



TELEKOM SLOVENIJE, D.D.

www.telekom.si

Sector:
Telecommunications

Ticker:
TLSG SV

PRICE (20.10.2006)	EUR 289.53
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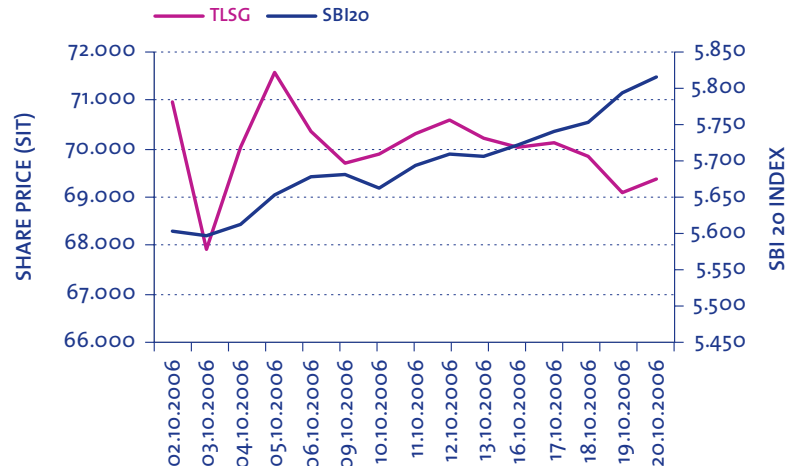
TLSG	
NO OF SHARES	6,535,478
MIN (52 WEEK)	EUR 283.46
MAX (52 WEEK)	EUR 298.65
MARKET CAP.	EUR 1,892.19 MN

BV (31.12.2005)	EUR 149.68
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RATIOS*	
P/E	19.89
P/B	1.95
EV/EBITDA	8.75
EPS	EUR 14.68

* values based on 2005 results and current prices

Telekom Slovenije is the leading Slovenian Telecommunications operator. The company was established in 1995 when PTT Slovenije was divided into two sectors, post and telecom. Since then it was subsequently developing telecommunications services parallel with the world's development of telecommunications. In some areas Telekom Slovenije was even among worlds pioneers to present new services. Telekom Slovenije has dominant market shares in the area of telephony, mobile telephony and internet services.



In 2005 the net revenues of Telekom Group amounted to EUR 673.7 mn increasing 4% from the year before. The operating profit increased 48% to EUR 116.2 mn. The main reason for substantial increase were decreased ride offs. The net profit in the amount of EUR 96.0 mn was 54% higher than the year before.

COMPANY PROFILE:

Telekom Slovenije was established in 1995 when PTT Slovenije (Post Telegraph and telephony of Slovenia) was divided into two parts, post and telecommunications. Telekom Slovenije has been developing telecommunications services. As it has been under ownership control of government of Slovenia the company finds it difficult to spread its services to neighbouring regions. The company focused to maintain predominant market share in Slovenia. Doing that it has been developing and providing services as soon as they were discovered. Already in 1995, Telekom Slovenije introduced ISDN Technology and by the end of the century it achieved 100% digitalized lines.

In 1996 the company introduced internet services under the name Siol, that was later developed into a subsidiary managing internet servicer including Television access.

Another subsidiary Mobitel is developing mobile telephony and was first in Slovenia to provide third generation mobile services - UMTS. In the past years it was Mobitel to provide most of the group's net profits. Mobitel is the largest Slovenian mobile telecommunications operator.

Telekom Slovenia holds five more subsidiaries:

- GVO, d.o.o. which carries out construction and maintenance of telecommunication cable network;
- Avtenta, d.o.o.: The company is the system integrator of business communications which develops and designs solutions, integrates and maintains teleinformation infrastructure for the companies in Slovenia.



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- Teledat, d.o.o.: The core activity of Teledat is to provide various information about subscribers of Telekom Slovenija d. d. and other carriers, as well as other information, by publishing the Telephone directory of Slovenia in printed, electronic and web editions.

As already mentioned the company has not been involved in any of the activities outside Slovenia until recently. In 2006 Telekom Slovenije acquired two companies On.net and lpko Net.

