SDH SLOVENSKI DRŽAVNI HOLDING, d. d.

COMPANY AND GROUP

SLOVENIAN SOVEREIGN HOLDING

NON-CONSOLIDATED and CONSOLIDATED ANNUAL REPORT

FOR YEAR ENDING 31 DECEMBER 2014

Ljubljana, 24 April 2015

Important abbreviations used in the document:

Institutions:

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

Acts:

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

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LETTER BY THE PRESIDENT OF THE MANAGEMENT BOARD

The year of 2014 represented a turning point for the management of state capital assets since the amended Sovereign Holding Act was adopted, enabling the transformation of Slovenska odškodninska družbe, d.d., (SOD) into Slovenian Sovereign Holding, thus combining the management of state assets under one roof. SOD took over the management of capital assets held by the Republic of Slovenia (RS) at the end of 2012. In the second half of 2014, contracts were concluded by and between SSH and D.S.U., družba za svetovanje in upravljanje, d. o. o., on the purchase of its capital assets, while the process for the merger of PDP, Posebne družbe za podjetniško svetovanje, d. d., with SSH is expected to be concluded in the first half of 2015. The purpose of the above mentioned Act will thus be achieved, that is, the concentrated management of state-owned assets and long-term increase in the profitability and value of these assets.

Such an extensive and diversified portfolio of capital assets held by SSH and RS imposes on SSH an extraordinary responsibility for the effectiveness of asset management. The vision of SSH is to become the manager of state assets who will put into effect and pursue the best practices in corporate governance at the level of companies and implement such measures under its powers to pursue the long-term interest of companies and provide value for owners, together with competitiveness and long-term growth in employment. Numerous legal documents and measures have been issued for this purpose; among the most important documents the renewed Corporate Governance Code was adopted. The objective of this Code is, by raising the quality of corporate governance in state-owned enterprises, improving the long-term operation of these companies, for the benefit of all stakeholders. The Asset Management Policy was also adopted; the objective of this document is to provide for transparency, traceability and verifiability of decisions made by SSH. By adopting the Rules on Supervisory Board Member Selection (Conditions, Criteria, Procedures and Evaluation for Determining Suitability and Selecting Potential Candidates for Members of Supervisory Bodies of Companies with State's Capital Assets), the system of recruiting supervisory board members is being improved.

The liabilities due to beneficiaries under the denationalisation legislation and other laws (SPOZ, ZIOOZP and ZVVJTO), implemented by SSH on behalf of and for the account of RS, were regularly settled.

In 2014, the dividend income received by SSH amounted to EUR 34.8 million, which was 8.4% more than in the preceding year, while the dividend income received by RS and paid out by companies managed by SSH amounted to EUR 112.4 million, which is 5.4% higher than in 2013. From the aspect of the portfolio as a whole, the dividend yield of the equity capital, amounted to 5.3% for SSH and 1.1 % for RS.

By means of the Decision of the National Assembly of RS of 21 June 2013, clear commitments were imposed on SSH in regard to the disposal of capital assets. They are being consistently fulfilled by the SSH Management. By January 2014, RS and companies in its direct or indirect ownership: SSH, KAD, PDP and Modra zavarovalnica (excluding funds), received EUR 190.6 million of proceeds from the sale of shares of companies which were granted consents by the National Assembly of the RS for their sale. The sale of companies included the following: Fotona, d. d., Helios, d. d. in Aerodrom Ljubljana, d. d.. In addition to the shares of companies mentioned above, the shares of Letrika, d.d., held in the ownership of SSH and Modra zavarovalnica, were also sold. The *additional sum of EUR 23 million was received by the above mentioned companies in September 2014.*

There are new challenges before SSH. The Asset Management Strategy is the basis for further management of state assets and for the decisions made by the State on privatisation. That is why it is necessary for this strategy to be prepared with due consideration of what Slovenia wishes to achieve with its capital assets in the future and what the focus of its future development will be.

By the adoption of ZSDH-1 and all activities having been implemented, the system is being put in place when the State will act as the professional and responsible owner of its assets. And it is the task of SSH to ensure independence, based on transparent criteria and professional supervision over companies under its management. SSH wishes to act as a private owner, setting suitable expectations for companies, and ambitious but realistic objectives. The ultimate objective of state-owned companies being managed by SSH is an effective, profitable, and economic operation, with creation of value, and in many cases, efficient management of duties of specific public interest.

Matej Pirc
President of the Management Board

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SLOVENIAN SOVEREIGN HOLDING - COMPANY AND GROUP

BUSINESS REPORT

FOR YEAR ENDING 31 DECEMBER 2014

1 SLOVENIAN SOVEREIGN HOLDING

1.1 COMPANY DETAILS for 2014

Corporate name:	Slovenian Sovereign Holding
Registered office:	Mala ulica 5, 1000 Ljubljana, Slovenia
Activity code:	64.990
VAT ID:	SI 46130373
Registration No.:	5727847
Company senior management in 2014	Mr Tomaž Kuntarič, MSc., President of the Management Board *(until 31 March 2014)*, Mr Matej Pirc, President of the Management Board *(from 1 April 2014 onwards)*, former Member of the Management Board, Mr Matej Runjak, Member of the Management Board.
No. of employees as of 31 December 2014:	70
Registered legal form:	public limited company registered with Ljubljana District Court, under the Reg. Entry No. 1/21883/00
Date of incorporation:	19 February 1993
Date of company transformation from SOD into SSH:	11 June 2014
Share capital:	EUR 60,166,917.04
Members of Supervisory Board:	Mr Samo Lozej, President of the Supervisory Board Mr Stane Seničar, Vice President, Mrs Nives Cesar, Member, Mr. Roman Dobnikar, Member Mr Pavel Gorišek, Member, Mrs Simona Razvornik Škofič, Member, Mr Miran Škof, Member
Members of Audit Committee:	Mrs Nives Cesar, Member, Mr Miran Škof, Member. Mrs Andreja Bajuk Mušič, External Member
Members of Risk Committee: (from 24 April 2014)	Mr Stane Seničar, President, Mrs Nives Cesar, Member, Mrs Petra Mlakar, External Member *(from 28 May 2014)*
Members of Accreditation Committee: from 26 April 2014 of the Temporary Personnel Committee:	DR Andrej Baričič, President Mr Janušek Šefman, Member Mr Anton Travner, Member Mr Gorazd Žmavc, Member (*up until 1 March 2014).*

1.1.1 SSH in figures

EUR 1,035.4 million	in assets as of 31 December 2014
76.9 %	of the Company's total assets placed as equity investments
EUR 137.4 million	in value of receivables due from the Republic of Slovenia under ZSPOZ, ZIOOZP and ZVVJTO
EUR 287.3 million	of the total capital of Slovenian Sovereign Holding as of 31 December 2014
30	active capital investments in Slovenia in the ownership of SSH as of 31 December 2014
64	active capital investments in Slovenia in the ownership of the Republic of Slovenia as of 31 December 2014) under the management by SSH *(excluding mutual funds)*
3	concluded Contracts on Purchase and Sale of Shares in the ownership of SSH in 2014
4	implemented Contracts on Purchase and Sale of Shares in the ownership of SSH in 2014
EUR 79.7 million	in the inflows from capital investments in 2014
17,135,199	SOS2E bonds delivered by 31 December 2014
EUR 144.8 million	of settled liabilities arising from denationalisation in 2014
EUR 11.9 million	in the outflows arising from compensation settled on behalf and for the account of the Republic of Slovenia in 2014
EUR 58.4 million	net profit or loss of the Company in 2014

1.1.2 SSH Profile

The Company is organised as a public limited company whose sole founder and shareholder is the Republic of Slovenia. The Company's head office is located in Ljubljana, at Mala Ulica 5.

The Company's bodies and their responsibilities are determined by ZSDH-1 and the Articles of Association of SSH. In accordance with ZSDH-1 and the Articles of Association, SSH has four bodies: the General Meeting, the Management Board, the Supervisory Board and the Expert Committee for Economic and Social Issues. The powers and duties held by the SSH General Meeting are carried out by the Government of the Republic of Slovenia. In accordance with the Companies Act, a two-tier management system, comprising the Management and Supervisory Boards, has been introduced in SSH. The Management Board runs the Company and organizes the work and operation of the Company, while the Supervisory Board oversees the running of businesses of the Company. The members of the Supervisory Board who, in accordance with ZSDH-1, are appointed by the National Assembly of the Republic of Slovenia upon the proposal of the Government of the Republic of Slovenia, were not appointed in 2014. The Management Board of SSH consists of three members; the President and the two members who are appointed by the Supervisory Board of SSH. In 2014, the Management Board of SSH consisted of the President of the Management Board and one member who had divided the duties of the absent member between themselves. The Expert Committee for Economic and Social Affairs is a seven-member consultation body of the SSH's Management Board; its members are appointed by Slovenia’s representative trade unions and confederations who are members of the Economic and Social Council. The appointment of the consultation body is approved by the SSH’s Management Board.

Business processes in SSH are organised by functions into departments and services.

Slovenian Sovereign Holding is a public company in the sense of ZTFI since bonds issued by SSH (SOS2E symbol) are listed on the regular market. As a result, SSH is obliged to disclose certain regulated information, in accordance with ZTFI.

1.1.3 SSH Mission

Since the end of 2012 onwards, the most important activity of SSH is the management of capital assets held in the ownership of SSH and the Republic of Slovenia. Slovenian Sovereign Holding was established with the purpose of providing a concerted, transparent, professional management of the State's capital assets separated from the daily politics. Since the State is an important owner of companies in Slovenia, the main duty of SSH is a responsible, professional and active management of capital assets held in the ownership of SSH and/or the Republic of Slovenia. Slovenian Sovereign Holding wishes to establish a transparent one-stop capital asset management system with the aim of increasing profitability and the value of capital assets in the long term and resulting in the attainment of economic and development objectives of public interest. The duty related to the disposal of capital assets held in the ownership of SSH and/or the Republic of Slovenia is transparent and efficient management of all procedures conducted in a manner comparable to international standards while pursuing the goal of attaining the best possible economic effect with sales.

Slovenian Sovereign Holding continues to carry out powers, responsibilities, rights and obligations that used to be managed by SOD in regard to the settlement of liabilities due to beneficiaries under Denationalisation Act(ZDen)and other regulations governing the denationalisation of property. For this purpose, the Company issues SOS2E bonds and manages and disposes of securities and other assets obtained in accordance with the law. The Company also performs other duties on behalf of and for the account of the Republic of Slovenia, that is, settling of liabilities arising from compensation due to beneficiaries under the Act on Payment of Compensation to Victims of War and Post-War Violence (ZSPOZ), the Act regulating the Issuing of Bonds in Compensations for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property (ZIOOZP), and the Reimbursement of Investments in Public Telecommunications Network Act (ZVVJTO).

1.1.4 Vision

The long-term vision of SSH is to become recognised as an informed and active asset manager conducting the best practice in corporate governance. In regard to its professional participation in the denationalisation proceedings, SSH strives to provide a reliable and full settlement of all statutory obligations due to beneficiaries.

1.1.5 Main Areas of Operation of SSH

a) Asset Management

The management of capital assets in direct or indirect ownership of the Republic of Slovenia includes the acquisition and disposition of capital assets and the exercise of rights of a shareholder. Slovenian Sovereign Holding manages its capita assets in a responsible manner and in line with good practice in corporate governance. On its own behalf and for the account of RS, and on its own behalf and for its own account, the Company enforces corporation rights arising from individual equity investments held by the Republic of Slovenia.

When managing capital assets, SSH strives for achieving objectives such as increasing the value of assets, ensuring the attainment of the highest yield possible for the owners and realising other strategic goals defined in the Company's legal documents on asset management.

This also includes the management of the SSH asset portfolio intended for the provision of the Company's current liquidity.

b) Denationalisation

Slovenian Sovereign Holding was established for settling liabilities due to beneficiaries under ZDen and other regulations governing the denationalisation of property. For implementing these duties, SSH

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

c) Settlement of liabilities arising from compensation

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

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

1.1.6 Objectives and future development of the Company

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

- to gain sufficient funds for the settlement of all statutory and contractual obligations of the Company,
- to effectively manage assets owned and/or managed by the Company in order to maximize yield from investments,
- to achieve the highest possible proceeds from the sales of capital assets owned by SSH and/or the Republic of Slovenia. When disposing of the most important shareholdings owned by the Republic of Slovenia, SSH strives to pursue other goals important from the aspect of providing a stable economic growth; these are: the rise in the quality and capacity of public services, further development of companies, new investment opportunities, entering new markets, ensuring the competitiveness, etc.,
- to manage in an optimum manner all risks incurred during operation.
- to design the Company's debt structure in an optimum manner while taking into account all financial risks posed for the Company's liquidity,
- to manage all types of costs,
- to continue the development of business and management processes, the delegation of authority system and reporting system, the authority and responsibility system, the comprehensive human resources management, internal information of employees, documentation management and communication with the public.

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

1.1.7 Corporate Governance Codes - Statement of Compliance with Governance Codes

The Corporate Governance Code for Joint Stock Companies applied for SSH as public company in 2014. This Code was produced and developed in common accord by the Ljubljana Stock Exchange, the Slovenian Director's Association and the Managers'

Association of Slovenia which was adopted in a revised form on 8 December 2009 with the effective date on 1 January 2010. The Code is accessible on the Ljubljana Stock Exchange's web site: http://www.ljse.si/. Slovenian Sovereign Holding observed the recommendations of this Code except in cases when provisions of the Code failed to refer to the Company due to its specific nature of operation and position.

In 2014, the Republic of Slovenia's Capital Asset Management Code was also applied to SSH. The above mentioned Code was adopted by the Supervisory Board and the Management Board of SOD in May 2013. This was one of the most important legal documents regarding the system of capital asset management with which the Company aims to increase the general level of corporate governance of companies owned by the Republic of Slovenia. The purpose of the Code was a more exact and advance determination of rules of conduct of SOD in the management of capital assets of the Republic of Slovenia and the establishment of expectations to be delivered by state-owned enterprises. On 19 December the Republic of Slovenia's Capital Asset Management Code ceased to apply; it was substituted by the Corporate Governance Code for Companies with Capital Assets of the State.

The Code as the legal document used by the manager of state-owned enterprise to recommend good practice in corporate governance and to set expectations from them is one of the most important legal documents regarding the system of capital asset management with which SSH aims to increase the general level of corporate governance of companies owned by the Republic of Slovenia. The purpose of the Corporate Governance Code for Companies with Capital Assets of the State is a more exact and advance determination of rules of conduct of SSH in the management of capital assets of the State and the establishment of expectations to be delivered by state-owned enterprises with the goal to maximise the return on investment of the State, SSH and Pension and Disability Insurance Institute of Slovenia. Further goals are to contribute to the efficiency of rendering public services, the accessibility of the infrastructure, to contribute to the development and competitiveness of the national economy and ensure an economically efficient privatisation while also taking into account other goals of privatisation set upon the sale of individual shareholding.

In the formulation of Corporate Governance Code for Companies with Capital Assets of the State, SSH consistently took into consideration international guidelines regarding good practice in corporate governance, in particular EU guidelines and recommendations, OECD Guidelines on Corporate Governance of State-Owned Enterprises and OECD Principles of Corporate Governance. An important source was also the Slovenian recommendations regarding good practice, in particular the Corporate Governance Code for Joint Stock Companies. In addition to principles, procedures and criteria regarding the conduct pursued, the Corporate Governance Code for Companies with Capital Assets of the State also includes expectations to be delivered by state-owned enterprises. Some segments of corporate governance are regulated in detail by other Company's legal docudramas, such as, for example, the Slovenian Sovereign Holding Recommendations and Expectations, and the Slovenian Sovereign Holding Asset Policy.

The Corporate Governance Code for Companies with Capital Assets of the State, the Slovenian Sovereign Holding Recommendations and Expectations, and the Slovenian Sovereign Holding Asset Policy are accessible on the SSH's web site.

During its operation, SSH observes the Corporate Governance Code for Companies with Capital Assets of the State, the Slovenian Sovereign Holding Recommendations and Expectations, the main principles as well as actual recommendations. Significant deviations from these texts are explained below.

- The principle of transparency was fully observed except in the part referring to the publication of the Supervisory Board Decision on the necessary granting of consent for some business transactions by the SOD's Management Board since the need for publication was eliminated with the adoption of ZSDH-1. In accordance with ZSDH-1, the obligation for obtaining the consent by the Management Board for some business transactions cannot be determined by the Supervisory Board unless stipulated in ZSDH-1 or the SSH Articles of Association.
- Within the scope the recommendation relating to the efficiency evaluation of the work carried out by the Supervisory Board, the SOD's Supervisory Board failed to evaluate its work carried out in 2013 due to the fact that it had to function with two separate sets of members. Considering the fact that the Supervisory Board comprising the second set was carrying out its mandate only for one part of 2013, the self-assessment by the Supervisory Board was not possible. In 2015, the SSH's Supervisory Board will evaluate its work carried out in 2014.

1.1.8 Internal control system and risk management

The internal control system is established within the Company.

The Internal Audit Service was established to carry out supervision of all processes and situations within the Company with the aim to determine whether:

- the information and reports on the operation of individual areas of work as well as regarding the Company are accurate and reliable,
- the operation is run in an efficient and effective manner, in accordance with regulations and defined business goals.

The Internal Audit Service assessed the suitability and efficiency of the established internal controls. In 2014, the Internal Audit Service carried out independent audits and regarding the areas of audit provided its assurance that the internal control system in the audited areas is established, operational and effective. Several recommendations were proposed and their implementation was regularly verified. The Internal Audit Service regularly informed the Company's Management Board and the Supervisory Board's Audit Commission of its findings and recommendations.

Risk management is an important feature of the Company's management and governance system in SSH with an important impact on business decisions. The risk is defined as any uncertainty in connection with future business events which may have an impact on the attainment of the set business goals and an influence on the Company's performance. Risk management is a logical, planned and deliberate process which, among other matters, includes the determination of the Risk Management Policy, the types of risks and the measurement of risk protection which enables SSH to experience the minimum volume of losses and the highest volume of opportunities. The efficient risk management ensures the following: a clear understanding of risks which SSH is exposed to; the forecasting of changes in the business environment; an efficient selection of suitable measures, procedures and strategies for managing risks; a conscious consideration of uncertainty in the processes of planning, operation and supervision; the existence and operation of internal control and processes built into the organisational structure and functioning as tools for managing and monitoring risks so that measures, procedures, controls and strategies reducing risks during the attainment of goals are actually realised.

Aiming at providing for the efficient risk management, the Risk Management Rules were adopted by the SSH Management Board in 2014. They determine and regulate:

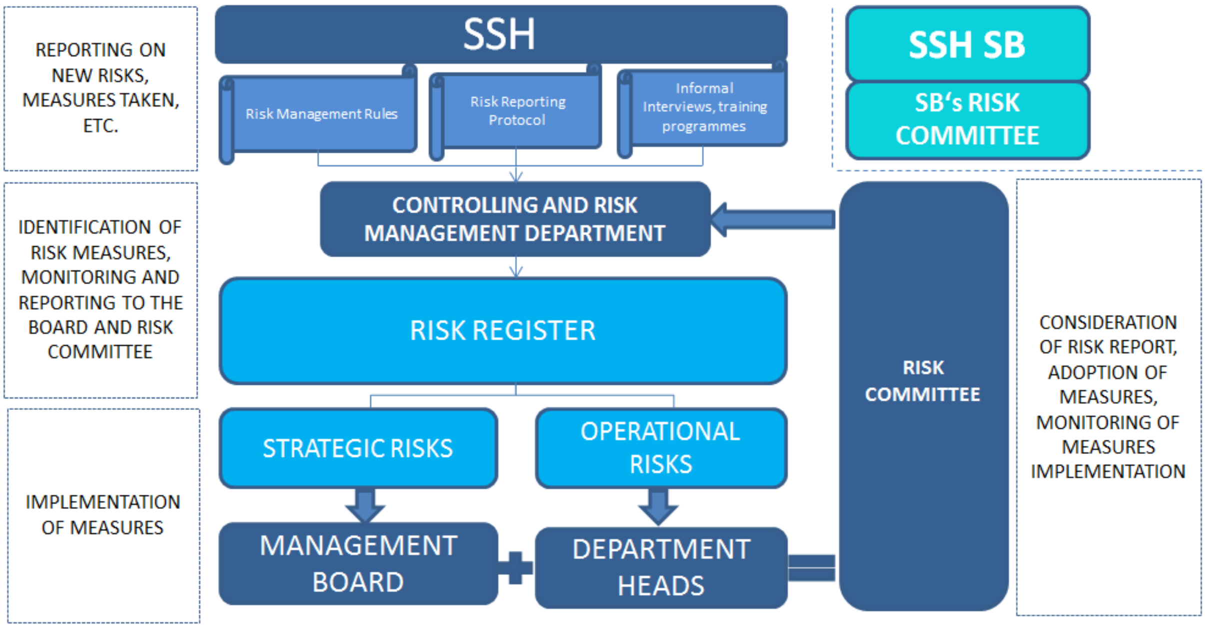
- the organisation of the risk management process,

- the Risk Management Policy,
- the identification and assessment of risks,
- the evaluation and classification of risks and the measurement relating to risk exposure,
- the persons responsible for the implementation of measures for minimising/eliminating risks,
- time periods for the implementation of measures for minimising/eliminating risks,
- the measurement system for monitoring the successfulness of risk protection,
- reporting on management/control of risks.

In 2014, the SSH Risk Register was supplemented with risks identified during the year and those risks occurring as a result of the entry into force of ZSDH-1.

The Risk Committee was established in SSH with the task to examine risk reports, assess the suitability of risk estimation, provides proposals for measures and persons responsible for implementing these measures, and to monitor the implementation of measures. The Strategic and other key risks are also monitored by the Risk Committee functioning within the SSH Supervisory Board.

The risk management process flow chart



In SSH, risks are divided into two basic groups: the strategic risks and operational risks. The fundamental strategic risks which were also recognised by the Risk Committee at the end of 2014 are:

- the risk related to the legality and regularity of the Company's operation and sustainable maximization of the profitability and the value of State capital assets (due to the absence of the Capital Asset Management Strategy which is adopted by the National Assembly of the Republic of Slovenia upon the proposal given by the Government of the Republic of Slovenia),
- the risks related to external influences on the Company's operation and decision-making (pressures on the independent and professional operation of SSH),.
- the risk related to the internal improper conduct in the management and performance of Company's activities (unauthorised disclosure of information, unrecognised cases of conflict of interests, non-professional conduct on the part of employees, etc.).

The key operational risks are defined as inappropriate organisation of work processes, non-functioning of information technology and financial risks. The strategic and operational risks are controlled and managed by means of measures defined in the Risk Register.

The external audit review carried out for the purpose of auditing the SSH Annual Report verifies and submits proposals in connection with internal controls and risk management.

1.1.9 Presentation of Company's solvency situation as of 31 December 2014

During 2014, the Company regularly monitored its solvency situation. On the basis of the examination of the situation and established facts, SSH concluded the following:

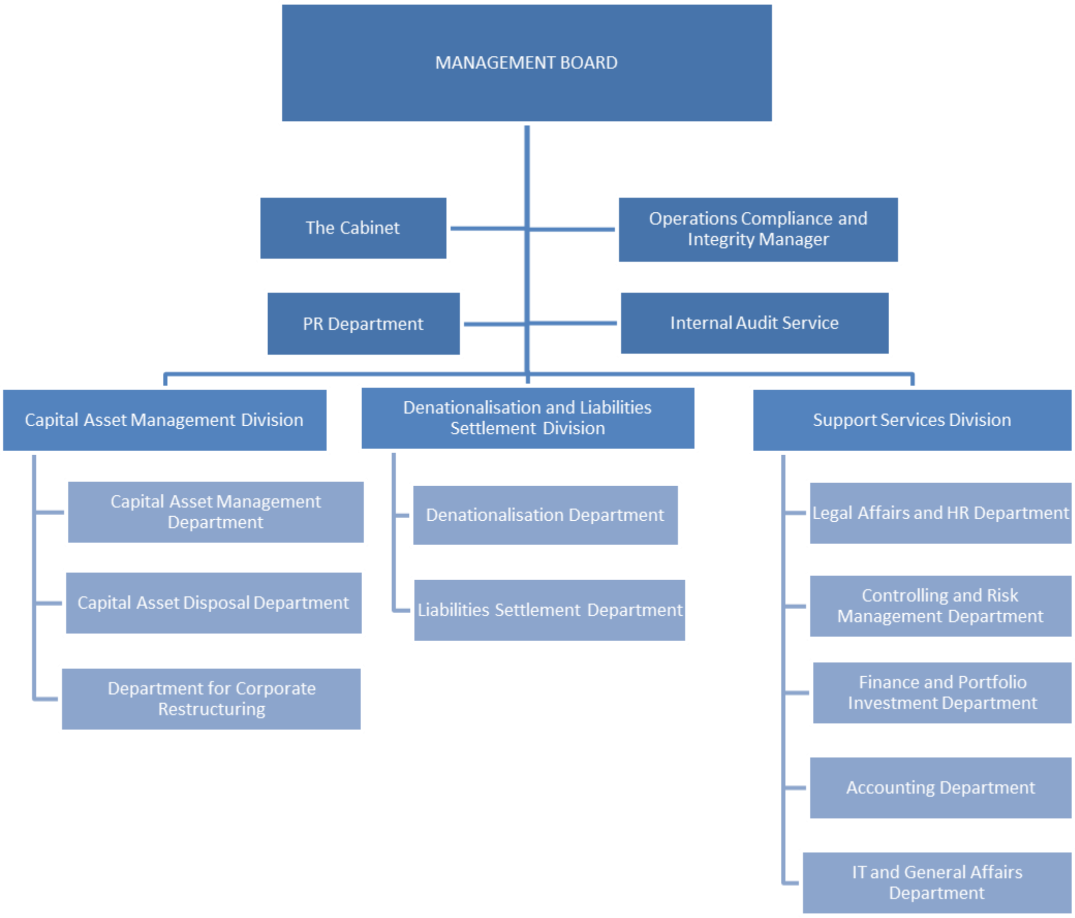
- the value of the Company's assets as of 31 December 2014 exceeds its total liabilities,
- the uncovered loss exceeds one half of its share capital but SSH has simultaneously at its disposal a relatively high surplus amount arising from the revaluation of financial assets which is expected to be converted into other capital categories during the process of the sale of assets in the years to come;
- Slovenian Sovereign Holding settles all its liabilities in due time. All salaries to employees were paid in accordance with employment contracts. Taxes and benefits were regularly settled on the day of the salary pay-out;
- several long-term loans hired by SSH in 2009 and 2010 for the purpose of supplying its own funds allocated for the payment of compensation under ZVVJTO, and for maintaining its liquidity, are secured by way of guarantees issued by the Republic of Slovenia;
- by way of the Constitutional Court Judgement No. U-I-140/94 of 14 December 1995, it was determined that the Republic of Slovenia is obliged to provide additional funds to the Company when the Company's sources of funds do not suffice for the regular settlement of the Company's liabilities in accordance with the Denationalisation Act, the Cooperatives Act and other regulations governing the restitution of property.

On the basis of the above-stated findings, it is determined that;

- Slovenian Sovereign Holding settles all its liabilities in due time,
- the Company does not default on the payment of salaries and settlement of the salary-related taxes and benefits,
- all loans by commercial banks have been secured by guarantees granted by the Republic of Slovenia,
- the above mentioned Constitutional Court Judgement binds the Republic of Slovenia, if SSH funds do not suffice for the regular settlement of the Company's liabilities, to provide for additional funds for this purpose.

The Company's short-term and long-term solvency is provided for.

1.1.10 Organisational Structure and Employees of Slovenian Sovereign Holding as of 31 December 2014



Note: the number in brackets is the number of employees employed in the individual departments as of 31 December 2014.

Employees

The number of employees in 2014 decreased by one employee. No new employment contracts were concluded nor were any employment relationships terminated. Some internal personnel changes were carried out in departments with the aim of improving the work process.

