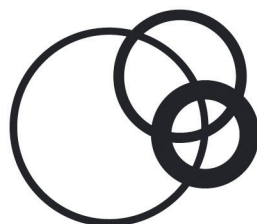


LETNO POROČILO

2011

ANNUAL REPORT



INDEX

1.	MANAGEMENT BOARD ADDRESS	4
2.	SUPERVISORY BOARD ADDRESS	7
3.	INTRODUCTION	
3.1.	Management	8
3.2.	Key business indicators	11
3.3.	Achievements of 2011	12
3.4.	Company ID	14
4.	MARKET ENVIRONMENT	
4.1.	Trends in mobile technology	16
4.2.	Users	19
4.3.	Business Expansion	23
4.4.	Si.mobil on the mobile telephony market	25
5.	TECHNOLOGICAL DEVELOPMENT	
5.1.	Network Investments	28
5.2.	Core Network and IT	31
6.	SOCIAL RESPONSIBILITY	
6.1.	Responsibility towards Employees	34
6.2.	Responsibility towards Compliance	38
6.3.	Environmental Responsibility	39
6.4.	Responsibility towards People	42
7.	SI.MOBIL IN FIGURES	45



PROGRESSIVE
FOR TODAY

.....
RESPONSIBLE
FOR TOMORROW
.....

RELIABLE
FOREVER



2011 was, like the year before, marked by the global economic crisis, which also strongly affected the domestic market. In addition to this, the Slovenian market also suffered the consequences of a political crisis and the inability to adopt necessary recovery reforms and measures. Si.mobil bravely fought the tough macroeconomic conditions, and successfully concluded the year thanks to its eminently capable management and governance, and with the support of a stable owner.

2011 was, like the year before, marked by the global economic crisis, which also strongly affected the domestic market. In addition to this, the Slovenian market also suffered the consequences of a political crisis and the inability to adopt necessary recovery reforms and measures. Si.mobil bravely fought the tough macroeconomic conditions, and successfully concluded the year thanks to its eminently capable management and governance, and with the support of a stable owner.

In 2011, total operating revenue increased by 11.5% compared to 2010. The highest growth was recorded in revenue generated by the sale of goods, which is the result of launching the sale of the iPhone smartphone in 2011. Revenue from the sale of basic telecommunication services increased 8.9% year-on-year, which is the result of growth in the number of users, and partly because of higher usage of data services. Higher revenue was also reflected in the EBITDA, which amounted to €53.65 million at the end of the year, a 23.5% increase compared to the year before. Si.mobil finished the year with a positive EBIT of €32.78 million. total profit stood at €33.99 million.

The company also recorded an increase in revenue from interconnection services, which is the result of providing international transit traffic. Revenue from domestic interconnection services meanwhile continued to drop because of further price regulation.

MANAGEMENT BOARD ADDRESS

Despite the crisis, the telecommunications sector is among the fastest growing sectors, and the fact that the value added indicator is growing is even more important. At the end of 2011, Si.mobil took care for 639,698 users, which is a 3.3% increase compared to the year before. The growth was the highest among subscribers (+8.0%), which present 74% of all users. These data are especially encouraging, if we take into account that the penetration in the Slovenian mobile telecommunication market exceeds 100% (105.5%), and that all rivals in the market provided aggressive offers. The average revenue per user (ARPU) increased by 1.9% to €20.9 compared to the year before. In the structure of average revenue per user, the share of so-called bundled services keeps increasing. Even though the average ARPU has been stagnating, we managed to turn around the trend and increase it by introducing new Plus options and devices (the iPhone).

In times when Slovenia is witnessing constant strikes, bankruptcies, and growing unemployment, the number of Si.mobil's employees increased by 5%. With a clear business strategy, as a result of monitoring trends, user habits, as well as market research, we continue to realize our long-term goals. Therefore, we recruited 13 new employees among all new employees to work on upcoming projects, which in 2011 primarily educated and refined their skills. For our employees we have always invested heavily and cared for their development and well-being, as we know that we – the people – are the ones who will tackle these challenges and may well be solved only if we are competent and motivated.

The year behind us is one of the best years in our history. We must however be aware that despite a good year, we have not yet sailed into calm waters. For this reason we will have to steer the ship with even more strength, dedication, and wisdom. We will have to be even more productive in the future. Si.mobil is no longer just a mobile telecommunications operator, but has become a provider of comprehensive communication solutions, which requires us to adopt converged services down to every last detail and offer them in the market with credibility. With new services we have exceeded the realm of mere mobile services and become an end-to-end provider of information, communication, and business solutions. The Perfect Office consists of four sets of features: mobile telephony and mobile data transfer, business software and services (cloud computing), hardware and accessories, and fixed telephony and fixed internet access. The important advantage of The Perfect Office is that entrepreneurs get a complete communication service in one place, since Si.mobil takes care of everything.

Surveys show that users need mobile telephony services despite the insecure economic situation, they are however ever more cautious about the costs. That is why they want clear and transparent price plans with affordable prices that do not require them to sign subscription agreements for a certain period of time. For this reason, Si.mobil introduced a budget mobile telephony line – bob. bob is a response to users' needs, coming at the right time and in the right place. It is also the first and unique budget mobile telephony line in the Slovenian market with its own code – 068. bob is an international brand available in the Slovenian, Austrian, and Bulgarian markets. The brand is managed by the Telekom Austria Group. In Slovenia, services are provided by Si.mobil.

Last year, Si.mobil carried out the most extensive overhaul of its network. The new state-of-the-art and energy efficient equipment supports UMTS 900 technology, which has brought mobile broadband internet into rural areas. Today we have the most advanced, largest, and fastest 3G network in Slovenia, which covers over 90% of the population. In the past, Si.mobil was not perceived as the market leader as regards technology, however it is a fact that we have managed to refute this obsolete opinion. Technology is important, and we have made sure that it is available to our users practically everywhere. Of course we firmly believe that technology is cold and impersonal without people. That is why we are working together to create the best user experience possible. It would be unacceptable not to use this added value to prove to existing and potential users that we are the best partner in the market.

2012 will be full of challenges and the unstable economic situation will require that we be even more innovative and get even closer to our users with our services and products. This is why we will continue to closely monitor the

MANAGEMENT BOARD ADDRESS

trends and user habits, and provide our existing and potential users with services that will allow them to communicate without worries, and on which we will build our business success and excellence. On one hand we will focus on achieving our sales targets, and on the other on improving the company's reputation.

We will also continue upgrading our network, which already presents the largest and fastest 3G network in Slovenia, to even improve broadband internet coverage.

We will continue to expand our operations in 2012. We will expand and upgrade the Perfect Office services, which are based on cloud computing, by adding new cloud computing services as well as fixed telephony and fixed internet access services. We will provide business users with comprehensive communication solutions, which will allow them to completely focus on their business. We will be careful with our costs and actively look for new sources of revenue.

We will continue to operate with responsibility and in the spirit of our Re.think philosophy in relations towards our users, as well as society and the environment. We will doubtlessly make large investments in our employees and stimulate them with financial as well as non-financial incentives, building trust and loyalty with our attitude. We will strive to keep the title of best employer.

Above all, we will continue to do our best to provide the best user experience possible. We will do this differently, innovatively, and at the same time professionally and efficiently. We will think out of the box and try to be innovative. We will strive to keep our internal organizational structure flexible and lean, which will also reflect in business process and our range of products and services. We will continue to operate cost-effectively, invest wisely, and act responsibly towards our users, employees, and society as a whole.



Dejan Turk
Chairman of the Board



Milan Zaletel
Member of the Board



Ulrich Rokita
Member of the Board

SUPERVISORY BOARD ADDRESS



The economic crisis had a substantial impact on business across Europe. Severe macroeconomic headwinds in most of the Group's major markets, fierce competition and further regulatory cuts on roaming and interconnection tariffs resulted in a decline of Group revenues. However, strong revenue growth was recorded in the Additional Markets segment. Due to stable business and the strategic leadership of Si.mobil's management the company operated successfully.

The economic crisis had a substantial impact on business across Europe. Severe macroeconomic headwinds in most of the Group's major markets, fierce competition and further regulatory cuts on roaming and interconnection tariffs resulted in a decline of Group revenues. However, strong revenue growth was recorded in the Additional Markets segment. Due to stable business and the strategic leadership of Si.mobil's management the company operated successfully.

In 2011 Si.mobil upgraded its network with state of the art technology and improved coverage of broadband Internet, which now represents the largest 3G network in Slovenia. Si.mobil was one of the first mobile operators in Europe to expand its business with cloud computing based services. Business customers were offered global communication solutions that allow them to concentrate fully on their business. Si.mobil continued its successful marketing activities with a focus on the Value Customer segment via attractive smartphone offerings. All the activities were driven by one simple but relevant principle – to offer the best customer experience. The constant growth of Si.mobil's market share and customer base is proof that its manner of doing business is well accepted and appreciated by the market.

Despite the hard economic environment Si.mobil demonstrated its social responsibility. It made major investments in its employees and their career development. Motivated and loyal employees enabled increased productivity. Si.mobil continued with its Re.think program and along with environmental activities enhanced its focus on social issues such as social inclusion and narrowing the inter-generation gap. Employees are engaged in voluntary programs that support the Group's "Internet for All program".

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

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

Hannes Ametsreiter

Chairman of the Supervisory Board

MANAGEMENT BOARD



Dejan Turk
Chairman of the
Management Board

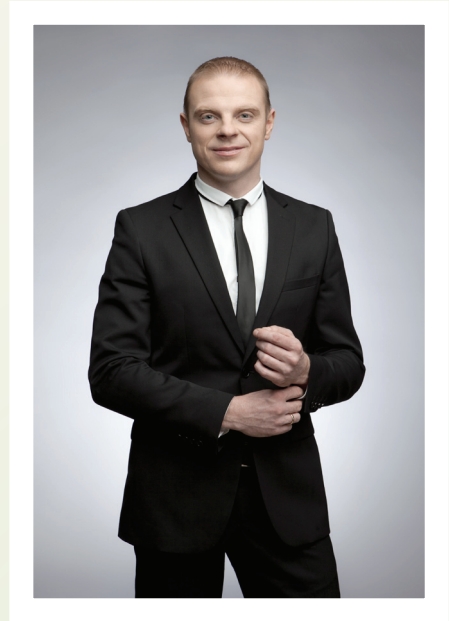


Milan Zaletel
Member of the
Management Board

Ulrich Rokita
Member of the
Management Board

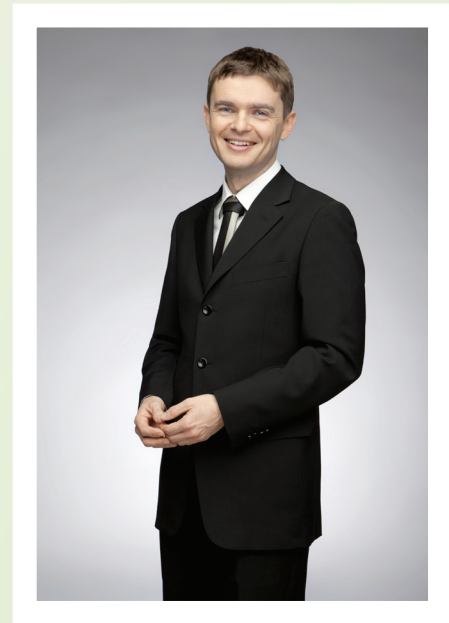
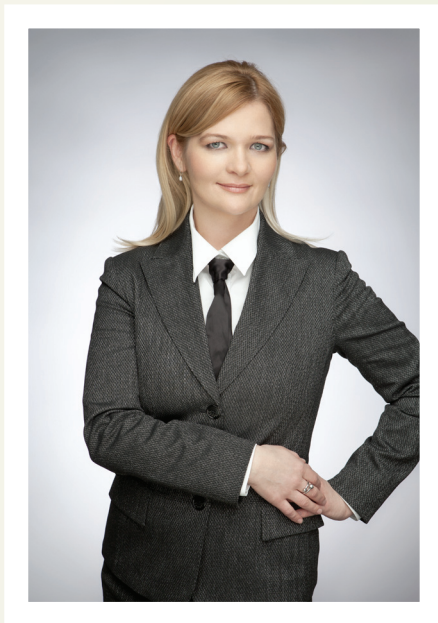


DIRECTORS



Barbara Gorše
Customer Sector Director

Johannes Nabecker
Access and Transport
Network Sector Director



Eva Aljančič
Marketing Director

Boštjan Škufca Zaveršek
Sales Director

DIRECTORS



Tamara Valenčič
Corporate Communication and
Human Resources Director

Gregor Kastelic
Core Network Service
and IT Sector Director



Andreja Štirn
Business Intelligence Director

Suzana Banič Drašler
Finance Director

Key business indicators

Compared to 2010, operating revenue of 2011 grew by 11.5 percent. This was mainly caused by increased revenue from the sales of products after the iPhone was introduced in mid 2011, and increased revenue from network interconnection from international transit. The revenue from domestic interconnection keeps dropping due to price regulation.

Increased revenue was also reflected in the EBITDA, which amounted to €53.65 million at the end of the year, a 23.5% rise compared to the year before. Si.mobil finished the year with a positive EBIT of €32.78 million. Total profit amounted to €33.99 million.

At the end of 2011, Si.mobil had 639,698 users, which is a 3.3% increase compared to the year before. The biggest rise was recorded in the subscriber segment; they make up 74% of all users. This data is especially encouraging if we take into account the 105.5% penetration of the Slovenian mobile telecommunications market and the aggressive offers of the competitors.

The average revenue per user (ARPU) increased by 1.9% compared to the previous year and amounts to €20.9.

Financial development in 2011 and 2010

(According to Slovenian Accounting Standards)

In million euros	2011	2010
Income statement		
Total revenue	188.34	168.84
EBITDA	53.65	43.45
EBIT	32.78	24.73
Profit/loss	1.21	0.80
EBT	33.99	25.53
Balance		
Assets	239.01	200.76
Tangible fixed assets	71.76	72.03
Current assets	126.13	90.55
Financial and business liabilities	76.06	55.93
Capital	150.35	133.25
Select financial indicators		
EBITDA/total revenue	28.49%	25.73%
Investments in tangible fixed assets	15.32	13.13
Average number of employees	360	351
Number of employees (at year's end)	369	351
Number of users (at year's end)	639,698	618,888
Number of subscribers	476,308	440,856

Achievements of 2011



We Surpassed the 600,000 User Milestone

At the end of 2011 Si.mobil had 639,698 users; 476,308 were subscribers, and 163,390 were prepaid users. This means that Si.mobil reached a 29.65% market share.

The Largest 3G Network

The overhaul and upgrade work on the network, in which Si.mobil invested €13 million, was completed in 2011. Si.mobil's network covers 88.3% of the Slovenian population with mobile broadband internet and is the largest 3G network in the country.

The Perfect Office

Si.mobil is the first mobile operator in Slovenia and one of the first mobile operators in Europe that provide their business users with not only communication solutions, but also business solutions.

Reputable Employer

Si.mobil ranked fourth and received the Reputable Employer 2011 recognition.

The Best Employer

Si.mobil received the Golden Thread award in the enterprise category for the second year in a row.

iPhone

Si.mobil received the Golden Thread award in the enterprise category for the second year in a row.



..... **The TUJINA ZAME Price Plan**

Si.mobil was also the first Slovenian mobile operator when it came to providing the price plan that included roaming in different countries.

..... **Overhauled Mobilni Internet Price Plans and Options**

The main new feature of the overhauled Mobilni Internet price plans and options was the fact that users no longer have to worry about exceeding their data allowance, because they are no longer charged for the extra data, instead their data rates become slower.

..... **New Franchises**

In collaboration with local partners Si.mobil opened two new franchise stores in Maribor and Velenje.

..... **Si.mobil and the Social Media**

At the end of 2011 Si.mobil had more than 30,000 fans on Facebook. 250 of Si.mobil's videos on YouTube got 75,000 views. The biggest jump happened on Twitter, because Si.mobil posted 4,200 tweets, got 2,100 followers, and 5,201 mentions.

..... **Si.academy**

Si.mobil launched an important training program for employees called the Si.academy.

..... **Party with a Cause**

Si.mobil organized two events for young people in 2011: the 9th Party with a Cause in Maribor in May featuring the British Klaxons, and the 10th Party with a Cause in Ljubljana with DJ Umek. More than 23,000 young people attended both events and they donated a total of €60,939.89 to the Beli obroč Slovenije Association.

..... **Business TopTalk 2011 Business Conference**

Richard St. John, one of the leading international experts on successful business operations, held a lecture at the Business TopTalk 2011 business conference.

..... **The Si.voda Fund**

The Si.voda fund, the foundation for clean and healthy waters, completed the construction of the second wetlands for wastewater treatment, this time in Kozjanski Park. As the founder of Si.voda, Si.mobil endeavors to provide clean and healthy water for the future generations too.

..... **Philantropy**

The first philanthropic project in which Si.mobil took part as a company is the Simbioz@ e-literate Slovenia. Si.mobil's employees educated the elderly on the basic computer skills through different workshops.

COMPANY INFO

Company ID

Name	Si.mobil telekomunikacijske storitve, d. d.
Headquater	Šmartinska 134 b, 1000 Ljubljana
Phone	080 40 40 40
Fax	040 443 099
E-mail (residential users)	info@simobil.si
E-mail (business users)	info.poslovni@simobil.si
Web page	www.simobil.si
Main activity	61.200 - wireless telecommunications
Activity code	J 61.200
Founded in	1998
Tax ID	SI 60595256
Registration entry number	1196332
Capital stock	SRG 1/29430/00 Ljubljana 38.781.000 EUR

OWNERSHIP

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

MANAGEMENT BOARD

Dejan Turk	Chairman of the Management Board
Milan Zaletel	Member of the Management Board
Ulrich Rokita	Member of the Management Board

DIRECTORS

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

SUPERVISORY BOARD

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



THE BEST
CUSTOMER
EXPERIENCE

Trends in mobile technology

In addition to price sensitivity, the need for transparent services, and the desire of users for information, the world of mobile technology in 2011 was marked by the ever greater intuitiveness of mobile technology, different uses of mobile devices and the eco orientation of users and companies.

