SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

SLOVENSKA ODŠKODNINSKA DRUŽBA
COMPANY AND GROUP

UNCONSOLIDATED and CONSOLIDATED ANNUAL REPORT

FOR YEAR ENDING 31 DECEMBER 2013

Important abbreviations used in the document:

Institutions:

the Company, SOD	-	Slovenska odškodninska družba, d. d.
the SOD Group	-	Slovenska odškodninska družba Group
SSH	-	Slovenian Sovereign Holding
RS	-	Republic of Slovenia

Acts:

ZDen	-	Denationalisation Act
ZSPOZ	-	Act on Payment of Compensation to Victims of War and Post-War Violence
ZIOOZP		Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property
ZVVJTO	-	Reimbursement of Investments in Public Telecommunications Network Act
ZSDH, ZSDH-1	-	Slovenia Sovereign Holding Act

INTRODUCTION

The year 2013 was a year of change for Slovenska odškodninska družba, d.d. (hereinafter referred to as: "the Company"), and a year of adapting to new and greater activity in terms of operations, staff and organisation. Upon the date of entry into force of the Slovenia Sovereign Holding Act (28 December 2012) when the Capital Assets Management Company of the Republic of Slovenia was abolished, the Company took over its activities associated with the management of capital assets held by the Republic of Slovenia (hereinafter referred to as: "RS") and its employees.

In 2013, in addition to participating in denationalisation procedures and the settling of liabilities arising from regulations governing denationalisation, together with the settling of liabilities arising from compensation set up under ZSPOZ, ZIOOZP and ZVVJTO, which are carried out on behalf of and for the account of the Republic of Slovenia, the management of assets held in direct and indirect ownership of the Republic of Slovenia became one of the main activities of the Company. This activity includes the disposal or use of capital assets and the implementation of shareholder's rights.

The Company manages capital assets in a responsible manner and in accordance with cases of good practice of corporate governance. Among other matters, it issued renewed recommendations of a manager of direct and indirect capital assets of the Republic of Slovenia which have introduced corporate governance standards in various areas of the operation of state-owned enterprises.

In 2013, the Company significantly intensified its activities associated with the sale of capital assets and, in addition to sale processes for the disposal of capital assets in the Company's ownership, certain activities associated with the disposal of capital assets held by the Republic of Slovenia were also carried out.

In 2013, the Company met all of its statutory and contractual obligations regularly and in a timely manner.

In the future, just as until now, the Company will settle all of its statutory obligations in accordance with the statutory time periods and will continue to increase the value of its assets with the skill and care of a prudent businessman.

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BUSINESS REPORT

FOR YEAR ENDING 31 DECEMBER 2013

1. SLOVENSKA ODŠKODNINSKA DRUŽBA, d. d.

1.1. COMPANY DETAILS for 2013

Company name:	Slovenska odškodninska družba, d. d., Ljubljana
Registered office:	Mala ulica 5, 1000 Ljubljana, Slovenia
Activity code:	K 64.990
VAT Reg. No.:	SI 46130373
Registration No:	5727847
Company management in 2013:	Tomaž Kuntarič, MSc (Econ), President of the Management Board *(up to 6 February 2013)* Matjaž Jauk, Member of the Management Board *(up to 6 February 2013)*, Krešo Šavrič, Member of the Management Board *(up to 6 February 2013),* Peter Ješovnik, MSc, Acting President of the Management Board *(from 6 February to 8 May 2013).* Igo Gruden, Acting Member of the Management Board *(from 6 February to 8 May 2013).* Nada Drobne Popović, MSc, Acting Member of the Management Board *(from 6 February to 8 May 2013).* Tomaž Kuntarič, MSc, President of the Management Board *(from 9 May 2013),* Matej Runjak, Member of the Management Board *(from 9 May 2013),* Matej Pirc, Member of the Management Board *(from 15 May2013).*
Number of employees as at 31 Dec. 2013:	71
Registered legal form:	public limited company registered with the
Ljubljana District Court,	
	Rg. Entry No. 1/21883/00
Date of incorporation:	19 February 1993
Share capital:	EUR 60,166,917.04
Members of Supervisory Board up to 19 April 2013:	Mr. Andrej Cunder, President Mrs. Nuša Ferenčič, Vice President, Mr. Zlatko Alibegović, Member, Mr. Andrej Pristovnik, Member, Mr. Igor Maher, Member *(up to 4 February 2013)*, Mr. Stane Seničar, Member *(up to 4 February 2013)*, Mr. Radivoj Nardin, Member *(up to 4 February 2013)*, Mr. Martin Bratanič, Member *(up to 4 February 2013)*, Mr Pavle Gorišek, Member

	Mrs. Simona Razvornik Škofič *(from 25 January 2013)*, Mr. Miran Škofa *(from 25 January 2013)*.
Members of Supervisory Board from 19 April 2013:	Dr. Otmar Zorn, President *(to 9 July 2013)*, Mr. Samo Lozej, President *(from 1 August 2013*, *previously Member),* Mr. Aleksander Mervar, Vice President *(up to 27 October 2013)*, Mr. Stane Seničar, Vice President *(from 6 November 2013*, *previously Member),* Mr. Roman Dobnikar, Member, Mrs. Nives Cesar, Member, Mr Pavle Gorišek, Member, Mrs. Simona Razvornik Škofič, Member, Mr. Miran Škof, member .
Members of the Supervisory Board's Audit Committee up to 19 April 2013:	Mr. Zlatko Alibegović, President, Mr. Igor Maher, Member *(from 25 January to 4 February 2013)*, Mr. Radivoj Nardin, Member *(from 4 February 2013)*, Mrs. Andreja Bajuk Mušič, External Member *(from 25 January 2013)*,
Members of the Supervisory Board's Audit Committee from 24 April 2013:	Mr. Samo Lozej, President *(up to 19 August 2013)*,*2013)*, Mr. Aleksander Mervar, President *(from 19 August to 27 October 2013)*, Mrs. Nives Cesar, President *(from 6 November 2013)*, Mr. Miran Škof, Member, Mrs. Andreja Bajuk Mušič, External Member.
Members of Accreditation Committee from 6 March 2013 to 9 May 2013:	Samo Iršič, Matej Erjavec, Katja Hleb, Nuša Ferenčič, Andrej Pristovnik.
Members of Accreditation Committee from 9 May 2013:	Roman Dobnikar, President *(to 7 October 2013)*, Nives Cesar *(to 7 October 2013)*, Andrej Baričič, Janušek Šefman, Anton Travner, Gorazd Žmavc, Arneja Mislej *(up to 22 July 2013)*, Dr. Alenka Stanič *(up to 22 July 2013)*.

1.1.1. SOD, d.d., in figures

EUR 1,015.2 million	in assets as of 31 January 2013
68%	of the Company's total assets placed as equity investments
EUR 202.2 million	in value of receivables due from the Republic of Slovenia under ZSPOZ, ZIOOZP and ZVVJTO
EUR 129.2 million	of the Company's total capital as of 31 December 2013
32	active capital investments in Slovenia in the Company's ownership as of 31 December 2013
66	active capital investments in Slovenia in the ownership of the Republic of Slovenia as at 31 December 2013, and managed by the Company
1	disposed capital investments in 2013 against payment
EUR 98.2 million	inflows from capital investments in 2013
16,907,784	SOS2E bonds delivered by 31 December 2013
EUR 131.8 million	of settled liabilities arising from denationalisation in 2013
EUR 13.6 million	outflows arising from compensation settled on behalf and for the account of the Republic of Slovenia in 2013
EUR - 48.4 million	net profit or loss of the Company in 2013

1.1.2. **SOD's Profile**

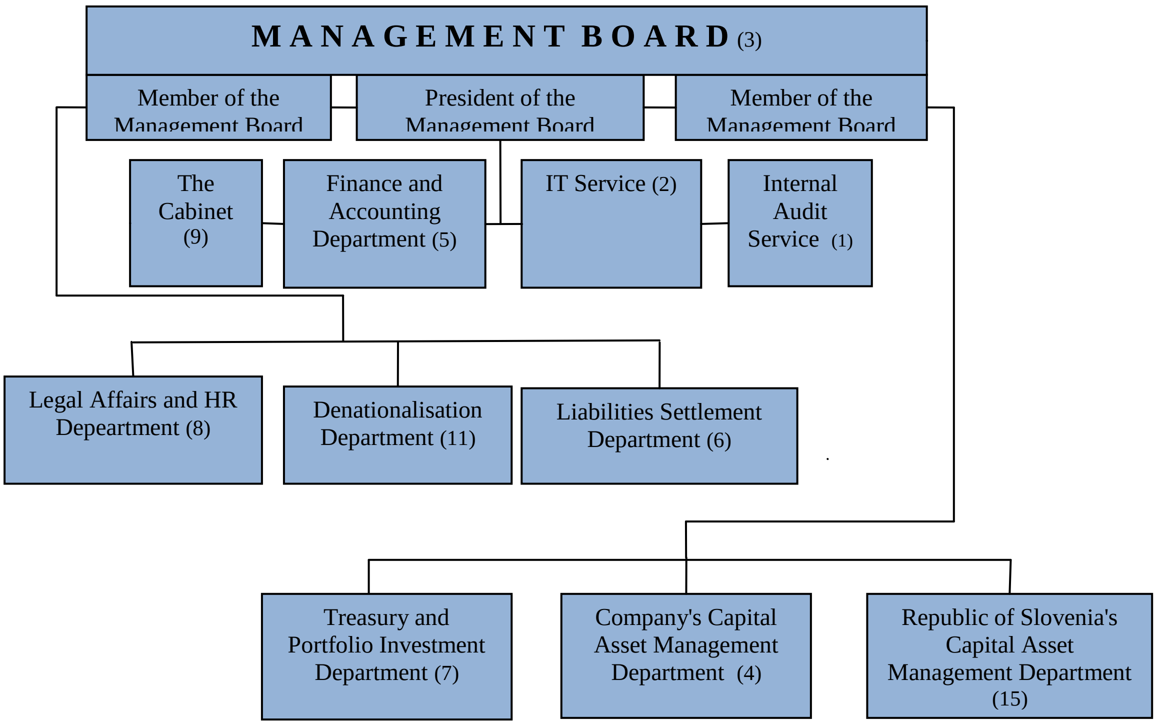
The Company was set up as a public limited company whose sole founder and shareholder is the Republic of Slovenia. The Company's head office is at Mala ulica 5, Ljubljana.

The Company's bodies and their responsibilities are determined by the Slovene Compensation Fund Act (hereinafter referred to as: "ZSOS") and the Company's Articles of Association regulating the internal organizational units of the Company. Business processes are organised by functions into departments and services.

The role of the Company's General Meeting of Shareholders is carried out by the Republic of Slovenia.

In accordance with the provisions of the Companies Act, a two-tier managements system has been introduced, including the Management and Supervisory Boards. The Management Board manages the Company, organises its work and operations, while the Supervisory Board oversees the management of the Company's operations.

1.1.3. **Organisational structure and employees of SOD in 2013**



Note: (the number in brackets is the number of employees employed in departments/services)

1.1.4. **SOD's Mission**

The Company is a financial organisation established for settling liabilities due to beneficiaries under ZDen and other regulations governing the denationalisation of property. For this purpose, the Company issues SOS2E bonds and manages and disposes of securities and other assets obtained in accordance with the law. The Company also performs other duties on behalf and for the account of the Republic of Slovenia, that is, settling of liabilities arising from compensation due to beneficiaries under ZSPOZ, ZIOOZP and ZVVJTO.

Since the end of 2012, and onwards, the most important activity of the Company is asset management, that is, the management of capital assets held by SOD and/or RS.

1.1.5. **Areas of SOD's activities**

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.		
Denationalisation	Liabilities Settlement	Asset Management
Participation in procedures for the determination of compensation for confiscated property and settling of liabilities on behalf of and for the account of the Company .	Settlement of liabilities under ZSPOZ, ZIOOZP and ZVVJTO on behalf of and for the account of RS.	Management of capital assets held by SOD and/or RS and SOD's debt investments and risk management.

Denationalisation

The Company was established for settling liabilities to beneficiaries under ZDen, Cooperatives Act and other regulations governing the denationalisation of property. For implementing these duties, the Company:

- participates in denationalisation proceedings and in procedures for the determination of compensation for liable entities in which property has been restituted to denationalisation beneficiaries in kind. In these procedures, the compensation amount attributable to beneficiaries on the basis of the above mentioned laws is consistently and accurately determined;
- regularly enforces final decisions issued in proceedings regulating denationalisation of property by issuing SOS2E bonds.

Settlement of liabilities arising from compensation

On behalf of and for the account of RS, the Company performs duties stipulated by special laws also regulating the method of the financing of these duties. The Company implements three laws:

- implements final decisions on the determination of the compensation amounts arising from compensation owing to the abrogation of the penalty concerning the confiscation of property (ZIOOZP),
- issues and implements decisions on the compensation amount for beneficiaries on the basis of compensation to victims of war and post-war aggression (ZSPOZ),
- implements written settlements and final decisions for beneficiaries on the basis of reimbursements of investments into the public telecommunication network (ZVVJTO).

Capital Asset Management

In 2013, the management of assets held in direct or indirect ownership of RS became the main activity of the Company which includes the acquisition and disposal of capital assets and implementation of rights of a shareholder. The Company manages capital assets in a responsible manner and in accordance with cases of good practice in corporate governance.

On its own behalf and for the account of RS, and on its own behalf and for its own account, the Company enforces corporation rights arising from individual direct and indirect investments of RS which mainly comprises the following duties:

- it participates at General Meetings and votes on behalf of RS and/or SOD,
- provides for the exercise of other rights of a shareholder such as the convocation of General Meetings, extensions of agenda, requests for an extraordinary audit and lodging of compensation claims and similar,
- provides for the legal protection of its rights as a shareholder and represents the Republic of Slovenia and SOD as a shareholder in administrative procedures, judiciary proceedings and other procedures,
- develops a suitably designed and transparent procedure regarding the accreditation, nomination and selection of candidates for members of Supervisory Boards,
- it introduces reporting systems in accordance with applicable regulations which provide for the protection of the interests of RS and SOD as a shareholder,
- monitors the operations of companies whose shares are included in the Company's portfolio or are managed by the Company and develops an optimum shareholdings management policy
- disposes of individual capital assets, within the scope and in a manner as prescribed by the ZSDH and the Decision of the National Assembly of the Republic of Slovenia on Granting the Consent for the Disposal of Capital Assets of the Republic of Slovenia, Kapitalska družba pokojninskega in invalidskega zavarovanja d.d. (Pension Fund Management), Slovenska odškodninska družba d.d., Modra zavarovalnica d.d., D.S.U., družba za svetovanje in upravljanje, d.o.o. and Posebna družba za podjetniško svetovanje d.d.

1.1.6. **Objectives and future development of the Company**

The objectives of the Company and its expected further development comprise the following goals:

- to gain sufficient funds for the settlement of all statutory and contractual obligations of the Company,
- to effectively manage assets owned and/or managed by the Company in order to maximize yield from investments,
- to manage in an optimum manner all risks incurred during operation,
- to design the Company's debt structure in an optimum manner while taking into account all financial risks posed for the Company's liquidity,
- to strengthen the Company's function of financial instrument management with the aim of attaining a suitable level of security, liquidity and yield, and thus establish the Company as a successful financial asset manager,
- to manage all types of costs,
- to continue the development of business and management processes, the delegation of authority system and reporting system, the authority and responsibility system, the comprehensive human resources management, internal information of employees, documentation management and communication with the public.

In accordance with ZSDH, one of the main objectives of the Company will be to achieve a concentrated management of assets of the Republic of Slovenia with the aim of achieving the stable ownership of companies and sustainable maximization of profitability and value of assets in order to attain economic and development aims as well as public-interest objectives. A further objective will be the achievement of a transparent system of management of the capital assets of the Republic of Slovenia including the optimization of management costs. The Company will strive to improve good practice of corporate governance in a manner to pursue the long-term interests of companies which may be solely economic, national and strategic objectives, a combination of both and at the same time oriented towards the sustainable development of companies and the establishment of such an ownership structure as will provide efficient management, competitiveness and successful development in the long term .

The long-term vision of the Company is to become recognized as an informed and active manager conducting the best practice of corporate governance.

At all times, the Company approaches the sales activities regarding its capital assets in an intensive manner and its Supervisory Board will be regularly informed of its operations in advance.

1.1.7. **Corporate Governance Codes**

At the end of 2009, the Company signed the statement of support regarding the Corporate Governance Code for Joint Stock Companies. SOD consistently takes into account the recommendations of this Code during its operation, except in cases, when due to the specific nature and position of the Company, the provisions of the Code do not apply (for example, the reporting on the Company's sustainable development).

In May 2013, the Supervisory and Management Boards of the Company adopted the Republic of Slovenia's Capital Asset Management Code (hereinafter referred to as: "the Code"), The Code is one of the most important legal documents regarding the system of capital asset management with which the Company aims to increase the general level of corporate governance of companies owned by the Republic of Slovenia. The purpose of the Code is a more exact and advance determination of rules of conduct of SOD in the management of capital assets of the Republic of Slovenia and the establishment of expectations to be delivered by state-owned enterprises.

For the Company, the year of 2013 was a period of change and reorganisation in accordance with the provisions of ZSDH to be continued in 2014. The Company strived to observe the two above mentioned codes during this period, both the main principles as well as the specific recommendations. The Company regularly aims to improve the practices of corporate governance. No major deviations from the recommendations of both codes were detected by the Company, however, it will strive to eliminate some small discrepancies as soon as possible.

1.1.8. **Internal control system and risk management**

The internal control system is established within the Company. The Internal Audit Service was established to carry out supervision of all processes and situations within the Company with the aim to determine whether:
- the information and reports on the operation of individual areas of work as well as regarding the Company are accurate and reliable,
- the operation is run in an efficient and effective manner, in accordance with regulations and defined business goals.

The Internal Audit Service assessed the suitability and efficiency of the established internal controls. In 2013, the Internal Audit Service carried out independent audits and regarding the areas of audit provided its assurance that the internal control system in the audited areas is established, operational and effective. However, there are possibilities for its improvement which is why several recommendations were proposed and their implementation was regularly verified. In addition to the audited area of operation, the Internal Audit Service regularly informed the Company's Management Board and the Supervisory Board's Audit Commission of its findings and recommendations.

Risk management and control is an important feature of the Company's management and governance system which has an important impact on business decisions. The Company has drawn up some general guidelines regarding the management of financial risks, and at this time of a tightened financial and economic situation, it takes prompt actions for successful risk management to contribute in such a manner to the attainment of the long-term goals of the Company.

For the purpose of efficient risk management which includes the processes of identification, analysis, assessment and control of risks as well as risk reporting, the Company has developed the risk register for more important areas of operation. On the basis of the key operational goals of the Company as a whole and its individual areas of operation, measures/activities set to achieve these goals and taking into account internal and external circumstances regarding the Company's operation, a set of potential operational risks was developed which were assessed as potentially preventing the attainment of goals. An individual risk was assessed from the aspect of its potential consequences and impact on the Company's operation, and the probability of its occurrence. A measure was determined for each identified and assessed risk which may assist the Company in successful and efficient elimination or minimization of risk occurrence and its consequences. The risks classified with medium and high occurrence probability are subject to preferential further examination leading to the establishment of an efficient internal control system and risk management process. The system for the implementation of set measures was regularly monitored during the year. At the end of the year, the risk register was amended taking into account facts established during the implementation of the measure and regular work processes.
For the purpose of auditing the Company's Annual Report, the External Audit Service verifies the Company's internal control system and risk managements and submits recommendations in this regard.

1.1.9. **Presentation of Company's solvency situation as of 31 December 2013**

During 2013, the Company regularly monitored its solvency situation and the Company's Management Board reported on it to the Supervisory Board.

On the basis of the examination of the situation and established facts, the Company concluded the following:

- the value of the Company's assets as of 31 December 2013 exceeds its total liabilities;
- the uncovered loss exceeds one half of its share capital but the Company has simultaneously at its disposal a relatively high surplus amount arising from the revaluation of financial assets which is expected to be converted into other capital categories during the process of the sale of assets in the years to come;
- it is assessed by the Company that some blocks of shares, which according to their size represent the majority of long-term financial assets, could be sold at a higher price as compared to their value on the Ljubljana Stock Exchange as of 31 December 2013;
- the Company settles all its short-term liabilities in due time; all salaries to employees were paid in accordance with employment contracts; taxes and benefits were regularly settled on the day of the salary pay-out;

- in 2009 and 2010, several long-term loans were provided by commercial banks to the Company for the purpose of supplying its own funds allocated for the payment of compensation under the Reimbursement of Investment in Public Telecommunications Network Act (ZVVJTO), and for maintaining its liquidity; all loans are secured by way of guarantees issued by the Republic of Slovenia;
- by way of the Constitutional Court's Decision No. U-I-140/94 of 14 December 1995, it was determined that the Republic of Slovenia is obliged to provide additional funds to the Company when the Company's sources of funds do not suffice for the regular settlement of the Company's liabilities in accordance with the Denationalisation Act, the Cooperatives Act and other regulations governing the restitution of property.

Considering the above stated, it has been determined by the Company that:

- its liabilities are settled in due time;
- there are no defaults in the payment of salaries and salary-related taxes and benefits;
- all loans provided by commercial banks are secured with guarantees issued by the Republic of Slovenia;
- the above mentioned Constitutional Court's Decision imposes the obligation on the Republic of Slovenia to provide additional funds to the Company when the Company's funds do not suffice for the settlement of liabilities arising from the denationalisation.

On the basis of the above-stated findings, it is determined that the Company's short-term and long-term solvency is provided for.

1.1.10. Employees

The year of 2013 saw changes in the number of employees as a result of several changes of the Management Board members, but no other new employment or termination of employment relationships took place. Some internal personnel changes were carried out in departments with the aim of improving the work process.

Education and training

The Company strives to design the optimum HR and educational conditions for its employees. In addition to the recruitment policy, this practice is also a result of the Company's rewards and career advancement systems as well as its on-the-job training scheme provided to employees.

In 2013, nine specialized training sessions were organised by SOD for its employees responsible for corporate governance and other areas of work which were dealt with at the sessions. These sessions were also open to external participants (members of Supervisory Boards of SOEs, members of the Management Boards, members of Supervisory Board's Commissions, etc.). In addition, in the second half of the year, 40 employees took part in individual training programmes relating to various areas of the Company's operation which in total comprised approximately 240 hours of training.

Educational structure of SOD's employees as of 31 December 2013

Education level:	No. of employees as of 31 December 2013	Average number of employees in 2013*
Secondary education (V)	5	5.00
Higher education first-tier diploma (VI/1)	8	8.00
Higher education second-tier diploma (VI/2)	4	4.00
University education/Bologna Master's Degree (VII)	46	47.17
Master of Science (VIII)	8	7.58
Total	71	71.75

Note: * the average number is calculated using monthly data for the number of employees at the end of the month

1.1.11. Slovenska odškodninska družba Bond (SOS2E)

About SOS2E bonds

Bond symbol	SOS2E
Commencement of interest calculation	1.7.1996
Maturity date	1.6.2016
Annual interest rate	EUR + 6%
Coupon pay-out	Semi-annual: 1 June. and 1 December
Denomination composition	51,13 EUR

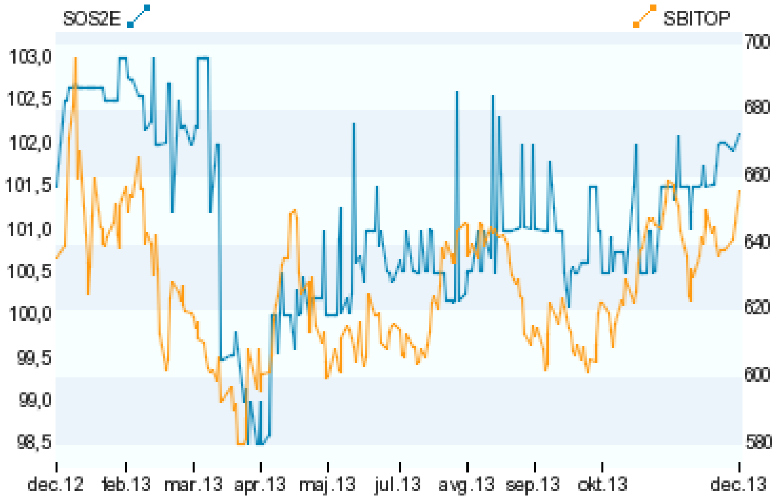
The Company delivers bonds pursuant to final denomination decisions.

Trading data for SOS2E bonds for 2013

Trading data	Value
Value as of 31 December 2013 (%)	102.11
Maximum value in 2013 (%)	103.01
Minimum value in 2013 (%)	98.50
Turnover in thousands of EUR	30,258
Market capitalisation in thousand of EUR	297,813
Number of trades	904

SOS2E bonds are listed on the Ljubljana Stock Exchange under the bond market segment. Similarly to in previous years, the SOS2E bond was the most tradable bond in the regulated bond market in 2013, reaching a turnover of EUR 30.3 million which represents 35.15% of total bond turnover.

Movement of SOS2E in 2013 in comparison to SBITOP index



1.2. MAJOR POST BALANCE SHEET EVENTS

The post balance sheet events are presented in detail under item 9.7 of the Annual Report.

2. SLOVENSKA ODŠKODNINSKA DRUŽBA GROUP

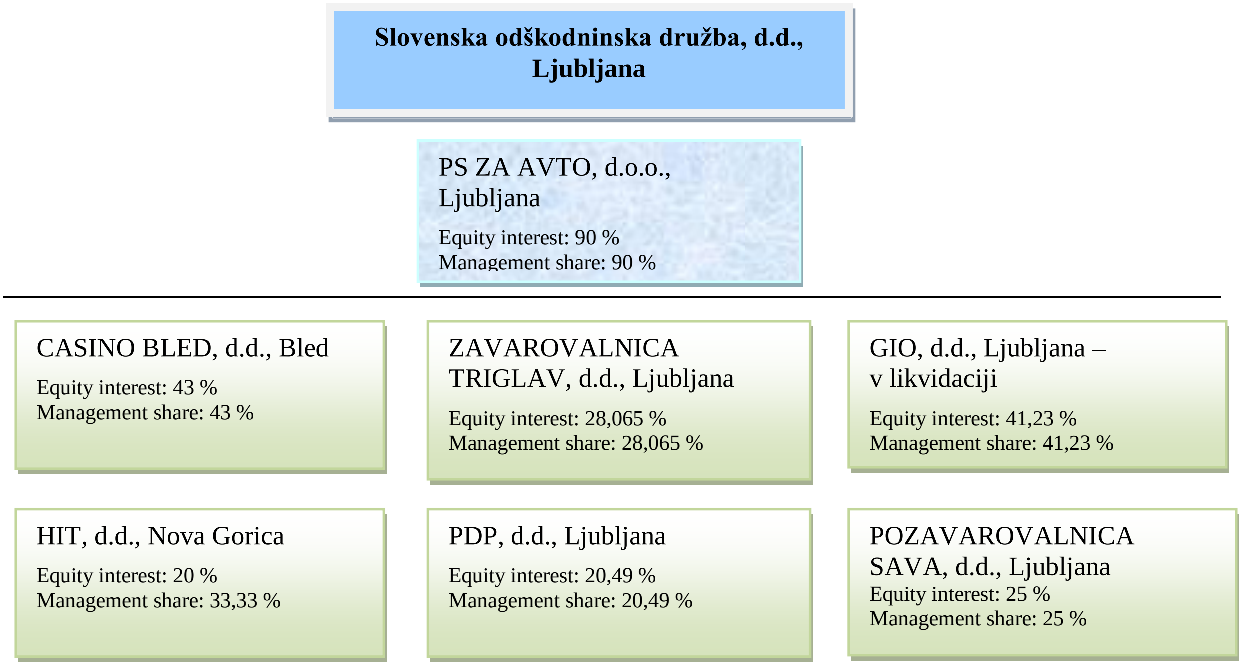
2.1. ORGANISATION OF THE GROUP

As of 31 December 2013, the Company was the controlling company developing the Annual Report for all companies in the Group.

As of 31 December 2013
- the Company controlled the following company:
  - PS ZA AVTO, d. o. o., Tržaška cesta 133, Ljubljana,

- the Company exercised a significant influence in the following companies regarded as its associate companies:
  - CASINO BLED, d. d., Cesta svobode 15, Bled;
  - GIO in liquidation, d. o. o., Dunajska cesta 160, Ljubljana,
  - HIT, d. d., Delpinova ulica 5, Nova Gorica,
  - PDP, d. d., Dunajska cesta 119, Ljubljana,
  - POZAVAROVALNICA SAVA, d. d., Dunajska cesta 56, Ljubljana,
  - ZAVAROVALNICA TRIGLAV, d. d., Miklošičeva cesta 19, Ljubljana.

2.1.1. **Equity interest of the controlling company in associates as of 31 December 2013**



Note: subsidiaries
associate companies

2.1.2. Employee information

At the end of 2013, there were 73 employees employed in the Slovenska odškodninska družba Group (hereinafter refereed to as: "the Group"), including members of the Management Board.

Employee qualification structure in the Group as of 31 December 2013

Education level:	SOD, d.d.	PS ZA AVTO, d.o.o.	Group
Secundary education (V.)	5	1	6
Higher education first-tier diploma (VI./1)	9	0	9
Higher education second-tier diploma (VI./2)	5	0	5
University education/Bologna master's degree (VII.)	46	1	47
Master of science (VIII.)	6	0	6
Totalj	71	2	73

2.2. BASIC INFORMATION ON SUBSIDIARIES WITHIN SLOVENSKA ODŠKODNISKA DRUŽBA, D.D., GROUP

2.2.1. PS ZA AVTO, d. o. o., Ljubljana,

Registered office: Tržaška cesta 133, 1000 Ljubljana
Director: Brane Obal
Ownership structure: 90% of the company's share capital is owned by SOD and 10% by Kapitalska družba, d.d. (KAD)
Core business: property rental activities, asset management

In 2013, the company generated net profit in the amount of EUR 134,667, according to non-audited data.

PS za Avto is not a significant company for the Group therefore it has not been included in the consolidated financial statements.

2.3. BASIC INFORMATION ON ASSOCIATED COMPANIES WITHIN THE GROUP

2.3.1. CASINO BLED, d. d., Bled

Registered office: Cesta svobode 15, 1000 Ljubljana
President of the Management Board: Boris Kitek
Ownership structure: The SOD's equity interest which is divided into ordinary and preference shares in a 50:50 ratio amounted to 43% as of 31 December 2013. SOD holds 86% of ordinary shares, while KAD and Bled Municipality each hold 7% of the remaining ordinary shares. The holders of all preference shares are Gold Club, d.o.o and GC Investicije, d.d. Sežana.
Core business: gambling
In 2013, the company generated net profit in the amount of EUR 4,931, according to non-audited data.

