

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

for 2014

Ljubljana, 25 February 2015

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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 2014.

Telekom Slovenije's Supervisory Board discussed the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije for the aforementioned period at its session on 25 February 2015.

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 2014 is also available on the Company's website at www.telekom.si.

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 community 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 experiences, the creation of innovative solutions, and operations that are people and environmentally friendly.

We create connections.

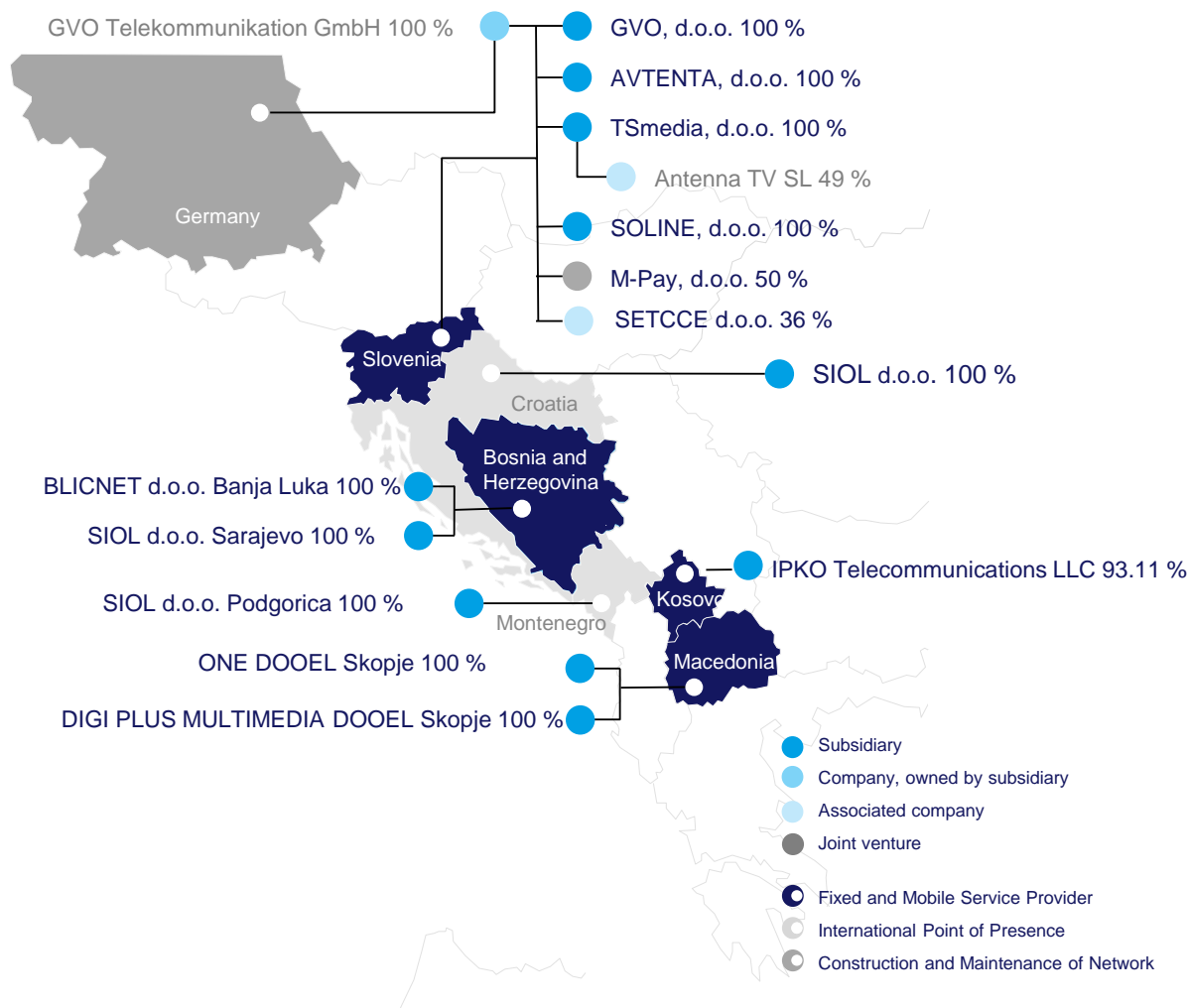
Telekom Slovenije Group employees work in a creative environment. We achieve excellent results because we are connected to one another, proactive, experienced and value an entrepreneurial mindset. We respect our agreements and keep our promises.

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 31 December 2014



Changes in the composition of the Group in 2014

- Pursuant to the 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 completed the transfer of its ownership stake in Media Works to the buyer on 9 January 2014.
- Based on the sales agreement concluded on 17 November 2014, the payment of consideration and the fulfilment of other conditions, Telekom Slovenije sold and transferred its 50% participating interest in Gibtelecom Limited to the government of Gibraltar.

3.2. Operating highlights

The operating results of the **Telekom Slovenije Group** in 2014 must be viewed in the context of the following one-off events that have a current effect on the Group's financial results for 2014, but otherwise represent a solid foundation for its future:

- Slovenia was hit by an ice storm at the beginning of the year and by floods in the middle of the year. The ice storm resulted in numerous power outages and severe damage to Telekom Slovenije's cable network, which was also damaged by the floods. The Company repaired the cable network at a cost of EUR 6.2 million.
- At April's auction of frequencies for the provision of public mobile communication services organised by the AKOS, Telekom Slovenije secured an appropriate number of the relevant frequency bands that will be used in the future to offer users the most state-of-the-art services and the best coverage in a superior network. The Company paid EUR 64.5 million for the aforementioned frequencies.
- At the 25th General Meeting of Shareholders held in May, shareholders supported the counter proposal on the use of distributable profit for 2013, and adopted a resolution that the full amount of EUR 65.1 million be earmarked for the payment of dividends in the gross amount of EUR 10.00 per share.
- In October Telekom Slovenije and the Telekom Austria Group agreed to merge operators on the Macedonian market. Due to the complex procedures involved and the time required to obtain the consent of the Macedonian regulatory body, the planned consolidation of operations in Macedonia was postponed from the final quarter of 2014 until 2015.
- In July Blicnet in Bosnia and Herzegovina signed an agreement on the purchase of a 100% participating interest in Telrad Net, d. o. o. The procedure, however, is still ongoing. The planned acquisition represents the further strengthening of Blicnet's position on the Bosnian market.
- In accordance with its adopted Strategic Business Plan for the period 2014 to 2018, Telekom Slovenije signed an agreement with the government of Gibraltar in November on the sale of its 50% participating interest in Gibtelecom Limited. The transaction was completed in full in December.
- Telekom Slovenije and Simobil signed an agreement in December on mutual relations by which the two companies set in order open issues regarding mutual relations and laid down the conditions for future business cooperation. The signing of the agreement represents an important step aimed at mitigating risks associated with lawsuits, which further enhances the Company's value for owners.
- Provisions were created for severance pay for redundant workers.

Strategic objectives and their realisation in 2014

| Strategic objective | Steps and achievements in 2014 |
|--|---|
| <ul style="list-style-type: none">• Maintain the number of users in Slovenia and achieve the highest level of profitability possible.• Optimise the sale network. | <ul style="list-style-type: none">• The total group number of mobile telephony connections was up 5%, while the number of broadband connections was up 2%.• Activities to maintain the number of subscribers – Loyalty Programme.• We introduced an additional category (D2D) for field sales; the aim is to strengthen sales and make the Company's services more appealing to users.• We continued to renovate points of sale and consolidate the agent network. |

| | |
|--|---|
| <ul style="list-style-type: none"> • Achieve growth in the number of users and EBITDA on the markets of South-Eastern Europe. • Optimise costs at subsidiaries in South-Eastern Europe. | <ul style="list-style-type: none"> • Ipko strengthened its share of the mobile telephony market in Kosovo to 36.4% at the end of the third quarter of 2014, an increase of 2.7 percentage points on the end of 2013. • The Group recorded an increase in the number of users in the mobile telephony segment at all companies in South-Eastern Europe (by a total of 10%), while the total number of VoIP connections was up 47%. The number of broadband connections was up in Kosovo and Bosnia and Herzegovina. |
| <ul style="list-style-type: none"> • Develop new services and subscriber models that will provide new revenue sources. • Achieve a high level of quality of all services at Telekom Slovenije Group companies. • Provide contemporary ICT solutions and services. | <ul style="list-style-type: none"> • A total of 141 base stations were erected in Slovenia with the aim of upgrading the broadband mobile network with Long-Term Evolution (LTE) technology. The Company had a total of 372 LTE base stations by the end of 2014. • Telekom Slovenije was one of the first operators in the world to offer gigabit internet and IPV6 internet services. • The Company updated fixed and mobile voice telephony subscriber packages. |
| <ul style="list-style-type: none"> • Achieve growth in revenues from international data services. | <ul style="list-style-type: none"> • The Company strengthened sales of international data services. • We completed construction of Telekom Slovenije's regional fibre optic network. |
| <ul style="list-style-type: none"> • Optimisation of the employee structure and labour costs. • Human resource development. • Transformation from a technologically oriented company to a sales and service oriented company. | <ul style="list-style-type: none"> • Human resource restructuring, interviews with employees, reassignment within the Company and the termination of employment contracts for business reasons. • Conclusion of an agreement with social partners. • The total number of employees was reduced by 3% relative to 2013. • Labour costs were down 2% on 2013. • Despite the rationalisation of operations, 85.5% of all employees were included in some form of education or training. |
| <ul style="list-style-type: none"> • Pursue sustainable development policies while taking into account the principle of efficiency, and the Company's attitude to other people and the natural environment. | <ul style="list-style-type: none"> • We assisted individuals affected by natural disasters in Slovenia and Bosnia and Herzegovina. In that respect, we are aware of our social responsibility, which we express by investing in sponsorships and donations in the environment in which we operate. Telekom Slovenije is thus among the most visible sponsors of and donors to sporting, cultural, educational, humanitarian and environmental projects. • The Company introduced a system for the targeted monitoring of energy consumption. • The Company's information security management system was certified (ISO/IEC 27001). |