Educational structure of SOD employees as of 31 December 2014

Education level:	No. of employees as of 31 December 2014	Average no. of employees in 2014*
Secondary education (V)	5	5.00
Higher education first-tier diploma (VI/1)	5	5.00
Higher education second-tier diploma (VI/2)	5	5.00
University education/Bologna Master's Degree (VII)	48	48.00
Master of Science (VIII)	7	7.25
Total	70	70.25

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

The Company strives to design the optimum HR and educational structure of its employees. In addition to the recruitment policy, the Company manages reward and career advancement systems and maintains an on-the-job training scheme provided to employees.

In 2014, 38 employees took part in individual training programmes relating to various areas of the Company's operation which in total comprised approximately 300hours of training Employees also took part in specialized training sessions intended for employees in charge of corporate governance and other areas of work which were dealt with at the sessions. These sessions were also open to external participants - members of Supervisory Boards of companies under management, and other representatives of companies dealing with corporate governance.

1.1.11 Slovenska odškodninska družba Bond (SOS2E)

About SOS2E bond

Bond symbol	SOS2E
Commencement of interest calculation;	1 July 1996
Maturity date	1 June 2016
Annual interest rate	EUR + 6%
Coupon pay-out	Semi-annual: 1 June and 1 December
Denomination composition	EUR 51.13
Unpaid balance of denomination value as of reporting date	EUR 10.77

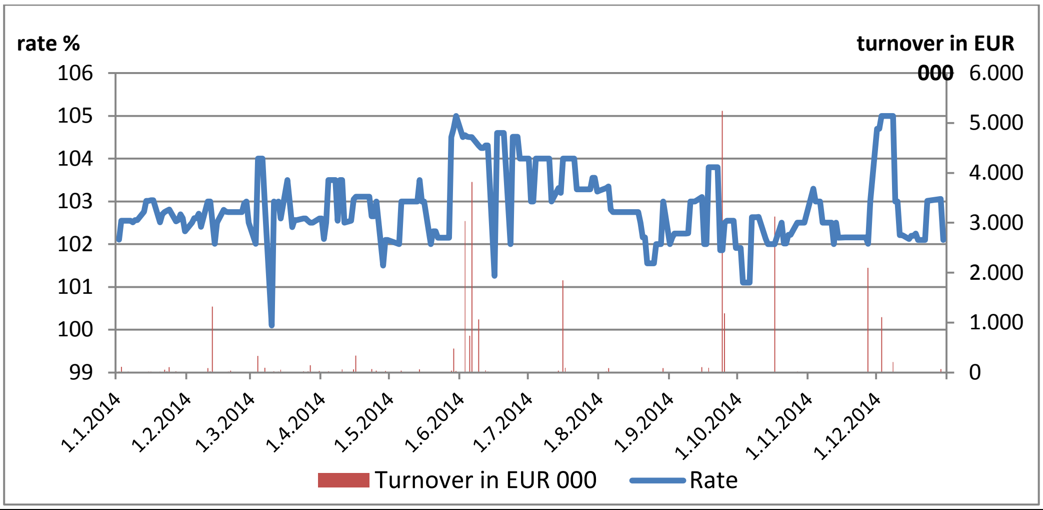
The bonds are handed over by SSH on the basis of final decisions adopted in denationalisation proceedings.

Trading data for SOS2E bonds for 2014

Trading data	
Value as of 31 December 2014 in %	102.10
Maximum value in 2014:	105.00
Minimum value in 2014:	100.10
Turnover in thousands of EUR	28,694
Market capitalisation in thousands of EUR	154,559
Number of trades	433

SOS2E bonds are listed on the Ljubljana Stock Exchange under the bond market segment. Similarly to in previous years, the SOS2E bond was the most tradable bond in the regulated bond market in 2014, reaching a turnover of EUR 28.7 million which represents 41.57% of total bond turnover.

Movement of SOS2E in 2014 in comparison to SBITOP index



2 SLOVENIAN SOVEREIGN HOLDING - COMPANY

2.1 ORGANISATION OF THE GROUP

As of 31 December 2014, SSH is the controlling company drawing up the consolidated annual report for the broadest circle of companies within its Group.

As of 31 December 2014, SSH

- controlled the following subsidiaries:
  - DEKORATIVNA d. o. o. Ljubljana - in liquidation, Dunajska cesta 160, Ljubljana,
  - GIO, d. o. o., Ljubljana - in liquidation, Dunajska cesta160, Ljubljana,
  - PS ZA AVTO, d. o. o., Tržaška cesta 133, Ljubljana.

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

2.1.1 Equity interest of the controlling company in associates as of 31 December 2014

Slovenian Sovereign Holding, Ljubljana

PS ZA AVTO, d. o. o., Ljubljana
Equity interest: 90.00%
Management share: 90,00 %

GIO, d. o. o., Ljubljana - in liquidation
Equity interest: 71.27 %
Management share: 71.27 %

DEKORATIVNA d. o. o. Ljubljana - in liquidation
Equity interest: 100%
Management share: 100 %

CASINO BLED, d. d., Bled
Equity interest: 43.00%
Management share: 43.00 %

ZAVAROVALNICA TRIGLAV, d. d., Ljubljana
Equity interest: 28.09%
Management share: *

POZAVAROVALNICA SAVA, d. d., Ljubljana
Equity interest: 25.00%
Management share: 25.00 %

HIT, d. d., Nova Gorica
Equity interest: 20.00%
Management share:

PDP, d. d., Ljubljana
Equity interest: 33.96%
Management share: 33.96 %

Note: Subsidiaries:
Associates:

Note: In accordance with Article 85 of ZSDH-1, the management of capital asset held by ZPIZ (equity interest: 34.47%) in Zavarovalnica Triglav, d.d., was transferred to SSH. The voting rights of SSH and ZPIZ in Zavarovalnica Triglav, d. d., have been withdrawn.

2.2 BASIC INFORMATION ON SUBSIDIARIES WITHIN THE GROUP

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

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

In 2014, the company generated net profit in the amount of EUR 423,808, according to non-audited data. PS ZA AVTO, d. o. o., is not a significant company for the Group therefore it has not been included in the consolidated financial statements.

2.2.2 GIO, d. o. o., Ljubljana - in liquidation

Registered office: Dunajska cesta 160, 1000 Ljubljana
Liquidator: Law firm Fašun, Melihen, Milač, Strojan, d. o. o.
Ownership structure: owners with significant influence: SSH - 71.27 %, KAD - 28.68 %
Core business: the Company is subject to liquidation proceedings

In 2014, the company generated a net loss in the amount of EUR 80,575, according to non-audited data. GIO, d. o. o., Ljubljana – in liquidation, is not a significant company for the Group therefore it has not been included in the consolidated financial statements.

2.2.3 DEKORATIVNA d. o. o. Ljubljana - in liquidation

Registered office: Dunajska cesta 160, 1000 Ljubljana
Liquidator: D.S.U., družba za svetovanje in upravljanje, d. o. o., Ljubljana
Ownership structure: SSH 100%
Core business: the Company is subject to liquidation proceedings

In 2014, the company generated net profit in the amount of EUR 44,046, according to non-audited data. DEKORATIVNA d. o. o. Ljubljana – in liquidation, is not a significant company for the Group therefore it has not been included in the consolidated financial statements.

2.2.4 Employee information

At the end of 2014, there were 72 employees employed in the SSH Group, including members of the Management Board. There was no staff employed in the two companies undergoing liquidation proceedings (GIO, d. o. o., and Dekorativna, d. o. o.).

Employee qualification structure in the Group as of 31 December 2014

Education level:	SSH	PS ZA AVTO, d. o. o., Ljubljana	SSH Group
Secondary education (V)	5	1	6
Higher education first-tier diploma (VI/1)	5	0	5
University education (VII)	5	0	5
Univ. education/Bologna Master's Degree (VII)	48	1	49
Master of Science (VIII)	7	0	7
Total	70	2	72

2.3 BASIC INFORMATION ON SUBSIDIARIES WITHIN THE GROUP

2.3.1 CASINO BLED, d. d., Bled

Registered office:	Dunajska cesta 15, 1000 Ljubljana
President of the Management Board:	Boris Kitek
Ownership structure:	The SSH equity interest which is divided into ordinary and preference shares in a 50:50 ratio, as of 31 December 2014, amounted to 43%. SSH holds 86% of ordinary shares, while KAD and Bled Municipality each hold 7% of the remaining ordinary shares. The holders of all preference shares are Gold Club, d.o.o and GC Investicije, d.d. Sežana.
Core business:	gambling

In 2014, the company generated a net loss in the amount of EUR 260,630, according to non-audited data.

2.3.2 HIT, d. d., Nova Gorica

Registered office:	Delpinova 7a, 5000 Nova Gorica
President of the Management Board:	Dimitrij Piciga
Ownership structure:	The SSH equity interest which is divided into ordinary and preference shares in the 60:40 ratio amounted to 20%. SSH holds 33.3% ordinary shares. Considering the fact that no dividends were paid out to the holders of preference shares, these shares acquired a voting right; the share of SSH voting rights thus amounts to 20%. The two other more important holders of ordinary shares are: KAD with 33.3% and Nova Gorica Municipality with 22.1%. The ownership of preference shares is dispersed.
Core business:	gambling

In 2014, the company generated a net profit in the amount of EUR 1,397,965, according to non-audited data.

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

Registered office:	Dunajska cesta 119, 1000 Ljubljana
Executive Director:	Metka Kandrič
Ownership structure:	33.96 % of the company's share capital is owned by SSH and 66.04% by KAD.
Core business:	the activities of holding companies managing companies under its ownership, rendering corporate and commercial consulting and other financial services.

In 2014, the company generated net profit in the amount of EUR 4,195,295, according to non-audited data.

2.3.4 POZAVAROVALNICA SAVA, d. d., Ljubljana

Registered office: Dunajska cesta 56, 1000 Ljubljana

President of the

Management Board: Mr Zvonko Ivanušič

Ownership structure: SSH is the largest individual shareholder of Pozavarovalnica Sava, d.d., holding 25.00% of the company's equity interest. Other company's major shareholders are: Societegenerale – Splitska banka (9.85 %), European Bank for reconstruction (6.22%) Raiffeisen bank Austria (4.44%).

Core business: reinsurance activities

In 2014, the company generated net profit in the amount of EUR 22,358,419, according to non-audited data.

2.3.5 ZAVAROVALNICA TRIGLAV, d. d., Ljubljana

Registered office: Dunajska cesta 19, 1000 Ljubljana

President of the

Management Board: Andrej Slapar

Ownership structure: SSH's equity interest in the company amounts to 28.09%, and including shares owned by its subsidiary PS ZaAvto, d.d., to 28.12%. The major shareholder of Zavarovalnica Triglav, d.d., is Zavod za pokojninsko in invalidsko zavarovanje Slovenije, holding 34.47% of equity interest. In accordance with ZSDH-1, this shareholding is managed by SSH. Other major shareholders are: Hypo Alpe Adria Bank AG (6.17%), Skandinaviskaenskildabanken S.A. (1.82 %).

Core business: insurance activities

In 2014, the company generated a net profit in the amount of EUR 45,612,581, according to non-audited data.

3 MACROECONOMIC ENVIRONMENT IN 2014

Economic indicators around the world

The third quarter of 2013 saw the economy struggling out of the grip of the recession and positive economic growth continued in 2014. However, regardless of improvement in economic conditions in EU, the rating agency S&P did not increase the EU rating which was downgraded from AAA to AA+ in 2013. In 2014, a very low interest rate was recorded in the Euro area.

GDP movements on a yearly basis in %

State and region	2014/I	2014/II	2014/III	2014/IV	2014
USA	-2.10	4.60	5.00	2.60	2.40
Euro area	1.10	0.80	0.80	0.90	0.90
Slovenia	2.10	2.90	3.20	2.40	2.65

Source: Bloomberg

Overview of inflation movements in GDP on a yearly basis in %

Inflation	2014/I	2014/II	2014/III	2014/IV	2014
USA	1.40	2.07	1.80	1.27	1.63
Euro area	0.67	0.57	0.37	0.17	0.44
Slovenia	0.50	0.63	-0.20	-0.03	0.23

Source: Bloomberg

Slovenia experienced economic growth with a significant drop in the required sovereign debt yields

Slovenia recorded a positive economic growth in the first three quarters of 2014 which was a proof of break-through from the contraction period. The Slovenian economy is export oriented and with the improvement of economic conditions in the EU, economic activity was also accelerated in Slovenia. The unemployment rate dropped, amounting to 12.70% in the fourth quarter of 2014 while it stood at 14.10% in the first quarter of 2014.

In 2014, the required sovereign debt yields dropped in the majority of Euro area Member States and a positive trend in the reduction of debt costs was reflected also in regard to the debt of the Republic of Slovenia. The required yield rates for Slovenia 10-year bond RS66 dropped from 4.875% in the beginning of 2014 to 2.104% at the end of the year. The reasons for the reduction in the costs of debt mainly lay in the measures taken by the European Central Bank (ECB) and expectations from the market related to the introduction of the quantitative easing programme by ECB. Further reasons were positive trends in the Slovenian economy, successful recovery of the banking system in Slovenia and improved outlook allocated to Slovenia by rating agencies. Thus, in December 2014, Standard & Poor's increased the outlook for Slovenia from “negative” to “stable”, while Fitch upgraded the outlook from “negative” to “stable” in May 2014.

Measures taken by central banks, governments and institutions

In 2014, **ECB** was faced with issues related to low inflation which was way below the set target inflation rate and in December 2014, deflation was recorded in the Euro area. In the wish to accelerate economic activities and inflation, the ECB's Governor Draghi, while

leading a loose monetary policy, simultaneously warned European Governments of not doing enough for the much needed reforms.
Within the scope of the accommodative monetary policy, ECB decreased the interest rate twice in 2014, specifically, in June from 0.25% to 0.15%, and in September, from 0.15% to 0,05%. In 2014, the European Central Bank also intervened with the interest rate for deposit facility, decreasing it in June from 0.00 % to -0.10 %, and in September, from 0.15% to -0.20%. By way of this measure, ECB, with the aim to enhance the functioning of the monetary transmission mechanism, wished to force commercial banks to improve bank lending and grant their free liquid assets to the economy. The interest rate for marginal lending facility was also decreased which in June dropped from 0.75 % to 0.40 %, and in September, from 0.15% to 0.30 %.

In 2014, ECB announced its intention to increase its balance sheet by EUR 1,000 billion. ECB plans to achieve the above mentioned objective by means of TLTRO programmes (longer-term refinancing operations programme with which ECB provided credit line to commercial banks at a very favourable interest rate - a fixed interest rate plus a fixed spread of 10 basis points). The ECB thus wished to provide a cheap source of financing for commercial banks in order to support and enhance lending to the real economy. Another measure adopted by EBC was the outright repurchase of asset-backed securities (ABS), a measure aiming at increasing the liquidity in the financial system.

In February 2014, the American Central Bank (Federal Reserve - **FED**) stipulated greater capital requirements for foreign banking organizations, thus joining numerous countries around the world that are building a wall around the domestic financial system. The aim of the above mentioned measure taken by FED is to avoid the threat of rescuing foreign bank units in the USE with the tax-payer monies.

In October 2014, the results of stress tests related to the most important commercial banks **in the Euro area** were published. There were 25 banks failing to pass the test; of this number, 8 banks failed to satisfy the ECB's requirements to either reduce banking operations or additionally increase their capital. The review also included the Slovenian banks: NLB, d. d., NKBM, d. d., and SID banka, d. d., Under the baseline scenario, none of the Slovenian banks would show capital shortfall at the end of 2016. The total capital surplus of the three banks under the baseline scenario amounts to EUR 754.7 million. Under the adverse scenario, two Slovenian banks (NLB, d.d. and NKBM, d.d.) would disclose a minor capital shortfall in the amount of EUR 65 million at the end of 2016. SID banka, d. d., on the other hand, would disclose capital surplus under the same scenario.

In July 2014, the European Banking Authority invited banks to prepare recovery plans describing measures and procedures for bank recovery in case of severe distress. These recovery plans had to be adapted to the specific situation under which an individual bank operates.

The process of recapitalisation of commercial banks continued in 2014 in t**he Republic of Slovenia**. In December 2014, another bank, Banka Celje, was added to the list of five banks fully recapitalised by the State. The Government of the Republic of Slovenia approved the implementation of measures for enhancing the bank's stability and released the path for a transfer of Banka Celje's bad debt to BAMC, while the State provided for the capital increase in Banka Celje in the amount of EUR 190 million. The second phase of measures for the Abanka recapitalisation took place in October 2014 on the part of the Republic of Slovenia, with the aim of enhancing the bank's stability. The second recapitalisation tranche amounted to EUR 243 million.

In 2014, banks generated net profit after taxes in the amount of EUR 106.3 million, while recording a solid one billion Euro net loss in the same period in 2013. The situation indicates that, by recapitalisation of banks in 2013 and 2014, the banking system in Slovenia has successfully recovered. The capital adequacy of banks in the Republic of Slovenia was confirmed by the results of the implemented stress test when no major difficulties were shown in the case of Slovenian banks. The purpose of the stress test was to determine the quality of banks' balance sheets and their resilience in stress scenarios. Under the baseline scenario, the common equity Tier 1 (CET1) capital ratio of at least 8% was required which meant that the core equity capital of banks had to amount to at least 8% of the volume of risk-weighted assets; the capital ratio of at least 5.5% was required under the adverse scenario. If the basic macroeconomic scenario comes true, the capital ratio of 12.79% and 12.8% would be attained by NLB and NKBM, respectively, in the following two years, while in case of non-favourable macroeconomic trends, the CET1 ratio would amount to 5.03% and 4.4% for NLB and NKBM, respectively. In this case, the capital shortfall would amount to EUR 31 million for NKBM, and 34 million for NLB. The CET1 ratio for SID banka would amount to 23.8% in the baseline scenario and 14.45% under the adverse scenario.

Stock markets

In 2014, stock markets around the world recorded positive returns and the MSCI World index (*a stock market index comprising companies from developed stock markets in the world*) gained 17.21% in value in 2013, calculated in the Euro. However, differences in individual regions of developed markets were significant in 2014, and the investors in American stock markets recorded significantly higher returns as compared to investors in the stock markets in Europe. In 2014, the growth in S&P 500 index amounted to 26.94%, calculated in the Euro, while the growth of STOXX Europe 600 index amounted to only 4.35%. The mentioned differences in the growth of stock market indices are a result of differences in the situation experienced by the American *versus* European economy. Stock market indices also recorded growth in the emerging markets, and in 2014, the MSCI Emerging markets index posted positive returns (8.69%), calculated in the Euro.

Bond markets

The bond market recorded a 15.76% return in 2014 (calculated according to the JPM Global Bond Index). The growth in bond prices was recorded both in government-issued securities market as well as in corporate debt securities markets. The generator of the growth in bond prices was investors' expectations related to the duration of the low-interest rate period and the threat of low inflation and deflation in some regions. The majority of the states in the Euro area saw a drop in the required sovereign debt yields. The general trends of a reduction in costs of debt held by the states of Euro area were not noticed in Greece where the required yield rate for 10-year sovereign debt increased from 8.455% at the end of 2014 to 9.783% at the end of 2014, due to issues related to financial restructuring of public debt of Greece.

Currency markets

In 2014, the Euro currency fell by 12.25% in value as compared to the USD Dollar ending the year at an exchange rate of 1.21 US Dollar to 1 EUR. The Euro drop against the Dollar is a result of the ECB monetary policy and low growth rates recorded by the European economy in comparison with the American economy. The situation was quite dynamic also in regard to other currency pairs, and the falling of the value of the Russian Rouble particularly needs to be pointed out, resulting from the Ukraine crises and sanctions introduced against Russia by the countries of the West.

Money market

Review of EURIBOR interest rate movements in %

Value/Type:	31 December 2013	31 March 2014	30 June 2014	30 September2014	31 December 2014
3M EURIBOR	0.287	0.313	0.207	0.083	0.078
6M EURIBOR	0.389	0.418	0.303	0.183	0.171
12M EURIBOR	0.556	0.590	0.488	0.338	0.325

Source: Bloomberg

4 OPERATIONS OF SSH AND SSH GROUP BY AREA

The Group is composed of the controlling company Slovenian Sovereign Holding and subsidiaries - PS ZA AVTO, d.o.o., GIO, d. o. o., Ljubljana - in liquidation, and Dekorativna, d. o. o. Ljubljana - in liquidation.

The main areas of operation of the controlling company are:

- management of capital assets owned by SSH and/or the Republic of Slovenia,
- the participation in denationalisation proceedings and settlement of liabilities arising from denationalisation,
- the settlement of liabilities arising from compensation for confiscated property pursuant to the abrogation of the property confiscation penalty,
- implementing public powers for carrying out procedures for the issuing of decisions on the compensation amount allocated to the victims of war and post-war aggression and the settlement of liabilities under ZSPOZ,
- the settlement of liabilities under the Return of Investments in the Public Telecommunications Network Act,
- the management of deposit investments owned by SSH (liquidity management).

The main activity of its subsidiary, PS ZA AVTO, d. o. o., is:

- property rental activities.

The two companies undergoing liquidation proceedings (GIO, d. o. o., and Dekorativna, d. o. o.) do not carry out any activities, and the aim of the liquidation proceedings is to distribute the liquidation estate of both companies and delete them from the Business Register of Companies.

Tovarna dušika Ruše, d.o.o. - in liquidation was acquired by SSH and sold by D.S.U., d.o.o. on 24 October 2014. Tovarna dušika Ruše, d.o.o. - was organised as a holding company. When Tovarna dušika Ruše, d.o.o. sold all its daughter companies and some discontinued their operation by ending up in bankruptcy proceedings, there were no reasons to continue with the company's operation. In accordance with the provisions of Article 374 of the Companies Act, on 19 December 2013, the General Meeting adopted the resolution on the initiation of liquidation proceedings and the company's winding up. Among other matters, it also passed a resolution on the appointment of the liquidator - D.S.U., d.o.o., Ljubljana - with the date of registering the liquidation in the Business Register. Upon the company's hand over, most of the assets were already sold and all creditors were paid off, therefore an agreement was reached with the liquidator to complete the liquidation by the end of 2014. On 19 December 2014, the resolution of the founder was thus adopted on the completion of the liquidation proceedings and the liquidator proposed the transfer of all the remaining assets to the sole owner, which is SSH.

4.1 MANAGEMENT OF CAPITAL ASSETS

One of the most important activities pursued by SSH is the management of capital assets held in the ownership of SSH and/or the Republic of Slovenia. The activity includes the acquisition and disposition of capital assets and the exercise of rights of a shareholder.

In 2014, Slovenian Sovereign Holding continued to exercise corporate rights on his own behalf and for the account of SSH and/or the Republic of Slovenia, and carried out other duties in accordance with ZSDH and ZSDH-1 and legal documents on asset management. These duties mainly included the following:

- the participation at General Meetings and votes on behalf of RS and/or SSH,
- providing for the exercise of other rights of a shareholder such as the convocation of General Meetings, extensions of agenda, requested for an extraordinary audit and lodging of compensation claims and similar.
- providing for the legal protection of its rights as a shareholder and representing the Republic of Slovenia and SSH as a shareholder in administrative procedures, judiciary proceedings and other procedures,
- in terms of the content, providing for a suitable evaluation of individual resolution proposals and the observance of provisions of the Corporate Governance Code in the assessment of the state-owned companies' operation,
- developing a suitably designed and transparent procedure regarding the accreditation, nomination and selection of candidates for members of Supervisory Boards,
- ensuring that the remuneration systems regarding the Supervisory Board members of state-owned enterprises had satisfied the long-term interests of the company and attracted and promoted qualified experts;
- promoting and within the scope of its rights, ensuring good corporate governance systems in individual companies with capital assets of the State;
- disposing of individual capital assets, within the scope and in a manner as prescribed by the ZSDH-1 and the Decision of the National Assembly of the Republic of Slovenia on Granting the Consent for the Disposal of Capital Assets of the Republic of Slovenia, Kapitalska družba pokojninskega in invalidskega zavarovanja d.d. (Pension Fund Management), Slovenska odškodninska družba d.d., Modra zavarovalnica d.d., D.S.U., družba za svetovanje in upravljanje, d.o.o. and Posebna družba za podjetniško svetovanje d.d..

The most important goals of SSH operations in 2014 in regard to the management of capital assets was to achieve a level of corporate governance which would contribute to the attainment of better performance results of companies in which SSH and the Republic of Slovenia held capital assets. Consequently this would lead to the increase in their assets both in terms of income and dividends as well as the value of capital assets and the realisation of other non-economic and non-financial goals of companies.

Slovenian Sovereign Holding managed its capital assets in accordance with the legal documents adopted and in line with good practice in corporate governance. With the aim of creating long-term value in capital asset management, SSH worked hard to achieve good relationships between companies and their owners, took into consideration as far as possible the principle of equal treatment of shareholders and strove for transparent operations in companies fully owned by SSH and/or RS. It also provided for the formation of professional, heterogeneous and independent supervisory boards.

Efficient supervision over operation of companies as an important factor for improving their operation (quarterly reporting, planning, quarterly meeting)

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

In 2014, SSH continued with the implementation of regular meetings held with companies under its management. The goal of these meetings is to improve the companies' performance by regularly monitoring their operations, monitoring the development of their operational objectives, i.e., overseeing that they are ambitious enough, and by settling current issues encountered in these companies.

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

In 2014, the Company continued with the organisation of several training sessions dedicated to the members of supervisory boards and representatives of companies dealing with corporate governance. Eleven (11) training sessions were organised. The average participation at a training session was 50 participants.

One of the duties of supervisory boards is also diligent conduct and thus a related duty of constant training. It is only by means of expertise and knowledge that the requirements and duties of the supervisory board member's function and management board's function are carried out in a responsible manner and of sufficient standard. Regular monthly training sessions are also beneficial for executive bodies and other employees acting in the field of corporate governance with the purpose of improving their expertise, to exchange cases of good practice and to introduce and promote good practice in corporate governance of SOEs, with the aim of improving operation, profitability and efficiency in individual companies.

Lecturers were top experts coming from the sectors of economy, corporate governance and other areas of finance. The topics discussed related to risk management, risk assessment, internal control introduction, operational excellence, lean organisation, annual report, management of Group of companies, special and extraordinary audits, international operation and internationalisation of Slovenian companies, reporting on sustainable development and social responsibility of companies, audit reviews of information systems and the topics associated with ethics and personal integrity.

4.1.1 MANAGEMENT OF CAPITAL ASSETS IN THE OWNERSHIP OF SSH/SSH GROUP

The report on management activities below refers to SSH and its subsidiary, PS ZA AVTO, d. o. o.. The subsidiary, PS ZA AVTO, d. o. o., is a holder of five capital assets held in companies of which in three of them, the owner of shares is also SSH. In the last quarter of 2014, two other companies were added to the Group; GIO, d. o. o., Ljubljana - in liquidation, and Dekorativna, d. o. o. Ljubljana - in liquidation. These two companies are subject to liquidation proceedings not performing their regular activity which is why they were not included in the report on SSH Group. The controlling company had no management leverage in associates to provide for an active policy of capital asset management, due to the low level of ownership stake.

State of capital assets

As of 31 December 2014, SSH was a shareholder in 30 companies headquartered in the Republic of Slovenia. The capital assets referred to are active assets for which the company implements all ownership entitlements. These are assets in companies, banks and insurance companies acquired by the Company free of charge in ownership transformation procedures and based on other legal bases. Some of these assets were also acquired by purchases and swaps. The number of the active assets held by SSH decreased by two capital assets as compared to the situation at the end of 2013. Pursuant to ZSDH-1, SSH bought shares from D.S.U., d.o.o., in the following companies; Adria, turistično podjetje, d. o. o., Cimos, d. d., Geoplin, d. o. o., and Varnost sistemi, d. o. o.. Shares held in the following companies were sold: Helios, d.d. Letrika, d.d., Salus, d.d. and Aerodrom Ljubljana, d.d.. Compulsory composition proceedings were initiated against Mariborska livarna Maribor, d.d.. Slovenian Sovereign Holding was expropriated in the proceedings. Owing to the state recapitalisation of Banka Celje, this company is no longer included in the SSH portfolio.

