SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

SLOVENSKA ODŠKODNINSKA DRUŽBA
COMPANY AND GROUP

UNCONSOLIDATED and CONSOLIDATED ANNUAL REPORT

FOR THE YEAR THAT ENDED ON 31 DECEMBER 2012

INTRODUCTION

The business report of the Slovenska odškodninska družba, d.d. company (hereinafter: SOD, d.d., or the Company – depending on the context) and Slovenska odškodninska družba Group (hereinafter referred to as the Group) was drafted on 31 December 2012. It includes events which are related to the Slovenska odškodninska družba Company and Group, and took place throughout the year of 2012.

The business report of the Slovenska odškodninska družba Company and Group for 2012 includes a fair presentation of the development of the corporate performance and results and its financial position, including a specification of the principal types of risk which the Company and other companies included in the consolidation are exposed to as a whole. Financial statements, together with the notes to the financial statements, have been prepared on the assumption of a going concern and in accordance with the valid legislation and International Financial Reporting Standards adopted by the EU. Also, appropriate accounting policies were consistently applied and accounting estimates were made on the principle of care and due diligence.

On the basis of the Slovenia Sovereign Holding Act (ZSDH), the Company took over the activities on 28 December 2012 that had been carried out by this Agency up to the abolition of the Capital Assets Management Agency of the Republic of Slovenia (hereinafter referred to as AUKN RS or Agency), and also the then employees at the Agency.

The annual report of AUKN RS for 2012 will be drafted and published in May 2013, and it will include a summary of all important events with regard to capital investments that were managed by the Agency in 2012 (up to 27 December 2012).

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SLOVENSKA ODŠKODNINSKA DRUŽBA COMPANY AND GROUP

BUSINESS REPORT

FOR THE YEAR THAT ENDED ON 31 DECEMBER 2012

1. SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

1.1. COMPANY DETAILS for 2012

Company name:	Slovenska odškodninska družba d.d., Ljubljana
Registered office:	Mala ulica 5, 1000 Ljubljana, Slovenia
Activity code:	K 64.990
VAT Reg. no:	SI 46130373
Registration no:	5727847
Company management in 2012:	Tomaž Kuntarič, MSc, President of the Management Board (up to 6 February 2013), Matjaž Jauk, Member of the Management Board (up to 6 February 2013), Krešo Šavrič, Member of the Management Board (up to 6 February 2013).
Number of employees as of 31 December 2012:	71
Registered legal form:	public limited company registered with the District Court of Ljubljana, reg. no. 1/21883/00
Date of incorporation:	19 February 1993
Share capital:	€60,166,917.04
Members of the Supervisory Board up to 21 December 2012:	Mr Uroš Rotnik, PhD, President, Mr Aleksander Mervar, Deputy President, Igor Janez Zajec, MA, member, Mr Stane Seničar, member, Mr Bojan Dejak, member, Mr Tomaž Babič, member, Mr Pavel Gorišek, member.
Members of the Audit Committee up to 21 December 2012:	Bojan Dejak, President, Igor Janez Zajec, MA, member, Tomaž Babič, member, Andreja Bajuk Mušič, external member
Members of the Supervisory Board from 21 December 2012:	Mr Andrej Cunder, President, Ms Nuša Ferenčič, Vice President, Mr Zlatko Alibegovič, member, Mr Andrej Pristovnik, member, Mr Pavle Gorišek, member, Mr Igor Maher, member, Mr Stane Seničar, member.

SOD, d.d., in figures

€1,132.6 million	in assets as of 31 December 2012
62%	of the Company's total assets placed as equity investments
€267.1 million	value of claims to the Republic of Slovenia
€102.8 million	of the Company's total capital as of 31 December 2012
39	active capital investments in Slovenia as of 31 December 2012
5	disposed capital investments in 2012 against payment
€51.9 million	inflows from capital investments in 2012
16,762,681	SOS2E bonds delivered before 31 December 2012
€129.5 million	of settled liabilities arising from denationalisation in 2012
€10.6 million	of cash outflows arising from settled compensations on behalf and for the account of the Republic of Slovenia in 2012
€4.3 million	net profit or loss of the Company in 2012

1.1.1. Slovenska odškodninska družba, d.d., profile

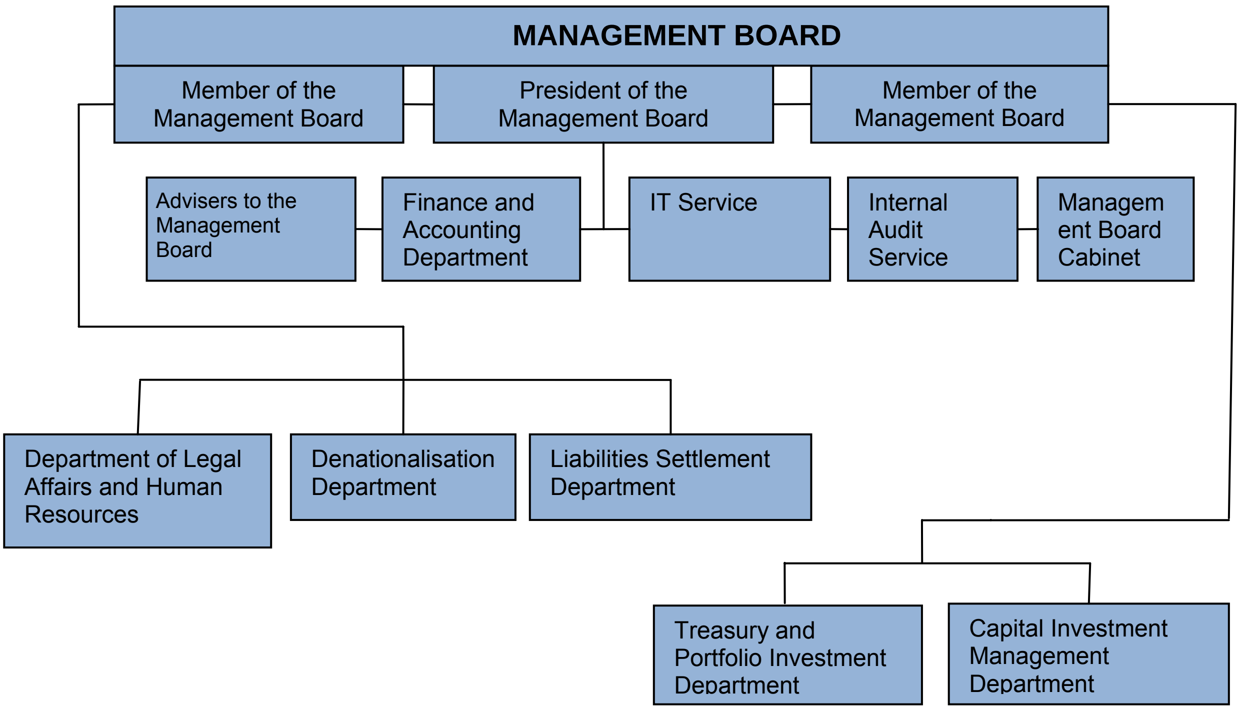
The Company was set up as a public limited company, whose sole founder and shareholder is the Republic of Slovenia. The company's head office is at Mala ulica 5, Ljubljana.

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

Up to its abolishment on 27 December 2012, the role of the Company's General Assembly was carried out by AUKN RS and afterwards taken over by the Republic of Slovenia.

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

1.1.2. Organizational structure of the Company in 2012



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

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

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

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

Activities of Slovenska odškodninska družba, d.d., in 2012

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.			
Denationalisation	Obligation settlement	Asset management	Implementation of ZLPZ-1
Collaboration in procedures about establishing a compensation for confiscated property and obligation settlement on behalf and for the account of the Company	Obligation settlement under the Act Establishing the Fund for the Payment of Compensation to the Victims of War and Postwar Aggression, Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to Abrogation of the Penalty of Confiscation of Property and Return of Investments in the Public Telecommunications Network Act on behalf and for the account of the Republic of Slovenia	Management of capital and debt investments and risk management	Implementation of the Ownership Transformation of Insurance Companies Act

1.1.4. Objectives and future development

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

- to gain sufficient assets to meet all the legal and contractual liabilities of the Company,
- to effectively manage assets owned and/or managed by the Company, to maximize yield from investments,
- to maximize the value of Company's assets and carry out asset management pursuant to the long-term and short-term needs of the Company concerning cash, which must be carried out subject to the statutory limitations,
- to manage investments owned by the Republic of Slovenia in a way which ensures the fulfillment of public needs, as well as the realization of economic and development objectives of the Republic of Slovenia,

- to form the debt structure of the Company in an optimum manner with the objective to take into consideration all financial risks during the provision of liquidity for settling the Company's obligations,
- to monitor the corporate performance of the companies whose stock is part of the portfolio of the Company or managed by it, and to provide an optimum policy for managing shares,
- to consistently and accurately establish the amount of compensation in the form of bonds that beneficiaries are entitled to based on the Denationalisation Act and on other acts regulating the restitution of nationalised property, as well as to enforce the final decisions issued in procedures governing the denationalisation of property in a timely manner,
- to issue and enforce the decisions concerning the amount of compensation to all the beneficiaries under the title of compensation to the victims of war and postwar aggression,
- to enforce the final decisions regarding the fixation of the compensation amount under the title of compensation due to the abrogation of the penalty of confiscation of property, in a timely manner,
- to enforce written settlements and final decisions to the beneficiaries under the title of reimbursement of investments in the public telecommunications network in a timely manner,
- to strengthen the function of the management of the financial instruments of the Company with the aim of achieving an adequate level of safety, liquidity and yield, and thus establish the Company as a successful financial asset manager,
- to manage all types of costs,
- to manage all the risks related to the operations in an optimum manner,
- to continue the development of business and management processes, the delegation of authority and reporting system, the authorization and responsibility system, comprehensive human resource management, internal information of employees, management of documentation and communication with the public.

In accordance with ZSDH, one of the main objectives of the Company will be to achieve centralized ownership management of the Republic of Slovenia with the aim of achieving a stable ownership and sustainable maximization of profitability and value of those investments in order to achieve economic and development objectives as well as the objectives of public interest; a further objective will be to achieve a transparent system of capital investment management of the Republic of Slovenia with the optimization of management costs.

The Company will strive to improve its practice of corporate governance in a way to pursue long-term interests of companies. The overarching objective is that these companies should create value and, where applicable, comply with the societal interests, as well as to establish such an ownership structure which will provide effective management, competitiveness and successful development in the long term.

The long-term vision of the Company is to build a reputation as an informed, active, and model manager which conducts the best practice of corporative governance.

