

**SUMMARY OF
ANNUAL REPORT
TELEKOM SLOVENIJE GROUP
AND TELEKOM SLOVENIJE D.D.
FOR THE YEAR
2006**

Ljubljana, 8 May 2007



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1 INTRODUCTION

The publication of the consolidated and unconsolidated annual report of the Telekom Slovenije Group and Telekom Slovenije, d.d. for the financial year 2006 is in compliance with the provisions of the Securities Market Act (OJ RS, No. 56/99) and Art.34 of the Rules of the Ljubljana Stock Exchange.

The audited Annual Report of the Telekom Slovenije Group for 2006 was approved by the Supervisory Board at its regular session of 25 April 2007.

Along with introductory clarifications and the Board of Management's Accountability Statement, the Financial Statements of the Annual Report consist of three parts:

- financial statements for the Telekom Slovenije Group in accordance with International Financial Reporting Standards (IFRS),
- financial statements for Telekom Slovenije, d.d. in accordance with IFRS, and
- financial statements for Telekom Slovenije, d.d. in accordance with new Slovene Accounting Standards 2006, with a separate section disclosing the effects of this transition.

The auditors ERNST & YOUNG, Revizija, davčno in poslovno svetovanje d. o. o. audited all three sets of financial statements and issued a separate positive opinion on each of them, as annexed to each of the reports. The company received the Auditor's Report on 18 April 2007.

A summary of the audited annual report is also available at www.telekom.si.

The complete audited annual report for the financial year 2006 will be available for reference at the company's head office, Telekom Slovenije, d.d., Cigaletova 15, every working day between 10 a.m. and 12 noon and on company's web page www.telekom.si.

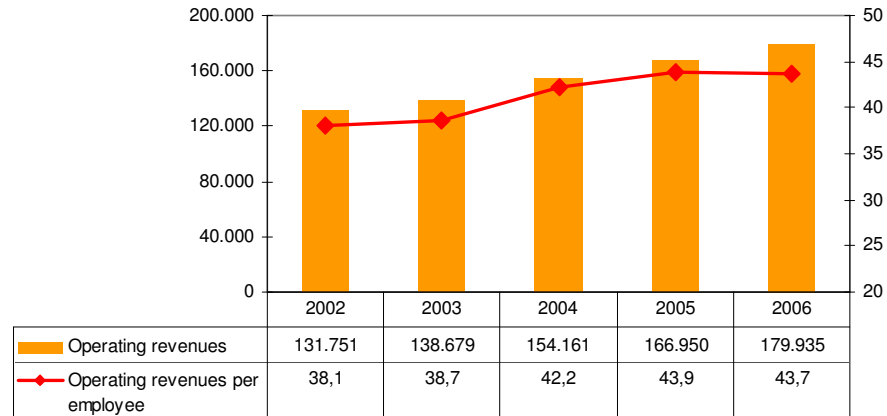
Pursuant to Article 58 of the Companies Act the audited annual report for the financial year 2006, including the auditor's report, will be submitted to the Agency of the Republic of Slovenia for Public Records and Services.

Any major change to the information contained in the Listing Prospectus is regularly published on the Ljubljana Stock Exchange web portal SEOnet and the corporate website www.telekom.si.

1.1 Performance highlights

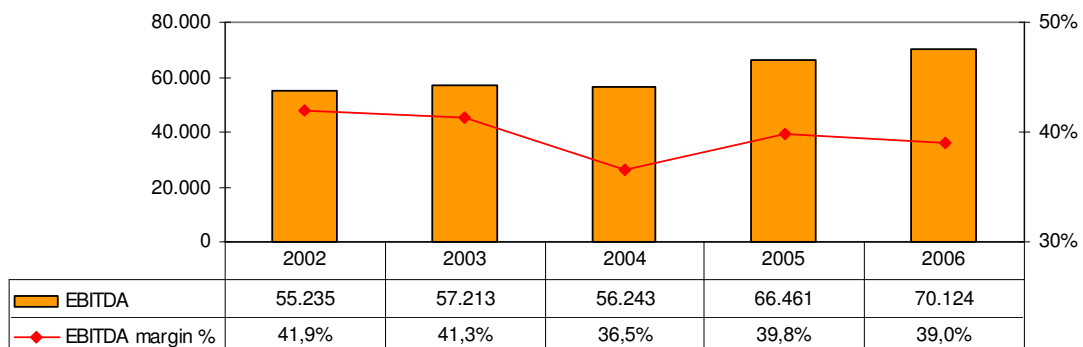
Operating revenues and revenues per employee of the Telekom Slovenije Group

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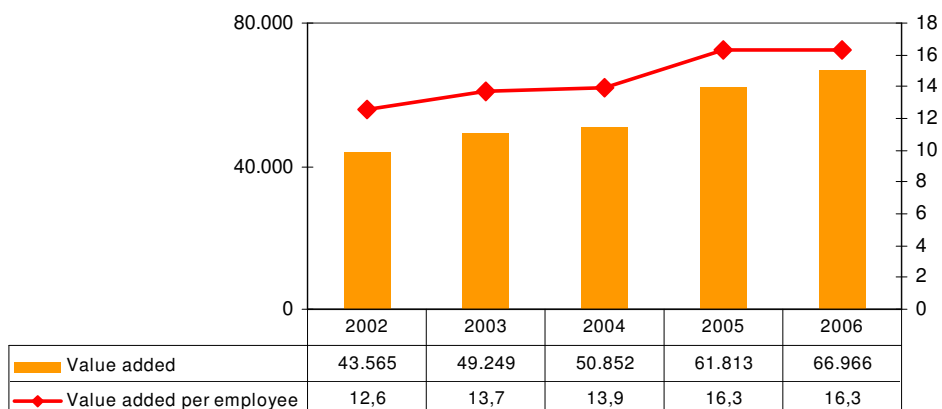
EBITDA and EBITDA margin for the Telekom Slovenije Group

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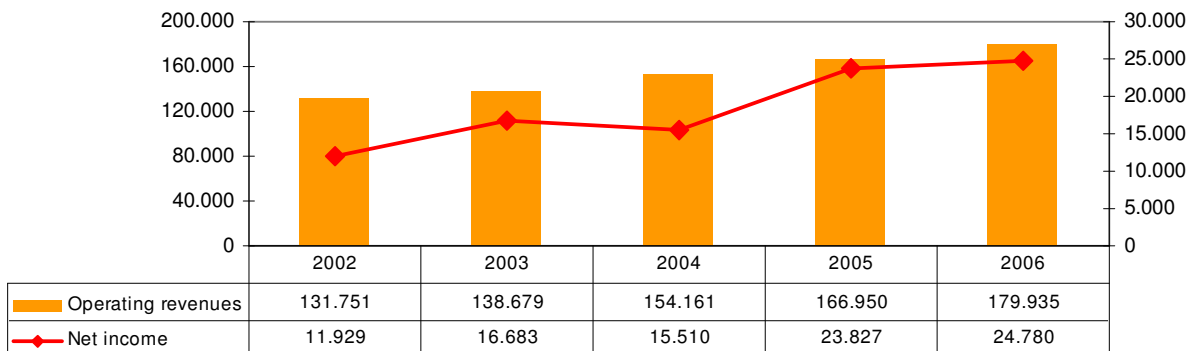
Value added for the Telekom Slovenije Group

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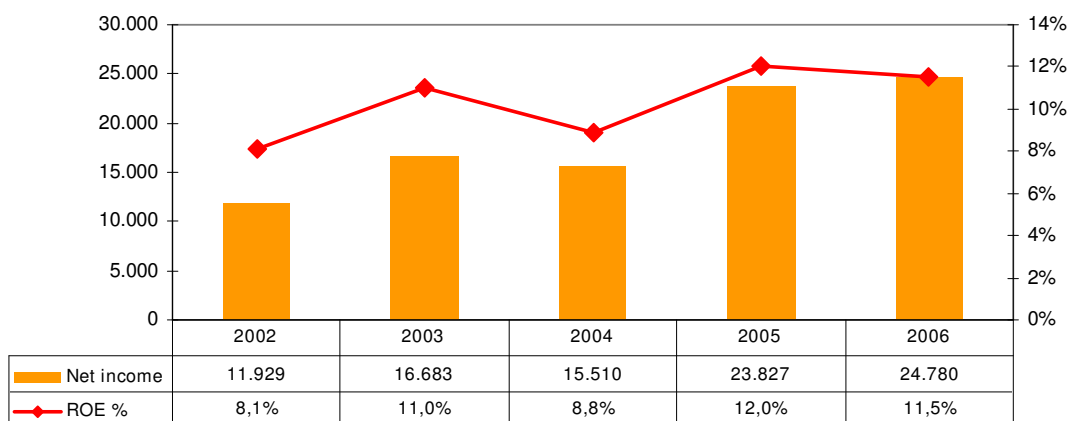
Operating revenues and net profit for the Telekom Slovenije Group

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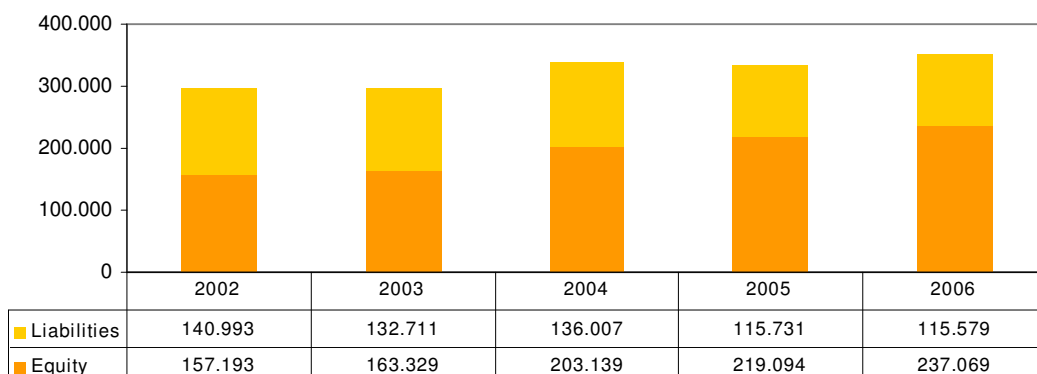
Net profit for the Telekom Slovenije Group and ROE

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Structure of liabilities for the Telekom Slovenije Group

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1.2 Company information

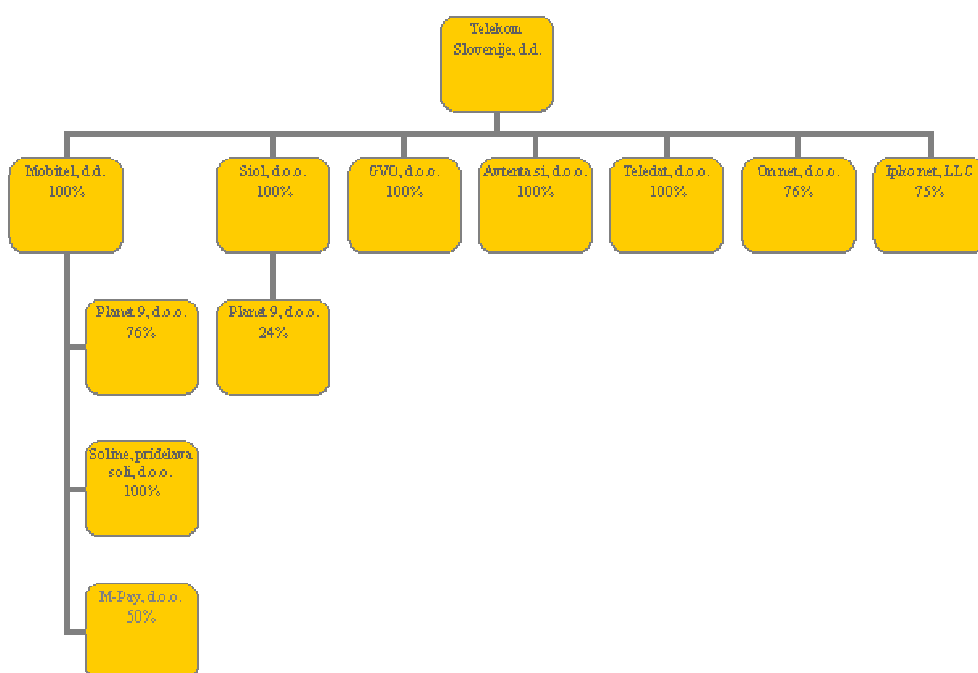
General data on the parent company Telekom Slovenije, d. d.

Company name:	Telekom Slovenije, d. d.
Headquarters:	Ljubljana
Address:	Cigaletova ulica 15, 1000 Ljubljana
Company ID no.:	5014018
VAT number:	SI 98511734
Company reg. no.:	1/24624/00, District Court of Ljubljana
Code of main activity:	64.200 Telecommunications
No. of shares:	6.535.478
Non par value share code:	TLSG
Phone:	+386 1 234 10 00
Fax:	+386 1 231 47 36
Website:	http://www.telekom.si
e-mail:	info@telekom.si

Subsidiaries in the group

Company name	State of headquarter
MOBITEL, telekomunikacijske storitve, d. d.	Slovenia
PLANET 9, d. o. o.	Slovenia
SOLINE Pridelava soli d. o. o.	Slovenia
M-Pay, d. o. o.	Slovenia
SLOVENIJA ONLINE – SIOL INTERNET, d. o. o.	Slovenia
GVO, Gradnja in vzdrževanje telekomunikacijskih omrežij, d. o. o.	Slovenia
AVTENTA.SI, d. o. o.	Slovenia
Teledat, založništvo imenikov in podatkovnih baz, d. o. o.	Slovenia
On.net, Družba za informacijske sisteme, d. o. o.	Macedonia
Ipko Net, LLC	Kosovo

1.3 Organisational structure of the Telekom Slovenije Group



1.4 Letter from the Chairman of Telekom Slovenije, d.d. for the financial year 2006

Distinguished investors, shareholders, partners,

It is with pride that I look back on 2006 a year that once again put the Telekom Slovenije Group face to face with immense yet surmountable challenges both at home and abroad. From a global perspective telecommunications remain one of the most promising, dynamic and competitive industries. It is no different in Slovenia. The market is highly developed and the competition is growing fiercer. Our customers' need for communicating and staying in touch is on the rise. These needs can only be met by offering unique, high-quality, innovative, secure, universal and affordable user experiences in all areas of telecommunications and system integration. Our teams of experts perform outstanding work and successfully seize emerging business opportunities. Their efforts have significantly contributed to making the Telekom Slovenije Group number one on the market. We are number one in terms of investments in infrastructure and innovation, amounting to 37.8 billion Tolars (157.6 million Euros) last year. We also remain the number one customer choice, as exhibited by our high market shares, exceeding 75 per cent in almost every segment of our business.

Last year's financial results are very good. The Telekom Slovenije Group generated 180 billion Tolars (750.9 million Euros) of operating revenues, 8 per cent above the previous year. Net profit rose by 4 per cent, amounting to 24.8 billion Tolars (103.4 million Euros). This outcome is the result of successful operation of all companies within the group. We also succeeded in completing the long-awaited entry onto the stock market. On the first day of trading the volume of trading in our shares exceeded SIT 860 million (3.59 million Euros). In 2006, per share yield reached as much as 61.5 per cent with growth continuing into 2007.

First!

We have also been successful in implementing our vision, which is defined simply as: First! First in terms of sales, replacing old technologies with new, modern, friendlier and more affordable services. Our organisational culture is developing and the satisfaction, motivation and creativity of our associates are all very high. Closer integration of all companies within the Telekom Slovenije Group is also starting to yield results. We have become faster, more responsive and adaptable in competing on the market and in meeting our customers' needs. We are focused on grasping technical innovations, developing new progressive services and user experiences, and on market development. We have successfully set foot into foreign markets, particularly the familiar markets of South-Eastern Europe and the Mediterranean. We made our first step in that direction in March, acquiring a 76 per cent stake in Macedonia's second largest Internet service provider On.net. In May we went on to acquire a 75 per cent stake in Kosovo's leading Internet service provider Ipko Net. We closed the year by entering the market of Bosnia-Herzegovina, acquiring the company Blic.net.

