

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

for the period January – March 2012

Ljubljana, 31 May 2012

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# 1. Introductory note

Pursuant to the provisions of the Rules of the Ljubljana Stock Exchange, Telekom Slovenije, d. d., with its registered office at Cigaletova 15, Ljubljana, hereby publishes the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for the period January – March 2012.

All the financial statements of the Telekom Slovenije Group and Telekom Slovenije, d. d. have been compiled in accordance with the International Financial Reporting Standards. The financial statements for the period January – March 2012 have not been audited.

The Company's Supervisory Board discussed the Unaudited Business Report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for the period January – March 2012 at its session on 29 May 2012.

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](http://www.telekom.si).






The Unaudited Business Report for the period January – March 2012 is also available on the Company's website at [www.telekom.si](http://www.telekom.si).

## 1.1. Statement of responsibility of the Management Board

The members of the Management Board of Telekom Slovenije, d. d. responsible for compiling the report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for the period January – March 2012, 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, d. d., 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.

Ivica Kranjčević, President of the Management Board 	Zoran Vehovar, MSc, Vice-President of the Management Board 	Zoran Janko, Member of the Management Board 	Marko Boštjančič, Member of the Management Board 	Darja Senica, Member of the Management Board and Workers Director 
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## 2. Mission, values, vision and strategic objectives

### 2.1. Mission, values and vision

#### Mission

**We are the best at connecting people – any time, any place.**

We are the best at connecting individuals and families, and we are the best at connecting them to services that make their life easier, with relevant information and high-quality content. We provide for the high-quality, comprehensive and reliable connection of companies and institutions, and individual devices.

#### Values

**We are a well-tuned team.**

Our employees work in a creative environment, constantly in touch with the most cutting-edge technologies. We value commitment, self-initiative and entrepreneurial thinking.

**We live with the user.**

Our guiding principle is a satisfied customer. We ensure a friendly user experience with an attractive offer, carefully thought-out services and content, and excellent support.

**We are reliable and innovative.**

We have the most reliable and extensive networks, which will continue to ensure high-quality services in the future. We are pioneers in the introduction of the latest generations of mobile and fixed telecommunications and multimedia content, and above all ensure their connectivity.

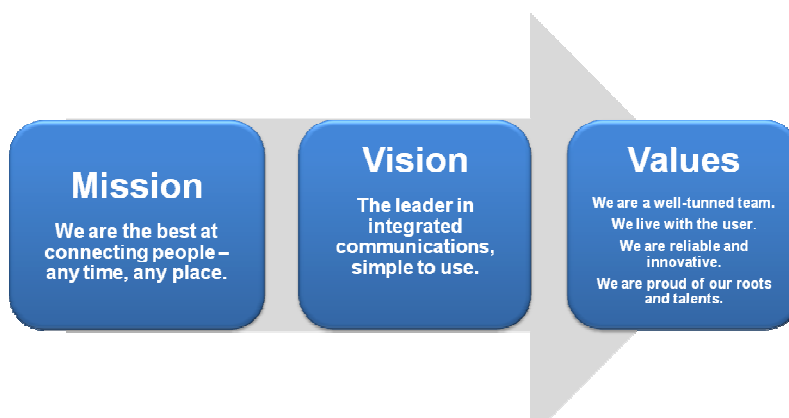
**We are proud of our roots and talents.**

We invest responsibly in Slovenian society and the environment, and support the development of local expertise and innovative solutions between the markets on which we operate. We are responsibly aware of our importance to all of our partners and owners.

#### Vision

**The leader in integrated communications, simple to use.**

By connecting all mobile and fixed information and communication technologies, services, multimedia content and devices, the Telekom Slovenije Group will provide individuals and businesses a simple and secure user experience of the highest quality. It will thus remain the leader in the telecommunications sector in Slovenia and become a leader in the IT and media sectors. The Group will be a cost effective and profitable ICT operator on markets outside of Slovenia.



## 2.2. Strategic guidelines and objectives of the Telekom Slovenije Group

We will accomplish the following by 2015 on the basis of our established objectives:

- We will remain the leading telecommunications operator in Slovenia, and a provider of innovative services, with a stable market share.
- We will become the leading provider of ICT services.
- We will become the leading local provider of advanced digital media advertising services, and digital services and content in Slovenia.
- We will achieve considerable savings by centralising the procurement function and exploiting the purchasing power of the Group.
- We will become the leading and preferred regional provider of international operator services.
- We will be a growing and profitable alternative operator on the markets of South-Eastern Europe, by exploiting synergies within the Telekom Slovenije Group.
- With regard to human resources, we will shift from a technologically oriented company to a service and development oriented company.
- By promoting knowledge, quality and innovation, we will become a proactive service oriented, high-technology company based on sustainable development, comparable with the most successful ICT companies in the European Union in terms of profitability.

The strategic guidelines of the Telekom Slovenije Group include:

- stabilisation of revenues and maintaining the market shares of telecommunication services in Slovenia;
- development of ICT services;
- development of digital media advertising and the monetisation of digital media and applications in Slovenia;
- development of international wholesale services;
- profitable growth in selected countries of South-Eastern Europe;
- systematic reduction of procurement costs and investments;
- development of human resources, increase in labour productivity, and restructuring from a technologically oriented company to a sales and service oriented company;
- quality and business excellence; and
- sustainable development.

## 2.3. Plans for 2012

Based on strategic objectives and guidelines set for the period until 2015, the Telekom Slovenije Group will realise the following plans in 2012:

- In the context of stiff competition, the regulatory environment and the adverse macroeconomic situation, the Telekom Slovenije Group will focus on the search for new revenue sources and primarily on reducing costs in the short term.
- The Group will make the transition from a provider of predominantly infrastructure-related services to a provider of advanced IT and multimedia services.
- The Group will achieve profitable growth on the markets of South-Eastern Europe through growth in revenues and coordinated operations within the Group.
- The Group will transition to a contemporary telecommunications operator at the national and regional level, capable of providing a comprehensive range of state-of-the-art complex and multi-dimensional information and telecommunication services.
- We will transform the Company from a national telecommunications operator into a regional operator with the necessary elements of a regional corporation, and the establishment of a system of corporate governance to support that aim.
- We will carry out the financial consolidation of the Telekom Slovenije Group, including the optimisation of key financial indicators that will be comparable with those of similar companies operating in the region and the EU. In this way, we will also fulfil the requirements of the majority owner.
- In line with the strategic objective of profitable growth, the planned net profit of the Telekom Slovenije Group in 2012 is EUR 55 million.

## 3. Telekom Slovenije Group

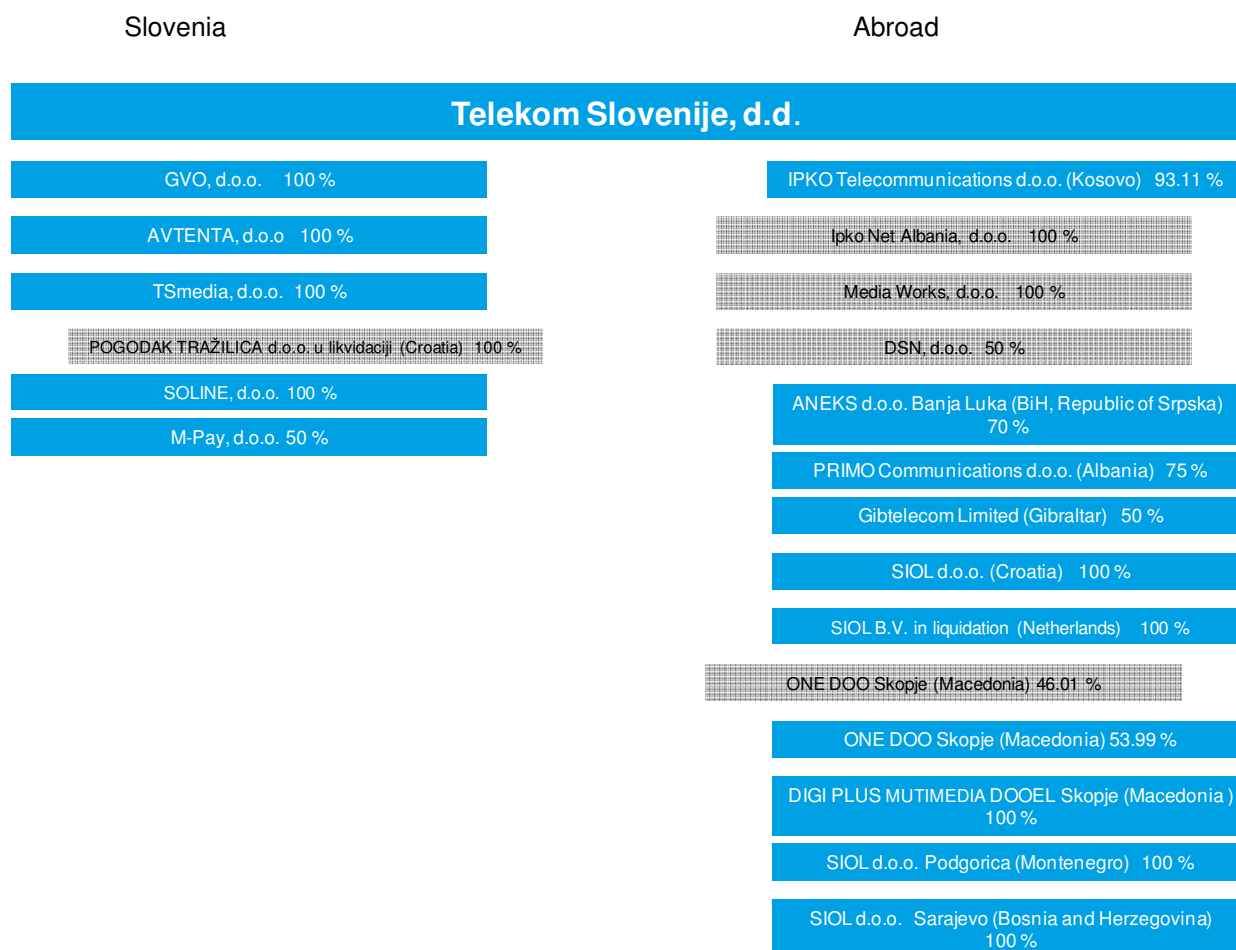
### 3.1. On the map of Europe

Telekom Slovenije Group markets are displayed on the map below:



## 3.2. Structure and organisation as at 31 March 2012

As at 31 March 2012 the Telekom Slovenije Group comprised the parent company Telekom Slovenije, d. d., and the subsidiaries and joint ventures shown in the figure below with corresponding participating interests.