Notwithstanding that the Company was primarily established for the purpose of denationalisation, the duration of which depends on the duration of legal and judicial proceedings, it will develop quality of operations and operational functions as a going concern in the future as well, which was also imposed by the ZSDH from the end of 2012.The effective and quality control of all the processes within the Company hinges upon the modernization of various areas of its operations. The Company will strive to achieve the highest returns of equity and debt investments and debt investments in the future wherein safety and liquidity come first. The Company has been intensively acceding to the performance of sales activities of its capital investments throughout the entire time and the Company's Supervisory Board shall be regularly informed about the Company's operation itself in the future.

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

In 2012, no new employees joined the Company. However, on 28 December 2012, the company took over 23 employees that were previously employed at AUKN RS in accordance with the Slovenia Sovereign Holding Act. In 2012, there were six regular terminations of employment for business reasons. The company strives to shape an optimum staffing and educational structure of its employees. In addition to its employment policy, it is also induced to do so by the system of remuneration and career advancement and the possibility of on-the-job training.

Education structure of Slovenska odškodninska družba, d.d., employees as of 31 December 2012

	Number of employees as of 31 December 2012			Average number of employees in 2012 *		
Education level:	SOD	AUKN (4 days)	total SOD, d.d.	SOD	AUKN (December 2012)	total SOD, d.d.
Secondary education V	3	2	5	3.75	0.17	3.92
Higher education first tier diploma VI/1	9	0	9	9.00	0.00	9.00
Higher education second tier diploma VI/2	4	1	5	4.00	0.08	4.08
University education/Bologna master's degree VII	29	17	46	30.08	1.42	31.50
Master of Science VIII	3	3	6	3.00	0.25	3.25
Total	48	23	71	49.83	1.92	51.75

Note: * the average is calculated on the basis of monthly data about the number of employees at the end of the month

1.1.6. Corporate Governance Code

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

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

1.1.7. Internal control system and risk management

The Company has in place an internal control system. The Internal Audit Service was established with the purpose of performing supervisory activities for all processes and situations within the Company for the purpose of identifying whether:

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

The Company's Internal Audit Service assessed the appropriateness and effectiveness of the established internal controls. In 2012, the Internal Audit Service carried out independent audits and gave assurances that a system of internal controls was established, and is operational and effective in the audited areas. There are possibilities for its improvement; for this reason, the Internal Audit Service put forward a number of recommendations and also regularly checked their implementation. In addition to the audited unit, the Internal Audit Service also notified the Company's Management Board and the Audit Committee of the Supervisory Board.

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

For the purposes of effective risk management, which includes processes of recognition, study, assessment and controlling of risks and providing information about them, the Company decided to set up a registry of risks for important fields of operation. On the basis of the key objectives of operation of the Company and individual fields, set measures/activities for achieving these objectives and upon consideration of the internal and external operating circumstances of the Company, a collection of possible risks during operation was combined for each field for which it was assessed that it could prevent the performance of procedures for achieving the objectives. Individual risks were assessed from the point of view of their importance of possible consequences or their impact on the operation and the possibility of their occurrence. For each recognized and assessed risk, a measurement was determined with which the Company could successfully and efficiently eliminate or decrease the occurrence and consequences of individual risks. Recognized medium and high defined risks are preferentially a subject to regular further study upon the implementation of an effective system of internal control or a risk management process. The system for the implementation of measures was regularly monitored during the year. At the end of the year, the risk register was amended in accordance with the established new facts in the implementation of measures and regular work processes.

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

1.1.8. Verification of the Company's solvency as of 31 December 2012

The Company regularly followed the Company's solvency during 2012 and the Company's management reported on it to the Supervisory Board.

After having examined the situation and known facts, the Company established the following:

- As of 31 December 2012, the value of the Company's assets exceeds its total liabilities;
- The uncovered loss exceeds one half of the share capital; however, at the same time, the Company has a relatively high surplus from the revaluation of financial investments which will be converted into other capital categories in the next few years with the investment sale procedure;
- the Company assesses that it could be possible to sell some shares at a higher price in comparison with the pricing by the Ljubljana Stock Exchange;
- the Company meets all its short-term liabilities in due time. All employees have been receiving salaries in accordance with their employment contracts. Taxes and contributions from and on wages are always paid on the pay date.
- In 2009 and 2010, the Company raised several long-term loans with commercial banks, particularly with a view of depositing its own funds for payment of compensations to beneficiaries under the Reimbursement of Investment in Public Telecommunications Network Act (ZVVJTO), and for the purpose of maintaining liquidity. All loans are secured by a guarantee issued by the Government of the Republic of Slovenia.
- According to the Constitutional Court's decision no. U-I-140/94 of 14 December 1995, the Republic of Slovenia is obliged to provide the Company with additional funds in the event that the Company's resources prove insufficient for regular payment of the Company's obligations under the Denationalisation Act, the Cooperatives Act and other regulations governing the restitution of property.

In view of the foregoing, the Company has established that:

- it meets all of its obligations on time;
- it is not in default with the payment of wages and wage-related taxes and contributions;
- all loans obtained from commercial banks are secured by a guarantee of the Government of the Republic of Slovenia;
- the aforementioned Constitutional Court's decision imposes on the Government of the Republic of Slovenia the obligation to provide the Company with additional funds to meet its obligations from denationalisation when necessary.

Based on the aforementioned statements, the Company's short-term and long-term solvency will be assured.

1.1.9. Basic information on SOS2E bonds issued by Slovenska odškodninska družba, d.d.

Basic features of SOS2E bonds

Characteristics of the bond	SOS2E
Commencement of accrual of interest	1 July 1996

Maturity date	1 June 2016
Annual interest rate	EUR + 6%
Coupon payment	twice a year: 1 June and 1 December
Denomination value	€51.13

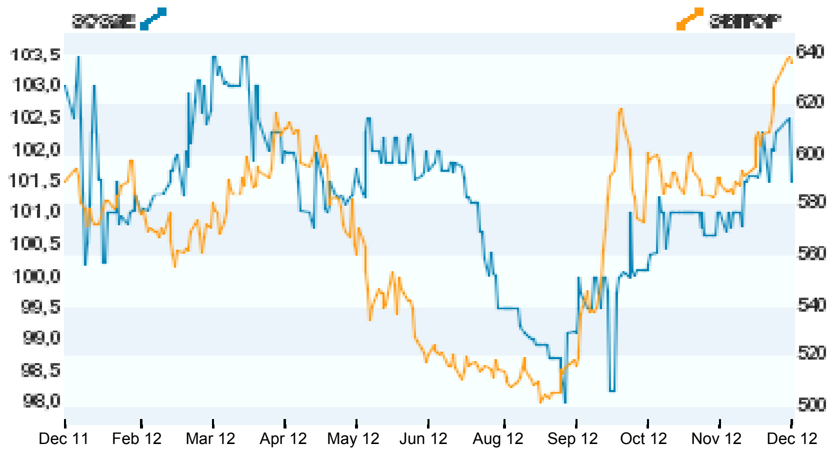
The Company delivers the bonds on the basis of final denationalisation decisions.

Trading information for SOS2E bonds for 2012

Trading information	Value
Value as of 31 December 2012 (%)	101.51
Maximum value in 2012 (%)	103.50
Minimal value in 2012 (%)	98.00
Stock exchange turnover in thousands of Euro	19,684
Market capitalization in thousands of Euro	394,256
Number of trades	1,206

SOS2E bonds are listed on the Ljubljana Stock Exchange under the of the bond segment. Also in 2012, the SOS2E bond was the most tradable bond on the regulated bond market, with a turnover of €19.7 million, which represents 35.53% of the entire bond turnover.

Overview of the movement of SOS2E bonds in 2012 in comparison with stock exchange index SBITOP



1.2. MAJOR POST BALANCE SHEET EVENTS

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

2. SLOVENSKA ODŠKODNINSKA DRUŽBA GROUP

2.1. STRUCTURE AND ORGANIZATION OF THE GROUP

1.1. As of 31 December 2012, the Company was the controlling company whose task was to prepare a consolidated Annual Report for all the companies within the Group.

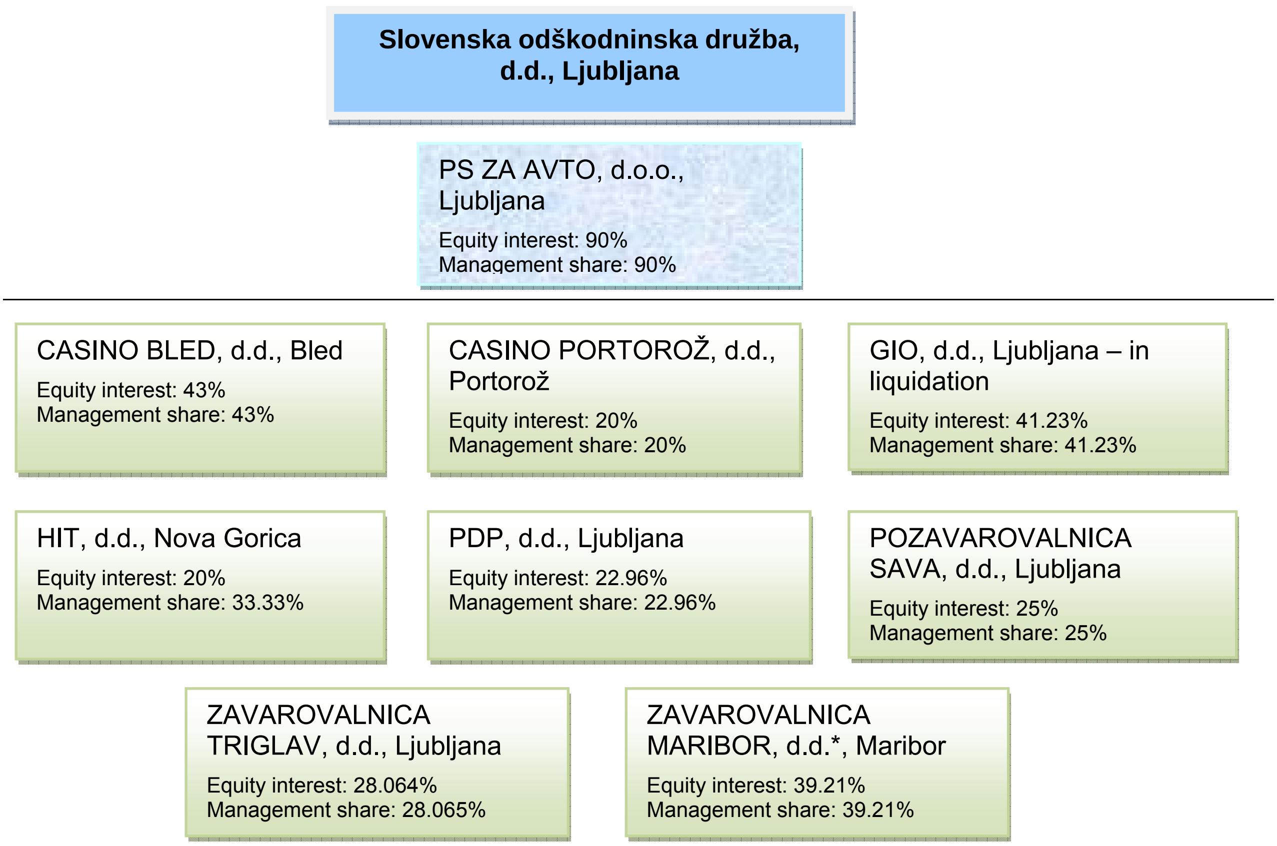
As of 31 December 2012,

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

- the Company exercised significant influence on the following companies considered as its associate companies:
  - CASINO BLED, d.d., Cesta svobode 15, Bled;
  - CASINO PORTOROŽ, d.d., Obala 75a, Portorož,
  - GIO in liquidation, d.o.o., Dunajska cesta 160, Ljubljana,
  - HIT, d.d., Delpinova ulica 5, Nova Gorica,
  - PDP, d.d., Dunajska cesta 119, Ljubljana,
  - POZAVAROVALNICA SAVA, d.d., Dunajska cesta 56, Ljubljana,
  - ZAVAROVALNICA MARIBOR, d.d.*, Cankarjeva ulica 3, Maribor,
  - ZAVAROVALNICA TRIGLAV, d.d., Miklošičeva cesta 19, Ljubljana.