Values, the key to our recognition

The basis of our identity are certainly our corporate culture and our universal presence. Our foundations lie not only in a recognisable vision and a clear mission. Our actions are based on a sound strategy, on values, commitment, confidence and teamwork. In order to maintain and increase our competitive advantage we invest considerably in training, motivational programmes and target-driven management procedures. I am convinced that the Telekom Slovenije Group has outstanding teams of associates, whose future cooperation and mutual assistance will generate growth, competitiveness, and an excellent reputation for the company and its employees, as well as for the solutions and content it offers. Already contributing to this is the new organisation of Telekom Slovenije, d.d. and its subsidiaries, ensuring optimised and more efficient procedures.

We are also aware of our responsibility towards society as a whole. We believe that focusing on sustainable development, exhibiting social responsibility and active environmental protection all constitute one of the pillars of success and resourcefulness for any company. That is why we support excellence in sports, culture and science through sponsorships, donations and grants, which amounted to a total of 1.4 billion Tolars (5.8 million Euros) last year.

Company management

In previous years the company's management was focused on restructuring Telekom Slovenije into a market-oriented company. Last year saw two main challenges. The first was the successful completion of the

listing of our shares on the Ljubljana Stock Exchange, thus binding us to respect the high standards of reporting as applicable to joint stock companies. Upon entering the stock market we were the first in the country to introduce a dedicated liquidity custodian, making an important step forward in terms of operational transparency and communication with shareholders and potential investors. The other equally important challenge was assuring convergence and better integration between the parent company and its subsidiaries, thus assuring greater cohesion, dynamism and responsiveness within the group while proving more progressive and competitive on the market, where our solutions contribute significantly to the development of Slovenia's economy and individual markets in the Mediterranean region.

Future challenges

The Board of Management compiled the Telekom Slovenije Group Business Plan 2007 -2010 and submitted it for approval to the Supervisory Board. Three crucial challenges now lie ahead. First and foremost is increasing the Telekom Slovenije Group value. The objective for all companies is to create value, to be assured through greater innovation in the marketing of our services, solutions and content. Our aim is to maintain high revenues per customer and to preserve market shares. This will be achieved through the restructuring of our network into a modern IP network. We will restructure into a modern, customer-oriented company. The second challenge is to continue the provision of the most up-to-date broadband, multimedia and convergent services. Integrated network service quality assurance will allow us to offer our customers a diverse range of products. Our aim is to remain Slovenia's leading provider in these segments with a market share of above 60 per cent until 2010. The third challenge, which has been around for several years, is internationalising company operations. Our key objectives remain further expansion into foreign markets (mainly ICT markets in South-Eastern Europe and the Mediterranean), partnerships aimed at expanding our offer, and joint activities of companies within the group in foreign markets.

Although the challenges we face and ambitions we harbour are many, I remain convinced that we will succeed, just as we have succeeded in achieving and exceeding all our past objectives.

On behalf of the Board of Management and the entire Telekom Slovenije Group staff I thank you for your support and confidence. They will remain justified in the future.



Bojan Dremelj, MSc
Chairman of the Board of Management,
Telekom Slovenije, d. d.

1.5 Report from the Supervisory Board of Telekom Slovenije, d.d. for the financial year 2006

The Shareholders' Meeting of 31 January 2006 recalled two members of the Supervisory Board representing capital: Matjaž Janša and Jožef Zrimšek. Appointed to their posts were Pavel Žakelj and Dr Andrej Brodnik. At the Supervisory Board session of 13 March 2006 Dr Miro Rozman resigned as Chairman and member of the Supervisory Board. The Supervisory Board appointed Dr Žiga Turk as Chairman. At that same session Chairman of the Board of Management Libor Vončina resigned on personal grounds. The Supervisory Board appointed Bojan Dremelj, MSc, as the new Chairman of the Board of Management. On 4 April 2006 the Supervisory Board appointed Dr Filip Ogris-Martič and Željko Puljič as new members of the Board of Management, their terms beginning on 1 May. The Shareholders' Meeting in June appointed Damijan Koletnik as member of the Supervisory Board.

In 2006 the Supervisory Board focused considerably on appointments to senior posts within the Telekom Slovenije Group. Dušan Mitič was approved as Vice-Chairman of the Management Board, approval was given to the appointment of Bojana Sonnenwald Turk as director of subsidiary Teledat, d.o.o., and of Rudolf Skobe as director of subsidiary SiOL, d.o.o.. The Board also took note of the recall of the director of Mobiltel, d.d., Anton Majzelj, and the provisional appointment of Bojan Dremelj, MSc, to that post.

The Supervisory Board regularly (quarterly) monitored the operating results of Telekom Slovenije, d.d. and of all the companies within the Telekom Slovenije Group and determined their compliance with business and development plans. At its first session in 2006 the Board took note of the 2006 – 2009 business plan and approved the business plan for the current year. The Board monitored the implementation of the long-term operating strategy with an emphasis on the economics and efficiency of operations, implementation of new technologies and services, rapid provision of broadband coverage and continued expansion to foreign markets. In this context the Supervisory Board approved important Management Board decisions regarding the acquisition of Macedonia's On.net, Kosovo's Ipko Net, and Blic.net in Republika Srpska (Bosnia-Herzegovina). The Board also approved the intention to purchase a 50 per cent stake in Gibtelecom, Gibraltar, as well as the decision to merge SiOL, d.o.o. with its parent company.

In accordance with the Slovenian Government's strategic programme for the selling of state shares in Telekom Slovenije, the Supervisory Board granted approval to the Board of Management to initiate proceedings for the fastest possible listing of Telekom Slovenije shares on the Ljubljana Stock Exchange. Company shares were officially listed on the organised capital market on 2 October 2006, immediately becoming one of the most traded shares.

The Supervisory Board of Telekom Slovenije, d.d. acted in accordance with its competences as laid down in the Companies Act, the Company Statute and the Rules of Procedure of the Supervisory Board. In 2006 the Supervisory Board met at ten regular sessions and one correspondence session.

At the close of the financial year 2006 the Supervisory Board determined that Telekom Slovenije, d.d. operated very well and exceeded planned profits as well as all other planned performance indicators. Following a detailed review and discussion, the Supervisory Board approved the annual business report of Telekom Slovenije, d.d.. In the year passed, the Telekom Slovenije Group generated 180 billion Tolars (750,9 million Euros) of operating revenues, 8 per cent above the previous year. EBIT increased by 11 per cent, reaching 34 billion Tolars (142 million Euros). Net profit rose by 4 per cent compared against the previous year, amounting to 24.8 billion Tolars (103.4 million Euros). This excellent outcome is the result of the successful operation of all subsidiaries.

Telekom Slovenije, d.d. generated operating revenues in the amount of 97.3 billion Tolars (406.2 million Euros) last year, a growth of 6 per cent against the previous year. EBIT rose by 10 per cent, achieving 16,1 billion Tolars (67.2 million Euros). Net profits soared by 90 per cent compared against the previous year, reaching 23.1 billion Tolars (96.5 million Euros), resulting to a high extent from profit sharing in subsidiaries, an effect which is excluded from consolidation.

The Supervisory Board reviewed in detail the audit report demonstrating that the statements of account are in compliance with accounting standards and other relevant regulations. The Supervisory Board determined that the statements of account constitute a true and fair representation of the financial state of Telekom Slovenije as on 31 December 2006, consequently recommending the Shareholders' Meeting to discharge the Board of Management and the Supervisory Board for the financial year 2006.

A handwritten signature in black ink, appearing to read 'Žiga Turk', with a stylized flourish extending from the end.

Dr Žiga Turk,
Chairman of the Supervisory Board of Telekom Slovenije, d. d.

1.6 Corporate governance report

The corporate governance of Telekom Slovenije, d.d. and the Telekom Slovenije Group is conducted pursuant to legislation and internal bylaws. The Telekom Slovenije Group comprises the parent company Telekom Slovenije, d.d. and its subsidiaries where the parent company holds a majority stake or the majority of voting rights.

As a public joint stock company Telekom Slovenije, d.d. also complies with corporate governance recommendations as laid down in the Corporate Governance Code for Joint Stock Companies, as described in detail in the statement of compliance with the Corporate Governance Code.

1.6.1 System of governance

The governance of Telekom Slovenije, d.d. follows a two-tier system. Along with the Shareholders' Meeting, a central role is also played by the Board of Management, which manages and represents the company, and the Supervisory Board, whose fundamental competence is the supervision of company management.

1.6.2 Shareholders' meeting

Two shareholders' meetings in 2006

At the 11th session of the Shareholders' Meeting on 31 January 2006 the shareholders:

- Recalled one member of the Supervisory Board,
- Took note of the resignation of a member of the Supervisory Board,
- Appointed two new members of the Supervisory Board in their place.

At the 12th session of the Shareholders' Meeting on 30 June 2006 the shareholders:

- Adopted amendments to the company statutes.
- Adopted a decision on the distribution of available profit,
- Granted a discharge for the members of the Board of Management and the Supervisory Board for the financial year 2005,
- Appointed an auditor for the business year 2006,
- Took note of the resignation of one member of the Supervisory Board and appointed a new member in his place,
- Determined the session fee for members of the Supervisory Board.

1.6.3 Supervisory Board

Presentation of the members of the Supervisory Board

On the last day of 2006 the Supervisory Board was composed of the following members:

Representing capital:

- Dr Žiga Turk, Chairman
- Dr Borut Štrukelj
- Dr Andrej Brodnik
- Pavel Žakelj
- Karmen Ponikvar
- Damijan Koletnik

Representing labour:

- Branko Sparavec
- Milan Richter
- Martin Gorišek

The Supervisory Board's term expires on 30 June 2009.

Changes in the composition of the Supervisory Board in 2006:

- Matjaž Janša and Jožef Zrimšek were members until 31 January 2006,
- Dr Andrej Brodnik and Pavel Žakelj are members since 31 January 2006,
- Dr Miro Rozman was Chairman until 13 March 2006,
- Dr Žiga Turk was member until 13 March 2006 and subsequently Chairman from that day onward,
- Damijan Koletnik is member since 30 June 2006.

1.6.4 Board of Management

The Board of Management of Telekom Slovenije, d.d.

- Bojan Dremelj, MSc, Chairman,
- Dušan Mitič, Vice-Chairman,
- Dr Filip Ogris-Martič, Member,
- Željko Puljič, Member,
- Darja Senica, Member and Worker Director.

Changes to the Board of Management in 2006:

- Libor Vončina was Chairman until 13 March 2006,
- Bojan Dremelj, MSc, was Member until 13 March 2006, thereafter Chairman,
- Dušan Mitič was Member until 13 March 2006, thereafter Vice-Chairman,
- Darinka Virant was Member until 1 May 2006,
- Dr Filip Ogris-Martič was Member until 1 May 2006,
- Željko Puljič was Member until 1 May 2006.

1.6.5 Governance of subsidiaries

For subsidiaries in the Republic of Slovenia, the function of Shareholders' Meeting is exercised by the Board of Management as the sole founder and shareholder. Subsidiaries in the Republic of Macedonia and in Kosovo also have other minority shareholders alongside the controlling company.

Company	Management	Governance*
Mobitel, d. d.	CEO: Klavdij Godnič	One-tier
	Executive director: Igor Marinšek	
	Board of Management: Bojan Dremelj, MSc, Chairman, Dr Filip Ogris-Martič, Željko Puljič, Klavdij Godnič, Igor Marinšek, Metod Zaplotnik, Tjaša Škrilec and Brane Miklavčič.	

***Note:** The Supervisory Board of Mobitel, d.d. recalled the company's director Anton Majzelj. Until the appointment of a new director this post was entrusted to Bojan Dremelj. In 2006 a two-tier system of governance was still in place. On 22 November the Shareholders' Meeting adopted amendments to the statute, whereby a one-tier system of governance was put in place. On 7 December 2006 the Shareholders' Meeting appointed Members of the Board of Management, which was established on the day of entry of amendments to the statute in the court register, 31 January 2007.

Company	Management
SiOL, d. o. o.	Director: Rudolf Skobe*

***Note:** Director Rudolf Skobe assumed his function on 1 September 2006, until which time this function was performed by Tomaž Berginc.

Company	Management
GVO, d. o. o.	Director: Jože Peterlin

Company	Management
Avtenta.si, d. o. o.	Director: Darko Pretnar

Company	Management
Teledat, d. o. o.	Director: Bojana Sonnenwald Turk*

*Note: Director Bojana Sonnenwald Turk took office on 5 April 2006. Prior to that the post was held by Danilo Ofentavšek.

Company	Management*
On.net, d. o. o.	Director: Predrag Čemerikić
	Supervisory Board: Dušan Mitič, Dr Mitja Štular, Vladimir Peševski

*Note: Corporate governance is conducted in compliance with the legislation of the Republic of Macedonia.

Company	Management*
Ipko Net, d. o. o.	Executive Director: Akan Ismaili
	Board of Management: Bujar Musa, Chariman, Akan Ismaili, Dušan Mitič, Dr Filip Ogris Martič, Primož Karpe

*Note: Corporate governance is conducted in compliance with the legislation of Kosovo.

Telekom Slovenije, d. d. will continue to strive for the introduction of uniform standards of governance in group subsidiaries.

1.7 Corporate Governance Code for Joint Stock Companies

The corporate governance of Telekom Slovenije, d.d. is in compliance with all relevant legal instruments and legislative acts, the importance of which increased significantly with the listing of shares on the organised market of the Ljubljana Stock Exchange.

1.7.1 Compliance with the Corporate Governance Code

Already prior to the listing of its shares on the stock exchange Telekom Slovenije, d.d. acted in accordance with general standards of corporate governance applicable in Slovenia. Following its listing on the stock exchange, the recommendations and standards of corporate governance as laid down in the Corporate Governance Code for Joint Stock Companies became binding on Telekom Slovenije, d.d.. The Corporate Governance Code entered into force in March of 2004 and was subsequently amended in December 2005 and February 2007.

Alongside the legislation in force and the autonomous regulations of the Ljubljana Stock Exchange, the Corporate Governance Code for Joint Stock Companies constitutes an important set of guidelines for corporate governance within the company and the entire Telekom Slovenije Group.

1.7.2 Statement of Compliance with the Corporate Governance Code for Joint Stock Companies

The statement of compliance with the Corporate Governance Code for Joint Stock Companies of Telekom Slovenije, d.d. (Official Journal RS, No. 118/2005 of 17 December 2005, including its amendments, as entered into force on 5 February 2007) is, available to the public in Slovene and English on the website of the Ljubljana Stock Exchange (SEOnet) and on company's website www.telekom.si.