Extreme competition and the fast development of mobile communications also increased the complexity and fragmentation of the mobile world. Users however appreciate those devices and services that have managed to retain **simplicity** and **intuitiveness**, and so circumvented the excessive volumes of information, unnecessary functions, and options. The trend of simple services and products will continue, and Si.mobil has adopted this as its guide towards a better user experience.

The introduction of new technologies that provide a more dynamic user experience has brought changes to the **culture of mobile device use**. Multi-finger management through touching and dragging items on screen has become an inevitable and recognizable part of smartphone use.

Manufacturers of mobile devices recognize the importance of **sustainable development** in their operations and try to design products that would have lowest possible impact on the environment throughout their lifecycle.

Mobile Telephony Milestones in 2011:

- **The rapid development of smartphones**, which made them available to a wider circle of users. At the end of 2011 40% of Si.mobil's users had a smartphone.
- **Higher data rates and data transfer**. The growing scope of smartphone use caused the growth of mobile data transfer. In addition to internet access through ever more accomplished web browsers, smartphones provide communication on social networks, and the use of popular mobile apps.
- 2011 was also marked by the commercial expansion of **fourth generation mobile technology (LTE)**. By the end of 2011, 33 mobile operators provided LTE services, while only 9 had by the end of 2010. In 2011, Si.mobil

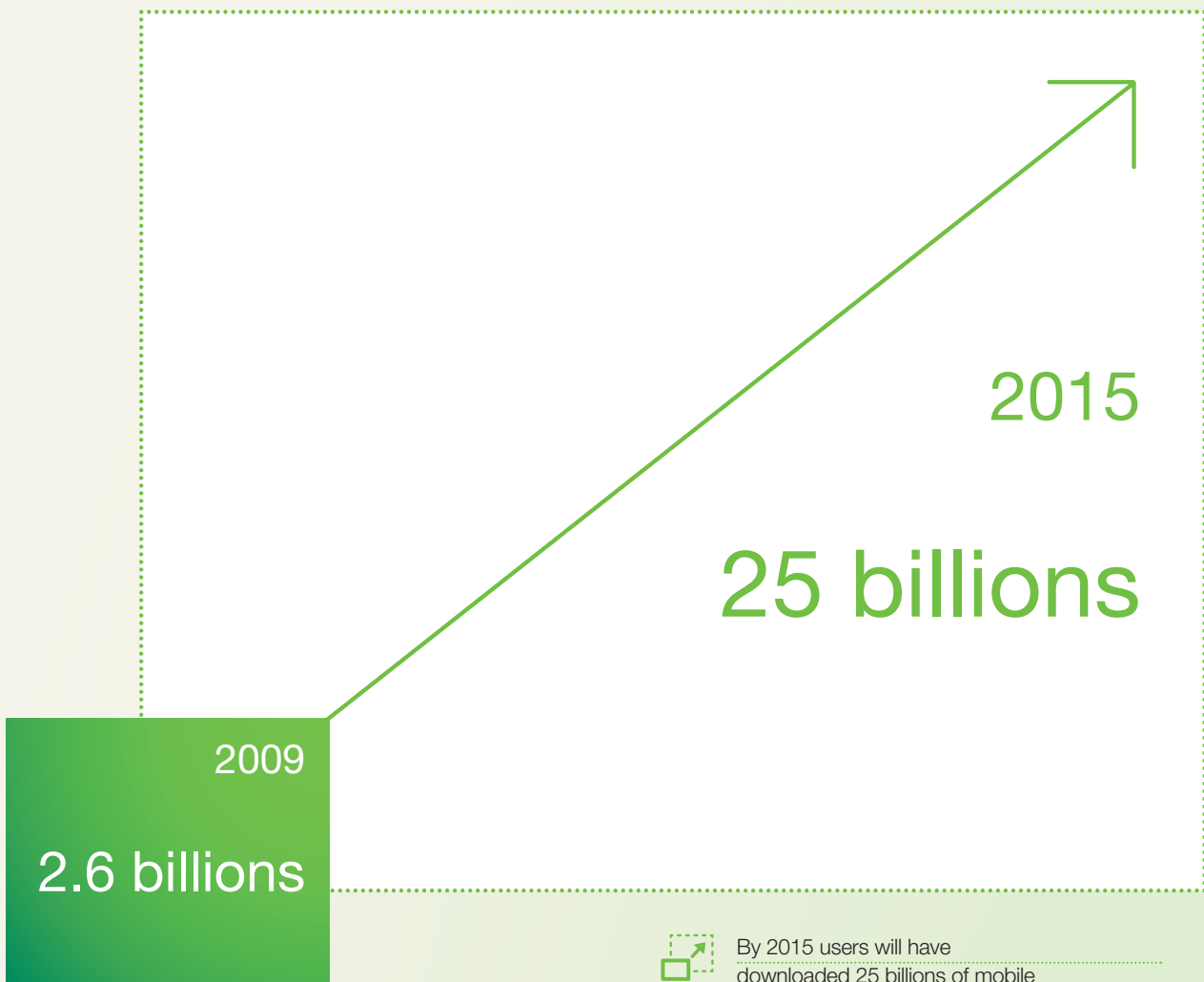
MARKET ENVIRONMENT

successfully tested LTE on 800MHz and 2600MHz frequencies.

- **Tying the physical world with the mobile.** The possibilities brought by the QR (Quick Response) code and the NFC (Near Field Communication) technologies along with augmented reality connect the real and virtual worlds through mobile devices.

- **Mobile does not describe just mobile phones anymore.** 2011 was marked by the growing use of tablet computers, which, due to their handiness and small weight, present a hybrid between mobile phones and laptops.

Planned increase of the scope of mobile application use

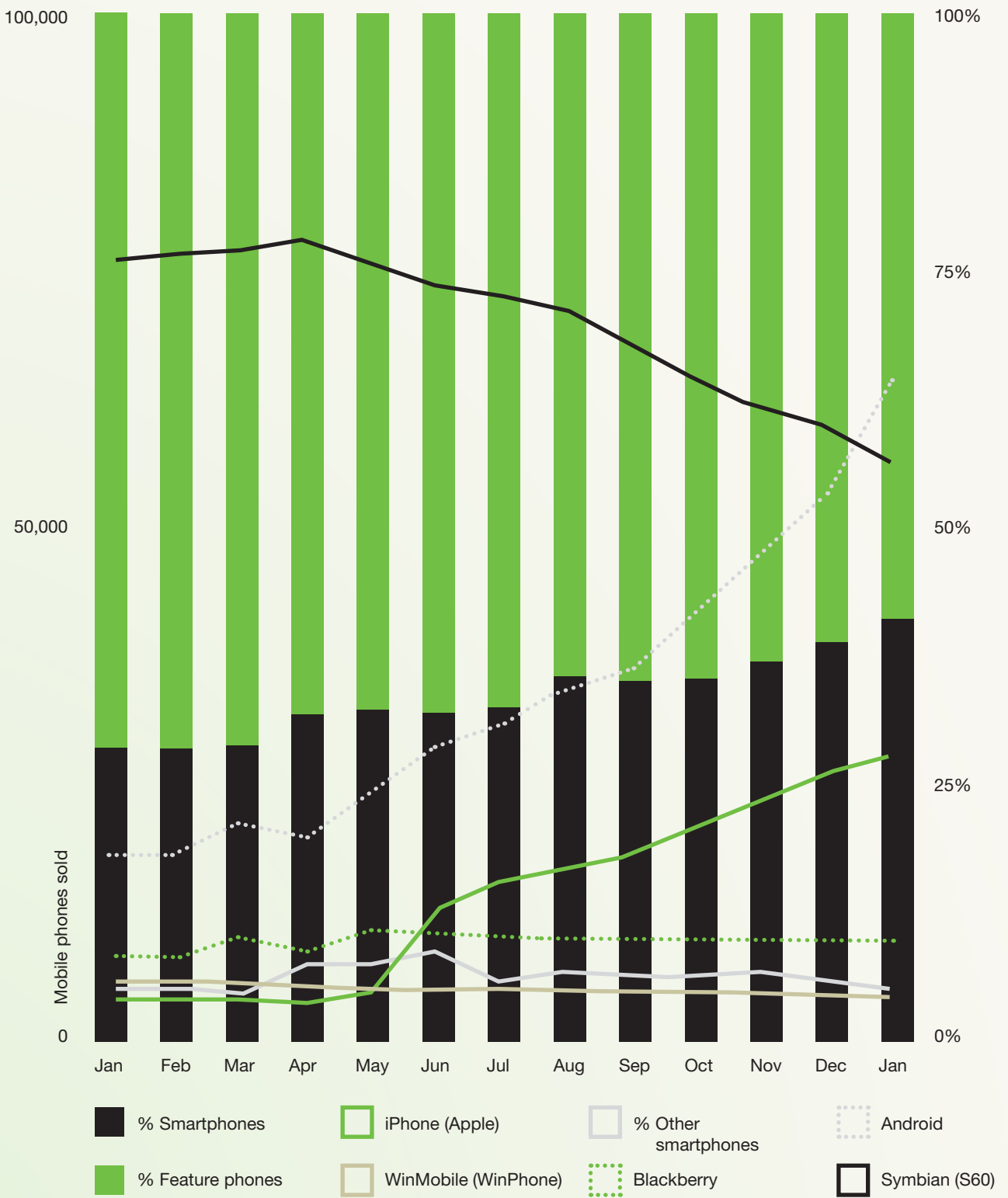


By 2015 users will have downloaded 25 billions of mobile apps on their smartphones.

Source: Juniper Research.

MARKET ENVIRONMENT

The increase in the use of smartphones by Si.mobil's users in 2011



Users

At the end of 2011 Si.mobil had 639,698 users; 476,308 were subscribers and 163,390 prepaid users. Having a flexible offer that constantly adapts to the needs of users is part of Si.mobil's business strategy. It is an important element of providing the best possible user experience.

Offer for Private Users

ZAME price plans are the core offer for private users. With regard to ZAME price plans, several campaigns dedicated to private users were organized in the first half of 2011 in accordance with Si.mobil's tagline Value for money, and marketing direction More for the same price. In January users could opt for the free SMS 101 option for three months, in March we offered 50% more off-net calls, and in May an additional 1,000 minutes, text messages, or data in terms of their selected ZAME price plans.

In June 2011 Si.mobil offered the **iPhone option** that allowed its users to be the first on the Slovenian market to buy the iPhone at prices starting from €1.

Due to changes in market conditions and increasing pressure on the market we decided to launch the **Polovička option** in September. It reduced user's monthly fees by 50%.

At the end of the year the ZAME price plan range was extended with the holiday offer of the exclusive **PREPRO-STO ZAME** price plan, which was also made available in January 2012 due to popular demand. The price plan includes enough mobile and data services for care-free use (999 minutes for calls to all Slovenian networks, 999 text or multimedia messages, and 999MB for data transfer) at an affordable price.

Due to rising demand for mobile data transfer, the growing capability of Si.mobil's data network, and the rapid growth of the number of smartphones among Si.mobil's users, the **Mobilni internet** price plans and options had to be redesigned. Users can now choose between three new

Ljubezen

je ZAME preprosta.

Si.mobil
Povej nekaj lepega

price plans: Mobilni internet S, Mobilni internet M, and Mobilni internet XL; and five options: Opcija 300 MB, Opcija 1 GB, Opcija 3 GB, Opcija 15 GB, and Opcija Mobilni internet Dnevni (Mobile internet daily).

The main new feature of these new price plans and options is that users no longer have to worry about exceeding their data allowance. After they use their allowance, data is not charged extra, but the data transfer speed drops instead. If the users want to return to their usual data rate, they can opt for a one time extra data allowance.

New price plans and options were designed according to the surveys on the user habits of Si.mobil's users. The surveys showed that users are mostly worried about the costs they incur after they exceed their data allowance. Si.mobil listened and used this information when designing the new offer. These new price plans and options have been available since October 2011.



**Si.mobilova
Popolna pisarna**

Na enem mestu izberite ugodno računalniško opremo in najemite poslovno programsko opremo ter prihranite čas in denar.

Rešitev za
MALA PODJETJA

- 10 x Microsoft gostovane storitve
- 10 x Microsoft Office Home and Business
- 1 x Spletni FAKS Mini
- upravljanje domene

32 €* na uporabnika na mesec

Microsoft

Ponujamo pa tudi rešitev po meri!
Več informacij pošiljite na www.simobil.si/popolnapisarna

Si.mobil
Povej nekaj lepega

Offer for Business Users

Si.mobil made significant headway in its offer for business users in 2011. As the first mobile operator in Slovenia and one of the first mobile operators in Europe, Si.mobil provided its business users not only with communication solutions, but also business solutions.

We decided to upgrade the business service range based on the competence, good collaboration, and trust of users in terms of our communication service offer.

Our entry into the field of business solutions and cloud computing was marked by the marketing presentation of services for business users called **The Perfect Office**, which, in addition to mobile voice and data services, also provides computer hardware and software and top notch IT support. This is basically everything companies need for modern business operations and communications. This way Si.mobil

covers not only the communications aspects, but also business solutions, so companies can simply focus on getting their jobs done.

Si.mobil's offer for business users is flexible and provides the best utilization of products and services according to users' needs.

Si.mobil provides companies with solutions from Microsoft's business services **MS Hosted Services** (Microsoft Exchange Server, Microsoft SharePoint Server, Microsoft Communication Server, MS Office Home and Business, and MS Office Professional) and **Google apps for business users** (Google Mail, Google Calendar, Google Sites, Google Documents, Google Groups), including data archiving and anti-virus protection. The Perfect Office also brings domain

MARKET ENVIRONMENT

management services and a web fax service that converts documents sent by fax into digital format.

In 2011, Si.mobil upgraded its business users administration. All business users enjoy the support of a Si.mobil's consultant who takes care of all aspects of the contract, consults in product selection, suggests the most suitable services, can also present new mobile phone models and other devices on demand, and informs them about special offers and other key information. The main advantage of business user administration is building trust and deepening the relationship between the user and the consultant.

Offer for Young People

Users aged between 12 and 31 are eligible for the ORTO price plans. They can go for either ORTO U NULO, ORTO MUZIQ, or ORTO BERI.

In 2011 too the young people could choose between classic and smartphones at affordable prices based on their needs and calling habits, and at the same time get many extra perks like free minutes or data, lower monthly fees, or bonuses in the form of discounts on monthly bills.

In addition to all existing options, **Opcija 501** was made available in 2011; it allowed ORTO users to upgrade their price plan with an extra 501 off-net voice minutes for €9 per month.

Since June 2011 the **iPhone** is also available as part of the ORTO price plans at reduced prices.

Last year Si.mobil offered phones from the ORTO range for half of their usual price in the first collaboration of this type with the popular group on website Kolektiva.

In 2011 we organized eight campaigns targeting ORTO users:

CAMPAIGN	DESCRIPTION
ORTO burek	When they selected and purchased a mobile phone, users received extra 1005 off-net voice minutes.
ORTO submarine	Upon purchasing a Samsung smartphone, users did not have to pay the monthly subscription fee for ORTO U NULO or ORTO MUZIQ price plans for three months.
ORTO bag of tricks	On purchasing an HTC smartphone, users received free subscription for the selected Opcija Plus for three months.
ORTO exercise your fingers	On purchasing a Nokia smartphone users received a €30 bonus for ORTO U NULO or €50 ORTO MUZIQ as a discount on their monthly bills.
ORTO legalize it	The ORTO MUZIQ price plan, which allows users to access more than 3 millions music files through their phone or computer, was available for the price of ORTO U NULO.
ORTO shreds	The prices of select mobile phones were reduced by 70%. The Opcija 501 was introduced at the same time.
ORTO X2	All new and existing ORTO users who signed or extended their subscription received double amounts of services with their price plan.
ORTO for ever	All new and existing ORTO users who signed or extended their subscription got the chance to remain ORTO users even after they turn 32. They will also receive an extra 3GB monthly data allowance for two years.

Business Expansion

In 2011 Si.mobil expanded its line of business by introducing the new Perfect Office services, which include much more than just mobile services, and became the provider of comprehensive information, communication, and business solutions. 2011 was also marked by the sales network development and new Si.mobil franchises.

The Perfect Office

Because it understands the requirements of the business world well, Si.mobil chose to expand its offer as an answer to the needs of modern business. The Perfect Office's main advantage is that it provides business users with a comprehensive range of communication and business solutions in one package. The Perfect Office is dynamic and quickly adapts to cover the needs of companies, which makes it a perfect solution for smaller, rapidly growing companies.

The Perfect Office offer comprises four segments:

- telephony services,
- internet services,
- business software and cloud computing services (Microsoft business services, Google apps for business users),
- computer hardware and accessories,

Cloud computing is not widespread yet, but research predicts that its use will increase significantly in the next few years, with only a minority of businesses opting to purchase and maintain their own IT infrastructure. Instead they will rather lease these services and only pay for what they need. They will consequently also spend less time on infrastructure maintenance and be able to focus on their business.

The international information technology research and advisory firm Gartner expects an overall increase in the use of cloud computing in the next two to five years.

Sales Network Development

Si.mobil continued with **sales point refurbishment** in 2011. It revamped four of its sales points, so it has already refurbished 10 sales centers so far in major Slovenian cities: two centers in Ljubljana, three in Maribor, and one in Celje, Kranj, Novo mesto, Velenje, and Murska Sobota. Nearly all other stores have also been refurbished in the same style as the sales centers.

Si.mobil carried out the refurbishment in accordance with the ISO 14001 standard, because it tries to reduce its carbon footprint and its overall environmental impact as much as possible. Operations have been digitalized, and paper and printed materials are only used when necessary. All sales points are equipped with the electronic signature system, which drastically reduced the amount of printed contracts and other documents. To help Si.mobil achieve paperless operations, all current offers at sales points are presented on LCD displays. The stores also use power-saving bulbs and LED lights that significantly reduce the use of electricity; users can pay for our services with their payment cards at one of 49 self-service payment machines, and drop off their used mobile phones, chargers, and batteries at the special Re.think bins for recycling.