### Changes in the composition of the Group in 2012 (from 1 January to 31 March 2012)

- On the basis of a new capital contribution made in December 2011, resolutions adopted by the general meeting and entry in the companies register in Bosnia and Herzegovina, Telekom Slovenije becomes the owner of a new participating interest in SiOL, d. o. o., Sarajevo in the amount of BAM 2,933,745.00.
- On the basis of a new capital contribution made in December 2011, resolutions adopted by the general meeting and entry in the companies register of Montenegro, Telekom Slovenije becomes the owner of a new participating interest in SIOL, d. o. o., Podgorica in the amount of EUR 320,000.
- Telekom Slovenije adopts a decision at the general meeting of its subsidiary Avtenta.si to increase the latter's share capital through a cash contribution of EUR 3.2 million. Following this injection and entry in the companies register, the share capital of Avtenta.si amounts to EUR 4,869,170.00.
- Following the completion of liquidation proceedings, Pogodak, d. o. o., Belgrade – in liquidation is deleted from the Serbian companies register on 1 February 2012.
- Pursuant the resolution of the sole owner, Avtenta.si, d. o. o. is renamed Avtenta, napredne poslovne rešitve, d. o. o. (abbreviated name: Avtenta, d. o. o.) on 8 March 2012.

### 3.3. Operating highlights

Operations were characterised by the following in the first quarter of 2012:

- Revenues generated by the current primary services of fixed and mobile telephony are declining at the majority of leading operators without investments on developing markets outside the European Union, owing to regulatory requirements and the adverse macroeconomic situation in the context of slowing growth in fixed broadband connections.
- With the aim of maintaining or improving their profitability, telecommunication operators are countering the aforementioned trends primarily through the relentless reduction of all types of costs and by expanding operations beyond traditional telecommunication activities to growing segments linked to television, digital advertising, the mobile transfer of data, management services and cloud computing services. The Telekom Slovenije Group is following this trend of expansion to other activities, which is crucial in the long term.
- The price war in the Slovenian mobile telephony segment has intensified.

The Telekom Slovenije Group achieved the following in the first quarter of 2012:

- The Group generated operating revenues of EUR 194 million, down 1% on the same period in 2011.
- Operating profit amounted to EUR 22.7 million, down EUR 148 thousand on the first quarter of 2011.
- Net financial debt was down 26% or EUR 126 million compared with the balance as at 31 March 2011.
- EBITDA reached EUR 68.7 million or 35.4% of operating revenues.
- We continued to reduce costs, comprehensively restructure operations and optimise processes, which will ensure the future commercial success and development of the Telekom Slovenije Group.
- The Telekom Slovenije Group's net profit amounted to EUR 15.4 million, up 6% on the same period in 2011.

### 3.4. Key financial indicators for the Telekom Slovenije Group

#### Key financial performance indicators of the Telekom Slovenije Group

in EUR thousand	I - III 2012/ 31.12.2011	I - III 2011 / 31.12.2011	Ind. 12/11
Operating revenues	193,793	196,074	99
EBITDA	68,684	72,490	95
EBITDA margin	35.4%	37.0%	96
EBIT	22,774	22,922	99
Return on sales: ROS (EBIT/net sales revenue) in %	11.9%	11.8%	100
Net profit/loss	15,398	14,483	106
Assets	1,571,553	1,575,314	100
Equity	831,094	815,275	102
Equity ratio in %	52.9%	51.8%	102
Net financial debt	353,978	480,341	74
Investment in property, plant and equipment (CAPEX)	14,479	12,306	118
EBITDA - CAPEX	54,205	60,184	90
Ratio of (EBITDA-CAPEX) to EBITDA (cash margin) in %	78.9%	83.0%	95

### 3.5. Overview by company and key market<sup>1</sup>

#### Operating revenues

in EUR thousand	I - III 2012	I - III 2011	Ind. 12/11
Telekom Slovenije	162,856	168,493	97
Other companies in Slovenia	19,038	19,216	99
Ipko - Kosovo	16,272	15,512	105
Companies in Macedonia	16,374	16,660	98
Other companies in SEE	4,861	4,653	104
<b>Total - unconsolidated</b>	<b>219,401</b>	<b>224,534</b>	<b>98</b>
Eliminations and adjustments	-25,608	-28,460	-
<b>Telekom Slovenije Group</b>	<b>193,793</b>	<b>196,074</b>	<b>99</b>

#### EBITDA – earnings before interest, taxes, depreciation and amortisation

in EUR thousand	I - III 2012	I - III 2011	Ind. 12/11
Telekom Slovenije	56,653	62,229	91
Other companies in Slovenia	2,276	2,627	87
Ipko - Kosovo	6,811	5,162	132
Companies in Macedonia	1,552	919	169
Other companies in SEE	703	430	163
Gibtelecom	1,195	1,127	106
<b>Total - unconsolidated</b>	<b>69,190</b>	<b>72,494</b>	<b>95</b>
Eliminations and adjustments	-506	-4	-
<b>Telekom Slovenije Group</b>	<b>68,684</b>	<b>72,490</b>	<b>95</b>

#### EBIT – earnings before interest and taxes

in EUR thousand	I - III 2012	I - III 2011	Ind. 12/11
Telekom Slovenije	20,846	22,993	91
Other companies in Slovenia	587	1,062	55
Ipko - Kosovo	2,237	854	262
Companies in Macedonia	-2,308	-5,676	-
Other companies in SEE	75	-278	-
Gibtelecom	1,195	1,127	106
<b>Total - unconsolidated</b>	<b>22,632</b>	<b>20,082</b>	<b>113</b>
Eliminations and adjustments	142	2,840	-
<b>Telekom Slovenije Group</b>	<b>22,774</b>	<b>22,922</b>	<b>99</b>

<sup>1</sup>The financial statements of Telekom Slovenije, d. d. include the business events, assets and liabilities of the merged company Mobitel, d. d. since 1 January 2011. The comparative financial statements of the acquiring company, Telekom Slovenije, d. d., were adjusted for 2011 as if Telekom Slovenije, d. d. and Mobitel, d. d. were operating as one during the comparable period.

## Net operating profit

in EUR thousand	I - III 2012	I - III 2011	Ind. 12/11
Telekom Slovenije	17,227	25,883	67
Other companies in Slovenia	515	985	52
Ipko - Kosovo	385	-1,134	-
Companies in Macedonia	-2,686	-8,336	32
Other companies in SEE	-68	-279	24
Gibtelecom	1,195	1,127	106
<b>Total - unconsolidated</b>	<b>16,568</b>	<b>18,246</b>	<b>91</b>
Eliminations and adjustments	-1,170	-3,763	-
<b>Telekom Slovenije Group</b>	<b>15,398</b>	<b>14,483</b>	<b>106</b>

## Connections and services by type and market

### Broadband connections

Number of retail connections as at	31.3.2012	31.12.2011	31.3.2011	Ind. 12/11	Ind. 12/P
Slovenia	209,544	210,291	211,059	99	99
BiH	17,853	17,747	16,275	110	91
Macedonia	37,875	36,031	36,620	103	100
Kosovo	72,814	72,312	67,010	109	95
Albania	4,191	4,702	5,029	83	89
Total SE Europe	132,733	130,792	124,934	106	96
<b>Total Telekom Slovenije Group</b>	<b>342,277</b>	<b>341,083</b>	<b>335,993</b>	<b>102</b>	<b>98</b>

### Fixed and mobile telephony connections

Number of retail connections as at	31.3.2012	31.12.2011	31.3.2011	Ind. 12/11
Slovenia, mobile telephony	1,109,679	1,123,788	1,149,019	97
Slovenia, fixed voice telephony	470,565	477,730	511,100	92
SE Europe, mobile telephony:	808,235	813,474	829,029	97
- Macedonia - One*	437,229	439,847	465,933	94
- Kosovo - Ipko	371,006	373,627	363,096	102
SE Europe, fixed voice telephony	65,231	65,307	62,854	104
<b>Total Telekom Slovenije Group</b>	<b>2,453,710</b>	<b>2,480,299</b>	<b>2,552,002</b>	<b>96</b>

Number of VoIP services as at	31.3.2012	31.12.2011	31.3.2011	Ind. 12/11
Slovenia, VoIP	146,572	144,754	141,515	104
SE Europe, VoIP	8,770	8,137	6,933	126
<b>Total</b>	<b>155,342</b>	<b>152,891</b>	<b>148,448</b>	<b>105</b>

## Number of mobile and fixed telephony connections

Number of retail connections as at	31.3.2012	31.12.2011	31.3.2011	Ind. 12/11
Total mobile telephony	1,917,914	1,937,262	1,978,048	97
Total fixed voice telephony services**	691,138	695,928	722,402	96
<b>Skupaj Skupina Telekom Slovenije</b>	<b>2,609,052</b>	<b>2,633,190</b>	<b>2,700,450</b>	<b>97</b>

\* Sum of fixed telephony connections and VoIP services.

## Financial investments

in EUR thousand	I - III 2012	I - III 2011	Ind. 12/11
Telekom Slovenije	7,506	8,858	85
Other companies in Slovenia	3,403	1,381	246
Ipko - Kosovo	1,753	115	1,530
Companies in Macedonia	682	1,155	59
Other companies in SEE	1,135	797	142
<b>Telekom Slovenije Group</b>	<b>14,479</b>	<b>12,306</b>	<b>118</b>

## Employees

	31.3.2012	31.3.2011	Ind. 12/11
Telekom Slovenije	2,750	2,770	99
Other companies in Slovenia	832	841	99
Ipko - Kosovo	470	467	101
Companies in Macedonia	471	538	88
Other companies in SEE	184	203	91
<b>Telekom Slovenije Group</b>	<b>4,707</b>	<b>4,819</b>	<b>98</b>

## 3.6. Ownership structure and share trading

### Shares and ownership structure

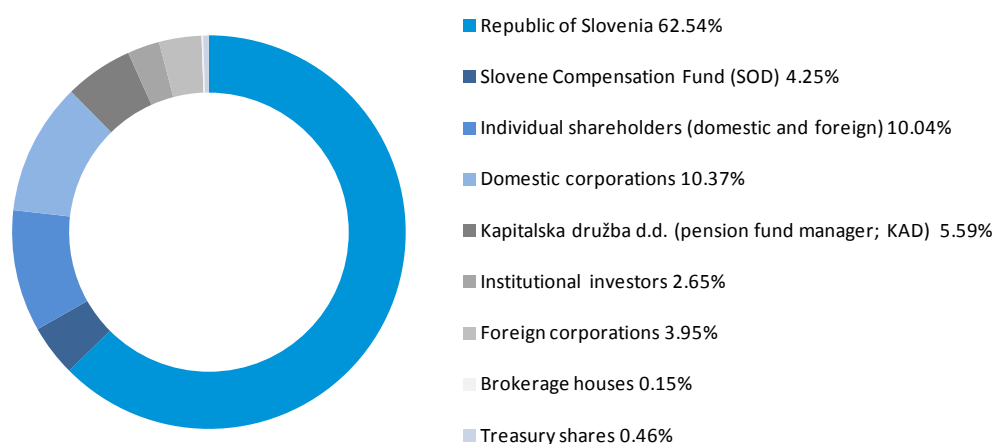
General information regarding	
Ticker symbol	TLSG
Listing	Ljubljana Stock Exchange, prime
Share capital (EUR)	272,720,664.33
Number of ordinary registered non-par value shares	6,535,478
Number of shares held in treasury	30,000
Number of shareholders as at 31 March 2012	11,564

### Ownership structure and largest shareholders

There were no significant shifts in the ownership structure of Telekom Slovenije, d. d. in the first quarter of 2012. Notable changes were recorded by domestic and foreign corporates. Domestic corporates had decreased their stake by 0.51 percentage points by the end of 2011, while foreign corporates increased their stake by 0.46 percentage points.