1.8 A good investment opportunity

1.8.1 Ownership structure

Ownership structure as on 31 December 2006 and change as compared to end of year 2005

	% equity 31.12. 2006	% equity 31. 12. 2005	No. of shareholders 31. 12. 2006	No. of shareholders 31. 12. 2005
Republic of Slovenia	62.53	62.53	1	1
Investment companies	4.41	6.26	14	15
Kapitalska družba	5.59	5.59	1	1
Kapitalska družba - PPS	1.77	1.77	1	1
Domestic legal persons	6.04	6.84	414	351
Slov. odškodninska družba	4.25	4.25	1	1
Banks	0.97	1.38	10	4
Insurance companies	0.20	0.09	5	4
Stock brokerages	0.23	0.77	8	14
Foreign legal persons	1.24	0.18	10	6
Mutual funds	1.66	0.57	16	6
Other funds	0.32	0.65	10	15
Individual shareholders	10.33	8.66	9,619	7,996
Telekom Slovenije, d. d.	0.46	0.46	1	1
TOTAL	100.00	100.00	10,111	8,416

A comparison of the top 10 shareholders

31 Dec 2006			31 Dec 2005		
Shareholder name	stake %	Number of shares	Shareholder name	stake %	Number of shares
Republic of Slovenia	62.53	4,086,418	Republic of Slovenia	62.53	4,086,418
Kapitalska družba, d.d.	5.59	365,175	Kapitalska družba, d.d.	5.59	365,175
Slovenska odškodninska družba, d.d.	4.25	277,839	Slovenska odškodninska družba, d.d.	4.25	277,839
NFD 1 delničarski investicijski sklad	1.85	121,199	NFD 1 delničarski investicijski sklad	2.53	165,322
Kapitalska družba, d.d. – PPS	1.77	115,558	Kapitalska družba, d.d. – PPS	1.77	115,558
Aktiva naložbe, d.d.	1.24	81,292	Aktiva naložbe, d.d.	1.41	92,100
Delniški VS Triglav steber I	1.02	66,641	Abanka d.d.	1.27	83,305
Maksima holding, d.d.	0.78	51,201	Maksima holding, d.d.	0.78	51,201
Poteza naložbe d.o.o.	0.51	33,063	Telekom Slovenije, d. d.	0.46	30,000
Confininvest Aktiengesellschaft	0.50	32,987	Poteza naložbe d.o.o.	0.45	29,217
Total	80.04	5,231,373		81.04	5,296,135

Number of shares owned by the Board of Management and the Supervisory Board of Telekom Slovenije, d. d. as on 31 December 2006

As on 31 Dec. 2006			
Name and surname	Function	Shares	Equity %
Board of Management			
Bojan Dremelj, MSc	Chairman	-	-
Dušan Mitič	Vice-Chairman	250	0.0038
Dr Filip Ogris - Martič	Member	353	0.0054
Željko Puljič	Member	200	0.0031
Darja Senica	Member	318	0.0049
Supervisory Board			
Dr Žiga Turk	Chairman	-	-
Dr Borut Štrukelj	Member	-	-
Dr Andrej Brodnik	Member	-	-
Pavel Žakelj	Member	95	0.0015
Damijan Koletnik	Member	-	-
Karmen Ponikvar	Member	-	-
Branko Sparavec	Member	-	-
Milan Richter	Member	78	0.0012
Martin Gorišek	Member	125	0.0015
TOTAL		1,419	0.0214

1.8.2 Successful breakthrough of Telekom Slovenije, d.d. shares

Lively trading on the Ljubljana Stock Exchange

Following the issue by the Securities Market Agency of a permit on 30 August for the organised trading in Telekom Slovenije, d.d. shares, company shares were listed on the Ljubljana Stock Exchange under ticker code TLSG.

During the first day of trading the share price reached SIT 70,990.54 at a total value of transactions of SIT 860.41 (the second highest value of transactions that day reached SIT 163 million). On the last day of trading for 2006, 27 December, the share price amounted to SIT 73,478.91.

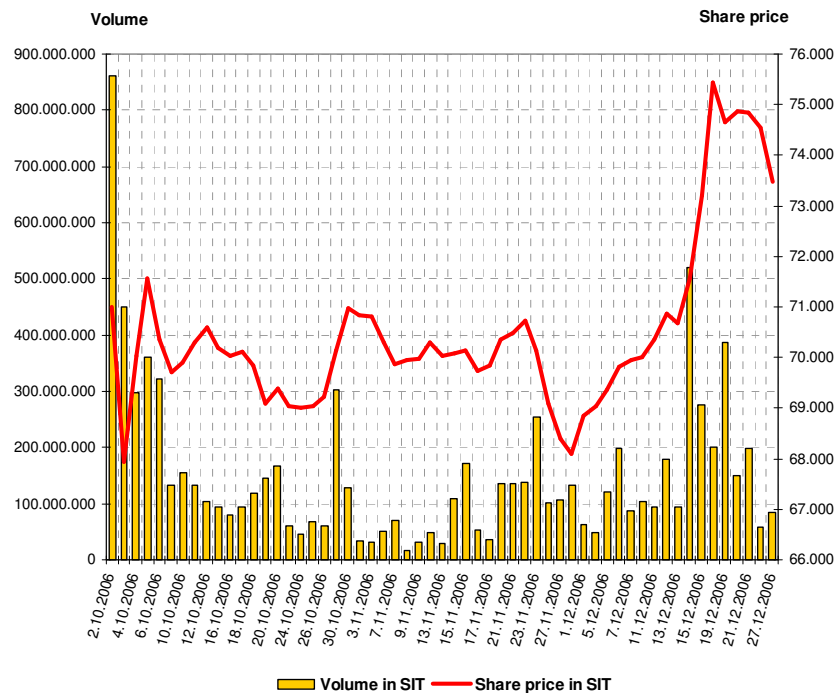
The listing of Telekom Slovenije, d.d. shares on the stock exchange led to the review of two of the most important Ljubljana Stock Exchange indices, the SBI20 and the SBITOP. Telekom Slovenije shares were included in the structure of the said indices in early November at 13.26 percent and 18.38 per cent respectively.

TLSG 2006 trading statistics on the Ljubljana Stock Exchange

	in SIT / %	Date
Share price		
Highest share price	75,444.04	18 December
Lowest share price	67,927.42	3 October
Average share price	70,418.94	
Highest share price growth in %	3.1	4 October
Highest share price fall in %	4.3	3 October
Volume		
in SIT millions		
Total volume	8,435.0	
Volume including lots	9,266.4	
Maximum daily volume	860.4	2 October
Minimum daily volume	16.3	8 November

Total number of lots	123.800	-
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TLSG share price and trading volume on the Ljubljana Stock Exchange



Key share indicators

	31 Dec. 2006	31 Dec. 2005
Subscribed capital – nominal value	SIT 65,354,780,000	SIT 65,354,780,000
Number of ordinary nominal shares	6,535,478	6,535,478
Number of treasury shares	30,000	30,000
Nominal share value	non par value share	SIT 10,000
Ticker code	TLSG	-
Market capitalisation in SIT	480,220,387,962	-
Market price of share	73,479	45,500
Book value of share according to IFRS ¹	29,010	26,503
Book value of share according to SRS ²	33,813	35,947
Net profit per share in SIT ³	3,809	3,663
P/E ratio	19.3	12.4
Capital gain % ⁴	61.5	- 4.2
Dividend yield % ⁵	1.7	2.7
Total yield in % ⁶	63.2	- 1.5

¹ The book value per share for 2006 is calculated as the ratio between parent company equity according to SRS and the number of shares issued, less the number of treasury shares. The 2005 calculation was executed following the same methodology for purposes of comparability.

² Net earnings per share are calculated as the ratio between the net profits of the Telekom Slovenije Group according to SRS and the number of shares issued, less treasury shares. The 2005 calculation was executed following the same methodology for purposes of comparability.

³ According to the shareholders' meeting decision, dividends were paid out within 60 days of the shareholder's meeting.

⁴ Capital gain per share is calculated as follows: (share price on last trading day – share price at the start of the year) / share price at the start of the year.

⁵ Dividend yield is calculated as the ratio between the dividends paid per share and the share price on the last trading day.

⁶ Total share yield is the sum of dividend yield and capital gain.

1.8.3 Treasury shares

At its 6th session of 24 July 2002 the Shareholders' Meeting of Telekom Slovenije, d.d. adopted a decision authorising the Board of Management to purchase and sell treasury shares, with prior approval from the Supervisory Board, for the purposes laid down in Article 240, items 1 through 7 of the Companies Act.

In accordance with the Shareholders' Meeting decision the Supervisory Board adopted Rules on Trading in Treasury Shares on 11 December 2002, according to which the Board of Management may, with prior Supervisory Board approval, purchase treasury shares in compliance with the legislation, the company statute, Shareholders' Meeting decisions, company bylaws.

On the last day of 2006 the company held 30,000 treasury shares or 0.46 per cent of total equity. This amount has remained unchanged since acquisition in 2003.

1.8.4 Non par value shares

At its 12th session of 30 June 2006 the Telekom Slovenije, d.d. shareholders' meeting adopted a decision to transform nominal value shares into non par value shares and amend the company statute accordingly. Following the entry of the said decision into the court register, the Securities Clearing Corporation changed the »nominal value« entry for Telekom Slovenije, d.d. shares in the central register of shares on 29 September 2006, which now reads »1 non par value share«.

The company capital is thus divided into 6,535,478 ordinary non par value shares.

1.8.5 Approved share capital and conditional capital increase

The Shareholders' Meeting did not adopt any decision on approved share capital, nor does the company statute include an authorisation to the Board of Management to increase the company capital on the basis of approved share capital.

The company did not adopt any decisions on conditional capital increases.

1.8.6 Rules on restrictions to trading in company shares on the basis of insider information

As one of the first companies listed on the Ljubljana Stock Exchange, Telekom Slovenije, d.d. adopted rules restricting trading in company shares on the basis of insider information on 21 September 2006. The company thus established internal rules against the abuse of insider information, implementing the principle of equal information of all investors.

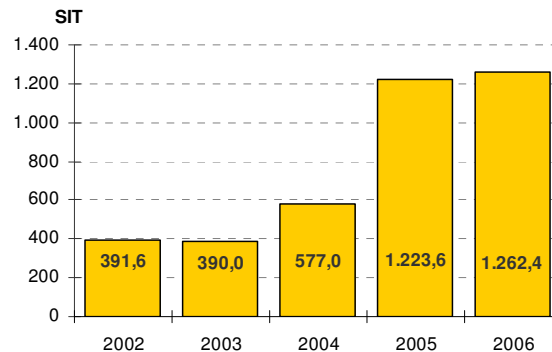
1.8.7 Stable dividend policy

The dividend policy of Telekom Slovenije, d.d. is defined by the company statute as a percentage of the net profit, whereby priority shall be given to assuring funding for investments and thus increasing shareholder value. Such a policy is development-oriented and geared towards preserving and strengthening the company's competitive edge.

The value of dividends is determined annually in the business plan. The value depends on the operating results achieved, the optimum tax policy and investment policy as well as the interests and expectations of owners. A stable dividend policy will continue in the future.

At its 12th session the Telekom Slovenije, d.d. Shareholders' Meeting adopted a decision to allocate part of the undistributed net profit for 2005 for dividends in the amount of SIT 1,262.40 gross per share. Dividends were paid out within 60 days of the shareholders' meeting.

Gross dividend per share



1.8.8 Reporting

In order to assure the highest level of information of the interested parties, the company regularly publishes significant information and reports on the operations of Telekom Slovenije, d.d. and the Telekom Slovenije Group on the Ljubljana Stock Exchange web portal SEOnet and the company website www.telekom.si.

1.9 Significant events in the Telekom Slovenije Group in 2006

In 2006 the Telekom Slovenije Group achieved numerous successes. Our operations expanded to international markets, we continued to fulfil our mission by introducing new, customer friendly and interesting services.

January

- Start of operation of new Telekom Slovenije, d. d. subsidiary - Teledat, d. o. o.
- Subscriber number transferability was assured by Slovene mobile operators as of 1 January, including Mobitel, d.d.
- At its 11th session the Shareholders' Meeting took note of the resignation of Supervisory Board member Matjaž Janša and appointed Pavel Žakelj in his place. The shareholders recalled Supervisory Board member Jože Zrimšek and appointed Dr Andrej Brodnik in his place.

February

- Telekom Slovenije, d. d. introduces ADSL2+ technology.
- GVO, d. o. o. acquires ISO 9001:2000 quality assurance certificate.

March

- The Supervisory Board of Telekom Slovenije, d. d., took note of the resignations of its Chairman Dr Miro Rozman and the Chairman of the Board of Management Libor Vončina. Dr Žiga Turk was appointed Supervisory Board Chairman and Bojan Dremelj, MSc, Chairman of the Board of Management.
- Telekom Slovenije, d.d. signs contract in Skopje on the acquisition of a 76 per cent stake in Macedonia's second largest ISP On.net.
- SiOL, d.o.o. offers new services to customers, based on faster ADSL2+ broadband access. SiOL subscribers can now access the Internet at 20Mb/s rates.
- Mobitel, d. d. establishes 300th commercial roaming agreement.

April

- Telekom Slovenije, d. d. introduces CRM system.
- Supervisory Board of Telekom Slovenije, d.d. appoints two new members of the Board of Management, Dr Filip Ogris Martič and Željko Puljič.
- Telekom Slovenije, d.d. signs agreement with Western Wireless Int., operating in Slovenia under the Vega brand, regarding the withdrawal of all legal action against companies of the Telekom Slovenije Group and the state, as well as the withdrawal of Telekom Slovenije's legal action against Western Wireless Int. for unpaid services due. This agreement also included an arrangement between Mobitel, d.d. and Western Wireless' Slovene subsidiary on the acquisition of 191 Vega base stations including on-site equipment.

May

- The new Board of Management of Telekom Slovenije, d.d. begins its term. Chairman Bojan Dremelj, MSc, Vice-Chairman Dušan Mitič and Worker Director Darja Senica are joined by two new Members: Dr Filip Ogris Martič and Željko Puljič.
- Transferability of fixed line subscriber numbers enabled.
- Teledat, d. o. o. Publishes new Telephone Directory of Slovenia on CD-ROM.
- Contract signed for the acquisition of a 75 per cent stake in Kosovo's Ipko Net, the largest alternative ISP in Kosovo.
- The Supervisory Board of Mobitel, d.d. recalls company director Anton Majzelj. The post is provisionally entrusted to Bojan Dremelj, MSc, Chairman of the Board of Management of Telekom Slovenije, d.d., until the appointment of a new company director.

June

- SiOL, d. o. o., as the exclusive holder of broadcast rights for the Football World Cup in Slovenia launches HDTV broadcasting as an overture to a new service to be offered to SiOL TV subscribers in the near future.
- 12th regular Shareholders' Meeting held on 30 June.
- Telekom Slovenije, d.d. launches 10 Gbit Ethernet connection on the IP backbone between Ljubljana and Maribor, and a 10 Gbit international connection with Germany.
- Mobitel, d.d. offers Mobitel GSM/UMTS subscribers WLAN roaming at over 4,800 points of access in 36 countries around the world. The number of WLAN roaming services is increasing continually.
- GVO, d. o. o. is first in Slovenia to introduce new microtube and microcable technologies in fibre optic networks.

July - August

- 10th anniversary of official GSM network launch by Mobitel, d.d.

September

- Rudolf Skobe takes over as head of SiOL, d. o. o.
- Telekom Slovenije Group launches project Soča aimed at acquiring new broadband Internet access and SiOL TV customers.
- Ljubljana Stock Exchange Listing Committee issues decision on the listing of Telekom Slovenije, d.d. shares on the exchange.
- Kosovo Telecommunications Agency issues fixed line telephony license to Telekom Slovenije, d.d. subsidiary Ipko Net, LLC.
- Telekom Slovenije, d.d. signs contract with Abanka Vipava, d.d., authorising the bank to maintain share liquidity on the organised capital market.
- Mobitel, d. d. presents HSDPA – an upgrade to the Mobitel UMTS network offering Mbit level transfer rates.
- Securities Clearing Corporation registers Telekom Slovenije, d.d. shares as non par value shares.
- Avtenta.si successfully completes ISO 9001: 2000 quality assurance audit.

October

- Telekom Slovenije, d. d. shares begin trading on the Ljubljana Stock Exchange under ticker code TLSG.
- APEK (regulatory authority) grants WiMAX concession to Telekom Slovenije, d.d. This wireless access technology offers for wireless Ethernet, IPv4/IPv6 and ATM broadband data transfer.
- Telekom Slovenije, d.d. Supervisory Board approves upgrade of IP MPLS network.
- Telekom Slovenije, d.d. signs contract for the acquisition of a 24.975 per cent stake in Avtenta.si, thus becoming its sole shareholder.

