisory Board
- **Günther Ottendorfer**, Deputy Chairman of the Supervisory Board
- **Silvia Buchinger**, Supervisory Board Member
- **Reinhard Zuba**, Supervisory Board Member
- **Siegfried Mayrhofer**, Supervisory Board Member

Ownership Structure

Since 2006 Si.mobil has been a fully owned subsidiary of Mobilkom Beteiligungsgesellschaft mbH. In 2014 there were no changes to the structure of Si.mobil shareholders.

Through its owner Mobilkom Beteiligungsgesellschaft mbH, Si.mobil is a member of the Telekom Austria Group, which is listed on the Vienna Stock Exchange. América Móvil now holds 59.7% of the share capital of the Telekom Austria Group.

Telekom Austria Group 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 to prepare its consolidated financial reports in accordance with the IFRS rules. Internal rules and guidelines are also used in the enterprise resource planning system for preparing financial plans and forecasts.

The financial data in the table below are an extract from Si.mobil's internal report for 2014, prepared for the Telekom Austria Group in accordance with IFRS financial standards.

In million €	Total revenue	EBITDA	EBIT	Net profit
Slovenian Accounting Standards – 2014	199.21	59.99	37.60	36.70
The difference in handling the costs of acquiring new subscribers – adjustments	0	3.11	3.11	3.11
The difference in handling the costs of acquiring new subscribers – reallocation	7.67	0	0	0
Adjustments for deferred taxes	0	0	0	-0.54
Adjustments for amortization	0	0	0.02	0.02
Other adjustments	- 4.68	0.16	0.16	0.02
Telekom Austria IFRS instructions and guidelines 2014	202.20	63.26	40.89	39.31
Telekom Austria IFRS instructions and guidelines 2013	201.34	62.66	39.87	34.42

More information on IFRS rules and guidelines for the Telekom Austria Group is available in the official annual report for 2014 that the group published on its website www.telekomaustria.com.



Principles of Business Operations

STRIVING TOWARDS EXCELLENCE IN CORPORATE MANAGEMENT

At Si.mobil we are bound to good and effective practices of corporate management. We place a great deal of focus on operating ethically and transparently, and in the long run this strengthens our reputation and public trust in our work. We create trust among all groups of stakeholders we encounter through our consistent actions.

We are aware that if a company wishes to achieve excellence in its operations, it must establish a system of corporate integrity based on the ethical operations of all its colleagues. Accordingly, we are working to establish an organizational culture which reinforces a business culture of integrity, lowers risks, and improves our reputation. We believe that responsibility accelerates company growth. With our exemplary actions we are constantly raising the standards and the level of ethical operations not only in the industry, but also in the broader environment we operate in.

Since consistent, ethical, and responsible business operations are our competitive advantage, Si.mobil insists on compliant operations and holds to the principles of the Code of Conduct. This is an umbrella document which helps steer all Telekom Austria Group employees towards compliant business operations, and is the same for the whole Group. Along with the Code, a range of guidelines are available to our colleagues to assist them regarding their work and behaviour, including guidelines on gifts and invitations, on consulting services and lobbying, on sponsorships, donations and advertising, on preventing corruption and conflicts of interest, and regarding the rules of competition law. The guidelines are accompanied by an executive document governing business compliance – Regulations on Employee Conduct in Si.mobil, which defines the rights and obligations of employees in procedures related to the

business compliance policy, and the obligations of the Compliance Assessment Team.

Each and every Si.mobil employee must be aware of the principles of compliant operations, and we place an appropriate amount of attention on training and informing employees on compliant behaviour. Through training, employees learn to recognize situations which are not in compliance with our policies, such as a conflict of interests, abuse of company assets, disclosure of trade secrets to unauthorized persons, false data, or conflicts at the workplace.

We also require our 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.

PRESENTATION



Company Info Sheet

COMPANY INFO

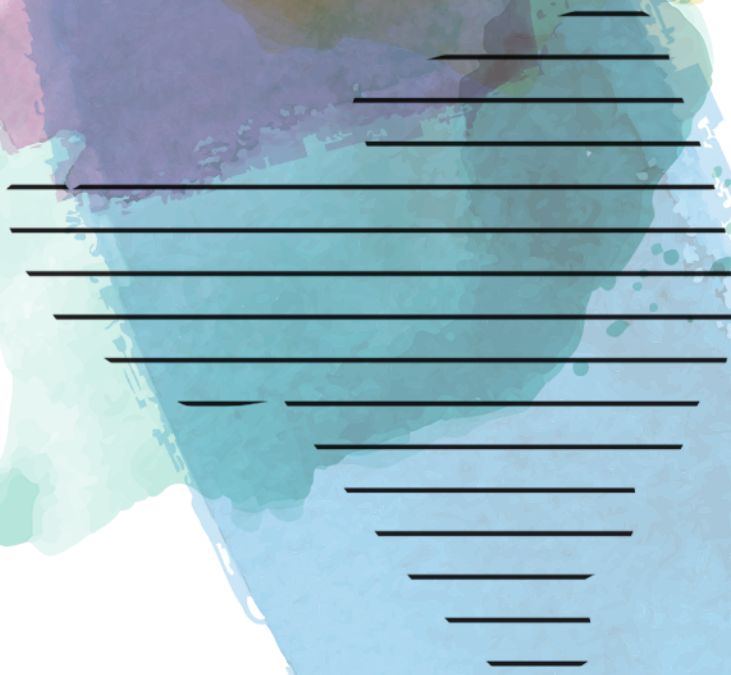
Name	Si.mobil telekomunikacijske storitve, d.d.
Headquarters	Šmartinska 134b, SI-1000 Ljubljana
Phone	+386 40 40 40 40
E-mail for residential users	info@simobil.si
E-mail for business users	info.poslovni@simobil.si
Website	www.simobil.si
Main activity	61,200 – Wireless telecommunications activities
Activity code	J61,200
Founded in:	1998
VAT ID number	SI 60595256
Company registration number	1196332000
Share capital	SRG 1/29430/00 Ljubljana €38,781,000

OWNERSHIP

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



**SI.MOBIL
IN 2014**



MANAGEMENT BOARD ADDRESS



The Slovenian telecommunications market is very mature, which results in slow market growth and intense competition. Acquiring new customers and also retaining existing ones will be a major challenge for all the players in the market. The continuing decline in revenues due to regulation of roaming prices in the European Union presents an additional risk for mobile operators.

As a mature company – we celebrated our 15th anniversary in 2014 – Si.mobil is successful in adapting to the conditions in the market. We are focused on optimizing our operations and our objective is to attain the highest possible level of business excellence. Open to new business opportunities, we are concentrated on seeking new streams of revenues in areas outside of our core services. We are constantly improving our services and seeking the best ways to offer our customers what they need, providing them with a range of high-quality products and services which make it possible for them to communicate anytime and anywhere, even when abroad, in an affordable way.

As a part of the Telekom Austria Group, we seek out synergies within the Group. Being a member of this Group gives us access to state of the art know-how and experience from the international environment, which gives Si.mobil a crucial competitive advantage. The results presented in our Annual Report would have been extremely difficult to achieve without our owner's support.

The business results in 2014 are assessed as good, because we have reached growth of operating revenues in spite of challenging business environment and very demanding market. High, 80% growth was recorded in revenues from the sale of mobile devices as a result of changes in sales model, since we introduced installments.

One of our key advantages is customer service. Deep understanding of customer needs enables us to open up to new fields of business, either for residential or business customers. In the recent years we are seeing a trend of extremely rapid growth in data traffic. Our customers have just in 2014 transferred more than 60% more data than the previous year. And for the first time they used more data than voice services over the December holidays. This shows an important shift in the usage of communication channels.

Si.mobil follows the changing habits of its customers. Our first, extremely important step towards providing excellent, reliable, and cutting-edge services was a complete overhaul of our radio and core network. After four years of extensive work and €48 million in investments, we completed this project in 2014. Today we offer our customers state of the art mobile network technology in a responsive network with huge capacities and coverage.

MANAGEMENT BOARD ADDRESS



The crucial event which defined our operations in 2014 was the frequency auction. We succeeded in securing the most frequency bands of all bidders in the auction, while also committing to covering at least 225 white spots in Slovenia, i.e. areas completely lacking a broadband network, by 2017. We are already proceeding well on that commitment, having already provided coverage to 80 white spots in 2014.

In 2014 we also increased the rate at which we constructed the new generation LTE network, which offers speeds of up to 150 Mbps, and we provided coverage to 75% of Slovenian population by the end of the year. Si.mobil was the first mobile operator in Slovenia and one of the first in the world to offer its customers LTE-Advanced, which bring speeds of even up to 300 Mbps. We can be especially proud of this, as by introducing the latest mo-

bile technology, Slovenia is rubbing elbows with the most developed countries in the world. All of these activities contribute importantly to the fulfillment of broadband targets of the Digital Agenda for Europe and accelerate the company's technological development.

We expect the coming short-term period to be driven by further market consolidation, the privatization of our state-owned competitor, and even more competition. We will strengthen our position with our reliable network, new innovative products and high-quality services we offer, business excellence, operations and with the know-how of our motivated employees. The focus of our operations will remain our customers. We will continue to strive toward fulfilling their needs and requests, especially by ensuring that every contact they have with us is both pleasant and useful.

Jörg Zeddies
CEO

Boštjan Škufca Zaveršek
CFO

Ulrich Rokita
CTO

Ljubljana, 23 January 2015

STATEMENT OF MANAGEMENT RESPONSIBILITY



The Management Board has been informed of the content of the 2014 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 Si.mobil's financial position and results in 2014.

A handwritten signature in black ink, appearing to read 'Jörg Zeddies'.

Jörg Zeddies
CEO

A handwritten signature in black ink, appearing to read 'Boštjan Škufca Zaveršek'.

Boštjan Škufca Zaveršek
CFO

A handwritten signature in black ink, appearing to read 'Ulrich Rokita'.

Ulrich Rokita
CTO

Ljubljana, 23 January 2015



ADDRESS OF THE CHAIRMAN OF THE SUPERVISORY BOARD



The Telekom Austria Group is the leading provider of convergent telecommunications services in Central and Eastern Europe, currently covering 23 million users in 8 countries – Austria, Bulgaria, Slovenia, Serbia, Belarus, Macedonia, Lichtenstein, and Croatia. In all the markets where the Group is present it is facing stiff competition and the regulation of roaming prices abroad is significantly affecting the Group's revenues.

As América Móvil, the fourth largest global telecommunications group, acquired a stake in the Telekom Austria Group, we gained an extraordinary opportunity for transferring know-how and finding synergies in technological infrastructure. As part of such a strong Group, Si.mobil enjoys numerous advantages, including access to premium know-how and possibilities for early and easy transfer of the most advanced technologies. We are proud that the Group established its competence center for M2M development (the Internet of Things) in Slovenia, exactly because of the know-how and experience of the employees here. This is a field which is expected to grow exponentially, so it is important for the whole Group. By doing so, Si.mobil is giving back know-how to its sister companies, and at the same time the Group remains a source of know-how, feedback, and experience for Si.mobil.

We are also proud that Si.mobil is among the first telecommunications providers in Europe to have offered its customers the advantages of LTE and LTE-Advanced. Si.mobil has also made it possible for its customers to roam in LTE networks abroad, first in its sister company A1's network, then in Vipnet's network in Croatia, and later in other countries as well. At the same time A1 and Vipnet customers were offered LTE roaming in Si.mobil's network. This is an example of the excellent synergies our Group offers, which was even more clearly shown in introducing the technology of the future, LTE-Advanced. LTE-A is an important milestone on the road toward 5G technology, as Telekom Austria Group recently joined the NGMN Alliance, which will work to set 5G standards. LTE-Advanced is also an excellent indicator of technological know-how and experience, which Si.mobil can draw upon as part of the Telekom Austria Group.

Si.mobil is just about to enter a new period. I am convinced that with our new strategic guideline, which is based on an advanced network, understanding our customers, and business excellence, we will be successful in our strides forward. With the firm support of our satisfied and motivated employees, and with our thoughts focused on sustainable operations, I am certain we will be successful.

Johannes Ametsreiter

Chairman of the Supervisory Board



Selected Performance Indicators

In 2014, our total operating revenue increased by 0.6% compared to 2013. We recorded a high, 80% increase in revenue from the sale of goods, which is the result of changes to the sales model for goods, namely offering our customers the option of paying in installments. The trend of declining revenue from the sale of basic telecommunications services, as well as the revenue from domestic network interconnection and international roaming continues. The latter decreased by 17% in 2014 due to continued price regulation.

In spite of the somewhat higher revenue in 2014 EBITDA decreased by 0.8% and amounted to €59.99 million at year's end. The decrease in EBITDA is primarily the result of higher cost of sold goods. Si.mobil finished the year with a positive EBIT of €37.6 million, which is a 3% increase compared to 2013. Earnings before tax stood at €37.25 million.

At the end of 2014, Si.mobil had 681,515 users, which is a 0.3% increase compared to the year before. Growth was the highest among subscribers (2%), which represent 79% of all users.

The average revenue per user (ARPU) reached €19.1 at the end of 2014, which means that it continued to decline, as it dropped by 4% compared to 2013.

We recorded a high, 80% increase in revenue from the sale of goods.



GENERAL SUMMARY OF OUR FINANCIAL DEVELOPMENT FOR THE YEARS 2014 AND 2013
(IN ACCORDANCE WITH SLOVENIAN ACCOUNTING STANDARDS)

in million €	2014	2013
Profit or Loss		
Operating revenue	199.21	198.01
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	59.99	60.48
Earnings before interest and taxes (EBIT)	37.60	36.44
Financial profit/loss	-0.36	0.42
Earnings before tax (EBT)	37.25	36.86
Balance sheet		
Assets	256.68	201.29
Tangible assets	67.59	66.54
Current assets	68.88	84.27
Financial and operating liabilities	82.69	31.87
Equity	163.27	157.95
Other information		
EBITDA margin	30.11%	30.54%
Investments in tangible fixed assets (in million €)	17.02	14.18
Number of users (31.12.2014)	681,515	679,172
Number of subscribers (31.12.2014)	541,000	529,458
Numbers of employees (31.12.2014)	419	418



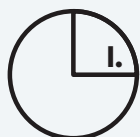
Transactions with Related Parties

Based on its legal structure and the types of services it provides, Si.mobil collaborates with related parties in its business operations such as interconnection, hosting of technical systems, backbone network, services of management or expert employees, terminal devices supply, software solutions etc.

Financial review of operations with related parties is disclosed in the financial report.

Si.mobil, d.d., in fiscal year 2014 did not perform or omit any act on the initiative of affiliated companies which would mean a disadvantage for the company.

Our Achievements in 2014



Q1

- We celebrated our 15th birthday with the slogan 'You are what you give. And we give the most. For 15 years now.'
- We also updated our Neskončni (Infinite) plans for our residential customers.
- We signed the Telecommunications Code of Refunds (TEKON), as a part of which we committed ourselves to solving consumer complaints more quickly.
- In collaboration with the Ana's Little Star institute, we opened up our 'nakavo' franchise on Prešernov trg in Ljubljana.



Q2

- In the public auction for the assignment of radio frequencies, we were successful in acquiring almost half of the frequency spectrum. At the same time we committed to covering 225 white spots around

Slovenia which have no broadband internet access.

- We also introduced the new EU NESKONČNO (EU INFINITE) rate, doing away with high prices of roaming abroad. This was the first type of an all-inclusive roaming option, an exception even by European standards.
- We also became the first Slovenian operator to make LTE roaming possible.
- In the ORTO DOBER campaign we collected 3,000 phones and donated them to the Slovenian Association of Friends of Youth.
- In collaboration with the Hekovnik institute, we launched this year's start:Cloud++ program for startups who work on business solutions in the cloud and the internet of things.
- Si.mobil successfully recertified for the ISO 14001 certificate and the EMAS regulation.
- We covered the first white spot in Slovenia with LTE, namely in Ljutomer.



Q3



- Jörg Zeddies took over at the helm of Si.mobil.
- We continued our intensive expansion of the LTE network in the regions of Gorenjska, Dolenjska, and Primorska.
- We organized and held the 13th charity Party with a Cause, collecting funds for more employment opportunities for young people. We also announced several job openings for young people in collaboration with our partners.
- We offered companies in business for less than a year the new STARTUP plan.
- We completed an extensive renovation of headquarters and our sales center in BTC.

Q4



- We became the first operator in Slovenia to commercially offer the technology of the future, LTE-Advanced (LTE-A), with speeds of up to 300 Mbps.
- We covered 75% of the population of 500 settlements with LTE.
- We covered 80 of 225 white spots with LTE.
- At this year's Business Top Talk event we hosted Boris Becker, one of history's tennis greats and currently a successful entrepreneur, who shared with the Slovenian public his key for success.
- We were co-organizers of the international CLASS Conference on Cloud Services at lake Bled.

