

Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije, d.d.

for the period January – June 2014

Ljubljana, 20 August 2014

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1. Introductory note

Pursuant to the law and the Rules of the Ljubljana Stock Exchange, Telekom Slovenije, d.d. (hereinafter: Telekom Slovenije), with its registered office at Cigaletova 15, Ljubljana, hereby publishes the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the period January – June 2014.

The condensed interim financial statements for the period ending 30 June 2014 were prepared in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2013. The financial statements for the period January – June 2014 have not been audited, while the financial statements for the comparable period January to June 2013 and as at 31 December 2013 have been audited.

The Company's Supervisory Board discussed the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the aforementioned period at its session on 20 August 2014.

Any significant changes to the data contained in the prospectus for listing on the stock exchange are regularly published by the Company on the Ljubljana Stock Exchange's SEOnet website and on the Company's website at www.telekom.si.

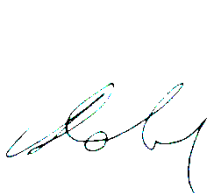
The Unaudited Business Report for the period January – June 2014 is also available on the Company's website at www.telekom.si.

1.1. Statement of responsibility of the Management Board

The members of the Management Board of Telekom Slovenije responsible for compiling the report of the Telekom Slovenije Group and Telekom Slovenije for the period January – June 2014, hereby confirm that to the best of our knowledge:

- the condensed financial statements have been compiled in accordance with international accounting standards on interim financial reporting, and give a true and fair picture of the assets, liabilities, financial position and operating results of the Telekom Slovenije Group and Telekom Slovenije, and
- the interim Business Report presents a fair picture of information regarding major transactions with related parties, in accordance with regulations.

Management Board of Telekom Slovenije, d.d.



Rudolf Skobe, MSc,
President of the
Management Board



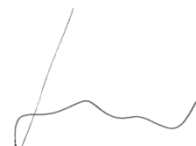
Tomaž Seljak, MSc,
Vice-President of the
Management Board



Mateja Božič, MSc,
Member of the
Management Board



Zoran Janko,
Member of the
Management
Board



Vesna Lednik,
Member of the
Management
Board and
Workers
Director

2. Mission, vision, values and strategic objectives

Vision

The Telekom Slovenije Group is a trustworthy partner to its users, with whom it creates a society of opportunities.

Mission

The Telekom Slovenije Group inspires its users with innovative technologies. We open up new professional and personal avenues for them, and together cultivate an environment for the development of a society of opportunities. With open, flexible, and scalable products and services, and attractive content, we continuously provide our users with effective, useful, reliable, entertaining and constantly evolving tools for business and leisure.

Values

We live with the user.

Our guiding principle is a satisfied customer. We understand and respect their wishes and needs, and provide services that are simple, useful and tailored to those needs. Whenever they need information, advice or assistance, we are there to provide it.

We are reliable and innovative.

Through quality, reliability, innovation and flexibility, we offer our users the freedom to combine and intertwine our services, packages, content and products.

We act responsibly.

Our actions are ethical, heartfelt, responsible and sustainable with respect to the society and environment in which we operate. We encourage the development of knowledge, the exchange of experience, the creation of innovative solutions and operations that are people and environmentally friendly.

We create connections.

Telekom Slovenije Group employees work in a creative environment. We achieve excellent results because we are connected to one another, proactive, experienced and value an entrepreneurial mindset. We respect our agreements and keep our promises.

2.1. Key strategic policies of the Telekom Slovenije Group

Consolidation on individual markets

The Telekom Slovenije Group's strategy is to be the leading operator in Slovenia and a profitable alternative operator in terms of market share on markets outside of Slovenia. We will achieve that objective in part through consolidation activities on individual markets.

Maintaining the number of users in Slovenia

Telekom Slovenije has faced a declining number of users for some time (which is true for nearly all primary operators in Europe) as the result of stiffer competition and regulation. Telekom Slovenije's core objective is to maintain the number of users while maintaining the highest possible level of profitability. This will be achieved by optimising the sales network, through cross-sales of services, the development of new services and new subscriber models, through differentiation and a range of exclusive content, by improving the user experience, by providing standardised cloud computing services, and through a comprehensive range of ICT services and a specialised offer for individual vertical markets.

Growth in number of users and EBITDA in South-Eastern Europe

The Group will continue to increase the number of users by attracting the users of other operators, through the consolidation of markets and by exploiting the fact that certain market segments in which Group subsidiaries operate in South-Eastern Europe are undeveloped, which facilitates growth in the number of users through market growth. All subsidiaries in South-Eastern Europe will continue to optimise costs.

Financial stability

Financial stability at the Telekom Slovenije Group level will be achieved by ensuring a long-term sustainable structure of sources of financing, by fulfilling financial commitments in loan agreements, through the effective management of working capital, by investing cash in line with risk criteria for investments, and by maintaining an appropriate level of liquidity reserves.

Restructuring of personnel

The Group will optimise labour costs and ensure the optimal number of employees, taking into account the needs of the work process at individual companies.

Quality

Quality must remain the primary advantage of all services provided to users by Telekom Slovenije Group companies. Quality will be further enhanced through continued development, which will ensure contemporary ICT solutions and services for users.

Social responsibility

In the future, we will continue to ensure all aspects of comprehensive sustainable responsibility in the context of balanced compliance with the three basic cornerstones thereof: efficiency, a responsible attitude to people (buyers, users, employees, business partners and other interest groups) and a responsible attitude to the natural environment.

Business expectations of the Telekom Slovenije Group for 2014

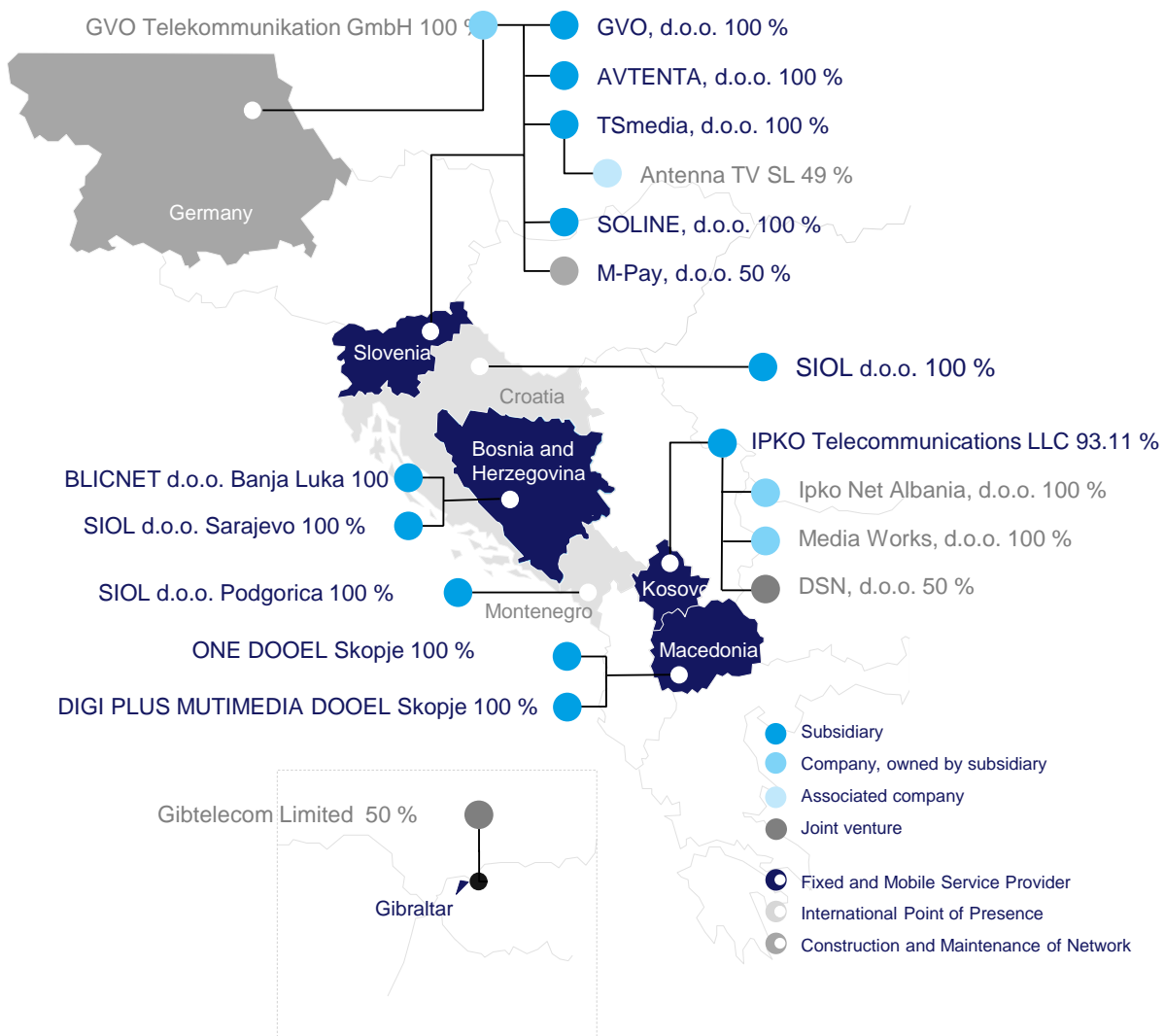
- Investments: up to EUR 170 million (an increase due to the acquisition of frequencies).
- EBITDA: up to EUR 212 million.
- Net operating profit: EUR 63 million.

3. Telekom Slovenije Group

3.1. Markets and companies of the Telekom Slovenije Group

The Telekom Slovenije Group comprises the parent company Telekom Slovenije, d.d. and the subsidiaries, associates and joint ventures shown in the figure below with corresponding participating interests.

Situation as at 30 June 2014



Changes in the composition of the Group in 2014 (from 1 January to 30 June 2014)

- Pursuant to an agreement on the sale and transfer of the 100% participating interest in its subsidiary Media Works, which was concluded on 18 December 2013, the Kosovo subsidiary IPKO Telecommunications LLC concluded the transfer of its ownership stake in Media Works to the buyer on 9 January 2014.

3.2. Operating highlights

The Telekom Slovenije Group achieved the following during the first half of 2014:

- At EUR 381.6 million, Telekom Slovenije's net sales revenue was at the level achieved during the same period last year, despite the continued decline in revenues from traditional voice telephony and lower revenues from mobile users due to the migration to new, more affordable packages for subscribers.
- Operating revenues were down 3% or EUR 10.8 million on the first half of 2013 due to an EUR 10.2 million decline in other operating revenues (the latter were higher during the first half of 2013 mainly due to settlements in Macedonia).
- Operating profit amounted to EUR 34.2 million, down EUR 8.2 million or 19% on the first half of 2013.
- EBITDA reached EUR 111.2 million or 29.1% of net sales revenue.
- The Telekom Slovenije Group's net profit amounted to EUR 31 million, down EUR 780 thousand on the same period in 2013.

3.3. Key financial indicators for the Telekom Slovenije Group

in EUR thousand	I - VI 2014	I - VI 2013	Ind. 14/13
Operating revenues	384,871	395,648	97
EBITDA	111,197	126,177	88
EBITDA margin	29.1%	33.0%	88
EBIT	34,211	42,441	81
Return on sales: ROS (EBIT/net sales revenue) in %	9.0%	11.1%	81
Net profit	30,962	31,742	98
Assets*	1,435,703	1,390,036	103
Equity*	726,692	760,129	96
Equity ratio in %*	50.6%	54.7%	93
Net financial debt*	437,036	341,507	128

Notes:

* The comparable data for 2013 derives from the statement of financial position as at 31 December 2013.