Note: *additional explanations regarding Zavarovalnica Maribor, d.d., can be found in Item 9.1.6.

2.1.1. Equity interest of the controlling company in its associates as of 31 December 2012



Note: subsidiaries
associate companies

Note: *additional explanations regarding Zavarovalnica Maribor, d.d., can be found in Item 9.1.6.

2.1.2. Employee information

At the year-end of 2012, Slovenska odškodninska družba Group (hereinafter: Group) employed 73 people, together with members of the Management Board.

Qualification structure of the staff as of 31 December 2012

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

2.2. BASIC INFORMATION ON SUBSIDIARIES WITHIN THE SLOVENSKA ODŠKODNINSKA DRUŽBA, D.D., GROUP (SOD)

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

Registered office: Tržaška cesta 133, 1000 Ljubljana
Director: Brane Obal
Ownership structure: The PS ZA AVTO, d.o.o., company is 90% owned by SOD and 10% by Kapitalska družba, d.d. (KAD)
Core business: renting out real-estate, asset management

According to unaudited data, the Company generated net profit in the amount of €139,578 in 2012.

PS za Avto is not of major importance for the Group, therefore it is not included in consolidated financial statements.

2.3. BASIC INFORMATION ON THE ASSOCIATED COMPANIES WITHIN THE GROUP

2.3.1. CASINO BLED, d.d., Bled

Registered office: Cesta svobode 15, 1000 Ljubljana
President of the Management Board: Boris Kitek
Ownership structure: the equity interest of SOD, d.d., in the company, which is divided into ordinary and preference shares in the ratio of 50:50, amounted to 43% on 31 December 2012. SOD holds 86% of ordinary shares; ordinary shares are also owned by KAD and the Municipality of Bled (each 7%). The holders of all preference shares are Gold Club, d.o.o. and GC Investicije, d.d., Sežana.
Core business: organisation of gambling

According to unaudited data, the Company generated net loss in the amount of €245,091 in 2012.

2.3.2. CASINO PORTOROŽ, d.d., Portorož

Registered office: Obala 75a, 6320 Portorož
President of the Management Board: Tomaž Kranjc
Ownership structure: the equity interest of SOD, d.d., in the company, which is divided into ordinary and preference shares in the ratio of 63.3: 36.6, amounted to 20% or 31.5% in ordinary shares on 31 December 2012. The largest holder of ordinary shares is KAD, which owns half of all the ordinary shares; the majority holder of preference shares (88.4%) is Casino Riviera, d.d., a smaller part being owned by Casino Bled, d.d. (11.6%). Since no dividends were paid to holders of preference shares for 2011, these shares are voting shares.
Core business: organisation of gambling

According to unaudited data, the Company generated net loss in the amount of €4,896,823 in 2012. As of 29 June 2012, the company is subject to compulsory composition.

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

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

According to unaudited data, the Company generated net loss in the amount of €78,339 in 2012.

2.3.4. HIT, d.d., Nova Gorica

Registered office: Delpinova 7a, 5000 Nova Gorica
President of the Management Board: Drago Podobnik
Ownership structure: the equity interest of SOD, d.d., in the company, which is divided into ordinary and preference shares in the ratio of 60:40, amounts to 20%. SOD holds 33.3% of ordinary shares, the management share being the same. Other important holders of ordinary shares are: KAD with 33.3% and the Municipality of Nova Gorica with 22.1%. The ownership of preference shares is dispersed.
Core business: organisation of gambling

According to unaudited data, the Company generated net loss in the amount of €36,646,601 in 2012.

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

Registered office: Dunajska cesta 119, 1000 Ljubljana
Executive director: Metka Kandrič
Ownership structure: 22.96% of the company's share capital is owned by SOD. The largest shareholder is KAD, which owns 73.98% of the company's share capital; moreover, D.S.U., d.o.o. has a 3.06% share in the company.

Core business: the activities of holding companies within which it manages companies in its ownership, provides corporate and commercial advice and other financial services.

According to unaudited data, the Company generated net loss in the amount of €16,897,000 in 2012.

2.3.6. POZAVAROVALNICA SAVA, d.d., Ljubljana

Registered office: Dunajska cesta 56, 1000 Ljubljana
President of the Management Board: Zvonko Ivanušič, MA
Ownership structure: SOD is the largest individual shareholder of Pozavarovalnica Sava, d.d., in which it has a 25% equity holding. Other major shareholders are: Abanka Vipa, d.d. (7.00%), Poteza Naložbe, d.d. – under bankruptcy (5.00%), Pišljar Marjan (4.75%), NKBM, d.d. (4.66%).
Core business: reinsurance activities

According to audited data, the Company generated net profit in the amount of €9,604,981 in 2012.

2.3.7. ZAVAROVALNICA MARIBOR, d.d*., Maribor

Registered office: Cankarjeva ulica 3, 2000 Maribor
President of the Management Board: Drago Cotar
Ownership structure: SOD is the second largest individual shareholder of Pozavarovalnica Sava, d.d., in which it has a 39.21% equity holding. The largest individual shareholder of the company is Pozavarovalnica Sava, d.d.
Core business: insurance activities

According to audited data, the Company generated net profit in the amount of €7,717,014 in 2012.

Note: *additional explanations regarding Zavarovalnica Maribor, d.d., can be found in Item 9.1.6.

2.3.8. ZAVAROVALNICA TRIGLAV, d.d., Ljubljana

Registered office: Miklošičeva cesta 19, 1000 Ljubljana
President of the Management Board: Matjaž Rakovec
Ownership structure: the equity holding of SOD, d.d., in the company amounts to 28.065%, and together with the shares held by its subsidiary PS ZA Avto, d.o.o., it amounts to 28.09%. SOD holds a 0.002% share in custody, which the beneficiaries of ownership transformation of Zavarovalnica Triglav, d.d. have the right to acquire. The largest shareholder of Zavarovalnica Triglav, d.d., is the Pension and Disability Insurance Institute of the Republic of Slovenia with 34.47% share capital of the company. Other major shareholders in terms of share capital share as of 31 December 2012 are: NLB, d.d. (3.06%), Claycroft Limited (1.78%), Hypo Alpe Adria Bank AG (1.23%).
Core business: insurance activities

According to audited data, the Company generated net profit in the amount of €50,392,174 in 2012.

3. THE MACROECONOMIC ENVIRONMENT IN 2012

In 2012, the eurozone witnessed severe fiscal problems of the Member States in Southern Europe as well as the decrease of economic indicators, which indicated a decline in economic activity leading to a decline in the gross domestic product (BDP) over two consecutive quarters (already in the first half of 2012), causing the eurozone to re-enter recession in 2012. The concerns of analysts with regard to the recovery curve or double bottom (W) thus turned out to be justified. Also in case of another two centres of power, the economies of the United States and China, negative effects of the European debt crisis could be observed. China's GDP growth rates were lower than in the past. In the eurozone, governments have been forced to reduce public spending, which was particularly intense in the countries of Southern Europe causing their gross domestic products to drop the most. The state of economy was also reflected in stock markets, where the returns on stock investments of investors in Spain or Italy were lower in 2012 compared to investments into stocks of eurozone countries with no debt crisis (e.g. Germany).

Measures by central banks

In 2012, the ECB adopted serious measures in its attempt to resolve the European debt crisis as it reduced the key interest rate and announced the government bond purchase programme, which decreased the required rate of return on national debt. When the required rate of return on a 10-year national debt reaches 7%, such financing usually becomes unsustainable, therefore the countries have to ask for external financial help. This measure helped individual members of the PIIGS group.

In 2012, the American central bank FED also played an active role in improving the state of economy as it joined the purchase of securities in order to achieve a higher growth rate of the economy and to reduce unemployment. The existing monthly securities purchase programme (asset backed securities) in the amount of 40 billion dollars was extended with the purchase of government bonds in the amount of 45 billion dollars per month. FED committed itself to the use of different monetary policy measures to boost the economic growth in the United States until inflation surpasses 2.5% annually.

Overview of inflation fluctuations on the annual basis in %

Inflation	30 December 2011	30 March 2012	29 June 2012	30 September 2012	31 December 2012
Eurozone	2.70	2.70	2.40	2.60	2.20
USA	3.00	2.70	1.70	2.00	1.70
CHINA	4.10	3.60	2.20	1.90	2.50

Source: Bloomberg

Measures by governments and their institutions

In 2012, we witnessed a reduction of public spending in Europe due to negative macroeconomic events and an attempt to control the debt crisis. Public spending cuts were the most pronounced in the countries of the PIIGS group. The implementation of public spending reduction measures was controlled by Europe as well as by the International Monetary Fund (IMF) due to the provision of financial support. In 2012, Europe very actively approached the formation of the banking union, enabling the ECB to execute control of the most important banks in Europe.

The problem of sustainability of public finances in 2012 was also evident in the United States, where the politics at the end of the year managed to achieve an agreement on the taxation of Americans according to their income. The adoption of the agreement between the Republicans and Democrats in the Congress was crucial to prevent the so called fiscal cliff in the United States or to avoid the risk of recession due to lower consumption as a result of higher taxation of the majority of consumers.

Gross domestic product – GDP

In 2012, a higher GDP growth rate among analysed entities in the table below was only achieved in the United States, where the GDP growth amounted to 2.20% compared 1.80% in 2011. Other analysed entities demonstrated a lower GDP growth rate compared to 2011. In Europe, a negative GDP growth rate can be observed in countries suffering from problems in public finances (Greece, Spain), whereas their negative impact is also reflected in a lower GDP growth rate of safe countries, such as Germany.