2.3.2. **GIO in liquidation, d.o.o., Ljubljana**

Registered office: Dunajska cesta 160, 1000 Ljubljana
Liquidator: Odvetniška družba Fašun, Melihen, Milač, Strojan, d. o. o.
Ownership structure: Owners of GIO, d.o.o., in liquidation are: 41.23% is owned by SOD, 30.08% is owned by D.S.U., d.o.o., and 28.68% is owned by KAD.
Core business: the company is subject to liquidation proceedings.

In 2013, the company generated a net loss in the amount of EUR 33,822, according to non-audited data.

2.3.3. **HIT, d. d., Nova Gorica**

Registered office: Delpinova 7a, 5000 Nova Gorica
President of the Management Board: Dimitrij Piciga
Ownership structure: The SOD's equity interest which is divided into ordinary and preference shares in the 60:40 ratio amounted to 20 %. SOD holds 33.3% ordinary shares with its management share being the same. The two other more important holders of ordinary shares are: KAD with 33.3% and Nova Gorica Municipality with 22.1%. The ownership of preference shares is dispersed.
Core business: gambling

In 2013, the company generated a net loss in the amount of EUR 1,717,275, according to non-audited data.

2.3.4. **PDP, Posebna družba za podjetniško svetovanje, d. d., Ljubljana**

Registered office: Dunajska cesta 119, 1000 Ljubljana
Executive Director: Metka Kandrič
Ownership structure: SOD holds 20.49% of equity interest in the company. The major shareholder is KAD owning 66.4% of the company's share capital, while 13.47% is owned by D.S.U., d.o.o.
Core business: the activities of holding companies managing companies under its ownership, rendering corporate and commercial consulting and other financial services.
In 2013, the company generated a net loss in the amount of EUR 210, according to non-audited data.

2.3.5. **POZAVAROVALNICA SAVA, d. d., Ljubljana**

Registered office: Dunajska cesta 56, 1000 Ljubljana
President of the Management Board: Zvonko Ivanušič, MSc
Ownership structure: SOD is the largest individual shareholder of Pozavarovalnica Sava, d.d., holding 25.00% of the company's equity interest. Other company's major shareholders are: Societe generale – Splitska banka (9.85 %), European Bank for reconstruction (6.22 %) Raiffeisen bank Austria (4.44 %).
Core business: reinsurance activities
In 2013, the company generated net profit in the amount of EUR 14,764,052, according to non-audited data.

2.3.6. **ZAVAROVALNICA TRIGLAV, d. d., Ljubljana**

Registered office: Miklošičeva cesta 19, 1000 Ljubljana
President of the Management Board: Andrej Slapar
Ownership structure: SOD's equity interest in the company amounts to 28.065%, and including shares owned by its subsidiary PS Za Avto, d.d., to 28.09%. The major shareholder of Zavarovalnica Triglav, d.d., is Zavod za pokojninsko in invalidsko zavarovanje Slovenije, holding 34.47% of equity interest, and, considering the company's equity interest as of 31 December 2013, other major shareholders are:
Hypo Alpe Adria Bank AG (3.63 %), Clayford limited (1.78 %), and Hrvatska poštanska banka, d.d. (1.53 %).
Core business: insurance activities

In 2013, the company generated net profit in the amount of EUR 48,290,466, according to non-audited data.

3. MACROENOMIC ENVIRONMENT IN 2013

Economic indicators around the world

In 2013, the Euro area saw the end of a recession and the first GDP growth was recorded in the fourth quarter after several consecutive quarters of decreasing economic activity. However, GDP growth in the Euro area will be negative in 2013. In 2013, the European Union's highest triple-A ranking was cut by S&P, downgrading it from AAA to AA+-

The USA also recorded a lower economic growth, which was 0.9 percentage points lower in 2013 than in 2012. As a part of the developed world, the USA again recorded greater economic activity than the EU.

A slow recovery in the Euro area had an impact on economic trends in China as the Euro area is the most important trading partner for China. According to evaluations made, its economic growth amounted to 7.70% in 2013 which is equal to China's GDP growth in 2012 but significantly less than the GDP growth recorded in 2011 when it amounted to 9.30%.

Slovenia remains in recession with a significant drop in the required sovereign debt yields

Following the publication of the stress tests results conducted at selected Slovenian banks, the S&P rating agency highlighted that recapitalisation of banks and its associated costs were in line with their expectations delivered in July when an "A-" rating with a stable outlook for Slovenia was affirmed. In 2013, to finance its budget needs, Slovenia issued three bonds, one Euro-and two Dollar-denominated bond issues. Treasury bill auctions were also executed. Slovenia recorded a fall in economic activity in 2013. The main reasons for Slovenia's falling GDP are lower household consumption expenditure and government final consumption expenditure as well as decreased investment activity. Conditions in the labour market tightened, in spite of their stabilisation as compared to the first half of 2013. *(source: IMAD)*

GDP movements on a yearly basis in %

GDP	2013' I	2013/II	2013/III	2013/IV	2013
Euro area	-1.2	-0.6	-0.3	0.5	-0.5
USA	1.1	2.5	4.1	2.4	1.9
China	7.7	7.5	7.8	7.7	7.7*
Slovenia	-4.6	-1.4	-0.5	2.1	-1.1

Source: Bloomberg, SURS; Note: * assessment

Measures taken by central banks, governments and institutions around the world

In 2013, the government bonds market in the Euro area saw the clear effects of the measures taken by the European Central Bank (hereinafter referred to as. "the ECB") to respond to the financial and sovereign debt crisis. The ECB was very active in the field of monetary policy and it decreased the interest rate twice in 2013, specifically, in May when it was cut from 0.75% to 0.50%, and to 0.25% in November. The ECB's monetary policy in 2013 dedicated a lot of attention to the falling inflation rate although threats posed by deflation have not yet been identified by analysts.

Overview of inflation movements on a yearly basis in %

Inflation	2013' I	2013/II	2013/III	2013/IV	2013
Euro area	1.8	1.4	1.3	0.8	1.3
USA	1.7	1.4	1.6	1.2	1.5
China	2.4	2.4	2.8	2.9	2.6
Slovenia	-	-	-	-	0.7

Source: Bloomberg, SURS;

In 2013, Europe continued its EU banking union project and finance ministers of the EU Member States reached an agreement on the banking union's second pillar to provide for an organized bank recovery or liquidation posing as little as possible a burden on taxpayers and the economy. The banking union's second pillar is therefore a key amendment to the first pillar, namely, the European single supervisory mechanism to start operating in the autumn of 2014 by publishing the results of a comprehensive review conducted at systemic banks in the Euro area. The second pillar includes the agreed rules for an organised resolution or liquidation of banks (a Single Resolution Mechanism) and an agreement on the establishment of a Single Resolution Authority to oversee the implementation of these rules as well as an agreement on the 55 billion-Euro fund for handling failing banks to be funded by banks themselves. Ireland, which requested international financial assistance in 2010, was the first Euro country to exit the programme of financial assistance in December 2013.

A turmoil in capital markets was caused by a statement made by the USA Central Bank (hereinafter referred to as: "the Federal Reserve" or “FED”), indicating, in the middle of the year, that it might start tapering asset purchases. The forecast given caused sharp falls in the capital markets of developing countries and, subsequently, a recovery was recorded only in developed markets. The FED reduced the monthly asset purchases for the first time in December, cutting it from $85 to $75 billion. In the USA, the legislators issued the final Volcker Rule preventing speculative investments with securities that might lead to the failure of banks such as experienced by several banks in 2008. The Rule will enter into force in 2015.

Measures taken by the Bank of Slovenia and the Government of the Republic of Slovenia

In September, the Bank of Slovenia started to pursue the controlled liquidation of two banks, Probanka and Factor Banka. Within the scope of determining the actual state of bad credit portfolios in commercial banks, the Bank of Slovenia, with the assistance of external advisors, conducted a comprehensive asset quality review and stress tests at selected banks which showed significant additional capital increases were going to be required at the majority of banks. The results were publicly presented in December. On the basis of results regarding the banks' capital deficit, the Bank of Slovenia imposed an obligation on banks to find the necessary capital within a period of six months. The European Commission approved state-aid measures for some Slovenian banks and as a result, the capital increases of the following five Slovenian banks were carried out in December: NLB, Nova KBM, Abanka, Factor banka and Probanka (the latter two are undergoing a process of controlled liquidation). The remaining banks included in the comprehensive review and stress tests and recording capital shortfall will have to obtain new investors' capital in 2014.

The process of stabilizing the banking system saw the establishment of the Bank Asset Management Corporation (hereinafter referred to as: "BAMC"). The Government of the Republic of Slovenia allocated funds for its operation, and bonds with two and three year maturity were issued. In order to provide for financial stability, the non-performing claims of NLB and Nova KBM were transferred to BAMC. The transfer of the first package of claims was carried out in December, while the remaining ones are expected to be transferred by April 2014.

Stock markets

In 2013, stock markets around the world recorded positive returns and the MSCI World index *(a stock market index comprising companies from developed stock markets in the world)* gained 18.77% in value in 2013, calculated in the Euro. However, the growth in stock market indices was not recorded in all markets in the world, and in 2013, the MSCI Emerging markets index posted negative returns (-9.06%), calculated in the Euro. MSCI Emerging markets' negative returns indicate that investors investing in stock markets in emerging markets suffered significant losses in 2013.

Bond markets

The bond market recorded a -6.72% return in 2013 *(calculated according to the JPM Global Bond Index)*. In spite of that, investors did not record capital losses in all bond markets since the required yield rates of bonds of the countries of the Eurozone's periphery dropped slightly more in 2013. There are several reasons for the growth in bond prices in the markets of the European periphery, including the ECB's decrease in the interest rate and the successfully implemented financial assistance programme in countries suffering from the sovereign debt crisis. In 2013, positive yields were also generated by bonds falling into the group of high-yield corporate bonds.

In 2013, the volatility was also present in the Slovenian sovereign bond market; the required yield for the ten-year bond nearly hit the 7% limit several times during the year but it dropped significantly towards the end of the year when the stress tests results and capital increases at banks calmed down investors' fears. In December of 2013, liabilities arising from subordinated bank bonds that received capital increases by the Republic of Slovenia, were extinguished.

Currency market

In 2013, the Euro currency rose by 4.49% in value as compared to the USD Dollar ending the year at an exchange rate of 1.3789 EUR to the US Dollar. Forecasts by the US Federal Reserves on cuts in the quantitive easing (QE3) stimulus programme had a major impact on the currencies of developed markets since these, also as a result of capital outflows, significantly lost in value. In 2013, the Japanese Yen also lost in value as a result of the monetary policy of the Japanese Central Bank.

Money market

In 2013, interest rates in the money market slightly rose and the 3-month EURIBOR rose from 0.187% at the end of 2012 to 0.287% at the end of 2013, in spite of two cuts in interest rates by ECB.

Review of EURIBOR interest rate movements in %

Value/Type	31 December 2012	29 March2013	28 June.2013	30 September 2013	31 December2013
3M EURIBOR	0.187	0.211	0.218	0.225	0.287
6M EURIBOR	0.320	0.335	0.335	0.340	0.389
12M EURIBOR	0.542	0.547	0.527	0.539	0.556

Source: Bloomberg

4. OPERATIONS OF SOD, d.d., AND THE GROUP BY AREA

The Group is composed of the controlling company Slovenska odškodninska družba, d.d. and the subsidiary - PS ZA AVTO, d.o.o..

The main areas of operation of the controlling company are:
- the participation in denationalisation proceedings and settlement of liabilities arising from denationalisation;
- the settlement of liabilities arising from compensation for confiscated property pursuant to the abrogation of the property confiscation penalty,
- implementing public powers for carrying out procedures for the issue of decisions on the compensation amount allocated to the victims of war and post-war aggression and the settlement of liabilities under ZSPOZ;
- the settlement of liabilities under the Return of Investments in the Public Telecommunications Network Act,
- management of capital assets owned by SOD and/or the Republic of Slovenia, and
- management of investment deposits owned by SOD (liquidity management)

The main activity of its subsidiary, PS ZA AVTO, d. o. o., is
- property rental activities.

The procedure for the implementation of the Ownership Transformation of Insurance Companies Act was concluded in 2013. The final report is presented under item 4.5.

4.1. SETTLEMENT OF LIABILITIES ARISING FROM DENATIONALISATION

The Company is a financial organisation established for the settlement of liabilities to beneficiaries under the Denationalisation Act (hereinafter referred to as: "ZDen"), the Act on Reestablishment of Agricultural Communities and Restitution of their Property and Rights (hereinafter referred to as: "ZPVAS") and other regulations governing the denationalisation of property. In 2013, the Company took part in two types of procedures specifically, in denationalisation proceedings and in procedures for the establishment of compensation for liable entities that restituted real property to the rightful claimants in kind. In the above stated procedures, the Company acted as a party liable to pay compensation. In accordance with ZDen and other regulations, in denationalisation proceedings, the compensation in bonds is determined when the restitution of nationalised property in kind is not possible and when obstacles are present for their restitution in kind as well as in extraordinary circumstances when a beneficiary holds a right to select the form of restitution. However, in procedures for the determination of compensation to claimants from whom property was restored to beneficiaries in kind (Article 73 of ZDen), a compensation in bonds is explicitly envisaged under condition that all stipulated criteria for such a condition are met. As before, such procedures and proceedings were conducted before administrative bodies (administrative units and ministries) and before courts around Slovenia (district and local courts). In 2013, the Company also took part in the mediation procedure for claims handled by courts.

The denationalisation process is slowly coming to an end and, according to the recent data provided by the Ministry of Justice monitoring the implementation of the denationalisation, 99.2% of cases before administrative bodies were concluded with a final decision issued, and 98.6% before local courts (the data refers to cases handled under Article 5 of ZDen). There are 285 cases still to be settled by administrative bodies, and 18 cases by local courts, all of them handled under Article 5 of ZDen. The published data do not include any data on claims lodged and outstanding pursuant to the provision of Article 73 of ZDen and on claims made by re-established agricultural communities for compensation in bonds which are lodged before courts under the provisions of ZPVAS (all of the above mentioned claims may still be lodged). As of 31 December 2013, the Company recorded a total of approximately 378 claims registered and still outstanding.

In 2013, the Company received and recorded 2,625 various applications, of this number, there were 84 claims. The claims received include 23 new claims and 8 follow-on claims as well as 53 amended claims. The company followed its established practice for the settlement of claims, diligently examining all claims received upon their legal basis, their scope and amount and strove to consistently determine the appropriate compensation in bonds attributable to a beneficiary in accordance with regulations. The Company assessed the claims on the basis of documentation submitted by the body running the procedure and, when necessary, obtained evidence and documents by itself directly from various archives and other sources. In handling cases in the event when incomplete documentation was submitted, the Company verified data by also accessing the electronic land register, examining orto photo images and checking data bases of surveying and mapping authorities, etc. The Company regularly replied to the submitted claims within the set time periods and in its first reply made its stand regarding all facts having an impact on the decision, when sufficient documentation was available. This, however, was not always possible since bodies running the procedures sometimes fail to submit all the relevant data at once. The Company actively settled claims also by taking part in the scheduled oral proceedings and hearings and, when necessary, organised meetings with claimants at the Company's headquarters. In 2013, the Company's presence at oral proceedings and hearings was 98% - 114 oral proceedings and hearings were carried out for cases in which the Company's bonds were claimed.

In 2013, authorities managing procedures submitted to the Company, together with claims, 50 appraisals and value calculations of the nationalised property. These appraisals and value calculations usually represent the compensation amount claimed by beneficiaries. The construction and mechanical engineering appraisals were examined by the Company's experts as well as by appraisers or experts of relevant disciplines (construction and mechanical engineering) who also in 2013 cooperated with the Company on a contractual basis. The value calculations of the nationalised property (agricultural and building plots of land, valuation of movable property, purchase prices, compensation granted upon nationalisation, and similar) were reviewed, as before, by the Company's employees during the handling of the case.

The Company also settled claims by entering into court settlement when all conditions were met. In 2013, modifications were adopted to the Rules on Settlement of Slovenska odškodninska družba in procedures under the regulations governing denationalization. Since the entry into force of the first Rules on Concluding Composition Agreements of Slovenska odškodninska družba, d.d., in Procedures under Rules Governing Denationalisation, adopted by the Company's Management Board at its session on 11 May 2007, and by the end of 2013, 72 composition agreements were concluded by the Company; four such agreements were concluded in 2013. From the onset of its operation and by 31 December 2013, the Settlement Commission functioning within the Company, held 92 sessions.

After the completed fact-finding procedure and prior to issuing a decision determining the compensation amount, a body running the denationalisation procedure or a relevant commission, draws a report on the established actual and legal state of affairs regarding the case handled in denationalisation procedure run by an administrative unit. The report therefore represents a kind of conclusion of the procedure and it presents the intended decision to be made by the administrative body. In 2013, the Company received 62 such reports.

Denationalisation - report on procedures

	Total by 31 Dec.2011	In 2012	In 2013	Total by 31 Dec. 2013
Claims received	22.178	143	84	22,405
Appraisals and calculations received	20.139	56	50	20,245
Reports on the established actual and legal state of affairs regarding the case	22.183	88	62	22,333

In 2013, the Company received 51 first-instance decisions setting the compensation amount in bonds (administrative and judicial), and the time of preclusion for lodging an appeal in case of 48 such decisions commenced in 2013 The Company filed 19 appeals (40% of all appeals) against those decisions. Furthermore, in 2013, the Company received 19 second-instance decisions (administrative and judicial, decisions issued by ministries acting as appeal bodies and decisions issued by higher courts) in which a decision regarding its appeals against first-instance decisions on the determination of compensation in bonds was made. Of these second-instance decisions, 8 rulings were in the Company's favour and 11 were not (42% appeal performance). In 2013 the Company lodged 9 applications for administrative dispute before the Administrative Court of the Republic of Slovenia, appealing against decisions on the compensation in bonds. In 2013, the Company received 9 decisions of the Administrative Court of the Republic of Slovenia in which its appeals against the second-instance decisions regarding the compensation in bonds were ruled upon. Of these decisions, 6 were in the Company's favour (67% appeal performance in administrative disputes). In 2013, 2 applications were lodged for a revision of a decision ruling on the compensation in bonds (one judicial and one administrative). In 2013, the Company received only one decision by the Supreme Court of the Republic of Slovenia issued on the basis of its application for a revision against the decision on compensation amount which was not in the Company's favour (judicial decision). In addition to the above stated decisions, the Company also received other types of decisions, among others, decisions of rejections in which investors' claims were rejected or in which no liability claimed was recognised as being capable of imposition on the Company. There were as many as 74 such decisions, of this number, 31 were issued by first-instance bodies (administrative and judicial), 25 by second-instance bodies (administrative and judicial), 16 decisions issued by the Administrative Court of the Republic of Slovenia and 2 decisions issued by the Supreme Court of the Republic of Slovenia (administrative and judicial). In 2013, 28 such decisions, by way of which no liability had been imposed on the Company, became final; the value claimed had amounted to over EUR 5 million.

In 2013, just as it had done consistently during its operation, the Company lodged legal remedies against decisions on compensation amounts only when justified reasons were given, specifically, either due to an incorrectly determined statement of affairs or due to mistaken application of the substantive law. It generally did not lodge any legal remedies as a result of procedural irregularity when the actual and legal state of affairs were established correctly. In 2013, reasons for appeal did not differ significantly as compared to previous years; they mainly referred to the questionable legal foundation of the claim and the eligibility for denationalisation and an incorrectly determined compensation amount.

In 2013, 38 decisions became final in which compensation amounts in bonds were determined, amounting to EUR 9.8 million (the principal); the claimed value of these decisions had amounted to over EUR 15 million.

Denationalisation - decisions

	Total by 31 Dec 2011	In 2012	In 2013	Total by 31 Dec 2013
First-instance decisions received determining compensation in bonds	20.089	74	48	20.211
Appeals lodged in regard to decisions with time of preclusion	4.956	29	19	5.004
% of appeals against decisions determining compensation in bonds	24,67	39,19	39,58	24,76
Initiated legal actions and revisions	852	10	11	873

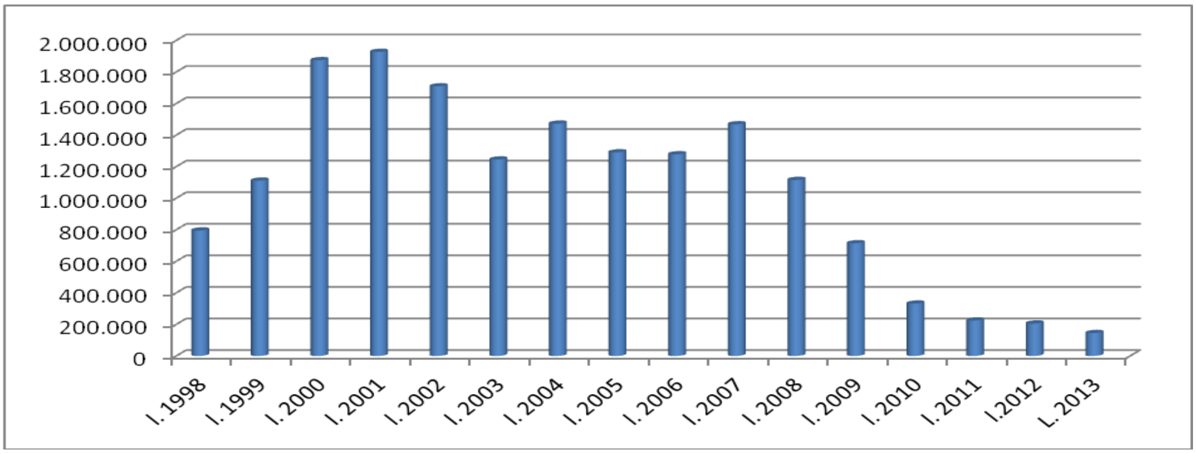
In 2013, in terms of the content, the Company mainly dealt with the most complex denationalisation cases that still had to be handled by bodies running the procedures. These are cases which are either highly complex or include a claim for a high compensation amount and which refer to complex legal issues. In 2013, claims handled by the Company had been lodged by individuals, cooperatives, the church and claimants by way of which property had been restituted to denationalisation beneficiaries in kind. The Company dealt with several cases referring to the denationalisation of companies and capital assets, as well as claims for the denationalisation of real property and movable property. In 2013, numerous cases were handled regarding the denationalisation of property that used to belong to owners - members of agricultural communities, and which are dealt with in accordance with ZPVAS. In 2013, the Company received some important court decisions which have a significant impact on the case law. In 2013, for the first time, the Administrative Court of the Republic of Slovenia issued court decisions that relate to the issue regarding the denationalisation eligibility in cases filed under the provision of Article 10, Paragraph 2 of ZDen. The majority of these decisions were favourable for the Company since the standpoint had been adopted that denationalisation eligibility is not substantiated in cases when individuals had obtained or had the right to obtain compensation from Austria, pursuant to the Agreement between the Federal Republic of Germany and the Republic of Austria on settlement of damages to deportees, resettled and displaced persons, on the settlement of other financial and social issues and the Financial and Compensation Treaty, including the Bad Kreuznach Abkommen Agreement of 27 November 1961. In 2013, the first revisions against decisions which rejected claims were lodged by claimants before the Supreme Court of the Republic of Slovenia. The Company also received some important and favourable decisions issued by higher courts that relate to the provision of Article 73 of ZDen in cases where a very high compensation amount was claimed. These decisions, for example, ruled that the claim fell under the statute of limitation, that the eligibility for the claimed compensation had not been justified since no obligation for the restitution in kind was recognised, that no universal succession between a person having acquired a piece of real estate and a person claiming it was given, and other similar decisions. In some judicial proceedings in particular, the issue was again opened regarding the real worth of the original value of agricultural land (3.94 DEM/m2) as determined by the Ordinance on the Method for Determining the Value of Agricultural Land, Forest and Land for Construction Applied in the Denationalisation Procedure.   As this is an important issue having a significant effect on the compensation amount liable to be paid by the Company, the Company was actively engaged in the solving of this issue. In some individual cases, the Company was not satisfied with decisions made by the appeal bodies and filed extraordinary legal remedies by itself, specifically, in cases which might form the case law and were especially related to the denationalisation of property of agricultural communities and to the obstacles encountered against restitution in kind under the provisions of Article 19, Paragraph 1, Item 1.

In accordance with the provision of Article 59, indent 1 of ZDen, the Company executes the decisions on denationalisation in cases when compensation in bonds is determined. It also implements decisions issued by the Ministry of Infrastructure and Spatial Planning in relation to the decision-making under Article 173, Paragraph 3 of the Housing Act (hereinafter referred to as: SZ-1). The Company floated seven bond issues, issuing 17.5 million SOS2E bonds, in bearer bond form; their total value amounted to EUR 895 million. Bonds issued are denominated in EUR 51.13 As of 31 December 2013, the Company held 592,216 at its disposal.

Decisions issued on the basis of the above stated regulations are implemented by transferring bonds from the temporary account at the Klirinško depotna družba, d. d. (Central Securities Clearing Corporation - KDD) to the account of a beneficiary, who may be an heir or a trustee for special cases. The Decree on Bond Issue and Decision Implementation regarding decisions on compensation liable to be paid by Slovene Compensation Fund (hereinafter referred to as: "the Decree") stipulates that the Company hands out bonds on the basis of a full application for the enforcement of a decision which must contain data stated in Article 15, Paragraph 1 of this Decree. By transferring a relevant number of bonds and by paying out all due coupons, the enforcement of a decision is completed.

With the aim of fulfilling its duties referred to in Article 2 of ZSOS, the Company transferred as many as 16,907,784 bonds by 31 December 2013.

Number of transferred SOS2E bonds by years



In 2013, the company transferred 145,103 SOS2E bonds to 334 holders; of this number, 140,806 bonds were transferred to 308 holders in accordance with ZDen and other regulations governing the denationalisation of property, while 4,297 bonds were transferred to 26 holders in accordance with SZ and SZ-1. The compensation was paid out in cash to 25 beneficiaries. The number of beneficiaries is decreasing since the denationalisation procedures are in final phase.

Under Article 173 of SZ-1, a tenant enforcing a right to purchase a second apartment holds the right to claim compensation from the Company in bonds in the amount of 25% of the value of the apartment and 36% in cash; 4,297 bonds were transferred to 26 holders and the sum of EUR 300,970 was paid in cash.

In addition to individuals, a beneficiary of the compensation under ZDen can also be a company. In 2013, individuals (325) received 113,198 bonds, and companies (9) 31,905 bonds. The sum of bonds attributable to companies is higher due to the more complex denationalisation cases relating to the denationalisation of property owned by companies.

4.2. SETTLEMENT OF LIABILITIES ARISING FROM COMPENSATION FOR CONFISCATED PROPERTY DUE TO ABROGATION OF THE CONFISCATION OF PROPERTY PENALTY

The Company's duties which originally related to the settlement of liabilities under regulations governing denationalisation expanded, as a result of the adopted Act regulating the Issuing of Bonds in Compensations for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property (hereinafter referred to as:"ZIOOZP"), to the issue , servicing and payment and calculation of interests for bonds issued on 1 February 2001 by the Republic of Slovenia for the payment of compensation determined under the above stated law. Pursuant to Article 1 of ZIOOZP, the Republic of Slovenia issued 2 million bonds in the value of EUR 83 million. These RS21 bonds are registered bonds and are denominated in EUR 41.73.
The Decree on Issuing Bonds in Compensation for Confiscated Property due to the Abrogation of the Penalty of Confiscation of Property (hereinafter referred to as: "the Decree") regulates in detail the method and time periods for the payment of the principal amount and interest for RS21 bonds as well as the method for the implementation of decisions on the compensation for the confiscated property. The implementation of a decision may be requested by a beneficiary or his/her legal successor demonstrating such status by way of a final decree of distribution or any other valid legal title. The Company implements the final decisions on compensation for the confiscated property by transferring the relevant number of bonds together with the accompanying interests which are also transferred into bonds. As a result of the modified case law in relation to the interpretation of Article 3, Paragraph 5 of ZIOOZP, the interests are calculated from the day when the decision on the abrogation of the confiscation of property penalty and the determination of compensation for the confiscated property becomes final until the issue of bonds. The decision is implemented by transferring bonds from a special Company's account held with KDD to the beneficiary's account and by the payout of coupons due..

By 31 December 2013, the Company had transferred 1,616,620 RS21 bonds.

In 2013, 12 decisions made by responsible courts were implemented and on their basis, 95,798 RS21 bonds were transferred to 27 beneficiaries or their legal successors. This figure deviates from relevant figures regarding the implementation of decisions under ZIOOZP as recorded last year, but not from figures from preceding years.

4.3. SETTLEMENT OF LIABILITIES FOR COMPENSATION TO VICTIMS OF WAR AND POST-WAR VIOLENCE

With the entry into force of the Act on Payment of Compensation to Victims of War and Post-War Violence (hereinafter referred to as: "ZSPOZ"), the Company was granted public powers to run procedures for issuing decisions on compensation amounts and for performing administrative and technical activities in relation to their implementation. On 1 January 2002, the Republic of Slovenia issued 30 million bonds in the value of EUR 125.1 million for the payment of compensation to victims of war and post-war violence, and the second issue, taking place on 7 April 2004, comprised 2.5 million bonds in the value of EUR 10.4 million. The RS39 bonds are registered bonds issued in denominations of EUR 4.17. The compensation is paid out in two instalments, specifically, up to the value of EUR 1,252.88 is paid in cash, and the residual balance in bonds.
The War and Post-War Victims Act (hereinafter referred to as: "ZZVN") and the Redressing of Injustices Act (hereinafter referred to as: "ZPkri), providing the legal basis for a recognition of the status of a beneficiary to be granted compensation under ZSPOZ, have still not stipulated the time period for lodging the application, which is why the decision-making on the granting of rights and subsequent decision-making on the compensation amount was

extended to after the RS39 maturity date (which was 15 September 2008). Considering the above stated, compensation is paid out to beneficiaries having been issued a decision after 7 April 2009 only in cash, in accordance with the provisions of Article 13 of this Act. The total amount received by an individual beneficiary under ZSPOZ should not exceed EUR 8,345.85.

The Company calculates the compensation amount on the basis of legal documents used in decision-making procedures run by relevant bodies when deciding about beneficiaries and their rights under ZPkri, ZZVN and Act Governing Specific Rights of Victims of the 1991 War for Slovenia and criteria laid down by ZSPOZ. A decision on the compensation amount is then issued by the Company. Decisions issued on the basis of ZSPOZ are implemented by transferring monies to the beneficiary's account and by transferring bonds from the Company's special account held with KDD to the beneficiary's account.
By 31 December 2013, the Company had transferred 31,698,285 RS39 bonds, and in 2013, it issued 342 decisions on compensation amounts, and paid out EUR 1,661,466 in cash and transferred 37,983 RS39 bonds.

