SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

SLOVENSKA ODŠKODNINSKA DRUŽBA
COMPANY AND GROUP

UNCONSOLIDATED and CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

Ljubljana, April 2012

STATEMENT BY THE MANAGEMENT BOARD

Members of the Management Board of the Slovenska odškodninska družba, d.d., Ljubljana company (hereinafter: the Company), composed of the president of the Management Board Tomaž Kuntarič MSc., member of the Management Board Matjaž Jauk and member of the Management Board Krešo Šavrič approve:

- that the business report of the Slovenska odškodninska družba Company and Group for 2011 includes a fair presentation of the development of the Company's operations and results and its financial position, including a specification of the principal types of risk which the Company and other companies included in the consolidation are exposed to as a whole;
- that the financial statements, together with the notes to the financial statements, have been prepared on the assumption of a going concern and in accordance with the valid legislation and International Financial Reporting Standards adopted by the EU.
- that appropriate accounting policies have been consistently applied and that accounting estimates have been made on the principle of prudence and operating efficiency.

Krešo Šavrič Member of the Management Board	Matjaž Jauk Member of the Management Board	Tomaž Kuntarič MSc. President of the Management Board

Ljubljana, 25 April 2012

TABLE OF CONTENTS

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear shareholders and business partners,

The year 2011 was a year of partial recovery in the international financial markets which unfortunately did not apply to the Slovenian capital and financial markets. However, adverse conditions from previous years in the Slovenian capital market continued as it did not follow this positive trend abroad, and consequently the Slovenian stock exchange index fell. Reasons for the adverse conditions in the Slovenian capital market are multifaceted and require special treatment. Adverse conditions in the Slovenian market, which is crucial to Slovenska odškodninska družba, d.d. (hereinafter: the Company) highlighted more than ever before the importance of quality management. The Company successfully handled the changes in circumstances and all risks in the international markets as well as in Slovenia. The result of quality management of mostly cash assets, which we can also influence with our decisions, is a positive income from managing the financial instruments despite the adverse crisis in the financial markets. This particularly required the structuring and optimization of debt and more active involvement in the operation of some companies in which we hold an equity interest. We were successful in our mission and, in spite of unfavourable economic conditions, provided sufficient resources for meeting our legal obligations. We managed the property entrusted to us with due care and responsibility in order to meet all our obligations with our own financial resources in the long term.

At the end of 2011, on 7 December 2011, 20 years had passed since the enforcement of the Denationalisation Act. According to the data of the Ministry of Justice which follows the realization of denationalisation, 99.1% of cases were legally finalized with administrative authorities and 97.4% with district courts on 31 December 2011 (considering cases according to Article 5 of the Denationalization Act). Mostly, the most complex and difficult denationalisation cases remained unsolved, therefore, the year 2011 was pretty difficult according to the substantive side of solving denationalisation cases. The Company decided on extremely comprehensive matters and high compensation claims and complex legal issues.

In 2011, the Company regulated the financial relationships with the Republic of Slovenia with contracts on the basis of two adopted acts (Act Amending the Payment of Compensation to the Victims of War and Postwar Aggression Act and the Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to Abrogation of the Penalty of Confiscation of Property) and thus established a payment claim to the state in cases when the Company covered financial liabilities on behalf and on the account of the Republic of Slovenia from its own assets in the past. The Company also regulated the current payments in the contracts from the stated bases for future reference. The regulation of the relationships with the state importantly influenced the profit or loss since the Company concluded the financial year 2011 with a profit of €115.5 million.

Despite the fact that the year 2011 was not really in favour of the advantageous sale of shares from the Company's portfolio on the capital markets, the Company began to pursue some sales procedures in this year which shall show results in 2012 as expected.

Due to the ongoing decline of the Slovenian stock exchange index and evaluation that the Slovenian capital market does not only lack liquidity and is inactive, but also became systematically ineffective due to the low volume of the Slovenian capital market and structural problems, the Company decided to establish the value for our largest investment, for which the Company evaluates that the stock exchange does not show the fair value, on the basis of the valuation model.

In 2011, the strategy of the Republic of Slovenia regarding the sale of stocks and shares, directly or indirectly owned by the Republic of Slovenia, was not adopted. The stated strategy of the Republic of Slovenia is expected by the Company in 2012. The dynamics of the sales activities and management of the Company's assets in the future will depend on this strategy as well as the time line and manner in which the Company will be able to comply with all its liabilities.

We continued to effectively manage assets and maximise the asset value by taking into consideration the current legislation in providing funds to meet our statutory obligations.

Tomaž Kuntarič MSc
President of the Management Board

Ljubljana, 25 April 2012

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

SLOVENSKA ODŠKODNINSKA DRUŽBA COMPANY AND GROUP

BUSINESS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

1. SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

1.1. COMPANY DETAILS

Company name:	Slovenska odškodninska družba d.d., Ljubljana (hereinafter: SOD, d.d., or the Company – depending on the context)
Registered office:	Mala ulica 5, 1000 Ljubljana, Slovenia
Activity code:	K 64.990
VAT Reg. no:	SI 46130373
Registration no:	5727847
Management:	Tomaž Kuntarič MSc. President of the Management Board Matjaž Jauk, Member of the Management Board, Krešo Šavrič, Member of the Management Board
Workforce from 31 December 2011:	54
Registered legal form:	joint-stock company registered with the District Court of Ljubljana, reg. no. 1/21883/00
Date of incorporation:	19 February 1993
Initial capital:	€60,166,917.04
Members of the Supervisory Board:	Dr Uroš Rotnik, President; Mr Aleksander Mervar, Deputy President, Mr.Igor Janez Zajec, member, Mr Stane Seničar, member, Mr Bojan Dejak, member, Mr Tomaž Babič, member, Mr Pavel Gorišek, member.
Members of the Audit Committee:	Bojan Dejak, President; Igor Janez Zajec, member; Tomaž Babič, member; Viktorija Vehovec, member until 27 December 2011.

1.1.1. SOD, d.d., in figures

€1,242.5 million	in assets as at 31 December 2011
54.86%	of the Company's total assets placed as equity investments
€334.9 million	value of claims to the Republic of Slovenia
€105.7 million	of the Company's total capital as at 31 December 2011
€60 million	of capital increase by the funder in 2011
43	active investments in Slovenia from 31 December 2011
3	sold equity investments for monetary payment in 2011
€12.2 million	inflows from equity investments in 2011
16,557,104	SOS2E bonds delivered before 31 December 2011
€126.9 million	of settled liabilities arising from denationalisation in 2011
€15.9 million	of cash outflows arising from settled compensations on behalf and for the account of the Republic of Slovenia in 2011
€115.5 million	net profit of the Company in 2011


Emisija: SOS 010195

Serija: AD Nº 000000

SLOVENSKI ODŠKODNINSKI SKLAD, d.d.
Ljubljana

6 %

OBVEZNICA
na prinosnika
za
10000 DEM
(z besedo: deset tisoč nemških mark)

SPECIMEN SPECIMEN

To obveznico je izdal Slovenski odškodninski sklad kot del emisije obveznic za poravnavanje obveznosti Slovenskega odškodninskega sklada. Obveznica je izdana na podlagi zakona o Slovenskem odškodninskem skladu (Uradni list RS, št. 7/93 in 48/94) in na podlagi uredbe Vlade Republike Slovenije o izdajanju obveznic in o izvrševanju odločb, ki se glasijo na odškodnino, za katero je zavezanec Slovenski odškodninski sklad (Uradni list RS, št. 78/94), in na podlagi sklepa Vlade Republike Slovenije o izdaji prve serije obveznic Slovenskega odškodninskega sklada (Uradni list RS, št. 78/94).

Obveznica se obrestuje po 6% letni obrestni meri od 1. julija 1996 dalje.

Slovenski odškodninski sklad se obvezuje, da bo prinosniku te obveznice izplačal na njej navedeni znesek v skladu z amortizacijskim načrtom.

Prvi znesek obresti bo izplačan 15. januarja 1997. Prvi znesek glavnice, s pripadajočimi obrestmi, bo izplačan 1. decembra 2004. Zadnji znesek bo izplačan 1. junija 2016.

Vsa izplačila iz obveznice se izplačujejo v tolarski protivrednosti po srednjem tečaju za DEM, kot ga objavi Banka Slovenije na dan zapadlosti posameznega kupona.

Za obveznosti iz te obveznice jamči Slovenski odškodninski sklad s celotnim premoženjem. Obveznica ni posebej zavarovana. Pravice iz te obveznice zastarajo v treh letih od datuma dospelosti posameznega kupona.

Predsednik upravnega odbora
mag. Anton Rop

Direktor
Marko Prijatelj

Ljubljana, 1. januarja 1995

1.1.2. Slovenska odškodninska družba, d.d., profile

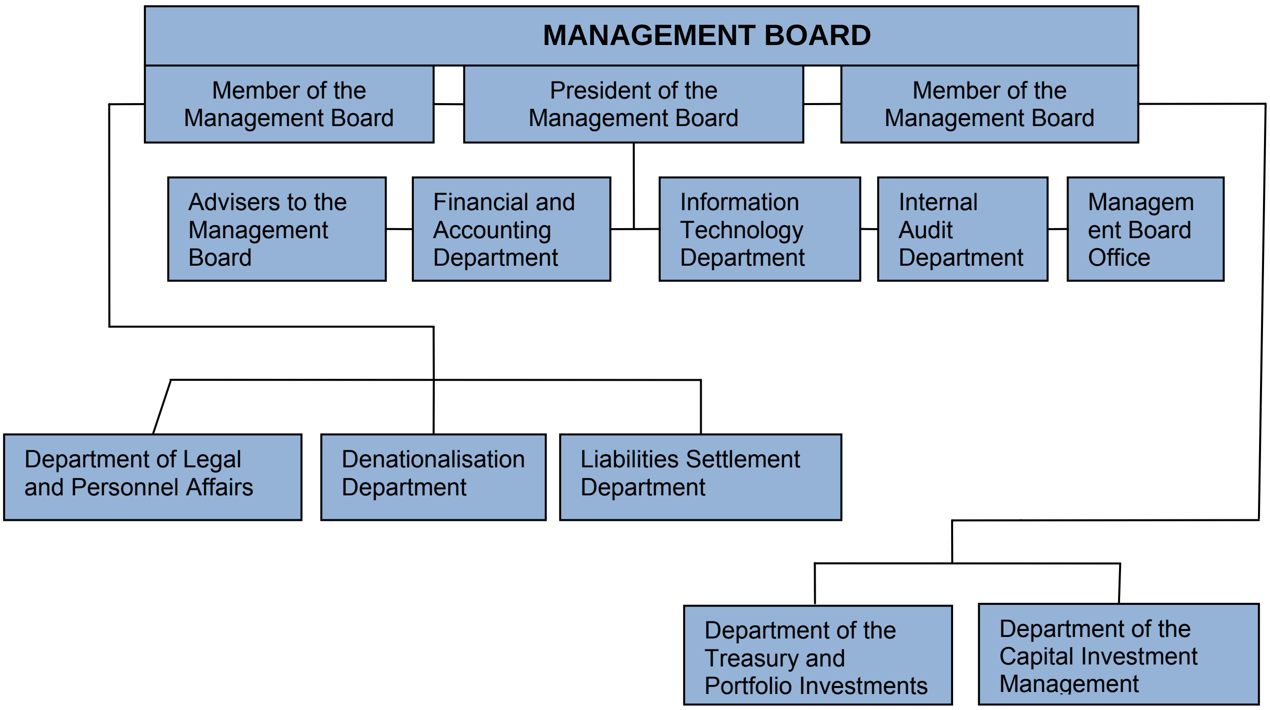
The Company was set up as a public limited company, whose sole founder and shareholder is the Republic of Slovenia. The company's head office is at Mala ulica 5, Ljubljana.

The Company's bodies and their jurisdiction are defined by the Slovene Compensation Fund Act (hereinafter: ZSOS) and the Articles of Association regulating the internal organizational units of the Company. The business processes are namely functionally divided into departments and services.

The Corporate Governance of State Capital Investments Act, adopted in 2010, determines that the role of the Company's general meeting was no longer assumed by the Government of the Republic of Slovenia but the Capital Assets Management Agency of the Republic of Slovenia (hereinafter: AUKN).

In accordance with the provisions of the Companies Act, a two-tier system of management through a management board and a supervisory board was introduced. The Company's management manages and organizes the Company's operations and the Supervisory Board oversees the Company's operations.

1.1.3. Organization chart



1.1.4. Mission of Slovenska odškodninska družba, d.d.

The Company is a financial organization whose mission is to settle liabilities to rightful claimants under the Denationalization Act, Cooperatives Act and other regulations governing the restitution of nationalised property. For this purpose, the Company issues bonds and manages and holds securities and other assets acquired according to the law and performs all other duties required to meet the above-mentioned obligations.

According to the final amendments of the ZSOS, the Company is entitled to perform all other duties on behalf and for the account of the Republic of Slovenia if thus determined by a special law which must also determine the manner of financing these duties. The Company thus implements four laws in this manner:

- obligation settlement under the Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property,
- payment of the compensation to the victims of war and postwar aggression,
- obligation settlement based on the Return of Investments in the Public Telecommunications Network Act and
- performance of duties in compliance with the Ownership Transformation of Insurance Companies Act.

Activities of Slovenska odškodninska družba, d.d.

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.			
Denationalisation	Obligation settlement	Asset and portfolio management	Implementation of the Ownership Transformation of Insurance Companies Act
Collaboration in procedures about establishing a compensation for confiscated property and obligation settlement on behalf and for the account of the Company	Obligation settlement under the Act Establishing the Fund for the Payment of Compensation to the Victims of War and Postwar Aggression, Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to Abrogation of the Penalty of Confiscation of Property and Return of Investments in the Public Telecommunications Network Act on behalf and for the account of the Republic of Slovenia	Management of equity and debt investments and risk management	Implementation of the Ownership Transformation of Insurance Companies Act

1.1.5. Objectives and anticipated development of Slovenska odškodninska družba, d.d.

The objectives and anticipated development of the Company are the following:

- to gain sufficient assets to meet all the legal and contractual liabilities of the Company;
- to form the debt structure of the Company in an optimum manner with the objective to take into consideration all financial risks during the provision of liquidity for settling the obligations;
- to carry out asset management pursuant to the long-term and short-term needs of the Company concerning cash, which must be carried out subject to the statutory limitations;
- to monitor the operation of the companies, whose stock is part of the portfolio of the Company, and according to the situation on the capital markets provide an optimum policy for managing ownership shares;

- to consistently and accurately establish the amount of compensation in the form of bonds that beneficiaries are entitled to based on the Denationalisation Act and based on other acts regulating the restitution of nationalised property;
- to enforce final decisions issued within the procedures regulating the denationalisation of property in a timely manner;
- to issue and enforce the decisions concerning the amount of compensation to all the beneficiaries under the title of compensation to the victims of war and postwar aggression, for which complete information has been acquired from the competent authorities, in a timely manner;
- to enforce the final decisions regarding the fixation of the compensation amount under the title of compensation due to the abrogation of the penalty of confiscation of property, in a timely manner;
- to enforce written settlements and final decisions to the beneficiaries under the title of return of investments in the public telecommunications network, in a timely manner;
- to strengthen the function of the management of the financial instruments of the company with the aim of achieving an adequate level of safety, liquidity and yield, and thus establish the company as a successful financial asset manager;
- to efficiently manage the property and maximize the value of the Company's assets;
- to manage all types of costs;
- to manage all the risks related to the operations in an optimum manner.

The expressed anticipations of the AUKN according to the future operation of the Company are the following:

- providing a stable long-term operation of the Company;
- optimization of business processes and lowering of individual operating costs;
- providing higher revenues upon meeting all legal obligations and other special obligations of the Company;
- selling non-strategic investments;
- regular reporting on the Company's operation and the realization of set plans.

Notwithstanding that the Company was primarily established for the purpose of denationalisation, the duration of which depends on the duration of the legal and judicial proceedings, it will develop the quality of operations and operational functions as a going concern in the future as well. The effective and quality control of all the processes within the Company hinges upon the modernization of various areas of its operations. The Company's management has already acceded to performing the optimization of business processes from the point of view of labour costs and other operating costs. This is the reason why the lowering of labour costs by 10% is planned for 2012. The Company will strive to achieve the highest income of its ownership and debt investments in the future wherein safety and liquidity come first when implementing the basic objective of the Company, i.e. regular compliance with the legal and contractual obligations of the Company. The Company has been intensively acceding to the performance of sales activities and its equity investments throughout the entire time and the Company's Supervisory Board shall be regularly informed about the Company's operation itself in the future.

1.1.6. Employment structure of Slovenska odškodninska družba, d.d.

No new recruitments and no terminations of employment were made in 2011. The company strives to shape the optimum staffing and educational levels of its workforce. In addition to its employment policy, it is also induced to do so by the system of remuneration and career advancement and the possibility of on-the-job training.

Employees by education level

Education level	From 31 December 2011	Average no. of employees in 2011
Secondary education V	8	8
Higher education first tier diploma VI	7	7
Higher education VII	36	36
Master's degree VIII	3	3
Total	54	54

1.1.7. Codes of governance of companies

At the end of 2009, SOD, d.d., signed a statement of support to the Code of Governance of Public Limited Companies. It has been striving to implement the recommendations of the Code in the field of its activity ever since.

The Company as a public limited company whose sole shareholder is the Republic of Slovenia determines by its Articles of Association that it shall respect the Code of Governance of Companies with equity investments of the country when performing its activity. The Company implements it except in cases when the provisions of the Code do not apply to the Company due to its specific character and position (for example reporting on Company's sustainable development). Besides recommendations which are expressly written in the mentioned Code and Reporting Guidelines for Companies with equity investments of the country, the Company also respects the published individual recommendations of AUKN in force.

1.1.8. Internal control system and risk management

The Company has in place a system of internal controls. The Internal Audit Department was established with a view to performing supervisory activities for all processes and situations within the Company for the purpose of identifying whether:

- the information and reports on the operation of individual divisions and the Company as a whole were reliable and accurate,
- the Company's operations were efficient and cost-effective in accordance with regulations, the Company's business policy and defined business processes.

The Company's Internal Audit Department assessed the appropriateness and effectiveness of the established internal controls. In 2010, the Internal Audit Department carried out independent audits and gave assurances that a system of internal controls was established, operational and effective in the audited areas. There are possibilities for its improvement; for this reason, the Internal Audit Department put forward a number of recommendations and also regularly checked their implementation. In addition to the audited unit, the Internal Audit Department also notified the Company's Management Board and the Audit Committee of the Supervisory Board.

Risk management and control is an important part of the Company's system of management and governance and has a significant impact on its business decisions. The Company has in place some general guidelines for managing and controlling financial risks, and, at the time of deep economic and financial crisis, also makes day-to-day decisions in order to produce a maximum effective impact on the risk control procedures and thus contribute to the attainment of the Company's set objectives.

For the purposes of effective risk management which includes processes of recognition, study, assessment and controlling of risks and informing about them, the Company's management decided to set up a registry of risks for more important fields of operation in 2011. A project group was formed which evaluated risks on the basis of a model for risk assessment. On the basis of the key objectives of operation of the Company and individual fields, set measures/activities for achieving these objectives and upon consideration of the internal and external operating circumstances of the Company, a collection of possible risks during operation was combined for each field for which it was assessed that it could prevent the performance of the set procedures from achieving the objectives. Individual risks were assessed from the point of view of their importance of possible consequences or their impact on the operation and the possibility of their occurrence. For each recognized and assessed risk, a measurement was determined with which the Company could successfully and efficiently eliminate or decrease the occurrence and consequences of individual risks. Recognized medium and high defined risks are preferentially a subject to regular further study upon the implementation of an effective system of internal control or a risk management process. This system will be examined and supplemented, if required, annually.

For the purposes of auditing the Company’s annual report, the external audit verified and reports on the internal controls and risk management.

1.1.9. Verification of the Company’s solvency from 31 December 2011

The Company regularly followed the Company’s solvency during 2011 and the Company’s management reported on it to the Supervisory Board. The Company received a capital increase in December 2011 from the founder in the amount of €60 million.

After having examined the situation and known facts, the Company established the following:
- as at 31 December 2011, the value of the company’s assets exceeded its total liabilities;
- the uncovered loss exceeded one half of the initial capital; however, at the same time, the Company has a relatively high surplus from the revaluation of financial investments which will be converted into other capital categories in the next few years with the sale procedure;
- The company meets all its current liabilities in due time. Wages were paid to the employees regularly in accordance with their contracts of employment. Taxes and contributions from the wages are always paid on the pay date;
- In 2009 and 2010, the Company raised several long-term loans with commercial banks, particularly with a view of depositing its own funds for payment of compensations to beneficiaries under the Reimbursement of Investment in Public Telecommunications Network Act and for the purpose of maintaining liquidity. All loans are secured by a guarantee issued by the Government of the Republic of Slovenia;
- According to the Constitutional Court’s decision no. U-I-140/94 of 14 December 1995, the Republic of Slovenia is obliged to provide the Company with additional funds in the event that the Company’s resources prove insufficient for regular payment of the Company’s obligations under the Denationalisation Act, the Cooperatives Act and other regulations governing the restitution of property.

In view of the foregoing, the Company has established that:
- it meets all its obligations on time;
- it is not late with the payment of wages and wage-related taxes and contributions;
- all loans obtained from commercial banks are secured by a guarantee of the Government of the Republic of Slovenia;
- the aforementioned Constitutional Court’s decision imposes on the Government of the Republic of Slovenia the obligation to provide the Company with additional funds to meet its obligations for property restitution when necessary.

It follows from the above that the Company's short-term and long-term solvency will be assured.

1.1.10. Basic information on bonds issued by Slovenska odškodninska družba, d.d., (SOS2E)

Basic features of SOS2E bonds

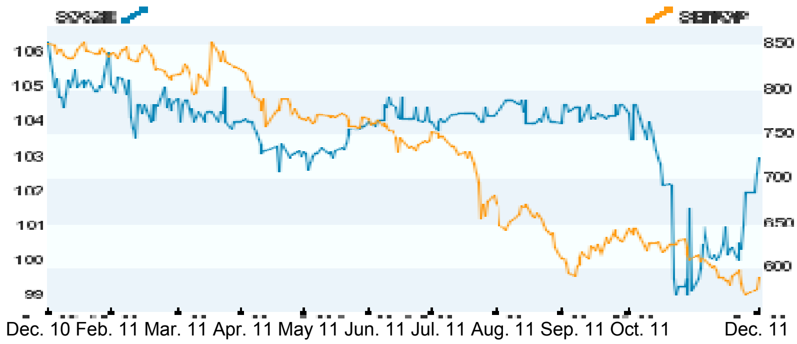
Characteristic features	SOS2E
Commencement of accrual of interest	1 July 1996
Maturity date	1 June 2016
Annual interest rate	EUR + 6%
Method of payment of coupons	twice a year 1 June and 1 December
Denomination value	€51.13

The Company delivers the bonds on the basis of the final denationalisation decisions.

Trading information for SOS2E bonds for 2011

Trading information	Value
Value from 31 December 2011 (%)	103.00
Maximum value in 2011 (%)	106.30
Minimal value in 2011 (%)	0.99
Stock exchange turnover in thousands of euros	29,690
Market capitalization in thousands of euros	486,886
Number of transactions	1,607

Overview of the movement of bonds and Stock Exchange Index SBITOP



1.2. MAJOR POST BALANCE SHEET EVENTS

The post balance sheet events are described in greater detail in point 9.7 of the Annual Report.

2. SLOVENSKA ODŠKODNINSKA DRUŽBA GROUP

2.1. STRUCTURE AND ORGANIZATION OF THE GROUP

As at 31 December 2011, SOD, d.d., was the controlling company whose task was to prepare a consolidated annual report for all the companies within the Group.

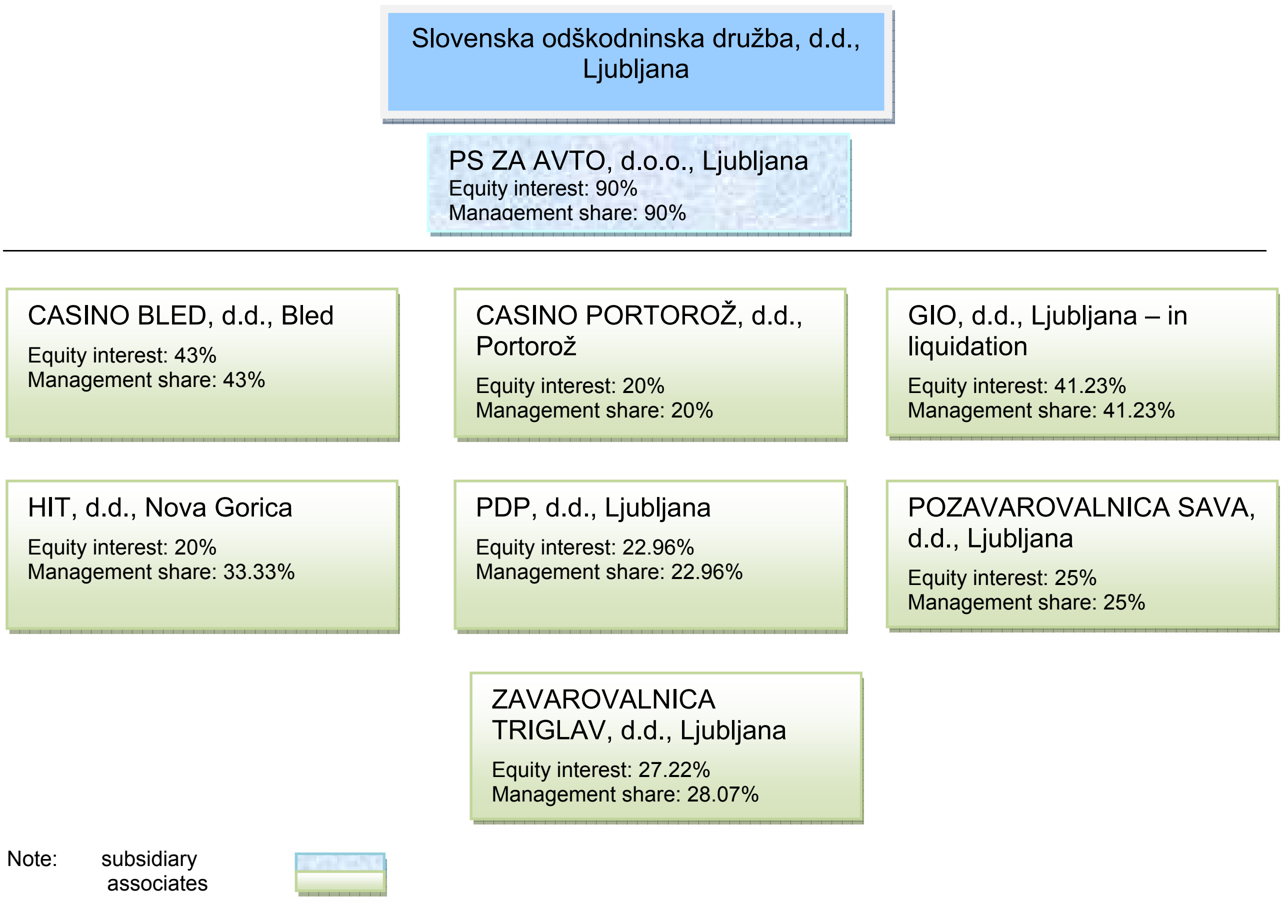
As at 31 December 2011,

- the Company was the controlling company of the following company:
    - PS ZA AVTO, d.o.o., Tržaška cesta 133, Ljubljana,

- the Company exercised a significant influence on the following companies considered as its associates:
    - CASINO BLED, d.d., Cesta svobode 15, Bled;
    - CASINO PORTOROŽ, d.d., Obala 75 a, Portorož,
    - 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 its affiliates

The equity interest of the parent company SOD, d.d., in its subsidiaries and associates as at 31 December 2011 is shown in the chart below.



2.1.2. Employee information

At the year-end 2011, Slovenska odškodninska družba Group (hereinafter: Group) employed a workforce of 56.

Qualification structure of the staff as at 31 December 2011

Education level	SOD, d.d.	PS ZA AVTO, d.o.o.	The Group
Vocational education	0	0	0
Secondary education	8	1	9
Higher education first tier diploma	7	0	7
Higher education	36	1	37
Master's degree	3	0	3
Total	54	2	56

2.2. BASIC ONFORMATION ON SUBSIDIARIES WITHIN THE GROUP

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

Registered office: Tržaška cesta 133, 1000 Ljubljana

Management
Director: Brane Obal

Ownership structure and capital
The company PS ZA AVTO, d.o.o., is 90% owned by SOD and 10% by Kapitalska družba, d.d.

Basic activity
The company's basic activity is renting out of property. The basic activities of the company PS ZA AVTO, d.o.o., are the sale of property, the resolution of denationalisation disputes and other litigations, and the management of the company's assets with due care.

2.3. BASIC INFORMATION ON THE ASSOCIATES WITHIN THE GROUP

2.3.1. CASINO BLED, d.d., Bled

Registered office: Cesta svobode 15, 1000 Ljubljana

Management
Director: Boris Kitek

Ownership structure and capital
The equity interest of SOD, d.d., in the company is 43% on 31 December 2011. Holders of the company's ordinary shares are also KAD, d.d., and the Municipality of Bled (each 3.5%) and holders of preference shares are Gold Club, d.o.o., Sežana (43%), Zavarovalnica Triglav (6.65%) and Modra zavarovalnica, d.d., – Prvi pokojninski sklad (0.35%). The initial capital is divided into 50% of ordinary shares and 50% of preference shares. The newly issued preference shares from the capital increase in 2009 held by the company Gold Club, d.o.o., Sežana acquired voting rights on 13 April 2011. For this reason, the controlling interest of SOD, d.d., fell from 75.43% to 43% and equals the initial capital of the Company.

Basic activity
The company's basic activity is the organization of gambling in its casino in Bled and its gambling salon Vulkan in Jesenice.

2.3.2. CASINO PORTOROŽ, d.d., Portorož

Registered office: Obala 75a, Portorož

Management
President of the Management Board: Tomaž Kranjc

Ownership structure and capital
The company Casino Portorož, d.d., is 20% owned by SOD, d.d. The largest ordinary shareholder is Kapitalska družba, d.d., with a holding of 31.84%. Other major shareholders are: Kraški Zidar (6.17%), the Municipality of Piran (5.93%) and Casino Riviera which is the largest preference shareholder with a holding of 31.81%. The company's initial capital is divided into 63.3% of ordinary shares and 36.6% of preference shares. Since no dividends were paid to holders of preference shares, these shares are voting shares. The controlling interest of SOD, d.d., equalled its equity interest in the company.

Basic activity
The company's basic activity is the organization of gambling. Gambling is organized in the Grand Casino Portorož and the Grand Casino Lipica and in the Žusterna casino.

The company Casino Portorož, d.d., is also the majority owner (51%) of the company Casino Sežana, d.d., which does not perform its basic activity since it does not hold a gaming concession.

2.3.3. GIO, d.o.o. Ljubljana, in liquidation

Registered office: Dunajska cesta 160, 1000 Ljubljana

Management
Liquidator: Odvetniška družba Fašun, Melihen, Milač, Strojan, d.o.o.