3.4. Overview by company and key market

Operating revenues

in EUR thousand	I - VI 2014	I - VI 2013	Ind. 14/13
Telekom Slovenije	328,985	331,205	99
Other companies in Slovenia	24,952	24,528	102
Ipko - Kosovo	32,130	33,190	97
Companies in Macedonia	36,848	40,444	91
Other companies abroad	12,115	9,158	132
Total - unconsolidated	435,030	438,525	99
Elimination and adjustment	-50,159	-42,877	-
Telekom Slovenije Group	384,871	395,648	97

EBITDA – earnings before interest, taxes, depreciation and amortisation

in EUR thousand	I - VI 2014	I - VI 2013	Ind. 14/13
Telekom Slovenije	92,992	103,137	90
Other companies in Slovenia	489	-412	-
Ipko - Kosovo	12,152	13,688	89
Companies in Macedonia	4,437	7,190	62
Other companies abroad	1,384	1,259	110
Share in Gibtelecom	2,386	2,457	97
Total - unconsolidated	113,840	127,319	89
Elimination and adjustment	-2,643	-1,142	-
Telekom Slovenije Group	111,197	126,177	88

EBIT – earnings before interest and taxes

in EUR thousand	I - VI 2014	I - VI 2013	Ind. 14/13
Telekom Slovenije	32,582	36,132	90
Other companies in Slovenia	-805	-1,661	-
Ipko - Kosovo	2,723	4,969	55
Companies in Macedonia	-1,627	557	-
Other companies abroad	117	-195	-
Share in Gibtelecom	2,386	2,457	97
Total - unconsolidated	35,376	42,259	84
Elimination and adjustment	-1,165	182	-
Telekom Slovenije Group	34,211	42,441	81

Net profit or loss

in EUR thousand	I - VI 2014	I - VI 2013	Ind. 14/13
Telekom Slovenije	40,890	34,192	120
Other companies in Slovenia	-940	-1,757	-
Ipko - Kosovo	-736	1,381	-
Companies in Macedonia	-4,374	-604	-
Other companies abroad	-109	-522	-
Share in Gibtelecom	2,386	2,457	97
Total - unconsolidated	37,117	35,147	106
Elimination and adjustment	-6,155	-3,405	-
Telekom Slovenije Group	30,962	31,742	98

CONNECTIONS AND SERVICES BY TYPE AND MARKET

Broadband connections

Number of retail connections as at	30.6.2014	31.12.2013	Ind. 14/13
Slovenia	199,665	202,158	99
Macedonia	39,440	39,563	100
Kosovo	85,249	82,427	103
BiH	23,017	21,520	107
SE Europe	147,706	143,510	103
Telekom Slovenije Group	347,371	345,668	100

Fixed and mobile telephony connections

Number of retail connections as at	30.6.2014	31.12.2013	Ind. 14/13
Slovenia, mobile telephony	1,124,530	1,123,867	100
Slovenia, fixed voice telephony	406,584	421,701	96
SE Europe, mobile telephony:	1,134,811	1,082,143	105
Macedonia	562,249	527,928	107
Kosovo	571,689	554,010	103
BiH	873	205	426
SE Europe, fixed voice telephony	47,107	54,929	86
Telekom Slovenije Group	2,713,032	2,682,640	101
VoIP services			
Slovenia	158,080	153,911	103
SE Europe	31,587	24,927	127
Telekom Slovenije Group	189,667	178,838	106

Number of mobile and fixed telephony connections / services

Number of retail connections as at	30.6.2014	31.12.2013	Ind. 14/13
Total mobile telephony	2,259,341	2,206,010	102
Total fixed voice telephony services*	643,358	655,468	98
Telekom Slovenije Group	2,902,699	2,861,478	101

* Sum of fixed voice telephony connections and VoIP services.

Capex

in EUR thousand	I - VI 2014	I - VI 2013	Ind. 14/13
Telekom Slovenije	92,872	27,388	339
Other companies in Slovenia	584	1,657	35
Ipko - Kosovo	5,211	4,607	113
Companies in Macedonia	3,480	2,387	146
Other companies abroad	1,478	1,633	90
Elimination and adjustment	-2,475	-989	-
Telekom Slovenije Group	101,150	36,683	276

Employees

number of employees as at	30.6.2014	31.12.2013	Ind. 14/13
Telekom Slovenije	2,832	2,887	98
Other companies in Slovenia	623	684	91
Ipko - Kosovo	473	482	98
Companies in Macedonia	422	423	100
Other companies abroad	115	110	105
Telekom Slovenije Group	4,465	4,586	97

3.5. Ownership structure and share trading

General information regarding Telekom Slovenije, d.d. shares as at 30 June 2014

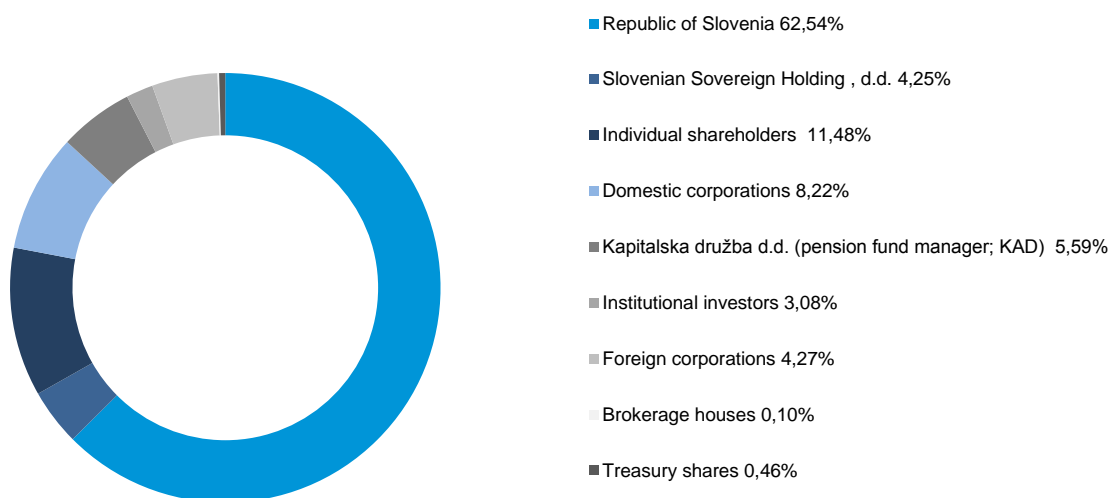
General information regarding shares	
Ticker symbol	TLSG
Listing	Ljubljana Stock Exchange, prime market
Share capital (EUR)	272,720,664.33
Number of ordinary registered non-par value shares	6,535,478
Number of treasury shares	30,000
Number of shareholders as at 30 June 2014	11,687

Ownership structure and largest shareholders

As at 30 June 2014 there were 11,687 shareholders entered in the Telekom Slovenije's register of shareholders, an increase of 58 on the end of 2013.

There were no significant shifts in the ownership structure of Telekom Slovenije, d.d. during the first half of 2014, as there was no change exceeding 1 percentage point in any category. Individual shareholders and institutional investors increased their ownership stakes, while domestic and foreign corporates and brokerage houses decreased their stake.

Ownership structure as at 30 June 2014



Ten largest shareholders

As at 30 June 2014 the ten largest shareholders held 77.83% of the Company's share capital, up 0.06 percentage points on the last day in 2013. Changes occurred in the structure of the ten largest shareholders, as Perspektiva FT doubled its ownership stake, while The Bank of New York Mellon and Telekom Slovenije (through treasury shares) also ranked among the top ten, replacing Intersvet and NFD 1, mešani fleksibilni podsklad.

Shareholder as at 30 June 2014		%	Shareholder as at 31 December 2013		%
1	Republic of Slovenia	62.54	Republic of Slovenia		62.54
2	Kapitalska družba, d. d.	5.59	Kapitalska družba, d. d.		5.59
3	Slovenski državni holding, d. d.*	4.25	Slovenska odškodninska družba, d. d.		4.25
4	Perspektiva FT, d. o. o.	1.51	Modra zavarovalnica, d. d. (PPS)		1.44
5	Modra zavarovalnica, d. d. (PPS)	1.44	Intersvet, d. o. o.		1.10
6	NLB, d. d.	0.55	Perspektiva FT, d. o. o.		0.75
7	Triglav vzajemni skladi – delniški Triglav	0.51	NLB, d. d.		0.55
8	KD Galileo, fleksibilna struktura naložb	0.51	Triglav vzajemni skladi – delniški Triglav		0.52
9	The Bank of New York Mellon – fiduciary	0.47	NFD 1, mešani fleksibilni podsklad		0.52
10	Telekom Slovenije, d.d.	0.46	KD Galileo, fleksibilna struktura naložb		0.51
Total		77.83	Total	77.77	

* Previously: Slovenska odškodninska družba, d. d.

Shares held by the Management Board and the Supervisory Board of Telekom Slovenije

The table below lists the members of the Management Board and Supervisory Board who held 1,549 TLSG shares as at 30 June 2014. Other members of the aforementioned bodies did not hold the Company's shares.

Name	Office	Number of shares	% of equity
Management Board			
Rudolf Skobe, MSc	President of the Management Board	300	0.00459
Zoran Janko	Member of the Management Board	31	0.00047
Tomaž Seljak, MSc	Vice-President of the Management Board	4	0.00006
Supervisory Board			
Adolf Zupan, MSc	Vice-President of the Supervisory Board	1,094	0.01674
Matej Golob Matzele	Member of the Supervisory Board	22	0.00034
Samo Podgornik	Member of the Supervisory Board	92	0.00141
Primož Per	Member of the Supervisory Board	5	0.00008
Dean Žigon	Member of the Supervisory Board	1	0.00001
Total		1,549	0.02370

Share trading and key share-related financial data

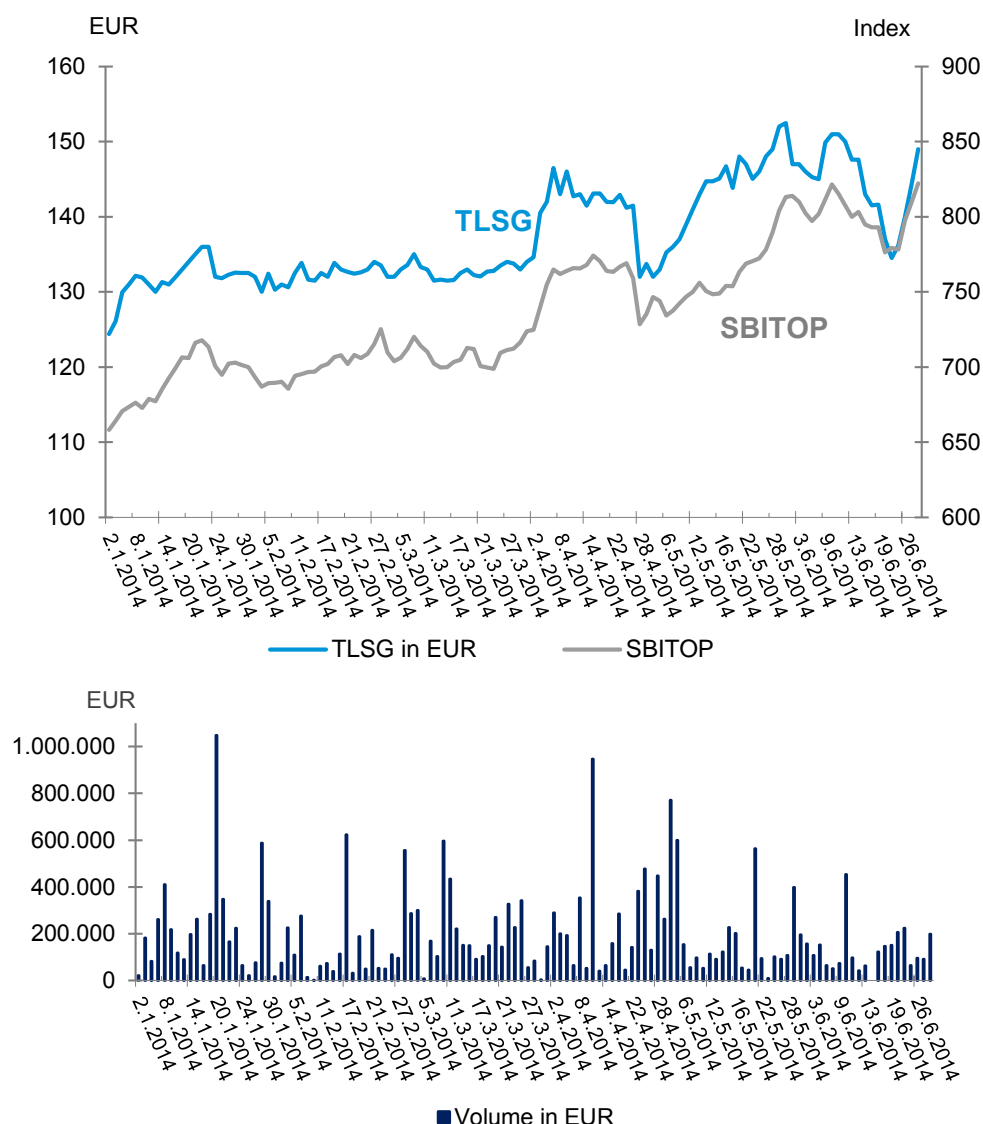
The price of TLSG shares ended the first half of 2014 in positive territory, and stood at EUR 149.00 on the last trading day in June. The share price thus rose by 19.77% over the first half of the year compared with the price at the beginning of the accounting period. The SBI TOP index, which represents the largest and most liquid shares on the regulated market of the Ljubljana Stock Exchange, gained 24.89% over the same period.