November

- Ljubljana Stock Exchange includes Telekom Slovenije, d.d. shares in Slovene stock exchange indices SBI 20 and SBI TOP.
- Mobitel, d.d. Shareholders' Meeting adopts decision amending the company the statute, introducing a single-tier management system with an eight-member Board of Management.
- Publication of new universal Slovene Telephone Directory 2007 in print and electronic formats.
- Avtenta.si, d. o. o., in cooperation with Cisco and Microsoft, organises event on Information Security in Modern Companies.

December

- Mobitel, d. d. Shareholders' Meeting approves composition and appointment of members of the Board of Management. The new Board of Management commences its term in office on the day of entry of the amendments to the company statute in the court register, 1 February 2007.
- Telekom Slovenije, d.d. Supervisory Board approves Board of Management proposal to merge Slovenija Online – SiOL Internet, d.o.o. with the parent company.
- Telekom Slovenije, d.d. Supervisory Board takes note of the Telekom Slovenije Group Business Plan 2007 – 2010, approving the segment pertaining to the year 2007.
- Mobitel, d.d. announced a full upgrade for 2007 of its mobile network with HSDPA and EDGE technologies, thus significantly increasing the rates of mobile data transfer in all areas with Mobitel GSM/UMTS coverage.
- GVO, d. o. o. successfully completes external ISO 9001: 2000 quality assurance audit. Telekom Slovenije, d.d. signs contract with Sinfonika, d.d. on the acquisition of Blic.net, d.o.o., the largest alternative ISP in Republika Srpska (Bosnia-Herzegovina). The control will be established in the year 2007.

1.10 Significant events following the end of the financial year

- At its first session in 2007 the Supervisory Board of Telekom Slovenije, d.d. discussed the dossier for the submission of a binding offer by subsidiary Ipko Net of Priština for the tender for a second mobile operator in Kosovo. The Supervisory Board approved the bid.
- On 9 January 2007 the agreement on the merger of Slovenija Online – SiOL Internet, d.o.o. with Telekom Slovenije, d.d. as the acquiring company was filed with the District Court of Ljubljana.
- Telekom Slovenije, d.d. launched this year's most important project »F²«, which will mark the coming decade. The company decided to undertake massive construction of FTTH (Fibre to the Home) fibre optic local access networks. This constitutes a significant developmental and technological shift from copper to fibre optic networks, offering greater reliability, quality and faster transfer rates as well as the possibility of additional services.
- T-2, d.o.o. filed a lawsuit against Telekom Slovenije, d.d. with the District Court of Ljubljana on 17 January 2007 for damages in the amount of EUR 129,556,756 due to the alleged abuse of a dominant market position. Telekom Slovenije, d.d. estimates that the lawsuit has neither factual nor legal grounds and challenges it in its entirety.

- The Board of Management of Mobitel, d.d. appointed Klavdij Godnič as the Chief Executive Officer and Igor Marinšek as the Executive Director of the company on 31 January. The Board of Management also elected Bojan Dremelj, MSc, as its Chairman and Dr Filip Ogris-Martič as Vice-Chairman.
- A Telekom Slovenije Group consortium signed a license agreement on 6 March 2007 for Kosovo's second GSM operator. The Telekom Slovenije Group, through its subsidiary Ipko Net, will assure a competitive and expanded offer of mobile communications in Kosovo, upgraded with all the most up-to-date solutions offered by GSM and later UMTS technology.
- The merger of subsidiary SiOL with the parent company took place at the end of March.
- At the Supervisory Board session of 30 March 2007 Dr Žiga Turk submitted his letter of resignation from the post of Chairman of the Supervisory Board due to his appointment by Parliament to the post of minister without portfolio responsible for development. Dr Turk will remain member of the Supervisory Board of Telekom Slovenije, d.d. until the annual Shareholders' Meeting. The Supervisory Board of Telekom Slovenije, d.d. elected Damijan Koletnik as its new Chairman.

2 TELEKOM SLOVENIJE GROUP BUSINESS REPORT

Our primary goal in 2007 and the forthcoming mid-term period will be fulfilling our mission.

2.1 Strategic objectives and orientations of the Telekom Slovenije Group for the period 2007 - 2010

The Telekom Slovenije Group identifies **six key trends** that are going to shape the group's future business policy and development orientations:

1. market liberalisation,
2. market regulation,
3. convergence of services, development of broadband multimedia services,
4. development of new technologies,
5. demand for optimising group operations,
6. business globalisation.

In line with expected trends in the business environment and with our fundamental strategic orientations, we shall pursue the following objectives:

1. Increase group value

The objective of all group companies is going to be value creation for ourselves, our customers, partners and owners. This will be achieved through great innovation in the marketing of services, solutions and content, with the aim of preserving high per-customer revenues and maintaining market share.

2. Provision of the most up-to-date broadband, multimedia and convergent services

Group companies are going to ensure the most up-to-date, highest-quality, reliable and secure services, placing an emphasis on broadband and convergent fixed, mobile and combined services. Our integrated network service quality management system (End to End QoS) will allow us to provide our customers with a differentiated offer in view of application requirements.

3. Integrating entertainment, innovation and business content

The most efficient possible range of entertainment, innovative and demanding business content will be imperative in order to gradually compensate at least in part for the loss of income from traditional voice telephony services in the retail market.

4. Controlled reduction of the share of revenue from traditional telephony services

Current revenue from traditional telephony services and traditional bandwidth leases still represent an important segment in the group's operations. The current market share in the fixed line (including broadband access) and mobile service segments will enable us to undertake a controlled transition to modern IP services.

5. Investments in broadband IP infrastructure and IP telephony

Our strategy of development of quality broadband and convergent services will be supported by appropriate and timely investments.

6. Changing the group culture – the most modern user communication experience

By adjusting and computerising key business processes, as well as ensuring an effective system of human resource management and development, we are going to create a flexible environment where the user remains at the very centre of our attention.

7. Optimisation of operations and group organisation

Further optimisation and computerisation of operations, improved cost control, restructuring of operations, utilisation of intra-group synergies, enhancement of target-driven management using measurable indicators and other benchmarks are all going to contribute to the optimisation of operations within the Telekom Slovenije Group.

8. Regionalisation of operations

Expansion to foreign markets remains among our key orientations, particularly ICT markets in South Eastern Europe and the Mediterranean, as well as partnerships and joint activity in foreign markets by companies within the Group.

2.2 Telekom Slovenije Group plan for 2007

Even in a tougher competitive environment, *the Telekom Slovenije Group* envisages a growth of operating revenues in 2007. One of the major tasks ahead will be restructuring, the only way to keep up with market changes. That is another reason why 221 million Euros will be spent on investments.

We will start with activities for the restructuring of the group from a vertical to a horizontal setup, imperative due to the great changes expected to take place on the market. These changes will be the consequence of greater competition and crucial technological changes brought about by IP platforms. The changes will primarily have a significant impact on revenues from traditional services in fixed networks, mainly a decrease in revenues from fixed line telephony.

Due to greater investments in fibre optic networks the Telekom Slovenije Group is planning 221 million Euros worth of investments in 2007, mostly by Telekom Slovenije, d.d. (64.9 per cent) and Mobitel, d.d. (30.9 per cent). Telekom Slovenije, d.d. investments will mainly focus on establishing a modern broadband infrastructure with an emphasis on fibre optic access networks, VDSL2 and the IP backbone. Mobitel, d.d. will invest in the expansion of its UMTS and GSM networks.

In 2007 *Telekom Slovenije, d. d.* began implementing a project that is to mark the coming decade. The company decided to go ahead with massive construction of FTTH (Fibre to the Home) fibre optic local access networks. Telekom Slovenije, d.d. plans to install up to 50,000 fibre optic lines in 2007. High performance fibre optic networks will be built for the future, when emphasis will be placed on completely different multimedia services and content.

Mobitel, d. d., is planning to somewhat increase its number of subscribers in 2007 with a slight decrease in the number of prepaid customers. Its progressive range of additional services allows to plan for higher total revenues from service users in spite of these changes. The company's objective is to achieve 78 per cent population coverage in Slovenia with the UMTS/HSPA network.

Teledat, d. o. o., is planning an even livelier breakthrough into the business directory market and the provision of new mobile services for 2007.

In 2007 *GVO, d. o. o.* will continue strengthening its comprehensive service concept in the field of telecommunication cable network construction and maintenance, as well as improving its level of recognition on the market.

It is the aim of the Telekom Slovenije Group to become a comprehensive ICT provider, offering its clients the most demanding and integrated services in the fields of telecommunications and IT. To a high extent this aim is fulfilled by the company *Aventa.si, d. o. o.* Its system integration function will allow the group to maintain its leading position on the Slovene market of electronic communications in the long-term and to expand into IT.

2007 will be an important milestone in terms of the scope and dynamism of customer and revenue growth for *On.net, d. o. o.* and *Ipko Net, LLC*, alternative operators and Macedonia and Kosovo, which became members of the group in 2006.

The Telekom Slovenije Group will maintain its expansion strategy, particularly to South-Eastern European and Mediterranean markets.

2.3 Expanding to foreign markets

In 2006 Telekom Slovenije, d.d. as the Telekom Slovenije Group parent company undertook several major steps leading towards its transformation into an international company.

The acquisition of On.net in Macedonia was followed by the acquisitions of Ipko Net in Kosovo and Blic.net in Republika Srpska (Bosnia-Herzegovina). All three companies are providers of broadband Internet access. Although using different technologies (from radio wave to hybrid coaxial fibre optic networks), they pursue the same user experience. Their respective local markets allow all three companies to carry out their planned expansion activities (to the segment of IP telephony and, in the case of Ipko Net, also to mobile telephony) and rapidly become universal providers of telecommunication services in both residential and commercial market segments.

The business logic underpinning the acquisition activities of Telekom Slovenije, d.d. consists of entering those markets (specifically broadband Internet access markets and, more broadly speaking, convergent telecommunication solution markets) which offer opportunities for achieving above average levels of organic growth both in the medium- and in the long-term. Besides the markets already mentioned, these are also the characteristics of the Serbian and Albanian markets, as well as of certain specific segments of the telecommunications market in South-Eastern Europe, which is where Telekom Slovenije, d.d. intends to focus in the future.

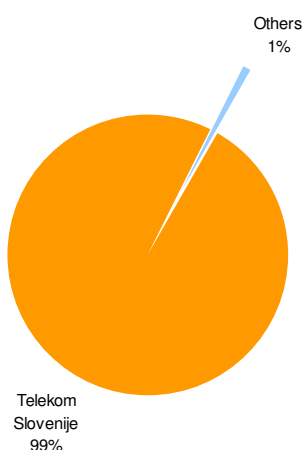
We thus started our international operations with decisive steps leading toward a differentiated range of services on offer and aimed at satisfying the end user and the shareholder.

2.4 An important player in ICT markets

High market shares, on average above 60 per cent, are being maintained by Telekom Slovenije Group companies through the development of new services and solutions and an offer adapted to the customer. Good market positions enable Telekom Slovenije Group companies successful growth and development while developing competitive services for their customers.

Telekom Slovenije, d. d. market share in fixed line telephony

Fixed telephony - domestic traffic (minutes)

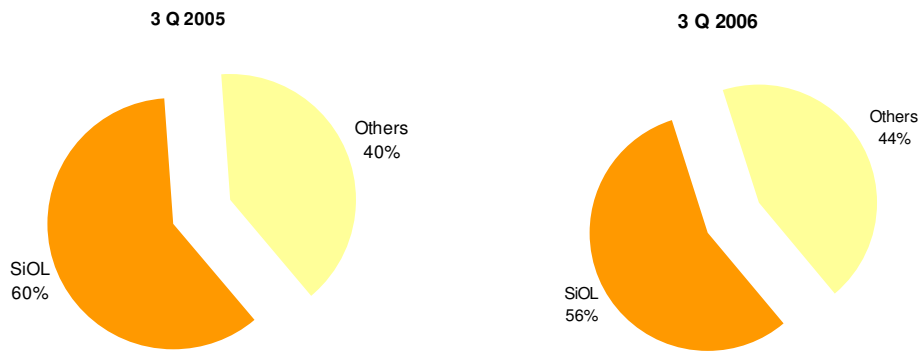


Fixed telephony - international traffic (minutes)



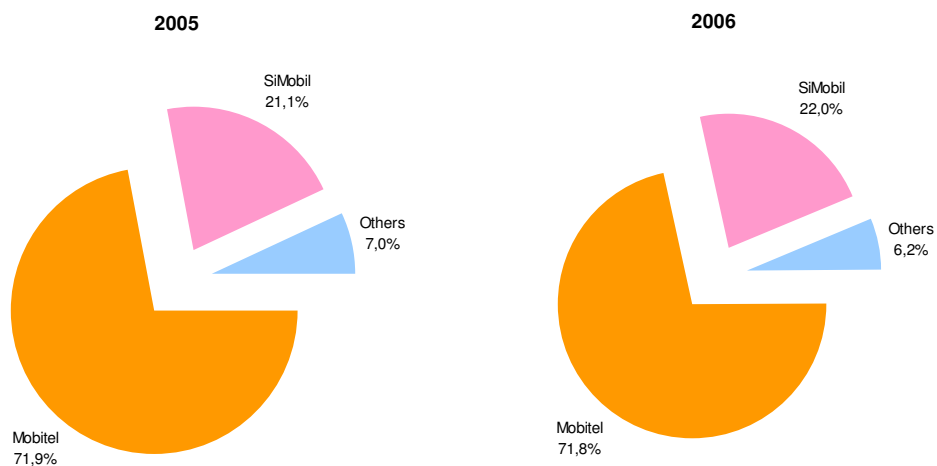
Source: APEK semi-annual report 2006

Market share of SiOL, d. o. o. on the broadband access market



Source: APEK quarterly report 2006 and annual report 2005

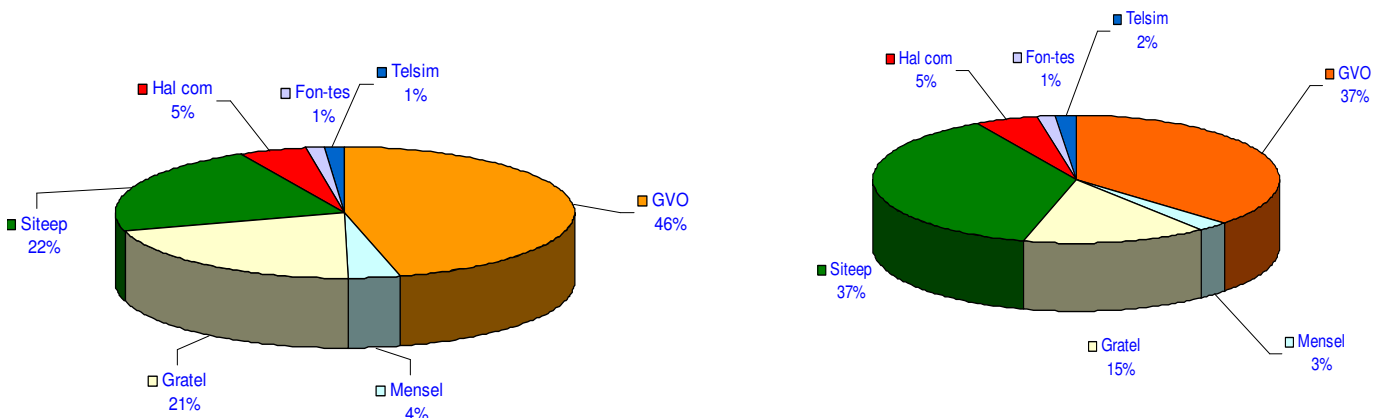
Mobitel, d.d. market share on the mobile telephony market



Source: APEK, semi-annual report 2006

Increased market share in telecommunication network construction and maintenance

This activity is covered by seven companies in Slovenia. GVO, d.o.o. increased its market share from 37 to 46 per cent (Source: Ibon 2005).