Ownership structure and capital
The company GIO, d.o.o., in liquidation is 41.23% owned by SOD, d.d., 30.08% by D.S.U., d.o.o., 28.68% by KAD, d.d. and 0.01% by a natural person.

Basic activity
The only activity of the company in liquidation is renting out the office building.

2.3.4. HIT, d.d., Nova Gorica

Registered office: Delpinova 7a, Nova Gorica

Management
President of the Management Board: Drago Podobnik
Member of the Management Board: Stojan Pliberšek
Member of the Management Board: Uroš Kravos
Member of the Management Board: Marjan Zahar

Ownership structure and capital
The company Hit, d.d., is 20% owned by SOD, d.d. The company's initial capital is divided into 60% of ordinary shares and 40% of preference shares. Since preference dividends were paid for the previous year, preference shares have no voting rights. The controlling interest of SOD, d.d., was 33.33%. The two other important shareholders of ordinary shares are: KAD, d.d. with 20% and the Urban Municipality of Nova Gorica with 15.06%.

Basic activity
The company's basic activity is the organization of gambling. Gambling is organized in the casinos and gambling salons within the framework of the holding company and its subsidiaries in Slovenia, Bosnia and Herzegovina, Montenegro, Croatia and Serbia. In addition to the main activity, the company is also active in the hotel industry, restaurants, organization of events and recreational activities.

2.3.5. PDP, Posebna družba za podjetniško svetovanje, d.d., Ljubljana

Registered office: Dunajska cesta 119, 1000 Ljubljana

The management board:
President: Borut Jamnik
Member: Tomaž Kuntarič MSc.
Member: Janez Prašnikar
The main Executive Director: Matej Golob Matzele
Executive Director: Metka Kandrič

Ownership structure and capital
SOD, d.d., acquired 22.96% equity interest in this company. The largest shareholder of PDP, d.d., is KAD, d.d., which owns 73.98% of the company's capital; moreover, D.S.U., d.o.o. has a 3.06% interest in the company.

Basic activity
The basic activity of the PDP, d.d., company is the activity of holding companies within which it manages companies in its ownership, provides corporate and commercial advice and other financial services. At the end of 2011, the PDP, d.d., managed equity holdings in Aero, d.d. (32.60%), Adria Airways, d.d. (2.08%), Adria Airways Tehnika, d.d. (18.24%), Elektrooptika, d.d. (70.48%), Elan Skupina, d.o.o. (66.37%), Fotona, d.d. (70.48%), Novoles, d.d.- under receivership (16.69%), Paloma, d.d. (70.97%), Rimske Terme, d.o.o. (17.02%), Unior, d.d. (37.11%) and Vegrad, d.d.- under receivership (29.00%).

2.3.6. POZAVAROVALNICA SAVA, d.d., Ljubljana

Registered office: Dunajska cesta 56, 1000 Ljubljana

Management
President of the Management Board: Zvonko Ivanušič
Member of the Management Board: Jošt Dolničar
Member of the Management Board: Srečko Čebron
Member of the Management Board: Mateja Treven

Ownership structure and capital
SOD, d.d. is the largest individual shareholder of Pozavarovalnica Sava, d.d., in which it has a 25% equity interest. Other major shareholders of the company as at 31 December 2011 in terms of equity holdings were Abanka Vipa, d.d. (7.00%), Poteza Naložbe, d.d. – under receivership (5.00%), Pišljar Marjan (4.75%), NKBM, d.d. (4.66%).

Basic activity
The principal activity of Pozavarovalnica Sava, d.d., is reinsurance. The activity of its subsidiaries operating in the territory of Slovenia, Croatia, Republika Srbska, Montenegro, Kosovo and Macedonia is predominantly the insurance business.

2.3.7. ZAVAROVALNICA TRIGLAV, d.d., Ljubljana

Registered office: Miklošičeva cesta 19, 1000 Ljubljana

Management
President of the Management Board: Matjaž Rakovec
Member of the Management Board: Andrej Slapar
Member of the Management Board: Igor Stebernak
Member of the Management Board: Marica Makoter

Ownership structure and capital
SOD, d.d., has a 27.22% equity holding in Zavarovalnica Triglav, d.d. and administrates an additional 0.87% of equity which the beneficiaries from ownership transformation of Zavarovalnica Triglav, d.d., are entitled to acquire. The largest shareholder of Zavarovalnica Triglav, d.d., is the Pension and Disability Insurance Institute of the Republic of Slovenia with 34.47% equity holding in the company. Other major shareholders in terms of equity interest as at 31 December 2010 include NLB, d.d. (3.06%), Claycroft Limited (1.78%), NFD 1 delniški investicijski sklad, d.d. (1.63%).

Basic activity
Zavarovalnica Triglav, d.d., is Slovenia's largest insurance company and has a leading position on the Slovenian insurance market and provides all types of insurance.

3. THE MACROECONOMIC ENVIRONMENT IN 2011

In 2011, the world economy once again faced a decelerated recovery and the danger of recession emerged in some developed countries. The decelerated economic activity in the developed countries was also demonstrated through indicators of growth in output of production industries and service activities since the mentioned indicators demonstrating accelerated growth of economic activity in the beginning of 2011 which then fell to lower levels of growth. This ascertainment applies to the USA while in the Eurozone, the production and service growth fell even below zero in certain months of 2011. Difficulties on both continents are still caused by the real estate or civil engineering sector since they are still strongly affected by the crisis from 2008. Despite all this, some encouraging data from some segments of the macro environment were insufficient for the growth of world capital markets.

Measures by central banks

In 2011, most of the central banks of the world's major developed countries did not interfere with the interest rate. The interest rate was 1% in the EU, 0.5% in the United Kingdom, 0 to 0.25% in the U.S.A., and 0.1% in Japan at the end of 2011. The European Central Bank (hereinafter: ECB) raised the base interest rate by 25 basis points twice in 2011 (in April and July) and cut it twice for 25 basis points as well (in November and December). Interest rate movement speculations, i.e. speculations on the overall monetary policy principally related to the decisions of central banks about the levels of reserves with commercial banks, about the regulation of the exchange rates and about the so called process of printing money. In 2011, the ECB implemented some alterations in the maturity of financing commercial banks and in the method of interest calculations for commercial banks (fixed rate instead of tenders) and as insurance, it received securities with rating BBB- (before at least A-) as well. Investors were surprised by the American central bank FED which did not publish that it will continue with monetary easing (the third package of monetary easing in the value of US$ 600 million never arrived).

Measures by governments and their institutions

In 2011, the world was once again faced particularly with the European debt crisis that strongly shook the investors' confidence in the common currency, the euro, and capital markets worldwide. The group of countries marked with the abbreviation PIGS (Portugal, Ireland, Greece and Spain) was joined by Italy due to the high indebtedness (and at the end of the year also by Slovenia). The European Union and International Monetary Fund (hereinafter: IMF) formed a strategy for fighting against the European debt crisis which included the increase of operating power of the stabilization fund. The power of the fund was increased to €1,000 billion. However, this is still not enough to handle the bankruptcy of Italy. Because of this, governments in many European countries were forced to implement reforms with the purpose of restraining public expenditures, smaller deficits and more sustainable public finances. Countries of the Eurozone and some members of the European Union without euros contributed €150 billion to the IMF which will be spent to fight against the debt crisis.

Gross domestic product – GDP

GDP rates were a little lower in 2011 than in 2010 since the world economy recorded a 2.71% growth in 2011 while in 2010, the growth was 3.99%. In Europe, a major decline of GDP rates was recorded in Greece (-6.8%) according to the previous assessment, while Germany recorded a 3% growth.

Movement of GDP on an annual level in %

Country	1st quarter 2011	2nd quarter 2011	3rd quarter 2011	4th quarter 2011	2011
Slovenia	2.20	0.80	-0.50	no data	0.5**
USA	0.40*	1.30*	1.80*	2.80*	1.70
Germany	4.60	2.90	2.60	1.90**	3.00
China	9.70	9.50	9.10	8.90	9.20
EU – Eurozone	2.40	1.60	1.30	0.70	1.50**
United Kingdom	1.70	0.60	0.50	0.80	0.90**
Brazil	4.24	3.31	2.12	2.15**	3.00**

Source: Bloomberg
Note: * growth rates are shown on a quarterly basis
** estimate by analysts

GDP growth rate in individual countries of the world varied in 2011 also within the same regions (developed countries). The GDP of USA recorded a slightly higher growth in 2011 compared to the Eurozone and the United Kingdom. A much higher growth was recorded in the developing countries where the GDP growth rate in China amounted to 9.20% and in Russia 4.30%. Negative growth rates of GDP were recorded in some quarters by countries which are affected by the debt crisis like Portugal and Greece.

Stock markets

Strong fluctuations were recorded on the stock markets in 2011. A major adjustment occurred in the time period from the end of July to the beginning of October when the MSCI World Index lost more than 20% of its value (in terms of the U.S. dollar, which is the basic currency for this index) or more than 13% when converted into euros (a lower loss due to the increase of the dollar against the euro rate in the studied period). In the entire year of 2011, the MSCI World Index fell by more than 8% (in terms of the U.S. dollar) and 5% in terms of the euro. Share prices rose only at the beginning of 2011. The main reason for the decline of the rates was the debt crisis which shook the trust of investors and the economic growth of some countries. The Slovenian stock market recorded a 30% decline in SBI TOP index in 2011. Index declines were constant throughout the entire year.

The foreign exchange market

The EUR/USD exchange rate experienced a decline on several occasions in 2011. The value of the euro was growing compared to the dollar in the first half of the year; the sharpest decline of the euro against the dollar was recorded in the second half of 2011, when it lost as much as 10.7% of its value as a result of the European debt crisis. During 2011, the euro lost 3.1% of its value against the dollar. Investors' confidence in the dollar was boosted further by a recovery of the U.S. economy which was faster than that in the Eurozone.

The money market

In the first half of 2011, the growth trend of interest rates continued: 3M Euribor rose from 1.0% to 1.6% (in July). This was followed by a rebound in which 3M Euribor dropped to 1.356% by the year-end 2011. 3M Libor for the dollar dropped from 0.3% to 0.245% in June, and then it rose to around 0.580% and remained practically unchanged until the end of the year 2011.

The bond market

The return on euro-denominated bonds maturing after five years ranged between 3.67% and 4.67% in 2011. Investments in bonds, which to some extent represent a safe investment, were also strongly associated with speculations regarding further central bank measures and the impact of the debt crisis.

4. OPERATIONS OF SLOVENSKA ODŠKODNINSKA DRUŽBA, D.D., AND THE GROUP BY AREA

The Group is composed of the controlling company, Slovenska odškodninska družba, d.d., and a subsidiary PS ZA AVTO, d.o.o. The Group is active in eight different areas.

The principal areas of operation of the controlling company SOD, d.d., are:
- denationalisation;
- compensation for confiscated property pursuant to the abrogation of the penalty of confiscation of property;
- compensation to the victims of war and postwar aggression;
- liabilities under the act regulating reimbursement of investments in public telecommunications network;
- implementation of the Ownership Transformation of Insurance Companies Act;
- management of equity investments;
- management of the investment portfolio.

The principal activity of the subsidiary PS ZA AVTO, d.o.o. is:
- renting out of property.

4.1. SETTLEMENT OF LIABILITIES ARISING FROM DENATIONALISATION

At the end of 2011, on 7 December 2011, 20 years had passed since the enforcement of the Denationalisation Act (hereinafter: ZDen). According to the data of the Ministry of Justice which follows the realization of denationalisation, 99.1% of cases were legally finalized with the administrative authorities and 97.4% with the district courts on 31 December 2011 wherein this data applies only to cases according to Article 5 of ZDen. 359 cases remained outstanding with the administrative authorities and 33 cases with the district courts according to Article 5 of ZDen. There is no information about claims still outstanding under the provision of Article 73 of ZDen and about claims for compensation in the form of bonds by re-established agricultural communities (these claims can be filed in the future as well). The Company recorded 448 topical claims as at 31 December 2011 while still expecting about 50 new ones. The Company thus cooperated in denationalisation procedures in 2011 as well as in procedures for the establishment of compensation under the provision of Article 73 of ZDen. Procedures were still conducted with the administrative authorities as well as with the courts in Slovenia which still handle outstanding cases. In accordance with ZDen, the Company is liable to compensation in shares held by the Government of the Republic of Slovenia (i.e. in bonds when there are no shares available). Compensation in bonds in denationalisation procedures is determined when the restitution of nationalised property in kind is not possible or when there are obstacles to such restitution in kind, except in exceptional cases when the rightful claimants are entitled to choose the form of restitution. Compensation assessment procedures for entities liable for compensation that restituted real property to the rightful claimants in kind (Article 73 of ZDen) provide for the compensation in the form of bonds.

The Company recorded 4,032 applications in 2011 from which it received 309 claims. Among the received claims, there were 19 entirely new ones, 19 follow-on ones, 7 claims for compensation under the provision of Article 73 of ZDen and 264 completions of claims. The received claims were filed based on the provisions of ZDen, the Cooperatives Act and the Restoration of Agricultural Communities Act. Denationalisation procedures were carried out in the first instance with the administrative units, the Ministry of Culture as well as with the district and local courts, and, to a lesser extent, with the Ministry of the Environment and Spatial

Planning. In 2011, the Company intensified its participation in mediation procedures for claims dealt with by the courts of justice (mainly claims by re-established agricultural communities).

The majority of claims received in 2011 were very complex to resolve. In resolving the claims in 2011, the Company followed its established practice of careful examination of claims by the legal basis, scope and amount, and strove to consistently establish the correct amount of compensation in bonds which a beneficiary is entitled to. The Company assessed the claims on the basis of the documents received from the authority in charge of the procedure and if the need arose, the Company obtained individual evidence and documents directly from various archives. When the Company received incomplete documents when handling the claims, the Company also accessed the electronic land register, examined orthophoto images, geodetic database, etc. The Company handled the forwarded claims within the set deadlines and declared its opinion in the first few answers about all the facts affecting its decision if it had adequate documentation at its disposal which is not always possible since the authorities managing the procedures do not send all the relevant data at the same time.

The Company received 95 appraisals and calculations of the nationalized property in 2011. Valuations of buildings and mechanical equipment were examined and commented upon by the assessors and various experts with which the Company maintains contractual relations (construction and mechanical). Other, less frequent types of property valuation (e.g. works of art) were not topical in 2011. Calculations of the value of nationalised property (agricultural and building land, valorisation of real property, purchase price, paid compensations, etc.) were, as before, examined by the company employees themselves in considering individual cases.

In 2011, the Company received 222 invitations to oral proceedings and hearings in denationalisation cases. In 2011, 175 oral proceedings were executed in cases in which Company bonds were claimed. The Company participated in all proceedings (except one).

In cases of controversial claims, the company also cooperated with the claimants and appraisers in 2011. In controversial cases the Company organized discussions intended for finding joint solutions to open issues, direct clarification and obtaining the necessary documents. The Company organized 12 coordination meetings in 2011 with different participants in several denationalisation cases. The company paid particular attention to settling controversial valuations. As many as 385 cases of controversial appraisals were recorded since the beginning of keeping a record of controversial appraisals (11 April 2005). By the end of 2011, as many as 324 valuations were harmonized successfully whereas the harmonization of 40 valuations was not successful.

The company entered settlement agreements in cases in which appropriate conditions were satisfied. Since the effective date of the Rules on Settlement of Slovenska odškodninska družba in procedures under the regulations governing denationalization, which was adopted by the Company's Board of Directors at its meeting on 11 May 2007, the Company entered into 63 settlement agreements by the year-end 2011 from which four were settled in 2011.

After the completed assessment procedure, but prior to issuing a decision laying down the compensation, the body in charge of conducting the denationalization procedure shall draw up a report on the established actual and legal state of the affair. These kinds of reports are only prepared by the administrative authorities or their commissions. The report is thus a kind of a conclusion of the procedure which points to the possible decision by the administrative authority. The Company received 112 reports in 2011. In cases in which the Company had no comments on the reported actual and legal state because it considered that a claim was justified, the Company proposed to the relevant authority to issue appropriate decisions.

Denationalisation – report on procedures

	Total before 31 December2009	Total before 31 December 2010	Total before 31 December 2011	Year 2011
Received claims	21,457	21,869	22,178	309
Received appraisals and calculations	19,871	20,044	20,139	95
Received reports on identified actual and legal status of individual cases	21,898	22,071	22,183	112

In 2011, the Company received 93 first instance decisions (administrative and judicial) with the compensation in bonds. For as many as 92 decisions of this kind a preclusive period was determined. The Company lodged 27 appeals and against 65 decisions, it did not lodge any legal remedy. In 2011, the Company received 36 second instance (administrative and judicial) decisions that decided on its appeals against first instance decisions relating to compensation in bonds, of which the majority were administrative decisions. Out of the total second instance decisions received, 28 were issued in the Company's favour and 8 against it. The success rate of claims thus amounted to 78%. In 2010, the Company received seven judgements by the Administrative Court of the Republic of Slovenia that decided on its administrative actions brought against second instance decisions relating to compensation in bonds. All seven judgements were pronounced in the Company's favour. The Company also received four judgements by the Supreme Court of the Republic of Slovenia, namely two administrative and two judicial wherein both administrative judgements were pronounced against the Company's favour and one judicial judgement was pronounced in the Company's favour.

Besides the above-mentioned appeals, the Company lodged other appeals in 2011, namely the Company initiated 11 administrative disputes with the Administrative Court of the Republic of Slovenia against second instance decisions or against the decisions of the Ministry of Culture and one request for review of decisions by the higher court in a non-litigious matter.

The Company also lodged appeals, as before, against decisions laying down compensation only when it had a well-founded reason to do so in 2011. Appeals were lodged mainly in cases of incomplete or incorrectly established actual conditions and the wrong application of the substantive law and normally not due to the breach of procedure if the actual and legal conditions had been correctly established. In 2011, the reasons for appeal were primarily the incorrectly defined level of compensation or lack of evidence of obstacles to restitution of property in kind.

Denationalisation decisions

	Total before 31/12/2009	Total before 31/12/2010	Total before 31/12/2011	Year 2011
Received decisions on compensation in bonds	19,787	19,997	20,089	92
Appeals lodged for decisions with a preclusion period	4,872	4,929	4,956	27
Percentage of appeals against decisions on compensation in bonds	24.62	24.65	24.67	29.34
Initiated legal actions and reviews	823	840	852	12

Due to the assessment of its future liabilities arising from denationalisation, the Company changed the method of planning these liabilities in 2011. The Company verified all individual current claims and evaluated the expected liability for each individual one and the presumable finality of the decisions about compensation in bonds. The mentioned data are verified and coordinated at each individual handling of a claim. In order to assess future liabilities as accurately as possible, the Company also regularly performed enquiries on the finality of the decisions related to compensations in bonds and other enquiries. All the stated is also recorded in a special computer program.

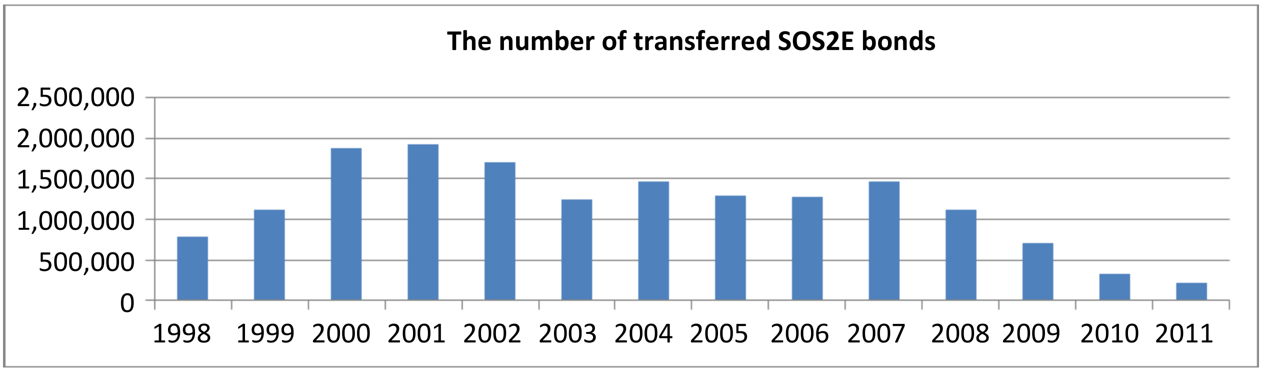
Mostly the most complex and difficult denationalisation cases remained unsolved. Therefore, the year 2011 was pretty difficult according to the substantive side of solving denationalisation cases. Decisions were made on extremely comprehensive matters and high compensation claims and complex legal issues. Case law was also established for some unresolved legal issues. The Company's objection, that entities liable to restitution of real estate in kind to rightful claimants, in the procedure under the provision of Article 73 of ZDen, are not entitled to claim compensation for real estate investment, was successful with the Supreme Court of the Republic of Slovenia. The mentioned decision will importantly influence other such topical cases. In 2011, the Company asserted the objection that the entitlement to denationalisation is not given in cases when persons 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. In 2011, the Company recorded 46 cases where this objection is relevant and which is based on the provision from paragraph 2 Article 10 of ZDen. In cases when decisions were issued which determined the compensation in bonds, the Company filed a complaint. Seven instance decisions were issued in favour of the Company, three of them were even negative. One judgement by the Administrative Court of the Republic of Slovenia was pronounced in the Company's favour. In 2011, the case of a claim for payment of compensation of more than €17 million in bonds for nationalised cooperative property was pronounced in the Company's favour with the judgement by the Supreme Court of the Republic of Slovenia. The refusal of the claim resulted from the fact that the Company complained against the issued decision for compensation in the relevant amount. Investors did not manage to prove in the proceeding that it was about nationalisation of cooperative property.

In terms of the provision of the first indent of Article 59, the Company, carries denationalisation decisions into effect if the compensation is to be paid in bonds. SOD, d.d., also carries out the decisions issued by the Ministry of the Environment and Spatial Planning pursuant to the provision of the fourth paragraph of Article 125 of the Housing Act (hereinafter: SZ) and the provision of the third paragraph of Article 173 of the Housing Act (hereinafter: SZ-1). For the purpose of complying with obligations, these laws and other regulations governing the restitution of property, the Company, pursuant to the provision of Article 6 of the Slovenian Compensation Fund Act, issues bonds and other securities, manages and holds securities and other assets acquired according to the law. The Company floated seven bond issues and issued bonds amounting to 17.5 million bearing a designation SOS2E. These bonds are bearer bonds issued for the total value of €895 million. The bonds were issued in denominations of €51.13. According to the balance sheet as at 31 December 2011, there were 942,896 bonds recorded on the account of the Company opened with Klirinška depotna družba d.d. – Central Securities Clearing Corporation.

Decisions issued on the basis of the aforementioned regulations are carried out by the transfer posting of bonds from the suspense account to the beneficiary's account opened with Klirinška depotna družba d.d. by the Company. If the person entitled to compensation according to ZDen dies, the bonds are delivered to the trustees in specific cases or to his/her legal successors according to a final decree of distribution. The Decree on the issue of bonds and enforcement of compensation decisions imposed on the Slovene Compensation Fund (hereinafter: Decree) determines that the Company delivers bonds subject to a complete request for delivery which should include the data specified in the first paragraph of Article 15 of the Decree. The execution of decisions is completed by the delivery of a certain number of bonds.

For the purpose of complying with its duties laid down by Article 2 of ZSOS, the Company carried out by the transfer posting of 16,557,104 bonds to 26,203 beneficiaries by 31 December 2011.

The number of transferred SOS2E bonds by years



Between 1 January 2011 and 31 December 2011, the Company transferred 224,653 SOS2E bonds to 629 beneficiaries, of which 220,533 bonds to 607 beneficiaries under ZDen and other regulations governing denationalisation of property (98.2%). In accordance with SZ and SZ-1, the Company transferred 4,120 bonds (1.8%) to 22 beneficiaries and paid cash compensation to 20 beneficiaries. The number of beneficiaries is declining since denationalisation claims are in the final phase.

In accordance with Article 173 of SZ-1, under which a lessee claims the right to purchase another apartment is entitled to claim compensation in bonds from the Company in the amount of 25% of the value of the apartment and 36% in cash, 4,120 bonds were transferred and cash in the amount of €303,223 was paid to 22 beneficiaries. According to Article 125 of SZ, the Company did not perform any decisions since it is a matter of cases with significant temporal distance of more than 10 years which means these cases became statute-barred.

In addition to individuals, legal entities are also entitled to compensation according to ZDen. Individuals received 112,171 (49.9%), and legal entities received 112,482 (50.1%) bonds. The amount of bonds for legal entities is higher since denationalisation cases of a larger extent are being finalized in which property is owned by legal entities.

In accordance with paragraph 8 of Article 27 of ZDen and Article 59 of the Company's Articles of Association, the Company exchanges letters of acknowledgement issued by the Farmland and Forest Fund of the Republic of Slovenia for cash. A letter of acknowledgement is a security issued to the name of the beneficiary and to a specified amount that can be paid to the beneficiary on maturity. If the beneficiary does not buy agricultural land or forests or does not sell the letter of acknowledgement, he/her may exchange it for the Company's bonds. Arising from this, 470 SOS2E bonds were exchanged in 2011.

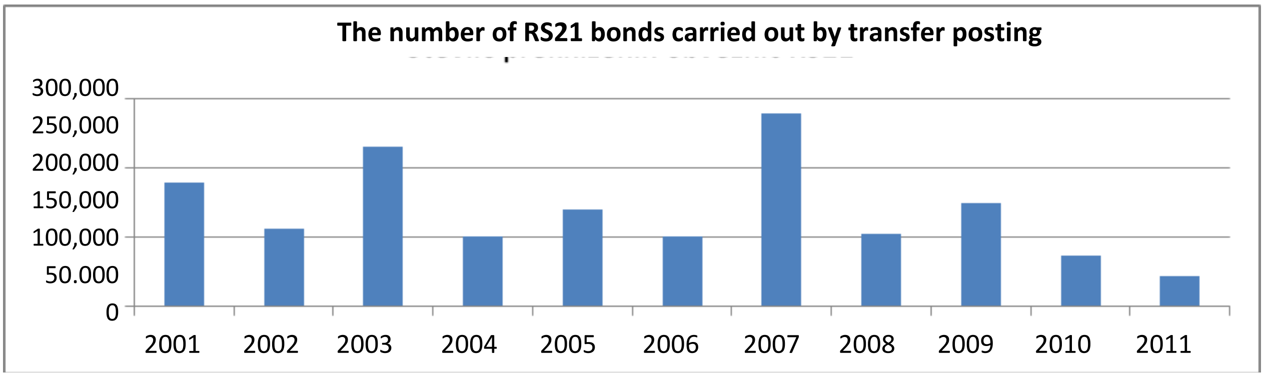
4.2. SETTLEMENT OF LIABILITIES ARISING FROM COMPENSATIONS FOR CONFISCATED PROPERTY PURSUANT TO THE ABROGATION OF THE PENALTY OF CONFISCATION OF PROPERTY

On the basis of the Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property (hereinafter: ZIOOZP), the Company issues, delivers, pays and calculates the interest for bonds issued by the Republic of Slovenia for the payment of compensation under the aforementioned act on 1 February 2001 on behalf and for the account of the Republic of Slovenia. In accordance with Article 1 of ZIOOZP, the Government of the Republic of Slovenia issued two million bonds in an amount totalling €83 million. The bonds are issued as registered bonds in denominations of €41.73 and are designated by the code number RS21.

The Decree Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to Abrogation of the Penalty of Confiscation of Property regulates in greater detail the method and time limits for payment of the principal and interest on RS21 bonds as well as the method of implementation of the provisions laying down the compensation for confiscated property. Bonds may be claimed by beneficiaries in accordance with a final decision laying down the amount of compensation for confiscated property and the legal successor of the beneficiary by submitting a valid decree of distribution or other valid title. The Company must carry out the decisions on compensation for confiscated property within 15 days of receipt of a complete application by transferring an appropriate number of bonds plus interest. Due to the changing case law regarding the interpretation of the fifth paragraph of Article 3 of ZIOOZP, the Company calculates interest from the date when a decision on abrogation of the penalty of confiscation of property and fixing the level of compensation in bonds becomes final.

The Company transferred 1,517,578 RS21 bonds by 31 December 2011.

The number of transferred RS21 bonds by years



In 2011, the Company carried out 17 competent court decisions and transferred 43,957 RS21 bonds to 54 beneficiaries and their legal successors. The reason for a lower number of transferred bonds as compared to the same number of issued compensation decisions is the type of property in the previous year for which a lower compensation was determined.

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

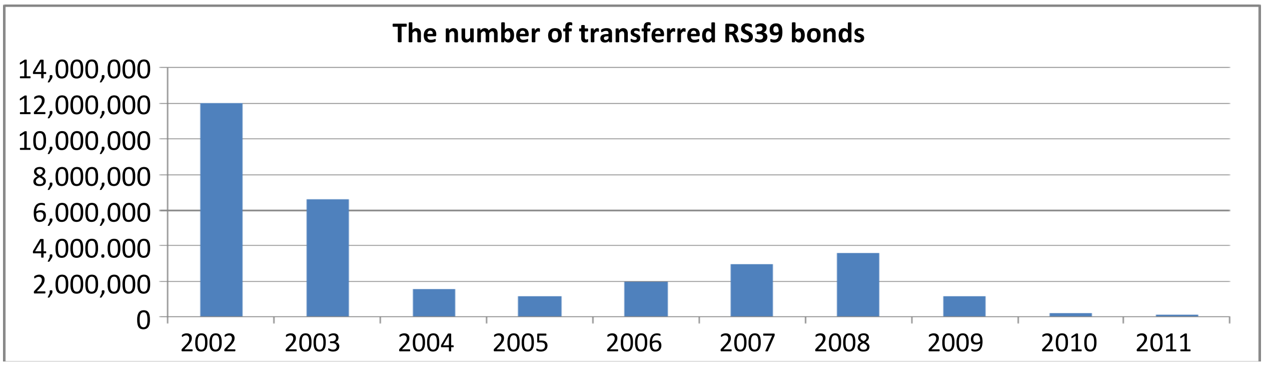
With the enforcement of the Act on Payment of Compensation to Victims of War and Post-War Violence (hereinafter: ZSPOZ), the Company took up the proceedings of issuing decisions on the level of compensation and began carrying out administrative and technical procedures for their implementation. The Company implements the law on behalf and for the account of the Republic of Slovenia. On 1 January 2002, the Republic of Slovenia issued 30 million RS39 bonds totalling €125.1 million and on 7 April 2009 additional 2.5 million bonds totalling €10.4 million for compensation to the victims of war and post-war violence.

Considering the fact that the War and Post-War Victims Act (hereinafter: ZZVN) and the Redressing of Injustices Act (hereinafter: ZPkri), which serve as the basis for the recognition of entitlement to compensation according to ZSPOZ, do not specify the time limit for filing claims, the decision recognizing the rights and consequently also the amount of compensation was postponed until after the maturity date of the RS39 bonds (15 September 2008). With entry into force of amendments and modifications to ZSPOZ, compensation to beneficiaries to whom decisions were issued after 7 April 2009 is paid only in cash pursuant to the provision of Article 13 of this Act. The total amount received by a beneficiary under ZSPOZ may not exceed €8,345.85.