The remaining 12 capital assets are inactive. These are capital assets of companies in bankruptcy proceedings or in liquidation. In 2014, pursuant to ZSDH-1, SSH bought shares from D.S.U., d.o.o., in the following companies: Dekorativna d.o.o. Ljubljana - in liquidation, IPOZ Trbovlje, d. o. o., Tovarna dušika Ruše, d. o. o., - in liquidation, and ZLIT Združena lesna industrija Tržič, d. o. o., - in bankruptcy. In the same year, the bankruptcy proceedings involving Planika, d.d. were completed, together with the liquidation of Tovarna dušika Ruše, d.o.o.

Movement in number of SSHs capital assets

Type of capital asset	Situation as of 31 December 2014	Situation as of 31 December 2013
Active capital assets	30	32
Inactive assets (companies in bankruptcy,	12	10
TOTAL	42	42

Capital Assets Portfolio of SSH/SSH Group as of 31 December 2014

Company name:	% SSH
BANKING	
BANKA KOPER, D. D.*	0.00
ENERGY SECTOR	
ELEKTRO GORENJSKA, D. D., KRANJ	0.31
ELEKTRO LJUBLJANA D. D.	0.30
GEOPLIN, D. O. O.	0.05
PETROL, D. D., LJUBLJANA	19.75
FINANCIAL HOLDING COMPANIES	
KDD D. D., LJUBLJANA	9.62
PDP, D. D.	33.96
SAVA, D. D.	11.06
GAMING INDUSTRY	
CASINO BLED, D. D., BLED	43.00
CASINO PORTOROŽ, D. D., PORTOROŽ	9.46
HIT, D. D., NOVA GORICA	20.00
LOTERIJA SLOVENIJE, D. D., LJUBLJANA	15.00
LIQUIDATION/BANKRUPTCY/BEING WOUND UP	
ABC TRGOVINA, D. D., LJUBLJANA - IN BANKRUPTCY	2.37
CASINO LJUBLJANA, D. D. - IN BANKRUPTCY	3.29
CASINO MARIBOR, D. D. - IN BANKRUPTCY	22.83
DEKORATIVNA, D. O. O. - IN LIQUIDATION	100.00
GIO, d. o. o., LJUBLJANA - IN LIQUIDATION	71.27
GRADBINEC KRANJ, D. D. - IN BANKRUPTCY	2.68
IPOZ TRBOVLJE, D. O. O. - IN LIQUIDATION	1.20
KLI LOGATEC, D. D. - IN LIQUIDATION	0.59
MURA, D. D. - IN BANKRUPTCY	12.23
SVEA, D. D., ZAGORJE OB SAVI - IN BANKRUPTCY	15.57
UNIVERZALE, D. D., DOMŽALE - IN BANKRUPTCY	8.53
ZLIT ZDRUŽENA LESNA INDUSTRIJA TRŽIČ, D. O. O. - IN BANKRUPTCY	100.00

POSTAL SERVICES, TELECOMMUNICATIONS	
TELEKOM SLOVENIJE, D. D., LJUBLJANA	4.25
FOOD AND BEVERAGES	
POMURSKE MLEKARNE D. D., MUR. SOBOTA	3.34
ŽITO, D. D., LJUBLJANA	12.26
MANUFACTURING	
CIMOS, D. D. **	7.04
CINKARNA CELJE, D. D., CELJE	11.41
GORIŠKE OPEKARNE, D. D., RENČE	12.32
KRKA, D. D., NOVO MESTO **	16.21
UNIOR, D. D., ZREČE	2.31
TRAFFIC, TRANSPORT AND INFRASTRUCTURE	
INTEREUROPA, D. D., KOPER	1.73
LUKA KOPER, D. D., KOPER	11.13
GENERAL ECONOMIC SECTOR	
CETIS, D. D., CELJE	7.47
ČZP VEČER, D. D, MARIBOR	10.00
INTERTRADE ITA, D. D., LJUBLJANA	7.69
MARLES, D. D. *	0.18
PS ZA AVTO, D. O. O., LJUBLJANA	90.00
VARNOST SISTEMI, D. O. O.	9.74
TOURISM	
ADRIA, TURISTIČNO PODJETJE D. O. O., LJUBLJANA	12.24
TERME OLIMIA, D. D., PODČETRTEK	4.79
INSURANCE	
POZAVAROVALNICA SAVA, D. D., LJUBLJANA	25.00
ZAVAROVALNICA TRIGLAV, D. D., LJUBLJANA **	28.11

Note:
* Capital asset held by a subsidiary.
**Capital asset in a company in which a shareholding is held by SSH and the subsidiary: in case of Cimos, d.d., the SSH shareholding amounts to 6.90%, and the shareholding of the subsidiary to 0.14%; in case of Krka, SSH shareholding is 16.20% and the subsidiary's shareholding 0.01% , and in ZavarovalnicaTriglav, d.d., the SSH equity stake amounts to 28.09%, while the subsidiary holds a 0.02% equity stake.
Shareholdings are rounded up to two decimal places. When the shareholding of 0.00% is referred to, this means that there the ownership stake held by the Republic of Slovenia and/or SSH in the company but it has been rounded up to two decimal places and it does not exceed 0.00%.

Pursuant to ZSDH-1, SSH bought shares from D.S.U., d.o.o., in the following companies; Adria, turistično podjetje, d. o. o., Cimos, d. d., Geoplin, d. o. o., and Varnost sistemi, d. o. o.. The acquisition of new capital assets pursuant to ZSDH-1 is described above.

Capital increases by Company

In 2014, SSH did not take part in any capital increase.

4.1.2 MANAGEMENT OF CAPITAL ASSETS HELD BY THE REPUBLIC OF SLOVENIA

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

The total number of capital assets held by the Republic of Slovenia and managed by Capital SSH as of 31 December 2014 decreased by one capital asset as compared to the situation at the end of 2013. As of 31 December 2014, out of the total of 78 capital assets, there were

66 active and 12 inactive capital assets (in bankruptcy proceedings or in liquidation or being wound up).

Movement in number of capital assets held in direct ownership by the Republic of Slovenia and managed by SSH

Type of capital asset	Situation as of 31 December 2014	Situation as of 31 December 2013
Active assets (including mutual funds)	66	69
Inactive assets (companies in bankruptcy,	12	10
TOTAL	78	79

Acquisition and Disposition of Capital Assets

In 2014, 9 capital assets were received by SSH for their management, while 10 capital assets were deleted from the portfolio.

Capital assets that were added to the management portfolio of SSH in 2014 are: A-Cosmos, d. d., Perutnina Ptuj, d. d., Sava, d. d., ČZP Večer, d. d., Elektro optika, d. d., Paloma, d. d., Pomurske mlekarne, d. d., Banka Celje, d. d., and Gorenjska banka, d. d.. For the most part, these are very small shareholdings in companies (below 1%) that had been transferred to SSH in accordance with ZSDH-1 (they used to be managed by public institutes and other entities). The only exception is Banka Celje, which was recapitalised and is in 100% ownership of the Republic of Slovenia.

On 11 July 2014, the Republic of Slovenia acquired an additional 55 shares in Družba za spodbujanje razvoja TNP, d. d., owing to inheritance, 19 shares in Gorenjska banka, d. d., by means of a transfer from the Employment Service of Slovenia, and 150 shares from the National Laboratory for Health, Environment and Food (a total of 169 shares).

Elektro Gorenjska, d. d., Kranj - On15 July 2014, the decrease in the share capital took place by withdrawing shares (Article 381 of ZGD-1): by way of the withdrawal of 115.695 shares of this company, the shareholding of the Republic in Slovenia in Elektro Gorenjska, d. d., decreased from 79.50% to 79.42%.

As of 31 December 2014, the following companies ceased to be included in the Republic of Slovenia's portfolio managed by SSH: Borzen, d. o. o., Eles, d. o. o., in Sodo, d. o. o.. After the entry into force of the new Energy Act on 22 March 2014 (Official Gazette RS, Nos. 105/12 and 39/13), the rights and obligations pertaining to the Republic of Slovenia in regard to capital assets in these companies are exercised by the Government of the Republic of Slovenia. The Ministry of Infrastructure is now responsible for the follow up of these capital assets.

The shareholdings in Aerodrom Ljubljana, d. d. and Javno komunalno podjetje Komunala Kočevje, d. o. o., were sold. In May 2014, the shareholding of the Republic of Slovenia in the latter company was handed over to Kočevje Municipality, based on the final judgement issued by the Higher Court in regard to the hand-over of the 45.97% shareholding in the ownership of the Republic of Slovenia to Kočevje Municipality as the majority shareholder and the other Party in the judicial proceedings in which the Republic of Slovenia lost the lawsuit. The transfer of the shareholding was also based on the Option Contract of 2004 (valid until 2009). The proceeds received amounted to EUR 262,129.93.

The venture capital company - P.E.N., Prva energijska naložba, d. o. o. - was deleted from the Business Register on 18 March 2014, in accordance with the Resolution adopted at the General Meeting on the company's dissolution under summary proceedings.

On 4 July 2014, the Republic of Slovenia withdrew from the venture capital company - SCS, družbe tveganega kapitala, d. o. o..

In regard to the following companies Regionalna razvojna agencija Mura, d. o. o., Regionalni center za razvoj, d. o. o., in BSC, poslovno podporni center, d. o. o., Kranj, the free of charge transfer of shareholdings of the Republic of Slovenia was implemented on 8 October 2014. The shareholdings were transferred to the Slovenian Regional Development Fund.

Due to the initiation of bankruptcy proceedings, the following two companies - Glin IPP, d. o. o., and Maksima holding, d. d., - were re-classified and categorised as inactive capital assets.

Portfolio of capital assets owned by the Republic of Slovenia (and managed by SSH) and SSH as of 31 December 2014

Company name:	% RS	% SSH	% TOTAL
BANKING			
ABANKA VIPA, D.D.	100.00		100.00
BANKA CELJE D.D.	100.00		100.00
GORENJSKA BANKA, D.D.	0.05		0.05
NKBM, D.D.	100.00		100.00
NLB, D.D.	100.00		100.00
SID - SLOVENSKA IZVOZNA IN RAZVOJNA BANKA, D.D., LJUBLJANA	99.41		99.41
VENTURE CAPITAL COMPANIES			
VENTURE CAPITAL COMPANIES	49.00		49.00
META INGENIUM, DRUŽBA TVEGANEGA KAPITALA, D.O.O.	49.00		49.00
PRVI SKLAD, DRUŽBA TVEGANEGA KAPITALA, D.O.O.	48.90		48.90
STH VENTURES, D.O.O.	49.00		49.00
ENERGY SECTOR			
EKOEN, D.O.O.	49.07		49.07
ELEKTRO CELJE, D.D.	79.50		79.50
ELEKTRO GORENJSKA, D. D., KRANJ	79.42	0.31	79.73
ELEKTRO LJUBLJANA D. D.	79.50	0.30	79.80
ELEKTRO MARIBOR, D.D.	79.50		79.50
ELEKTRO PRIMORSKA, D.D.	79.50		79.50
ELEKTROGOSPODARSTVO SLOVENIJE - RAZVOJ IN INŽ., D.O.O.	100.00		100.00
ENERGETIKA ČRNOMELJ, D.O.O.	49.30		49.30
GEN ENERGIJA, D.O.O.	100.00		100.00
GEOPLIN, D.O.O.	39.57	0.05	39.62
HOLDING SLOVENSKE ELEKTRARNE, D.O.O.	100.00		100.00
PETROL, D. D., LJUBLJANA		19.75	19.75
TOPLOTNA OSKRBA, D.O.O., LOČE	49.17		49.17
FINANCIAL HOLDING COMPANIES			
D.S.U., D.O.O., LJUBLJANA	100.00		100.00
KAPITALSKA DRUŽBA D.D.	100.00		100.00
KDD D. D., LJUBLJANA		9.62	9.62
NFD HOLDING, D.D.	0.00		0.00
PDP, D. D.		33.96	33.96
SAVA, D. D.	0.03	11.06	11.09

PUBLIC SERVICE			
DOM UPOKOJENCEV IDRIJA, D.O.O.	18.91		18.91
JAVNO PODJETJE URADNI LIST REPUBLIKE SLOVENIJE, D.O.O.	100.00		100.00
VODNOGOSPODARSKO PODJETJE DRAVA, D.D., PTUJ	25.00		25.00
VODNOGOSPODARSKO PODJETJE MURA, D.D.	25.01		25.01
VODNOGOSPODARSKO PODJETJE NOVO MESTO, D.D.	25.00		25.00
VODNOGOSPODARSKO PODJETJE, D.D., KRANJ	25.00		25.00
GAMING INDUSTRY			
CASINO BLED, D. D., BLED		43.00	43.00
CASINO PORTOROŽ, D. D., PORTOROŽ		9.46	9.46
HIT, D. D., NOVA GORICA		20.00	20.00
LOTERIJA SLOVENIJE, D. D., LJUBLJANA		15.00	15.00
OOMPANIES EMPLOYING DISABLED PEOPLE			
BODOČNOST MARIBOR, D.O.O.	75.83		75.83
CSS-IP, D.O.O.	96.65		96.65
LIQUIDATION/BANKRUPTCY/BEING WOUND UP			
ABC TRGOVINA, D. D., LJUBLJANA - IN BANKRUPTCY		2.37	2.37
CASINO LJUBLJANA, D.D. - IN BANKRUPTCY		3.29	3.29
CASINO MARIBOR, D.D. - IN BANKRUPTCY		22.83	22.83
DEKORATIVNA, D.O.O. - IN LIQUIDATION		100.00	100.00
GIO, D.O.O., LJUBLJANA - IN LIQUIDATION		71.27	71.27
GLIN IPP, D.O.O. - IN BANKRUPTCY	16.06		16.06
GRADBINEC KRANJ, D. D. - IN BANKRUPTCY		2.68	2.68
IPOZ TRBOVLJE, D.O.O. - IN LIQUIDATION		1.20	1.20
KLI LOGATEC, D.D. - IN LIQUIDATION		0.59	0.59
MAKSIMA HOLDING, D.D. - IN BANKRUPTCY	0.01		0.01
MAKSIMA INVEST, D.D. - IN BANKRUPTCY	0.00		0.00
MURA, D.D. - IN BANKRUPTCY		12.23	12.23
PODJETJE ZA UREJANJE HUDOURNIKOV, D.D. - IN BANKRUPTCY	40.00		40.00
RIMSKE TERME, D.O.O. - IN BANKRUPTCY	3.83		3.83
RTH, RUDNIK TRBOVLJE-HRASTNIK, D.O.O.	100.00		100.00
RUDNIK KANIŽARICA V ZAPIRANJU, D.O.O., ČRNOMELJ - V LIKVID.	100.00		100.00
RUDNIK SENOVO V ZAPIRANJU, D.O.O. - IN LIQUIDATION	100.00		100.00
RUDNIK ZAGORJE V ZAPIRANJU, D.O.O. - IN LIQUIDATION	100.00		100.00
RUDNIK ŽIVEGA SREBRA IDRIJA V ZAPIRANJU, D.O.O. - IN	100.00		100.00
RŽV, JAVNO PODJETJE ZA ZAPIRANJE RUDNIKA URANA, D.O.O.	100.00		100.00
SVEA, D.D., ZAGORJE OB SAVI - V STEČAJU		15.57	15.57
TAM MARIBOR D.D. - IN BANKRUPTCY	10.85		10.85
UNIVERZALE, D. D., DOMŽALE - IN BANKRUPTCY		8.53	8.53
ZLIT ZDRUŽENA LESNA INDUSTRIJA TRŽIČ, D.O.O. - IN BANKRUPTCY		100.00	100.00
POSTAL SERVICES, TELECOMMUNICATIONS			
POŠTA SLOVENIJE, D.O.O.	100.00		100.00
TELEKOM SLOVENIJE, D. D., LJUBLJANA	62.54	4.25	66.79
TELEMACH ROTOVŽ, D.D.	1.09		1.09
TELEMACH TABOR, ŠIROKOPASOVNE KOMUNIKACIJE, D.D.	0.03		0.03
COMPANIES TO BE TRANSFERRED TO SRRP			
RRA REGIONALNA RAZVOJNA AGENCIJA CELJE, D.O.O.	5.10		5.10
FOOD AND BEVERAGES			
PERUTNINA, D.D., PTUJ	0.00		0.00
POMURSKE MLEKARNE D. D., MUR. SOBOTA	0.00	3.34	3.34
ŽITO, D. D., LJUBLJANA		12.26	12.26

MANUFACTURING			
CIMOS, D.D.		6.90	6.90
CINKARNA CELJE, D. D., CELJE		11.41	11.41
GORIŠKE OPEKARNE, D. D., RENČE		12.32	12.32
INKOS, D.O.O., KRMELJ	2.54		2.54
KRKA, D.D., NOVO MESTO	0.01	16.20	16.21
NAFTA LENDAVA, PROIZVODNJA NAFTNIH DERIVATOV, D.O.O.	100.00		100.00
PALOMA, D.D.	0.01		0.01
PEKO, D.D., TRŽIČ	61.16		61.16
SIJ - SLOVENSKA INDUSTRIJA JEKLA, D.D.	25.00		25.00
SNEŽNIK, PODJETJE ZA PROIZVODNJO IN STORITVE, D.D.	70.00		70.00
UNIOR, D.D., ZREČE		2.31	2.31
TRAFFIC, TRANSPORT AND INFRASTRUCTURE			
ADRIA AIRWAYS, D.D.	69.87		69.87
DRI UPRAVLJANJE INVESTICIJ, DRUŽBA ZA RAZVOJ INFRA., D.O.O.	100.00		100.00
DRUŽBA ZA AVTOCESTE V REPUBLIKI SLOVENIJI, D.D., CELJE	100.00		100.00
INFRA, IZVAJANJE INVESTICIJSKE DEJAVNOSTI, D.O.O.	100.00		100.00
INTEREUROPA, D.D., KOPER		1.73	1.73
KONTROLA ZRAČNEGA PROMETA, D.O.O.	100.00		100.00
LUKA KOPER, D.D., KOPER	51.00	11.13	62.13
SLOVENSKE ŽELEZNICE, D.O.O.	100.00		100.00
GENERAL ECONOMIC SECTOR			
A-COSMOS, D.D.	0.81		0.81
CETIS, D. D., CELJE		7.47	7.47
ČZP VEČER, D.D, MARIBOR	0.00	10.00	10.00
ELEKTROOPTIKA, D.D.	0.00		0.00
INTERTRADE ITA, D. D., LJUBLJANA		7.69	7.69
MURKA, TRGOVINA IN STORITVE, D.D.	0.17		0.17
PS ZA AVTO, D.O.O., LJUBLJANA		90.00	90.00
VARNOST SISTEMI, D.O.O.		9.74	9.74
TOURISM			
ADRIA, TURISTIČNO PODJETJE D.O.O., ANKARAN		12.24	12.24
DRUŽBA ZA SPODBUJANJE RAZVOJA TNP, D.D.	51.04		51.04
POČITNIŠKA SKUPNOST KRŠKO, D.O.O.	1.46		1.46
STUDENTENHEIM KOROTAN GMBH	100.00		100.00
TERME OLIMIA, D.D., PODČETRTEK		4.79	4.79
INSURANCE			
POZAVAROVALNICA SAVA, D. D., LJUBLJANA		25.00	25.00
ZAVAROVALNICA TRIGLAV, D.D., LJUBLJANA	34.47*	28.09	62.56

Note: * Under the ownership of the Pension and Disability Insurance Institute of Slovenia.
Shareholdings are rounded up to two decimal places. When the shareholding of 0.00% is referred to, this means that there the ownership stake held by the Republic of Slovenia and/or SSH in the company but it has been rounded up to two decimal places and it does not exceed 0.00%.

UCITS units of mutual funds owned by the Republic of Slovenia and managed by SSH as of 31 December 2014

Mutual Fund	No. of
KBM INFOND, INFOND DINAMIC, DELNIŠKI VS	317.00
KBM INFOND, INFOND GLOBAL, VS FLEKS. STRUKT. NALOŽB	521.00
VS NLB FUNDS- EQUITY GLOBAL	822.00

Capital increases carried out by Company in the capacity of the founder

Abanka Vipa, d. d.

On 21 October 2014.AbankaVipa, d. d., was recapitalised by way of 100,000 additionally subscribed shares. The total number of subscribed shares following the capital increase amounts to 15,100,000 shares. All shares are voting right shares.

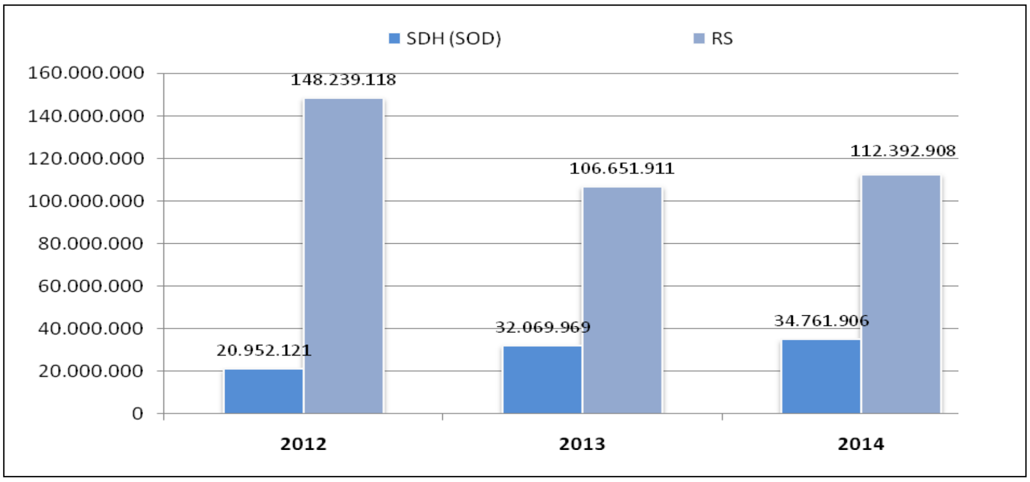
Banka Celje, d. d.

On 16 December 2014, the Republic of Slovenia carried out a capital increase in Banka Celje by subscribing 5,000,000 new shares in the total emission amount of EUR 190,000,000. The Republic of Slovenia thus acquired a 100% shareholding in Banka Celje.

4.1.3 DIVIDENDS PAID TO SSH AND/OR REPUBLIC OF SLOVENIA IN 2014

The amount of dividends paid out in 2014 (for the financial year of 2013) increased in comparison with the preceding year. The dividend revenue received by SSH in 2014 amounted to EUR 34.8 million (8.4% growth as compared to 2013), and the dividend revenue received by the Republic of Slovenia amounted to EUR 112.4 million (5.4% growth).

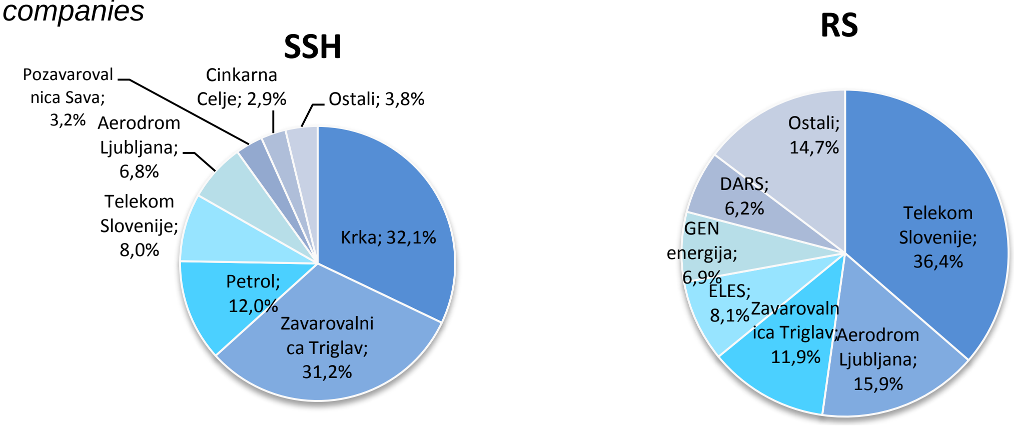
Dividend amounts received by SSH and Republic of Slovenia in the last three years (in EUR)



Note: To provide a better comparison with previous years, the dividend amount for the Republic of Slovenia in 2014 includes the following companies: Borzen, d. o. o., Eles, d. o. o., in Sodo, d. o. o.. With the entry into force of the new Energy Act (EZ-1), on 22 March 2014, the management of these companies was transferred to MZIP. The same dividend amount also includes the dividends paid out by Zavarovalnica Triglav which is in the ownership of the Pension and Disability Insurance Institute of Slovenia.

The structure of the dividend received and paid out by companies is still very much concentrated. The three largest companies represent three quarters of the amount of the dividends received by SSH, and in the case of the Republic of Slovenia, a solid 60%.

The structure of dividends received by SSH and the Republic of Slovenia in 2014 by selected companies



In 2014, SSH received EUR 4.37 million, resulting from the decrease in share capital in PS ZA AVTO, d. o. o.

4.1.4 ACTIVITIES RELATED TO THE DISOSPOSAL OF CAPITAL ASSETS OF THE COMPANY

The disposal of capital assets held in the ownership of SSH and the Republic of Slovenia, including the sale and swaps of capital assets, represents one of the main activities related to the management of capital assets performed by SSH.

The Slovenia Sovereign Holding strives for the sale processes to run in an efficient, transparent and competitive manner following the principle of equal treatment of participants and in line with international market practice. For this purpose and with the aim of increasing its credibility with investors, SSH leads the sales processes regarding the largest capital assets in cooperation with renowned international financial and legal advisors specialised in financial advisory services.

The fundamental objective pursued by SSH in the sales of shareholdings is the attainment of the highest proceeds from the sale, The sale of the most important shareholdings owned by the Republic of Slovenia, SSH, within the scope of statutory limitations strives to pursue other goals important from the aspect of providing a stable economic growth; these are: the rise in the quality and capacity of public services, further development of companies, new investment opportunities, entering new markets, ensuring competitiveness, etc..

In 2014, SSH continued the activities pursued in regard to the sale of capital assets held in the ownership of the Republic of Slovenia and SSH, initiated in 2013 on the basis of the decision adopted by the National Assembly. In addition to these activities, SSH also managed other activities related to the sale of other capital assets held in the ownership of SSH and the Republic of Slovenia, for which the consent of the National Assembly of the Republic of Slovenia is required.

On 21 June 2013, pursuant to ZSDH, the National Assembly of the Republic of Slovenia granted its consent to SSH for the disposal of capital assets of the Republic managed by SSH. In addition to SSH, the consent was also granted to KAD d. d. (Pension Fund Management), Modra zavarovalnica d. d., D.S.U., d. o. o. and PDP d. d., for the disposal of their capital assets in the total of 15 companies.

Capital assets having the consent for their disposal granted by the National Assembly of the Republic of Slovenia in %

No.	Company name:	RS	SSH	KAD	D.S.U.	PDP	MZ	Total
1	Adria Airways Tehnika, d. d.	0	0	0	0	52.33	0	52.33
2	Adria Airways, d. d.	69.87	0	0	0	2.08	0	71.95
3	Aero, d. d.*	0	0	0	0	1.44	0	1.44
4	**Aerodrom Ljubljana, d. d.****	**50.67**	**6.82**	**7.36**	**0**	**0**	**0**	**64.85**
5	Cinkarna Celje, d. d.	0	11.41	0	0	0	20	31.41
6	Elan, d. o. o.	0	0	0	0	66.37	8.57	74.94
7	**Fotona, d. d.****	0	0	0	0	70.48	0	70.48
8	Gospodarsko razstavišče, d. o. o.	0	0	29.51	1.22	0	0	30.73
9	**Helios, d. d.****	0	9.54	0	0	0	8.31	17.85
10	Nova KBM, d. d.*	100.00	0	0	0	0	0	100.00
11	Paloma, d. d.,	0	0	0	0.04	70.97	0	71.01
12	Telekom Slovenije, d. d.	62.54	4.25	5.59	0	0	0	72.38
13	Terme Olimia Bazeni, d. d.,***	0	0	49.7	0	0	0	49.7
No.	Company name:	RS	SSH	KAD	D.S.U.	PDP	MZ	Total
14	Unior, d. d.,	0	2.31	5.55	0	37.11	0	44.97
15	Žito, d. d.	0	12.26	0	0.01	0	14.97	27.24

Legend:
Companies in direct ownership by the Republic of Slovenia or SSH
* Ownership stakes have already been modified due to the implemented capital increases.
** Purchase and Sale Contract **signed** by 31 December 2014
*** TermeOlimiaBazeni, d. d., ceased to exist from 30 September 2014, due to its merger with Terme Olimia, d.d..