As at 31 March 2012 there were 11,564 shareholders entered in the register of shareholders, a decrease of 146 on the end of 2011. The largest decrease, of 137, was recorded by individual shareholders.

### Ownership structure as at 31 March 2012



### Ten largest shareholders

As at 31 March 2012 the ten largest shareholders held 79.08% of the Company's share capital, down 0.20 percentage points on the same day in 2011.

## Ten largest shareholders

Shareholder as at 31 March 2012	%	Shareholder as at 31 December 2011	%
Republic of Slovenia	62.54	Republic of Slovenia	62.54
Kapitalska družba, d. d.	5.59	Kapitalska družba, d. d.	5.59
Slovenska odškodninska družba, d. d.	4.25	Slovenska odškodninska družba, d. d.	4.25
Modra zavarovalnica, d. d. (PPS)	1.52	Modra zavarovalnica, d. d. (PPS)	1.60
Intersvet, d. o. o.	1.31	Intersvet, d. o. o.	1.31
NFD 1, delniški podsklad	1.15	NFD 1, delniški podsklad	1.24
Triglav vzajemni skladi – delniški Triglav	0.85	Triglav vzajemni skladi – delniški Triglav	0.85
Perspektiva FT, d. o. o.	0.75	Perspektiva FT, d. o. o.	0.75
KD Galileo Flexible Asset Structure	0.57	KD Galileo Flexible Asset Structure	0.60
NLB, d. d.	0.55	NLB, d. d.	0.55
<b>Total</b>	<b>79.08</b>	<b>Total</b>	<b>79.28</b>

## Number of shares held by the Management Board and the Supervisory Board of Telekom Slovenije, d. d.

The table below lists the members of the Management Board and Supervisory Board who held TLSG shares as at 31 March 2012. Other members of the aforementioned bodies did not hold the Company's shares.

Name	Office	Number of shares	% of equity
<b>Management Board</b>			
Zoran Janko	Member of the Management Board	31	0.0005
Darja Senica	Member of the Management Board and Workers Director	338	0.0052
<b>Supervisory Board</b>			
Dr Tomaž Kalin	Vice-President of the Supervisory Board	100	0.0015
Martin Gorišek	Member of the Supervisory Board	125	0.0019
Milan Richter	Vice-President of the Supervisory Board	1	0.0000
<b>Total</b>		<b>595</b>	<b>0.0091</b>

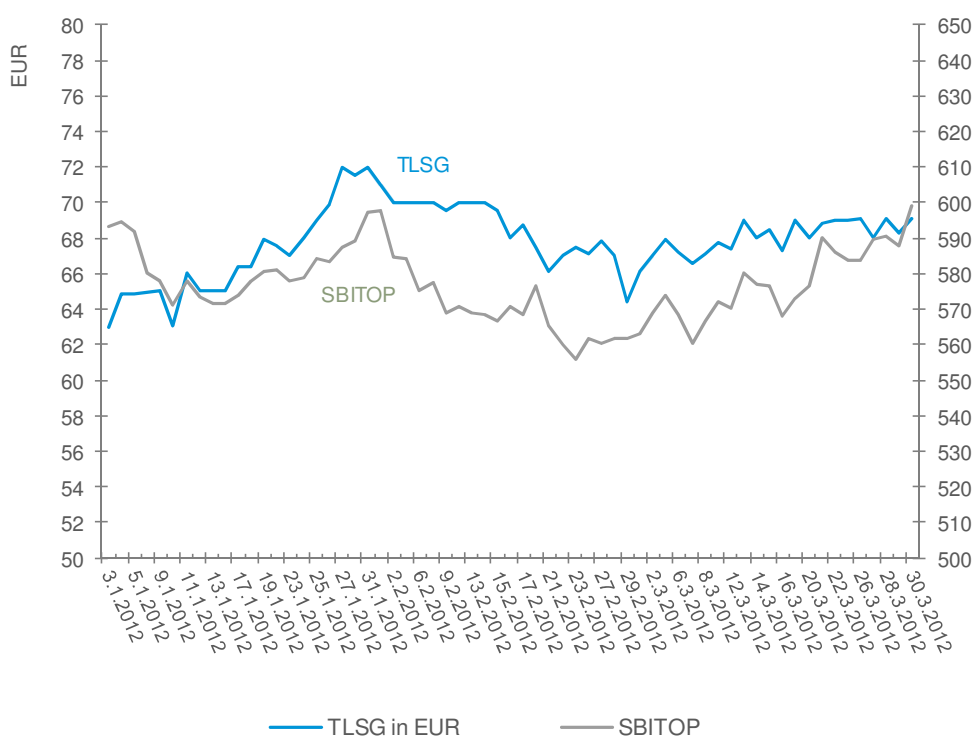
## Share trading and key share-related financial data

The share price fell by 9.7% in the first quarter of 2012 compared with the price at the beginning of the accounting period. The share price closed at EUR 69.1 on the last trading day of March.

## Trading statistics for TLSG shares on the Ljubljana Stock Exchange in the period January – March 2012/2011

Standard price in EUR	I - III 2012	I - III 2011
High	72.00	89.70
Low	63.00	76.30
Average	67.82	84.83
Volume in EUR thousand	I - III 2012	I - III 2011
Total volume for the year	4,118.10	5,821.05
Highest daily volume	481.33	654.68
Lowest daily volume	0.13	3.82
Average	65.37	92.40

## Movement in the TLSG share price compared to the SBI TOP



### Key financial data relating to shares

	31 March 2012 / I - III 2012	31 March 2011 / I - III 2011 (adjusted)
Standard price (P) of one share on the last trading day of the period in EUR	69.10	81.00
Book value (BV) of one share in EUR <sup>1</sup>	129.86	131.55
Earnings per share (EPS) <sup>2</sup> in EUR	2.65	3.98
P/BV	0.53	0.62
Capital return per share in % <sup>3</sup>	9.68%	-5.81%

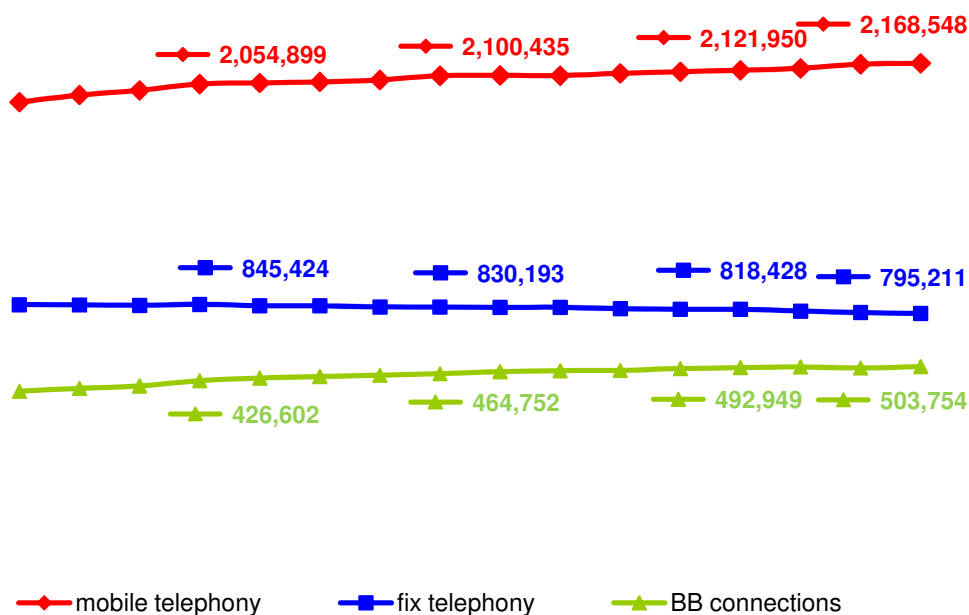
<sup>1</sup> The book value of one share is calculated as the ratio of the book value of Telekom Slovenije, d. d.'s equity on the last day of the period to the weighted average number of ordinary shares during the accounting period excluding treasury shares.

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

<sup>3</sup> 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.

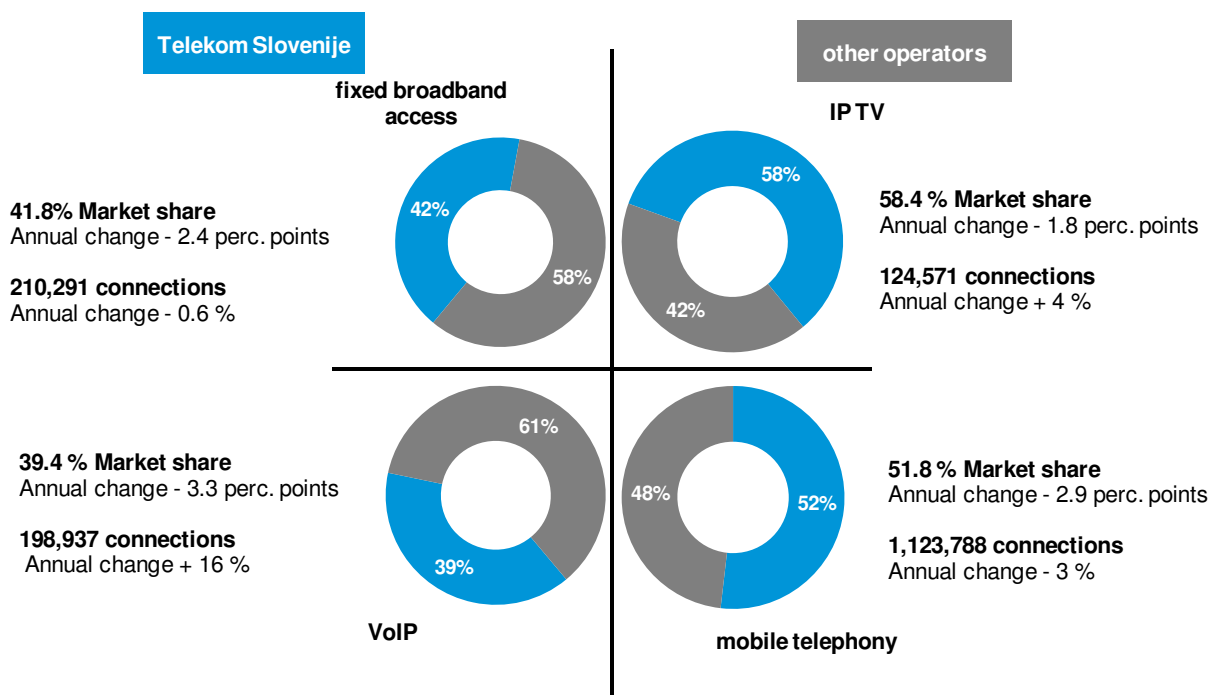
### 3.7. Market shares in key service segments

Number of users/connections on the Slovenian market



Note: The number of broadband connections was down in the third quarter of 2011 relative to the published figures of the APEK and SORS owing to a change in the method used to count broadband connections.  
Source: SORS Q4 2011.