Movement of GDP on the annual basis in %

Country	1st quarter of 2012	2nd quarter of 2012	3rd quarter of 2012	4th quarter of 2012	2012
Slovenia	0.10	-3.20	-3.30	no data	no data
USA**	2.00	1.30	3.10	-0.10	2.20
Germany	1.20	1.00	0.90	0.40	0.70
China	8.10	7.60	7.40	7.90	7.80
EU – eurozone	-0.10	-0.50	-0.60	-0.90	-0.40*
Great Britain	0.20	-0.30	0.00	0.00	0.00
Brazil	0.75	0.49	0.87	1.8*	1.00*

Source: Bloomberg
Note: *rating; ** for the USA, the GDP growth rate for individual quarters is stated on the basis of qoq (quarter/quarter)

Stock markets

In the first 10 months of 2012, the situation on stock markets was quite mixed as after the initial growth, which lasted until mid March (+11.7% MSCI World Index measured in dollars), the stock markets collapsed and were even below the levels from the beginning of 2012 at the beginning of June. At the beginning of June, MSCI World Index was 3% below the baseline level from January 2012. Due to measures of central banks (ECB, FED) we witnessed an extensive rise up in the summer months when the stock markets grew from the local lowest point reached on 4 June 2012 to the highest point reached on 14 September 2012, i.e. by 17%. After achieving the highest point, stock markets started to drop due to concerns of investors with regard to the European debt crisis, the European recession, and American fiscal crisis. The dropping stopped in mid November, when the MSCI World Index (measured in dollars) rose by 6.8%, finishing the year of 2012 at 1,338.50 points. The MSCI World Index reached the highest value on 20 December 2012 at 1,351.85 points, and the lowest one on 4 June 2012 at 1,151.21 points. In 2012, the index value rose by 13.18%.

Volatility and poor return of stock markets in the first 10 months of 2012 around the world was attributed to European debt crisis by analysts, which also reflected on local stock exchange markets through direct and indirect effects on the economy worldwide. There are large differences within the eurozone, both in the field of economic activities as well as in the field of public finance organization, which is reflected by the two-digit positive return of the German DAX Index compared to the negative return of the Spanish IBEX Index (almost -10%) in the first 10 months of 2012. In the last 2 months of the year, European stock markets recovered, as towards the end of the year, there was somewhat of a calm with regard to debt securities, meaning that the fear of fiscal unsustainability slightly subsided. Both the DAX and IBEX indexes grew under the given circumstances, which was reflected in a -4.66% return of the IBEX Index in 2012 and a +29.06% return of the DAX Index in 2012.

The happening on the US stock exchange market was also highly dynamic. At the end of 2012, the value of the S&P 500 stock index was 1,426.19 points and it increased by 13.41% in 2012. The highest value of the S&P 500 index in 2012 amounted to 1,465.77 points and the highest correction took place in May. The largest growth of stock indexes in 2012 was realized by some smaller emerging markets.

Bond market

To demonstrate the situation on the global bond market, a JPM global debt index is used (conversion into the euro). The return of the index amounted to 2.18% in 2012 and during the year, we witnessed a number of fluctuations in the index value. The JPM bond index covers the entire world and different types of bonds.

An interesting situation was also observed on the market of European government bonds, where the debt crisis caused volatile movements of the required return rates of government bonds in the so-called “PIIGS” countries, with the required return on 10-year Greek bonds dropping from the local maximum of 37.1% in the first quarter of 2012 to 16.44% in October of the same year. Spanish and Italian 10-year government bonds exceeded the limit of 7% of the requested return during 2012, causing the ECB to adopt strict monetary policy measures. In 2012, Europe witnessed numerous rating reductions for individual countries with regard to bonds, which was reflected in increased differences between the required rate of return of government bonds of countries with low ratings and the required rate of return of the German government bond with the same maturity. Due to financial and fiscal problems, few countries in the eurozone have an AAA rating. Fear of investors or resorting to safe investments enabled Germany in 2012 to sell certain securities even with negative yield to maturity.

Currency market

In 2012, the value of the euro rose by 1.83% compared to the dollar and the EUR/USD exchange rate amounted to 1.3197 at the end of the year. However, during the year of 2012, exchange rate movements were greater since the euro reached its max. value compared to the dollar in February (EUR/USD exchange rate 1.3463) and its min. value in July (1.2053). The average EUR/USD exchange rate in 2012 was 1.2053.

Overview of exchange rate movements of currency pairs

Currency pair	30 December 2011	30 March 2012	29 June 2012	28 September 2012	31 December 2012
EUR/USD	1.30	1.33	1.27	1.29	1.32
EUR/YEN	99.77	110.16	100.96	100.32	114.32

Source: Bloomberg

Money market

In 2012, we witnessed a decline in interest rates; 3M EURIBOR for example dropped from the value of 1.343% at the beginning of January 2012 to the lowest value in 2012 at 0.181%, which it hit in December 2012 (as of 11 December 2012). The 3M EURIBOR interest rate decrease was present in all months of 2012. Also the monetary policy of the ECB contributed significantly to the decrease in interest rates, cutting the key interest rate from 1.00% to 0.75% at a meeting in July.

Overview of EURIBOR interest rate movements in %

EURIBOR rates	30 December 2011	30 March 2012	29 June 2012	30 September 2012	31 December 2012
3M EURIBOR	1.356	0.777	0.653	0.220	0.187
6M EURIBOR	1.617	1.078	0.930	0.437	0.320
12M EURIBOR	1.947	1.416	1.213	0.684	0.542

Source: Bloomberg

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

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

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

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

4.1. OBLIGATION SETTLEMENT ARISING FROM DENATIONALISATION

Also in 2012, the Company intensely cooperated in denationalisation procedures as well as in procedures for the establishment of compensation for liable entities that restituted land and buildings to the rightful claimants in kind. The basis for cooperation in these procedures is provided by the Denationalisation Act (hereinafter referred to as ZDen) as well as the Cooperatives Act and the Act on Reestablishment of Agricultural Communities and Restitution of their Property and Rights. In stated procedures, the Company acted as a party liable for compensation payment. In accordance with ZDen, the Company is liable to compensation in shares held by the Government of the Republic of Slovenia (or in bonds when there are no shares available). Compensation in bonds in denationalisation procedures is determined when the restitution of nationalised property in kind is not possible or when there are obstacles to such restitution in kind, except in exceptional cases when the rightful claimants are entitled to choose the form of restitution. Compensation assessment procedures for entities liable for compensation that restituted real property to the rightful claimants in kind (Article 73 of ZDen) provide for the compensation in the form of bonds, provided that all prescribed conditions for this compensation are fulfilled. As so far, procedures were held before administrative authorities and courts in Slovenia. Most denationalisation procedures took place in the first instance before administrative units, as well as district and local courts. The Company also participated in mediation procedures for claims dealt with by the courts of justice (mainly claims by re-established agricultural communities).

The denationalisation process is in its final phase. According to the data of the Ministry of Justice and Public Administration which follows the realization of denationalisation, 99.2% of cases were legally finalized with the administrative authorities and 98.3% with the district courts on 31 December 2012, whereby this data applies only to cases according to Article 5 of ZDen. 329 cases remained outstanding with the administrative authorities and 22 cases with the district courts according to Article 5 of ZDen. There is no information about claims still outstanding under the provision of Article 73 of ZDen and about claims for compensation filed in courts in the form of bonds by re-established agricultural communities (all mentioned claims can be filed in the future as well).

In 2012, the Company witnessed a smaller inflow of new cases or claims in comparison to previous years, however only the most demanding cases were mainly left to be solved. The Company recorded 411 topical claims as of 31 December 2012 while still expecting about 30 new ones. Apart from that, the Company recorded 2,762 applications in 2012, from which it received 143 claims. Among the received claims, there were 16 entirely new ones, 9 follow-on ones, 2 claims for compensation under the provision of Article 73 of ZDen and 118 completions of claims. The received claims were filed based on the provisions of ZDen, the Cooperatives Act and the Act on Reestablishment of Agricultural Communities and Restitution of their Property and Rights. In resolving the claims, the Company followed its established practice of careful examination of claims by the legal basis, scope and amount, and strove to consistently establish the correct amount of compensation in bonds which a beneficiary is entitled to in compliance with regulations. The Company assessed the claims on the basis of the documents received from the authority in charge of the procedure and if the need arose, the Company obtained individual evidence and documents directly from various archives and other sources. If the Company received incomplete documents when handling the claims, the Company also accessed the electronic land register, examined orthophoto images, geodetic database, etc. The Company handled the forwarded claims within the set deadlines and declared its opinion in the first few answers about all the facts affecting its decision if it had adequate documentation at its disposal, which is not always possible since the authorities managing the procedures do not send all the relevant data at the same time.

Within the claim settlement procedures, the Company received 56 appraisals and calculations of the nationalized property in 2012 from the authorities managing the procedures. Those appraisals and calculations mostly represent the claimed amount of compensation. The Company submitted the construction and engineering appraisals for review to appraisers or experts from relevant fields (engineering and construction), who it also cooperated with in 2012 on a contractual basis. Other, less frequent types of property valuations (e.g. works of art) were not topical in 2012. Calculations of the value of nationalised property (agricultural and building land, valorisation of real property, purchase price, paid compensations, etc.) were, as before, examined by the company employees themselves in considering individual cases.

In 2012, the Company received 175 invitations to oral proceedings and hearings in denationalisation cases. In 2012, 128 oral proceedings were executed in cases in which Company bonds were claimed. The Company participated in 123 oral proceedings, which means a participation of 96%.

The Company entered settlement agreements also in 2012 in cases in which appropriate conditions were satisfied. Since the effective date of the Rules on Settlement of Slovenska odškodninska družba in procedures under the regulations governing denationalization, which was adopted by the Company's Board of Directors at its meeting on 11 May 2007, the Company entered into 67 settlement agreements by the year-end 2012 from which four were settled in 2012. From the beginning of its operation and until 31 December 2012, the settlement commission held 82 meetings.

After the completed assessment procedure, but prior to issuing a decision laying down the compensation, the body in charge of conducting the denationalization procedure shall draw up a report on the established actual and legal state of the affair. These kinds of reports are only prepared by the administrative authorities or their commissions. The report is thus a kind of a conclusion of the procedure which points to the possible decision by the administrative authority. The Company received 88 such reports in 2012.