On.net is second largest internet service provider in Macedonia, with its service portfolio comprising dial-up, ADSL broadband, and Wi-Fi wireless access to the internet. It is renowned for its planning of the largest Wi-Fi network establishment project in the world.

lpko Net is the main internet services provider in Kosovo. Currently lpko Net provides services such as internet access, data transport and/or inter-office telephony to more than 2000 thousand business clients, and it has over 1000 internet users as well.

The future of Telekom Slovenije very much depends on its on going privatization process and possible strategic partner. Two main goals that are presented by the present management is to further develop its services and also to penetrate its activities into neighbouring regions.

PERFORMANCE:

In 2005 the net revenues of Telekom Group amounted to EUR 673.7 mn increasing 4% from the year before. The operating profit increased 48% to EUR 116.2 mn. The main reason for substantial increase were decreased ride offs. The net profit in the amount of EUR 96.0 mn was 54% higher than the year before.

Telekom has not revealed any of the 2006 performance yet. However, as the shares were listed on the Ljubljana Stock Exchange official market on 2nd October 2006, at least some of the data of this year nine month performance should be revealed by the end of November 2006.

SHAREHOLDERS:

On 19 September 2006, ten largest shareholders owned 80.09% stake of the company:

SHAREHOLDER	NO OF SHARES	% STAKE	CUMULATIVE % STAKE
REPUBLIC of SLOVENIA	4086,418	62.53	62.53
KAPITALSKA DRUŽBA, D.D.	365,175	5.59	68.11
SLOVENSKA ODŠKODNINSKA DRUŽBA, D.D.	277,839	4.25	72.37
NFD 1 DELNIŠKI INVESTICIJSKI SKLAD D.D.	125,108	1.91	74.28
KAPITALSKA DRUŽBA D.D. - PPS	115,558	1.77	76.05
AKTIVA NALOŽBE, D.D.	81,292	1.24	77.29
DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER I	66,641	1.02	78.31
MAKSIMA HOLDING D.D.	51,201	0.78	79.09
CONFINVEST AKTIENGESELLSCHAFT	32,987	0.50	79.60
POTEZA NALOŽBE D.O.O.	32,328	0.49	80.09

It is expected that the ownership structure of the company will be changed significantly in the future, as the Government of the Republic of Slovenia adopted its Strategic Guidelines for the Sale of the State Interest in Telekom Slovenije, d.d., on 11 May 2006, where it specified the course of the transaction. The share of the direct ownership of the Republic of Slovenia (62.53 %) will be subject to sale as well as the indirect state ownership through the "Slovenska odškodninska družba" and "Kapitalska družba" (11.61 %), whereby the Republic of Slovenia will retain 25 % plus one share of the issuer's capital. The state share will be sold to the following groups of investors:

- 10 % of shares will be offered for sale to Slovene citizens. The first five per cent of shares will be offered to all citizens under the same conditions, the remaining five per cent offered only under the condition that the stock be kept for at least three years.
- 39 % of shares will be offered for sale to a strategic investor. The strategic investor will acquire the state owned share in two stages. In the first stage 25 per cent of the company will be acquired. In the second stage the remaining share will be acquired (within three years following the first stage). The government will publish an international tender for the sale of the state share. In selecting a the strategic investor, the Government is going to take account of the price criterion as well as certain commitments with regard to managing the company.