As shown in the table above, two companies held in direct ownership of the Republic of Slovenia and SSH were included in the list. These are: Telekom Slovenije, d. d., and Aerodrom Ljubljana, d. d.. Two companies in the ownership of the Republic of Slovenia are: Adria Airways, d. d., and NKBM, d. d.; and there are four companies in SSH's co-ownership: Cinkarna Celje, d. d., Helios, d. d., Unior, d. d., and Žito, d. d.. From these companies, shares that were sold by the end of 2014 are: Aerodrom Ljubljana shares and Helios shares. In addition to the shares of companies mentioned above, the shares of Fotona, d.d., the company that was also included on the list, were also sold. These shares were held in the ownership of PDP, d.d.,

The SSH activities implemented in 2014 in connection with the mentioned sale processes were also influenced by the Government Decision of 3. July 2014 which imposed a requirement on SSH neither to complete any initiated sale process nor to initiate any new sale processes for the disposition of State owned capital assets prior to the appointment of a new Government. This decision resulted in temporary suspension of all sale processes. On 28 July 2014, the above mentioned decision was revoked by the new Government but, as a result, some sale processes were delayed.

In cases of a large number of owners of companies, sale processes related to the disposition of capital assets held in co-ownership by the Republic of Slovenia and SSH are conducted on the basis of Agreements on the Joint Sale of Shares and Letters of Intent concluded by and between SSH and other shareholders and lienors. In addition to the Agreements on Sale of Shares in the following companies: Telekom Slovenije, d. d., Cinkarna Celje, d. d., effective from 2013, the Agreement on Joint Sale of Shares of Žito, d.d. was also concluded in 2014. It is envisaged by these agreements that signatory parties will jointly implement sale processes, in cooperation with relevant advisors. In the reported period, advisors rendering financial advisory services were selected in the sale processes related to the sale of shares in Cinkarna Celje, d. d., Žito, d. d., and Nova KBM, d. d.. At the end of 2014, these processes were not yet completed.

An effective implementation of sale process requires an active cooperation of the company which is the subject to the sale. With the aim of defining in detail the method of cooperation with the individual company subject to the sale process (submission of data, enabling due diligence reviews, payment of some costs related to the procedure, communication activities, etc.), the sellers worked to conclude a special agreement on mutual relations in the sale process. In 2014, such contracts were concluded by and between SSH and Letrika, d. d., Cinkarna, d. d., and Žito, d. d..

In 2014, in the Slovenian daily newspaper Finance and in the Financial Times published the announcements of invitation to submit an expression of interest for the potential sale of shareholdings in the following companies: Telekom Slovenije, d. d., Aerodrom Ljubljana, d. d., NKBM, d. d, Cinkarna Celje, d. d., and Žito, d. d.. In cooperation with the above mentioned companies and the selected advisors, the documentation related to the sale of respective shares was produced: for each sale process, the summary briefing document - the teaser - and the Information Memorandum were received by investors who had demonstrated their interest in the sale and concluded the Non-Disclosure Agreement (NDA). In 2014, SSH obtained Financial and Legal Due Diligence Report for Telekom Slovenije, d. d., Aerodrom Ljubljana, d. d., NKBM, d. d, Cinkarna Celje, d. d., and Žito, d. d., and in some cases, other types of due diligence reports were produced (Environmental, Technical Due Diligence Reports, etc.). Prior to the conclusion of the Purchase and Sale Agreements, SSH also obtained the appraisals of the company value produced by independent certified appraiser of company value.

In 2014, the Purchase and Sale Agreements on the sale of shares in Salus, d. d., and Letrika, d. d. held in indirect ownership of SSH, were also concluded and implemented. For the disposition of these capital assets, Slovenian Sovereign Holding was not required to obtain the consent granted by the National Assembly of the Republic of Slovenia.

Implemented Contracts on Purchase and Sale of Shares in the ownership of SSH in 2014

In the period from1 January 2014 until 31 December 2014, the contracts on the purchase and sale of the shares owned by SSH in the following companies were concluded: Salus, d. d., Letrika, d. d., and Aerodrom Ljubljana, d. d.. The total contractual value of the sale of shares in the above mentioned companies amounted to EUR 26.7 million payable to SSH. In the same period, the contracts on the purchase and sale of the shares held in the ownership of SSH in the following companies were implemented: Helios, d. d, Aerodrom Ljubljana, d. d., Letrika, d. d. and Salus, d. d.. The total amount of proceeds from the above mentioned sales of shares received by SSH in 2014 amounted to EUR 40.5 million. After the receipt of the proceeds from sale, SSH transferred all shares of the mentioned companies held in its ownership to the buyers of shares.

In connection with the Contract on Regulation of Mutual Relations, which was concluded in 2012 and included an option for the sale of shares held in Casino Portorož, d.d., the court settlement was concluded in the first half of 2014 on the basis of which SSH and KAD were recognised as having an unconditional right to the monies received in 2013. These monies were obtained by SSH and KAD by cashing in the bank guarantee in accordance with the Contract on Regulation of Mutual Relations. It represents the compensation for the loss of proceeds and the reduction in the majority shareholding in the company. On the basis of the court settlement concluded, in case of modifications to the Gambling Act, in the next three years, SSH and KAD will sell the shares in Casino Portorož, d. d., to two companies, Casino Riviera, d. d., and Eurotras, d. d., under conditions stated in the court settlement mentioned.

As of 31 December 2014, SSH held the Contract on the Purchase and Sale of Shares of Casino Bled, d. d., which had not been implemented yet. In the case of shares of Casino Bled, d.d., for which the Purchase and Sale Contract was concluded by and between SSH, together with KAD, and the respective buyer in 2011, the issue of the consent for the acquisition of ordinary shares required in accordance with the Gambling Act was refused to the buyer by the Ministry of Finance several times. Considering the above stated, SSH is still the holder of these shares and the Contract on the Purchase and Sale of Shares has not yet been implemented in spite of the interest of the Contracting Parties for the realisation of the legal transaction.

In the reported period, SSH signed two contracts on the sale of shares held in the ownership of the Republic of Slovenia in respect of the following two companies: Aerodrom Ljubljana, d. d., and Telemach rotovž, d. d.. The total contractual value of the sale of shares in the above mentioned companies amounted to EUR 118.8 million, payable to the Republic of Slovenia.

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

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

4.2 SETTLEMENT OF LIABILITIES ARISING FROM DENATIONALISATION

In accordance with the provisions of Article 77, Paragraph 1 of ZSDH-1, in addition to tasks stipulated by this act, SOD as SSH exercises all powers, responsibilities, rights and obligations held by SOD prior to the company transformation. This also includes the settlement of liabilities to beneficiaries under the Denationalisation Act (hereinafter referred to as: "ZDen"), the Act on Re-establishment of Agricultural Communities and Restitution of their Property and Rights (hereinafter referred to as: "ZPVAS") and other regulations governing the denationalisation of property.

In accordance with the provisions of Article 51 of ZDen, SSH is a party liable to pay compensation in bonds and in shares, held at the disposal of the Republic of Slovenia. In the procedures for the determination of compensation, SSH holds the status of a party to the procedure, and in 2014 took part in two types of procedures, specifically, in denationalisation proceedings, and in the procedures for the determination of compensation value owed to claimants in which property was restored to denationalisation beneficiaries in kind.

In accordance with ZDen and other regulations, in denationalisation proceedings, any compensation in bonds is determined when the restitution of nationalised property in kind is not possible, and when obstacles are present for their restitution in kind as well as in extraordinary circumstances when a beneficiary holds a right to select the form of restitution. However, in procedures for the determination of compensation to claimants from whom property was restored to beneficiaries in kind (Article 73 of ZDen), compensation in bonds is explicitly envisaged under condition that all stipulated criteria for such a condition are met.

As before, such procedures and proceedings were conducted before administrative bodies (administrative units and ministries) and before courts around Slovenia (district and local courts). In 2014, the Company also took part in the mediation procedure for claims handled by courts.

According to the data provided by the Ministry of Justice monitoring the implementation of the denationalisation, as of 31 December 2014, 99.2% of cases before administrative bodies were concluded with a final decision issued. The total number of unsettled cases amounts to 237 cases, according to the above mentioned data. Local courts settled as many as 98.6% of cases, with the data referring to cases handled under Article 5 of Zden; there are 16 cases still to be settled by local courts. The published data do not include any data on claims lodged and outstanding pursuant to the provision of Article 73 of ZDen and on claims made by re-established agricultural communities for compensation in bonds which are lodged before courts under the provisions of ZPVAS (all of the above mentioned claims may still be lodged). As of 31 December SSH recorded a total of approximately 334 claims registered and still outstanding.

In 2014, SSH received and recorded various applications; of this number, there were 50 claims that included 18 new claims, 21 follow-on claims and 11 amended claims. The company followed its established practice for the settlement of claims, diligently examining all claims received upon their legal basis, their scope and amount and strove to consistently determine the appropriate compensation in bonds attributable to a beneficiary in accordance with regulations. SSH assessed the claims on the basis of documentation submitted by the body running the procedure and, when necessary, obtained evidence and documents by itself directly from various archives and other sources. In handling cases in the event when incomplete documentation was submitted, the Company verified data by also accessing the electronic land register, examining orto-photo images and checking data bases of surveying and mapping authorities, etc. SSH regularly replied to the submitted claims within the set time periods and in its first reply made its stand regarding all facts having an impact on the decision, when sufficient documentation was available. This, however, was not always possible since bodies running the procedures sometimes fail to submit all the relevant data at once. SSH actively settled claims also by taking part in the scheduled oral proceedings and hearings and, when necessary, organised meetings with investors at the Company's headquarters.

In 2014, authorities managing procedures submitted to the Company, together with claims, 67 appraisals and value calculations of the nationalised property. These appraisals and value calculations usually represent the compensation amount claimed by beneficiaries. The construction and mechanical engineering appraisals were examined by the Company's experts as well as by appraisers or experts of relevant disciplines (construction and mechanical engineering) who also in 2014 cooperated with the Company on a contractual basis. The value calculations of the nationalised property (agricultural and building plots of land, valuation of movable property, purchase prices, compensation granted upon nationalisation and similar) were reviewed, as before, by the Company's employees during the handling of the case.

Although SSH also settles claims by entering into composition agreements when all conditions are met, no such composition agreement was concluded in 2014. The situation as of 31 December 2014 shows that since the entry into force of the Rules on Concluding Composition Agreements of Slovenska odškodninska družba, d. d., in procedures under rules governing denationalisation, adopted by the Company's Management Board at its session on 11 May 2007, 72 composition agreements were concluded by SSH. The Settlement Commission functioning within the scope of SSH held 11 sessions in 2014, mainly dealing with proposals for participation in mediation in regard to proceedings before courts and proposals for settlement composition.

After the completed fact-finding procedure and prior to issuing a decision determining the compensation amount, a body running the denationalisation procedure or a relevant commission, draws a report on the established actual and legal state of affairs regarding the case handled in denationalisation procedure run by an administrative unit. The report therefore represents a kind of conclusion of the procedure and it presents the intended decision to be made by the administrative body. In 2014, SSH received 62 such reports.

Denationalisation - report on procedures

	Total by 31 Dec 2012:	Total by 31 Dec 2013:	Total by 31 Dec 2014	2014
Claims received	22,321	22,405	22,455	50
Appraisals and calculations received	20,195	20,245	20,312	67
Reports on the established actual and legal state of affairs regarding the case	22,271	22,333	22,405	72

In 2014, SSH received 60 first-instance decisions setting the compensation amount in bonds (administrative and judicial), and 20 decisions rejecting claims. There were 62 decisions setting the compensation amount for which the time of preclusion for lodging and appeal commenced in 2014. Slovenian Sovereign Holding filed 22 appeals against those decisions. Furthermore, in 2014, SSH received 17 second-instance decisions (administrative and judicial, decisions issued by ministries acting as appeal bodies and decisions issued by higher courts) in which a decision regarding its appeals against first-instance decisions on the determination of compensation in bonds was made. Of these second-instance decisions, 6 rulings were in the Company's favour and 11 were not. At the same time SSH received 25 second-instance decisions approving the first-instance rulings on the rejection of claims which was also contributed to by SSH activities during the proceedings. In 2014, SSH lodged 11 applications for administrative disputes before the Administrative Court of the Republic of Slovenia, appealing against decisions on the compensation in bonds, and received 4 decisions of the same court in which its appeals against the second-instance decisions regarding the compensation in bonds were ruled upon. Of the decisions mentioned, 3 rulings were made in the Company's favour. In 2014, SSH did not lodge any application for a revision of a decision ruled in judicial and administrative cases. In 2014, SSH received only one decision by the Supreme Court of the Republic of Slovenia issued on the basis of its application for a revision against the decision on compensation amount which was in the Company's favour (judicial decision).in addition to the above mentioned judgement, in 2014, SSH also received 9 judgements ruled by the Supreme Court of the Republic of Slovenia and approving the rejection of claims. The total number of decisions of rejections in which investors' claims were rejected or in which no liability claimed was recognised as being capable of imposition on the Company amounted to 57 in 2014.

In 2014, just as it had done consistently during its operation, SSH lodged applications for legal remedies against decisions on compensation amounts only when justified reasons were given, specifically, either due to an incorrectly determined statement of affairs, or due to mistaken application of the substantive law. It generally did not lodge any applications for legal remedies as a result of procedural irregularity when the actual and legal state of affairs were established correctly. In 2014, reasons for appeal did not differ significantly as compared to previous years; they mainly referred to the questionable legal foundation of the claim and the eligibility for denationalisation, the timely lodging of claims, and an incorrectly determined compensation amount.

According to data obtained by the time this Report was produced, 55 decisions referring to a compensation amount in SOS2E bonds became final in 2014. These include decisions regarding the determination of the compensation amount and the decisions on rejection of claims. The total compensation amount under these decisions was EUR 2.4 million, while the compensation amount claimed was EUR 12.9 million.

Denationalisation - decisions

	Total by 31 Dec 2012:	Total by 31 Dec 2013:	Total by 31 Dec 2014	2014
Firs-instance decisions received determining compensation in bonds	20,163	20,211	20,273	62
Appeals lodged in regard to decisions with time of preclusion	4,985	5,004	5,026	22
% of appeals against decisions determining compensation in bonds	24.72	24.75	24.79	35.48
Initiated legal actions and revisions	862	873	884	11

It is generally known that only the most complex denationalisation cases are still being handled. These include cases which are either highly complex or include a claim for a high compensation amount and which refer to complex legal issues. In 2014, claims handled by SSH had been lodged by individuals, cooperatives, the church and claimants by way of which property had been restored to denationalisation beneficiaries in kind. Several cases referring to the denationalisation of companies and capital assets, as well as claims for the denationalisation of real property and movable property continue to be the subject of denationalisation procedures in 2014. Numerous cases were handled in 2014 regarding the denationalisation of property that used to belong to owners - members of agricultural communities, and which are dealt with in accordance with ZPVAS.

Quite a few noticeable cases were resolved in 2014 that referred to important legal issues and with a significant impact on the case law. These are assets in which SSH actively participated in proceedings by providing factual proposals, viewpoints, opinions and objections. In 2014, the Supreme Court of the Republic of Slovenia passed the first judgement in regard to the right to obtain compensation from Austria, pursuant to the Agreement between the Federal Republic of Germany and the Republic of Austria on settlement of damages to deportees, resettled and displaced persons, on the settlement of other financial and social issues and the Financial and Compensation Treaty, including the so called Bad KreuznachAbkommen Agreement of 27November 1961. The case referred to the issue of denationalisation eligibility as regulated by Article 10, Paragraph 2 of Zden. The Supreme Court passed the ruling that denationalisation eligibility is not substantiated in cases when individuals had obtained or had the right to obtain compensation from Austria, pursuant to the above mentioned agreement. This decision will affect a great number of claims handled by SSH (approximately 73).

The ruling passed by the Supreme Court of the Republic of Slovenia in the case regarding the payment of a compensation amount in the form of bonds to former members of one of larger agricultural communities, dealt with by the mentioned Court in the lawsuit, is also important for SSH. The Supreme Court's ruling is important because it clearly states that the court settling compensation claim dispute against SSH is not bound by administrative decisions passed in administrative procedure in which the property used to be restored in kind. Neither of the parties to the procedure, including SSH, are bound by these decisions if they had not participated in the initial administrative procedure. This means that the necessary evidence must be produced in the judicial proceedings in regard to issues significant for the proceedings in question. This decision will also have a significant impact on some still current claims by former owners, members of these communities.

In 2014, in the judicial non-contentious proceedings dealing with the case subject to Article 5 of ZDen, one of the higher courts of Slovenia passed a ruling that there were no conditions for the increase of the original value of agricultural land (3.94 DEM/m2) as determined by the Ordinance on the Method for Determining the Value of Agricultural Land, Forest and Land for Construction Applied in the Denationalisation Procedure, an increase of twice the original value was proposed. The decision became final but the appeal for extraordinary judicial review was lodged before the Supreme Court of the Republic of Slovenia. However, in an administrative denationalisation case on the same issue, this Court had already decided that there are no conditions for modifying the original value. This is an important issue having a significant effect on the compensation amount liable to be paid by the SSH, since this original value is used in formulas for the calculation of value of agricultural and forest land and all types of construction land.

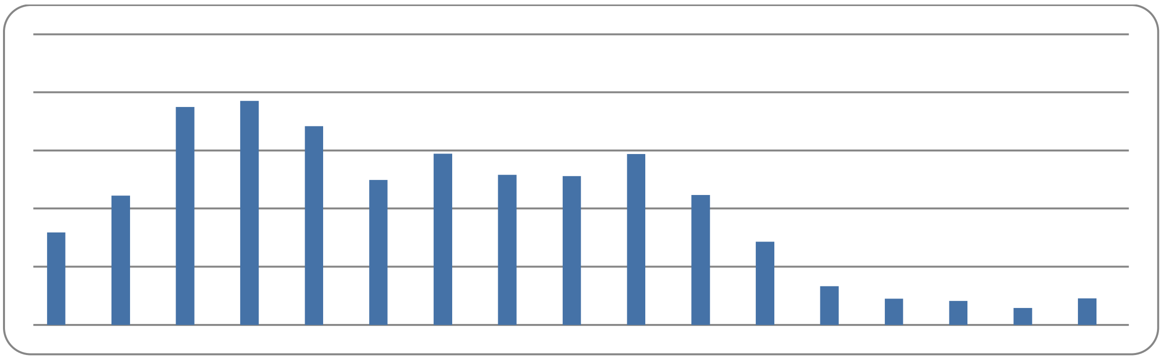
The Company received some other decisions adopted by the highest decision-making bodies and important in terms of their content; among other matters, decisions in relation to the provisions of Article 73 of ZDen, regarding the timely lodging of complaints for the reduced value of pieces of real estate, and other which will be important for the handling of open cases, and such with which cases were settled.

For settling liabilities due to beneficiaries under ZDen and other regulations governing the denationalisation of property, in accordance with provisions of Article 6 of the Slovene Compensation Fund Act, SSH issues bonds and other securities and manages and disposes of securities and other assets obtained in accordance with the law. Slovenian Sovereign Holding floated seven bond issues, issuing 17.5 million SOS2E bonds, in bearer bond form; their total value amounted to EUR 895 million. Bonds issued are denominated in EUR 51.13

In accordance with the provisions of the first indent of Article 59 of ZDen, SSH implements denationalisation decisions when these refer to compensation payable in bonds. It also implements decisions issued by the Ministry of Infrastructure and Spatial Planning in relation to the decision-making under the provisions of Article 125, Paragraph 4 of the Housing Act (SZ), and the provisions of Article 173, Paragraph 3 of the Housing Act (SZ-1). Decisions issued on the basis of the above stated regulations are implemented by transferring bonds from the temporary account at the Klirinško depotna družba, d. d. (Central Securities Clearing Corporation) to the account of a beneficiary, who may be an heir or a trustee for special cases. The Decree on Bond Issue and Decision Implementation regarding decisions on compensation liable to be paid by Slovene Compensation Fund (hereinafter referred to as: "the Decree") stipulates that SSH hands out bonds on the basis of a full application for the enforcement of a decision which must contain data stated in Article 15, Paragraph 1 of this Decree. By transferring a relevant number of bonds and by paying out all due coupons, the enforcement of a decision is completed.

With the aim of fulfilling its duties referred to in Article 2 of ZSOS, the Company transferred as many as 17,135,199 bonds to 27,046 bond holders from the entry into force of the Act until 31 Dec 2014.

Number of transferred SOS2E bonds by years



From 1 January 2014 until 31 December 2014, SSH transferred 227,415 SOS2E bonds to 175 holders. The number of beneficiaries is decreasing since the denationalisation procedures are in final phase. The pending cases include complex cases the number of which has significantly dropped; as a result, the number of decisions being implemented has also dropped. Due to the initiated and completed probate proceedings, SSH also implements some denationalisation decisions on a partial basis in situations where beneficiaries do not coordinate among themselves for the timing of having the decisions implemented. Considering the stated fact, one part of a decision will remain unimplemented due to objective circumstances.

Under Article 173 of SZ-1, a tenant enforcing a right to purchase a second apartment holds the right to claim compensation from SSH in bonds in the amount of 25% of the value of the apartment and 36% in cash. No such decision was implemented by SSH which may be attributed to the current conditions in the market and personal circumstances of individual beneficiaries. Under the provisions of Article 124, Paragraph 4 of SZ, it refers to cases which are more than ten years old which means that for the most cases, the statute of limitations was applied.

In addition to individuals, a beneficiary of the compensation under ZDen can also be a company. In 2014, individuals received 62,606 bonds, and companies 164,809 bonds. The sum of bonds attributable to companies is higher due to the more complex denationalisation cases relating to the denationalisation of property owned by companies.

4.3 SETTLEMENT OF LIABILITIES ARISING FROM COMPENSATION FOR CONFISCATED PROPERTY DUE TO ABROGATIONN OF THE CONFISCATION OF PROPERTY PENALTY

The SSH duties which originally related to the settlement of liabilities under regulations governing denationalisation expanded, as a result of the adopted ZIOOZP, to the issue, servicing and payment and calculation of interests for bonds issued on 1 February . 2001 by the Republic of Slovenia for the payment of compensation determined under the above stated law. Pursuant to Article 1 of ZIOOZP, the Republic of Slovenia issued 2 million bonds in the value of EUR 83 million. These RS21 bonds are registered bonds and are denominated in EUR 41.73.

The implementation of a decision may be requested by a beneficiary or his/her legal successor demonstrating such status by way of a final decree of distribution or any other valid legal title. The Decree on Issuing Bonds in Compensation for Confiscated Property due to the Abrogation of the Penalty of Confiscation of Property regulates in detail the method and time periods for the payment of the principal amount and interest for RS21 bonds as well as the method for the implementation of decisions on the compensation for the confiscated property. Slovenian Sovereign Holding implements the final decisions on compensation for the confiscated property by transferring the relevant number of bonds together with the accompanying interests which are also transferred into bonds. As a result of the modified case law in relation to the interpretation of Article 3, Paragraph 5 of ZIOOZP, the interests are calculated from the day when the decision on the abrogation of the confiscation of property penalty and the determination of compensation for the confiscated property becomes final until the issue of bonds. The decision is implemented by transferring bonds from a special Company's account held with KDD to the beneficiary's account and by the pay-out of coupons due.

By 31 December 2014, SSH had transferred 1,662,684 RS21 bonds.

In the period from1 January 2014 until 31 December 2014, 15 decisions made by responsible courts were implemented and on their basis, 46,064 RS21 bonds were transferred to 44 beneficiaries or their legal successors. This figure is lower than the figure regarding the implementation of decisions under ZIOOZP as recorded in the preceding year. Considering the fact that on 1 March 2015, the last coupon of the RS21 bond will mature, the Ministry of Finance is developing a legal basis for the payment of compensation under ZIOOZP as it is justified to expect that, until that date, not all proceedings will be completed by way of a final decision.

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

The Victims of War Violence Act (ZZVN) and Redressing of Injustices Act (ZPkri), providing the legal basis for the recognition of a beneficiary status eligible to receive compensation under ZSPOZ, do not stipulate any time period for the lodging of a complaint which is why SSH still decides on the composition amount for statuses recognised and granted under the above mentioned regulations. With the entry into force of ZSPOZ, SSH was granted public powers to run procedures for issuing decisions on compensation amounts and for performing administrative and technical activities in relation to their implementation. On 1 January 2002, the Republic of Slovenia issued 30 million bonds in the value of EUR 125.1 million for the payment of compensation to victims of war and post-war violence, and on 7 April 2009, the second issue comprised 2.5 million bonds in the value of EUR 10.4 million. The RS39 bonds are registered bonds issued in denominations of EUR 4.17. The compensation is paid out in two instalments, specifically, up to the value of EUR 1,251.88 is paid in cash, and the residual balance in bonds.

Considering the fact that the decision-making on the granting of rights and subsequent decision-making on the compensation amount was extended to after the RS39 maturity date, any beneficiaries having been issued with a decision after 7 April 2009 are paid compensation only in cash, in accordance with the provisions of Article 13 of this Act.

Slovenian Sovereign Holding calculates the compensation amount on the basis of legal documents used in decision-making procedures run by relevant bodies when deciding about beneficiaries and their rights under ZPkri, ZZVN and Act Governing Specific Rights of Victims of the 1991 War for Slovenia and criteria laid down by ZSPOZ. A decision on the compensation amount is then issued by the Company. The decisions issued on the basis of ZSPOZ are implemented by transferring monies to the beneficiary's account and by transferring bonds from the Company's special account held with KDD to the beneficiary's account.

By 31 December 2014, SSH had transferred 31,716,878 RS39 bonds, and in 2014, it issued 470 decisions on compensation amounts. On this basis, the sum of EUR 1,837,723 was paid in cash while simultaneously 18.593 RS39 bonds were transferred and instalments in the amount of EUR 33,251 were paid.

The number of decisions issued in regard to the compensation amount and consequently the total sum of compensation paid out in 2014 increased as compared to the preceding year, specifically by 38% in the number of decisions issued, and by 11% in the compensation amount paid. Considering the total number of decisions issued from 1 January 2014 until 31 December 2014, and their legal bases, decisions issued under ZPkri still prevail while decisions issued under ZZVN are less significant for SSH liabilities, in terms of their number and amount to be paid out. The compensation was not determined for a great number of beneficiaries since they had received the highest possible compensation ruled in previous decisions. A beneficiary may receive several supplementary decisions but the total sum to be received by an individual beneficiary under ZSPOZ should not exceed the sum of EUR 8,345.85.

In 2014, in carrying out its duties under ZSPOZ, SSH received 1,904 applications claiming for the payment of compensation which were filed by beneficiaries, legal successors of beneficiaries and their authorised persons and in which data necessary for the issue and implementation of a decision on the compensation amount were supplemented and submitted.

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

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

By 31 December 2014, the total sum of EUR 190.15 million was paid for liabilities arising under ZVVJTO; of this figure, EUR 299,457 were paid in 2014. By 31 December 2014, SSH received 13,939 composition agreements and court decisions.

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

4.6 INVESTMENT PORTFOLIO AND LIQUIDITY MANAGEMENT

The main policy of the SSH investment policy

Slovenian Sovereign Holding implemented the adopted business and investment policy within the scope of the adopted 2014 Financial Plan and Rules on Free Cash Investment. In regard to financial investments, and in accordance with the basic premises of its investment policy, both the security and liquidity of assets were taken into account, including the matching of investments and liability maturities. Significantly, in 2014, SSH settled all of its statutory and contractual obligations on a regular and timely basis. It maintained its current liquidity by planning cash flows and keeping a permanent liquidity reserve.