Oversaturated systems integration market

Saturation is characteristic of the Slovene market, allowing only for single-digit growth of 7 per cent. Customers have a high awareness of the state of play in terms of technology and prices in this fully liberalised market. That share of services in the total cost of ICT investments is rising. IP telephony is becoming a clear trend, encouraging the introduction of new services in companies (wireless access, link to IT applications, etc.). The main general competitors to Avtenta.si, d.o.o. are SRC.si, d.o.o. and S&T Slovenija, d.d., while Smart-Com, d.o.o., Nil d.o.o. and Comtron d.o.o. are the main competitors in the IP network segment, and Actual I.T., d.o.o. in the field of services.

An excellent position in the publications market

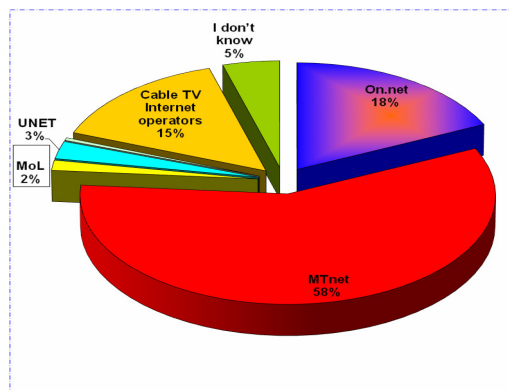
Teledat, d. o. o. as the publisher and Telekom Slovenije, d.d. as the issuer of the universal Telephone Directory of Slovenia (concession until 2009) had a 100 per cent market share in the segment of white pages in 2006, both in print and electronic form. In the yellow pages segment the market share is estimated at 90 per cent. The remainder is covered primarily by »PIRS«, »Poslovni vodnik«, smaller municipal or sectoral directories and various catalogues.

Success in international markets

Macedonia

Demand for broadband access in the Macedonian market (W-ADSL as well as xDSL and cable) currently exceeds supply. The market will therefore exhibit growth in the future. The most aggressive competition can be found in cable TV operators and the national operator Makedonski Telekom. The company On.net, d.o.o. had an 18 per cent market share at the end of the year.

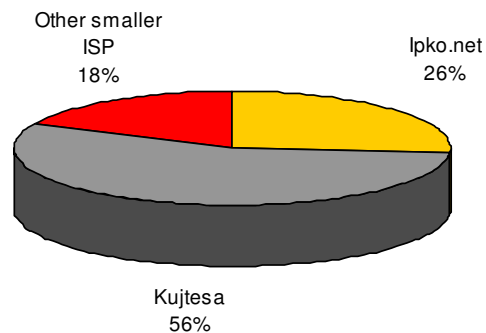
On.net market share in Macedonia's broadband market



Kosovo

Ipko.net LLC enjoys a very good position in the broadband segment with a market share of 26 per cent. The highly underdeveloped market in terms of present purchasing power and Internet penetration will offer great opportunities in the years to come. An active provision of coverage and the construction of a network of broadband connections throughout Kosovo with the simultaneous rapid construction of distribution networks (both wireless and cable) offer Ipko.net reliable growth in the forthcoming years. This is also assured by the acquisition of a concession for Kosovo's second GSM operator.

Ipko.net market share on Kosovo's Internet market



2.5 Operator in a dominant market position

In accordance with the new regulatory environment in the EU electronic communications market and pursuant to the ensuing provision of the Electronic Communications Act (ZEKom) and the general act laying down the relevant markets, Telekom Slovenije, d.d. was defined as an operator in a dominant market position by the Agency for Post and Electronic Communications (APEK) of the Republic of Slovenia in 13 relevant markets, and Mobitel, d.d. in 2 relevant markets. Both companies consequently actively undertook the management of issues related to the fulfilment of obligations stemming from this status.

2.6 Emphasis on the quality of labour, network and service quality

Quality is becoming an increasingly important factor in customers' decisions to opt for Telekom Slovenije Group services. This is why all companies within the group invest an increasing amount of attention and funding to this end.

2006 was a breakthrough year in the field of introducing formalised systems of quality assurance in the Telekom Slovenije Group.

In December 2005 the subsidiary GVO, d.o.o. acquired **ISO 9001** certification and at the close of the year successfully completed the first annual review. The subsidiary Avtenta.si also maintains its ISO 9001 quality assurance system.

In 2006 Telekom Slovenije, d.d. began introducing the **ISO 14001** system of environmental accountability. The project is due for completion by the summer of 2007.

2.7 Many new customer choices

Social, economic and technological change in recent years has transformed the way we work and live. The transition to an information society, lower total infrastructure costs and changed business relations in the marketing of electronic communication services and content all stipulate a new trend of convergence of many different areas.

The Telekom Slovenije Group conducted the following activities in 2006:

WiMAX

A license for WiMAX frequencies was successfully obtained via public tender. Testing procedures and contracts for pilot users and suppliers were developed. Base station locations have been selected for conducting beta testing.

VPN and VDSL

In the field of VPN, the offer mix expanded to ADSL2+ access and new packages at different bandwidths for

fibre optic Ethernet access. In cooperation with Avtenta.si, d.o.o. the first joint VPN management project was conducted. The introduction of VPN with QoS support and VPLS is in the final stages of implementation and will be available following a network upgrade, as is the installation of testing locations for POS over IP. In cooperation with Mobitel, d.d. we developed a testing environment for testing access to the Telekom Slovenije, d.d. Intranet via UMTS, to be followed by the commercialisation of UMTS access to VPN services. As part of the coordination of the introduction of VDSL2 services for corporate customers, a proposal has been drafted for additional VPN packages using VDSL2 technology to cover a broader market of end users.

IP TV

During the last quarter of 2006 the SiOL, d.o.o. network saw the implementation of new MPEG4 encoders and signal distribution via a 10GE network. The shift from the existing MPEG2 codec to MPEG4 improved the geographic coverage of potential customers by more than two-fold.

UMTS

In the field of UMTS telephony Video Blog and Video Camera services were developed. Video Blog offers the recording and posting of various video clips and presentations to other users, as well as the viewing of other users' blogs and their evaluation. The Video Camera service allows customers to watch live broadcasts from various parts of Slovenia.

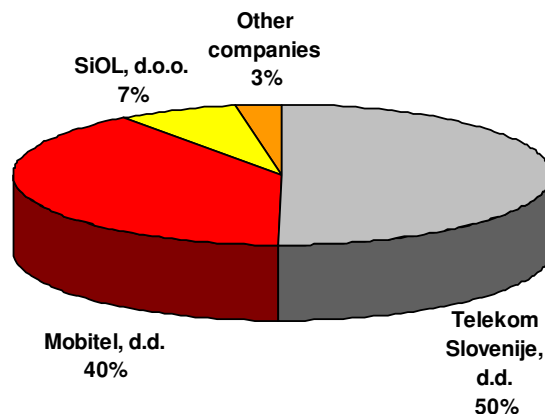
2.8 Efficiently reducing risks

Companies in the Telekom Slovenije Group are exposed to a number of different types of risks which are managed systematically. The aim is to assure operational stability and competitiveness. At group level we began introducing an integrated system of comprehensive risk management, which is to cover all organisational units and processes in the parent company and the Telekom Slovenije Group. To this end we compiled a list of key risks in terms of importance and in terms of the probability of their occurrence, including a definition of risk management mechanisms.

2.9 Increased investments in the telecommunications network

The Telekom Slovenije Group continued a lively investment policy in 2006. 37.8 billion Tolars (157.6 million Euros) or 11 per cent more than the previous year were invested in the construction and modernisation of networks and other assets

Investments by company in the Telekom Slovenije Group



At 19 billion Tolars (50 per cent), Telekom Slovenije, d.d. accounted for the largest share in the structure of total group investments, allocating 19.6 per cent of operating revenues to investments.

Major projects in 2006:**IP/MPLS network**

One of the strategic objectives of Telekom Slovenije, d.d. is to further modernise the IP/MPLS backbone network. All of the envisaged investments in this area for 2006 have been completed. The first 10Gbit connection was launched in early June connecting Ljubljana and Maribor.

Cable network

In the area of the basic cable network grid, the important objective of reaching all functional locations with fibre optics and assuring redundant capacities on all major fibre optic lines was pursued.

NGN

The transition from TDM to IP networks was undergoing intense implementation with the introduction of new network elements (softswitches). Preparatory activities for the installation of these elements into our network were conducted during the first half of the year, Q3 saw the actual installation, while demanding and extensive testing took place in Q4.

During the last quarter the pilot installation of IMS (IP Multimedia System) infrastructure began, representing a further step ahead in the transition to a next generation network. This new infrastructure will allow for the convergence of various access technologies (wired and wireless) and greater flexibility and responsiveness in the introduction of new services.

Broadband access network

The accelerated construction of broadband networks continued. For some time now IP-DSLAM has been the basic building block of this network, offering the possibility of TriplePlay services.

VDSL2 implementation began. The network was upgraded with this technology at over 200 locations and testing has been executed. Early 2007, as the service becomes commercially available, it will be offered at all major and medium-sized locations.

2.10 Very good performance of the Telekom Slovenije Group

In 2006 the Telekom Slovenije Group operated very positively and in accordance with its goals and strategic orientations.

Performance indicators

in SIT millions	2005	2006	106/05
Operating revenues	166,950	179,935	108
<i>Net sales revenues</i>	164,927	178,548	108
<i>Other operating revenues</i>	2,023	1,387	69
Operating expenses	136,427	145,908	107
OPEX – operating expenses less amortisation	100,489	109,811	109
EBITDA	66,461	70,124	106
Amortisation and depreciation	35,938	36,097	100
EBIT	30,523	34,027	111
Tax on profit	5,346	8,629	161
Net operating profit	23,827	24,780	104
EBITDA margin	39.8%	39.0%	98
Total assets	334,825	352,468	105
Equity	219,094	237,069	108
ROE – Return on Equity	12.0%	11.5%	96
Investments	34,075	37,777	111
Employees	3,799	4,116	108

3 SUSTAINABILITY REPORT FOR THE TELEKOM SLOVENIJE GROUP

Every company within the Telekom Slovenije Group is aware that our success is particularly dependant on our attitude towards the social environment. This is why we carefully strive to preserve it as socially responsible partners to local community development. At the same time we must maintain the right attitude toward the natural environment, which we want to preserve for future generations. With all this effort and success, our employees are of crucial importance in creating a successful and socially responsible enterprise.

3.1 Responsible human resource management

Rapid changes to the global telecommunications market also have an effect on human resources and demand new approaches to the Telekom Slovenije Group HR policy. Our human resource policy therefore underpins our business decisions and contributes to the added value of the entire group's operations. Synergetic effects are becoming increasingly evident as the parent company's acquired knowledge and systems are introduced in subsidiaries. Staff mobility within the group is assured with the help of quality HR selection, exchange and a clear system of incentives.

Our organisational culture and values were adapted to this year's organisational changes. A new perception of belonging was created and the erstwhile understanding of internal divisions dispelled, as demonstrated by the slogan »I belong to the wider Telekom Slovenije Group family and accept cultural differences within the group«.

Employee structure in Telekom Slovenije Group companies

As on 31 December 2006 the Telekom Slovenije Group employed 4,116 staff. Compared to 2005 the number of employees increased by 317 as a result of the acquisition of new companies abroad and an increased scope of business.

	Employees on 31 Dec. 2005	Employees on 31 Dec. 2006	Change in 2006
Telekom Slovenije, d.d.	2,140	2,123	-17
Mobitel, d.d.	988	995	7
SiOL, d.o.o.	98	114	16
Other companies in Slovenia	573	650	77
Companies in foreign countries	-	234	234
Total employees	3,799	4,116	317

Employee educational structure

Educational category	Employees on 31 Dec. 2005	Share in %	Employees on 31 Dec. 2006	Share in %	Change in 2006
I - III	238	6.3%	213	5.2%	-25
IV	540	14.2%	536	13.0%	-4
V	1,725	45.4%	1,912	46.5%	187
VI	418	11.0%	451	11.0%	33
VII	785	20.7%	894	21.7%	109
VIII/I - VIII	93	2.4%	110	2.7%	17
Total employees	3,799	100.0%	4,116	100.0%	317

Employee training and development

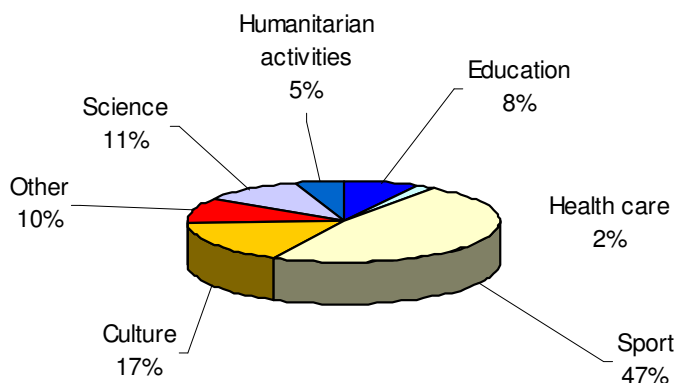
The services and growth of the Telekom Slovenije Group are also affected by employee skills and knowledge. We are active in a rapidly developing and dynamically changing field of telecommunications, which is why we take particular care in planning investments in training aimed at expanding the competences of our employees and increasing their flexibility. We are aware that acquiring and transferring knowledge is a continuous process.

The share of employees undergoing various training events at home or abroad is increasing every year. The increase in the number of employees who take part in at least one training event demonstrates the greater importance supervisors ascribe to their associates' professional development. Most training events concern services, technical content and IT.

3.2 Social Responsibility

Social responsibility is an integral part of the activities of Telekom Slovenije Group companies. Our efforts span over a broad field of social activities as we take on an active role in various socially significant campaigns and also provide funding. The key areas which we support have been defined in the 2006 Sponsoring and Donations Strategy, where we defined four levels of cooperation, target groups and the structure and scope of donations by amount and purpose.

Distribution of funding by the Telekom Slovenije Group in 2006



In 2006 the Group spent 1.4 billion Tolars (5.6 million Euros) for sponsoring and donations, which is 8 per cent below 2005 levels.

3.2.1 Customer and environment friendly

Our social responsibility is also expressed through services and products that are environmentally friendly and also aimed at special customer groups. In developing our products and services we strive to make them user-friendly, facilitating processes that concern the entire community. In this context we also collaborate with the immediate and broader community.

3.3 Environmental responsibility

The Telekom Slovenije Group is Slovenia's leading provider of electronic communication services. We develop and perform fixed and mobile telephony services and Internet services. In pursuing these activities we respect the fundamental principles of responsible environmental management.

The company's environmental responsibility is based on the following principles:

1. Business processes are developed and executed in a manner assuring the protection of the environment and the preservation of natural resources at all our location and in all areas of our activity. In this way we generate potential for pollution prevention.
2. The consumption of resources and energy, which impacts the environment, is closely monitored at all times. We strive for the continuous improvement of energy efficiency by setting and achieving target values, thus reducing negative environmental effects.
3. We are committed to the monitoring and implementation of all legislative requirements in the field of the environment. We additionally monitor and implement all other environment-related requirements.
4. All our employees, suppliers, contractors and business partners are actively involved in the implementation of our environmental policy. Training programmes are organised for our employees in order to improve environmental knowledge and awareness. Targeted communication is assured at all levels within the company.
5. Environment-related information is communicated pro-actively to all interested parties. Initiatives and questions from the public are constructively received and responded to.