**BALANCE
SHEET**

ooo EUR	GROUP			COMPANY		
	31.12.2005	31.12.2004	05 / 04	31.12.2005	31.12.2004	05 / 04
A. FIXED ASSETS	1,216,715	1,282,340	-5.12%	1,092,069	1,054,244	3.59%
I. Intangible fixed assets	149,332	161,031	-7.27%	5,445	2,778	96.00%
1. Deferred operating cost	51,710	59,537	-13.15%	923	386	139.43%
2. Deferred R&D cost	113	79	43.11%	30	79	-62.12%
3. Concessions. patents. licences and similar rights	92,955	99,008	-6.11%	2,330	2,135	9.13%
5. Advances for intangible fixed assets	4,554	2,407	89.21%	2,162	179	1110.51%
II. Tangible fixed assets	1,050,161	1,108,957	-5.30%	648,228	664,970	-2.52%
1. Land and buildings	561,846	570,813	-1.57%	524,400	528,156	-0.71%
a) Land	21,494	26,000	-17.33%	19,551	19,009	2.86%
b) Buildings	540,352	544,812	-0.82%	504,849	509,147	-0.84%
2. Manufacturing plant and equipment	11,506	12,015	-4.23%			
3. Other plant and equipment	429,421	439,176	-2.22%	100,166	109,548	-8.56%
4. Tangible fixed assets being acquired	47,388	86,954	-45.50%	23,661	27,266	-13.22%
a) Advances for tangible fixed assets	800	32,970	-97.57%	0	0	
b) Tangible fixed assets in course of construction	46,588	53,983	-13.70%	23,661	27,266	-13.22%
III. III. Long-term investments	17,222	12,352	39.43%	438,396	386,497	13.43%
1. Shares in enterprises in the Group	0	0		430,617	378,259	13.84%
3. Shares in associates	60	0				
5. Other long-term shares	4,793	4,565	5.01%	1,528	1,528	0.00%
6. Other long-term receivables from investments	8,697	4,054	114.55%	2,581	3,039	-15.07%
7. Own shares	3,671	3,671	0.00%	3,671	3,671	0.00%

ooo EUR	GROUP			COMPANY		
	31.12.2005	31.12.2004	05 / 04	31.12.2005	31.12.2004	05 / 04
B. CURRENT ASSETS	219,371	183,916	19.28%	86,879	89,124	-2.52%
I. Inventories	14,542	20,684	-29.69%	5,034	4,187	20.23%
1. Material	3,809	4,539	-16.08%	2,671	3,447	-22.52%
3. Products and merchandise	10,733	16,145	-33.52%	2,363	740	219.40%
II. Operating receivables	118,855	109,004	9.04%	69,245	77,130	-10.22%
a) Long-term operating receivables	4,102	1,746	134.93%	2,919	1,708	70.93%
1. Long-term trade receivables. excluding long-term operating receivables under IIa2 and IIa3	279	1,710	-83.68%	256	1,683	-84.80%
4. Other long-term operating receivables	3,823	36	10456.07%	2,663	25	10576.88%
b) Short-term operating receivables	114,753	107,258	6.99%	66,326	75,423	-12.06%
1. Short-term trade receivables. excluding short-term operating receivables under IIb2 and IIb3	103,292	96,930	6.56%	50,383	48,956	2.91%
2. Short-term receivables due from enterprises in the Group. excluding associates	207	74	178.50%	12,210	23,157	-47.27%
3. Short-term operating receivables due from associates	0	878	-100.00%			
4. Short-term operating receivables due from others	11,254	9,376	20.03%	3,733	3,310	12.78%
III. Short-term investments	76,329	45,023	69.53%	10,565	6,020	75.49%
1. Short-term shares in the Group. excluding associates	2,622	1,453	80.43%			
4. Short-term investments in other enterprises	73,707	43,570	69.17%	10,565	6,020	75.49%
IV. Bank balance. cheques and cash on hand	9,645	9,205	4.78%	2,035	1,787	13.89%
C. DEFERRED COSTS (EXPENSES) AND ACCRUED REVENUES	8,963	7,070	26.77%	2,934	4,552	-35.55%
TOTAL ASSETS	1,445,048	1,473,327	-1.92%	1,181,882	1,147,921	2.96%