#### Telekom Slovenije Group market shares in the fourth quarter of 2011 on key Slovenian markets



\* The graph for VoIP includes both the number of VoIP services and the number of IP Centrex connections.  
Sources: Report for 4th quarter of 2011, APEK, Telekom Slovenije Group, own calculations.

## 3.8. Regulation

### Regulatory developments in the EU

On 28 March 2012 members of the European Parliament and representatives of the Council and the European Commission reached a preliminary agreement on **new EU roaming rules**, which follows the European Commission's proposal from last year. The European Parliament is expected to approve the agreement in May 2012, followed by the Council in June. The new rules will enter into force on 1 July 2012.

The European Commission proposed amendments to two European regulations: the **regulation setting out a general EU framework for data protection** and the **directive on the retention of personal data** that are processed for the purpose of preventing, identifying, investigating and prosecuting criminal acts, and for related judicial activities.

### Slovenia

#### Regulatory developments

On 26 May 2011 the Information Society Directorate called on interested parties to submit proposals relating to the drafting of a new Electronic Communications Act. The draft act was published at the end of October 2011. Telekom Slovenije representatives participated in consultations organised by the aforementioned directorate and submitted remarks both independently and through the Chamber of Commerce and Industry by the prescribed deadlines.

The Post and Electronics Communications Agency of the Republic of Slovenia (hereinafter: the Agency) put forward for public consultation the points of departure for the drafting of the **strategy on the use of the frequency spectrum**.

In September 2011 the Information Society Directorate convened a preliminary meeting for the drafting of an **electronic communications development strategy**. In accordance with the conclusions from the meeting, four working groups, which included Telekom Slovenije representatives, were created. We submitted our written recommendations regarding the content of the aforementioned strategy to the Ministry of Higher Education, Science and Technology on 3 October 2011.

#### Relevant markets

At the end of last year and the beginning of this year, Telekom Slovenije furnished the Agency with data for the price-based part of the analysis of market 1, which is expected in the second quarter of 2012.

On 20 December 2012 the Agency published a new analysis of market 6, from which it is evident that Telekom Slovenije remains an OSMP.<sup>2</sup> The deadline for the submission of remarks regarding the analysis was 26 January 2012. The Agency published the remarks of operators regarding the analysis on 3 February 2012, but not its own remarks. In accordance with the relevant decision, the prices of call termination in the mobile network were reduced on 1 January 2012. On the basis of the Regulation of the European Parliament of 22 April 2009, international roaming prices were cut also again on 1 January 2011.

The Agency began collecting data in April for the purpose of re-analysing market 15. On 29 February 2012 the Agency halted two supervisory procedures that it had initiated with the aim of supervising the fulfilment of price control and cost accounting obligations in connection with the prices of access to the mobile network and call and SMS forwarding, and in connection with the fulfilment of the obligation to ensure the transparent breakdown of the sample offer.

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<sup>2</sup>Operator with significant market power.

## **Kosovo**

### **Regulatory developments**

During the first quarter Ipko submitted several remarks and comments regarding the Electronic Communications Act in Kosovo to the Ministry of Economic Development. The majority of remarks were included in the draft act.

### **Relevant markets**

In the decision of 29 February 2012, PTK was identified as an operator with significant market power on seven analysed markets: access to the public telephone network, publicly accessible national services, publicly accessible international services, call forwarding in the fixed network, call termination in the fixed network, transit services and unbundled access.

Ipko was identified as an operator with significant market power on the market for call termination in the fixed network. The following obligations were imposed on the company by decision: the obligation to facilitate access, the obligation to ensure equal treatment, the obligation to ensure transparency, the obligation to separate accounting records, the obligation of price control and the prohibition of cross subsidies. Ipko must publish its RIO reference offer by 29 May 2012.

### **Other proceedings before the regulatory agency**

The regulatory agency adopted the Regulation on rights of way and the common use of the infrastructure. The aforementioned regulation sets out the bases for the use of the public infrastructure and attempts to promote its efficient use. During the adoption process, Ipko submitted its own remarks, the majority of which were taken into consideration.

## **Macedonia**

### **Regulatory developments**

Amendments to the Electronic Communications Act were published on 27 January 2012. The most important amendments include the possibility of using the AEK's unexploited budgetary funds for the purpose of developing the information society and for other purposes in the interest of the Macedonian state, the obligation of operators to facilitate free SMSs for the purpose of developing tourism, and the expansion of the AEK's powers with regard to the control and measurement of quality parameters and non-ionising radiation.

Proposed changes to the Numbering Act were also published on 21 February 2012.

### **Relevant markets**

The AEK analysed and updated the calculation of regulated prices on several markets. Changes are expected in the second quarter.

### **Other proceedings before the AEK**

The AEK published its strategy for the period 2012 to 2016, to which the Company submitted its remarks.

## 3.9. Risk management

The Telekom Slovenije Group continued with its systematic approach to risk management during the first quarter of 2012. Risk inventory and assessment were carried out in line with the risk assessment and reporting policy and methodology.

The key risks that remain significant, even after the adoption of measures to manage them, are presented below by individual company and market. The enclosure presents all known risks and measures to manage them.

### **Key risks for Telekom Slovenije**

- The risk of increased regulation is present at all times, despite implemented measures.
- The risk of the migration of users to other operators is high, as the Slovenian market is highly competitive and provides users a wide selection of offers from numerous operators. New revenue risk has been identified owing to a reduction in budgetary funds, while the deadlines for selecting operators and the implementation of comprehensive solutions are being extended. This risk is managed through partnerships and cooperation with existing providers of public administration services.
- Activities aimed at increasing and maintaining 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.
- The risk of failure by subscribers and operators to fulfil obligations remains high. The Group has therefore introduced accelerated collection from subscribers with a bad credit rating and explored the possibility of requiring collateral for receivables from operators.
- Employee-related risks are primarily linked to achieving the internal restructuring plan, which could threaten the strategic objective to optimise the employee structure, the number of service providers and knowledge for the Company's continued development.
- The comprehensive re-engineering of business processes, which is in progress, increases the risks associated with an inappropriate organisational structure.
- Despite implemented measures, legal risks linked to lawsuits and legislation and risks associated with procedures before the CPO, remain high.
- The risks associated with the non-functioning of connections and services provided by other entities are managed by introducing processes to monitor and report on SLA indicators on leased networks. An additional measure is the definition of standard requirements demanded by Telekom Slovenije from network providers for newly leased networks.
- Revenue-loss risk in "switch to bill" processes is managed by the establishment of a system to prevent the outflow of revenues from the fixed telephony segment. The expansion of the system to other services is also planned.
- The risk of dependence on external service providers and suppliers arises in several areas. With regard to IT, dependence on a single service provider is decreased by using various competitive suppliers. Sales-related risks are mitigated by optimising the agency network and by updating the system for remunerating agents.

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

- The risk of a decrease in advertising space, as companies earmark fewer funds for advertising owing to the deepening of the economic crisis.

### **Key risks on the Macedonian market**

- The risk of the migration of users to other operators owing to the aggressive approach of the competition, particularly of the mobile operator Vip.
- The risk of lower revenues owing to the general economic crisis and the deteriorating domestic economic situation: declining purchasing power, the continuing drop in prices on telecommunications markets and poor sales of services.

- The risk of failure by subscribers to fulfil obligations is managed through improved collection, for which key account managers are also responsible. An additional measure has been proposed to verify the credit ratings of subscribers.
- The risk of ineffective systems and processes.

#### **Key risks for Kosovo**

- Dependence on external partners in the sales of services and on operators with significant market power, who own the infrastructure, in particular the fibre optic network.
- The risk of lower revenues owing to the deteriorating economic situation and a decrease in the budget of state institutions, which increases payment indiscipline. Declining consumer purchasing power and a drop in transfers from abroad.
- The inappropriate definition of local loop unbundling and the resulting insufficient regulation could cause difficulties in the leasing of the infrastructure.
- Operator credit risk.
- The risks associated with the functioning and security of ICT networks and services are very high owing to a lack of spare parts for the maintenance of wireless access technologies. The implementation of data storage system in the scope of the Disaster Recovery System is planned for May 2012.
- The risk of abuse (international call termination via "SIM Boxes" and other types of abuse). Ipko currently has a local system in place to prevent abuse, which will be replaced by a collective fraud management system (FMS) by 2013, and thus significantly reduce the associated risks.

#### **Key risks in Albania**

- Dependence on operators with significant market power, who own the infrastructure. Albtelecom can prevent the use of leased lines where Primo does not have direct access to subscribers, or significantly raise the price of leasing, which would undermine Primo's competitiveness.
- The risk of lower revenues due to a significant cut in the prices of services is high. This derives from diminishing overall consumer purchasing power on the one hand and from the need to follow the lead of the competition on the other. This risk is managed by optimising capacities.

## **4. Corporate governance**

### **Management Board**

Telekom Slovenije, d. d. is managed by a five-member Management Board, which began its four-year term in 2010, with the exception of Zoran Janko, who began his term in October 2011.

The Management Board comprised the following members as at 31 March 2012:

- Ivica Kranjčević, President
- Zoran Vehovar, MSc, Vice-President
- Marko Boštjančič, member
- Zoran Janko, member
- Darja Senica, member and Workers Director

### **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.

The Supervisory Board comprised the following members as at 31 March 2012:

Shareholder representatives:

- Tomaž Berginc, MSc, President

- Dr Tomaž Kalin, Vice-President
- Dr Jaroslav Berce, member
- Dr Marko Hočevar, member
- Nataša Štelcer, member
- Franci Mugerle, member

Employee representatives:

- Milan Richter, Vice-President
- Martin Gorišek, member
- Branko Sparavec, member

The four-year term of shareholder representatives ends on 26 April 2013, while the term of employee representatives ends on 13 November 2013.