Fulfilment of the business expectations of the Telekom Slovenije Group for 2014

| | Planned in 2014 | Achieved in 2014 | Achieved in 2014 adjusted | Planned in 2015 |
|-------------|--|------------------|---------------------------|-----------------------|
| Investments | up to EUR 137 million (EUR 97 million excluding frequency fees) | EUR 176 million | EUR 112 million | up to EUR 107 million |
| EBITDA | up to EUR 212 million | EUR 170 million | EUR 215 million | EUR 198 million |
| Net profit | EUR 63 million | EUR 1.6 million | EUR 64 million | EUR 66 million |

3.3. Key financial indicators for the Telekom Slovenije Group

| in EUR thousand | 2014 | 2013* | Ind. 14/13 |
|--|-----------|-----------|---------------|
| Revenue | 756,454 | 779,360 | 97 |
| Other operating income | 8,442 | 19,819 | 43 |
| Operating revenues | 764,896 | 799,179 | 96 |
| EBITDA | 170,051 | 239,868 | 71 |
| EBITDA margin | 22.5% | 30.8% | 73 |
| EBIT | 11,412 | 71,540 | 16 |
| Return on sales: ROS (EBIT/net sales revenue) in % | 1.5% | 9.2% | 16 |
| Net profit | 1,594 | 51,057 | 3 |
| Assets | 1,343,421 | 1,391,869 | 97 |
| Equity | 693,901 | 758,582 | 91 |
| Equity ratio in % | 51.7% | 54.5% | 95 |
| Net financial debt | 344,124 | 341,807 | 101 |

* Adjusted for a change to an accounting policy; see point 7.1 for more information.

3.4. Overview by company and key market

Operating revenues

| in EUR thousand | 2014 | 2013* | Ind. 14/13 |
|--------------------------------|----------------|----------------|---------------|
| Telekom Slovenije | 649,082 | 669,855 | 97 |
| Other companies in Slovenia | 56,477 | 56,186 | 101 |
| Ipko - Kosovo | 69,581 | 69,138 | 101 |
| Companies in Macedonia | 76,312 | 79,850 | 96 |
| Other companies abroad | 22,716 | 21,415 | 106 |
| Total - unconsolidated | 874,168 | 896,444 | 98 |
| Elimination and adjustment | -109,272 | -97,265 | 112 |
| Telekom Slovenije Group | 764,896 | 799,179 | 96 |

EBITDA – earnings before interest, taxes, depreciation and amortisation

| in EUR thousand | 2014 | 2013* | Ind. 14/13 |
|--------------------------------|----------------|----------------|---------------|
| Telekom Slovenije | 125,954 | 193,249 | 65 |
| Other companies in Slovenia | 1,606 | 1,786 | 90 |
| Ipko - Kosovo | 26,152 | 26,576 | 98 |
| Companies in Macedonia | 10,637 | 14,381 | 74 |
| Other companies abroad | 4,631 | 2,560 | 181 |
| Share in Gibtelecom | 4,058 | 5,097 | 80 |
| Total - unconsolidated | 173,038 | 243,649 | 71 |
| Elimination and adjustment | -2,987 | -3,781 | 79 |
| Telekom Slovenije Group | 170,051 | 239,868 | 71 |

EBIT – earnings before interest and taxes

| in EUR thousand | 2014 | 2013* | Ind. 14/13 |
|--------------------------------|---------------|---------------|---------------|
| Telekom Slovenije | 1,319 | 58,529 | 2 |
| Other companies in Slovenia | -955 | -611 | - |
| Ipko - Kosovo | 7,137 | 8,652 | 82 |
| Companies in Macedonia | -1,681 | 1,177 | - |
| Other companies abroad | 1,599 | -303 | - |
| Share in Gibtelecom | 4,058 | 5,097 | 80 |
| Total - unconsolidated | 11,477 | 72,541 | 16 |
| Elimination and adjustment | -65 | -1,001 | - |
| Telekom Slovenije Group | 11,412 | 71,540 | 16 |

* Adjusted for a change to an accounting policy; see point 7.1 for more information.

Net profit or loss

| in EUR thousand | 2014 | 2013* | Ind. 14/13 |
|--------------------------------|---------------|---------------|---------------|
| Telekom Slovenije | 17,926 | 51,171 | 35 |
| Other companies in Slovenia | -1,459 | -842 | - |
| Ipko - Kosovo | 564 | 1,395 | 40 |
| Companies in Macedonia | -4,006 | -994 | - |
| Other companies abroad | 1,145 | -886 | - |
| Share in Gibtelecom | 4,058 | 5,097 | 80 |
| Total - unconsolidated | 18,228 | 54,941 | 33 |
| Elimination and adjustment | -16,634 | -3,884 | - |
| Telekom Slovenije Group | 1,594 | 51,057 | 3 |

* Adjusted for a change to an accounting policy; see point 7.1 for more information.

TELEKOM SLOVENIJE GROUP CONNECTIONS AND SERVICES BY TYPE AND MARKET

Broadband connections

| Number of retail connections as at | 31.12.2014 | 31.12.2013 | Ind. 14/13 |
|------------------------------------|----------------|----------------|---------------|
| Slovenia | 199,542 | 202,158 | 99 |
| Macedonia | 38,552 | 39,563 | 97 |
| Kosovo | 90,219 | 82,427 | 109 |
| BiH | 24,674 | 21,520 | 115 |
| SE Europe | 153,445 | 143,510 | 107 |
| Telekom Slovenije Group | 352,987 | 345,668 | 102 |

Fixed and mobile telephony connections

| Number of retail connections as at | 31.12.2014 | 31.12.2013 | Ind. 14/13 |
|------------------------------------|------------------|------------------|---------------|
| Slovenia, mobile telephony | 1,125,365 | 1,123,867 | 100 |
| Slovenia, fixed voice telephony | 401,599 | 421,701 | 95 |
| SE Europe, mobile telephony: | 1,186,660 | 1,082,143 | 110 |
| Macedonia | 558,090 | 527,928 | 106 |
| Kosovo | 626,817 | 554,010 | 113 |
| BiH | 1,753 | 205 | 855 |
| SE Europe, fixed voice telephony | 41,068 | 54,929 | 75 |
| Telekom Slovenije Group | 2,754,692 | 2,682,640 | 103 |
| VoIP services | | | |
| Slovenia | 162,042 | 153,911 | 105 |
| SE Europe | 36,576 | 24,927 | 147 |
| Telekom Slovenije Group | 198,618 | 178,838 | 111 |

Number of mobile and fixed telephony connections / services

| Number of retail connections as at | 31.12.2014 | 31.12.2013 | Ind. 14/13 |
|---------------------------------------|------------------|------------------|---------------|
| Total mobile telephony | 2,312,025 | 2,206,010 | 105 |
| Total fixed voice telephony services* | 641,285 | 655,468 | 98 |
| Telekom Slovenije Group | 2,953,310 | 2,861,478 | 103 |

* Sum of fixed voice telephony connections and VoIP services.