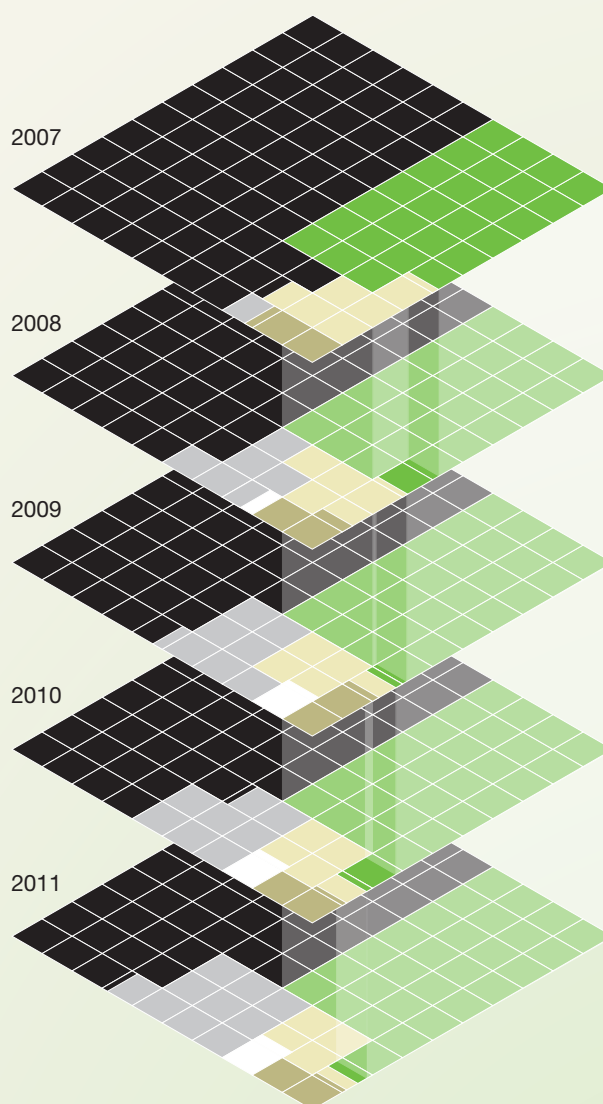
Si.mobil's franchises are also user and environment friendly and are outfitted according to Si.mobil's standards. Si.mobil partners with local entrepreneurs in deciding on locations, where opening its own store would not be an efficient way of expanding the sales network.

.....
So far Si.mobil has opened four franchises based on partnerships with local businesses.

Two of them opened in 2011. After Novo mesto and Murska Sobota, last year stores opened in Velenje and Maribor. Another franchise is planned to open in 2012 in Nova Gorica.

Si.mobil on the mobile telephony market

By the end of 2011 Si.mobil had a 29.65% market share. Compared to 2010 the market share grew by 0.41%. The growth was mostly brought on by the influx of new users; we acquired 34,927 new users in 2011.



Si.mobil had a 29.65% market share by the end of 2011.

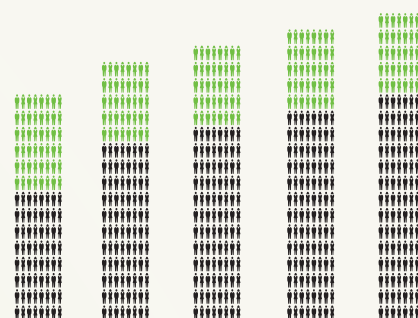
During the last five years Si.mobil's market share has been steadily growing while the market share of its main competitor keeps dropping. Si.mobil managed to increase its market share by 2.73% since 2007.

Mobile telephony market shares 2007 – 2011

In %	2007	2008	2009	2010	2011
Si.mobil	26.90	27.71	28.23	29.22	29.63
Mobitel	64.21	58.75	56.52	55.14	52.03
Tušmobil	0.70	5.73	7.66	7.86	10.32
Debitel	5.65	4.97	4.30	4.43	4.36
Izi mobil	2.54	2.46	2.25	2.11	2.18
T-2		0.38	1.03	1.23	1.48

We have maintained the trend of increasing the number of users

The trend of growth in the number of Si.mobil's users continued in 2011 as well. The total number of users increased from 618,888 to 638,309, which marks a 3.14% growth compared to 2010. The growth was mostly caused by the influx of new users; we acquired 34,927 new users in 2011. The number of prepaid users dropped.



The mobile phone penetration rate in Slovenia currently stands at 105.4%.

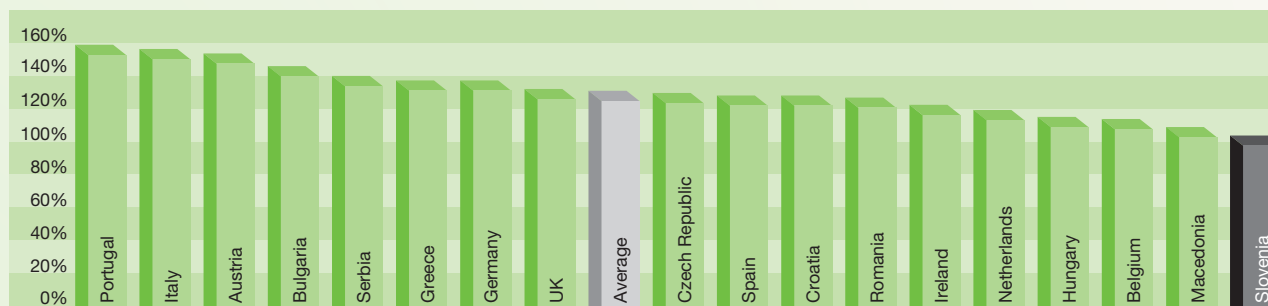
According to the Post and Electronic Communications Agency the mobile phone penetration rate in Slovenia reached 105.4% in the last quarter of 2011. This means that on average every seventh user uses two active SIM cards.

Compared to other EU member states and countries of the Balkan peninsula, Slovenia still ranks among countries with lower mobile phone penetration rate. The Slovenian mobile phone penetration rate is also significantly lower than the EU average with a 131% penetration rate.

Growth in the numbers of Si.mobil users

	2007	2008	2009	2010	2011
Subscribers	311,122	375,302	404,225	440,856	475,783
Prepaid	186,164	195,259	181,775	178,032	162,526
Total users	497,286	570,561	586,000	618,888	638,309

Mobile phone penetration rate in select EU and Balkan countries





THE LARGEST
AND THE FASTEST
3G NETWORK

Network Investments

All the work on network revamp and upgrade, into which Si.mobil invested €13 million, was completed in 2011. It was one of the biggest investments in Slovenian economy in 2011. Si.mobil's network now covers 88.3% of the Slovenian population with broadband mobile internet and is the biggest 3G network in Slovenia.

With the rise in the use of smartphones and tablet computers, and consequently also apps and other mobile services, the scale of data transfer usage is increasing at record pace.

.....
Last year's upgrade was one of Si.mobil's largest investments in the development of its mobile network.

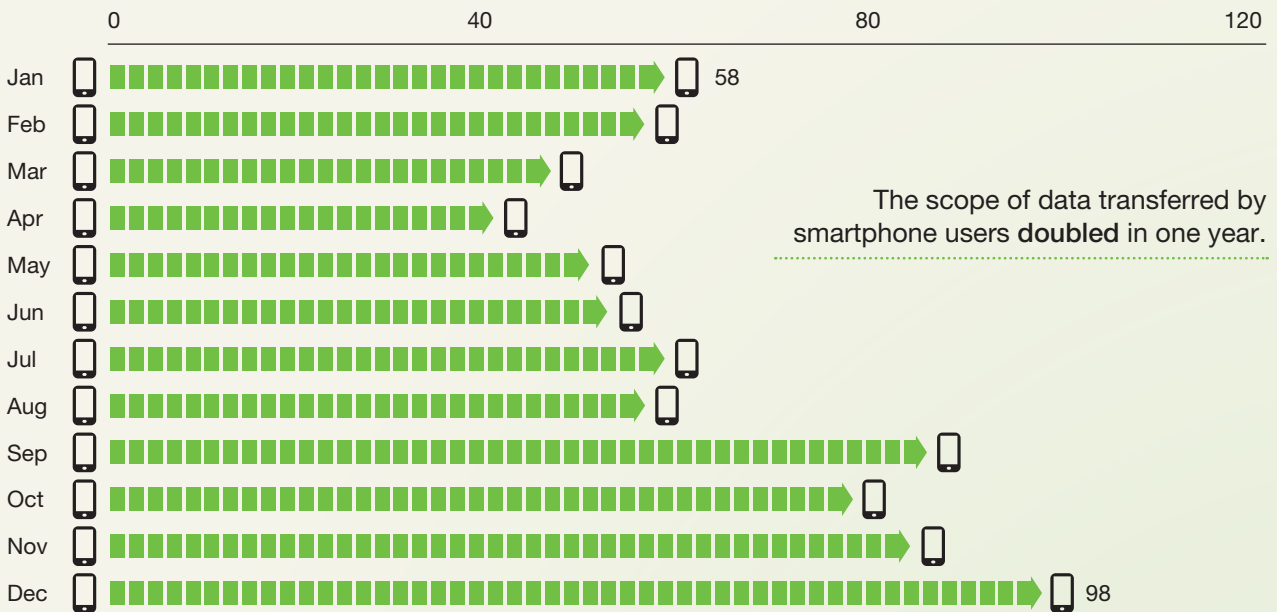
After the upgrade, which took place between July and November of 2011, Si.mobil's network has greater capacity, speed, and responsiveness. Si.mobil's upgrade ensures an important advantage for users, as the upgraded network includes the UMTS 900 technology, which provides data transfer speeds of up 21Mbps in rural areas. Broadband mobile internet is now no longer limited to larger cities and tourist centers, but is available across rural areas as well.

Since July 2011 Si.mobil has used the UMTS 900 technology to provide coverage in Gorenjska, Koroška, Dolenjska, Kočevska, and Savinjska regions, as well as Zasavje, Štajerska, and Pomurje. Next year the upgrade will continue in other regions across Slovenia.

Network investments in 2009–2011 (in millions of EUR)

Network	2009	2010	2011
Access network	6.26	5.10	8.27
Core network	3.06	2.87	1.16
Transport network	2.15	2.38	3.45
Total	11.47	10.35	12.88

Average data transfer in MB per user in 2011 (Si.mobil's smartphone users)

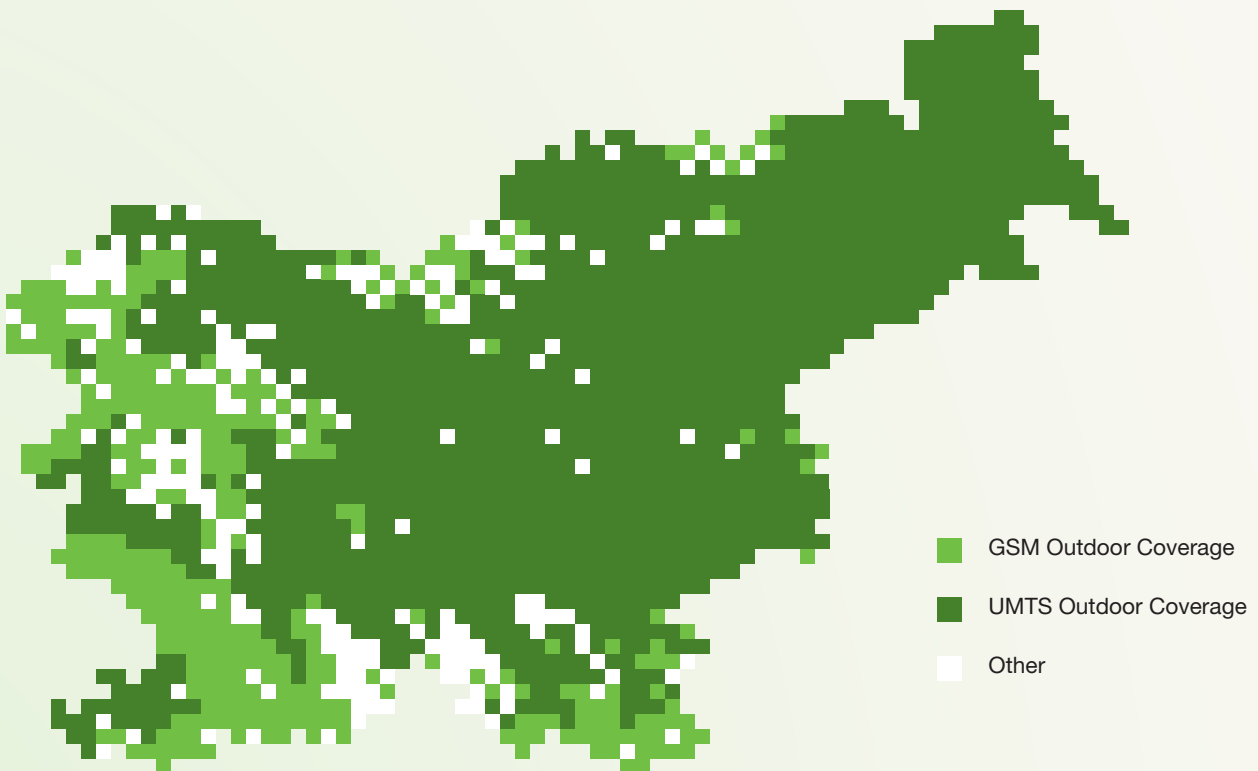
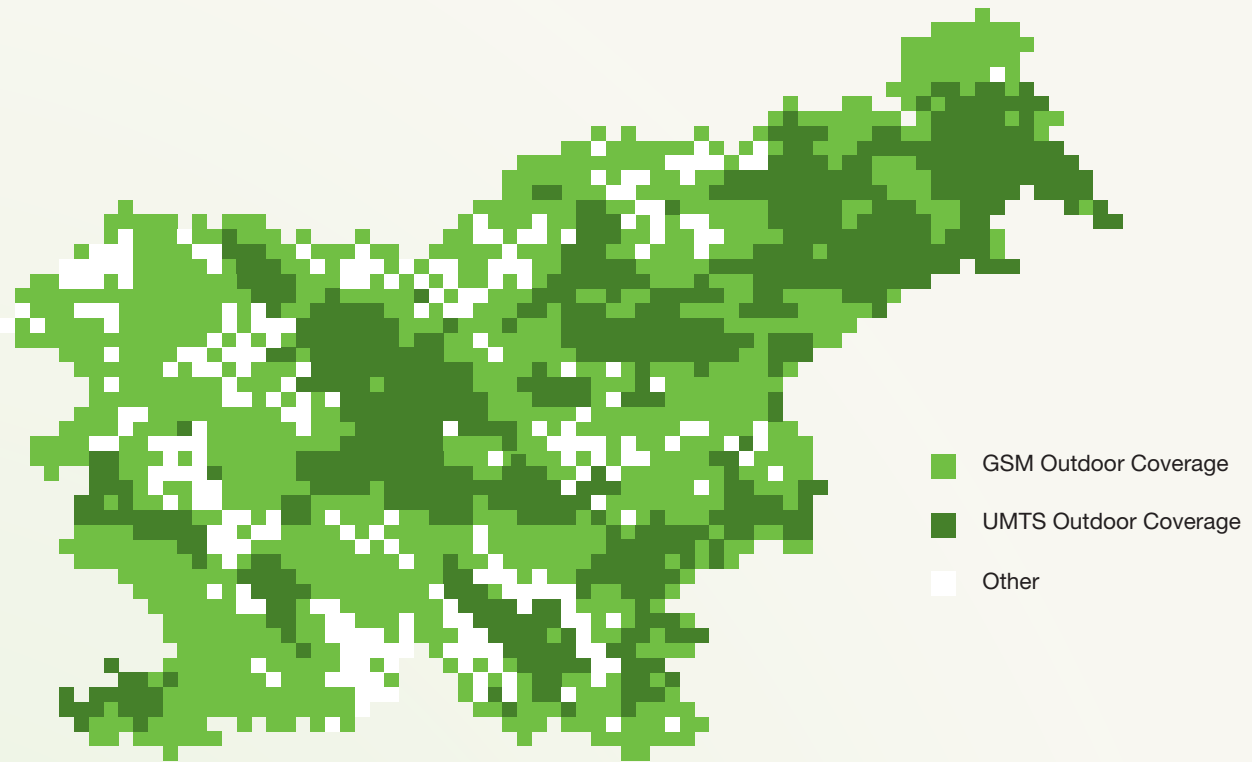


Si.mobil's network is now not only the best in terms of capacity, but also the most environmentally friendly, as the new equipment is 30% more energy efficient than the replaced one. 329 existing base stations have been replaced with modern and energy efficient ones. Because the UMTS signal has a broader reach on 900MHz frequencies than on 2,100MHz frequencies, significantly fewer transmitters are required in order to provide proper coverage, whereby existing base station locations can also be used. That makes the implementation of UMTS 900 in rural areas more rational in an environmental and economic sense.

In the four months the upgrade lasted, Si.mobil's engineers:

- Replaced 281 2G base stations in rural areas and 48 existing 3G base stations in cities with the most cutting edge and energy efficient base stations available. They also integrated 181 new UMTS 900 base stations into the network;
- Significantly increased the radio network capacity with an upgrade of backhaul connections between base stations and the exchange;
- Upgraded the 3G network in some parts of Ljubljana, Celje, and Velenje with Dual Carrier HSPA+ technology, which provides data transfer speeds of up to 42Mbps;
- Upgraded some parts of the network with HD Voice services.