On the basis of acts by which the competent authorities decide on beneficiaries and their rights according to ZPkri, ZZVN and the Act Governing the Specific Rights of Victims of the 1991 War for Slovenia and the criteria laid down by ZSPOZ the Company calculates the level of compensation and issues appropriate decisions based on these acts. Decisions issued pursuant to ZSPOZ are carried out by transferring cash to the beneficiaries' accounts and transfer posting of bonds to the beneficiaries' registered accounts.

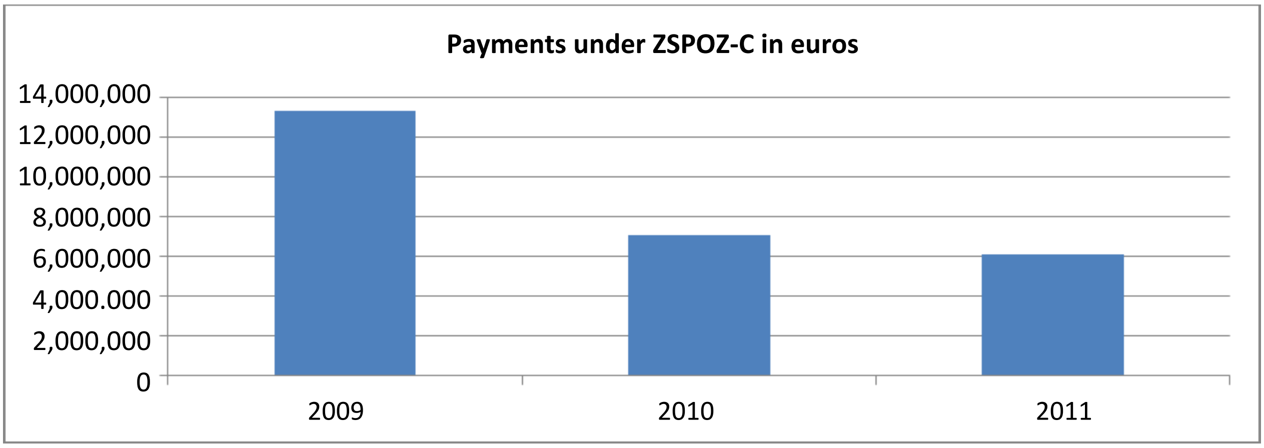
The Company delivered 31,593,554 RS39 bonds by 31 December 2011.

The number of transferred RS39 bonds by years



The amount of compensation paid in RS39 transferred bonds fell by 41% on the preceding year as a result of the amendments to ZSPOZ, according to which decisions are issued and compensation is paid in cash. In 2011, the Company issued 1,830 decisions on the amount of compensation upon the implementation of the public authorization and paid €6,109,642 arising from cash only according to ZSPOZ-C and transferred 150,527 RS39 bonds.

Payments in cash under ZSPOZ-C by years



In the total number of decisions issued on individual legal bases between 1 January 2011 and 31 December 2011, decisions issued under the ZPkri predominated (69%). Decisions issued according to ZZVN (31%) were of lesser importance to the Company in terms of both amount and number. The percentage of these obligations was higher in 2011 due to the application of the Act Amending ZZVN which entered into force on 1 January 2010 that determined new types of beneficiaries. Compensation was not determined for a significant number of beneficiaries since they had already received the highest possible compensation amount according to previous provisions.

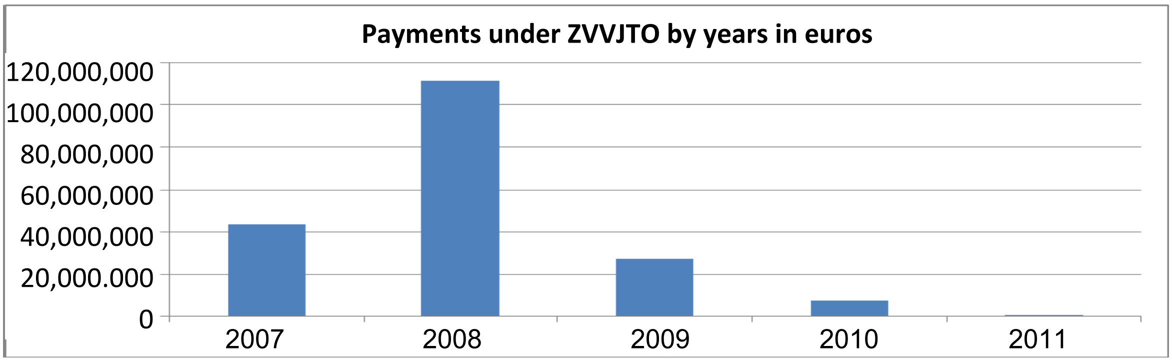
In the performance of its duties according to ZSPOZ, in 2011 the Company received 11,567 claims from beneficiaries, their legal successors and plenipotentiaries, by which these persons supplement and communicate the information necessary for issue and execution of compensation decisions.

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

The Company is in charge of the reimbursement of investments in public telecommunications network on behalf of the Republic of Slovenia which is liable for reimbursement of these investments under the second paragraph of Article 3 of the Reimbursement of Investments in Public Telecommunications Network Act (hereinafter: ZVVJTO). On 30 March 2007, the archives of Družba za svetovanje in upravljanje, d.o.o., in liquidation, which performed administrative activities to the Company and to which beneficiaries sent concluded written settlements, were transferred to the Company under the Act Amending ZVVJTO. The Company settled its liabilities on the basis of these acts within six months of the effective date of amendments and modifications of ZVVJTO. The payment of liabilities under the titles received directly from the attorneys general of the Republic of Slovenia is effected by the Company within sixty days of receipt of these titles.

The Company paid reimbursements for investments in telecommunications totalling €190.1 million by 31 December 2011.

Payments under ZVVJTO by years in euros



In 2011, the amount of the settlements between the Government of the Republic of Slovenia and individual local communities and housing cooperatives and their legal successors was lower than in 2010. Unresolved claims included more complex claims in terms of both content and amount. In payments, legal entities dominate in amounts (98%) and according to the number of payments, the rate between legal and natural entities is almost equal.

4.5. IMPLEMENTATION OF OWNERSHIP TRANSFORMATION OF THE INSURANCE COMPANIES ACT

The Ownership Transformation of Insurance Companies Act (hereinafter: ZLPZ-1) entered into force at the end of May 2002, and has been enforced since February 2003, when the Constitutional Court concluded the procedure of assessing its constitutionality. In the process of ownership transformation of the Zavarovalnica Triglav (hereinafter: Insurance Company) which was conducted in accordance with the provisions of ZLPZ-1, the Company held in custody 36.8% of Insurance Company's initial capital in the form of 2,046,083[1] shares, of which 659,436 basic shares[2] and 1,386,647 capital increase shares[3] to which private law legal entities were entitled. Entities entitled to Insurance Company's shares held in custody at the Company were obliged to redeem the shares not later than within one year after the decision granting them the right to take over the Insurance Company's shares became final. Shares not redeemed by beneficiaries within the specified period became the property of the Company.

The process of ownership transformation of the Insurance Company by private law legal entities is in its final stage. Therefore, the Company did not issue any administrative decisions in 2011. The bulk of the Company's activity in connection with the implementation of ownership transformation of the Insurance Company in 2011 related to the custody of the Insurance Company's shares, as anticipated by the Company's financial plan for 2011. Due to the small number of final decisions under which the beneficiaries were given the possibility to purchase the Insurance Company's shares in 2011, and primarily due to the fact that, in 2011, the market price of the Insurance Company's shares was considerably lower than the average price at which the beneficiaries could acquire them during the ownership transformation, no contracts on the transfer of the Insurance Company's shares were concluded with beneficiaries in 2011. Since the Company received no purchase monies for basic shares in the period between 1 October 2010 and 30 September 2011, the Company made no payment to the budget of the Republic of Slovenia in 2011.

As at 31 December 2011, the Company had 6,380,728 Insurance Company's shares of which it finally held 6,189,641 shares accounting for 27.22% of the Insurance Company's initial capital, and held in custody 191,078 shares accounting for 0.84% of the Insurance Company's initial capital.

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[1] *At the beginning of the process of ownership transformation, the Insurance Company's initial capital was SIT 5,562,660,000 €23,212,568.85) and was divided into 5,562,660 shares. Since then, it was increased several times; therefore, it amounts €73,701,391.79 today and is divided into 22,735,148 shares. All holdings are calculated according to the current number of shares and current initial capital amount.*

[2] *Basic shares were issued in the process of ownership transformation for the purpose of adjusting the Insurance Company's initial capital to the share of capital with no identified owners in the Insurance Company's total capital as at 31 December 2000. The price per basic share was determined on the basis of the estimated value of the Insurance Company as at 1 January 2001 and was revaluated by the cost of living index from that date to the date of payment. The purchase monies received for the basic shares belong to the Republic of Slovenia.*

[3] *The Company acquired capital increase shares by payment of €36.2 million in order to ensure that the share of the Insurance Company's capital with no identified owners remained unchanged after 2000 even after both initial capital increases. The price per capital increase share equalled the issue amount of €2.82 per share paid by the Company, plus the cost of financing from the date of payment by the beneficiary. The purchase monies received for capital increase shares belong to the Company.*

Movement of the number of Insurance Company's shares held by the Company in the period 31 December 2010 – 31 December 2011

	Number of shares			Share in initial capital of Insurance Company		
	31 December 2010	*31 December 2011*	*Difference*	*31 December 2010*	*31 December 2011*	*Difference*
Held by the Company	6,183,399	6,189,641	6,242	27.20	27.22	0.03
Held in custody at the Company	197,329	191,087	-6,242	0.87	0.84	-0.03
Total	6,380,728	6,380,728	0	28.07	28.07	0.00

In 2011, there was no change in total number of Insurance Company's shares held by the Company. The number of Insurance Company's shares held in custody fell by 6,242 for the failure of some beneficiaries to purchase these shares within one year of the date when the declaratory decision became final. On the other hand, some administrative disputes were settled. The decrease in the number of the Insurance Company's shares held in custody was reflected in the number of shares held by the Company in the same amount.

The Company originally anticipated that the process of ownership transformation of the Insurance Company would mainly be completed in 2006, which did not come true due to the verification of the regularity of the bases for determining the price of basic shares. In 2006, the Company issued to all the beneficiaries entitled to redeem basic shares the decision on the renewal of the procedure and substitute decisions entitling them to redeem basic shares at the price determined in the renewed procedure. In 2008 and 2009, the Company received several decisions of the Supreme Court of the Republic of Slovenia that acceded to the decision on auditing beneficiaries in these matters and annulled the Company's decision to renew the procedure. Due to the confusion in connection with the legal consequences, the decision of the Supreme Court of the Republic of Slovenia, the Company obtained a legal opinion on this matter from the Institute for Comparative Law in 2009 and 2010 and shaped its positions with regard to further ownership transformation procedures of the Insurance Company.

The Company advocates a position that beneficiaries may acquire basic shares only on the basis of the share price resulting from the verification of assessment[4] and that the administrative procedure and contractual obligation as a legal relationship, in which the contracting parties enter freely and in which mutual rights and obligations arranged mutually, must be clearly separated during the procedure of ownership transformation of the Insurance Company. It results that beneficiaries under the contracts on the transfer of shares, which they undertook to purchase shares at the price established on the basis of verification of assessment with, concluded these contracts entirely voluntarily. As a result, they agreed to suffer damage; therefore, they are not entitled to claim compensation. In 2011, a litigious procedure was successfully finalized for the Company which related to the purchase of shares at the price deriving from the verification of the assessment wherein the Higher Court of Ljubljana advocated a legal position that the beneficiary who concluded the contract on the transfer of shares at the highest price now cannot claim compensation.

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[4] *According to the original assessment, the value of the Insurance Company was set at €253 million and its share to €28.23. In the process of assessment verification, the value of the Insurance Company was set at €508 million and its share to €56.70.*

4.6. MANAGEMENT OF THE EQUITY INVESTMENTS OF THE GROUP

The management activities of the Group relate to the Company and the subsidiary PS ZA AVTO, d.o.o. The number of subsidiaries declined by one company as compared with the year-end 2010. The company Casino Bled, d.d. became an associated company as at 13 April 2011 since the preference shares held by the company Gold Club, d.o.o. became voting shares; from this reason the management share of the Company fell to 43%.

The controlling company did not manage the other associated companies due to a smaller ownership share which could provide it with an optimum policy for managing the ownership shares.

4.6.1. State of the investments

On 31 December 2011, the Company was a shareholder and member of 43 companies established in the Republic of Slovenia. The Company had equity interests in companies, banks and insurance companies, which had been acquired by it gratuitously in ownership transformation procedures and for a consideration based on other legal grounds through purchase or exchange. These equity interests are referred to as active investments for which the Company exercises all ownership rights. The remaining equity interests are held in companies under receivership (inactive investments), a total of 14.

Movement of the number of equity interests of the Company

Type of equity investment	Balance as at 31 December 2011	Balance as at 31 December 2010
Active investments	43	42
Inactive investments (companies under receivership)	14	15
Total	57	57

The number of active investments of the Company was increased by a single investment as compared with the year end 2010 (42 investments). In 2011, the Company received gratuitously four investments from D.S.U. d.o.o. of the following companies in accordance with the regulations governing the closure of the process of ownership transformation and denationalisation: Goriške opekarne, d.d. (12.9% interest in equity of the company), OnaOn, d.d., Ljubljana (0.67%), Terme Maribor, d.d. (0.12%) and Mali-E-Tiko, d.o.o., Tržič (ex Tiko, d.o.o.) (2.65%). In the same period, the Company disposed of three equity investments.

The ownership share of the Company fell with four investments in 2011. The Company gratuitously transferred 653,548 shares of the company Telekom, d.d., (10% of all the Company's shares) to the Republic of Slovenia on the basis of a contract on securing a guarantee, lien, gratuitous transfer of shares and regulation of relationships on the basis of ZVVJTO, concluded between the Republic of Slovenia, Ministry of Finance and the Company. After the transfer, the Company is still the owner of 277,839 shares which constitutes 4.25% of the initial capital of this company. Due to the increased capital which the Company had no part in, the ownership share of the Company fell from 4.79% to 3.20% in the bank NKBM, d.d. in 2011 and from 5.05% to 4.07% in the bank NLB, d.d. In the same period, the ownership share of the Company increased from 7.92% to 8.80% due to the withdrawal of its own shares in the company Salus, d.d.

The subsidiary PS ZA Avto, d.o.o. is the owner of equity investments in seven companies from which the owner of the shares in three companies is also the controlling company.

Active equity investments by the controlling company and its subsidiaries as at 31 Dec 2011*

Reg. no.	Name of company	Number of stocks/shares held by the parent and/or subsidiary company	Equity interest in %
1	Abanka Vipa, d.d.	161,119	2.24
2	Aerodrom Ljubljana, d.d.	258,958	6.82
3	Banka Celje, d.d. ***	47,686	9.47
4	Banka Koper, d.d. **	2	0.00
5.	Casino Bled, d.d.	707,620	43.00
6.	Casino Portorož, d.d.	706,314	20.00
7.	Cetis, d.d.	14,948	7.47
8.	Cimos International, d.d. **	24,000	0.14
9.	Cinkarna Celje, d.d.	92,950	11.41
10.	ČZP Večer, d.d.	25,592	10.00
11.	Elektro Gorenjska, d.d.	52,907	0.31
12.	Elektro Ljubljana, d.d.	116,060	0.30
13.	GIO, d.o.o., in liquidation	1	41.23
14.	Goriške opekarne, d.d.	71,994	12.09
15.	Helios Domžale, d.d.	26,563	9.54
16.	Hit, d.d.	1,357,727	20.00
17.	Intereuropa, d.d.	474,926	6.01
18.	Intertrade ITA, d.d.	5,349	7.69
19.	Iskra Avtoelektrika, d.d.	113,853	7.08
20.	KDD, d.d.	50	9.62
21.	KLI Logatec, d.d., in liquidation	7,653	0.59
22.	Krka, d.d. ***	5,314,270	15.00
23.	Loterija Slovenije, d.d.	11,142	15.00
24.	Luka Koper, d.d.	1,557,857	11.13
25.	Mariborska livarna Maribor, d.d.	160,177	4.72
26.	Marles, d.d. **	6,182	0.18
27.	Nova KBM, d.d.	1,250,614	3.20
28.	Nova LB, d.d.	449,949	4.07
29.	OnaOn, d.o.o.	1	0.67
30.	PDP, d.d.	410,271	22.96
31.	Petrol, d.d.	412,009	19.75
32.	Pomurske mlekarne, d.d.	3,344	3.34
33.	Pozavarovalnica Sava, d.d.	2,340,631	25.00
34.	PS Mercator, d.d. **	150	0.00
35.	PS ZA Avto, d.o.o.	1	90.00
36.	Salus, d.d.	10,693	8.80
37.	Sava, d.d.	222,029	11.06
38.	Slovenijales, d.d.	29,847	10.91
39.	Splošna plovba, d.o.o.	1	19.80
40.	Svea, d.d.	46,772	15.57
41.	Telekom Slovenije, d.d.	277,839	4.25
42.	Terme Maribor, d.d.	2,712	0.12
43.	Terme Olimia, d.d.	28,330	4.79
44.	Mali-E-Tiko, d.o.o. (exTiko, d.o.o.)	1	2.65
45.	Unior, d.d.	65,661	2.81
46.	Zavarovalnica Triglav, d.d. ***	6,195,249	27.24
47.	Žito, d.d.	43,636	12.26

* Equity investments in companies in the Republic of Slovenia not subject to bankruptcy proceedings; ** Equity investment by subsidiaries; *** Equity investment by the controlling and by the subsidiary company (shares held in custody by the Company are not considered at Zavarovalnica Triglav, d.d.)

4.6.2. Sale of equity investments

Due to the adverse economic situation, the declining trend in the disposal of equity interests also continued in 2011. The company disposed of three investments in companies, for a consideration, in this period: Agroind, d.d. (8.23% interest in the equity of the company), Nolik, d.d. (19.95%) and Sora Medvode, d.d. – in liquidation (0.93%) and one investment partially (1 share of Abanka Vipa, d.d.). In all cases of sale, the investments of the Company were less important in terms of the value according to the entire value of its equity investments. All the investments sold were in companies which already had a consolidated ownership structure with majority ownership of one or a group of many connected entities.

In the case of the investment in Casino Bled, d.d., the Company along with Kapitalska družba, d.d. concluded the sales agreement with the buyer (for a smaller share of shares) and the put option contract (for a larger share of its shares) wherein approval by the AUKN must be acquired for a valid first agreement in compliance with the Act governing conversion of the pension fund management and investment policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD). This approval had not yet been issued at 31 December 2011 which is bound to the previous opinion of the Government of the Republic of Slovenia.

The Company carried out a public offering procedure for the disposal of investments together with some other owners in the following companies: Casino Bled, d.d., Casino Portorož, d.d., Banka Celje, d.d., Intereuropa, d.d. and Žito, d.d., or it continued with negotiations with the investment tenderer which the public offering procedure was initiated for before the beginning of 2011 (Intertrade ITA, d.d., Salus, d.d.). In case of the investment in Slovenijales, d.d., the Company did not accept the acquisition offer published by the Zavarovalnica Triglav, d.d. due to the offer being too low. With all the above-mentioned investments, the disposal procedure was either finished by the 31 December 2011 without the decision about disposal due to the price offered being too low, or will be continued in 2012.

Disposal of equity interests by the Company in 2011 and 2010

	Year 2011	Year 2010	Index 11/10
Number of sales	3	3	100
Value of sales – in euros	243,059	150,910	161

The systematic incompleteness of some Company's investments which could have a strategic meaning for the Republic of Slovenia had an important impact on the implementation of disposal activities of the Company in 2011. Legal innovations in force in the field of management of equity investments of the Republic of Slovenia and the amendments in 2011 established only a legal and formal framework of operation of the newly-established AUKN, while the Strategy about the management of equity investments which is supposed to determine the strategic investments of the Republic of Slovenia until the end of 2011, has not been submitted to the National Assembly for final approval yet.

4.7. INVESTMENT PORTFOLIO AND LIQUIDITY MANAGEMENT

4.7.1. The basic orientation of the investment policy of the Company

Within the framework of its adopted financial plan for 2011 and the rules on investment of funds, the Company pursued its adopted business and investment policies. In accordance with the basic positions for investments, the Company took into consideration both the liquidity and maturity match between investments and liabilities. The key conclusion is that the Company complied with all its statutory and contract liabilities in time throughout 2011. The Company maintained its current liquidity by planning its cash flows and maintaining a permanent liquidity reserve.

4.7.2. Cash flows in 2011

The net cash flows achieved in 2011 totalled €344.7 million. Compared with 2010, the volume of cash flows was lower by €101.7 million. This was due to long-term loans totalling €300 million obtained by the Company in 2010 for covering its liabilities in the next few years. The Company did not obtain any new loans in 2011.

The Company provided monetary assets for covering its liabilities mostly with matured financial investments (72.5% of total cash inflows) and with other inflows to a lesser extent.

The Company's capital was increased by the Republic of Slovenia totalling €60 million at the end of 2011 and did not affect the Company's solvency to pay its liabilities in 2011. In 2011, some amendments to ZSPOZ, ZIOOZP and ZVVJTO were adopted; on their basis, the Republic of Slovenia shall return the company all the funds advanced until 2015 (payments as at 31 December 2010) for the implementation of the mentioned laws. Also, it shall regularly with a one month delay repay the amounts which are paid to the beneficiaries by the Company after 1 January 2011.

All liabilities were paid within the deadlines. Cash outflows for meeting the Company's statutory obligations under ZDen amounted to €126.9 million in 2011 and increased as compared to 2010 by €5 million. Expenses for liabilities under ZSPOZ were €1.8 million lower than in the previous year and amounted to €7.1 million. At the same time, there were no major differences in payments under ZIOOZP as compared to 2010 – €8 million were paid. Compensations to beneficiaries for the return of investments in the public telecommunications network were only in the amount of €0.7 million.

Due to the favourable interest rates for deposits, the Company placed excess financial resources as new short-term and long-term deposits maturing in 2012 and 2013 and, to a very limited extent, also as other forms of long-term investments.

On 31 December 2011, the Company's total borrowings from long-term loans obtained from banks were €480 million.

4.7.3. The volume and structure of the investment portfolio

As at 31 December 2011, the market value of the investment portfolio of the Company was €226.6 million and decreased by €85 million as compared with the end of the year 2010, mostly due to the payment of liabilities arising from denationalisation while the Company did not realize any major inflows from investment disposal in the previous year.

Debt investments at the end of 2011 represented more than 88% of the investment portfolio. The rest of the smaller part of the investments is constituted by mutual funds and foreign shares. Investments in shares fell compared with 2010, mostly due to the reallocation of all domestic shares which the Company bought in the previous years and were managed in the investment portfolio, the portfolio of the capital investments of the Company. As at 31 December 2011, the Company presented only foreign securities among shares in the investment portfolio.

Structure of the Company's investment portfolio by type of investment

Type of investment	31 December 2011		31 December 2010	
	in €000	*%*	*in €000*	*%*
Debt investments	200,930	88.66	260,532	83.60
Deposits	*159,115*	*70.21*	*191,500*	*61.45*
*Bonds**	*26,415*	*11.66*	*37,232*	*11.95*
Certificates of deposit	*15,400*	*6.80*	*31,800*	*10.20*
Equity investments	25,704	11.34	51,094	16.40
Mutual funds	*23,045*	*10.17*	*22,773*	*7.31*
Shares	*2,659*	*1.17*	*28,321*	*9.09*
Total investment portfolio	226,634	100.00	311,626	100.00
Total debt	480,000		480,000	

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

Debt investments

At year-end 2011, the market value of the debt investments was €200.9 million or €59.4 million less than at the end of the previous year. Deposits were a predominant part of the debt investments. These deposits had a different maturity, mainly up to one year, and were used for meeting statutory and other obligations in 2012 and, to a lesser extent, up to two years, used for meeting statutory and other obligations in 2013.

Redeemed own SOS2E bonds accounted for a major part of the bond portfolio. The remaining part of the portfolio included primarily domestic and foreign bank bonds and some corporate bonds. The Company will gradually reduce the bond maturity and adjust it to the statutory obligations of its own. Mostly as a result of regular maturities and some bond sales, the bond portfolio declined in 2011.

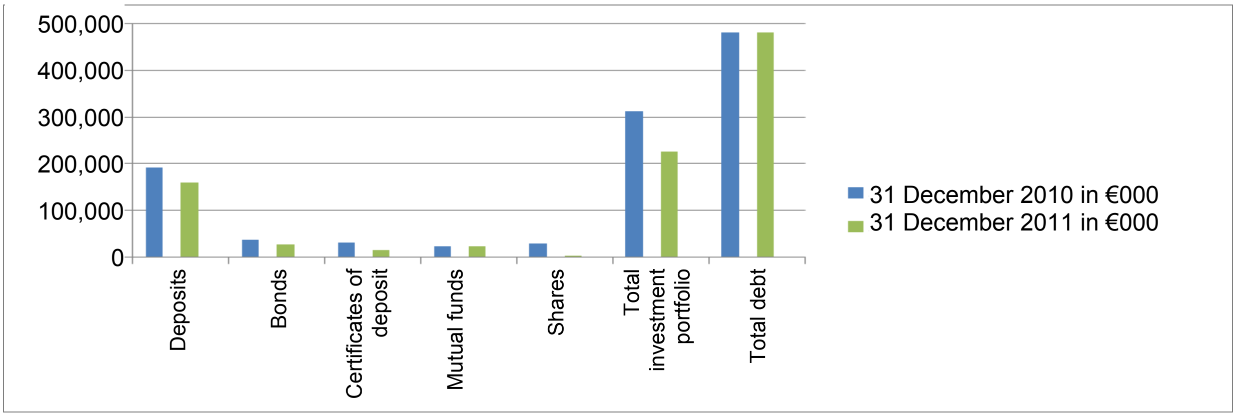
Equity investments in the shares of foreign issuers

As at 31 December 2011, the Company had only 1.2% of assets of the investment portfolio classified in the investment class of a share of a foreign issuer. Within the framework of this investment class, the Company invests in liquidity securities of different global foreign issuers. Due to the adverse economic conditions in foreign markets, the Company did not increase its investments in shares of foreign issuers in 2011.

Mutual funds

As at 31 December 2011, the company made investments in 32 equity, (which is 65.7% of the value of mutual funds in the investment portfolio), 11 bond funds (24.4% of the value of the mutual funds) and one mixed fund (4.3% of the value of mutual funds), one index fund (1.2% of the value of the mutual funds) and one monetary fund (4.4% of the value of the mutual funds). In 2011, its mutual fund portfolio increased a little as compared with 2011.

Structure of the Company's investment portfolio by type of investment in €000 in 2010 and 2011



4.7.4. Profitability of the investment portfolio

The table below shows the profitability achieved by individual segments of investments in the investment portfolio between 2007 and 2011. For securities listed on the regulated market, the market values on the last day of each year were taken into consideration.

Return on the Company's investment portfolio 2007-2011

Type of investment	Profitability* in %				
	2007	*2008*	*2009*	*2010*	*2011*
Deposits	4.10	4.50	2.20	2.65	3.98
Certificates of deposit	4.30	4.80	4.50	3.68	3.84
Treasury bills	3.80	-	1	-	-
Bonds	4.10	3.00	3.10	3.80	3.03
Mutual funds	12.40	-41.20	28.30	11.35	-10.76
Domestic shares	76.70	-69.80	23.70	-11.40	
Foreign shares	3.90	-41.60	66.10	12.38	-15.45
Assets under management	1.50	-5.10	3.00	-	-
Funds for telecommunications	4.50	4.50	4.50	4.50	-
Profitability of the investment portfolio	16.90	-5.50	4.70	2.86	2.13

*Source: AdTreasury programme

In 2011, returns on all debt segments of the investment portfolio were positive while the share or mostly share segments were negative. By taking into consideration the total investments, 2.13% profitability of the investment portfolio was recorded in 2011. The increase in profitability of the investment portfolio was largely due to the segment of deposits, certificates of deposits and bonds. The five-year weighted average profitability of the investment portfolio in the time period from 2007 to 2011 totalled 5.71% (wherein the value of the investment portfolio at the end of each year was considered as a weight). In evaluating the results of the asset management it should be stressed that the Company's primary objective was to maintain the liquidity of its assets, and, secondly, a positive growth of investments, not activities focused on achieving short-term profits.

4.8. RENTING OUT PROPERTY – THE PRINCIPAL ACTIVITY OF THE COMPANY PS ZA AVTO, d.o.o.

The principal activity of the company PS ZA AVTO, d.o.o., is renting out property. The basic activities of the company PS ZA AVTO, d.o.o., are the sale of property, the resolution of denationalisation disputes and other litigations, and the management of the company's assets with due care.

4.9. RISK MANAGEMENT

The Company was also exposed to various types of risk associated with managing investments in 2011. The most important risk types were the market risk and liquidity risk.

Liquidity risk

Special attention was paid to controlling the liquidity risk. In 2011, the Company/Group was successful in managing this type of risk after having complied with all its statutory and contractual liabilities in due time. The Company mitigated its liquidity risk by making accurate projections of the maturities of its obligations and planning cash inflows to coincide with its planned cash outflows for the obligations. Such reconciliation of the cash flows was possible by placing fixed term deposits with banks and by consistently following the matured financial instruments owned by the Company. Moreover, liquidity risk was mitigated by the Company/Group by accurate planning and daily, weekly and monthly monitoring of the cash flows, by maintaining at the same time, a permanent liquidity reserve set up for contingent liabilities.

Due to the constantly poor liquidity of the Slovenian capital market, liquidity risk was present in the majority of the equity investments of the Company/Group. The Company/Group partially avoided this risk by selling these investments and restructuring them into more liquid investments in developed capital markets which the Company/Group had successfully implemented in the past.

The Company's/Group's approach to liquidity management was conservative, which was reflected in the size of investments in bank deposits and debt securities as well in the methodology of forecasting new financial liabilities and monitoring liquidity flows. While no larger equity shares were being sold, the Company/Group provided financial resources for all the planned liabilities in 2010, at least until the end of December 2012 by obtaining long-term loans.

Market risk

The most significant risk facing the Company/Group was the risk of change in the market value of shares. As shown in the table below, the Company/Group was exposed predominantly to changes in the value of equity investments at home, i.e. the change in the price of shares at home.

Investment structure of the Company as at 31 December 2011, in €000

Type of investment	Value	%
Domestic marketable shares	580,716	63.67
Stocks and shares – domestic, non-marketable	104,695	11.48
Mutual funds	23,045	2.53
Shares, marketable, foreign	2,659	0.29
Debt investments*	200,930	22.03
Total investments	912,045	100.00

* The data also considers the investment in its own SOS2E bond.

Investments in domestic marketable and non-marketable shares account for more than 75% of the Company's investments. An inadequate spread of investments, low liquidity level and the inappropriate structure of assets as compared to the structure of liabilities were the main risks to which the Company/Group was exposed. The risks could not be avoided on the Company/Group level since a withdrawal from most major equity investments would require to waiting for the adoption of a strategic investment policy by the Republic of Slovenia.