Capex

| in EUR thousand | 2014 | 2013 | Ind. 14/13 |
|--------------------------------|----------------|----------------|---------------|
| Telekom Slovenije | 151,158 | 72,890 | 207 |
| Other companies in Slovenia | 1,560 | 3,034 | 51 |
| Ipko - Kosovo | 13,944 | 13,070 | 107 |
| Companies in Macedonia | 9,078 | 20,455 | 44 |
| Other companies abroad | 3,355 | 6,811 | 49 |
| Elimination and adjustment | -2,614 | -2,971 | 88 |
| Telekom Slovenije Group | 176,481 | 113,289 | 156 |

Employees

| number of employees as at | 31.12.2014 | 31.12.2013 | Ind. 14/13 |
|--------------------------------|--------------|--------------|---------------|
| Telekom Slovenije | 2,749 | 2,887 | 95 |
| Other companies in Slovenia | 617 | 684 | 90 |
| Ipko - Kosovo | 524 | 482 | 109 |
| Companies in Macedonia | 420 | 423 | 99 |
| Other companies abroad | 121 | 110 | 110 |
| Telekom Slovenije Group | 4,431 | 4,586 | 97 |

3.5. Ownership structure and share trading

General information regarding Telekom Slovenije, d. d. shares as at 31 December 2014

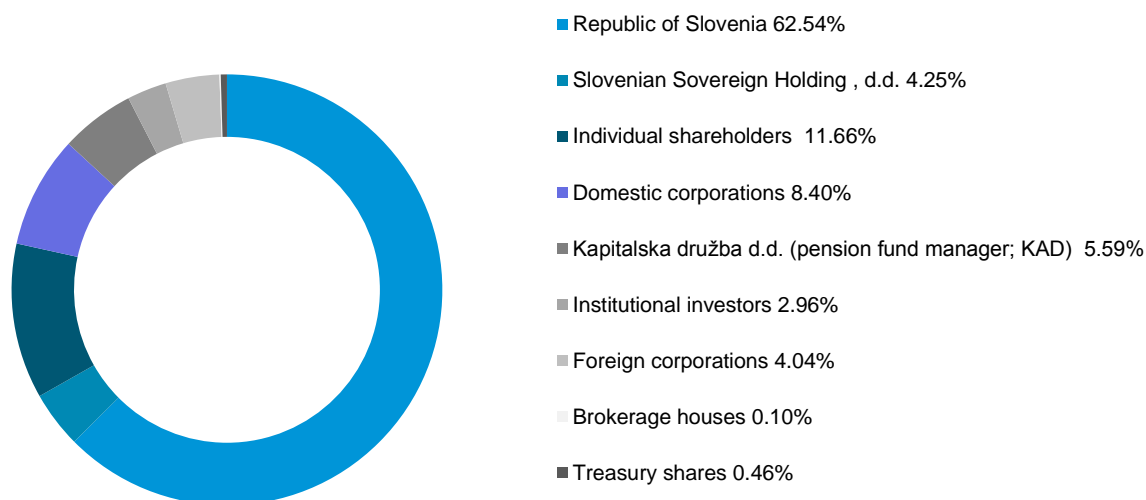
| General information regarding shares | |
|---|--|
| Ticker symbol | TLSG |
| Listing | Ljubljana Stock Exchange, prime market |
| Share capital (EUR) | 272,720,664.33 |
| Number of ordinary registered no-par value shares | 6,535,478 |
| Number of shares held in treasury | 30,000 |
| Number of shareholders as at 31 December 2013 | 11,498 |

Ownership structure and largest shareholders

As at 31 December 2014 there were 11,498 shareholders entered in Telekom Slovenije's register of shareholders, a decrease of 131 on the end of 2013. The most significant decline (of 125) was recorded by the category of individual shareholders.

There were no significant shifts in the ownership structure, as there was no change exceeding 1 percentage point in any category. Domestic corporates decreased their stake slightly, by 0.47 percentage points to 8.40%, while individual shareholders increased their stake by 0.45 percentage points to 11.66%. The Company's largest shareholder at the end of 2014 remained the government, together with Kapitalska družba, d. d., Slovenski državni holding, d. d. and Modra zavarovalnica, d. d. Collectively, 73.82% of the Company's shares were directly or indirectly held by the government at the end of the year.

Ownership structure as at 31 December 2014



Ten largest shareholders

As at 31 December 2014 the ten largest shareholders held 77.83% of the Company's share capital, up 0.06 percentage points on the end of 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.

| | Delničar na dan 31.12. 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 - fiduciarni | 0.47 | NFD 1, mešani fleksibilni podsklad | 0.52 |
| 10 | Telekom Slovenije d.d. | 0.46 | KD Galileo, fleksibilna struktura naložb | 0.51 |
| | Skupaj | 77.83 | Total | 77.77 |

* Slovenski državni holding (SDH) was established in June 2014 with the entry into force of the ZSDH-1, and assumed the responsibilities and obligations of Slovenska odškodninska družba (SOD).

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

Members of the Management Board and Supervisory Board held 1,549 TLGS shares as at 31 December 2014 (see table below). 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

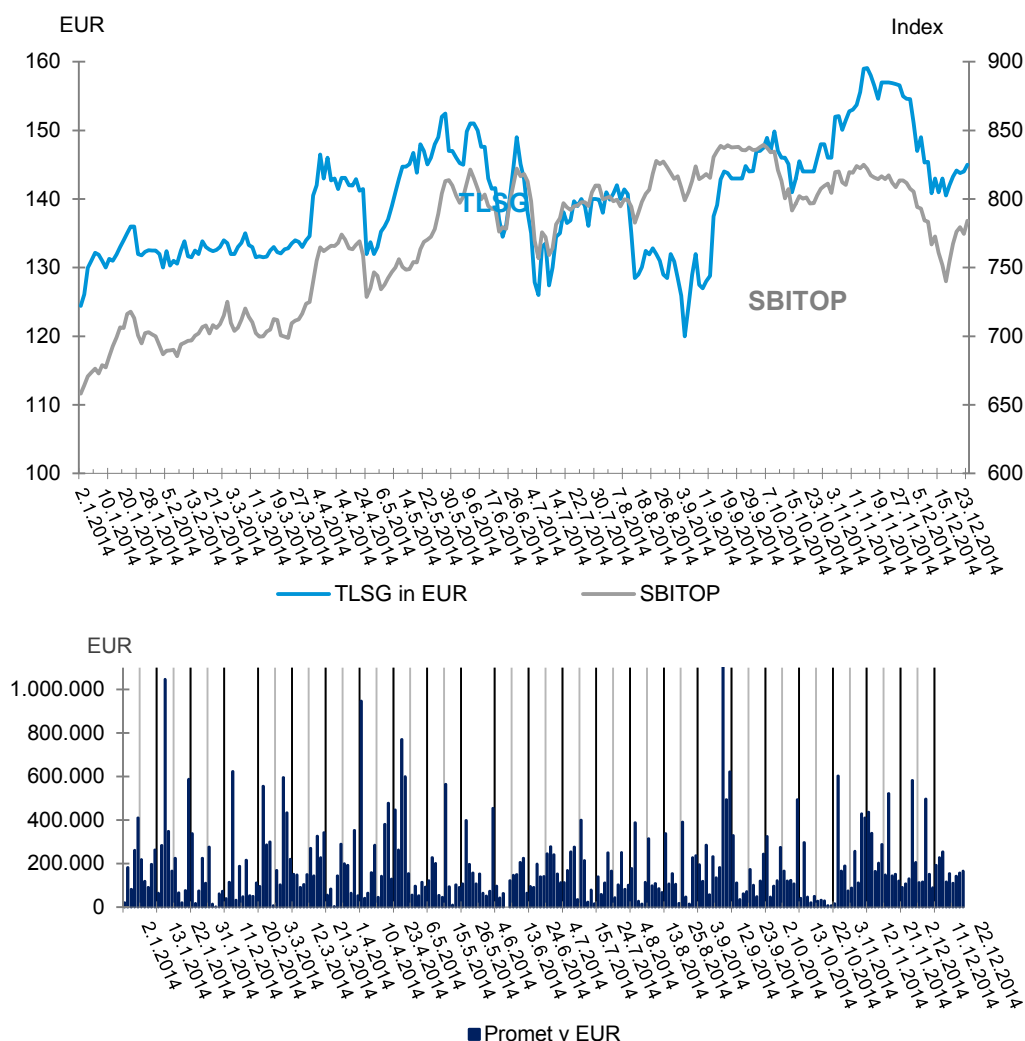
The price of TLGS shares ended 2014 in positive territory, and stood at EUR 145.00 on the last trading day of the year. The share price thus rose by 19.29% in year-on-year terms. The SBI TOP index, which represents the largest and most liquid shares on the regulated market of the Ljubljana Stock Exchange, gained 19.59% over the same period.

Market capitalisation stood at EUR 947.64 million at the end of the year, ranking TLGS shares second on the market in this regard. In terms of trading volume, TLGS shares were the second most heavily traded securities in 2014.