Region	GSM	UMTS
Ljubljana	29	25
Gorenjska	42	36
Notranjska	7	7
Dolenjska	32	30
Posavska	7	5
Zasavska	11	10
Savinjska	66	60
Podravska	32	30
Pomurska	24	22
Koroška	24	23



Core Network and IT

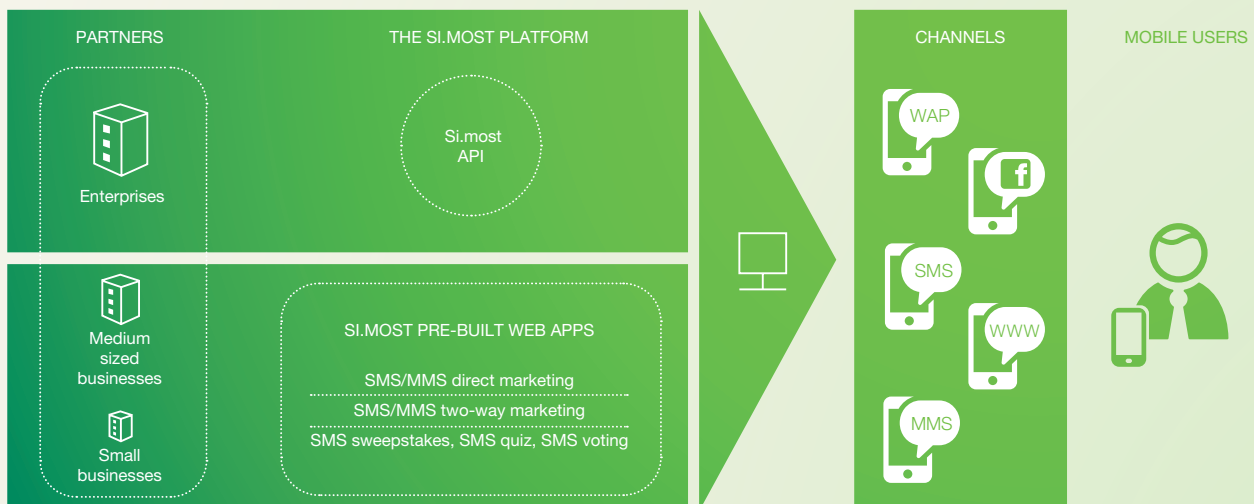
The main objective of core network related work in the previous year was service optimization. The HD Voice service went through initial trials at Si.mobil, and the Si.most service was completely revamped. 2011 also marked our entry into the market of convergent services.

After a complete overhaul of the core network in the past few years, the main objective in 2011 became optimization and quality assurance. In spite of that we kept investing in the core network, and introduced a few new features. We trialed the HD (High Definition) Voice service, which provides a high quality of voice calls with a more natural and clearer sound in select mobile phones. We introduced new, more advanced security algorithms (A5/3), which comply with global recommendations for even more carefree communication.

In 2011 the Core Network Department implemented the Business Trunking solution, which marked Si.mobil's entrance into the field of fixed telephony and convergent services. This solution allows companies to connect their home exchanges to Si.mobil's infrastructure and conduct calls through Si.mobil's IP multimedia core network.

A new feature in the mobile marketing field in 2011 was the complete overhaul of the Si.most service. This solution provides businesses and individuals with an even easier option of communicating with their customers, providing event notifications, conducting promotions and direct marketing campaigns. The implementation and management of the mobile service is faster, and the customer does not need any previous training in IT or mobile technology. The solution is based on the so-called SaaS model (Software as a Service). Regardless of their size, businesses can lease the mobile marketing service without requiring additional infrastructure or any locally installed software.

Architecture of Si.mobil solution for mobile marketing (Si.most service):



TECHNOLOGICAL DEVELOPMENT

Throughout last year the important project of upgrading the Billing System was underway. New functionalities will allow us to even more quickly provide our users with new services, a combination of services, and various billing methods. Especially we will be able to offer all the new cloud services as well as fixed and convergent telephony.

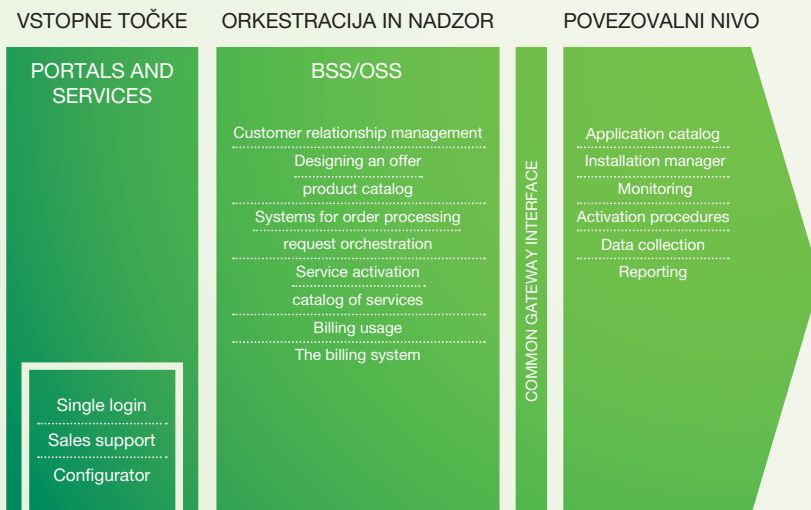
In 2011 Si.mobil was the first Slovenian mobile operator to present cloud services through its Popolna pisarna (The Perfect Office) service. It required changes to business processes and adjustments to key IT systems. For the purpose of customer relationship management (CRM), which covers key processes, Si.mobil developed a completely new activation application for the Perfect Office segment of services.

Because of the demands for fast and efficient product lifecycle management, we established a central product catalog and a system for managing business rules and preparing offers. We extended our existing solution for decomposition and orchestration of orders with the option of executing orders. *treje ponudili nove storitve, kombinacije storitev in načine*

The Cloud Service Ecosystem handles and solves all the individual elements of providing cloud services, operating as a completely autonomous service from key BSS/OSS systems and business processes. The integration between

the ecosystem and these systems and business processes is implemented through an interface that is implemented through Cloud Service Gateway (CSG) modules. The role of the CSG modules is transporting messages between back office systems and the ecosystem. The whole model of the integration of key BSS/OSS systems and the ecosystem is set up to provide autonomous implementation of backward compatible changes on either side. The design of the whole architecture allows us to quickly and constantly update our offer.

Si.mobil cloud services architecture:





FOR THE ENVIRONMENT
AND FOR THE PEOPLE



Responsibility towards Employees

We live in a knowledge-based society. This means that companies must treat their employees as a resource, which must have an opportunity to develop its abilities and capabilities. At Si.mobil we are aware of how important employee development is for maintaining competitiveness in an industry with harsh business conditions. We are also aware of the importance of balancing professional and personal life, which translates to greater employee satisfaction and a low level of fluctuation. In the end we are all human.

Responsible Employee Development

In our endeavor for employee development Si.mobil conducted the following activities in 2011:

- **The Training Catalog.** In January, before the start of the annual interview with the colleague, the People Development Office prepared the Training Catalog, with which Si.mobil wants to intensify the transfer of know-how between colleagues.
- **The annual interview with the colleague,** where an employee, together with their superior, defines individual career goals and a development plan for the year, and overviews success in reaching set goals for the previous year.
- **Increase of monthly premium for voluntary pension insurance to 2.8% of monthly bruto salary.**
- **Rewarding employees for their efficiency and other types of rewards.** Rewarding employees for their efficiency was revamped for certain departments. For the first time in 2011 employees had the option of receiving a one-off quarterly financial reward.
- **SiOK.** Results of measuring organization climate and satisfaction at Si.mobil were once more exceptional in 2011 (4.00). The results show a high rate of preparedness to reach common goals, dedication, and preparedness for extra effort. In the categories where the scores have been low for the whole telecommunications industry, Si.mobil is nonetheless showing a growth trend. These are the following categories: striving for improvement and management-related activities, rewarding and career development, succession, recognizing and developing potential individuals, ratios between salaries, and awareness of the need for change.

- **The 270 degree performance appraisal of our managers, colleagues and ourselves.** Together with the 270 degree performance appraisal the interview with a superior is the basis for setting further development goals and recognizing desired behaviors connected to Si.mobil's culture.
- **Team-buildings for strengthening relationships between colleagues.**
- **Care for employee health** is encouraged by the internal Sports Group.

Program for Developing Key Promising Employees

The program for developing key promising employees is aimed at establishing and developing a solid base of colleagues, whom we expect to become the main pillars of Si.mobil's future growth. Key promising employees may be successors for management or critical positions. Developing key promising employees is of strategic importance for Si.mobil, and the program of developing key promising employees includes 8 percent of employees. In 2011 key promising employees discussed individual development plans with sector directors based on the analysis of their social and leadership competences.

Retention Program

The employee retention program was first introduced in 2011, and it includes employees with specific skill sets, work experience, special competences, etc. The program includes 4.34 percent of employees, who are motivated with additional financial and non-financial benefits.

Employment Challenge

In March Si.mobil, as the most respectable employer in the enterprise category of the Golden Thread project, was the first company to join the Employment Challenge project. This project is aimed at encouraging the employment of the unemployed, and two colleagues from the technical field were employed in the project's scope.

Encouraging Volunteering Among Colleagues

In 2011 Si.mobil responded to the European Commis-

on initiative, and in the scope of the European Year of Volunteering provided its employees with the option to volunteer during work hours as in various fields. In order to make volunteering a part of Si.mobil's culture, employees were given two days a year to use for volunteering activities, with the time of such absence billed as regular work time.

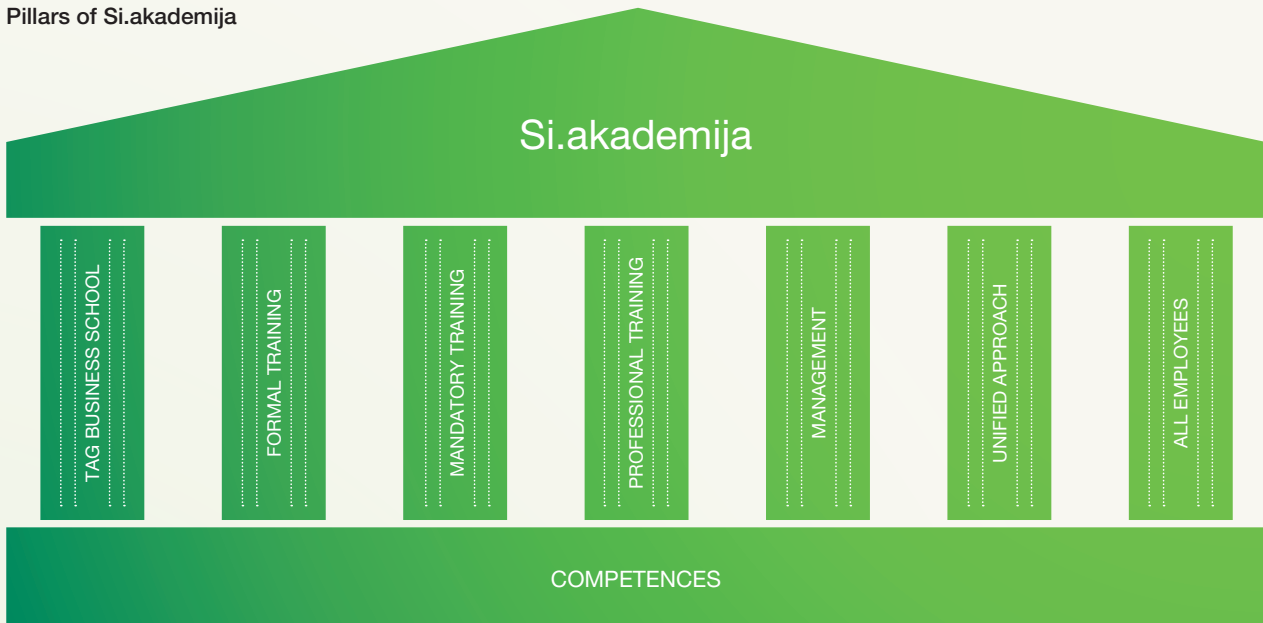
Si.mobil also made ties with organizations for encouraging volunteering – Slovene Philanthropy, the Beli obroč society, and The Ypsilon Institute. At the end of October Si.mobil conducted the first corporate volunteering project, when we encouraged our employees to contribute to the Simbioz@ e-literate Slovenia project by teaching basic computer skills to the elderly. 31 Si.mobil employees successfully conducted 10 workshops (within 20 hours) at the Si.akademija classroom, where they taught the elderly how to use word processing software, the internet, and e-mail.

Employee Development through Training

Qualified employees enable the development of the organization, as a higher level of employee qualification means that the company also improves. In 2011 Si.mobil started an important employee training project – The Si.akademija (Si. academy). Si.akademija training is divided into seven pillars with regard to different employee target groups:

- **All employees** (training for all employees, for their personal and professional development);
- **Unified approach** (training for employees in the Subscriber, Sales, Financial, and Marketing sector, who are making the first contact with the users);
- **Management** (program for managers for efficient, motivational and responsible employee management);
- **Expert training** (specialized trainings for individual fields);
- **Mandatory training** (mandatory training for all employees, as proscribed by legislation);
- **Formal training** (training employees for improving their formal education);
- **TAG Business School** (a business school operating within the Telekom Austria Group). In the first year of operation of the TAG Business School 46 training modules were conducted, attended by 18.4 percent of Si.mobil employees. The modules are divided into several groups:

Pillars of Si.akademija



- Open courses (the emphasis is on functional know-how, interdisciplinary cooperation, and the exchange of internal expert know-how);
- Master Business Program (specialized and focused training for experts from various fields, such as marketing, technology, sales, etc.);
- Group Young Potential Program (career development of young experts who achieve above-average results and potential for professional development);
- Group Talent Management (talent development at the Telekom Austria Group level);
- Executive Education (education and training of the leading and management personnel).



The Si.akademija classroom is a great asset for conducting internal training programs, as the organization of training is much simpler because of oversight over all the activities.

The x.change Program

The x.change Program is an opportunity for employee professional development conducted in close cooperation with experts within the Telekom Austria Group. With a visit abroad ranging from one week to three months a Si.mobil employee has the opportunity to acquire new know-how from experienced colleagues, to exchange opinions, to get inspiration for new ideas, and to set up a network of friends. In 2011 19 Si.mobil employees partook in the x.change Program, while 12 Telekom Austria Group employees gained experiences at Si.mobil.

The Leadership App

From November 2011 Si.mobil employees can access the internal Leadership App portal, which includes articles, video content, online coaching, and a lot of materials in the fields of strategy, leadership and management, communication skills, personal development, etc.

Harmonizing Professional and Family Life

The employees of organizations that take their needs into consideration are more motivated and satisfied and strive harder at their job. Such companies are also better at attracting new, 'talents' on the workforce market. With

the fast tempo of the modern life style employees especially appreciate if the company is flexible when they strive to balance their work in the company and their private life.

At the end of 2010 Si.mobil received the full Family Friendly Company certificate from the Ekvilib Institute. In 2011 we introduced additional benefits for employees that affirm the company's status as a recipient of this certificate in balancing family and professional life:

- **Bring your child to work day**, where children learn about the environment their parents work in through workshops and play time.
- **Planning and conducting further training programs.** Employees can select from the Training Catalog a training workshop on balancing family and professional life. In 2011, 32 employees partook in this workshop.
- **A gift and a greeting card at the birth of a child.** During pregnancy we provide future moms with paid leave for their routine medical exam, as well as allow future dads to be absent for up to two hours to accompany their partners to the medical exam.
- **New Year's gifts for employees' children and Santa's reception for the children.**
- **Surveys among employees on balancing professional and family life**, through which the People Development Office collects additional information on satisfaction, proposals for improvement, and employees' desires regarding benefits for an even more efficient balancing of family and professional life.

Benefits for employees that were the basis for Si.mobil receiving the **Family Friendly Company basic certificate**:

- time off on the first school day or during their child's introduction to kindergarten,
- flexible work breaks,
- the internal expert group,
- employee notification,
- raining on a family-friendly employment policy for management,
- reintegration into the work process after maternity or paternity leave,
- internal communication tools informing employees on benefits available.

Daycare During Holidays for Employees' Children

During autumn holidays Si.mobil employees were able to bring their school-going children to daycare. The project was conducted with the Otroški center Beti in Cej education institution, which is located in the direct vicinity of Si.mobil headquarters. The employees' interest in daycare exceeded our expectations, as the team took 21 employees' children to sports and creative workshops for the week.

Selected Employee Indicators for 2011

Number of employees	369
Number of new employees	41
Employee average age	35.29 yrs.
Employees with contracts for indefinite time	85.37%
Share of women among employees	45,53%
Share of women in leadership and management positions	37,5%
Sick leave	3.88%
Fluctuation	5.56%

Employee Educational Structure for 2011

Post graduate	4.58%
University-level education	26.68%
Occupational school	24.54%
Grammar school level of education	38.54%
Below grammar school level of education	5.66%

Employee Educational Structure for 2011

Average number of training days per employee	3.5
Share of internal training	4.58%
Share of leaders with individual business coaching	60%

Compliance

In the course of daily business operations a modern enterprise is often dependent on various external influences. This has an even greater effect on employees than on the company. At Si.mobil we make sure that, when our employees represent their company, they are bound to the strict ethical principles and regulations regarding compliance that the company holds.

Si.mobil's parent company, the Telekom Austria Group must, as a joint stock company, follow strict rules, regulations, and high standards, which dictate its daily operations. The rules and regulations on compliance of operations are binding for all Group companies. All Group employees must also act in accordance with these rules and regulations. Si.mobil must thus adopt the provisions and regulations on the compliance of operations that hold for the Telekom Austria Group.

.....

Si.mobil's Business: Honest, Fair, and Transparent

With this objective in focus, we at Si.mobil prepared regulations regarding compliance of business operations.

These instructions are available to all Si.mobil employees on the intranet and define:

- Instructions for appropriate handling of consulting and lobbying services,
- Instructions for appropriate handling of gifts, invitations to events and hospitality,
- Instructions for commissioning consulting and lobbying services and sponsorships,
- Code of Conduct with Suppliers.

The **Code of Conduct** presents the basic and unified guidelines for business conduct, which apply to all Telekom Austria Group employees. The aim of the Code is to standardize instructions for appropriate business conduct and setting basic elements of business culture within the group.

They pertain to all Si.mobil employees, including those employed through a temp agency, and students conducting student work at Si.mobil. A breach of instructions or provisions can have serious implications on the business operations of Si.mobil or the Telekom Austria Group, as it can affect relationships with suppliers and business partners, or have a negative effect on Si.mobil's reputation in the public and among users. A negative impact on the company's reputation can effect its financial operations.

Si.mobil employees also have at their disposal an instrument for reporting suspicions of abuse. Along with that there is also an internal group for ensuring compliance of business operations with instructions and provisions and their proper implementation. E-training on the subject of compliance will become compulsory and binding for all employees, temp workers, and students in the future.

Environmental Responsibility








The environment has become the concern of all humankind, and companies must not be an exception. But it is much more than just that. Companies that wish to operate efficiently, competitively, and with a good reputation in the long run are obliged to make actual progress in reducing their impact on the environment. In its care for the environment, Si.mobil is following two principles: cleaning up our own doorstep, and sustainably resolving environmental issues, such as caring for clean and healthy waters.