Cash flows in 2014

Slovenian Sovereign Holding provided cash for the coverage of its liabilities mainly with matured deposits and other debt financial investments as well as other inflows. An important source of funds to cover the SSH liabilities in 2014 was a record-hitting pay-out of dividends of companies owned by SSH, revenue from the sale of capital assets and the sale of UCITS units of mutual funds. An important source for ensuring the Company's liquidity is the inflow from receivables due from the Republic of Slovenia (pursuant to ZVVJTO, ZSPOZ, ZIOOZP).

Cash outflows for the settlement of SSH statutory obligations were higher by 10% than outflows in 2013, and in line with the plan. More than 92% of all statutorily stipulated cash flows represent outflows in accordance with the Denationalisation Act.

The surplus of its cash was mainly invested by SSH into call deposits and short-term deposits and, within a limited extent, also in some other safe short-term investments.

As of 31 December 2014, the total SSH debt arising from long-term loans amounted to EUR 455 million; of this amount, EUR 300 million is due in 2015. The interest rate for these loans is hedged against interest rate risk, with an average weighted amount of 2.19% (fixed). Loans in the amount of EUR 155 million will mature in 2016. In regard to Euribor, the average weighted mark-up for these loans amounts to 2.74%; the interest rate is not hedged against the interest rate risk. All loans have been secured by guarantees granted by the Republic of Slovenia.

In 2015, SSH will re-finance its financial liabilities in an efficient and timely manner. In light of the assumptions on quantitative easing by ECB, the required yields for sovereign bonds of European countries dropped significantly, and the drop was intensified after the actual publication of the quantitative easing programme by ECB in January 2015. The drop in required yields for Slovenian sovereign bonds will favourably affect the re-financings costs due from SSH.

The investment portfolio volume and structure

As of 31 December 2014, the value of the SSH investment portfolio, amounted to EUR 131,4 million, calculated at market prices, and it was reduced by 12.4% in comparison to the value at the end of 2013, mainly as a result of payments of liabilities arising from denationalisation and smaller inflows from the sale of shares.

At the end of 2014, debt investments represented 78% of the investment portfolio. The remaining part of these investments represented investments in mutual funds and foreign shares. As of 31 December 2014, only foreign securities were disclosed among shares in the

SSH investment portfolio. The investment portfolio is highly liquid as it mainly serves to balance the SSH liquidity:

SSH investment portfolio structure by investment type

Investment type	Balance as of 31 December 2014		Balance as of 31 December 2013	
	in EUR 000	%	in EUR 000	%
Total debt investment	103,288	78	122,693	82
Deposits	92,455	70	93,384	62
Bonds	10,833	8	22,709	15
Certificate of deposits	0	0	1,600	1
Euro-commercial papers	0	0	5,000	4
Equity investments	28,164	22	27,354	18
Mutual Funds	23,499	18	23,059	15
Shares (foreign, listed)	4,665	4	4,295	3
Total investment portfolio	131,452	100	150,047	100

Debt investments

At the end of 2014, the value of debt investments amounted to EUR 103.3 million. Debt investments mainly include deposits. Deposit maturity varies although all deposits are short-term intended for the settling of statutory and other liabilities in 2015. The bond portfolio mainly included redeemed own SOS2E bonds. The remaining part of the bond portfolio mainly included various domestic bonds.

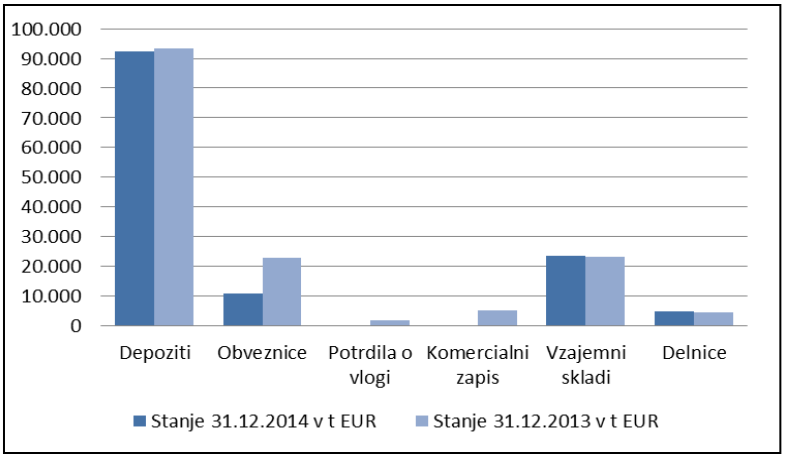
Equity investments in foreign shares

As of 31 December 2014, SSH held only 3.5% of assets of the investment portfolio distributed in the foreign shares investment class.As regards this investment class, SSH invested in liquid securities issued by various global issuers.

Mutual Funds

As of 31 December 2014, SSH held assets invested in various, mainly equity investment mutual funds of UCITS' management companies (domestic and foreign). This method ensures the dispersion of the SSH invested assets and provides for a low level non-systematic risk. These assets are highly liquid. Assets held in mutual funds represent a smaller part of the investment portfolio since the primary goal of the SSH investment portfolio management is the provision of liquidity, while the taking advantage of market potentials and the generation of portfolio yield represent only a secondary goal.

SSH investment portfolio structure by investment type in EUR 000 in 2013 and 2014



4.6.1 The investment portfolio's performance

The table below shows the performance achieved by the individual types of investments structured in the investment portfolio in 2012, 2013 and 2014.

The SSH investment portfolio performance in the last three-year period

Investment type	2012	2013	2014
Deposits	4.16	3.59	1.99
Certificate of deposits	4.89	3.04	3.00
Euro-commercial papers	-	0.94	-
Bonds	-0.30	0.78	10.14
Mutual Funds	9.77	4.52	10.09
Shares (foreign, listed)	16.09	14.09	10.52
The investment portfolio's performance	4.20	3.51	4.41

Source: AdTreasury programme, SSH

In 2014, the returns generated by all segments of investment portfolio were positive. A relatively low return was generated by deposits, mainly as a result of a negative impact due to falling interest rates on deposits. The trend of falling interest rates on deposits is expected to continue in 2015. Taking into account all investments, the investment portfolio return amounted to 4.41 %. The growth in the portfolio profitability was mostly contributed to by the bonds, mutual funds and foreign shares segment. A higher volatility of this investment segment is expected in 2015; as a result, SSH will be particularly cautious with such investments and will continue to pursue a conservative investment policy.

4.7 RISK MANAGEMENT

4.7.1 STRATEGIC RISKS

Absence of strategy and of clearly set operational objectives

The basic document for the SSH operation is the State Capital Assets Management Strategy as it forms the basis for the preparation of the Capital Assets Management Annual Plan. Slovenian Sovereign Holding actively participates in the preparation of the asset management strategy to be approved by the National Assembly of the Republic of Slovenia upon the proposal of the Government of the Republic of Slovenia. It is expected that the above mentioned strategy will be adopted by the end of the first half-term of 2015. On this basis and in accordance with the provisions of ZSDH-1, SSH will draw up the Asset Management Annual Plan, the relevant operational goals and criteria for the measurement of the performance of state-owned enterprises.

Insolvency

In addition to managing capital assets held by SSH and the Republic of Slovenia, SSH is also obliged to settle the liabilities due to bond holders, in accordance with ZDen and other regulations. Several measures are used by SSH to control and manage the insolvency risk (regular monitoring and valuations of capital assets, preparation of short-term and long-term liquidity plans, precise cash flows planning). In addition, the Constitutional Court Judgement binds the Republic of Slovenia to provide for additional funds if SSH funds do not suffice for the regular settlement of the Company's liabilities.

Independent and professional operation of SSH

Owing to the nature of its work, SSH is subject to pressures on decision-making by the SSH bodies, non-registered lobbying contacts, unethical and illegal conduct and inducing the employees to such conduct. Slovenian Sovereign Holding is aware of these risks; as a result, several internal legal documents were adopted in connection with the independent and professional operation of SSH and its internal controls while providing training for employees and raising their awareness in regard to the above mentioned risks. On 1 January 2014, the Chief Compliance Officer was employed by the SSH, and regular cooperation is established with the Commission for the Prevention of Corruption and other responsible institutes.

Internal and external frauds

This set of risks refers to risks connected with illegal actions by employees against SSH (internal frauds) and illegal actions by third parties against SSH (external frauds). They include, for example, unauthorised disclosure of confidential and protected information about SSH and individual state-owned enterprise, the abuse of internal information, conflict of interest, disclosing business confidentialities, possibilities for corruption, frauds in the settlement of denationalisation cases, and similar. In addition to effects caused by the employment of the Chief Compliance Officer, SSH manages the stated risks by means of several measures. These include well defined jobs, limitation of powers granted to employees and having in place efficient disciplinary measures. The access to confidential data is limited, together with the number of persons submitting information to the public; further, suitable internal legal documents were adopted and training sessions were organised raising the awareness of employees on potential risks and proper conduct. Slovenian Sovereign Holding cooperates well with the Commission for the Prevention of Corruption and internal controls are in place for controlling the implementation of work tasks.

4.7.2 OPERATIONAL RISKS

Legal area of work

In regard to the legal area of work, risks identified by SSH mainly relate to the modifications to legislation and consequences posed by them to the performance of SSH duties. It also includes the risk for potential lawsuits filed against SSH. A system is in place in SSH enabling a regular follow-up of the content published in the Official Gazette and the Official Journal. A regular communication between employees in the legal department is provided for, together with the provision of information at department meetings. Legal procedures are regularly monitored and active participation in them is ensured; and then relevant organisational levels are duly informed about them (SSH Management Board, heads of organisational units).

Management and disposal of capital assets

The most important risks in regard to the management of capital assets are the following: late application to the General Meeting of the company under management, the adoption of inadequate resolution by the SSH Management Board as the General Meeting body of the company under management, the conflict of interest of the role of the asset manager and the supervisory body in the same entity, risks related to the accreditation of members of supervisory bodies in companies with capital assets of the State, the withdrawal of the voting rights as a result of violations of the Takeover Act, the initiation of bankruptcy proceedings or the initiation of other recovery procedures against the company managed by SSH, and the lack of information for the management of those capital assets in companies without the majority shareholding and without significant influence.

The measures taken for managing the above mentioned risks are: the SSH employees and a specifically appointed person regularly verify the announcements of the convocation of AGMs; employees participate in training programmes thus minimising the risk of adopting an unsuitable General Meeting Resolution, and the work carried out by employees is suitably organised and is regularly checked.

For the prevention of a conflict of interest, the management function is separated from the supervisory function in the same company under management. The criteria for the evaluation of candidates for members of supervisory bodies were publicly published by SSH.

The SSH Management Board has the obligation to verify and warn Personnel Committees of the professional and transparent implementation of the nomination procedure. The list of persons, acting in concert with the Republic of Slovenia or SSH under ZPre-1, is regularly updated (on a monthly basis). The status of individual capital assets are regularly verified by SSH (the publicly published records, internal analysis, and similar).

With the aim of providing a better insight into the operation of an individual company and having as updated information as possible on the companies' performance, in the SSH Recommendations and Expectations, Recommendation 1 and Recommendation 2 were adopted by SSH. These two recommendations stipulate in detail time periods and methods of informing SSH on business results. SSH regularly and timely informs and warns companies of the relevant deadlines. Informational meetings are organised by SSH and held with the management and supervisory bodies of individual companies, while statutory restrictions are duly taken into account.

In regard to the disposal of capital assets, the most important risks are connected with the unauthorised access to confidential data handled during the sale processes in the sale of shares, conflicts of interest in rendering advisory services in the sale processes, violations of European regulations in regard to state aid, non-fulfilment of non-financial commitments by the buyer of shares and non-fulfilment of suspensive conditions set in purchase and sale agreements. A suitable system of work has been established by SSH for minimising and managing these risks, enabling the verification of the risks related to the legal feasibility of individual transaction prior to the selection of an individual buyer. In addition, the system for the follow-up of the implementation of non-financial commitments was set up, including the possibility for lodging legal remedies in case of violations identified. A mandatory element in the process of the sale of shares in SOEs is the signing of the NDA and Confidentiality Agreement on the part of external business partners and employees participating in sale groups. In addition, suitable internal legal documents were adopted by SSH in this regard. For limiting the possibilities for the conflict of interest to occur in rendering advisory services during the sale processes, the system for verifying the potential providers of these services has been put in place by SSH. The selected advisors have to sign the required statement in writing and bind themselves by means of a contract to observe the mentioned statement during the provision of the services.

Information technology

The core risks related to information technology relate to the protection of information and personal data, to the functioning of software and hardware, archiving of documentation and other matters. Several measures have been taken by SSH in this regard and some additional measures are in progress based on proposals given by the external audit review of the IT system implemented in 2014. These measures will be implemented by the end of 2015.

4.7.3 FINANCIAL RISKS

Liquidity risks

Slovenian Sovereign Holding is exposed to liquidity risk mainly due to the mismatch between the maturity of assets and maturity of liabilities since the major part of SSH assets is still held in long-term capital investments. The greatest liquidity risk for SSH is posed by the extension or cancellations of the planned sale processes related to the sale of capital assets that have been planned to be sold. Slovenian Sovereign Holding minimises this risk by having a sufficient volume of available liquid assets and liquid portfolio investments which may be immediately cashed in at the current market values. During poor financial conditions and consequently issues encountered in the sale of more significant shareholdings, SSH managed the liquidity risk by timely hiring new loans and extending existing loans.

Slovenian Sovereign Holding will continue to efficiently manage liquidity risk in the future. It is estimated that the existing volume of the financial debt suffices for the coverage of all liabilities planned in line with the long-term cash flows projections. It is expected that the volume of debt will decrease in time since inflows from the sale of shares will mainly be allocated to the reduction of the exiting volume of debt.

In 2015, the major portion of loans, maturing in 2015 and 2016, will be re-financed and partially restructured by SSH. In light of very favourable conditions in the capital markets, the extension of one part of loans with the guarantees issued by the Republic of Slovenia is planned by SSH, in addition to the hiring of new loans with longer maturity periods and/or the issue of unsecured bonds. The debt structure and debt maturity will be adapted by SSH in regard to the yields required by investors and in regard to its own needs, giving priority to sources of funds with longer maturity periods. A partial extension of loans collateralised with the guarantee by the Republic of Slovenia will suffice for the coverage of all liabilities due in 2015. The guarantees granted by the Republic of Slovenia in the amount of EUR 300 million will expire in the second half of 2017, while others in 2016. Given the volume of financial sources on offer, and the interest expressed by commercial banks and other investors, it is estimated that SSH will obtain favourable conditions for its financing activities. The procedures for re-financing its liabilities due in 2015 and 2016 were initiated in the last quarter of 2014. A potential new bond issued would substitute the SOS2E bond with the last of the remaining three coupons maturing on 1 June 2016. Historically speaking, the SOS2E bond was the most liquid bond on the Ljubljana Stock Exchange and it is expected that a new bond will achieve similar results. In terms of content, the newly issued bonds would not be similar to the existing SOS2E bond since they would serve the aim of only re-financing the existing liabilities, while the SOS2E bonds were issued in accordance with ZDen.

Slovenian Sovereign Holding effectively plans and implements sales of shareholdings in companies from the first privatisation package (the Decision of the National Assembly of the Republic of Slovenia of 21 June 2013). In 2014, SSH was successful in this segment of its operations. Inflows from the sales of capital assets held in the ownership of SSH will continue to be allocated particularly to the reduction of the existing debt.

An important source for financing SSH liabilities is also dividend income. Considering the structure of dividends received from companies and the operation of companies paying dividends, it is highly likely that it can be assumed that, in the future, dividends will suffice for all costs related to financing activities and current operating activities, while one part will be allocated to the reduction of the existing debt.

The liquidity situation of SSH is improved by regular semi-annual inflows under the contracts signed with the Republic of Slovenia (up to 2016, inclusive) and liquid and dispersed portfolio investments, representing an important liquidity reserve.

Slovenian Sovereign Holding is solvent also in the long-term. Almost all long-term capital investments are listed and are valued at current stock-exchange prices, while short-term investments are redeemable investments. The market value of long-term and short-term investments significantly exceeds the fair value of all liabilities. In light of preceding years and the planned development of operations, it is estimated that the long-term financial position of the company is good. In addition to all factors stated above, the regulation of contractual relations with the Republic of Slovenia in regard to the remaining liabilities burdening the liquidity and financial position of SSH when in fact, in terms of the content, these liabilities were due from the Republic of Slovenia and not SSH (RS21 and RS39 bonds and liabilities under ZVVJTO).

Market risk

Market risk is present due to the changes in the value of financial instruments, resulting from changes in their market prices. Slovenian Sovereign Holding cannot directly control the risk related to the changes in market prices of capital assets acquired in the process of companies' ownership restructuring. These capital assets comprise the major part of SSH assets. Slovenian Sovereign Holding manages the market risk associated with the investment portfolio, representing a smaller part of SSH assets, by dispersing investments according to issuers, sectors and regions.

The currency risk is negligible because the major part of investments and assets is denominated in the EUR currency.

The risk associated with the concentration of investments is managed by dispersing the investment portfolio into various types of investments, that is, deposits, Euro-commercial papers, bonds, shares and mutual funds.

Interest rate risk

Interest rate risk is managed by SSH. The interest rate on statutory liabilities is predominantly calculated at fixed interest rates. All long-term loans have been loaned at variable interest rates, taking into account the reference interest rates. The interest rate swap instrument is used by SSH for managing interest rate risks.

Credit risk

The credit risk is minimised by SSH by dispersing investments and keeping an internal limit regarding its exposure to commercial banks. The credit risk associated with SSH investments was significantly decreased as a result of a partial restructuring of poor loans granted by Slovenian banks. Considering the existing maturity regarding the investments, this risk is assessed as low by SSH.

4.8 SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

Significant events after the balance sheet date are described in detail under item 9.7 of this Annual Report.

Matej Runjak	Matej Pirc
Member of the Management Board	President of the Management Board

Ljubljana, 24 April 2015

SLOVENSKI DRŽAVNI HOLDING, d. d.

SLOVENIAN SOVEREIGN HOLDING AND SLOVENIAN SOVEREIGN HOLDING GROUP

ACCOUNTING REPORT

FOR YEAR ENDING 31 DECEMBER 2014

5 STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board is responsible for the preparation of the Annual Report in a manner providing the public with a true and fair presentation of the financial position and the results of operations of the Company in 2014.

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

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

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

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

In accordance with the provisions of Article 38 of the Slovenian Sovereign Holding Act, the powers and duties of the General Meeting are implemented by the Government of the Republic of Slovenia. The General Meeting decides on fundamental affairs of the Company defined in ZGD-1 and ZSDH-1, on the issue of new shares and on their disposition and adopts criteria for measuring the performance of companies with State's capital assets.

It is stipulated by ZSDH-1 that the Supervisory Board of SSH is composed of five members and that provisions of the law regulating employee participation in management does not apply to the Supervisory Board. All members of the Company’s Supervisory Board are appointed by the National Assembly upon a proposal made by the Government of the Republic of Slovenia. Prior to drafting the proposal, an expert committee must be established by the Minister of Finance to produce criteria and target professional profiles for individual members. The procedure for recruiting candidates for the Company’s Management Board is also carried out. The Supervisory Board holds powers as defined by ZGD-1. No new members of the Supervisory Board have been appointed from the entry into force of ZSDG-1 until the production of this report; as a result, the Supervisory Board functions in accordance with ZSDH, that is, it is composed of four members representing equity interest and three representatives from the employees.

Under ZSDH-1, the Company’s Management Board is composed of the President of the Management Board and two members of the Management Board. Since 1 April 2014 onwards, the composition of SSH Management Board is as follows: Matej Pirc, the President of the Management Board, and Matej Runjak, the Member of the Management Board.

As the President and a Member of the Management Board of Slovenian Sovereign Holding, we hereby declare that we are familiar with the content of all integral parts of the Annual Report and we confirm it hereby with our signatures:

Matej Runjak	Matej Pirc
Member of Management Board	President of Management Board

Ljubljana, 24 April 2015

6 INDEPENDENT AUDITOR'S REPORT

6.1 OPINION ABOUT SLOVENIAN SOVEREIGN HOLDING

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
to the owners of SLOVENSKI DRŽAVNI HOLDING, d.d.

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of the company SLOVENSKI DRŽAVNI HOLDING, d.d., which comprise the statement of financial position as at 31 December 2014, and the statement of total 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.

Ime Deloitte se nanaša na Deloitte Touche Tohmatsu Limited, pravno osebo, ustanovljeno v skladu z zakonodajo Združenega kraljestva Velike Britanije in Severne Irske (v izvirniku »UK private company limited by guarantee«), in mrežo njenih članic, od katerih je vsaka ločena in samostojna pravna oseba. Podroben opis pravne organiziranosti združenja Deloitte Touche Tohmatsu Limited in njenih družb članic je na voljo na www.deloitte.com/si/nasa-druzba.

Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of the company SLOVENSKI DRŽAVNI HOLDING, d.d., as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements:

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

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified Auditor

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 1

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

Ljubljana, 24 April 2015

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

6.2 OPINION ABOUT SLOVENIAN SOVEREIGN HOLDING GROUP

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
to the owners of SLOVENSKI DRŽAVNI HOLDING, d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the SLOVENSKI DRŽAVNI HOLDING Group (hereinafter: 'the Group'), which comprise the statement of financial position as at 31 December 2014, and the statement of total 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 consolidated 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 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 entity's 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 financial statements.

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

Ime Deloitte se nanaša na Deloitte Touche Tohmatsu Limited, pravno osebo, ustanovljeno v skladu z zakonodajo Združenega kraljestva Velike Britanije in Severne Irske (v izvirniku »UK private company limited by guarantee«), in mrežo njenih članic, od katerih je vsaka ločena in samostojna pravna oseba. Podroben opis pravne organiziranosti združenja Deloitte Touche Tohmatsu Limited in njenih družb članic je na voljo na www.deloitte.com/si/nasa-druzba.

Member of Deloitte Touche Tohmatsu Limited

Basis for Qualified Opinion

As at 31 December 2013, the Group disclosed significant investments in associated companies. The effects of valuation of investments in associates under the equity method had a material impact on the statement of total comprehensive income of the Group. Since we have not audited the financial statements of associates for the year ended 31 December 2013 and have not reviewed the work done by the auditors of associates for year ended 31 December 2013, we were unable to satisfy ourselves as to the fair presentation of the effects resulting from valuation under the equity method. Accordingly, our audit opinion on the financial statements for the period ended 31 December 2013 was modified.

In 2014, we carried out additional procedures within the scope of the audit for the year ended 31 December 2014 to ascertain the adequacy of valuation of investments in associates on the basis of the equity method. Due to the limitation scope of the audit for the year ended 31 December 2013, as explained above, we were unable to satisfy ourselves whether one part of effects recorded in the financial statements of the Group for the year of 2014 should have been recognised in the year ended 31 December 2013.

Qualified Opinion

In our opinion, except for the potential effects of matter referred to in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements:

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

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified Auditor

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

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

Ljubljana, 24 April 2015

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

7 FINANICAL STATEMENTS OF SLOVENIAN SOVEREIGN HOLDING COMPANY AND GROUP

7.1 STATEMENT OF FINANCIAL POSITION/BALANCE SHEET

in EUR 000	Note	Company		Group	
		31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
ASSETS - TOTAL		**1,035,406**	**1,015,216**	**1,042,795**	**1,029,107**
LONG-TERM ASSETS		**804,640**	**821,533**	**812,029**	**835,424**
Intangible assets and long term deferred	9.1.1.	43	66	43	66
Tangible fixed assets	9.1.2.	679	761	679	761
Investment property	9.1.3.	0	4,563	0	4,563
Long-term financial investments	9.1.4.	735,666	682,302	743,055	696,193
Long-term operating receivables	9.1.5.	68,252	133,841	68,252	133,841
SHORT-TERM ASSETS – TOTAL		**230,766**	**193,683**	**230,766**	**193,683**
Short-term assets without deferred		**229,725**	**193,656**	**229,725**	**193,656**
Non-current assets held for sale	9.1.6.	62,455	13,255	62,455	13,255
Short-term financial investments	9.1.7.	87,691	96,684	87,691	96,684
Short-term operating receivables	9.1.8.	70,279	70,509	70,279	70,509
Cash	9.1.9.	9,300	13,208	9,300	13,208
Short-term deferred costs and accrued revenues	9.1.10.	**1,041**	**27**	**1,041**	**27**
EQUITY AND LIABILITIES - TOTAL		**1,035,406**	**1,015,216**	**1,042,795**	**1,029,107**
EQUITY	9.1.11.	**287,383**	**129,185**	**294,772**	**143,076**
Share capital		60,167	60,167	60,167	60,167
Share premium		0	0	0	0
Statutory reserves		0	0	0	0
Revaluation surplus		518,949	419,117	336,624	282,869
Retained net profit or loss		-291,733	-301,678	-102,019	-177,847
Net profit or loss for the financial year		0	-48,421	0	-22,113
NON CURRENT LIABILITIES - TOTAL		**294,692**	**581,875**	**294,692**	**581,875**
Provisions and long-term deferred costs and accrued revenues	9.1.12.	**76,448**	**75,890**	**76,448**	**75,890**
Long-term liabilities		**218,244**	**505,985**	**218,244**	**505,985**
Long-term financial liabilities	9.1.13.	218,244	505,985	218,244	505,985
SHORT-TERM LIABILITIES - TOTAL		**453,331**	**304,156**	**453,331**	**304,156**
Short-term liabilities		**453,153**	**304,040**	**453,153**	**304,040**
Short-term financial liabilities	9.1.14.	433,164	276,001	433,164	276,001
Short-term operating liabilities	9.1.15.	19,989	28,039	19,989	28,039
Short-term deferredcosts and accrued revenues	9.1.16.	**178**	**116**	**178**	**116**

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

7.2 STATEMENT OF COMPREHENSIVE INCOME for the year ending 31 December 2014

in EUR 000	Note	Company		Group	
		01/01/2014 - 31/12/2014	*01/01/2013 - 31/12/2013*	*01/01/2014 - 31/12/2014*	*01/01/2013 - 31/12/2013*
Net sales revenues	9.1.17.	4,259	533	4,259	533
Other operating income (with revaluated operating revenues)	9.1.17.	2,591	3,306	2,591	3,306
Operating income		**6,850**	**3,839**	**6,850**	**3,839**
Costs of goods, material and services	9.1.18.	-4,419	-1,761	-4,419	-1,761
Labour costs	9.1.19.	-3,617	-3,871	-3,617	-3,871
Amortisation and depreciation	9.1.20.	-278	-311	-278	-311
Long-term provisions	9.1.21.	-4,880	-11,553	-4,880	-11,553
Write-offs	9.1.22.	-1,135	-764	-1,135	-764
Other operating expenses	9.1.23.	-43	-396	-43	-396
Operating profit or loss		**-7,522**	**-14,817**	**-7,522**	**-14,817**
Financial income	9.1.24.	83,077	48,820	83,077	48,820
Financial expenses	9.1.24.	-27,270	-90,908	-27,157	-85,652
Profit/loss share from investments evaluated according to the equity method	9.1.25.	0	0	39,280	21,052
Other income	9.1.26.	48	2	48	2
Other expenses	9.1.26.	0	0	0	0
Profit or loss before tax		**48,333**	**-56,903**	**87,726**	**-30,595**
Income tax expenses	9.1.27.	0	0	0	0
Deferred taxes	9.1.27.	10,034	8,482	10,034	8,482
Net profit / loss for the financial year		**58,367**	**-48,421**	**97,760**	**-22,113**
Profit/loss recognised in revaluation surplus		109,866	83,244	63,790	61,306
Income tax expense from other comprehensive income		-10,034	-8,482	-10,034	-8,482
Net other comprehensive income to be recogised in the Income Statement in the future		**99,832**	**74,762**	**53,756**	**52,824**
Post-employment benefits calculation		-1	0	-1	0
Deferred taxes impact		0	0	0	0
Net other comprehensive income not to be recogised in the Income Statement in the future		**-1**	**0**	**-1**	**0**
Other comprehensive income after tax		**99,831**	**74,762**	**53,755**	**52,824**
Total comprehensive income for the financial year after tax		**158,198**	**26,341**	**151,515**	**30,711**