Market capitalisation stood at EUR 973.79 million as at 30 June 2014, ranking TLSG shares second among all shares on the market.

Trading statistics for TLSG shares on the Ljubljana Stock Exchange in the period January – June 2014/2013

Standard price in EUR	I - VI 2014	I - VI 2013
Highest daily volume	152.45	107.90
Lowest daily volume	124.40	77.50
Average daily volume	138.42	91.47
Volume in EUR thousand	I - VI 2014	I - VI 2013
Total volume for the year	23,618.05	18,574.12
Highest daily volume	1,047.26	1,199.85
Lowest daily volume	0.91	1.36
Average daily volume	193.59	152.25

Movement in the TLSG share price compared to the SBI TOP index and volume of trading in TLSG shares



Source: Ljubljana Stock Exchange, archive of share prices

Key financial data relating to shares

	30 June 2014	30 June 2013
Standard price (P) of one share on the last trading day of the period in EUR	149.00	104.00
Book value (BV) ¹ of one share in EUR	116.20	119.88*
Earnings per share (EPS) ² in EUR	6.29	5.26
P/BV	1.28	-
Capital return per share during the year ³	19.77%	8.90%

Notes:

* The comparable data for 2013 derives from the statement of financial position as at 31 December 2013.

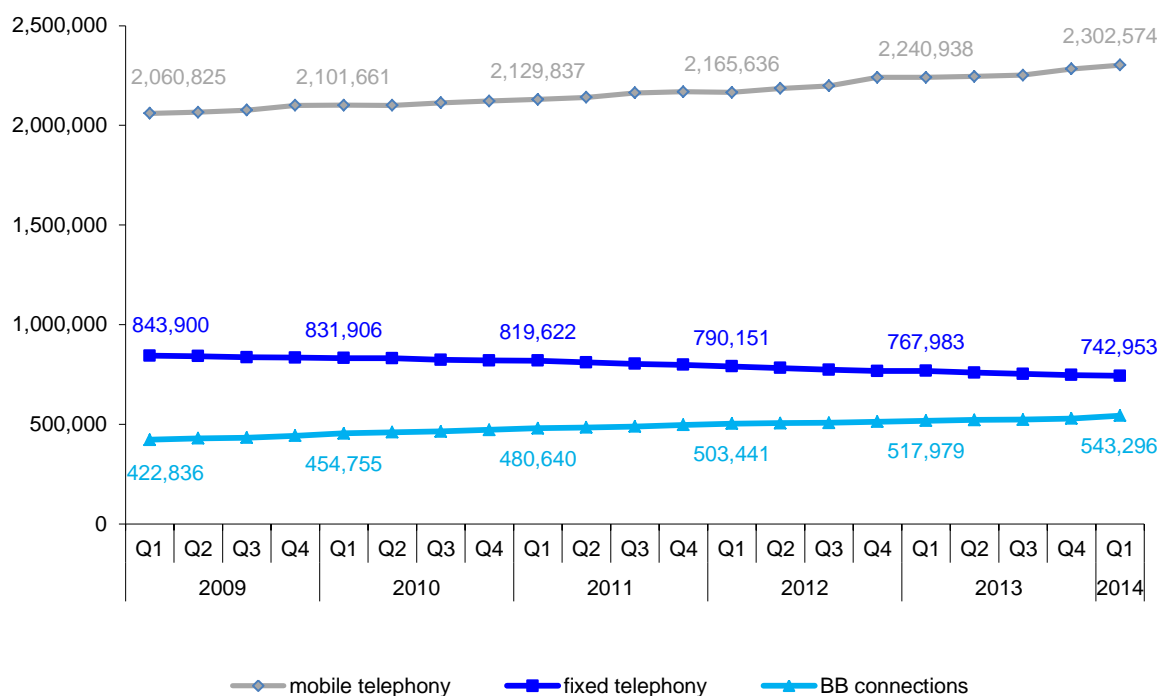
¹ The book value of one share is calculated as the ratio of the book value of Telekom Slovenije's equity on the last day of the period to the weighted average number of ordinary shares during the accounting period excluding treasury shares.

² Earnings per share is calculated as the ratio of Telekom Slovenije's net operating profit for the accounting period to the weighted average number of ordinary shares during the accounting period excluding treasury shares.

³ The capital return per share is calculated as the ratio of the share price on the final trading day of the period minus the share price on the first trading day of the period to the share price on the first trading day of the period.

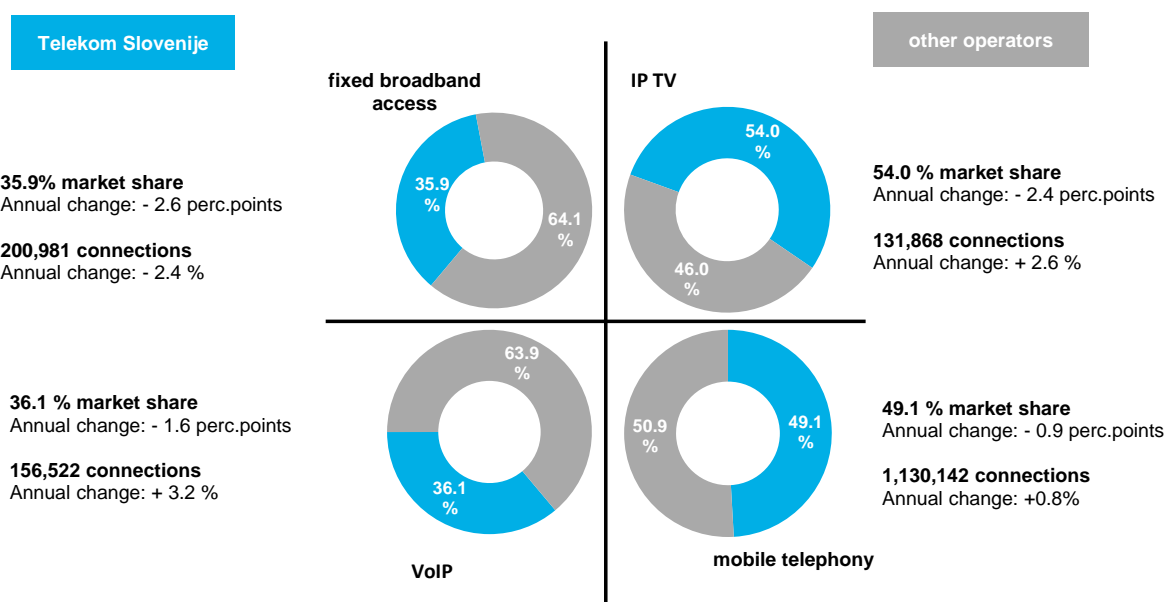
3.6. Market and market shares in key service segments

Number of connections in Slovenia



Source: Report for the first quarter of 2014, SORS

Telekom Slovenije Group market shares at the end of the first quarter of 2014 in key market segments



Source: Report on the development of the electronic communications market for the first quarter of 2014, AKOS, June 2014; internal Telekom Slovenije figures.

3.7. Risk management

Key risks are presented below by individual company and market.

Key risks for Telekom Slovenije

- Conditions in the area of regulation on the markets of fixed and mobile telecommunications remain uncertain. The proposed Regulation of the European Parliament and of the Council laying down measures concerning the European single market for electronic communications and to achieve a Connected Continent was drafted by the European Commission and debated by the European Parliament. The final content of the aforementioned regulation could change significantly during the ratification process. If the regulation is adopted, legislative changes will be introduced significantly faster compared with directives that must be transposed to national legislation.
- Among market risks and risks linked to the competition, the risk of the migration of business and residential users to the networks of competitors remains elevated. Competition-market risks are managed by adapting the range of products and services, and by carrying out activities to promote sales and maintain existing subscribers. A great deal of attention is given to improving user support processes.
- Activities aimed at managing market shares also increase the risk of diminishing profitability for subscribers. Measures to manage this risk include optimising the range of products and services in terms of content and price, and clear rules regarding the allocation of benefits and discounts to subscribers.
- Employee-related risks are primarily linked to achieving the internal restructuring plan, which could have an impact on the optimal structure of employees, the number of service providers and ultimately knowledge for the Telekom Slovenije's continued development. Employees are assigned to areas where staff shortages have been identified.
- Despite implemented measures (consistent adherence with internal rules regarding legal reviews and the formalisation of cooperation in the preparation of defence strategies in open proceedings, and the appropriate setting of priorities), legal risks linked to lawsuits and legislation and risks associated with procedures before the regulatory body persist.
- Revenue-loss risk from centralised data capture to the "switch to bill" calculation is managed using an established system to prevent the outflow of revenues from the fixed telephony segment.
- Special attention is given to managing operational risks associated with ICT networks, services and devices. Key measures for managing risks related to the functioning and security of ICT include the implementation of preventive measures to identify potential problems and critical points, and the testing and training of personnel for appropriate action. We are implementing an information security management system (ISMS) for the regular functioning and upgrading of business continuity management (BCM) and procedures for implementing measures if extraordinary events occur. Risks associated with the outsourcing of services were successfully mitigated through the following measures: the definition of processes to manage IT needs, the definition of procedures for managing partners in the development of solutions, the standardisation of requirements and the drafting of a strategy to optimise the ratio of insourcing to outsourcing. We will further mitigate risks through the establishment of internal competences to manage content and systems, and by managing outsourcing.
- The risks associated with the malfunctioning of connections and services provided by other entities are managed by introducing processes to monitor and report on SLA indicators on leased networks, and by standardising requirements demanded from network providers for newly leased networks. Continuous notification regarding planned works on the networks of operators has been established.
- Exposure to financial risks is monitored regularly. The most significant source of credit risk (the risk of failure by subscribers and operators to fulfil obligations) is default by subscribers (retail segment) and operators (wholesale segment). The credit risk associated with subscribers is assessed as high. Measures to manage the aforementioned risk include the regular collection of debt and ultimately the exclusion of those in default, taking into account a subscriber's credit rating in sales and the monitoring of shifts in a subscriber's traffic relative to average use, and the resulting measures. The credit risk associated with operators is assessed as moderate, while the introduction of a credit risk management system has contributed to appropriate risk management. Telekom Slovenije is also exposed to certain credit risk due to loans approved to its subsidiaries and issued guarantees or sureties, in particular for the liabilities of subsidiaries. Telekom Slovenije mitigates the risk of default via collateral in loan and guarantee agreements, the amount of which must at least be equal to the loan amount.

- Exposure to liquidity and interest-rate risk has not risen. Liquidity risk is assessed as moderate, while interest-rate and currency risk are assessed as low. To manage risks associated with short-term solvency, Telekom Slovenije has established a system for managing and planning cash flows that facilitates the timely identification of potential shortfalls in liquid funds and decisions regarding measures. Unused short-term revolving loans and credit lines at domestic and foreign banks also provide a high level of financial flexibility to balance liquidity. The risks associated with the refinancing of short-term sources with long-term sources is also assessed as moderate, and are mitigated by refinancing in accordance with the relevant decree.

Key risks in the development of digital content and media (TSmedia)

- The risk of a decline in leased advertising space is managed by investing in the technical and creative development of products.
- The risk that new services will not achieve positive sales results despite the positive response of the market based on preliminary market research is mitigated through intensive market communication and preparations for sales presentations.