AWARDS AND RECOGNITIONS
IN 2014

- The Best Employer of 2013 in Dnevnik's Golden Thread competition in the large enterprises category
- Product of the year 2014 in the category of telecommunications for the Neskončni plan (consumers' choice award).
- At the 14th Controlling Conference we received a recognition for our exemplary controlling solution, specifically for establishing a process and support system for effectively managing the company.
- Golden recognition for the ORTO Documentary (Slovenian Advertising Festival – SOF 2014)
- Golden recognition for the Digitalije (Slovenian Advertising Festival - SOF 2014)
- ORTO – Brand of the Year in 2013 (Slovenian Advertising Festival - SOF 2014)
- Si.mobil's internal newsletter Inside won the Grand Prix 2014 for second place in the category of best cover of an internal newsletter (Federations of European Internal Communication Associations FEIEA)
- Finalist in Finance's environmental awards in the environmentally friendly enterprise category
- Best Buy Award for our business portfolio
- Si.mobil's team of key potentials won in the IEDC-Bled School of Management's competition, which included solving a business challenge, and they also took 2nd place at the European level.



Plans for the Future

At the beginning of 2015, Si.mobil introduced a new organizational structure. The new organization will open the door for a new, different type of work, seeking new business opportunities, greater flexibility, and higher effectiveness in our work processes.

Si.mobil wants to do more than just merely a good job – we strive for excellence. Just like the other members of the Telekom Austria Group, we have to justify our owner's investments, which just last year amounted to €90 million. Accordingly we are obligated to adopt responsible decisions, while still being bold and daring.

The new organizational structure will provide a firm foundation for successful work in the future. With our new strategy, concentration on results, and with a bit of hard work, we will ensure that we remain and continue to remain our customers' obvious and best choice.



Keeping Our Advantage in 2015

- Investing in technological development, with an emphasis on expanding the latest LTE technology and the Internet of Things
- Developing the network and covering white spots around Slovenia
- Increasing the effectiveness and capabilities of our operations
- Becoming the obvious choice for all mobile users
- Expanding into new business areas.

TELECOMMUNICATIONS MARKET





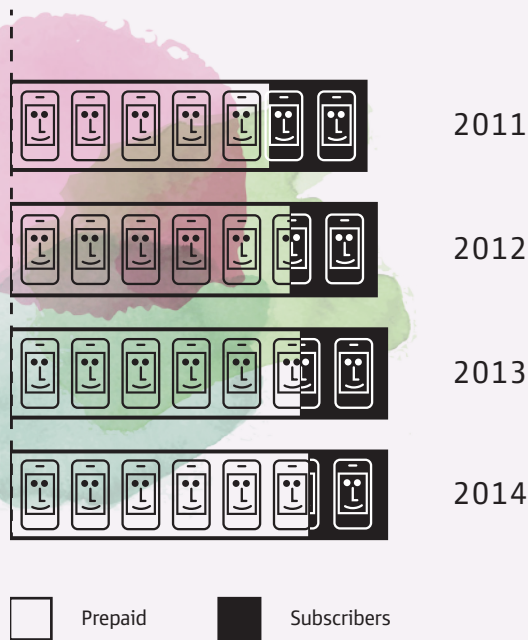
Market Environment

According to the data from the Agency for Communication Networks and Services of the Republic of Slovenia (AKOS), the penetration of mobile communications in Slovenia has reached 112.6% in the third quarter of 2014. The high level of penetration is an indicator of future slow growth of the telecommunications market. This also sends clear signals that any future major share growth is only possible through acquisitions and market consolidation.

During 2014, there were several milestone events in the Slovenian telecommunications market. The first was the so-called mega frequency auction, while the operators also took the first steps towards market consolidation. In 2014, Telemach took over the mobile operator Tušmobil, while analysts are already pointing to two more telecommunications providers, Debitel and T-2 as the next potential acquisition targets.

In 2015, we expect further market consolidation, and the maps would be completely redrawn with Telekom Slovenije's potential successful privatization. One more challenge mobile operators will have to deal with is the new telecommunications legislative package from the European Commission, which is also planned to also include further cuts to mobile roaming charges in the EU and EEA, or even scrapping them altogether.

At the end of 2014, Si.mobil had 681,515 customers, of which 541,000 were subscribers and 140,515 prepaid users, which makes for a 29.23% market share.



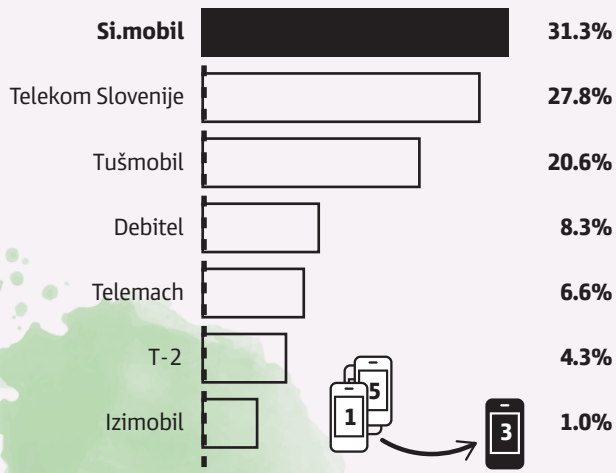
SI.MOBIL'S USERS BETWEEN 2011 AND 2014

The Frequency Auction and the Start of Market Consolidation

TELECOMMUNICATIONS MARKET



NUMBER OF PARTINGS BETWEEN MOBILE OPERATORS IN 2014

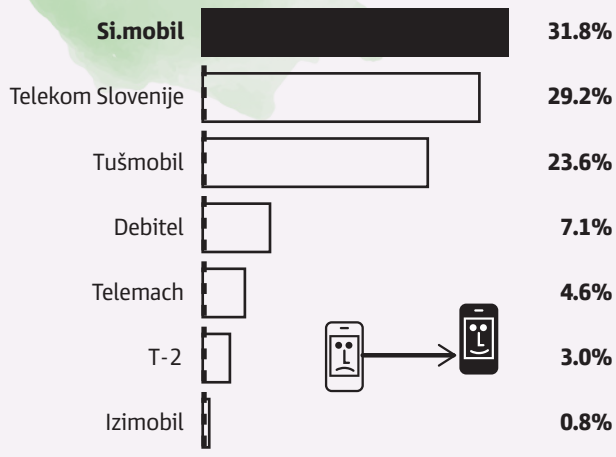


Number portings between mobile operators in Slovenia in 2014

Users changing their mobile service provider in 2014 most frequently selected Si.mobil, as it was once again the mobile operator to acquire the largest number of new users.

Customers perceive Si.mobil as a bold, dynamic, and passionate operator. Quality, expertise, and value for money remain our key focuses, helping us strengthen the position of Si.mobil's brand and increase customer satisfaction. Our customer satisfaction surveys show that we are on the right track. Compared to users of other mobile operators our customers are the most loyal and also the most satisfied, and are consequently least likely to switch operators.

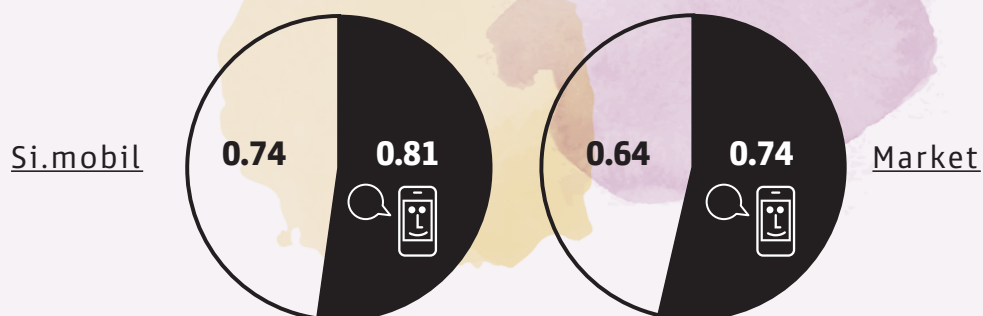
SI.MOBIL'S SHARE OF NEWLY ACQUIRED CUSTOMERS



Si.mobil's share of newly acquired customers

The growth trend of smart mobile devices continued in 2014, with more than 80% of our customers now using smartphones. This growth reflects our expectations and projections, while at the same time proves that our decision for a thorough network overhaul was correct.

THE SHARE OF SMARTPHONES IN USE

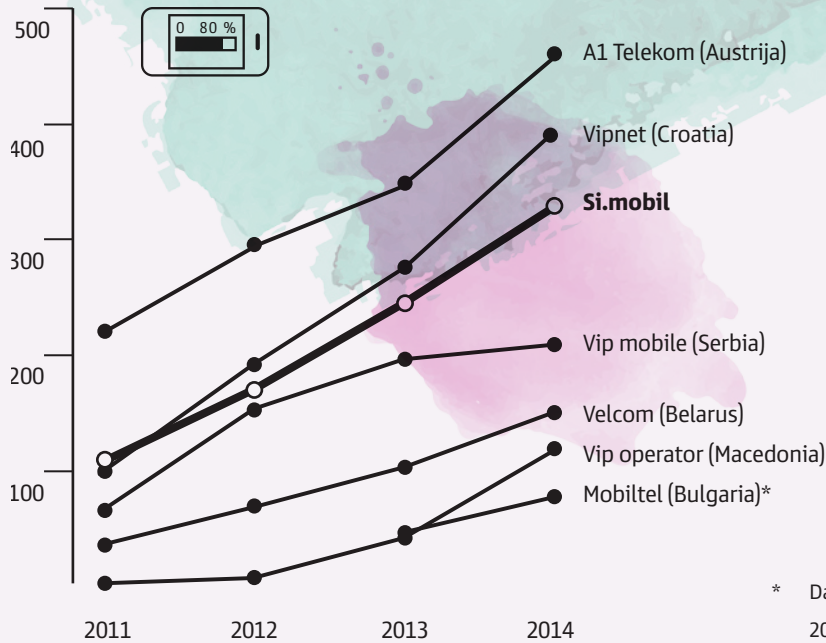


□ 2013 ■ 2014

TELECOMMUNICATIONS MARKET



DATA TRANSFER
PER USER
IN TELEKOM
AUSTRIA GROUP
(IN MB)



* Data not available for 2011 and 2012

Regulatory Framework and Risks

REGULATION OF CALL TERMINATION IN MOBILE NETWORKS

The Agency for Communication Networks and Services of the Republic of Slovenia (AKOS), which regulates and supervises the electronic communications market, conducted an analysis of the relevant market 7 'Voice call termination in individual public mobile telephone networks (carrier market)'. Based on this analysis it imposed new call termination price for calls to the networks of Si.mobil, Telekom Slovenije, Tušmobil, and T-2 in the amount of €0.0114 (VAT excl.), which is in effect since 1 September 2014. The new price will have an additional negative impact on revenue and EBITDA in 2015.

THE REGULATION OF ROAMING IN EUROPEAN MOBILE NETWORKS

On 1 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 Regulation the European Union additionally lowered the retail and wholesale prices of international mobile roaming. In accordance with this Regulation the prices were lowered once per year, however this process completed on 1 July

2014. At the same time this Decision introduced 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 came into force in 2014.

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. This Proposal remains subject to coordination and negotiation, and is expected to be adopted in 2015. We expect that the final Regulation will include also roaming services, which would have a negative effect on our revenues and EBITDA.

PUBLIC TENDER FOR THE ASSIGNMENT OF RADIO FREQUENCIES

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, 1800 MHz, 2100 MHz, and 2600 MHz Frequency Bands was completed on 28 April 2014. Si.mobil, Telekom Slovenije, and Tušmobil took part in the auction. Si.mobil obtained 2x 90 MHz of the FDD frequency spectrum, and 1x 45 MHz of the TDD frequency spectrum. For Si.mobil this also included the frequency spectrum with special coverage obligations, as we took the obligation when purchasing the frequencies that within 3 years we would provide coverage to 95% of the population of the Republic of Slovenia with the state of the art LTE technology, which makes broadband internet possible. Along with that, Si.mobil will bring broadband mobile internet to at least 225 settlements or groups of settlements in rural areas. These are the so-called white spots, which currently have no access or poor access to broadband internet. Fulfilling our promise will mean that the Republic of Slovenia will finally take a crucial step towards meeting the requirements of the Digital Agenda for Europe, set by the European Union for its member countries.

CODE ON SELF-REGULATION

In March 2014 Si.mobil and seven other telecommunications operators and the Association of Cable Operators of Slovenia signed The Self-Regulatory Code of Refunds for the Outages or Poor Operations of Public Communication Services of Public Communications Operators in the Republic of Slovenia. The Code sets that the operator is obligated to repay its customers for the damage in the form of a reimbursement, if a certain service does not work or does not work properly.

AGREEMENT ON SETTling MUTUAL RELATIONS

Si.mobil and Telekom Slovenija signed the Agreement on Settling Mutual Relations on 29 December 2014. By signing this Agreement the companies settled their open issues between one another, and defined the conditions for future business cooperation.



In the public auction for the assignment of radio frequencies, Si.mobil acquired almost half of the frequency spectrum up for sale.



Our Services

Residential Users

The year 2014 was marked by the 15th anniversary of Si.mobil's operations. For this occasion we prepared an exceptional offer for our customers with phones for just 1 cent, and a whole heap of surprises for our loyal customers.

After we revamped our NESKONČNI (INFINITE) plan for our residential customers in the beginning of 2014, we prepared numerous new roaming offers before the summer. The most exceptional among them is the new EU NESKONČNO (EU INFINITE) rate, which does away with high prices of roaming abroad, and gives our customers the option of worry-free roaming in EU countries. This was the first type of an all-inclusive roaming option, an exception even by European standards. Our range of worry-free mobile internet solutions abroad was augmented by Internet Vipnet and Tujina 1 GIGA, two unique solutions for roaming in Croatia, Serbia, Austria, Macedonia, Bulgaria, Belarus, and Liechtenstein, which provide the most data transfer at the lowest price available on the market. Si.mobil was also the first Slovenian mobile operator to provide its customers LTE roaming in its A1 sister network.

The '2for1' and 'Half an Invoice' promotional campaigns awarded the customers who connected with one another, saving up to half their monthly subscription fee in the process.

We wish to offer our elderly users a simple, and especially a nice experience when using a mobile phone. That is why we gave all new subscribers to the SENIOR plan a free phone with no lock-in. This made it possible for them to remain in daily contact with family, friends, and especially their grandchildren. As the older generation did not grow up with mobile technologies, many a senior encounters an obstacle when using their mobile phone, so we started our SENIOR hours project already in 2013. These are free workshops which take place at Si.mobil sales centers, and focus on educating the elderly on using mobile phones. After excellent response we decided to conduct the SENIOR hours project again in 2014.

For our youngest customers we took our existing SIMPL KIDZ plans – the best choice according to parents – and upgraded them into the SIMPL KIDZ 200 plan, which includes 200 service units that our young customers can use up for calls, messages or data. Parents of elementary school children who use a mobile phone selected the SIMPL KIDZ as the best plan for their children from a selection of competing offers*. This study was conducted by Aragon in November 2013, using the web polling method to survey a sample of 337 parents. The web polling method was used.

An Excellent Offer in an Excellent Network

* Competing offers included all available prepaid and subscription plans with a monthly subscription fee of up to €12.



Business Users

In the beginning of the year we began offering our customers the 3rd generation of the Podjetni (Entrepreneur) plans. We made the amounts of services in these plans unlimited, increasing data allowances by more than 40%, while nearly halving monthly subscription fees in some cases. We also decided to make our business offers even more flexible to the needs of small and mid-sized businesses. Companies can opt for the Podjetni zakup (Entrepreneur Amounts) option, and select the number of service units, minutes, and messages they need, adding data allowance if required. They can provide mobile internet just to individual employees or purchase a larger amount of data allowance for the whole company to share.

An important step in rounding out our range of business services is the Microsoft partnership we concluded in 2014. This collaboration in the field of business solutions gives our customers access to the latest Microsoft Office 365 cloud solutions, as well as the tools from the Microsoft Office suite. They can access them anywhere, at any time and from any device. The advantage we bring to our subscribers is a unique range of professional business solutions, which include email, online conferencing, cloud storage, and other modern IT solutions. Customers pay a monthly subscription for the service with no lock-in, and in connection with the 3rd generation Podjetni (Entrepreneur) plans and the Popolna telefonija (Perfect Telephone) option, which combines fixed and mobile telephone communications with simultaneous availability on all devices, they can put together the best range of business services on the market.