Considering the total number of decisions issued in 2013 and their legal bases, decisions issued under ZPkri still prevail while decisions issued under ZZVN are less significant for the Company's liabilities, in terms of their number and amount to be paid out. The compensation was not determined for a great number of beneficiaries since they had received the highest possible compensation ruled in previous decisions. A beneficiary may receive several supplementary decisions but the total sum to be received by an individual beneficiary under ZSPOZ should not exceed the sum of EUR 8,345.85 stated above.

In 2013, in carrying out its duties under ZSPOZ, the Company received 3,586 applications claiming for the payment of compensation which were filed by beneficiaries, legal successors of beneficiaries and their authorised persons and in which data necessary for the issue and implementation of a decision on the compensation amount are supplemented and submitted.

4.4. SETTLEMENT OF LIABILITIES UNDER THE REIMBURSEMENT OF INVESTMENTS IN PUBLIC TELECOMMUNICATIONS NETWORK ACT

In addition to other liabilities, the Company reimburses payments for investments into the public telecommunication network on behalf of the Republic of Slovenia liable to reimburse investments pursuant to Article 3, Paragraph 2 of the Reimbursement of Investments in Public Telecommunications Network Act (hereinafter referred to as: "ZRVVJTO").On 30 March 2007, pursuant to the Act Amending ZVVJTO, the archive of Družba za svetovanje in upravljanje, d. o. o., in liquidation, was transferred to the Company. The said company carried out administrative duties for a commission and was in charge of receiving agreed composition settlement from beneficiaries. The Company fulfilled its obligations arising from these enforceable instruments in six months following the entry into force of amendments to ZVVJTO. The settlement of liabilities pursuant to the enforceable instruments which are submitted directly by the State-Attorneys of the Republic of Slovenia, is carried out by the Company within 60 days following their receipt.

On 31 December 2013, the total sum of EUR 190.15 million was paid for liabilities arising from ZVVJTO; of this figure, EUR 57,685 were paid in 2013. By 31 December 2013, the Company received 13,929 composition settlements and court decisions.

Outstanding cases include complex claims, both in terms of their content and amount. As a matter of fact, ZVVJTO stipulates that an applicant may lodge a proposal for the claim settlement before the competent court when a State-Attorney rejects the claim or fails to develop a proposal to enter into a composition settlement or fails to provide a reply to the applicant within the set time limit. Outstanding cases are mainly managed only before courts.

4.5. IMPLEMENTATION OF OWNERSHIP TRANSFORMATION OF INSURANCE COMPANIES ACT - Final Report

The ownership transformation process of Zavarovalnica Triglav, d.d. (hereinafter referred to as: "the Insurance Company") by legal persons governed by private law carried out pursuant to provisions of the Ownership Transformation of Insurance Companies Act (hereinafter referred to as: "ZLPZ") was completed in 2013.

During the Insurance Company's ownership transformation process, the Company held in custody 36.8% of equity interest[1] in the Insurance Company, in the form of 2,046,083 shares which included 659,436 basic shares[2] and 1.386.647 capital increase shares[3] attributable to eligible legal entities governed by private law. The beneficiary of the Insurance Company's shares held in custody by the Company had the possibility to purchase shares not later than one year following the issue of a final decision granting them the right to receive the Insurance Company's shares. Shares not bought by beneficiaries within the above mentioned period were transferred into the Company's ownership.

In 2013, the total number of the Insurance Company's shares held at the Company's disposal did not change; as a result of a reduction in the number of the Insurance Company's shares held in custody, the number of shares in the Company's ownership increased. The reason for a reduction in the number of shares in custody is the conclusion of the last administrative dispute. In 2013, the Company did not conclude any agreement on the transfer of the Insurance Company's shares with any beneficiary and no purchase amounts for the mentioned shares were received. Therefore, in 2013, no funds were transferred by the Company into the budget of the Republic of Slovenia that would have been received from the proceeds of basic shares purchases.

As of 31 December 2013, the Company had at its disposal 6,380,728 of the Insurance Company's shares (that being, 28.065% of share capital) which are held in the Company's final ownership.

[1]At the onset of the ownership transformation process. the Insurance Company's share capital amounted to SIT 5,562,660,000 (or EUR 23,212,568.85) and was divided into 5,562,660 shares. It was increased several times after then, so that it currently amounts to EUR 73,701,391.79 and is divided into 22,735,148 shares. All shareholdings are calculated taking into account the current number of shares and the current share capital amount.
[2]Basic shares were issued in the ownership process due to the adjustment in share capital to the share of capital with unregistered ownership in the total equity of the Insurance Company as of 31 December 2000. The basic share price was determined on the basis of the assessed value of the Insurance Company as of 1 January 2001 and was re- valued by means of the consumer price index from that date until the payment date. The proceeds received for basic shares were attributed to the Republic of Slovenia.
[3]The Company acquired the capital increase shares by paying EUR 36.2 million in April 2003 and, as a result, the share of capital with unregistered ownership in the Insurance Company remained unchanged after both increases in share capital carried out after 2000. The price for the capital increase share was equal to the issue amount of EUR 2.82 per share paid by the Company and increased by the costs of financing up to the date of the payment by a beneficiary. The proceeds from the sale of the capital increase shares were attributed to the Company.

4.6. MANAGMENT OF CAPITAL ASSETS OWNED BY SOD/SOD GROUP AND REPUBLIC OF SLOVENIA

4.6.1. MANAGEMENT OF CAPITAL ASSETS OWNED BY SOD/SOD GROUP

The management activities presented in this Report refer to the Company and subsidiary PS ZA AVTO, d.o.o. As a result of a minority shareholding held in associated companies, the controlling company had no management levers at its disposal to pursue an active capital asset management policy.

Condition of capital assets

As of 31 December 2013, the Company was a shareholder in 32 companies headquartered in the Republic of Slovenia. These are assets in companies, banks and insurance companies acquired by the Company free of charge in ownership transformation procedures and based on other legal bases, and for value to be given by purchases and swaps. The above mentioned assets are active assets for which the Company implements all ownership entitlements. The number of the Company's active assets changed as compared to the situation at the end of 2012. The capital assets held in Zavarovalnica Maribor, d.d. were sold. Due to a decision by the Bank of Slovenia on the deletion of shares of the existing owners in NLB, d.d., Nova KBM, d.d., and Abanka Vipa, d.d., and as a result of a subsequent capital increase by the Republic of Slovenia, these banks are no longer owned by SOD. The capital assets in Svea, d.d., are not active investments as a result of the company's bankruptcy in December 2013. Active assets also include Kli Logatec, d.d., and Gia, d.d., both in the process of liquidation.

The remaining capital assets in companies either undergoing bankruptcy or liquidation proceedings (inactive capital assets) are: ABC Trgovina, d. d., Casino Ljubljana, d. d., Casino Maribor, d. d., Gradbinec Kranj, d. d., Mura, d. d., Planika Kranj, d. d., and Univerzale Domžale, d. d.. In 2013, the bankruptcy proceedings involving the following companies were completed: Pik, d. d., Maribor, Gidgrad, d. d., in IUV Industrija usnja Vrhnika, d. d..

Movement in number of Company's capital assets

Type of capital assets	Situation as of 31 December 2013	Situation as of 31 December 2012
Active capital assets	32	39
Inactive capital assets (companies in bankruptcy, liquidation)	10	10
Total	42	49

Capital Assets Portfolio of SOD/SOD Group as of 31 December 2013

Company name	%
Banking	
Banka Celje d.d.	9.36
Banka Koper, d.d. *	0
Energy sector	
Elektro Gorenjska, d.d., Kranj	0.31
Elektro Ljubljana, d.d.	0.3
Petrol, d.d., Ljubljana	19.75

Financial holding companies	
KDD, d.d., Ljubljana	9.62
Gaming industry	
Hit, d.d., Nova Gorica	20
Casino Bled, d.d., Bled	43
Casino Portorož, d.d., Portorož	9.46
Loterija Slovenije, d.d., Ljubljana	15
Postal services, Telecommunications	
Telekom Slovenije, d.d., Ljubljana	4.25
Food and beverages	
Pomurske mlekarne d.d., Murska Sobota	3.34
Žito, d.d., Ljubljana	12.26
Manufacturing	
Cinkarna Celje, d.d., Celje	11.41
Cimos, d.d. *	0.14
Goriške opekarne, d.d., Renče	12.32
Helios, d.d., Domžale	9.54
Krka,d.d., Novo mesto	14.99
Letrika, d.d., Šempeter pri Gorici	7.08
Mariborska livarna Maribor, d.d., Maribor	1.84
Unior, d.d., Zreče	2.31
Traffic, transport and infrastructure	
Aerodrom Ljubljana d.d., Zgornji Brnik	6.82
Intereuropa, d.d., Koper	1.73
Luka Koper, d.d., Koper	11.13
General economic sector	
Cetis, d.d., Celje	7.47
Marles, d.d. *	0.18
PS Mercator, d.d., Ljubljana *	0
ČZP Večer, d.d., Maribor	10
Intertrade ITA, d.d., Ljubljana	7.69
PS za avto, d.o.o., Ljubljana	90
Salus, d.d., Ljubljana	9.48
Capital asset management	
PDP, d.d., Ljubljana	20.49
Tourism	
Sava, d.d.	11.06
Terme Olimia, d.d., Podčetrtek	4.79
Insurance	
Pozavarovalnica Sava, d.d., Ljubljana	25
Zavarovalnica Triglav, d.d., Ljubljana	28.06
Liquidation/bankruptcy/being wound up	
Gio, d.o.o., Ljubljana - in liquidation	41.23
Kli Logatec, d.d. - in liquidation	0.59
Svea, d.d., Zagorje ob Savi	0
Abc trgovina, d.d., Ljubljana.	0

Casino Ljubljana, d.d.	0
Casino Maribor, d.d.	0
Gradbinec Kranj - in bankruptcy	0
Mura, d .d., Murska Sobota	0
Planika Kranj, d.d.	0
Univerzale, d.d. Domžale	0

Note: * Capital assets held by a subsidiary

The subsidiary, PS ZA AVTO, d. o. o., is a holder of capital investments in seven companies. The Company is also a shareholder in three of these companies. The state of the subsidiary's capital assets did not change as compared to the situation at the end of 2012.

On the basis of a decision by the Securities Market Agency, the company has no voting rights in the following companies:

- Aerodrom Ljubljana, d. d., from 17 December 2012 onwards
- Nova KBM, d.d., from 26 September 2012 to the adoption of extraordinary measures taken by the Bank of Slovenia in December 2013
- Telekom Slovenije, d. d., from 29 January 2013 onwards and
- Zavarovalnica Triglav, d.d., from 5 March 2013 onwards.

In 2013, the Company did not receive any new free-of-charge investment from D.S.U., d.d., intended for such transfer to the Company on the basis of regulations governing the conclusion of ownership and denationalisation. Neither did it acquire any new capital assets against the payment.

Capital increases implemented in companies owned by the Company

On 24 January 2013, the Company took part in the capital increase of NLB, d.d., by means of paying EUR 849,612.50 and thus acquiring 101,750 shares in this company.

The Company reduced its ownership stake in the following companies:

- Casino Portorož, d. d., from 20.0% to 9.5% as a result of converting claims into the ownership stake on the basis of compulsory composition (15 March 2013);
- PDP, d. d., from 22.96% to 20.49% as a result of the fact that the Company did not participate in the capital increase of this company (5 April 2013).

The Company increased its ownership stake in:

- Salus, d. d., specifically, from 8.8% to 9.5% as a result of a withdrawal of this company's own shares (16 May 2013).

In May 2013, the Management Board of the Company adopted a resolution stating that the Company approves of its participation in the purchase of new shares of Pozavarovalnica Sava, d.d., during the capital increase process, in a manner to subscribe and pay for the maximum of 1,964,286 newly issued ordinary registered shares of Pozavarovalnica Sava, d.d., at the price of EUR 7.00 per share, totalling the maximum amount of EUR 13,750,002. The Company's Supervisory Board provided its consent to the above mentioned Management Board's resolution. After the capital increase implemented on 11 July 2013, the Company's ownership stake in the company amounts to 25% + 1 share.

Activities associated with the disposal of the Company's capital assets

In 2013, the Company significantly intensified its activities associated with the disposal of capital assets and, in addition to sales processes for the disposal of capital assets in the Company's ownership, activities associated with the disposal of capital assets held by the Republic of Slovenia were also carried out.

In Article 38, the applicable ZSDH stipulates that the consent of the National Assembly of the Republic of Slovenia provided at a proposal submitted by the Government of the Republic of Slovenia is required for the disposal of its capital assets with a book value exceeding EUR 20 million. The above mentioned consents are also required when the total book value of assets held by the Company, the Republic of Slovenia, PDP, d.d., Kapitalska družba, d.d. (hereinafter referred to as: "KAD, d.d.") and Modra zavarovalnica, d.d., exceeds EUR 20 million, or when these companies held, individually or collectively, at least a 25% ownership stake.

On 21 June 2013, the National Assembly of the Republic of Slovenia provided to the Company the consent to dispose of capital assets of the Republic of Slovenia under its management, as well as to KAD. d.d., Modra zavarovalnica, d.d., D.S.U., d.o.o., and PDP, d.d., for the disposal of their capital assets held in the following companies:

In %

No..	Company name	RS	Company	KAD	DSU	PDP	MZ	Total
1.	Adria Airways Tehnika, d.d.	-	-	-	-	52.30	-	52.33
2.	Adria Airways, d.d.	69.87	-	-	-	2.08	-	71.95
3.	Aero, d. d.	-	-	-	-	32.60	-	32.60
4.	Aerodrom Ljubljana, d.d.	50.67	6.82	7.36	-	-	-	64.85
5.	Cinkarna Celje, d.d.	-	11.41	-	-	-	20.00	31.41
6.	Elan, d. o. o.	-	-	-	-	66.40	8.57	74.94
7.	Fotona, d. d.	-	-	-	-	70.50	-	70.48
8.	Gospodarsko razstavišče,	-	-	29.51	1.2	-	-	30.78
9.	Helios, d.d.**	-	9.4	-	-	-	8.31	17.85
10.	Nova KBM, d.d.*	79.4	0.91	1.36	-	-	-	81.71
11.	Paloma, d. d.,	-	-	-	0.04	71.00	-	71.01
12.	Telekom Slovenije, d.d.	62.54	4.25	5.59	-	-	-	72.38
13.	Terme Olimia Bazeni, d. d.,	-	-	49.70	-	-	-	49.70
14.	Unior, d. d.,	-	2.31	5.55	-	37.10	-	44.97
15.	Žito, d.d.	-	12.26	-	0.01	-	15.00	27.24

Legend:
Companies in direct ownership of the Republic of Slovenia or SOD
* The ownership stakes have changed as a result of implemented capital increases.
** Signed Sale Contract

On the basis of the consent provided, the Company carried out several activities associated with the disposal of the above mentioned capital assets held in direct ownership of the Company or the Republic of Slovenia, and it continued to proceed with sale processes involving other capital assets owned by the Company for which the consent provided by the National Assembly of the Republic of Slovenia is not required.

In order to agree on the fundamental rules on the joint sale of shares of the abovementioned companies, the Republic of Slovenia, SOD, KAD, Modra zavarovalnica, D.S.U and PDP concluded the Framework Agreement on Joint Sale of Shares of the above mentioned companies. This agreement envisages that, as a rule, the sale process will be managed by that signatory to the agreement that holds the largest ownership stake in the company being the subject of the sale. The agreement also stipulates the method by way of which KAD and PDP are obliged to report to the Company on sale processes.

In 2013, the Company concluded several agreements on joint sale of shares with other shareholders and lienors. These agreements refer to the joint sale of shares in the following companies: Telekom Slovenije, d. d., Aerodrom Ljubljana, d. d., Cinkarna Celje, d. d., and Žito, d. d.. The validity of the previously concluded Shareholders Agreements in regard to shares of Helios, d.d., and Letrika, d.d., was extended. In addition, several Letters of Intent were concluded with those shareholders of Telekom Slovenije, d.d. and Aerodrom Ljubljana, d.d. who, although not having acceded to the Agreements on Joint Sale of Shares, had expressed their intent to sell their shares to that buyer to be selected in the joint sale process by the Company. It is envisaged that, in this manner, the potential investors might acquire shares that represent more than a 75% ownership stake of a company which is expected to produce a positive impact on the achieved terms of the sale.

The concluded agreements envisage that signatories to agreements should implement joint sale processes in cooperation with external advisors. In 2013, advisors for rendering financial consulting services were selected in the sale processes of Letrika, d.d., Telekom Slovenije, d.d., and Aerodrom Ljubljana, d.d., and processes for the selection of a financial advisor in the process of the joint sale of shares of Cinkarna Celje, d.d., Žito, d.d., and Nova KBM, d.d. were initiated but not yet concluded at the end of 2013.

Many activities associated with the disposal of capital assets also relate to companies whose shares are in the process of being sold. With the aim of a more thorough definition of the method of participation of an individual company in the sale process (for example, submission of data, enabling due diligence to be carried out), the Company concluded a special agreement on mutual relations in the sale process with Telekom Slovenije, d.d. and Aerodrom Ljubljana, d.d., both with the Republic of Slovenia as the major shareholder.

The fundamental goal pursued by the Company in its disposal of capital assets is the attainment of the greatest amount of proceeds from the sale.

With the purpose to provide the best possible information to potential investors and to contribute to increasing their interest in the acquisition of capital assets, the Company issued a special brochure in which the basic information on the envisaged sale processes and on companies that had been given the consent of the National Assembly of the Republic of Slovenia for their disposal were collected. The Company also responded to the invitation to participate at investors’ conferences which took place in December 2013 in Ljubljana and abroad.

In regard to capital assets owned by the Company for which the consent for their disposal provided by the National Assembly of the Republic of Slovenia is not required, activities mainly related to the sale of shares of Helios, d.d. which was concluded in October 2013 with the signing of the Sale Agreement, and to the sale of shares of Letrika, d.d. The first public invitation to participation in the sale process of the majority package of Letrika shares was published in November 2013, and Teasers were sent to potential investors. In September 2013, the Company, together with KAD, d.d., and Modra zavarovalnica, d.d., published the public invitation to submit an expression of interest for the sale of shares of several companies which also included capital assets owned by the Company in the following three companies: Salus, d. d., Pomurske mlekarne, d. d., and Intertrade ITA, d. d.. The above mentioned invitation resulted in the receipt of only one bid, namely for the acquisition of shares of Salus, d.d. Activities associated with the sale of shares of this company were not completed by the end of 2013.

Sales of shares held by the Company in 2013

One of the basic business goals of the Company is the provision of funds for the settlement of all statutory and contractual obligations of the Company which, if borrowing is not an option, may only be provided for by the Company by means of the sale of its capital assets.

In 2013, the Company disposed of 4,882,813 shares of Zavarovalnica Maribor, d.d., representing 39.21% of this company's share capital as a result of Pozavarovalnica Sava, d.d. having enforced the share purchase entitlement on the basis of the Contract on Rights Associated with Shares of Zavarovalnica Maribor, d.d., and transferred to the Company the proceeds of the sale in the amount of EUR 51,229,985.71.

The Contract on the Sale of Shares of Helios, d.d., was also signed in 2013. The payment of the purchase price in the amount of EUR 13,812,760 and the transfer of shares were planned to be implemented in the first half of 2014, when suspensive conditions would be fulfilled.

On the basis of the Contract on Arrangement of Mutual Relations concluded in 2012, also including the option of the sale of shares of Casino Portorož, d.d., in 2013, the Company cashed in the bank guarantee provided by Factor banka, d.d. and received compensation in the amount of EUR 388,473.00. The Contracting Parties, Casino Riviera, d. d., and Eurotas, d. d., lodged an appeal against the nullity of the Contract on Arrangement of Mutual Relations. Casino Riviera, d. d., Portorož, Eurotas, d. d., Celje, Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., Ljubljana, and Slovenska odškodninska družba, d. d., Ljubljana agreed on a court settlement in which the mutual relations regarding the shares of Casino Portorož, d.d. were arranged.

As regards the disposal of capital assets in Casino Bled, d.d., for which the Sale Contract was signed by the Company and KAD, d.d., in 2011, the consent to acquire ordinary shares as required under the Gaming Act was rejected by the Ministry of Finance; as a result, the Company is still the holder of these shares and the Contract on Sale of Shares has not yet been implemented.

4.6.2. MANAGEMENT OF CAPITAL ASSETS OF THE REPUBLIC OF SLOVENIA

On 27 December 2012, ZSDH was published in the Official Gazette No. 105/2012 by way of which the Capital Assets Management Agency of the Republic of Slovenia (hereinafter referred to as: "AUKN") was abolished on 28 December 2012. The management of capital assets held by the Republic of Slovenia which was handled by AUKN until the entry into force of ZSDH was transferred to SOD on behalf of and for the account of the Republic of Slovenia.

In its Articles 5 and 6, ZSDH regulates the fundamental principles for the management of investments. These are:

- the principle of transparency,
- the principle of responsible management,
- the principle of monitoring the performance efficiency of SSH and investments held by SSH,
- the principle of identifiying, preventing, limiting and recording conflict of interests and
- the principle of introducing the risk management systems.

SOD has assessed that the above mentioned principles have been implemented by the adoption of the Corporate Governance Code of Capital Assets of the Republic of Slovenia, Recommendations for Companies in Direct and Indirect Ownership of the Republic of Slovenia, by observing the OECD guidelines and by the Rules on conditions, procedures and criteria for selecting candidates to become members of supervisory boards. All these documents direct companies under management to pursue actions that represent the transparent, responsible, diligent and active management of capital assets.

Inclusion of OECD guidelines in the legal framework

The guidelines published by the Organisation for Economic Co-operation and Development (hereinafter referred to as: "OECD"), entitled the OECD Guidelines on Corporate Governance of State-Owned Enterprises ("the Guidelines) are mainly addressed to the legislator of the OECD Member Country to adopt such legislation to be in line with the Guidelines. So far as it was in its powers as a manager of state-owned capital assets considering the regulatory framework set by the legislator, SOD observed the Guidelines in the following manner:

- it actively enforced the state's ownership rights in accordance with the legal form of an individual company so that it regularly participated at all convened General Meetings of shareholders and, when necessary, required the convocation of a General Meeting and to enforce there the state's voting rights;

- it laid down and implemented a transparent procedure for the selection of candidates for members of supervisory boards by establishing the Accreditation Commission and adopted criteria to be met by candidates for members of Supervisory Boards of state-owned enterprises,

- it established the reward system for members of Supervisory Boards in a manner to be consistent with the long-term interests of state-owned enterprises and to attract and motivate "fit&proper" experts,

- it implemented the principle of transparency and due care

    - by way of a monthly report to the National Assembly in regard to the management of capital assets of the state;

- it published the most important information regarding the asset management on its web site, particularly in regard to the progress of the sale processes involving the disposal of the state capital assets and in regard to the progress and standpoints for the voting on General Meetings of companies and on resolutions adopted by the founder of one-person companies;
- it published on its web site a list of direct and indirect capital assets of the state which was updated on a monthly basis;
- it adopted certain legal documents which define in advance the method of conduct of SOD in the managing of the capital assets owned by the state or in which expectations of SOD in relation to state-owned enterprises are presented, such as The Corporate Governance Code for Capital Assets of the Republic of Slovenia.

Efficient supervision of companies' operations as an important factor in improving their performance (quarterly reporting, planning, quarterly meetings)

An efficient supervision of operation of state-owned enterprises is one of the most important foundations for successful asset management. In accordance with its statutorily defined mission, SOD continued with periodical meetings and regularly monitored the operations of companies with a state ownership shareholding. For this purpose, it developed a standardised reporting model to be used by companies holding the Republic of Slovenia's ownership stake for their reporting on their operation and adopted business plans, in accordance with the established reporting dynamics.

In 2013, SOD continued with the implementation of regular meetings held with companies under its management. The goal of these meetings is to improve the companies' performance by regularly monitoring their operations, monitoring their goal development, i.e., overseeing that they are ambitious enough, and by settling current issues encountered in these companies.

The fulfilment of recommendations and expectations from SOD for improving the organisation, transparency and operation performance at the level of companies

The SOD's recommendations refer to all capital assets held by SOD and capital assets held by the Republic of Slovenia. They are not a legal document, however, they comprise a guideline which SOD expects to be observed by companies and implementation of which will be verified by SOD in accordance with its powers and the principle *"comply-or- explain"*.

They have been developed by taking into account the OECD Guidelines with the aim of achieving an active, diligent, transparent and responsible management of state capital assets, while also observing the Slovenian legislation, the existing Corporate Governance Code for Joint Stock Companies and other applicable regulations and documents relating to corporate governance.

The SOD's recommendations include key guidelines developed by OECD as revealed in the OECD Guidelines and recommendations. Specifically:

- a transparent enforcement of the rights held by the state in the capacity of a shareholder,
- a determination of goals of SOEs and sectoral policies,
- an active preparation for AGMs of companies and involved participation at these meetings;

- the enforcement of the rights of shareholders at AGMs of companies;
- the development and improvement of the nomination system and selection process in regard to candidates for the members of supervisory boards and appropriate reward system;
- the supervision of a consistent implementation of duties and powers granted to the appointed members of supervisory boards;
- the production of an annual report on the implementation of the ownership function to be submitted to the National Assembly of the Republic of Slovenia;
- the development of measurable goals regarding corporate governance to improve its efficiency.

The companies should make a stand in regard to the observance of these recommendations in their annual reports.

Accreditation Committee

The Accreditation Committee ("AC"), functioning as the Management Board's consulting body, was established on the basis of the Management Board's Resolution of 6 March 2013. Its main duties were determined as follows: the proposing of criteria and procedures for the determination of the suitability of candidates for members of supervisory bodies of companies, the implementation of accreditation procedures, and the handling of expert issues in regard to the accreditation and nomination of candidates as members of supervisory bodies of companies.

In 2013, the AC met at a total of 34 regular sessions and 11 correspondence sessions where it dealt with the evaluation of nominations for supervisory board members in regard to 45 companies and with one accreditation for the function of a Management Board member *(RTH)*. The AC thus carried out in total 144 interviews of candidates for the members of companies' supervisory boards and 18 interviews of candidates being nominated for a Management Board member of the above mentioned company.

Corporate governance related training organised for members of supervisory boards and representatives of companies – the improvement of professionalism and the promotion of good practice

In 2013, the Company organised several training sessions dedicated for the members of supervisory boards. One of the duties of supervisory boards is also diligent conduct and thus a related duty of constant training since it is only by means of expertise and knowledge that the requirements and duties of the supervisory board member’s function are carried out in a responsible manner and of sufficient standard. Regular monthly training sessions are also beneficial for executive bodies and other employees acting in the field of corporate governance with the purpose of improving the expertise, to exchange cases of good practice and to introduce and promote good practice in corporate governance of SOEs. Lecturers were top experts coming from the sectors of economy, corporate governance and other areas of finance.
The topics discussed related to the prevention and detection of business frauds, financial restructuring of companies, external assessment regarding the quality of the companies' internal audit activity, the management of companies' operational efficiency, strategic planning and analysis of companies' operations with and emphasis given to the cash flow, the legal aspect regarding the responsibility and accountability of members of supervisory boards, changes of the International Financial Reporting Standards, and others.

State of capital assets held by the Republic of Slovenia and managed by SOD

The number of capital investments held by the Republic of Slovenia as of 31 December 2013 did not change significantly as compared to its state at the end of 2012. Only the capital assets held in TE-TOL, d.o.o, Ljubljana were sold. The proceeds and interests amounted to EUR 7,326,212.18 and were paid to the Republic of Slovenia budget account, with 10% of the proceeds having been transferred to KAD, d.d., in accordance with the provisions of ZSDH. The ownership stakes of the Republic of Slovenia remained more or less unchanged, with the exception of shareholdings held in banks. On 18 December 2013, pursuant to Article 261(a), Paragraphs 1 and 2, in accordance with Article 261(c), Paragraph 1 of ZBan-1, the Bank of Slovenia issued the Decision on Extraordinary Measures by way of which the extraordinary measure was imposed in regard to the termination of all qualified liabilities of the bank to ensure the coverage of losses in the following banks: Abanka Vipa, d.d, NLB, d.d. and Nova KBM, d.d.. The Republic of Slovenia then carried out capital increases in the above mentioned banks and increased its ownership state to 100%.