Environmental management system

Following accession to the European Union, environmental protection in Slovenia is increasingly becoming an integral part of the European and international environment. Wide-reaching environmental legislation, applying also to the Telekom Slovenije Group, has been adopted and is gradually being implemented in practice.

ETNO charter

We are committed to environmental protection as signatories of the ETNO Charter (European Network Operators Association). The association's sustainable development section develops guidelines for development and improvements in the environmental sphere. Our implementation of environmental activities and planning of new activities is conducted in compliance with key processes aimed at improving the quality of living and of the natural environment, particularly in the areas of carbon dioxide emissions reduction and energy consumption.

ISO 14001 standard

In 2006 the Board of Management of Telekom Slovenije, d.d. adopted the decision to systemically regulate the area of environmental management on the basis of the international standard ISO 14001. A project team was appointed and the project for the acquisition of the certificate was launched. Certification is expected in mid-2007.

FORUM EMS

We are striving at group level to assure objective reporting on the course and findings of scientific research. We encourage cooperation between all entities participating or having an interest in the process of construction and operation of mobile telephony stations. We are an active member and supporter of Forum EMS, which conducts training, networking and objective information activities at national level. We are signatories and an implementing party of the Code of Best Practice under the auspices of Forum EMS, binding its signatories to the highest possible contribution to reducing electromagnetic radiation discharges in the environment.

Projects in the field of environmental protection

- establishment of a comprehensive system of waste separation
- target monitoring of power, materials and fuel consumption
- responsible placement of infrastructure in the environment and reducing the power of transmission stations
- striving to establish an exemplary mode of cooperation with the local communities in terms of infrastructure construction
- an Environment Portal will be set up on the Intranet, giving employees access to all documentation relating to environmental management
- including employees in environmental activities

4 BUSINESS REPORT FOR GROUP COMPANIES

(data from financial statements in accordance with SAS)

4.1 Telekom Slovenije, d. d.

Telekom Slovenije, d.d. continued achieving good sales and business results. Compared to the year before its operating revenues increased by 6 per cent, EBIT rose by 10 per cent. The company spent 19 billion Tolars (79.5 million Euros) on investments. Through the unbundling of ADSL and ISDN, and the conclusion of a partnership programme with Internet access providers, an extraordinary increase in the number of ADSL lines was achieved.

Operating highlights

in SIT millions	2005	2006	Index
Operating revenues	91,874	97,346	106
<i>Net sales revenues</i>	90,739	94,328	104
<i>Other operating revenues</i>	1,135	3,018	266
Operating expenses	77,180	81,251	105
OPEX – operating expenses less	57,845	62,618	108
EBITDA	34,029	34,728	102
Amortisation and depreciation	19,335	18,632	96
EBIT	14,694	16,095	110
Tax on profit with deferred taxes	2,629	4,001	152
Net operating profit	12,145	23,132	190
EBITDA margin	37.0%	35.7%	96
Total assets	283,226	273,210	96
Equity	234,733	219,972	94
ROE	5.5%	11.5%	209
Investments	17,216	19,042	111
Employees	2,140	2,123	99

Note:

New Slovene Accounting Standards entered into force on 1 January 2006. Together with the Companies Act (ZGD-1) they constitute the basis for the compilation of statements of account for the period January-December 2006. Data for the benchmark period are adequately listed in the valid balance sheet schemes and therefore are not directly comparable to the reported period due to the transition to new standards.

Sales and marketing plans exceeded

Higher sales revenues

Net sales revenues increased by 6 per cent, achieving 94.3 billion Tolars. Market saturation, competitive price pressures and other impacts brought down traditional telephony revenues by 7 per cent. This decrease is also a consequence of the reduction of the number of PSTN subscribers and basic ISDN lines, lower new line sales and lower call times.

Competitive pressure has, as a result of pricing, also decreased certain international service revenues, substituted by higher revenues from international transit traffic.

On the other hand an increase in broadband revenues occurred (ADSL, full unbundled access, shared unbundled access) as a result of new connections and more subscriptions, bandwidth leases and collocations. In the area of bandwidth lease, exhibiting a 16 per cent increase in revenues, technically obsolete services gave way to new IP services and fibre optic line leases.

Telekom Slovenije, d.d. competitive services

Compared to neighbouring countries' telecoms Telekom Slovenije, d.d. is among the cheapest providers. In a comparison of basic subscription packages the company offers lowest ISDN first-connection fees and also the lowest price per minute of call time in higher tariff rates compared to local network prices.

Compared to providers in neighbouring states Telekom Slovenije, d.d. offers the lowest ISDN connection fee, while the lowest monthly subscription charge for both PSTN and ISDN is offered by T-Hrvatski Telekom (Croatia). Telecom Italia no longer offers ISDN connections and the number of existing lines is dropping as a result of substitution by mobile phones and ADSL lines.

Telekom Slovenije, d.d. offers the lowest high-rate price per minute. The lowest low-rate price per minute is offered by T-Hrvatski Telekom. Telecom Italia and Magyar Telekom additionally charge a connection fee for every successful call.

Investments

The company spent 19 billion Tolars or over 2 billion more than the previous year on network reconstruction and modernisation investments and other related investments.

in SIT millions	2005	2006	06/05	Share
Buildings	2,213	1,943	88	10.2%
Telecom. network	6,956	7,815	112	41.0%
Telecom. equipment	5,831	7,148	123	37.5%
IT systems and TMN	1,742	1,589	91	8.3%
Intangible assets	22	16	73	0.1%
Purchase of other fixed assets	451	531	118	2.8%
TOTAL	17,216	19,042	111	100 %

4.2 Mobitel, d. d.

With a slight increase in the number of customers and a changed structure resulting in more subscribers than prepaid customers, Mobitel, d.d. exhibited increased traffic in its network. More and more customers are using UMTS services. In 2006 the company performed in line with its plans, increasing its sales revenues by 7 per cent and its net profit by 1 per cent. 14.9 billion Tolars (62.3 million Euros) were spent on investments.

Operating highlights

in SIT millions	2005	2006	06/05
Operating revenues	88,270	94,783	107
OPEX operating expenses less amortisation	58,840	62,177	106
EBITDA	29,431	32,606	111
Amortisation and depreciation	16,807	17,613	105
EBIT	12,624	14,993	119
Tax on profit with deferred taxes	2,258	3,150	140
Net profit	10,507	10,618	101
EBITDA margin	33.3%	34.4%	103
Total assets	166,204	160,761	97
Equity	96,983	96,815	100
ROE	12.2%	11.6%	95
Investments	15,683	14,925	95
Employees	988	995	101

Note:

New Slovene Accounting Standards entered into force on 1 January 2006. Together with the Companies Act (ZGD-1) they constitute the basis for the compilation of statements of account for the period January-December 2006. Data for the benchmark period are adequately listed in the valid balance sheet schemes and therefore are not directly comparable to the reported period due to the transition to new standards.

Increased number of subscribers

Mobitel, d. d. achieved an increase of 3,342 in the total customer number in the digital GSM/UMTS network. This is the result of an increase in the total number of subscribers by 40,539, one percentage point above planned values. The number of prepaid service users (Mobi) decreased by 37,197. Mobile Virtual Network Operators (MVNO) registered 35 thousand new subscribers and users.

Number of service users

Users	2005	2006	06/05
Subscribers	707,340	747,879	106
Mobi	568,393	531,196	93
Total	1,275,733	1,279,075	100

Expanding UMTS coverage

The company spent 14.9 billion Tolars (62.3 million Euros) on investments. Most funding was spent on the construction and integration of base stations and city cell structures into a single entity. 69 new UMTS base stations were commissioned. At year's end a total of 473 functional UMTS base stations covered 71.6 per cent of the population. The rapid growth in the number of UMTS users in the second half of 2006 (the threshold of 100,000 active UMTS users was exceeded at year's end) has already generated further coverage demand by customers.

Other crucial investments included:

- 80 GSM base stations. 873 base stations now constitute the GSM network.
- Modernisation of the core segment of the GPRS/UMTS packet network. Network development was

targeted at supporting new applications and technologies (EDGE, HSDPA, SIP/IMS, etc.). This modernisation led to a more than two-fold increase in data traffic (annually) and bandwidth demand.

- Implementation of certain projects in the field of IP infrastructure for the service and commercial network.
- Introduction and acquisition of new NeoWLAN network locations. 12 new locations have been set up with preparatory activities for a further 5 locations started at the end of the year. A total of 64 NeoWLAN locations were active at year's end.

4.3 SiOL, d.o.o.

In spite a lower overall market share, SiOL, d.o.o. managed to increase the number of ADSL subscribers in its network compared to other providers in the xDSL segment. It also continued the successful introduction of IP TV and other new services and products in the field of IP telephony. The company increased its operating revenues by 21 per cent. Operating expenses rose at a same rate. EBIT reached 511 million Tolars (2.1 million Euros), an increase of 27 per cent against the previous year.

Operating highlights

v mio SIT	2005	2006	06/05
Operating revenues	13,668	16,596	121
Operating expenses	13,267	16,085	121
OPEX operating expenses less amortisation	12,393	15,047	121
EBITDA	1,275	1,549	121
Amortisation and depreciation	874	1,038	119
EBIT	401	511	127
Tax on profit with deferred taxes	16	0	0
Net profit	402	514	128
EBITDA margin	9.3%	9.3%	100
Total assets	7,631	10,080	132
Equity	4,193	4,563	109
ROE	12.0%	12.5%	104
Investments	862	2,805	325
Employees	98	114	116

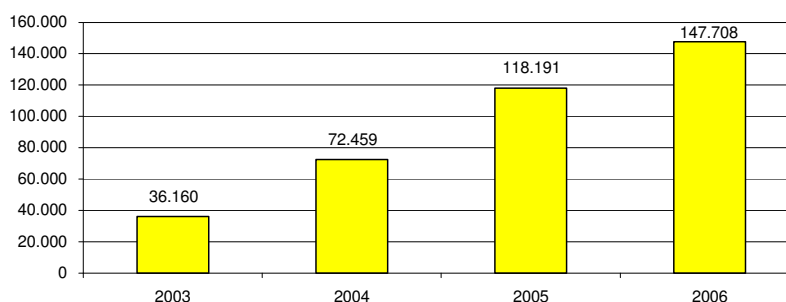
Increasing number of SiOL TV subscribers

SiOL, d.o.o. had almost 150,000 broadband subscribers at year's end, almost 18,000 IP TV connections and over 25,000 IP telephony lines.

More broadband connections

The number of broadband connections increased by 29,517 or 25 per cent. The company had 147,708 lines at year's end.

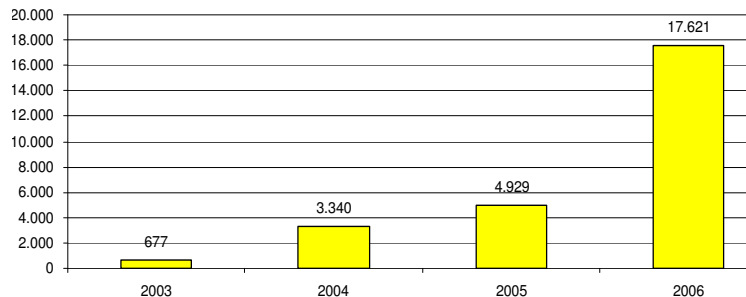
Overview of xDSL subscribers by year



SiOL IP telephony

The number of SiOL IP telephone lines rose by 24,626 to a total of 26,550, of which 23,558 are fixed lines and 2,992 »SiOL communicator« lines.

Overview of IPTV users



SiOL TV

The number of SiOL TV subscribers rose by 12,692 connections or 257 per cent. Sales were a success as a result of the rapid ADSL2+ / IPBAN network expansion. The total number of IP TV connections reached 17,621.

Better quality of service

SiOL, d.o.o. undertook the following investments:

- upgrades:
 - IP/MPLS networks to 10GE,
 - regional Internet connections with regional nodes,
 - links to the Slovene Internet node, and
 - existing capacities of four STM-16 connections with international ISPs upgraded by two STM-64 connections with two ISPs
- Equipment testing and implementation (softswitch), enabling the exchange of video calls between different providers.

SiOL as part of Telekom Slovenije

The intent to merge subsidiary SiOL with its parent company was announced by the Board of Management of Telekom Slovenije, d.d. in mid-2006. This decision was approved by the Supervisory Board on 15 December 2006. The market situation and global trends exhibit an increasing consolidation of traditional and new telecommunication service providers. Primarily, though, changes are warranted by the development of multimedia technologies and services, meaning that the market is more rewarding to those who offer comprehensive one-stop-shop information and telecommunication services. The SiOL brand will remain in place with Telekom Slovenije, d.d. taking over marketing.

The merger of SiOL took place in line with the planned schedule and was successfully completed on 30 March 2007. A new Multimedia Services and Content Department thus started operating within Telekom Slovenije, d.d. on 31 March 2007.

4.4. Other companies within the Telekom Slovenije Group

The fundamental strategy of service marketing at **GVO, d.o.o.** is based on offering comprehensive cable network construction and maintenance services (design, construction and installation works, and blueprinting of works). The company's strategic objective is to become the benchmark provider of project design and construction of fibre optic infrastructure in the region. In 2006 the company generated 8.3 billion Tolars (34.6 million Euros) of operating revenues, 24 per cent above 2005.

The company **Avtenta.si, d. o. o.** was intensively involved in group activities of developing new products on the commercial market of electronic communication services. In the year and a half that the company has been a part of the Telekom Slovenije Group, the company has achieved important development milestones and fulfilled all of its strategic objectives. The strategy of Avtenta.si, d.o.o. is to bridge gaps between technology and the business world.

The basic activity of **Teledat, d.o.o.** is a publishing house for telephone directories and data base management. Sales encompass three segments: advertising, sales of all formats of the Telephone Directory of Slovenia (TIS), and data processing for all operators.

On.net, d.o.o. is the second largest provider of Internet services in Macedonia. It offers dial-up, broadband ADSL, as well as Wi-Fi wireless Internet access to its customers. The company is planning the largest wireless ADSL (W-ADSL) project in the world. In 2006 the company grew at a rate of more than 20 per cent and improved against 2005 values in all elements of its operations. The majority (81% of total operating revenues) were generated by W-ADSL Internet services, the rest by voice, data and other services. The share of dial-up Internet access is decreasing. The company's operations in 2006 as well as future forecasts confirm the correct choice of focusing on the rapidly growing Macedonian telecommunication services market.

Ipko Net, LLC is Kosovo's largest Internet Service Provider, offering Internet connections, data transfer, and/or telephony services to more than two thousand corporate clients. It also has over one thousand private Internet users. In 2006 the company acquired a licence for fixed line telephony and increased the number of Internet users by 5,936.

Acquisition of a licence for Kosovo's second GSM operator

On 20 February 2007 the Kosovo Electronic Communications Agency (TRA) announced Ipko Net as the most successful bidder in an international tender for a second mobile operator in Kosovo. On 6 March this decision was confirmed by the signing of a contract. A consortium including Ipko Net, Mobitel and Telekom Slovenije immediately paid the concession fee and began fulfilling its obligations under the contract. Ipko Net will assure competition and a better range of services offered in Kosovo's mobile communications, to be upgraded with all of the most up-to-date solutions available with the use of state of the art technology.

5 FINANCIAL STATEMENTS

5.1 Statement of responsibility of the Company

The management is responsible for the preparation of the annual report of Telekom Slovenije, d.d. and Telekom Group, and the enclosed financial statements, which give the interested public a true and fair presentation of the financial position and operating result of the Company and the Group.

The Management Board confirm the following: the financial statements of the Company and the Group are prepared under the assumption of a going concern; the accounting policies used have been applied consistently and any changes disclosed; financial statements and notes thereof of Telekom Slovenije, d.d. have been prepared in accordance with the current legislation, SAS and IFRS; and the financial statements of Telekom Group have been prepared under IFRS.