Interest rate volatility risk

The interest rate risk is present in some investments in debt financial instruments and in liabilities for long-term borrowing. In 2011, interest rates initially rose and then fell in the second half of the year and finished at relatively low levels at the end of the year. In controlling the risk of volatility of the interest rates, the Company/Group paid particular attention to the movement of the interest rates resulting from various macroeconomic reasons and to the anticipated changes in future interest rates. It is expected that interest rates will remain low for some quarters and then start to rise.

The Company began studying the implemented financial instruments in 2010 which could be used to decrease the interest rate volatility risk for the obtained loans. The real use of instruments depends on the previous movements and anticipated rate of inflation in the future and on the decision to what extent it would be reasonable to protect the rise of interest rates. In 2011, the Company implemented the operation of interest rate swap (IRS) for a part of the principal of the obtained loans in the amount of €200 million and a part of the principal in the amount of €280 million remains unsecured and dependant on the interest rate movement in the monetary market.

Credit risk

The Company/Group regularly checked the solvency of its trading partners in order to reduce its credit risk exposure. The Company/Group placed a large portion of temporarily available funds in deposits and other financial instruments. The spread of investments was laid down by the Company's internal rules. The credit standing of the issuers of securities was checked regularly, and the implementation of the contractual provisions was monitored.

Exchange rate volatility risk

All assets and liabilities of the Company/Group were expressed in euros except a negligible 0.2% of investments in shares that were maintained in other currencies. Therefore, the Company/Group was not exposed to currency risk.

Krešo Šavrič	Matjaž Jauk	Tomaž Kuntarič MSc.
Member of the Management Board	Member of the Management Board	President of the Management Board

Ljubljana, 25 April 2012

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

SLOVENSKA ODŠKODNINSKA DRUŽBA COMPANY AND GROUP

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

5. STATEMENT BY THE MANAGEMENT BOARD ON ITS LIABILITY

The Management Board is responsible for the preparation of the annual report so that it presents fairly and accurately the financial position of the Company and its operation results for 2011.

The Management Board confirms that appropriate accounting policies have been consistently applied and that accounting estimates have been made on the principle of prudence and operating efficiency. The Management Board also confirms that the financial statements, together with the notes to the financial statements, have been prepared on the assumption of a going concern and in accordance with the valid legislation and International Financial Reporting Standards adopted by the EU.

The Management Board is also responsible for proper accounting methods, adoption of appropriate measures to protect the Company's property and other assets and to prevent and detect fraud and other irregularities and illicit acts.

The tax authorities may at any time, within five years from the date when the tax became chargeable, review the Company's operations, which may give rise to the additional liability of paying tax, interest on arrears and penalties for corporate income tax or other taxes and duties. The Company's Management Board is not aware of any circumstances that might cause any major liability there under.

The Company has in place a system of internal controls and a system of risk management within the Company associated with the process of financial reporting.

In accordance with the sixth indent of paragraph one and three of Article 28 of the Management of Equity Investments of the Republic of Slovenia Act (ZUKN-C), the Equity Investment Management Agency of the Republic of Slovenia performs the function of the General Meeting which must previously acquire the approval of the Government of the Republic of Slovenia about the call for the General Meeting and deciding about the members of the supervisory bodies. The responsibilities of the General Meeting are specified in Article 293 of the Companies Act (ZGD-1).

The Articles of Association provide that the Supervisory Board of the Company includes nine members. Six members of the Supervisory Board that represent the interests of the shareholders are elected by the General Meeting, and three members of the Supervisory Board that represent the interests of the employees are elected by the Works Council. The Works Council has recommended only one member until now. The Supervisory Board is vested with all the responsibilities laid down by ZGD-1.

The Company's Management Board is composed of a president and two members. The business report of the Company does not include any data required by the sixth paragraph of Article 70 of ZGD-1. The Company is not bound by the provisions of The Mergers and Acquisitions Act (Zpre-1).

Krešo Šavrič	Matjaž Jauk	Tomaž Kuntarič MSc.
Member of the Management Board	Member of the Management Board	President of the Management Board

Ljubljana, 25 April 2012

6. INDEPENDENT AUDITOR'S REPORT

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

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 unconsolidated financial statements of the company SLOVENSKA ODŠKODNINSKA DRUŽBA d.d. (hereinafter the "Company"), which comprise the statement of financial position as at 31 December 2011, 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 the EU and for such internal control as management determines is necessary to enable the preparation of 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 company'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 company'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 present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and its comprehensive income and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

Valuation of Investments on the Model Basis

As described in Note 9.1.4.5. *Explanation of Valuation of Krka d.d. Shares* to financial statements, the fair value of investment in the shares of the company Krka d.d. was assessed using the valuation model. As disclosed in more detail in Note 9.1.4.5, the assessed value of the abovementioned investment exceeds its price quoted on stock exchange.

Consolidated Financial Statements

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d. is the controlling company of the SLOVENSKA ODŠKODNINSKA DRUŽBA Group (hereinafter: the "Group") that prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. We have audited the consolidated financial statements of the Group and issued a qualified opinion on 25 April 2012.

Our opinion is not modified in respect of these matters.

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.

Barbara Žibret Kralj
Certified Auditor

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

Ljubljana, 25 April 2012

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

6.2. OPINION FOR THE SLOVENSKA ODŠKODNINSKA DRUŽBA GROUP

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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 SLOVENSKA ODŠKODNINSKA DRUŽBA GROUP (hereinafter: the "Group"), which comprise the statement of financial position as at 31 December 2011, 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 consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the 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 consolidated financial statements based on our audit. Except for the matters referred to in the following paragraph (Limitation of Scope), we conducted our audit in accordance with 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the group's consolidated 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 group's internal control. 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 consolidated financial statements.

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

Basis for Qualified Opinion – Limitation of Scope

The group discloses important investments in associates. The effects of valuation of investments in associates under the equity method have a material impact on the statements of comprehensive income of the Group. As we have not audited the financial statements of associates and have not reviewed the work done by the auditors of associates, we were unable to satisfy ourselves as to the fair presentation of effects resulting from valuation under the 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 present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its comprehensive income and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter – Valuation of Investment on the Model Basis

As described in Note 9.1.4.5. *Explanation of Valuation of Krka d.d. Shares* to financial statements, the fair value of investment in the shares of the company Krka d.d. was assessed using the valuation model. As disclosed in more detail in Note 9.1.4.5, the assessed value of the abovementioned investment exceeds its price quoted on the stock exchange.

Our opinion is not modified in respect of this matter.

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.

Barbara Žibret Kralj
Certified Auditor

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

Ljubljana, 25 April 2012

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

7. FINANCIAL STATEMENTS OF THE SLOVENSKA ODŠKODNINSKA DRUŽBA COMPANY AND GROUP

7.1. STATEMENT OF THE FINANCIAL POSITION /BALANCE SHEET

in €000	*Explanation*	The Company		The Group	
		31/12/2011	*31/12/2010*	*31/12/2011*	*31/12/2010*
ASSETS		**1,242,479**	**1,290,197**	**1,264,637**	**1,314,242**
LONG-TERM ASSETS		**998,943**	**1,083,807**	**1,021,101**	**1,107,556**
expenses	9.1.1.	58	86	58	217
Tangible fixed assets	9.1.2.	914	1,023	914	4,505
Investment property	9.1.3.	5,600	5,741	5,600	5,741
Long-term financial investments	9.1.4.	727,918	897,232	750,076	917,315
Long-term operating receivables	9.1.5.	264,453	179,725	264,453	179,778
SHORT-TERM ASSETS – TOTAL		**243,536**	**206,390**	**243,536**	**206,686**
expenses		**243,509**	**206,366**	**243,509**	**206,661**
Inventories		0	0	0	38
Short-term financial investments	9.1.6.	163,827	195,102	163,827	195,102
Short-term operating receivables	9.1.7.	72,545	2,285	72,545	2,372
Cash assets	9.1.8.	7,137	8,979	7,137	9,149
Short-term prepayments and accrued income	9.1.9.	**27**	**24**	**27**	**25**
LIABILITIES		**1,242,479**	**1,290,197**	**1,264,637**	**1,314,242**
CAPITAL	9.1.10.	**105,740**	**0**	**127,898**	**20,414**
Initial capital		60,167	167	60,167	167
Capital reserves		0		0	6
Statutory reserves		0	0	0	0
Revaluation surplus		351,584	421,347	265,176	298,916
Retained net profit or loss		-306,011	-389,104	-197,445	-214,114
Net profit or loss for the financial year		0	-32,410	0	-64,561
Capital of the minority shareholders				**0**	**439**
LONG-TERM LIABILITIES - TOTAL		**829,562**	**1,167,468**	**829,562**	**1,167,930**
Provisions and long-term accrued costs and deferred revenues	9.1.11.	**147,138**	**197,495**	**147,138**	**197,545**
Long-term liabilities		**682,424**	**969,973**	**682,424**	**970,385**
Long-term financial liabilities	9.1.12.	682,424	969,973	682,424	970,263
Long-term operating liabilities		0	0	0	122
SHORT-TERM LIABILITIES - TOTAL		**307,177**	**122,729**	**307,177**	**125,459**
Short-term liabilities		**307,065**	**122,650**	**307,065**	**125,363**
Short-term financial liabilities	9.1.13.	279,897	93,621	279,897	94,765
Short-term operating liabilities	9.1.14.	27,168	29,029	27,168	30,598
Short-term accrued costs and deferred revenues	9.1.15.	**112**	**79**	**112**	**96**

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

7.2. STATEMENT OF THE COMPREHENSIVE INCOME

in €000	Explanation	The Company		The Group	
		1/1-31/12/2011	1/1-31/12/2010	1/1-31/12/2011	1/1-31/12/2010
Net sales revenues	9.1.16.	596	467	1,676	4,641
Other operating income (with revaluation operating income)	9.1.16.	216,182	38,263	216,186	38,278
Operating income		**216,778**	**38,730**	**217,862**	**42,919**
Costs of goods, material and services	9.1.17.	-1,175	-1,155	-1,687	-3,821
Labour costs	9.1.18.	-2,685	-2,710	-3,023	-4,022
Depreciation	9.1.19.	-314	-327	-520	-1,142
Long-term provisions	9.1.20.	-39	-63	-39	-63
Amounts written-off	9.1.21.	-61	-136	-61	-136
Other operating expenses	9.1.22.	-484	-12,247	-587	-12,665
Operating profit or loss		**212,020**	**22,092**	**211,945**	**21,070**
Financial income	9.1.23.	51,966	27,125	51,966	27,131
Financial expenses	9.1.23.	-138,720	-64,629	-133,589	-58,234
Profit/loss share from investments evaluated according to the equity	9.1.24.	0	0	-35,034	-38,161
Other income	9.1.25.	3	1	5	1
Other expenses	9.1.25.	0	0	-6	-11
Profit or loss before taxation		**125,269**	**-15,411**	**95,287**	**-48,204**
Profits tax	9.1.26.	0	0	0	0
Deferred taxes	9.1.26.	-9,766	-16,999	-9,766	-16,999
Net profit or loss for the accounting period		**115,503**	**-32,410**	**85,521**	**-65,203**
from which to the owners of the controlling company		-	-	85,580	-64,561
from which to the non-controlling share		-	-	-59	-642
Profit/loss recognized in the revaluation surplus		-79,529	-145,249	-43,506	-91,273
Corporation tax from other comprehensive income		9,766	16,999	9,766	16,999
Other comprehensive income after taxation		**-69,763**	**-128,250**	**-33,740**	**-74,274**
Total comprehensive income for the financial year after taxation		**45,740**	**-160,660**	**51,781**	**-139,477**
from which to the owners of the controlling company		-	-	51,840	-138,835
from which to the non-controlling share		-	-	-59	-642

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

7.3. CASH FLOW STATEMENT

in €000	The Company		The Group	
	1/1-31/12/2011	1/1-31/12/2010	1/1-31/12/2011	1/1-31/12/2010
Cash flows from operating activities				
Revenues	*18,174*	*12,912*	*19,470*	*17,418*
Revenues	3,678	4,206	4,974	4,206
Receipts from the Republic of Slovenia (commission operations)	14,496	8,706	14,496	13,212
Operating expenses	*-143,993*	*-150,089*	*-145,239*	*-154,278*
Expenditure for the purchase of materials and services	-1,059	-1,223	-1,530	-3,613
Expenditure for wages of employees	-2,716	-2,473	-3,033	-3,757
Expenditure for various charges	-57	-25	-435	-540
Payments under ZDen and SZ (also SOS2E)	-124,135	-119,284	-124,135	-119,284
Expenditure for the account of the Republic of Slovenia (commission operations)	-15,884	-7,175	-15,884	-7,175
Other operating expenses	-142	-19,909	-222	-19,909
Net cash flow from operating activities	***-125,819***	***-137,177***	***-125,769***	***-136,860***
Cash flows from operating activities				
Inflows	*295,589*	*234,512*	*295,589*	*234,526*
Receipts from the interest and participation in profits of others	22,946	15,513	22,946	15,513
Receipts from the disposal of tangible fixed assets	13	7	13	21
Receipts from the disposal of long-term financial investments	18,550	5,734	18,550	5,734
Receipts from the disposal of short-term financial investments	254,080	213,258	254,080	213,258
Expenditure in investment activities	*-219,362*	*-391,990*	*-219,368*	*-392,223*
Expenditure for the acquisition of intangible fixed assets	-1	-11	-1	-171
Expenditure for the acquisition of tangible fixed assets	-85	-109	-91	-182
Expenditure for the acquisition of long-term financial investments	-70,196	-102,016	-70,196	-102,016
Expenditure for the acquisition of short-term financial investments	-149,080	-289,854	-149,080	-289,854
Net cash flow from investing activities	***76,227***	***-157,478***	***76,221***	***-157,697***
Cash flows from financing activities				
Income from financing activities	*60,000*	*370,000*	*60,004*	*370,115*
Income from paid capital	*60,000*	*0*	*60,000*	*0*
Income from increases in long-term financial liabilities	0	300,000	*4*	300,000
Income from increases in short-term financial liabilities	0	70,000	*0*	70,115
Expenditure from financing activities	*-12,250*	*-76,278*	*-12,313*	*-76,561*
Interest expenses relating to financing	-12,250	-6,278	-12,259	-6,372
Expenditure for the repayment of long-term financial liabilities	0	0	-54	-178
Expenditure for the repayment of short-term financial liabilities	0	-70,000	0	-70,011
Net cash flow from financing activities	***47,750***	***293,722***	***47,691***	***293,554***
Balance of cash of the subsidiary during the transition among associate companies	***0***	***0***	***155***	***0***
Cash at the end of the period	**7,137**	**8,979**	**7,137**	**9,149**
Net increase/decrease in cash for the period (Ac + Bc + Cc)	*-1,842*	*-933*	*-1,857*	*-1,003*
Opening cash balance	*8,979*	*9,912*	*9,149*	*10,152*

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

7.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

7.4.1. Consolidated statement of changes in equity of Slovenska odškodninska družba, d.d.

in €000	Initial capital	Statutory reserves	Retained profit/loss	Net profit/loss	The revaluation of the available for sale financial investments in their net amount	Total
Balance as at 1 January 2010	***167***	***17***	***-378,415***	***-10,706***	***549,597***	***160,660***
						0
Total comprehensive income for the reporting period	**0**	**0**	**0**	**-32,410**	**-128,250**	***-160,660***
Input of operating profit/loss for the reporting period	0	0	0	-32,410	0	-32,410
Change in the financial investment revaluation surplus	0	0	0	0	-128,250	-128,250
Changes in equity	**0**	**-17**	**-10,689**	**10,706**	**0**	***0***
Allocation of residual net profit for benchmark reporting period to other capital components	0	0	-10,706	10,706	0	0
Offsetting of losses with statutory reserves	0	-17	17	0	0	0
Closing balance 31 December 2010	**167**	**0**	**-389,104**	**-32,410**	**421,347**	***0***
Changes in equity	**60,000**	**0**	**0**	**0**	**0**	***60,000***
Subscription of called-up initial capital	60,000	0	0	0	0	60,000
Total comprehensive income for the reporting period	**0**	**0**	**0**	**115,503**	**-69,763**	***45,740***
Input of operating profit/loss for the reporting period	0	0	0	115,503	0	115,503
Change in the financial investment revaluation surplus	0	0	0	0	-69,763	-69,763
Changes in equity	**0**	**0**	**-32,410**	**32,410**	**0**	***0***
Allocation of residual net profit for benchmark reporting period to other capital components	0	0	-32,410	32,410	0	0
						0
Closing balance 31 December 2011	**60,167**	**0**	**-421,514**	**115,503**	**351,584**	**105,740**

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

7.4.2. Determination of the distributable profit/loss of the company Slovenska odškodninska družba, d.d.

in €000	
Net profit or loss for 2011	115,503
Retained net profit or loss	-421,514
Distributable loss for 2011	-306,011

The distributable loss is disclosed pursuant to Article 66 of ZGD-1.

7.4.3. Consolidated statement of changes in equity of Slovenska odškodninska družba Group

	Initial capital	Capital reserves	Statutory reserves	Retained profit/loss	Net profit/loss	The revaluation of the available for sale financial investments in their net amount	Majority owners' capital total	Minority owners' capital	CAPITAL TOTAL
Balance as at 1 January 2010	***167***	***6***	***17***	***-239,916***	***26,916***	***373,190***	***160,380***	**1,080**	**161,460**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**-64,561**	**-74,274**	***-138,835***	**-641**	**-139,476**
Subscription of called-up capital	**0**	**0**	**0**	**0**	**0**	**0**	***0***		0
Input of operating profit/loss for the reporting period	0	0	0	0	-64,561		***-64,561***	-641	-65,202
Other comprehensive income	0	0	0	0	0	-91,273	***-91,273***	0	-91,273
Taxes related to other comprehensive income						16,999	***16,999***		16,999
Changes in equity	**0**	**0**	**-17**	**26,916**	**-26,916**	**0**	**-17**	**0**	**-17**
Allocation of the residual net profit for the benchmark reporting period to the other capital components	0	0	0	26,916	-26,916	0	***0***	0	0
Offsetting of losses			-17				***-17***	**0**	-17
Movement from capital	**0**	**0**	**0**	**-1,114**	**0**	**0**	**-1,114**	**0**	**-1,114**
Other changes in equity	0	0	0	-1,114	0	0	*-1,114*	0	-1,114
Closing balance 31 December 2010	**167**	**6**	**0**	**-214,114**	**-64,561**	**298,916**	**20,414**	**439**	**20,853**
Total comprehensive income for the reporting period	**60,000**	**0**	**0**	**0**	**85,521**	**-33,740**	***111,781***	**-59**	**111,722**
Subscription of called-up capital	**60,000**	**0**	**0**	**0**	**0**	**0**	***60,000***	0	60,000
Input of operating profit/loss for the reporting period	0	0	0	0	85,521		***85,521***	-59	85,462
Other comprehensive income	0	0	0	0		-43,506	***-43,506***	0	-43,506
Taxes related to other comprehensive income						9,766	***9,766***	0	9,766
Changes in equity	**0**	**0**	**0**	**20,960**	**-20,960**	**0**	***0***	**0**	**0**
Allocation of the residual net profit for the benchmark reporting period to the other capital components	0	0	0	-64,561	64,561	0	*0*	0	0
Offsetting of losses	0	0	0	85,521	-85,521	0	*0*	**0**	0
Movement from capital	**0**	**-6**	**0**	**-4,291**	**0**	**0**	**-4,297**	**-380**	**-4,677**
Other changes in equity	0	-6	0	-4,291	0	0	*-4,297*	-380	-4,677
							0	0	0
Closing balance 31 December 2011	**60,167**	**0**	**0**	**-197,445**	**0**	**265,176**	**127,898**	**0**	**127,898**

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

8. IMPORTANT ACCOUNTING POLICIES

8.1. THE REPORTING COMPANY

The reporting company Slovenska odškodninska družba, d.d., is a joint stock company legally registered with the District Court of Ljubljana, decision Srg 199304616, reg. no. 1/21883/00. Under the provisions of Articles 55 and 66 of the Companies Act (ZGD-1) it is a large company and is bound to a regular annual audit.

According to the standard classification of activities, the Company is categorized K 64.990 – other unclassified activities relating to financial services except insurance business and pension fund activities.

The Company's activity is described in greater detail in Chapter 4 of the Business Report.

The Company is the controlling company of Slovenska odškodninska družba Group established in the Republic of Slovenia, Mala ulica 5, Ljubljana. The Company had one subsidiary and seven associate companies among its financial investments at the end of 2011. The Company also prepared its consolidated financial statements as at 31 December 2011, which included the subsidiary company Casino Bled, d.d., under the full consolidation method for the first three months, and associated companies under the equity method. The incorporation of the company PS ZA AVTO, d.o.o., into consolidated financial statements is insignificant from the viewpoint of presenting fair and true financial statements for the Group; therefore, the company was not included in consolidation. The individual and consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union.

The consolidated annual report of the Company and Group can be examined at the parent company's head office and at the Company's website.

Subsidiary as at 31 December 2011:
- PS ZA AVTO, d.o.o., Ljubljana, Tržaška cesta 133, the company's equity interest is 90%.

Associate companies on 31 December 2011:
- Casino Bled, d.d., Bled, Cesta svobode 15, the Company's voting rights 75.43%, equity interest 43%. In 2009, the company Gold Club, d.o.o., Sežana, increased the capital of Casino Bled, d.d. by issuing preference shares with no voting rights, which were acquired subsequently on 13 April 2011.
- GIO in liquidation, d.o.o., Dunajska cesta 160, Ljubljana, the company's share 41.23%,
- Zavarovalnica Triglav, d.d., Miklošičeva cesta 19, Ljubljana, the company's share 27.22%,
- Pozavarovalnica Sava, d.d., Dunajska cesta 56, Ljubljana, the company's share 25.00%,
- PDP, d.d., Dunajska cesta 119, Ljubljana, the company's share 22.96%,
- Casino Portorož, d.d., Obala 75 a, Portorož, the company's share 20.00%,
- Hit Nova Gorica, d.d., Delpinova ulica 5, Nova Gorica, the company's share 20.00%.

In the financial year 2011, the Company had an average workforce of 50.75 employees, calculated on the basis of the number of hours worked. As at 31 December 2011, the Company had 54 employees.

On 29 December 2011, the Republic of Slovenia increased the Company's capital by €60 million. On the same day, the increase of the initial capital was entered into the Court

Registry. The Company's initial capital totalling €60,166,917.04 is divided into non-par value shares which are not listed on the stock exchange.

The management approved the publication of the Company's financial statements for the financial year 2011 on 25 April 2012. The Supervisory Board has the possibility of amending the financial statements after the date of approval by the management.

8.2. IMPORTANT ACCOUNTING POLICIES

8.2.1. Statement of compliance with the IFRS

In addition to its individual financial statements, the Company also prepared consolidated financial statements for the year ended on 31 December 2011. The financial statements for the controlling company and the Group were conducted in compliance with the IFRS as adopted by the European Union (hereinafter: "IFRS"). In the preparation of its financial statements, the Company complied with the Slovenian legislation (ZGD-1) and its own internal rules.

8.2.2. Basis of the preparation of the financial statements

The IFRS were directly used in presenting and valuing individual items. The accounting standards were prepared by taking into consideration historical values.

The financial assets available for sale were shown at their fair values. After a thorough analysis of the market conditions and options offered by the IFRS, the Company/Group decided to determine the fair value of its largest individual investment by using the evaluation model which is explained later in 9.1.4. in more detail. The impairment is regularly verified and recorded for all the assets as necessary.

For property and equipment, their book value on the date of the transition to the IFRS was used. In the past years, this book value was shown by the historical costs that were increased by the annual cost of living index until 2001. The impairment of the stated assets is regularly verified and recorded as necessary.

In the preparation of the financial statements, the management is obliged under the IFRS to provide individual estimates, assessments and assumptions that influence the use of the accounting policies and values of the presented assets and liabilities, revenues and expenses. The estimates and assumptions are based on the past experience and many other factors which are, in given circumstances, considered as well-founded and on the basis of which estimates of the book value of assets and liabilities can be made. The estimates and assumptions should be subject to a continuous assessment. The adjustments of the accounting estimates are recognized for the period in which an estimate is adjusted and for all the following years affected by this adjustment. The financial statements should fairly and accurately present the Company/Group's financial position, financial performance and cash flows. The principle of prudence and the principle of fair value as laid down by the IFRS should also be taken into consideration in the preparation of the financial statements.

In the preparation of its financial statements, the Company/Group has observed the following general valuation rules: going concern, consistency and, particularly, accrual. The Company/Group assumes that it will still operate in the future. The changes in the economic categories are considered alongside the accruals. In each comparison between revenues and expenses, only the appropriate expenses may be posted against revenues notwithstanding the income and expenditures. The accounting treatment of the economic categories cannot be amended with regard to the Company/Group's current business interests. The consistency of the presentation and classification of the items in the financial statements should be provided at all times. In the case of discrepancies in individual periods, the reasons for such changes and their consequences need to be shown.

The financial statements should include all items that are sufficiently relevant to impact on the estimates and decisions. The reliable information is with no relevant errors and biased positions. There is uncertainty about many of the accounting events; therefore, the accounting policy needs to be selected with due caution. The asset and liability items must not be offset. The same applies to revenues and expense items unless expressly permitted by an IAS. The accounting events are treated according to their content, not only their legal form. In explaining a document, priority should be give to content over form. The accounting information must be appropriate, intelligible, reliable, complete, timely and accurate.

The accounting policies that are shown below were consistently adhered to in all the periods shown in these financial statements.

a) Currently valid standards of interpretation

Currently, the following amendments to the existing standards issued by the IASB and adopted by the EU apply:

- **IAS 24** – Amended – "Related party disclosures" to simplify the disclosure requirements for government-related entities and to clarify the definition of a related party, adopted by the EU on 19 July 2010 (effective for the annual periods commencing 1 January 2011 or later),
- **IAS 32** – Amended – "Financial Instruments: presentation" – Accounting for share-related rights, adopted by the EU on 23 December 2009 (effective for the annual periods commencing 1 February 2010 or later),
- **IFRS 1** – Amended - "First-time Adoption of the IFRS" – Limited exemptions from comparative the IFRS 7 disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods commencing 1 July 2010 or later),
- Changes in the various standards and interpretations "**Improvements to the IFRS (2010)**"arising from the annual project for the improvement of the IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13), particularly for the purpose of addressing inconsistencies and the interpretation of the text which was adopted by the EU on 18 February 2011 (effective for the annual periods commencing on 1 July 2010 or later or 1 January 2011 depending on the standard/interpretation),
- **IFRIC 14** – Amended – "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding. Requirements and their Interaction" – Prepayments of a minimum funding requirement adopted by the EU on 19 July 2010 (effective for the annual periods commencing 1 January 2011 or later),
- **IFRIC 19** – "Settlement of Financial Liabilities by Equity Instruments", adopted by the EU on 23 July 2010 (effective for the annual periods commencing 1 July 2010 or later).

In the preparation of these financial statements, the Company/Group complied with all the aforementioned amendments to the accounting standards. The adoption of the changes in the existing standards did not result in any changes in the Company's accounting policies.

b) The standards and notes issued by the IFRIC and adopted by the EU but still not valid

- **IFRS 7** – Amended – "Financial Instruments: Disclosures" – Reclassification of the financial assets adopted by the EU on 22 November 2011 (effective for the annual periods commencing 1 July 2011 or later).

The Company/Group has decided not to adopt these standards, adjustments and interpretations until they become effective. The Company/Group expects that the adoption of these standards, adjustments and interpretations will have no significant effect on the Company's financial statement during the initial period of application.

c) Standards and interpretations issued by the IFRIC but not yet adopted by the EU

Currently, the IFRS as adopted by the EU are not very different from the provisions adopted by the International Financial Reporting Interpretations Committee (IFRIC) with the exception of the following standards, amendments of the existing standards and interpretations which were not confirmed to be used on 25 April 2012:

- **IFRS 9** – "Financial Instruments" (effective for the annual periods commencing 1 January 2015 or later),
- **IFRS 10** – "Consolidated Financial Statements" (effective for the annual periods commencing 1 January 2013 or later). The standard includes instructions for the preparation of consolidated financial statements. IFRS 10 amended the definition of control. Control is interpreted as the power over the company, the right to returns and the possibility to affect the amount of returns.
- **IFRS 11** – "Common Regulations" (effective for the annual periods commencing 1 January 2013 or later). The standard replaces IFRS 31. The standard separates the joint investments in the joint agreements which continue to consolidate proportionately according to the share in the joint control and to the jointly controlled companies which are consolidated according to the equity method. The determination of the type of joint investment depends on the nature and content of the rights and responsibility.
- **IFRS 12** – "Disclosures of the influences to the rest of the companies" (effective for the annual periods commencing 1 January 2013 or later). The standard claims investments in subsidiaries, associate companies, jointly controlled companies, consolidated in compliance with the IFRS 10 and the IFRS 11, and the companies which are not consolidated to be disclosed since the parent company does not control them; however, it is an important subject to them with risks and benefits.
- **IFRS 13** – "Measuring Fair Value" (effective for the annual periods commencing 1 January 2013 or later). The standard simplifies the definition of fair value, implements uniform principles and requirements regarding measuring fair value with the emphasis on determining fair value in inactive markets and claims disclosures regarding determining fair value.
- **IAS 27 (amended 2011)** – "Separated Financial Statements" (effective for the annual periods commencing 1 January 2013 or later). This standard was amended due to the IFRS 10 being issued. However, it preserves current guidelines for separated financial statements.
- **IAS 28 (amended 2011)** – "Investments in Associate Companies and Joint Ventures" (effective for the annual periods commencing 1 January 2013 or later). The standard was amended in compliance with amendments which are included in the new standards IFRS 10 and IFRS 11.
- **IFRS 1** – Amended – "First-time Adoption of IFRS" – High Hyperinflation and Disposal of Agreed Dates for First-time Adopters (effective for the annual periods commencing 1 July 2011 or later),
- **IFRS 7** – Amended – "Financial Instruments: Disclosures" – Offset of financial assets and liabilities (effective for the annual periods commencing 1 January 2013 or later),
- **IFRS 9** – Amended "Financial Instruments" and **IFRS 7** – "Financial Instruments: Disclosures" – Mandatory Date of Implementation and Disclosure of Transitions,
- **IAS 1** – Amended – "Presenting Financial Statements" – Presenting items of the second comprehensive income (effective for the annual periods commencing 1 July 2012 or later). Amendments of the standard claim, that only categories which will be classified in the profit or loss account in the future and those which never will be, will be presented separately in the second comprehensive income. The supplemented standard continues to allow the profit or loss account and other comprehensive income to be presented in a unified or separated scheme.

- **IAS 12** – Amended – “Profits tax” – Deferred tax: Reimbursement of the Respective Assets (effective for the annual periods commencing on 1 January 2012 or later).
- **IAS 19** – Amended “Earnings of Employees” – Improvements in the Calculation of Post-employment Earnings (effective for the annual periods commencing 1 January 2013 or later).
- **IAS 32** – Amended – “Financial Instruments: Presentation” – Offset of financial assets and liabilities (effective for the annual periods commencing 1 January 2014 or later),
- **IFRIC 20** “Costs of Disposal in the Production Phase of Surface Sites” (effective for the annual periods commencing 1 January 2013 or later).