The portfolio of capital assets held in direct ownership of the Republic of Slovenia and managed by SOD, d.d., as of 31 December 2013

Company name	% RS	% SOD	% total
Banking			
Abanka Vipa, d.d.	100.00		100.00
Nova KBM, d.d.	100.00		100.00
Nova LB, d.d.	100.00		100.00
SID - Slovenska izvozna in razvojna banka, d.d., Ljubljana	99.41		99.41
Venture capital			
DTK Murka, družba tveganega kapitala, d.o.o.	49.00		49.00
Meta Ingenium, družba tveganega kapitala, d.o.o.	49.00		49.00
P.E.N., Prva energijska naložba, družba tveganega kapitala, d.o.o.	49.00		49.00
Prvi sklad, družba tveganega kapitala, d.o.o.	48.90		48.90
SCS, družba tveganega kapitala, d.o.o.	49.00		49.00
STH Ventures, d.o.o.	49.00		49.00
Energy			
Borzen, organizator trga z električno energijo, d.o.o.	100.00		100.00
Ekoen, d.o.o.	49.07		49.07
Elektro Celje, d.d.	79.50		79.50
Elektro gorenjska, d.d., Kranj	79.44	0,31	79.75
Elektro Ljubljana d.d.	79.50	0,30	79.80
Elektro Maribor, d.d.	79.50		79.50
Elektro Primorska, d.d.	79.50		79.50
Elektrogospodarstvo Slovenije - razvoj in inženiring, d.o.o.	100.00		100.00
Eles, d.o.o.	100.00		100.00
Energetika Črnomelj, d.o.o.	49.30		49.30
Gen energija, d.o.o.	100.00		100.00
Geoplin, d.o.o.	39.57		39.57
Holding slovenske elektrarne, d.o.o.	100.00		100.00
SODO, d.o.o.	100.00		100.00
Toplotna oskrba, d.o.o., Luče	49.17		49.17

Financial holding companies			
Maksima holding, d.d.	0.01		0.01
NFD holding, d.d.	0.00004		0.00004
Public service			
Dom upokojencev Idrija, d.o.o.	18.89		18.89
Javno komunalno podjetje komunala Kočevje, d.o.o.	45.97		45.97
Javno podjetje uradni list RS, d.o.o.	100.00		100.00
Vodnogospodarsko podjetje Drava, d.d., Ptuj	25.00		25.00
Vodnogospodarsko podjetje Mura, d.d.	25.01		25.01
Vodnogospodarsko podjetje Novo mesto, d.d.	25.00		25.00
Vodnogospodarsko podjetje, d.d., Kranj	25.00		25.00
Companies employing disabled people			
Bodočnost Maribor, d.o.o.	75.81		75.81
CSS-IP, d.o.o.	77.76		77.76
Glin IPP, d.o.o.	16.05		16.05
Postal services, telecommunication			
Pošta Slovenije, d.o.o.	100.00		100.00
Telekom Slovenije, d.d., Ljubljana	62.54	4.25	66.79
Telemach Rotovž, d.d.	1.09		1.09
Telemach Tabor, širokopasovne komunikacije, d.d.	0.01		0.01
Companies to be transferred to SRRRP			
BSC, poslovno podporni center, d.o.o., Kranj	34.36		34.36
Regionalna razvojna agencija Mura, d.o.o.	39.00		39.00
Regionalni center za razvoj, d.o.o.	11.61		11.61
RRA regionalna razvojna agencija Celje, d.o.o.	5.10		5.10
Manufacturing			
Inkos, d.o.o., Krmelj	2.54		2.54
Krka, d.d., Novo mesto	0.004	14.99	14.99
Nafta Lendava, proizvodnja naftnih derivatov, d.o.o.	100.00		100.00
Peko, d.d., Tržič	66.80		66.80
Sij - Slovenska industrija jekla, d.d.	25.00		25.00
Snežnik, podjetje za proizvodnjo in storitve, d.d.	70.00		70.00
Traffic, transport and infrastructure			
Adria Airways, d.d.	69.87		69.87
Aerodrom Ljubljana d.d., Zgornji Brnik	50.67	6.82	57.49
DRI upravljanje investicij, družba za razvoj infrastr., d.o.o.	100.00		100.00
Družba za avtoceste v republiki Sloveniji, d.d., Celje	100.00		100.00
Infra, izvajanje investicijske dejavnosti, d.o.o.	100.00		100.00
Kontrola zračnega prometa, d.o.o.	100.00		100.00
Luka Koper, d.d., Koper	51.00	11.13	62.13
Slovenske železnice, d.o.o.	100.00		100.00
Capital Assets Management			
D.S.U., d.o.o., Ljubljana	100.00		100.00
Kapitalska družba, d.d.	100.00		100.00
General economic sector			
Murka, trgovina in storitve, d.d.	0.17		0.17

Tourism			
Družba za spodbujanje razvoja TNP, d.d.	51.03		51.03
Počitniška skupnost Krško, d.o.o.	1.46		1.46
Studentenheim Korotan GMBH	100.00		100.00
Insurance			
Zavarovalnica triglav, d.d., Ljubljana	34.47	28.06	62.53
Liquidation/bankruptcy/being wound up			
Maksima Invest, d.d. - v stečaju	0.00		0.00
Podjetje za urejanje hudournikov, d.d. - v stečaju	0.00		0.00
Rimske terme, d.o.o. - v stečaju	0.00		0.00
RTH, rudnik Trbovlje-Hrastnik, d.o.o.	100.00		100.00
Rudnik Kanižarica v zapiranju, d.o.o., Črnomelj - v likvidaciji	100.00		100.00
Rudnik Senovo v zapiranju, d.o.o. - v likvidaciji	100.00		100.00
Rudnik Zagorje v zapiranju, d.o.o. - v likvidaciji	100.00		100.00
Rudnik živega srebra Idrija v zapiranju, d.o.o. - v likvidaciji	100.00		100.00
RŽV, javno podjetje za zapiranje rudnika urana, d.o.o.	100.00		100.00
TAM Maribor, d.d. - v stečaju	0.00		0.00

Capital increases carried out in companies managed by SOD acting in the capacity of the founder - the Republic of Slovenia

<u>Nova KBM, d.d.</u>

On 29 April 2013, the Republic of Slovenia increased its capital assets held in Nova KBM, d.d., from 27.66% to 79.44% equity interest in the bank, specifically, as a result of a capital increase carried out at the bank by converting a hybrid loan in the amount of EUR 100 million which was granted to Nova KBM, d.d., by the Republic of Slovenia in accordance with the Hybrid Loan Agreement of 31 December 2012.

On 2 July 2013, as a result of the registration of the capital increase at Nova KBM, d.d., by means of an in-kind contribution being registered in the Register of Companies and the registration of new shares in KDD, the Republic of Slovenia acquired an additional 185,458,385 ordinary freely transferable registered non-par value shares of this bank. The basis for the registration of the capital increase at the bank and the issue of new shares was the implemented conversion of the interests arising from the hybrid loan in the amount of EUR 2,410,959.00 in line with the above mentioned contract. This measure resulted in the increase of the Republic of Slovenia's shareholding being registered in the share register, specifically, from 79.44% to 91.24%.

On the basis of the Decision by the Bank of Slovenia on Extraordinary Measures as of 18 December 2013, all qualified liabilities were terminated on the following day. All shares were cancelled and deleted from the Central Dematerialised Securities Registry. Following the deletion of shares, the previous holders of shares ceased to be the bank's shareholders. The Republic of Slovenia paid for all new 10,000,000 shares of Nova KBM, d.d., in the total emission amount of EUR 870,000,000 and became the 100% owner of the bank.

NLB, d.d.

On 10 June 2013, as a result of the registration of the capital increase at Nova KBM, d.d., in the Register of Companies and the registration of new shares in KDD, the Republic of Slovenia acquired an additional 577,318 ordinary freely transferable registered non-par value shares of this bank. The basis for the registration of the capital increase at the bank and the issue of new shares was the implemented conversion of the interests arising from the hybrid loan in the amount of EUR 21,216,438.36 in line with the Hybrid Loan Agreement concluded between the Republic of Slovenia and NLB, d.d. in December 2012. The conversion was carried out in accordance with the resolution of the bank's Management Board and the consent provided by the bank's Supervisory Board in May 2012. Based on the newly issued shares fully taken over by the Republic of Slovenia, the shareholding of the Republic of Slovenia increased from 76.91% to 77.51%.

On the basis of the Bank of Slovenia's Decision on Extraordinary Measures of 18 December 2013, the NLB shares in the total value of EUR 184,079,267.12 (22,056,378 shares) were cancelled which means that the NLB's share capital decreased to zero. With the issue of 20,000,000 new ordinary shares, the bank's share capital increased, and the total emission value of all new shares amounted to EUR 1,551,000,000.00. The Republic of Slovenia's ownership stake in NLB, d.d., currently amounts to 100%.

CSS-IP, d.o.o.,

On the basis of the adopted Resolution of AGM of CSS-IP, d. o. o., družba za usposabljanje in zaposlovanje invalidov, from Škofja Loka, of 30 July 2013, the Republic of Slovenia participated in the capital increase of the company by means of an in-kind contribution (a piece of real estate in the cadastral municipality Stara Loka) in the amount of EUR 873,300. On the basis of the capital increase carried out, the Republic of Slovenia's ownership stake in the company increased from 77.758 % to 96.646%. The two other shareholders of the company are Union of Associations of the Blind and Visually Impaired of Slovenia (3.287%) and Škofja Loka Municipality (0.067%).

Kontrola zračnega prometa Slovenije, d. o. o. (Slovenia Control, Ltd.)

On 20 December 2013, the SOD's Management Board, acting in the capacity of the founder and sole shareholder, adopted a resolution on the capital increase at Slovenia Control, Ltd., by means of an in-kind contribution. The company's share capital will be increased by EUR 4,434,587.66, from the current EUR 1,091,118.00 to stand at EUR 5,525,705.66, after the capital increase is carried out. The in-kind contributions represent tangible assets in the book value of EUR 48,274.42, registered in the books of accounts held by the Ministry of Infrastructure and Spatial Planning, and assets in the value of EUR 4,386,313.24, registered in the books of accounts held by the Ministry of Infrastructure and Spatial Planning as a claim for assets handed into the management by a public enterprise Slovenia Control, Ltd. and that had arisen from the calculated and unused amortisation and depreciation.

Activities associated with the disposal of capital assets owned by the Republic of Slovenia

In accordance with the consent granted by the National Assembly of the Republic of Slovenia of 21 June 2013 in regard to the disposal of capital assets held by the Republic of Slovenia and managed by SOD, in 2013, SOD initiated sales procedures which are presented in detail under item 4.6.1. Management of Capital Assets held by SOD/SOD Group - Activities associated with the disposal of capital assets held by the Company.

In 2013, in addition to the above mentioned activities, sales activities associated with capital assets held by the Republic of Slovenia in Peko, d.d., and Ekoen, d.o.o. were carried out but failed to be completed successfully.

In regard to the most important capital assets held by the Republic of Slovenia, in addition to the fundamental goal pursued by the Company within the sale processes involving the disposal of shares - that is, the attainment of the highest possible proceeds from the sale, acting within the statutory framework, SOD strives to pursue other goals that are important from the aspect of stable economic growth. These are: the future development of companies, the improvement of public services, the provision of competitiveness, employment, etc.

4.7. INVESTMENT PORTFOLIO AND LIQUIDITY MANAGEMENT

4.7.1. The main policy of the Company's investment policy

The Company implemented the adopted business and investment policy within the scope of the adopted 2013 Financial Plan and Rules on Free Cash Investment. In regard to financial investments, and in accordance with the basic premises of its investment policy, the Company took into account both the security and liquidity of assets as well as the investment and liability maturity match. Significantly, in 2013, the Company settled all of its statutory and contractual obligations on a regular and timely basis. It maintained its current liquidity by planning cash flows and keeping a permanent liquidity reserve.

4.7.2. Cash flows in 2013

The Company provided cash for the coverage of its liabilities mainly with matured deposits and other debt financial investments as well as other inflows. An important source of funds to cover the Company's liabilities in 2013 was the sale of shares of Zavarovalnica Maribor, d.d., a record-hitting pay-out of dividends of companies and the sale of UCITS units. An important source for ensuring the Company's liquidity are the inflows from receivables due from the Republic of Slovenia (pursuant to ZVVJTO, ZSPOZ, ZIOOZP).

Cash outflows for the settlement of the Company’s statutory obligations were at the same level as outflows in 2012, and in line with the plan. More than 90% of all statutorily stipulated cash flows represent outflows in accordance with the Denationalisation Act.

The Company mainly invested the surplus of its cash into call deposits and short-term deposits and, within a limited extent, also into some other safe short-term investments, such as the bonds of the Republic of Slovenia and SID bank.

As of 31 December 2013, the total Company's debt arising from long-term loans amounted to EUR 470 million; of this amount, EUR 150 million will mature in 2014, EUR 300 million in 2015 and EUR 20 million in 2016. The interest rate for EUR 300-million-worth of loans is secured against the interest rate risk. All loans are secured by way of guarantees issued by the Republic of Slovenia.

In the last quarter of 2013, the Company initiated negotiations with commercial banks aiming at prolonging loans to mature in 2014. In January 2014, annexes to contracts were signed by way of which the maturity deadline for EUR 65 million was extended to March and June 2016. After the publication of the stress test results in December 2013, the required yields for

Slovenian sovereign bonds decreased drastically which was also reflected in the required interest rates set by commercial banks for the extended loans.

Funds necessary for the settlement of the Company's liabilities in 2014 are provided for, but the Company is actively planning a restructuring of a debt to mature in subsequent years, particularly in 2015.

4.7.3. **The investment portfolio volume and structure**

The Company also manages the investment portfolio with the purpose of ensuring its liquidity management. As of 31 December 2013, the value of the Company's investment portfolio, amounted to EUR 150 million, calculated at market prices, and it was reduced by 23% in comparison to the value at the end of 2012, mainly as a result of payments of liabilities arising from denationalisation and smaller inflows from the sale of shares.

At the end of 2013, debt investments represented 82% of the investment portfolio. The remaining part of these investments represented investments in mutual funds and foreign shares. As of 31 December 2013, only foreign securities were disclosed among shares in the Company's the investment portfolio. The Company ensures that the investment portfolio is highly liquid as it mainly serves to balance the Company's liquidity.

Table: *The Company's investment portfolio structure by investment type*

Investment type	Balance as of 31 December 2013		Balance as of 31 December 2012	
	In EUR 000	%	In EUR 000	%
Total debt investments	122,693	81.77	163,815	83.78
Deposits	93,384	62.24	141,630	72.43
*Bonds**	22,709	15.13	20,526	10.50
Certificate of deposits	1,600	1.07	1,659	0.85
Euro-commerical papers	5,000	3.33	0	0.00
Equity investments	27,354	18.23	31,732	16.22
Mutual funds	23,059	15.37	27,933	14.28
Shares	4,295	2.86	3,799	1.94
Total investment portfolio	150,047	100.00	195,547	100.00
Total debt	470,000		470,000	

Note: * also including redeemed SOS2E bonds (own bonds)

Debt investments

The market value of debt investments amounted to EUR122.7 million as of 31 December 2013. Debt investments mainly include deposits. Deposit maturity varies although all deposits are short-term intended for the settling of statutory and other liabilities in 2014. The bond portfolio mainly included redeemed own SOS2E bonds and SID bank bonds maturing in 2014. The remaining part of the bond portfolio mainly included various domestic bonds.

Equity investments in foreign shares

As of 31 December 2013, the Company held less than 3% of assets of the investment portfolio distributed in the foreign shares investment class. As regards this investment class, the Company invested in liquid securities issued by various global issuers.

Mutual funds

As of 31 December 2013, the Company held assets invested in various, mainly equity investment mutual funds of UCITS' management companies (domestic and foreign). This method ensures that the Company disperses its invested assets and provides for a low level non-systematic risk. These assets are highly liquid. Assets held in mutual funds represent a smaller part of the investment portfolio since the primary goal of the Company's investment portfolio management is the provision of liquidity, while the taking advantage of market potentials and the generation of portfolio yield represent only a secondary goal.

4.7.4. The investment portfolio's performance

The table below shows the performance achieved by the individual types of investments structured in the investment portfolio in the period from 2011 to 2013.

The Company's investment portfolio performance in the last three-year period

Investment type	return in %		
	2011	2012	2013
Deposits	3.98	4.16	3.59
Certificate of deposits	3.84	4.89	3.04
Treasury bills	-	-	-
Euro-commercial papers *	-	-	0.94
Bonds	3.03	-0.3	0.78
Mutual funds	-10.76	9.77	4.52
Domestic shares	-	-	-
Froreign shares	-15.45	16.09	14.09
Investment portfolio performance	2.13	4.2	3.51

Source: AdTreasury programme
**Return of Euro-commercial paper in the period*

In 2013, the returns generated by all segments of investment portfolio were positive. A low return was generated by bonds, mainly as a result of a negative impact due to adjustments to some subordinate bank bonds. The segment of mutual funds and foreign shares managed by the Company itself contributed the most to the growth of portfolio performance.

4.8. PROPERTY RENTAL ACTIVITIES - CORE BUSINESS OF PS ZA AVTO, d.o.o.

The core business of the Company's subsidiary, PS ZA AVTO, d. o. o., is the rendering of property rental services. The main activities of PS ZA AVTO, d.o.o., are oriented towards the disposal of property, to the settlement of denationalisation disputes and other law suits and to the provision of the diligent management of company assets.

4.9. RISK MANAGEMENT

During its operation in 2013, particularly in managing capital assets, the Company was exposed to various types of risks, with market and liquidity risks being the most significant ones.

Liquidity risks

The liquidity risks were handled with special attention. The Company/Group was successful in managing these risks in 2013 since it settled all of its statutory and contractual obligations in a timely manner. The Company minimised the liquidity risks by making precise cash flows projections and by consistently realising its plans. Such balancing of cash flows was made possible by placing fixed term deposits in banks and by consistently monitoring the maturity of financial instruments in the Company's ownership. The Company/Group minimised the liquidity risks by thorough planning and daily, weekly and monthly control of cash flows while simultaneously maintaining a constant liquidity reserve set up by the Company for any contingent liabilities.

As a result of the consistent poor liquidity of the Slovenian capital market, the liquidity risks are present with the majority of capital assets held and acquired by the Company/Group in accordance with the law. The Company/Group may avoid these risks only by selling these investments and restructuring them into more liquid investments provided in the developed capital markets, which had been successfully carried out by the Group/Company in the past.

The Company/Group assumed a conservative approach in the liquidity management which was reflected in the volume of investments in bank deposits and debt securities, in the methodology for forecasting new financial liabilities and in monitoring cash flows. As a result of the lack of any larger sales of capital assets, by obtaining long-term loans in 2010, the Company/Group had provided for financial funds for all its liabilities planned up to the end of 2014.

Investment market risks

The market risk, being the most significant risk for the Company/Group in terms of its size, is the risk associated with a long-term change in market prices of capital assets. As stated in the 2013 Accounting Report, the Company/Group was exposed the most to the changes in the value of domestic equity investments and to the changes in prices of domestic shares.

The investments in domestic marketable and non-marketable shares represent by far the greatest share of capital assets of the Company/Group. A small degree of dispersion of investments, poor liquidity and the improper assets structure in regard to the liabilities structure represent the main risks of the Company/Group. The risk cannot be avoided at the level of the Company/Group since a consent provided by the Republic of Slovenia is required for the withdrawal of the majority of the most important capital assets.

Interest rate volatility risks

Interest rate risks are present with some investments held in debt financial instruments and with liabilities arising from the long-term debt. In 2013, interest rates remained at relatively low levels. When managing interest rate volatility risks, the Company/Group mainly dedicated its attention to the movements in interest rates occurring as a result of various macro-economic reasons and interventions made by central banks, as well as to the forecasts regarding the movements in interest rates in the future. It is expected that interest rates will remain at low levels for several quarters.

The Company/Group uses financial instruments for the purpose of minimising interest rate risks associated with hired loans. The Company/Group had concluded Interest Rate Swap Agreements for one portion of the principal of the hired loans in the amount of EUR 300 million, while the residual balance of the principal in the amount of EUR 170 million has remained unsecured and it depends on the movements of interest rates in the money market.

Credit risks

With the aim of reducing credit risks, the Company/Group regularly verified the financial solvency of its business partners. The Company/Group invests the major part of its free cash into bank deposits and other financial instruments. The dispersion of investments is laid down in internal rules. The ratings of the issuers of securities are verified and contractual provisions are monitored on a regular basis.

Currency risks

The Company/Group holds all its assets and liabilities in EUR, except for a negligible portion of portfolio investments in other currencies. As a result, the exposure to other currencies does not pose any risk for the Company/Group.

Matej Runjak Member of the Management Board	Matej Pirc Member of the Management Board	Tomaž Kuntarič, MSc (Econ) President of the Management Board

Ljubljana, 28 March 2014

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

SLOVENSKA ODŠKODNINSKA DRUŽBA
COMPANY AND GROUP

ACCOUNTING REPORT

FOR YEAR ENDING 31 DECEMBER 2013

5. STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board is responsible for the preparation of the Annual Report in a manner providing the public with a true and fair presentation of the financial position and the results of operations of the Company in 2013.

The Management Board confirms that applicable accounting policies have been consistently applied and that accounting estimates have been prepared under the principles of prudence and due diligence. The Management Board also confirms that the financial statements together with the accompanying notes have been prepared under the assumption of going concern and in compliance with applicable legislation and the International Financial Reporting Standards as adopted by the European Union.

The Management Board is responsible for adequate and orderly accounting and the adoption of appropriate measures for safeguarding property and other assets as well as for the prevention and detection of frauds and other irregularities and illegalities..

Tax authorities may verify the Company's operations at any time within the period of five years from the tax calculation date which, as a result, may lead to an additional tax liability, default interest and penalty being imposed pursuant to the Corporate Income Tax Act, or to the charging of any other taxes and levies. The Company's Management Board is not familiar with any circumstances that may give rise to any potential significant liability arising thereunder.

The Company has in place the internal control and risk management systems necessary for the accounting reporting procedure.

In accordance with the provision of Article 31, Paragraph 4 of Slovenia Sovereign Holding Act (ZSDH), the duties and responsibilities of the SOD's General Meeting are carried out by the Government of the Republic of Slovenia, precisely, from the date of the Act's entry into force until the date when the transformation of SOD into the Slovenia Sovereign Holding is completed. The General Meeting holds all responsibilities as stipulated in Article 293 of the Companies Act (hereinafter referred to as: "ZGD-1").

The SOD's Articles of Associations stipulates that the Company's Supervisory Board consists of nine members. Six Supervisory Board members, representing the interest of shareholders, are elected by the General Meeting, whereas three members, representing the interest of employees, are elected by the Employees' Council. The Supervisory Board holds all responsibilities as laid down in ZGD-1.

The Management Board is composed of the President of the Management Board and two members. The Company has not disclosed any data as laid down in Article 70, Paragraph 6 of ZGD-1 in the Business Report. The Company is not subject to provisions of the Takeovers Acts (ZPre-1).

Matej Runjak Member of the Management Board	Matej Pirc Member of the Management Board	Tomaž Kuntarič, MSc (Econ) President of the Management Board

Ljubljana, 28 March 2014

6. INDEPENDENT AUDITOR'S REPORT

6.1. OPINION ABOUT SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

Deloitte.

Deloitte Revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenija

Tel: + 386 (0)1 3072 800
Fax: + 386 (0)1 3072 900
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INDEPENDENT AUDITOR'S REPORT
to the owners of SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of the company SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d. which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the financial position of the company SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d. as at 31 December 2013, and its operating results and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements:

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified Auditor

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

Ljubljana, 28 March 2014

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

6.2. OPINION FOR SLOVENSKA ODŠKODNINSKA DRUŽBA GROUP

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
to the owners of SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the company SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d. and its subsidiaries (» the Group«), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified audit opinion.

Basis for qualified opinion - Limitation on scope

The Group has significant investments in associates. The effects of equity method used for measuring these investments in consolidated financial statements on the statement of comprehensive income are significant. Since we did not audit the financial statements of associates nor did we review the audit documentation and the work of the auditors of these associates we were not able to satisfy ourselves as to the potential effects arising out of equity method.

Qualified opinion

In our opinion, except for the potential effects of the matter referred to in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and its operating results and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements:

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified Auditor

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

Deloitte.

DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, 28 March 2014

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

7. FINANCIAL STATEMENTS OF SLOVENSKA ODŠKODNINSKA DRUŽBA COMPANY AND GROUP

7.1. STATEMENT OF FINANCIAL POSITION/BALANCE SHEET

in EUR 000	Note	Company		Group	
		31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
ASSETS - TOTAL		**1,015,216**	**1,132,633**	**1,029,107**	**1,143,771**
LONG-TERM ASSETS		**821,533**	**868,178**	**835,424**	**879,316**
Intangible assets and long term deferred	9.1.1.	66	53	66	53
Tangible fixed assets	9.1.2.	761	794	761	794
Investment property	9.1.3.	4,563	5,450	4,563	5,450
Long-term financial investments	9.1.4.	682,302	663,877	696,193	675,015
Long-term operating receivables	9.1.5.	133,841	198,004	133,841	198,004
SHORT-TERM ASSETS – TOTAL		**193,683**	**264,455**	**193,683**	**264,455**
Short-term assets without deferred		**193,656**	**264,429**	**193,656**	**264,429**
Non-current assets held for sale	9.1.6.	13,255	50,000	13,255	50,000
Short-term financial investments	9.1.7.	96,684	141,410	96,684	141,410
Short-term operating receivables	9.1.8.	70,509	71,248	70,509	71,248
Cash	9.1.9.	13,208	1,771	13,208	1,771
Short-term deferred costs and accrued revenues	9.1.10.	**27**	**26**	**27**	**26**
EQUITY AND LIABILITIES - TOTAL		**1,015,216**	**1,132,633**	**1,029,107**	**1,143,771**
EQUITY	9.1.11.	**129,185**	**102,844**	**143,076**	**113,982**
Share capital		60,167	60,167	60,167	60,167
Share premium		0	0	0	0
Statutory reserves		0	0	0	0
Revaluation surplus		419,117	344,355	282,869	230,045
Retained net profit or loss		-301,678	-301,678	-177,847	-176,230
Net profit or loss for the financial year		-48,421	0	-22,113	0
NON CURRENT LIABILITIES - TOTAL		**581,875**	**854,790**	**581,875**	**854,790**
Provisions and long-term deferred costs and accrued revenues	9.1.12.	**75,890**	**91,123**	**75,890**	**91,123**
Long-term liabilities		**505,985**	**763,667**	**505,985**	**763,667**
Long-term financial liabilities	9.1.13.	505,985	763,667	505,985	763,667
SHORT-TERM LIABILITIES - TOTAL		**304,156**	**174,999**	**304,156**	**174,999**
Short-term liabilities		**304,040**	**174,834**	**304,040**	**174,834**
Short-term financial liabilities	9.1.14.	276,001	108,052	276,001	108,052
Short-term operating liabilities	9.1.15.	28,039	66,782	28,039	66,782
Short-term deferredcosts and accrued revenues	9.1.16.	**116**	**165**	**116**	**165**

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

7.2. INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME for the year ending 31 December 2013

in EUR 000	Note	Company		Group	
		01/01/2013 - 31/12/2013	*01/01/2012 - 31/12/2012*	*01/01/2013 - 31/12/2013*	*01/01/2012 - 31/12/2012*
Net sales revenues	9.1.17.	533	586	533	586
Other operating income (with revaluated operating revenues)	9.1.17.	3,306	50,907	3,306	50,907
Operating income		**3,839**	**51,493**	**3,839**	**51,493**
Costs of goods, material and services	9.1.18.	-1,761	-1,052	-1,761	-1,052
Labour costs	9.1.19.	-3,871	-3,104	-3,871	-3,104
Amortisation and depreciation	9.1.20.	-311	-308	-311	-308
Long-term provisions	9.1.21.	-11,553	-30	-11,553	-30
Write-offs	9.1.22.	-764	-20	-764	-20
Other operating expenses	9.1.23.	-396	-287	-396	-287
Operating profit or loss		**-14,817**	**46,692**	**-14,817**	**46,692**
Financial income	9.1.24.	48,820	39,931	48,820	39,931
Financial expenses	9.1.24.	-90,908	-75,795	-85,652	-71,838
Profit/loss share from investments evaluated according to the equity method	9.1.25.	0	0	21,052	22,685
Other income	9.1.26.	2	0	2	0
Other expenses	9.1.26.	0	0	0	0
Profit or loss before tax		**-56,903**	**10,828**	**-30,595**	**37,470**
Income tax expenses	9.1.27.	0	0	0	0
Deferred taxes	9.1.27.	8,482	-6,495	8,482	-6,495
Net profit / loss for the financial year		**-48,421**	**4,333**	**-22,113**	**30,975**
Profit/loss recognised in revaluation surplus		83,244	-13,724	61,306	-41,626
Income tax expense from other comprehensive income		-8,482	6,495	-8,482	6,495
Other comprehensive income after tax		**74,762**	**-7,229**	**52,824**	**-35,131**
Total comprehensive income for the financial year after tax		**26,341**	**-2,896**	**30,711**	**-4,156**

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

7.3. CASH FLOW STATEMENT for the year ending on 31 December 2013

in EUR 000	Company		Group	
	01/01/2013 - 31/12/2013	*01/01/2012 - 31/12/2012*	*01/01/2013 - 31/12/2013*	*01/01/2012 - 31/12/2012*
Cash flows from operating activities				
Proceeds from operating activities	*87,389*	*85,265*	*87,389*	*85,265*
Proceeds from operating activities	4,024	3,545	4,024	3,545
Proceeds from Republic of Slovenia (commission business)	83,365	81,720	83,365	81,720
Expenses from operating activities	*-148,263*	*-141,191*	*-148,263*	*-141,191*
Expenses for materials and services	-1,443	-934	-1,443	-934
Labour costs	-4,011	-2,822	-4,011	-2,822
Expenses for various levies and charges	-58	-55	-58	-55
Payments pursuant to ZDen and SZ (inc. SOS2E)	-128,801	-126,590	-128,801	-126,590
Expenses for the account of the Republic of Slovenia (commission business)	-13,622	-10,623	-13,622	-10,623
Other expenses for operating activities	-328	-167	-328	-167
Net cash flow from operating activities	***-60,874***	***-55,926***	***-60,874***	***-55,926***
Cash flows from investing activities				
Proceeds from investing activities	*417,446*	*589,642*	*417,446*	*589,642*
Interest and dividends received	36,917	28,263	36,917	28,263
Proceeds from sale of property, plant and equipment	26	0	26	0
Proceeds from sale of long-term financial investments	76,716	71,603	76,716	71,603
Proceeds from sale of short-term financial investments	303,787	489,776	303,787	489,776
Expenses from investing activities	*-333,989*	*-516,348*	*-333,989*	*-516,348*
Acquisition of intangible assets	-41	-18	-41	-18
Acquisition of tangible assets	-158	-53	-158	-53
Acquisition of long-term financial investments	-42,678	-116,302	-42,678	-116,302
Acquisition of short-term financial investments	-291,112	-399,975	-291,112	-399,975
Net cash flow from investment activities	***83,457***	***73,294***	***83,457***	***73,294***
Cash flows from financing activities				
Proceeds from financing activities	*0*	*0*	*0*	*0*
Expenses from financing activities	*-11,146*	*-22,734*	*-11,146*	*-22,734*
Interest expenses related to financing activities	-11,146	-12,734	-11,146	-12,734
Repayment of long-term financial liabilities	0	-10,000	0	-10,000
Repayment of short-term financial liabilities	0	0	0	0
Net cash flow from financing activities	***-11,146***	***-22,734***	***-11,146***	***-22,734***
Closing cash balance	**13,208**	**1,771**	**13,208**	**1,771**
Net increase/decrease in cash for the financial year	*11,437*	*-5,366*	*11,437*	*-5,366*
Opening cash balance	*1,771*	*7,137*	*1,771*	*7,137*

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

7.4. STATEMENT OF CHANGES IN EQUITY

7.4.1. Statement of Changes in Equity of Slovenska odškodninska družba, d.d., for year ending 31 December 2013

in EUR 000	Share capital	Statutory reserves	Retained profit/loss	Net profit/loss	Net amount of revaluated financial investments held for sale	Total
Balance as of 1 January 2012	***60,167***	***0***	***-306,011***	***0***	***351,584***	***105,740***
						0
Total comprehensive income for the reporting period	**0**	**0**	**0**	**4,333**	**-7,229**	***-2,896***
Input of net profit/loss for the reporting period	0	0	0	4,333	0	4,333
Change in surplus from revaluated financial investments	0	0	0	0	-7,229	-7,229
Changes in equity	**0**	**0**	**4,333**	**-4,333**	**0**	***0***
Appropriation of residual net profit of the benchmark reporting period to other equity components	0	0	4,333	-4,333	0	0
Closing balance as of 31 December 2012	**60,167**	**0**	**-301,678**	**0**	**344,355**	***102,844***
Total comprehensive income for reporting period	**0**	**0**	**0**	**-48,421**	**74,762**	***26,341***
Input of net operating profit/loss for the reporting period	0	0	0	-48,421	0	-48,421
Change in surplus from revaluated financial investments	0	0	0	0	74,762	74,762
Changes in equity	**0**	**0**	**0**	**0**	**0**	***0***
Appropriation of residual net profit of the benchmark reporting period to other equity components	0	0	0	0	0	0
Closing balance as of 31 December 2013	**60,167**	**0**	**-301,678**	**-48,421**	**419,117**	**129,185**

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

7.4.2. Determination of accumulated profit/loss for Slovenska odškodninska družba, d.d.

in EUR 000	
Net profit or loss for 2013	-48,421
Retained net profit or loss	-301,678
Accumulated loss for 2013	-350,099

The accumulated loss has been disclosed in accordance with Article 66 of ZGD-1.