With the STARTUP plan introduced in 2014 we focused on the needs of startups, i.e. young companies which have been in business for less than one year. We are aware that the first year is the hardest, while at the same time it is extremely important for establishing yourself on the market, which is why we wanted to provide young entrepreneurs and newly-founded organizations with a bundle of services that startups need, at affordable prices, so we could give them a bit of help in taking their first business steps. The STARTUP plan includes unlimited calls and data allowance on a mobile phone, mobile internet for a tablet or notebook computer, software tools, and a consultant to guide them through the world of telecommunications.

Our owner, the Telekom Austria Group, appointed Si.mobil to be the competence center for the development of cloud computing ser-

vices and the Internet of Things, i.e. M2M. This is a relatively new field with high growth potential, and together with the Telekom Austria Group we are building our know-how, developing competencies, and successfully finding opportunities in the market. The internet of things will become increasingly present in our everyday life, at home as well as at work. That is why the Internet of Things is a strategic area for Si.mobil as well as the Telekom Austria Group. Our strategy is to become the central partner for providing M2M services to customers, and as a mobile operator we are already the ones providing connectivity between the devices. It is our objective to become the link between the solution provider and the end customer for whom we know how and are able to provide advanced tailored, turnkey end-to-end solutions. We also aim to become a relevant partner in the whole region, not just Slovenia.



We Made Our Offer Even More Flexible.



Young People

ORTO GIGASTIK made a splash in the market of services available to young people in 2014, as it provided customers with even greater data allowances. This is an attractive offer, since young people use mobile internet so heavily.

IT'S GOOD TO BE ORTO

ORTO is also strengthening its position of the best service provider for young people with the It's Good to Be ORTO program. This provides exclusive discounts to young people on their favorite products and services. We improved our range of products for young people with the It's Good to Be ORTO program, as we want to show our users why it is – plain and simple – good to be ORTO. We linked up with external partners and offered young people a vast range of products they care for and frequently request, at the best prices on the market. This is how we are repaying young people for their loyalty, and trying to give them everything they need for communication, self-expression, and life. In 2014, we added offers from new partners as well as our own to the loyalty program, proving that it is good to be ORTO.

ORTO GOOD

Young people are a trend-setting generation, keeping track of new developments in technology, and that is why they change their mobile phones more often than other users, even though their old ones still work fine. However not all young people are able to afford smart and advanced high-end phones. To respond to these facts, ORTO initiated the ORTO GOOD campaign inviting young people to not just dump their old phone in a drawer when picking up a new one, but instead donating it to the Slovenian Association of Friends of Youth. This way ORTO contributed to the social inclusion of children and young adults from families facing financial troubles, as mobile phones are an indispensable part of young people's everyday lives. In the campaign we collected 3,000 phones for the Slovenian Association of Friends of Youth. We fixed all the devices, cleaned them, and fitted them with a prepaid SIM card and some credit, making it possible for children and young adults whose parents cannot provide them with smartphones to communicate over social networks and in other ways which are important to young people.

ORTO is Strengthening Its Position as the Best Service Provider for Young People.



NETWORK





Network

In 2014, the growth of internet use continued rapidly. We are noticing that with the growing popularity and capabilities of smartphones, our users' habits are changing accordingly. Users are becoming more demanding, and want to be connected to the digital world non-stop. This has resulted in a steep rise of the use of smartphones and tablets. At the moment smart devices make up about 80% of all devices connected to our network. Also, mobile devices have been improving on a daily basis, offering increasingly advanced features, all of which contributes to the fast rise of the use of mobile internet.



Ready for the Future with
a Revamped Network



Si.mobil provides its customers with one of the most advanced and reliable networks, a result of a €48 million investment in the upgrade and expansion of the network, and several thousand man-hours of know-how and experience our employees put into it. All this so that we can now all our customers – even the ones living in the most remote areas of Slovenia – can have access to the services that matter to them the most.

Our years of hard work are now evident in the state of the art network, which can rank next to any from developed countries. We have increased the reliability and the capacity of our network and upgraded it with the modern technologies of the latest 4th generation mobile networks, LTE and LTE-Advanced, thereby meeting the expectations of our users for growing amounts of data transfer with increasing speeds. As the second biggest Slovenian mobile operator, Si.mobil is contributing to the technological development of the country with the development of its network and fulfilling the obligations to which Slovenia is bound by the Digital Agenda for Europe as a member of the European Union.

In order to meet our customers' expectations for a fast and reliable network with broad coverage, we attended AKOS's public frequency auction in 2014. Three Slovenian operators were bidding on 7- and 15-year licenses to use frequencies. At the auction Si.mobil obtained licenses for the use of frequencies in the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz bands for €65 million. The license for the most important part of the frequency spectrum in the 800 MHz band came with the obligation of ensuring internet connection with speeds of at least 10 Mbps to 95% of the population of Slovenia by mid-2017. This also includes 225 settlements or groups of settlements in rural areas known as white spots, where there is poor broadband internet availability or none at all. We opted to purchase the frequency spectrum with special coverage obligations because

NETWORK



we want to bring broadband internet to all Slovenian households. Si.mobil is already providing broadband internet with speeds that are significantly higher than the average among fixed providers. By mid-2017 our broadband internet in the LTE network will be available to 95% of the population, namely everywhere voice services are available today.

The Final Year of the Revamp of Si.mobil's Network

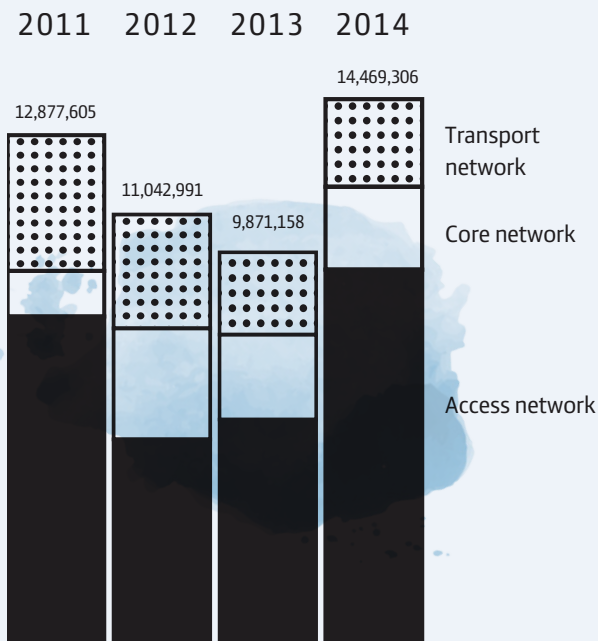
After the intensive network upgrade in 2011 and 2012, through which we achieved better 3G network coverage in Slovenian rural areas, we focused in 2013 on upgrading the 2G and 3G networks in the broader areas of Ljubljana and Kranj, Novo mesto and Krško, and in the northern Primorska region. We installed the latest technology to improve the capability and responsiveness of the network, and ensured greater data transfer throughput. We improved coverage in non-urban areas of Slovenia, and improved indoor coverage in buildings, elevators and garages. Already when planning the overhaul we selected such equipment that not only brings greater energy efficiency, with a 30% reduction in electricity usage, but also ready for future upgrades to the technologies of the future, such as LTE and LTE-A.

Over the course of 2014 we put up 60 new 2G base stations, 60 new 3G stations, and 274 4G stations. In order to improve indoor coverage we installed 206 new femto cells and 58 repeaters at 45 locations. With swift expansion of our LTE network we made mobile internet with speeds of up to 100 Mbps available to more than 2000 settlements by the end of 2014, including more than 500 settlements with at least 300 inhabitants. LTE services are now available to more than 75% of the Slovenian population and 80 white spots. We also upgraded 176 microwave connections, which provide connections from base stations to the core network, and set up 152 new microwave connections.

With this we concluded our extensive 4-year network upgrade. The result of our work is a completely overhauled radio network, including the radio controllers and the core network, which gives us an exceptional strategic advantage, competitive edge, and an open path for future development.

In November 2014 we were the first Slovenian telecommunication operator to showcase and begin offering the technology of the future, LTE-Advanced (LTE-A), which provides significantly higher net-

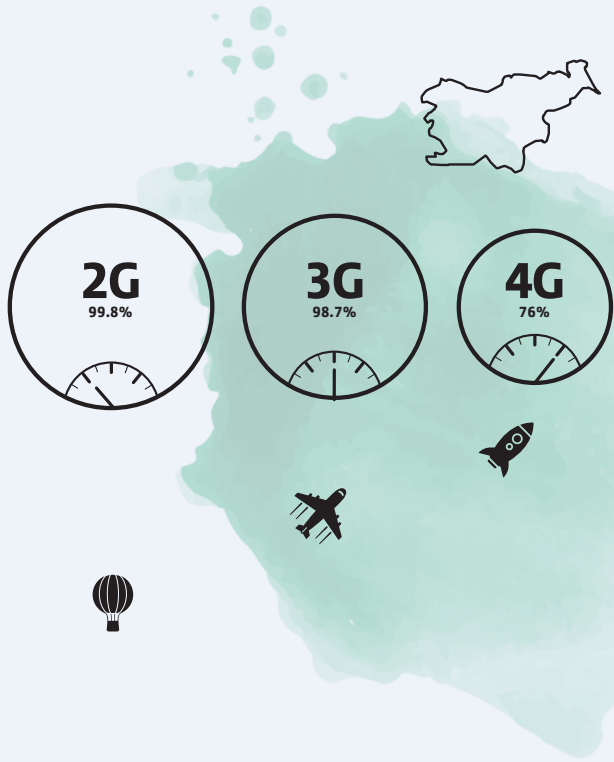
INVESTMENTS IN NETWORK DEVELOPMENT (IN €)



NETWORK



LTE NETWORK COVERAGE (2013 AND 2014)

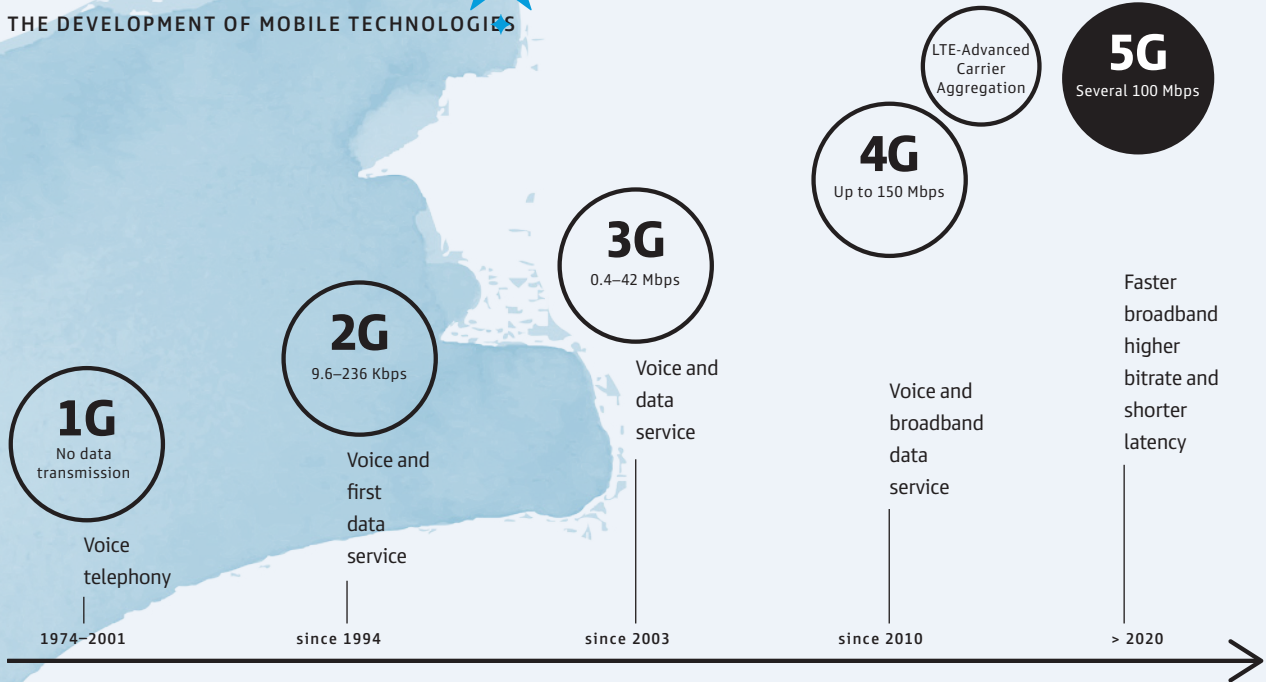


work capacities and data transfer speeds of up to 300 Mbps. At the end of 2014 LTE-A services were available at 6 locations across Slovenia: 2 in Ljubljana, and one in Maribor, Kranj, Celje, and Slovenj Gradec.

Milestones and Achievements in 2014

- We successfully concluded our 4-year project of the radio and core network overhaul. The overhaul was intense especially in the second half of 2014, when we put up an average of almost 2 new base stations per day.
- During the year we set up a total of 60 new locations, which is 214% more than the year before.
- At the end of 2014 we provided LTE coverage to 75% of the Slovenian population and all the towns and cities in the country. The highest location where Si.mobil's LTE network is available is Vogel.
- In November we began offering the technology of the future, LTE-Advanced, and marked a new speed record in our network: 300 Mbps
- A study by Nokia Networks, the supplier of the equipment for our new base stations, ranked Si.mobil's network in the top 10% of networks using their equipment globally.
- In order to provide the best customer experience our colleagues drove 70,000 kilometers in 2014, conducting measurements at 300 base stations.
- All our customers are welcome to use our Wi-Fi hotspots in mountain lodges along the trail to Triglav for free.

THE DEVELOPMENT OF MOBILE TECHNOLOGIES



RESPONSIBILITY





Employees

We operate in a fast-changing industry, where changes are the only constant. Under such circumstances our colleagues are the ones who must be the first to understand why we need these changes, and be able to see in them an opportunity for progress, for improvement and for new recommendations – at a personal level, as well as at the company level. If we wish to create the all-important competitive advantage compared to other companies in the industry, we must be excellent at what we do. And excellence comes from colleagues. We cannot achieve it without the right general know-how and expertise, without the experience and skills of our employees. For this reason we will continue to strive towards the development of know-how and competencies within the company, while expanding this field by employing new experts from outside the company.

Employee Data

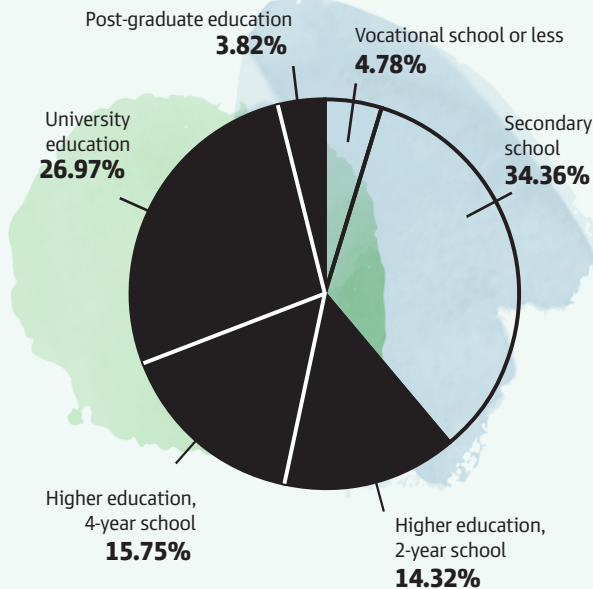
KEY EMPLOYEE-RELATED INDICATORS FOR 2014

Number of employees	419
Increase in the number of employees	12
Average employee age	37.02 years
Share of women among employees	48.93%
Share of women in management and leadership positions	41.67%
Share of employees with contracts for indefinite time	92.36%
Sick leave absence rate	3.56%
Fluctuation	8.43%

Average employee age



37.02 years



EMPLOYEE TRAINING IN 2014

Average number of training days per employee	4.3 days
Share of employees working as internal lecturers	7.16%

EMPLOYEE STRUCTURE BY EDUCATION LEVEL IN 2014

Vocational school or less	4.78%
Secondary school	34.36%
Higher education, 2-year school	14.32%
Higher education, 4-year school	15.75%
University education	26.97%
Post-graduate education	3.82%

RESPONSIBILITY



Achievements in 2014

GOLDEN THREAD 2013

So far Si.mobil has taken part in all the Golden Thread competitions for selecting the best employers in Slovenia. We were again successful in the 2014 round, as we received the title Best Employer of 2013 in the enterprise category. We decide to take part each year because it increases our recognition and raises our reputation among employers. At the same time the Golden Thread results provide a very good insight into our work, help us with improvements, and follow us on our path towards business excellence.