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

7.3 CASH FLOW STATEMENT for the year ending on 31 December 2014

in EUR 000	Company		Group	
	01/01/2014 - 31/12/2014	*01/01/2013 - 31/12/2013*	*01/01/2014 - 31/12/2014*	*01/01/2013 - 31/12/2013*
Cash flows from operating activities				
Proceeds from operating activities	*87,168*	*87,389*	*87,168*	*87,389*
Proceeds from operating activities	6,497	4,024	6,497	4,024
Proceeds from Republic of Slovenia (commission business)	80,671	83,365	80,671	83,365
Expenses from operating activities	*-161,760*	*-148,263*	*-161,760*	*-148,263*
Expenses for materials and services	-4,145	-1,443	-4,145	-1,443
Labour costs	-3,546	-4,011	-3,546	-4,011
Expenses for various levies and charges	-195	-58	-195	-58
Payments pursuant to ZDen and SZ (inc. SOS2E)	-141,696	-128,801	-141,696	-128,801
Expenses for the account of the Republic of Slovenia (commission business)	-11,666	-13,622	-11,666	-13,622
Other expenses for operating activities	-512	-328	-512	-328
Net cash flow from operating activities	***-74,592***	***-60,874***	***-74,592***	***-60,874***
Cash flows from investing activities				
Proceeds from investing activities	*354,847*	*417,446*	*354,847*	*417,446*
Interest and dividends received	37,456	36,917	37,456	36,917
Proceeds from sale of property, plant and equipment	3,352	26	3,352	26
Proceeds from sale of long-term financial investments	59,753	76,716	59,753	76,716
Proceeds from sale of short-term financial investments	254,286	303,787	254,286	303,787
Expenses from investing activities	*-257,692*	*-333,989*	*-257,692*	*-333,989*
Acquisition of intangible assets	-8	-41	-8	-41
Acquisition of tangible assets	-49	-158	-49	-158
Acquisition of long-term financial investments	-44,695	-42,678	-44,695	-42,678
Acquisition of short-term financial investments	-212,940	-291,112	-212,940	-291,112
Net cash flow from investment activities	***97,155***	***83,457***	***97,155***	***83,457***
Cash flows from financing activities				
Proceeds from financing activities	*0*	*0*	*0*	*0*
Expenses from financing activities	*-26,471*	*-11,146*	*-26,471*	*-11,146*
Interest expenses related to financing activities	-11,471	-11,146	-11,471	-11,146
Repayment of long-term financial liabilities	-15,000	0	-15,000	0
Repayment of short-term financial liabilities	0	0	0	0
Net cash flow from financing activities	***-26,471***	***-11,146***	***-26,471***	***-11,146***
Closing cash balance	**9,300**	**13,208**	**9,300**	**13,208**
Net increase/decrease in cash for the financial year	*-3,908*	*11,437*	*-3,908*	*11,437*
Opening cash balance	*13,208*	*1,771*	*13,208*	*1,771*

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

7.4 STATEMENT OF CHANGES IN EQUITY

7.4.1 Statement of Changes in Equity of Slovenian Sovereign Holding for year ending 31 December 2014

in EUR 000	Share capital	Statutory reserves	Retained profit/loss	Net profit/loss	Net amount of revaluated financial investments held for sale	Total
Balance as of 1 January 2013	***60,167***	***0***	***-301,679***	***0***	***344,356***	***102,844***
						0
Total comprehensive income for the reporting period	**0**	**0**	**0**	**-48,421**	**74,762**	***26,341***
Input of net profit/loss for the reporting period	0	0	0	-48,421	0	-48,421
Change in surplus from revaluated financial investments	0	0	0	0	74,762	74,762
Changes in equity	**0**	**0**	**0**	**0**	**0**	***0***
Appropriation of residual net profit of the benchmark reporting period to other equity components	0	0	0	0	0	0
Closing balance as of 31 December 2013	**60,167**	**0**	**-301,679**	**-48,421**	**419,118**	***129,185***
Total comprehensive income for reporting period	**0**	**0**	**0**	**58,367**	**99,831**	***158,198***
Input of net operating profit/loss for the reporting period	0	0	0	58,367	0	58,367
Change in surplus from revaluated financial investments	0	0	0	0	99,832	99,832
Surplus/deficit changes from actuarial calculations	0	0	0	0	-1	-1
Changes in equity	**0**	**0**	**9,946**	**-9,946**	**0**	***0***
Appropriation of residual net profit of the benchmark reporting period to other equity components	0	0	9,946	-9,946	0	0
Closing balance as of 31 December 2014	**60,167**	**0**	**-291,733**	**0**	**518,949**	**287,383**

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

7.4.2 Determination of accumulated profit/loss for of Slovenian Sovereign Holding

in EUR 000	
Net profit or loss for 2014	58,367
Retained net profit or loss	-350,100
Accumulated loss for 2014	-291,733

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

7.4.3 Statement of Changes in Equity for Slovenian Sovereign Holding Group for year ending 31 December 2014

in EUR 000	Share capital	Statutory reserves	Retained profit/loss	Net profit/loss	Net amount of revaluated financial investments held for sale	Total equity
Balance as of 1 January 2013	**60,167**	**0**	**-176,230**	**0**	**230,045**	**113,982**
Total comprehensive income for the period	**0**	**0**	**0**	**-22,113**	**52,824**	***30,711***
Input of net profit/loss for the reporting period	0	0	0	-22,113		***-22,113***
Other comprehensive income	0	0	0	0	52,824	***52,824***
Taxes related to the other comprehensive income	0	0	0	0	0	***0***
Movements from equity	**0**	**0**	**-1,617**	**0**	**0**	**-1,617**
Other changes in equity	0	0	-1,617	0	0	*-1,617*
Closing balance as of 31 December 2013	**60,167**	**0**	**-177,847**	**-22,113**	**282,869**	**143,076**
Total comprehensive income for the period	**0**	**0**	**0**	**97,760**	**53,755**	***151,515***
Input of net profit/loss for the reporting period	0	0	0	97,760		***97,760***
Other comprehensive income	0	0	0	0	53,756	***53,756***
Surplus/deficit changes from actuarial calculations	0	0	0	0	-1	***-1***
Changes in equity	**0**	**0**	**75,647**	**-75,647**	**0**	**0**
Appropriation of residual net profit of the benchmark reporting period to other equity components	0	0	75,647	-75,647	0	***0***
Movements from equity	**0**	**0**	**181**	**0**	**0**	**181**
Other changes in equity	0	0	181	0	0	*181*
Closing balance as of 31 December 2014	**60,167**	**0**	**-102,019**	**0**	**336,624**	**294,772**

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

8 SIGNIFICANT ACCOUNTING POLICIES

8.1 THE REPORTING COMPANY

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

In line with the Standard Classification of Activities, the Company's activity is categorised in the following class: K 64.990 - *Other financial service activities, except insurance and pension funding n.e.c.*. The Company's activity is presented in detail in the Business Report, Chapter 4.

The Company is a controlling company of Slovenian Sovereign Holding Group, headquartered in the Republic of Slovenia, Mala ulica 5, Ljubljana.

The subsidiary companies as of 31 December 2014:
- Dekorativna d. o. o. Ljubljana – in liquidation, Dunajska cesta 160, the Company's shareholding amounts to 100,00 %,
- GIO, d. o. o., Ljubljana – in liquidation, Dunajska cesta 160, Ljubljana the Company's shareholding amounts to71,27 %,
- PS ZA AVTO, d. o. o., Ljubljana, Tržaška cesta 133, the Company's shareholding amounts to90,00 %.

The associated companies as of 31 December 2014:
- Casino Bled, d. d., Cesta svobode 15, Bled, the Company's shareholding amounts to 43.00 %,
- Hit, d. d., Delpinova ulica 5, Nova Gorica, the Company's shareholding amounts to 20.00 %,
- PDP, d. d., Dunajska cesta 119, Ljubljana the Company's shareholding amounts to 33.96 %,
- Pozavarovalnica Sava, d. d., Dunajska cesta 56, Ljubljana the Company's shareholding amounts to 25.00 %,
- Zavarovalnica Triglav, d. d., Miklošičeva cesta 19, Ljubljana the Company's shareholding amounts to 28.09 %.

The number of subsidiaries increased at the end of October when, pursuant to ZSDH-1, in addition to other shares/shareholdings, SSH acquired the following shares/shareholdings from D.S.U.:
- 100% shareholding of Dekorativna d. o. o. Ljubljana - in liquidation, and
- 30.04% shareholding of GIO, d. o. o., Ljubljana – in liquidation, which has thus become a subsidiary.

The Company produced the consolidated financial statements, reporting the situation as of 31 December 2014, and in which the associated companies had been included using the equity method.

The inclusion of a subsidiary, PS ZA AVTO, d. o. o., into the consolidated financial statements is insignificant from the aspect of presenting fair and true financial statements for the Group; therefore the company was not included in the consolidation. The companies Dekorativna d. o. o. Ljubljana - in liquidation, and GIO, d. o. o., Ljubljana – in liquidation, are non-going concerns. The inclusion of a subsidiary of both companies is insignificant from the aspect of presenting fair and true financial statements for the Group; therefore they were not included in the consolidation.

The individual and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

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

In 2014, the average number of employees employed with the Company was 65.5, calculated from the number of hours worked. As of 31 December 2014, the Company had 70 employees.

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

The 2014 financial statements were approved by the Management Board on 24 April 2015.

8.2 SIGNIFICANT ACCOUNTING POLICIES

8.2.1 Statement of compliance

In addition to individual financial statements, the consolidated statements have been prepared by the company for the year ending 31 December 2014. The financial statements for the controlling company and the Group have been prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as: "IFRS"), as adopted by the European Union. The Slovenian legislation (ZGD-1) and the Company's internal legal documents have been taken into account in the development of the financial statements.

8.2.2 Basis of preparation

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

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

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

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

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

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

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

a) Standards and interpretations valid in the current period

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

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

- **Amendments to IAS 32 - "Financial instruments**: **Presentation** - "Offsetting Financial Assets and Financial Liabilities", adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 36 Impairment of Assets** "Recoverable Amount Disclosures for Non-financial Assets", adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 39 - "Financial instruments**: "**Recognition and Measurement** – Novation of Derivatives and Continuation of Hedge Accounting", adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

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

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

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

- **Amendments to various standards "Improvements of IFRS (2010-2012 period)"**, resulting from the annual Project for Improvements of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IFRS 16 and IAS 24 and IAS 38) with the aim to eliminate inconsistencies and interpretations adopted by the EU on 17 December 2014, (amendments effective for annual periods beginning on or after 1 February 2015);
- **Amendments to various standards "Improvements of IFRS (2011-2013 period)"**, resulting from the annual Project for Improvements of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) with the aim to eliminate inconsistencies and interpretations by the EU on 18 December 2014, (amendments effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 19"Employee Benefits"** - Certain benefits programmes: Employee Benefits adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **IFRIC 21 "Levies"** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The above mentioned standards, amendments and interpretations will be observed by the Company after their coming into force. It is assessed by the Company that their application should not have any significant impact on the Company's financial statement in the transition period.

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

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

- **IFRS 9**- **Financial Instruments and Further Amendments**- (effective date is not stipulated yet);
- **IFRS 14 – Regulatory Deferral Accounts -** (effective for annual periods beginning on or after 1 January 2015);

- **IFRS 15 – Revenue from Contracts with Customers -** (effective for annual periods beginning on or after 1 January 2017);
- **Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – "Sales or contributions of assets between an investor and its associate/joint venture" (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** –"Investment Entities: Applying the Consolidation Exception"(effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 11 – Joint arrangements** – "Accounting for Acquisitions of Interests in Joint Operations« (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 1 - Presentation of Financial Statements** – "Disclosure Initiative" (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets –** " Acceptable Methods of Depreciation and Amortisation" (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture**– "Agriculture: Bearer Plants"(effective for annual periods beginning on or after 1 January 2016);**Amendments to IAS 27 –Separate Financial Statements** – "Equity Method in Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to various standards "Improvements of IFRS (2012-2014 periods)«**, resulting from the annual Project for Improvements of IFRS (IFRS 5, IFRS 7, IFRS 19 and IAS 34) with the aim to eliminate inconsistencies and interpretations by the EU on 18 December 2014, (amendments effective for annual periods beginning on or after 1 January 2016).

It is expected by the Company/Group that the adoption of IFRS 9 will have an impact on the Company's classification and measurement of financial assets and liabilities. Estimates will be developed immediately after the adoption/enforcement of the standard. In regard to other standards, it has been assessed by the Company/Group that their application should not have any significant impact on the Company's financial statement in the transition period.

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

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

8.2.3 Currency reporting

a) Functional and presentation currency

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

b) Transactions and balances

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

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

8.2.4 Value estimates of individual items

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

8.2.5 Significant policies for Company and Group

Revenue recognition

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

- interest income - it is recognised as it accrues unless there is a doubt about its collection when the interest income amount is written off and the replacement cost is applied;
- dividend income - it is recognised on the date when the shareholder's right to receive payment is established;
- rental income as a result of renting investment property is recognised evenly throughout the period of the lease contract;
- revenue from the sale of financial investments is recognised on the date of their settlement. A receipt of an irrevocable guarantee issued by a top-rating bank, or any other full guarantee is also deemed to be a settlement.

Investments in subsidiaries

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

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

Investments in associates

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

In accordance with IAS 28, financial investments in associates are recognised using the equity method from the date when the investment becomes an associate company. In the Statement of Financial Position, by using the equity method, the investment is recognised initially at cost increased by changes - upon the acquisition - in the capital of the associate and reduced by any impairment. The amount obtained from the distribution of net profit of a company in which the controlling company has a significant influence reduces the book value of the financial investment.

On the acquisition of a financial investment, each difference between the acquisition value of the financial investment and the investor's interest in the net fair value of the identifiable assets, debts and contingent liabilities of the associate is recognised in accordance with IFRS 3 - Business Combinations.

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

Intangible assets and long-term deferred costs and accrued revenues

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

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

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

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

Tangible fixed assets

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

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

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

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

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

Investment property

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

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

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

Financial assets

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

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

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

b) Loans and receivables

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

c) Financial investments held-to-maturity

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

d) Available-for-sale financial assets

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

Fair values of financial instruments determined by a valuation model include:

- a comparison to prices obtained upon the last transactions performed;
- the use of the discounted cash flow model;
- valuation using the price model.

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

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

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

Derived financial instruments

Derived financial instruments are initially recognized at fair value; costs associated with the transaction are recognized in profit or loss when they are incurred. After their initial recognition, derived financial instruments are measured at fair value and the related amendments are handled in two manners:

- When a derived financial instrument is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or highly probable expected transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in the comprehensive income for the period. Any ineffective portion of changes in the fair value of the derivative is recognised directly in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively.
- Effects of other derivatives not designated as the hedging instrument in a hedge of the variability in cash flows are recognised in profit or loss.

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

Assets held for sale or distribution

Assets or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution, are classified as held for sale or distribution. When this criterion is met, financial investments in subsidiaries and associates are also classified into the category of assets/disposal group held for sale. Immediately before the classification as held for sale or distribution, the assets or disposal group is remeasured. Accordingly, the long-term asset or disposal group is recognized at book value or fair value less transaction costs, whichever is lower. Financial investments reclassified into the category of assets/disposal group held for sale are not measured under the provisions of IFRS 5 but at fair value. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment losses.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are not amortised or depreciated. After their classification as held for sale or distribution, any equity-accounted investee is no longer equity accounted for.

Impairment of non-financial assets

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

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

Operating receivables

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

In books of account and the balance sheet, receivables are recognised as an asset when it is probable that the future economic benefits embodied within the asset will flow to the company and its cost can be reliably measured. Recognised receivables are derecognised as assets in books of account and balance sheet when its contractual obligations are no longer controlled, have already been exercised, have expired or have been assigned.

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

Significant operating receivables of the Company/Group are:

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

Cash and cash equivalents

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

Provisions

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

Provisions for retirement benefits and jubilee premiums

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

Deferred taxes

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

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

Liabilities

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

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

Equity

The entire SSH's equity is its liability due to its sole owner, the Republic of Slovenia, and falls due for payment on the dissolution of SSH, d.d. The entire capital consists of called-up capital, capital reserves, profit reserves, revaluation, retained earnings or losses from previous periods and the provisionally undistributed net profit for the current year or the uncovered losses for the current year. The profit remaining after covering losses and creating statutory reserves is allocated to other reserves in accordance with ZSOS, ZSDH-1, the Company's Articles of Association, and ZGD-1.

Fair value measurement

In accordance with the Company/Group's accounting policies, the fair value of the financial and non-financial assets is required to be determined in numerous cases. The fair value is the amount at which an asset could be bought or sold and liability swapped in a current transaction between willing and well-informed parties.

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

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

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

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

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

Own shares

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

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

Consolidation

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

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

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

Structure of the Group of associated companies

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

As of 31 December 2014, the Group was composed of the parent company and the subsidiaries:

- PS ZA AVTO, d.o.o., in which the Company has a 90% ownership shareholding and management rights in the same percentage. In 2014, the subsidiary generated a profit of EUR 424,000 and its equity amounted to EUR 4,922,000;
- Dekorativna d. o. o. Ljubljana – in liquidation, in which the Company has a 100% ownership shareholding and management rights in the same percentage. In 2014, the subsidiary generated a profit of EUR 44,000 and its liability due to owners amounted to EUR 1,275,000;
- GIO, d.o.o. Ljubljana – in liquidation, in which the Company has a 71.27% ownership shareholding and management rights in the same percentage. In 2014, the subsidiary generated a profit of EUR 81,000 and its liability due to owners amounted to EUR 8,574,000.

Slovenian Sovereign Holding., Mala ulica 5, Ljubljana, has prepared a consolidated annual report for the controlling company and all subsidiaries within the Group. Due to a material irrelevance, subsidiaries are not included in the consolidation process. By applying the equity method, the consolidated financial statements include a fully consolidated investment in Zavarovalnica Triglav, Pozavarovalnica Sava, Hit, PDP and Casino Bled.

9 NOTES AND DISCLOSURES

9.1 NOTES TO THE FINANCIAL STATEMENTS

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

in EUR 000	Long-term property rights	Other long-term deferred costs and accrued revenues	Long-term property rights	Total
Purchase value				
Purchase value as of 1 January 2014	*508*	*75*	*0*	*583*
New purchases	8	0	0	8
Disposals	-5	0	0	-5
Purchase value as of 31 December 2014	*511*	*75*	*0*	*586*
Value adjustment				
Value adjustment as of 1 January 2014	*446*	*71*	*0*	*517*
Depreciation for the current year	27	0	0	27
Acquisitions with the adoption of ZSDH	0	0	0	0
Transfer to profit or loss	0	4	0	4
Disposals	-5	0	0	-5
Value adjustment as of 31 December 2014	*468*	*75*	*0*	*543*
Present value as of1 January 2014	62	4	0	66
Present value as of 31 December 2014	**43**	**0**	**0**	**43**

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

The useful life of computer software is 3 to 10 years.

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

9.1.2 Tangible fixed assets of the Company/Group

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

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

in EUR 000	Land	Buildings	Equipment and spare parts	Office equipment	Total
Purchase value					
Purchase value as of 1 January 2014	*140*	*1,940*	*587*	*19*	*2,686*
New purchase	0	0	56	0	*56*
Disposals	0	0	-50	0	*-50*
Purchase value as of 31 December 2014	*140*	*1,940*	*593*	*19*	*2,692*
Value adjustment					
Value adjustment as of 1 January 2014	*0*	*1,487*	*420*	*18*	*1,925*
Depreciation for the current year	0	55	69	1	*125*
Disposals	0	0	-37	0	*-37*
Value adjustment as of 31 Dec 2014	*0*	*1,542*	*452*	*19*	*2,013*
Present value as of 1 January 2014	140	453	167	1	761
Present value as of 31 Dec 2014	**140**	**398**	**141**	**0**	**679**

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

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

9.1.3 Investment property of the Company/Group

The Company/Group used to be a 33.55% co-owner of an investment property (Smelt commercial building) which was sold to D.S.U., d. o. o., in the last quarter, thus making D.S.U. a three-quarter owner. The disposable value of the asset was determined on the basis of the Appraiser's Report and amounted to EUR 3,352,000. A loss in the amount of EUR 1,121,000 was generated by the Company upon its disposable.

in EUR 000	Land	Buildings	Total
Purchase value			
Purchase value as of 1 January 2014	*1,281*	*4,792*	*6,073*
New acquisitions	0	2	2
Disposals	-1,281	-4,794	-6,075
Purchase value as of 31 December 2014	*0*	*0*	*0*
Value adjustment			
Value adjustment as of 1 January 2014	*0*	*1,510*	*1,510*
Depreciation for the current year	0	126	126
Disposals	0	-1,636	-1,636
Value adjustment as of 31 December 2014	*0*	*0*	*0*
Present value as of 1 January 2014	1,281	3,282	4,563
Present value as of 31 Dec 2014	**0**	**0**	**0**

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

9.1.4 Long-term financial investment

in 000 EUR		**Company**		**Group**
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Long-term fin. investments in subsidiaries**	7,269	3,757	7,269	3,757
Long-term fin. Investments in associates	225,048	162,923	232,437	176,814
Other financial investments available for sale	503,349	515,622	503,349	515,622
Total	735,666	682,302	743,055	696,193

Note:** Subsidiaries- PS ZA AVTO, d.o.o., GIO, d. o. o., Ljubljana – in liquidation and Dekorativna d. o. o. Ljubljana -, d. o. o., - are not included in the consolidation.

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

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

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

On the basis of provisions of ZSDH-1, the Company acquired against payment 95.76% shareholding in Tovarna dušika Ruše, d.o.o. – in liquidation, and 100% shareholding in Zlit, d.o.o., - in bankruptcy. The liquidation proceedings against Tovarna dušika Ruše was completed in December 2014. The companies for which the bankruptcy proceedings have not yet been completed and the Company held a higher than 20% shareholding prior to the initiation of the bankruptcy proceedings are Casino Maribor, d. d., (20%) and Zlit, d. o. o. (100%). The bankruptcy proceedings against Planika, d. d., in which the Company used to have a 56.68% shareholding, were completed in 2014.

Equity value and profit or loss generated in associates and subsidiaries

No.	Company name	No. of shares / holdings	31/12/2014 % lastništva	Total equity of company in EUR 000	Profit / loss in EUR 000	Data refer to
1	Casino Bled, d. d.	707,620	43.00	-152	-260	2014
2	Dekorativna d. o. o. Ljubljana - v likvidaciji		100.00	1,275	44	liquidation BS 2014
3	GIO, d. o. o., Ljubljana - v likvidaciji		71.27	8,574	-81	liquidation BS 2014
4	HIT d. d.	1,357,727	20.00	41,892	1,398	2014
5	PDP, d. d.	679,964	33.96	19,841	4,195	2014
6	Pozavarovalnica Sava, d. d.	4,304,917	25.00	258,136	22,358	2014
7	PS ZA AVTO, d. o. o.	1,752,969	90.00	4,922	424	2014
8	Zavarovalnica Triglav, d. d.	6,386,644	28.09	5,440,000	45,613	2014

Note: Data in regard to ZavarovalnicaTriglav, d.d., Pozavarovalnica Sava, d. d., and PDP, d. d., are taken from audited annual financial statements.

* The column regarding equity presents the liability due to owners from the initial liquidation balance sheet increased and/or decreased by profits/losses during liquidation proceedings.

Long-term financial investments in subsidiaries

	31/12/2014	31/12/2014	Company		Group	
	Voting rights	Ownership	*31/12/2014*	*31/12/2013*	*31/12/2014*	*31/12/2013*
	in %	in %	in EUR 000	in EUR 000	in EUR 000	in EUR 000
Dekorativna d. o. o. Lj. v likvid.	100.00	100.00	309	-	309	-
GIO, d. o. o., Lj, - v likvidaciji	71.27	71.27	3,203	-	3,203	-
PS za avto, d. o. o.	90.00	90.00	3,757	3,757	3,757	3,757
Total			7,269	3,757	7,269	3,757

The investment is measured at cost. The impairment test is carried out every year. The inclusion of the mentioned subsidiaries into the consolidated financial statements is insignificant from the aspect of presenting fair and true financial statements for the Group; therefore the company was not included in the consolidation.

Long-term financial investments in associates

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

	31/12/2014	31/12/2014	Company		Group	
	Voting rights	Ownership	*31/12/2014*	*31/12/2013*	*31/12/2014*	*31/12/2013*
	in %	in %	in EUR 000	in EUR 000	in EUR 000	in EUR 000
Casino Bled, d. d.	43.00	43.00	0	0	0	47
Gio, d. o. o v likvidaciji	-	-	-	2,138	-	2,505
Hit, d. d.	20.00	20.00	2,593	2,593	10,896	11,480
PDP, d. d., Ljubljana	33.96	33.96	2,937	1,920	2,934	6,510
Pozavarovalnica Sava, d. d.	26.10	25.00	68,793	35,038	67,882	35,038
Zavarovalnica Triglav, d. d.	-	28.09	150,725	121,234	150,725	121,234
Total			225,048	162,923	232,437	176,814

* On 30 October 2014, GIO, d. .o. o., Ljubljana - in liquidation became a subsidiary.

The table above shows the information on the voting rights held by the Company/Group in an individual associate. The percentage regarding the voting rights differs from the ownership percentage in the case of Hit, d.d, in which, in addition to ordinary shares, the Company also owns preference shares. In accordance with the Securities Market Agency Decision No. 0600-51/2010-19 of 4 March 2013, the Company/Group has no voting rights in Zavarovalnica Triglav, d. d..

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

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

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

The Company signed a securities repurchase contract with a business partner/debtor, having agreed on a repurchase of securities at a strike price, repayable on fixed dates. Upon the signing it was assessed by the Company that there is a significant risk associated with the actual implementation of the liability by the set due date which is why the valuation of the option is not reliable. Taking into account this fact, it was decided by the Company/Group not to recognize this derivative.

Other available-for-sale financial investments

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

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

in EUR 000	Company		Group	
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
A) At fair value				
Investments in domestic companies	470,518	482,054	470,518	482,054
Investments in mutual funds	23,500	23,059	23,500	23,059
Investments in foreign shares.	4,664	4,295	4,664	4,295
Bond investments	2,308	4,211	2,308	4,211
Total at fair value	*500,990*	*513,619*	*500,990*	*513,619*
B) At cost with verification for imapirment signs				
Investments in domestic companies	2,359	2,003	2,359	2,003
Bond investments	0	0	0	0
Total at purchase value with verification for impairment signs	*2,359*	*2,003*	*2,359*	*2,003*
Total	503,349	515,622	503,349	515,622

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

- Krka, d. d. EUR 316.6 million,
- Zavarovalnica Triglav, d. d. EUR 150.7 million,
- Petrol, d. d. EUR 117.0 million,
- Sava Re, d. d. EUR 68.8 million,
- Telekom Slovenije, d. d. EUR 40.3 million,
- Luka Koper, d. d. EUR 35.1 million,
- Cinkarna Celje, d. d. EUR 16.5 million,
- Žito, d. d. EUR 5.7 million,
- PS ZA AVTO, d. o. o EUR 3.8 million.

On 16 December 2014, Banka Celje d.d. received the Bank of Slovenia Decision on Extraordinary Measures, issued pursuant to Article 253(a), Paragraph 1 and in connection with Article 253(b) of the Banking Act (ZBan-1) with the aim of re-establishing conditions in Banka Celje, d.d., for the bank's long-term efficient performance, considering the merger with Abanka Vipa, d.d., and preserving the stability of the financial system in the Republic of Slovenia. The Bank of Slovenia Decision on Extraordinary Measures stipulates that all qualified liabilities of the bank incurred by the date of the issue of the above mentioned Decisions, representing the share capital of Banka Celje, d. d., and liabilities of Banka Celje, d.d., arising from the issued subordinated financial instruments, shall be terminated. The extraordinary measures also included the capital increase paid by the Republic of Slovenia in the amount of EUR 50,000,000.00.Considering the bank's assets and general situation in the business environment, the Company permanently impaired this investment at the end of 2013; as a result, the above mentioned deletion of shares does not have any impact on the assets and profit/loss of the Company in the current year.