## Management and governance of subsidiaries

### Composition of management and governance bodies at subsidiaries of the Telekom Slovenije Group as at 31 March 2012

#### Slovenia

##### GVO, d. o. o.

Managing Director: Edo Škufca

##### Avtenta, d. o. o.

Managing Director: Vedran Krevatin

##### TSmedia, d. o. o.

Managing Director: Rudolf Skobe, MSc

##### Soline, d. o. o.

Managing Director: Alojz Jurjec

##### M-Pay, d. o. o.

Managing Director: Dean Korošec

#### Other countries

##### Ipko Telecommunications, d. o. o.

Board of Directors: Ivica Kranjčević (President), Bujar Musa (Vice-President), Akan Ismaili, Ciril Kafol, MSc and Robert Erzin, MSc

CEO: Robert Erzin, MSc

Klavdij Godnič tendered his resignation as member of the Board of Directors, effective 1 March 2012. The company's general meeting replaced Mr Godnič with Ciril Kafol, MSc, effective the same day.

##### One, d. o. o., Skopje

Managing Director: Ciril Kafol, MSc

##### DIGI PLUS MULTIMEDIA DOOEL Skopje

Managing Director: Janez Marovt

##### Aneks, d. o. o., Banja Luka

Managing Director: Igor Bohorč, MSc

##### Primo Communications, d. o. o.

Directors: Meta Zakrajšek (CEO), Marko Jagodič and Barbara Kozarić

#### SIOL, d. o. o.

Managing Director: Janez Marovt

#### SIOL, B.V. in liquidation

Liquidator: Barbara Gaber (previously Kozarić)

The company is in liquidation since 26 May 2010.

#### SIOL, d. o. o., Podgorica

Managing Director: Igor Bohorč, MSc

#### SIOL, d. o. o., Sarajevo

Managing Director: Igor Bohorč, MSc

#### Gibtelecom Limited

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

CEO: Tim Bristow

## 5. Significant events in the period January – March 2012

### January

- Telekom Slovenije receives a decision from the Higher Court rejecting the complaint lodged by Sinfonika, d. d. (in bankruptcy) and upholding the ruling of the court of the first instance, which rejected in full the claim by the plaintiff, Sinfonika, d. d. (in bankruptcy) against the defendant, Telekom Slovenije, for the payment of damages owing to the abuse of its dominant position with the introduction of Centrex services and the charging of DDI in the amount of EUR 34,347,627 plus legally prescribed default interest. The aforementioned decision is final.
- Under the Mobitel brand, Telekom Slovenije joins the prevention campaign of the Slovenian Traffic Safety Agency. The aim of the prevention campaign, with the slogan "Stay Off the Line to Stay Alive", is to reduce the number of fatalities due to the improper use of mobile phones and to raise public awareness about the dangers of using a mobile phone while driving.
- The development team of TSmedia participated in the development of the Australian operator's T-Box that received an award for most innovative IPTV solution, which is presented at the global IPTV forum and is the most prestigious award in the digital TV segment.

### February

- Telekom Slovenije receives a decision from the Competition Protection Office (CPO), issued in procedure no. 306-14/2009-239, whereby the CPO finds that Telekom Slovenije, d. d. (previously Mobitel, d. d.) is in breach of Article 9 of the Prevention of Restriction of Competition Act (hereinafter: the ZPOmK-1) and Article 102 of the Treaty on the Functioning of the European Union for offering the retail Itak Džabest package at unfair sales prices from November 2008 to July 2010 with the aim of strengthening or maintaining its market power on a significant segment of the retail mobile telecommunication services market. Telekom Slovenije did not commit the alleged breaches, which it will prove in court proceedings appealing the decision issued.
- Telekom Slovenije receives a decision from the CPO in procedure no. 306-94/2009-227, whereby a procedure is halted. The CPO halted the procedure against Mobitel, d. d. (now Telekom Slovenije, d. d.), which it initiated on the basis of information from Akton, telekomunikacijski inženiring, d. o. o. owing to an alleged breach of Article 9 of the ZPOmK-1 and Article 102 of the Treaty on the Functioning of the European Union on account of Mobitel's alleged blocking of access to the +38643 and +38649 number blocks. During the procedure, the CPO determined that Mobitel, d. d. (now Telekom Slovenije, d. d.) facilitated access to the +38643 and +38649 number blocks. Given the number of calls to the

aforementioned numbers from the networks of Slovenian operators, it also determined that it is very unlikely that the charging of excessively high prices for the transiting of the aforementioned calls had a significant impact on the Slovenian retail telecommunications market.

- Telekom Slovenije launches a new service, called TViN, which allows SiOL TV subscribers to watch TV channels via the internet. The TViN service, to a limited extent, extends the SiOL TV offer from the television to several platforms: the PC, the notebook and the tablet, and to the smart phone.

## March

- On 1 March, Avtenta launches a range of information and communication technology solutions for cloud computing. The new technologies facilitate innovative models of cooperation, and as such are highly advanced solutions available at prices that are affordable to small and medium-sized enterprises. Whether it's managed services, the setting up of a website, solutions for employee cooperation or the management of customer relations, commercial e-mail or the leasing of servers, in addition to information and communication technologies, Avtenta also provides technical support through its Service Centre that employs a specially trained team.
- Together with one of its partners, Telekom Slovenije introduces a new solution that allows users to use the internet while travelling in a taxi. For uninterrupted internet access in a taxi, users need a mobile phone, a tablet computer or a laptop computer with a Wi-Fi connection. The service is free of charge during the promotional period.
- The 21st General Meeting of 7 March 2012 is briefed on the report on the findings of the special audit of Telekom Slovenije, d. d. of 15. January 2012 by the auditors of Deloitte revizija, d. o. o., Davčna ulica 1, Ljubljana. A resolution is passed that, no later than six months from the date of the General Meeting and based on a preliminary legal assessment of the merits of filing legal action by the special representative, legal action should be filed for the reimbursement of damages relating to the management of individual transactions by the Company. The aforementioned damages arose due to the breach of duties by members of the management and/or supervisory bodies over the entire audited period. At the same General Meeting, amendments to the Company's Articles of Association are adopted, primarily relating to the achievement of objectives and the Company's activities, and the definition of matters on which the Management Board decides independently or with the Supervisory Board's consent.
- The Trusted Brand 2012 survey once again shows users' confidence in three Telekom Slovenije brands: Telekom Slovenije as a telecommunications services provider, SiOL as an internet service provider and Mobitel as the most popular brand among mobile telephony providers.
- On 8 March 2012 Avtenta.si, sistemska integracija in poslovne rešitve, d. o. o. is renamed Avtenta, napredne poslovne rešitve, d. o. o. This change foretells even more dynamic services and solutions that exceed normal operations in the field of system integrations and that will also be introduced on the market of smaller users.
- In line with the European Commission directive that introduces standardised telephone numbers for all humanitarian projects within the European Union, a new TOM telephone number (116 111) begins operating at the Slovenian Friends of Youth Association.
- Avtenta's siHramba.eu storage service is re-accredited for the third time. This is the fourth confirmation that the service complies with all provisions of currently applicable archiving legislation. Re-accreditation of the system was issued on the basis of an audit conducted by a certified auditor from the Archives of the Republic of Slovenia, which is evidence of the appropriateness of Avtenta's procedures associated with the long-term storage of electronic materials.
- Telekom Slovenije received a decision from the Ljubljana District Court in the commercial dispute between the ABM, d. o. o., as the plaintiff, and Telekom Slovenije, d. d., as the defendant, due to the prohibition on the abuse of a monopolistic position and the payment of damages. According to the aforementioned decision, Telekom Slovenije is obliged to pay the plaintiff damages in the amount of EUR 2,306,285.75 plus legally prescribed default interest due to the refusal to include the plaintiff's CD ROM in the defendant's ISDN 3000 internet access package. Telekom Slovenije, d. d. will continuously notify its shareholders and the public of further procedures in this matter.
- The Supervisory Board is briefed on the progress of the business process re-engineering project and supports the continuation thereof. Klavdij Godnič, who previously headed Telekom Slovenije's purchasing and logistics sector, is named Managing Director of the subsidiary Soline, d. o. o. His term of office begins on 1 July 2012.

## 6. Significant events after the balance-sheet date

### April

- Telekom Slovenije receives decision no. VII Pg 390/2011 from the Ljubljana District, issued on 6 March 2012 in the commercial dispute between Odvetniška družba Rojs, Peljhan, Prelesnik & partnerji, o. p., d. o. o., as the plaintiff, and Telekom Slovenije, d. d., (previously Mobitel, d. d.) as the defendant, owing to the modified claim of EUR 5,090,999.47 EUR and relevant amounts. The challenged claim is alleged to represent remuneration under the agreement on legal representation concluded between the parties to the aforementioned litigation and the Republic of Slovenia for representation in court and associated procedures against the company WWW, d. o. o.
- The Itak Džafest 2011 musical festival, organised by Telekom Slovenije at Križanke in Ljubljana for the Company's loyal subscribers, is recognised at the Gold Quill Awards for excellence in strategic communication management, and receives an award among numerous international competitors.
- This year's national Eco-Quiz competition, which tests the knowledge of more than 3,720 primary school students regarding environmental topics, is concluded.
- At its April meeting, Telekom Slovenije's Supervisory Board discusses and approves the audited operating results of the Company and the entire Group. It also discusses the materials for the General Meeting, which will be convened on 21 June 2012. Shareholders will pass a resolution at the General Meeting on the payment of dividends for 2011 in the gross amount of EUR 5.19 per share. The President of the Management Board informs the Supervisory Board at the latter's meeting that he intends to retire, effective 1 September 2012.

### May

- Telekom Slovenije introduces a single invoice for all the services it provides. Subscribers to Telekom Slovenije's fixed, broadband and mobile services receive a single invoice instead of two, three or more invoices, which simplifies operations and reduces the costs of provisions for the payment of invoices.
- Telekom Slovenije and NIL sign a public-private partnership agreement with the City of Ljubljana on the construction and implementation of a wireless network that will be available to residents and visitors to Ljubljana, and public institutions and enterprises established by the City of Ljubljana. The aim of the project, the first of its kind in the world, is to consolidate the information and telecommunication services of municipal authorities and public institutions, and to have a significant impact on the competitiveness of the economy and the general development of the city.

## 7. Financial statements of the Telekom Slovenije Group and Telekom Slovenije, d. d. for the period January – March 2012

### 7.1. Introductory notes

The consolidated financial statements of the Telekom Slovenije Group and the financial statements of the parent company Telekom Slovenije, d. d. 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).

In terms of consolidating EU standards, on the balance sheet date there were no differences in the accounting principles of the Telekom Slovenije Group and Telekom Slovenije, d. d. between the IFRS as applied and the IFRS as adopted by the European Union.

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 2011, with the exception of newly adopted or revised standards and interpretations that entered into force on 1 January 2012 and are presented below.

#### **Newly adopted standards and interpretations:**

- IAS 12 Deferred Tax
- IFRS 7 - Financial Instruments: Disclosures (transfers of financial assets)

The observation of the new standards and interpretations did not have an impact on the financial position or operations of the Telekom Slovenije Group or Telekom Slovenije, d. d. during the reporting period.