MANAGEMENT BY OBJECTIVES – ANNUAL DISCUSSIONS WITH EMPLOYEES

In 2014 we completely overhauled our system of management by objectives, a crucial tool for executing strategic company goals. We set up the framework for holding annual discussions with employees, as well as the process of setting the content of the objectives based on achieving the best customer experience. The management by objectives process includes all employees, bringing them together into a single story that the success of the company depends on. The process of management by objectives facilitates the proper and effective transfer of strategic objectives from the highest to the senior levels to the base of our colleagues. The set strategic objectives are the foundation for preparing and executing individual development plans, and the total assessment of objectives for each individual is the basis for rewards.

JOB OPENINGS FOR YOUNG PEOPLE SEEKING THEIR FIRST EMPLOYMENT

At Si.mobil we are aware of the issues young people have finding their first employment, which is why in the scope of this year's Party with a Cause we brought together 14 companies and put out 18 job openings. The jobs were made available to first-time employment seekers. The 14 companies received a total of 1,958 applications, and provided jobs to 26 young people. At the end of the Party with a Cause project we organized a follow-up event where the companies showcased the experience they had when employing young people, and their view on employing young people. We also invited some young people from Employment Clubs who were looking for their first jobs, giving them the opportunity to meet with potential employers and get first-hand answers to their questions.

LAUNCHING THE SI.UMNIK (SI.NVENTOR) PORTAL

In 2014 we launched the Si.umnik (Si.nventor) portal, through which we encourage our colleagues to contribute their recommendations for various improvements, such as regards internal work processes, the work environment, products or our approach to customers. The portal makes it possible to collect proposals, rate them, and encourages employees to realizing their proposals. The employees have taken to the initiative, as they have already submitted 40 proposals, which in turn generated extra revenue or savings in the amount of €777,609 pointing to the fact that our colleagues have recognized how important constant improvements are to raising efficiency and competitiveness of operations, and that every, even the smallest idea counts.

Employee Development

THE PROGRAM FOR DEVELOPING KEY POTENTIALS

The development of key potentials is a significant strategic focus for Si.mobil, making it possible to be prepared for responding quickly to new industry trends. We make it possible for key potentials to have opportunities for individual development, and through mentoring prepare them for executive or senior expert positions, as well as for key and critical positions in the company. In 2014 we mentored the 4th generation of key potentials, which makes for a total of 10% of all employees. Key potentials also obtained new know-how and experience in the scope of a refresher leadership skills class and in the leadership through change class. They were also able to use internal individual coaching based on developing leadership, social and sales competencies.

This year's team of Si.mobil's key potentials also won a competition for solving a business problem, organized by the IEDC – Bled School of Management. Their winning business case was called European Launch of a New Product in China. They received MBA scholarships at the IEDC, and their case was also placed in the European competition, where they achieved the excellent second place.

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 each year we invite a new generation of employees to take part in the retention program. In 2014 we formed the 4th generation, so that the program now includes just above 8% of all employees. Employees in this program are given extra benefits and incentives they select.

RESPONSIBILITY



LEADERSHIP STANDARDS IN THE SCOPE OF THE 360° FEEDBACK

Si.mobil's key and leadership competencies are also reflected in leadership standards which are applied across all of the Telekom Austria Group's sister companies. Leadership standards define the qualities of good leadership on three levels – personal actions, leading a team, and heading operations within the company. In 2014 we conducted our first 360° feedback process based on these leadership standards for all levels of leadership. Along with a self-assessment, the opinion on the individual was provided by their direct superior, the head of their matrix, colleagues in their team, colleagues at the same hierarchical level, and their internal customers. Through such a broad scope of feedback, leaders can obtain a comprehensive insight into their leadership, and an excellent opportunity for development. We also provided leaders with individual coaching.

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. This year we participated for the 5th year in a row. The program contributes to personal and professional employee development, and its high added value makes it very popular among colleagues. In 2014, 23 of Si.mobil's employees participated in the x.change program, and Si.mobil hosted 8 employees from other Telekom Austria Group companies.

SI.ACADEMY

Si.academy includes a broad range of classes, workshops, and trainings prepared for different target groups of employees. The basic guideline is increasing the transfer of knowledge into practice. New know-how and approaches provide our colleagues and contract partners with a suitable level of competence, required for achieving required results and surpassing them. Si.academy also prepares colleagues for new business challenges. People Development and Strategic HRM takes care of the catalog of available Si.academy classes, in collaboration with colleagues from various departments. For a number of years we have been inviting our colleagues to hold classes in the catalog as internal lecturers, and about 7% of our colleagues have become fully proficient at this, transferring their know-how and experience to other colleagues.

Si.academy brings together educational activities in six key modules:

- The Best Customer Experience – training courses for employees in constant contact with our users

- All Employees – courses for the personal and professional development of all employees
- Leadership – a program for developing leadership skills, and individual coaching
- Expert Classes – obtaining expert know-how based on current and future company needs
- Obligatory Training – training required by law
- TAG Business School – the business school of the Telekom Austria Group

In 2014 we placed a lot of attention in training on expert-focused training, conducted a leadership skills class, and leadership through changes. The majority of classes and trainings, internal as well as external, were focused on colleagues who have direct contact with our customers.

TAG BUSINESS SCHOOL

As Si.mobil is a part of the Telekom Austria Group, our employees can attend various programs of the TAG Business School, which provides training at a high professional level in the international environment. A team of TAG Business School trainers prepared the financial and technical academy again in 2014, as well as special classes for top management. Our colleagues also attended the comprehensive Group Young Potential program aimed at developing young talents. During 2014, 96 of our employees attended the TAG Business School, increasing their know-how and competences in 25 different areas, spending a total of 168 days gaining new information in Vienna.

SMART TALKS SUMMER SCHOOL

For the second year in a row we collaborated with our business partners to organize summer classes in the Smart Talks summer school. The common thread of all the content in 2014 was providing the best customer experience across seven different topics.

TAGISFACTION

All the Telekom Austria Group companies once again conducted employee dedication and satisfaction measurements this year. The results from the TAGisfaction survey provide insight into the opinions and satisfaction of our colleagues, which makes it an important reflection of the company. In 2014, 86% of Si.mobil employees took part in the survey. This year's results once again point to a high level of satisfaction and inclusion from all our colleagues, as we were above the average in all the measured categories.

RESPONSIBILITY



BALANCING FAMILY AND PROFESSIONAL LIVES

Si.mobil has been a part of the Family Friendly Enterprise initiative since the beginning. As a responsible employer we recognize and understand the need for constant balancing of the two crucial spheres of an individual's life. We implemented the first set of measures already in 2007 as part of the basic Family Friendly Enterprise certificate. We provide the following benefits to our colleagues:

- child time bonus
- flexible work breaks
- the option of participating in the expert group
- informing colleagues and the external public
- leadership training
- re-integration into the work process after maternity or parental leave

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 colleagues in balancing their family and professional lives. Additional benefits:

- open door day
- planning and conducting further training programs
- employees receive a gift upon the birth of their child
- New Year's gifts for employees' children
- surveys on balancing professional and private lives among employees
- daycare during holidays
- preventive medical check ups

At the end of 2013 we were successful in renewing our Full Certificate, which is conformation of our endeavors to establish an attractive work environment for employees with families. Continuing with the existing measures and adding new ones is a constant process, in which we actively involve our employees. We adopt the measures at the initiative and with the support of our employees. In doing so we are especially mindful that all the adopted measures are indeed also carried out. In 2014 we continued successfully promoting the benefits that the Full Certificate offers among our colleagues.

DAYCARE FOR EMPLOYEES' CHILDREN DURING SCHOOL HOLIDAYS

Holidays mean the world to children, however they can be challenging for the parents trying to balance work with their family life. For this reason we have been preparing organized active and

educational daycare during holidays for our employees' children, providing them with worry-free holidays. During this year's school holidays 104 children took part in organized daycare.

CARE FOR EMPLOYEES' HEALTH AND WELL-BEING

Encouraging our colleagues to lead a healthy and high-quality lifestyle is one of our key objectives. Each individual is responsible for their own health, however it is the company's responsibility to encourage colleagues to take care of their own health, as healthy and relaxed colleagues are better at facing challenges at work as well as in their private lives, and this also helps prevent injury and illness. For this purpose we established the Si.good team in 2014, which is looking after health, safety and well-being in the workplace. Our colleagues work in the company as ambassadors, collecting proposals and recommendations, and throughout the year encourage employees towards a healthier lifestyle through small changes.

COLLECTIVE VOLUNTARY PENSION INSURANCE

For a number of years we have been providing our employees with the option of entering into collective voluntary pension insurance. This way they are saving for old age and providing for better social security in their retirement. Si.mobil contributes 2.8% of an employee's salary to the premium. In 2014 we also made collective voluntary pension insurance available to our colleagues who are employed through the external employment agency.



Users



We Provide Reliable and Secure Services.

600 of our colleagues strive each day to provide the best customer experience. We have an honest and open relationship with our customers through our customer support, which includes our consultants in sales centers, the call center, and on the social networks Facebook and Twitter. Feedback from our customers is exceptionally useful for us, so we listen, take action, and improve ourselves. In 2014 we launched a completely overhauled website at simobil.si with an online store, which provides our users with a better online experience. We also renovated our store in Ljubljana's BTC shopping center, another step on our path to remodeling our sales centers with an advanced and user-friendly concept. We aim to create a warm and personal environment in which users feel good, while at the same time heading to an energy-efficient and environmentally friendly approach.

Mobile devices are not the only thing supporting our modern methods of communication and our lifestyles. The growth in smartphone popularity also results in the growth of mobile internet use, which in turn also increases the risk of falling prey to various online traps. That is why educating the general public about the safe use of mobile phones is also an important element of our socially responsible activities.

In 2014, our efforts at raising awareness were again focused on the two groups which have the lowest skill set in using mobile phones – children and seniors. We taught seniors about secure mobile phone use at our free SENIOR Hours, which take place at Si.mobil's sales centers in larger towns and cities across Slovenia. Seniors can still also pick up the booklet *Secure Mobile Services: Tips and Information for Seniors*. Our youngest users had the chance to learn about security settings on mobile phones at our SIMPL KIDZ FRČOPARK activity zones, which we set up at various family-oriented events throughout the year.

Our users can select from several services for monitoring their use, and have an overview of costs. The Moj Si.mobil (My Si.mobil) web portal allows Si.mobil's subscribers to manage their subscription settings and telecommunication services and spare themselves a visit to our sales center. Through the portal, users can monitor their usage, switch price plans, amend their personal data, top up SIMPL accounts, 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 it Si.mobil's subscribers can check their

RESPONSIBILITY



monthly usage and international roaming fees. The app also makes it possible for users to find the nearest Si.mobil sales point and contact information on all points of sale. All users can opt to receive an electronic invoice instead of in paper.

In 2014 Si.mobil and 7 Slovenian telecommunications operators along with the Association of Cable Operators of Slovenia signed the Telecommunications Code on Refunds. The Code's main objective is to help consumers resolve complaints in a faster and more effective way, as well as to establish a fairer system of refunds in the event of outages or poor service provision.

Protecting Personal and Confidential Data

Our responsibilities in business operations also include ensuring the safe use of our services. In 2014 we again devoted a lot of attention to secure communications, data protection, the safety of our employees, and the security of our systems. Because of growing demands in the market and higher standards of data protection we introduced a range of technical means for protecting our customers' data and for the secure use of our services. We also upgraded and expanded our SIEM – Security Information and Event Management system.

Every year we conduct a comprehensive review of IT security to upgrade security at all levels and continually improve it. In collaboration with external experts we regularly conduct analyses of our information protection management system and the uninterrupted operation management system. Our employees play a key role in ensuring secure services, and in 2014 we accordingly held a range of training modules to inform our colleagues of valid legislation and internal policies in this field.

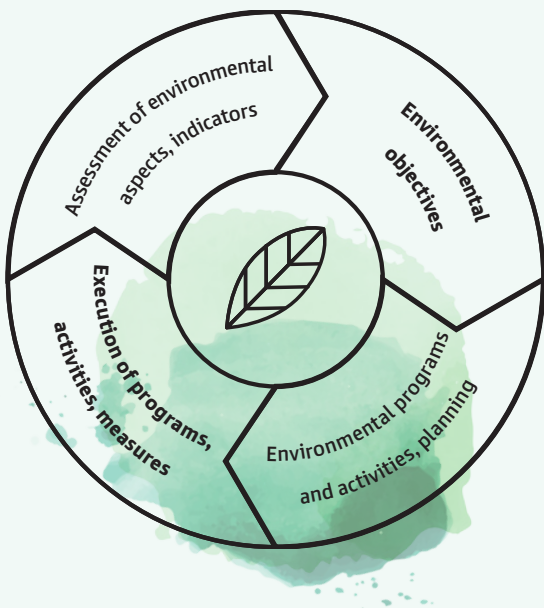




Environment

Handling Natural Resources with Care

A DIAGRAM OF SI.MOBIL'S ECO CYCLE – THE SYSTEM OF CONSTANT CHANGES AND IMPROVEMENTS MADE TO ENVIRONMENTAL OPERATIONS



At Si.mobil, social responsibility is ingrained in the very core of our business operations. It is part of our mission, our business vision, brand, and organizational culture. Our responsibility to the environment is especially focused on reducing our environmental footprint.

Efficient Resource Management

Our environmental impact begins in the selection of our suppliers and their products or services, as we take into account their environmental footprint. Our impact starts with the operation of our network, and also extends into how our users handle their old products that they bought from us (mobile devices, SIM cards, batteries, and other electric and electronic equipment), namely how and where they dispose of them. Yet our influence on the environment is even broader, as every action in our operations also affects our air, land, and water. This compels our commitment for our actions to help our suppliers, users, and society in general to understand why caring for the environment is so important. The measure of a company's success is not just good business results, but also indicators which take into account the effects of our operations on the environment. We want our business to grow, but with the least environmental impact in the process. With this in mind we presented our Re.think philosophy in 2008, which at first brought together our environmental activities, and today Re.think encompasses all our socially responsible activities.

To include our employees in our environmentally centered activities as much as possible, we founded an internal Eco Team, which sees more than 20% of our employees volunteering for environmental causes. We are learning together, searching for innovative solutions to help us clean up our own back yard, so that by taking small steps we can make big changes. We adhere to the valid legislation, yet strive to take a step beyond such minimum requirements, surpassing the basic standards. The goals we pursue are to constantly improve our processes, prevent pollution, and minimize our environmental impact.

Our environmental activities especially cover the following areas:

- the efficient use of resources, especially ensuring that our network is energy-efficient, as well as our offices and stores
- offering environmentally friendly products and services, such as e-invoices, e-archive, e-signature, and other electronic and paperless services
- empowering our employees to actively participating in environmental activities
- raising awareness on the significance of environmental activities among all stakeholders

RESPONSIBILITY



Environmental Management System

With the goal of constantly improving our environmental operations and thereby reducing our impact on the environment, in 2009 we established an Environmental Management System following the requirements of the international ISO 14001:2004 standard, and the EMAS system. In this scope we consider and implement our environmental policy – setting environmental aspects, adjusting environmental programs and objectives, encouraging various training modules, communicating with internal and external publics, keeping our documentation, ensuring compliance with environmental legislation and internal environmental regulations, and regularly conducting internal and external audits.

Si.mobil's core document for the Environmental Management System is The Procedure Manual of Environmental Management, as it provides a basic presentation of our Environmental Management System, defines the methods of the company's operations and organization, responsibilities, and competencies for the management of the demands of the international ISO 14001:2004 standard and EMAS. Along with the Procedure Manual we also prepared operative procedures and rules of environmental operations (e.g. environmental aspects and objectives), including the fire safety policy and work instructions.

Environmental Aspects and Goals

Environmental aspects are implicit in our operations, products, and services. They are maintained and updated by our employees who comprise our internal Eco Team when we introduce new processes or other operational changes that bring with them new or different environmental impacts. Each environmental aspect is assessed with measures: its severity (what are the consequences?), legislative requirements, the opinion of the external publics (complaints and requests from the broader public), and the opinion of the internal public (responses, questions, and complaints from our colleagues).

Our direct environmental aspects are: use of electricity, use of drinking water, use of bottled drinks, use of thermal energy, use of fuel for transportation, CO₂ emissions resulting from electricity used at headquarters and in the radio network, use of paper, use of cleaning products, use of cartridges and toners, procurement, waste paper and packaging, general waste, waste electric and electronic equipment, waste cartridges and toners, plastic packaging and glass waste, waste lead batteries, producing electromagnetic radiation emissions at base stations, base station locations, noise from air conditioners, gases in air conditioners, and production of waste water.