As of 31 December 2014, the Company/Group held financial investments in 48 mutual funds, their market value totalling EUR 23.5 million. Fair value of seven funds, individually, exceeded EUR 1 million in the case of the following funds:

- fund: Triglav Global, management company: Triglav DZU,
- fund: Beta, management company: KBM Infond DZU;
- fund: DWS Concept Kaldemorgen, management company DWS Concept Kaldemorgen;
- fund: Raiffeisen Global Allocation, management company Raiffeisen bank;
- fund: Raiffeisen R337, management company Raiffeisen bank,
- fund: NLB Funds - Global Equity Fund, management company NLB Skladi, and
- fund: Ilirika Blue Combination, management company Ilirika DZU.

At the end of the reporting period, the Company/Group held in its portfolio 34 foreign shares; the highest fair value of each single share amounted to EUR 455,000. The market value of investments in foreign shares amounted to EUR 4.7million.

There are two long-term bonds in the portfolio of the Company/Group maturing in the period from 2016 to 2020; their total value amounted to EUR 2,308,000.

The movements in bond interest rates in 2014:

- bonds with a nominal interest rate moved from 3.34% to 7.57%;
- bonds with a flexible interest rate - 3-month Euribor increased by a mark-up of 1.9%, and 6-month Euribor with a margin of 2.0%.

The principal amounts of bonds totalling EUR 1,924,000 will mature in a period of more than five years after the reporting date.

Fair value levels of financial instruments

The fair value hierarchy as laid down by the IFRS 7 includes input data and assumptions used in measuring the financial instruments at the fair value. Market input data come from independent sources whereas non-market input data are assumed by the Company or Group. The fair value hierarchy consists of the following levels:

- level 1 – market prices (unadjusted) from the operating market; this level includes shares, bonds, derived financial instruments listed on stock markets and UCITS units of the investment/mutual funds;
- level 2 – valuation model, which is directly or indirectly based on the market data; the source of the market data, such as the yield curve and counterparties bonuses, is the Bloomberg system;
- level 3 – valuation model which is not based on the market data; this level represents non-market shares and non-market bonds. Valuations are based on the yield-based method and partially on the asset-based method. Methods used by SSH are the discounted method, the method including comparable listed companies, the comparable purchases-and-sales method and the adjusted book values method.

Financial instruments measured at fair value according to fair value hierarchy levels as of 31 December 2014

in 000 EUR		Company		Group
	Level 1	*Level 3*	*Level 1*	*Level 3*
Investments in subsidiaries	0	7,269	0	7,269
Investments in associates	219,517	5,531	218,607	13,830
Long-term financial investments - available-for-sale financial assets	500,990	2,359	500,990	2,359
Listed shares	475,182	0	475,182	0
Mutual funds	23,500	0	23,500	0
Listed bonds	2,308	0	2,308	0
Non-listed shareholdings and shares	0	2,359	0	2,359
Long-term operating receivables	0	68,252	0	68,252
Non-current assets held for sale	62,455	0	62,455	0
Short-term financial investments - avialiable-for-sale financial assets - bonds	2,891	0	2,891	0
Other short-term financial investments - loans	0	84,800	0	84,800
Short-term operating receivables	0	70,279	0	70,279
Long-term financial liabilities	0	218,244	0	218,244
Short-term financial liabilities	0	433,164	0	433,164
Short-term operating liabilities	0	19,989	0	19,989

Financial instruments measured at fair value according to fair value hierarchy levels as of 31 December 2013

in 000 EUR		Company		Group
	Level 1	*Level 3*	*Level 1*	*Level 3*
Investments in subsidiaries	0	3,757	0	3,757
Investments in associates	156,272	6,652	156,272	20,542
Long-term financial investments - available-for-sale financial assets	513,619	2,002	513,619	2,002
Listed shares	486,349	0	486,349	0
Mutual funds	23,059	0	23,059	0
Listed bonds	4,211	0	4,211	0
Non-listed shareholdings and shares	0	2,002	0	2,002
Long-term operating receivables	0	133,841	0	133,841
Non-current assets held for sale	13,255	0	13,255	0
Short-term financial investments - avialiable-for-sale financial assets - bonds	9,668	0	9,668	0
Other short-term financial investments - loans	0	87,016	0	87,016
Short-term operating receivables	0	70,509	0	70,509
Long-term financial liabilities	0	505,985	0	505,985
Short-term financial liabilities	0	276,001	0	276,001
Short-term operating liabilities	0	28,039	0	28,039

Movement in long-term financial investments of the Company

in EUR 000	01/01/2014	Acquisitions	Disposals	Revaluations	31/12/2014
Long-term investments in subsidiaries	3,757	5,410	-1,783	-115	7,269
Long-term investments in associates	162,923	1,276	-2,138	62,987	225,048
Other available for sale finan. Investments	515,622	6,147	-85,533	67,113	503,349
Loans	0	34,000	-34,000	0	0
Total	682,302	46,833	-123,454	129,985	735,666

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

The acquisitions of financial investments in subsidiaries include:

- the acquisition of a 95.758% shareholding in Tovarna dušika Ruše, d. o. o., - in liquidation (the difference up to 100% are own shareholdings),
- the acquisition of a 30.04 % shareholding in GIO, d. o. o., Ljubljana – in liquidation and re-categorisation of the existing shareholding from associates into subsidiaries;
- the acquisition of 100% shareholding in Dekorativna d. o. o. Ljubljana - in liquidation.

The acquisition of financial investments in associates includes:

- the acquisition of 5,916 shares of Zavarovalnica Triglav, d. d.,
- the acquisition of 269,693 shares of PDP, d. d.

The revaluation of investments in associates refers to:

- the increase in market value of shares of Sava RE, d. d. EUR 33.8 million,
- the increase in market value of shares of Zavarovalnice Triglav, d. d., EUR 29.3 million,
- permanent impairment of investment in PDP, d. d. EUR 0,1million.

The acquisitions of other available-for-sale investments include: purchases/exchanges in mutual funds (EUR 5.6 million) and share/bond purchases pursuant to the provisions of ZSDH-1 (EUR 0.5 million). Significant amounts achieved with the disposal of financial investments include the sale of mutual funds (EUR 7.2 million), sale of shares of Letrika, d.d., Salus, d.d. and Aerodrom, d.d. (EUR 12.9 million), the transfer of shares of Cinkarna Celje, d. d., Telekom, d. d., and Žito, d. d., to non-current assets held for sale (EUR 62.5 million) and the transfer of bonds to short-term assets (EUR 2.9 million).

In 2014, a significant positive growth achieved by investments in domestic shares (excluding associates) was recorded with the following shares:

- Petrol, d. d. EUR 27.2 million,
- Luka Koper, d. d. EUR 20.4 million,
- Cinkarna Celje, d.d. EUR 8.1 million,
- Telekom, d. d. EUR 6.5 million, and
- Žito, d. d. EUR 2.8 million.

In 2014, the market value of shares decreased only in the case of Krka shares, - by EUR 2.1 million.

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

In 2014, the sales of shares of the following companies were realised:

- Helios shares, which were classified as non-current assets held for sale as of 31 December 2013; the proceeds from the sale amounted to EUR13.8 million,
- Salus shares; the proceeds from the sale amounted to EUR 3.1 million,
- Letrika shares; the proceeds from the sale amounted to EUR 7.6 million, and
- Aerodrom shares; the proceeds from the sale amounted to EUR15.99 million.

In relation to mutual funds, several restructuring took place, together with selling off less profitable funds and investing in mutual funds units.

Movement in long-term financial investments of the Group

in EUR 000	01/01/2014	Acquisitions	Disposals	Revaluations	31/12/2014
Long-term investments in subsidiaries	3,757	5,410	-1,783	-115	7,269
Long-term investments in associates	176,814	1,276	-2,505	56,852	232,437
Other available for sale finan. Investments	515,622	6,147	-85,533	67,113	503,349
Loans	0	34,000	-34,000	0	0
Total	696,193	46,833	-123,821	123,850	743,055

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

9.1.5 Long-term operating receivables

in EUR 000	Company		Group	
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Long-term receivable due from the Republic of Slovenia pursuant to ZSPOZ	24,138	47,335	24,138	47,335
Long-term receivable due from the Republic of Slovenia pursuant to ZIOOZP	11,624	22,794	11,624	22,794
Long-term receivable due from the Republic of Slovenia pursuant to ZVVJTO	32,490	63,712	32,490	63,712
Total	68,252	133,841	68,252	133,841

The total long-term receivable due from the Republic of Slovenia will mature in 2016.

Receivables due from the Republic of Slovenia pursuant to ZSPOZ

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

Receivables due from the Republic of Slovenia pursuant to ZIOOZP

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

Receivables due from the Republic of Slovenia pursuant to ZVVJTO

Pursuant to ZVVJTO, investments in the public telecommunications network are being reimbursed by the Company, first starting with transferring monies to beneficiaries in 2007. For this purpose, the 10% shareholding held by the Republic of Slovenia in Telekom Slovenije, d. d., was transferred to SOD. As stipulated in the contract concluded by and between Republic of Slovenia and SOD, d.d., additional funds from the central government budget would be transferred to SOD when the proceeds from the sale of these shares were lower than the amount refunded to beneficiaries, and vice versa, when the proceeds from the sale of shares were higher than the refunded amount, the surplus amount would have to be transferred into the budget. In 2009, a new contract was concluded by and between SOD and the Ministry of Finance, by way of which it was agreed that the monies that had been paid in advance by SOD would be regularly refunded to the Company by the Ministry of Finance; it was also agreed that the agreement would apply to payments to be carried out after 1 January 2009. On the basis of the amendments to ZVVJTO, which were adopted by the National Assembly of the Republic of Slovenia, on 19 May 2011, a 10% shareholding in Telekom, d.d., was transferred back by SOD to the Government of the Republic of Slovenia. On 14 July 2011, a contract was signed between the two parties establishing the amount of the receivable held by SOD, d.d., as of 31 December 2010 and due from the Republic of Slovenia as a result of the implementation of ZVVJTO. The maturity date and payment method were also determined. The above mentioned receivable bore an interest rate of the six-month Euribor. Based on an analysis of market conditions for borrowings, the contractual amount of the receivable is discounted, using the expected government bond yield with a comparable maturity as a discounting factor. It was also established that the Republic of Slovenia's liability would be paid in ten equal half-year instalments in the period between 2012 and 2016. In addition to the interest, costs held by SOD for the implementation of ZVVJTO were also recognised. An agreement between SOD and the Republic of Slovenia was also reached that receivables due from the Republic of Slovenia as a result of the current implementation of ZVVJTO would be paid to SOD on a monthly basis, by way of a claim made each time.

9.1.6 Non-current assets held for sale

It is expected by the Company that sale processes for the sale of 92,950 shares of Cinkarna Celje, d. d., 277,839 shares of Telekom, d. d., and 43,636 shares of Žito, d.d., will be completed in 2015. As a result, they have been classified as non-current assets held for sale. No profits or losses were realised with the re-classification of financial investments held for sale because in both cases shares in these three companies are valued at market price.

in EUR 000	Company		Group	
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Non-current assets held for sale	62,455	13,255	62,455	13,255
Skupaj	62,455	13,255	62,455	13,255

In 2014, 26,563 Helios shares were disposed of by the Company.

9.1.7 Short-term financial investments

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

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

in EUR 000	Company		Group	
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Short-term finan.investments held for sale	2,891	9,669	2,891	9,669
Depositts given and commercial bank deposits	84,800	80,500	84,800	80,500
Commercial papers, certificates of deposit	0	6,515	0	6,515
Total	87,691	96,684	87,691	96,684

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

Interest rates ranged from:
- for deposits from 0.8 % to 4.8%,
- far call deposits from 0.35% to 1.45%,
- for bonds - see Note 9.1.4.,
- for in payments -3.1%.

Significant bonds and their coupons to be cashed in 2015:
- KDH2 EUR 2,386,000,
- MOL EUR 505,000.

In 2014, no loans were granted to the management, members of the Supervisory Board or to members of its Commission. No collateral instruments were received by the Company/Group for loans given. Risk exposure is described in section 9.2.

Movement in short-term financial investments of Company/Group

in EUR 000	01/01/2014	Acquisitions	Disposals	Revaluations	31/12/2014
Other available for sale finan. Investments	9,669	2,891	-9,669	0	2,891
Loans	87,015	246,708	-248,923	0	84,800
Total	96,684	249,599	-258,592	0	87,691

in EUR 000	01/01/2013	Acquisitions	Disposals	Revaluations	31/12/2013
Other available for sale finan. Investments	1,351	9,669	-1,351	0	9,669
Loans	140,059	259,211	-312,255	0	87,015
Total	141,410	268,880	-313,606	0	96,684

The acquisitions also include transfers from long-term financial investments to short-term investments.

9.1.8 Short-term operating receivables

in EUR 000	Company		Group	
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Receivables due from domestic customers	6	33	6	33
Interest receivables	288	1,174	288	1,174
Dividends receivable	34	28	34	28
Receivables due from RS pursuant to ZSPOZ	24,718	24,492	24,718	24,492
Receivables due from RS pursuant to ZIOOZP	11,751	11,715	11,751	11,715
Receivables due from RS pursuant to ZVVJTO	32,632	32,539	32,632	32,539
Other receivables due from state institutions	604	491	604	491
Receivables arising from the ownership of housing units	793	828	793	828
Adjustments of receivables for ownership of housing units	-791	-812	-791	-812
Other receivables (cashed-in guarantees, etc.)	4,332	4,109	4,332	4,109
Value adjustment of other receivables	-4,088	-4,088	-4,088	-4,088
Total	70,279	70,509	70,279	70,509

There are no outstanding items among receivables due from customers. Interest receivables refer to interest from bonds, deposits granted and other loans granted. The highest among receivables from state institutions is the receivable due from the Farmland and Forest Fund of the Republic of Slovenia for revenue arising from the agricultural land and forest management and proceeds from the sale of farmland in the total amount of EUR 320,000.

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

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

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

In 2014, the adjustments of receivables amounted to EUR 2,000, all referring to receivables incurred pursuant to the Housing Act

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

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

Movements in value adjustment of receivables

in EUR 000		Company		Group
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Balance of value adjustment of receivables as of 1 January	4,900	4,952	4,900	4,952
Collected receivables for which adjustment was formed	9	3	9	3
Written-off receivables for the year	14	56	14	56
Formation of adjustment for the year	2	7	2	7
Total adjustments as of 31 December	4,879	4,900	4,879	4,900

9.1.9 Cash and cash in bank

in EUR 000		Company		Group
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Cash in hand	0	1	0	1
Credit balances with commercial banks	47	23	47	23
Cash equivalents	9,253	13,184	9,253	13,184
Total	9,300	13,208	9,300	13,208

Cash equivalents include:

- call deposits held with BKS Bank, AG,, amounting to EUR 7.6 million;
- call deposits held with Hypo-Alpe-Adria bank, d. d., amounting to EUR 1.7 million.

9.1.10 Short-term deferred costs and accrued revenues

in EUR 000		Company		Group
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Deferred costs and accrued revenues	28	27	28	27
Short-term non-calculated income	1,013	0	1,013	0
Total	1,041	27	1,041	27

In addition to deferred costs of insurance premiums, newspaper subscriptions, tuition fees and financial information data bases access fee, income related to the sale of capital assets of the Republic of Slovenia which, at the balance sheet date, has not yet been calculated, in accordance with the provisions of the Contract signed by and between the Ministry of Finance, is also recognised under this item in the reporting period.

9.1.11 Equity

Equity of the Company

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

Revaluation surplus

in EUR 000		**Company**
	31/12/2014	*31/12/2013*
Increases of investements in shares of companies	410,915	366,288
Increases of investements in foreign shares	1,625	1,343
Increases in mutual funds	4,240	2,618
Increases of investements in shares of insurance companies	155,486	92,386
Actuarial surplus/deficit	-1	0
Increases/impairments of investments in bonds	229	-7
Deferred tax liability	-53,545	-43,511
Total	518,949	419,117

Significant increases in the balance as of 31 December 2014:

- Krka, d. d., EUR 275.1 million,
- Zavarovalnica Triglav, d. d., EUR 111.5 million,
- Petrol, d. d., EUR 71.0 million,
- Sava Re, d. d., EUR 44.0 million,
- Luka Koper, d. d., EUR 24.0 million,
- Telekom , d. d., EUR 23.3 million, and
- Cinkarna Celje, d.d. EUR 13.0 million.

Movements in revaluation surplus

	Balance 1/1/14	Transfer to profit or loss	Added during the year	Balance 31/12/14
Surplus from domestic companies	366,288	19,220	63,847	410,915
Surplus from foreign companies (shares)	1,343	0	282	1,625
Surplus from mutual funds	2,618	427	2,049	4,240
Surplus from investments in insurance companies	92,386	0	63,100	155,486
Bond surplus	-7	-39	197	229
Total by surplus type	462,628	19,608	129,475	572,495
Deferred tax liability	-43,511	-2,270	-12,305	-53,546
Total	419,117	17,338	117,170	518,949

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

- as of 31 December 2014 – 287,382,781/36,046 = 7,972.67 EUR
- as of 31 December 2013 – 129,184,647/36,046 = 3,583.88 EUR.

Equity of the Group

The equity of the Group includes the equity of the controlling company amounting to EUR 287.4 million, and the proportional value of the equity of associates measured in compliance with the equity method. In line with the equity method, the consolidation included the following companies: Zavarovalnica Triglav Group, Pozavarovalnica Sava Group, Hit Group, PDP Group, and Casino Bled, d.d.. The effect of an individual associate on the equity of the Group is explained in section: 9.1.25.

At the end of 2014, the equity of the minority owner was not at the Group's disposal due to the fact that consolidation had included only associates by using the equity method.

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

- as of 31 December 2014 – 294,771,433/ 36,046 = EUR 8,177.65,
- as of 31 December 2013 – 143,076,221/ 36,046 = EUR 3,969.27.

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

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

in EUR 000	Company		Group	
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Provisions for denationalisation	75,870	75,313	75,870	75,313
Provisions for onerous contracts	211	252	211	252
Provisions for jubilee premiums	41	25	41	25
Provisions for retirement benefits	173	147	173	147
Other provisions	153	149	153	149
Accrued costs and deferred revenues	0	4	0	4
Total	76,448	75,890	76,448	75,890

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

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

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

When assessing which claims to be included among provisions and which to be included among contingent liabilities, decisions of administrative bodies and current case law in similar cases were taken into account, together with own assessment. Contingent claims, for example, include persons who were granted or obtained the right to claim compensation from Austria on the basis of a treaty between the Federal Republic of Germany and the Republic of Austria on the settlement of damages to deportees, resettled and displaced persons, settlement of other financial issues and issues relating to the social area or to the Financial and Compensation Treaty, including the Bad Kreuznach Abkommen agreement of 27 November 1961. Contingent liabilities also include some claims referring to various legal issues. In regard to all these cases it is difficult to make a reliable assessment but it can be expected that the Company will not be classified as an entity liable to pay compensation. In cases when, by examining the facts, it was assessed, that there is a small probability for the Company/Group to be classified as a party liable to pay compensation, such claims were classified as contingent liabilities.

Provisions have been formed for jubilee premiums and retirement benefits paid to employees; amounts are presented in the table above. The following facts have been taken into account in the last calculation made (as of 31 December 2014; usually, the calculation is made every second year):

- upon their retirement, employees are entitled to a severance grant in the amount of his/her two average salaries, or in the amount of two average salaries at the state level, whichever is more favourable for employees;
- retirement takes place in accordance with the model pursuant to Pension and Disability Insurance Act (ZPIZ-2);
- mortality probability (SLO2007x, SLO2007y);
- disability probability;
- jubilee premiums are granted to employees for the total length of their service;
- staff turnover ranging from 0 to 3%, depending on the age of employees;
- the 3.0% wage growth in Slovenia;
- the 3% wage growth in the company,
- discount rate of 2.25%.

Based on court decisions in relation to labour disputes, it was assessed that additional provisions must be formed to meet any potential liabilities arising from such disputes. In 2014, certain judicial proceedings concluded favourably for the Company/Group which is why related provisions were reversed.

Movements in provisions of the Company/Group

in EUR 000	Balance as of 1/1/2014	Newly created provisions	Disbursement of provisions	Reversed provisions	Balance as of 31/12/2014
Provisions for denationalisation	75,313	4,876	4,319	0	75,870
Provisions for onerous contracts	252	1	0	42	211
Provisions for jubilee premiums	25	21	5	0	41
Provisions for retirement benefits	147	26	0	0	173
Other provisions	149	4	0	0	153
Accrued costs and deferred revenues	4	0	4	0	0
Total	75,890	4,928	4,328	42	76,448

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

9.1.13 Long-term financial and operating liabilities

in EUR 000		Company		Group
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Loans obtained from banks	154,979	319,926	154,979	319,926
Pricipal for SOS2E bond	63,265	182,191	63,265	182,191
Interest rate swaps fair value	0	3,868	0	3,868
Total	218,244	505,985	218,244	505,985

Long-term debt is a recognised liability associated with the financing of own assets which must be settled in a period longer than a year. The liability must be settled in cash.

The Company's/Group's long-term financial liabilities include long-term debt securities issued and loans granted. The SOS2E bonds are delivered in order to settle the Company's/Group's liabilities arising from the compensation recognised in denationalisation proceedings.

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

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

in 000 EUR	Balance 1/1/2014	Acquisitions	Repayments	Transfer to/from short term liab.	Balance 31/12/2014
Loans obtained from banks	319,926	53	0	-165,000	154,979
Interest rate swap fair value	3,868	-2,180	0	-1,688	0
SOS2E bond	182,191	2,339	8,854	-112,411	63,265
Total	505,985	212	8,854	-279,099	218,244

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

The lending banks:

- SKB banka, d. d. EUR 50 million,
- Unicredit banka Slovenija, d. d. EUR 35 million,
- Banka Koper, d. d. EUR 30 million,

- BKS Bank AG EUR 20 million,
- Raiffeisen banka, d. d. EUR 15 million,
- Abanka Vipa, d. d. EUR 5 million.

All long-term loans will mature in 2016.

The interest rate for loans received ranged between 1.033% and 3.6% annually. Effective interest rates at the end of the year were:

- for EUR 25 million – 6M EURIBOR increased by an average mark-up of 224 basis points;
- for EUR 430 million – 3M EURIBOR increased by an average mark-up of 155 basis points;
- at the end of the year, the average mark-up, taking into account all loans, amounted to 158 basis points.

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

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

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

The company is licensed by the Ministry of Finance to purchase SOS2E bonds. These own bonds are accounted by the Company as a deduction item to the liabilities accounts. As of the balance sheet date, the long-term portion of own bonds totalled EUR 1,550,000

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

9.1.14 Short-term financial liabilities

in EUR 000		Company		Group
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Loans obtained from banks	299,933	150,000	299,933	150,000
Pricipal for SOS2E bond	131,543	126,001	131,543	126,001
Interest rate swap fair value	1,688	0	1,688	0
Total	433,164	276,001	433,164	276,001

Short-term debt includes those liabilities which must be settled not later than within a year. Financial debt includes short-term loans given pursuant to loan agreements as well as short-term securities. The matured long-term debt and the portion of long-term debt maturing within a year following the reporting date are also included in short-term debt. In 2015, the sum of EUR 300 million of loans given will mature in accordance with applicable agreements The negotiations for extending the maturity of loans given for approximately two years are in progress.

Lending banks:

- Abanka Vipa, d. d. EUR 70 million,
- SKB banka, d. d. EUR 70 million,
- NLB, d. d. EUR 50 million,
- Unicredit banka Slovenija, d. d. EUR 40 million,
- Raiffeisenbanka, d. d. EUR 40 million,
- Hypo Alpe-Adria-bank, d. d. EUR 20 million,
- Banka Celje, d. d. EUR 10 million.

Liabilities to banks arising from the interest rate swap in the amount of EUR 1,688,000 represent the estimated fair value of open contracts for hedging the interest risk at the end of the reporting period. Nine contracts were concluded regulating the interest rate swap with seven banks for a total nominal principal of EUR 300 million. The fixed interest rate fluctuates between 0.684 % do 1.4379 % p.a., whereas the three-month EURIBOR recalculated four times a year has been agreed as the floating interest rate. All contracts will terminate in 2015.

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

The Company has at its disposal SOS2E bonds; the short-term portion of the principle accounted for as an expense in the liability account, amounted to EUR 2,926,000, as of the balance sheet date. The interest rate for SOS2E bond is disclosed in Note 9.1.13.

Movements in short-term liabilities of the Company/Group

in 000 EUR	Balance 1/1/2014	Acquisitions	Repayments	Transfer to/from short term liab.	Balance 31/12/2014
Loans obtained from banks	150,000	0	5,000	154,933	299,933
Interest rate swap fair value	0	0	0	1,688	1,688
SOS2E bond	126,001	0	106,869	112,411	131,543
Total	276,001	0	111,869	269,032	433,164

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

9.1.15 Short-term operating liabilities

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

At the end of the reporting period, except for wages and salaries payables, there are no payables outstanding associated with related undertakings.

The liability for the purchase of a part of office building in the amount of EUR 4,124,000 sold by GIO, d.o.o., Ljubljana – in liquidation, to mature upon the fulfilment of special contractual provisions (the Seller must submit certified copies of the Land Register Entry Deletion Permit, a deletion of writ of execution and the release of other easements) represents a major sum included in trade payables.

There are no matured and outstanding liabilities.

in EUR 000		Company		Group
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Accounts payable	4,405	4,231	4,405	4,231
Advances received	4	7	4	7
Interest on loans obtained from banks	1,085	1,150	1,085	1,150
Interest for SOS2E bond	13,654	22,352	13,654	22,352
Employee payables	178	149	178	149
Payables related to state institutions	653	140	653	140
Other payables	10	10	10	10
Total	19,989	28,039	19,989	28,039

9.1.16 Short-term accrued costs and deferred revenues

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

in EUR 000		Company		Group
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Accrued expenses	178	116	178	116
Total	178	116	178	116

9.1.17 Operating income

The costs incurred with the sale of capital assets of the State held in Aerordrom, d.d. were reimbursed by the Ministry of Finance, together with a partial sum of the costs incurred with the management of capital assets of the Republic of Slovenia.

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

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

In 2014, the operating income amounted to 7.6% of all income that was generated by the Company. All sales revenues are generated in the domestic market.

in EUR 000	Company		Group	
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Income from the sale of products and services	4,014	156	4,014	156
rental income	245	377	245	377
Total net sales revenue	*4,259*	*533*	*4,259*	*533*
Income from the use and reversal of other long-term provisions	41	60	41	60
Income for denationalisation purposes	2,531	2,853	2,531	2,853
Revaluation operating income	19	393	19	393
Other operating income	*2,591*	*3,306*	*2,591*	*3,306*
Total	6,850	3,839	6,850	3,839

9.1.18 Costs of goods, material and services

in EUR 000	Company		Group	
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Costs of energy	38	49	38	49
Office equipment write-off	4	5	4	5
Costs of office equipment	15	21	15	21
Other costs of material	31	30	31	30
Total	*88*	*105*	*88*	*105*
Costs of telecomunication services, etc	79	85	79	85
Maintenance costs	135	143	135	143
Rents	81	115	81	115
Reimbursement of employee-related costs	62	41	62	41
Costs of payement transactions, banking services, and insurance premiums	132	170	132	170
Costs of inntellectual and personal services	3,284	405	3,284	405
Costs of trade fairs, advertising and representation expenses	4	4	4	4
Costs of services rendered by individuals not in the capacity of sole traders	202	257	202	257
Costs of other services	352	436	352	436
Total	*4,331*	*1,656*	*4,331*	*1,656*
Total	4,419	1,761	4,419	1,761

Costs of intellectual services include the costs of attorneys-at-law, notaries, auditors, appraisers of enterprises, appraisers specialised in denationalisation issues, and similar. The highest share of costs is connected with the sale of capital assets of the Republic of Slovenia.

Maintenance costs include the maintenance of software and business premises.