Key risks for Avtenta

- New risks associated with public administration projects have been identified. These risks are managed by strengthening efforts to secure new projects on the external market.

Key risks on the Macedonian market

- Credit risk continues to be one of the main risks in Macedonia. It is managed through regular collection activities, negotiations and potential legal measures.
- A risk of implementation delays has been identified in network modernisation projects.
- The risk of falling prices on the end-user market has diminished due to the stabilisation of the market and the easing of pressure from the competition.

Key risks for Kosovo

- Competition-market risks remain high. These risks are managed through a proactive market approach to attracting new subscribers and measures for maintaining existing subscribers in all segments.
- The risk of lower revenues from the termination of calls from the rest of the world is managed by carefully monitoring market developments and carrying out business analyses.
- The risk associated with a change to the conditions that facilitate the use of the transmission network of the energy operator is managed by analysing legal bases and planning various technical scenarios.

Key risks in Bosnia and Herzegovina

- Legal risks associated with the placement of equipment are managed by searching for alternative locations.
- There is a risk that the broadcasting of certain channels will be terminated due to the disorganised legal environment in the area of programme rights.
- Competitive pressure, both in terms of price and the range of services, remains a significant risk factor. The company regularly monitors the operations of the competition and regularly updates its own range of services.

4. Corporate governance

Management Board

Telekom Slovenije is managed by a five-member Management Board, comprising the following members as at 30 June 2014:

- Rudolf Skobe, MSc, President
- Tomaž Seljak, MSc, Vice-President
- Mateja Božič, MSc, member
- Zoran Janko, member
- Vesna Lednik, member and Workers Director

Members of the Management Board are appointed for a term of office of four years, which begins on the day of appointment.

On 7 April 2014 the term of office of Darja Senica, member of the Management Board and Workers Director, expired. Vesna Lednik was appointed to a four-year term of office as member of the Management Board and Workers Director on 23 April 2014.

On 30 April 2014 the term of office of Zoran Vehovar, MSc, Vice-President of the Management Board expired. Tomaž Seljak, MSc, was appointed Vice-President of the Management Board for a term of office of four years, effective 1 May 2014.

Supervisory Board

The Supervisory Board has nine members, six of whom are shareholder representatives and three of whom are employee representatives. The members of the Supervisory Board submitted a statement of compliance with the criteria of independence in accordance with the Corporate Governance Code.

Telekom Slovenije's Supervisory Board comprised the following members as at 30 June 2014:

Shareholder representatives, whose four-year term of office began on 27 April 2013 due to the expiry of the term of office of previous members of the Supervisory Board:

- Borut Jamnik, President
- Adolf Zupan, MSc, Vice-President
- Tomaž Berločnik, MSc, member
- Bernarda Babič, MSc, member

Shareholder representatives, elected by the General Meeting of Shareholders on 1 July 2013 with a term of office that begins on the day they are elected by the General Meeting and runs until term of office of the current Supervisory Board expires:

- Dr Marko Hočevár, member
- Matej Golob Matzele, member

Employee representatives:

- Dean Žigon, Vice-President
- Primož Per, member
- Samo Podgornik, member

The four-year term of employee representatives ends on 14 November 2017.

In April 2014 the Supervisory Board was informed of the resignation of two employee representatives, Milan Richter and Martin Gorišek.

Slovenia

GVO, d. o. o.

Managing Director: Borut Radi
Edo Škufca served as Managing Director until 28 February 2014.

Avtenta, d. o. o.

Managing Director: Vedran Krevatin

TSmedia, d. o. o.

Managing Director: Tomaž Pernovšek, MSc

Soline, d. o. o.

Managing Director: Klavdij Godnič

M-Pay, d. o. o.

Managing Director: Janez Stajnik
Pursuant to the resignation submitted by Dr Dean Korošec, the company's supervisory board relieved the latter of his position as Managing Director as of 31 January 2014, and appointed Janez Stajnik to take his place, effective 1 February 2014.

Other countries

IPKO Telecommunications LLC, Kosovo

Board of Directors: Rudolf Skobe, MSc (President), Bujar Musa (Vice-President), Artan Lahaj, Dr Ciril Kafol and Robert Erzin, MSc
CEO: Robert Erzin, MSc

ONE DOOEL Skopje, Macedonia

Managing Director: Dr Ciril Kafol

DIGI PLUS MULTIMEDIA DOOEL Skopje, Macedonia

Managing Director: Metodije Mirčev
Janez Marovt resigned from his position as Managing Director, effective 31 May 2014. The general meeting of shareholders appointed Metodije Mirčev as new Managing Director, effective 1 June 2014.

Blicnet, d. o. o., Banja Luka, Bosnia and Herzegovina

Managing Director: Igor Bohorč, MSc

SIOL, d. o. o., Croatia

Managing Director: Janez Marovt

SIOL, d. o. o., Podgorica, Montenegro

Managing Director: Igor Bohorč, MSc

SIOL, d. o. o., Sarajevo, Bosnia and Herzegovina

Managing Director: Igor Bohorč, MSc

Gibtelecom Limited, Gibraltar

Board of Directors: Dr Joseph Garcia (President), Tim Bristow (CEO), Dilip D. Tirathdas, Marko Boštjančič, Zoran Vehovar, MSc and Brigita Bohorč, MSc

5. Significant events in the period January – June 2014

January 2014

- Telekom Slovenije receives the ISO 50001 international certificate, which represents the standard that enables organisations to effectively and consistently manage energy. Telekom Slovenije is awarded the aforementioned certificate for the implementation of its sustainable development strategy related to the reduction of electricity consumption and improvement of fuel consumption efficiency for the Company's vehicle fleet and heating.
- The Supervisory Board of Telekom Slovenije discusses and approves activities relating to the expansion of operations of the Telekom Slovenije Group on the market of Bosnia and Herzegovina.
- Telekom Slovenije supports the *Bodi trenutno nedosegljiv, če želiš ostati živ* (Stay off the phone if you want to stay alive) preventive campaign organised by the Slovenian Traffic Safety Agency with the aim of warning about the dangers of using a telephone while driving.
- The Urbana city card system undergoes a virtual upgrade with a new mobile application – a virtual stored-value Urbana card on smart phones. The aforementioned innovative solution receives a prestigious award at the "MasterCard Transport Ticketing Awards" in London in the category "Most successful payment systems on mobile phones", ranking it as one of the most advanced transport ticketing and mobile payment solutions.

February 2014

- Telekom Slovenije offers users revised and upgraded *Mobitel Neomejeni* (Mobitel Unlimited) subscriber packages. The Company offers residential users three sets of affordable and flexible packages that include specific quantities of services.
- At the beginning of February, Slovenia is hit by extraordinary weather conditions. Sleet causes numerous power outages. As a result, we are forced to maintain the functioning of the mobile network using our own generators. Telekom Slovenije's cable network is also severely damaged by the sleet. A great deal of time will be required to repair the damage.
- Avtenta is the only company in the Adriatic region to be awarded the Gold Competency status from Microsoft for CRM. Partners with the Gold Competency status are distinguished by their high level of knowledge and experience. The eleventh awarded competency is proof that Avtenta has successfully established the closest form of cooperation with Microsoft, and that the company is well-prepared for the implementation of the most complex projects.
- On behalf of nine consortium partners from six countries, Telekom Slovenije is awarded a new European project related to SUNSEED (Sustainable and Robust Networking for Smart Electricity Distribution) smart networks, which is being carried out in the scope of the European Commission's FP7 programme.

March 2014

- Borut Radi assumes the position of Managing Director of GVO as of 1 March. Prior to beginning his term of office, Mr Radi worked at GVO where he served as head of the design, geodetics, development and economics unit. He was also responsible for controlling and finance, quality and process organisation.
- Telekom Slovenije presents its TViN service, which combines web TV services, video-on-demand and multimedia cloud storage services, at one of the most important and distinguished events in the sector, TV Connect, which takes place in London. Further confirmation that it is an advanced service was TViN's placement on the shortlist of candidates for the prestigious TV Connect Awards 2014 for excellence, innovation and development achievements in the sector.
- Telekom Slovenije presents its new convergent package of services for business users, which is adapted to the needs of micro and small enterprises. In addition to a high-speed internet connection and mobile services, which are included in the monthly subscription fee, users may upgrade the basic package with additional mobile and fixed services for their specific needs.
- At the Slovenian Advertising Festival (SAF), TSmedia announces the introduction of large outdoor digital screens on the Slovenian advertising market. The screens are in place along main city access routes, in

the centre of Ljubljana and in the vicinity of shopping centres since May 2014. Telekom Slovenije receives the grand prize at the SAF in the digital advertising campaign category for the *Itak Ven* campaign, gold medals for the Itak brand TV ad and the use of music (Good Life) therein, and silver medals for the *Itak Ven* campaign in the digital communication category and for the Itak advertisement in the outdoor advertising category.

April 2014

- In the scope of the sale of the majority of Telekom Slovenije shares, Slovenska odškodninska družba (SOD) publishes an invitation to submit declarations of interest. The deadline for the submission of declarations is 23 April 2014.
- Telekom Slovenije is the first operator in Slovenia to offer its subscribers the service of listening to music via Deezer. Using this new service, subscribers can listen to music via various devices, anytime and anywhere. Deezer is currently available in more than 180 countries, has 12 million active users a month and 5 million subscribers, and is distinguished by a rich, high-quality musical collection (30 million songs and more the 30,000 music stations).
- Telekom Slovenije receives a lawsuit from Akton, d. o. o., Dunajska cesta 9, Ljubljana for the payment of EUR 2,402,820.82 with appertaining costs. The plaintiff is claiming payment for damages it is alleged to have incurred due to unlawful acts by the defendant and damage to the plaintiff's image. The lawsuit relates to a criminal complaint filed against the plaintiff, which in pre-trial proceedings was suspected of the crime of commercial fraud under the second paragraph of Article 228 of the Criminal Code (hereinafter: the KZ-1), in connection with Article 20 of the same code. The competent state prosecutor closed the matter based on the report he received from the National Bureau of Investigation. Telekom Slovenije will prove in the course of proceedings that the plaintiff's lawsuit is completely baseless.
- The Supervisory Board of Telekom Slovenije discusses the Annual Business Report of the Telekom Slovenije Group and Telekom Slovenije for 2013. The Supervisory Board and Management Board propose that Telekom Slovenije's General Meeting of Shareholders earmark a portion of distributable profit at the end of 2013 in the amount of EUR 21,663,241.74 or EUR 3.33 gross per share for the payment of dividends, while the remainder in the amount of EUR 43,391,538.26 is carried forward to the next year.
- The Supervisory Board and Management Board of Telekom Slovenije confirm the information memorandum, which represents a key document in the privatisation of the Company.
- The Management Board of Telekom Slovenije convenes the 25th General Meeting of Shareholders on 30 May 2014. The convening of the General Meeting of Shareholders, together with the agenda, explanations of resolutions and information regarding the rights of shareholders, as well as the registration form and authorisation for participation are published on the Company's website at <http://skupscina.telekom.si/>. All materials are available to shareholders for viewing in the information office at the Company's registered office, Cigaletova 15, Ljubljana, every business day from 10 am to 12 pm, from the day of publication of the convening of the General Meeting of Shareholders on the website of the AJPES until the day thereof.
- At the auction of frequencies for the provision of public mobile communication services organised by the AKOS, Telekom Slovenije receives an appropriate number of the relevant frequency bands that will be used in the future to offer the Company's users the most state-of-the-art services and the best coverage in a superior network. Telekom Slovenije obtains the following frequencies for which it pays a total of EUR 64,201,889: 2 x 10 MHz in the 800 MHz band, 2 x 15 MHz in the 900 MHz band, 2 x 25 MHz in the 1800 MHz band, 2 x 35 MHz in the 2600 MHz band and 1 x 25 MHz in the 2600 MHz TDD band. In this way, Telekom Slovenije will continue to strengthen its position as the most technologically advanced provider of comprehensive telecommunication services on the Slovenian market, which provides its users convergent mobile and fixed communication services, systems integration, cloud computing services and multimedia content in one place, while further enhancing the value of the Company for its owners.