ooo EUR	GROUP			COMPANY		
	31.12.2005	31.12.2004	05 / 04	31.12.2005	31.12.2004	05 / 04
A. EQUITY	978,235	917,618	6.61%	979,525	917,279	6.79%
I. Issued capital	272,721	272,721	0.00%	272,721	272,721	0.00%
1. Share capital	272,721	272,721	0.00%	272,721	272,721	0.00%
II. Capital reserves	126,135	126,135	0.00%	126,135	126,135	0.00%
III. Revenue reserves	201,434	174,133	15.68%	190,825	174,133	9.59%
1. Legal reserves	2,278	0				
2. Reserves for own shares	3,671	3,671	0.00%	3,671	3,671	0.00%
3. Statutory reserves	62,875	54,544	15.27%	54,544	54,544	0.00%
4. Other revenue reserves	132,610	115,918	14.40%	132,610	115,918	14.40%
IV. Net retained earnings	46,872	52,178	-10.17%	19,861	52,178	-61.94%
V. Net profit of the year	85,358	44,603	91.37%	50,680	17,591	188.10%
VI. Capital revaluation adjustment	245,299	247,848	-1.03%	319,304	274,521	16.31%
1. General capital revaluation adjustment	202,425	202,425	0.00%	202,425	202,425	0.00%
2. Specific capital revaluation adjustment	42,874	45,423	-5.61%	116,879	72,096	62.12%
VII. Minority shareholders' equity	416	0				
B. PROVISIONS	20,268	17,931	13.03%	23,035	16,926	36.09%
2. Provisions for taxes	8	0				
3. Other provisions	20,260	17,931	12.99%	23,035	16,926	36.09%
C. FINANCIAL AND OPERATING LIABILITIES	424,107	514,522	-17.57%	166,548	199,388	-16.47%
a) Long-term financial and operating liabilities	262,060	316,922	-17.31%	66,499	82,442	-19.34%
2. Long-term financial liabilities to banks (less liabilities under Ca6 and Ca7)	260,388	310,453	-16.13%	66,425	82,355	-19.34%
4. Long-term accounts payable (less liabilities under Ca6 and Ca7)	771	5,371	-85.64%			
8. Long-term financial and operating liabilities to others	901	1,098	-17.89%	75	87	-14.03%

ooo EUR	GROUP			COMPANY		
	31.12.2005	31.12.2004	05 / 04	31.12.2005	31.12.2004	05 / 04
b) Short-term financial and operating liabilities	162,048	197,600	-17.99%	100,048	116,946	-14.45%
1. Short-term financial liabilities from bonds (less liabilities under Ca6 and Ca7)	0	26	-100.00%	0	24	-100.00%
2. Short-term financial liabilities to banks (less liabilities under Ca6 and Ca7)	55,522	85,857	-35.33%	15,893	49,326	-67.78%
3. Short-term operating liabilities from advances	351	207	69.45%	120	7	1578.18%
4. Short-term accounts payable (less liabilities under Ca6 and Ca7)	68,854	91,351	-24.63%	34,205	35,187	-2.79%
6. Short-term financial and operating liabilities (including bonds) to enterprises in the Group. excluding associates	185	8	2163.46%	32,891	21,706	51.53%
7. Short-term financial and operating liabilities (including bonds) to associates	3	0				
8. Short-term financial and operating liabilities to others	37,308	20,151	85.14%	16,939	10,696	58.37%
D. ACCRUED COSTS (EXPENSES) AND DEFERRED REVENUES	22,438	23,256	-3.52%	12,774	14,328	-10.84%
TOTAL LIABILITIES AND EQUITY	1,445,048	1,473,327	-1.92%	1,181,882	1,147,921	2.96%

**INCOME
STATEMENT:**

000 EUR	GROUP			COMPANY		
	2005	2004	05 / 04	2005	2004	05 / 04
NET SALES	668,792	641,093	4.32%	378,646	355,924	6.38%
Revenues earned on the local market	625,690	603,978	3.59%	352,058	330,493	6.53%
Revenues earned on foreign markets	43,102	37,116	16.13%	26,588	25,431	4.55%
COST OF GOODS SOLD	52,768	57,885	-8.84%	15,260	10,484	45.56%
GROSS PROFIT	616,024	583,208	5.63%	363,386	345,440	5.20%
SELLING COST (including amortisation and depreciation)	413,202	404,592	2.13%	260,312	252,432	3.12%
GENERAL AND ADMINISTRATIVE EXPENSES (incl. depreciation)	91,546	106,773	-14.26%	46,493	53,555	-13.19%
Estimated general and administrative expenses	80,733	81,846	-1.36%	41,616	50,461	-17.53%
Revaluation expenses from tangible and intangible fixed assets	2,277	16,175	-85.93%	1,198	514	133.35%
Revaluation expenses from current assets	8,537	8,752	-2.46%	3,679	2,580	42.57%
OTHER OPERATING REVENUE (including revaluation revenue)	4,951	6,689	-25.98%	4,738	6,264	-24.37%
FINANCIAL REVENUE FROM SHARES	382	261	46.47%	254	142	79.08%
Other financial revenue from shares (including financial revenue from revaluation)	382	261	46.47%	254	142	79.08%
FINANCIAL REVENUE FROM LONG-TERM RECEIVABLES	356	260	36.85%	153	253	-39.59%
Other financial revenue from long-term receivables (incl. financial revenue from revaluation)	356	260	36.85%	153	253	-39.59%
FINANCIAL REVENUE FROM SHORT-TERM RECEIVABLES	6,493	7,404	-12.31%	2,820	5,341	-47.20%
Interest revenue and financial revenue from short-term receivables due from the Group, excluding associates	109	70	54.97%	39	276	-85.67%