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

| Standard price in EUR | I – XII 2014 | I – XII 2013 |
|---------------------------|--------------|--------------|
| Highest daily volume | 159.10 | 122.95 |
| Lowest daily volume | 120.00 | 77.50 |
| Average daily volume | 139.70 | 101.39 |
| Volume in EUR thousand | I – XII 2014 | I – XII 2013 |
| Total volume for the year | 46,494.00 | 33,632.74 |
| Highest daily volume | 1,165.05 | 1,536.83 |
| Lowest daily volume | 0.91 | 1.36 |
| Average daily volume | 187.48 | 136.72 |

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

| | 31. 12. 2014 | 31. 12. 2013 |
|--|--------------|--------------|
| Standard price (P) of one share on the last trading day of the period in EUR | 145,00 | 121,55 |
| Book value (BV) ¹ of one share in EUR | 112,36 | 119,89 |
| Earnings per share (EPS) ² in EUR | 2,76 | 7,87 |
| P/BV | 1,29 | 1,01 |
| Capital return per share during the year ³ | 19,29 % | 27,28 % |

Notes:

* Adjusted data for 2013.

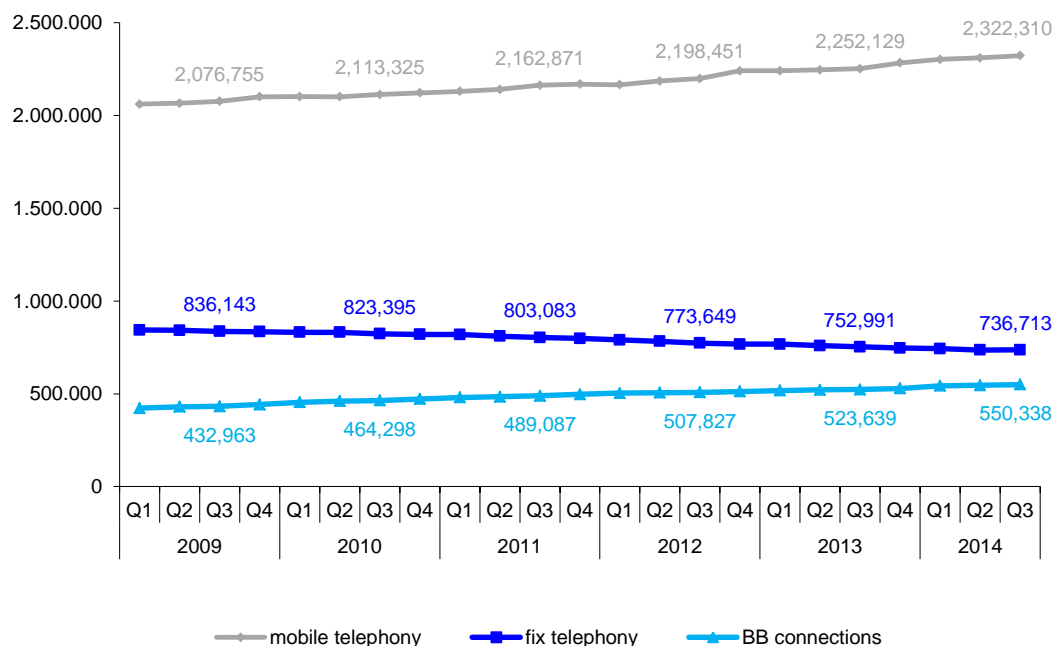
¹ The book value of one share is calculated as the ratio of the book value of Telekom Slovenije's equity on the last day of the period to the weighted average number of ordinary shares during the accounting period excluding treasury shares.

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.

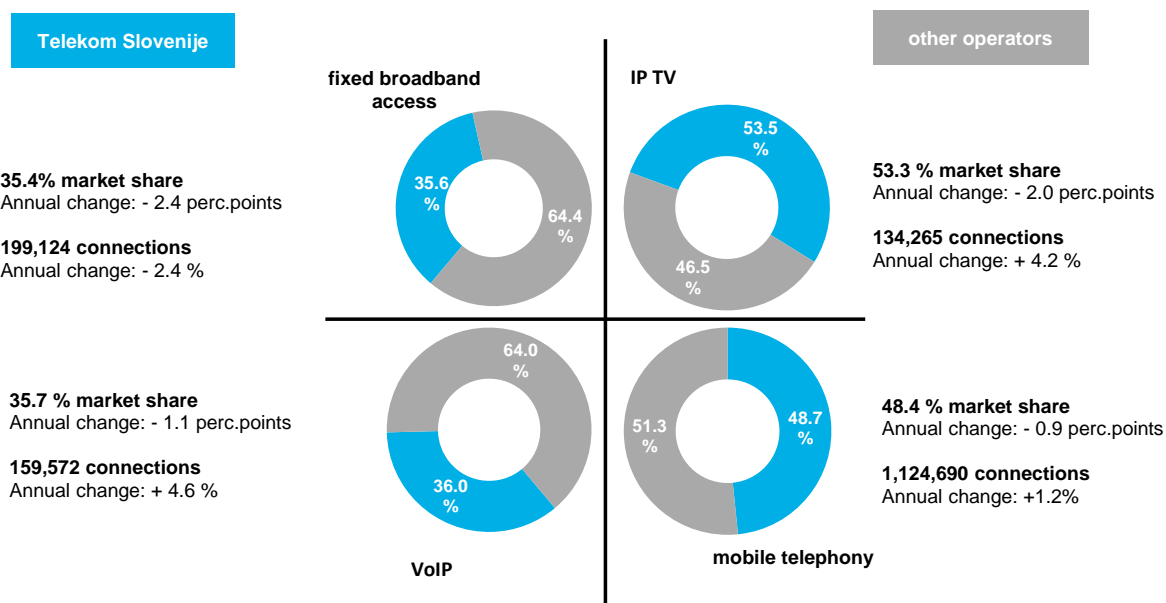
3.6. Market and market shares in key service segments

Number of connections in Slovenia



Source: Report for the third quarter of 2014, SORS

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



Source: Report on the development of the electronic communications market for the third quarter of 2014, AKOS, December 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 the market risks and risks linked to the competition, the risk of business and residential users migrating to competitor networks remains elevated. Competition and 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 these risks 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 the implementation of 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 continued development of Telekom Slovenije. 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 remain.
- 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. We are planning updates and an increase in capacities through redundancy in those network segments where we have identified increased functional and security-related risks.
- 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 vis-à-vis 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.

- There was no significant increase in exposure to financial risks. Liquidity risk is still assessed as moderate, while interest-rate risk and currency risk are deemed low. To manage risks associated with short-term solvency, Telekom Slovenije has established an effective 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 and long-term revolving loans and credit lines at domestic and foreign banks also provide a high level of financial flexibility to balance liquidity. There is also risk associated with rolling over existing short-term sources and risk associated with the refinancing of short-term sources with long-term sources. These are mitigated through timely refinancing procedures carried out in accordance with the relevant regulation.

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 associated with the stability and continued development of the Najdi.si web product will be mitigated by strengthening administrator and development teams, and through the development of a new generation product on a new platform.

Key risks for Avtenta

- Revenue risks associated with public administration projects are managed by strengthening efforts to secure new projects on the external market.

Key risks for Soline

- Weather conditions significantly affect the production of sufficient levels of salt. In uncertain weather conditions, this results in risks associated with the loss of salt and thus the loss of revenue. The commercial success of Lepa Vida Thalasso Spa also depends in part on the weather.

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.
- We will mitigate the risks associated with the proper provision of services in the mobile telephony segment by implementing the next phase of network modernisation and by modifying the configuration of the network.
- Risks associated with falling regulated and unregulated prices persist.

Key risks for Kosovo

- Competition and market risks remain high. These risks are managed through a proactive market approach to attracting new subscribers and through 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 performing 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

- The risks associated with the limited availability of public IP addresses, which are required to provide internet services, will be mitigated by purchasing the lacking public IP addresses or by implementing a Carrier Grade Network Address Translation (CG NAT) system.
- 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 31 December 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 four-year term of office, 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 31 December 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 Hočevar, member
- Matej Golob Matzele, member

Employee representatives:

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

The term of office 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.

Composition of management and supervisory bodies at subsidiaries of the Telekom Slovenije Group as at 31 December 2014

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

Miha Praunseis was appointed Managing Director for a term of office of four years, effective 1 January 2015.

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

Based on 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

5. Significant events in the period January – December 2014

First quarter

January

- Telekom Slovenije receives the ISO 50001 international certificate, which represents the standard that enables organisations to effectively and consistently manage energy.
- Telekom Slovenije supports the “Stay Off the Line 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.

February

- Slovenia is hit by an ice storm at the beginning of February, resulting in numerous power outages. The Company maintains the functioning of the mobile network using its own generators. Telekom Slovenije’s cable network is also severely damaged by the ice storm.
- 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.
- On behalf of nine consortium partners from six countries, Telekom Slovenije secures a new European project in the area of SUNSEED (Sustainable and Robust Networking for Smart Electricity Distribution) smart networks. The aforementioned project is part of the European Commission’s Seventh Framework Programme (FP7).

March

- 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 events in the sector, TV Connect, which takes place in London. TViN also places on the shortlist of candidates for the prestigious TV Connect Awards 2014.
- 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.