May 2014

- Telekom Slovenije offers its users an improved version of the TViN service, which combines web TV services, video-on-demand and multimedia cloud storage services. The updated version of the TViN application offers a higher-quality picture, a new design and the possibility of back viewing 30 TV

programmes for up to 72 hours. Upgrades are available for the web version of the TViN application and for the Windows Phone, Android and iOS operating systems.

- To mark its five-year anniversary, the Urbana city card system is upgraded with a new mobile application – a virtual stored-value Urbana card, testing of which has begun. Users of the Moneta service may top off their virtual Urbana card accounts using Moneta directly via their mobile phones. Testing of the application will continue until autumn, when it will be available to all users.
- At the 25th General Meeting of Telekom Slovenije's shareholders, shareholders support the counterproposal regarding the use of distributable profit for the 2013 financial year in the amount of EUR 65,054,780.00. Shareholders support the proposal that the entire distributable profit totalling EUR 65,054,780.00 be earmarked for the payment of gross dividends in the amount of EUR 10 per share. The Management Board and Supervisory Board proposed the payment of gross dividends of EUR 3.33 per share in accordance with the Company's dividend policy, which envisages the payment of one third of distributable profit to shareholders. Shareholders are briefed on the Supervisory Board's written report on the approval of the 2013 annual report, and conferred official approval on the Management Board and Supervisory Board for the 2013 financial year. The General Meeting of Shareholders appoints the audit firm KPMG Slovenija, d. o. o. to audit Telekom Slovenije's financial statements for the 2014 financial year.
- Telekom Slovenije once again receives the title of Trusted Brand this year in the categories of telecommunications services, mobile services and internet services. Quality and personal experience are the most important criteria for Slovenian consumers in assessing products and services.
- TSmedia updates the most sought after business directory in Slovenia, bizi.si, with financial data for 2013. Bizi.si offers its users up-to-date and precise data regarding more than 180,000 legal entities, while the number of Bizi.si users continues to rise.
- The European Commission approves the entry of four new agricultural products in the register of protected designations of origin and protected geographical indications. They include Piran salt produced by Soline, as the 21st product from Slovenia to receive the quality designation at the EU level. Piran salt is a rare product produced in the Sečovelje Saltpans Regional Park. It is produced manually using 700 year-old traditional methods.
- Telekom Slovenije sets up the first two advanced LTE/4G base stations in its mobile network in the 800 MHz radio frequency band, and will continue to expand and upgrade the LTE/4G network. Users in rural areas will benefit most from the expansion and upgrading of the network, which facilitates the capture of frequencies in the 800 MHz band. By using the 800 MHz frequency spectrum, Telekom Slovenije will also improve access to LTE/4G technology in locations where it will further improve the receipt of the signal inside buildings.

June 2014

- The number of users in Telekom Slovenije's LTE/4G mobile network exceeds 100,000 in June. The LTE/4G network is currently available to users in 110 Slovenian cities and towns, and already covers more than 60% of the population. Telekom Slovenije is continuing its intensive efforts to expand the network so that a fast mobile internet will be available to more than 75% of the population by the end of the year. Packet data transfers in Telekom Slovenije's mobile network have increased six-fold over the last five years, while the proportion of smart phones and tablet computers in use is rising every year. Use of the LTE/4G network is free-of-charge for the users of Mobitel services.
- The Itak and the Slovenian Friends of Youth Association (FYA) began the 'Power of Words' initiative with the aim of raising awareness about hate speech among young people on the web. Research on hate speech among young people on the web will be carried out for the first time in Slovenia in the scope of the initiative. Based on findings, experts will offer potential solutions to achieve an improved culture of internet dialogue. Itak and the FYA are calling on all internet users to join the initiative, and to take a mass stand against hate speech, together with famous Slovenes, using 'unselfie' messages and the #MocBesed (Power of Words) hashtag.
- Telekom Slovenije receives the ISO/IEC 27001:2005 certificate from the Slovenian Institute of Quality and Metrology (SIQ). The aforementioned certificate represents the standard for a high-quality and secure information security management system. The international ISO 27001 certificate is received by organisations that meet the highest information security requirements, which are increasingly important in

the context ever increasing dependence on information technologies and the growing importance of information in contemporary operations.

- Telekom Slovenije links all three of the Company's core web portals (its main website, the *Moj Telekom* portal and its Online Store) under the www.telekom.si website with a single login, which allows users to access content on TViN (<http://tvin.si>), as well. Depending on one's response form, content viewing is adapted to the various devices (PCs, laptops, tablet computers and mobile phones) used to access content.
- At its regular session, Telekom Slovenije's Supervisory Board is briefed on and approves due diligence reports drafted during the privatisation process. The Supervisory Board is also briefed on activities at the Company relating to the privatisation process.
- Telekom Slovenije offers its users the Mobitel EU Unlimited package which, in addition to unlimited calls and SMS/MMS and 3 GB of data transfer in Slovenia, also includes affordable roaming rates in EU countries. Subscribers to the Mobitel EU Unlimited package will never pay more than EUR 2.90 a day for the unlimited use of mobile services in EU countries. Should they use less, they will only pay for actual use. In conjunction with this, Telekom Slovenije is offering 3- and 7-day options for roaming in EU and Balkans countries.
- Avtenta, which has achieved the highest standards of quality for several years, successfully passed recertification in line with the ISO 27001:2005 and ISO 9001:2008 standards. Consistent compliance with both standards is important for ensuring the highest quality of services for customers, in particular with regard to the management of business and administrative content, and secure, legally compliant digital document storage. Through an effective quality management system and the conscientious handling of information, Avtenta is able to achieve a high level of confidentiality, integrity and availability of information, while maintaining its competitiveness and successful operations. Slovenian Institute of Quality and Metrology (SIQ) performed the audit in question.
- The image of the online Slovenian telephone directory managed by TSmedia is updated. Thus, real yellow pages that are clearly distinguishable from white pages are available in Slovenia for the first time. Searching is easier and faster, bringing numerous benefits to both natural persons and service providers. The spring 2014 version of the Slovenian telephone directory is also released on DVD.
- The third Slovenian DIGGIT digital communication conference is co-organised by TSmedia. Organisers of the conference also hand out the first DIGGIT awards for digital works that represent extraordinary achievement within a specific sector. Telekom Slovenije receives three awards: for *Itak Ven* in the IT and telecommunications category, for TViN in the digital innovation category and for the 'Good Life' campaign to mark the EuroBasket event, which was the winner in the digital advertising category.

6. Significant events after the balance-sheet date

July 2014

- Telekom Slovenije listens to the needs and wishes of its users and upgrades the HT internet package, such that users may transfer up to 30 GB of data at full transfer speeds while roaming in Croatia between 1 July and 30 September for EUR 10.90 a month. Users of Telekom Slovenije's mobile services may activate the HT internet service by sending an SMS to 1918 with the content 'HT internet'.
- Telekom Slovenije receives ruling no. IV Pg 55/2002 from the Supreme Court of the Republic of Slovenia regarding the payment of damages to ABM informacijski inženiring, d. o. o. due to failure to include a CD-ROM in ISDN packages. During the review process, the Supreme Court reverses the decisions of the courts of the first and second instances, such that Telekom Slovenije is obliged to pay the aforementioned company EUR 941,262.26 plus legally prescribed default interest. In the remaining part, the Supreme Court rejects ABM, d. o. o.'s request for review, and rules that each party must pay their own legal costs.
- Together with IPKO and Iskratel, as well as the Administration of the Republic of Slovenia for Civil Protection, Disaster Relief and the Slovenian Automobile Association, Telekom Slovenije participates in the eCall pilot project, the aim of which is to develop an effective system for saving lives using communication technology in vehicles. The eCall system, which is built into a car, automatically establishes a link immediately following an accident between the damaged vehicle and an emergency call centre using the network of the nearest mobile telephony operator. The introduction of the eCall system in EU countries is

planned for next year, while every new car on the EU market must have a built-in device for automatic calls for assistance from 2017 on.

- Regulated retail prices of mobile roaming services in the European Union are cut, effective 1 July 2014.
- Telekom Slovenije receives recognition as 2014 Microsoft Partner of the Year. Microsoft recognises customers who provide technical excellence, a superior user experience and a broad range of Microsoft products and services, where Telekom Slovenije focuses primarily on cloud computing services and devices. Last year Telekom Slovenije achieved excellent results in sales of Office 365, while doubling sales of mobile telephones with the Windows operating system relative to the previous year. The Company also recorded good sales of PCs with Windows. In the future Telekom Slovenije plans to include services based on Microsoft's Azure platform in its offer.
- Telekom Slovenije opens a new centre in Nova Gorica at Kidričeva ulica 17.
- Telekom Slovenije receives case no. IV Pg 1356/2014 from the Ljubljana District Court in which Quantum, d. o. o. sues for the payment of damages in the amount of EUR 450,000.00 due the alleged abuse of a dominant position. Between 1994 and 1998 Telekom Slovenije is alleged to have prevented Quantum, d. o. o. from pricing calls on internet hubs through user access at the local tariff via a range of 9xxx call numbers, resulting in damages incurred by the aforementioned company. Telekom Slovenije will file an appeal against the lawsuit by the legally prescribed deadline, and will prove in the course of proceedings that the plaintiff's lawsuit is completely baseless.
- The subsidiary Blicnet signs an agreement on the purchase of a 100% participating interest in the company Telrad Net, d. o. o., Bijeljina. The planned acquisition represents the further strengthening of Blicnet's position on the Bosnian market and the achievement of the Telekom Slovenije Group's established objective to provide technologically advanced and contemporary services to its users.

7. Financial statements of the Telekom Slovenije Group and of Telekom Slovenije, d.d. for the period January – June 2014

7.1. Introductory notes

The consolidated financial statements of the Telekom Slovenije Group and the financial statements of the parent company Telekom Slovenije for the reported period and the comparable period last year were compiled in accordance with the provisions of the Companies Act, the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The condensed interim financial statements for the period ending 30 June 2014 were prepared in accordance with IAS 34 Interim Financial Reporting, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2013. The financial statements for the period January – June 2014 have not been audited, while the financial statements for the comparable period January to June 2013 and as at 31 December 2013 have been audited.

The accounting policies used in the compilation of the interim condensed financial statements are the same as those applied in the compilation of the financial statements for the financial year ending 31 December 2013.

The financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets, which are disclosed at fair value, and land and buildings for which the Group uses the fair value model.

The compilation of the financial statements requires of management certain estimates, assessments and assumptions that affect the carrying amount of the assets and liabilities of Group companies, the disclosure of contingent liabilities as at the balance-sheet date and the amount of revenues and expenses of companies in the period ending on the balance-sheet date.

Management's estimates did not change during the accounting period and include the following assumptions:

- the depreciation/amortisation period and residual value of property, plant and equipment and intangible assets,
- adjustments to the value of doubtful receivables,
- deferred taxes,
- international links, and
- provisions and contingent liabilities.

There was no authorised capital or conditional share capital increase during the reporting period.

The operations of the Telekom Slovenije Group and Telekom Slovenije are not seasonal.

All items in the financial statements of the Telekom Slovenije Group and Telekom Slovenije are disclosed in euros, rounded to thousand euro units.

Telekom Slovenije Group

The Telekom Slovenije Group comprises the parent company Telekom Slovenije, and the following subsidiaries:

Company	Country	30 June 2014
GVO, d. o. o.	Slovenia	100.00%
TSmedia, d. o. o.	Slovenia	100.00%
Avtenta, d. o. o.	Slovenia	100.00%
Soline, d. o. o.	Slovenia	100.00%
IPKO, Kosovo	Kosovo	93.11%
Blicnet, d. o. o., Banja Luka	Bosnia and Herzegovina	100.00%
SIOL, d. o. o.	Croatia	100.00%
ONE DOOEL Skopje	Macedonia	100.00%
SiOL, d. o. o., Sarajevo	Bosnia and Herzegovina	100.00%
SIOL, d. o. o., Podgorica	Montenegro	100.00%
DIGI PLUS MULTIMEDIA DOOEL Skopje	Macedonia	100.00%

Telekom Slovenije holds a 100% economic ownership in IPKO Telecommunications LLC arising from the agreement on the purchase of the remaining participating interest signed with minority owners.