The company/group expects that the first application of these standards, amendments, existing standards and interpretations will have no significant effect on the Company/Group’s financial statements.

At the same time, the calculation of protection against risks regarding the portfolio of financial assets and liabilities, of which principles have not been adopted by the EU, is still unregulated.

The Company estimates that the calculation of protection against risks regarding the portfolio of financial assets and liabilities in compliance with the requirements of **IAS 39 – “Financial instruments: recognition and measuring”** would not have an important impact on the financial statements of the Company if they were used on the balance sheet date.

8.2.3. Currency reporting

a) Functional and presentation currency

Amounts in the Company/Group's financial statements are shown in euros (€), which is simultaneously the Company/Group's functional and presentation currency. All accounting information except the remuneration of the Management Board, Supervisory Board and Audit Committee, which are shown in euros, are rounded off to one thousand units. The rounding off of figurative data results in insignificant differences in the sums total shown in the tables.

b) Transactions and balances

Transactions shown in a foreign currency are converted into euros at the reference rate of exchange of the European Central Bank (ECB) on the transaction date. Profits and losses resulting from these transactions and in the revaluation of the cash assets and liabilities expressed in a foreign currency are recognized in the comprehensive income account.

Exchange rate differences arising from debt securities and other cash assets recognized at fair value are included in the profits and losses from transactions in foreign currencies. Exchange rate differences for non-cash items, such as assets available for sale, are recognized directly in 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 experts in valuation serve as the basis for making value estimates of the following items: financial investments, provisions, depreciation. Since this is an estimate, there exists some uncertainty as to the individual assumptions used by the valuers.

8.2.5. Important orientations for the Company and the Group

8.2.5.1. Revenue recognition

Revenues are recognized on the basis of sales of services and on receipt of additional assets for the payment of compensations. Other realized revenues were recognized on the following basis:

- interest income – recognized on the accrual basis unless there is doubt about recovery, when the amount is written-off to replacement cost.
- dividend income is recognized when the shareholder's right to receive the dividend is established;
- rental income as a result of leasing investment property is recognized evenly throughout the duration of the lease contract;
- income from the sales of financial investments is recognized on the date of settlement. An exception to these rules only exists when the Company holds an irrevocable guarantee issued by a bank or other full guarantee on the conclusion of a sales agreement. The Company considers the receipt or delivery of this kind of security instrument as settlement and, in this case, makes the necessary postings prior to the actual inflow/outflow of funds.

8.2.5.2. Investments in subsidiaries

A group subsidiary company is a company in which the controlling company has a controlling interest or a controlling influence for other reasons and joins the group for which the consolidated financial statements are prepared. If the value of an investment in a subsidiary is not relevant to the true and fair presentation of the group's financial statements, it need not be included in the consolidated financial statements.

Investments in subsidiaries are valued at the historical acquisition cost. Income from participation in the profit is recognized as financial income once it is paid or when the general meetings of these companies adopt a resolution on the distribution and payment of profits. Investments are impaired when the recoverable value of the investment is less than its book value. A loss due to impairment is immediately recognized as financial expenses in the statement of comprehensive income.

8.2.5.3. Investments in associates

Associated companies are those in which the Company has between 20% and 50% of voting shares and in which the Company has a significant influence on their operations, but does not control them. Financial investments in associated companies were valued in the Company's financial statements at fair value. Only when the fair value cannot be measured with certainty, they are shown at cost.

According to the IAS 28, financial investments of the Group in associated companies are recognized according to the equity method from the date when a company becomes associated. According to the equity method, investment is recognized in the statement of the financial position at cost plus changes (upon acquisition) in the capital of the associated company, less any impairment. The amount obtained by dividing the net profit of the company in which the controlling company exercises a significant influence reduces the book value of the financial investment.

On 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 definable assets, liabilities and contingent liabilities of the associated company are shown according to the IFRS 3 – Business Combinations.

Any excess investor's share of the net fair value of the definable assets, liabilities and contingent liabilities of the associated portfolio over the amount given for the acquisition of the financial investment is excluded from the book value of the financial investment and recognized as income for the period in which the investment is acquired.

8.2.5.4. Intangible fixed assets and long-term prepayments and accrued income

Intangible fixed assets comprise investments in computer software and other intangible assets. When computer software is a constituent part of the appropriate computer hardware, it is treated as a tangible fixed asset. Intangible fixed assets are recognized as such only when there is the probability that the Company/Group will receive economic benefits from it in the future and if the acquisition cost can be reliably measured.

An acquisition cost model is used; therefore, intangible fixed assets are shown at cost, less an allowance for depreciation and losses due to impairment.

The Company evaluates the useful life of assets at least at the end of each year. If the useful life of an intangible asset differs considerably from the previous assessment, the depreciation period changes accordingly.

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

8.2.5.5. Tangible fixed assets

Tangible fixed assets include property, equipment and small tools. Tangible fixed assets are shown at cost, less depreciation and accumulated losses due to impairment.

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

- property	3.0–5.0%
- parts of buildings	6.0%
- computer equipment	33.3–50.0%
- motor vehicles	20.0%
- other equipment	20.0–33.3%
- small tools	25.0–100.0%.

Land is not depreciated since it is presumed to have an unlimited useful life. Likewise, assets in the 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 the IAS 36. Profits and losses incurred on 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. The costs of all other repairs and maintenance are included in the profit and loss account for the period in which they are incurred. Tangible fixed assets whose useful life exceeds one year and whose individual acquisition cost is less than €500 are allocated to costs, except printers, facsimile machines, desktop calculators, etc.

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

8.2.5.6. Investment property

Investment property refers to real property (land, buildings or parts of buildings) held by the Company with a view to earning rents and increasing its wealth. Investment property is not used in the Company's operations.

Investment property is considered to be a plot of land and a building held for the purpose of increasing the value of long-term investments or let on an operating lease, not for sale in the near future. Investment property is recognized as an asset only when there is a probability that the Company will receive economic benefits from it in the future and if the acquisition cost can be reliably measured.

The Company measures investment property by using the acquisition cost model, i.e. investment property is shown at cost, less an allowance for depreciation and accrued losses due to impairment. Depreciation is calculated at the straight line method by taking into consideration the useful life of the assets.

8.2.5.7. 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 maturity and assets available for sale. The classification depends on the purpose for which the individual assets were 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 intended for trading. These assets are measured at fair value, and profits/losses due to the changes in prices are included in the statement of comprehensive income in the period in which they were generated/incurred.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included among the short-term assets or long-term assets with their maturity beyond twelve months following the balance sheet date. Loans and receivables are shown in the statement of financial position at the amortised cost using the effective interest rate method. Subsequent impairments are recognized in the profit or loss. Loss due to impairment is eliminated when the subsequent increase in the recoverable value of the asset may be objectively associated with the event following the impairment recognition.

c) Financial investments held until maturity

Fixed maturity investments which the Company/Group intends to hold and is able to hold until maturity are classified as investments held until maturity and included among the long-term assets. These financial investments are valued in the balance sheet at repayment value. The portion falling due for payment within twelve months of the balance sheet date is shown among the short-term assets. Subsequent impairments are recognized in the profit or loss. Loss due to impairment is eliminated when the subsequent increase in the recoverable value of the asset may be objectively associated with the event following the impairment recognition.

d) Financial assets available for sale

Financial assets available for sale 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 in terms of fair value or at cost when fair value cannot be reliably measured.

Fair values of financial instruments which are determined by the evaluation model include:
- comparison with prices at the final performed transactions,
- use of the discount model for previous cash flows,
- evaluation on the basis of the price model.

These evaluation models reflect the market conditions on the measurement date which can differ from the market conditions before or after this date.
Profit and loss deriving from the changed fair value of the financial assets available for sale are recognized directly in the comprehensive income except losses due to impairment, until recognition of the financial assets is eliminated. In this case, the accumulated profit and loss presented in the capital is recognized in the profit and loss account. Interests from debt securities are recognized directly in the profit and loss account.
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On each balance sheet cut-off date, the Company/Group determines whether there is objective evidence that the value of the financial assets or a group of financial assets has been impaired. In the case of financial assets available for sale, the characteristic and long lasting reduction in fair value below the acquisition cost is considered as an indicator of impairment of the investments. In cases when there is such an evidence (a 20% drop below the acquisition cost in a particular year or a drop during a period of at least nine months), the Company/Group recognizes the cumulative losses (determined as the difference between the acquisition cost and the current fair value, less the losses due to impairment of the financial assets) in financial expenses and eliminates them from the capital. Impairments of equity instruments which are recognized in the profit and loss account cannot be reversed.

For financial investments classified in the group of assets available for sale and which are not listed in the organized market, it is verified annually whether any signs of impairment exist. In such cases, fair value is determined with the internal models based on market data or with the method of discounting cash flows. If the Company/Group establishes that for certain investments no assumptions of the operating market exist, the fair value is determined for such investments with the use of the evaluation model as well.

8.2.5.8. Derived financial instruments

Derived financial instruments are recognized at the beginning according to fair value; costs related to the operation are recognized in the profit or loss account, namely when they are incurred. After the initial recognition, the derived financial instruments are measured according to fair value and the related amendments are discussed in two ways.
- When a derived financial instrument is determined as protection against risk in the case of exposure to changes of cash flows which can be attributed to individual risk related to the recognized asset or liability or very likely presumable operations which can affect the profit or loss, the successful portion of the amendments is recognized in fair value in the comprehensive income of the time period. The unsuccessful portion of fair value of the derived financial instrument is recognized directly in the profit or loss account. The Group shall presumably cease to charge the protection against risk if the protection instrument is not sufficient, if the instrument is sold, terminated or used.
- The effects of other derived financial instruments which are not defined as protection against risk in the case of exposure to cash flows are recognized in the profit or loss account.

The Company/Group protects against the risk of changed interest rates for loans obtained by changing interest rates. With changed interest rates, fair value at the end of the reporting period is valued with discounting of future cash flows arising from the interest rate substitution (received interests from substitution) and from the fixed interest rate (paid interest from substitution). Profit and loss is recognized in the profit or loss account.

8.2.5.9. Impairment of non-financial assets

On the reporting date, the Company checks the book values of the assets in order to determine whether there is any sign of impairment. Assets which have an unlimited useful life and are not depreciated are tested for impairment once a year. Assets subject to depreciation are checked for impairment whenever the events or circumstances point to their impairment. Loss due to impairment is recognized in the amount by which the book value of the asset exceeds its recoverable value. The recoverable value is higher than the fair value of the asset, less the selling costs and the value in use.
For the purpose of identifying impairment, assets are allocated to smaller units for which cash flows independent of other units may be defined (money making units).

8.2.5.10. Operating receivables

Receivables in financial and other relations are guaranteed rights to request the payment of debt, supply of goods or services from a particular person. Operating receivables are not considered to include long-term financial investments or short-term financial investments but only those associated with financial revenues derived therefrom.

A receivable is recognized in the accounting records and in the balance sheet as an asset when there is a probability that the Company will receive economic benefits from such receivable and that its historical cost can be reliably measured.

Recognition of receivables as assets in the accounting records and in the balance sheet is cancelled when the contractual rights associated with such receivables are no longer controlled, already exercised, expired or assigned.

Receivables are initially shown in the amounts derived from the appropriate documents on the assumption that they will be paid. Receivables are measured according to the repayment value by using the valid interest method, less impairment. Impairment of operating receivables occurs when the Company/Group expects that it will not be able to recover the full amount of the matured receivables. The level of impairment represents the difference between the book value and the present value of the anticipated estimated future cash flows discounted at the valid interest rate. Impairment is recognized in the profit or loss.

The Group/Company listed the following major operating receivables:

- a long-term receivable from the Government of the Republic of Slovenia for ZVVJTO – on behalf of the Government of the Republic of Slovenia, the Company makes reimbursements for investments in the public telecommunications network from its own funds; however, a refund is guaranteed by law.
- a long-term receivable from the Republic of Slovenia under ZSPOZ – on behalf of the Government of the Republic of Slovenia, the Company pays compensations to war and post-war violence victims; however, a refund is guaranteed by law.
- a long-term receivable from the Republic of Slovenia under ZIOOZP – on behalf of the Government of the Republic of Slovenia, the Company pays compensations to beneficiaries for confiscated property pursuant to the abrogation of the penalty of confiscation of property; however, a refund is guaranteed by law.

8.2.5.11. Cash and cash equivalents

Cash and cash equivalents are initially recognized by being shown in the amount resulting from the corresponding 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 with banks (maturing within 90 days from execution of the transaction) and other investments in money market instruments. When the Company/Group signed a contract for a bank account overdraft, it presented the used overdraft in short-term financial liabilities in the balance sheet.

8.2.5.12. Provisions

Provisions are recognized when the company presents the current legal obligation as a result of past events for which there is a high probability that the Company/Group will have to meet this obligation in the future and, simultaneously a reliable assessment of the obligation can be made. Amounts shown as provisions represent the best possible assessment of the expenditure necessary to meet the existing obligations on the date of the statement of the financial position. Provisions may not be created in order to offset future operating losses.

8.2.5.13. Provisions for termination benefits on retirement and long-service bonuses

In accordance with legislation and the Group's internal regulations, the Company/Group is liable for payment of long-service bonuses and termination benefits on retirement, for which they create long-term provisions. 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 made every other year, and also earlier in case of major changes in the workforce.

8.2.5.14. Deferred taxes

Deferred taxes are directly linked to the basic accounting principle of comparing revenues and expenses in the profit and loss account. Deferred taxes are shown in full according to the method of liabilities on the basis of the provisional differences between the asset and the liability-based tax and the presented amounts of tax in the financial statements. The deferred taxes are calculated according to the statutory tax rate for the period in which the Company/Group expects to be applied once the receivables for the deferred taxes have been realized, i.e. once the liabilities for deferred taxes have been satisfied.

Receivables for deferred taxes are recognized when there is a probability that a tax income will be generated in the future from which the provisional differences could be used. Liabilities for deferred taxes are recognized in compliance with MRS12. Receivables and liabilities for deferred taxes are shown in the balance sheet in the offset amount.

8.2.5.15. Liabilities

Operating liabilities are liabilities to suppliers for acquired fixed assets or services, and liabilities to employees, government, owners, etc. Liabilities are recognized in the books when there is a probability that their settlement will result in a decline in the factors that provide economic benefits, and the settlement amount can be reliably measured.

The Company/Group recognizes financial liabilities when incurred at fair value, without transaction costs arising therefrom. In subsequent periods, financial liabilities were measured according to their repayment value by using the valid interest method. Any difference between receipts (without transaction costs) and liabilities is recognized in the profit and loss account throughout the period of existence of the entire financial liability. Interest on loans

taken is calculated in accordance with the contracts and increased financial interest expenses.
A portion of the long-term liabilities that falls due for payment within twelve months after the reporting date is shown among the short-term liabilities.

8.2.5.16. Capital

The total capital of SOD, d.d., represents its liability 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 net profit or loss 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 the loss and creation of statutory reserves is allocated to other reserves pursuant to ZSOS and the Company's Articles of Association.

8.2.5.17. Determination of fair value

According to the accounting policies of the Company/Group, determination of the fair value of the financial and non-financial assets is required in numerous cases.

Fair value is the amount which provides for the selling of an asset or substituting a liability between two well informed and willing clients in a deliberate operation.

When determining fair value of the financial instruments, the Company/Group considers the following hierarchy of the level of fair value determination:

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

The Company/Group used the listed prices as a basis for the fair value of financial instruments; if they were not listed on an organized market or the market is evaluated as inoperative, the Company/Group used the income data from the second and third level to evaluate the fair value of a financial instrument.

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

The fair value of financial assets at fair value through profit or loss and of assets available for sale is determined in accordance with the previously stated hierarchy of levels of fair value determination for financial instruments. If the fair value cannot be reliably measured, the Company/Group measured the financial asset according to its purchase value and verified annually whether any signs of impairment of the financial assets exist. The fair value of the investments in associate companies is determined by the Company/Group in accordance with the previously stated hierarchy of the levels of fair value determination for financial instruments. The fair value of receivables and loans is calculated the same as the current value of future cash flows, discounted according to the market interest rate at the end of the relevant reporting period.

8.2.5.18. Own shares

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

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

8.2.5.19. Consolidation

Subsidiaries in which the Group holds a direct or indirect equity interest that exceeds one half of the voting rights or that could influence their operations in 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 the consolidated financial statements. Any impairment of the subsidiaries shown in the controlling company's individual financial statements should also be eliminated. In order to provide accurate information for the purpose 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 according to the acquisition method. The acquisition value of the takeovers is measured in terms of the fair value of the assets given, the equity instruments and liabilities assumed on the transaction date, including the costs directly attributable to the takeover. The assumed assets, liabilities and contingent liabilities are initially recorded at fair value on the takeover date notwithstanding the size of the minority share. The excess of the acquisition value over the fair value of the Group's share of the net assets of the acquired company is shown 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.

8.2.5.20. Structure of the group of associated companies

SOD, d.d., is 100% owned by the Government of the Republic of Slovenia. A subsidiary company is a company in which the controlling company has a controlling interest or a controlling influence for other reasons and joins the group for which the consolidated financial statements are prepared. If the value of an investment in the subsidiary is not relevant to the true and fair presentation of the group's financial statements, it need not be 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 voting rights.

On 31 December 2011, 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 share and management rights in the same percentage. The subsidiary generated a profit of €174,000 in 2011 and a negative capital is still recorded (€-2,794 thousand).

SOD, d.d., Mala ulica 5, Ljubljana, prepares a consolidated annual report for the controlling company and all the subsidiaries within the Group. Due to a material irrelevance, the company PS ZA AVTO, d.o.o. is not included in the process of the consolidation of subsidiaries. The consolidated financial statements for 2010 and the first three months of 2011 included a fully consolidated investment in Casino Bled, and the investments in

Zavarovalnica Triglav, Pozavarovalnica Sava, Casino Portorož, Hit, PDP and Casino Bled were consolidated by using the equity method only for the last nine months of 2011. The financial statements of the Zavarovalnica Triglav Group are audited.

8.2.5.21. Inventories

The quantity units of the stocks of materials and commercial goods are originally valued at the acquisition price, which is composed of the purchase price, import and other duties and the direct costs of the acquisition. The purchase price is reduced by the obtained discounts.

The value of the components of the unit price and the total unit price are originally derived from the original amounts. If during the accounting period the prices of the newly acquired units differ from the prices or costs of the units of the same goods in stock, the stocks are maintained according to the first in first out (FIFO) method. The stocks are valued at cost or at the net marketable value, at the lower of the two values. The stocks are not subject to revaluation due to strengthening.

Stocks incurred only in the Group when SOD controlled the company Casino Bled, d.d., and the controlling company does not accumulate stocks according to the nature of its activity.

8.2.6. Reporting by segments

Business segments are services that are distinguished from other segments in terms of risks and benefits. The Group has divided its operations into five segments: payment of denationalisation compensations, payment of compensations to war and post-war violence victims, payment of compensations for confiscated property, reimbursement of investments in the public telecommunications network and the gambling industry. The legal framework and content of the individual segments are provided in Chapter 4 of the Business Report.

9. NOTES AND DISCLOSURES

9.1. NOTES TO THE FINANCIAL STATEMENTS

9.1.1. Intangible fixed assets and long-term prepayments and accrued income

9.1.1.1. Intangible fixed assets and long-term prepayments and accrued income in the Company

in €000	Long-term property rights	Other long-term prepaid expenses	Total
Acquisition value			
Acquisition value as at 1 January 2011	*505*	*75*	*580*
New acquisitions	1	0	1
Acquisition value as at 31 December 2011	*506*	*75*	*581*
Value adjustment			
Popravek vrednosti na dan 01.01.2011	*461*	*33*	*494*
Depreciation for the current year	16	0	16
Transfer to profit or loss	0	13	13
Value adjustment as at 31 December 2011	*477*	*46*	*523*
Present value 1 January 2011	44	42	86
Present value 31 December 2011	**29**	**29**	**58**

in €000	Long-term property rights	Other long-term prepaid expenses	Total
Acquisition value			
Acquisition value as at 1 January 2010	*526*	*75*	*601*
New acquisitions	11		11
Disposals	-32		-32
Acquisition value as at 31 December 2010	*505*	*75*	*580*
Value adjustment			*0*
Value adjustment as at 1 January 2010	*469*	*21*	*490*
Depreciation for the current year	24		24
Transfer to profit or loss		12	12
Disposals	-32		-32
Value adjustment as at 31 December 2010	*461*	*33*	*494*
Present value 1 January 2010	57	54	111
Present value 31 December 2010	**44**	**42**	**86**

Computer software has a useful life of between three to ten years.

The Company concluded a six-year liability insurance contract. It is transferred to expenses during the validity of the insurance.

In accordance with accounting rules, an important asset is an asset whose individual value exceeds 10% of the value of the total intangible assets and exceeds €25,000.

At the year-end 2011, the Company had no outstanding liabilities for the acquisition of long-term property rights.

9.1.1.2. Intangible fixed assets and long-term prepayments and accrued income in the Group

in €000	Long-term property rights	Other long-term prepaid expenses	Capitalized costs of investments in tangible fixed assets of others	Total
Acquisition value as at 1 January 2011	*732*	*75*	*0*	*807*
Elimination of the subsidiary	-227	0	0	-227
New acquisitions	1	0	0	1
Disposals	0	0	0	0
Acquisition value as at 31 December 2011	*506*	*75*	*0*	581
Value adjustment				
Value adjustment as at 1 January 2011	*556*	*34*	*0*	*590*
Elimination of the subsidiary	-96	0	0	-96
Depreciation for the current year	16	0	0	16
Transfer to profit or loss	0	13	0	13
Disposals		0	0	0
Value adjustment as at 31 December 2011	*476*	*47*	*0*	*523*
Present value 1 January 2011	176	41	0	217
Present value 31 December 2011	**30**	**28**	**0**	**58**

in €000	Long-term property rights	Other long-term prepaid expenses	Capitalized costs of investments in tangible fixed assets of others	Total
Acquisition value				
Acquisition value as at 1 January 2010	*593*	*75*	*248*	*916*
Transfer to tangible fixed assets	0	0	-248	-248
New acquisitions	171	0	0	171
Disposals	-32	0	0	-32
Acquisition value as at 31 December 2010	*732*	*75*	*0*	807
Value adjustment				
Value adjustment as at 1 January 2010	*535*	*21*	*67*	*623*
Transfer to tangible fixed assets	0	0	-67	-67
Depreciation for the current year	53	0	0	53
Transfer to profit or loss	0	13	0	13
Disposals	-32	0	0	-32
Value adjustment as at 31 December 2010	*556*	*34*	*0*	*590*
Present value 1 January 2010	58	54	181	293
Present value 31 December 2010	**176**	**41**	**0**	**217**

9.1.2. Tangible fixed assets

9.1.2.1. Tangible fixed assets of the Company

Tangible fixed assets are not encumbered by mortgages, liens and other charges. The disposal of tangible fixed assets represented sales and the removal of redundant assets.

The Company estimates that there are no factors that might require impairment of the tangible fixed assets.

Tangible fixed assets important to the Company are buildings and equipment of which the individual acquisition cost exceeds 10% of the total tangible fixed assets. At the end of the reporting period, the Company had an outstanding liability for the purchase of tangible fixed assets in the amount of €24,000.

in €000	Land	Buildings	Equipment and spare parts	Small tools	Total
Acquisition value					
Acquisition value as at 1 January 2011	140	*1,938*	*519*	*16*	*2,613*
New acquisitions	0	2	66	3	*71*
Disposals	0	0	-87	0	*-87*
Acquisition value as at 31 December 2011	*140*	*1,940*	*498*	*19*	*2,597*
Value adjustment					
Value adjustment as at 1 January 2011	0	*1,216*	*358*	*16*	*1,590*
Depreciation for the current year	0	90	62	1	*153*
Disposals	0	0	-60	0	*-60*
Value adjustment as at 31 December 2011	*0*	*1,306*	*360*	*17*	*1,683*
Present value 1 January 2011	140	722	161	0	1,023
Present value 31 December 2011	**140**	**634**	**138**	**2**	**914**

in €000	Land	Buildings	Equipment and spare parts	Small tools	Total
Acquisition value					
Acquisition value as at 1 January 2010	*140*	*1,937*	*520*	*16*	*2,613*
New acquisitions	0	1	57	0	*58*
Disposals	0	0	-58	0	*-58*
Acquisition value as at 31 December 2010	*140*	*1,938*	*519*	*16*	*2,613*
Value adjustment					
Value adjustment as at 1 January 2010	*0*	*1,126*	*334*	*15*	*1,475*
Depreciation for the current year	0	90	68	1	*159*
Disposals	0		-44		*-44*
Value adjustment as at 31 December 2010	*0*	*1,216*	*358*	*16*	*1,590*
Present value 1 January 2010	140	811	186	1	1,138
Present value 31 December 2010	**140**	**722**	**161**	**0**	**1,023**

9.1.2.2. Tangible fixed assets of the Group

in €000	Land	Buildings	Equipment and spare parts	Small tools	Capitalized costs of investments in tangible fixed assets of others	Equipment in acquisition phase	Total
Acquisition value							
Acquisition value as at 1 January 2011	*145*	*3,767*	*5,344*	*183*	*248*	*0*	*9,687*
Elimination of the subsidiary	-5	-1,829	-4,825	-167	-248	0	*-7,074*
New acquisitions	0	2	66	3	0	0	*71*
Disposals	0	0	-87	0	0	0	*-87*
Acquisition value as at 31 December 2011	*140*	*1,940*	*498*	*19*	*0*	*0*	*2,597*
Value adjustment							
Value adjustment as at 1 January 2011	*0*	*1,843*	*3,057*	*183*	*99*	*0*	*5,182*
Elimination of the subsidiary	0	-627	-2,699	-167	-99	0	*-3,592*
Depreciation for the current year	0	90	62	1	0	0	*153*
Disposals	0	0	-60	0	0	0	*-60*
Value adjustment as at 31 December 2011	*0*	*1,306*	*360*	*17*	*0*	*0*	*1,683*
Present value 1 January 2011	145	1,924	2,287	0	149	0	4,505
Present value 31 December 2011	**140**	**634**	**138**	**2**	**0**	**0**	**914**

in €000	Land	Buildings	Equipment and spare parts	Small tools	Capitalized costs of investments in tangible fixed assets of others	Equipment in acquisition phase	Total
Acquisition value							
Acquisition value as at 1 January 2010	*145*	*3,766*	*4,939*	*183*	*0*	*311*	*9,344*
New acquisitions	0	1	463	0	0	0	*464*
Disposals	0	0	-58	0	0	-311	*-369*
Transfer	0	0	0	0	248	0	*248*
Acquisition value as at 31 December 2010	*145*	*3,767*	*5,344*	*183*	*248*	*0*	*9,687*
Value adjustment							
Value adjustment as at 1 January 2010	*0*	*1,672*	*2,359*	*182*	*0*	*0*	*4,213*
Depreciation for the current year	0	171	742	1	32	0	*946*
Disposals	0	0	-44	0	0	0	*-44*
Transfer	0	0	0	0	67	0	*67*
Value adjustment as at 31 December 2010	*0*	*1,843*	*3,057*	*183*	*99*	*0*	*5,182*
Present value 1 January 2010	145	2,094	2,580	1	0	311	5,131
Present value 31 December 2010	**145**	**1,924**	**2,287**	**0**	**149**	**0**	**4,505**

9.1.3. Investment property of the Company and the Group

in €000	Land	Buildings	Total
Acquisition value			
Acquisition value as at 1 January 2011	*1,281*	*4,792*	*6,073*
New acquisitions	0	39	39
Disposals	0	-39	-39
Acquisition value as at 31 December 2011	*1,281*	*4,792*	*6,073*
Value adjustment			
Value adjustment as at 1 January 2011	*0*	*332*	*332*
Depreciation for the current year	0	145	145
Disposals	0	-4	-4
Value adjustment as at 31 December 2011	*0*	*473*	*473*
Present value 1 January 2011	1,281	4,460	5,741
Present value 31 December 2011	**1,281**	**4,319**	**5,600**

	Land	Buildings	Total
Acquisition value			
Acquisition value as at 1 January 2010	*1,281*	*4,766*	*6,047*
New acquisitions	0	26	26
Disposals	0	0	0
Acquisition value as at 31 December 2010	*1,281*	*4,792*	*6,073*
Value adjustment			
Value adjustment as at 1 January 2010	*0*	*188*	*188*
Depreciation for the current year	0	144	144
Disposals	0	0	0
Value adjustment as at 31 December 2010	*0*	*332*	*332*
Present value 1 January 2010	1,281	4,578	5,859
Present value 31 December 2010	**1,281**	**4,460**	**5,741**

The Company/Group is a joint owner (33.55%) of investment property that is encumbered by a lien amounting to €1 million. The other two joint owners are Kapitalska družba, d.d. and D.S.U., d.o.o..

The investment property is valued according to the acquisition cost method, and the depreciation is calculated at a 3% annual rate.

By renting out the investment property, the Company/Group generated €435,000 income in 2011. The expenses relating to this investment property totalled €311,000.

As at the balance sheet date, the Company/Group has an outstanding liability to the company GIO d.o.o. in liquidation for the purchase of investment property in the total amount of €4,124,000 which, according to the provisions of the contract, falls due (the seller must submit certified copies of the deletion approvals, the deletion of execution and mobilization of other loads).

The Company/Group commissioned the valuation of the investment property during the year and determined that the book value of this property did not exceed the fair value. The market value determined under the comparable values method and capitalization method (they both have the same weight) was €5,873,000. During the preparation of the Annual Report 2011, the Company/Group verified the market prices and established that the book value did not exceed the fair value.