7.4.3. Statement of Changes in Equity for Slovenska odškodninska družba Group for year ending 31 December 2013

in EUR 000	Share capital	Share premium	Statutory reserves	Retainedprofit /loss	Net profit/loss	Net amount of revaluated financial investments held for sale	Total equity
Balance as of 1 January 2012	**60,167**	**0**	**0**	**-197,445**	**0**	**265,176**	**127,898**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**30,975**	**-35,131**	***-4,156***
Input of net profit/loss for the reporting period	0	0	0	0	30,975		***30,975***
Other comprehensive income	0	0	0	0		-41,626	***-41,626***
Taxes related to the other comprehensive income	0	0	0	0	0	6,495	***6,495***
Changes in equity	**0**	**0**	**0**	**30,975**	**-30,975**	**0**	***0***
Offsetting of losses	0	0	0	30,975	-30,975	0	*0*
Movements from equity	**0**	**0**	**0**	**-9,760**	**0**	**0**	**-9,760**
Other changes in equity	0	0	0	-9,760	0	0	*-9,760*
Closing balance as of 31 December 2012	**60,167**	**0**	**0**	**-176,230**	**0**	**230,045**	**113,982**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**-22,113**	**52,824**	***30,711***
Input of net profit/loss for the reporting period	0	0	0	0	-22,113		***-22,113***
Other comprehensive income	0	0	0	0	0	61,306	***61,306***
Taxes related to the other comprehensive income	0	0	0	0	0	-8,482	***-8,482***
Movements from equity	**0**	**0**	**0**	**-1,617**	**0**	**0**	**-1,617**
Other changes in equity	0	0	0	-1,617	0	0	*-1,617*
Closing balance as of 31 December 2013	**60,167**	**0**	**0**	**-177,847**	**-22,113**	**282,869**	**143,076**

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

8. SIGNIFICANT ACCOUNTING POLICIES

8.1. THE REPORTING COMPANY

The reporting company - Slovenska odškodninska družba, d.d., is a joint stock company registered before the Ljubljana District Court by way of a Decision Srg. No. 199304616, holding the Registration Entry No. 1/21883/00. Considering the provisions of Articles 55 and 56 of ZGD-1, the Company is classified as a large company obliged to undergo a regular annual audit.

In line with the Standard Classification of Activities, the Company's activity is categorised in the following class: K 64.990 - Other financial service activities, except insurance and pension funding n.e.c..

The Company's activity is presented in detail in the Business Report, Chapter 4.

The Company is a controlling company of Slovenska odškodninska družba Group, headquartered in the Republic of Slovenia, Mala ulica 5, Ljubljana. At the end of 2013, the Company had one subsidiary and six associated companies. The Company produced the consolidated financial statements, reporting the situation as of 31 December 2013, and in which the associated companies had been included using the equity method. The inclusion of a subsidiary, PS ZA AVTO, d. o. o., into the consolidated financial statements is insignificant from the aspect of presenting fair and true financial statements for the Group; therefore the company was not included in the consolidation. The individual and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

The Annual Report of the Company and the Group is available for inspection at the Company's head office and on its web site.

The subsidiary company as of 31 December 2013:

- PS ZA AVTO, d. o. o., Tržaška cesta 133, Ljubljana, the Company's shareholding amounts to 90%.

The associated companies as of 31.12.2013:

- CASINO BLED, d. d., Cesta svobode 15, Bled; the Company shareholding amounts to 43.00%;
- GIO in liquidation, d. o. o., Dunajska cesta 160, Ljubljana, the Company shareholding amounts to 41.23 %;
- Zavarovalnica Triglav, d. d., Miklošičeva cesta 19, Ljubljana. the Company shareholding amounts to 28.07 %;
- Pozavarovalnica Sava, d. d., Dunajska cesta 56, Ljubljana, the Company shareholding amounts to 25.00 %;
- PDP, d. d., Dunajska cesta 119, Ljubljana, the Company shareholding amounts to 20.49 %;
- Hit Nova Gorica, d. d., Delpinova ulica 5, Nova Gorica, the Company shareholding amounts to 20.00 %;

In 2013, the average number of employees employed with the Company was 66.96, calculated from the number of hours worked. As of 31 December 2013, the Company had 71 employees.

The Company's share capital in the amount of EUR 60,166,917.04 is divided into non-par value shares not listed on the regulated stock exchange market.

The 2013 financial statements were approved by the Management Board on 28 March 2014.

8.2. SIGNIFICANT ACCOUNTING POLICIES

8.2.1. Statement of compliance

In addition to individual financial statements, the consolidated statements have been prepared by the company for the year ending 31 December 2013. The financial statements for the controlling company and the Group have been prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as: "IFRS"), as adopted by the European Union. The Slovenian legislation (ZGD-1) and the Company's internal legal documents have been taken into account in the development of the financial statements.

8.2.2. Basis of preparation

The IFRS are applied in the presentation and valuation of individual items. The historical cost basis was used as the basis for measurement in these financial statements.

However, available-for-sale financial assets were measured at fair value. Impairment of all assets is regularly reviewed and recorded, when necessary.

The book value of assets as of the day of the transition to IFRS was applied for property, plant and equipment. In the past, the book value of assets was reported at historical cost value and its increases made by 2001 were due to applying annual consumer price indices. Impairment of the above mentioned assets is regularly reviewed and recorded, when necessary.

The preparation of financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses that are reported. Estimates and assumptions are based on past experiences and numerous other factors which are taken into account as justified under the given circumstances and which are used as a basis for estimates made about the book value of assets and liabilities. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The financial statements must give a true and fair view of the financial position, financial performance and cash flows of the Company/Group. The principle of prudence and fair value, as required by IFRS, must also be taken into account.

The general valuation rules are observed in the preparation of financial statements of the Company/Group. These are: going concern, consistency concept, and, particularly, accrual concept. The Company/Group expects to continue to function as such and remain viable in the future. Changes in economic categories are considered alongside accruals. Each comparison between revenue and expenditure must present only relevant expenditures being posted against revenues, regardless of income and costs. The accounting handling of economic categories cannot change as a result of current business interests of the Company/Group. Financial statements must provide for consistent presentation and classification of items being continued from one period to another period. In case of any discrepancies in various periods, reasons for such changes and their consequences must be presented.

Financial statements include all items that are significant enough to affect estimates and decisions. Reliable information are free of any significant errors and biased viewpoints. Uncertainty is associated with several business events which is why accounting policies must be selected with due caution. The assets and liabilities items must not be offset; the same applies to revenues and expenditures except when explicitly allowed so by any of IFRS. Business events are handled in accordance with their contents and not only according to their legal form. When explaining a document, its content is given a priority over its form. The accounting information must be appropriate, understandable, reliable, complete, timely and accurate.

Accounting policies mentioned in the remainder of the report were consistently applied in all periods presented in these financial statements.

a) Currently valid standards and interpretations

The following standards, amendments to existing standards and notes issued by the International Accounting Standards Board (IASB) and adopted by the EU apply for the current period:

- **IFRS 13 - Fair Value Measurement**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 - First-time Adoption of IFRS** - "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 - First-time Adoption of IFRS** – "Government Loans", adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013)
- **Amendments to IFRS 7 - "Financial instruments: disclosures** - "Offsetting Financial Assets and Financial Liabilities", adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 1 - "Presentation of Financial Statements"** - "Presentation of Items of Other Comprehensive Income", adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012);
- **Amendments to IAS 12 - "Income taxes"** - "Deferred tax: Recovery of underlying assets", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 19 - "Employee Benefits"** - "Post-employment benefits", adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2013);
- **Amendments to various standards "Improvements of IFRS (2009-2011 period)"**, resulting from the annual Project for Improvements of IFRS (IFRS 1, IAS 1, IAS 16, IAS 31, IAS 34) with the aim to eliminate inconsistencies and interpretations, adopted by the EU on 27 March 2013 (amendments effective for annual periods beginning on or after 1 January 2013);
- **IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The above mentioned amendments to standards were applied by the Company/Group in the preparation of these financial statements. The adoption of these amendments to existing standards failed to result in any changes made in accounting policies.

b) Standards and notes issued by the IASB and adopted by the EU not yet effective

As of the day of approval given to these financial statements, the following standards, amendments to existing standards and notes, issued by IASB and adopted by the EU but not yet being effective, are:

- **IFRS 10 - Consolidated Financial Statements**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 11 - Joint Arrangements**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 12 - Disclosure of Interests in Other Entities**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 27 - Separate Financial Statements**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 28** (amended in 2011) **- Investments in Associates and Joint Ventures**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to **IFRS 10 - Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities** - "Transition Guidance", adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to **IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27** (modified in 2011) **Separate Financial Statements** - "Investment Entities", adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 32 - "Financial instruments**: **Presentation** - "Offsetting Financial Assets and Financial Liabilities", adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);

- Amendments to **IAS 36 Impairment of Assets** "Recoverable Amount Disclosures for Non-financial Assets", adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 39 - "Financial instruments**: "**Recognition and Measurement** – Novation of Derivatives and Continuation of Hedge Accounting", adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The Company/Group decided not to adopt these standards, amendments and interpretations prior to their effective date. The Company/Group expects these standards, amendments and interpretations not to have any significant impact on financial statements in the transition period.

c) Standards and interpretations issued by the IASB and yet adopted by the EU

Currently, IFRS as adopted by the EU do not significantly differ from standards adopted by IASB with the exception of the following standards, the amendments to the existing standards and interpretations which, as of 28 March 2014, have not yet been adopted for their application in the EU (the dates mentioned below in regard to the effective date apply for the entire IFRS):

- **IFRS 9** Financial Instruments and Further Amendments (effective date is not stipulated yet);
- **Amendments to IAS 19** "Employee Benefits" - Certain benefits programmes: **Employee Benefits** (effective for annual periods beginning on or after 1 July 2014);
- **Amendments to various standards "Improvements of IFRS** (2010-2012 period)**"**, resulting from the annual Project for Improvements of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) with the aim to eliminate inconsistencies and interpretations (amendments effective for annual periods beginning on or after 1 July 2014);
- **Amendments to various standards "Improvements of IFRS** (2011-2013 period)", resulting from the annual Project for Improvements of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) with the aim to eliminate inconsistencies and interpretations, (amendments effective for annual periods beginning on or after 1 July 2014);
- **IFRIC 21 "Levies"** (effective for annual periods beginning on or after 1 January 2014).

The Company expects that the introduction of these standards, amendments to existing standards and interpretations should not have any significant impact to the Company's financial statement in the transition period.

At the same time, hedge accounting in relation to financial assets and liabilities portfolio, the principles of which have not yet been adopted by the EU, is still not regulated.

The Company has assessed that the application of hedge accounting in relation to financial assets and liabilities in conformity with the requirements of **IAS 39 - Financial instruments**: **Recognition and Measurement** will not have a significant impact on the Company's financial statement when applied on the balance sheet cut-off date.

8.2.3. **Currency reporting**

a) Functional and presentation currency

All financial information in financial statements of the Company/Group are presented in the Euro which is the Company's functional and presentation currency. All accounting information, with the exception of earnings for the members of the Management Board, Supervisory Board and Audit Committee, presented in the Euro have been rounded to the nearest thousand. The rounding off of figurative data results in insignificant differences in the total sums presented in the tables.

b) Transactions and balances

Transactions presented in foreign currencies are translated into the Euro at the European Central Bank's reference exchange rate at the transaction date. The gain or losses incurred in these transactions and in the retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Exchange rate differences arising from debt securities and other monetary assets recognised at fair value are included in gain or losses incurred in transactions in foreign currencies. Foreign exchange differences in non-monetary items, such as assets held for sale, are directly recognised in the equity, in the revaluation surplus.

8.2.4. Value estimates of individual items

The estimates made by the Company's management, actuarial appraisers and other valuation experts have served as a basis for making value estimation of the following items: financial investments, provisions, amortisation and depreciation. Considering the fact that this is an estimate, there is a certain degree of uncertainty present in regard to individual assumptions used by appraisers.

8.2.5. Significant policies for Company and Group

Revenue recognition

Revenue from the sale of services are recognised when those services have been rendered. Revenue from the receipt of additional assets allocated for the payment of compensation are recognised when these are received. Other revenue is recognised by applying the following principles:

- interest income - it is recognised as it accrues unless there is a doubt about its collection when the interest income amount is written off and the replacement cost is applied;
- dividend income - it is recognised on the date when the shareholder's right to receive payment is established;
- rental income as a result of renting investment property is recognised evenly throughout the period of the lease contract;
- revenue from the sale of financial investments is recognised on the date of their settlement. An exception to this rule is when, at the date of the Sales Contract's conclusion, the Company holds an irrevocable guarantee issued by a top-rating bank, or any other full guarantee. The Company considers the receipt or delivery of this type of security instrument as the settlement of a liability; in this case it makes the necessary posting prior to the actual inflow of funds.

Investments in subsidiaries

A consolidated subsidiary is a company in which the controlling company has a controlling interest or a controlling influence for other reasons, and which joins the Group for which the consolidated financial statements are prepared. When the value of a subsidiary is irrelevant for the true and fair presentation of the Group's financial statement, such a subsidiary is not included in the consolidated financial statements.

Investments in subsidiaries are valued at the historical acquisition value. Income from profit participation is recognised as income from financing activities when paid or when a resolution on the distribution and payment of profits is adopted by the AGMs of these companies. Investments are impaired when the recoverable value of the investment is less than its book value. A loss due to impairment is immediately recognised as financial expenses in the Statement of Comprehensive Income.

Investments in associates

Associates are companies in which the Companies holds between 20 % to 50 % of the voting power and in which the Company has a significant influence, but not control, over their operations. In the Company's financial statements, financial investments in associates are valued at fair value. Only when the fair value cannot be measured with certainty, it is shown at cost.

In accordance with IAS 28, financial investments in associates are recognised using the equity method from the date when the investment becomes an associate company. In the Statement of Financial Position, by using the equity method, the investment is recognised initially at cost increased by changes - upon the acquisition - in the capital of the associate and reduced by any impairment. The amount obtained from the distribution of net profit of a company in which the controlling company has a significant influence reduces the book value of the financial investment.
On the acquisition of a financial investment, each difference between the acquisition value of the financial investment and the investor's interest in the net fair value of the identifiable assets, debts and contingent liabilities of the associate is recognised in accordance with IFRS 3 - Business Combinations.

Each surplus of the investor's interest in the net fair value of the identifiable assets, debts and contingent liabilities of the associate over the amount paid for the acquisition of the financial investment is excluded from the book value of the financial investment and is recognised as income for the period when the investment is acquired.

Intangible assets and long-term deferred costs and accrued revenues

Intangible assets include investments in computer software and other intangible assets. When computer software forms an integral part of the suitable computer hardware, it is considered tangible fixed assets. Intangible assets are recognised as such only when it is likely that future economic benefits will be generated for the Company/Group and when its cost can be reliably measured.

The cost model is applied which is why intangible assets are recognised at cost less accumulated amortisation and impairment losses.

The estimated useful life is reviewed at least at the end of each financial year. When the estimated useful life of an intangible asset significantly differs from the previous estimation, the depreciation period is modified accordingly.

The depreciation of intangible assets is calculated at the straight line method by taking into account the useful life of the assets. The depreciation rates used range from 10.0% to 33.3%. Long-term deferred costs and accrued revenues are recorded in the profit and loss account during the useful life of the assets.

Tangible fixed assets

Tangible fixed assets include property, plant and small equipment. Tangible fixed assets are recognised at cost less depreciation and accumulated impairment losses.

The depreciation of intangible assets is calculated at the straight line method by taking into account the useful life of the assets. The following depreciation rates are used:

- property and land 3.0 – 5.0 %
- parts of buildings 6.0 %
- computer equipment 33.3 – 50.0 %
- motor vehicles 12.5 %
- other equipment 20.0 – 33.3 %
- office inventory 25.0 – 100.0 %.

Land is not depreciated since it is presumed to have an unlimited useful life. Likewise, assets in course of construction are not depreciated until they are ready to be used. Since the book value of assets exceeds their estimated recoverable value, they must be revalued to the estimated recoverable value, i.e. impaired pursuant to IAS 36. Profits and losses incurred upon the disposal of land, buildings and equipment are determined according to their book value and affect the Company's operating results. Subsequent costs associated with tangible fixed assets increase their acquisition cost when future economic benefits are expected from these assets. Costs of all other repairs and maintenance services are included in the Statement of Comprehensive Income for the period in which they are incurred. Tangible fixed assets with useful life exceeding one year and individual acquisition cost being less than EUR 500 are allocated to costs, except for printers, facsimile machines, desktop calculators, and similar equipment.

The residual value and estimated useful life of assets are reviewed and, when necessary, also amended during the preparation of financial statements.

Investment property

Investment property refers to real property – land, buildings or parts of buildings – owned by the Company with the aim of earning rents and increasing its wealth. Investment property is not used to carry out the Company's main activity.

Investment property is considered to be a plot of land and a building which is held for the purpose of increasing its value or it is leased as it is not held for sale in the near future. Investment property is recognised as an asset only when it is likely that future economic benefits will be generated for the Company/Group and when its cost can be reliably measured.

Investment property is measured by applying the acquisition cost model, i.e. investment property is recognised at cost less depreciation and accumulated impairment losses. The straight line method taking into account the useful life of the assets is applied.

Financial assets

The Company/Group classifies its investments into the following categories: financial assets measured at fair value through profit or loss, loans and receivables, financial assets held until their maturity, and assets available for sale. The classification depends on the purpose for which an individual asset was acquired.

a) Financial assets measured at fair value through profit or loss

This group is subdivided into two sub-groups: financial assets held for trading purposes and assets measured at fair value through profit or loss on recognition. Investments acquired for the purpose of generating profit from short-term price fluctuations are classified into the group of financial assets intended for trading. These assets are measured at fair value, and any gains/losses due to the fluctuations in prices are included in the Statement of Comprehensive Income in the period in which they were generated.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are classified either as short-term assets or long-term assets with a maturity of more than twelve months following the balance sheet date. In the Statement of Financial Position, loans are recognised at the amortised cost using the effective interest rate method. Subsequent impairments are recognized in profit or loss. Impairment loss is eliminated when the subsequent increase in the recoverable value of the asset may be associated in an objective manner with the event occurring after the impairment recognition.

c) Financial investments held-to-maturity

Fixed maturity investments which the Company/Group intends to hold and is able to hold until their maturity are classified as investments held-until-maturity and form a part of long-term assets. In the balance sheet, these financial investments are valued at amortised cost. The portion of the investment to mature within twelve months of the balance sheet date is recognised as a short-term asset. Subsequent impairments are recognized in profit or loss. Impairment loss is eliminated when the subsequent increase in the recoverable value of the asset may be associated in an objective manner with the event occurring after the impairment recognition.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either classified into this group or are not classified into any of the aforementioned groups. Assets in this group are measured at fair value or at cost when fair value cannot be measured in a reliable manner.

Fair values of financial instruments determined by a valuation model include:
- a comparison to prices obtained upon the last transactions performed;
- the use of the discounted cash flow model;
- valuation using the price model.

These valuation models reflect market conditions as of the measurement date which can differ from market conditions existing before or after this date.

Gains and losses arising from the changed fair value of the available-for-sale financial assets are recognized directly in the comprehensive income except for impairment losses, until recognition of the financial assets is eliminated. In this case, the accumulated gains and losses presented in the capital are recognized in the Profit and Loss Statement. Interests from debt securities are recognized directly in the Profit and Loss Statement.

On each balance sheet cut-off date, the Company/Group makes an assessment whether there is an objective evidence that the value of financial assets or a group of financial assets has been impaired. In case of available-for-sale financial assets, a typical and long lasting reduction in fair value getting below the acquisition cost is considered as an indicator of impairment of investments. In cases when there is such evidence (a 20% drop below the acquisition cost in a particular year, or a drop during a period of not more than nine months), the cumulative losses (determined as the difference between the acquisition cost and the current fair value less impairment losses recognised in equity) are recognised in financial expenses and are simultaneously eliminated from equity. Impairments of equity instruments, recognized in profit or loss, cannot be reversed.
It is annually reviewed whether there are any signs of impairments associated with financial investments being classified in the group of available-for-sale assets and not listed on the regulated market. In such cases, fair value is determined by using internal models based on market data or the discounted cash flow method. When it is established that there are no operating market assumptions associated with certain investment, the fair value is determined by also applying the valuation model.

Derived financial instruments

Derived financial instruments are initially recognized at fair value; costs associated with the transaction are recognized in profit or loss when they are incurred. After their initial recognition, derived financial instruments are measured at fair value and the related amendments are handled in two manners:
- When a derived financial instrument is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or highly probable expected transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in the comprehensive income for the period. Any ineffective portion of changes in the fair value of the derivative is recognised directly in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively.
- Effects of other derivatives not designated as the hedging instrument in a hedge of the variability in cash flows are recognised in profit or loss.

The Company/Group hedge its interest rate risk exposure associated with loans by means of interest rate swaps. At the end of the reporting period, the fair value of interest rate swaps is valued by discounting future cash flows arising from the flexible interest rate (swap interest rate received) and fixed interest rate (swap interest rate paid). Gains and losses are recognised in profit or loss.

Assets held for sale or distribution

Assets or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution, are classified as held for sale or distribution. When this criterion is met, financial investments in subsidiaries and associates are also classified into the category of assets/disposal group held for sale. Immediately before the classification as held for sale or distribution, the assets or disposal group is remeasured. Accordingly, the long-term asset or disposal group is recognized at book value or fair value less transaction costs, whichever is lower. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment losses.
Once classified as held for sale or distribution, intangible assets and property, plant and equipment are not amortised or depreciated. After their classification as held for sale or distribution, any equity-accounted investees is no longer equity accounted for.

Impairment of non-financial assets

At each reporting date, book value of assets is reviewed with the aim to assess any indication of impairment. Indefinite-lived assets that are not amortised or depreciated are tested for impairment on an annual basis. Assets subject to amortisation or depreciation are checked for impairment whenever the events or circumstances indicate an impairment. An impairment loss is recognized in the amount by which the carrying amount of an asset exceeds its recoverable value. The recoverable value is the higher than the fair value of the asset, less the costs to sell and its value in use.

For the purpose of identifying impairment, assets are divided into smaller units identified as generating cash flows independently of other units. (cash-generating units).

Operating receivables

Receivables arising from financial, legal and other relations are guaranteed rights to claim from an entity the payment of debt, the supply of goods or the provision of services. Operating receivables are not considered to include long-term financial investments or short-term financial investments but only those associated with financial revenues derived thereunder.

In books of account and balance sheet, receivables are recognised as an asset when it is probable that the future economic benefits embodied within the asset will flow to the company and its cost can be reliably measured.

Recognised receivables are derecognised as assets in books of account and balance sheet when its contractual obligations are no longer controlled, have already been exercised, have expired or have been assigned.

Receivables are initially recognised in amounts stated in relevant documents with an assumption that they will be paid. Receivables are measured at amortised cost using the effective interest rate method less impairment. Impairment of operating receivables occurs when it is expected that the full amount of outstanding receivables will not be collected. The impairment amount is a difference between the carrying amount and the current value of the expected estimated cash flows being discounted at the effective interest rate. Impairments are recognized in profit or loss.

Significant operating receivables of the Company/Group are:

- a long-term receivable due from the Republic of Slovenia arising from ZVVJTO - the Company reimburses investments in the public telecommunications network on behalf of the Republic of Slovenia;
- a long-term receivable due from the Republic of Slovenia arising from ZSPOZ - the Company settles compensation amounts to victims of war and post-war violence;
- a long-term receivable due from the Republic of Slovenia arising from ZIOOZP - the Company settles compensation amounts to beneficiaries for confiscated property pursuant to the abrogation of the penalty of confiscation of property.

Cash and cash equivalents

Cash and cash equivalents are initially recognized in the amount stated in relevant documents. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand, cash at bank, deposits and certificates of deposit held with banks (maturing within 90 days from the transaction execution date) and other investments in money market instruments. When a bank account overdraft contract has been signed, bank overdraft is recognised as short-term financial liabilities in the Balance Sheet.
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Provisions

Provisions are recognised, if, as a result of past events, the Company/Group has a present legal obligation that can be reliably estimated and it is highly probable that it will have to be settled. Amounts recognised as provisions are the best possible estimation of an expenditure necessary to be settled on the balance sheet date in order to meet the present obligations. Provisions may not be created in order to offset future operating losses.

Provisions for retirement benefits and jubilee premiums

In accordance with the statutory requirements and internal legal documents, the Company/Group is liable to pay jubilee premiums and retirement benefits to its employees. For these, provisions are created. This liability is calculated by the actuary who takes into account the following factors: the probability of death, probability of retirement, probability of staff turnover, and probability of disability. The calculation is discounted to the present value. The actuarial calculation is usually developed every second year, and earlier in case of any significant changes in regard to employees.

Deferred taxes

Deferred taxes are directly associated with the basic accounting principle of comparing revenues and expenses in the Profit and Loss Statement. Deferred taxes are recognised in full using the liability method on the basis of the temporary differences between the tax bases of assets and liabilities and the amounts reported in the financial statements. Deferred taxes are calculated using statutory tax rates for the period in which it is expected to be applied when the tax receivable is realized and tax liability is settled.

Tax receivable is recognised when it is probable that tax income is to be generated in the future to allow for making use of temporary differences. Tax liability is recognised in accordance with IAS 12. Tax receivables and liabilities are recognised in the offset amount in the Balance Sheet.

Liabilities

Operating liabilities are liabilities due to suppliers for assets acquired or services rendered, and liabilities due to employees, government, owners, etc. In books of account, liabilities are recognized when it is probable that their settlement will decrease factors enabling economic benefits, and when the settlement amount can be reliably measured.

Financial liabilities are recognised when incurred at fair value without any transaction costs arising thereunder. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method. Any difference between proceeds (without transaction costs) and liabilities is recognised in profit in loss throughout the period of existence of the financial liability. Interest received is calculated in accordance with contracts; as a result, financial interest expenses are increased.

A portion of long-term liabilities to mature within twelve months after the reporting date is recognised as short-term liabilities.

Equity

The entire SOD's equity is its liability due to its sole owner, the Republic of Slovenia, and falls due for payment on the dissolution of SOD, d.d. The entire capital consists of called-up capital, capital reserves, profit reserves, revaluation, retained earning or losses from previous periods and the provisionally undistributed net profit for the current year or the uncovered losses for the current year. The profit remaining after covering losses and creating statutory reserves is allocated to other reserves in accordance with ZSOS, the Company's Articles of Association, and ZGD.

Fair value measurement

In accordance with the Company/Group's accounting policies, fair value of the financial and non-financial assets is required to be determined in numerous cases.

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Fair value is the amount at which an asset could be bought or sold and liability swapped in a current transaction between willing and well-informed parties.

When measuring fair value of financial instruments, the following 3-level fair value hierarchy is taken into account:

- the first level includes quoted prices (unadjusted) in the operating markets for identical assets or liabilities;
- the second level includes the values which are not equal to quoted prices but can be also acquired directly or indirectly from the market (for example values derived from quoted prices in an active market);
- the third level includes input data for an asset or liability not based on market data.

Quoted prices are used as a basis for determining fair value of financial instruments; if they were not listed on regulated market or the market is evaluated as inoperative, inputs from the second and third levels are used to evaluate the fair value of a financial instrument.

In case when additional explanations about assumptions in regard to fair value measurement are required, these are stated in the notes to individual items of assets or liabilities.

Fair value of financial assets at fair value through profit or loss and of available-for- sale assets is determined in accordance with the above mentioned 3-level fair value hierarchy. When fair value cannot be reliably measured, the financial asset is measured at cost and indications of its impairment are measured at least once a year. Fair value of investments in associates is measured in accordance with the above mentioned 3-level fair value hierarchy. Fair value of receivables and loans is calculated as a current value of future cash flows, discounted at market interest rate at the end of the reporting period.

Own shares

When an interest in a controlling company is acquired by the controlling company or its subsidiary, the amount paid, including the transaction costs less tax, are deducted from the total capital as own (treasury) shares until such shares are withdrawn, reissued or sold. When own shares are sold or reissued at a later date, all the payments received less transaction costs and related tax effects are included in the equity capital.

Neither the controlling company nor its subsidiary holds its own shares or interests, nor does it intend to acquire them.

Consolidation

Subsidiaries in which the Group holds a direct or indirect equity interest exceeding one half of the voting power or having an influence over their operations in any another manner are subject to consolidation. They are included in the Group's financial statements from the date of the acquisition of a controlling interest by the Group. Consolidation no longer applies when the Group loses its controlling interest. All transactions, receivables and liabilities between the Group companies are eliminated for the purpose of the preparation of consolidated financial statements. Any impairment of the subsidiaries recognised in the individual financial statements of the controlling company should also be eliminated. In order to provide accurate information for the purposes of consolidation and financial reporting of the Group, the accounting policies of the subsidiaries should be aligned with those of the controlling company. No major discrepancies between the accounting policies were identified.

Takeovers of companies within the Group are accounted for using the acquisition method. The acquisition value of takeovers is measured at fair value of the assets given, the equity instruments and liabilities assumed as of the transaction date, including costs directly attributable to the takeover. The assumed assets, liabilities and contingent liabilities are initially recorded at fair value as of the takeover date notwithstanding the size of the minority shareholding. The excess of the acquisition value over the fair value of the Group's share of the net assets of the acquired company is recognised as goodwill. If the acquisition value is lower than the fair value of the acquired company's net assets, the difference is recognized as financial income in the Statement of the Comprehensive Income.