Denationalisation – report on procedures

	Total until 31 December 2010	Total until 31 December 2011	Total until 31 December 2012	Year 2012
Received claims	21,869	22,178	22,321	143
Received appraisals and calculations	20,044	20,139	20,195	56
Received reports on identified actual and legal status of individual case	22,071	22,183	22,271	88

In 2012, the Company received 71 first instance decisions (administrative and judicial) with the compensation in bonds. For as many as 74 decisions of this kind a preclusive period was determined in 2012. The Company has filed 29 appeals against those decisions. Furthermore, the Company received 28 second instance decisions (administrative and judicial, decisions of ministries as well as appellate bodies and higher courts) in 2012 that decided on its appeals against first instance decisions relating to the stipulation of compensation in bonds, of which the majority were administrative decisions. Out of the total second instance decisions stated, 17 were in the Company's favour and 11 against it (61% success rate of appeals). In 2012, the Company received 6 judgements by the Administrative Court of the Republic of Slovenia that decided on its administrative actions brought against second instance decisions relating to compensation in bonds, of which 4 were in the Company's favour and 2 against it. In 2012, the Company received only 2 judgements of the Supreme Court of the Republic of Slovenia submitted during its audit against the decisions on the stipulation of compensation that were not favourable for the Company. In addition to the above-mentioned decisions, it should be noted that the Company also received other types of decisions, including negative decisions or decisions which rejected the claims of investors, or which impose no obligations for the Company from the submitted claims. There were 72 such decisions, of which 34 were first-instance decisions (administrative and judicial), 24 second-instance decisions (administrative and judicial), 6 judgements of the Administrative Court of the Republic of Slovenia and 8 judgements of the Supreme Court of the Republic of Slovenia (administrative and judicial). In 2012, 22 decisions from which no obligation for the Company arise became final and the claimed value amounted to more than 1 million euros.

Beside the above-mentioned appeals, the Company lodged 10 administrative disputes with the Administrative Court of the Republic of Slovenia in 2012 against the decisions of second-instance authorities or against the decisions of the Ministry of Education, Science, Culture and Sport, and no requests for reviews.

The Company lodged appeals, like before, against decisions laying down compensation only when it had a well-founded reason to do so also in 2012. Appeals were lodged mainly in cases of incompletely or incorrectly established actual conditions and wrong application of the substantive law and normally not due to the breach of procedure if the actual and legal conditions had been correctly established. In 2012, the reasons for appeal were primarily the disputable basis of the claim or the right to denationalisation, as well as an incorrectly stipulated level of compensation.

In 2012, 62 decisions with a stipulated compensation in the form of bonds in the amount of €8.9 million (principal) became final, for which the claimed value amounted to more than €15 million (principal).

Denationalisation – decisions

	Total until 31 December 2010	Total until 31 December 2011	Total until 31 December 2012	Year 2012
Received decisions on compensation in bonds	19,997	20,089	20,163	74
Appeals lodged for decisions with a preclusion period	4,929	4,956	4,985	29
Percentage of appeals against decisions on compensation in bonds	24.65	24.67	24.72	39.18

Initiated legal actions and reviews	840	852	862	10

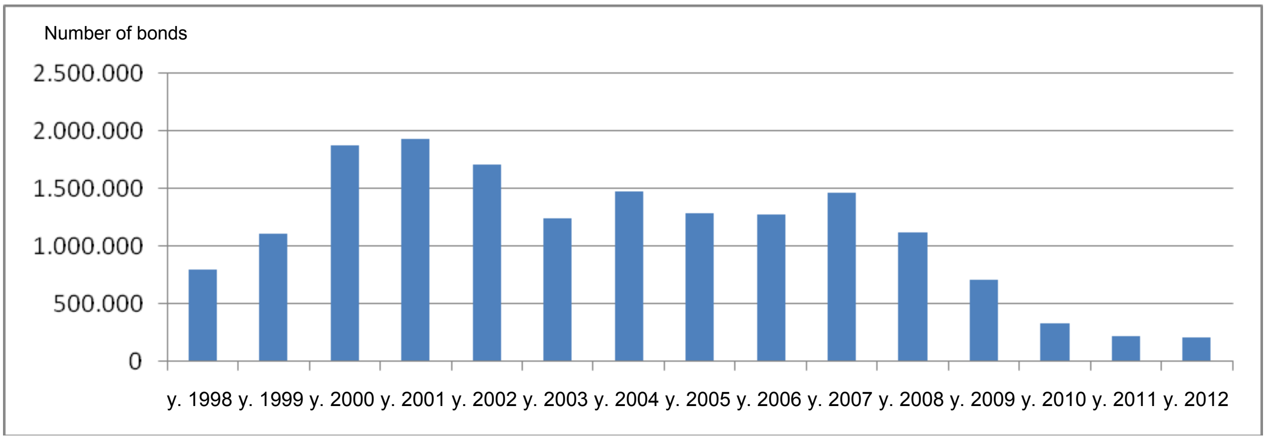
In 2012, the company was solving a number of complex and demanding denationalisation cases. The Company decided on extremely comprehensive matters, high compensation claims and complex legal issues. Some cases that had been ongoing for a longer time were legally finalized in 2012 in accordance with the provisions of Article 73 of ZDen with regard to the issue of the beneficiary to receive compensation under this provision, and the issue of the statute of limitations of these claims. The cases were resolved in favour of the Company. The Supreme Court of the Republic of Slovenia has not yet decided upon the accrual of interest on bonds in cases referred to in the provisions of Article 73 of ZDen, however, the recent stance of higher courts' judicial practice is in favour of the Company's position that bonds accrue interest from the date of the final return of a property to beneficiaries to denationalisation in kind. In 2012, the issue from the provision of paragraph 2, Article 10 of ZDen was topical. Also in 2012, the Company asserted the objection that the entitlement to denationalisation is not given in cases when persons were granted or obtained the right to claim compensation from Austria on the basis of a treaty between the Federal Republic of Germany and the Republic of Austria on the settlement of damages to deportees, resettled and displaced persons, settlement of other financial issues and issues relating to the social area or to the Financial and Compensation Treaty, including the Bad Kreuznach Abkommen agreement of 27 November 1961 and Austrian laws adopted on its basis. By the end of 2012, the Company recorded more than 50 cases where this objection was relevant. In 2012, some administrative authorities rejected claims for denationalisation for this reason as early as in the first stage, whereas some were rejected in the second stage. So far, only two cases were resolved against the favour of the Company in the second stage, therefore the Company filed two claims for this reason at the end of 2012. The Company did not receive any judgements of the Administrative Court of the Republic of Slovenia on this issue in 2012. Among the more important issues in 2012, the Company also addressed a larger number of claims by the members of former agricultural communities. This refers to claims on which courts decide in non-litigious and litigious procedures. The aforementioned claims are usually among the most demanding ones due to a larger number of participants in procedures and beneficiaries to denationalisation, as well as the extent of documentation and verification of the facts necessary to reach a decision.

In order to settle the liabilities towards beneficiaries under the ZDen, the Cooperatives Act and other regulations governing the restitution of property, the Company issues bonds and other securities pursuant to the provision of Article 6 of the Slovenian Compensation Fund Act, as well as manages and holds securities and other assets acquired according to the law. In terms of the provision of the indent 1 of Article 59 of ZDen, the Company carries denationalisation decisions into effect if the compensation is to be paid in bonds. The Company also carries out the decisions issued by the Ministry of Environment and Spatial Planning pursuant to the provision of the paragraph 4 of Article 125 of the Housing Act (hereinafter: SZ) and the provision of the paragraph 3 of Article 173 of the Housing Act (hereinafter: SZ-1).The Company floated seven bond issues and issued 17.5 million bonds bearing a designation of SOS2E. These bonds are bearer bonds issued for the total value of €895 million. The bonds were issued in denominations of €51.13. On 31 December 2012, the Company had 737,319 bonds at its disposal.

Enforcement of decisions issued in accordance with the aforementioned regulations includes the transfer of bonds from the temporary account at Klirinško depotna družba, d.d. (Central Securities Clearing Corporation), to the account of the recipient, which may be the beneficiary, their heir or special trustee. The Decree on the issue of bonds and enforcement of compensation decisions imposed on the Slovene Compensation Fund (hereinafter: Decree) determines that the Company delivers bonds based on a complete request for enforcement, which should include the data specified in the first paragraph of Article 15 of the Decree. The enforcement of the decision is complete with the transfer of an appropriate number of bonds and the payment of all due coupons.

For the purpose of complying with its duties laid down by Article 2 of ZSOS, the Company transferred 16,762,681 bonds to 26,537 holders by 31 December 2012.

The number of transferred SOS2E bonds by years



In 2012, the Company transferred 205,577 SOS2E bonds to 334 holders, of which 203,900 bonds to 323 beneficiaries under ZDen and other regulations governing denationalisation of property. In accordance with SZ and SZ-1, the Company transferred 1,677 bonds to 11 beneficiaries and paid cash compensation to 20 beneficiaries. The number of beneficiaries is declining since denationalisation claims are in the final phase. Only more complex cases remained unsolved, but their number dropped significantly, therefore also the number of executed decisions dropped as a result.

According to Article 125 of SZ, the Company did not execute any decisions since it is a matter of cases with significant temporal distance of more than 10 years, which means those cases became statute-barred. In accordance with Article 173 of SZ-1, under which a lessee claiming the right to purchase another apartment is entitled to claim compensation in bonds from the Company in the amount of 25% of the value of the apartment and 36% in cash, 1,634 bonds were transferred and cash in the amount of €120,234 was paid to 10 beneficiaries. In addition to natural persons, legal entities are also entitled to compensation according to ZDen. Natural persons received 90,679 bonds, and legal entities received 114,898 bonds. Also this year, the amount of bonds for legal entities is higher since more extensive denationalisation cases are being finalized in which property owned by legal entities is being denationalised.

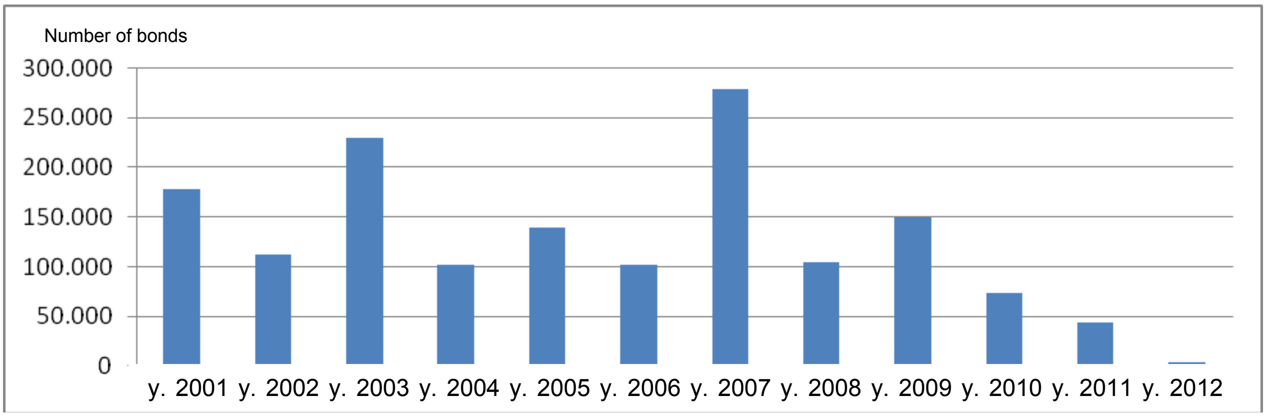
4.2. SETTLEMENT OF LIABILITIES ARISING FROM COMPENSATIONS FOR CONFISCATED PROPERTY PURSUANT TO THE ABROGATION OF THE PENALTY OF CONFISCATION OF PROPERTY

With the adoption of the Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property (hereinafter: ZIOOZP), the Company's tasks, which first included settlement of obligations under regulations governing denationalisation, now also include the issue, delivery, payment and calculation of interests for bonds issued by the Republic of Slovenia for the payment of compensation under the aforementioned act on 1 February 2001. In accordance with Article 1 of ZIOOZP, the Government of the Republic of Slovenia issued two million bonds in an amount totalling €83 million. The bonds are issued as registered bonds in denominations of €41.73 and are designated by the code number RS21.