We also recognize the important environmental impacts of our operations by location. At our headquarters on Šmartinska 134b in Ljubljana we identified the following environmental impacts as the most important: use of electricity, use of energy for heating, waste management (especially electric and electronic devices), and water usage. For our stores we identified these important environmental impacts: use of electricity, use of energy for heating, and waste management. At base stations these impacts are electromagnetic radiation emissions, use of electricity, and electric and electronic equipment waste from base stations themselves.

Our key indirect environmental aspects include the effects of Si.mobil's Procurement department, as its careful selection of our suppliers and their products indirectly affects these suppliers and their greater environmental focus. We select suppliers that have certificates of operations, or can attest to their environmental activities with other types of evidence. In accordance with our options we select products which are manufactured from environmentally-friendly or recycled materials, and products that allow for recycling of as much of the product as possible at the end of its life cycle. We favor products and services that operate efficiently, and which do not cause excessive waste, emissions, or other negative environmental impacts through their operation. We also spread our environmental focus to our franchise shops and authorized sellers, who operate in accordance with Si.mobil's Re.think philosophy and environmental requirements.

Our Environmental Programs

Based on the environmental aspects we prepared the following environmental programs:

1. reducing the CO₂ footprint
2. energy, electricity, and renewables
3. business trips
4. paper consumption
5. waste and recycling
6. energy efficiency
7. electromagnetic emissions

Our Environmental Objectives

In 2012, we switched to a new methodology for collecting data on environmental indicators and a new methodology of calculating our environmental impact. This methodology was prepared and adopted at the Telekom Austria Group level. In the coming years we will be pursuing and fulfilling the following measurable environmental objectives:

RESPONSIBILITY



1. cutting CO₂ 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. reducing paper consumption by 10% by 2015
6. reducing the number of kilometers covered by planes by 5% by 2015

Care for Healthy and Clean Waters

In the spirit of Si.mobil's socially responsible Re.think philosophy we established the independent and non-profit Si.voda Fund in 2009, an organization for clean and healthy waters. The Fund's mission is to actively tackle issues relating to the quality of waters in Slovenia, and to raise awareness about the importance of preserving clean and healthy waters and individuals' impact on them.

The Fund's vision is to use a sustainable approach to make sure that clean and healthy water will also be available to future generations. Consequently the 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. For a project to receive a donation it must show that it is a concrete project and that it will be carried out efficiently.

The Si.voda Fund adopted ethical guidelines, with which it undertakes to operate professionally, transparently, and effectively, and to set its goals economically. All members of the Council of Experts and the Council of the Fund are also obligated to adhere to ethical guidelines. They are also required to reflect such an attitude at functions which are not related to the Si.voda Fund.

Fundraising for the Si.voda Fund

Fundraising is defined by Si.voda Fund's Articles of Association. The Fund 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 customers can also contribute to the Si.voda Fund by making text message donations, activating the Re.think option, by switching to e-invoices, or by bringing in a used mobile device for recycling. By sending a text message with SIVODA to 1919 Si.mobil's

users donate €1 to the Fund. When activating the Re.think option they undertake to donate €1 to the Si.voda Fund every month. Si.mobil supports its users' decision to do something for the environment, as it donates €1 to the Fund for every user who opts for e-invoices, for every used mobile phone brought to any of Si.mobil's stores to be recycled, for every activated Re.think option, and for every text message donation made to the Fund.

Balance Sheet

The Fund was established on 30 March 2009, when Si.mobil contributed the founding capital of €10,000. On 31 December 2014, the Fund did not disclose earmarked or spent long-term provisions. It also had no fixed assets, stock, receivables, or liabilities. The Fund does not employ anyone, which is why it does not incur any labor costs.

Si.voda Fund's Projects in 2014

The Si.voda Fund has supported 10 projects in its five years of operations, worth a total of €202,992.53, contributing to raising awareness and the active resolution of the problems of the quality of water in Slovenia.

In 2009 and 2013 the Si.voda Fund provided financing for several projects. It has subsidized the construction of three wetlands facilities for water treatment, namely at the outdoor classroom in Modraže, at the hiking destination Lisca nad Sevnico, and at the protected biotope of Kozjanski Park. It also contributed a share of the funds for the construction of a wetland water treatment facility elementary school in Lučine in the Gorenja vas – Poljane municipality. In Ljubljana it contributed 80% of the funds for the installation of a rainwater reservoir at the Hans Christian Andersen daycare center, and water fountains at the Mojca daycare center. In 2013 it supported the Institute for Water of the Republic of Slovenia's initiative for entering the Krainer wall technique into the Register of Intangible Cultural Heritage. Soon wetlands for water treatment at Mrzli vrh nad Žirmi will be completed.

In 2014 the Si.voda Fund provided funds for the following projects: building a Krainer wall at Blatnica v Klemenčevem (a tributary of Bistričica), collecting rainwater and watering eco gardens and constructing water fountains in the Anton Medved daycare center in Kamnik, and the construction of a wetland facility for water treatment.



Society

We Improve People's Quality of Living

13TH PARTY WITH A CAUSE

Because of the burning issue of the lack of young people's employability ORTO wishes to help them find their first employment, ease their difficult transition from education to their first job, and give them more opportunities to get in touch with potential employers. Accordingly the funds raised at the 13th Party with a Cause went to the Employment Clubs project, which helps young people find work and increase their employability.

The charity event once again took place on the last Saturday of summer vacation in Ljubljana's Tivoli park. As is by now a tradition, DJ Umek was dropping the beats at one of the biggest and most popular charity events for young people. The funds raised by young people paying the €1 admission fee were awarded to the Employment Clubs project run by the Nefiks institute.

Employment Clubs are a long-term project, and the only non-profit and non-governmental program attempting to solve the issue of youth unemployment in a systematic and effective manner. They are an excellent platform for young people where they can obtain knowledge, competencies, meet new people, and have a direct contact with employers. They provide young people with the tools to take the responsibility for their career and their future into their own hands.

The Nefiks Institute's Employment Clubs project has been held for the third year in a row with the support of the ORTO brand. The project has produced results, as more than 63 young people so far have gotten jobs with the employment clubs' help.

ORTO HELPING YOUNG PEOPLE FIND THEIR FIRST JOB

An important new feature of the 13th Party with a Cause was the announcement of job openings for young people seeking their first employment, as we decided in addition to the donation to also offer job openings to young people looking for their first job. 14 companies (Atlantic Grupa, Studio Moderna, Plastika Skaza, Group Panvita, Sportina Group, POP TV, Mercator, SRC, Zavarovalnica Tilia, Finance, Knauf Insulation, Adriatic Slovenica, Steklarna Hrastnik, and Si.mobil) announced 18 positions open to young people seeking their first employment, and a total of 1,958 candidates applied, with 26 of them landing a job.



Supporting the Community is Part of Our Mission.

RESPONSIBILITY



HELPING CHARITIES AND OTHER ORGANIZATIONS

Since nutrition and staying active have positive effects on illness in general, the pharmaceutical company Sanofi and Si.mobil joined up with Dr. Andrej Janež, Head of the Clinical Department of Endocrinology, Diabetes, and Metabolic Diseases at the University Medical Center, Ljubljana, to develop a unique smartphone app called 'Vem, kaj jem!' (I know what I'm eating!). The app is free and, while it is designed for diabetics, it can be used by anyone who wants to monitor their food intake and their physical activity. It is the first app of its kind in Slovenia, letting users track their food intake, count calories, and monitor their exercise as well. The app has generated a very positive response among users, as it was downloaded over 9,000 times in a year. The database from which the app draws its data on carbohydrates, proteins, and fats was updated in 2014 under the expertise of the nutritionist Andreja Širca Čampa. The database now has more than 2000 products in it, and is the largest database of its kind in Slovenian. The update and upgrade of the database will contribute to a better user experience, and to taking more effective stock of food intake.

On World Diabetes Day we prepared a special promotion for members of the Slovenian Diabetes Association, which included a 50% lower monthly subscription fee for the first 6 months after concluding or extending a subscription agreement. We also prepared a special promotion for members of the Association of the Deaf and Hard of Hearing of Slovenia, as well as the members of the Association of the Blind and Partially Sighted.

We offer charities free use of our Text Message Donor service, which allows fundraising via text messages. Both Si.mobil subscribers as well as prepaid 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 to the participating charity organization. Si.mobil even waives the revenue generated by these text messages, donating it to the charity instead. There were more than 40 such keyword campaigns in 2014. 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.

SPONSORSHIP

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. Our notable

sponsorships in 2014 include NTK Conference, The Managers' Association of Slovenia, Slovenian Advertising Festival, The CIO event – awards in the field of ICT, Telecommunications Conference, and numerous educational events for young people under the ORTO Supports banner (A Job (Is Not) Looking for Me, Student Marketing Conferences Fanfara and Marketinški semafor, DIR, Business Hive, Media Day, Summer School, Kino Otok – Cinema Isola film festival, Start Up Les, PR teater, etc. Our SIMPL KIDZ Frčopark concept was introduced at 11 events across Slovenia.

We Connect and Help Make Ideas a Reality

BUSINESS TOPTALK 2014

In 2014 we once again held for our business customers the prestigious Business TopTalk event with an internationally established business speaker. We organize the Business TopTalk events because we wish to invest in the development of the Slovenian business sphere, and make business possible through networking at the event. At this year's event we hosted Boris Becker, one of history's tennis greats and currently a successful entrepreneur, who shared with the Slovenian public his key for success. Before Boris Becker at this year's event, past Business TopTalk events have hosted as speakers the expert on business success Richard St. John, the former football referee Pierluigi Collina, and the former Formula 1 racer, now a successful businessman Niki Lauda.

SPONSORSHIP OF THE START:CLOUD ++ PROGRAM

Hekovnik and Si.mobil held the business accelerator program start:Cloud for the third year in a row in 2014. This year's program, renamed start:Cloud ++, was designed for young teams with startup business solutions in the cloud, and especially focused on the Internet of Things. This year new partners joined the initiative Gigodesign, Beyond, and Crowdfunding.si. The start:Cloud program is founded on the principle of guided education and collaboration with experienced mentors from both the technical and the business world. This year 24 teams took part, with 11 going on to successfully complete the program. Si.mobil provided the award for the winner – the i13tech team – with a prize of €10,000. Other winning teams were CoolingInno, Vitilab, Zevs, and Didaktika. Along with the accelerator program start:Cloud ++, Si.mobil and Hekovnik also held the regular monthly Cloudy:Days meetings in 2014. They are an opportunity for domestic and foreign experts and entrepreneurs to share their experience in designing cloud solutions, obtaining venture capital, and launching new solutions on the market.

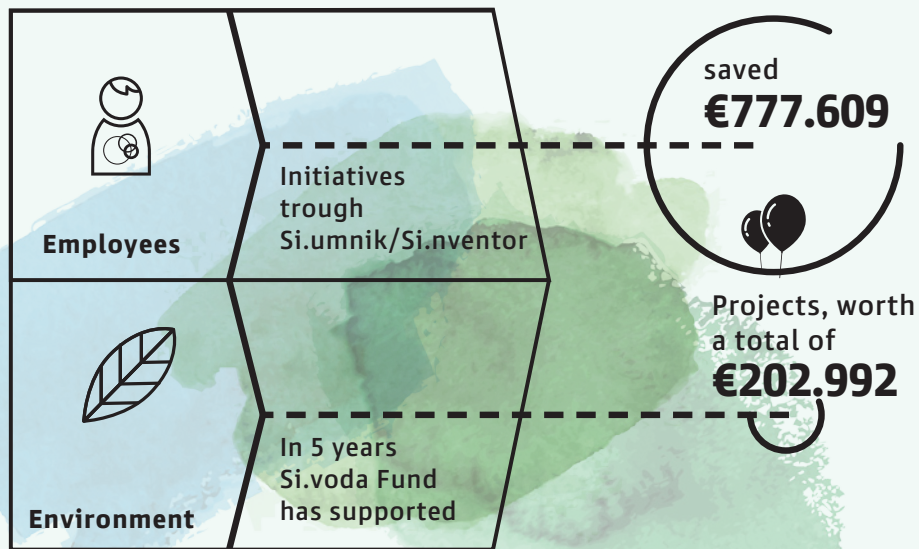
RESPONSIBILITY



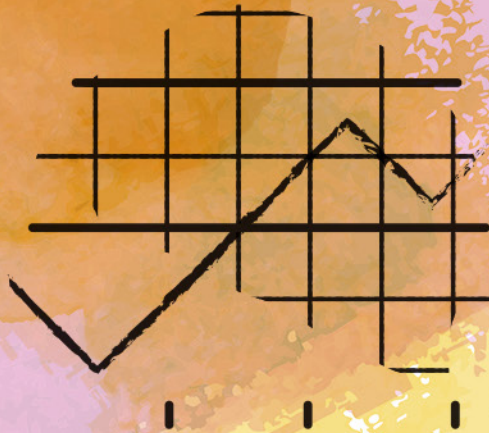
OTHER BUSINESS SPONSORSHIPS

We were sponsors of the Small Business Summit event, the biggest event focused on small businesses in Slovenia. We provided every participant of the event with €500 worth of benefits for encouragement and support in making their entrepreneurial goals a reality.

For a number of years we have been supporting the CEED Association and the Young Entrepreneur Foundation, as well as the tender The Most Entrepreneurial Idea which is organized by the newspaper Finance, as we share common views on entrepreneurship. We believe that with this fertile collaboration among our partners we can help experienced entrepreneurs as well as those who are only just deciding to set off down their entrepreneurial path, we can raise the bar in terms of entrepreneurial know-how, and we can promote entrepreneurship as a positive value in our broader society.



FINANCIAL REPORT





1 GENERAL DISCLOSURE

1.1 INTRODUCTORY PRESENTATION OF THE COMPANY

1.1.1 Establishment and ownership structure

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

The Company was founded on 23 December 1997. As at 31 December 2014 the ownership structure was as follows:

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

Company name:	Si.mobil, telekomunikacijske storitve, d.d.
Shortened Company name:	Si.mobil, d.d.
Share capital:	€38,781,000
Reg. no. in the CSO register:	1196332
VAT ID:	S160595256
Classification code:	61,200
Size of the Company:	Large joint-stock company under the Companies Act
Financial year:	Calendar year

1.1.2 Activities of the Company

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

1.1.3.Data on the controlling company

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

FINANCIAL REPORT



1.1.4 Employees

- The number of employees at the end of the 2014 business year was 419 (418 at the end of business year 2013).
- The average number of employees in the 2014 business year was 415.
- Number of employees per educational structure:

NUMBER OF EMPLOYEES PER EDUCATIONAL STRUCTURE:

Educational structure	Number of employees
Vocational education or less	20
Secondary school	144
Higher education, 2-year school	60
Higher education, 3-year school	66
University education	113
Postgraduate education	15
PhD	1
Total	419

1.1.5 Statement of the Management

Management confirms the financial statements of Si.mobil, d.d., as at 31 December 2014.

Management confirms that appropriate accounting policies were consistently applied to the preparation the financial statements that accounting estimates were made in accordance with the principle of prudence, and due professional care and that the annual report presents a true and fair position of the Company and results of its operation for the year 2014.

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

Jörg Zeddies
CEO

Boštjan Škufca Zaveršek
CFO

Ulrich Rokita
CTO

Ljubljana, 23 January 2015



2 AUDITOR'S REPORT

Deloitte.

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**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 2014, 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.