Transactions with minority owners are treated in the same way as transactions with outside partners. The profits and losses of the minority owners are shown in the Group's Statement of the Comprehensive Return.

Structure of the Group of associate companies

SOD, d. d., is 100% owned by the Republic of Slovenia. A subsidiary is a company in which the controlling company has a controlling interest or a controlling influence due to other reasons, and which joins the Group for which the consolidated financial statements are prepared. When the value of a subsidiary is irrelevant for the true and fair presentation of the Group's financial statement, such a subsidiary is not included in the consolidated financial statements. Moreover, consolidation does not apply to companies for which bankruptcy proceedings are instituted; in such cases, the owners lose their management rights.

As of 31 December 2013, the Group was composed of the parent company and the subsidiary PS ZA AVTO, d.o.o., in which the Company has a 90% ownership shareholding and management rights in the same percentage. In 2013, the subsidiary generated a profit of EUR135,000 and its equity amounted to EUR 9,274,000.

Slovenska odškodninska družba, d. d., Mala ulica 5, Ljubljana, prepares a consolidated annual report for the controlling company and all subsidiaries within the Group. Due to a material irrelevance, the company PS ZA AVTO, d.o.o. is not included in the consolidation process. By applying the equity method, the consolidated financial statements include a fully consolidated investment in Zavarovalnica Triglav, Pozavarovalnica Sava, Hit, PDP and Casino Bled.

9. NOTES AND DISCLOSURES

9.1. NOTES TO THE FINANCIAL STATEMENTS

9.1.1. Intangible assets and long-term deferred costs and accrued revenues of the Company and Group

in EUR 000	Long-term property rights	Other long-term deferred costs and accrued revenues	Long-term property rights	Total
Purchase value				
Purchase value as of 1 January 2013	*473*	*75*	*11*	*559*
New purchases	52	0	11	*63*
Disposals	-17	0	-22	*-39*
Purchase value as of 31 December 2013	*508*	*75*	*0*	*583*
Value adjustment				
Value adjustment as of 1 January 2013	*447*	*59*	*0*	*506*
Depreciation for the current year	16	0	0	*16*
Transfer to profit or loss		12	0	*12*
Disposals	-17	0	0	*-17*
Value adjustment as of 31 December 2013	*446*	*71*	*0*	*517*
Present value as of1 January 2013	26	16	11	53
Present value as of 31 December 2013	**62**	**4**	**0**	**66**

in EUR 000	Long-term property rights	Other long-term deferred costs and accrued revenues	Long-term property rights	Total
Purchase value				
Purchase value as of 1 January 2012	*506*	*75*	*0*	*581*
New purchases	7	0	11	18
Acquisitions with the adoption of ZSDH	6	0	0	6
Disposals	-46	0	0	-46
Purchase value as of 31 December 2012	*473*	*75*	*11*	*559*
Value adjustment				
Value adjustment as of 1 January 2012	*477*	*46*	*0*	*523*
Depreciation for the current year	11	0	0	11
Acquisitions with the adoption of ZSDH	2	0	0	2
Transfer to profit or loss	0	13	0	13
Disposals	-43	0	0	-43
Value adjustment as of 31 December 2012	*447*	*59*	*0*	*506*
Present value as of1 January 2012	29	29	0	58
Present value as of 31 December 2012	**26**	**16**	**11**	**53**

The useful life of computer software is 3 to 10 years. A six-year liability insurance contract has been concluded by the Company. During the term of insurance validity, insurance costs form an integral part of expenses.

In accordance with the Accounting Rules, a significant asset is the asset with an individual value exceeding 10% of the value of all intangible assets and is greater than EUR 25,000.

9.1.2. Tangible fixed assets of the Company/Group

Tangible fixed assets are not encumbered with any mortgages, pledges or any other encumbrances. Disposals of fixed assets represent sales and distributions of assets.

Items of tangible assets that are significant for the Company are buildings and parts of equipment with the purchase value higher than 10% of all tangible assets.

in EUR 000	Land	Buildings	Equipment and spare parts	Office equipment	Total
Purchase value					
Purchase value as of 1 January 2013	*140*	*1,940*	*557*	*19*	*2,656*
New purchase	0	0	157	0	*157*
Disposals	0	0	-127	0	*-127*
Purchase value as of 31 December 2013	*140*	*1,940*	*587*	*19*	*2,686*
Value adjustment					
Value adjustment as of 1 January 2013	*0*	*1,396*	*449*	*17*	*1,862*
Depreciation for the current year	0	91	54	1	*146*
Disposals	0	0	-83	0	*-83*
Value adjustment value as of 31 Dec 2013	*0*	*1,487*	*420*	*18*	*1,925*
Present value as of 1 January 2013	140	544	108	2	794
Present value as of 31 Dec 2013	**140**	**453**	**167**	**1**	**761**

in EUR 000	Land	Buildings	Equipment and spare parts	Office equipment	Total
Purchase value					
Purchase value as of 1 January 2012	*140*	*1,940*	*498*	*19*	*2,597*
New purchase	0	0	25	0	*25*
Acquisitions with the adoption of ZSDH	0	0	65	0	*65*
Disposals	0	0	-31	0	*-31*
Purchase value as of 31 December 2012	*140*	*1,940*	*557*	*19*	*2,656*
Value adjustment					
Value adjustment as of 1 January 2012	*0*	*1,306*	*360*	*17*	*1,683*
Depreciation for the current year	0	90	56	0	*146*
Acquisitions with the adoption of ZSDH	0	0	63	0	*63*
Disposals	0	0	-30	0	*-30*
Value adjustment value as of 31 Dec 2012	*0*	*1,396*	*449*	*17*	*1,862*
Present value as of 1 January 2012	140	634	138	2	914
Present value as of 31 Dec 2012	**140**	**544**	**108**	**2**	**794**

It has been assessed that there are no factors giving grounds for any impairments of tangible fixes assets to be carried out.

9.1.3. **Investment property of the Company/Group**

The Company/Group is a 33.55% co-owner of an investment property (Smelt commercial building) pledged with a lien amounting to EUR 1 million. The other two co-owners of the property are: Kapitalska družba, d. d., and D.S.U., d. o. o..

This piece of investment property is measured at cost, depreciation and amortisation is calculated at 3% annual rate. In 2013, the rental income in the amount of EUR 377,000 was generated and expenditure associated with this investment property amounted to EUR 297.000.

As of the balance sheet closing date, an outstanding liability was recorded, due to GIO, in liquidation, d.o.o., arising from the investment property acquisition cost and amounting to EUR 4,124,000, falling due subject to the fulfilment of special contractual provisions (certified copies of deletion permits, deletion of final settlement order and release of other encumbrances must be provided by the seller). SOD holds a 41.23% ownership stake in GIO, in liquidation, d.o.o..

The fair value of the investment property as of 31 December 2013 was measured by the Company's experts. It was determined that the book value is higher than the recoverable amount. The fair value of the part of the Smelt commercial building pertaining to the Company which had been assessed using the comparable sales method and indicative rental prices (each having the same weight in the estimation) amounted to EUR 4,563, 000. The value in use is lower. Thus, due to impairment, the revaluation operating expenses in the amount of EUR 737,000 were recognised. The value of the relevant part of the Smelt commercial building as assessed by the Surveying and Mapping Authority of the Republic of Slovenia amounted to EUR 4,824,000.

in EUR 000	Land	Buildings	Total
Purchase value			
Purchase value as of 1 January 2013	*1,281*	*4,792*	*6,073*
New acquisitions	0	0	0
Purchase value as of 31 December 2013	*1,281*	*4,792*	*6,073*
Value adjustment			
Value adjustment as of 1 January 2013	*0*	*623*	*623*
Depreciation for the current year	0	150	150
Disposals	0	737	737
Value adjustment as of 31 December 2013	*0*	*1,510*	*1,510*
Present value as of 1 January 2013	1,281	4,169	5,450
Present value as of 31 Dec 2013	**1,281**	**3,282**	**4,563**

in EUR 000	Land	Buildings	Total
Purchase value			
Purchase value as of 1 January 2012	*1,281*	*4,792*	*6,073*
New acquisitions	0	4	4
Disposals	0	-4	-4
Purchase value as of 31 December 2012	*1,281*	*4,792*	*6,073*
Value adjustment			
Value adjustment as of 1 January 2012	*0*	*473*	*473*
Depreciation for the current year	0	150	150
Value adjustment as of 31 December 2012	*0*	*623*	*623*
Present value as of 1 January 2012	1,281	4,319	5,600
Present value as of 31 Dec 2012	**1,281**	**4,169**	**5,450**

9.1.4. Long-term financial investment

in 000 EUR	Company		Group	
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Long-term fin. investments in subsidiaries**	3,757	3,757	3,757	3,757
Long-term fin. Investments in associates	162,923	133,849	176,814	144,987
Other financial investments available for sale	515,622	524,771	515,622	524,771
Loans	0	1,500	0	1,500
Total	682,302	663,877	696,193	675,015

Note: ** Subsidiary- PS ZA AVTO, d.o.o., - is not included in the consolidation.

The Company is not liable without limitation for any liabilities in any company in which it holds an equity interest.

Investments in shares and holdings of companies in which the Company/Group holds at least a 20% ownership shareholding

No.	Company name	Registered office		Activity/notes
1	Casino Bled, d.d.	Cesta svobode 15	4 260 Bled	gaming
2	GIO v likvidaciji, d.o.o.	Dunajska 160	1 000 Ljubljana	in liquidation
3	HIT d.d.	Delpinova 7A	5 000 Nova Gorica	gaming
4	PDP, d.d.	Dunajska cesta 119	1 000 Ljubljana	activity of holding companies
5	Pozavarovalnica Sava, d.d.	Dunajska cesta 56	1 000 Ljubljana	reinsurance services
6	PS za avto, d.o.o.	Tržaška cesta 133	1 000 Ljubljana	rental activities
7	Zavarovalnica Triglav, d.d.	Miklošičeva 19	1 000 Ljubljana	insurance service

The Company held 56.68% shareholding in Planika, d.d., Kranj, in bankruptcy since 2003, and 20% shareholding in Casino Maribor, d.d., in bankruptcy since 2008. In 2013, bankruptcy proceedings that had concluded involved the following two companies: IUV, d.d., Vrhnika, in which the Company had held 85.26% shareholding, and Pik, d.d., Maribor, in which the Company had held 53.57% shareholding. The shareholding in other companies against which bankruptcy proceedings had been initiated does not exceed 20%.

Equity value and profit or loss generated in associates and subsidiaries

Company name	No. of shares / holdings	31/12/2013 % lastništva	Total equity of company in EUR 000	Profit / loss in EUR 000	Data refer to
Casino Bled, d.d.	707,620	43.00	110	5	2013
GIO v likvidaciji, d.o.o.	1,002,210	41.23	8,654	-34	liquidation BS 2013
HIT d.d.	1,357,727	20.00	41,060	-1,717	2013
PDP, d.d.	410,271	20.49	9,378	-210	2013
Pozavarovalnica Sava, d.d.	4,304,917	25.00	246,189	14,764	2013
PS za avto, d.o.o.	1,752,969	90.00	9,274	135	2013
Zavarovalnica Triglav, d.d.	6,380,728	28.07	499,790	48,290	2013

Note: non-audited data.

Long-term financial investments in subsidiaries

As of 31 December 2013, the Company's ownership stake in PS ZA AVTO, d. o. o., was 90%, with the book value of EUR 3,757,000. The investment is measured at cost. The impairment test is carried out every year. The inclusion of the subsidiary, PS ZA AVTO, d. o. o., into the consolidated financial statements is insignificant from the aspect of presenting fair and true financial statements for the Group; therefore the company was not included in the consolidation.

Long-term financial investments in associates

Overview of investment value in associates in the financial statements of the Company/Group

	31/12/2013	31/12/2013	Company		Group	
	Voting rights	Ownership	*31/12/2013*	*31/12/2012*	*31/12/2013*	*31/12/2012*
	in %	in %	in EUR 000	in EUR 000	in EUR 000	in EUR 000
Casino Bled, d.d.	43.00	43.00	0	0	47	46
Casino Portorož, d.d.	9.46	9.46	-	0	-	0
Gio, d.o.o v likvidaciji	41.23	41.23	2,138	2,138	2,505	2,518
Hit, d.d.	33.33	20.00	2,593	7,478	11,480	13,602
PDP, d.d., Ljubljana	20.49	20.49	1,920	2,292	6,510	6,880
Pozavarovalnica Sava, d.d.	25.00	25.00	35,038	16,665	35,038	16,665
Zavarovalnica Triglav, d.d.	-	28.07	121,234	105,276	121,234	105,276
Total			162,923	133,849	176,814	144,987

The table above shows the information on the voting rights held by the Company/Group in an individual associate. The percentage regarding the voting rights differs from the ownership percentage in the case of Hit, d.d, in which, in addition to ordinary shares, the Company also owns preference shares. Hit, d.d. regularly pay out dividends on preferred stock. Pursuant to a decision issued by the Securities Market Agency, voting rights of the Company/Group in Zavarovalnica Triglav, d.d. where withheld due to violations of the takeover legislation.

As a result of conversion of claims into the ownership stake pursuant to an endorsed compulsory settlement in the first quarter of 2013, the Company's shareholding in Casino Portorož, d.d. was decreased from 20% to 9.5%. Taking into account the above mentioned fact, Casino Portorož, d.d. is no longer considered an associate.

Investments in associates listed in the regulated market, are measured at fair value through equity, while other investments are measured at cost. The Company regularly monitors business results and major events related to each company in order to determine whether any indications of impairment have arisen and whether any adjustment chargeable to financial expenses must be made.

In the consolidated financial statements, investments in associates are measured by using equity method. When the value of the financial investment obtained in this manner exceeds the fair value of the same financial investment, the impairment must be made, being charged to financial expenses.

Financial investments at fair value through profit or loss and derivatives (option contract)

The Company signed a securities repurchase contract with a business partner/debtor, having agreed on a repurchase of securities at a strike price, repayable on fixed dates. One part of the contract had already been implemented, leaving two bonds still to be realised; as of 31 December 2013, their market value amounted to EUR 0,3 million, and the difference to the contractual value stood at EUR 1,3 million. It is assessed that there is a significant risk associated with the actual implementation of the liability by the set due date which is why the valuation of the option is not reliable. Taking into account the precautionary principle, this derivative was not recognised.

Other available-for-sale financial investments

Other available-for-sale financial investments listed on the regulated market are measured at fair value through equity, whereas non-listed investments are measured at cost while also testing any indications of impairment. Fair value of listed investments is determined on the basis of a market (quoted) price on the reporting date. The Company regularly monitors business results and major events related to each company holding its financial investment in order to determine whether any indications of impairment have arisen and whether any adjustment chargeable to financial expenses must be made.

Overview of other available-for-sale investments (without subsidiaries and associates)

in EUR 000	Company		Group	
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
A) At fair value				
Investments in domestic companies	482,054	433,985	482,054	433,985
Investments in banks	0	2,272	0	2,272
Investments in mutual funds	23,059	27,933	23,059	27,933
Investments in foreign shares.	4,295	3,799	4,295	3,799
Bond investments	4,211	7,288	4,211	7,288
Total at fair value	*513,619*	*475,277*	*513,619*	*475,277*
B) At cost with verification for imapirment signs				
Investments in domestic companies	2,003	2,444	2,003	2,444
Investments in banks	0	46,507	0	46,507
Bond investments	0	543	0	543
Total at purchase value with verification for impairment signs	*2,003*	*49,494*	*2,003*	*49,494*
Total	515,622	524,771	515,622	524,771

The ten major investments in domestic companies (including associates), at the value presented in the Company's financial statements, are:

- Krka, d. d. EUR 318.7 million,
- Zavarovalnica Triglav, d. d. EUR 121.2 million,
- Petrol, d. d. EUR 89.8 million,
- Sava Re, d. d. EUR 35.0 million,
- Telekom Slovenije, d. d. EUR 33.8 million,
- Luka Koper, d. d. EUR 14,6 million,
- Helios Domžale, d. d. EUR 13,3 million,
- Cinkarna Celje, d. d. EUR 8,4 million,
- Aerodrom, d. d. EUR 7,1 million, and
- PS ZA AVTO, d. o. o EUR 3,8 million.

Results of stress tests performed at Slovenian banks

Based on stress tests results (more on the web site of the Bank of Slovenia - **www.bs.si**) some Slovenian banks informed the public of a decision issued by the Bank of Slovenia on 18 December 2013 in relation to the adopted extraordinary measures. Extraordinary measures imposed signified that all banks' qualified liabilities terminated to ensure the coverage of losses and to increase the banks' share capital. Measures of the Bank of Slovenia were adopted with the purpose of re-establishing conditions for a long-term efficient performance of banks. After the implementation of the Bank of Slovenia's measures, the Company/Group lost its right to dispose of some of its financial investments due to which investments in shares of NLB, d.d., Nova KBM, d.d., and Abanka Vipa, d.d. were derecognized in the total amount and charged against profit or loss. For the same reason, relevant subordinate bonds were derecognised and charged against profit or loss. As of 31 December 2013, the Company/Group only held a shareholding in Banka Celje, d.d. (9.36%). Taking into account the publicly announced stress tests results, it was assessed that it is highly unlikely that the above mentioned bank would manage to provide for the required capital adequacy which led to a permanent impairment of this particular investment.

As of 31 December 2013, the Company/Group held financial investments in 46 mutual funds, their market value totalling EUR 23.1 million. Fair value of six funds, individually, exceeded EUR 1 million:

- fund: Triglav Global, management company: Triglav DZU,
- fund: Beta, management company: KBM Infond DZU;
- fund: DWS Concept Kaldemorgen, management company DWS Concept Kaldemorgen;
- fund: Raiffeisen Global Allocation, management company Raiffeisen bank;

- fund: Raiffeisen R337, management company Raiffeisen bank, and
- fund: NLB Funds - Global Equity Fund, management company NLB Skladi.

At the end of the reporting period, the Company/Group held in its portfolio 30 foreign shares; the highest fair value of each single share amounted to EUR 393,000. The market value of investments in foreign shares amounted to EUR 4,3 million.

There are four long-term bonds in the portfolio of the Company/Group maturing in the period from 2015 to 2020; their total value amounted to EUR 4,211,000.

The movements in bond interest rates in 2013:
- bonds with a nominal interest rate moved from 3.34% to 7.57%;
- bonds with a flexible interest rate - 3-month Euribor increased by a mark-up of between 1.5% to 1.9%, and 6-month Euribor with a margin of between 1.4% to 2.0%.

The principal amounts of bonds totalling EUR 1,733,000 will mature in a period of more than five years after the reporting date.

Long-term loans

in EUR 000		Company		Group
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Deposits given and commercial bank deposits	0	1,500	0	1,500
Total	0	1,500	0	1,500

Interest rates in long-term deposits provided by commercial banks and deposits ranged between 3.1% to 4.8%.

Fair value levels of financial instruments

The fair value hierarchy as laid down by the IFRS 7 includes input data and assumptions used in measuring the financial instruments at the fair value. Market input data come from independent sources whereas non-market input data are assumed by the Company or Group. The fair value hierarchy consists of the following levels:
- level 1 – market prices (unadjusted) from the operating market; this level includes shares, bonds, derived financial instruments listed on stock markets and UCITS units of the investment/mutual funds;
- level 2 – valuation model, which is directly or indirectly based on the market data; the source of the market data, such as the yield curve and counterparties bonuses, is the Bloomberg system;
- level 3 – valuation model which is not based on the market data; this level represents non-market shares and non-market bonds.

Financial instruments measured at fair value according to fair value hierarchy levels

in EUR 000		Company		Group
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Financial assets at the first-level fair value	679,559	598,569	679,559	598,569
Financial assets at the second-level fair value	1,920	43,314	1,920	43,314
Financial assets at the fird-level fair value	12,510	21,845	26,401	32,983
Total financial assets at fair value	693,990	663,728	707,880	674,866

The table includes all financial investments except non-current assets held for sale.

Movement in long-term financial investments of the Company

in EUR 000	01/01/2013	Acquisitions	Disposals	Revaluations	31/12/2013
Long-term investments in subsidiaries	3,757	0	0	0	3,757
Long-term investments in associates	133,849	13,753	0	15,321	162,923
Other available for sale finan. Investments	524,771	12,247	-34,148	12,752	515,622
Loans	1,500	15,000	-16,500	0	0
Total	663,877	41,000	-50,648	28,073	682,302

in EUR 000	01/01/2012	Acquisitions	Disposals	Revaluations	31/12/2012
Long-term investments in subsidiaries	3,757	0	0	0	3,757
Long-term investments in associates	91,360	1,385	0	41,104	133,849
Long-term fin. investments at fair value through profit or loss	44,565	0	-45,410	845	0
Other available for sale finan. Investments	578,236	48,917	-18,428	-83,954	524,771
Loans	10,000	62,900	-71,400	0	1,500
Total	727,918	113,202	-135,238	-42,005	663,877

The acquisitions of financial investments in associates includes capital increase in Pozavarovalnica Sava, d.d. in the amount of EUR 13,750,000.

The revaluation of investments in associates refers to:
- the increase in market value of shares of Zavarovalnica Triglav, d.d. - EUR 16, 0 million;
- the increase in market value of Pozavarovalnica Sava, d.d. - EUR 4.6 million;
- permanent impairment of investment in Hid, d.d. - EUR 4.9 million;
- permanent impairment of investment in PDP, d. d. - EUR 0.4 million.

The acquisitions of other available-for-sale investments include: capital increase in NLB, d.d. (EUR 0.8 million), purchases/exchanges in mutual funds (EUR 8.7 million) and long-term bond purchases (EUR 2.6 million). Significant amounts achieved with the disposal of financial investments include the sale of mutual funds (EUR 14,6 million), the transfer of shares of Helios, d.d. to non-current assets held for sale (EUR 13,3. million) and the transfer of bonds to short-term assets (EUR 4,7 million) and the cashing-in of bonds (EUR 1,4 million).
In 2013, a significant positive growth achieved by investments in domestic shares (excluding associates) was recorded with the following shares:
- Krka, d. d., EUR 53,1 million,
- Telekom, d. d., EUR 7,2 million and
- Aerodrom, d. d., EUR 4,0 million.

Revaluation amount referring to the available-for-sale investments also includes impairments of some investments in domestic companies through profit or loss. Higher amounts have been achieved by way of impairments of the following shares:
- NLB, d. d., EUR 41,75 million,
- Banka Celje, d. d., EUR 5,6 million,
- Nova KBM, d. d., EUR 1,6 million, and
- bonds of various issuers in the total amount of EUR 1,7 million.

The largest losses in the market value in 2013 recorded by the investments in shares (listed) within the available-for-sale financial investments group of assets were:
- Petrol, d. d., EUR 7,6 million,
- Nova KBM, d. d., EUR 1,6 million,
- Sava, d. d., EUR 0,7 million,
- Abanka, d d., EUR 0,6 million.

Acquisitions in relation to loans include deposits given and all other transactions with commercial banks. Short-term portion of long-term loans amounts to EUR 16,5 million and is included within disposals.

In 2013, only the sale of shares of Zavarovalnica Maribor, d.d. was realised. As of 31 December 2012, these shares were classified as non-current assets held for sale. The proceeds amounted to EUR 51,2 million. In relation to mutual funds, several restructuring took place, selling off less profitable funds and investing in mutual funds units.

Movement in long-term financial investments of the Group

in EUR 000	01/01/2013	Acquisitions	Disposals	Revaluations	31/12/2013
Long-term investments in subsidiaries	3,757	0	0	0	3,757
Long-term investments in associates	144,987	13,753	0	18,074	176,814
Other available for sale finan. Investments	524,771	12,247	-34,148	12,752	515,622
Loans	1,500	15,000	-16,500	0	0
Total	675,015	41,000	-50,648	30,826	696,193

in EUR 000	01/01/2012	Acquisitions	Disposals	Revaluations	31/12/2012
Long-term investments in subsidiaries	3,757	0	0	0	3,757
Long-term investments in associates	113,518	1,385	0	30,084	144,987
Long-term fin. investments at fair value through profit or loss	44,565	0	-45,410	845	0
Other available for sale finan. Investments	578,236	48,917	-18,428	-83,954	524,771
Loans	10,000	62,900	-71,400	0	1,500
Total	750,076	113,202	-135,238	-53,025	675,015

9.1.5. Long-term operating receivables

in EUR 000		**Company**		**Group**
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Long-term receivable due from the Republic of Slovenia pursuant to ZSPOZ	47,335	70,027	47,335	70,027
Long-term receivable due from the Republic of Slovenia pursuant to ZIOOZP	22,794	33,721	22,794	33,721
Long-term receivable due from the Republic of Slovenia pursuant to ZVVJTO	63,712	94,256	63,712	94,256
Total	133,841	198,004	133,841	198,004

Long-term operating receivable maturity by years

in EUR 000	Amount maturing in a year		Total
	2015	2016	
ZSPOZ-receivable	23,858	23,477	47,335
ZIOOZP-receivable	11,489	11,305	22,794
ZVVJTO-receivable	32,113	31,599	63,712
Total	67,460	66,381	133,841

Receivables due from the Republic of Slovenia pursuant to ZSPOZ

At its session held on 2 February 2011, the National Assembly of the Republic of Slovenia adopted the Act Amending the Payment of Compensation to the Victims of War and Post-war Aggression Act (ZSPOZ-D) which stipulates that SOD, d.d., shall pay such compensation amounts on behalf of and for the account of the Republic of Slovenia. It has been laid down by way of these amendments that assets for the implementation of this Act should be provided by the budget, and that committed assets which have not yet been cashed out should remain in the ownership of SOD, d.d.. In addition, rules regarding payments to beneficiaries which have been paid by SOD, d.d., from its own funds have also been defined. The future financing of the liability regarding compensation to victims of war and post-war violence has also been regulated by way of this amending Act as well as the payment for the administrative and technical services carried out by SOD, d.d., on behalf of the Government of the Republic of Slovenia pursuant to this Act. On 25 March 2011, a protocol establishing the liability amount due from the Republic of Slovenia to SOD, d.d., as of 31 December 2010, was signed by and between SOD, d.d., and the Ministry of Finance. On the basis of the contract signed with the Ministry of Finance on 11 April 2011, by way of which, among other matters, a progressive repayment of the funds paid in advance in the form of ten half-year instalments by 2016 had been regulated, a claim against the Government of the Republic of Slovenia pursuant to SZPOZ was established in the SOD's books of account. Based on legislative provisions, the six-month Euribor interest rate was applied to the above mentioned receivable. Based on an analysis of market conditions for borrowings, the contractual amount of the receivable is discounted, using the expected government bond yield with a comparable maturity as a discounting factor.

Receivables due from the Republic of Slovenia pursuant to ZIOOZP

At its session held on 19 May 2011, the National Assembly of the Republic of Slovenia adopted the Act Amending the Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property (ZSPOZ-A), imposing on SOD, d.d., to perform tasks in regard to the issuing, delivery and payment of bonds and calculation of interest, on behalf of and for the account of the Republic of Slovenia. It was laid down that assets for the implementation of this act should be provided in the budget. The future financing of the liability regarding compensation to beneficiaries under ZIOOZP has also been regulated by way of this amending Act, as well as the payment for the administrative and technical services carried out by SOD, d.d., on behalf of the Government of the Republic of Slovenia pursuant to this act. On 21 June 2011, a protocol establishing the liability amount due from the Republic of Slovenia to SOD, d.d., as of 31 December 2010, was signed by and between SOD, d.d., and the Ministry of Finance. On the basis of the contract signed with the Ministry of Finance on 14 July 2011, by way of which, among other matters, a progressive repayment of the funds paid in advance in the form of ten half-year instalments by 2016 had been regulated, a receivable against the Government of the Republic of Slovenia under ZIOOZP, was established in the SOD's books of account. Based on legislative provisions, the six-month Euribor interest rate was applied to the above mentioned receivable. Based on an analysis of market conditions for borrowings, the contractual amount of the receivable is discounted, using the expected government bond yield with a comparable maturity as a discounting factor.

Receivables due from the Republic of Slovenia pursuant to ZVVJTO

Pursuant to ZVVJTO, investments in the public telecommunications network are being reimbursed by the Company, first starting transferring monies to beneficiaries in 2007. For this purpose, the 10% shareholding held by the Republic of Slovenia in Telekom Slovenije, d.d., was transferred to SOD: As stipulated in the contract concluded by and between Republic of Slovenia and SOD, d.d., additional funds from the central government budget would be transferred to SOD when the proceeds from the sale of these shares were lower than the amount refunded to beneficiaries, and vice versa, when the proceeds from the sale of shares were higher than the refunded amount, the surplus amount would have to be transferred into the budget. In 2009, a new contract was concluded by and between SOD and the Ministry of Finance, by way of which it was agreed that the monies that had been paid in advance by SOD would be regularly refunded to the Company by the Ministry of Finance; it was also agreed that the agreement would apply to payments to be carried out after 1 January 2009.

On the basis of the amendments to ZVVJTO, which were adopted by the National Assembly of the Republic of Slovenia, on 19 May 2011, a 10% shareholding in Telekom, d.d., was transferred back by SOD to the Government of the Republic of Slovenia. On 14 July 2011, a contract was signed between the two parties establishing the amount of the receivable held by SOD, d.d., as of 31 December 2010 and due from the Republic of Slovenia as a result of the implementation of ZVVJTO. The maturity date and payment method were also determined. The above mentioned receivable bore an interest rate of the six-month Euribor. Based on an analysis of market conditions for borrowings, the contractual amount of the receivable is discounted, using the expected government bond yield with a comparable maturity as a discounting factor. It was also established that the Republic of Slovenia's liability would be paid in ten equal half-year instalments in the period between 2012 and 2016. In addition to the interest, costs held by SOD for the implementation of ZVVJTO were also recognised. An agreement between SOD and the Republic of Slovenia was also reached that receivables due from the Republic of Slovenia as a result of the current implementation of ZVVJTO would be paid to SOD on a monthly basis, by way of a claim made each time.

9.1.6. **Non-current assets held for sale**

in EUR 000		Company		Group
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Non-current assets held for sale	13,255	50,000	13,255	50,000
Skupaj	13,255	50,000	13,255	50,000

In 2013, the Company/Group sold all 4,882,813 shares of Zavarovalnica Maribor, d.d.

The contract on the sale of 26,563 shares of Helios, d.d., was also signed in 2013. The payment of the purchase price in the amount of EUR 13,812,760 and the transfer of shares were planned to be implemented in the first half of 2014, after the fulfilment of suspensive conditions. In financial statements, the shares of Helios, d.d. were valued at market price.