The management board is responsible for the measures taken to ensure the maintenance of the assets of the Company and Telekom Group and to prevent and detect fraud and error.

Management Board
Telekom Slovenije, d.d.

Ljubljana, March 2007

5.2 Financial statements of Telekom Slovenije Group in accordance with International Financial Reporting Standards

Consolidated income statement for the year ended 31 December 2006

	In thousand SIT	
	2006	2005 – restated
Revenue	178,548,304	164,927,120
Other income	1,386,980	2,023,033
Cost of goods sold	15,756,817	13,383,980
Cost of raw materials and consumables	3,791,875	3,323,890
Cost of services	55,277,365	50,377,618
Staff costs	31,243,553	29,786,276
Depreciation and amortisation	36,097,013	35,938,420
Other operating expenses	3,741,702	3,616,613
Total operating expenses	145,908,325	136,426,797
Profit from operations	34,026,959	30,523,356
Finance revenue	1,764,740	1,497,232
Finance cost	2,382,166	2,847,805
Profit before tax	33,409,533	29,172,783
Income tax expense	8,629,162	5,345,977
Net profit for the year	24,780,371	23,826,806
Attributable to :		
Equity holders of the parent	24,780,371	23,833,230
Minority interest	0	-6,424
Earnings per share – basic and diluted (in SIT)	3,809	3,664

Consolidated balance sheet as at 31 December 2006

	In thousand SIT	
	31 December 2006	31 December 2005
ASSETS		
Intangible assets	28,841,576	23,596,572
Property, plant and equipment	247,045,103	246,579,189
Other investments	1,948,050	1,857,131
Other non current assets	4,059,511	5,622,493
Investment property	1,245,308	1,255,624
Deferred tax assets	3,344,773	2,658,964
Total non-current assets	286,484,321	281,569,973
Assets held for sale	353,740	0
Inventories	5,305,823	3,623,250
Current trade and other receivables	31,867,255	29,797,459
Current financial assets	12,324,279	15,149,103
Cash and cash equivalents	16,312,861	4,685,598
Total current assets	66,163,958	53,255,410
Total assets	352,648,279	334,825,383

Consolidated balance sheet as at 31 December 2006

	In thousand SIT	
	31 December 2006	31 December 2005
EQUITY AND LIABILITIES		
Issued capital	65,354,780	65,354,780
Reserves	69,336,398	59,337,398
Fixed assets revaluation reserves	22,018,754	28,023,502
Other revaluation reserve	70,677	44,000
Treasury shares	-879,676	-879,676
Retained earnings	81,164,365	67,116,632
F/X differences arising from foreign subsidiaries	3,607	0
Minority interest	0	97,061
Total capital and reserves	237,068,905	219,093,697
Non-current deferred income	1,551,986	0
Provisions	5,776,622	6,709,178
Interest bearing borrowings	52,578,135	62,538,874
Other non - current financial liabilities	183,572	261,150
Total non-current liabilities	60,090,315	69,509,202
Trade and other payables	29,813,920	22,632,076
Income tax payables	2,192,234	4,131,658
Interest bearing borrowings	16,781,742	13,573,282
Other current liabilities	35,308	53,108
Deferred income and accrued expenses	3,953,145	4,676,388
Accruals	2,712,710	1,155,972
Total current liabilities	55,489,059	46,222,484
Total liabilities	115,579,374	115,731,686
Total equity and liabilities	352,648,279	334,825,383

Consolidated statement in changes in equity for the year ended 31 December 2005

	Issued capital	Reserves	FA rev. reserves	Other rev. reserve	Treasury shares	Foreign currency diff.	Retained earnings	Total attrib. to the parent	Minority interest	In thousand SIT
										Total
01.01.2005	65,354,780	62,581,834	28,023,502	44,000	-879,676	0	47,998,878	203,123,318	15,000	203,138,318
Acquisition of Avtenta.si									88,485	88,485
Payment of dividends							-7,959,912	-7,959,912		-7,959,912
Net profit for the year							23,833,230	23,833,230	-6,424	23,826,806
Transfer		-3,245,436					3,245,436	0		0
31.12.2005	65,354,780	59,336,398	28,023,502	44,000	-879,676	0	67,117,632	218,996,636	97,061	219,093,697

Consolidated statement in changes in equity for the year ended 31 December 2006

	In thousand SIT									
	Issued capital	Reserves	FA rev. reserves	Other rev. reserve	Treasury shares	Foreign currency diff.	Retained earnings	Total attrib. To the parent	Minority interest	Total
31.12.2005	65,354,780	59,336,398	28,023,502	44,000	-879,676	0	67,117,632	218,996,636	97,061	219,093,697
Foreign currency diff.						3,607		3,607		3,607
Net gains on cash flow hedges				26,677				26,677		26,677
Total income and expense recognised in equity				26,677		3,607		30,284		30,284
Net profit for the year							24,780,371	24,780,371		24,780,371
Total income and expense for the year				26,677		3,607	24,780,371	24,810,655		24,810,655
Payment of dividends							-8,212,515	-8,212,515		-8,212,515
Acquisition of remaining shares in Avtenta.si									-97,061	-97,061
Change in deferred tax liability due to change in tax rates (note10)			1,468,033					1,468,033		1,468,033
Transfer to retained earnings (note 23)			-7,472,781				7,472,781	0		0
Transfer (note 23)		10,000,000					-10,000,000	0		0
Other							6,096	6,096		6,096
31.12.2006	65,354,780	69,336,398	22,018,754	70,677	-879,676	3,607	81,164,365	237,068,905	0	237,068,905

Group cash flow statement for the year ended 31.12.2006

	In thousand SIT	
	2006	2005
Operating activities		
Profit before tax	33,409,533	29,172,783
- Adjustments for:		
Depreciation and amortisation	36,097,013	35,938,420
Loss on disposal and write-downs of PPE	819,380	454,223
Loss on write-downs of intangible assets	140,525	4,783
Investment impairment	154,875	109,840
Change in other non-current assets	1,556,738	3,149,899
Change in provisions	-932,556	661,220
Change in deferred income	847,322	390,236
Change in receivable	-1,861,702	-1,803,883
Change in inventories	-1,561,214	1,499,432
Change in trade and other payables and accruals	6,438,753	-1,029,098
Tax paid	-9,898,492	-5,373,005
Cash flow from operating activities	65,210,175	63,174,850
Investing activities		
Purchase of property, plant and equipment	-33,074,095	-23,347,211
Purchase of intangible assets	-4,762,895	-3,775,106
Proceeds from financial assets	2,633,399	-5,448,218
Acquisition of shares in subsidiaries	-3,217,425	-199,299
Proceeds from sale of property, plant and equipment	479,903	203,418
Cash flow from investing activities	-37,941,113	-32,566,416

	In thousand SIT	
	2006	2005
Financing activities		
Repayment of borrowings	-7,429,284	-21,109,435
Dividends paid	-8,212,515	-7,960,209
Cash flow from financing activities	-15,641,799	-29,069,644
Net increase in cash and cash equivalents	11,627,263	1,538,790
Cash and cash equivalents at beginning of period	4,685,598	3,146,808
Cash and cash equivalents at end of period	16,312,861	4,685,598
Increase / decrease	11,627,263	1,538,790
Supplementary information:		
Interest paid	2,236,820	2,683,550
Interest received	1,476,609	1,291,615

5.3 Financial statements of Telekom Slovenije, d.d. in accordance with International Financial Reporting Standards

Income statement for the year ended 31 December 2006

	in thousand SIT	
	2006	2005
Revenue	94,327,883	90,738,693
Other income	974,750	1,593,192
Cost of goods sold	4,257,950	3,656,933
Cost of raw material and consumables	1,563,840	1,532,665
Cost of services	37,650,917	34,282,428
Staff costs	16,027,262	16,054,768
Depreciation and amortisation expense	18,192,564	19,443,393
Other operating expenses	433,895	1,540,394
Total operating expenses	78,126,428	76,510,582
Profit from operations	17,176,205	15,077,125
Finance revenue	11,401,867	747,851
Finance costs	689,984	998,982
Profit before tax	27,888,088	14,825,994
Income tax expense	4,826,350	2,636,200
Net profit for the year	23,061,738	12,189,794
Earnings per share – basic and diluted	SIT 3,545	SIT 1,874

Balance sheet as at 31 December 2006

	in thousand SIT	
	31 December 2006	31 December 2005
ASSETS		
Intangible assets	1,838,496	1,138,037
Property, plant and equipment	143,696,597	147,507,449
Investments in subsidiaries	57,714,659	51,381,373
Other investments	907,702	901,784
Investment property	3,519,489	0
Deferred tax assets	1,682,223	838,076
Total non-current assets	209,359,166	201,766,719
Non current assets held for sale	293,673	0
Inventory	1,526,164	1,206,228
Trade and other receivables	17,917,819	16,739,440
Short term financial assets	1,127,862	17,922
Cash and cash equivalents	9,675,459	2,859,673
Total current assets	30,540,977	20,823,263
Total assets	239,900,143	222,589,982

Balance sheet as at 31 December 2006

	in thousand SIT	
	31 December 2006	31 December 2005
Equity and liabilities		
Issued capital	65,354,780	65,354,780
Reserves	67,648,398	57,648,398
Revaluation reserves	22,018,754	28,035,952
AFS securities revaluation reserve	44,000	44,000
Treasury shares	-879,676	-879,676
Retained earnings	34,536,113	22,214,109
Total equity	188,722,369	172,417,563
Long term deferred income	3,351,290	1,328,181
Provisions	4,220,093	5,209,212
Interest bearing borrowings	12,109,412	15,917,980
Other non current liabilities	15,238	17,945
Total non current liabilities	19,696,033	22,473,318
Trade and other payables	18,825,194	20,045,469
Income tax liability	963,194	1,494,085
Interest bearing borrowings	8,631,012	3,832,587
Other current financial liabilities	25,357	53,019
Current deferred income	2,266,880	2,004,823
Accrued expenses	770,104	269,118
Total current liabilities	31,481,741	27,699,101
Total liabilities	51,177,774	50,172,419
Total equity and liabilities	239,900,143	222,589,982

Statement in changes in equity for the year ended 31 December 2006

	in thousand SIT						
	Issued capital	Reserves	Revaluation reserves	AFS securities revaluation reserve	Treasury shares	Retained earnings	Total
01.01.2005	65,354,780	60,892,834	28,023,502	44,000	-879,676	14,739,791	168,175,231
Net profit 2005						12,189,794	12,189,794
Other			12,450				12,450
Dividends						-7,959,912	-7,959,912
Transfer		-3,244,436				3,244,436	0
31.12.2005	65,354,780	57,648,398	28,035,952	44,000	-879,676	22,214,109	172,417,563
Net profit 2006						23,061,738	23,061,738
Dividends						-8,212,515	-8,212,515
Transfer to reserves		10,000,000				-10,000,000	0
Change in deferred tax liability due to change in tax rates (note 9)			1,454,762				1,454,762
Transfer to retained earnings (note 21)			-7,472,781			7,472,781	0
Other			821				821
31.12.2006	65,354,780	67,648,398	22,018,754	44,000	-879,676	34,536,113	188,722,369

Cash flow statement for the year ended 31 December 2006

	in thousand SIT	
	2006	2005
Operating activities		
Profit before tax	27,888,088	14,825,944
Adjustments for:		
Depreciation and amortisation	18,192,564	19,443,393
Loss on assets disposals	509,599	1,088,684
Dividends received	-10,790,992	0
Change in provisions	-989,119	734,725
Change in deferred income	2,285,166	882,824
Change in trade and other receivables	-1,178,379	2,573,575
Change in inventories	-319,936	-202,926
Change in trade and other payables	-1,220,275	3,496,488
Accrued expenses	500,986	-91,856
Tax paid	-4,757,311	-2,529,000
Cash flow from operating activities	30,120,391	40,142,167
Investing activities		
Purchase of property, plant and equipment	-18,553,223	-18,807,053
Purchase of intangible assets	-1,133,721	-1,057,836
Acquisition of shares in subsidiaries	-6,333,286	-1,200,001
Investments and other securities	-1,115,858	822,789
Proceeds from sale of property	293,518	1,432,727
Dividends received	10,790,992	0
Cash flow from investment activities	-16,051,578	-18,809,374
Financing activities		
Repayments of borrowings	989,857	-11,859,363
Long term liabilities	-30,369	17,945
Dividends payments	-8,212,515	-7,959,912
Cash flow from financing activities	-7,253,027	-19,801,330
Increase in cash and cash equivalents	6,815,786	1,531,463
Cash and cash equivalents at beginning of period	2,859,673	1,328,210
Cash and cash equivalents at end of period	9,675,459	2,859,673
Increase	6,815,786	1,531,463

Supplementary information:

Interest paid 616,133 thousand SIT (2005: 1,343,000 thousand SIT)

Interest received 632,860 thousand SIT (2005: 540,428 thousand SIT)

5.4 Financial statements of Telekom Slovenije, d.d. in accordance with Slovenian Accounting Standards

The financial statements of Telekom Slovenije, d.d. for the year ended 31 December 2006 are prepared in accordance with Slovene Accounting Standards 2006. The comparable data for the financial year 2005 is not restated; instead it is disclosed under the current financial statement formats. In the financial statement preparation, the general rules on valuation and measurement as defined in the Companies Act, and general rules applicable to the presentation of financial statements and notes thereto have been considered. The fundamental accounting assumptions underlying the preparation of financial statements are: accrual, going concern, and true and fair presentation under a fluctuating value of Euro and individual prices. The qualitative accounting characteristics are understandability, relevance, reliability, and comparability.

The financial statements are presented in Slovene tolar, rounded to the nearest thousand.