The Decree Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to Abrogation of the Penalty of Confiscation of Property regulates in greater detail the method and deadlines for payment of the principal and interest on RS21 bonds as well as the method of implementation of the provisions laying down the compensation for confiscated property. The execution of a decision may be requested by a beneficiary or the legal successor of the beneficiary by submitting a valid decree of distribution or another valid title. The Company executes final decisions on compensation for confiscated property by transferring an appropriate number of bonds plus interests, which are also converted into bonds. Due to the changing case law regarding the interpretation of the fifth paragraph of Article 3 of ZIOOZP, the Company calculates interests from the date when a decision on abrogation of the penalty of confiscation of property and fixing the level of compensation for confiscated property becomes final and until the issue of bonds. A decision is enforced with the transfer of bonds from a special account of the Company at KDD to the account of the recipient, and with the payment of due coupons.

The Company transferred 1,520,822 RS21 bonds by 31 December 2012. From 1 January to 31 December 2012, 4 decisions of competent courts were enforced, and thereupon 3,244 RS21 bonds were transferred to 15 beneficiaries or their legal successors, which represents a deviation from the enforcement of decisions under ZIOOZP over the past years.

The number of transferred RS21 bonds by years



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

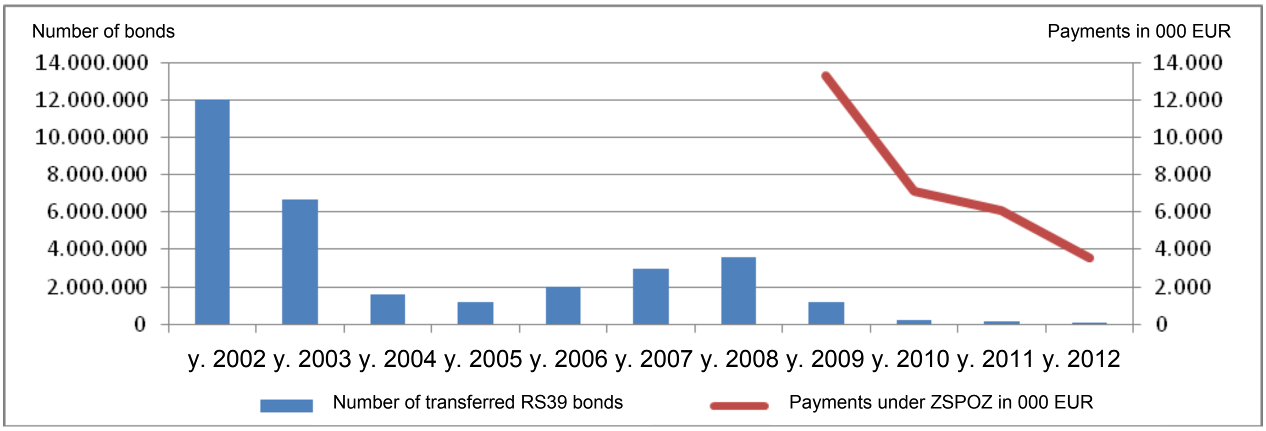
With the enforcement of the Act on Payment of Compensation to Victims of War and Post-War Violence (hereinafter: ZSPOZ), the Company took up the proceedings of issuing decisions on the level of compensation and began carrying out administrative and technical procedures for their implementation. On 1 January 2002, the Republic of Slovenia issued 30 million bonds totalling €125.1 million and on 7 April 2009 additional 2.5 million bonds totalling €10.4 million for compensation to the victims of war and post-war violence. The bonds are issued as registered bonds in denominations of €4.17 and are designated by the code number RS39. Compensation is to be paid in two parts up to the amount of €1,251.88 in cash, and the remaining part in bonds.

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

On the basis of acts by which the competent authorities decide on beneficiaries and their rights according to ZPkri, ZZVN and the Act Governing the Specific Rights of Victims of the 1991 War for Slovenia and the criteria laid down by ZSPOZ, the Company calculates the level of compensation and issues appropriate decisions based on these acts. Decisions issued pursuant to ZSPOZ are carried out by transferring cash to the accounts of recipients and transferring the bonds from the special account of the Company at Klirinško depotna družba, d.d. (Central Securities Clearing Corporation) to the account of the recipient.

By 31 December 2012, the Company transferred 31,660,302 RS39 bonds, issued 757 decisions on the amount of compensation in 2012, paid €3,518,150 in cash, and transferred 66,748 RS39 bonds.

Number of transferred RS39 bonds and payments under ZSPOZ in thousands of EUR by years



In the total number of decisions issued on individual legal bases between 1 January 2012 and 31 December 2012, decisions issued under the ZPkri predominated. Decisions issued according to ZZVN were of lesser importance to the Company in terms of both amount and number. The percentage of these obligations was slightly higher in 2012 due to the application of the Act Amending ZZVN, which was first implemented on 1 January 2010 and determined new types of beneficiaries. Compensation was not determined for a significant number of beneficiaries since they had already received the highest possible compensation amount according to previous provisions. A beneficiary may also receive several supplementary decisions, however the total amount should not exceed €8,345.85.

In the performance of its duties according to ZSPOZ, in 2012 the Company received 4,488 claims from beneficiaries, their legal successors and plenipotentiaries, by which these persons supplement and communicate the information necessary for issue and execution of compensation decisions.

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

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

By 31 December 2012, a total of €190.15 million was paid under ZVVJTO, of which €38,102 in 2012. By 31 December 2012, the company received 13,927 settlements and decisions of courts.

Unresolved claims included more complex claims in terms of both content and amount. ZVVJTO determines that an applicant may file a proposal for the resolution of the claim with the competent court if the Attorney-General rejects the claim or does not prepare a proposal for the conclusion of the written settlement within the prescribed period, or does not respond to the applicant within the prescribed period. Outstanding cases are mostly dealt with only before courts.

4.5. IMPLEMENTATION OF THE OWNERSHIP TRANSFORMATION OF INSURANCE COMPANIES ACT

The process of ownership transformation of Zavarovalnica Triglav, d.d. (hereinafter: Insurance Company) by private law legal entities, which is performed in accordance with the provisions of the Ownership Transformation of Insurance Companies Acts (hereinafter ZLPZ) is in its final stage.

In the course of ownership transformation of the Insurance Company, the Company held in custody 36.8% of Insurance Company's share[1] capital in the form of 2,046,083 shares, of which 659,436 were basic[2] shares and 1,386,647 were capital increase[3] shares to which private law legal entities were entitled. Beneficiaries entitled to Insurance Company's shares held in custody at the Company were obliged to redeem the shares not later than within one year after the decision granting them the right to take over the Insurance Company's shares became final. Shares not redeemed by beneficiaries within the specified period became the property of the Company.

Company's activities in connection with the implementation of ownership transformation of the Insurance Company in 2012 related mostly to the custody of the Insurance Company's shares. The Company did not conclude any agreements on the transfer of Insurance Company's shares with beneficiaries, and did not receive any purchase prices for the Insurance Company's shares. Consequently, the Company did not transfer any funds to the budget of the Republic of Slovenia from received purchase prices for underlying shares in 2012.

Movement of the number of Insurance Company's shares held by the Company in the period from 31 December 2011 to 31 December 2012

	Number of shares			Share in the share capital of the Insurance Company (%)		
	31 December 2012	*31 December 2011*	*Difference*	*31 December 2012*	*31 December 2011*	*Difference*
Held by the Company	6,380,372	6,189,641	190,731	28.064	27.225	0.839
Held in custody by the Company	356	191,087	-190,731	0.001	0.840	-0.839
Total	6,380,728	6,380,728	0	28.065	28.065	0

In 2012, there was no change in total number of Insurance Company's shares held by the Company. However, due to the reduction in the number of Insurance Company's shares in custody the number of shares owned by the Company increased. The main reason for the reduction of the number of shares held in custody is the fact that several administrative disputes were settled.

As of 31 December 2012, the Company had 6,380,728 Insurance Company's shares of which it finally held 6,380,372 shares accounting for 28.064% of the Insurance Company's share capital, and held in custody only 356 shares of the Insurance Company.

Due to an extremely small number of Insurance Company's shares that are in custody of the Company based on the title of ownership transformation, the Company will no longer include the field of ZLPZ implementation in annual reports if no new important events from this field arise.

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

[2] Underlying shares were issued in the process of ownership transformation for the purpose of adjusting the share capital to the share of capital with no identified owners in the Insurance Company's total capital as of 31 December 2000. The price per underlying share was determined on the basis of the estimated value of the Insurance Company as of 1 January 2001 and was re-valuated by the consumer price index from that date to the date of payment. The purchase price received for underlying shares belongs to the Republic of Slovenia.

[3] The Company acquired capital increase shares by payment of €36.2 million in April 2003 in order to ensure that the share of the Insurance Company's capital with no identified owners remained unchanged after 2000 even after both share capital increases. The price per capital increase share equalled the issue amount of €2.82 per share paid by the Company, plus the cost of financing up to the date of payment by the beneficiary. The purchase price received for capital increase shares belongs to the Company.

4.6. MANAGEMENT OF THE CAPITAL INVESTMENTS OF THE GROUP

In 2012, the Company managed capital investments held by it, and since 28 December 2012 also capital investments of the Republic of Slovenia based on the enforcement of the Slovenia Sovereign Holding Act.

4.6.1. State of capital investments held by the Company

On 31 December 2012, the Company was a shareholder of 39 companies with their registered office in the Republic of Slovenia. We are referring to capital investments into companies, banks and insurance companies, which had been acquired by it in ownership transformation procedures and for a consideration based on other legal grounds through purchase or exchange. These capital investments are referred to as active investments for which the Company exercises all ownership rights. The remaining capital interests are held in companies under bankruptcy (inactive investments). These were 10 of those.