FINANCIAL REPORT



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, 2014 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

Ljubljana, 23 January 2015

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

FINANCIAL REPORT



3 BALANCE SHEET AS OF 31 DECEMBER 2014

In €	Notes	31.12.2014	31.12.2013
ASSETS		256,679,633	201,294,053
A. LONG-TERM ASSETS		177,415,742	107,403,447
I.	Intangible assets and long-term deferred costs and accrued revenue	8.1.1. 99,729,216	35,206,377
1	Long-term property rights	83,499,428	18,040,973
5	Other long-term deferred costs and accrued revenue	16,229,788	17,165,404
II.	Property, plant and equipment	8.1.2. 67,589,503	66,541,000
1	Land	9,039	9,039
3	Other plant and equipment	59,451,076	58,492,975
4	Property, plant and equipment in acquisition	8,129,388	8,038,986
a)	Property, plant and equipment in the course of construction	8,129,388	8,038,986
IV.	Long-term financial investments	8.1.3. 1,764,039	1,764,039
č)	Other long-term financial investments	1,764,039	1,764,039
V.	Long-term receivables	8.1.4. 6,412,103	2,008,362
2.	Long-term operating receivables	6,357,558	1,953,816
3.	Long-term receivables other	54,545	54,546
VI.	Deferred tax assets	8.1.5. 1,920,881	1,883,669
B. CURRENT ASSETS		68,875,606	84,270,348
II.	Inventories	8.1.6. 5,126,576	4,979,326
4	Products and merchandise	5,126,576	4,979,326
IV.	Short-term operating receivables	8.1.7. 40,956,701	31,816,153
1	Short-term operating receivables due from group companies	1,714,284	8,579,560
2	Short-term operating trade receivables	34,996,604	21,672,949
3	Short-term operating receivables due from others	4,245,813	1,563,644
V.	Cash	8.1.8. 22,792,329	47,474,869
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE		8.1.9. 10,388,285	9,620,258
OFF-BALANCE SHEET ITEMS		8.1.15. 31,660,965	250,038,076

FINANCIAL REPORT



In €	Notes	31.12.2014	31.12.2013
EQUITY AND LIABILITIES		256,679,633	201,294,053
A	EQUITY	163,273,409	157,946,567
I.	Called-up capital	38,781,000	38,781,000
1	Share capital	38,781,000	38,781,000
II.	Capital surplus	83,941,657	83,941,657
III.	Profit reserves	3,878,100	3,878,100
1.	Statutory reserves	3,878,100	3,878,100
IV.	Surplus from revaluation	- 73,984	0
V.	Retained net profit	45,810	12,731
VII.	Net profit for the financial year	36,700,826	31,333,079
B	PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE	6,571,682	7,150,282
1	Provisions for pensions and other similar liabilities	489,062	360,677
2	Other long-term provisions	5,778,231	6,595,935
3	Long-term accrued costs and deferred revenue	304,389	193,670
C	LONG-TERM LIABILITIES	48,600,000	0
I.	Long-term financial liabilities	48,600,000	0
1	Long-term financial liabilities to group companies	48,600,000	0
Č	SHORT-TERM LIABILITIES	34,092,070	31,870,371
II.	Short-term financial liabilities	3,967,349	0
1	Short-term financial liabilities to group companies	3,967,349	0
III.	Short-term operating liabilities	30,124,721	31,870,371
1	Short-term operating liabilities to group companies	2,718,699	4,349,499
2	Short-term trade payables	24,751,671	23,644,704
3	Other short-term operating liabilities	2,654,351	3,876,168
D	SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	4,142,472	4,326,833
OFF-BALANCE SHEET ITEMS		31,660,965	250,038,076

FINANCIAL REPORT



4 PROFIT AND LOSS STATEMENT FOR 2014 – VERSION I

In €	Note	2014	2013
1 Net sales	8.2.1.	193,906,077	190,456,085
4 Other operating revenue (including revaluation operating revenue)	8.2.2.	5,300,720	7,555,542
5 Costs of goods, materials and services	8.2.3.	115,544,229	113,044,467
a) Costs of goods and materials sold and costs of materials used		27,875,044	15,173,517
b) Costs of services		87,669,185	97,870,951
6 Labour costs	8.2.4.	17,155,770	16,661,416
a) Payroll costs		12,999,322	12,670,255
b) Social security costs		2,552,087	2,494,618
c) Other labour costs		1,604,361	1,496,543
7 Write-downs in value		26,978,891	30,078,383
a) Depreciation and amortisation expense	8.2.5.	22,386,477	24,042,152
b) Revaluation operating expenses associated with intangible assets and property, plant and equipment		108,322	81,480
c) Revaluation operating expenses for working capital	8.2.6.	4,484,092	5,954,750
8 Other operating expenses	8.2.7.	1,924,660	1,785,882
Operating result (EBIT)		37,603,247	36,441,481
11 Financial revenue from operating receivables	8.2.8.	1,042,638	558,031
a) Financial revenue from operating receivables due from group companies		706	474
b) Financial revenue from operating receivables due from others		1,041,932	557,557
13 Financial expenses for financial liabilities	8.2.9.	1,155,126	0
a) Financial expenses for loan received from group companies		1,155,126	0
14 Financial expenses for operating liabilities	8.2.10.	244,655	142,163
b) Financial expenses for trade payables and bills payable		5,988	2,350
c) Financial expenses for other operating liabilities		238,667	139,813

FINANCIAL REPORT



	Total profit before taxes		37,246,104	36,857,349
17	Income tax	8.2.12.	- 567,336	- 6,300,350
18	Deferred taxes	8.2.13.	22,058	1,211,405
19	Net profit for the period	8.2.11.	36,700,826	31,768,404

4.1 OTHER COMPREHENSIVE INCOME

In €	2014	2013
Net profit for the period	36,700,826	31,768,404
Gains/losses recognized in the surplus from revaluation	- 73,984	0
Other comprehensive income	36,626,842	31,768,404

FINANCIAL REPORT



5 STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014 – VERSION II

In €	2014	2013
A CASH FLOWS FROM OPERATING ACTIVITIES		
a) Items from income statement	60,350,751	55,892,036
Operating revenue (except for revaluation) and financial revenue from operating receivables	200,249,434	198,569,659
Operating expenses excluding depreciation or amortisation (except for revaluation) and financial expenses from operating liabilities	-139,353,406	-137,588,678
Income taxes and other taxes not included in operating expenses	-545,277	-5,088,945
b) Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)	-17,005,389	-12,893,073
Opening less closing operating receivables	-13,544,288	56,220,812
Opening less closing deferred costs and accrued revenue	-768,026	-3,669,335
Opening less closing deferred tax assets	-37,212	-1,211,405
Opening less closing inventories	-147,251	228,623
Closing less opening operating liabilities	-1,745,650	-63,606,393
Closing less opening accrued costs and deferred revenue, and provisions	-762,962	-855,375
c) Net cash flows from operations or net cash flows applied to operations (a+b)	43,345,363	42,998,963
B CASH FLOWS FROM INVESTING ACTIVITIES		
a) Receipts from investing activities	0	0
Receipts from investing activities intangible fixed assets	0	0
b) Cash payments for investing activities	-88,066,141	-21,286,428
Cash payments to acquire intangible assets	-72,639,175	-6,504,224
Cash payments to acquire property, plant and equipment	-15,426,966	-13,028,915
Cash payments to acquire long-term financial investments	0	-1,753,289
c) Net cash from investing activities or net cash flows applied to investing activities (a+b)	-88,066,141	-21,286,428
C CASH FLOWS FROM FINANCING ACTIVITIES		
a) Receipts from financing activities	52,567,349	0
Receipts from long-term financial liabilities increase	48,600,000	0
Receipts from short-term financial liabilities increase	3,967,349	0
b) Cash payments for financing activities	-32,529,110	-29,700,000

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	Interest paid on financing activities	-1,155,126	0
	Gains/losses recognized in the revaluation surplus	-73,984	0
	Cash repayments of short-term financial liabilities	0	0
	Dividends paid	-31,300,000	-29,700,000
c)	Net cash from financing activities or net cash flows applied to financing activities (a+b)	20,038,238	-29,700,000
D	CLOSING BALANCE OF CASH	22,792,329	47,474,869
x)	Net cash inflow or outflow for the period	-24,682,540	-7,987,465
y)	Opening balance of cash	47,474,869	55,462,334

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6 STATEMENT OF CHANGES IN EQUITY

A) STATEMENT OF CHANGES IN EQUITY FROM 1 JANUARY 2014 UNTIL 31 DECEMBER 2014

In €	Share capital	Capital reserves	Statutory reserves	Revaluation surplus	Retained earnings	Net profit for the period	Total capital
	I	II	III	IV	V	VI	VII
Business events							
A.1. Closing balance as at 31 December 2013	38,781,000	83,941,657	3,878,100	0	12,731	31,333,079	157,946,567
A.2. Opening balance as at 1 January 2014	38,781,000	83,941,657	3,878,100	0	31,345,810	0	157,946,567
B.1. Changes in share capital	0	0	0	0	-31,300,000	0	-31,300,000
g) Dividend payments	0	0	0	0	-31,300,000	0	-31,300,000
B.2. Total comprehensive income for the period	0	0	0	-73,984	0	36,700,826	36,626,842
a) Net profit for the period	0	0	0	0	0	36,700,826	36,700,826
e) Settlement of loss as a deduction component of capital	0	0	0	-73,984	0	0	-73,984
B.3. Changes in capital	0	0	0	0	0	0	0
b) Allocation of profit as capital by the resolution of Management or Supervisory Board	0	0	0	0	0	0	0
c) Allocation of profit as capital by the resolution of General Assembly	0	0	0	0	0	0	0
C. Closing balance as at 31 December 2014	38,781,000	83,941,657	3,878,100	-73,984	45,810	36,700,826	163,273,409

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B) STATEMENT OF CHANGES IN EQUITY FROM 1 JANUARY 2013 UNTIL 31 DECEMBER 2013

In €	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 31 December 2012	38,781,000	83,941,657	3,442,775	29,712,731	0	155,878,163
A.2. Opening balance as at 1 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	0	31,768,404	31,768,404
a) Net profit for the period	0	0	0	0	31,768,404	31,768,404
B.3. Changes in capital	0	0	435,325	0	-435,325	0
b) Allocation of profit as capital by the resolution of Management or Supervisory Board	0	0	435,325	0	-435,325	0
c) Allocation of profit as capital by the resolution of General Assembly	0	0	0	0	0	0
č) Settlement of loss as a deduction component of capital	0	0	0	0	0	0
C. Closing balance as at 31 December 2013	38,781,000	83,941,657	3,878,100	12,731	31,333,079	157,946,567

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The company has formed accumulated profit in accordance with Companies Act (Zakon o gospodarskih družbah). On accumulated profit use decides assembly on the basis of a proposal of the Management Board and the Supervisory Board.

ACCUMULATED PROFIT/LOSS

In €	2014	2013
a) Net profit or loss for the period	36,700,826	31,768,404
b) + retained loss from previous periods	45,810	12,731
c) + decrease in revenue reserves	0	0
č) - increase in profit reserves based on a decision of the management (legal reserves, reserves for own shares and interests, and statutory reserves)	0	-435,325
d) - increase in profit reserves based on a decision of the Management and the Supervisory Board (other revenue reserves)	0	0
e) = Accumulated profit (a+b+c-č-d) appropriated by the annual general meeting of shareholders as follows:	36,746,636	31,345,810
- distributed to shareholders	0	0
- allocated to other reserves	0	0
- carried forward to the following period and	0	0
- appropriated for other purposes	0	0
Or		
= Accumulated loss	0	0

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7 SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

7.1 PRINCIPLES OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with Slovenian Accounting Standards 2006 issued by the Slovenian Institute of Auditors. The financial statements are presented in Euros (€), rounded to the nearest unit.

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

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

7.2 EXCHANGE RATE AND THE METHOD OF TRANSLATION INTO LOCAL CURRENCY

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

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

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

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

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

7.4 PROPERTY, PLANT AND EQUIPMENT

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

The acquisition value of property, plant and equipment includes its purchase price, including import duties and non-refundable purchase taxes, as well as any costs directly attributable to bringing the asset to the location and

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condition necessary for it to be capable of operating in the manner intended by management, especially costs of transport and installation. Own produced assets are recognised and measured at costs of material, hourly rates of own work and the related part of overhead costs. The acquisition value of certain assets (base stations) also includes the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Company incurs contractually. The costs of dismantling and removing the item are estimated based on contractor prices for each type of base station, increased for inflation until the estimated period of dismantling and discounted to their present value.

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

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

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

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

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

7.5 DEPRECIATION AND AMORTISATION COSTS

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

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

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

Item	Useful life (in years) 2014
Intangible assets	
Radio frequencies	15 or in accordance with the decisions
Software and licences	1-5
Property, plant and equipment	
Base stations and mobile switches	5-15
Computer equipment	3-4
Investment in other fixed assets	10
Other equipment	5-7
Low-value assets and spare parts	2-3

7.6 LONG TERM FINANCIAL INVESTMENTS

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

7.7 RECEIVABLES

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

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

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

- overdue from 1 to 30 days 5%
- overdue from 31 to 90 days 40%
- overdue from 91 to 180 days 60%
- overdue from 181 to 360 days 90%
- overdue more than 361 days 100%

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

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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 falling prices of mobile phones on market, the company recognises the stock imperment. The imperment is calculated by individual stock phone item (for each type).

7.9 CASH

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

7.10 EQUITY

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

7.11 PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES

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

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

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

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

7.12 LIABILITIES

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

7.13 SHORT-TERM ACCRUED AND DEFERRED ITEMS

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

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

7.14 RECOGNITION OF REVENUES

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

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

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

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

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

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

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

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

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

7.15 RECOGNITION OF EXPENSES

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

Revaluation operating expenses are recognised when revaluation is performed.

7.16 TAXES

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

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

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

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

7.17 STATEMENT OF CASH FLOWS

The statement of cash flows has been prepared using the indirect method of reporting cash flow, taking into account data from the balance sheet as of 31 December 2014, the balance sheet as of 31 December 2013, the profit and loss statement for the year 2014, and additional data, which are required to adjust inflows and outflows and to adequately itemise significant items.

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

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

The cash flows from investing activities comprise cash flows related to acquisition and disposal of intangible, tangible and financial fixed assets. The cash flows from financing activities include changes in amount or composition of equity, increase or decrease of debts and dividend payments.



8 NOTES TO THE FINANCIAL STATEMENTS

8.1 BALANCE SHEET

8.1.1 Intangible assets and long-term deferred costs and accrued revenue €99,729,216

In €	31.12.2014	31.12.2013
Long-term property rights	83,499,428	18,040,973
Fee for additionally awarded radio-frequency spectrum	69,622,342	7,930,590
Software and licences	13,877,086	10,110,383
Long-term deferred costs and accrued revenue	16,229,788	17,165,404
Investments in fixed assets owned by third parties	2,403,223	81,949
Long-term deferred costs for usage of data lines	1,716,542	1,266,186
Long-term deferred costs for usage of land for base stations	1,736,671	0
Long-term deferred costs of customer acquisition	10,373,352	15,817,269
Total	99,729,216	35,206,377

Radio-frequencies

In 2014, the public tender with public auctions for the allocation of radio-frequencies for providing the public electronic communications services in the bands 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz was completed. At the auction, the company acquired 2 x 90 MHz MDD frequency spectrum and 1 x 45 MHz TDD frequency spectrum. All together in year 2014, the company invested in obtaining the usage of radio frequencies for mobile telephony services in amount of €65,277,500.

Software and licences

In 2014, additions to software and licences amounted to €7,641,218 (2013: €4,794,379). Refer to Enclosure 1 for a schedule of movements in intangible assets and long-term deferred costs and accrued revenue.

Commitments

As of 31 December 2014 the company did not have commitments for the purchase of intangible assets.

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8.1.2 Property, plant and equipment 67,589,503 €

Item	31.12.2014	31.12.2013
Land	9,039	9,039
Base stations and mobile switches	44,143,967	44,675,778
Computer equipment	1,494,908	1,651,099
Investments in fixed assets owned by third parties	3,579,286	3,582,208
Other equipment	10,032,914	8,389,652
Low-value assets and spare parts	200,001	194,238
Tangible fixed assets under construction	8,129,388	8,038,986
Total	67,589,503	66,541,000

Land

Land includes land that has been purchased in order to ensure access to base stations. There were no new investments in land during 2014.

Base stations and mobile switches

In 2014, additions to base stations and mobile switches amounted to €11,415,214 (2013: €10,140,043). The estimated useful life of base stations is 5 years for equipment and 15 years for infrastructure assets. The straight-line method of depreciation is used. Book value of assets retirement costs included in the base stations value amounted to €2,516,967 as per 31 December 2014 (2013: €3,527,539).

Based on the analysis calculations in 2014, the company has changed the conditions for the calculation of base stations degradation costs and decreased in the estimated retirement costs of for existing locations. The effect of this amendment is reflected in the reduction of resources in amount of €1,552,851 and in reduction of liabilities in amount of €1,577,425.

Based on performed analysis and defined parameters in Telekom Austria Group, the parameters for local financial reporting for Asset retirement obligation calculation are changed in financial year 2014. The discount rate changed from 3% to 2% and inflation rate from 2.5% to 2%. Changes in calculation resulted to increase in asset in amount of €388,618 and increase of asset retirement liability in amount of €388,618.

Other plant and equipment

In 2014, other additions to property, plant and equipment included additions to computer equipment in amount of €870,234 (2013: €559,110), other equipment in amount of €4,744,238 (2013: €3,531,375) and low-value assets and spare parts in amount of €124,508 (2013: €185,261).

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

The item includes investments in base stations and mobile switches as well as investments in materials, which are required for network construction. Property, plant and equipment in the course of construction also includes investments in IT equipment related to base stations. Refer to Enclosure 2 for a schedule of movements in property, plant and equipment.

Mortgages

As of 31 December 2014, no fixed assets were pledged as security.

Commitments

The amount of commitments for the purchase of property, plant and equipment amounted to €1,511,360 on 31 December 2014 (2013: €664,815).

8.1.3 Long-term financial investments 1,764,039 €

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

On 31 December 2014, Sklad Si.voda had €10,000 of initial investment and €122,219 of total assets. Revenues in 2014 were €59,125, €11,903 as a net surplus of income.