Second quarter

April

- In the scope of the sale of the majority of shares issued by Telekom Slovenije, Slovenska odškodninska družba publishes an invitation to submit declarations of interest. The deadline for the submission of declarations is set for 23 April 2014. Telekom Slovenije’s Supervisory Board and Management Board confirm the information memorandum, which represents a key document in the privatisation of the Company.
- At the auction of frequencies for the provision of public mobile communication services organised by the AKOS, Telekom Slovenije secures an appropriate number of the relevant frequency bands that will be used in the future to offer users the most state-of-the-art services and the best coverage in a superior network.
- 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.

May

- The European Commission includes Piran salt produced by Soline in the register of protected designations of origin, the 21st product from Slovenia to receive the aforementioned quality

designation at the EU level. Piran salt is produced by hand using traditional methods dating back 700 years.

- Telekom Slovenije erects the first two advanced LTE/4G base stations in its mobile network in the 800 MHz radio frequency band. Users in rural areas will benefit most from the expansion and upgrading of the network, which facilitates the receipt of frequencies in the 800 MHz band, while improving the reception of the LTE/4G signal will further enhance accessibility in cities and towns.

June

- 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.
- One adds three cloud computing services to its range of services, enabling simplified operations for its users. One offers e-archiving, customer relationship management (CRM) solutions and virtual private cloud servers.
- Blicnet launches the TViN service which facilitates the viewing of engaging TV programmes on computers, tablets and smart phones.

Third quarter

July

- Together with Ipko and Iskratel, as well as the Administration of the Republic of Slovenia for Civil Protection and 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 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.
- Blicnet signs an agreement with Telrad Net, d. o. o. from Bijeljina on the purchase of a 100% participating interest in the latter. The aim of the purchase is to strengthen the company's position on the Bosnian market.

August

- Pursuant to the requirements of the mobile frequency auction held in August 2013, One introduces fourth generation LTE/4G mobile technology in Macedonia. In doing so, the company is able to offer users new packages that make all of the advantages of this technology available to users.

September

- Telekom Slovenije and Microsoft sign an agreement based on which Telekom Slovenije now also offers Microsoft solutions to the largest Slovenian companies and other organisations with more than 250 employees. This makes the Company one of Microsoft's most important partners in the region of Central and Eastern Europe.
- Ipko celebrates the 15th anniversary of the company's founding. During this time, the company has become the leading telecommunications company in Kosovo with a 50% share of the internet access and digital cable television market, and is approaching a 40% share of the national mobile telephony market.
- Avtenta becomes the first certified SAP HANA Support Partner in Slovenia, thereby providing customers with expert consultancy services and support for HANA systems in accordance with strict SAP standards.

Fourth quarter

October

- Telekom Slovenije and the Telekom Austria Group agree to merge the Macedonian operators ONE DOOEL Skopje and VIP OPERATOR DOOEL Skopje. Telekom Slovenije will hold a 45% participating interest in the newly established merged company, while the Telekom Austria Group will hold the remaining 55% stake. Telekom Slovenije and the Telekom Austria Group are planning

to finalise the transaction in the first quarter of 2015.

December

- Telekom Slovenije receives the entire amount of consideration (EUR 47.7 million) for its 50% participating interest in Gibtelecom Limited.
- The ratings agency Moody's issues a new credit rating report for Telekom Slovenije, confirming the company's current rating of Ba2 with a negative outlook.
- By signing the relevant agreement, Telekom Slovenije and Simobil set in order open issues regarding mutual relations and lay down the conditions for future business cooperation, representing an important step aimed at mitigating risks associated with lawsuits, which further enhances the Company's value for owners.
- ONE DOOEL Skopje, a member of the Telekom Slovenije Group, and VIP OPERATOR DOOEL Skopje, a member of the Telekom Austria Group, sign an agreement to merge the two companies. The entire transaction will be completed when consent is received from the Macedonian regulatory body.
- Ipko, the fastest growing mobile operator in Kosovo, officially announces the introduction of LTE/4G in the centre of Pristina and at the international airport close to the capital. The aforementioned technology will provide users in Kosovo with the fastest mobile data transfer service currently available.

6. Significant events after the balance-sheet date

January 2015

- As the defendant in the commercial dispute involving the plaintiff Akton, Telekom Slovenije (previously Mobitel, d. d.) receives a decision from the Ljubljana District Court, in which the court rejects in full the plaintiff's claim as unfounded. Akton immediately announces via the media its intent to file an appeal against the court's decision. The Company will respond in a timely manner.
- As the defendant in the commercial dispute involving the plaintiff T2, d. o. o., Telekom Slovenije receives a motion for retrial with respect to a previous final ruling from the Ljubljana District Court in which the court rejects the plaintiff's claim. Telekom Slovenije will respond to the motion by the legally prescribed deadline and prove in the course of proceedings that the plaintiff's lawsuit is completely baseless.
- Telekom Slovenije receives a decision from the Administrative Court of the Republic of Slovenia, in which the latter rejects the Company's request to reverse the decision of the Competition Protection Agency or CPA (under which Telekom Slovenije is alleged to have unjustifiably set the prior establishment of an ISDN connection as a condition for the establishment of an ADSL connection via its network) and halt proceedings before the CPA. The ruling also states that each party must bear its own costs of the aforementioned proceedings. Telekom Slovenije will submit a request for review to the Supreme Court of the Republic of Slovenia in a timely manner.
- Telekom Slovenije receives a ruling and decision from the Higher Court in Ljubljana, in which the latter rejects the primary claim of Sky Net (payment of damages) in full (the conclusion of the claim is final in this part), and upholds the decision of the court of the first instance, which rejected Sky Net's claim following the issue of a temporary order. The court of the first instance will now rule, in a retrial, on the subordinated claim relating to the fulfilment of an agreement on the mediation of an order for the construction of 414 base stations and the drafting of documentation for 434 base stations. The associated hearing is scheduled for 9 April 2015. Sky Net is expected to file a request for the review of the Higher Court's ruling and decision.
- As part of the consolidation of the Telekom Slovenije Group on the Macedonian market, which includes the transfer of the regional fibre optic network from the subsidiary ONE DOOEL Skopje, Telekom Slovenije established SIOL DOOEL Skopje, as 100% owner, and transferred its 100% participating interest in the subsidiary DIGI PLUS MULTIMEDIA DOOEL Skopje to ONE DOOEL Skopje.
- On 27 January 2015 Telekom Slovenije receives a ruling from the Ljubljana District Court dated 26 January 2015 in the commercial dispute lodged by the plaintiff Simobil, d. d. against the defendant

Telekom Slovenije for the payment of EUR 286,392,223.00 with appertaining amounts. With Telekom Slovenije's consent, Simobil withdrew its claim on 22 January 2015, prompting the Ljubljana District Court to issue a decision to halt proceedings. As previously disclosed, Telekom Slovenije and Simobil signed an agreement on 29 December 2014 governing mutual relations by which the two companies set in order open issues regarding mutual relations and laid down the conditions for future business cooperation.

February 2015

- Telekom Slovenije receives a ruling from the Administrative Court of the Republic of Slovenia in the administrative matter involving Telekom Slovenije as plaintiff and the CPA as defendant with respect to the reversal of the CPA's decision, under which it found Telekom Slovenije to have abused its dominant position from 1 December 2002 to 5 September 2005 on the inter-operator broadband access market with bit-streaming via the copper-based network in the Republic of Slovenia, and the halting of proceedings before the CPA. The Administrative Court of the Republic of Slovenia rejects the plaintiff's request to reverse the decision of the CPA and halt proceedings before the aforementioned body. The ruling also states that each party must bear its own costs of the aforementioned proceedings. Telekom Slovenije will study the decision of the Administrative Court of the Republic of Slovenia and make a decision regarding further measures.
- Telekom Slovenije receives a ruling and decision from the CPA regarding the determination of abuse of its dominant position on the inter-operator broadband access market with bit-streaming via the copper-based network in the Republic of Slovenia and the inter-operator market for access to the fixed network infrastructure in the Republic of Slovenia. Telekom Slovenije will study the CPA's decision and make a decision regarding further measures.
- For the purpose of managing the regional fibre optic network in the Republic of Serbia, Telekom Slovenije establishes SIOL DOO BEOGRAD, as the latter's 100% owner. SIOL DOO BEOGRAD is entered in the companies register in Belgrade on 13 February 2015.

7. Summarised financial statements of the Telekom Slovenije Group and Telekom Slovenije for the period January to December 2014

7.1. Introductory notes

The summarised unaudited financial statements of the Telekom Slovenije Group and Telekom Slovenije derive from the unaudited financial statements of Telekom Slovenije and the Telekom Slovenije Group as at 31 December 2014, and have been compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The summarised unaudited financial statements do not include all disclosures required by the IFRS.

On 1 January 2014 the Telekom Slovenije Group voluntarily amended its accounting policy governing the recording of a portion of broadcasting rights as intangible assets.