Key Environmental Indicators

In 2009, Si.mobil was awarded the **ISO 14001 environmental certificate**, which proves that the company operates in compliance with all legal requirements regarding environmental protection and that it is implementing its environmental policy as planned. Si.mobil successfully passed internal and external evaluations of its environmental management in 2010 and in 2011, and its environmental certificate was once again renewed.

.....
The Eco Team comprises a group of employees who voluntarily participate in Si.mobil's environmental activities.

SOCIAL RESPONSIBILITY

Environmental program	Environmental indicator	2009	2010	2011	Difference 2011/2010
Reducing drinking water consumption	consumption of tap water in the headquarters	4,373.76 liters per employee	4,427.23 liters per employee	3,967.74 liters per employee	
Reducing power consumption	power consumption per employee in the headquarters	5,864.12kWh	6,468.82kWh	5,873.66kWh	
	power consumption per user at base stations	25.95 kWh	22.73 kWh	23.74 kWh	 **
Reducing greenhouse gas emissions	fuel consumption for company vehicles per employee	220.12 liters	290.12 liters	260.12 liters	
Reducing paper consumption	paper consumption per employee	19.63 kg	7.89 kg	5.80 kg	
	paper consumption reduced as a result of electronically signed documents		19.688 kg	19.931 kg	
Reducing the amount of municipal waste	municipal waste per employee	39.5 kg	35.42 kg	30.15 kg	

** Power consumption for base stations in 2011 was higher than the year before, however considering the fact that in 2011 the number of BTSs increased by 11%, while the number of UMTS stations grew by 89%, the result of the environmental program is very good and, owing to some environmental measures (review of temperature settings in base stations, replacement of old air conditioning equipment), power consumption was significantly lower than it would have been had these measures had not been taken.

The Si.voda Fund

The Si.voda Fund, an institute for clean and healthy water, is an independent organization, established in the spirit of Si.mobil's Re.think philosophy of corporate responsibility. As the initiator and founder of the Si.voda Fund, Si.mobil is working towards preserving clean and healthy water so it will be available for generations to come. The fund's vision is to contribute to sustainable solutions for the issue of water quality and more efficient water consumption in Slovenia.

Also in 2011, the Si.voda fund continued to raise awareness and invest in projects related to water quality and wastewater treatment in Slovenia.

Following up on the successful completion of its first project (the constructed wetlands for wastewater treatment in the outdoor classroom in Modraže near Poljčane), the fund carried out another project in 2011, a constructed wetlands facility for wastewater treatment in Kozjanski park.

Constructed wetlands for wastewater treatment use nature's ability of self-regeneration to clean wastewater and are a suitable solution for all the areas where constructing traditional facilities for wastewater treatment is neither ecological nor economical. Due to geographical characteristics and the sensitive ecosystem of the Kozjansko region, the constructed wetlands for wastewater treatment present a very good alternative to classic wastewater treatment facilities, since introducing them into the environment presents only a minor intrusion.

Wetlands for wastewater treatment with a surface area of 124m² and the capacity of treating up to 50 persons' worth of wastewater were constructed for the regional park's headquarters, a restaurant, and one household in Podsreda.

.....

The Si.voda Fund is a non-profit organization which raises awareness about the importance of waters and our impact on them with a professional approach.

Other activities carried out by the Si.voda Fund in 2011:

- **Opening of an exhibition on the constructed wetlands in Modraže** at the Ljubljana Faculty of Economics in January. In June the exhibition moved to the lobby of the University of Primorska as part of the expert symposium Melikovi dnevi, on geographical aspects of managing the sea and the hinterland.
- **The Si.voda Fund organized a round table entitled “Coast, Sea and Development”** as part of the Melikovi dnevi symposium, which took place at the Faculty of Humanities Koper on 10 and 11 June. The panelists discussed the limits of sustainable development, the current state of the coastal ecosystem, and directions for further development.

Text Message Donations

- Si.mobil users can donate € 1 to the fund by texting SIVODA to 1919.

The Re.think Option

- Si.mobil subscribers can activate the Re.think Option and donate €1 to the Si.voda Fund every month.

Si.mobil donates €1 to the Si.voda fund for every:

- activated e-invoice;
- used mobile phone brought to any of Si.mobil’s sales centers to have it recycled;
- activated Re.think Option;
- text message with the key word SIVODA sent to 1919.

Si.voda Fund’s Balance Sheet

As at 31 December 2011, the Si.voda Fund did not have long-term provisions set aside, or spent set-aside provisions. It also had no fixed assets, stock, receivables, or liabilities. The fund was established on 30 March 2009. Its balance sheet discloses start-up capital in the amount of €10,000, which was paid in by the founder Si.mobil, d. d., and a profit in the amount of €101,289. The fund’s cash and short-term trade receivables as at 31 December 2011 amounted to €111,289, of which €108,205 was cash.

Total Profit in the Fund’s Balance Sheet

The fund’s disclosed a total profit in the amount of

€111,289 on 31 December 2011, which presented the cumulative operating result since the fund’s establishment.

Structure of Revenue and Expenditure for the Financial Year 2011

The revenue and expense statement discloses revenue from donations in the amount of €61,758, which mostly came from Si.mobil. Financial revenue in the amount of €230 was generated by positive interest on the fund’s bank account. The only expenses that the fund incurred in 2011 were the attendance fees in the amount of €1,910 paid out to the fund’s Council of Experts, and hospitality and bank costs in the amount of €532. In 2011, the fund made a donation for the CWWT Kozjanski park project in the amount of €30,000. The fund does not incur any labor costs, as it has no employees. There were no other costs in 2011.

Responsibility towards People

For Si.mobil, sponsorships and donations are a means of strengthening relationships with users and local communities, which Si.mobil has been successfully including in its own communication and marketing strategy. Is there anybody who still has never heard of the now traditional Party with a Cause?

Party with a Cause

In August 2011 the Ljubljana Tivoli Park hosted the tenth Party with a Cause. For the tenth time music had the mission of overcoming apathy towards violence and socially unacceptable actions among young people. The core message of the Party with a Cause has remained the same throughout the years: violence among and towards young people is unacceptable.

..... VIOLENCE IS OUT! For the tenth time.

In 2011 Si.mobil organized two events for young people, the May 9th Party with a Cause in Maribor with the British band Klaxons, and the 10th Party with a Cause in Ljubljana with DJ Umek. Both events attracted more than 23,000 young people, who donated a total of €60,939.89 to the Beli obroč Slovenije Association.

Since December 2004 when young people gathered in the Ljubljana city center for the first time and collected donations for their peers, the Party with a Cause has entertained more than **113,000 young people**. Together with Si.mobil and other partners young people managed to collect more than **€208,000**.

For the first two years the donations collected at the Party with a Cause went to the **Mali vitez society** for young people who are battling cancer. Since 2006, the Party with a Cause has been collaborating with the **Beli obroč Slovenije Association** helping young victims of crime. Since 2008 the €1 admission fee with a cause, together with donations from Si.mobil and the event's partners, has been helping the Beli obroč Association open **child-friendly interview rooms** across Slovenia.

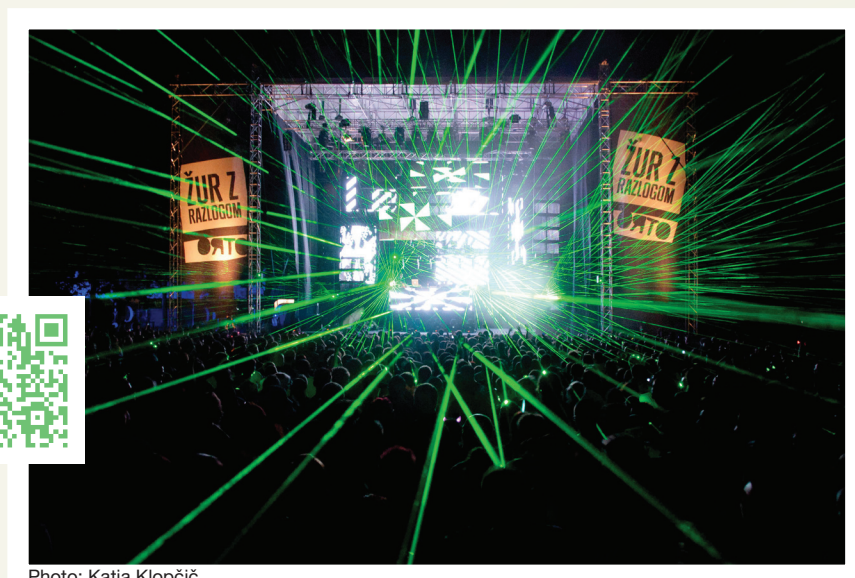


Photo: Katja Klopčič

Child-friendly interview rooms are used to interview children who were victims of violent crime. Children are the most vulnerable part of our society and to protect them from traumatic experiences when interviewing them, the Beli obroč Slovenije Association and Si.mobil are striving to provide warm environments across Slovenia, where children would be interviewed only once through talking and playing and in the presence of highly trained experts. The interview is recorded and the tape is labeled with a special stamp and safely stored to be used by the court, the prosecution, and experts.

With the gathered donations there were two child-friendly interview rooms opened at the society's headquarters in Ljubljana and the headquarters of the ZRNO association in Maribor, while a part of the donations went towards equipping some already operational child-friendly interview rooms at the Social Work Centers in Krško, Radovljica, Ljubljana Šiška, Nova Gorica and Celje.

Funds gathered at individual Parties with a Cause (in EUR)

1. Party with a Cause, 10 December 2004	9,700.00
2. Party with a Cause, 27 August 2005	10,810.00
3. Party with a Cause, 26 August 2006	10,450.00
4. Party with a Cause, 25 August 2007	12,175.60
5. Party with a Cause, 30 August 2008	16,502.28
6. Party with a Cause, 29 August 2009	30,146.26
7. Party with a Cause, 28 August 2010	30,005.74
8. Party with a Cause, 27 November 2010	28,264.44
9. Party with a Cause, 7 May 2011	23,841.32
10. Party with a Cause, 27 August 2011	37,098.57
Total	208,994.21

Sponsorships and Donations

With selected sponsorships and donations, Si.mobil is pursuing its vision and fulfilling its values. It sponsors different projects and in this way helps establish and strengthen relations with its users. Si.mobil's care for the environment in which it is operating is also demonstrated by direct donations to different associations and NGOs.

In the spirit of its Re.think socially responsible philosophy, Si.mobil has been sponsoring the Ljubljana Marathon for years and encouraging a healthy lifestyle. Every year many Si.mobil employees, members of the Sports Group, also compete in the marathon.

.....

Progressive for today, responsible for tomorrow, reliable forever

With its business sponsorships, Si.mobil seeks out new business opportunities, and strengthens links with existing business partners. In 2011, Si.mobil sponsored:

- The IBM Forum,
- The IBM Slovenia golf,
- The Managers Association of Slovenia's conferences,
- The Telecommunications Conference,
- Nature and Health Fair,
- IDC Cloud Computing.

Si.mobil helps humanitarian organizations with direct donations, and by providing its free of charge Text Message Donor service, with which organizations can raise funds for humanitarian purposes. Users who text a keyword to the number 1919 donate €1 to the selected organization. Si.mobil waives all revenues from the sent text messages. By the end of 2011, funds for over 40 charity campaigns were raised through the Text Message Donor service.

SI.MOBIL IN FIGURES

FINANCIAL
STATEMENTS
FOR
THE YEAR ENDED
31 DECEMBER 2011

Management report for the year ended 31 December 2011

2011 was, like the year before, marked by the global economic crisis, which also strongly affected the domestic market. In addition to this, the Slovenian market also suffered the consequences of a political crisis and the inability to adopt necessary recovery reforms and measures. Si.mobil bravely fought the tough macroeconomic conditions, and successfully concluded the year thanks to its eminently capable management and governance, and with the support of a stable owner.

In 2011, Si.mobil focused on its users, as the company believes that excellent user support and providing users with an excellent experience present a key distinctive advantage. To further improve the user experience, the company carried out the largest network upgrade in its history and built the largest 3G network in Slovenia, which provides access to mobile broadband internet to a total of 88.3% of the population. New products and services, such as smartphones and tablets, resulted in a change in users' habits, with mobile internet usage greatly increasing, while the sales of smartphones have exceeded the sales of feature phones. All these facts contributed to improved user satisfaction, increased market share, and users' increased monthly spending.

Selected Performance Indicators

In 2011, total operating revenue increased by 11.5% compared to 2010. The highest growth was recorded in revenue generated by the sale of goods, which is the result of launching the sale of the iPhone in 2011. The company also recorded an increase in revenue from inter-connection services, which is the result of providing international transit traffic. Revenue from domestic interconnection services meanwhile continued to drop because of further price regulation. Revenue from the sale of basic telecommunication services increased 8.9% year-on-year, which is the result of growth in the number of users, and partly because of higher usage of data services.

Higher revenue was also reflected in the EBITDA, which amounted to €53.65 million at the end of the year, a 23.5% increase compared to the year before. Si.mobil finished the year with a positive EBIT of €32.78 million. Total profit stood at €33.99 million.

At the end of 2011, Si.mobil had 639,698 users, which is a 3.3% increase compared to the year before. The growth was the highest among subscribers (+8.0%), which present 74% of all users. These data are especially encouraging, if we take into account that the penetration in the Slovenian mobile telecommunication market exceeds 100% (105.5%), and that all rivals in the market provided aggressive offers.

The average revenue per user (ARPU) increased by 1.9% to €20.9 compared to the year before. In the structure of average revenue per user, the share of so-called bundled services keeps increasing.

A GENERAL COMPARISON OF THE FINANCIAL INDICATORS FROM 2011 AND 2010 (IN ACCORDANCE WITH THE SLOVENIAN ACCOUNTING STANDARDS)

		2011	2010
Statement of Income			
Total revenue	EUR million	188.34	168.84
Earnings before interest, taxes, depreciation and amortization (EBITDA)	EUR million	53.65	43.45
Earnings before interest and taxes (EBIT)	EUR million	32.78	24.73
Profit/loss	EUR million	1.21	0.80
Earnings before tax (EBT)	EUR million	33.99	25.53

Balance Sheet

Assets	EUR million	239.01	200.76
Tangible fixed assets	EUR million	71.76	72.03
Current assets	EUR million	126.13	90.55
Financial liabilities and trade payables	EUR million	76.06	55.93
Equity	EUR million	150.35	133.25

Selected indicators

EBITDA/total revenue	%	28.49%	25.73%
Investments in tangible fixed assets	EUR million	15.32	13.13
Average number of employees		360	351
Number of employees at the end of the year		369	351
Number of users at the end of the year		639,698	618,888
Number of subscribers		476,308	440,856

Ownership Structure

There were no changes to the structure of Si.mobil's shareholders in 2011. Si.mobil has been a 100% owned subsidiary of Mobilkom Beteiligungsgesellschaft mbH since 2006.

Through its owner, Mobilkom Beteiligungsgesellschaft mbH, Si.mobil is member of Telekom Austria AG, which is listed on the Vienna Stock Exchange. Since 2006 Telekom Austria has been using International Financial Reporting Standards (IFRS) as its principal accounting standards. Therefore Si.mobil prepares its financial statements for the purpose of consolidating financial statements with the rest of the group in accordance with internal accounting instructions and guidelines, which enable Telekom Austria AG to prepare consolidated financial statements in accordance with IFRS. We also use these instructions and guidelines

in our management information system and for making plans and forecasts.

The financial data in the following table were taken from our internal reporting package for 2011, prepared for Telekom Austria AG in accordance with IFRS.

In EUR million	Total operating revenue	Earnings before interest, tax, depreciation, and amortization (EBITDA)	Earnings before interest and taxes (EBIT)	Net profit
Slovenian Accounting Standards - 2011	188.34	53.65	32.78	27.09
Differences in the treatment of subscriber acquisition costs – adjustment	0.00	-2.17	-2.17	-2.17
Differences in the treatment of subscriber acquisition costs – reallocation	9.49	0.00	0.00	0.00
Adjustment of deferred taxes	0.00	0.00	0.00	0.54
Adjustment for depreciation and amortization	0.00	0.00	-0.55	-0.55
Other adjustments	-4.99	0.19	0.17	0.00
Telekom Austria IFRS instructions and guidelines 2011	192.84	51.67	30.23	24.91
Telekom Austria IFRS instructions and guidelines 2010	174.55	45.10	23.96	19.38

More information on the instructions and IFRS guidelines for Telekom Austria AG is available in the official 2011 annual report which is published on the website www.telekom.at.

New Products and Services

Si.mobil introduced a new set of services for its business users – The Perfect Office, which has expanded its business operations. The Perfect Office is the first integrated communication and business solution on the market. With The Perfect Office Si.mobil has exceeded the realm of mere mobile services and has become an end-to-end provider of IT, communication, and business solutions. The Perfect Office consists of four sets of features: mobile telephony and mobile data transfer, business software and services (cloud computing), hardware and accessories, and in 2012 we expect to add fixed telephony and fixed internet access. The important advantage of The Perfect Office is that entrepreneurs get a complete communication service in one place, since Si.mobil takes care of everything.

In addition to a price increase in several other old price plans for residential users, in September Si.mobil wanted to add an annual fee for administering the subscriber's number. It did not introduce the annual fee because of the market inspectorate's decision, which forbids charging for these services. Following the decision not to introduce the fee, we also launched two extremely successful sales campaigns by the end of the year, 'Polovička' (Half) and 'PREPRO-STO ZAME', which have generated extraordinarily high profits and exceeded the projected growth of users.

Eight different sales campaigns and benefits were prepared for ORTO users, satisfying the various tastes of our youth. According to their needs and calling habits they were able to choose between more or less “smart” phones at excellent prices, and at the same time we rewarded them with extra features, such as of free minutes and megabytes, lower subscription fees, and

bonuses like discounts on monthly invoices.

Si.mobil is the only Slovenian mobile provider offering the most desired mobile phone in the world – iPhone 4, with the newer model iPhone 4S being added after the introduction. The iPhone 4 is the best-selling phone in Si.mobil's history. It is also worth emphasizing that the sale of smartphones in 2011 increased extremely and exceeded the sale of feature phones.