Pursuant to an agreement on the sale and transfer of the 100% participating interest in its subsidiary Media Works, which was concluded on 18 December 2013, IPKO Telecommunications LLC concluded the transfer of its ownership stake in Media Works to the buyer on 9 January 2014.

A 50% participating interest in Gibtelecom Limited and a 50% participating interest in M-Pay, d.o.o represent investments in joint ventures. Both companies are included in the consolidated financial statements according to the equity method.

TSmedia, d. o. o. holds a 49% participating interest in the associated company Antenna TV SL, d. o. o.

GVO holds a 100% participating interest in the German company GVO Telekommunikation GmbH.

7.2. Condensed unaudited financial statements of the Telekom Slovenije Group for the period January – June 2014

Consolidated income statement for the period ending 30 June 2014

EUR thousand	I-VI 2014	I-VI 2013	Ind 14/13
Revenue	381,571	382,187	100
Other operating income	3,300	13,461	25
Share of profit or loss in joint ventures	2,386	2,457	97
Cost of goods and materials sold	-34,769	-26,513	131
Cost of materials and energy	-8,154	-11,420	71
Cost of services	-161,883	-154,439	105
Employee benefits expense	-67,175	-70,212	96
Amortisation and depreciation expense	-76,986	-83,736	92
Other operating expenses	-4,079	-9,344	44
Total operating expenses	-353,046	-355,664	99
Profit or loss from operations	34,211	42,441	81
Finance income	13,047	1,930	676
Finance costs	-12,481	-9,221	135
Share of profit or loss of associates and jointly controlled entities	-2,314	-2,303	100
Profit or loss before tax	32,463	32,847	99
Income tax expense	-46	-37	124
Deferred tax	-1,455	-1,068	136
Net profit or loss for the period	30,962	31,742	98
Basic and diluted earnings per share (in EUR)	4.76	4.88	98

Consolidated statement of other comprehensive income of the Telekom Slovenije Group for the period ending 30 June 2014

EUR thousand	I-VI 2014	I-VI 2013	Ind 14/13
Net profit or loss for the period	30,962	31,742	98
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Translation reserves	556	-885	-
Change in revaluation of available-for-sale financial assets to profit or loss	298	69	432
Deferred tax	-50	-10	500
Change in revaluation surplus of available-for-sale financial assets (net)	248	59	420
Other comprehensive income for the period after tax	804	-826	-
Total comprehensive income for the period	31,766	30,916	103

Consolidated statement of financial position as at 30 June 2014

EUR thousand	30. 6. 2014	31. 12. 2013	Ind 14/13
ASSETS			
Intangible assets	204,864	144,309	142
Property, plant and equipment	804,295	840,721	96
Investments in joint ventures	45,647	44,576	102
Other investments	11,652	11,168	104
Other non-current assets	28,371	27,447	103
Investment property	4,098	4,119	99
Deferred tax assets	22,952	24,444	94
Total non-current assets	1,121,879	1,096,784	102
Assets held for sale	4,212	4,478	94
Inventories	32,589	23,876	136
Trade and other receivables	162,687	155,903	104
Deferred expenses and accrued revenues	44,668	38,277	117
Income tax credits	613	618	99
Current financial assets	2,293	10,866	21
Cash and cash equivalents	66,762	59,234	113
Total current assets	313,824	293,252	107
Total assets	1,435,703	1,390,036	103
EQUITY AND LIABILITIES			
Called-up capital	272,721	272,721	100
Capital surplus	169,459	169,459	100
Revenue reserves	265,066	265,217	100
<i>Legal reserves</i>	<i>51,568</i>	<i>51,637</i>	<i>100</i>
<i>Reserves for own shares and interests</i>	<i>3,671</i>	<i>3,671</i>	<i>100</i>
<i>Own shares and interests</i>	<i>-3,671</i>	<i>-3,671</i>	<i>100</i>
<i>Statutory reserves</i>	<i>54,854</i>	<i>54,854</i>	<i>100</i>
<i>Other revenue reserves</i>	<i>158,644</i>	<i>158,726</i>	<i>100</i>
Retained earnings	10,759	44,666	24
<i>Retain earnings from previous periods</i>	<i>-20,203</i>	<i>2,995</i>	<i>-675</i>
<i>Profit or loss for the period</i>	<i>30,962</i>	<i>41,671</i>	<i>74</i>
Revaluation surplus for property, plant and equipment	7,539	7,722	98
Revaluation surplus for financial instruments	962	714	135
Revaluation surplus on actuarial deficits and surpluses	1,128	1,128	100
Translation reserve	-942	-1,498	63
Total capital and reserves	726,692	760,129	719
Non-current deferred income	9,679	9,800	99
Provisions	36,764	40,421	91
Non-current operating liabilities	893	1,001	89
Interest bearing borrowings	47,737	59,586	80
Other non-current financial liabilities	306,240	317,124	97
Deferred tax liabilities	1,741	1,728	101
Total non-current liabilities	403,054	429,660	101
Trade and other liabilities	110,133	126,237	87
Income tax payable	45	32	141
Interest bearing borrowings	27,257	33,012	83
Other current financial liabilities	124,857	1,885	6,624
Deferred income	10,275	10,789	95
Accrued costs and expenses	33,390	28,292	118
Total current liabilities	305,957	200,247	153
Total liabilities	709,011	629,907	113
Total equity and liabilities	1,435,703	1,390,036	103

Consolidated statement of changes in equity for the period ending 30 June 2014

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings	Revaluation reserves for property, plant and equipment	Revaluation of available-for-sale financial assets (net)	Revaluation surplus of actuary deficits and surpluses	Translation reserve	Total equity of owners of the Company
			Legal reserves	Reserves for own shares	Own shares	Statutory reserves	Other revenue reserves						
Balance at 1 Jan 2014	272,721	169,459	51,637	3,671	-3,671	54,854	158,726	44,666	7,722	714	1,128	-1,498	760,129
Net profit or loss for the period								30,962					30,962
Other comprehensive income for the period									0	248	0	556	804
Total comprehensive income for the period	0	0	0	0	0	0	0	30,962	0	248	0	556	31,766
Dividends paid								-65,055					-65,055
Transactions with owners		0	0	0	0	0	0	-65,055	0	0	0	0	-65,055
Transfer to retained earnings and reserves		0						183	-183				0
Other		0	-69	0	0	0	-82	3	0	0	0	0	-148
Balance at 30 June 2014	272,721	169,459	51,568	3,671	-3,671	54,854	158,644	10,759	7,539	962	1,128	-942	726,692

Consolidated statement of changes in equity for the period ending 30 June 2013

EUR thousand	Called-up capital	Capital surplus	Revenue reserves					Retained earnings	Revaluation reserves for property, plant and equipment	Revaluation of available-for-sale financial assets (net)	Revaluation surplus of actuary deficits and surpluses	Translation reserve	Total equity of owners of the Company
			Legal reserves	Reserves for own shares	Own shares	Statutory reserves	Other revenue reserves						
Balance at 1 Jan 2013	272,721	172,910	51,619	3,671	-3,671	54,924	147,478	78,609	8,359	611	528	-1,765	785,994
Other comprehensive income for the period									0	59	0	-885	-826
Total comprehensive income for the period	0	0	0	0	0	0	0	31,742	0	59	0	-885	30,916
Dividends paid								-24,561					-24,561
Transactions with owners		0	0	0	0	0	0	-24,561	0	0	0	0	-24,561
Reversal of other reserves							-221	221					0
Transfer to retained earnings and reserves								178	-178				0
Other								-546					-546
Balance at 30 June 2013	272,721	172,910	51,619	3,671	-3,671	54,924	147,257	85,643	8,181	670	528	-2,650	791,803

Consolidated statement of cash flows for the period ending 30 June 2014

EUR thousand	I-VI 2014	I-VI 2013
Cash flows from operating activities		
Profit before tax	32,463	32,847
Adjustments for:		
Depreciation and amortisation of intangible assets and property, plant and equipment	76,986	83,736
Impairment and write-offs of intangible assets, property, plant and equipment	321	0
Gain or loss on disposal of property, plant and equipment	115	138
Finance income	-13,047	-1,930
Finance costs	14,795	11,524
Change in assets held for sale	266	133
Change in trade and other receivables	-6,784	-36,306
Change in trade and other receivables	-6,390	-5,100
Change in other non-current assets	-925	-2,178
Change in inventories	-8,713	-2,570
Change in provisions	-3,657	-2,785
Change in deferred income	-635	726
Change in accruals	5,098	4,309
Change in trade and other payables	-17,288	-23,879
Income tax paid	-416	15,468
Net cash from operating activities	72,189	74,133
Cash flows from investing activities		
Receipts from investing activities	10,765	48,168
Proceeds from sale of property, plant and equipment	321	1,833
Dividends received	1,320	1,285
Interest received	214	1,020
Disposal of non-current investments	463	298
Disposal of current investments	8,447	43,731
Disbursements from investing activities	-104,229	-51,999
Acquisition of property, plant and equipment	-27,051	-27,682
Acquisition of intangible assets	-74,134	-9,001
Acquisition of investments	-53	-4,070
Investments in subsidiaries and joint ventures net of cash acquired and acquisition of minority interests	-1,226	-7,816
Interest bearing loans	-1,765	-3,430
Cash used in investing activities	-93,464	-3,831
Cash flows from financing activities		
Receipts from financing activities	58,979	0
Non-current borrowings	79	0
Current borrowings	58,900	0
Disbursements from financing activities	-30,176	-42,962
Repayment of current borrowings	-10,000	0
Repayment of non-current borrowings	-17,614	-17,251
Interest paid	-2,527	-1,517
Dividends paid	-35	-24,194
Cash flow used in financing activities	28,803	-42,962
Net increase/decrease in cash and cash equivalents	7,528	27,339
Closing balance of cash	66,762	71,413
Opening balance of cash	59,234	44,074

Segment reporting

The operating segments by which the Group reports are Slovenia, Macedonia, Kosovo and other countries, where the criterion for segment reporting is the registered office where an activity is performed by an individual company.

The disclosure of operations by segment is based on the financial statements of Telekom Slovenije Group companies. Sales between segments are carried out at market value.

Operating segments I - VI 2014

EUR thousand	Slovenia	Macedonia	Kosovo	Other countries	Elimination and adjustment	Consolidated
External sales	321,512	27,648	25,649	6,762	0	381,571
Intersegment sales	29,052	9,103	6,449	5,261	-49,865	0
Total segment revenue	350,564	36,751	32,098	12,023	-49,865	381,571
Other revenue	3,373	97	32	92	-294	3,300
Share in profit or loss of joint ventures	0	0	0	2,386	0	2,386
Total operating expenses	-322,160	-38,475	-29,407	-11,998	48,994	-353,046
Operating profit per segment	31,777	-1,627	2,723	2,503	-1,165	34,211
Finance income						13,047
Finance costs						-12,481
Share of profit or loss in associates and jointly controlled entities						-2,314
Profit before tax						32,463
Income tax expense						-46
Deferred tax						-1,455
Profit for the period						30,962
Other segment information at 30.6.2014						
Segment assets	1,185,435	96,488	139,813	33,131	-19,164	1,435,703
Segment liabilities	188,843	23,803	12,398	9,949	474,018	709,011

I - VI 2013

EUR thousand	Slovenia	Macedonia	Kosovo	Other countries	Elimination and adjustment	Consolidated
External sales	323,831	29,535	24,012	4,809	0	382,187
Intersegment sales	23,156	7,193	8,510	4,262	-43,121	0
Total segment revenue	346,987	36,728	32,522	9,071	-43,121	382,187
Other revenue	8,746	3,716	668	87	244	13,461
Share in profit or loss of joint ventures	0	0	0	2,457	0	2,457
Total operating expenses	-321,262	-39,887	-28,221	-9,353	43,059	-355,664
Operating profit per segment	34,471	557	4,969	-195	182	42,441
Finance income						1,930
Finance costs						-9,221
Share of profit or loss in associates and jointly controlled entities						-2,303
Profit before tax						32,847
Income tax expense						-37
Deferred tax						-1,068
Profit for the period						31,742
Other segment information at 31.12.2013						
Segment assets	1,220,697	89,351	143,903	35,506	-1,485	1,487,972
Segment liabilities	248,140	24,647	9,919	9,995	403,468	696,169

Net sales revenue

EUR thousand	I-VI 2014	I-VI 2013	Ind 14/13
Mobile segment on end user market	156,204	159,198	98
Fixed segment on end user market	121,584	124,483	98
Wholesale market	92,512	87,102	106
Other revenues and other goods sold	11,271	11,403	99
Total revenue	381,571	382,187	100

Net sales revenue was down EUR 616 thousand on the first six months of 2013 to stand at EUR 381,571 thousand. Revenues were down by 2% in both the mobile and fixed segments of the end-user market, or by EUR 2,994 thousand in the mobile segment and by EUR 2,899 thousand in the fixed segment. Other revenues and revenues from other merchandise were down by EUR 132 thousand or 1%, while revenues on the wholesale market were up 6% or EUR 5,410 thousand.