9.1.7. **Short-term financial investments**

General notes and guidelines applied in the development of financial statements are equal as those explained in regard to long-term financial investments.

In addition to investments in financial liabilities which are treated as short-term financial investments upon their occurrence, long-term investments in financial liabilities maturing one year after the date of the preparation of the financial statements are presented in this section.

in EUR 000		Company		Group
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Short-term finan.investments held for sale	9,669	1,351	9,669	1,351
Depositts given and commercial bank deposits	80,500	138,400	80,500	138,400
Commercial papers, certificates of deposit	6,515	1,659	6,515	1,659
Total	96,684	141,410	96,684	141,410

The value of the recognised short-term financial investments reflects their fair value.

Interest rates ranged from:

- for deposits from 1.90 % to 3.7%,
- for call deposits from 1.1% to 1.65%,
- for bonds - see Note 9.1.4.,
- for certificates of deposits -3.1%

Significant bonds and their coupons to be cashed in 2014:

- RS65 EUR 2,622, 000,
- PET1 EUR 2,040,000, and
- SID SEDABI 3.34 EUR5,006,000.

In 2013, no loans were granted to the management, members of the Supervisory Board or to members of its Commission. No collateral instruments were received by the Company/Group for loans given. Risk exposure is described in section 9.2

9.1.8. **Short-term operating receivables**

in EUR 000	Company		Group	
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Receivables due from domestic customers	33	41	33	41
Interest receivables	1,174	1,178	1,174	1,178
Adjustment of interest receivable	0	-28	0	-28
Dividends receivable	28	297	28	297
Receivables due from RS pursuant to ZSPOZ	24,492	24,826	24,492	24,826
Receivables due from RS pursuant to ZIOOZP	11,715	11,762	11,715	11,762
Receivables due from RS pursuant to ZVVJTO	32,539	32,549	32,539	32,549
Other receivables due from state institutions	491	578	491	578
Receivables arising from the ownership of housing units	828	876	828	876
Adjustments of receivables for ownership of housing units	-812	-836	-812	-836
Other receivables (cashed-in guarantees, etc.)	4,109	4,093	4,109	4,093
Value adjustment of other receivables	-4,088	-4,088	-4,088	-4,088
Total	70,509	71,248	70,509	71,248

Receivables assumed not to be paid in full are considered as doubtful. Two criteria are used by the Company/Group for value adjustment of a receivable:

- based on past experience and expectations, a – 50% value adjustment is applied for receivables outstanding for the period from 90 to 150 days; a – 75% value adjustment is applied for receivables outstanding for the period from 151 to 210 days, and a – 100% value adjustment is applied for receivables outstanding for more than 210 days.
- a debtor's rating – a value adjustment is also applied to other individual receivables when a justified suspicion is given as to the likelihood of their settlement.

There are no outstanding claims among receivables due from customer. The interest receivables include interest on bonds, deposits given and other loans granted. The highest sum of a receivable included among receivables due from state institutions was the receivable due from the Farmland and Forest Fund of the Republic of Slovenia incurred in relation to proceeds from the management of forest and agricultural land and proceeds from the sale of agricultural land in the amount of EUR 422,000.

A source of funds to cover liabilities arising from denationalisation also included proceeds from the sale of nationalised apartments and 10% of proceeds from the sale of socially-owned flats. Persons liable for payment in the first case are buyers of apartments, while these are sellers of housing units in the second case. The receivable is adjusted on a monthly basis, taking into account the provisions of the contract on the sale of apartments.

In 2013, the adjustments of receivables amounted to EUR 7,000, all referring to receivables incurred pursuant to the Housing Act.

There are no receivables due from related entities, except for receivables due from the Republic of Slovenia which is considered a related party in accordance with IAS 24.

The value of the recognised short-term financial investments reflects their fair value.

Movements in value adjustment of receivables

in EUR 000	Company		Group	
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Balance of value adjustment of receivables as of 1 January	4,952	5,361	4,952	5,361
Collected receivables for which adjustment was formed	3	9	3	9
Written-off receivables for the year	56	412	56	412
Formation of adjustment for the year	7	12	7	12
Total adjustments as of 31 December	4,900	4,952	4,900	4,952

9.1.9. **Cash and cash in bank**

in EUR 000	Company		Group	
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Cash in hand	1	0	1	0
Credit balances with commercial banks	23	41	23	41
Cash equivalents	13,184	1,730	13,184	1,730
Total	13,208	1,771	13,208	1,771

Cash equivalents include:
- call deposits held with Abanka Vipa, d. d., amounting to EUR 3.9 million;
- call deposits held with BKS Bank, AG, amounting to EUR 9.3million;

9.1.10. **Short-term deferred costs and accrued revenues**

in EUR 000	Company		Group	
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Deferred costs and accrued revenues	27	26	27	26
Total	27	26	27	26

The deferred costs of insurance premiums, newspaper subscriptions, tuition fees and financial information data bases access fee are recognised under this item.

9.1.11. **Equity**

Equity of the Company

The equity of the Company includes the called-up capital, financial investments revaluation surplus, retained losses and, provisionally, unsettled loss for the financial year. The sole shareholder is the Republic of Slovenia. The share capital of the Company amounts to EUR 60,166,917.04 and is divided into 36,046 (thirty-six thousand and forty-six) non-par value shares.

Revaluation surplus

in EUR 000	Company	Group
	31/12/2013	31/12/2012
Increases of investements in shares of companies	366,288	304,160
Increases of investements in foreign shares	1,343	845
Increases in mutual funds	2,618	3,053
Increases of investements in shares of insurance companies	92,386	71,809
Increases/impairments of investments in bonds	-7	-483
Deferred tax liability	-43,511	-35,029
Total	419,117	344,355

Significant increases in the balance as of 31 December 2013:

- Krka, d. d., EUR 277,3 million,
- Zavarovalnica Triglav, d. d., EUR 82,1 million,
- Petrol, d. d., EUR 43,9 million,
- Telekom, d. d., EUR 16,8 million,
- Helios, d. d., EUR 11,0 million, and
- Pozavarovalnica Sava, d. d., EUR 10,3 million.

Movements in revaluation surplus

	Balance 1/1/13	Transfer to profit or loss	Added during the year	Balance 31/12/13
Surplus from domestic companies	304,160		62,128	366,288
Surplus from foreign companies (shares)	845	3	501	1,343
Surplus from mutual funds	3,053	1,458	1,023	2,618
Surplus from investments in insurance companies	71,809		20,577	92,386
Bond surplus	-483	-496	-20	-7
Total by surplus type	379,384	965	84,209	462,628
Deferred tax liability	-35,029	-164	-8,646	-43,511
Total	344,355	801	75,563	419,117

In case of equity revaluation as a result of maintaining the purchasing power based on the growth in consumer prices in 2013 (0.7%), the profit or loss is reduced by EUR 719,900.

The book value per Company's share is calculated as a ratio between the total capital and the number of the Company's shares:

- as of 31 December 2013 – 129,184,646/ 36,046 = 3,583.88 EUR,
- as of 31 December 2012 – 102,844,256/ 36,046 = 2,853.14 EUR.

Equity of the Group

The equity of the Group includes the equity of the controlling company amounting to EUR 129,2 million, and the proportional value of the equity of associates measured in compliance with the equity method. In line with the equity method, the consolidation included the following companies: Zavarovalnica Triglav Group, Pozavarovalnica Sava Group, Hit Group, PDP Group, Casino Bled, d.d., and Gio, d.o.o., in liquidation. The effect of an individual associate on the equity of the Group is explained in section: 9.1.25.

At the end of 2013, the equity of the minority owner was not at the Group's disposal due to the fact that consolidation had included only associates by using the equity method.

The book value per Group's share, which is calculated as a ratio between the total capital and the number of the Company's shares:

- as of 31 December 2013 – 143,076,221 / 36,046 = EUR 3,969.27,
- as of 31 December 2012 – 113,981,320 / 36,046 = EUR 3,162.11.

9.1.12. Long-term provisions and long-term accrued costs and deferred revenues

Provisions with the value exceeding 10% of the value of the total long-term provisions are considered as significant by the Company/Group, provided that the amount of total provisions created attains at least 0.5% of the value of assets as of the balance sheet date.

in EUR 000	Company		Group	
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Provisions for denationalisation	75,313	90,599	75,313	90,599
Provisions for onerous contracts	252	311	252	311
Provisions for jubilee premiums	25	29	25	29
Provisions for retirement benefits	147	147	147	147
Other provisions	149	30	149	30
Accrued costs and deferred revenues	4	7	4	7
Total	75,890	91,123	75,890	91,123

The applicable legislation, past experience and, particularly, the legal practice is taken into account when it is assessed whether conditions have been met to form long-term provisions for denationalisation claims received under ZDen. The sum of provisions was assessed by examining each denationalisation claim. The current practice shows that the sum on such claims usually significantly exceed compensation amount endorsed which is taken into account when forming the estimation. The amount of the provision is reviewed once a year. Denationalisation claims undergo various procedures; coming closer to the procedure's final phase makes the estimation more reliable:

- potential final decisions with the compensation amount determined - the Company agrees with the claim, however, legal remedies lodged by claimants are considered possible;
- claims with issued decisions but legal remedies have been lodged and the procedure has been renewed;
- claims undergoing the process and waiting for a decision.

The amount for the provision is the sum of estimated compensation amounts and the accrued interest calculated using the SOS2E bond amortisation plan by the end of the reporting period (compensation is converted into the number of SOS2E bonds, for the purpose of calculating the interest).

When assessing which claims to be included among provisions and which to be included among contingent liabilities, decisions of administrative bodies in similar cases were taken into account. Contingent claims, for example, include persons who were granted or obtained the right to claim compensation from Austria on the basis of a treaty between the Federal Republic of Germany and the Republic of Austria on the settlement of damages to deportees, resettled and displaced persons, settlement of other financial issues and issues relating to the social area or to the Financial and Compensation Treaty, including the Bad Kreuznach Abkommen agreement of 27 November 1961 and Austrian laws adopted on its basis. Contingent liabilities also include some claims referring to cases in which obstacles are present for the restoration of property in kind.SOD was successful in its appeal against the first-instance decision and, considering the existing case law of the Administrative and Supreme Courts of the Republic of Slovenia, it can be expected SOD will not be classified as an entity liable to pay compensation.In cases when, by examining the facts, it was assessed, that there is a small probability for SOD to be classified as a party liable to pay compensation, such claims were classified as contingent liabilities.

Provisions have been formed for jubilee premiums and retirement benefits paid to employees; amount are presented in the table above. The following facts have been taken into account in the last calculation made (as of 31 December 2013; usually, the calculation is made every second year):

- upon their retirement, employees are entitled to a severance grant in the amount of his/her two average salaries, or in the amount of two average salaries at the state level, whichever is more favourable for employees;
- retirement takes place in accordance with the model pursuant to Pension and Disability Insurance Act (ZPIZ-2);
- jubilee premiums are granted to employees for the total length of their service;
- staff turnover ranging from 0 to 3%, depending on the age of employees;
- the 3.5% wage growth in Slovenia;
- discount rate of 3.5%.

Based on court decisions in relation to labour disputes, it was assessed that additional provisions must be formed to meet any potential liabilities arising from such disputes. In 2013, certain judicial proceedings concluded favourably for the Company/Group which is why related provisions were reversed.

Movements in provisions of the Company/Group

in EUR 000	Balance as of 1/1/2013	Newly created provisions	Disbursement of provisions	Reversed provisions	Balance as of 31/12/2013
Provisions for denationalisation	90,599	11,549	26,835	0	75,313
Provisions for onerous contracts	311	1		60	252
Provisions for jubilee premiums	29	0	4	0	25
Provisions for retirement benefits	147	0	0	0	147
Other provisions	30	119	0	0	149
Accrued costs and deferred revenues	7	0	3	0	4
Total	91,123	11,669	26,842	60	75,890

in EUR 000	Balance as of 1/1/2012	Newly created provisions	Disbursement of provisions	Reversed provisions	Balance as of 31/12/2012
Provisions for denationalisation	146,708	0	16,904	39,205	90,599
Provisions for onerous contracts	312	29	0	30	311
Provisions for jubilee premiums	23	9	3	0	29
Provisions for retirement benefits	95	52	0	0	147
Other provisions	0	30	0	0	30
Accrued costs and deferred revenues	0	7	0	0	7
Total	147,138	127	16,907	39,235	91,123

9.1.13. Long-term financial and operating liabilities

in EUR 000	Company		Group	
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Loans obtained from banks	319,926	469,859	319,926	469,859
Pricipal for SOS2E bond	182,191	286,878	182,191	286,878
Interest rate swaps fair value	3,868	6,930	3,868	6,930
Total	505,985	763,667	505,985	763,667

Long-term debt is a recognised liability associated with the financing of own assets which must be settled in a period longer than a year. The liability must be settled in cash.
The Company's/Group's long-term financial liabilities include long-term debt securities issued and loans granted. The SOS2E bonds are delivered in order to settle the Company's/Group's liabilities arising from the compensation recognised in denationalisation proceedings.

Movement in long-term financial and operating liabilities of the Company/Group

The portion of the long-term debt arising from SOS2E bond having matured and the portion to mature within a year from the balance sheet date was recognised among short-term liabilities. The value of the amounts of the outstanding debt are insignificant. Claimants failing to deliver the necessary data are the reason behind their default.

in 000 EUR	Balance 1/1/2013	Acquisitions	Repayments	Transfer to/from short term liab.	Balance 31/12/2013
Loans obtained from banks	469,859	67	0	-150,000	319,926
Interest rate swap fair value	6,930	-3,062	0	0	3,868
SOS2E bond	286,878	14,625	4,588	-114,724	182,191
Total	763,667	11,630	4,588	-264,724	505,985

in 000 EUR	Balance 1/1/2012	Acquisitions	Repayments	Transfer to/from short term liab.	Balance 31/12/2012
Loans obtained from banks	299,871	-12	0	170,000	469,859
Interest rate swap fair value	0	5,981	0	949	6,930
SOS2E bond	382,553	6,137	5,899	-95,913	286,878
Total	682,424	12,106	5,899	75,036	763,667

The lending banks:

- SKB banka, d. d. EUR 70 million,
- Abanka Vipa, d. d. EUR 70 million,
- Nova Ljubljanska banka, d. d. EUR 50 million,
- Unicredit banka Slovenija, d. d. EUR 40 million,
- Raiffeisen banka, d. d. EUR 40 million,
- BKS Bank AG EUR 20 million,
- Hypo Alpe Adria bank, d. d. EUR 20 million,
- Banka Celje, d. d. EUR 10 million.

in EUR 000	Amount maturing in a year		Total
	2015	2016	
Credits received from commercial	299,936	19,990	319,926
SOS2E Bond	119,097	63,094	182,191
Total	419,033	83,084	502,117

The interest rate for loans received ranged between 1.171% and 3.088% annually. Effective interest rates at the end of the year were:

- for EUR 25 million – 6M EURIBOR increased by an average mark-up of 195 basis points;
- for EUR 445 million – 3M EURIBOR increased by an average mark-up of 145 basis points;
- at the end of the year, the average mark-up, taking into account all loans, amounted to 148 basis point .

Loans obtained from banks are secured by a guarantee issued by the Government of the Republic of Slovenia, which is regulated by way of two acts: the Act on Guarantee of the Republic of Slovenia for Liabilities Assumed by Slovenska odškodninska družba, d.d., for Loans Obtained for the Financing of Slovenska odškodninska družba, d.d., in 2009 (ZPSOD09), and the Act on the Guarantee of the Republic of Slovenia for Liabilities Assumed by Slovenska odškodninska družba, d.d. totalling EUR 300 million for Loans and Bonds Issued for the Financing of Slovenska odškodninska družba, d.d., in 2010 (ZPSOD10) and blank bills of exchange. As security for the guarantee under ZPSOD10, a long-term receivable due from the Republic of Slovenia arising from the implementation of ZVVJTO was pledged for the benefit of the Republic of Slovenia. In order to secure the guarantee under ZPSOD09, the following shares were pledged: shares of Aerodrom Ljubljana, d.d., Hit, d.d., Loterija, d.d., Luka Koper, d.d., Nova KBM, d.d. and Zavarovalnica Triglav, d.d. In addition, in accordance with the contract, the Company was supposed to establish a lien for the benefit of the Republic of Slovenia on

shares of Ljubljanska banka, d.d., but, the prohibition of disposal had been recorded for the Republic of Slovenia in this case. The prohibition of disposal of shares was abolished during 2013. At the end of 2013, as a result of extraordinary measures taken by the Bank of Slovenia, the share capital of NLB, d.d., ceased to apply, which is why the entry of a lien on these shares was not realised and another collateral is envisaged to be formed.
Liabilities to banks arising from the interest rate swap in the amount of EUR 3,868,000 represent the estimated fair value of open contracts for hedging the interest risk at the end of the reporting period. Nine contracts were concluded regulating the interest rate swap with seven banks for a total virtual principal of EUR 300 million. The fixed interest rate fluctuates between 0.684 and 1.4379% p.a., whereas the three-month EURIBOR recalculated four times a year has been agreed as the floating interest rate. All contracts will terminate in 2015.

The interest rate for SOS2E bonds is 6% a year and is calculated according to the compound method. The last instalment is due in 2016

No liability falls due within a period of five years after the reporting date.

The company is licensed by the Ministry of Finance to purchase SOS2E bonds. These own bonds are accounted by the Company as a deduction item to the liabilities accounts. As of the balance sheet date, the long-term portion of own bonds totalled EUR 4,476,000

The value of the recognised long-term financial investments reflects their fair value.

9.1.14. **Short-term financial liabilities**

Short-term debt includes those liabilities which must be settled not later than within a year. Financial debt includes short-term loans given pursuant to loan agreements as well as short-term securities. The matured long-term debt and the portion of long-term debt maturing within a year following the reporting date are also included in short-term debt. In 2014, the sum of EUR 150 million of loans given will mature in accordance with applicable agreements The negotiations for extending the maturity of loans given for approximately two years are in progress.

in EUR 000	Company		Group	
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Loans obtained from banks	150,000	0	150,000	0
Pricipal for SOS2E bond	126,001	108,052	126,001	108,052
Total	276,001	108,052	276,001	108,052

Lending banks:

- SKB banka, d. d. EUR 50 million,
- Unicredit banka Slovenija, d. d. EUR 35 million,
- Raiffeisen banka, d. d. EUR 30 million,
- Banka Koper, d. d. EUR 30 million
- Abanka Vipa, d. d. EUR 5 million.

Interest rates for loans given by banks are disclosed in the section reporting on long-term loans, item 9.1.13.

The Company has at its disposal SOS2E bonds; the short-term portion of the principle accounted for as an expense in the liability account, amounted to EUR 2,693,000, as of the balance sheet date. The interest rate for SOS2E bond is disclosed in Note 9.1.13.

Movements in short-term liabilities of the Company/Group

in 000 EUR	Balance 1/1/2013	Acquisitions	Repayments	Transfer to/from short term liab.	Balance 31/12/2013
Loans obtained from banks	0	0	0	150,000	150,000
SOS2E bond	108,052	0	96,775	114,724	126,001
Total	108,052	0	96,775	264,724	276,001

in 000 EUR	Balance 1/1/2012	Acquisitions	Repayments	Transfer to/from short term liab.	Balance 31/12/2012
Loans obtained from banks	179,966	34	10,000	-170,000	0
Interest rate swap fair value	949	0	0	-949	0
SOS2E bond	98,982	0	86,841	95,911	108,052
Total	279,897	34	96,841	-75,038	108,052

9.1.15. Short-term operating liabilities

in EUR 000		Company		Group
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Accounts payable	4,231	4,199	4,231	4,199
Payables for acquisition of shares	0	45,000	0	45,000
Advances received	7	9	7	9
Interest on loans obtained from banks	1,150	1,160	1,150	1,160
Interest for SOS2E bond	22,352	15,946	22,352	15,946
Dividend payable to future ZT owners	0	1	0	1
Employee payables	149	192	149	192
Payables related to state institutions	140	269	140	269
Other payables	10	6	10	6
Total	28,039	66,782	28,039	66,782

Short-term operating debt include loans granted to suppliers, employee payables, payables relating to interest settlement, payables to the Republic of Slovenia relating to taxes and payables to buyers relating to advances and collaterals received. The matured long-term debt and the portion of long-term debt maturing within a year following the reporting date are also included in short-term debt.

At the end of the reporting period, except for wages and salaries payables, there are no payables outstanding related to related entities.

The liability for the purchase of the investment property in the amount of EUR 4,124,000 (see Note 9.1.3.) represents a major sum included in trade payables.

There are no matured and outstanding liabilities.

9.1.16. Short-term accrued costs and deferred revenues

The accrued costs and deferred revenues include the liability of the Company/Group for the unused portion of the paid holiday leave.

in EUR 000		Company		Group
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Accrued expenses	116	129	116	129
Short-term deferred income	0	36	0	36
Total	116	165	116	165

9.1.17. **Operating income**

in EUR 000	Company		Group	
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Income from the sale of products and services	156	156	156	156
rental income	377	430	377	430
Total net sales revenue	*533*	*586*	*533*	*586*
Income from the use and reversal of long-term provisions denationalisation	0	46,844	0	46,844
Income from the use and reversal of other long-term provisions	60	31	60	31
Income for denationalisation purposes	2,853	3,942	2,853	3,942
Revaluation operating income	393	90	393	90
Other operating income	*3,306*	*50,907*	*3,306*	*50,907*
Total	3,839	51,493	3,839	51,493

Rental income was generated by renting out the investment property (Smelt building).

Income allocated for denationalisation includes:

- proceeds from the sale and management of agricultural land and forests, paid by the Farmland and Forest Fund of the Republic of Slovenia;
- proceeds from the sale of socially-owned housing units – 10% of the purchase money belongs to the Company/Group; persons liable for payment are the former owners of the socially-owned housing units
- proceeds from sale of nationalised housing units – 100% of the purchase money belongs to the Company/Group, the payment is directly transferred to the Company;
- proceeds resulting from the companies ownership transformation procedures – paid in cash or by means of shares or equity holdings, transferred to the Company/Group partly from D.S.U., d.o.o., and partly from the budget of the Republic of Slovenia.

In 2013, the operating income amounted to a solid 7% of all income that was generated. All sales revenues are generated in the domestic market.

9.1.18. **Costs of goods, material and services**

in EUR 000	Company		Group	
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Costs of energy	49	37	49	37
Office equipment write-off	5	1	5	1
Costs of office equipment	21	12	21	12
Other costs of material	30	16	30	16
Total	*105*	*66*	*105*	*66*
Costs of telecomunication services, etc	85	69	85	69
Maintenance costs	143	126	143	126
Rents	115	7	115	7
Reimbursement of employee-related costs	41	40	41	40
Costs of payement transactions, banking services, and insurance premiums	170	125	170	125
Costs of inntellectual and personal services	405	135	405	135
Costs of trade fairs, advertising and representation expenses	4	2	4	2
Costs of services rendered by individuals not in the capacity of sole traders	257	133	257	133
Costs of other services	436	349	436	349
Total	*1,656*	*986*	*1,656*	*986*
Total	1,761	1,052	1,761	1,052

Costs of intellectual services include the costs of attorneys-at-law, notaries, auditors, appraisers of enterprises, appraisers specialises in denationalisation issues, and similar.
Maintenance costs include the maintenance of software and business premises.

The contractual amount for the auditing of the financial statements of the Company and Group for 2013 amounted to EUR 16,800, excluding VAT. In addition, the Company's employees attended some training sessions organised and implemented by the audit company auditing the financial statement. The cost of this service amounted to EUR 1,038, VAT included. The services related to an appraisal of a company commissioned by the Company and rendered by Deloitte, d. o. o., (entity related to the audit firm) amounted to EUR 9,480, including VAT.

The item "Costs of services rendered by individuals not in the capacity of sole traders" includes meeting fees, remuneration for members of Supervisory Boards, Audit Committee and Accreditation Committee. Meeting fees expense includes travel expenses and other compulsory charges.

Costs of other services include costs of municipal utility services, road traffic tax, reception costs, legal fees, publications of advertisements and costs related to the investment property.

9.1.19. **Labour costs**

in EUR 000	Company		Group	
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Salaries and wages	3,001	2,341	3,001	2,341
Costs of pension insurance	257	209	257	209
Costs of voluntary supplementary pension insurance	93	62	93	62
Costs of social insurance	235	171	235	171
Annual leave allowance, reimbursements and other earnings	285	259	285	259
Provisions for jubilee premiums	0	10	0	10
Provisions for retirement benefit	0	52	0	52
Total	3,871	3,104	3,871	3,104

Labour costs include wages and salaries paid to employees, wage compensation attributable to employees for a period off work in accordance with the law, collective agreement or an employment agreement, bonuses and rewards paid to employees, as well as taxes charged on the aforementioned items. This also include reimbursement for travel expenses paid to employees and costs of meals, holiday allowances, any severance payments paid upon the termination of the employment relationship and costs of provisions for jubilee premiums and retirement benefits.

As of 31 December, there are no outstanding payables related to labour costs.

9.1.20. **Depreciation**

in EUR 000	Company		Group	
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Depreciation of intangible fixed assets	16	11	16	11
Depreciation of buildings	90	90	90	90
Depreciation of investment property	150	150	150	150
Depreciation of equipment and spare parts	54	56	54	56
Depreciation of office equipment	1	1	1	1
Total	311	308	311	308

The depreciable amount of an individual fixed asset is consistently allocated to an individual accounting period during it entire useful life.

9.1.21. **Costs of long-term provision formation**

in EUR 000	Company		Group	
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Provisions for denationalisation	11,549	0	11,549	0
Provisions for litigations costs	4	30	4	30
Total	11,553	30	11,553	30

During the regular annual review of claims related to denationalisation and thus related volume of provisions to be created, it was concluded, that this particular amount must be increased. On one hand, a reason for such a decision lies in the fact that a relevant authority had recognized a compensation amount contrary to the Company's original assessment that such a decision was highly unlikely, and on the account of new claims unfamiliar to the Company by the date of the development of the present Annual Report, on the other. See Note 9.1.12.

9.1.22. **Amounts written-off**

in EUR 000	Company		Group	
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Revaluation of operating expenses related to intangible and tangible fixed assets	757	7	757	7
Revaluaion of operating expenses related to short-term assets, excluding fin. investments	7	13	7	13
Total	764	20	764	20

A negative difference between the selling price achieved in the disposal of fixed assets and their book value was recognised in the revaluation operating expenses related to intangible and tangible fixed assets. The revaluation operating expenses were also increased by the book value of asset with an expired useful life. The adjustment of the book value to the recoverable amount is described in section 9.1.3.

Revaluation of operating expenses related to short-term assets represent impairments of operating receivables. The adjustment was formed for receivables related to housing matters of companies against which a bankruptcy or compulsory settlement had been initiated, as well as for receivables with a more than 90-day default in payment.

9.1.23. **Other operating expenses**

Denationalisation expenses include compensation amounts that have been recognized and are payable to beneficiaries pursuant to the Housing Act.

in EUR 000	Company		Group	
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Denationalisation expenses	369	267	369	267
Charge for the use of construction land	20	14	20	14
Contribution for the employment of people with disabilities	7	6	7	6
Total	396	287	396	287

9.1.24. **Net profit or loss**

in EUR 000	Company		Group	
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Financial income from shareholdings and bonds	36,145	28,485	36,145	28,485
Financial income from loans given	12,675	11,446	12,675	11,446
Total financial income	*48,820*	*39,931*	*48,820*	*39,931*
Financial expenses for the write-offs and impairments of financial investments	58,439	31,914	53,183	27,957
Financial expenses for financial liabilities	32,469	43,881	32,469	43,881
Total financial expenses	*90,908*	*75,795*	*85,652*	*71,838*
Net profit or loss	-42,088	-35,864	-36,832	-31,907

Financial income from shareholdings and bonds

in EUR 000	Company		Group	
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Dividend income paid by companies	19,200	16,576	19,200	16,576
Dividend income paid by banks and insurance companies	12,762	4,675	12,762	4,675
Dividend income paid by mutual funds	191	187	191	187
Profit from the sale of mutual funds	1,551	2,143	1,551	2,143
Revaluation of put option to fair value	0	844	0	844
Profit from the sale of shares in companies	1,230	3,272	1,230	3,272
Proceeds for the reversal of bond impairment	39	0	39	0
Proceeds from the sale of bonds	613	22	613	22
Interest income from bonds	559	766	559	766
Total	36,145	28,485	36,145	28,485

Financial income from loans given

in EUR 000	Company		Group	
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Income from loans given – interest	5,390	10,694	5,390	10,694
Other interest related income	33	2	33	2
Profit obtained with derivatives	3,062	0	3,062	0
Other financial income	4,190	750	4,190	750
Total	12,675	11,446	12,675	11,446

Other financial income includes interest from the long-term receivable due from the Republic of Slovenia calculated at the effective interest rate.

Financial expenses for the write-offs and impairments of financial investments

in EUR 000	Company		Group	
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Expenses for impairment of available for sale financial investments	15,448	30,282	10,192	26,325
Expenses related to sale of bonds	338	1,404	338	1,404
Expenses related to sale of mutual funds	203	166	203	166
Expenses for sale of sahres in banks and subord.in	42,450	0	42,450	0
Expenses related to sale of other fin.instruments	0	62	0	62
Total	58,439	31,914	53,183	27,957

Financial expenses for financial liabilities

in EUR 000	Company		Group	
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
SOS2E bond interest expense	21,265	26,328	21,265	26,328
Inrterest expense for loans received	11,203	11,572	11,203	11,572
Loss of derivatives	0	5,980	0	5,980
Expense for operating liabilities - interest	1	1	1	1
Total	32,469	43,881	32,469	43,881

On the basis of contracts and interest swap transactions, the net expenses of EUR 3,011,000 was realised by the Company/Group, while EUR 3,062,000 was gained by the revaluation of a derivative to the fair value.

Review of financial income and expenses generated by the Company and associates

in EUR 000		**Company**
	1 - 12 / 2013	*1 - 12 / 2012*
Financial income in relation with associates	13,992	4,675
Financial expenses in relation with associates	-5,156	-3,957
Net financial profit or loss	8,836	718

Financial income and expenses in relation to subsidiaries and associates are separately disclosed in this section. All sums stated in the above table are included in tables where financial income and expenses are disclosed.