Prior to the aforementioned change, the Group recognised the costs of broadcasting rights in the costs of multimedia services in the period in which they arose. Following the change, broadcasting rights are recognised as an intangible asset at the time the relevant agreement is concluded and amortised over the term thereof.

The Group now recognises agreements on broadcasting rights as intangible assets if they meet the following conditions:

- the agreements are concluded for a fixed period of time, and
- the value of an agreement can be determined reliably and a monthly flat rate is paid, independent of the number of subscribers.

The Group believes that the aforementioned change ensures the more appropriate presentation of the balance sheet and better information regarding operations. The change also facilitates improved comparability with the financial statements of other companies that provide the same or similar services.

IAS 38, which deals with property, plant and equipment, does not include special provisions regarding the disclosure of the aforementioned change to the associated accounting policy. Telekom Slovenije Group therefore followed IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, and adjusted their financial statements for previous periods in accordance with the requirements of IAS 1 – Presentation of Financial Statements. The change to the accounting policy was applied retroactively. The Group therefore recalculated financial statements for previous periods from 1 January 2011 on. The change to the accounting policy resulted in an increase in total assets of EUR 3,444 thousand as at 31 December 2013. The effect on the Group's net profit for 2013 was EUR 6 thousand.

Telekom Slovenije's total assets as at 31 December 2013 were up EUR 2,803 thousand as a result of the change to the accounting policy, while the Company's net profit for 2013 was EUR 30 thousand higher.

The Telekom Slovenije Group also adjusted data for 2013 for reclassification and the correction of an error from previous years. These changes were made to ensure the year-on-year comparability of data. The adjustments resulted in a lower net profit for the comparative period in the amount of EUR 1,511 thousand and a decrease in total assets of EUR 107 thousand as at 31 December 2013. No reclassifications or corrections of errors for previous years were made in the financial statements of Telekom Slovenije.

7.2. Summarised unaudited financial statements of the Telekom Slovenije Group for the period January to December 2014

Consolidated income statement for the period ending 31 December 2014

| EUR thousand | 2014 | 2013 adjusted* | Ind 14/13 |
|---|-----------------|-------------------|--------------|
| Revenue | 756,454 | 779,360 | 97 |
| Other operating income | 8,442 | 19,819 | 43 |
| Share of profit or loss in joint ventures | 4,058 | 5,097 | 80 |
| Cost of goods and materials sold | -73,120 | -66,804 | 109 |
| Cost of materials and energy | -14,877 | -19,260 | 77 |
| Cost of services | -324,971 | -318,886 | 102 |
| Employee benefits expense | -138,887 | -142,440 | 98 |
| Amortisation and depreciation expense | -158,639 | -168,328 | 94 |
| Other operating expenses | -47,048 | -17,018 | 276 |
| Total operating expenses | -757,542 | -732,736 | 103 |
| Profit or loss from operations | 11,412 | 71,540 | 16 |
| Finance income | 17,104 | 4,961 | 345 |
| Finance costs | -20,496 | -22,708 | 90 |
| Share of profit or loss of associates and jointly controlled entities | -5,395 | -4,930 | 109 |
| Profit or loss before tax | 2,626 | 48,863 | 5 |
| Income tax expense | -286 | -143 | 200 |
| Deferred tax | -746 | 2,337 | - |
| Net profit or loss for the period | 1,594 | 51,057 | 3 |
| Basic and diluted earnings per share (in EUR) | 0.24 | 7.85 | 3 |

Consolidated statement of comprehensive income for the period ending 31 December 2014

| EUR thousand | 2014 | 2013 adjusted* | Ind 14/13 |
|---|---------------|-------------------|--------------|
| Net profit or loss for the period | 1,594 | 51,057 | 3 |
| Translation reserves | 270 | 267 | - |
| Change in revaluation of actuarial deficits and surpluses | -2,280 | 600 | - |
| Change in revaluation of available-for-sale financial assets to profit or loss | 289 | 141 | 205 |
| Deferred tax | -49 | -24 | - |
| Change in deferred taxes due to restatement of tax rate | 0 | -14 | - |
| Change in revaluation surplus of available-for-sale financial assets (net) | 240 | 103 | 233 |
| Change in deferred taxes due to restatement of tax rate | 0 | -197 | - |
| Change in revaluation surplus for property, plant and equipment (net) | 0 | -197 | - |
| Other comprehensive income for the period after tax | -1,770 | 773 | - |
| Total comprehensive income for the period | -176 | 51,830 | - |

Consolidated statement of financial position as at 31 December 2014

| EUR thousand | 31. 12. 2014 | 31. 12. 2013 adjusted* | 1. 1. 2013 adjusted* | Ind 14/13 |
|--|------------------|---------------------------|-------------------------|--------------|
| ASSETS | | | | |
| Intangible assets | 187,537 | 149,163 | 154,663 | 126 |
| Property, plant and equipment | 751,307 | 839,308 | 900,871 | 90 |
| Investments in joint ventures | 127 | 44,576 | 42,914 | - |
| Other investments | 13,440 | 10,168 | 7,516 | 132 |
| Other non-current assets | 28,027 | 27,447 | 19,482 | 102 |
| Investment property | 4,076 | 4,119 | 6,378 | 99 |
| Deferred tax assets | 25,232 | 24,424 | 21,222 | 103 |
| Total non-current assets | 1,009,746 | 1,099,205 | 1,153,046 | 92 |
| Assets held for sale | 95,338 | 4,478 | 3,846 | - |
| Inventories | 29,837 | 23,876 | 22,386 | 125 |
| Trade and other receivables | 150,888 | 155,614 | 187,888 | 97 |
| Deferred expenses and accrued revenues | 32,321 | 38,278 | 33,105 | 84 |
| Income tax credits | 69 | 618 | 17,567 | 11 |
| Current financial assets | 1,320 | 10,566 | 61,807 | 12 |
| Cash and cash equivalents | 23,902 | 59,234 | 44,074 | 40 |
| Total current assets | 333,675 | 292,664 | 370,673 | 114 |
| Total assets | 1,343,421 | 1,391,869 | 1,523,719 | 97 |
| EQUITY AND LIABILITIES | | | | |
| Called-up capital | 272,721 | 272,721 | 272,721 | 100 |
| Capital surplus | 169,459 | 169,459 | 172,910 | 100 |
| Revenue reserves | 265,059 | 265,210 | 254,014 | 100 |
| <i>Legal reserves</i> | <i>51,561</i> | <i>51,630</i> | <i>51,612</i> | 100 |
| <i>Reserves for own shares and interests</i> | <i>3,671</i> | <i>3,671</i> | <i>3,671</i> | 100 |
| <i>Own shares and interests</i> | <i>-3,671</i> | <i>-3,671</i> | <i>-3,671</i> | 100 |
| <i>Statutory reserves</i> | <i>54,854</i> | <i>54,854</i> | <i>54,924</i> | 100 |
| <i>Other revenue reserves</i> | <i>158,644</i> | <i>158,726</i> | <i>147,478</i> | 100 |
| Retained earnings | -19,176 | 43,126 | 78,574 | - |
| <i>Retain earnings from previous periods</i> | <i>-20,770</i> | <i>2,960</i> | <i>58,490</i> | - |
| <i>Profit or loss for the period</i> | <i>1,594</i> | <i>40,166</i> | <i>20,084</i> | 4 |
| Presežek iz prevrednotenja | 7,066 | 9,564 | 9,498 | - |
| Translation reserve | -1,228 | -1,498 | -1,765 | - |
| Total capital and reserves | 693,901 | 758,582 | 785,952 | 91 |
| Long-term accruals | 11,545 | 9,800 | 7,747 | 118 |
| Provisions | 78,299 | 40,421 | 45,706 | 194 |
| Non-current operating liabilities | 7,663 | 3,435 | 2,938 | 223 |
| Interest bearing borrowings | 35,827 | 59,586 | 92,534 | 60 |
| Other non-current financial liabilities | 309,589 | 317,124 | 315,278 | 98 |
| Deferred tax liabilities | 1,683 | 1,728 | 1,583 | 97 |
| Total non-current liabilities | 444,606 | 432,094 | 465,786 | 103 |
| Liabilities held for sale | 22,525 | 0 | 0 | - |
| Trade and other liabilities | 120,229 | 126,249 | 193,030 | 95 |
| Income tax payable | 161 | 40 | 230 | 403 |
| Interest bearing borrowings | 23,832 | 33,012 | 35,284 | 72 |
| Other current financial liabilities | 98 | 1,885 | 8,834 | 5 |
| Deferred income | 10,878 | 10,794 | 10,621 | 101 |
| Accrued costs and expenses | 27,191 | 29,213 | 23,982 | 93 |
| Total current liabilities | 204,914 | 201,193 | 271,981 | 102 |
| Total liabilities | 649,520 | 633,287 | 737,767 | 103 |
| Total equity and liabilities | 1,343,421 | 1,391,869 | 1,523,719 | 97 |