Costs of services

EUR thousand	I-VI 2014	I-VI 2013	Ind 14/13
Telecommunications services	64,728	63,979	101
Cost of leased lines	5,249	4,606	114
Multimedia services costs	15,507	10,923	142
Sale incentives	12,916	12,846	101
Sale commissions	4,694	4,555	103
Maintenance	13,931	14,318	97
Rental costs	8,959	10,558	85
Costs of trade fairs, marketing, sponsorships and entertainment	9,645	10,496	92
Professional and personal services	5,858	6,315	93
Refund of work-related costs	626	656	95
Insurance premiums	2,057	2,161	95
Cost of postal services and transportation	1,892	2,085	91
Banking services	898	848	106
Other services	14,923	10,093	148
Total cost of services	161,883	154,439	105

The costs of services were up EUR 7,444 thousand or 5% on the same period the previous year. The costs of leased lines, telecommunication services, multimedia content, sales incentives and commissions, and other services were up. The costs of leasing of property, plant and equipment, intellectual and personal services, and the costs of trade fairs, advertising, sponsorship and representation were down.

Operating profit

EBIT was down EUR 8,230 thousand or 19% on the same period in 2013, to stand at EUR 34,211 thousand. A profit of EUR 30,962 thousand was achieved (a decrease of 2% on the same period in 2013), in the context of a net financial gain of EUR 566 thousand.

Intangible assets

Intangible assets were up by the total amount of EUR 60,555 thousand primarily as a result of the purchase of frequencies for the provision of public mobile communication services.

Property, plant and equipment

Property, plant and equipment totalled EUR 804,295 thousand as at 30 June 2014, accounting for 56% of total assets, and were down EUR 36,426 thousand primarily as the result of depreciation. Commitments for property, plant and equipment totalled EUR 10,824 thousand as at 30 June 2014.

Operating and other receivables

Operating and other receivables amounted to EUR 162,687 thousand as at 30 June 2014, an increase of EUR 6,784 or 4% compared with the balance at the end of 2013.

Financial instruments

Current financial assets

Current financial assets were down EUR 8,573 thousand on the balance as at 31 December 2013 to stand at EUR 2,293 thousand, primarily as the result of a decrease in bank deposits.

Financial liabilities

Financial liabilities totalled EUR 506,091 thousand as at 30 June 2014, representing an increase of EUR 94,484 thousand on the end of the 2013, broken down as follows:

- borrowings received in the amount of EUR 74,994 thousand were down EUR 17,604 thousand owing to repayments of principal and interest during the accounting period;
- liabilities for bonds issued in the amount of EUR 306,306 thousand were up EUR 7,538 thousand on the balance at the end of the year on account of the associated interest accrued in the period January – June 2014; and
- other financial liabilities totalled EUR 124,791 thousand, representing an increase of EUR 104,550 thousand on the end of 2013 primarily due to an increase in current financial liabilities for issued commercial paper and liabilities for the payment of dividends.

The fair value of financial instruments is compared with their book value in the table below.

Book value and fair value of financial instruments as at 30 June 2014

EUR thousand	Carrying amount	Fair value
Non-current financial assets		
Available-for-sale financial assets	3,442	3,442
Loans given	8,212	8,212
Trade receivables	28,371	28,371
Other non-current financial assets	-2	-2
Current financial assets		
Loans given	1,894	1,894
Bank deposits	399	399
Cash, cash equivalents and income tax receivables	67,375	67,375
Trade receivables	162,687	162,687
Non-current financial liabilities		
Bonds	299,185	319,851
Interest-bearing borrowings	47,737	47,737
Other trade payables	7,055	7,055
Current financial liabilities		
Bonds	7,121	7,121
Interest-bearing borrowings	27,257	27,257
Other financial liabilities	117,736	117,736
Trade payables	110,133	110,133

Non-current financial assets primarily comprise investments in shares and participating interests in companies and banks that are classified as available-for-sale financial assets. Financial assets listed on the stock exchange are recognised at fair value, while other financial assets are recognised at historical cost.

Fair value hierarchy

The following hierarchy was used in recognising and disclosing the fair value of financial instruments using a valuation technique:

1. Category 1: fair value is determined by directly quoting an officially published price on an active market;
2. Category 2: other techniques for determining fair value on the basis of assumptions with a significant impact on fair value that are in line with current observable market transactions with the same instruments, either directly or indirectly; and

- Category 3: other techniques for determining fair value on the basis of assumptions with a significant impact on fair value that are not in line with current observable market transactions with the same instruments and investments valued at historical cost.

Fair value hierarchy

Assets measured at fair value	30 Jun 2014	Category 1	Category 2	Category 3
Available-for-sale financial assets				
Equities and other financial assets	1,476	1,476	0	0

Assets measured at fair value	31 Dec 2013	Category 1	Category 2	Category 3
Available-for-sale financial assets				
Equities and other financial assets	1,177	1,177	0	0

Contingent liabilities from lawsuits

Telekom Slovenije received a lawsuit from Akton, d. o. o., Dunajska cesta 9, Ljubljana for the payment of EUR 2,402,820.82. The Telekom Slovenije Group assesses that the aforementioned lawsuit will not impact its financial statements.

Contingent liabilities from guarantees issued

The Group had provided the following guarantees as at 30 June 2014:

- guarantees for loans in the amount of EUR 123,074 thousand,
- performance guarantees and warranty bonds in the amount of EUR 3,804 thousand,
- guarantees as security for contractual obligations in the amount of EUR 4,042 thousand,
- guarantees as a security for an overdraft facility and payments in the amount of EUR 5,281 thousand, and
- other guarantees in the amount of EUR 3,325 thousand.

None of the above stated liabilities meet the conditions for recognition on the statement of financial position, and the Group does not expect any material consequences as the result thereof.

Transactions with related parties

Related parties of Group companies include the Republic of Slovenia as the majority shareholder of Telekom Slovenije, other shareholders, the Management Board, members of the Supervisory Board and their family members.

Transactions with natural persons

Natural persons (the President and members of the Management Board, and the President and members of the Supervisory Board) held 1,549 shares in Telekom Slovenije as at 30 June 2014, representing a holding of 0.0237%.

Events after the balance sheet date

July 2014

- Telekom Slovenije receives a ruling from the Supreme Court of the Republic of Slovenia regarding the payment of damages to the company ABM informacijski inženiring, d. o. o. in the amount of EUR 941,262.26 plus legally prescribed default interest.
- Telekom Slovenije receives a lawsuit from Quantum, d. o. o. for the payment of EUR 450,000.00. The Telekom Slovenije Group assesses that the aforementioned lawsuit will not impact its financial statements.
- Blicnet, d. o. o., Banja Luka signs an agreement on 18 July 2014 with Telrad Net, d. o. o., Bijeljina on the purchase of a 100% participating interest in the latter.

7.3. Condensed unaudited financial statements of Telekom Slovenije for the period January – June 2014

Income statement of Telekom Slovenije, d.d. for the period ending 30 June 2014

EUR thousand	I-VI 2014	I-VI 2013	Ind 14/13
Revenue	326,433	324,526	101
Other operating income	2,552	6,679	38
Cost of goods and materials sold	-33,614	-26,057	129
Cost of services	-5,166	-6,118	84
Cost of services	-142,651	-133,053	107
Employee benefits expense	-52,496	-55,115	95
Amortisation and depreciation expense	-60,410	-67,005	90
Other operating expenses	-2,066	-7,725	27
Total operating expenses	-296,403	-295,073	100
Profit or loss from operations	32,582	36,132	90
Finance income	19,064	8,112	235
Finance costs	-9,327	-9,015	103
Profit or loss before tax	42,319	35,229	120
Income tax expense	0	0	-
Deferred tax	-1,429	-1,037	138
Net profit or loss for the period	40,890	34,192	120

Statement of other comprehensive income of Telekom Slovenije, d.d. for the period ending 30 June 2014

EUR thousand	I-VI 2014	I-VI 2013	Ind 14/13
Net profit or loss for the period	40,890	34,192	120
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Change in revaluation of available-for-sale financial assets to profit or loss	298	69	432
Deferred tax	-50	-10	500
Change in revaluation surplus of available-for-sale financial assets (net)	248	59	420
Other comprehensive income after tax for the period	248	59	420
Total comprehensive income for the period	41,138	34,251	120

Statement of financial position of Telekom Slovenije, d.d. as at 30 June 2014

EUR thousand	30.6.2014	31.12.2013	Ind 14/13
ASSETS			
Intangible assets	126,712	62,731	202
Property, plant and equipment	656,107	688,245	95
Investments in joint ventures	117,796	117,796	100
Other investments	170,013	171,048	99
Other non-current assets	32,999	31,863	104
Investment property	4,098	4,119	99
Deferred tax assets	22,231	23,697	94
Total non-current assets	1,129,956	1,099,499	103
Assets held for sale	4,212	4,478	94
Inventories	24,131	16,278	148
Trade and other receivables	143,042	139,950	102
Deferred expenses and accrued revenues	33,751	28,420	119
Income tax credits	492	22	2,236
Current financial assets	28,914	30,285	95
Cash and cash equivalents	61,785	52,894	117
Total current assets	296,327	272,327	109
Total assets	1,426,283	1,371,826	104
EQUITY AND LIABILITIES			
Called-up capital	272,721	272,721	100
Capital surplus	168,927	168,927	100
Revenue reserves	263,609	263,609	100
<i>Legal reserves</i>	50,434	50,434	100
<i>Reserves for own shares and interests</i>	3,671	3,671	100
<i>Own shares and interests</i>	-3,671	-3,671	100
<i>Statutory reserves</i>	54,544	54,544	100
<i>Other revenue reserves</i>	158,631	158,631	100
Retained earnings	41,072	65,055	63
<i>Retain earnings from previous periods</i>	182	25,822	1
<i>Profit or loss for the period</i>	40,890	39,233	104
Revaluation reserves for property, plant and equipment	7,539	7,721	98
Revaluation reserves for financial instruments	962	714	135
Revaluation surplus on actuarial deficits and surplus	1,112	1,112	100
Total capital and reserves	755,942	779,859	97
Non-current deferred income	8,818	9,010	98
Provisions	33,344	35,916	93
Non-current operating liabilities	884	992	89
Interest bearing borrowings	47,396	59,245	80
Other non-current financial liabilities	302,244	312,401	97
Deferred tax liabilities	1,741	1,728	101
Total non-current liabilities	394,427	419,292	94
Trade and other liabilities	94,950	110,156	86
Income tax payable	1	0	-
Interest bearing borrowings	27,172	32,869	83
Other current financial liabilities	121,639	473	25,716
Deferred income	5,627	5,351	105
Accrued costs and expenses	26,525	23,826	111
Total current liabilities	275,914	172,675	160
Total liabilities	670,341	591,967	113
Total equity and liabilities	1,426,283	1,371,826	104

Statement of changes in equity of Telekom Slovenije, d.d. for the period ending 30 June 2014