9.1.4. Long-term financial investments

The Company assumes unlimited liability in no company in which it holds an equity interest.

in € 000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Long-term fin. investments in subsidiaries**	3,757	4,090	3,757	3,757
Long-term fin. Investments in associates	91,360	148,270	113,518	168,686
Long-term fin. investments at fair value through profit or loss	44,565	27,286	44,565	27,286
Other financial investments available for sale	578,236	691,686	578,236	691,686
Loans	10,000	25,900	10,000	25,900
Total	727,918	897,232	750,076	917,315

**The subsidiary PS ZA AVTO is not included in the consolidation.

Investments in shares and holdings in which the Company/Group has at least a 20% ownership share

Ref. No	Name of Company	Registered office		Activity/Note
1	Casino Bled, d.d.	Cesta svobode 15	4 260 Bled	gambling
2	Casino Maribor, d.d.	Glavni trg 1	2 000 Maribor	bankruptcy
3	Casino Portorož d.d.	Obala 75A	6 320 Portorož	gambling
4	GIO v likvidaciji, d.o.o.,	Dunajska 160	1 000 Ljubljana	in liquidation
5	HIT d.d., Nova Gorica	Delpinova 7A	5 000 Nova Gorica	gambling
6	IUV, d.d.	Tržaška cesta 31	1 360 Vrhnika	bankruptcy
7	PDP, d.d.	Dunajska cesta 119	1 000 Ljubljana	activity of holding companies
8	PIK d.d., Maribor	Kraljeviča Marka 5	2 000 Maribor	bankruptcy
9	Planika Kranj, d.d.	Savska Loka 21	4 000 Kranj	bankruptcy
10	Pozavarovalnica Sava, d.d.	Dunajska cesta 56	1 000 Ljubljana	reinsurance
11	PS za avto, d.o.o. Lj.	Tržaška cesta 133	1 000 Ljubljana	renting out of property
12	Zavarovalnica Triglav, d.d.	Miklošičeva 19	1 000 Ljubljana	insurance

Equity value and profit/loss achieved by associated and subsidiary companies

Ref. No	Name of Company	Number of shares/ holdings	31 December 2011 % of ownership	Total capital of the company in €000	Profit/loss in €000	The data refers to
1	Casino Bled, d.d.	707,620	43.00	352	-417	2011
2	Casino Maribor, d.d.	2,085	20.00	2,810	bankruptcy	2008
3	Casino Portorož d.d.	706,314	20.00	4,113	-4,304	2011
4	GIO v likvidaciji, d.o.o.,	1,002,210	41.23	8,764	-3,317	2011
5	HIT d.d., Nova Gorica	1,357,727	20.00	83,796	1,255	2011
6	IUV, d.d.	3,493,915	85.26	20,303	bankruptcy	2007
7	PDP, d.d.	410,271	22.96	26,904	-16,639	2011
8	PIK d.d., Maribor	529,090	53.57	-892	bankruptcy	2004
9	Planika Kranj, d.d.	1,493,547	56.68	14,601	bankruptcy	2003
10	Pozavarovalnica Sava, d.d.	2,340,631	25.00	158,455	8,637	2011
11	PS za avto, d.o.o. Lj.	1,752,969	90.00	-2,794	174	2011
12	Zavarovalnica Triglav, d.d.	6,183,399	27.22	437,692	43,783	2011

The data for Zavarovalnica Triglav, d.d. is obtained from the audited financial statements for 2011.

9.1.4.1. Long-term financial investments in subsidiaries

As at 31 December 2010, the controlling company had 75.43% voting rights and a 43% equity interest in the company Casino Bled, d.d., which is therefore treated as a subsidiary. The newly issued preference shares from the capital increase in 2009 in the company Casino Bled, d.d. held by the company Gold Club, d.o.o., acquired the voting right on 13 April 2011. For this reason, the controlling interest of the Company fell from 75.43% to 43.00% and equals the initial capital of the Company. Thus, the company Casino Bled, d.d. became an associate company of SOD, d.d. In the first quarter of 2011, the Company controlled the company Casino Bled, d.d. and it therefore fully consolidated it. When controlling terminated, the Company began to use equity methods in compliance with the IFRS. The data of the company Casino Bled, d.d. for the first quarter of 2011 are not audited.

The Company's interest in the company PS ZA AVTO, d.o.o., was 90% on the balance sheet date. The book value of the investment on the same date was €3,757,000. The investment is carried at cost. An impairment test is made every year. The inclusion of the company PS ZA AVTO, d.o.o., into the consolidated financial statements is irrelevant from the viewpoint of presenting fair and accurate financial statements for the Group; therefore, it is not subject to consolidation.

9.1.4.2. Long-term financial investments in associates

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

	31-Dec-11	31-Dec-11	The Company		The group	
	Voting rights	Ownership	2011	2010	2011	2010
	in %	in %	in €000	in €000	in €000	in €000
Casino Bled, d.d.	43.00	43.00	78	-	151	-
Casino Portorož, d.d.	20.00	20.00	0	1,071	823	1,723
Gio, d.o.o v likvidaciji	41.23	41.23	2,138	2,138	2,550	3,918
Hit, d.d.	33.33	20.00	7,478	7,478	22,345	25,040
PDP, d.d., Ljubljana	22.96	22.96	6,171	9,999	12,154	10,421
Pozavarovalnica Sava, d.d.	25.00	25.00	13,599	18,725	13,599	18,725
Zavarovalnica Triglav, d.d.	28.07	27.22	61,896	108,859	61,896	108,859
Total			91,360	148,270	113,518	168,686

The table above shows the information about the share of voting rights held by the Company/Group in an individual associated company. The percentage of voting rights differs from the percentage of ownership:

- in the company Zavarovalnica Triglav, d.d., in which the Company is the administrator of stocks for the beneficiaries of the ownership transformation of Zavarovalnica Triglav, d.d., and
- in the company Hit, d.d., which also holds preference shares in addition to regular shares, dividends are paid regularly.

Casino Portorož, d.d., also issued preference shares; however, the controlling company's voting rights equal the percentage of ownership due to the non-payment of dividends.

The Company shows investments in associates listed on the regulated market at fair value through equity; the rest are shown at cost. The Company usually makes internal valuations of its financial investments in domestic companies and banks once a year. At the same time, the Company regularly monitors the performance and major events associated with individual companies. The Company uses this data to determine whether there are signs of impairment and whether there is a need for adjustment chargeable to financial expenses.

Investments in associated companies are valued in the consolidated financial statements according to the equity method. When the value of a financial investment obtained in this way exceeds the fair value of the financial investment, the impairment should be made chargeable to financial expenses.

As at 31 December 2011, the Company held 6,380,728 shares of Zavarovalnica Triglav, d.d., of which 191,087 or 0.9% of the initial capital was held in custody. In 2011, there was no change in the total number of shares of Zavarovalnica Triglav, d.d. held by the Company. The number of Zavarovalnica Triglav, d.d. shares held in custody fell by 6,242 shares due to the failure of some beneficiaries to purchase these shares within one year of the date when the declaratory decision became final. On the other hand, some administrative disputes were settled. The decrease in the number of the shares held in custody was reflected in the number of shares held by the Company/Group in the same amount. The ownership transformation of Zavarovalnica Triglav, d.d., is explained in Chapter 4.5.

9.1.4.3. Financial investments at fair value through profit or loss and derivative financial instruments (put option contract)

In 2007, the Company/Group concluded with the company Döhle, ICL Beteiligungsgesellschaft mbH, Hamburg, Germany, a put option contract together with a contract on the transfer of equity interests which represented 19.8% of the initial capital of the company Splošna plovba, d.o.o., Portorož, in which the strike price was determined and bears a 6% annual interest until the date of payment on the basis of the exercise of the option. In 2011, interest was added in the amount of €2,223,000 and the book value of the option as at 31 December 2011 was €44,565,000 (note 9.1.4.6.). The final deadline for the realization of the sale option is 31 December 2012.

Since the company Splošna plovba, d.o.o., is not listed on the regulated market, the Company/Group has no historical data on the value of this company, nor is there available any data on the volatility of its value. Moreover, the fair value of the option could not be measured with reliability. For these reasons, the Company/Group recognized the put option as the difference between the acquisition value of the holding in Splošna plovba, d.o.o. decreased by the impairment and the contract value (including interest until the end of the reporting period).

According to the assessed risk, the Company decided not to recognize a derivative financial instrument (repurchase agreement for securities – four bonds, the market value of which was

€2.7 million on 31 December 2011, the difference from the contract value totalled €1.2 million).

9.1.4.4. Other financial investments available for sale

The Company/Group shows other investments available for sale on the regulated market at fair value through equity; unlisted are shown at cost and the signs of impairment are verified. Fair value for listed companies is established on the basis of the market-listed price on the date of reporting, except for the investments in the shares of the company Krka, d.d. where the fair value is determined on the basis of the valuation model. The Company/Group usually makes internal valuations of its financial investments in domestic companies and banks once a year. At the same time, the Company/Group regularly monitors the performance and major events associated with the individual companies invested in. The Company/Group uses this data to determine whether there are signs of impairment and whether there is a need for an adjustment chargeable to financial expenses.

Other investments available for sale (without investments in subsidiaries and associates)

in € 000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
A) At fair value				
Investments in domestic companies	498,690	550,171	498,690	550,171
Investments in investment companies	0	1,543	0	1,543
Investments in banks	6,530	20,571	6,530	20,571
Investments in mutual funds	23,045	22,773	23,045	22,773
Investments in shares of foreign issuers	2,659	3,903	2,659	3,903
Investments in structured products	494	481	494	481
Investments in bonds	5,767	14,451	5,767	14,451
Total at fair value	*537,185*	*613,893*	*537,185*	*613,893*
B) At cost with verification for imapirment signs				
Investments in domestic companies	5,206	21,610	5,206	21,610
Investments in banks	35,302	55,640	35,302	55,640
Investments in bonds	543	543	543	543
Total at cost with verification for impairment signs	*41,051*	*77,793*	*41,051*	*77,793*
Total	578,236	691,686	578,236	691,686

The ten major investments in domestic companies (including associates) at the values from the Company's financial statements:

- Krka, d.d. €371.8 million,
- Petrol, d.d. €63.9 million,
- Zavarovalnica Triglav, d.d. €61.9 million,
- NLB, d.d. €29.7 million,
- Telekom Slovenije, d.d. €17.5 million,
- Sava Re, d.d. €13.6 million,
- Luka Koper, d.d. €11.1 million,
- Helios Domžale, d.d. €10.8 million,
- Cinkarna Celje, d.d. €7.9 million and
- Hit, d.d., Nova Gorica €7.5 million.

Banks in which the Company/Group had an equity interest on 31 December 2011:

- Banka Celje, d.d. 9.36%,
- NLB, d.d. 4.07%,
- NKBM, d.d. 3.20%,
- Abanka Vipa, d.d. 2.24%.

At the end of 2011, the Company/Group had financial investments in 46 mutual funds of which fair value of six investments individually exceeded €1 million:
- Ilirika obvezniški managed by Ilirika DZU,
- KD MM managed by KD Skladi DZU,
- NLB Skladi Globalni managed by NLB Skladi,
- Beta managed by Probanka DZU,
- Raiffeisen Oesteuropa Aktien managed by Raiffeisen KAG and
- RCM Euro Corporates VS managed by Raiffeisen KAG.

The Company/Group also holds 21 foreign shares in its portfolio in which the fair value of each single share does not exceed €250,000.

Interest rates on bonds ranged between 2.89% and 7.02% in 2011.

Principal amounts of bonds totalling €2,918,000 will fall due for payment within a period of more than five years from the reporting date.

9.1.4.5. Explanation of the evaluation of Krka, d.d. shares

The value of the company Krka, d.d. shares is established on the basis of the valuation model since the Company/Group estimates that the price of the Company's shares on the Slovenian stock market did not reflect their fair value since the Krka's share was extremely under-valued compared to the comparable companies in the branch according to the EV/EBITDA indicator of the relative valuation which was used most often and all other indicators. The follow-up is explained in more detail later.

Movement of prices of shares
In the last few years, there is an obvious negative trend of share price movement on the Slovenian stock market which deviates from the movement on the world stock markets. The following two figures show the movement of MSCI World index and SBI TOP index since 2005 and it is evident that the world capital markets began to recover after the crisis which reached its peak in March 2009; however, the Slovenian market continue to lose its value.

Figure 1: MSCI World (in euros) since 2005

Figure 2: SBI TOP since 2005

Illiquidity
The Slovenian stock exchange lacks liquidity according to the number of operations as well as the value of the concluded operations which is also indicated by the ratio between the average daily value of trades in a relevant period and the market capitalization of the companies. The Slovenian stock exchange index is not a constituent part of any important index in the region as well and is therefore less interesting for institutional investors.

Overview of the average index trading or operating value in the last 6 months

INDEX	Average index operating value in the last 6 months	Market capitalization	Ratio in %
DAXINDEX	3,316,886,519	751,613,125,000	0.4413
WIG INDEX	882,543,419	688,242,812,500	0.1282
ATX INDEX	85,439,916	59,946,101,562	0.1425
SBITOP INDEX	854,637	3,282,652,099	0.0260

Source: Bloomberg, March 2012

Investor's concern, ownership structure and locked ownership

The Slovenian stock market experienced a strong growth in share rates in 2006 and 2007 which fell sharply at the beginning of the world financial crisis and more distinctly in 2008. Many investors lost a huge portion of their assets. Fear settled on the Slovenian stock market which consequently reflected in the poor liquidity and a fall in the rates even after the financial crisis on the developed markets had passed.

The reasons for illiquidity can be found in the ownership structure of Slovenian companies whose ownership is not spread enough. The small amounts of "traded" shares do not provide an adequate depth of the market and liquidity, and are therefore less interesting for investors. The major owners to which, in compliance with the provisions of the Takeovers Act, an indisputable presumption applies that they cooperate among themselves and the Republic of Slovenia and control the major shares. The mentioned shares are not being traded on the stock exchange due to the provisions of the Takeovers Act since the institutional owners related to the Republic of Slovenia are not allowed to buy the mentioned shares. The increase in the number of these shares would mean a potential obligation to issue a tender for the takeover of a company to which all legal entities, for which an indisputable presumption applies that they cooperate among themselves and the Republic of Slovenia, would be severally bound.

Relative valuation indicators and the liquidity of shares of the company Krka

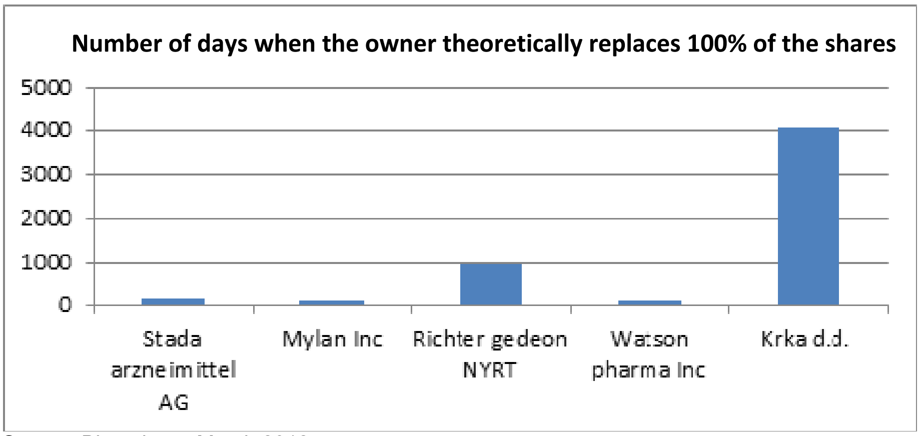
The most profitable shares on the Slovenian stock exchange, the shares of the company Krka, recorded a fall in value of P/E, EV/EBITDA and EV/S indicators since 2008, which is due to the strong selling pressure. It must be emphasized that the net profit of Krka rose in 2009 and 2010 according to profit in 2008 when the higher indicators of the relative valuation applied to Krka. Krka's share was extremely under-valued compared to the comparable companies in the branch according to the EV/EBITDA indicator of relative valuation which was used most often and all other indicators.

Liquidity comparison for the company Krka and selected competitive pharmaceutical companies

Company	The average daily volume of shares traded in the last 6 months	The amount of shares (shares outstand)	Ratio in %	Number of days when the owner theoretically replaces 100% of shares
Stada arzneimittel AG	394,377	58,966,480	0.6688	149.5
Mylan Inc	5,860,227	426,933,895	1.3726	72.9
Richter gedeon NYRT	19,072	18,637,486	0.1023	977.2
Watson pharma Inc	1,824,126	127,165,346	1.4345	69.7
Krka d.d.	8,709	35,426,120	0.0246	4,067.60

Source: Bloomberg, March 2012

The following picture shows that the Krka share has an extremely poor liquidity compared to the comparable companies which is in the Company/Group's opinion of key importance that the market value does not show the fair value of the share.



Source: Bloomberg, March 2012

The specialist services of the Company prepared the value evaluation for the share of the company Krka, d.d. according to the balance on 31 December 2011. To do this, a method of comparable and listed companies was used. The methods of the current value of the expected free cash flows were not used by the Company since it does not have the strategic plan of the company Krka, d.d. at its disposal.

The Company/Group in cooperation with the management of the company Krka, d.d. acquired a list of competitive companies which the Krka Group is compared to. 22 foreign companies were included in the pattern. The data of comparable companies for the evaluation were acquired from the Bloomberg base.

The weighted market multiples which determine the current fair value of the Krka share were calculated from the financial data of the selected comparable companies for 2011 and their market capitalization: P/E, EV/EBITDA (indicator which compares the value of the entire capital with the cash flow from operation), EV/EBIT and EV/S. The first indicator is based on the ownership capital and the other three on the entire invested capital.

The estimated market value of the minority ownership share was calculated on the fully marketable base by multiplying the financial categories of the Krka group and the median of the multiples of the capital market. Appropriate discounts and premiums were used for the purpose of evaluation of the 14.99% partial market and limited control share held by the Company/Group. For the final determination of the value assessment of the Krka share, the average results of all four above-mentioned indicators was considered.

As at 31 December 2011, the estimated value of the investment in the company Krka, d.d. was €371,844,900. The market value on the last day of the reporting period was €281,008,503 and the difference between the estimated and the market value was €90,836,397. The market value of these investments totalled €334,394,806 at the end of the previous year. The effects of revaluation are presented in the second comprehensive income or surplus in the revaluation.

9.1.4.6. Explanation of the share evaluation Splošna plovba d.o.o., Portorož

Slovenska odškodninska družba, d.d, carries the investment in the company Splošna plovba d.o.o. at cost. It is also verified annually, as well as for all other investments, whether any signs of impairment exist.

Unicredit Slovenija, d.d., published an invitation to tender in November 2011 for purchasing 18.99% share of Splošna plovba d.o.o. The price offered for the mentioned share should amount to at least €6.8 million otherwise the tender is not valid. According to the information available to the Company, Unicredit Slovenija did not accept any tender.

At the beginning of January 2012, an advertisement for the sale of a 25.05% share of Splošna plovba d.o.o., jointly held by SOD and KAD, was published in several places (SOD web sites, KAD, Finance newspaper, Lloyds List London). The sellers did not receive any tenders. The cognoscenti of the maritime market predicted when the advertisement was published that no investor would respond to it who would be willing to pay such a high price in the current market conditions for even the most successful shipping line. Also, prices in the maritime market are currently at rock bottom.

The Company carefully examined the market conditions. When making a decision it is necessary to consider that the company Döhle (which holds more than a half of the ownership) is a large company, that conditions in the shipping line are regulated and it is unreal to expect that any of the serious shipping lines would want to enter this investment in the future. The conditions in the maritime traffic are much worse compared to 2007 when the first share was sold and a put option was established.

On the basis of an appraisal of the situation on the world markets and the results of the published disposal of holdings, the Company established that this is an illiquid investment. Therefore, it decided to evaluate the investment in the holding of Splošna plovba d.o.o. on the basis of the so called book value (share of the equity book value which is presented by the investment company in its books, the actual holding of SOD, d.d., in the book value of equity in the financial statements of Splošna plovba d.o.o.) and it considers the discount for illiquidity/non-marketability in the amount of 50%.

It is evident from the consolidated financial statements of Splošna plovba d.o.o., Portorož for 2011, that its equity totalled €25,609,000. Therefore it follows that a 19.8% share held by the Company is valued at €5,070,582. After deducting a 50% discount for illiquidity, the investment value is €2,535,291.

At the acquisition, the acquisition value of the holding was €17,591,182. Therefore it follows, that the financial expenses arising from the impairment of the investment in the share of Splošna plovba d.o.o. totalled €15,055,891.

Since the Company has a valid put option contract together with a contract on the transfer of equity interests together with an irrevocable guarantee issued by a bank, the value of the implemented financial instruments increased by the previously stated difference.

The Company intends to realize the put option (the implemented financial instrument) which is evident in point 9.1.4.3.

9.1.4.7. Long-term loans

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Deposits given and commercial bank deposits	10,000	25,900	10,000	25,900
Total	10,000	25,900	10,000	25,900

Interest rates in long-term deposits with commercial banks and deposits ranged between 4% and 4.8%.

9.1.4.8. Levels of the fair values of the financial instruments

The IFRS 7 determined the hierarchy of the fair values according to the input data and presumptions used in measuring the financial instruments under the fair value. Market input data derive from independent sources and non-market input data are a consequence of the Company's or Group's presumption. The hierarchy of the fair values include the following levels:

- level 1 – market prices (unadjusted) from the operating market. This level includes shares, bonds, implemented financial instruments which are listed on stock markets and points 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 like the yield curve and bonuses of counterparties was the Bloomberg system;
- level 3 – valuation model which is not based on the market data. This level represents the non-market shares and non-market bonds.

The financial instruments which are evaluated according to the fair value under the level of fair value determination

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Financial assets at the fair value of level 1	246,962	746,172	246,962	746,172
Financial assets at the fair value of level 2	401,542	50,034	401,542	50,034
Financial assets at the fair value of level 3	75,541	79,821	97,901	100,237
Total financial assets at the fair value	724,045	876,027	746,405	896,443

The table includes all financial investments except loans.

The investment in the shares of the company Krka was evaluated according to the market price in the financial statements for 2010 which totalled €334.4 million; in the statements for 2011, the value of €371.8 million was determined on the basis of a model and is presented among the financial assets of level 2.

9.1.4.9. Long-term financial investments of the Company

in €000	01-Jan-11	Acquisitions	Disposals	Revaluations	31-Dec-11
Long-term investments in subsidiaries	4,090	0	-333	0	3,757
Long-term investments in associates	148,270	365	0	-57,275	91,360
Long-term fin. investments at fair value through profit or loss	27,286	0	0	17,279	44,565
Other financial investments available for sale	691,686	12,498	-25,450	-100,498	578,236
Loans	25,900	58,300	-74,200	0	10,000
Total	897,232	71,163	-99,983	-140,494	727,918

in €000	01-Jan-10	Acquisitions	Disposals	Revaluations	31-Dec-10
Long-term investments in subsidiaries	4,741	0	0	-651	4,090
Long-term investments in associates	210,511	1,822	0	-64,063	148,270
Long-term fin. investments at fair value through profit or loss	25,062	0	0	2,224	27,286
Other financial investments available for sale	772,072	29,209	-9,094	-100,501	691,686
Loans	34,521	98,500	-107,121		25,900
Total	1,046,907	129,531	-116,215	-162,991	897,232

Financial expenses include revaluation of a put option. Among investments in domestic shares, a positive growth was recorded in the shares of Helios, d.d. (€2.5 million), Cinkarna Celje, d.d. (€2.4 million) and Slovenijales, d.d. (€0.4 million). Most of the other market investments suffered a loss in value. The revaluation amount (available for sale) also included the impairment of some investments in domestic companies through profit or loss (NLB, d.d., – €20.34 million, Splošna plovba d.o.o., – €15.1 million, Luka Koper, d.d., – €8.6 million, Sava Kranj, d.d., – €6.2 million, Telekom, d.d., – €5.7 million, NKBM, d.d., – €4.5 million etc.).

All transactions were concluded with commercial banks and among the acquisitions of loans, the granted deposits totalled €58.3 million. The short-term portion of the long-term loans totalled €74.2 million and was shown among disposals.

The revaluation of the investments in associated companies related to:

- a decrease in the market value of shares of Zavarovalnica Triglav, d.d. €47 million)
- a decrease in the market value of Pozavarovalnica Sava, d.d. €5.1 million
- a permanent impairment of investment in PDP, d.d. totalling €3.8 million
- a permanent impairment of investment in Casino Bled, d.d. totalling €0.3 million and
- a permanent impairment of investment in Casino Portorož, d.d. totalling €1.1 million.

Investments in shares (listed) within the Group of the remaining financial investments available for sale which suffered the heaviest loss in market value:

- Krka, d.d.* €53.4 million,
- Petrol, d.d. €48.2 million,
- Sava, d.d. €17.2 million,
- Luka Koper, d.d. €16.7 million.

* investment in the shares of Krka suffered a loss in €53.4 million according to the market prices and due to the previously described valuation model, the book value was higher by €37.4 million compared to the previous year.

The Company made an appraisal of the value of the shares of NLB, d.d., based on a market multiplier for comparable banks in Eastern Europe (PRICE/BOOK indicator) and unaudited data on the operation of NLB, d.d., and the NLB Group in 2011 and decided to impair the investment by €20.34 million.

The Company/Group also impaired individual investments in bonds totalling €1.26 million through profit or loss. As a result of better performance, the market value of bonds increased. For this reason, the Company reversed the impairment made in the previous year (€0.13 million) in favour of the financial income.

In 2011, the Company/Group did not dispose of any major financial investments. The Company/Group received the highest amount of purchase money for disposal of Infond Uravnoteženi mutual fund (€1.1 million); otherwise, the individual purchase monies received did not exceed €1 million.

9.1.4.10. Long-term financial investments of the Group

in €000	01-Jan-11	Acquisitions	Disposals	Revaluations	31-Dec-11
Long-term investments in subsidiaries	3,757	0	0	0	3,757
Long-term investments in associates	168,686	365	0	-55,533	113,518
Long-term fin. investments at fair value through profit or loss	27,286	0	0	17,279	44,565
Other financial investments available for sale	691,686	12,498	-25,450	-100,498	578,236
Loans	25,900	58,300	-74,200		10,000
Total	917,315	71,163	-99,650	-138,752	750,076

in €000	01-Jan-10	Acquisitions	Disposals	Revaluations	31-Dec-10
Long-term investments in subsidiaries	3,757	0	0	0	3,757
Long-term investments in associates	210,400	1,822	-31,667	-11,869	168,686
Long-term fin. investments at fair value through profit or loss	25,062	0	0	2,224	27,286
Other financial investments available for sale	772,071	29,210	-9,094	-100,501	691,686
Loans	34,522	98,500	-107,122		25,900
Total	1,045,812	129,532	-147,883	-110,146	917,315

9.1.5. Long-term operating receivables

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Long-term receivable from the Government of RS arising from the implementation of ZSPOZ	93,527	0	93,527	0
Long-term receivable from the Government of RS arising from the implementation of ZIOOZP	45,038	19,272	45,038	19,272
Long-term receivable from the Government of RS arising from the implementation of ZVVJTO	125,888	160,453	125,888	160,453
Long-term guarantees given	0	0	0	53
Total	264,453	179,725	264,453	179,778

Maturity of long-term receivables by years

in €000	Amount matured in a year				Total
	2013	2014	2015	2016	
Receivable ZSPOZ	25,738	23,584	22,584	21,621	93,527
Receivable ZIOOZP	12,182	11,428	10,946	10,482	45,038
Receivable ZVVJTO	34,640	31,746	30,400	29,102	125,888

9.1.5.1. Receivables from the Republic of Slovenia under ZSPOZ

At its session held on 2 February 2011, the National Assembly adopted the Act Amending the Payment of Compensation to the Victims of War and Postwar Aggression Act (ZSPOZ-D); arising from it is that SOD, d.d., shall pay such compensations on behalf of and for the account of the Republic of Slovenia. The stated amendment thus regulated the relationship between the Republic of Slovenia and SOD, d.d. which were indeterminate prior to the amendment. The amendments to the act provide that the assets for the implementation of this act shall be provided in the budget and the assets transferred in its original purpose (not realized yet) shall remain in the ownership of SOD, d.d.; the amendments also define the payment of the assets which were paid to the beneficiaries by SOD, d.d., from its own funds. The amendment to this act also regulated the financing of the liability of the payment of compensations to the victims of war and post-war violence in the future and payment for the administrative and technical activities carried out by SOD, d.d., on behalf of the Government of the Republic of Slovenia under this act. On 25 March 2011, SOD, d.d., and the Ministry of Finance signed a protocol establishing the level of liabilities of the Republic of Slovenia towards SOD, d.d., as at 31 December 2010, according to which the claim of SOD, d.d., against the Government of the Republic of Slovenia totalled €118.6 million. On the basis of the contract signed with the Ministry of Finance on 11 April 2011 which, among other things, also regulated the repayment of the funds advanced in a gradual manner in ten half-year indents until 2016, SOD, d.d., established a claim against the Government of the Republic of Slovenia under SZPOZ. In this respect, SOD, d.d., took notice of the fact that, based on the legislative provisions, the six-month Euribor was applied to the claim. Based on an analysis of the market conditions for borrowing, SOD, d.d., discounted the contract amount by the comparable Euribor level, plus 100 basis points.

9.1.5.2. Receivables from the Republic of Slovenia under ZIOOZP

At its session held on 19 May 2011, the National Assembly 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-D); arising from it is that SOD, d.d., shall perform tasks regarding issuing, delivery and payment of bonds on behalf of and for the account of the Republic of Slovenia. The stated amendment thus regulated the relationship between the Republic of Slovenia and SOD, d.d. which were indeterminate prior to the amendment. The amendments to the act determine that the assets for the implementation of this act shall be provided in the budget. The amendment to this act also regulated the financing of the liability of payment of compensations to the beneficiaries under ZIOOZP in the future and payment for administrative and technical activities carried out by SOD, d.d., on behalf of the Government of the Republic of Slovenia under this act. On 21 June 2011, SOD, d.d., and the Ministry of Finance signed a protocol establishing the level of liabilities of the Republic of Slovenia towards SOD, d.d., as at 31 December 2010, according to which the claim of SOD, d.d., against the Government of the Republic of Slovenia totalled €57.09 million. On the basis of the contract signed with the Ministry of Finance on 14 July 2011 which, among other things, also regulated the repayment of the funds advanced in a gradual manner in ten half-year indents until 2016; in its business books for 2011, SOD, d.d., established a claim against the Government of the Republic of Slovenia under ZIOOZP. In this respect, SOD, d.d., took notice of the fact that, based on the legislative provisions, the six-month Euribor was applied to the claim. Based on an analysis of the market conditions for borrowing, SOD, d.d., discounted the contract amount by the comparable Euribor level, plus 100 basis points.

9.1.5.3. Receivables from the Republic of Slovenia under ZVVJTO

The Company implements the return of investments in the public telecommunications network on the basis of ZVVJTO. SOD, d.d. started affecting transfers of funds to beneficiaries in 2007. To this end, SOD, d.d., received a 10% interest in the company Telekom Slovenije, d.d., from the Government. According to the contract concluded between the Government of the Republic of Slovenia and SOD, d.d., SOD, d.d. will receive additional funds from the central government budget if the purchase price for these shares is lower than the volume of refunds to beneficiaries. And, conversely, if the purchase price exceeded the amount of the refunds, SOD, d.d., would have to pay the excess amount into the budget. In 2009, SOD, d.d. concluded a new contract with the Ministry of Finance, which lays down that the Ministry of Finance will refund to the Company the amount of advanced funds which applies to refunds after 1 January 2009.

SOD, d.d., recorded shares of the company Telekom Slovenije, d.d., in off-balance sheet records since the investment did not qualify for recognition of the assets in the balance sheet since SOD, d.d., expected no economic benefit from them.

On the basis of the amendments to ZVVJTO which were adopted by the National Assembly on 19 May 2011, SOD, d.d., transferred 10% share of the company Telekom, d.d., back to the Government of the Republic of Slovenia and signed a contract with it on 14 July 2011 which was the basis for establishing the amount of receivable of SOD, d.d., on 31 December 2010 to the Government of the Republic of Slovenia arising from the implementation of ZVVJTO and deadline and manner of payment. The receivable totalled €159.58 million and carried interest at the rate of the six-month Euribor which changes twice a year. Based on an analysis of the market conditions for borrowing, SOD, d.d., discounted the contract amount by the comparable Euribor level, plus 100 basis points. The contract also established that the Government of the Republic of Slovenia shall pay its liability in ten equal half-year instalments until 2016. In addition to interest, SOD, d.d., has also recognized the costs of implementing ZVVJTO.