In October, Si.mobil updated its Mobilni Internet price plans and options, and adapted them to users' mobile data transfer needs, the ever growing bandwidth and capacity of the data network, and to the fast growing number of smartphones in the market. The new price plans and options enable carefree mobile internet surfing, as the user is not charged for exceeding the included data allowance, only the data rate is reduced.

Si.mobil successfully completed the upgrade and overhaul of its network in 2011. Now its network, with its mobile broadband internet, covers 88.3% of the Slovenian population. From July 2011 onwards, Si.mobil has covered the regions of Gorenjska, Koroška, Dolenjska, Kočevska and Savinjska as well as Zasavje, Štajerska and Pomurje with the UMTS 900 technology.

Changes in Management

The Management Board consists of Dejan Turk, president of the Management Board, Milan Zaletel, and Ulrich Rokita, both members of the Board. Ulrich Rokita joined the Management Board on 15th March 2011.

In 2011 Claudia Winkler left Si.mobil's Supervisory Board, and new member Reinhard Zuba joined.

Conducting Business with Associated Companies

Based on the legal structure of the company and the types of services it provides, the company cooperates with associated companies in its business operations. This comprises standard services associated with telecommunications, for instance international roaming and interconnections. In addition, A1 Telekom Austria charges Si.mobil for management costs and the costs of technical services which it provides.

Plans for the Future

In 2011 we continued with our strategy, which is focused on growing the number of users by providing excellent user experience and advanced telecommunication services.

In 2011 we expanded our range of services with our set of business solutions The Perfect Office. In 2012 we will continue expanding The Perfect Office solutions by providing our business users with a wider range of services based on cloud computing and by providing fixed internet and telephony.

The basic direction remains the same, given our belief that only a focus on our users can ensure long-term success. This means we will continue investing into the development of new technologies, improving existing services, improving and upgrading our network, which in 2011 was the largest 3G network in Slovenia, all the while investing in the development of our employees and sales network.

Trends in financial results and changes in the global environment were the basis for a thorough reflection on the development of the telecommunications market until 2014. The core of our strategy remains unchanged, therefore we will continue with the following activities: we will work for and with our users, recognizing their needs and fulfilling them in the shortest possible time. We will continue to develop a strong and meaningful brand, to acquire new users, and to increase the value of our existing users. At the same time cost-effectiveness will remain our guiding principle in our future undertakings. To that end we will use to the utmost the synergies of Telekom Austria Group, the largest group of mobile operators in Central Europe, while introducing changes, which will simplify internal business operations.

The Slovenian telecommunications market has become mature. In the coming years we expect ever tighter competition for existing users. We have therefore added maintaining existing users as a corollary to our existing strategic directions and made it a priority. We believe that the opportunities for further growth are in expanding the number of our users and in extending our range of telecommunication services and in the use of technologies which guarantee cost-effectiveness of broadband connections.

Events since the Balance Sheet Date

After the balance sheet date on 31 December 2011, there have been no events which would affect the financial statements for 2011.

Statement from the Management

The Management Board is aware of the Annual Report for 2011 and confirms it. The Annual Report was prepared in accordance with Slovenian Accounting Standards and the Companies Act. In our opinion, the appropriate accounting methods have been used, and the annual report reflects the true value of assets, liabilities, financial position, and results of the Company in 2011.



Dejan Turk
Chairman of the Board



Milan Zaletel
Member of the Board



Ulrich Rokita
Member of the Board

Ljubljana, 6 February 2012

1. General Disclosure

1.1. Introductory presentation of the Company

1.1.1. ESTABLISHMENT AND OWNERSHIP STRUCTURE

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

THE COMPANY WAS FOUNDED ON 23 DECEMBER 1997. AS AT 31 DECEMBER 2011 THE OWNERSHIP STRUCTURE WAS AS FOLLOWS:

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

Company name:	Si.mobil, telekomunikacijske storitve d.d.
Shortened Company name:	Si.mobil d.d.
Share capital:	38,781,000 EUR
Reg. no. in the CSO register:	1196332
VAT ID:	SI60595256
Classification code:	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, 1020 Vienna, Austria and is included in its consolidated financial statements (for more information refer to www.mobilkom.at). The consolidated financial statements of Mobilkom are included in the consolidated financial statements of Telekom Austria AG, Lassallestrasse 9, 1020 Vienna, Austria, In the financial statements of Si.mobil d.d., the enterprises of Telekom Austria AG are treated as Group enterprises.

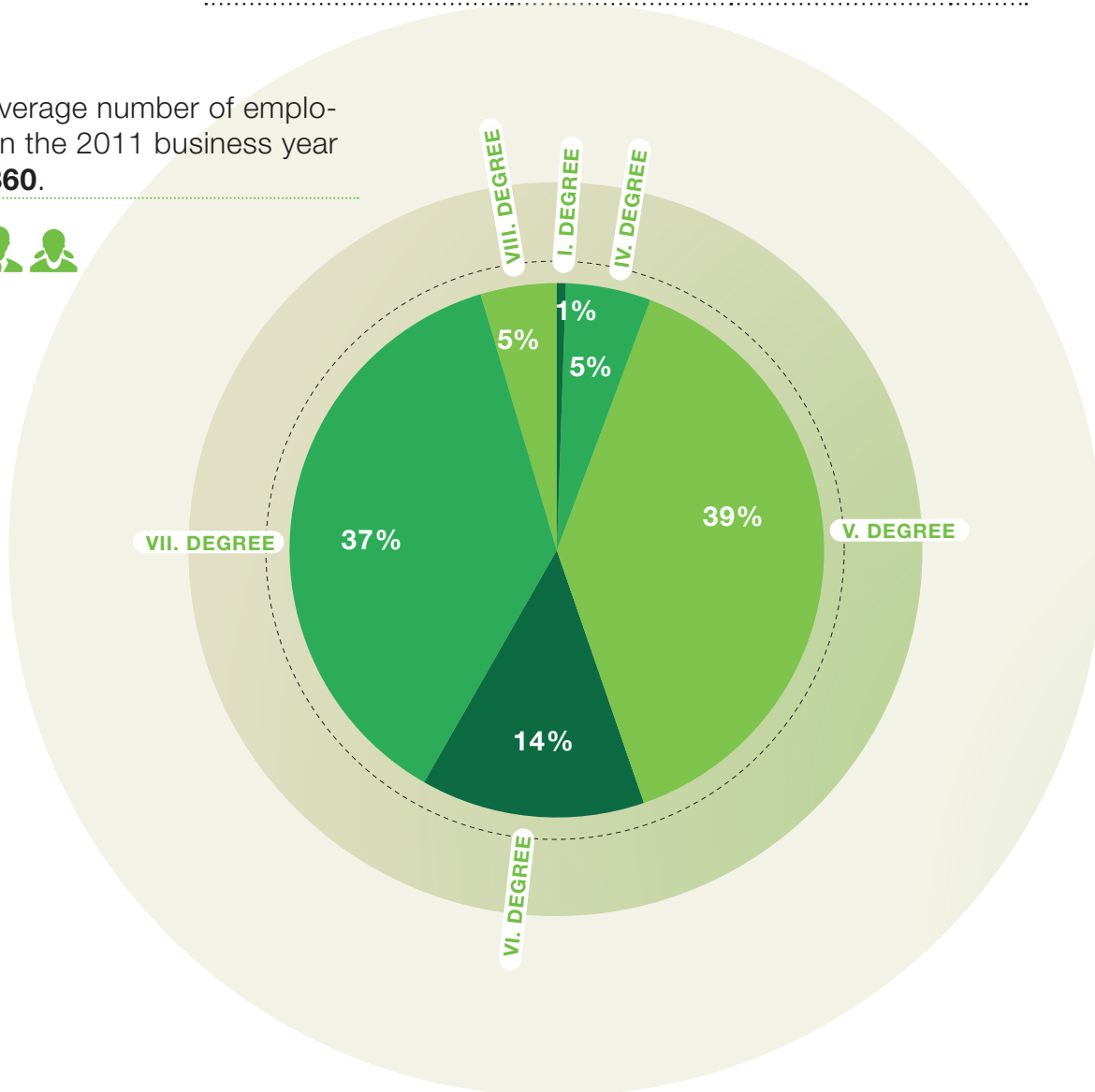
1.1.4. EMPLOYEES

The number of employees at the end of the 2011 business year was 369 (352 at the end of business year 2010).

Number of employees per level of education:

stopnja izobrazbe	2010	2011
1st level	2	2
4th level	19	19
5th level	147	144
6th level	45	50
7th level	121	137
8th level	18	17

The average number of employees in the 2011 business year was **360**.



2. Auditor's Report



Independent Auditor's Report

To the Shareholders of SI.MOBIL d.d.

We have audited the accompanying financial statements of SI.MOBIL d.d., which comprise the balance sheet as at 31 December 2011, the income statement and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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


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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SI.MOBIL d.d., as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.


Other matters

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


Katja Dolinsek, B.Sc. Ec.
Certified Auditor

Ljubljana, 6 February 2012

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


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

KPMG Slovenija, d.o.o.
1

3. Balance Sheet as of 31 December 2011

In EUR	Notes	31.12.2011	31.12.2010
ASSETS		239,011,398	200,756,674
A. LONG-TERM ASSETS		106,835,974	104,130,778
I. Intangible assets and long-term deferred costs and accrued revenue	8.1.1.	35,018,476	32,088,863
1. Long-term property rights		15,603,295	16,569,321
5. Other long-term deferred costs and accrued revenue		19,415,181	15,519,542
II. Property, plant and equipment	8.1.2.	71,755,726	72,031,165
1. Land		9,039	9,039
3. Other plant and equipment		61,449,225	60,108,270
4. Property, plant and equipment in acquisition		10,297,462	11,913,856
a) Property, plant and equipment in the course of construction		10,246,518	11,826,118
b) Advances for acquisition of property, plant and equipment		50,944	87,738
IV. Long-term financial investments	8.1.3.	10,750	10,750
V. Long-term receivables	8.1.4.	51,022	0
3. Long-term receivables other		51,022	0
B. CURRENT ASSETS		126,126,895	90,547,398
II. Inventories	8.1.5.	5,930,586	5,691,662
3. Products and merchandise		5,930,586	5,691,662
IV. Short-term operating receivables	8.1.6.	65,618,223	45,088,968
1. Short-term operating receivables due from group companies		5,279,322	6,381,438
2. Short-term operating trade receivables		58,969,006	37,171,400
3. Short-term operating receivables due from others		1,369,895	1,536,130
V. Cash	8.1.7.	54,578,086	39,766,768
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE	8.1.8.	6,048,529	6,078,498
OFF-BALANCE SHEET ITEMS	8.1.14.	1,042,696	981,953

In EUR	Notes	31.12.2011	31.12.2010
EQUITY AND LIABILITIES		239,011,398	200.756.674
A EQUITY	8.1.9.	150,347,633	133,253,641
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		1,881,249	526,549
1. Statutory reserves		1,881,249	526,549
V. Retained net profit		4,435	0
VI. Net profit for the financial year		25,739,292	10,004,435
B PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE	8.1.10.	4,487,677	3,895,502
1. Provisions for pensions and other similar liabilities		258,739	226,672
2. Other long-term provisions		4,100,418	3,662,030
3. Long-term accrued costs and deferred revenue		128,520	6,800
C LONG-TERM LIABILITIES		286,196	584,784
III. Long-term liabilities for deferred taxes	8.1.11.	286,196	584,784
D SHORT-TERM LIABILITIES	8.1.12	76,058,642	55,934,825
III. Short-term operating liabilities		76,058,642	55,934,825
1. Short-term operating liabilities to group companies		3,325,475	5,565,675
2. Short-term trade payables		67,266,892	46,185,565
5. Other short-term operating liabilities		5,466,275	4,183,585
E SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	8.1.13.	7,831,250	7,087,922
OFF-BALANCE SHEET ITEMS	8.1.14.	1,042,696	981,953

4. Profit and Loss Statement for 2011 – Version I

In EUR	Notes	2011	2010
1. Net sales	8.2.1.	185,573,738	167,144,024
4. Other operating revenue (including revaluation operating revenue)	8.2.2.	2,769,108	1,696,040
5. Costs of goods, materials and services	8.2.3.	115,687,022	110,489,275
a) Costs of goods and materials sold and costs of materials used		16,297,220	13,075,701
b) Costs of services		99,389,802	97,413,574
6. Labour costs	8.2.4.	13,836,994	12,747,431
a) Payroll costs		10,478,563	9,421,025
b) Social security costs		1,972,326	1,837,928
c) Other labour costs		1,386,105	1,488,478
7. Write-downs in value		24,506,885	19,670,626
a) Depreciation and amortisation expense	8.2.5.	20,875,997	18,716,417
b) Revaluation operating expenses associated with intangible assets and property, plant and equipment		2,653	0
c) Revaluation operating expenses for working capital	8.2.6.	3,628,235	954,209
8. Other operating expenses	8.2.7.	1,533,365	1,203,527
OPERATING RESULT (EBIT)		32,778,580	24,729,205
11. Financial revenue from operating receivables	8.2.8.	1,369,641	1,284,336
a) Financial revenue from operating receivables due from group companies		344,684	84,045
b) Financial revenue from operating receivables due from others		1,024,957	1,200,291
14. Financial expenses for operating liabilities	8.2.9.	156,565	487,023
b) Financial expenses for trade payables and bills payable		1,553	2,451
c) Financial expenses for other operating liabilities		155,012	484,572
TOTAL PROFIT BEFORE TAXES		33,991,656	25,526,518
17. Income tax	8.2.11.	-7,196,254	- 4,267,238
18. Deferred taxes	8.2.12.	298,589	-906,979
NET PROFIT FOR THE PERIOD	8.2.10.	27,093,991	20,352,301

5. Statement of Cash Flows for the Period from 1 January to 31 December 2011 - Version II

In EUR	2011	2010
A CASH FLOWS FROM OPERATING ACTIVITIES		
a) Items from income statement	47,972,641	39,068,718
Operating revenue (except for revaluation) and financial revenue from operating receivables	189,712,486	170,124,400
Operating expenses excluding depreciation or amortisation (except for revaluation) and financial expenses from operating liabilities	-134,842,180	-125,881,465
Income taxes and other taxes not included in operating expenses	-6,897,665	-5,174,217
b) Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)	371,500	3,874,827
Opening less closing operating receivables	-20,580,278	-16,103,042
Opening less closing deferred costs and accrued revenue	29,970	-1,178,608
Opening less closing deferred tax assets	0	322,194
Opening less closing inventories	-238,924	-2,245,176
Closing less opening operating liabilities	19,825,229	22,331,219
Closing less opening accrued costs and deferred revenue, and provisions	1,335,503	748,240
c) Net cash flows from operations or net cash flows applied to operations (a+b)	48,344,141	42,943,545
B CASH FLOWS FROM INVESTING ACTIVITIES		
a) Receipts from investing activities	0	2,928,024
Receipts from investing activities intangible fixed asset	0	2,928,024
b) Cash payments for investing activities	-23,532,823	-14,565,084
Cash payments to acquire intangible assets	-8,355,326	0
Cash payments to acquire property, plant and equipment	-15,177,497	-14,564,334
Cash payments to acquire long-term financial investments	0	-750
c) Net cash from investing activities or net cash flows applied to investing activities (a+b)	-23,532,823	-11,637,060
C CASH FLOWS FROM FINANCING ACTIVITIES		
a) Receipts from financing activities	0	0
Receipts from increased long-term financial liabilities	0	0
b) Cash payments for financing activities	-10,000,000	0
Interest paid on financing activities	0	0
Cash repayments of long-term financial liabilities	0	0
Cash repayments of short-term financial liabilities	0	0
Dividends paid	-10,000,000	0
c) Net cash from financing activities or net cash flows applied to financing activities (a+b)	-10,000,000	0
D CLOSING BALANCE OF CASH		
x) Net cash inflow or outflow for the period	14,811,318	31,306,485
E OPENING BALANCE OF CASH		
	39,766,768	8,460,283

6. Statement of changes in equity

A) STATEMENT OF CHANGES IN EQUITY FROM 01 JANUARY 2011 UNTIL 31 DECEMBER 2011

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

**B) STATEMENT OF CHANGES IN EQUITY FROM 01 JANUARY 2010 UNTIL
31 DECEMBER 2010**

	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 2009	38,781,000	87,171,037	0	-13,050,697	0	112,901,340
A.2. Opening balance as at 01 January 2010	38,781,000	87,171,037	0	-13,050,697	0	112,901,340
B.1. Changes in share capital	0	0	0	0	0	0
g) Dividend payments	0	0	0	0	0	0
B.2. Total comprehensive income for the period	0	0	0	0	20,352,301	20,352,301
a) Net profit for the period	0	0	0	0	20,352,301	20,352,301
B.3. Changes in capital	0	-3,229,380	526,549	13,050,697	-10,347,866	0
b) Allocation of profit as capital by the resolution of Management or Supervisory Board	0	0	526,549	0	-526,549	0
c) Allocation of profit as capital by the resolution of shareholders	0	0	0	0	0	0
d) Settlement of loss as a deduction component of capital	0	-3,229,380	0	13,050,697	-9,821,317	0
C. Closing balance as at 31 December 2010	38,781,000	83,941,657	526,549	0	10,004,435	133,253,641
Accumulated profit 2010			0		10,004,435	10,004,435

ACCUMULATED PROFIT/LOSS:

In EUR	2011	2010
a) Net profit or loss for the period	27,093,991	20,352,301
b) + retained loss/profit from previous periods	4,435	-9,821,317
c) + decrease in revenue reserves	0	0
d) - increase in profit reserves based on a decision of the management (legal reserves, reserves for own shares and interests, and statutory reserves)	-1,354,699	-526,549
e) - increase in profit reserves based on a decision of the management and the supervisory board (other revenue reserves)	0	0
f) = Accumulated profit a+b+c-d-e) appropriated by the annual general meeting of shareholders as follows:	25,743,727	10,004,435
- distributed to shareholders	0	10,000,000
- allocated to other reserves		
- carried forward to the following period and	0	4,435
- appropriated for other purposes		

OTHER COMPREHENSIVE INCOME:

In EUR	2011	2010
Other comprehensive income	27,093,991	20,352,301

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 EUR at the middle exchange rate of Bank of Slovenia effective at the date of the transaction. Foreign exchange differences between the date of the transaction and the day of payment are recorded in the profit and loss statement as financial revenues or expenses.