Consolidated statement of changes in equity for the period ending 31 December 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 | 51,630 | 3,671 | -3,671 | 54,854 | 158,726 | 43,126 | 7,722 | 714 | 1,128 | -1,498 | 758,582 |
| Net profit or loss for the period | | | | | | | | 1,594 | | | | | 1,594 |
| Other comprehensive income for the period | | | | | | | | | 0 | 240 | -2,280 | 270 | -1,770 |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,594 | 0 | 240 | -2,280 | 270 | -176 |
| 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 | | | | | | 458 | -458 | | | | 0 |
| Other | | 0 | -69 | 0 | 0 | 0 | -82 | 701 | 0 | 0 | 0 | 0 | 550 |
| Balance at 31 December 2014 | 272,721 | 169,459 | 51,561 | 3,671 | -3,671 | 54,854 | 158,644 | -19,176 | 7,264 | 954 | -1,152 | -1,228 | 693,901 |

Consolidated statement of changes in equity for the period ending 31 December 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 - reported | 272,721 | 172,910 | 51,619 | 3,671 | -3,671 | 54,924 | 147,478 | 78,609 | 8,359 | 611 | 528 | -1,765 | 785,994 |
| Effect of changes in accounting policies | | | | | | | | 65 | | | | | 65 |
| Correction of error | | | -7 | | | | | -100 | | | | | -107 |
| Balance at 1 Jan 2013 - adjusted | 272,721 | 172,910 | 51,612 | 3,671 | -3,671 | 54,924 | 147,478 | 78,574 | 8,359 | 611 | 528 | -1,765 | 785,952 |
| Net profit or loss for the period | | | | | | | | 51,057 | | | | | 51,057 |
| Other comprehensive income for the period | | | | | | | | | -197 | 103 | 600 | 267 | 773 |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 51,057 | -197 | 103 | 600 | 267 | 51,830 |
| Dividends paid | | | | | | | | -78,556 | | | | | -78,556 |
| Transactions with owners | | 0 | 0 | 0 | 0 | 0 | 0 | -78,556 | 0 | 0 | 0 | 0 | -78,556 |
| Release of other reserves | | | | | | | 11,645 | -11,645 | | | | | 0 |
| Transfer to retained earnings and reserves | | | | | | | | 440 | -440 | | | | 0 |
| Other | | -3,451 | 18 | | | -70 | -397 | 3,256 | 0 | 0 | 0 | 0 | -644 |
| Balance at 31 December 2013 - adjusted | 272,721 | 169,459 | 51,630 | 3,671 | -3,671 | 54,854 | 158,726 | 43,126 | 7,722 | 714 | 1,128 | -1,498 | 758,582 |

Consolidated statement of cash flows for the period ending 31 December 2014

| EUR thousand | 2014 | 2013 |
|---|-----------------|-----------------|
| Cash flows from operating activities | | |
| Profit before tax | 2,626 | 48,863 |
| Adjustments for: | | |
| Depreciation and amortisation of intangible assets and property, plant and equipment | 158,639 | 168,328 |
| Impairment and write-offs of intangible assets, property, plant and equipment | 872 | 2,427 |
| Gain or loss on disposal of property, plant and equipment | 468 | -23 |
| Gain on disposal of investment property | 0 | 258 |
| Finance income | -17,104 | -4,961 |
| Finance costs | 25,891 | 26,338 |
| Change in assets held for sale | -1,786 | -632 |
| Change in trade and other receivables | -5,829 | 32,274 |
| Change in trade and other receivables | -5,479 | -5,172 |
| Change in other non-current assets | -599 | -5,756 |
| Change in inventories | -8,218 | -1,490 |
| Change in provisions | 38,065 | -5,285 |
| Change in deferred income | 4,378 | 2,226 |
| Change in accruals | 2,511 | 5,231 |
| Change in trade and other payables | 5,947 | -65,357 |
| Income tax paid | 342 | 15,134 |
| Net cash from operating activities | 200,724 | 212,404 |
| Cash flows from investing activities | | |
| Receipts from investing activities | 61,900 | 71,046 |
| Proceeds from sale of property, plant and equipment | 459 | 2,480 |
| Dividends received | 3,756 | 3,581 |
| Interest received | 330 | 1,529 |
| Cash proceeds from sale of investment property | 0 | 990 |
| Disposal of non-current investments | 48,403 | 1,288 |
| Disposal of current investments | 8,952 | 61,178 |
| Disbursements from investing activities | -182,015 | -136,755 |
| Acquisition of property, plant and equipment | -80,178 | -78,936 |
| Acquisition of intangible assets | -96,394 | -34,518 |
| Acquisition of investments | 0 | -5,469 |
| Investments in subsidiaries and joint ventures net of cash acquired and acquisition of minority interests | -1,226 | -8,061 |
| Interest bearing loans | -4,217 | -9,771 |
| Cash used in investing activities | -120,115 | -65,709 |
| Cash flows from financing activities | | |
| Receipts from financing activities | 85,900 | 0 |
| Current borrowings | 37,000 | 0 |
| Short-term commercial paper issue | 48,900 | 0 |
| Disbursements from financing activities | -201,841 | -131,535 |
| Maturity of short-term commercial paper | -48,856 | 0 |
| Repayment of current borrowings | -37,000 | 0 |
| Repayment of non-current borrowings | -32,949 | -35,260 |
| Interest paid | -17,990 | -17,616 |
| Dividends paid | -65,046 | -78,658 |
| Cash flow used in financing activities | -115,941 | -131,535 |
| Net increase/decrease in cash and cash equivalents | -35,332 | 15,160 |
| Closing balance of cash | 23,902 | 59,234 |
| Opening balance of cash | 59,234 | 44,074 |

7.3. Summarised unaudited financial statements of Telekom Slovenije for the period January to December 2014

Income statement of Telekom Slovenije for the period ending 31 December 2014

| EUR thousand | 2014 | 2013 adjusted | Ind 14/13 |
|--|-----------------|------------------|--------------|
| Revenue | 643,057 | 658,493 | 98 |
| Other operating income | 6,025 | 11,362 | 53 |
| Cost of goods and materials sold | -72,614 | -63,315 | 115 |
| Cost of services | -10,826 | -12,448 | 87 |
| Cost of services | -284,631 | -277,646 | 103 |
| Employee benefits expense | -111,016 | -111,691 | 99 |
| Amortisation and depreciation expense | -124,635 | -134,720 | 93 |
| Other operating expenses | -44,041 | -11,506 | 383 |
| Total operating expenses | -647,763 | -611,326 | 106 |
| Profit or loss from operations | 1,319 | 58,529 | 2 |
| Finance income | 38,531 | 18,345 | 210 |
| Finance costs | -21,048 | -27,984 | 75 |
| Profit or loss before tax | 18,802 | 48,890 | 38 |
| Income tax expense | 0 | 0 | - |
| Deferred tax | -876 | 2,281 | - |
| Net profit or loss for the period | 17,926 | 51,171 | 35 |
| Basic and diluted earnings per share (in EUR) | 2.76 | 7.87 | 35 |

Statement of other comprehensive income of Telekom Slovenije for the period ending 31 December 2014

| | 2014 | 2013 prilagojeno | Ind 14/13 |
|--|---------------|---------------------|--------------|
| Net profit or loss for the period | 17,926 | 51,171 | 35 |
| Change in revaluation of actuarial deficits and surplus | -2,131 | 584 | -365 |
| Change in revaluation of available-for-sale financial assets to profit or loss | 289 | 141 | 205 |
| Deferred tax | -49 | -24 | 204 |
| Deferred tax on reclassification of revaluation of available-for-sale financial assets to profit or loss | 0 | -14 | - |
| Change in revaluation surplus of available-for-sale financial assets (net) | 240 | 103 | 233 |
| Deferred tax on change in revaluation surplus for property, plant and equipment | 0 | -197 | - |
| Change in revaluation surplus for property, plant and equipment (net) | 0 | -197 | - |
| Other comprehensive income for the period | -1,891 | 490 | -386 |
| Total comprehensive income for the period | 16,035 | 51,661 | 31 |