EUR thousand	Called-up capital	Revenue reserves					Other revenue reserves	Retained earnings or losses	Revaluation surplus of property, plant and equipment	Revaluation of available-for-sale financial assets in net value	Revaluation surplus of actuary deficits and surpluses	Total equity of owners of the Company
		Capital reserves	Legal reserves	Own shares reserves	Own shares	Statutory reserves						
Balance at 1 Jan 2013	272,721	168,927	50,434	3,671	-3,671	54,544	158,631	65,055	7,721	714	1,112	779,859
Net profit or loss for the period								40,890				40,890
Other comprehensive income for the period									0	248	0	248
Total comprehensive income for the period	0	0	0	0	0	0	0	40,890	0	248	0	41,138
Dividends paid								-65,055				-65,055
Transactions with owners		0	0	0	0	0	0	-65,055	0	0	0	-65,055
Other								182	-182			0
Balance at 31 May 2014	272,721	168,927	50,434	3,671	-3,671	54,544	158,631	41,072	7,539	962	1,112	755,942

Statement of changes in equity of Telekom Slovenije, d.d. for the period ending 30 June 2013

EUR thousand	Called-up capital	Revenue reserves					Other revenue reserves	Retained earnings or losses	Revaluation surplus of property, plant and equipment	Revaluation of available-for-sale financial assets in net value	Revaluation surplus of actuary deficits and surpluses	Total equity of owners of the Company
		Capital reserves	Legal reserves	Own shares reserves	Own shares	Statutory reserves						
Balance at 1 Jan 2013	272,721	168,927	50,434	3,671	-3,671	54,544	146,723	103,350	8,358	611	528	806,196
Net profit or loss for the period								34,192				34,192
Total comprehensive income for the period									0	59		59
Total comprehensive income for the period	0	0	0	0	0	0	0	34,192	0	59	0	34,251
Dividends paid								-24,070				-24,070
Transactions with owners		0	0	0	0	0	0	-24,070	0	0	0	-24,070
Transfer to retained earnings and reserves		0						89	-89			0
Balance at 31 May 2013	272,721	168,927	50,434	3,671	-3,671	54,544	146,723	113,561	8,269	670	528	816,377

Cash flow statement of Telekom Slovenije, d.d. for the period ending 30 June 2014

EUR thousand	I - VI 2014	I - VI 2013
Cash flows from operating activities		
Profit before tax	42,319	35,229
Adjustments for:		
Depreciation and amortisation expense	60,410	67,005
Impairment and write-offs of property, plant and equipment	241	0
Gain or loss on disposal of property, plant and equipment	-20	203
Finance income	-19,065	-8,112
Finance costs	9,327	9,015
Change in assets held for sale	266	133
Change in operating and other receivables	-3,093	-33,585
Change in deferred costs and accrued income	-5,331	-2,299
Change in other non-current assets	-1,114	-2,614
Change in inventories	-7,853	-2,821
Change in provisions	-2,572	-859
Change in deferred income	85	-45
Change in accrued costs and expenses	2,699	3,218
Change in operating and other payables	-13,049	-12,649
Income tax paid	0	16,014
Net cash from operating activities	63,250	67,833
Cash flows from investing activities		
Receipts from investing activities	14,279	54,268
Dividends received	1,320	1,285
Interest received	3,113	4,222
Disposal of non-current assets	1,779	2,775
Disposal of current assets	8,067	45,986
Disbursements from investing activities	-98,765	-49,469
Acquisition of property, plant and equipment	-19,751	-18,876
Acquisition of intangible assets	-73,203	-8,512
Acquisition of financial assets	-53	-4,070
Investments in subsidiaries and joint ventures net of cash acquired	0	-11,421
Interest bearing loans	-5,758	-6,590
Net cash from investing activities	-84,486	4,799
Cash flows from financing activities		
Receipts from financing activities	58,900	0
Current borrowings	10,000	0
Short-term commercial paper issued	48,900	0
Disbursements from financing activities	-28,774	-42,533
Repayment of current borrowings	-10,000	0
Repayment of non-current borrowings	-17,540	-17,165
Interest paid	-1,199	-1,173
Dividends paid	-35	-24,194
Net cash from financing activities	30,126	-42,533
Net increase/decrease in cash and cash equivalents	8,890	30,100
Closing balance of cash	61,785	61,924
Opening balance of cash	52,894	31,824

Notes to the financial statements of Telekom Slovenije

Net sales revenue

EUR thousand	I-VI 2014	I-VI 2013	Ind 14/13
Mobile services on end-customer market	126,852	131,168	97
Fixed-line telephone services on end-customer market	101,514	104,599	97
Wholesale market	91,709	82,977	111
Other revenue and other merchandise	6,358	5,782	110
Total revenue	326,433	324,526	101

Net sales revenue was up EUR 1,907 thousand or 1% in the period January to June 2014 relative to the same period the previous year, primarily on account of sales revenue on the wholesale market, which was up EUR 8,732 thousand or 11%. Other revenues and revenues from other merchandise were also up, while revenues from mobile and fixed services were down 3% or by EUR 4,316 thousand in the mobile segment and by EUR 3,085 thousand in the fixed segment.

Costs of services

EUR thousand	I-VI 2014	I-VI 2013	Ind 14/13
Telecommunications services	67,597	61,433	110
Cost of leased lines	5,956	5,087	117
Multimedia services costs	11,158	12,246	91
Sale incentives	9,498	9,693	98
Sale commissions	2,955	3,076	96
Maintenance of property, plant and equipment	17,780	15,135	117
Lease of property, plant and equipment	6,024	6,265	96
Costs of trade fairs, marketing, sponsorship and entertainment	7,045	6,802	104
Professional and personal services	4,060	4,310	94
Refond of work-related costs	276	352	78
Insurance premiums	1,661	1,806	92
Cost of postal services and transportation	1,830	1,818	101
Cost of banking services	639	554	115
Other services	6,172	4,476	138
Total cost of services	142,651	133,053	107

The costs of services were up 7% on the same period last year, primarily due to higher costs of telecommunication services, maintenance of property, plant and equipment, leased lines and other services.

Operating profit

EBIT was down 10% or EUR 3,550 thousand on the same period last year to stand at EUR 32,582 thousand.

Finance income

Finance income was up 135% on the same period in 2013, primarily owing to an increase in other finance income.

Finance costs

Finance costs were up 3% on the same period in 2013, primarily as the result of an increase in costs associated with the issue of commercial paper.

Net profit

Net profit in the amount of EUR 40,890 thousand was up 20% or EUR 6,698 thousand on the same period in 2013.

Intangible assets

Intangible assets primarily comprise concessions, licences and computer programmes. Intangible assets were up by the total amount of EUR 63,981 thousand primarily as a result of the purchase of frequencies for the provision of public mobile communication services.

Property, plant and equipment

Property, plant and equipment accounted for 46% of the Company's total assets. The decrease in property, plant and equipment in the amount of EUR 32,138 thousand was primarily the result of depreciation charged during the accounting period in the amount of EUR 51,168 thousand, while new acquisitions totalled EUR 23,509 thousand. Commitments for property, plant and equipment totalled EUR 14,632 thousand as at 30 June 2014.

Investments in subsidiaries and joint ventures

Telekom Slovenije did not increase or decrease the value of its investments in subsidiaries and joint ventures during the reporting period.

Other financial assets

Other financial assets were down EUR 1,035 thousand, primarily owing to a decrease in loans to employees.

Other non-current assets

Other non-current assets were up owing to an increase in instalment sales of merchandise.

Operating and other receivables

Operating and other receivables amounted to EUR 143,042 thousand as at 30 June 2014, an increase of EUR 3,092 thousand compared with the balance at the end of 2013.

Financial instruments

Current financial assets

Current financial assets were down EUR 1,371 thousand, primarily owing to a decrease in bank deposits.

Financial liabilities

Financial liabilities totalled EUR 498,451 thousand as at 30 June 2014, representing an increase of EUR 93,463 thousand on the end of 2013, broken down as follows:

- borrowings received in the amount of EUR 74,568 thousand were down EUR 17,546 thousand owing to repayments of principal and interest in the period January – June 2014;
- liabilities for bonds issued in the amount of EUR 306,306 thousand were up EUR 7,538 thousand primarily on account of interest accrued in the period January – June 2014; and
- other liabilities in the amount of EUR 117,577 thousand were up EUR 93,463 thousand, primarily owing to an increase in current financial liabilities from commercial paper issued and liabilities for the payment of dividends.

Fair value hierarchy

The following hierarchy was used in recognising and disclosing the fair value of financial instruments using a valuation technique:

1. Category 1: fair value is determined by directly quoting an officially published price on an active market;

2. Category 2: other techniques for determining fair value on the basis of assumptions with a significant impact on fair value that are in line with current observable market transactions with the same instruments, either directly or indirectly; and
3. Category 3: other techniques for determining fair value on the basis of assumptions with a significant impact on fair value that are not in line with current observable market transactions with the same instruments and investments valued at historical cost.

Fair value hierarchy

Assets measured at fair value	30 Jun 2014	Category 1	Category 2	Category 3
Available-for-sale financial assets				
Equities and other financial assets	1,476	1,476	0	0

Assets measured at fair value	31 Dec 2013	Category 1	Category 2	Category 3
Available-for-sale financial assets				
Equities and other financial assets	1,177	1,177	0	0

Book value and fair value of financial instruments as at 30 June 2014

EUR thousand	Carrying amount	Fair value
Non-current financial assets		
Available-for-sale financial assets	3,438	3,438
Loans given	166,575	166,575
Trade receivables	32,999	32,999
Current financial assets		
Loans given	28,515	28,515
Bank deposits	399	399
Cash, cash equivalents and income tax receivables	61,785	61,785
Non-current financial liabilities		
Bonds	299,185	319,851
Interest-bearing borrowings	47,396	47,396
Other trade payables	3,059	3,059
Current financial liabilities		
Bonds	7,121	7,121
Interest-bearing borrowings	27,172	27,172
Other financial liabilities	114,518	114,518
Trade payables	94,950	94,950

Contingent liabilities from lawsuits

Telekom Slovenije received a lawsuit from Akton, d. o. o., Dunajska cesta 9, Ljubljana for the payment of EUR 2,402,820.82. Telekom Slovenije assesses that the aforementioned lawsuit will not impact its financial statements.

Contingent liabilities from guarantees issued

The Company had provided the following guarantees as at 30 June 2014:

- guarantees for long-term loans in the amount of EUR 110,774 thousand,
- performance guarantees and warranty bonds in the amount of EUR 3,056 thousand,
- guarantees as security for contractual obligations in the amount of EUR 8.349 thousand,
- guarantees as security for an overdraft facility in the amount of EUR 5,277 thousand, and
- other guarantees in the amount of EUR 130 thousand.

None of the above stated liabilities meet the conditions for recognition on the statement of financial position, and the Company does not expect any material consequences as the result thereof.

Transactions with related parties

Related parties of the Company include the Republic of Slovenia as the majority shareholder of Telekom Slovenije, other shareholders, the Management Board, members of the Supervisory Board and their family members.

Transactions with related parties

EUR thousand	30 Jun 2014	31 Dec 2013
Receivables from Group companies		
Subsidiaries	203,670	201,859
Joint ventures	0	0
Associates	12	10
Liabilities to Group companies		
Subsidiaries	16,997	18,834
Joint ventures	0	2
Associates	0	0

EUR thousand	I - VI 2014	I - VI 2013
Net sales revenue		
Subsidiaries	11,401	9,541
Joint ventures	25	21
Associates	778	297
Purchase of materials and services within the Group		
Subsidiaries	30,561	28,185
Joint ventures	2	4
Associates	672	520

Transactions with natural persons

Natural persons (the President and members of the Management Board, and the President and members of the Supervisory Board) held 1,549 shares in Telekom Slovenije as at 30 June 2014, representing a holding of 0.0237%.

Transactions with the Government of the Republic of Slovenia, and entities and institutions under its control

The Company provides telecommunication services to the Government of the Republic of Slovenia and to various bodies, agencies and companies in which the Slovenian state is either the majority or minority shareholder.

Events after the balance sheet date

July 2014

- Telekom Slovenije receives a ruling from the Supreme Court of the Republic of Slovenia regarding the payment of damages to the company ABM informacijski inženiring, d. o. o. in the amount of EUR 941,262.26 plus legally prescribed default interest.
- Telekom Slovenije receives a lawsuit from Quantum, d. o. o. for the payment of EUR 450,000.00. Telekom Slovenije assesses that the aforementioned lawsuit will not impact its financial statements.