The contractual amount for the auditing of the financial statements of the Company and Group for 2014 amounted to EUR 21,900, excluding VAT. The amount of EUR 116 (VAT inclusive) was transferred to Deloitte Revizija, d.o.o., for the provision of training services, and the sum of EUR 586 (VAT inclusive) was transferred to the related undertaking Deloitte, d. o. o..

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

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

9.1.19 Labour costs

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

As of 31 December 2014, there are no outstanding payables related to labour costs.

in EUR 000		**Company**		**Group**
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Salaries and wages	2,837	3,001	2,837	3,001
Costs of pension insurance	248	257	248	257
Costs of voluntary supplementary pension insurance	89	93	89	93
Costs of social insurance	207	235	207	235
Annual leave allowance, reimbursements and other earnings	195	285	195	285
Provisions for jubilee premiums	21	0	21	0
Provisions for retirement benefit	20	0	20	0
Total	3,617	3,871	3,617	3,871

9.1.20 Depreciation

in EUR 000		**Company**		**Group**
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Depreciation of intangible fixed assets	27	16	27	16
Depreciation of buildings	55	90	55	90
Depreciation of investment property	126	150	126	150
Depreciation of equipment and spare parts	69	54	69	54
Depreciation of office equipment	1	1	1	1
Total	278	311	278	311

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

9.1.21 Costs of long-term provision formation

in EUR 000		Company		Group
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Provisions for denationalisation	4,875	11,549	4,875	11,549
Provisions for litigations costs	5	4	5	4
Total	4,880	11,553	4,880	11,553

During the regular annual review of claims related to denationalisation and thus related volume of provisions to be created, it was concluded, that this particular amount must be increased. A reason for such a decision lies in the receipt of new claims unknown to the Company by the date of the development of the present Annual Report. The cost of long-term provision formation also includes interest referring to run-off year. See Note 9.1.12.

9.1.22 Amounts written-off

in EUR 000		Company		Group
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Revaluation of operating expenses related to intangible and tangible fixed assets	1,133	757	1,133	757
Revaluaion of operating expenses related to short-term assets, excluding fin. investments	2	7	2	7
Total	1,135	764	1,135	764

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

Revaluation of operating expenses related to short-term assets represents impairments of operating receivables.

9.1.23 Other operating expenses

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

in EUR 000		Company		Group
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Denationalisation expenses	15	369	15	369
Charge for the use of construction land	22	20	22	20
Contribution for the employment of people with disabilities	6	7	6	7
Total	43	396	43	396

9.1.24 Net profit or loss

in EUR 000	Company		Group	
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Financial income from shareholdings and bonds	75,459	36,145	75,459	36,145
Financial income from loans given	7,618	12,675	7,618	12,675
Total financial income	*83,077*	*48,820*	*83,077*	*48,820*
Financial expenses for the write-offs and impairments of financial investments	498	58,439	385	53,183
Financial expenses for financial liabilities	26,772	32,469	26,772	32,469
Total financial expenses	*27,270*	*90,908*	*27,157*	*85,652*
Net profit or loss	55,807	-42,088	55,920	-36,832

Financial income from shareholdings and bonds

in EUR 000	Company		Group	
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Dividend income paid by companies	22,862	19,200	22,862	19,200
Dividend income paid by banks and insurance companies	11,967	12,762	11,967	12,762
Dividend income paid by mutual funds	137	191	137	191
Profit from the sale of mutual funds	688	1,551	688	1,551
Profit from the sale of shares in companies	38,086	1,230	38,086	1,230
Proceeds for the reversal of bond impairment	790	39	790	39
Proceeds from the sale of bonds	445	613	445	613
Interest income from bonds	484	559	484	559
Total	75,459	36,145	75,459	36,145

Financial income from loans given

in EUR 000	Company		Group	
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Income from loans given – interest	2,664	5,390	2,664	5,390
Other interest related income	9	33	9	33
Profit obtained with derivatives	2,180	3,062	2,180	3,062
Other financial income	2,765	4,190	2,765	4,190
Total	7,618	12,675	7,618	12,675

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

in EUR 000	Company		Group	
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Expenses for impairment of available for sale financial investments	279	15,448	166	10,192
Expenses related to sale of bonds	106	338	106	338
Expenses related to sale of mutual funds	106	203	106	203
Expenses for sale of sahres in banks and subord.in	0	42,450	0	42,450
Expenses related to sale of other fin.instruments	7	0	7	0
Total	498	58,439	385	53,183

Financial expenses for financial liabilities

in EUR 000	Company		Group	
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
SOS2E bond interest expense	15,280	21,265	15,280	21,265
Inrterest expense for loans received	11,486	11,203	11,486	11,203
Loss of derivatives	6	0	6	0
Expense for operating liabilities - interest	0	1	0	1
Total	26,772	32,469	26,772	32,469

On the basis of contracts and interest swap transactions, the net expenses of EUR 2,979,000 was realised by the Company/Group, while EUR 2,179,000 was gained in 2014 by the revaluation of a derivative to the fair value.

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

in EUR 000	Company	
	1 - 12 / 2014	*1 - 12 / 2013*
Financial income in connection with subsidiaries	4,492	*0*
Financial income in relation with associates	11,967	13,992
Financial income in connection with associates	-115	0
Financial expenses in relation with associates	-113	-5,156
Net financial profit or loss	16,231	8,836

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

9.1.25 Participation in profit/loss in associates

in EUR 000	Group	
	1 - 12 / 2014	*1 - 12 / 2013*
Financial income in relation with associates	61,970	34,999
Financial expenses in relation with associates	-22,690	-13,947
Net financial profit or loss	39,280	21,052

As of 31 December 2014, the SSH Group held in its ownership 6,386,644 of shares in **Zavarovalnica Triglav**, which amounted to the 28.09% ownership stake. Pursuant to the provisions of ZSDH-1, the Company acquired against payment 5,916 shares from D.S:U., d.o.o., Ljubljana. In 2014, the Company/Group had no management rights. In 2014, a profit of EUR 85,682,000 was generated by the Zavarovalnica Triglav Group, distributing dividends in the amount of EUR 38,593,000 so that a net financial income in the proportional amount of EUR 13,222,000 was recognised by the SSH Group. On the basis of other changes in equity, the revaluation surplus was increased by EUR 14,140,000, and the retained profit or loss was increased by EUR 210,000. Due to the revaluation of the investment in Zavarovalnica Triglav shares (in previous years, the value established by using the equity method was higher than the fair value), in 2015 the Group recorded a financial income in the amount of EUR 1,919,000 recognised as a difference from the market value.

As of 31 December 2014, the SSH Group held in its ownership 4,304,917 shares of **Pozavarovalnica Sava**, representing a 25% ownership stake. In 2014, a profit of EUR 30,538,000 was generated by the Pozavarovalnica Sava Group, distributing dividends in the amount of EUR 4,387,000 so that a net financial income in the proportional amount of EUR

6,515,000 was recognised by the SSH Group. On the basis of other changes in equity, the revaluation surplus was increased by EUR 2,677,000, and the retained profit or loss was decreased by EUR 1,335,000.Owing to the revaluation of the investment in the shares of Pozavarovalnica Sava (in previous years, the value established by using the equity method was higher than the fair value), the Group recorded a financial income in the amount of EUR 24,987,000. The market value of investment into Pozavarovalnica Sava shares was higher by EUR 910, 000 from the values established by using the equity consolidation method.

At the end of 2013, the SSH Group held in its ownership 410,271 shares of **PDP, d. d.**, representing a 20.49% equity interest. Pursuant to the provisions of ZSDH-1, in August 2014, the Company acquired against payment 269,693 PDP shares from D.S:U., d.o.o., so that the SSH share increased to 33.96%. Since the consolidated financial statements for 2013 did not include the data referring to PDP Group but only to PDP, d.o.o., adjustments are taken into account in this Report. Arising from the above mentioned adjustment, the investment is decreased through the retained profit or loss by EUR 2,319,000. In 2014, the PDP Group generated profit in the amount of EUR 9,892,000; as a result, the SSH Group recorded financial income in the amount of EUR 3,359,000. On the basis of other changes in equity, the revaluation surplus was increased by EUR 59,000, and the retained profit or loss was decreased by EUR 727,000.Owing to ownership changes, the SSH Group increased the retained profit or loss by EUR 2,755,000. Since the fair value of the investment is lower than the value established by the equity method, the impairment in the amount of EUR 6,694, 000 was recorded by SSH.

As of 31 December 2014, the SSH Group held in its ownership 1,357,727 shares of **Hit, d.d.**, representing a 20% ownership shareholding. In 2014, a loss of EUR 7,382,000 was generated by the Hit Group, leading to net financial expenses in the proportional amount of EUR 1,476,000 being recognised by the SSH Group. On the basis of other changes in equity, the revaluation surplus was decreased by EUR 145,000, and the retained profit or loss was increased by EUR 957,000.

As of 31 December 2013, the SSH Group held in its ownership a 41.23% shareholding in **GIO, d. o. o., Ljubljana – in liquidation**. Pursuant to the provisions of ZSDH-1, at the end of October 2014, the Company acquired a 30.04% shareholding of GIO, d.o.o. – in liquidation from D.S:U., d.o.o., so that the SSH share increased to 71.27 %. As a result, the above mentioned company was reclassified as subsidiary. The exclusion from associates represents financial expense in the amount of EUR 2,505,000.

As of 31 December 2014, the SSH Group also held in its ownership 707,620 shares of **Casino Bled, d. d.**, representing a 43 % ownership stake. In 2014, a loss in the amount of EUR 261,000 was generated by Casino Bled, d.d., thus turning its capital into a negative capital. On this basis, the net financial expense was recorded by the SSH Group in the proportional share of - EUR 47,000, thus making the value of the investment equal to 0.

9.1.26 Other income and expense

in EUR 000	Company		Group	
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Compensation and penalties received	48	2	48	2
Total	48	2	48	2

9.1.27 Taxes

Current and deferred taxes

in EUR 000	Company		Group	
	1 - 12 / 2014	*1 - 12 / 2013*	*1 - 12 / 2014*	*1 - 12 / 2013*
Current income tax	0	0	0	0
Deferred tax	10,034	8,482	10,034	8,482
Total	10,034	8,482	10,034	8,482

Calculation of the effective tax rate

in EUR 000	Company		Group	
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Profit before tax	48,333	-56,903	48,333	-56,903
Anticipated income tax expense 17%	8,217	0	8,217	0
Adjustment of income	-44,576	-32,822	-44,576	-32,822
Adjustment of expenses	-6,389	-62,408	-6,389	-62,408
Tax relief	0	0	0	0
Other adjustments	2,188	1,638	2,188	1,638
Income tax	0	0	0	0
Effective tax rate	0	0	0	0

Movement in tax losses

in EUR 000	Company		Group	
	2014	*2013*	*2014*	*2013*
Opening balance of unused tax losses	855,742	705,246	855,742	705,246
Increases during the year	444	150,496	444	150,496
Disbursement during the year	0	0	0	0
Closing balance of unused tax losses	856,186	855,742	856,186	855,742

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

Balance of long-term deferred tax assets and liabilities

in EUR 000	Company		Group	
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Long-term deferred tax assets	53,545	43,511	53,545	43,511
Long-term deferred tax liabilities	53,545	43,511	53,545	43,511
Net long-term deferred tax liabilities	0	0	0	0

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

The Company/Group holds the following deferred tax assets:

- impairment of financial investments and receivables EUR 10.34 million,
- provisions not being fully recognised for tax purposes upon their formation EUR 0.02 million,
- unused tax losses EUR 145.55 million.

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

Movement in long-term deferred tax liabilities

in EUR 000		Company		Group
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Deferred tax liabilities as of 1 January	43,511	35,029	43,511	35,029
Transfer to profit or loss	-2,270	-164	-2,270	-164
Change due to changes in taxable base	12,304	8,646	12,304	8,646
Balance as of 31 December	53,545	43,511	53,545	43,511

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

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

in €000	Revaluation of financial investments	Impairment of short-term operating receivables	Provisions	Unused tax losses	Total
Balance of deferred tax assets as of 1 January 2014	9,979	916	21	32,595	43,511
Used in 2014	-823	0	0	0	-823
Newly created in 2014	270	0	0	75	345
Exclusions in 2014	0	0	-3	0	-3
Adjustment with tax liability	0	0	0	10,515	10,515
Total changes in profit and loss statement	*-553*	*0*	*-3*	*10,590*	10,034
Total changes in statement of financial position	*0*	*0*	*0*	*0*	*0*
Balance as of 31 Dec 2014	9,426	916	18	43,185	53,545

9.1.28 Net earnings per share

in EUR 000		Company		Group
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Profit/loss of majority owners	58,367	-48,421	97,760	-22,113
Number of issued shares	36,046	36,046	36,046	36,046
Weighted number of shares	36,046	36,046	36,046	36,046
Net loss / profit per share	1.62	-1.34	2.71	-0.61

9.1.29 Dividends per share

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

9.1.30 Note to the Cash Flow Statement

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

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

Cash flows in 2014 based on the execution of the following acts: ZSPOZ, ZIOOZP and ZVVJTO

in EUR 000				
	ZSPOZ	*ZIOOZP*	*ZVVJTO*	*Total*
Payments to beneficiaries	1,971	9,696	299	11,966
Receipts from the Republic of Slovenia - Current payments	1,745	9,660	206	11,611
Received from the Republic of Slovenia - Contract debt	24,424	11,761	32,875	69,060
Net financial effect	24,198	11,725	32,782	68,705

9.1.31 Business combinations

There were no business combinations taking place within the Group in 2014 and 2013.

9.2 FINANCIAL RISK MANAGEMENT OF THE COMPANY/GROUP

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

9.2.1 Credit risk

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

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

There are risks related to other issuers of debt securities since the deep financial and economic crisis has resulted in deferred payment or non-payment of a regular coupon on the part of some issuers. The following measures are taken by the Company/Group to minimize these risks:
- verification of the credit ratings of the issuers of securities;
- dispersion of deposits between various banks by using their size as a criterion.

9.2.2 Interest rate volatility risk

Interest rate risk is the risk that the value of interest sensitive assets will change due to a change in market interest rates, as well as the risk that financially sensitive assets and financially sensitive liabilities will mature on different dates and in different amounts. The Group/Company is exposed to interest rate risk particularly with its liabilities. When depositing assets, a fixed interest rate is usually applied and only a minor part of debt securities is subject to a variable interest rate. Almost 70% of financial liabilities bear an interest rate that is linked to Euribor. A fixed interest rate is applied to other liabilities. Changes in the market interest rates do not affect the Company/Group's liabilities in relation to SOS2E bonds which represent 30% of the Company/Group's financial liabilities since these bonds are subject to an agreed fixed interest rate of 6% (compounded interest rate calculation).

It has been assessed that a change in interest rate for loans bearing a floating interest rate (3-month Euribor + a fixed mark-up) will have a moderate impact on the financial statements of the Company/Group. The calculation shows that with an increase in the interest rate:
- by 0.5%, the interest expense will increase by EUR 2.27 million per year;
- by 1.0 %, the interest expense will increase by EUR 4.55 million per year;
- by 1.5 %, the interest expense will increase by EUR 6.83 million per year.

In 2014, the key Central Bank interest rates were exceptionally low and a gradual increase is expected in the long-term which will consequently lead to an increase in the reference interest rates (for example, Euribor). A derivative – interest rate swap – is used by the Company/Group for hedging against the change in the interest rate, having loans in the value of EUR 300 million being hedged by using this derivative. All contracts will terminate in June 2015. The partners involved in these contracts are Slovenian banks, and it was assessed in this regard that non-observance of contractual obligations poses no risk to the Company/Group.

Effect of interest rate swaps

in EUR 000		**Company**		**Group**
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
Unrealized loss/gain of interest raze swaps	2,179	3,062	2,179	3,062
Realized loss of interest rate swaps	-2,979	-3,011	-2,979	-3,011
Total interest rate swap effect	-800	51	-800	51

9.2.3 Currency risk

The introduction of the Euro as a national currency significantly reduced the currency risk. Considering the fact that the majority of financial instruments is linked to the Euro, the currency risk was negligible for the Company/Group in 2014. Only EUR 3.6 million of the investments of the Company/Group are denominated in foreign currencies which represents only 0.3% of all assets.

9.2.4 Liquidity risk

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

In the last quarter of 2014, negotiations with the commercial banks were initiated aiming at extending the maturity dates of those long-term loans falling due for payment in 2015. In accordance with the provisions of the Act on financial operations, insolvency proceedings and compulsory dissolution, particularly in regard to the short-term and long-term financial capacity and solvency of the Company/Group, it was assessed that the Company/Group is solvent and not threatened by insolvency. Detailed findings are presented in section 1.1.9. in the Business Report.

Liquidity ratios

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

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

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

	in EUR 000	in EUR 000	in %	in %
	31/12/2014	*31/12/2013*	*31/12/2014*	*31/12/2013*
direct coverage of short-term liabilities				
liquid assets	96,991	109,892	21.40	36.14
short-term liabilities	453,153	304,040		
quick coverage of short-term liabilities				
liquid assets + short-term receivables	230,766	193,683	50.90	63.68
short-term liabilities	453,331	304,156		

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

Maturity of assets and liabilities

	Call deposits and highly liquid assets	Maturing in 1-6 month period	Maturing in 6-12 month period	Maturing in 1-3 year period	Maturing in a period after 3 years
Assets	37,465	143,008	78,430	68,636	707,117
Deposits and cash	9,300	41,800	43,000	0	0
Bonds	0	0	2,891	384	1,924
Mutual funds	23,500	0	0	0	0
Foreign shares	4,665	0	0	0	0
Shares and shareholdings in domesti	0	62,455	0	0	705,193
Operating receivables	0	38,753	32,539	68,252	0
Liabilities	0	76,452	379,025	266,280	8,397
Loan repayments	0	0	300,000	155,000	0
Bonds handed-over	0	76,452	79,025	111,280	8,397
Difference	37,465	66,556	-300,595	-197,644	698,720
Cumulative surplus/deficit	37,465	104,021	-196,574	-394,218	304,502

The coverage of deficit is explained in item 4.7.3. The Ministry of Finance had already granted its consent to initiate the procedure for re-financing the existing indebtedness.

9.2.5 Market risk

Domestic marketable shares of the Company/Group as of 31 December 2014

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

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

	Turnover ratio * in 2014
Krka, d. d.	7.51%
Zavarovalnica Triglav, d. d.	8.35%
Petrol, d. d.	8.37%
Sava RE, d. d.	10.24%
Prime market	7.36%
Standard market	37.37%

Note:* A ratio between the yearly turnover and an average market capitalisation base on values as of 31 December, before 6 and before 12 months)
Source:Monthly and Annual Statistics LJSE, 2014

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

It has been assessed that the risk exposure related to changes in market prices of shares is extremely high. The average duration of liabilities held on the passive side of the balance sheet is 10 months, whereas three quarters of the assets on the active side include shares in domestic companies. The largest three individual investments of the Company/Group represent approximately 79% of all long-term financial investments (shares of Cinkarna Celje, Telekom and Žito are not included in this group since they are recorded in the disposal group recorded among current assets). The fact is that this risk is high also due to a low dispersion of investments since the majority of investments are traded on the domestic capital market.

Sensitivity of equity financial investments against changes in market prices

Type of equity investment	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
in EUR 000	31/12/2014	15%	20%	-15%	-20%
Krka, d. d., Novo Mesto	316,599	47,490	63,320	-47,490	-63,320
Zavarovalnica Triglav, d. d.	117,011	17,552	23,402	-17,552	-23,402
Petrol, d. d.	150,725	22,609	30,145	-22,609	-30,145
Other marketable domestic	168,155	25,223	33,631	-25,223	-33,631
Non-mark.shares and domestic sharehold.	15,159	2,274	3,032	-2,274	-3,032
Foreign shares	4,665	700	933	-700	-933
Mutual funds	23,500	3,525	4,700	-3,525	-4,700
Total	795,814	119,372	159,163	-119,372	-159,163

9.3 TRANSACTIONS WITH RELATED ENTITIES

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

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

In 2014, no transactions were concluded by the Company which might result in harmful consequences for the operation of related parties.

9.3.1 Subsidiaries and associates

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

In 2014, no mandatory instruction in the capacity of a controlling company was given by the Management Board of the Company. Neither was there any legal transaction concluded by and between the controlling company and related parties, as a result of any mandatory instruction.

The Company hereby declares that the controlling company has not used its influence by forcing its related entities to carry out any legal transaction which is a detriment to them or to do anything which is to their detriment. In addition to capital-related connections, business cooperation with associates mainly refers to insurance transactions.

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

All payments received by the management personnel and members of Supervisory Board and its committees refer to the reporting period

Payments to the leadership in the period from 1 January 2014 to 31 December 2014

in EUR			
	Kuntarič Tomaž*	Pirc Matej	Runjak Matej
Fixed earnings	32,686	127,118	118,293
Variable earnings	0	0	0
Other earnings (bonuses, company car)	0	6,386	6,831
Other bonuses (liability insurance, collective acciden.insurance)	54	204	204
Holiday pay	0	0	0
Reimbursement of costs (meals, transportation)	548	1,332	1,248
Severance pay	58	722	11,121
Voluntary suppl.pension insurance	705	2,819	2,819

*Payments refer to the January – March period as on 31 March 2014, Mr Kuntarič terminated the employment relationship.
** Most reimbursements of travel costs and daily allowances refer to the participation at investment conferences.

Labour costs in 2014 per employee who are not members of the Management board but are employed on the basis of individual employment contract:

- wages and salaries (fixed earnings): EUR 163,030;
- reimbursement of costs (meals, transportation cost): EUR 2,984;
- bonuses: EUR 965, and
- voluntary supplementary pension insurance premium: EUR 4,927.

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

Members of the Management Board represented the interest of capital contributors by participating in Supervisory Boards of the following non/related entities:

- Mr. Matej Pirc in Gen Energija, d.o.o.,
- Mr. Matej Runjak in Zavarovalnica Triglav, d.d.,
- Mr. Tomaž Kuntarič in Petrol, d. d., and PDP, d. d. (up until 23 May 2014).

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

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

Earnings of Members of the Supervisory Board in 2014

in EUR	Payement for the execution of the function	Gross metting fee	Bonuses	Travel expenses	Total
Cesar Nives	10,300	3,465	35	0	13,800
Dobnikar Roman	10,300	3,190	35	270	13,795
Gorišek Pavel	10,300	3,740	23	0	14,063
Lozej Samo	15,450	3,740	35	0	19,225
Razvornik Škofič Simona	10,300	3,465	23	0	13,788
Seničar Stanislav	11,330	3,465	35	1,204	16,034
Škof Miran	10,300	3,740	23	0	14,063
Total	78,280	24,805	209	1,474	104,768

Earnings of Members of the Supervisory Board representing employees

in EUR	Gorišek Pavle	Razvornik Škofič Simona	Škof Miran
Fixed earnings	38,608	45,379	43,803
Variable earnings	0	0	0
Other bonuses (liability insurance, collective acciden.insurance)	23	104	104
Holiday pay	789	789	789
Reimbursement of costs (meals, transportation)	1,730	2,406	2,693
Reimbursement of costs (travel expenses, daily	545	198	0
Voluntary suppl.pension insurance	1,139	1,308	1,204

Earnings of Members of the Supervisory Board's Audit Committee in 2014

in EUR	Payement for the execution of the function	Gross metting fee	Bonuses	Travel expenses	Total
Bajuk Mušič Andreja	2,575	880	0	0	3,455
Cesar Nives	5,150	880	0	0	6,030
Škof Miran	2,575	880	0	0	3,455
Total	10,300	2,640	0	0	12,940

Earnings of Members of the Supervisory Board's Risk Committee in 2014

v EUR	Payement for the execution of the function	Gross metting fee	Bonuses	Travel expenses	Total
Cesar Nives	0	880	0	0	880
Mlakar Petra	1,530	660	0	0	2,190
Seničar Stanislav	3,533	880	0	0	4,413
Total	5,063	2,420	0	0	7,483

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

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

The Company also transacts business with other companies, authorities and agencies in which the Republic of Slovenia is the majority or minority shareholder. All transactions with the above mentioned entities are concluded at arm's length. Since no significant amounts are involved, these pieces of data are not disclosed. In terms of their content, 74% of income associated with D.S.U., is income generated by the rental activities.

in EUR 000	Receivables	Income
	31/12/2014	*1 - 12 / 2014*
Ministry of Finance	137,440	5,721
Ministry of Agriculture and the Environment	0	15,000
Farmland and forest Fund of RS	320	2,248
D.S.U.	12	331
Total	137,772	23,300

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

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

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

9.5 OPERATING SEGMENTS

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

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

Upon the abolition of the Capital Assets Management Agency of the Republic of Slovenia, the Company/Group has taken over its duties as well as employees; however, no income is generated by carrying out this activity. One portion of costs incurred with the management of capital assets are reimbursed to the Company/SSH Group by the Ministry of Finance.

It has been assessed that requirements for reporting on operating segments as laid down by IFRS 8 have not been met. As a result, the Segment Reporting was not developed (operating income amounts only to 7.6 % of all income; the Company/Group does not sell its services/goods/material to outside customers, the subsidiary is not consolidated by the Company/Group since it is irrelevant for the presentation).

9.6 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In addition to future liabilities for which provisions have been recognized by the Company/Group due to the fact that conditions had been met for their recognition, the Company/Group also has formed contingent liabilities arising from denationalisation in the amount of EUR 50,701,000. Administrative units and ministries are known to have additional requests for compensation according to ZDen that have not yet been communicated to the Group. The value of these liabilities has therefore been determined by means of an assessment.

Blank bills of exchange (the total amount of EUR 345 million) were submitted by the Company/Group to the majority of banks as a security for the repayment of long-term loans secured by the guarantee issued by the Republic of Slovenia.

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

The Company holds the following contingent assets:

- receivables due from buyers of socially-owned and nationalised housing units (EUR 86k), and
- insurance of a receivable – a lien established to the benefit of the Company (EUR 875k), and
- receivable transferred from the liquidation of Tovarna dušika Ruše (lawsuit) in the amount of EUR 428,000.

9.7 POST-BALANCE SHEET EVENTS

1. In January 2015, Mr Urh Bahovec took up the mandate of a Chief Compliance Officer.

2. On 20 January 2015, the proceeds from the sale of 1,322,037 PDP shares in the amount of EUR 5,705,000 were transferred to KAD, d.d.. The purchase was carried out pursuant to the provisions of ZSDH-1- On 23 March 2015, a contract was signed on the merger with acquisition with SSH in the capacity of the acquiring company, and PDP, d.d., in the capacity of the acquired company.

3. On 27 January 2015, the Ministry of Finance of the Republic of Slovenia granted its consent for the initiation of a procedure related to the long-term debt for loan re-financing to mature in 2015 and 2016, in the total amount of EUR 455,000,000.

4. On 18 February 2015, the proceeds from the sale of 50 KDD shares were transferred to D.S.U., in the amount of EUR 1,300,000. The purchase was implemented on the basis of the provisions of ZSDH-1.

5. In February, 415,585 of own SOS2E bonds were sold at market value by SSH.

6. In the first three months, (on the basis of market values as of 31 December 2014) EUR 8.5 million from EUR 23.5 million of investments in mutual funds was sold by SSH. Of this amount, EUR 2.1 million was re-invested into the UCITS units of the mutual funds.

7. On 1 April 2015, for the period of four (4) years, Mrs Maja Fesel Kamenik, Mrs Jagoda Vitez and Mr Luka Gaberščik were appointed new members of the SSH's Personnel Committee by the SSH Management Board.

8. SDH On 20 April 2015 the Contract on the Sale of 25,592 shares (10 %) of ČZP Večer, d. d., was signed by and between SSH and Dober Večer, d. o. o., Murska Sobota.

9. On 21 April 2015, the Contract on the Sale of 43,636 shares (12.26 %) of Žito, d. d., was signed by and between SSH and Podravka, d. d..

Matej Runjak	Matej Pirc
Member of Management Board	President of Management Board

Ljubljana, 24 April 2015

SLOVENIAN SOVEREIGN HOLDING –
COMPANY AND GROUP

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