Statement of financial position of Telekom Slovenije as at 31 December 2014

| EUR thousand | 31.12.2014 | 31. 12. 2013 adjusted | 1. 1. 2013 adjusted | Ind 14/13 |
|--|------------------|--------------------------|------------------------|--------------|
| ASSETS | | | | |
| Intangible assets | 132,276 | 65,304 | 72,340 | 203 |
| Property, plant and equipment | 644,920 | 688,245 | 747,324 | 94 |
| Investments in joint ventures | 45,846 | 117,796 | 121,918 | 39 |
| Other investments | 138,048 | 171,048 | 165,510 | 81 |
| Other non-current assets | 32,549 | 31,863 | 22,606 | 102 |
| Investment property | 4,076 | 4,119 | 6,378 | 99 |
| Deferred tax assets | 23,659 | 23,676 | 20,533 | 100 |
| Total non-current assets | 1,021,374 | 1,102,051 | 1,156,609 | 93 |
| Assets held for sale | 35,083 | 4,478 | 3,846 | 783 |
| Inventories | 25,549 | 16,278 | 14,168 | 157 |
| Trade and other receivables | 148,172 | 139,950 | 167,444 | 106 |
| Deferred expenses and accrued revenues | 31,411 | 28,420 | 25,433 | 111 |
| Income tax credits | 22 | 22 | 17,498 | 100 |
| Current financial assets | 54,209 | 30,285 | 79,254 | 179 |
| Cash and cash equivalents | 19,032 | 52,894 | 31,824 | 36 |
| Total current assets | 313,478 | 272,327 | 339,467 | 115 |
| Total assets | 1,334,852 | 1,374,378 | 1,496,076 | 97 |
| EQUITY AND LIABILITIES | | | | |
| Called-up capital | 272,721 | 272,721 | 272,721 | 100 |
| Capital surplus | 168,927 | 168,927 | 168,927 | 100 |
| Revenue reserves | 263,609 | 263,609 | 251,701 | 100 |
| <i>Legal reserves</i> | 50,434 | 50,434 | 50,434 | 100 |
| <i>Reserves for own shares and interests</i> | 3,671 | 3,671 | 3,671 | 100 |
| <i>Own shares and interests</i> | -3,671 | -3,671 | -3,671 | 100 |
| <i>Statutory reserves</i> | 54,544 | 54,544 | 54,544 | 100 |
| <i>Other revenue reserves</i> | 158,631 | 158,631 | 146,723 | 100 |
| Retained earnings | 18,488 | 65,160 | 103,425 | 28 |
| <i>Retain earnings from previous periods</i> | 562 | 25,897 | 76,042 | 2 |
| <i>Profit or loss for the period</i> | 17,926 | 39,263 | 27,383 | 46 |
| Revaluation surplus | 7,199 | 9,547 | 9,497 | 75 |
| Total capital and reserves | 730,944 | 779,964 | 806,271 | 94 |
| Non-current deferred income | 10,572 | 9,010 | 8,252 | 117 |
| Provisions | 74,740 | 35,916 | 39,125 | 208 |
| Non-current operating liabilities | 7,663 | 3,426 | 2,740 | 224 |
| Interest bearing borrowings | 35,547 | 59,245 | 92,104 | 60 |
| Other non-current financial liabilities | 302,530 | 312,401 | 311,977 | 97 |
| Deferred tax liabilities | 1,683 | 1,728 | 1,583 | 97 |
| Total non-current liabilities | 432,735 | 421,726 | 455,781 | 103 |
| Trade and other liabilities | 115,337 | 110,169 | 168,264 | 105 |
| Interest bearing borrowings | 23,703 | 32,869 | 35,101 | 72 |
| Other current financial liabilities | 64 | 473 | 8,795 | 14 |
| Deferred income | 7,279 | 5,351 | 4,699 | 136 |
| Accrued costs and expenses | 24,790 | 23,826 | 17,165 | 104 |
| Total current liabilities | 171,173 | 172,688 | 234,024 | 99 |
| Total liabilities | 603,908 | 594,414 | 689,805 | 102 |
| Total equity and liabilities | 1,334,852 | 1,374,378 | 1,496,076 | 97 |

Statement of changes in equity of Telekom Slovenije for the period ending 31 December 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 available-for-sale financial instruments (net) | 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 2014 | 272,721 | 168,927 | 50,434 | 3,671 | -3,671 | 54,544 | 158,631 | 65,160 | 7,721 | 714 | 0 | 1,112 | 779,964 |
| Net profit or loss for the period | | | | | | | | 17,926 | | | | | 17,926 |
| Other comprehensive income for the period | | | | | | | | | 0 | 240 | 0 | -2,131 | -1,891 |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,926 | 0 | 240 | 0 | -2,131 | 16,035 |
| 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 | | | | | | | | 457 | -457 | | | | 0 |
| Balance at 31 Dec 2014 | 272,721 | 168,927 | 50,434 | 3,671 | -3,671 | 54,544 | 158,631 | 18,488 | 7,264 | 954 | 0 | -1,019 | 730,944 |

Statement of changes in equity of Telekom Slovenije for the period ending 31 December 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 available-for-sale financial instruments (net) | 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 reported | 272,721 | 168,927 | 50,434 | 3,671 | -3,671 | 54,544 | 146,723 | 103,350 | 8,358 | 611 | 0 | 528 | 806,196 |
| Effect of changes in accounting policies | | | | | | | | 75 | | | | | 75 |
| Balance at 1 Jan 2013 adjusted | 272,721 | 168,927 | 50,434 | 3,671 | -3,671 | 54,544 | 146,723 | 103,425 | 8,358 | 611 | 0 | 528 | 806,271 |
| Net profit or loss for the period | | | | | | | | 51,171 | | | | | 51,171 |
| Total comprehensive income for the period | | | | | | | | | -197 | 103 | 0 | 584 | 490 |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 51,171 | -197 | 103 | 0 | 584 | 51,661 |
| Dividends paid | | | | | | | | -78,065 | | | | | -78,065 |
| Transactions with owners | | 0 | 0 | 0 | 0 | 0 | 0 | -78,065 | 0 | 0 | 0 | 0 | -78,065 |
| Transfer to other reserves according to Management Board resolution | | | | | | | 11,908 | -11,908 | | | | | 0 |
| Transfer to retained earnings and reserves | | 0 | | | | | | 440 | -440 | | | | 0 |
| Unpaid dividends from the 8th, 10th, 12th, 13th and 14th General Meetings of Shareholders – write-off | | | | | | | | 97 | | | | | 97 |
| Balance at 31 Dec 2013 | 272,721 | 168,927 | 50,434 | 3,671 | -3,671 | 54,544 | 158,631 | 65,160 | 7,721 | 714 | 0 | 1,112 | 779,964 |

Cash flow statement of Telekom Slovenije for the period ending 31 December 2014

| EUR thousand | 2014 | 2013 |
|---|-----------------|-----------------|
| Cash flows from operating activities | | |
| Profit before tax | 18,802 | 48,890 |
| Adjustments for: | | |
| Depreciation and amortisation expense | 124,635 | 134,721 |
| Impairment and write-offs of property, plant and equipment | 747 | 2,041 |
| Gain or loss on disposal of property, plant and equipment | 264 | 3 |
| | 0 | 258 |
| Finance income | -38,531 | -18,345 |
| Finance costs | 21,048 | 27,984 |
| Change in assets held for sale | -7 | -632 |
| Change in trade and other receivables | -8,222 | 27,494 |
| Change in deferred costs and accrued revenue | -2,991 | -2,987 |
| Change of receivables for deferred taxes | 0 | 0 |
| Change in other non-current assets | -643 | -6,998 |
| Change in inventories | -9,271 | -2,110 |
| Change in provisions | 38,824 | -3,209 |
| Change in deferred income | 3,490 | 1,410 |
| Change in accruals | 964 | 6,661 |
| Change in trade and other payables | 10,204 | -58,732 |
| Income tax paid | 0 | 16,014 |
| Net cash from operating activities | 159,313 | 172,463 |
| Cash flows from investing activities | | |
| Receipts from investing activities | 94,416 | 94,677 |
| Proceeds from sale of property, plant and equipment | 515 | 0 |
| Proceeds from the sale of investment property | 0 | 990 |
| Dividends received | 3,756 | 3,697 |
| Interest received | 9,140 | 10,902 |
| Disposal of non-current investments | 59,133 | 9,186 |
| Disposal of current investments | 21,872 | 69,902 |
| Disbursements from investing activities | -171,944 | -116,043 |
| Acquisition of property, plant and equipment | -59,086 | -54,542 |
| Acquisition of intangible assets | -92,164 | -18,349 |
| Acquisition of investments | 0 | -5,125 |
| Investments in subsidiaries and joint ventures net of cash acquired | 0 | -11,701 |
| Interest bearing loans | -20,694 | -26,326 |
| Cash used in investing activities | -77,528 | -21,366 |
| Cash flows from financing activities | | |
| Receipts from financing activities | 85,900 | 350 |
| Current borrowings | 37,000 | 350 |
| Short-term commercial paper issue | 48,900 | 0 |
| Disbursements from financing activities | -201,547 | -130,377 |
| Maturity of short-term commercial paper | -48,856 | 0 |
| Repayment of current borrowings | -37,000 | -350 |
| Repayment of non-current borrowings | -32,859 | -35,080 |
| Interest paid | -17,786 | -16,770 |
| Dividends paid | -65,046 | -78,177 |
| Cash flow used in financing activities | -115,647 | -130,027 |
| Net increase/decrease in cash and cash equivalents | -33,862 | 21,070 |
| Closing balance of cash | 19,032 | 52,894 |
| Opening balance of cash | 52,894 | 31,824 |