The company TA Mreža, d.o.o., had €1,922,681 as equity value and €1,967,189 of total assets at the date 31 December 2014. Revenues in 2014 were €520,015 and €89,242 as the net profit.

The consolidated financial statements were not prepared, since the existing investments do not exceeded the materiality threshold for a true and fair presentation by the Paragraph 6, Article 56 on the Companies Act.

8.1.4 Long-term receivables 6,412,103 €

Long-term operating receivables includes long term security deposits given to company Euromarkt, d.o.o., in amount of €33,135, to the company Globus trgovina, d.o.o., in amount of €12,750, to the company GF nepremičnine, d.o.o., in amount of €3,523 and to the company Mercator, d.d., in amount of €5,137. In long-term operational receivables is recognized the receivable for installments telephone sales in amount of €6,357,558.

8.1.5 Deferred tax assets 1,920,881 €

In €	31.12.2013	31.12.2012
From deductible temporary differences	1,920,881	1,883,669
Total	1,920,881	1,883,669

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The Company recognises deferred tax assets in the amount of €1,920,881, from tax non-deductible valuation allowances of receivables in the amount of €1,666,177 (2013: €1,676,190), as well as tax non-deductible provisions for jubilee payments, from retirement indemnity payments in the amount of €107,265 (2013: €103,957) and assets retirement provision in the amount of €199,246 (2013: €191,806) and deductible temporary differences different depreciation and amortisation periods for business than for tax purposes the liability in the amount of €51,807 (2013: €88,284).

In €	Deferred tax assets 1.1.2014	Additions	Reversals	Utilisation	Deferred tax assets 31.12.2014
From deductible temporary differences	1,883,669	47,225	0	10,013	1,920,881
Total	1,883,669	47,225	0	10,013	1,920,881

8.1.6 Inventories 5,126,576 €

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 31.12.2014	Net amount 31.12.2013
Products and merchandise	5,882,884	756,308	5,126,576	4,979,326
Total	5,882,884	756,308	5,126,576	4,979,326

There is no significant difference between book and net realisable values. Stock taking in 2014 resulted in €4,316 (2013: €3,737) of negative differences. As of 31 December 2014, no inventories were pledged as security.

8.1.7 Short-term operating receivables 40,956,701 €

Receivables	31.12.2014	31.12.2013
Short-term operating trade receivables	34,965,673	21,614,536
Short-term advances and security deposits	30,931	58,413
Short-term operating receivables due from group companies	1,714,284	8,579,560
Short-term operating receivables due by others	4,245,813	1,563,644
Total	40,956,701	31,816,153

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SHORT-TERM OPERATING RECEIVABLES AS PER DUE DATE ON 31 DECEMBER 2014

In €	Short-term operating receivables
Not yet due	27,978,795
Due from 1 – 30 days	6,785,922
Due from 31 – 180 days	987,645
Due from 181 – 360 days	1,521,229
Due over 361 days	20,916,541
Total	58,190,132

SHORT-TERM OPERATING TRADE RECEIVABLES

In €	Gross amount	Allowances	Net amount 31.12.2014	Net amount 31.12.2013
Domestic customers – subscribers	49,782,253	22,063,436	27,718,817	13,110,278
Domestic customers – others	7,293,737	1,093,556	6,200,181	7,991,483
Foreign customers	1,114,142	67,467	1,046,675	512,775
Total	58,190,132	23,224,459	34,965,673	21,614,536

As of 31 December 2014, short-term operating trade receivables due from post-paid customers included receivables related to monthly subscription, airtime and other services in the amount of €27,718,817 (2013: €13,110,278). In 2014, additional allowances were formed for these receivables in the net amount of €4,157,272 and spent in amount of €2,834,546 (2013: added in amount of €4,985,516, spent in amount of €3,547,639). There was amounted €539,899 of write-off.

Short-term operating trade receivables include receivables from other domestic customers including dealers, retailers and interconnection partners. In 2014, allowances increased in the net amount of €72,418 and spent in amount of €37,266 (2013: increased for €113,994 and spent in amount of €273,992). There was amounted €9,244 of write-off.

Receivables due to customers abroad include mainly receivables from international roaming. In 2014 the allowances decreased by €31,500 and spent in amount of €201,981 (2013: decreased by €204,017 and spent in amount of €133,339).

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In €	Valuation allowance 1.1.2014	Additions	Utilisation (write-off)	Valuation allowance 31.12.2014
Domestic customers – subscribers	21,280,609	4,157,272	3,374,445	22,063,436
Domestic customers – others	1,067,648	72,418	46,510	1,093,556
Foreign customers	237,948	31,500	201,981	67,467
Total	22,586,205	4,261,190	3,622,936	23,224,459

SHORT-TERM ADVANCES AND SECURITY DEPOSITS

In €	Gross amount	Allowances	Net amount 31.12.2014	Net amount 31.12.2013
Advances for current assets	59,447	39,866	19,581	39,097
Advances to bailiffs	25,117	22,606	2,511	2,707
Advances to suppliers abroad	0	0	0	0
Security deposits	8,839	0	8,839	16,609
Total	93,403	62,472	30,931	58,413

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SHORT-TERM OPERATING RECEIVABLES DUE FROM GROUP COMPANIES

In €	Gross amount	Allowances	Net amount 31.12.2014	Net amount 31.12.2013
Vipnet	210,056	0	210,056	7,612,004
A1	493,890	0	493,890	46,130
Telekom Austria AG	17,000	0	17,000	17,000
Mobilkom Liechtenstein	90	0	90	487
Vip operator	7,143	0	7,143	111,320
Vip mobile	906,392	0	906,392	685,499
velcom	6,580	0	6,580	4,714
Mobiltel	71,170	0	71,170	88,936
Telecom Liechtenstein	-205	0	-205	0
TAG M2M	104	0	104	13,470
AMX Argentina, S.A.	26	0	26	0
Claro S.A. (before BCP, S.A.)	1,927	0	1,927	0
Compañía Dominicana de Teléfonos, S.A.	10	0	10	0
Servicios de Comunicaciones de Honduras, S.A. de C.V. (Sercom Honduras)	0	0	0	0
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias (Telcel)	101	0	101	0
Total	1,714,284	0	1,714,284	8,579,560

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SHORT-TERM OPERATING RECEIVABLES DUE FROM OTHERS

In €	Gross amount	Allowances	Net amount 31.12.2014	Net amount 31.12.2013
VAT receivable	0	0	0	1,104,048
Receivables for corporate income tax	3,304,724		3,304,724	0
Receivables for refund of compensation payments	25,399	0	25,399	16,668
Receivables due from banks	59,420	0	59,420	79,915
Receivables due from credit card issuers	150,024	0	150,024	226,232
Receivables due from employees	4,596	0	4,596	1,782
Other receivables	701,650	0	701,650	134,999
Total	4,245,813	0	4,245,813	1,563,644

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 customer as per year end 2014 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.

8.1.8 Cash

€22,792,329

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

In €	31.12.2014	31.12.2013
Bank balances	1,308,961	1,178,673
Cash on hand	40,736	30,099
Callable deposits	21,442,632	46,266,097
Cash pooling Telekom Austria Group	21,136,129	45,959,792
Callable deposit in financial institutions	306,503	306,305
Total Cash and Cash Equivalents	22,792,329	47,474,869

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8.1.9 Short-term deferred costs and accrued revenues €10,388,285

In €	31.12.2013	31.12.2013
Deferred costs (expenses)	951,425	883,435
Accrued revenues	9,436,860	8,736,823
Total	10,388,285	9,620,258

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 2014 and billed in January 2015, revenues from roaming and interconnection services provided in December 2014 and billed in January 2015, and other accrued revenues.

8.1.10 Equity €163,273,409

As of 31 December 2014, positive equity in the amount of €163,273,409 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 2014 amounts €36,700,826. Net profit per share amounts to €3.95 (€36,700,826 divided by 9,300,000 shares).

8.1.11 Provisions and long-term accrued costs and deferred revenue €6,571,682

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

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In €	Provisions 1.1.2014	Additions	Releases	Utilisation	Provisions 31.12.2014
Jubilee payments	141,392	26,020	0	5,060	162,352
Retirement indemnity	219,285	108,213	0	788	326,710
Long-term incentive program (LTI)	38,246	124,147	107,058	0	55,335
Assets retirement provision	6,557,689	797,967	1,577,425	0	5,778,231
Free-of-charge assets	72,310	3,397	0	38,480	37,227
Government grants	121,360	208,141	0	117,674	211,827
Total	7,150,282	1,267,885	1,684,483	162,002	6,571,682

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

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

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

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 with the use.

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

8.1.12 Long-term liabilities €48,600,000

In €	31.12.2014	31.12.2013
Mobilkom Beteiligungsgesellschaft mbH	48,600,000	0
Total	48,600,000	0

In 2014 the company received a long-term loan in the amount of €54,000,000 from the group member Mobilkom Beteiligungsgesellschaft mbH. The loan is not insured with any instruments. The company's long-term financial liabilities as at 31 December 2014 comprised the loan received from Mobilkom Beteiligungsgesellschaft mbH in the amount of €48,600,000.

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In €	Long-term liabilities on 1.1.2014	Transfer to current liabilities	Disbursement	Repayment	Long-term liabilities on 31.12.2014
Long-term liabilities to group companies	0	-5,400,000	54,000,000	0	48,600,000
Total	0	-5,400,000	54,000,000	0	48,600,000

8.1.13 Short-term liabilities

€34,092,070

In €	31.12.2014	31.12.2013
Short-term financial liabilities	3,967,349	0
Short-term operating liabilities	30,124,721	31,870,371
Total	34,092,070	31,870,371

SHORT-TERM FINANCIAL LIABILITIES

In €	31.12.2014	31.12.2013
Short-term financial liabilities to group companies from interest	367,349	0
Short-term financial liabilities to group companies from loans	3,600,000	0
Total	3,967,349	0

The company's short-term financial liabilities from interest in the amount of €367,349 pertain to the interest from the loan received from Mobilkom Beteiligungsgesellschaft mbH. Short-term financial liabilities from loans towards other companies from the group in the amount of €3,600,000 pertain to the short-term portion of the loan received from Mobilkom Beteiligungsgesellschaft mbH.

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SHORT-TERM FINANCIAL LIABILITIES TO GROUP COMPANIES FROM LOAN PRINCIPAL

	Short-term liabilities 1.1.2014	Transfer to current liabilities	Disbursement	Repayment	Short-term liabilities 31.12.2014
Liabilities to group companies from loan principal	0	5,400,000	0	-1,800,000	3,600,000
Total	0	5,400,000	0	-1,800,000	3,600,000

SHORT-TERM OPERATING LIABILITIES

In €	31.12.2014	31.12.2013
Short-term operating liabilities from advances	478,911	456,849
Short-term trade payables	24,272,761	23,187,855
Short-term operating liabilities to group companies	2,718,699	4,349,499
Other short-term operating liabilities	2,654,350	3,876,168
Total	30,124,721	31,870,371

SHORT-TERM OPERATING LIABILITIES FROM ADVANCES

In €	31.12.2014	31.12.2013
Payables for advances – group companies	0	0
Payables for advances – others	478,911	456,849
Total	478,911	456,849

SHORT-TERM TRADE PAYABLES

In €	31.12.2014	31.12.2013
Short-term trade payables to domestic suppliers	16,745,607	15,933,321
Short-term trade payables to foreign suppliers	7,527,154	7,254,534
Total	24,272,761	23,187,855

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SHORT-TERM OPERATING LIABILITIES TO GROUP COMPANIES

In €	31.12.2014	31.12.2013
A1	1,822,657	854,165
Vipnet	176,170	2,767,557
Mobilkom Liechtenstein	504	667
Telekom Austria AG	53,750	49,604
Vipnet usluge	40,304	192,612
Vip mobile	631,897	419,798
velcom	21,884	17,928
Vip operator	1,614	62,462
Telecom Liechtenstein	-19	0
TAG M2M	-64,098	-26,744
Mobiltel	32,071	11,449
AMX Argentina, S.A.	338	0
Claro S.A. (before BCP, S.A.)	713	0
Claro Chile, S.A.	100	0
Compañía Dominicana de Teléfonos, S.A.	186	0
Telecomunicaciones de Guatemala, S.A. (Telgua)	31	0
Servicios de Comunicaciones de Honduras, S.A. de C.V. (Sercom Honduras)	8	0
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias (Telcel)	338	0
Empresa Nicaragüense de Telecomunicaciones, S.A. (Enitel)	67	0
Claro Panamá, S.A.	22	0
América Móvil Perú, S.A.C	68	0
Puerto Rico Telephone Company, Inc.	36	0
AMX Paraguay, S.A.	9	0
CTE Telecom Personal, S.A. de C.V. (Personal)	3	0
AM Wireless Uruguay, S.A.	46	0
Total	2,718,699	4,349,499

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OTHER SHORT-TERM OPERATING LIABILITIES

In €	31.12.2014	31.12.2013
Net wages and salaries	607,992	699,373
Taxes from gross wages and salaries	185,125	241,589
Contributions from gross wages and salaries	241,064	277,179
Other payables to employees (meal allowance, commuting allowance)	108,164	76,956
Concession fee payable	1,052	57,117
Taxes on wages and salaries	171,960	198,039
Liabilities for VAT	1,208,709	1,576,016
Liabilities for corporate income tax	0	634,580
Other short-term liabilities (debts)	130,284	115,319
Total	2,654,350	3,876,168

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

8.1.14 Short-term accrued costs and deferred revenue €4,142,472

In €	31.12.2014	31.12.2013
Short-term deferred revenues	1,263,566	1,221,527
Short-term accrued costs (expenses)	2,878,906	3,105,306
Total	4,142,472	4,326,833

Short-term accrued costs and expenses include costs of bonus for 2014 for directors, managers and employees, costs for unused holidays for the year 2014 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 BOB) and received deposits.

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

8.1.15 Off-balance sheet items €31,660,964

Off balance sheet items include given guarantees in the amount of €118,883 (2013: €101,823), potential liability based on law suit in amount of €901,215 (2013: €901,215), potential revenue from interest and court costs of enforcement procedures in amount of €640,866 (2013: €549,886) and potential revenue from law suit against Telekom Slovenije in amount of €30,000,000 (2013: €248,485,152).

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8.2 PROFIT AND LOSS STATEMENT

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

In €	2014	2013
Net revenues from sale, utilised own products and other revenues	199,206,797	198,011,627
Cost of sales (with amortisation), or original cost of sold goods	118,678,551	103,904,415
Selling costs (with amortisation)	24,618,015	40,648,299
Administrative costs (with amortisation)	18,306,983	17,017,432
Operating result (EBIT)	37,603,248	36,441,481

8.2.1 Net sales **€193,906,077**

In €	2014	2013
Revenues from sale of services	163,326,564	173,471,664
Revenues from sale of goods	30,579,513	16,984,421
Total	193,906,077	190,456,085

Revenue from sale of goods as a result of discounting sales in installments in 2014 decreased by €872,883 and will be in future periods recognized financial income.

REVENUES FROM SALE ON DOMESTIC AND FOREIGN MARKETS

In €	2014	2013
Revenues from sale on domestic market	188,344,190	183,780,675
- Revenues from sale of services	157,764,677	166,796,254
- Revenues from sale of goods	30,579,513	16,984,421
Revenues from sale on foreign markets	5,561,887	6,675,410
- Revenues from sale of services to group enterprises	2,899,545	2,866,263
- Revenues from sale of services to other foreign enterprises	2,662,342	3,809,147
Total	193,906,077	190,456,085

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REVENUES FROM SALE OF SERVICES – BY TYPE OF SERVICE

In €	2014	2013
Services to subscribers and prepaid users	138,200,444	143,655,147
Interconnection and roaming services	21,944,980	26,418,208
Other revenues from sale of services	3,181,140	3,398,310
Total	163,326,564	173,471,664

8.2.2 Other operating revenue (including revaluation operating revenue) €5,300,720

Other operating revenues include revenues from asset disposals in the amount of €103,336 (2013: €3,839), revenues from the release of long-term provisions from donated fixed assets in the amount of €38,481 (2013: €107,864), revenues from the release of long-term provision for asset retirement in amount of €24,574 (2013: €0), revaluation operating revenues from receivables in the amount of €2,974,096 (2013: €3,477,597), collected court costs in the amount of €1,339,679 (2013: €1,136,472). Incomes from paid write off receivables amounting to €29,811 (2013: €39,207), revaluation operating revenues from stock in the amount of €0 (2013: €52,409), revenues from detached workers in the amount of €751,500 (2013: €867,000), revenues from extra-judicial settlement in the amount of €0 (2013: €1,841,394) and other revenues in the amount €39,243 (2013: €29,760).