The financial statements have been prepared on a historical cost basis, except for available-for-sale assets and derivatives, which are disclosed at fair value, and specific classes of property, plant and equipment, which were revalued to fair value in accordance with IAS 16.

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

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

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

#### **Telekom Slovenije Group**

The Telekom Slovenije Group consists of the parent company Telekom Slovenije, d. d., and the following subsidiaries and groups:

Company	Country	31 March 2012
GVO, d. o. o.	Slovenia	100%
TSmedia Group	Slovenia	100%
Avtenta, d. o. o.	Slovenia	100%
Soline, d. o. o.	Slovenia	100%
Ipko Group, Kosovo	Kosovo	93.11%
Aneks, d. o. o., Banja Luka	Bosnia and Herzegovina – Republika Srpska	70%
Primo Communications, d. o. o.	Albania	75%
SIOL, d. o. o.	Croatia	100%
SIOL B.V. Group	The Netherlands	100%
One, d. o. o., Skopje	Macedonia	53.99%
SiOL, d. o. o., Sarajevo	Bosnia and Herzegovina	100%
SIOL, d. o. o., Podgorica	Montenegro	100%
DIGI PLUS MULTIMEDIA DOOEL Skopje	Macedonia	100%

The TSmedia Group comprises the parent company TSmedia, medijske vsebine in storitve, d. o. o., which holds a 100% participating interest in the subsidiary Pogodak tražilica, d. o. o. (in liquidation) in Croatia.

Avtenta.si, sistemska integracija in poslovne rešitve, d. o. o., which is 100% owned by Telekom Slovenije, d. d., was renamed Avtenta, napredne poslovne rešitve, d. o. o. (abbreviated name: Avtenta, d. o. o.) in March 2012.

Within the Ipko Group, the parent company Ipko Telecommunications, d. o. o. holds a 100% participating interest in Media Works, d. o. o. and Ipko Net Albania, d. o. o., and is party to a joint venture in DSN, d. o. o. Telekom Slovenije, d. d.'s participating interest is 93.11%. The parent company holds a call option and the minority shareholders hold a put option for the remaining participating interest in the company.

Within the SIOL B.V. Group, the parent company SIOL B.V. (in liquidation) holds a 46.01% participating interest in One, d. o. o., Skopje. The remaining participating interest of 53.99% is held by Telekom Slovenije, d. d.

Telekom Slovenije, d. d. holds a 100% economic ownership in all of its subsidiaries through call options acquired from and put options granted to minority shareholders.

A 50% participating interest in Gibtelecom Limited represents an investment in a joint venture. Gibtelecom and M-Pay, d. o. o. are included in the consolidated financial statements according to the equity method.

## 7.2. Condensed unaudited financial statements of the Telekom Slovenije Group for the period January – March 2012

### Consolidated income statement for the period ending 31 March 2012

in thousand EUR	I - III 2012	I - III 2011	Index 12/11
Revenue	191,993	193,992	99
Other income	1,800	2,082	86
<b>Total operating revenue</b>	<b>193,793</b>	<b>196,074</b>	<b>99</b>
<b>Share of profit of a joint venture</b>	<b>1,195</b>	<b>1,127</b>	<b>106</b>
Cost of goods and materials sold	-9,899	-11,546	86
Cost of raw materials and consumables	-5,319	-4,718	113
Cost of services	-72,107	-70,079	103
Staff costs	-38,230	-35,109	109
Depreciation and amortisation	-45,910	-49,568	93
Other operating expenses	-749	-3,259	23
<b>Total operating expenses</b>	<b>-172,214</b>	<b>-174,279</b>	<b>99</b>
<b>Profit from operations</b>	<b>22,774</b>	<b>22,922</b>	<b>99</b>
Finance income	1,744	2,247	78
Finance cost	-5,061	-5,437	93
<b>Profit before tax</b>	<b>19,457</b>	<b>19,732</b>	<b>-</b>
Income tax expense	-4,059	-5,249	77
<b>Net profit/loss for the period</b>	<b>15,398</b>	<b>14,483</b>	<b>106</b>
<b>Earnings per share – basic and diluted in EUR</b>	<b>2.37</b>	<b>2.23</b>	<b>106</b>

### Consolidated statement of comprehensive income for the period ending 31 March 2012

in thousand EUR	I - III 2012	I - III 2011	Index 12/11
<b>Net profit for the period</b>	<b>15,398</b>	<b>14,483</b>	<b>106</b>
Revaluation of available-for-sale financial assets	-243	-369	66
Deferred tax	86	74	116
<b>Net gain from revaluation of available-for-sale financial assets</b>	<b>-157</b>	<b>-295</b>	<b>53</b>
<b>F/X reserve</b>	<b>627</b>	<b>-3,022</b>	<b>-</b>
<b>Other comprehensive income</b>	<b>470</b>	<b>-3,317</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>15,868</b>	<b>11,166</b>	<b>142</b>

## Consolidated balance sheet as at 31 March 2012

in thousand EUR	31.3.2012	31.12.2011	Index 12/11
<b>ASSETS</b>			
Intangible assets	152,226	157,418	97
Property, plant and equipment	968,230	994,438	97
Investment in joint venture	42,097	42,225	100
Other investments	9,425	9,837	96
Other non-current assets	27,522	27,324	101
Investment property	6,441	6,463	100
Deferred tax assets	22,523	22,561	100
<b>Total non-current assets</b>	<b>1,228,464</b>	<b>1,260,266</b>	<b>97</b>
Assets held for sale	4,059	4,485	91
Inventories	25,851	22,787	113
Current trade and other receivables	201,436	202,268	100
Income tax receivable	4,107	2,659	154
Current financial assets	84,004	21,584	389
Cash and cash equivalents	23,632	61,265	39
<b>Total current assets</b>	<b>343,089</b>	<b>315,048</b>	<b>109</b>
<b>Total assets</b>	<b>1,571,553</b>	<b>1,575,314</b>	<b>100</b>
<b>EQUITY AND LIABILITIES</b>			
Issued capital	272,721	272,721	100
Treasury shares	-3,671	-3,671	100
Reserves	370,963	370,589	100
Retained earnings	119,540	103,699	115
FA revaluation reserve	72,980	73,846	99
Revaluation reserves for financial instruments	30	187	16
F/X reserves	-1,469	-2,096	70
<b>Total capital and reserves</b>	<b>831,094</b>	<b>815,275</b>	<b>102</b>
Non-current deferred income	8,622	8,579	101
Provisions	43,489	45,619	95
Non-current trade and other payables	173	286	60
Interest bearing borrowings	120,490	127,896	94
Other non-current financial liabilities	308,670	308,484	100
Deferred tax liabilities	9,624	9,785	98
<b>Total non-current liabilities</b>	<b>491,068</b>	<b>500,649</b>	<b>98</b>
Trade and other payables	138,562	155,692	89
Income tax payable	2	35	6
Interest bearing borrowings	35,721	35,580	100
Other current liabilities	20,133	16,508	122
Deferred income	22,990	24,010	96
Accruals	31,983	27,565	116
<b>Total current liabilities</b>	<b>249,391</b>	<b>259,390</b>	<b>96</b>
<b>Total liabilities</b>	<b>740,459</b>	<b>760,039</b>	<b>97</b>
<b>Total equity and liabilities</b>	<b>1,571,553</b>	<b>1,575,314</b>	<b>100</b>

### Consolidated statement of changes in equity for the period ending 31 March 2012

in thousand EUR	Issued capital	Treasury shares	Reserves	Retain earnings	FA revaluation reserves	Net gain or loss on revaluation of AFS financial assets	Net gain or loss on changes in fair value of cash flow hedges	F/X difference reserves	Total
<b>Balance at 1 Jan 2012</b>	<b>272,721</b>	<b>-3,671</b>	<b>370,589</b>	<b>103,699</b>	<b>73,846</b>	<b>187</b>	<b>0</b>	<b>-2,096</b>	<b>815,275</b>
Profit for the period				15,398					15,398
Other comprehensive income						-157		627	470
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,398</b>	<b>0</b>	<b>-157</b>	<b>0</b>	<b>627</b>	<b>15,868</b>
Transfer to retained earnings			374	492	-866	0			0
Other			0	-49	0				-49
<b>Balance at 31 Mar 2012</b>	<b>272,721</b>	<b>-3,671</b>	<b>370,963</b>	<b>119,540</b>	<b>72,980</b>	<b>30</b>	<b>0</b>	<b>-1,469</b>	<b>831,094</b>

### Consolidated statement of changes in equity for the period ending 31 March 2011

in thousand EUR	Issued capital	Treasury shares	Reserves	Retain earnings	FA revaluation reserves	Net gain or loss on revaluation of AFS financial assets	Net gain or loss on changes in fair value of cash flow hedges	F/X difference reserves	Total
<b>Balance at 1 Jan 2011</b>	<b>272,721</b>	<b>-3,671</b>	<b>357,620</b>	<b>102,287</b>	<b>76,513</b>	<b>2,117</b>	<b>0</b>	<b>225</b>	<b>807,812</b>
Profit for the period				14,483					14,483
Other comprehensive income						-295	0	-3,022	-3,317
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,483</b>	<b>0</b>	<b>-295</b>	<b>0</b>	<b>-3,022</b>	<b>11,166</b>
Depreciation transfer for revalued fixed assets			358	490	-848				0
Payment of dividends				-85					-85
Other				-22					-22
<b>Balance at 31 Mar 2011</b>	<b>272,721</b>	<b>-3,671</b>	<b>357,978</b>	<b>117,153</b>	<b>75,665</b>	<b>1,822</b>	<b>0</b>	<b>-2,797</b>	<b>818,871</b>

## Consolidated statement of cash flows for the period ending 31 March 2012

in thousand EUR	I - III 2012	I - III 2011
<b>Operating activities</b>		
<b>Profit before tax</b>	<b>19,457</b>	<b>19,732</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	45,910	49,590
Gains/loss on disposal of FA	-231	213
Finance income	-1,744	-2,247
Finance cost	5,061	5,437
Change in assets held for sale	426	183
Change in trade and other receivables	832	310
Change in other non-current assets	-197	-149
Change in inventories	-3,064	-4,702
Change in provisions	-2,130	-881
Change in deferred income	-977	-700
Change in accruals	4,418	1,581
Change in trade and other payables	-17,115	-20,576
Tax paid	-4,881	-3,949
<b>Net cash flow from operating activities</b>	<b>45,765</b>	<b>43,842</b>
<b>Investing activities</b>		
<b>Proceeds from investing activities</b>	<b>8,916</b>	<b>6,515</b>
Proceeds from sale of PPE	244	807
Dividends received	1,375	1,385
Interest received	696	217
Proceeds from sale of non-current financial assets	49	0
Proceeds from sale of current financial assets	6,552	4,106
<b>Disbursements from investing activities</b>	<b>-84,076</b>	<b>-42,829</b>
Purchase of property, plant and equipment	-9,941	-16,536
Purchase of intangible assets	-4,537	-1,647
Purchase of financial assets (deposits)	-69,598	-24,646
<b>Net cash flow from investing activities</b>	<b>-75,160</b>	<b>-36,314</b>
<b>Financing activity</b>		
<b>Proceeds from financing activities</b>	<b>393</b>	<b>0</b>
Paid in capital	390	0
Proceeds from current borrowings	3	0
<b>Disbursements from financing activities</b>	<b>-8,631</b>	<b>-12,259</b>
Repayment of current borrowings	0	-1,013
Repayment of non-current borrowings	-7,767	-10,247
Sale of derivative financial instruments	0	-34
Interest paid	-834	-961
Dividends paid	-30	-4
<b>Net cash flow from financing activities</b>	<b>-8,238</b>	<b>-12,259</b>
<b>Net increase in cash and cash equivalents</b>	<b>-37,633</b>	<b>-4,731</b>
<b>Closing balance of cash</b>	<b>23,632</b>	<b>41,995</b>
<b>Opening balance of cash</b>	<b>61,265</b>	<b>46,726</b>

## Segment reporting

The following represent operating segments for which data is reported: 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.