Movement of the number of capital investments of the Company

Type of capital investment	Balance as of 31 December 2012	Balance as of 31 December 2011
Active investments	39	43
Inactive investments (companies under bankruptcy)	10	14
Total	49	57

The number of active investments of the Company was decreased by 4 investments compared with the year-end of 2011 (43 investments), and in some companies also the ownership share changed:

- Based on the regulations on the conclusion of ownership transformation and denationalisation, the Company received 2,508 shares of Goriške opekarne, d.d., from D.S.U., d.o.o., free of charge, thus increasing its share in the share capital of this company by 0.23 percentage points.
- The Company increased its ownership share in NLB, d.d., as it participated in the process of capital increase, which was carried out on the basis of the decision of the General Assembly of NLB, d.d., in June 2012.
- In Intereuropa, d.d., and Mariborske livarne, d.d., the ownership share of the Company decreased due to the capital increase of those two companies through the conversion of creditors' claims on the basis of financial rehabilitation measures.
- Zavarovalnica Maribor – in December 2012, the Company concluded a Contract on the Sale and Purchase of Shares of Zavarovalnica Maribor, d.d. with Nova KBM, d.d., and Pozavarovalnica Sava, d.d., on the basis of which the Company acquired 4,882,813 shares of Zavarovalnica Maribor, d.d., from Nova KBM, d.d., for the total purchase price of €50,000,005.12, which represents 39.21% of the share capital of the company. The purchase price was paid on 25 April 2013. At the same time, the Company concluded a contract with Pozavarovalnica Sava, d.d., on the rights regarding the shares of Zavarovalnica Maribor, d.d., which enabled it to exit the capital investment in Zavarovalnica Maribor, d.d. Both contracts included a condition of a cumulative fulfilment of several suspensive conditions. Suspensive conditions from the Contract on the Sale and Purchase of Shares of Zavarovalnica Maribor, d.d., were fulfilled as early as on the day of the conclusion of the contract, and all of the suspensive conditions were cumulatively fulfilled on 28 March 2013.

In case of investment in Casino Portorož, d.d., the Company concluded a contract with the buyer on the disposal of investment against payment under the suspensive condition that the buyer must obtain a consent of the Ministry of Finance under the Gaming Act. This consent was not issued by 31 December 2012, therefore the Company was still the holder of the company in question's shares with all proprietary rights on that date. In case of the investment in Casino Bled, d.d., for which the Company together with Kapitalska družba, d.d., concluded a contract of sale as early as in 2011, the consent by the Ministry of Finance for obtaining ordinary shares by the buyer under the Gaming Act was rejected in 2012, therefore the Company is still the holder of this investment.

The subsidiary PS ZA Avto, d.o.o., is the owner of capital investments in another seven companies, of which the owner of the shares in three companies is also the Company. The balance of investments of the subsidiary did not change compared to the year-end of 2011.

Active capital investments by the controlling company and its subsidiaries as of 31 December 2012*

Seq. no.	Company name	Number of stocks/shares held by the parent and/or subsidiary company	Ownership share in %
1	Abanka Vipa, d.d.	161,119	2.24
2	Aerodrom Ljubljana, d.d.	258,958	6.82
3	Banka Celje, d.d. ***	47,686	9.38
4	Banka Koper, d.d. **	2	0.00
5	Casino Bled, d.d.	707,620	43.00
6	Casino Portorož, d.d.	141,262	20.00
7	Cetis, d.d.	14,948	7.47
8	Cimos, d.d. **	24,000	0.14
9	Cinkarna Celje, d.d.	92,950	11.41
10	ČZP Večer, d.d.	25,592	10.00
11	Elektro Gorenjska, d.d.	52,907	0.31
12	Elektro Ljubljana d.d.	116,060	0.30
13	GIO, d.o.o., in liquidation	1	41.23
14	Goriške opekarne, d.d.	74,502	12.32
15	Helios Domžale, d.d.	26,563	9.54
16	Hit, d.d.	1,357,727	20.00
17	Intereuropa, d.d.	474,926	1.73
18	Intertrade ITA, d.d.	5,349	7.69
19	Iskra Avtoelektrika, d.d.	113,853	7.08
20	KDD, d.d.	50	9.62
21	KLI Logatec, d.d., in liquidation	7,653	0.59
22	Krka, d.d. ***	5,314,270	14.99
23	Loterija Slovenije, d.d.	11,142	15.00
24	Luka Koper, d.d.	1,557,857	11.13
25	Mariborska livarna Maribor, d.d.	160,177	1.84
26	Marles, d.d. **	6,182	0.18
27	NOVA KBM, d.d.	1,250,614	3.20
28	Nova LB, d.d.	1,129,865	9.00
29	PDP, d.d.	410,271	22.96
30	Petrol, d.d.	412,009	19.75
31	Pomurske mlekarne, d.d.	3,344	3.34
32	Pozavarovalnica Sava, d.d.	2,340,631	25.00
33	PS Mercator, d.d. **	150	0.00
34	PS ZA Avto, d.o.o.	1	90.00
35	Salus, d.d.	10,693	8.80
36	Sava, d.d.	222,029	11.06
37	Svea, d.d.	46,772	15.57
38	Telekom Slovenije, d.d.	277,839	4.25
39	Terme Olimia, d.d.	28,330	4.79

40	Unior, d.d.	65,661	2.31
41	Zavarovalnica Maribor, d.d.	4,882,813	39.21
42	Zavarovalnica Triglav, d.d. ***	6,385,980	28.09
43	Žito, d.d.	43,636	12.26

* Capital investments in companies in the Republic of Slovenia (excluding investment companies) not subject to bankruptcy
** Capital investment by subsidiaries
*** Capital investment by the controlling company and by the subsidiary company (shares in custody by the Company are not considered in case of Zavarovalnica Triglav, d.d.)

4.6.2. Sale of capital investments held by the Company

In 2012, the company disposed of five investments in the following companies against payment on the basis of concluded contracts:
- Mali-E-Tiko, d.o.o., Tržič (2.65% equity interest in the Company),
- OnaOn, d.o.o., Ljubljana (0.67% equity interest in the Company),
- Splošna plovba, d.o.o., Portorož (19.8% equity interest in the Company),
- Terme Maribor, d.d., (0.12% equity interest in the Company) and
- Slovenijales, d.d., (10.92% equity interest in the Company).

In case of Splošna plovba, d.o.o., the Company together with Kapitalska družba, d.d., enforced the put option (on the basis of the Put Option Contract concluded with the buyer in 2007) after having received no tenders for the purchase of their business shares in the previous public offering procedure in 2012, which represented a 25.05 percent share of Company's share capital.

In several cases, the Company carried out public offering procedures for the sale of investments together with some other holders, i.e. for the capital investments in the following companies: Casino Portorož, d.d., Slovenijales, d.d., Splošna plovba, d.o.o., or it proceeded with negotiations with the tenderers for which the public offering procedures were initiated before the beginning of 2012 (Žito, d.d. – procedure completed without a decision on sale).

In June 2012, the Company accepted a publicly available takeover bid for the shares of Terme Maribor, d.d.

Together with other shareholders and lien creditors, the Company concluded several agreements on joint sale of shares in 2012. Two agreements on the joint sale of the majority package of shares of Helios, d.d. and Iskra Avtoelektrika, d.d. (now Letrika, d.d.) were concluded, and also the validity of the agreement concluded for the shares of KDD, d.d., was extended. For managing the process of the sale of shares of Helios, d.d., also an external financial adviser was selected in 2012,whereas the sales procedure was not yet completed in the same year. The beginning of the sales procedure for the shares of Letrika, d.d., is anticipated for 2013.

Concluded contracts on the sale of capital investments in 2012

	Year 2012	Year 2011
Number of sales	5	3
Value of sales – in euros *	51,941,989	243,059

*Note: * the sales value of the share in Splošna plovba, d.o.o., amounted to €47.9 million in 2012.*

The systematic incompleteness of the so-called strategic Company's investments had an important impact on the implementation of disposal activities of the Company in 2012. Those are investments in companies in the Republic of Slovenia whose value represents the majority of Company's assets for the settlement of its obligations (Krka, d.d., Petrol, d.d., Zavarovalnica Triglav, d.d., Telekom, d.d., NLB, d.d., etc.). Legal innovations in force in the field of management of capital investments of the Republic of Slovenia in 2010 and the amendments in 2011 established only a legal and formal framework of operation of the newly-established Capital Assets Management Agency of the Republic of Slovenia, which was terminated under the

Slovenia Sovereign Holding Act in 2012 and its operations were taken over by the Company. The classification of capital investments provided by the new law and defining the method of the usage of individual Company's investments has not yet been adopted.

4.6.3. Management of the capital investments of the Republic of Slovenia

With the adoption of the Slovenia Sovereign Holding Act on 28 December 2012, the management of capital investments of the Republic of Slovenia, managed by the Capital Assets Management Agency of the Republic of Slovenia up to the adoption of this Act, was taken over by the Company. As of 27 December 2012, the Agency managed 84 capital investments of the Republic of Slovenia. By transferring the management of those investments to the Company, the latter took over 83 capital investment of the Republic of Slovenia (without the investment into the Company).

On 31 December 2012, the Company thus managed the following capital investments of the Republic of Slovenia

Seq. no.	Company name	Number of shares held by the Republic of Slovenia	Ownership share of the Republic of Slovenia in %
1	Adria Airways, d.d.	12,375,000	69.87
2	Aerodrom Ljubljana, d.d., Zgornji Brnik	1,923,853	50.67
3	Bodočnost Maribor, d.o.o.		75.82
4	Borzen, Organizator trga z električno energijo, d.o.o.		100
5	BSC, Poslovno podporni center, d.o.o., Kranj		34.37
6	CSS-IP, d.o.o.		77.76
7	Dom upokojencev Idrija, d.o.o.		18.9
8	D.S.U., d.o.o., Ljubljana		100
9	Drava vodnogospodarsko podjetje Ptuj, d.d.	35,953	25
10	DRI Upravljanje investicij, Družba za razvoj infrastr., d.o.o.		100
11	Družba za avtoceste v Republiki Sloveniji, d.d., Celje	55,592,292	100
12	Družba za spodbujanje razvoja TNP, d.d.	576,877	51.03
13	DTK Murka, Družba tveganega kapitala, d.o.o.		49
14	Ekoen, d.o.o.		49.07
15	Elektro Celje, d.d.	19,232,978	79.5
16	Elektro Gorenjska, d.d., Kranj	13,744,577	79.44
17	Elektro Ljubljana, d.d.	31,132,528	79.5
18	Elektro Maribor, d.d.	26,628,782	79.5
19	Elektro Primorska, d.d.	14,967,304	79.5
20	Elektrogospodarstvo Slovenije – razvoj in inženiring, d.o.o.		100
21	Elektro-Slovenija, d.o.o.		100
22	Energetika Črnomelj, d.o.o.		49.3
23	Gen Energija, d.o.o.		100
24	Geoplin, d.o.o., Ljubljana		39.57
25	Glin IPP, d.o.o.		16.06
26	Holding slovenske elektrarne, d.o.o.		100
27	Infra, Izvajanje investicijske dejavnosti, d.o.o.		100
28	Inkos, d.o.o., Krmelj		3.27
29	IUD, d.o.o.		4.56
30	Javno komunalno podjetje Komunala Kočevje, d.o.o.		45.97
31	Javno podjetje Uradni List Republike Slovenije, d.o.o.		100
32	Kapitalska družba, d.d.	874,235	100
33	KBM Infond, Infond Global, VS Fleksibilne strukture naložb	103	103
34	KBM Infond, Infond Dinamic	63	