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

7.3 Intangible assets and long-term deferred costs and accrued revenues

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

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

7.4. Property, plant and equipment

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

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

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

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

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

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

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

7.5. Depreciation and amortisation costs

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

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

ready for use.

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

Item	Useful life (in years) 2011
Intangible assets	
Concessions	15
Software and licences	1–10
Property, plant and equipment	
Base stations and mobile switches	5–15
Computer equipment	3–4
Transportation equipment	7
Other equipment	3–7
Low-value assets and spare parts	3–8

7.6. Long term financial investments

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

7.7. Receivables

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

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

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

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

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

7.8. Inventories

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

7.9. Cash

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

7.10. Equity

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

Share capital is recorded in local currency.

7.11. Provisions and long-term accrued costs and deferred revenues

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

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

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

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

7.12. Liabilities

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

7.13. Short-term accrued and deferred items

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

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

7.14. Recognition of revenues

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

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

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

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

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

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

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

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

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

7.15. Recognition of expenses

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

Revaluation operating expenses are recognised when revaluation is performed

7.16. Taxes

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

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

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

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

7.17. Statement of cash flows

The statement of cash flows has been prepared using the indirect method of reporting cash flow, taking into account data from the balance sheet as of 31 December 2011, the balance sheet as of 31 December 2010, the profit and loss statement for the year 2011, 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 35,018,476 EUR

In EUR	31.12.2011	31.12.2010
Long-term property rights	15,603,295	16,569,321
Concessions	6,947,997	8,443,333
Software and licences	8,655,298	8,125,988
Long-term deferred costs and accrued revenue	19,415,181	15,519,542
Long-term deferred costs for usage of data lines	282,236	363,619
Long-term deferred costs for usage of land for base stations	1,119,355	911,181
Long-term deferred costs of customer acquisition	18,013,590	14,244,742
Total	35,018,476	32,088,863

Concessions:

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

Software and licences:

In 2011, additions to software and licences amounted to 3,854,623 EUR (2010: 2,507,489 EUR).

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 2011 the company did not have commitments for the purchase of intangible assets.

8.1.2. PROPERTY, PLANT AND EQUIPMENT 71,755,726 EUR

In EUR		
Item	31.12.2011	31.12.2010
Land	9,039	9,039
Base stations and mobile switches	46,422,735	44,667,690
Computer equipment	3,019,875	3,333,136
Investments in fixed assets owned by third parties	2,033,446	2,047,543
Other equipment	9,703,067	9,753,155
Low-value assets and spare parts	270,102	306,746
Tangible fixed assets under construction	10,246,518	11,826,118
Advances for tangible fixed assets	50,944	87,738
Total	71,755,726	72,031,165

Land:

Land includes land that has been purchased in order to ensure access to base stations. There were no new investments in land during 2011.

Base stations and mobile switches:

In 2011, additions to base stations and mobile switches amounted to 11,939,049 EUR (2010: 9,099,630 EUR). The estimated useful life of base stations is 5 years for equipment and 15 years for infrastructure assets. The straight-line method of depreciation is used.

Book value of assets retirement costs included in the base stations value amounted to 1,939,295 EUR as per 31 December 2011 (2010: 1,763,218 EUR).

Based of performed analysis and defined parameteres in A1 Telekom Austria group, the parameters for local financial reporting for Asset retirement obligation calculation are changed in financial year 2011 as follows:

- Inflation rate from 2% to 3%
- Discount rate from 4,5% to 6%.

Changes in calculation resulted to increase in asset in amount of 20,351 EUR and increase of asset retirement liability in amount of 20,351 EUR.

Other plant and equipment:

In 2011, other additions to property, plant and equipment included additions to computer equipment in amount of 1,057,454 EUR (2010: 2,211,465 EUR), other equipment in amount of 3,331,288 EUR (2010: 2,377,022 EUR) and low-value assets and spare parts in amount of 180,056 EUR (2010: 275,301 EUR).

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

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

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

Mortgages:

As of 31 December 2011, no fixed assets were pledged as security.

Commitments:

The amount of commitments for the purchase of property, plant and equipment amounted to 3,379,671 EUR on 31 December 2011 (2010: 1,033,322 EUR).

8.1.3. LONG-TERM FINANCIAL INVESTMENTS 10,750 EUR

Long-term financial investment in amount of 10,000 EUR 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 EUR.

8.1.4. LONG TERM RECEIVABLES 51,022 EUR

Long-term operating receivables includes long term security deposits given to company Euro-market Ltd. amounting in amount of 33,135 EUR, to the company Globe Trade Ltd. In amount of 12,750 EUR and to the company Mercator d.d. in amount of 5,137 EUR.

8.1.5. INVENTORIES 5,930,586 EUR

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

In EUR	Gross amount	Allowances	Net amount 31.12.2011	Net amount 31.12.2010
Products and merchandise	6,161,196	230,610	5,930,586	5,691,663
Total	6,161,196	230,610	5,930,586	5,691,663

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

Stock taking in 2011 resulted in 12,947 EUR (2010: 4,604 EUR) of negative differences.

As of 31 December 2011, no inventories were pledged as security.

8.1.6. SHORT-TERM OPERATING RECEIVABLES 65,618,223 EUR

In EUR		
Receivables	31.12.2011	31.12.2010
Short-term operating trade receivables	58,915,016	37,131,443
Short-term advances and security deposits	53,990	39,957
Short-term operating receivables due from group companies	5,279,322	6,381,438
Short-term operating receivables due by others	1,369,895	1,536,130
Total	65,618,223	45,088,968

The company has a dispute with Telekom Slovenije d.d. Receivables above include 38,030,231 EUR of outstanding due from Telekom Slovenije d.d. on 31 December 2011 (31 December 2010: 18,687,855 EUR). See section 8.1.12. and Risk exposure.

Short-term operating receivables as per due date on 31 December 2011:

In EUR	Receivables
Not yet due	18,076,375
Due from 1 – 30 days	5,678,016
Due from 31 – 180 days	8,873,098
Due from 181 – 360 days	10,782,652
Due over 361 days	36,370,293
Total	79,780,434

Short-term operating trade receivables:

In EUR	Gross amount	Allowances	Net amount 31.12.2011	Net amount 31.12.2010
Domestic customers – subscribers	33,157,841	19,468,265	13,689,576	9,926,528
Domestic customers – others	43,473,545	1,367,258	42,106,287	25,831,915
Foreign customers	3,149,048	29,895	3,119,153	1,373,000
Total	79,780,434	20,865,418	58,915,016	37,131,443

As of 31 December 2011, short-term operating trade receivables due from post-paid customers included receivables related to monthly subscription, airtime and other GSM services in the amount of 13,689,576 EUR (2010: 9,926,528). In 2011, additional allowances were formed for these receivables in the net amount of 2,556,191 EUR (2010: 1,423,295 EUR).

Short-term operating trade receivables include receivables from other domestic customers including dealers, retailers and interconnection partners. In 2011, allowances increased in the net amount of 146,640 EUR (2010: increased for 80,837 EUR).

Receivables due to customers abroad include mainly receivables from international roaming. In 2010 the allowances decreased by 72,814 EUR (2010: increased by 17,492 EUR).

In EUR	Valuation allowance 01.01.2011	Additions	Additions (charged to deferred revenues)	Utilisation (write-off)	Valuation allowance 31.12.2011
Domestic customers – subscribers	18,761,464	3,145,860	-589,669	1,849,390	19,468,265
Domestic customers – others	1,220,618	249,417	0	102,777	1,367,258
Customers abroad	102,709	0	0	72,814	29,895
Total	20,084,791	3,395,277	-589,669	2,024,981	20,865,418

Short-term advances and security deposits:

In EUR	Gross amount	Allowances	Net amount 31.12.2011	Net amount 31.12.2010
Advances for current assets	29,853	11,378	18,476	303
Advances to bailiffs	34,869	31,488	3,381	3,797
Advances to suppliers abroad	2,470	0	2,470	1,100
Security deposits	29,663	0	29,663	34,757
Total	96,855	42,866	53,990	39,957

Short-term operating receivables due from Group companies:

In EUR	Gross amount	Allowances	Net amount 31.12.2011	Net amount 31.12.2010
Vipnet	3,605,572	0	3,605,572	5,005,778
A1 Telekom Austria AG	1,437,034	0	1,437,034	717,771
Telekom Austria AG	17,000	0	17,000	27,896
Mobilkom Liechtenstein AG	214	0	214	1,405
Vip operator DOOEL	39,191	0	39,191	36,487
Vip mobile	74,934	0	74,934	546,372
Mobilkom Belarus Beteiligungsgesellschaft Gmbh	50,381	0	50,381	10,000
Velcom	-4,939	0	-4,939	783
Mobiltel EAD	59,935	0	59,935	34,946
Total	5,279,322	0	5,279,322	6,381,438

Short-term operating receivables due from others::

In EUR	Gross amount	Allowances	Net amount 31.12.2011	Net amount 31.12.2010
VAT receivable	825,275	0	825,275	1,009,744
Receivables for refund of compensation payments	19,071	0	19,071	6,706
Receivables due from banks	133,437	0	133,437	316,683
Receivables due from credit card issuers	340,040	0	340,040	182,833
Receivables due from employees	8,073	0	8,073	2,921
Other receivables	43,999	0	43,999	17,243
Total	1,369,895	0	1,369,895	1,536,130

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 2011 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.

8.1.7. CASH 54,578,086 EUR

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

In EUR	31.12.2011	31.12.2010
Bank balances	1,901,413	945,655
Cash on hand	69,275	38,680
Callable deposits	5,607,398	38,782,433
»Cash pooling« – TFG	52,476,518	38,782,433
Callable deposit NKBM	130,880	0
Total	54,578,086	39,766,768

8.1.8. KRATKOROČNE AKTIVNE ČASOVNE RAZMEJITVE 6,048,529 EUR

In EUR	31.12.2011	31.12.2010
Deferred costs (expenses)	1,404,684	1,334,738
Accrued revenues	4,643,845	4,743,760
Total	6,048,529	6,078,498

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 2011 and billed in January 2012, revenues from roaming and interconnection services provided in December 2011 and billed in January 2012, and other accrued revenues

8.1.9. EQUITY 150,347,633 EUR

As of 31 December 2011, positive equity in the amount of 150,347,633 EUR was recorded. The share capital is divided into 9,300,000 ordinary shares at par value of 4,17 EUR. All shares are called. Capital surplus amounts to 83,941,657 EUR and refers to a payment from the majority shareholder. Net profit for 2011 amounts 27,093,991 EUR. Net profit per share amounts to 2.91 EUR (27,093,991 EUR divided by 9,300,000 shares).

8.1.10. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE 4,487,677 EUR

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

In EUR	Provisions 01.01.2011	Additions	Releases	Utilisation	Provisions 31.12.2011
Jubilee payments	87,572	42,588	0	30,360	99,800
Retirement indemnity	139,100	38,202	0	18,363	158,939
Long term incentive program	33,640	0	5,054	0	28,586
Assets retirement provision	3,628,390	451,329	0	7,887	4,071,832
Free-of-charge assets	6,800	152,150	0	30,430	128,520
Total	3,895,502	684,269	5,054	87,040	4,487.677

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.

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

8.1.11. LONG TERM LIABILITIES 286,196 EUR

In EUR	31.12.2011	31.12.2010
From deductible temporary differences	286,196	584,784
Total	286,196	584,784

The Company recognises long term liabilities for deferred taxes in the amount of 286,196 EUR, from deductible temporary differences (different depreciation and amortisation periods for business than for tax purposes the liability in the amount of 1,103,982 EUR (2010: 832,971 EUR), tax non-deductible valuation allowances of receivables – receivable in the amount of 604,140 EUR (2010: of 33,517 EUR), as well as tax non-deductible provisions for jubilee payments and retirement indemnity payments – receivable in the amount of 34,599 EUR (2010: 51,865 EUR) and assets retirement provision – receivable in the amount of 179,047 EUR (2010: 162,804 EUR).

In EUR	Liabilities for deferred tax 01.01.2011	Additions	Reversals	Utilisation	Liabilities for deferred tax 31.12.2011
From deductible temporary differences	584,785	297,324	0	595,913	286,196
Total	584,785	297,324	0	595,913	286,196

8.1.12. SHORT- TERM LIABILITIES 76,058,642 EUR

In EUR	31.12.2011	31.12.2010
Short-term operating liabilities	76,058,642	55,934,825
Total	76,058,642	55,934,825

Short-term operating liabilities:

In EUR	31.12.2011	31.12.2010
Short-term operating liabilities from advances	503,021	449,179
Short-term trade payables	66,763,871	45,736,386
Short-term operating liabilities to group companies	3,325,475	5,565,675
Other short-term operating liabilities	5,466,275	4,183,585
Total	76,058,642	55,934,825

The company has a dispute with Telekom Slovenije d.d. Liabilities are showing 40,340,175 EUR of disputed obligation as at 31.12.2011 (31.12.2010: 21,657,502 EUR). See section 8.1.6. and Risk exposure.

Short-term operating liabilities from advances:

In EUR	31.12.2011	31.12.2010
Payables for advances – others	503,021	449,179
Total	503,021	449,179

Short-term operating liabilities from advances:

In EUR	31.12.2011	31.12.2010
Short-term trade payables to domestic suppliers	55,528,103	37,860,253
Short-term trade payables to foreign suppliers	11,235,768	7,876,133
Total	66,763,871	45,736,386

Short-term operating liabilities to Group companies

In EUR	31.12.2011	31.12.2010
A1 Telekom Austria AG	3,062,133	2,249,325
VIPnet d.o.o.	60,010	2,853,108
Mobilkom Liechtenstein AG	2,423	2,200
Telekom Austria AG	44,165	158,480
VipNet usluge d.o.o.	28,943	63,003
VIP Mobile	15,216	130,252
Velcom	1,594	4,548
VIP Operator	-33,792	15,428
World direct	210	140
Mobiltel AD	144,573	89,191
Total	3,325,475	5,565,675

Other short-term operating liabilities:

In EUR	31.12.2011	31.12.2010
Net wages and salaries	562,139	471,270
Taxes from gross wages and salaries	173,023	127,433
Contributions from gross wages and salaries	212,194	169,840
Other payables to employees (meal allowance, commuting allowance)	105,470	87,832
Concession fee payable	6	8,081
Taxes on wages and salaries	154,580	123,726
Liabilities for VAT	928,101	781,162
Liabilities for corporate income tax	3,281,348	2,378,806
Other short-term liabilities (debts)	49,414	35,435
Total	5,466,275	4,183,585

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

8.1.13. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE

7,831,250 EUR

In EUR	31.12.2011	31.12.2010
Short-term deferred revenues	6,301,524	5,633,217
Short-term accrued costs (expenses)	1,529,726	1,454,705
Total	7,831,250	7,087,922

Short-term accrued costs and expenses include costs of bonus for 2011 for directors, managers and employees, costs for unused holidays for the year 2011 and other accrued costs.

Short-term deferred revenues include deferred revenues from sale of call vouchers yet to be activated and those activated but not yet used up (SIMPL system) and for revenues from subscriptions for January 2012 charged in advance.

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

8.1.14. OFF-BALANCE SHEET ITEMS 1,042,696 EUR

Off balance sheet items include received guarantees in the amount of 27,370 (2010: 22,659 EUR), given guarantees in the amount of 114,111 EUR (2010: 58,079 EUR) and potential liability based on law suit in amount of 901,215 EUR (2010: 901,215 EUR).

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

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 EUR	2011	2010
Net revenues from sale, utilised own products and other revenues	188,342,845	168,840,064
Cost of sales (with amortisation), or original cost of sold goods	100,042,085	92,709,304
Selling costs (with amortisation)	39,137,320	36,268,673
Administrative costs (with amortisation)	16,384,860	15,132,882
Operating result (EBIT)	32,778,580	24,729,205

8.2.1. NET SALES 185,573,738 EUR

In EUR	2011	2010
Revenues from sale of services	169,425,435	156,640,376
Revenues from sale of goods	16,148,303	10,503,648
Total	185,573,738	167,144,024

Revenues from sale on domestic and foreign markets:

In EUR	2011	2010
Revenues from sale on domestic market	171,593,265	156,128,127
Revenues from sale of services	155,490,762	145,838,219
Revenues from sale of goods	16,102,503	10,289,908
Revenues from sale on foreign markets	13,980,473	11,015,897
Revenues from sale of services to Group enterprises	9,006,850	5,768,493
Revenues from sale of services to other foreign enterprises	4,927,823	5,033,664
Revenues from sale of goods to Group enterprises	45,800	213,740
Total	185,573,738	167,144,024

Revenues from sale of services – by type of service:

In EUR	2011	2010
Services to subscribers and prepaid users	132,752,113	121,858,571
Interconnection and roaming services	33,704,871	32,192,716
Other revenues from sale of services	2,968,451	2,589,089
Total	169,425,435	156,640,376

Incomes from the contractor penalties are recognized when incurred from 01 January 2011 (until 31 December 2010 those revenues were deferred and recognized as revenues when paid). Based on past principles allowance for doubtful receivables related to contractual penalties is recognized as a decrease in deferred revenues. With changes in principles it is calculated and recognized as for all other receivables as revaluation expense (bad debt).

The effect of the change in the financial year 2011 is 462,785.47 EUR as increase in EBITDA.

8.2.2. OTHER OPERATING REVENUE (INCLUDING REVALUATION OPERATING REVENUE) 2,769,107 EUR

Other operating revenues include revenues from asset disposals in the amount of 8,987 EUR (2010: 1,644 EUR), revenues with the release of provisions in the amount of 55,053 EUR (2010: 0 EUR) revenues from the release of long-term provisions from donated fixed assets in the amount of 30,430 EUR (2010: 0 EUR), revenues from the release of long term provision for asset retirement in amount of 5,666 EUR (2010: 729,382 EUR), revaluation operating revenues from receivables in the amount of 1,666,802 EUR (2010: 0 EUR) , and collected receivables balance, court costs in the amount of 950,477 EUR (2010: 963,273 EUR), Incomes from paid writte off receivables amounting to 38,925 EUR (2010: 52,488 EUR) and other revenues in the amount 12,767 EUR (2010: 1,741 EUR).