### I - III 2012

in thousand EUR	Slovenian market	Macedonia market	Kosovo	Other	Eliminations and adjustments	Consolidated
External sales	165,227	13,080	11,580	2,106		191,993
Inter segment revenue	15,113	3,073	4,671	2,740	-25,597	0
Other revenue	1,554	221	21	15	-11	1,800
<b>Total operating revenue</b>	<b>181,894</b>	<b>16,374</b>	<b>16,272</b>	<b>4,861</b>	<b>-25,608</b>	<b>193,793</b>
<b>Share of income from joint ventures</b>						<b>1,195</b>
Operating expenses	-160,461	-18,682	-14,035	-4,786	25,750	-172,214
<b>Profit before tax</b>						<b>19,457</b>
<b>Segment assets</b>	<b>1,233,652</b>	<b>89,796</b>	<b>149,669</b>	<b>29,831</b>	<b>68.605<sup>1</sup></b>	<b>1,571,553</b>

<sup>1</sup>Asset reporting by segment does not include loans amounting to EUR 9,783 thousand, other financial assets amounting to EUR 75,644 thousand, deferred tax assets amounting to EUR 22,523 thousand, claims for corporate income tax amounting to EUR 4,107 thousand or the elimination of inter-company relationships in the negative amount of EUR 43,452 thousand.

### I - III 2011

in thousand EUR	Slovenian market	Macedonia market	Kosovo	Other	Eliminations and adjustments	Consolidated
External sales	168,385	13,094	10,499	2,014		193,992
Inter segment revenue	17,405	3,066	4,973	2,631	-28,075	0
Other revenue	1,919	500	40	8	-385	2,082
<b>Total operating revenue</b>	<b>187,709</b>	<b>16,660</b>	<b>15,512</b>	<b>4,653</b>	<b>-28,460</b>	<b>196,074</b>
<b>Share of income from joint ventures</b>						<b>1,127</b>
Operating expenses	-163,796	-22,336	-14,658	-4,815	31,326	-174,279
<b>Profit before tax</b>						<b>19,732</b>
<b>Segment assets</b>	<b>1,344,370</b>	<b>204,148</b>	<b>158,556</b>	<b>28,488</b>	<b>-92.658<sup>1</sup></b>	<b>1,642,904</b>

<sup>1</sup>Asset reporting by segment does not include loans amounting to EUR 11,620 thousand, other financial assets amounting to EUR 27,322, deferred tax assets amounting to EUR 18,869 thousand, claims for income taxes amounting to EUR 729 thousand or the elimination of inter-company relationships in the negative amount of EUR 151,198 thousand.

## Sales revenue

in thousand EUR	I - III 2012	I - III 2011
Classical voice telephony and classical leased lines	26,842	31,421
Mobile services on end-user market	75,232	78,098
Broadband and other IP services and CaTV	37,008	36,259
Interconnection and international wholesale services	31,259	27,132
Domestic wholesale services (excl. IC)	7,798	8,387
Goods and material sold	6,757	7,069
Other revenues	7,097	5,626
<b>Total revenue</b>	<b>191,993</b>	<b>193,992</b>

Sales revenue was down EUR 1,999 thousand or 1%, to stand at EUR 191,993 thousand. Traditional voice telephony, traditional leased capacities and mobile services on the end-user market recorded the sharpest drop, while revenues from network interconnection and international operator services were up significantly.

## Cost of services

in thousand EUR	I - III 2012	I - III 2011
Cost of communication and transportation services and rent	6,005	5,208
Cost of maintenance	9,140	9,352
Cost of telecommunication services	28,390	27,154
Cost of leased lines	1,947	1,600
Cost of sale incentives	5,770	5,289
Cost of professional services	3,692	3,545
Cost of insurance, marketing and entertainment	5,050	6,430
Cost of sale commission	2,424	2,305
Costs of multimedia services and content	3,774	4,345
Cost of other services	5,915	4,851
<b>Total cost of services</b>	<b>72,107</b>	<b>70,079</b>

Costs of services were up 3% or EUR 2,028 thousand, the costs of telecommunication services and other services recording the largest increase.

## Operating profit

EBIT was down 1% on the same period last year to stand at EUR 22,774 thousand. A net profit of EUR 15,398 thousand was achieved (an increase of EUR 915 thousand on the same period in 2011), despite a net financial loss of EUR 3,317 thousand.

### **Intangible assets**

Intangible assets were down by the total amount of EUR 5,192 thousand, primarily as the result of amortisation charged during the accounting period. Commitments for intangible assets totalled EUR 2,191 thousand as at 31 March 2012.

### **Property, plant and equipment**

Property, plant and equipment were down by the total amount of EUR 26,208 thousand, primarily as the result of amortisation charged during the accounting period. Commitments for property, plant and equipment totalled EUR 8,298 thousand as at 31 March 2012.

### **Current financial assets**

Current financial assets were up EUR 62,420 thousand on the balance as at 31 December 2011 to reach EUR 84,004 thousand, primarily as the result of an increase in bank deposits.

### **Foreign currency translation reserves**

Foreign currency translation reserves were down EUR 627 thousand owing to the conversion of the financial statements of foreign companies.

### **Financial liabilities**

Financial liabilities totalled EUR 485,014 thousand as at 31 March 2012, representing a decrease of EUR 3,454 thousand on the end of the 2011, broken down as follows:

- borrowings received in the amount of EUR 156,211 thousand were down EUR 7,265 thousand owing to repayments during the accounting period;
- liabilities for bonds issued in the amount of EUR 301,974 thousand were up EUR 3,781 thousand on the balance at the end of the year on account of the associated interest accrued in the period January to March; and
- liabilities for additional purchases of participating interests in subsidiaries, liabilities for finance leases and liabilities for interest rate swaps in the amount of EUR 26,829 thousand.

### **Operating and other liabilities**

The decline of EUR 17,130 thousand in operating and other liabilities was primarily the result of a decrease in trade payables and liabilities to domestic operators.

### **Transactions with related parties**

Related parties of the Group include the Republic of Slovenia as the majority shareholder of Telekom Slovenije, d. d., 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 595 shares in Telekom Slovenije, d. d. as at 31 March 2012, representing a holding of 0.0091%.

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

Group companies provide 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. All such transactions are concluded under normal commercial terms and conditions that are no more favourable than those concluded with other customers.

### 7.3. Condensed unaudited financial statements of Telekom Slovenije, d. d. for the period January – March 2012

The financial statements of Telekom Slovenije, d. d. include the business events, assets and liabilities of the merged company Mobitel, d. d. since 1 January 2011. The purchase method was used during the merger, and an entry made in the companies register on 1 July 2011. The comparative financial statements of the acquiring company, Telekom Slovenije, d. d., were adjusted as if the two companies were operating as one during the comparable period.

#### Income statement of Telekom Slovenije, d. d. for the period ending 31 March 2012

in thousand EUR	I - III 2012	I - III 2011 adjusted	Index 12/11
Revenue	161,757	167,487	97
Other income	1,099	1,006	109
<b>Total operating revenue</b>	<b>162,856</b>	<b>168,493</b>	<b>97</b>
Cost of goods and materials sold	-7,812	-8,827	89
Cost of raw materials and consumables	-3,443	-3,299	104
Cost of services	-64,889	-64,212	101
Staff costs	-28,575	-26,058	110
Depreciation and amortisation	-35,807	-39,236	91
Other operating expenses	-1,484	-3,868	38
<b>Total operating expenses</b>	<b>-142,010</b>	<b>-145,500</b>	<b>98</b>
<b>Profit from operations</b>	<b>20,846</b>	<b>22,993</b>	<b>91</b>
Finance income	5,162	13,001	40
Finance cost	-4,795	-5,086	94
<b>Profit before tax</b>	<b>21,213</b>	<b>30,908</b>	<b>69</b>
Income tax expense	-3,986	-5,025	79
<b>Net profit/loss for the period</b>	<b>17,227</b>	<b>25,883</b>	<b>67</b>
<b>Earnings per share - basic and diluted in EUR</b>	<b>2.65</b>	<b>3.98</b>	<b>67</b>

#### Statement of comprehensive income of Telekom Slovenije, d. d. for the period ending 31 March 2012

in thousand EUR	I - III 2012	I - III 2011 adjusted	Index 11/10
<b>Net profit for the period</b>	<b>17,227</b>	<b>25,883</b>	<b>67</b>
Revaluation of available-for-sale financial assets	-243	-369	66
Deferred tax	86	74	116
<b>Net gain from revaluation of available-for-sale financial assets</b>	<b>-157</b>	<b>-295</b>	<b>53</b>
<b>Other comprehensive income</b>	<b>-157</b>	<b>-295</b>	<b>53</b>
<b>Total comprehensive income</b>	<b>17,070</b>	<b>25,588</b>	<b>67</b>