8.2.3 Cost of goods sold, materials and services €115,544,229

In €	2014	2013
Cost of goods	24,350,224	11,499,584
Cost of materials	3,524,820	3,673,932
Cost of services	87,669,185	97,870,951
Total	115,544,229	113,044,467

The costs of goods are reduced by the deferred costs related to subscriber acquisition in the amount of €12,270,724 (2013: €19,192,389). Amortisation of long-term deferred costs of subscriber acquisition was included in other costs of services in the amount of €17,714,641 (2013: €22,134,005).

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COST OF MATERIALS

In €	2014	2013
Costs of energy	2,741,273	2,735,451
Costs of spare parts and materials for maintenance	19,587	26,261
Low-value assets write-off	72,673	80,220
Other material costs	52,019	54,269
Costs of office stationary and technical literature	639,268	777,731
Total	3,524,820	3,673,932

COST OF SERVICES

In €	2014	2013
Service costs for outsourced manufacturing and services	6,108,019	5,535,439
Costs of transportation services	282,233	283,208
Costs of maintenance services	6,932,883	8,808,315
Rental expenses	9,209,877	9,392,053
Costs of fund transfer services and bank charges	742,480	692,877
Remuneration of travel expenses to employees	406,590	344,608
Costs of professional services	2,683,406	3,061,299
Insurance premiums	195,197	198,292
Costs of interconnection and roaming services	25,517,173	29,356,282
Marketing costs	8,745,158	11,003,235
Other costs of services	26,846,169	29,195,343
Total	87,669,185	97,870,951

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

Audit costs amounted to €35,700 in 2014, in total for year-end audit, including costs for auditing of reporting package.

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8.2.4 Labour costs €17,155,770

In €	2014	2013
Cost of wages and salaries	12,999,322	12,670,255
Pension insurance costs	1,589,566	1,557,089
Other social insurance costs	962,521	937,529
Other labour costs:		
- Commuting allowances	479,787	456,857
- Meal allowances	508,003	491,877
- Vacation bonuses	436,275	405,167
- Severance pays and anniversary bonuses	83,613	79,144
- Costs of unused holidays	47,244	77,409
- Other labour costs	49,439	-13,911
Total	17,155,770	16,661,416

8.2.5 Depreciation and amortisation expense €22,386,477

In €	2014	2013
Depreciation of property, plant and equipment	14,270,140	17,774,197
Amortisation of intangible assets	8,116,337	6,267,955
Total	22,386,477	24,042,152

8.2.6 Revaluation operating expenses for working capital €4,484,092

In €	2014	2013
Allowances for doubtful receivables	4,410,028	5,422,892
Allowances for slow-moving and obsolete stock	74,064	531,858
Total	4,484,092	5,954,750

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8.2.7 Other operating expenses €1,924,660

In €	2014	2013
Fiscal charges	1,649,233	1,496,053
Other expenses	275,427	289,829
Total	1,924,660	1,785,882

Fiscal charges include fees to Agency for communication networks and services of the Republic of Slovenia in the amount of €1,093,671 (2013: €915,570) and administrative fees and court fees. Other expenses include costs of permits, radio-frequencies and other costs.

8.2.8 Financial revenue from operating receivables €1,042,638

In €	2014	2013
Interest income – others	999,219	474,113
Interest income – group companies (cash pooling)	706	474
Foreign exchange gains	42,263	77,828
Other financial revenues	450	5,616
Total	1,042,638	558,031

8.2.9 Financial expenses from financial liabilities €1,155,126

In €	2014	2013
Interest from relations to group companies – loan	1,155,126	0
Total	1,155,126	0

8.2.10 Financial expenses for operating liabilities €244,655

In €	2014	2013
Late interest charges to suppliers	5,987	2,350
Negative foreign exchange differences	31,889	126,729
Other interest	206,779	13,084
Total	244,655	142,163

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8.2.11 Net profit for the period

€36,700,826

In €	2014	2013
Operating result	37,603,247	36,441,481
Financial result	-357,143	415,868
Income before taxes	37,246,104	36,857,349
Income tax	-567,336	-6,300,350
Deferred tax	22,058	1,211,405
Total	36,700,826	31,768,404

8.2.12 Income tax

€567,336

Taxable income for the current year was partially offset with deductions for supplementary pension insurance and donations and allowances for investments. The current year tax expense amounts to €567,336 (2013: €6,300,350). Effective tax rate is 1.5%.

8.2.13 Deferred taxes

€22,058

Long-term deferred tax liabilities in the year 2014 increased, which affects the income tax deferred. The reconciliation between tax expense and taxable income is as follows:

Current taxes	Tax rate	Base	Tax
Income before taxes		37,246,104	
Income tax (by using the official tax rate)	17%	37,246,104	6,331,838
Tax non-deductible items – permanent differences	17%	1,108,456	188,438
Tax non-deductible items – temporary differences	17%	5,885,305	1,000,502
Current tax	17%	44,239,865	7,520,778
Usage of temporary differences	17%	-6,131,140	-1,042,294
Usage of deductions	17%	-34,771,457	-5,911,148
Actual current tax		3,337,269	567,336

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Deferred taxes	Tax rate	Base	Tax
From deductible temporary differences			
Additions to deferred taxes from deductible temporary differences	17%	5,885,305	1,000,502
Usage of formed deferred taxes from temporary differences	17%	-6,131,140	-1,042,294
Adjustment of deferred taxes from previous years	17%	375,586	63,850
Total deferred taxes from deductible temporary differences			22,058
Total deferred taxes			22,058

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)	126,572,583	0.20%	253,145	0

8.2.14 Financial overview of transactions with Related parties

Mobilkom Beteiligungsgesellschaft mbH is the sole owner of Si.mobil, d.d., and is not registered in Slovenia. Telekom Austria AG owns Mobilkom Beteiligungsgesellschaft mbH. Thus Telekom Austria AG is an indirect owner of Si.mobil. Regardless of that, in addition to the said company Si.mobil makes transactions with some of other indirectly connected companies, namely:

- company TA Mreža, d.o.o., from Slovenia,
- companies Vipnet and Vipnet usluge, registered in Croatia,
- company Mobiltel from Bulgaria,
- companies Mobilkom Liechtenstein and Telecom Liechtenstein from Liechtenstein,
- company Vip mobile from Serbia,
- company Vip operator from The Former Yugoslav Republic of Macedonia,
- company velcom from Belarus,
- companies A1, Telekom Finanzmanagement (TFG) and TAG M2M from Austria,
- companies AMX Argentina, S.A., Claro S.A. (before BCP, S.A.), Claro Chile, S.A., Compania Dominicana de Teléfonos, S.A., Telecomunicaciones de Guatemala, S.A. (Telgua), Servicios de Comunicaciones de Honduras, S.A. de C.V. (Sercom Honduras), Radiomóvil Dipsa, S.A. de C.V. y subsidiarias (Telcel), Empresa Nicaragüense de Telecomunicaciones, S.A. (Enitel), Claro Panamá, S.A., América Móvil Perú, S.A.C., Puerto Rico Telephone Company, Inc., AMX Paraguay, S.A., CTE Telecom Personal, S.A. de C.V. (Personal), AM Wireless Uruguay, S.A., registered outside Europe.

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

REVENUES FROM SALES

In €	2014	2013
A1	1,187,243	1,693,984
Vipnet	589,747	84,124
Mobilkom Liechtenstein	260	4,575
Telekom Austria AG	204,000	204,000
Vip mobile	190,301	67,852
Telecom Liechtenstein	85	0
velcom	2,537	2,127
TAG M2M	50,549	35,210
Vip operator	53,059	37,920
Mobiltel	621,764	736,471
AMX Argentina, S.A.	56	0
Claro S.A. (before BCP, S.A.)	447	0
Compañía Dominicana de Teléfonos, S.A.	26	0
Telecomunicaciones de Guatemala, S.A. (Telgua)	4	0
Servicios de Comunicaciones de Honduras, S.A. de C.V. (Sercom Honduras)	0	0
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias (Telcel)	685	0
Empresa Nicaragüense de Telecomunicaciones, S.A. (Enitel)	1	0
América Móvil Perú, S.A.C	6	0
Puerto Rico Telephone Company, Inc.	26	0
AM Wireless Uruguay, S.A.	0	0
Total	2,900,796	2,866,263

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OTHER REVENUES (INTEREST, CURRENCY DIFFERENCES)

In €	2014	2013
Telekom Finanzmanagement (TFG)	706	474
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias (Telcel)	3	0
Claro S.A. (before BCP, S.A.)	5	0
AMX Argentina, S.A.	1	0
Total	715	474

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COST OF SERVICES AND OTHER OPERATING EXPENSES

In €	2014	2013
A1	7,789,363	9,573,885
Vipnet	1,119,268	1,277,536
Mobilkom Liechtenstein	79	254
Telekom Austria AG	609,000	561,883
Vipnet usluge	0	192,612
TAG M2M	0	176
Vip mobile	96,156	163,791
velcom	249	908
Vip operator	2,796	177,852
Telecom Liechtenstein	3	0
World direct	0	1,920
TA Mreža	19,699	0
Mobiltel	- 12,336	173,944
AMX Argentina, S.A.	467	0
Claro S.A. (before BCP, S.A.)	2,155	0
Claro Chile, S.A.	100	0
Compañía Dominicana de Teléfonos, S.A.	223	0
Telecomunicaciones de Guatemala, S.A. (Telgua)	58	0
Servicios de Comunicaciones de Honduras, S.A. de C.V. (Sercom Honduras)	8	0
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias (Telcel)	1,508	0
Empresa Nicaragüense de Telecomunicaciones, S.A. (Enitel)	205	0
Claro Panamá, S.A.	22	0
América Móvil Perú, S.A.C	356	0
Puerto Rico Telephone Company, Inc.	36	0
AMX Paraguay, S.A.	9	0
CTE Telecom Personal, S.A. de C.V. (Personal)	4	0
AM Wireless Uruguay, S.A.	47	0
Total	9,629,475	12,124,761

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OTHER EXPENSES (INTEREST, CURRENCY DIFFERENCES)

In €	2014	2013
Mobilkom Beteiligungs GmbH	1,155,126	0
Vip operator	0	6
Vip mobile	0	2
velcom	0	2
Compañía Dominicana de Teléfonos, S.A.	7	0
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias (Telcel)	5	0
Puerto Rico Telephone Company, Inc.	3	0
Claro S.A. (before BCP, S.A.)	16	0
Telecomunicaciones de Guatemala, S.A. (Telgua)	1	0
Empresa Nicaragüense de Telecomunicaciones, S.A. (Enitel)	3	0
AMX Argentina, S.A.	10	0
AM Wireless Uruguay, S.A.	3	0
Claro Chile, S.A.	7	0
América Móvil Perú, S.A.C	2	0
Claro Panamá, S.A.	1	0
Total	1,155,184	10

NET PROFIT OR LOSS WITH GROUP COMPANIES

In €	2014	2013
Net profit/loss	- 7,883,148	- 9,260,046

8.2.15 Events after the date of the balance sheet

In 2011, Si.mobil filed a lawsuit against Telekom Slovenije for alleged violation of competition laws. On 29 December 2014, an Agreement on setting mutual relations and business collaboration agreement has been signed which was subject to condition precedent and providers for payment by Telekom Slovenije to Si.mobil. On 21 January 2015 the condition was fulfilled and settlement has entered into force, therefore Si.mobil had withdrawn its lawsuit and had received a first settlement payment.



9 RISK EXPOSURE

CREDIT RISK

Company revenues stem from various sources, of which most revenues arise from voice calls and monthly subscriptions. Because the main bodies of subscribers at the end of 2014 were individuals, the credit risk is widely dispersed and insignificant. Other income sources are connected to sales representatives (for selling mobile phones) and other local and foreign mobile telephony operators (for selling interconnection and international roaming). Previous experience shows that there are no important risks posed by these activities. As of the date of issue of the balance sheet, there was no important dependency posed by any of the above-stated partners.

INTEREST-RATE RISK

In 2014, the company received a long-term loan from the company Mobilkom Beteiligungsgesellschaft mbH in the amount of €54,000,000. The company is included in the cash pooling system in the form of overnight term deposits. The interest-rate on loan and deposit are low, bonded on EURIBOR and there is no significant exposure to interest-rate risks. The company does not use special financial instruments for safeguarding from interest-rate risks.

FOREIGN-EXCHANGE RISK

The company's functional currency in 2014 was the Euro. Only a small share of transactions is conducted in USD or other currencies, therefore the currency risk is not considered significant. The company does not use special financial instruments for safeguarding against foreign-exchange risks.

LIQUIDITY RISK

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

10 OTHER DISCLOSURES

10.1 REMUNERATION PAID TO MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARD

The total cost of the Management Board, the Supervisory Board and the employees with individual contracts in 2014 includes gross income, included in the personal income tax return, holiday pay, fringe benefits and profit sharing. In 2014 this amounted to:

- Management Board: €570,414,
- Supervisory Board: €0,
- Employees with individual contracts: €899,132.

FINANCIAL REPORT



In €	Fixed income	Variable income	Fringe benefits	Other income
Dejan Turk	53,623	99,692	7,357	705
Jörg Zeddies	75,150	0	93,028	940
Ulrich Rokita	0	0	75,467	0
Boštjan Škufca Zaveršek	103,609	41,286	13,699	5,858
Together	232,382	140,978	189,551	7,503

Member of the management board Ulrich Rokita is employed by 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.

FINANCIAL REPORT



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
Costs of purchase						
Balance as of 1 January 2014	26,835,504	45,355,655	81,949	1,266,186	167,645,951	241,185,245
Additions	65,277,500	7,641,218	2,441,106	2,452,244	12,270,724	90,082,792
Disposals	0	0	0	0	-148,600,462	-148,600,462
Transfer	0	0	0	0	0	0
Balance as of 31 December 2014	92,113,004	52,996,873	2,523,055	3,718,430	31,316,213	182,667,575
Accumulated amortisation						
Balance as of 1 January 2014	18,904,914	35,245,272	0	0	151,828,682	205,978,868
Additions, amortisation	3,585,748	3,874,515	0	0	0	7,460,263
Additions recognised in costs	0	0	119,832	265,217	17,714,641	18,099,690
Disposals	0	0	0	0	-148,600,462	-148,600,462
Transfer	0	0	0	0	0	0
Balance as of 31 December 2014	22,490,662	39,119,787	119,832	265,217	20,942,861	82,938,359
Net carrying amount						
Balance as of 1 January 2014	7,930,590	10,110,383	81,949	1,266,186	15,817,269	35,206,377
Balance as of 31 December 2014	69,622,342	13,877,086	2,403,223	3,453,213	10,373,352	99,729,216

FINANCIAL REPORT



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
Costs of purchase								
Balance as of 1 January 2014	9,039	163,769,254	13,159,235	6,804,335	31,349,879	2,113,678	8,038,986	225,244,406
Additions	0	11,415,214	870,234	460,699	4,744,238	124,508	90,402	17,705,295
Disposals	0	-50,855,553	-109,092	0	-1,840,900	-418,976	0	-53,224,521
Transfer	0	0	229,019	0	0	-229,019	0	0
Balance as of 31 December 2014	9,039	124,328,915	14,149,396	7,265,034	34,253,217	1,590,191	8,129,388	189,725,180
Accumulated depreciation								
Balance as of 1 January 2014	0	119,093,476	11,508,136	3,222,127	22,960,227	1,919,440	0	158,703,406
Additions, depreciation	0	10,217,629	1,478,670	463,621	3,100,975	-334,681	0	14,926,214
Additions (costs)	0	0	0	0	0	0	0	0
Disposals	0	-49,126,157	-108,810	0	-1,840,899	-418,077	0	-51,493,942
Transfer	0	0	-223,508	0	0	223,508	0	0
Balance as of 31 December 2014	0	80,184,948	12,654,488	3,685,748	24,220,303	1,390,190	0	122,135,677
Net carrying amount								
Balance as of 1 January 2014	9,039	44,675,778	1,651,099	3,582,208	8,389,652	194,238	8,038,986	66,541,000
Balance as of 31 December 2014	9,039	44,143,967	1,494,908	3,579,286	10,032,914	200,001	8,129,388	67,589,503



NINA KOŽELJ

SI.MOBIL 2014 ANNUAL REPORT

Since Si.mobil's mission is in making ideas into reality and in supporting young people, we gave a young artist an amazing opportunity for our 2014 Annual Report. The artist behind this year's colorful artwork is the young Slovenian sculptor, painter, and graphic artist **Nina Koželj**.

Besides purchasing the artwork, we also made it possible for Nina Koželj to attend additional training at the renowned Frans Masereel Centrum in Belgium.