9.1.25. **Participation in profit/loss in associates**

in EUR 000		**Group**
	1 - 12 / 2013	*1 - 12 / 2012*
Financial income in relation with associates	34,999	43,197
Financial expenses in relation with associates	-13,947	-20,512
Net financial profit or loss	21,052	22,685

As of 31 December 2013, the SOD Group held in its ownership 6,380,728 of shares in Zavarovalnica Triglav, which amounted to the 28.0655% ownership stake. In 2013, the Company/Group had no management rights. In 2013, a profit of EUR 69,851,000 was generated by the Zavarovalnica Triglav Group, distributing dividends in the amount of EUR 45,404,000 so that a net financial income in the proportional amount of EUR 6,842,000 was recognised by the SOD Group. On the basis of other changes in equity, the revaluation surplus was decreased by EUR 2,025,000, while the retained profit or loss was increased by EUR 334,000. Due to the revaluation of the investment in Zavarovalnica Triglav shares (in previous years, the value established by using the equity method was higher than the fair value), the Group recorded a financial income in the amount of EUR 10,806,000 recognised as a difference from the market value.

As of 31 December 2012, the SOD Group held in its ownership 2,340,631 shares of Pozavarovalnica Sava, representing a 25% ownership stake. In 2013, the capital increase at Pozavarovalnica Sava was successfully implemented - the total number of shares increased by 7,857,143. The Company paid one forth of the required amount, specifically, EUR 13,750,000. Thus, as of 31 December 2013, the SOD Group held in its ownership 4,304,917 of shares of Pozavarovalnica Sava. In 2013, a profit of EUR 13,603,000 was generated by the Pozavarovalnica Sava Group, leading to a net financial income in the proportional amount of EUR 3,401,000 being recognised by the SOD Group. On the basis of other changes in equity, the revaluation surplus was increased by EUR 1,553,000, while the retained profit or loss was decreased by EUR 1,517,000. Owing to the revaluation of the investment in the shares of Pozavarovalnica Sava (in previous years, the value established by using the equity method was higher than the fair value), the Group recorded a financial income in the amount of EUR 1,186,000 recognised as a difference from the market value.

At the end of 2013, the SOD Group held in its ownership 410,271 shares of PDP, d.d., representing a 20.49% equity interest. In comparison to 2012, the shareholding of the SOD Group decreased since SOD did not participate in the capital increase of the company implemented in the first half of 2013. The PDP Group realized a loss in the amount of EUR 210,000. Based on this fact, financial expenses in the amount of EUR 43,000 was accounted for by the SOD Group. On the basis of other changes in equity, the revaluation surplus was decreased by EUR 326,000, and the retained profit or loss by EUR 1,000.

As of 31 December 2013, the SOD Group held in its ownership 1,357,727 shares of Hit, d.d., representing a 20% ownership shareholding. In 2013, a loss of EUR 5,639,000 was generated by the Hit Group, leading to net financial expenses in the proportional amount of EUR 1,128,000 being recognised by the SOD Group. On the basis of other changes in equity, the revaluation surplus was decreased by EUR 563,000, and the retained profit or loss by EUR 431,000.

As of 31 December 2013, the SOD Group held in its ownership a 41.234% shareholding in Gio, d.o.o., in liquidation. The company sustained a loss of EUR 34,000, which increased the SOD Group's financial expenses in the proportional amount of EUR 13,000.

As of 31 December 2013, the SOD Group also held in its ownership 707,620 shares of Casino Bled, d.d., representing a 43 % ownership stake. In 2013, a profit in the amount of EUR 5,000 was generated by Casino Bled, d.d. As a result, a net financial income in the proportional amount of EUR 2,000 was recognised by the SOD Group.

The shareholding of the SOD Group in Casino Portorož, d. d., decreased from 20.0% to 9.5% as a result of a conversion of claims into the ownership stake on the basis of a compulsory composition.

9.1.26. Other income and expense

in EUR 000		Company		Group
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Compensation and penalties received	2	0	2	0
Total	2	0	2	0

9.1.27. Taxes

Calculation of the effective tax rate

in EUR 000		Company		Group
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Profit before tax	-56,903	10,828	-56,903	10,828
Anticipated income tax expense 17%	0	1,949	0	1,949
Adjustment of income	-32,822	-22,670	-32,822	-22,670
Adjustment of expenses	-62,408	26,076	-62,408	26,076
Tax relief	0	-15,368	0	-15,368
Other adjustments	1,638	1,133	1,638	1,133
Income tax	0	0	0	0
Effective tax rate	0	0	0	0

Current and deferred taxes

in EUR 000		Company		Group
	1 - 12 / 2013	*1 - 12 / 2012*	*1 - 12 / 2013*	*1 - 12 / 2012*
Current income tax	0	0	0	0
Deferred tax	8,482	-6,495	8,482	-6,495
Total	8,482	-6,495	8,482	-6,495

Movement in tax losses

in EUR 000		Company		Group
	2013	*2012*	*2013*	*2012*
Opening balance of unused tax losses	705,246	720,550	705,246	720,550
Increases during the year	150,496	0	150,496	0
Disbursement during the year	0	-15,304	0	-15,304
Closing balance of unused tax losses	855,742	705,246	855,742	705,246

Long-term deferred tax assets and liabilities are calculated on the basis of the temporary differences using the liability method and 17% tax rate. A negative tax base was determined, which is why no tax relief was used.

Balance of long-term deferred tax assets and liabilities

in EUR 000	Company		Group	
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Long-term deferred tax assets	43,511	35,029	43,511	35,029
Long-term deferred tax liabilities	43,511	35,029	43,511	35,029
Net long-term deferred tax liabilities	0	0	0	0

Deferred tax assets are a result of impairment of financial investments and revaluation of receivables, provisions formed for litigation costs and unused tax losses.

The Company/Group holds the following deferred tax assets:

- impairment of financial investments and receivables EUR 10,78 million,
- provisions not being fully recognised for tax purposes upon their formation EUR 0,02 million
- unused tax losses EUR 145,48 million.

Due to the fact that it is impossible to make a solid assessment whether enough taxable profits will be available in the future to use tax relief and credits, it was decided that deferred tax assets would be recognized in the amount equal to the deferred tax liability. As it is shown in the tables above and notes to the preceding paragraph, deferred tax assets are not fully recognised in the financial statements of the Company/Group.

Movement in long-term deferred tax liabilities

in EUR 000	Company		Group	
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Deferred tax liabilities as of 1 January	35,029	41,524	35,029	41,524
Transfer to profit or loss	-164	-190	-164	-190
Change due to changes in taxable base	8,646	-6,305	8,646	-6,305
Balance as of 31 December	43,511	35,029	43,511	35,029

Long-term deferred tax liabilities include the revaluation of financial investments to fair value through equity. When forming long-term deferred tax liabilities or deferred tax assets, the provisions of the applicable Corporate Income Tax Act are taken into account, on the basis of which and subject to the fulfilment of certain conditions, half of the capital gain is excluded from the taxable base.

Movement in long-term deferred tax assets for the Company and Group

in €000	Revaluation of financial investments	Impairment of short-term operating receivables	Provisions	Unused tax losses	Total
Balance of deferred tax assets as of 1 January 2013	16,775	917	26	17,311	35,029
Used in 2013	-8,524	-1	0		-8,525
Newly created in 2013	1,728	0	0	25,584	27,312
Exclusions in 2013	0	0	-5	0	-5
Adjustment with tax liability	0	0	0	-10,300	-10,300
Total changes in profit and loss statement	*-6,796*	*-1*	*-5*	*15,284*	8,482
Total changes in statement of financial position	*0*	*0*	*0*	*0*	*0*
Balance as of 31 Dec 2013	9,979	916	21	32,595	43,511

9.1.28. **Net earnings per share**

in EUR 000	Company		Group	
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Profit/loss of majority owners	-48,421	4,333	-22,985	30,975
Number of issued shares	36,046	36,046	36,046	36,046
Weighted number of shares	36,046	36,046	36,046	36,046
Net loss / profit per share	-1.34	0.12	-0.64	0.86

9.1.29. **Dividends per share**

In compliance with its rules and regulations, the controlling company does not pay out any dividends.

9.1.30. **Note to the Cash Flow Statement**

The cash flow statement shows changes in the balance of monies in a particular financial year. The data were obtained from the books of account of the Company/Group and from other accounting records such as original documents on receipts and expenditure and account balance slips provided by commercial banks. The data for the preceding year were prepared by using the same methodology.

The amounts paid for SOS2E bond interest and principal were disclosed in the first part of the Cash Flow Statement (cash flows from operating activities), since the Company/Group's core business is the settling of denationalisation liabilities. Proceeds, with the exception of proceeds from financial investments sold for covering these outflows, were recognised as operating proceeds. Similarly, the first part of the Cash Flow Statement includes cash flows arising from the payment of liability due by the Republic of Slovenia which are executed on its behalf by the Company (ZSPOZ, ZIOOZP and ZVVJTO).

Cash flows in 2013 based on the execution of the following acts: ZSPOZ, ZIOOZP and ZVVJTO

in EUR 000				
	ZSPOZ	*ZIOOZP*	*ZVVJTO*	*Total*
Payments to beneficiaries	1,911	11,653	58	13,622
Receipts from the Republic of Slovenia - Current payments	2,245	11,701	67	14,013
Received from the Republic of Slovenia - Contract debt	24,527	11,811	33,014	69,352
Net financial effect	24,861	11,859	33,023	69,743

9.1.31. **Business combinations**

There were no business combinations taking place within the Group in 2013 and 2012.

9.2. FINANCIAL RISK MANAGEMENT OF THE COMPANY/GROUP

The financial risks are continuously monitored and assessed by the Company/Group with the aim to provide for a long-term liquidity and avoid excessive exposure to individual risks. The following risks are faced and managed by the Company/Group: credit risk, interest rate risk, currency risk, and particularly market and liquidity risk.

9.2.1. **Credit risk**

Financial investments in banks or other issuers of securities create risks that might arise due to the borrowers' default in settling their liabilities, which means that upon maturity, funds invested are not repaid in full or in part. For the purpose of managing credit risks, the financial position of issuers and their capacity to generate sufficient funds for repayment are assessed. In regard to investments in debt securities, restrictions and limits have been set by the Company/Group in relation to individual issuers and banks, which, by taking into account their balance sheet data, are renewed on an annual basis. Ratings of internationally renowned credit agencies are used in the analysis of individual securities.

The highest risk exposure experienced by the Company/Group relates to financial institutions and banks in which it holds its deposits, and any defaults would result in decreasing the liquidity of the Company/Group. It is however assessed, that there are no risks associated with a failure of fulfilling contractual obligations.

There are risks related to other issuers of debt securities since the deep financial and economic crisis has resulted in deferred payment or non-payment of a regular coupon on the part of some issuers. The following measures are taken by the Company/Group to minimize these risks:

- verification of the credit ratings of the issuers of securities;
- dispersion of deposits between various banks by using their size as a criterion;
- requesting business partners to submit a bank guarantee or make advance payments.

9.2.2. **Interest rate volatility risk**

Interest rate risk is the risk that the value of interest sensitive assets will change due to a change in market interest rates, as well as the risk that financially sensitive assets and financially sensitive liabilities will mature on different dates and in different amounts. The Group/Company is exposed to interest rate risk particularly with its liabilities. When depositing assets, a fixed interest rate is usually applied and only a minor part of debt securities is subject to a variable interest rate. Almost one half of financial liabilities bear an interest rate that is linked to Euribor. A fixed interest rate is applied to most other liabilities. Changes in the market interest rates do not affect the Company/Group's liabilities in relation to SOS2E bonds which represent the Company/Group's major long-term liability since these bonds are subject to an agreed fixed interest rate of 6% (compounded interest rate calculation).

It has been assessed that a change in interest rate for loans bearing a floating interest rate (3-month Euribor + a fixed mark-up) will have a moderate impact on the financial statements of the Company/Group. The calculation shows that with an increase in the interest rate:

- by 0.5%, the interest expense will increase by EUR 2,35 million per year;
- by 1.0 %, the interest expense will increase by EUR 4,70 million per year;
- by 1.5 %, the interest expense will increase by EUR 7,05 million per year.

In 2013, the key Central Bank interest rates were exceptionally low and a gradual increase is expected in the long-term which will consequently lead to an increase in the reference interest rates (for example, Euribor). A derivative – interest rate swap – is used by the Company/Group for hedging against the change in the interest rate, having loans in the value of EUR 300 million being hedged by using this derivative. All contracts will terminate in June 2015. The partners involved in these contracts are Slovenian banks, and it was assessed in this regard that non-observance of contractual obligations poses no risk to the Company/Group.

Effect of interest rate swaps

in EUR 000		Company		Group
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Unrealized loss/gain of interest raze swaps	3,062	-5,981	3,062	-5,981
Realized loss of interest rate swaps	-3,011	-1,529	-3,011	-1,529
Total interest rate swap effect	51	-7,510	51	-7,510

9.2.3. **Currency risk**

The introduction of the Euro as a national currency significantly reduced the currency risk. Considering the fact that the majority of financial instruments is linked to the Euro, the currency risk was negligible for the Company/Group in 2013. Only EUR 3,2 million of the investments of the Company/Group are denominated in foreign currencies which represents only 0.3% of all assets.

9.2.4. **Liquidity risk**

Owing to the situation in the financial markets, special attention was dedicated to managing liquidity risk. As before, all liabilities were regularly settled. Greater attention was dedicated to the preparation of cash flows plans. A thorough planning of cash flows enabled a timely forecasting in regard to potential deficits or surpluses and their optimum management.

In the last quarter of 2013, negotiations with the commercial banks were initiated aiming at extending the maturity dates of those long-term loans falling due for payment in 2014. In January 2014, two Addendums with two banks were signed by way of which the repayment period for the settlement of the total amount of EUR 65 million was extended for two more years.

After the examination of provisions of the Act on financial operations, insolvency proceedings and compulsory dissolution, particularly in regard to the short-term and long-term financial capacity and solvency of the Company/Group, it was assessed that the Company/Group is solvent and not threatened by insolvency. Detailed findings are presented in section 1.1.9. in the Business Report.

Liquidity rations

A key ratio for measuring an entity's liquidity is a liquidity ratio (=liquid assets/short-term liabilities *100) providing an answer as to whether a company holds enough liquid assets to settle all its short-term liabilities. It is stated in the expert literature that the value of this coefficient should always be greater than 100%. However, this rule applies only in the case when all short-term liabilities immediately fall due for payment. Usually, not all liabilities need to be settled immediately which is why a coefficient in the value of 30% is acceptable.

In addition to the liquidity ratio, another two ratios are used in practice:
- quick ratio = (liquid assets + short-term receivables) / short-term liabilities + 100, and
- current ratio = current assets / current liabilities *100.

Since the Company/Group does not have any inventories, the value of the last two ratios is equal.

	in EUR 000	in EUR 000	in %	in %
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
direct coverage of short-term liabilities				
liquid assets	109,892	143,181	36.14	81.90
short-term liabilities	304,040	174,834		
quick coverage of short-term liabilities				
liquid assets + short-term receivables	180,401	214,429	59.33	122.65
short-term liabilities	304,040	174,834		

All liquid financial investments are considered as liquid assets by the Company/Group as these are mainly deposits with a maturity date matching the maturity date of liabilities that have been planned. In spite of the fact, that cash flows are planned as thoroughly as possible, there is a small degree of probability that an unpredictable liability may arise. An option of selling individual investments accounted for as long-term financial investments (domestic shares, foreign shares, mutual funds, bonds) is envisaged by the Company for the occurrence of any unforeseen events. In an extreme case, if the Company/Group runs out of funds, it was determined in the Decision of the Constitutional Court No. U-I-140/94 of 14 December 1995, that the Republic of Slovenia is obliged to provide additional funds to the Company when the Company's sources of funds do not suffice for the regular settlement of Company's liabilities in accordance with the Denationalisation Act, the Cooperatives Act and other regulations governing the restitution of property.

9.2.5. **Market risk**

Domestic marketable shares of the Company/Group as of 31 December 2013

Type of equity investments	Value in EUR 000	Structure in %
Krka, d.d.	318,724	48.92
Zavarovalnica Triglav, d.d.	121,234	18.61
Petrol, d.d.	89,818	13.78
Other investments	121,805	18.69
Total	651,581	100.00

Liquidity of the most important investments of the Company/Group in shares quoted

	Turnover ratio * in 2013
Krka, d.d.	6.37%
Luka Koper, d.d.	6.43%
Petrol, d.d.	5.21%
Telekom, d.d.	4.81%
Zavarovalnica Triglav, d.d.	11.78%
Prime market	6.58%
Standard market	5.38%

Note: * A ratio between the yearly turnover and an average market capitalisation base on values as of 31 December, before 6 and before 12 months)
Source: Monthly and Annual Statistics LJSE, December and 2013

Changes in market share prices represent a significant risk which is being increased by low liquidity levels in regard to main investments.

It has been assessed that the risk exposure related to changes in market prices of shares is extremely high. The average duration of liabilities held on the passive side of the balance sheet is 1.3 years, whereas more than half of the assets on the active side include shares in domestic companies. The largest three individual investments of the Company/Group represent approximately 76% of all long-term financial investments. The fact is that this risk is high also due to a low dispersion of investments since the majority of investments are traded on the domestic capital market.

Sensitivity of equity financial investments against changes in market prices

Type of equity investment	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
in EUR 000	31/12/2013	15%	20%	-15%	-20%
Krka, d.d., Novo Mesto	318,724	47,809	63,745	-47,809	-63,745
Zavarovalnica Triglav, d.d.	121,234	18,185	24,247	-18,185	-24,247
Petrol, d.d.	89,818	13,473	17,964	-13,473	-17,964
Other marketable domestic	121,805	18,271	24,361	-18,271	-24,361
Non-mark.shares and domestic sharehold.	12,411	1,862	2,482	-1,862	-2,482
Foreign shares	4,295	644	859	-644	-859
Mutual funds	23,059	3,459	4,612	-3,459	-4,612
Total	691,346	103,702	138,269	-103,702	-138,269

9.3. TRANSACTIONS WITH RELATED ENTITIES

In addition to the Republic of Slovenia, and in accordance with IAS 24, entities considered as 100% owners are:

- subsidiaries and associates;
- management personnel and members of Supervisory Board and Audit Committee;
- companies related to the state.

In 2013, no transactions were concluded by the Company which might result in harmful consequences for the operation of related parties.

9.3.1. Subsidiaries and associates;

The Company holds a 20% or higher shareholding in the following companies: PS ZA AVTO, d.o.o., Gio in liquidation, d.o.o., Casino Bled, d.d., Zavarovalnica Triglav, d.d., Pozavarovalnica Sava, d.d., PDP, d. d., and Hit Nova Gorica, d. d.. The majority of the above mentioned shares and shareholdings were obtained pursuant to the Ownership Transformation of Companies Act and other laws passed with the aim of settling denationalisation compensation to beneficiaries and compensation to victims of war- and post-war violence. There were no significant business transactions taking place between the Company and the above mentioned companies.

In 2013, no mandatory instruction in the capacity of a controlling company was given by the Management Board of the Company. Neither was there any legal transaction concluded by and between the controlling company and related parties, as a result of any mandatory instruction.

The Company hereby states that the controlling company has not used its influence by forcing its related entities to carry out any legal transaction which is a detriment to them or to do anything which is to their detriment.

In addition to capital-related connections, business cooperation with associates mainly refers to insurance transactions.

9.3.2. Management personnel and members of Supervisory Board and Audit Committee;

Payments to the leadership in the period from 1 January 2013 to 6 February 2013

in EUR	Kuntarič Tomaž	Jauk Matjaž	Šavrič Krešo
Fixed earnings	14,633	13,170	13,115
Variable earnings	0	0	0
Other earnings (bonuses, company car)	111	523	477
Other bonuses (liability insurance, collective acciden.insurance)	9	9	6
Holiday pay	0	0	0
Reimbursement of costs (meals, transportation)	159	159	141
Severance pay	0	43,899	43,899
Voluntary suppl.pension insurance	285	285	285

Payments to the leadership in the period from 7 February 2013 to 8 May 2013

in EUR	Ješovnik Peter	Drobne Popovič Nada	Gruden Igo
Fixed earnings	37,935	34,141	34,141
Variable earnings	0	0	0
Other earnings (bonuses, company car)	169	129	0
Other bonuses (liability insurance, collective acciden.insurance)	12	17	11
Holiday pay	0	0	0
Reimbursement of costs (meals, transportation)	355	364	458
Reimbursement of costs (travel expenses, daily	0	7	206
Voluntary suppl.pension insurance	530	530	530

Payments to the leadership in the period from 9 May 2013 to 31 December 2013

in EUR	Kuntarič Tomaž	Pirc Matej	Runjak Matej
Fixed earnings	84,936	74,725	76,442
Variable earnings	0	0	0
Other earnings (bonuses, company car)	0	1,773	3,017
Other bonuses (liability insurance, collective acciden.insurance)	75	75	75
Holiday pay	0	0	0
Reimbursement of costs (meals, transportation)	1,501	952	945
Reimbursement of costs (travel expenses, daily	258	752	2,579
Voluntary suppl.pension insurance	1,879	1,823	1,879

Payments to Members of Supervisory Board representing employees

in EUR	Gorišek Pavle	Razvornik Škofič Simona	Škof Miran
Fixed earnings	37,785	39,696	40,204
Variable earnings	0	0	0
Other bonuses (liability insurance, collective acciden.insurance)	99	92	92
Holiday pay	784	784	784
Reimbursement of costs (meals, transportation)	1,791	1,575	1,582
Reimbursement of costs (travel expenses, daily	0	230	0
Voluntary suppl.pension insurance	1,138	1,245	1,204

Note: Razvornik Škofič and Škof have been members of SB since 25 January 2013; earnings shown in the table refer to the period from the appointment onwards.

Labour costs in 2013 per employee who are not members of the Management board but are employed on the basis of individual employment contract:

- wages and salaries (fixed earnings): EUR 182,460;
- reimbursement of costs (meals, transportation cost): EUR 1,990;
- bonuses: EUR 2,331, and
- voluntary supplementary pension insurance premium: EUR 4,457.

Salaries paid to the members of Management Board are paid in accordance with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities ("ZPPOGD), by way of which the Company is considered a large company. Members of the Management Board using company cars for private purposes do not receive any payments reimbursing their travel costs.
Members of the Management Board represented the interest of capital contributors by participating in Supervisory Boards of the following non/related entities:

- Mr. Tomaž Kuntarič in Petrol, d. d., and PDP, d. d.;

- Mr. Matjaž Jauk in Snežnik, d.d.;
- Mr. Gruden in Petrol, d.d., from 7 April 2013 onwards;
- Mr. Matej Runjak in Zavarovalnica Triglav, d.d., from 12 June 2013 onwards, and
- Mr. Matej Pirc in Gen Energija, d.o.o., from 20 August 2013 onwards.

In line with the Resolution of the 2nd session of the General Meeting of Shareholders held on 11 July 2013, members of the Supervisory Board were entitled to receive meeting fees amounting to EUR 275 gross per an individual member of the Company's Supervisory Board. Members of Committees of the Supervisory Board were entitled to receive meeting fees amounting to 80% of the meeting fee attributable to a member of Supervisory Board for his/her participation at a Supervisory Board's session. A meeting fee for a correspondence session amounted to 80% of a meeting fee for a usual session. The total amount of meeting fees attributable to an individual member of the Supervisory Board in a year should not exceed 50% of payments received for performing the function on an annual basis. In addition to meeting fees, members of the Supervisory Board also receive a payment for the execution of their function, specifically, the President in the amount of EUR 15,450 per year, the Vice President in the amount of EUR 11,330 gross per year, and members, in the amount of EUR 10,300 gross per year. A supplement for the execution of the function is paid to the President of the Supervisory Board's Commission in the amount of 50% of the payment for the execution of the function, while this supplement paid to the members of the Supervisory Board's Commission amounts to 25% of the payment for the execution of the function. A basic payment and a supplement for the execution of the function in a proportional monthly payments is paid to the Members of the Supervisory Board and members of Supervisory Board's Commission to which they are entitled during their holding of the function. The monthly payments amount to one twelfth of the above mentioned annual sums. In no case must the supplements paid for the execution of the function exceed 50% of the payment for carrying out a function of a member of the Supervisory Board, even though an individual is a member or a President in several commission.

Members of the Supervisory Board and its commissions are also entitled to receive reimbursement of costs associated with their execution of the Supervisory Board member function, specifically, in the form of daily allowances, travel expenses and accommodation costs. Daily allowances and travel expenses are paid in accordance with regulations regulating this topic in the business sector.

Earnings of members of the Audit Committee in 2013

in EUR	Payement for the execution of the function	Gross metting fee	Bonuses	Travel expenses	Total
Alibegovič Zlatko	1,213	220	0	31	1,464
Bajuk Mušič Andreja	2,373	1,276	0	0	3,649
Cesar Nives	787	440	0	0	1,227
Lozej Samo	1,388	220	0	0	1,608
Maher Igor	72	0	0	0	72
Mervar Aleksander	969	396	0	45	1,410
Nardin Radivoj	129	220	0	106	455
Škof Miran	1,767	1,056	0	0	2,823
Total	8,698	3,828	0	182	12,708

Earnings of members of Supervisory Board of the Company in 2013

in EUR	Payement for the execution of the function	Gross metting fee	Bonuses	Travel expenses	Total
Alibegović Zlatko	3,090	3,080	0	252	6,422
Bratanič Martin	2,140	2,530	0	619	5,289
Cesar Nives	7,210	3,960	11	0	11,181
Cunder Andrej	4,427	3,080	0	0	7,507
Dobnikar Roman	7,210	4,235	11	352	11,808
Ferenčič Nuša	3,357	3,080	0	978	7,415
Gorišek Pavel	10,300	5,150	11	0	15,461
Lozej Samo	9,356	4,235	11	0	13,602
Maher Igor	950	550	0	231	1,731
Mervar Aleksander	5,876	2,915	7	404	9,202
Nardin Radivoj	2,333	2,530	0	636	5,499
Pristovnik Andrej	3,090	3,080	0	810	6,980
Razvornik Škofič Simona	9,635	5,150	11	0	14,796
Seničar Stanislav	8,318	4,785	11	1,131	14,245
Škof Miran	9,635	5,150	11	0	14,796
Zorn Otmar	3,434	2,365	0	0	5,799
Total	90,361	55,875	84	5,413	151,733

9.3.3. Transactions with the Government of the Republic of Slovenia, state authorities and enterprises controlled by the Government or in which its significant influence is exercised

Companies related to the state include all companies in which the Republic of Slovenia exercises a significant influence.

in EUR 000	Receivables	Income
	31/12/2013	*1 - 12 / 2013*
Ministry of Finance	202,800	5,384
Farmland and forest Fund of RS	442	2,338
D.S.U.	41	436
Total	203,283	8,158

The Company also transacts business with other companies, authorities and agencies in which the Republic of Slovenia is the majority or minority shareholder. All transactions with the above mentioned entities are concluded at arm's length. Since no significant amounts are involved, these pieces of data are not disclosed. In terms of their content, 86% of income associated with D.S.U., is income generated by the rental activities.

9.4. DISCLOSURE UNDER ARTICLE 69, ITEMS 12 AND 13 OF ZGD-1

There are no operations which have not been disclosed in the Statement of Financial Position neither are there any risks or benefits resulting from such transactions and having a significant impact to the assessment of the financial position of the Company/Group.

There were no transactions with related parties that might have been significant or not carried out at arm's length.

9.5. OPERATING SEGMENTS

The SOD Group carries out various tasks which usually do not entail the generation of a significant revenues. The main activity leading to the Company's establishment was the determination and the payment of compensation arising from denationalisation (ZDen). For this purpose, the Company had received a portion of a previously socially-owned property, in the form of shares and shareholding registered as revenues upon its receipt. These assets are sold subject to the financial needs and depending on the situation in capital markets. Upon their disposal, the financial income is a difference between the acquisition value and the selling price of an individual financial investment.

The Company carries out the following tasks on behalf of and for the account of the Republic of Slovenia: the payment of compensation to beneficiaries for confiscated property pursuant to the abrogation of the penalty of confiscation of property (ZIOOZP), the payment of compensations to war and post-war violence victims (ZSPOZ), and reimburses investments made into in the public telecommunications network (ZVVJTO).

Upon the abolition of the Capital Assets Management Agency of the Republic of Slovenia, the Company/Group has taken over its duties as well as employees; however, no income is generated by carrying out this activity.

The Company/Group actually generates a significant volume of revenues only by means of dividend income capital gains and interest, which are included among financial income.

It has been assessed that requirements for reporting on operating segments as laid down by IFRS 8 have not been met. As a result, the Segment Reporting was not developed (operating income amounts only to 7% of all income; the Company/Group does not sell its services/goods/material to outside customers, the subsidiary is not consolidated by the Company/Group since it is irrelevant for the presentation).

9.6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In addition to future liabilities for which provisions have been recognized by the Company/Group due to the fact that conditions had been met for their recognition, the Company/Group also has contingent liabilities. Administrative units and ministries are known to have additional requests for compensation according to ZDen that have not yet been communicated to the Group. The value of these liabilities has therefore been determined by means of an assessment.

in EUR 000		Company		Group
	31/12/2013	*31/12/2012*	*31/12/2013*	*31/12/2012*
Contingent liabilities under Zden	49,873	59,866	49,873	59,866
Total	49,873	59,866	49,873	59,866

Blank bills of exchange (the total amount of EUR 360 million) was submitted by the Company/Group to the majority of banks as a security for the repayment of long-term loans secured by the guarantee issued by the Republic of Slovenia.

The liens on shares are listed in Notes 9.1.3 and 9.1.13.

The Company holds the following contingent assets:

- receivables due from buyers of socially-owned and nationalised housing units (EUR 86.000), and
- insurance of a receivable – a lien established to the benefit of the Company (EUR 875.000).

9.7. POST-BALANCE SHEET EVENTS

- MLM, d.d.: After a successfully completed compulsory composition of Mariborska livarna Maribor, d.d., and a capital increase implemented by banks on 20 January 2014, SOD does not own an equity interest in the above mentioned company.

- In January 2014, an Annex to the Long-term Loan Agreement was concluded by and between SOD and Banka Koper, by way of which the repayment period for a loan in the amount of EUR 30 million was extended for two years; otherwise, the loan would mature in June 2014.

- In January 2014, an Annex to the Long-term Loan Agreement was concluded by and between SOD and UniCredit Banka Slovenija, d. d, by way of which the repayment period for a loan in the amount of EUR 35 million was extended for two years; otherwise, the loan would mature in June 2014.

- On its session held on 14 March 2014, the Supervisory Board of SOD was informed of a resignation notice given by the President of the Management Board, Tomaž Kuntarič (MSc), who was discharged from the function on 31 March 2014. A former member of the Management Board, Matej Pirc, was appointed to his function on 1 April 2014.

Matej Runjak Member of the Management Board	Matej Pirc Member of the Management Board	Tomaž Kuntarič, MSc (Econ) President of the Management Board

Ljubljana, 28 March 2014