8.2.3. COST OF GOODS SOLD, MATERIALS AND SERVICES 115,687,022 EUR

In EUR	2011	2010
Cost of goods	12,998,477	10,231,445
Cost of materials	3,298,743	2,844,256
Cost of services	99,389,802	97,413,574
Total	115,687,022	110,489,275

The costs of goods are reduced by the deferred costs related to subscriber acquisition in the amount of 22,348,945 EUR (2010: 16,009,340 EUR). Amortisation of long-term deferred costs of subscriber acquisition was included in other costs of services in the amount of 17,037,479 EUR (2010: 20,487,215 EUR).

Cost of materials:

In EUR	2011	2010
Costs of energy	2,216,308	2,092,223
Costs of spare parts and materials for maintenance	41,394	30,943
Low-value assets write-off	147,622	62,622
Other material costs	45,501	34,361
Costs of office stationary and technical literature	847,918	624,107
Total	3,298,743	2,844,256

Cost of services:

In EUR	2011	2010
Service costs for outsourced manufacturing and services	5,924,568	5,597,719
Costs of transportation services	204,720	138,633
Costs of maintenance services	7,533,025	8,066,273
Rental expenses	9,885,721	8,041,539
Costs of fund transfer services and bank charges	549,572	502,099
Remuneration of travel expenses to employees	391,625	352,103
Costs of professional services	3,407,084	3,189,839
Insurance premiums	196,864	175,795
Costs of interconnection and roaming services	38,468,038	37,476,405
Marketing costs	10,479,576	8,959,592
Other costs of services	22,349,009	24,913,577
Total	99,389,802	97,413,574

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

Audit costs amounted to 52,682 EUR in 2011, in total for year-end audit.

8.2.4. LABOUR COSTS 13,836,994 EUR

In EUR	2011	2010
Cost of wages and salaries	10,478,563	9,421,025
Pension insurance costs	1,233,481	1,121,224
Other social insurance costs	738,845	716,704
Other labour costs		
Commuting allowances	440,939	426,939
Meal allowances	436,460	424,361
Vacation bonuses	340,496	323,976
Severance pays and anniversary bonuses	126,043	230,732
Costs of unused holidays	20,054	43,414
Other labour costs	22,113	39,056
Total	13,836,994	12,747,431

8.2.5. DEPRECIATION AND AMORTISATION EXPENSE 20,875,997 EUR

In EUR	2011	2010
Depreciation of property, plant and equipment	15,450,284	13,655,399
Amortisation of intangible assets	5,425,713	5,061,019
Total	20,875,997	18,716,417

8.2.6. REVALUATION OPERATING EXPENSES FOR WORKING CAPITAL 3,628,235 EUR

In EUR	2011	2010
Allowances for doubtful receivables	3,535,432	950,397
Allowances for slow-moving and obsolete stock	92,803	3,812
Total	3,628,235	954,209

Allowance for contractual penalties from 1 January 2011 is recognized as an operating expense-bed debt (up to 31 December 2010, the adjustment of claims for contractual penalties recognized as a decrease in deferred revenues). Also changed the accounting estimate to calculate the correction value from 1 January 2011 and is the same as for all receivables.

8.2.7. OTHER OPERATING EXPENSES 1,533,365 EUR

In EUR	2011	2010
Fiscal charges	1,174,009	987,391
Other expenses	359,356	216,136
Total	1,533,365	1,203,527

Fiscal charges include concession fees in the amount of 580,769 EUR (2010: 562,671 EUR) and administrative fees and court fees. Other expenses include costs of permits and concessions and other costs.

8.2.8. FINANCIAL REVENUE FROM OPERATING RECEIVABLES

1,369,641 EUR

In EUR	2011	2010
Interest income – others	831,442	746,930
Interest income – Group companies (cash pooling)	344,684	84,044
Foreign exchange gains	184,483	165,563
Other financial revenues	9,032	287,799
Total	1,369,641	1,284,336

8.2.9. FINANCIAL EXPENSES FOR OPERATING LIABILITIES 156,565 EUR

In EUR	2011	2010
Financial expenses for operating liabilities	156,565	487,023
Late interest charges to suppliers	1,553	2,451
Negative foreign exchange differences	144,983	471,474
Other interest	10,029	13,098
Total	156,565	487,023

8.2.10. NET PROFIT FOR THE PERIOD 27,093,991 EUR

In EUR	2011	2010
Operating result	32,778,580	24,729,205
Financial result	1,213,076	797,313
Income before taxes	33,991,656	25,526,518
Income tax	-7,196,254	-4,267,238
Deferred tax	298,589	-906,979
Total	27,093,991	20,352,301

8.2.11. INCOME TAX 7,196,254 EUR

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 7,196,254 EUR (2010: 4,267,238 EUR). Effective tax rate is 21%. As per 31 December 2011 total unexpired tax loss carry-forward from previous years amounts to 0 EUR (2010: 0 EUR).

8.2.12. DEFERRED TAXES 298,589 EUR

Long-term deferred tax liabilities in the year 2011 decreased by 298,589 EUR, which affects the income tax deferred. The amount of deferred tax liabilities at the date of 31.12.2011 is 286,196 EUR (2010: 584,785 EUR).

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

	Tax rate	Base	Tax
CURRENT TAXES			
Income before taxes		33,991,656	
Income tax (by using the official tax rate)	20%	33,991,656	6,798,331
Tax non-deductible items – permanent differences	20%	894,235	178,847
Tax non-deductible items – temporary differences	20%	2,999,094	599,819
Current tax	20%	37,884,985	7,576,997
Usage of temporary differences	20%	-1,486,621	-297,324
Usage of deductions	20%	-397,565	-79,513
Corrections of previous year	20%	-19,530	-3,906
Usage of tax loss carry-forwards	20%		
Actual current tax		36,000,799	7,196,254
DEFERRED TAXES			
From deductible temporary differences			
Additions to deferred taxes from deductible temporary differences – tax statement 2011	20%	2,979,566	595,913
Usage of formed deferred taxes from temporary differences	20%	-1,486,621	-297,324
Total deferred taxes from deductible temporary differences			298,589
TOTAL DEFERRED TAXES			298,589

Net profit or loss for the period after the revaluation of equity by the use of the cost of living index:

In EUR	Amount of capital	Increase in %	Effect	Decrease in net profit or loss for the financial year
Equity – all items of capital except current net profit or loss (by the use of the cost of living index)	122,727,092	2.00%	2,454,542	24,639,449

8.2.13. FINANCIAL OVERVIEW OF TRANSACTIONS WITH RELATED PARTIES

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

Regardless of that, in addition to the said company Si.mobil makes transactions with some of other indirectly connected companies, namely VipNet and VipNet Usluge, registered in Croatia, Mobitel of Bulgaria, Mobilkom Liechtenstein of Liechtenstein, Serbian Vip mobile, Macedonian Vip operator, Velcom and Mobilkom Belarus Betelligungsverwaltung Gmbh of Belarus, and Mobilkom CEE Betelligungsverwaltungs GmbH, A1 Telekom Austria AG, Telekom Finanzmanagement (TFG) and Mobilkom Austria Group Services (MAGS) of Austria.

The company operates with connected subjects in the filed of international roaming, network interconnection, technical systems hosting, backbone network, services by.

Revenues from sales:

In EUR	2011	2010
A1 Telekom Austria AG	8,530,836	2,279,315
VIPnet d.o.o.	153,734	734,851
Mobilkom Liechtenstein AG	1,070	2,658
Mobilkom CEE	0	213,740
Telekom Austria AG	121,025	2,391,639
VipNet usluge d.o.o.	0	47,703
VIP Mobile	91,120	102,115
Mobilkom Belarus Betelligungsverwaltung Gmbh	40,381	60,381
Velcom	4,294	5,123
VIP Operator	70,372	86,889
Mobitel EAD	39,818	57,819
Total	9,052,650	5,982,233

Other revenues (interests, currency differences):

In EUR	2011	2010
Mobilkom Liechtenstein AG	-26	35
Velcom	0	10,905
Telekom Finanzmanagement (TFG)	344,685	84,044
VIP Operator	288	0
Total	344,946	94,984

Costs of services and other operating expenses:

In EUR	2011	2010
A1Telekom Austria AG	7,501,627	7,612,223
VIPnet d.o.o.	2,915,546	3,836,806
Mobilkom Liechtenstein AG	325	235
Telekom Austria AG	516,374	531,203
VipNet usluge d.o.o.	233,555	523,598
VIP Mobile	254,106	199,225
Mobilkom Belarus Betelligungsverwaltung GmbH	40,381	0
Velcom	2,802	4,156
VIP Operator	30,488	27,295
World direct	2,410	840
Mobilitel EAD	68,723	87,368
Total	11,566,337	12,822,949

Other expenses (interests, currency differences)

In EUR	2011	2010
Mobilkom Liechtenstein AG	0	12
VIPnet d.o.o.	1,900	0
Mobilitel AD	63	0
Velcom	17	0
Total	1,980	12

8.2.14. EVENTS AFTER THE DATE OF THE BALANCE SHEET

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

9. Risk exposure

Market and competition-related risks:

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

Regulatory risks:

Based on an analysis of the relevant market 7, APEK imposed in October 2009 regulatory measures, including the measure of price control, on Telekom Slovenije (from 01.07.2011-Mobitel merged with Telekom Slovenije d.d.), Si.mobil, Tušmobil and T-2. APEK issued decisions determining a glide-path for call termination pricing in the networks of these operators for the period until January 2013. Call termination prices change every 6 months (the first change stepped into force on 1 January 2010), and the decisions plan a drop in prices and a decrease in asymmetry for Tušmobil and T-2, while Telekom Slovenije and Si.mobil's pricing remains symmetrical all the time (although a range is set). In line with the decisions, call termination prices should be equalized on 1 January 2013, and set at the level of cost-oriented prices of call termination (based on APEK's LRIC CCA model). Due to the symmetrical pricing for Telekom Slovenije and Si.mobil, calculated based on data for a theoretically optimally efficient operator with a 25% market share, Telekom Slovenije (due to a significantly higher market share and as a result significantly larger economies of scale) generates high margin, and uses it to cross subsidize retail services (e.g. the Džabest price plan).

In the event call patterns change, the price symmetry between Telekom Slovenije and Si.mobil could result in an imbalance in traffic between the two networks, which would mean significantly more imbalanced payments by Si.mobil that could increase by several €100,000 per month.

The price of call termination in Tušmobil's public mobile network is higher than the price of call termination in Telekom Slovenije and Si.mobil's networks (high price asymmetry, which will stand at 20% in H1 of 2012 and 10% in H2 of 2012). In 2012, this price asymmetry could further affect Si.mobil's net cash flows in the amount of several €10,000.

APEK will probably launch a new analysis of market 7 in 2012, however it is impossible to predict when decisions will be issued and how they might effect the 2012 business operations.

On the market 15 (Access and call origination in public mobile telephone networks – inter-operator market), Telekom Slovenije provides operators without their own networks (resellers, service providers and MVNOs) and their users with national roaming services at wholesale prices, which it voluntarily set below the regulated prices for market 7, on which Si.mobil is purchasing similar services (MTC) from Telekom Slovenije. This prevents Si.mobil from competing

with Telekom Slovenije in the wholesale market (providing services in Si.mobil's network to other interested parties). A while ago, Si.mobil launched proceedings before APEK, with the aim of achieving comparable conditions on markets 7 and 15. Considering APEK's past steps, there is a risk that Si.mobil will be unable to compete with Mobitel in the wholesale market also in 2012, due to Telekom Slovenije's unaligned wholesale prices (it will be unable to win over resellers, service providers and MVNOs by not being able to provide national roaming at competitive prices).

In 2009, the European Commission adopted a new regulation on international roaming. The Commission's regulation additionally cut the retail and wholesale prices of international roaming. The current regulation is in force until 30 June 2012, it is however clear that the regulation will continue with additional pressure on decreasing the prices, which will negatively affect the operations (also) in Si.mobil's case.

Si.mobil has a dispute with Telekom Slovenije because of the price of voice call termination on public mobile telephone network of Telekom Slovenije. The receivables and the liabilities are showing also on outstanding receivables and disputed obligation.

In the year 2011 Si.mobil submitted a law suit against Telekom Slovenije due to abuse of monopoly. By internationally recognized expert in the field of competition regulation it is estimated that further damage in case of violation of competition by the end of 2015 will amount to more than 286 million euros. Based on this expert-based evaluation the amount of the claim was identified.

Slovenia failed to develop and adopt the Electronic Communication Strategy also in 2011 (even though the discussions on the issue were launched), so it is not clear how and when the digital dividend radio frequencies that will become available with the transition to digital broadcasting will be used and distributed, and what will happen with the existing frequencies (the situation regarding the 900MHz frequency spectrum is especially problematic). APEK's draft strategy from 2009 includes the proposal to extend licenses for frequencies in the 900MHz spectrum, which Telekom Slovenije and Si.mobil hold until 2013, for another three years. Uncertainty in this area presents great risk and uncertainty about the future.

Credit risk:

Company revenues stem from various sources, of which most revenues arise from voice calls and monthly subscriptions. Because the main body of subscribers at the end of 2011 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 2011, the Company was not party to any loan-agreements and, except for its deposit in the cash pooling system, it is not exposed to interest-rate risks. The company does not use special financial instruments for safeguarding from interest-rate risks.

Foreign-exchange risk:

The company's functional currency in 2011 was the Euro. Only a small share of transactions is

conducted in USD or other currencies, therefore the currency risk is not considered significant. The company does not use special financial instruments for safeguarding against foreign-exchange risks.

Liquidity risk:

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

10. Other disclosures

10.1. Bodies of the Company

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

Dejan Turk, chairman of the Board
Milan Zaletel, member of the Board
Ulrich Rokita, member of the Board (from 15 March 2011)
Horst Pertl, member of the Board (to 28 February 2011)

In the year 2011 as a member of the Supervisory Board resigned Claudia Winkler and joined by a new member Reinhard Zuba, so the Supervisory Board at the end of the year 2011 consisted of:

Hannes Ametsreiter (chairman)
Johann Tschuden (deputy chairman)
Hans Pichler
Silvia Buchinger
Claudia Winkler (to 05.09.2011)
Reinhard Zuba (from 06.09.2011)

The total cost of the Management Board, the Supervisory Board and the employees with individual contracts in 2011 includes gross income, included in the personal income tax return, holiday pay, fringe benefits and profit sharing. In 2011 this amounted to:

- Management Board: 554.023 EUR;
- Supervisory Board: 0 EUR;
- employees with individual contracts: 799.792 EUR.

Income by members of the Management Board:

In EUR	Fixed income	Variable income	Fringe benefits	Other income
Dejan Turk	135,948	147,096	18,782	2,683
Milan Zaletel	96,954	101,722	14,866	2,683
Ulrich Rokita	0	0	25,947	0
Horst Pertl	0	0	7,342	0
Total	232,902	248,818	66,937	5,366

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.

11. Statement of the management

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

Management confirms that appropriate accounting policies were consistently applied to the preparation the financial statements, that accounting estimates were made in accordance with the principle of prudence, and due professional care and that the annual report presents a true and fair position of the Company and results of its operation for the year 2011.

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 mis-statements, whether due to fraud or error, selection and application of appropriate accounting policies, and preparation of accounting estimates that are reasonable in the circumstances.



Dejan Turk
Chairman of the Board

Ljubljana, 6.2.2012



Milan Zaletel
Member of the Board



Ulrich Rokita
Member of the Board

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

	Concessions	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 2011	22,430,050	33,564,882	1,837,371	1,953,876	38,694,794	98,480,973
Additions	0	3,854,623	47,925	337,877	22,348,945	26,589,370
Disposals	0	-334,609	0	0	-21,765,130	-22,099,739
Transfer	0	0	0	0	0	0
Balance as of 31 December 2011	22,430,050	37,084,896	1,885,296	2,291,753	39,278,609	102,970,604
Accumulated amortisation						
Balance as of 1 January 2011	13,986,717	25,438,894	1,473,752	1,042,695	24,450,052	66,392,110
Additions, amortisation	1,495,336	3,325,313	0	0	0	4,820,649
Additions, recognised in costs	0	0	129,308	129,703	18,580,097	18,839,108
Disposals	0	-334,609	0	0	-21,765,130	-22,099,739
Transfer	0	0	0	0	0	0
Balance as of 31 December 2011	15,482,053	28,429,598	1,603,060	1,172,398	21,265,019	67,952,128
Net carrying amount						
Balance as of 1 January 2011	8,443,333.00	8,125,988	363,619	911,181	14,244,742	32,088,863
Balance as of 31 December 2011	6,947,997.00	8,655,298	282,236	1,119,355	18,013,590	35,018,476

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

	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	Advances for acquisition of property, plant and equipment	Total
Costs of purchase									
Balance as of 1 January 2011	9,039	158,665,964	11,574,921.00	4,263,110	22,688,943	2,550,756	11,826,118	87,738	211,666,589
Additions	0	11,939,049	1,057,454.00	395,545	3,331,288	180,056	-1,579,600	0	15,323,792
Disposals	0	-14,406,444	-174,826.00	-179,919	-1,213,031	-241,348	0	0	-16,215,568
Transfer	0	622,455	0.00	0	0	-622,455	0	-36,794	-36,794
Balance as of 31 December 2011	9,039	156,821,024	12,457,549.00	4,478,736	24,807,200	1,867,009	10,246,518	50,944	210,738,019
Accumulated depreciation									
Balance as of 1 January 2011	0	113,998,274	8,241,785.00	2,215,567	12,935,788	2,244,010	0	0	139,635,424
Additions, depreciation	0	10,689,170	1,367,783.00	409,642	3,370,928	216,103	0	0	16,053,626
Disposals	0	-14,911,610	-171,894	-179,919	-1,202,583	-240,751	0	0	-16,706,757
Transfer		622,455	0	0	0	-622,455	0	0	0
Balance as of 31 December 2011	0	110,398,289	9,437,674.00	2,445,290	15,104,133	1,596,907	0	0	138,982,293
Net carrying amount									
Balance as of 1 January 2011	9,039	44,667,690	3,333,136	2,047,543	9,753,155	306,746	11,826,118	87,738	72,031,165
Balance as of 31 December 2011	9,039	46,422,735	3,019,875	2,033,446	9,703,067	270,102	10,246,518	50,944	71,755,726