ooo EUR	GROUP			COMPANY		
	2005	2004	05 / 04	2005	2004	05 / 04
Other interest revenue and financial revenue from short-term receivables (including financial revenue from revaluation)	6,383	7,333	-12.95%	2,781	5,066	-45.11%
FINANCIAL EXPENSES FOR LONG-TERM AND SHORT-TERM INVESTMENT WRITE-OFFS	1,717	928	84.91%	47	0	
Financial expenses from revaluation of investments in the Group. excluding associates	1,140	921	23.79%			
Financial expenses from revaluation of investments in associates	4	7	-47.28%			
Financial expenses from revaluation of other investments	573	0		47	0	
INTEREST EXPENSES AND FINANCIAL EXPENSES FOR OTHER LIABILITIES	12,512	20,867	-40.04%	4,552	9,434	-51.75%
Interest expenses and financial expenses for other liabilities to enterprises in the Group. excluding associates	0	0		82	13	527.15%
Other interest expenses and financial expenses for other liabilities	12,512	20,867	-40.04%	4,470	9,421	-52.56%
NET PROFIT FROM ORDINARY ACTIVITY	109,229	64,662	68.92%	59,946	42,020	42.66%
EXTRAORDINARY REVENUES	8,440	5,779	46.05%	1,894	1,126	68.22%
EXTRAORDINARY EXPENSES	457	314	45.25%	188	296	-36.54%
Extraordinary expenses less expenses for capital revaluation adjustments	457	314	45.25%	188	296	-36.54%
PROFIT FROM EXTRAORDINARY ACTIVITY	7,984	5,465	46.09%	1,705	829	105.67%
INCOME TAX	24,971	7,617	227.83%	13,586	7,351	84.81%
OTHER TAXES NOT INCLUDED UNDER ANY OTHER ITEM	-3,762	0		-2,614	0	
NET PROFIT OF MINORITY SHAREHOLDERS	37	0				
NET PROFIT OF THE YEAR	95,967	62,510	53.52%	50,680	35,498	42.77%



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COMPARATIVE ANALYSIS

FIRM	COUNTRY	MARKET CAPITALIZATION (MIO EUR)	ROA	ROE	P/E	EST P/E	P/B	P/S
TELEFONICA SA	Spain	60,810.78	6.67	38.37	13.27	12.60	5.71	1.50
DEUTSCHE TELEKOM AG	Germany	59,107.84	4.41	12.77	9.60	14.05	1.21	0.91
FRANCE TELECOM SA	France	54,638.23	5.55	28.16	10.32	10.41	2.05	0.95
TELECOM ITALIA SPA	Italy	47,406.14	3.74	15.92	15.00	14.57	1.80	1.44
BT GROUP PLC	GB	28,541.10	5.92	193.38	13.49	12.29	10.30	1.12
TELIASONERA AB	Sweden	20,721.61	5.91	9.43	15.69	14.06	2.00	2.51
TELENOR ASA	Norway	13,274.35	6.54	16.69	16.78	15.25	3.48	1.89
SWISSCOM AG	Suiss	14,798.42	14.63	31.62	15.00	14.73	4.26	2.62
TDC A/S	Denmark	9,888.55	8.26	18.81	5.78	9.55	33.20	0.88
TELE2 AB	Sweden	4,087.36	3.97	6.92	19.27	35.32	0.99	0.63

TELEKOM	Slovenia	1,909.36	6.58	9.92	19.90	15.60	1.95	2.85
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Average			5.90	21.47	13.64	13.49	3.85	1.40
Min			3.74	6.92	5.78	9.55	0.99	0.63
Max			14.63	193.38	19.27	35.32	33.2	2.62

Comparative price					200.27	252.66	576.90	143.49
Weight					0.20	0.25	0.20	0.35

Peer value per share	269.00
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Source:
Bloomberg and Ilirika's estimates



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