SOD, d.d., also agreed with the Government of the Republic of Slovenia that it shall pay receivables monthly, which will be made by SOD, d.d., towards it, arising from the current implementation of ZVVJTO, on the basis of claims made each time.

9.1.6. Short-term financial investments

The general notes and guidelines used in the preparation of the financial statements are the same as explained under the heading of long-term financial investments.

In addition to investments in financial liabilities which are treated as short-term financial investments on their occurrence, presented here is also that part of the long-term investments in financial liabilities that falls due for payment one year after the date of the preparation of the financial statements.

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Short-term financial investments available for sale	6,127	6,602	6,127	6,602
Deposits given and commercial bank deposits	157,700	188,500	157,700	188,500
Total	163,827	195,102	163,827	195,102

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

Movements of interest rates were as follows:
- for deposits from 1.20% to 4.6%,
- for bonds from 2.89% to 7.02%,
- for certificates of deposit there were none.

Major bonds, i.e. their coupons that will be realized in 2012:
- ABVIP €660,000,
- BCE11 €513,000,
- NKBM €4,250,000 and
- NOVALJ €687,000.

The Company/Group granted no loans to the management, members of the Management and Supervisory Board and of the Supervisory Board in 2011.

The Company/Group received no collateral instruments for the granted loans. Risk exposure is explained in point 9.2.

9.1.7. Short-term operating receivables

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Trade receivables at home	41	39	41	106
Advance payments given for shares and holdings	0	0	0	0
Interest receivables	1,386	1,496	1,386	1,496
Adjustment of interest receivables	-28	-28	-28	-28
Dividends receivable	258	45	258	45
Receivables from the RS arising from ZSPOZ	24,982	0	24,982	0
Receivables from the RS arising from ZIOOZP	12,536	0	12,536	0
Receivables from the RS arising from ZVVJTO	32,412	0	32,412	0
Other receivables from state institutions	535	285	535	303
Receivables arising from the ownership transformation of Zavarovalnica Triglav	364	376	364	376
Receivables arising from privatization of housing units	887	892	887	892
Value adjustments for privatization of housing units	-828	-824	-828	-824
Other receivables (enforced guarantees etc.)	4,505	4,766	4,505	4,768
Value adjustment of other receivables	-4,505	-4,762	-4,505	-4,762
Total	72,545	2,285	72,545	2,372

Receivables for which it is assumed that they will not be paid in full are considered as doubtful. The Company uses two criteria in the value adjustment of receivables:
- according to experience from previous years and expectations, the value is adjusted for receivables within 90 to 150 days of the maturity date – 50%

adjustment of the receivable; for receivables within 151 and 210 days of the maturity date – 75% adjustment of the receivable and within 210 days of the maturity date or more – 100% adjustment of the receivable;

- according to the doubtfulness of the debtor – the value is adjusted for other individual receivables as well when there is a reasonable doubt concerning their settlement.

Trade receivables included no items due. The interest receivables related to the interest on bonds, deposits made and other loans granted. Receivables from state institutions included among others receivables from the land bank for revenues from farmland and forest management and purchase monies from farmland sales totalling €456,000 and receivables for disposed holdings of companies subject to ownership transformation from D.S.U., d.o.o., totalling €47,000.

Receivables from the ownership transformation of Zavarovalnica Triglav, d.d., were incurred in 2003 when the Company paid in shares for the increase of capital in the process of ownership transformation of this insurance company. Beneficiaries may redeem these shares under specified conditions. The ownership transformation of Zavarovalnica Triglav, d.d., is described in the business report, under the heading Implementation of the Ownership Transformation of Insurance Companies Act.

A source of financing liabilities for denationalisation are also the full amounts of purchase monies received from the sale of socially-owned housing units and 10% of the purchase monies from socially-owned housing units. In the first case, persons liable for payment are buyers, and in the second, sellers of housing units. The Company adjusts the value of receivables on a monthly basis where it considers the provisions of contracts regulating the sale of housing units.

In 2011, the value of receivables adjustment totalled €12,000 all deriving from receivables on the basis of the Housing Act.

The Group/Company had no claims towards related parties except the Republic of Slovenia which is included among related companies according to the IFRS 24.

The presented value of short-term operating receivables reflects their fair value.

Movement of the value of receivables adjustment

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Value adjustment of receivables on 1 January	5,614	2,889	5,614	2,889
Recovered receivables for which the value adjustment was made	5	16	5	16
Receivables written off during the year	260	221	260	221
Value adjustment made during the year	12	2,962	12	2,962
Total value adjustments as at 31 December	5,361	5,614	5,361	5,614

9.1.8. Cash in bank and cash in hand

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Cash in hand	1	0	1	167
Credit balances with commercial banks	321	81	321	84
Cash equivalents	6,815	8,898	6,815	8,898
Total	7,137	8,979	7,137	9,149

Larger amounts of cash equivalents represent the following:

- certificates of deposits issued by Abanka, d.d., totalling €2.0 million, contract concluded in November 2011, with the agreed repurchase date in January 2012,
- call deposit with BKS Bank, AG, totalling €1.4 million, placed in December 2011,
- call deposit with Abanka Vipa, d.d., totalling €3.4 million, placed in December 2011.

9.1.9. Short-term prepayments and accrued income

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Prepayments and accrued income	27	24	27	25
Total	27	24	27	25

In this item, the Company/Group presented the deferred costs of insurance premiums, subscriptions to newspapers, tuition fees and access to the financial information database.

9.1.10. Capital

9.1.10.1. The Company’s capital

The Company's capital is composed of called-up capital, revaluation surplus from the revaluation of financial investments, retained losses from previous periods and, provisionally, uncovered losses for the financial year. The Group's sole shareholder is the Government of the Republic of Slovenia. The Company’s initial capital which was increased in December 2011 and amounts €60,166,917 is divided into 36,046 (thirty-six thousand and forty-six) non-par value shares.

Revaluation surplus

in €000	The Group	
	31-Dec-11	*31-Dec-10*
Strengthening of investments in the shares of companies	364,403	383,847
Strengthening/impairment of investments in the shares of foreign issuers	582	1,696
Strengthening/impairment of mutual funds	2,726	6,841
Strengthening of investments in shares of fin. and insur. companies	26,748	79,139
Strengthening/impairment of investments in the shares of banks	0	1,941
Strengthening/impairment of other investments abroad	-106	-119
Strengthening/impairment of investments in bonds	-1,245	-708
Deferred tax liability	-41,524	-51,290
Total	351,584	421,347

Major amounts of enhancements as at 31 December 2011:

- Krka, d.d. €330.4 million,
- Petrol, d.d. €17.9 million,
- Zavarovalnica Triglav, d.d. €24.2 million,
- Helios, d.d. €8.5 million.

Movements of revaluation surplus

in €000	31-Dec-10	Transfer to profit or loss	Added during the year	31-Dec-11
Surplus from domestic companies	383,847		-19,444	364,403
Surplus from foreign companies (shares)	1,696	843	-271	582
Surplus from mutual funds	6,841	2,029	-2,086	2,726
Surplus from investments in insurance companies	78,868	0	-52,120	26,748
Surplus from investments in invest. companies	271	271	0	0
Surplus from financial corporations (banks)	1,941	0	-1,941	0
Surplus from other foreign investments	-119	0	13	-106
Surplus from bonds	-708	22	-515	-1,245
Total by surplus type	472,637	3,165	-76,364	393,108
Deferred tax liability	-51,290	-633	9,133	-41,524
Total	421,347	2,532	-67,231	351,584

In case of capital revaluation in order to maintain the purchasing power based on the growth of the consumer prices in 2010 (2.0%), the operating result remains unchanged since the capital value on 1 January 2011 equalled zero.

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 at 31 December 2011 – 105,739,692/36,046 = €2,933.47
- as at 31 December 2010 – 0/100 = €0.00.

9.1.10.2. Capital of the Group

The capital of the Group includes capital of the controlling company totalling €105.7 million and the proportional value of the capital of the associate companies determined in compliance with the equity method of consolidation used. According to the equity method, Zavarovalnica Triglav Group, Pozavarovalnica Sava Group, Hit Group, PDP Group, Casino Bled, d.d., Casino Portorož, d.d., Gio, d.o.o., in liquidation are included in the consolidation. The impact of the individual associate company on the capital of the Group is explained in point 9.1.24.

At the end of 2011, the Group did not have the capital of the minority owner at its disposal since only associate companies are consolidated and are included through 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 at 31 December 2011 – 127,898,157/36,046 = €3,548.19
- as at 31 December 2010 – 20,413,825/100 = €204,138.25

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

The Company/Group considers important only those provisions the value of which exceeds 10% of the value of the total long-term provisions, provided that the amount of the total provisions created attains at least 0.5% of capital on the balance sheet date.

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Provisions for denationalisation	146,708	196,963	146,708	196,963
Provisions for guarantees given	0	0	0	0
Provisions for onerous contracts	312	412	312	412
Provisions for long-service bonuses	23	25	23	75
Provisions for termination benefits	95	95	95	95
Total	147,138	197,495	147,138	197,545

The Company/Group estimated that the denationalisation claims received, satisfied all conditions for creating long-term provisions. The Company/Group determined the amount of claims on the basis of claims received. The amount of the necessary provisions is verified once a year. Claims were submitted in various procedures:

- potential final decision, where the amount of compensation was already determined. The company agreed; however, appeals on the points of law lodged by claimants were not ruled out;
- claims for which decisions were issued, but appeals on points of law were lodged and a renewed procedure was under way;
- claims for which no decision had yet been issued, and the procedure was under way.

The amount of the necessary provision is a sum of estimated compensations and accrued interest under the amortization plan for SOS2E bonds until the end of the reporting period (for the purpose of calculating the interest, compensations are converted into a number of SOS2E bonds).

The Company/Group created provisions for termination benefits and long-service bonuses of employees. Their amounts are shown in the table below. The latest calculation made as at 31 December 2010 took into account the following:

- employees are entitled to a severance grant in the amount of two salaries he/she receives or in the amount of two average salaries at the state level, whichever is more favourable
- long-service bonuses are paid to employees for the total length of their service,
- staff turnover ranging between 0% and 3%, depending on the age of the employees,
- the 3.5% wage growth in Slovenia,
- the 5.5% discount factor.

Moreover, after having examined the litigations against the Company/Group it estimated that additional provisions needed to be created and that the conditions had been met for reversing individual provisions.

The Company/Group had no long-term accrued costs and deferred revenues at the end of the reporting period.

9.1.11.1. Movement of provisions of the Company

in €000	From 1-Jan 2011	Newly created provisions	Used provisions	Reversed provisions	Balance as at 31-Dec-2011
Provisions for denationalisation	196,963	0	21,474	28,781	146,708
Provisons for onerous contracts	412	39	0	139	312
Provisons for long-service bonuses	25	0	2	0	23
Provisons for termination benefits	95	0	0	0	95
Total	197,495	39	21,476	28,920	147,138

in €000	From 1-Jan-2010	Newly created provisions	Used provisions	Reversed provisions	Balance as at 31-Dec-2010
Provisions for denationalisation	235,447	0	24,669	13,815	196,963
Provisions for guarantees given	2,835	0	2,835	0	0
Provisons for onerous contracts	484	30	0	102	412
Provisons for long-service bonuses	21	7	3	0	25
Provisons for termination benefits	76	27	8	0	95
Total	238,863	64	27,515	13,917	197,495

9.1.11.2. Movement of provisions of the Group

in €000	From 1-Jan 2011	Newly created provisions	Used provisions	Reversed provisions	Balance as at 31-Dec-2011
Provisions for denationalisation	196,963	0	21,474	28,781	146,708
Provisons for onerous contracts	412	39	0	139	312
Provisons for long-service bonuses	25	0	2	0	23
Provisons for termination benefits	95	0	0	0	95
Total	197,495	39	21,476	28,920	147,138

The amounts of reversed provisions for long-service bonuses and termination benefits represent the elimination of the subsidiary.

in €000	From 1-Jan-2010	Newly created provisions	Used provisions	Reversed provisions	Balance as at 31-Dec-2010
Provisions for denationalisation	235,447	0	24,669	13,815	196,963
Provisions for guarantees given	2,835	0	2,835	0	0
Provisons for onerous contracts	484	30	0	102	412
Provisons for long-service bonuses	32	0	4	0	28
Provisons for termination benefits	127	27	12	0	142
Total	238,925	57	27,520	13,917	197,545

9.1.12. Long-term financial and operating liabilities

Long-term liabilities are liabilities recognized in connection with the financing of own assets that need to be repaid or settled particularly in cash within a period longer than one year.

The Company/Group's long-term financial liabilities are issued long-term debt securities and obtained loans. The Company delivers SOS2E bonds in order to meet its liabilities of recognized compensations arising out of denationalisation. At the end of 2010, the Company/Group presented the debt from the RS21 bond in long-term liabilities as well and it is delivered for compensations pursuant to the abrogation of the penalty of the confiscation of property (ZIOOZP). In 2011, this liability was transferred in off-balance sheet records on the basis of the amended legislation.

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Loans obtained from banks	299,871	479,783	299,871	480,073
SOS2E bond principal amount	382,553	464,682	382,553	464,682
Long-term liabilities towards beneficiaries under ZIOOZP	0	25,508	0	25,508
Long-term operating liabilities	0	0	0	122
Total	682,424	969,973	682,424	970,385

9.1.12.1. Movement of long-term financial and operating liabilities of the Company

in €000	1-Jan-11	Acquisitions	Repayments	Transfer to s/t portion	31-Dec-11
Loans obtained from banks	479,783	54	0	179,966	299,871
SOS2E bond	464,681	17,515	11,487	88,156	382,553
RS21 bond	25,509	-25,509	0	0	0
Total	969,973	-7,940	11,487	268,122	682,424

in €000	1-Jan-10	Acquisitions	Repayments	Transfer to s/t portion	31-Dec-10
Loans obtained from banks	179,917	299,866	0	0	479,783
SOS2E bond	534,116	13,829	5,460	77,804	464,681
RS21 bond	29,200	3,080	1,530	5,241	25,509
Operating liabilities	3,711	0	0	3,711	0
Total	746,944	316,775	6,990	86,756	969,973

The lending banks:

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

All loans are due in 2015.

A portion of the long-term liabilities that had already become due for payment and the portion due for payment within one year after the balance sheet date was shown among the short-term liabilities. The amount of liabilities due and outstanding was of no relevance to the Company. The reason for non-payment was on the side of beneficiaries that failed to submit the necessary information, for example, in case of probate hearings after a person's death, the Company had no information about the person's legal heirs.

The interest rate for loans received ranged between 1.96% and 3.295% on an annual level or the three-month Euribor increased for an average surcharge of 115 basis points. Loans obtained from banks are secured by a guarantee issued by the Government of the Republic of Slovenia, as laid down by 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 €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 ZPSOD09, the Company pledged a long-term receivable to the Government of the Republic of Slovenia arising from the implementation of ZVVJTO for the benefit of the Government. As security for the guarantee under ZPSOD10, the Company 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. Under the contract, the Company is supposed to establish a lien on behalf of the Government of the Republic of Slovenia on shares held by Ljubljanska banka, d.d., whereby the Government of the Republic of Slovenia already has an established prohibition of disposal in its benefit.

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.

The amount of €61,606,000 represents a portion of the principal amount of the SOS2E bond with a maturity beyond five years after the reporting date.

The company is licensed by the Ministry of Finance to purchase SOS2E bonds. These bonds are shown by the Company as a deduction item to the liabilities accounts. As at the balance sheet date, the long-term portion of own bonds totalled €9,629,000.

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

9.1.12.2. Movement of long-term financial and operating liabilities of the Group

in €000	1-Jan-11	Acquisitions	Repayments	Transfer to s/t portion	31-Dec-11
Loans obtained from banks	480,073	-236	0	179,966	299,871
SOS2E bond	464,681	17,515	11,487	88,156	382,553
RS21 bond	25,509	-25,509	0	0	0
Other loans received	122	-122	0	0	0
Total	970,385	-8,352	11,487	268,122	682,424

Liability elimination of the subsidiary is shown among acquisitions with a minus sign.

in €000	1-Jan-10	Acquisitions	Repayments	Transfer to s/t portion	31-Dec-10
Loans obtained from banks	180,313	299,866	0	106	480,073
SOS2E bond	534,116	13,829	5,460	77,804	464,681
RS21 bond	29,200	3,080	1,530	5,241	25,509
Other loans received	223	19		120	122
Operating liablilities	3,711	0	0	3,711	0
Total	747,563	316,794	6,990	86,982	970,385

9.1.13. Short-term financial liabilities

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Loans obtained from banks	179,966	0	179,966	995
Other short-term financial liabilities	0	0	0	149
Liabilities to banks arising from a changing interest rate	949	0	949	0
SOS2E bond principal amount	98,982	87,545	98,982	87,545
Short-term liabilities to beneficiaries arising from ZIOOZP	0	5,296	0	5,296
Short-term liabilities to beneficiaries arising from ZSPOZ	0	780	0	780
Total	279,897	93,621	279,897	94,765

Short-term liabilities are liabilities which have to be repaid within one year at the latest. Financial liabilities are short-term loans obtained on the basis of loan contracts and issued short-term securities. Short-term liabilities also include matured long-term liabilities and the portion of long-term liabilities that falls due within one year of the date of the financial statements.

The lending banks:

- SKB banka, d.d. €60 million,
- Unicredit banka Slovenija, d.d. €35 million,
- Raiffeisen banka, d.d. €30 million,
- Banka Koper, d.d. €30 million,
- BKS bank, AG., €20 million,

- Abanka Vipa, d.d. €5 million,

Liabilities to banks arising from changing interest rate in the amount of €949,000 represent the estimated fair value of open contracts for the protection of interest risk at the end of the reporting period. At the end of the reporting period, the Company concluded six contracts regulating the changing interest rate with five banks for a total virtual principal of €200 million.

The Company held own bonds SOS2E, and the short-term portion of the principal amount which is posted as a deduction item to the liabilities account totalled €2,236,000 on the cut-off date. The level of the interest rate for SOS2E bonds is disclosed in Note 9.1.12.

9.1.13.1. Movement of short-term financial liabilities of the Company

in €000	1-Jan-11	Acquisitions	Repayments	Transfer from l/t debt	31-Dec-11
Loans obtained from banks	0	0	0	179,966	179,966
Liabilities to banks arising from a changing interest rate	0	949	0	0	949
SOS2E bond	87,545	0	76,719	88,156	98,982
RS21 bond	5,296	-5,296	0	0	0
RS39 bond	780	-780	0	0	0
Total	93,621	-5,127	76,719	268,122	279,897

in €000	1-Jan-10	Acquisitions	Repayments	Transfer from l/t debt	31-Dec-10
Loans obtained from banks	0	70,000	70,000	0	0
SOS2E bond	76,082	0	66,341	77,804	87,545
RS21 bond	4,700	0	4,645	5,241	5,296
RS39 bond	799	4,963	4,982	0	780
Total	81,581	74,963	145,968	83,045	93,621

9.1.13.2. Movement of short-term financial liabilities of the Group

in €000	1-Jan-11	Acquisitions	Repayments	Transfer from l/t debt	31-Dec-11
Loans obtained from banks	995	-995	0	179,966	179,966
Liabilities to banks arising from a changing interest rate	0	949	0	0	949
SOS2E bond	87,545	0	76,719	88,156	98,982
RS21 bond	5,296	-5,296	0	0	0
RS39 bond	780	-780	0	0	0
Other loans received	149	-120	29		0
Total	94,765	-6,242	76,748	268,122	279,897

in €000	1-Jan-10	Acquisitions	Repayments	Transfer from l/t debt	31-Dec-10
Loans obtained from banks	887	70,000	70,000	108	995
SOS2E bond	76,082	0	66,341	77,804	87,545
RS21 bond	4,700	0	4,645	5,241	5,296
RS39 bond	799	4,963	4,982	0	780
Other loans received	125	0	96	120	149
Total	82,593	74,963	146,064	83,273	94,765

9.1.14. Short-term operating liabilities

Short-term operating liabilities comprise supplier loans, liabilities to employees, interest liabilities to providers of financing, tax liabilities to the state, and liabilities to clients for advance payments and collaterals received. Short-term liabilities also include matured long-term liabilities and the portion of long-term liabilities that falls due within one year of the date of the financial statements.

in €000	The Company		The Group	
	31-Dec-11	31-Dec-10	31-Dec-11	31-Dec-10
Accounts payable	4,233	4,203	4,233	4,728
Advance payments received	9	6	9	6
Interest on loans obtained from banks	2,391	2,068	2,391	2,068
Interest on SOS2E bonds	20,055	20,973	20,055	20,973
Interest payable to beneficiaries under ZSPOZ	0	145	0	145
Interest payable to beneficiaries under ZIOOZP	0	806	0	806
Dividends payable to the future owners of Zavarovalnica Triglav	209	137	209	137
Liability – reimbursement of investments in telecommunications	0	397	0	397
Liabilities from operating for foreign account	0	14	0	14
Liabilities towards employees	123	149	123	271
Liabilities towards state institutions	125	123	125	967
Other liabilities	23	8	23	86
Total	27,168	29,029	27,168	30,598

The Company had no related party liabilities as at the balance sheet date.

Among trade payables, an important value is the liability for the acquisition of investment property in the amount of €4,124,000 (explained in 9.1.3).

The company has no matured and outstanding liabilities.

9.1.15. Short-term accrued costs and deferred revenues

in €000	The Company		The Group	
	31-Dec-11	31-Dec-10	31-Dec-11	31-Dec-10
Accrued expenses	103	79	103	96
Short-term deferred income	9	0	9	0
Total	112	79	112	96

In short-term accrued costs and deferred revenues, the Company/Group discloses its liabilities to employees for the unused portion of annual leave.

9.1.16. Operating income

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Income from sales of goods and services	161	25	220	358
Income from gambling	0	0	1,001	3,830
Lease income	435	442	459	453
Total net sales revenues	*596*	*467*	*1,680*	*4,641*
Income from the elimination of impaired receivables	5	13	5	13
Income from use and reversal of long-term provisions – denationalisation	28,782	13,815	28,782	13,815
Income from use and reversal of other long-term provisions	139	102	139	102
Income for denationalisation purposes	3,810	4,831	3,810	4,831
Income for ZSPOZ purposes	115,568	229	115,568	229
Income for ZIOOZP purposes	67,545	19,273	67,545	19,273
Revaluatory operating income	333	0	333	15
Other operating income	*216,182*	*38,263*	*216,182*	*38,278*
Total	216,778	38,730	217,862	42,919

Lease income was generated by renting out investment property (Smelt office building).

Every year, the Company/Group checks the necessary volume of provisions. In drawing up this account, the Company determined that according to the already established facts, the amount of created provisions for denationalisation compensations exceeded the newly established liabilities.

The profit and loss account of the Group includes income and expenses of Slovenska odškodninska družba for 2011 and income and expenses of the company Casino Bled for first three months of 2011.

The denationalisation income included the following:

- 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 being 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 new owners pay directly to the Company;
- proceeds from the ownership transformation procedures of companies – in cash or in the form of shares or equity holdings, which are received by the Company/Group partly from D.S.U., d.o.o., and partly from the budget of the Republic of Slovenia.

Compared to the previous year, income for ZSPOZ and ZIOOZP purposes dramatically increased. They represent the amount of advanced funds for compensation payments and interest for the time period from 2001 to 2010 and are determined on the basis of a protocol signed by the Ministry of Finance and Company. Based on an analysis of market conditions for borrowing, SOD, d.d., discounted the contract amount by the six-month Euribor level, plus 100 basis points. Income for ZSPOZ and ZIOOZP include the opening (1 January 2011) balance of liabilities for principals and interest of RS39 and RS21 bonds which has already been charged to the Company/Group's expenses in the past. It is a one-time event which shall not be repeated in the next years. The legal framework is provided under point 9.1.5. in detail.

In 2011, the operating income accounted for a good 85% of the total revenues earned by the Company. All sales revenues were generated on the domestic market.

9.1.17. Costs of goods, material and services

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Acquisition cost of materials and goods sold	0	0	5	20
Total	*0*	*0*	*5*	*20*
Costs of material	0	0	56	217
Costs of energy	37	38	75	173
Costs of spare parts	0	0	2	13
Small tools written off	1	3	1	62
Costs of office supplies	16	17	17	26
Other costs of materials	15	13	23	67
Total	*69*	*71*	*174*	*558*
Costs of transport services	79	74	112	195
Costs of maintenance	149	154	176	251
Costs of leases	7	5	66	291
Reimbursement of employment-related expenses to the staff	49	69	52	69
Costs of payment services, banking services and insur. premiums	126	123	145	189
Costs of intellectual and personal services	207	189	223	292
Costs of trade fairs, advertising and entertainment	3	3	163	980
Costs of services provided by individuals not engaged in gainful acts	81	54	84	464
Costs of other services	405	413	487	512
Total	*1,106*	*1,084*	*1,508*	*3,243*
Total	1,175	1,155	1,687	3,821

The largest transport services item totalling €76,000 in 2011 was the cost of postage and telephone services.

The costs of intellectual services comprise the costs of lawyers, notaries, auditors, company valuers, valuers in denationalisation procedures, etc.

In 2011, the Company concluded the liability insurance contract of the Company, members of the Management Board, Supervisory Board and other employees after the procedure of tender collection on the basis of a public tender.

Maintenance costs include maintenance of software and premises.

The contract amount for the audit of the financial statements of the Company and the Group for 2011 totalled €16,800 excluding VAT. The company auditing the Company's financial statements charged €9,200 for other non-audit services (VAT excluded).

The item “costs of services provided by individuals not performing a business activity” discloses meeting attendance fees and compensation to members of supervisory boards performing their functions. Meeting attendance fees were increased by travel expenses and compulsory contributions.

The costs of other services cover the costs of municipal utility services, road traffic tax, reception costs, legal fees, publication of announcements, and investment property costs.

9.1.18. Labour costs

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Salaries and wages of employees	2,104	2,093	2,363	3,085
Costs of pension insurance	187	188	210	276
Costs of voluntary supplementary pension insurance	65	65	65	65
Costs of social insurance	154	152	173	224
Holiday allowance, reimbursements and other receipts of employees	175	212	212	372
Total	2,685	2,710	3,023	4,022

Labour costs comprise costs of wages to employees, wage compensations which, pursuant to the law, the collective agreement or employment contract, employees are entitled to receive during a period off work and bonuses paid to employees, fees and levies charged on the aforementioned items. They also include the reimbursement of travel expenses to and from work, costs of meals, holiday allowance and eventual severance pays (severance grants on retirement are paid from provisions).

As at 31 December 2011, the Company had no outstanding labour costs payable. The Company/Group created provisions for long-service bonuses and severance grants.

9.1.19. Depreciation

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Depreciation of intangible fixed assets	16	24	21	53
Depreciation of buildings	90	90	110	170
Depreciation of investment property	145	143	145	143
Depreciation of equipment and spare parts	62	69	243	775
Depreciation of small tools	1	1	1	1
Total	314	327	520	1,142

The Company/Group consistently allocates the depreciable amount of individual fixed assets to particular accounting periods.

9.1.20. Long-term provisions

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Provisions for long-service bonuses	0	7	0	7
Provisions for termination benefits	0	26	0	26
Provisions for litigations and guarantees	39	30	39	30
Total	39	63	39	63

Provision revenues and expenses are disclosed in greater detail in Note 9.1.11.

9.1.21. Amounts written-off

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Revaluatory operating expenses associated with intangible and tangible fixed assets	49	7	49	7
Revaluatory operating expenses associated with short-term assets except fin. investments	12	129	12	129
Total	61	136	61	136

Revaluatory operating expenses for intangible fixed assets and tangible fixed assets showed a negative difference between the achieved selling and the book value of the disposed fixed assets. Revaluatory operating expenses were also increased by the book value of the assets whose useful life expired and shortfalls.

Revaluatory operating expenses for short-term assets are shown as impairments of operating receivables.

Adjustment was made for receivables from housing matters of companies for which bankruptcy or forced settlement proceedings were instituted and for receivables overdue by more than 90 days.

9.1.22. Other operating expenses

On the basis of amendments to ZSPOZ and ZIOOZP, the Company/Group does not show expenses arising from compensation payments to beneficiaries since 1 January 2011 because it implements both acts on behalf and for the account of the Republic of Slovenia (note 9.1.5).

Denationalisation expenses are compensations recognized to beneficiaries under the housing act.

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Compensations under ZSPOZ	0	8,541	0	8,541
Compensations under ZIOOZP	0	3,080	0	3,080
Denationalisation expenses	464	607	464	607
Charge for the use of building land	14	13	14	13
Contribution for employment of disabled persons	6	6	6	6
Concession charges (gambling)	0	0	102	409
Other costs	0	0	1	9
Total	484	12,247	587	12,665

9.1.23. Net profit or loss

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Financial income from holdings and bonds	36,945	16,518	36,945	16,518
Financial income from loans given	15,021	10,607	15,021	10,613
Total financial income	*51,966*	*27,125*	*51,966*	*27,131*
Financial expenses for the write-offs and impairments of financial investments	88,924	20,412	83,769	13,919
Financial expenses for financial liabilities	49,796	44,217	49,820	44,315
Total financial expenses	*138,720*	*64,629*	*133,589*	*58,234*
Net profit or loss	-86,754	-37,504	-81,623	-31,103

The Company/Group realized no significant capital gains in 2011 due to the unfavourable conditions for the disposal of equity investments.

Financial income from participations and bonds

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Dividend income paid by companies	13,776	11,585	13,776	11,585
Dividend income paid by banks and insurance companies	2,709	667	2,709	667
Dividend income paid by mutual funds	154	135	154	135
Profit from the disposal of mutual funds	810	466	810	466
Revaluation of put option to fair value	17,279	2,224	17,279	2,224
Profit from the disposal of holdings in companies	1,100	59	1,100	59
Income from the elimination of impairment of bonds	134	171	134	171
Interest income from bonds	983	1,211	983	1,211
Total	36,945	16,518	36,945	16,518

Financial income from loans given

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Income from loans – interest	11,672	10,571	11,672	10,571
Reval. income from the disposal of debt investments	76	30	76	30
Other interest income	14	5	14	11
Income from exchange differences	1	1	1	1
Other financial income	3,258	0	3,258	0
Total	15,021	10,607	15,021	10,613

The item “other financial income” represents interests from long-term receivables towards the Government of the Republic of Slovenia under an effective interest rate.

Financial expenses for write-offs and impairments of financial investments

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Expenses from the disposal of holdings of companies	160	3	160	3
Income from the impairment of available for sale fin. investments	88,008	20,400	82,853	13,907
Expenses for the disposal of bonds	484	2	484	2
Expenses for the disposal of mutual funds	272	7	272	7
Total	88,924	20,412	83,769	13,919

Financial expenses for financial liabilities

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
SOS 2E bond interest expenses	30,920	34,270	30,920	34,270
RS 21 bond interest expenses (ZIOOZP)	0	2,229	0	2,229
RS 39 bond interest expenses (ZSPOZ)	0	290	0	290
Interest on loans received	12,658	7,426	12,682	7,520
Loss of derived financial instruments	949	0	949	0
Expenses for operating liabilities – interest	1	0	1	4
Expenses for operating liabilities – revaluation	5,268	2	5,268	2
Total	49,796	44,217	49,820	44,315

Expenses from revaluation represent a discount to the receivables towards the Government of the Republic of Slovenia arising from ZVVJTO.