## Balance sheet of Telekom Slovenije, d. d. as at 31 March 2012

in thousand EUR	31.3.2012	31.12.2011	Index 12/11
<b>ASSETS</b>			
Intangible assets	69,627	73,232	95
Property, plant and equipment	812,658	837,684	97
Investment in subsidiaries and joint ventures	120,645	116,145	104
Other investments	162,907	172,661	94
Other non-current assets	33,372	33,306	100
Investment property	6,441	6,463	100
Deferred tax assets	21,492	21,499	100
<b>Total non-current liabilities</b>	<b>1,227,142</b>	<b>1,260,990</b>	<b>97</b>
Non-current assets held for sale	4,059	4,485	91
Inventories	17,570	13,807	127
Current trade and other receivables	171,474	172,174	100
Income tax receivable	1,955	746	262
Current financial assets	103,937	43,918	237
Cash and cash equivalents	13,811	43,944	31
<b>Total current assets</b>	<b>312,806</b>	<b>279,074</b>	<b>112</b>
<b>Total assets</b>	<b>1,539,948</b>	<b>1,540,064</b>	<b>100</b>
<b>EQUITY AND LIABILITIES</b>			
Issued capital	272,721	272,721	100
Treasury shares	-3,671	-3,671	100
Reserves	364,907	364,533	100
Retained earnings	137,417	119,698	115
Fixed assets revaluation reserves	73,026	73,892	99
Financial instruments revaluation reserve	391	548	71
<b>Total capital and reserves</b>	<b>844,791</b>	<b>827,721</b>	<b>102</b>
Non-current deferred income	7,646	7,995	96
Provisions	40,107	41,997	95
Non-current operating liabilities	164	277	59
Interest bearing borrowings	119,842	127,185	94
Other non-current financial liabilities	305,289	305,135	100
Deferred tax liabilities	9,624	9,785	98
<b>Total non-current liabilities</b>	<b>482,672</b>	<b>492,374</b>	<b>98</b>
Trade and other payables	123,047	135,223	91
Interest bearing borrowings	35,121	35,502	99
Other current financial liabilities	20,113	16,424	122
Deferred income	16,272	17,168	95
Accruals	17,932	15,652	115
<b>Total current liabilities</b>	<b>212,485</b>	<b>219,969</b>	<b>97</b>
<b>Total liabilities</b>	<b>695,157</b>	<b>712,343</b>	<b>98</b>
<b>Total equity and liabilities</b>	<b>1,539,948</b>	<b>1,540,064</b>	<b>100</b>

### Statement of changes in equity of Telekom Slovenije, d. d. for the period ending 31 March 2012

in thousand EUR	Issued capital	Treasury shares	Reserves	Retain earnings	Fixed assets revaluation reserve	Net gain or loss on revaluation of available-for-sale financial assets	Net change in fair value of hedging financial instruments	Total
<b>Balance at 1 Jan 2012</b>	<b>272,721</b>	<b>-3,671</b>	<b>364,533</b>	<b>119,698</b>	<b>73,892</b>	<b>548</b>	<b>0</b>	<b>827,721</b>
Net profit for the period				17,227				17,227
Other comprehensive income for the period						-157		-157
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,227</b>	<b>0</b>	<b>-157</b>	<b>0</b>	<b>17,070</b>
Transfer to retained earnings and reserves			374	492	-866	0		0
<b>Balance at 31 March 2012</b>	<b>272,721</b>	<b>-3,671</b>	<b>364,907</b>	<b>137,417</b>	<b>73,026</b>	<b>391</b>	<b>0</b>	<b>844,791</b>

### Statement of changes in equity of Telekom Slovenije, d. d. for the period ending 31 March 2011

in thousand EUR	Issued capital	Treasury shares	Reserves	Retain earnings	Fixed assets revaluation reserve	Net gain or loss on revaluation of available-for-sale financial assets	Net change in fair value of hedging financial instruments	Total
<b>Balance at 1 Jan 2010 adjusted</b>	<b>272,721</b>	<b>-3,671</b>	<b>352,102</b>	<b>129,994</b>	<b>76,559</b>	<b>2,478</b>	<b>0</b>	<b>830,183</b>
Net profit for the period				25,883				25,883
Other comprehensive income for the period						-295		-295
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,883</b>	<b>0</b>	<b>-295</b>	<b>0</b>	<b>25,588</b>
Transfer to retained earnings and reserves			358	505	-863			0
<b>Balance at 31 March 2011 adjusted</b>	<b>272,721</b>	<b>-3,671</b>	<b>352,460</b>	<b>156,382</b>	<b>75,696</b>	<b>2,183</b>	<b>0</b>	<b>855,771</b>

## Cash flow statement of Telekom Slovenije, d. d. for the period ending 31 March 2012

in thousand EUR	I - III 2012	I - III 2011 adjusted
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>21,213</b>	<b>30,908</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	35,807	39,236
Gains/loss on disposal of property, plant and equipment	-231	-168
Finance income	-5,162	-13,001
Finance expense	4,795	5,086
Change in assets held for sale	426	183
Change in trade and other receivables	700	-3,755
Change in other non-current assets	-44	-432
Change in inventories	-3,763	-4,380
Change in provisions	-1,890	-889
Change in deferred income	-1,245	-464
Change in accruals	2,280	3,297
Change in trade and other payables	-12,405	-26,774
Income tax paid	-4,411	-3,324
<b>Net cash from operating activities</b>	<b>36,070</b>	<b>25,523</b>
<b>Cash flow from Investing activities</b>		
<b>Receipts from investing activities</b>	<b>23,577</b>	<b>15,377</b>
Proceeds from sale of fixed assets	710	566
Dividends received	1,375	6,300
Interest received	2,752	848
Disposal of non-current investments	12,188	1,850
Disposal of current investments	6,552	5,814
<b>Disbursements from investing activities</b>	<b>-81,217</b>	<b>-33,515</b>
Purchase of property, plant and equipment	-5,828	-7,958
Purchase of intangible assets	-1,677	-900
Purchase of financial assets (deposits)	-69,598	-24,646
Investments in subsidiaries and joint ventures	-4,110	0
Interest bearing loans	-4	-11
<b>Cash used in investing activities</b>	<b>-57,640</b>	<b>-18,137</b>
<b>Cash flows from financing activities</b>		
<b>Disbursements from financing activities</b>	<b>-8,563</b>	<b>-16,051</b>
Repayment of current borrowings	0	-5,000
Repayment of non-current borrowings	-7,717	-10,083
Interest paid	-816	-964
Dividends paid	-30	-4
<b>Cash flow from/used in financing activities</b>	<b>-8,563</b>	<b>-16,051</b>
<b>Net increase in cash and cash equivalents</b>	<b>-30,133</b>	<b>-8,665</b>
<b>Closing balance of cash</b>	<b>13,811</b>	<b>28,000</b>
<b>Opening balance of cash</b>	<b>43,944</b>	<b>36,665</b>

## Notes to the financial statements of Telekom Slovenije, d. d.

## Sales revenue

in thousand EUR	I - III 2012	I - III 2011 adjusted	Index 12/11
Classical voice telephony and classical leased lines	25,481	30,194	84
Mobile services on end-user market	62,254	65,840	95
Broadband and other IP services and CaTV	29,521	29,370	101
Interconnection and international wholesale services	29,902	25,805	116
Domestic wholesale services (excl. IC)	7,290	7,881	93
Goods and material sold	5,069	5,946	85
Other revenues	2,239	2,452	91
<b>Total revenue</b>	<b>161,757</b>	<b>167,487</b>	<b>97</b>

Net sales revenue was down 3% primarily on account of traditional voice telephony, traditional leased capacities and mobile services on the end-user market, while revenues from network interconnection and international operator services were up.

## Cost of services

in thousand EUR	I - III 2012	I - III 2011 adjusted	Index 12/11
Communication and transport services and rent	3,843	4,117	93
Maintenance	8,807	8,379	105
Telecommunication services	27,751	24,959	111
Leased lines	1,750	1,563	112
Sale incentives	4,582	4,330	106
Professional services	2,501	2,644	95
Insurance, marketing and entertainment	3,590	4,679	77
Sales commission	1,828	1,668	110
Banking services	347	337	103
Multimedia content	7,352	8,606	85
Other services	2,538	2,930	87
<b>Total cost of services</b>	<b>64,889</b>	<b>64,212</b>	<b>101</b>

Costs of services were up 1%, primarily on account of the costs of telecommunication services, while the costs of insurance, marketing and representation, and the costs of multimedia services and content were down.

## Operating profit

EBIT was down 9% to stand at EUR 20,846 thousand, owing to a drop in net sales revenue.

## Finance income

Finance income was down EUR 7,839 thousand on the same period last year, primarily owing to lower dividend income and a decrease in interest income.

### **Finance expenses**

Finance expenses were down slightly on the same period last year, primarily as the result of a decrease in interest expense.

### **Net profit**

Net profit in the amount of EUR 17,227 thousand was down 33% or EUR 8,656 thousand on the same period last year.

### **Intangible assets**

Intangible assets comprise licences and computer programmes. Intangible assets were down by the total amount of EUR 3,605 thousand, primarily as the result of amortisation charged during the accounting period. Commitments for intangible assets totalled EUR 2,513 thousand as at 31 March 2012.

### **Property, plant and equipment**

Property, plant and equipment accounted for 53% of the Company's total assets. The decrease in property, plant and equipment in the amount of EUR 25,026 thousand was primarily the result of depreciation charged during the accounting period in the amount of EUR 30,503 thousand, while there were also some new acquisitions. Commitments for property, plant and equipment totalled EUR 8,493 thousand as at 31 March 2012.

### **Investments in subsidiaries and joint ventures**

Telekom Slovenije, d. d. holds a 100% economic ownership in all of its subsidiaries through call options acquired from and put options granted to minority shareholders. Share capital was paid up twice during the accounting period in the following amounts:

- EUR 3.200 thousand for Avtenta, and
- EUR 910 thousand for Aneks.

An increase in liabilities owing to the acquisition of put options was recognised in the amount of EUR 390 thousand.

### **Other financial assets**

Loans to subsidiaries represent the majority of other financial assets, the decrease in which was primarily due to the repayment of loans and the transfer of the long-term portion of loans to short-term loans.

### **Operating and other receivables**

Operating and other receivables amounted to EUR 171,474 thousand as at 31 March 2012. Receivables from domestic operators in the amount of EUR 79,857 thousand account for the largest proportion of the aforementioned amount, while receivables from foreign operators amount to EUR 16,224 thousand. There was no significant change in operating and other receivables compared with the balance at the end of the year.

### **Current financial assets**

Current financial assets were up EUR 60,019 thousand, primarily owing to an increase in bank deposits.

### **Financial liabilities**

Financial liabilities totalled EUR 480,365 thousand as at 31 March 2012, representing a decrease of EUR 3,881 thousand on the end of the year, broken down as follows:

- borrowings received in the amount of EUR 154,963 thousand were down EUR 7,724 thousand owing to repayments during the accounting period;
- liabilities for bonds issued in the amount of EUR 301,974 thousand were up EUR 3,781 thousand on the balance at the end of the year on account of the associated accrued interest; and

- liabilities for additional purchases of participating interests in subsidiaries, liabilities for finance leases and liabilities for interest rate swaps in the amount of EUR 23,428 thousand.

#### **Operating and other liabilities**

The decline of EUR 12,176 thousand in operating and other liabilities was primarily the result of a decrease in trade payables in the amount of EUR 10,189 thousand and a decrease in liabilities to domestic operators in the amount of EUR 3,754 thousand.

#### **Financial risk management**

The Company uses derivative financial instruments to hedge interest-rate risk encountered in securing the appropriate financial resources.

According to the balance of long-term borrowings as at 31 March 2011, 29.53% of the loan value is hedged against interest-rate risk.

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