Balance sheet of Telekom Slovenije, d.d.

in TSIT			
ASSETS	31.12.2006	1.1.2006	31.12.2005*
A. LONG-TERM ASSETS	242,669,342	236,514,116	262,403,025
I. Intangible assets and long-term deferred costs and accrued revenue	2,094,695	1,304,766	1,304,766
1. Concessions, patents, licences, trade marks and similar rights	1,744,771	1,048,355	1,048,355
4. Long-term deferred development costs	3,460	7,157	7,157
5. Other long-term deferred costs and accrued revenue	346,464	249,254	249,254
II. Property, plant and equipment	150,798,452	151,765,542	155,341,410
1. Land and buildings	122,845,405	122,091,456	125,667,324
a) Land	3,756,135	4,068,324	5,189,950
b) Buildings	119,089,270	118,023,132	120,477,374
3. Other plant and equipment	24,284,018	24,003,859	24,003,859
4. Property, plant and equipment being acquired	3,669,029	5,670,227	5,670,227
a) Property, plant and equipment in the course of construction	3,669,029	5,670,227	5,670,227
III. Investment property	3,519,489	3,575,868	0
IV. Long-term investments	85,113,407	78,820,985	105,057,292
1. Long-term investments, excluding loans	84,535,889	78,202,585	104,438,892
a) Shares and interests in group companies	84,169,075	77,835,789	103,193,026
c) Other shares and interests	366,814	366,796	1,245,866
2. Long-term loans	577,518	618,400	618,400
b) Long-term loans to others	577,518	618,400	618,400
V. Long-term operating receivables	118,947	73,215	73,215
2. Long-term operating trade receivables	105,320	61,293	61,293
3. Long-term operating receivables due from others	13,627	11,922	11,922
VI. Deferred tax assets	1,024,352	973,740	626,342
B. CURRENT ASSETS	29,707,694	20,123,160	20,120,140
I. Assets (disposal groups) held for sale	293,673	0	0
II. Inventories	1,526,164	1,206,228	1,206,228
1. Material	935,279	640,038	640,038
3. Products and merchandise	590,885	566,190	566,190
III. Short-term investments	1,137,453	2,534,576	2,531,893
1. Short-term investments, excluding loans	117,759	17,922	17,922
c) Other short-term investments	117,759	17,922	17,922
2. Short-term loans	1,019,694	2,516,654	2,513,971
a) Short-term loans to group companies	879,640	0	0
b) Short-term loans to others	140,054	2,516,654	2,513,971
IV. Short-term operating receivables	17,084,536	15,894,683	15,894,346
1. Short-term operating receivables due from group companies	4,137,543	2,926,124	2,926,124
2. Short-term operating trade receivables	11,813,583	12,073,733	12,073,733
3. Short-term operating receivables due from others	1,133,410	894,826	894,489
V. Cash	9,665,868	487,673	487,673
C. Short-term deferred costs and accrued revenue	833,283	708,892	703,123
TOTAL ASSETS	273,210,319	257,346,168	283,226,288
Off balance sheet assets	17,197,343	28,469,012	28,469,012

Balance sheet of Telekom Slovenije, d.d.

in TSIT			
EQUITY AND LIABILITIES	31.12.2006	1.1.2006	31.12.2005*
A. EQUITY	219,971,908	204,465,289	234,733,318
I. Called-up capital	65,354,780	65,354,780	65,354,780
1. Share capital	65,354,780	65,354,780	65,354,780
II. Capital surplus	78,736,051	78,736,051	30,227,000
III. Revenue reserves	54,849,722	44,849,722	45,729,398
2. Reserves for own shares and interests	879,676	879,676	879,676
3. Own shares and interests (as a deduction item)	-879,676	-879,676	
4. Statutory reserves	13,070,956	13,070,956	13,070,956
5. Other revenue reserves	41,778,766	31,778,766	31,778,766
IV. Revaluation surplus	7,708,575	7,645,316	76,517,905
V. Retained earnings	191,149	7,879,420	4,759,374
VI. Net profit of the year	13,131,631	0	12,144,861
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED RE	7,922,532	6,909,816	5,520,225
1. Provisions for pensions and similar liabilities	1,348,991	1,389,591	
2. Other provisions	2,871,102	3,808,272	3,808,272
3. Long-term accrued costs and deferred revenue	3,702,439	1,711,953	1,711,953
C. LONG-TERM LIABILITIES	14,022,108	18,482,495	15,935,924
I. Long-term financial liabilities	12,109,412	15,917,979	15,917,979
2. Long-term financial liabilities to banks	12,109,412	15,917,979	15,917,979
II. Long-term operating liabilities	15,238	17,945	17,945
5. Other long-term operating liabilities	15,238	17,945	17,945
III. Deferred tax liabilities	1,897,458	2,546,571	0
D. SHORT-TERM LIABILITIES	27,457,045	23,981,348	23,975,579
I. Liabilities of disposal groups			
II. Short-term financial liabilities	8,656,369	3,885,606	3,845,512
2. Short-term financial liabilities to banks	8,631,012	3,844,706	3,808,568
4. Other short-term financial liabilities	25,357	40,900	36,944
III. Short-term operating liabilities	18,800,676	20,095,742	20,130,067
1. Short-term operating liabilities to group companies	5,189,647	7,881,963	7,881,963
2. Short-term trade payables	10,149,656	8,196,881	8,196,881
4. Short-term operating liabilities from advances	124,154	34,617	28,848
5. Other short-term operating liabilities	3,337,219	3,982,281	4,022,375
D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	3,836,726	3,507,220	3,061,242
TOTAL EQUITY AND LIABILITIES	273,210,319	257,346,168	283,226,288
Off balance sheet liabilities	17,197,343	28,469,012	28,469,012

* data is disclosed under the current balance sheet format

Income statement of Telekom Slovenije, d.d.

	in TSIT	
	2006	2005*
1. NET SALES	94,327,883	90,738,693
a) Local market	85,864,466	84,367,178
b) Foreign markets	8,463,417	6,371,515
2. COST OF GOODS SOLD	4,257,950	3,656,933
3. GROSS PROFIT FROM SALES (1-2)	90,069,933	87,081,760
4. SELLING COSTS (including depreciation and amortisation)	64,673,219	62,381,216
5. GENERAL AND ADMINISTRATIVE COSTS (including depreciation and amorti	12,319,502	11,141,534
a) General and administrative costs	11,267,688	9,972,770
Revaluation operating expenses associated with intangible assets and		
b) property, plant and equipment	308,761	287,189
c) Revaluation operating expenses associated with current operating assets	743,053	881,575
6. OTHER OPERATING REVENUE (including revaluation operating revenue)	3,018,077	1,135,361
7. FINANCIAL REVENUE FROM SHARES AND INTERESTS	10,622,449	331,336
a) Financial revenue from shares and interests in group companies	10,528,330	0
c) Financial revenue from shares and interests in other companies	92,200	60,905
d) Financial revenue from other investments	1,919	270,431
8. FINANCIAL REVENUE FROM LOANS	362,695	45,804
a) Financial revenue from loans to group companies	16,673	8,644
b) Financial revenue from loans to others	346,022	37,160
9. FINANCIAL REVENUE FROM OPERATING RECEIVABLES	303,962	396,224
a) Financial revenue from operating receivables due from group companies	0	817
b) Financial revenue from operating receivables due from others	303,962	395,407
10. FINANCIAL EXPENSES DUE TO IMPAIRMENT AND WRITE-OFFS OF INVESTI	8,630	11,353
11. FINANCIAL EXPENSES FOR FINANCIAL LIABILITIES	616,134	987,629
a) Financial expenses for loans, received from group companies	0	19,749
b) Financial expenses for loans received from banks	616,134	967,880
12. FINANCIAL EXPENSES FOR OPERATING LIABILITIES	65,220	103,212
a) Financial expenses for operating liabilities to group companies	25,344	0
b) Financial expenses for trade payables and bills payable	39,619	103,212
c) Financial expenses for other operating liabilities	257	0
13. OTHER REVENUE	526,195	453,775
14. OTHER EXPENSES	87,916	45,072
15. INCOME TAX	4,226,420	3,255,725
16. DEFERRED TAXES	-225,361	-626,342
NET PROFIT OF THE YEAR		
17. (3-4-5+6+7+8+9-10-11-12+13-14-15-16)	23,131,631	12,144,861

* data is disclosed under the current income statement format

Cash flow statement of Telekom Slovenije, d.d.

	in TSIT	
	I. - XII. 2006	I. - XII. 2005*
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a) Net profit	23,131,631	12,144,861
Profit before tax	27,132,690	14,774,244
Income tax and other taxes not included in operating expenses	-4,001,059	-2,629,383
b) Adjustments for:	8,519,638	20,255,315
Depreciation and amortisation (+)	18,632,324	19,334,507
Revaluation operating revenue (-)	-117,446	-1,338,983
Revaluation operating expenses (+)	308,761	2,259,791
Financial revenue excluding financial revenue from operating receivables (-)	-10,985,143	0
Financial expenses excluding financial expenses for operating liabilities (+)	681,142	0
c) Changes in net operating assets in the operating balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)	-2,509,028	4,908,865
Opening less closing operating receivables	-1,095,128	1,225,203
Opening less closing deferred costs and accrued revenue	-130,160	387,787
Opening less closing deferred tax assets	-50,612	0
Opening less closing assets (disposal groups) held for sale	-293,673	0
Opening less closing inventories	-319,937	-420,197
Closing less opening operating liabilities	-1,315,648	4,088,345
Closing less opening accrued costs and deferred revenue, and provisions	1,345,243	-372,273
Closing less opening deferred tax liabilities	-649,113	0
d) Net cash from operating activities (a + b + c)	29,142,241	37,309,041
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a) Cash receipts from investing activities	14,309,997	0
Interest and dividends received from investing activities	10,790,992	0
Cash receipts from disposal of property, plant and equipment	1,102,188	0
Cash receipts from disposal of short-term investments	2,416,817	0
b) Cash disbursements from investing activities	-26,481,909	-19,101,036
Cash disbursements to acquire intangible assets	-1,225,677	-1,050,862
Cash disbursements to acquire property, plant and equipment	-17,935,486	-15,890,900
Cash disbursements to acquire long-term investments	-6,431,515	-1,070,129
Cash disbursements to acquire short-term investments	-889,231	-1,089,145
c) Net cash from investing activities (a + b)	-12,171,912	-19,101,036
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a) Cash receipts from financing activities	5,106,677	1,712,045
Cash proceeds from increase in long-term financial liabilities	24,027	1,712,045
Cash proceeds from increase in short-term financial liabilities	5,082,650	0
b) Cash disbursements from financing activities	-12,898,811	-19,860,587
Interest paid on financing activities	-592,489	0
Cash repayments of long-term financial liabilities	-3,804,055	-3,817,611
Cash repayments of short-term financial liabilities	-299,482	-8,140,657
Dividends and other profit shares paid	-8,202,785	-7,902,319
c) Net cash from financing activities (a + b)	-7,792,134	-18,148,542
D. CLOSING BALANCE OF CASH	9,665,868	487,673
x) Net cash inflow or outflow for the period (sum total of Ad, Bc and Cc)	9,178,195	59,463
+		
y) Opening balance of cash	487,673	428,210
* comparative data for the 2005 financial year is disclosed in net cash amounts under the current format		

Statement of changes in equity of Telekom Slovenije, d.d. in 2006

in TSIT

MOVEMENTS IN EQUITY IN 2006	CALLED-UP CAPITAL		CAPITAL SURPLUS	REVENUE RESERVES					REVALUATION SURPLUS	RETAINED EARNINGS	NET PROFIT OF THE YEAR	TOTAL
	Share capital	Uncalled capital		Legal reserves	Reserves for own shares and interests	Own shares and interests	Statutory reserves	Other revenue reserves				
Closing balance at 31.12.2005	65,354,780		30,227,000		879,676	0	13,070,956	31,778,766	76,517,905	4,759,374	12,144,861	234,733,318
Transition to SAS 2006			48,509,051			-879,676			-68,872,589	-9,024,815		-30,268,029
Other reallocation of equity components as at 01.01.2006										12,144,861	-12,144,861	0
A. Opening balance for the period 01.01.2006	65,354,780	0	78,736,051	0	879,676	-879,676	13,070,956	31,778,766	7,645,316	7,879,420	0	204,465,289
B. Movements to equity	0	0	0	0	0	0	0	0	587,503	0	23,131,631	23,719,134
d) Net profit of the period											23,131,631	23,131,631
f) Other increases in components of equity									587,503			587,503
C. Movements within equity	0	0	0	0	0	0	0	10,000,000	-524,244	524,244	-10,000,000	0
a) Allocation of net profit based on a decision of the management and supervisory board								10,000,000			-10,000,000	0
f) Other reallocation of components of equity									-524,244	524,244		0
D. Movements from equity	0	0	0	0	0	0	0	0	0	-8,212,515	0	-8,212,515
a) Payment of dividends										-8,212,515		-8,212,515
E. Closing balance for the period	65,354,780	0	78,736,051	0	879,676	-879,676	13,070,956	41,778,766	7,708,575	191,149	13,131,631	219,971,908
Accumulated profit										191,149	13,131,631	13,322,780

Statement of changes in equity of Telekom Slovenije, d.d. in 2005

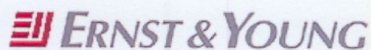
in TSIT

MOVEMENTS IN EQUITY IN 2005	CALLED-UP CAPITAL		CAPITAL SURPLUS	REVENUE RESERVES					REVALUATION SURPLUS	RETAINED EARNINGS	NET PROFIT OF THE YEAR	TOTAL
	Share capital	Uncalled capital		Legal reserves	Reserves for own shares and interests	Own shares and interests	Statutory reserves	Other revenue reserves				
A. Opening balance for the period	65,354,780		30,227,000		879,676		13,070,956	27,778,642	65,786,167	12,503,889	4,215,516	219,816,626
B. Movements to equity	0	0	0	0	0	0	0	0	11,437,075	0	12,144,861	23,581,936
d) Net profit for the period											12,144,861	12,144,861
e) Equity revaluation adjustment									11,437,075			11,437,075
C. Movements within equity	0	0	0	0	0	0	0	4,000,124	0	215,392	-4,215,516	0
a) Allocation of net profit based on a decision of the management and supervisory board												0
f) Other reallocation of components of equity												0
- reallocation of net profit of the 2004 financial year											4,215,516	0
- decrease in other reserves made for the financial year 2000											4,000,000	0
D. Movements from equity	0	0	0	0	0	0	0	0	-705,337	-7,959,907	0	-8,665,244
a) Payment of dividends											-7,959,907	-7,959,907
d) Other decreases in components of equity											-705,337	-705,337
D. Closing balance for the period	65,354,780	0	30,227,000	0	879,676	0	13,070,956	31,778,766	76,517,905	4,759,374	12,144,861	234,733,318

Accumulated profit of Telekom Slovenije, d.d. in 2006

		in TSIT	
		2006	2005
a)	Net profit of the year	23,131,631	12,144,861
b)	+ Retained earnings	191,149	759,373
c)	+ Decrease in revenue reserves		4,000,000
d)	Increase in revenue reserves based on a decision of the management and supervisory board (other revenue reserves)	10,000,000	
e)	Accumulated profit (a + b + c - d), to be appropriated by the Shareholders meeting	13,322,780	16,904,234

5.5 Auditors' Report



AUDITORS' REPORT

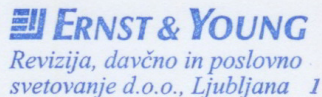
For the publication of the summarised financial statements

We have audited the financial statements of TELEKOM SLOVENIJE d.d. and TELEKOM SLOVENIJE Group for the year ended December 31, 2006, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our reports dated 18 April, 2007, we expressed an unqualified opinion on the financial statements and notes from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with financial statements and notes from which they were derived and on which we expressed an unqualified opinion.

For better understanding of the financial position of the Company and the Group and the results of their operation and cash flows for the period and the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements and notes from which the summarised financial statements were derived and our audit report thereon.

Ljubljana, 18 April 2007



Janez Uranič
Director

Lidija Šinkovec
Certified Auditor

1.6. Clarification of changes between the audited and unaudited financial statements of the Telekom Slovenije Group and Telekom Slovenije, d.d.

The audited profit and loss statement of Telekom Slovenije, d.d. compiled in accordance with IFRS does not differ from the unaudited statement (as published on SEOnet on 30 March 2007) in terms of profit stated.

Certain structural differences have been made as follows:

- transfer of abolished provisions in the amount of SIT 2,569,522,000 from other operating revenues to other operating expenses,
- transfer of the change in revaluation of financial instruments from financial expenses to financial revenues in the amount of SIT 112,761,000.

Changes at individual company level resulted in an increase in net profit for the Group in the amount of SIT 198,000.

The audited balance sheet of Telekom Slovenije, d.d., compiled in accordance with IFRS, does not differ from the unaudited balance sheet (as published on SEOnet on 30 March 2007) in terms of total assets.

Certain structural differences have been made as follows:

- transfer of amortisation in the amount of SIT 7,472,781,000 from revaluation provisions to retained net profit as a result of the clearance of fixed asset ledgers,
- transfer of deferred revenues from advance payments on collocations in the amount of SIT 3,030,715,000 from short-term to long-term liabilities.

Changes at individual company level resulted in an increase of the balance sheet total in the amount of SIT 89,649,000.

The audited balance sheet of Telekom Slovenije, d.d., compiled in accordance with SRS 2006, differs from the unaudited balance sheet (as published on SEOnet on 27 February 2007) in the following elements:

- opening balance as on 01 January 2006 in the amount of SIT 72,000,000 due to a transfer from long-term investments to short-term investments ,
- closing balance as on 31 December 2006 in the amount of SIT 8,800,000,000 due to the transfer of short-term deposits from short-term financial investments to cash on hand,
- transfer of corporate profit tax installments from receivables to liabilities for tax in the amount of SIT 3,255,725,000 with a commensurate decrease in total assets.