On the basis of contracts or the concluded operations of interest rate substitution in the last quarter of 2011, the Company/Group realized a net €16,000 of expenses and the evaluation of the implemented financial instrument to fair value caused additional €949,000 of expenses.

Review of financial income and expenses in associates and subsidiaries

in €000		The Company
	Jan-Dec 2011	*Jan-Dec 2010*
Financial income associated with associated companies	2,480	165
Financial expenses associated with associated companies	-5,155	0
Net profit or loss	-2,675	165

In this item, the Company separately disclosed the financial income and expenses relating to associates and subsidiaries. All amounts indicated in the above table are included in the tables with the disclosures of the financial income and expenses.

9.1.24. Participation in profit/loss of associated companies

in €000		The Group
	Jan-Dec 2011	*Jan-Dec 2010*
Financial income associated with associated companies	16,315	8,628
Financial expenses associated with associated companies	-51,349	-46,789
Net profit or loss	-35,034	-38,161

As at 31 December 2011, the SOD Group held 6,189,641 shares of Zavarovalnica Triglav, and, moreover, held 191,087 shares in custody, so that its equity interest on that date was 27.225% and the share of voting rights 28.07%. In 2011, Zavarovalnica Triglav Group realized a profit of €47,497,000 and paid dividends in the amount of €9,110,000 so that the SOD Group showed a net financial income in the proportional amount of €10,451,000. On the basis of other changes in capital, the SOD Group reduced its revaluation surplus by €11,634,000 and the retained profit or loss by €1,405,000. Since the fair (market) value of the investment in shares of Zavarovalnica Triglav was lower than the value determined under the equity method, the Group recognized financial expenses totalling €44,374,000.

As at 31 December 2011, the SOD Group held 2,340,631 shares of Pozavarovalnica Sava, representing a 25% equity interest. In 2011, the Pozavarovalnica Sava Group generated a profit of €4,066,000; accordingly, the SOD Group showed a net financial income in the proportional amount of €1,017,000. On the basis of other changes in capital, the SOD Group reduced its revaluation surplus by €2,672,000 and increased the retained profit by €4,000. Since the fair (market) value of the investment in the shares of Pozavarovalnica Sava, d.d., was lower than the value determined under the equity method, the Group recognized financial expenses totalling €3,475,000.

As at 31 December 2011, the SOD Group held 410,271 shares in the company PDP, d.d., which is 22.96% of the shares. The PDP Group realized a profit in the amount of €21,111,000. Based on this, the Group recorded a financial income totalling €4,847,000. On the basis of other changes in capital, the Group increased its revaluation surplus by €72,000 and decreased the retained profit or loss by €3,186,000.

As at 31 December 2011, the SOD Group held 706,314 shares in the company Casino Portorož, representing a 20% equity interest. In 2011, Casino Portorož generated a loss of €4,304,000; accordingly, the SOD Group showed net financial expenses in the proportional amount of €861,000. The associated company made no other changes in equity.

As at 31 December 2011, the SOD Group held 1,357,727 shares of the company Hit, d.d., representing a 20% equity interest. In 2011, the Hit Group generated a loss of €5,679,000; accordingly, the SOD Group showed net financial expenses in the proportional amount of €1,136,000. On the basis of other changes in capital, the SOD Group reduced its revaluation surplus by €1,864,000 and increased the retained profit by €305,000.

As at 31 December 2011, the SOD Group held a 41.234% equity interest in the company Gio, d.o.o., in liquidation. The company sustained a loss of €3,317,000, which increased the Group's financial expenses in the proportional amount of €1,368,000.

As at 31 December 2011, the SOD Group held 707,620 shares of the company Casino Bled, representing a 43% equity interest. Casino Bled generated a loss of €418,000 in 2011, of which €315,000 were generated in the last three quarters. Accordingly, the SOD Group showed net financial expenses in the proportional amount of €136,000. The associated company made no other changes in equity.

9.1.25. Other income and expenses

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Compensations and penalties received	2	0	4	0
Other unusual items	1	1	1	1
Total other income	*3*	*1*	*5*	*1*
Cash penalties	0	0	6	6
Other expenses	0	0	0	5
Total other expenses	*0*	*0*	*6*	*11*
Total	3	1	-1	-10

9.1.26. Taxation

Current and deferred taxes

in €000	The Company		The Group	
	Jan-Dec 2011	*Jan-Dec 2010*	*Jan-Dec 2011*	*Jan-Dec 2010*
Apportioned profit taxation	0	0	0	0
Deferred tax	-9,766	-16,999	-9,766	-16,999
Total	-9,766	-16,999	-9,766	-16,999

Calculation of the effective tax rate

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Profit before taxation	125,269	-15,411	125,167	-16,533
Anticipated profit tax 20%	25,054	0	25,033	0
Adjustment of revenues	-16,358	-12,614	-16,358	-12,614
Adjustment of expenses	64,121	21,175	64,121	21,416
Tax relief used	-173,840	0	-173,840	0
Other adjustments	807	619	910	619
Profits tax	0	0	0	0
Effective tax rate	0	0	0	0

Long-term deferred tax receivables and liabilities are calculated on the basis of the provisional differences according to the liability method and 20% tax. To lower the tax base, the unused tax base in the amount of €173,840,000, premiums paid by the employer for voluntary pension insurance in the amount of €65,000 and €30,000 arising from investments in tangible fixed assets, were used.

Movement of tax losses

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Unused tax losses	894,295	888,064	898,813	891,701
Increase during the year	0	6,231	0	7,112
Used during the year	-173,745	0	-173,745	0
Elimination of the subsidiary	0	0	-4,518	0
Final balance of unusused tax losses	720,550	894,295	720,550	898,813

Long-term receivables and liabilities for deffered taxes

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Long-term receivables for deferred taxes	41,524	51,290	41,524	51,290
Long-term deferred tax liabilities	41,524	51,290	41,524	51,290
Net long-term receivables for deferred taxes	0	0	0	0

Movement of long-term deferred tax receivables for the Company and the Group

in €000	Revaluation of financial investments	Impairment of short-term operating receivables	Provisions	Unused tax losses	Total
Unused tax receivables as at 1 January 2011	12,146	1,800	41	37,303	51,290
Used in 2011	-2,019	0	0	-34,749	-36,768
Newly created in 2011	11,202	0	4		11,206
Exclusions in 2011	-2,248	0	-14		-2,262
Reconciliation with deferred tax liability		0	0	18,058	18,058
					0
Total changes in the statement of profit or loss	*9,183*	*0*	*4*	*-9,766*	-579
Total changes in the statement of the financial	*0*	*0*	*0*	*0*	0
31-Dec-11	19,081	1,800	31	20,612	41,524

in €000	Revaluation of financial investments	Impairment of short-term operating receivables	Provisions	Unused tax losses	Total
Unused tax receivables as at 1 January 2010	8,278	1,227	333	58,452	68,290
Used in 2010	-212	0	0	0	-212
Newly created in 2010	4,080	573	3	1,689	6,345
Exclusions in 2010		0	-295		-295
Reconciliation with deferred tax liability	0	0	0	-22,838	-22,838
Total changes in the statement of profit or loss	*3,868*	*573*	*3*	*-16,999*	*6,133*
statement of the financial position	*0*	*0*	*0*	*0*	*0*
31-Dec-10	12,146	1,800	41	37,303	51,290

Claims for deferred taxes arise from impairments of financial investment, claim revaluation, created provisions for litigation and unused tax losses.

The Company/Group actually holds the following deferred tax receivables:

- for impairment of financial investments and receivables €20.88 million,
- for provisions not entirely recognised for tax purposes on their creation €0.03 million,
- for unused tax losses €144.11 million

Since it is impossible to anticipate with accuracy whether there will be enough taxable profits in the future in order to use tax reliefs and tax credits, the Company/Group decided to present in its financial statements the deferred tax receivables in the amount that equals the deferred tax liabilities. As shown in the above table and the note from the preceding paragraph, there are no fully recognized claims for deferred taxes in the Group/Company's financial statements.

Long-term deferred tax liabilities relate to the revaluation of the financial investments to fair value through capital. In establishing long-term tax liabilities or tax receivables, the Company/Group complies with the provisions of the valid corporation tax act which, provided that certain conditions are satisfied, removes from the tax base one half of the generated capital gains.

Movement of long-term deferred tax liabilities

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Deferred tax liabilities as at 1 January20…	51,290	68,290	51,290	68,290
Transfer to profit or loss	-633	-54	-633	-54
Change due to changes in taxable base	-9,133	-16,946	-9,133	-16,946
Balance as at 31 December 20..	41,524	51,290	41,524	51,290

9.1.27. Net profit per share

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Profit/loss of the majority owners	115,503	-32,410	85,580	-64,561
Number of shares issued	36,046	100	36,046	100
Weighted number of shares	395.45	100	395.45	100
Net profit/loss per share	292.08	-324.10	216.41	-645.61

Net profit/loss per share of the Company is calculated thus that the net profit/loss is divided according to the weighted number of shares in the period. The number of shares increased at the end of the year from an initial 100 to 36,046. The weighted number of shares for 2011 is calculated as follows: 3*36,046 + 362*100 = 144,338/365 = 395.45.

9.1.28. Dividends per share

The controlling company does not pay dividends in accordance with its rules. The controlling company Casino Bled did not charge dividends in the first quarter of 2011; however, it paid dividends to holders of preference shares in January 2011 which were charged for the previous period.

9.1.29. Note to the cash flow statement

The cash flow statement shows changes in the cash flows in a particular financial year. The data were acquired from the books of the Company/Group and other accounting records such as original documents on receipts and expenditure and statements of accounts provided by commercial banks. The data for the preceding year were prepared according to the same methodology.

The paid amounts of the interest and the principal for SOS2E bond were disclosed in the first part of the cash flow statement, among the cash flows from operating activities, since the Company/Group's basic activity is to settle liabilities arising from denationalisation. Receipts, with the exception of financial investments sold to compensate for these outflows, were shown as operating receipts. Also, the first part of the financial statement includes the cash flows arising from the liability payment of the Government of the Republic of Slovenia which are implemented on its behalf by the Company (ZSPOZ, ZIOOZP and ZVVJTO).

in €000				
	ZSPOZ	*ZIOOZP*	*ZVVJTO*	*Skupaj*
Payments to beneficiaries	7,131	8,007	746	15,884
Receipts from the Republic of Slovenia	6,221	7,063	736	14,020
Net financial effect	-910	-944	-10	-1,864

The table shows the amounts from 2011. In addition, the Government of the Republic of Slovenia made a payment of €477,000 to the Company. This is the repayment of advanced funds arising from ZVVJTO from 2010 when the Company arranged a constant repayment in 2009 (note 9.1.5.).

9.1.30. Business combinations

There were no business combinations within the Group in 2011 and 2010.

9.2. MANAGEMENT OF FINANCIAL RISKS OF THE COMPANY/GROUP

The Company/Group continuously monitors and assesses the financial risks and strives to achieve long-term liquidity and avoid excessive exposure to individual risks. The Group is confronted with 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 entail risk due to the borrowers' default on their obligations, which means that funds invested are not repaid in full or in part on maturity. For the purpose of managing credit risks, the financial position of issuers and their capacity to generate sufficient funds for repayment are assessed. In investments in debt securities, the Company has set restrictions and limits for individual issuers and banks, which are renewed on an annual basis in respect of their balance sheet data. Ratings of internationally renowned credit agencies are used in the analysis of individual securities.

The Company/Group is the most strongly exposed to financial institutions and banks with which it places its deposits, and any default on a contract could result in lower liquidity. The partners in these contracts are Slovenian banks. Therefore, the Company/Group evaluated that no risk existed that the concluded contracts would not be fulfilled.

Risks of other issuers of debt securities are present since the deep financial and economic crisis has led to the deferred payment of a coupon with some issuers. The Company/Group controls these risks using the following measures:

- 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 of the effect of change in market interest rates on the value of interest-sensitive assets and, at the same time, a risk of financially sensitive assets and financially sensitive liabilities maturing on different dates and in different amounts The Group/Company is exposed to interest rate risk particularly on the liabilities side. Deposits are subject mainly to a fixed interest rate; only a minor part of debt securities is subject to a variable interest rate. Almost one half of financial liabilities are subject to the 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 for issued SOS2E bonds that represent the Company/Group's major long-term liability since these bonds are subject to an agreed fixed interest rate of 6% (conformal calculation of interest).

The Company/Group estimates that a change in the interest rate for a loan obtained at a variable interest rate (three-month Euribor plus a fixed surcharge) could have a favourable effect on the Company/Group's financial statements. The calculation shows that a change in the interest rate:

- from 1.0% to 1.5% interest expenses rise by €2.4 million on an annual level;
- from 1.0% to 2.0% interest expenses rise by €4.8 million on an annual level;
- from 1.0% to 3.0% interest expenses rise by €9.6 million on an annual level;

The key rates of interest of the central banks were also at a relatively low level in 2011. They are expected to gradually rise, which will trigger the rise of the reference rates of interest (Euribor). To protect the risk of changes of the interest rate, the Company/Group used the implemented financial instrument – interest rate swap (IRS). Towards the end of 2011, the Company/Group protected €200 million of loans obtained on the basis of an interest rate swap; all contracts are due in June 2015. The partners in these contracts are Slovenian banks. Therefore, the Company/Group evaluated that no risk existed that the concluded contracts would not be fulfilled. The Company/Group will continue to carefully study the market conditions and decide about the protection of additional amounts.

Interest rate swap effect

in €000	The Company		The Group	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Unrealized loss of interest rate swaps	949	0	949	0
Realised loss of interest rate swaps	16	0	16	0
Total interest rate swap effect	965	0	965	0

9.2.3. Currency risk

The exposure to currency risk has been reduced considerably after the adoption of the euro as Slovenia's national currency. By taking into consideration the fact that the majority of financial instruments are linked to the euro, the Company/Group's currency risk in 2011 was negligible. The Company/Group has only €1.7 million of investments in foreign currency, which is less than 0.2% of the total assets.

9.2.4. Liquidity risk

Due to the conditions on the financial markets, particular attention was paid to liquidity risk management. All liabilities were met in time. The Company/Group devoted even more attention to the preparation of cash flow plans. Accurate planning of cash flows enabled the on-time estimation of eventual shortfalls or surpluses and the optimal management of them.

After having studied the provisions of the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act, particularly from the aspect of its short-term and long-term insolvency, the Company/Group came to the conclusion that it is solvent and is not threatened with insolvency. More detailed findings are presented in Chapter 1.1.9 of the Business Report.

9.2.4.1. Liquidity indicators

Key liquidity indicator is a liquidity ratio (liquidity ratio = liquidity assets/short-term liabilities*100) which answers the question whether the Company has enough liquidity assets at its disposal to cover all short-term liabilities. Professional literature stated that the value of the ratio should always exceed 100%. However, this rule applies only in the case when all the short-term liabilities immediately fall due for payment. All liabilities usually do not require to be immediately paid, therefore, it applies that the liquidity ratio in the amount of 30% shall be interpreted as acceptable.

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

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

	in €000	in €000	in %	in %
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
direct coverage of short-term liabilities				
liquidity assets / short-term liabilities	170,964	204,081	55.68	166.39
short-term liabilities	307,065	122,650		
quick coverage of short-term liabilities				
liquidity assets + short-term receivables	243,509	206,366	79.30	168.26
short-term liabilities	307,065	122,650		

The Company/Group includes all short-term financial investments in its liquidity assets since they are mostly deposit contracts of which the maturity date falls with the maturity of the planned liabilities. Although the Company/Group tries to plan cash flows as accurately as possible, only a low probability exists that unpredicted liabilities would occur. For such unpredicted events, the Company has the possibility of selling individual investments managed among long-term financial investments (domestic shares, foreign shares, mutual funds, bonds). In extreme cases, should the Company/Group run out of assets, according to the Constitutional Court's decision no. U-I-140/94 of 14 December 1995, the Republic of Slovenia is obliged to provide the Company with additional funds in the event that the Company's resources prove insufficient for the regular payment of the Company's obligations under the Denationalisation Act, the Cooperatives Act and other regulations governing the restitution of property.

9.2.5. Market risk

Changes in market prices of shares represent an important risk to the Company/Group, which is further increased by a relatively high illiquidity of the majority of major investments.

Liquidity of the Group's major investments in stock exchange listed shares

	Market capitalization annual turnover ratio* in 2011
Krka, d.d.	8.33%
Luka Koper, d.d.	2.09%
Petrol, d.d.	5.90%
Telekom, d.d.	4.24%
Zavarovalnica Triglav, d.d.	1.19%
Prime market	8.16%
Standard listing	2.40%

Note: * The ratio between the annual turnover and the average market capitalization based on the values as at the last day of the year, before the expiry of six and twelve months.
Source: Monthly and annual statistics of the Ljubljana Stock Exchange, December 2011

The Company/Group's domestic marketable shares as at 31 December 2011

Type of equity investment	Amount in €000	%
Krka, d.d.	371,845	64.03
Petrol, d.d.	63,903	11.00
Zavarovalnica Triglav, d.d.	61,896	10.66
Other investments	83,072	14.31
Total	580,716	100.00

The Company/Group established that its exposure to the risk of change in the market price of shares was extremely high. On the liabilities side, the Company/Group has liabilities with an average 2.5 years' maturity, and on the assets side, more than half of the assets are domestic market shares. The three major individual investments of the Company account for a good 68% of its total long-term financial investments. The fact is that the risk of the lack of dispersion of investments is extremely high since most investments are exposed to the risk of change in market prices on the domestic capital market.

Sensitivity of the value of equity financial investments to 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
v 000 EUR	31-Dec-11	15%	20%	-15%	-20%
Krka, d.d., Novo Mesto	371,845	55,777	74,369	-55,777	-74,369
Petrol, d.d., Ljubljana	63,903	9,585	12,781	-9,585	-12,781
Zavarovalnica Triglav, d.d.	61,896	9,284	12,379	-9,284	-12,379
shares	83,072	12,461	16,614	-12,461	-16,614
shares	51,697	7,755	10,339	-7,755	-10,339
Foreign shares	2,659	399	532	-399	-532
Mutual funds	23,046	3,457	4,609	-3,457	-4,609
Total	658,118	98,718	131,624	-98,718	-131,624

9.3. RELATED PARTY TRANSACTIONS

Related parties are deemed to be all the following companies in compliance with the IFRS 24 in addition to the Government of the Republic of Slovenia as a 100% owner:

- subsidiary and associate companies,
- the management and members of the Supervisory Board, including the audit committees,
- companies associated with the Government.

The company entered in no legal transaction in 2011 that might be detrimental to the operation of its associated companies or entities.

9.3.1. Subsidiary and associate companies

The Company has a 20% or more equity interest 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., Casino Portorož, d.d. and Hit Nova Gorica, d.d. The Company has acquired shares and equity interests in the aforementioned companies pursuant to the provisions of the Ownership Transformation of Enterprises Act and other acts for the purpose of meeting its liabilities for compensation under claims for the restitution of nationalised property and liabilities for compensation to war and post-war violence victims. No major business transactions were concluded between the Company and the aforementioned companies.

The Company as the controlling company entered into no legal transaction in 2011 that might be detrimental to the operation of its associated companies. Likewise, no legal transaction was concluded between the controlling company and its associated companies pursuant to binding instructions during the same period.

The Company declares that as the controlling company it did not take advantage of its influence to induce its associated companies to carry out a detrimental legal transaction for their own account or act to their own detriment.

Business cooperation with associates related mostly to insurance operations in addition to equity connection.

9.3.2. The management and members of the Supervisory Board, including the audit committees

Receipts by the management and member of the supervisory board who represent the employees (Company) in 2011

in €	Managment			Member of the SB who represents employees
	Kuntarič Tomaž	Jauk Matjaž	Šavrič Krešo	Gorišek Pavel
Fixed part of receipts	136,089	118,724	118,594	33,319
Variable part of receipts	0	0	0	0
Other receipts (bonuses, company car)	1,483	5,890	6,318	0
Other receipts (bonuses, liability insurance)	59	59	59	0
Other receipts (other bonuses)	98	244	60	90
Net salary	69,655	57,485	55,304	19,541
Holiday allowance	1,047	1,047	1,047	1,047
Reimbursement of expenses (meals, transportation)	1,340	1,322	1,273	1,563
Reimbursement of expenses (travel expenses, daily allowance)	0	1,076	485	586
Voluntary supplementary pension ins.	2,689	2,689	2,689	971

The members of the Management Board do not receive reimbursements of expenses for transportation to work. The Company does not employ on the basis of an individual contract except for the management. All board members represent equity interests in supervisory boards of (un)associated companies as well, namely Tomaž Kuntarič in companies Petrol, d.d., and PDP, d.d., Krešo Šavrič in the company Splošna plovba, d.d., and Matjaž Jauk in the company Snežnik, d.d.

Receipts by the management of the subsidiary in the first quarter of 2011

in €	Management
	Kitek Boris
Fixed part of receipts	13,532
Variable part of receipts	0
Other receipts (bonuses, company car)	0
Other receipts (bonuses, liability insurance)	0
Other receipts (other bonuses)	0
Net salary	
Holiday allowance	236
Reimbursement of expenses (meals, transportation)	379
Reimbursement of expenses (travel expenses, daily allowance)	915
Voluntary supplementary pension ins.	0

Receipts of the Supervisory Board of the Company in 2011

in €	Compensation for performing their function	Gross meeting attendance fee	Credit rating	Travel costs	Total
Babič Tomaž	5,150	3,108	25	0	8,283
Dejak Bojan	5,150	3,383	25	0	8,558
Gorišek Pavel	5,150	2,558	25	0	7,733
Mervar Aleksander	5,665	2,010	25	224	7,925
Rotnik Uroš	7,725	3,726	25	680	12,156
Seničar Stanislav	5,150	3,383	25	679	9,237
Zajec Igor Janez	5,150	3,383	25	1,048	9,606
Total	39,140	21,549	178	2,632	63,498

Receipts of the audit committee in 2011

in €	Compensation for performing their function	Gross meeting attendance fee	Credit rating	Travel costs	Total
Dejak Bojan	2,575	1,869	0	0	4,444
Babič Tomaž	1,287	1,539	0	0	2,826
Vehovec Viktorija	1,287	1,319	0	62	2,668
Zajec Igor Janez	1,287	1,539	0	699	3,525
Total	6,437	6,265	0	761	13,464

Receipts by the Supervisory Board of the subsidiary in the first quarter of 2011

in €	Compensation for performing their function	Gross meeting attendance fee	Credit rating	Travel costs	Total
Matjaž Grandič	0	300	0		300
Ranko Armuš	0	300	0		300
Peter Sopotnik	0	300	0		300
Melita Malgaj	0	195	0		195
Boštjan Stopar	0	345	0		345
Berčon Matjaž	0	150	0		150
Slavko Ažman	0	300	0		300
Total	0	1,890	0	0	1,890

9.3.3. Transactions with the Government of the Republic of Slovenia, national authorities and companies controlled or influenced by the Company

Companies associated to the Government are all companies in which the Republic of Slovenia has a major influence.

in €000	Receivables	Income
	31-Dec-11	*Jan-Dec 2011*
Ministry of Finance	342,224	191,802
Farmland and Forest Fund of the Republic of Slovenia	456	1,792
DSU, Management and Consultancy Company	47	1,455
Total	342,727	195,049

The Company operates with other companies, authorities and agencies as well where the Government of the Republic of Slovenia is a majority or minority owner. All transactions with the aforementioned entities were concluded under normal market conditions under which transactions with other clients were concluded. These amounts are not important, these data are not disclosed.

9.4. DISCLOSURE ACCORDING TO ITEM 12 AND 13 OF ARTICLE 69 OF ZGD-1

The Company/Group did not and does not have any business operations which would not be shown in the statement of the financial position and the risk or benefits deriving from it would be important for the evaluation of the financial positions of the Company/Group.

The Company did not and does not have transactions with associated entities which would be important and not performed under market conditions.

9.5. OPERATING SEGMENTS

The Group has the following business segments:
- identification and payment of denationalisation compensations (ZDen);
- payment of compensations for confiscated property pursuant to the abrogation of the penalty of the confiscation of property (ZIOOZP);
- payment of compensations to war and post-war violence victims (ZSPOZ);
- reimbursement of investments in the public telecommunications network (ZVVJTO) and
- the gambling industry.

The item “other” includes revenues, expenses and liabilities directly attributable to individual segments. Other operating expenses thus include operating expenses such as costs of material, services, wages, depreciation and revaluation expenses for fixed and current assets, all of them related to the payment of compensations. The operating expenses by segments show the expenses for compensations and the gambling industry.

The Group obtained the majority of assets for denationalisation except receivables from the RS arising from ZIOOZP, ZSPOZ and ZVVJTO. The Group decided to attribute interest for long-term loans obtained in 2009 and the related interest expenses mostly to the ZVVJTO segment since these loans were obtained for that purpose. The Group distributed the loans obtained in 2010 and the related interest in proportion to the amount of funds advanced for the purpose of the implementation of ZSPOZ and ZIOOZP and the remaining portion to the denationalisation segment.

Operations of the Group by segments in 2011

in €000	ZDen	ZSPOZ	ZIOOZP	ZVVJTO	Gambling	Other	Total
Operating income	32,731	115,670	67,587	12	1,084	778	217,862
Operating expenses	464	102	42	12	1,160	4,137	5,917
Interest expenses	34,734	3,122	1,504	4,203	24	0	43,587
Interest income	3,234	2,955	1,423	3,978	0	0	11,590
Assets	924,479	118,510	57,574	158,299	0	0	1,258,862
Liabilities	646,920	119,148	57,376	160,373	0	5,672	989,489
Payments*	126,927	7,131	8,007	745	0	0	142,810

*Payments include paid principal amounts and interest and payments of compensation in cash.

Operations of the Group by segments in 2010

in €000	ZDen	ZSPOZ	ZIOOZP	ZVVJTO	Gambling	Other	Total
Operating income	18,646	229	19,273	17	3,830	924	42,919
Operating expenses	607	8,541	3,080	17	5,211	4,393	21,849
Interest expenses	34,264	2,107	2,818	5,032	94	0	44,315
Interest income	5,083	0	0	6,741	0	0	11,824
Assets	1,073,322	57,225	19,273	160,453	3,969	0	1,314,242
Liabilities	642,411	176,707	88,699	181,452	3,125	3,355	1,095,749
Payments*	121,952	8,853	8,137	7,175	0	0	146,117

* Payments include paid principal amounts and interest and payments of compensation in cash.

9.6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In addition to future liabilities for which the Company/Group recognized provisions since the conditions had been met for recognition, the Company/Group also has contingent liabilities. Administrative units and ministries are known to have additional requests s for compensation according to ZDen that have not yet been communicated to the Group. The Company/Group therefore determined the value with evaluation.

in €000	**The Company**		**The Group**	
	31-Dec-11	*31-Dec-10*	*31-Dec-11*	*31-Dec-10*
Contingent liabilities under ZDen	25,414	41,945	25,414	41,945
Contingent liabilities under ZSPOZ	0	20,681	0	20,681
Contingent liabilities under ZIOOZP	0	42,735	0	42,735
Total	25,414	105,361	25,414	105,361

In 2011, amendments to ZSPOZ and ZIOOZP were adopted. Based on it, the Company/Group's assets are no longer a source for the payment of such compensation. Based on this, the Company ceased to show contingent liabilities according to the aforementioned acts.

The Company/Group also submitted to the majority of banks blank bills of exchange (€370 million) as security for the repayment of long-term loans secured by the guarantee issued by the Government of the Republic of Slovenia.

The lien on shares are listed in the note 9.1.3 and 9.1.12.

A prohibition of disposal of shares of Nova Ljubljanska banka, d.d., is entered on behalf of the Republic of Slovenia in the central register of securities.

The Company holds the following contingent assets:

- basic shares of Zavarovalnica Triglav, d.d., held in custody at the Company (€65,000),
- receivables from buyers of socially-owned and nationalised housing units (€843,000) and
- security for claims – a lien established on behalf of the Company (€875,000).

9.7. POST- BALANCE SHEET EVENTS

9.7.1. Realization of a put option for the investment in Splošna plovba Portorož

On 6 January 2012, a public invitation to sell holdings of the Company and Kapitalska družba, d.d., (KAD) was published in the company Splošna plovba d.o.o. No tender was received based on the invitation. Both companies sent the written announcement for the realization of a put option contract to the person liable for the option of the company Dohle Gmbh on 29 February 2012. Considering the contractual provisions, the Company expects that the purchase price will be paid in the middle of May 2012.

9.7.2. Amendment to the Management of Equity Investments of the Republic of Slovenia Act (ZUKN-C)

The National Assembly adopted the proposed amendment to the ZUKN-C at the extraordinary session on 14 March 2012 which amends the status and jurisdiction of AUKN which independently decided on matters not exceeding €20 million until now. According to the amending act, AUKN can implement voting rights at general meetings of companies, perform general meetings of one-person companies and nominate members of supervisory bodies of companies on the basis of the prior consent by the Government of the Republic of Slovenia. A proposition for issuing the consent is prepared by the resource ministry (according to the activity of an individual company) and is coordinated with the Ministry of Finance prior to the conciliation to the Government.

9.7.3. Appointment of the external member of the audit committee of the Supervisory Board

Due to the resignation of the external member of the audit committee of the Supervisory Board Mrs Viktorija Vehovec in December 2011, the Supervisory Board of the Company appointed Mrs Andreja Bajuk Mušič to be the external member of the audit committee at its regular meeting on 5 April 2012.

9.7.4. The shares of the company Krka, d.d., of the stock at the Warsaw Stock Exchange

On 10 April 2012, Krka, d.d., Novo mesto informed the public that it received all the required decisions from the Warsaw Stock Exchange and the Polish National Depository for Securities to begin trading all ordinary shares of Krka at the Warsaw Stock Exchange. Shares of Krka, d.d., were listed on the Warsaw Stock Exchange on 11 April 2012 for the first time. 5% of all shares of the company Krka, d.d., are listed on the Warsaw Stock Exchange.

9.7.5. Deprivation of voting rights

On 16 April 2012, the Company received a decision from the Securities Market Agency which prohibited the enforcement of voting rights in the company Krka, d.d., because the acquisition threshold has been exceeded according to the provisions of the Takeovers Act.

9.7.6. Voting rights of Casino Portorož

At the general meeting of Casino Portorož, d.d., on 16 February 2012, voting rights were unlawfully taken from SOD and KAD. The question of the capital increase of the company on the basis of a decision by the general meeting remains unsolved. However, the Ministry of Finance gave consent to the companies Casino Riviera, d.d., and Eurotas, d.d., for the acquisition of ordinary shares in the proceeding of the capital increase (20% to each). Prior to the capital increase, the regulation of the relations between SOD, KAD and companies Casino Riviera and Eurotas is necessary.

Krešo Šavrič Member of the Management Board	Matjaž Jauk Member of the Management Board	Tomaž Kuntarič MSc. President of the Management Board

Ljubljana, 25 April 2012