Seq. no.	Company name	Number of shares held by the Republic of Slovenia	Ownership share of the Republic of Slovenia in %
35	Kontrola zračnega prometa, d.o.o.		100
36	Krka, d.d., Novo mesto	1,470	0
37	Luka Koper, d.d., Koper	7,140,000	51
38	Maksima Holding	112	0
39	Maksima Invest	131	
40	Meta Ingenium, Družba Tveganega kapitala, d.o.o.		49
41	MURA-VGP, d.d.	6,841	25.01
42	Nafta Lendava proizvodnja naftnih derivatov, d.o.o.		100
43	NFD Holding	71	0
44	Nova KBM, d.d.	10,822,805	27.66
45	Nova LB, d.d.	5,045,742	40.21
46	P.E.N. Prva energijska družba		49
47	Peko, d.d., Tržič	7,248,509	66.8
48	Perutnina Ptuj, d.d.	48	0
49	Petrol, d.d.	5	0
50	Počitniška skupnost Krško, d.o.o.		1.46
51	Podjetje za urejanje hudournikov, d.d.	205,202	40
52	Pošta Slovenije, d.o.o.		100
53	Prvi Sklad, Družba Tveganega kapitala, d.o.o.		48.9
54	Regionalna razvojna agencija Mura, d.o.o.		39
55	Regionalni center za razvoj, d.o.o.		11.61
56	Rimske Terme, d.o.o.		3.83
57	RRA Regionalna Razvojna Agencija Celje, d.o.o.		5.1
58	RTH, Rudnik Trbovlje-Hrastnik d.o.o.		100
59	Rudnik Kanižarica v zapiranju d.o.o., Črnomelj – in liquidation		100
60	Rudnik Senovo v zapiranju d.o.o. – in liquidation		100
61	Rudnik Zagorje v zapiranju d.o.o. – in liquidation		100
62	Rudnik živega srebra Idrija v zapiranju d.o.o.		100
63	RŽV, d.o.o.		100
64	Sava, d.d. Kranj	8	0
65	SCS, Družba tveganega kapitala, d.o.o.		49
66	SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana	3,103,296	99.41
67	SIJ – Slovenska industrija jekla, d.d.	248,655	25
68	Slovenske železnice, d.o.o.		100
69	Snežnik, Podjetje za proizvodnjo in storitve, d.d.	391,717	70
70	SODO, d.o.o.		100
71	STH Ventures, d.o.o.		49
72	Studentenheim Korotan GmbH		100
73	TAM Maribor d.d. – under bankruptcy, Company for the management and financing of companies		10.85
74	Telekom Slovenije, d.d., Ljubljana	4,087,569	62.54
75	Telemach Rotovž, d.d.	95	1.01
76	Telemach Tabor, Širokopasovne komunikacije, d.d.	3	0.01
77	Termoelektrarna toplarna Ljubljana, d.o.o.		14.8
78	Toplotna oskrba, d.o.o., Luče		49.17
79	Vodnogospodarsko podjetje, d.d.	57,980	25
80	Vodnogospodarsko podjetje Novo Mesto, d.d.	18,784	25
81	VS NLB Skladi – Globalni delniški sklad	137	
82	Zavarovalnica Triglav, d.d., Ljubljana	1,184	0.01
83	Zavarovalnica Triglav, d.d., Ljubljana* (investment owned by ZPIZ)	7,836,628	34.47

4.7. INVESTMENT PORTFOLIO AND LIQUIDITY MANAGEMENT

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

Within the framework of its adopted financial plan for 2012 and the Rules on Free Money Fund Investment, the Company pursued its adopted business and investment policies. In accordance with the basic positions for investments, the Company took into consideration the security and liquidity of assets as well as the maturity match between investments and obligations. The key conclusion is that the Company complied with all its statutory and contract liabilities in time throughout 2012. The Company maintained its current liquidity by planning its cash flows and maintaining a permanent liquidity reserve.

4.7.2. Cash flows in 2012

The Company provided monetary assets for covering its obligations mostly with matured deposits and other debt financial investments, as well as with other inflows. Sale of stock and shares, as well as inflows from receivables towards the Republic of Slovenia constituted an important source for covering the Company's obligations in 2012.

Due to favourable interest rates for deposits, the Company placed excess financial resources as new short-term and long-term deposits maturing in 2013 and in the first half of 2014 and, to a very limited extent, also as other forms of long-term investments.

On 31 December 2012, the total indebtedness of the Company with respect to long-term loans amounted to €470 million; of this amount, €300 million is due for payment in 2015, the interest rate for these loans is hedged against the interest rate risk, and the average weighted value is 2.19% and fixed. €150 million of loans is due for payment in 2014, the average weighted surcharge above EURIBOR amounts to 2.40% (€145 million of loans are linked to the 3M EURIBOR, and the remaining €5 million to the 6M EURIBOR). €20 million is due for payment in 2016 and the surcharge above 6M EURIBOR amounts to 2.00%.

4.7.3. The volume and structure of the investment portfolio

As of 31 December 2012, the market value of the investment portfolio of the Company was €195.5 million and decreased by €31.1 million as compared with the end of the year 2011, mostly due to the payment of liabilities arising from denationalisation.

Debt investments at the end of 2012 represented 83.8% of the investment portfolio. The remaining smaller part of the investments is constituted by mutual funds and foreign shares. As of 31 December 2012, the Company presented only foreign securities among shares in the investment portfolio. The company is responsible for the entire investment portfolio to be highly liquid.

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

Type of investment	Balance as of 31 December 2012		Balance as of 31 December 2011	
	in EUR 000	*%*	*in EUR 000*	*%*
Total debt investments	163,815	83.77	200,930	88.66
Deposits	141,630	72.43	159,115	70.21
*Bonds**	20,526	10.50	26,415	11.66
Certificates of deposit	1,659	0.85	15,400	6.80
Total equity investments	31,732	16.23	25,704	11.34
Mutual funds	27,933	14.28	23,045	10.17
Shares	3,799	1.94	2,659	1.17
Total investment portfolio	195,547	100.00	226,634	100
Total debt	470,000		480,000	

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

Debt investments

At year-end 2012, the market value of debt investments amounted to €163.8 million. Deposits formed a predominant part of the debt investments. These deposits had a different maturity, mainly up to one year, and were used for meeting statutory and other obligations in 2013 and, to a lesser extent, up to two years, used for meeting statutory and other obligations in 2014. Redeemed own SOS2E bonds accounted for a major part of the bond portfolio. The remaining part of the portfolio included primarily domestic and foreign bank bonds and some corporate bonds.

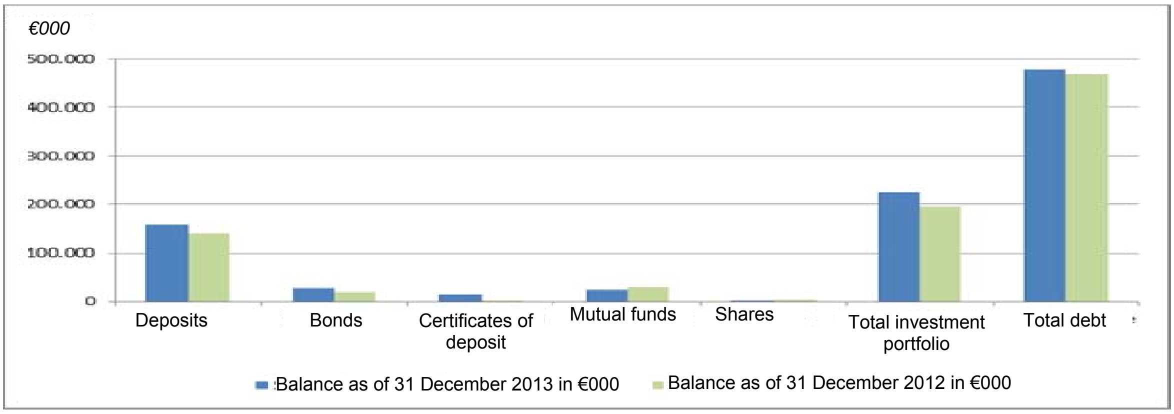
Equity investments in the shares of foreign issuers

As of 31 December 2012, the Company only had 1.94% of assets of the investment portfolio classified in the investment class of shares of a foreign issuer. Within the framework of this investment class, the Company invests in liquidity securities of different global foreign issuers.

Mutual funds

As of 31 December 2012, the Company had invested into different mutual funds of twelve different investment funds. This way, the Company ensures the diversification of invested funds and a low level of risk. Assets in mutual funds represent a smaller part of the investment portfolio, since the primary objective of the investment portfolio management of the Company is to ensure its liquidity, whereas the secondary objective is to take advantage of market opportunities and to create portfolio return.

Structure of the Company's investment portfolio by type of investment in €000 in 2011 and 2012



4.7.4. Portfolio performance

The table below shows the performance achieved by individual segments of investments in the investment portfolio between 2007 and 2012.

Portfolio performance of the Company in the years from 2007 to 2012

Type of investment	*Profitability* in %*					
	2007	*2008*	*2009*	*2010*	*2011*	*2012*
Deposits	4.10	4.50	2.20	2.65	3.98	4.16
Certificates of deposit	4.30	4.80	4.50	3.68	3.84	4.89
Treasury bills	3.80	–	–	–	–	–
Bonds	4.10	3.00	3.10	3.80	3.03	-0.30
Mutual funds	12.40	-41.20	28.30	11.35	-10.76	9.77
Domestic shares	76.70	-69.80	23.70	-11.40	–	–
Foreign shares	3.90	-41.60	66.10	12.38	-15.45	16.09
Assets under management	1.50	-5.10	3.00	–	–	–
Funds for telecommunications	4.50	4.50	4.50	4.50	–	–
Portfolio performance	16.90	-5.50	4.70	2.86	2.13	4.20

Source: AdTreasury programme

In 2012, the portfolio performance was positive. An exception was the segment of bonds in which the Company achieved negative profitability mainly due to the negative impact of the sale of some Slovenian bank bonds without maturity. By taking into consideration all the investments, 4.20% performance of the investment portfolio was recorded in 2012. The increase in portfolio performance was largely due to the segment of mutual funds and foreign shares managed by the Company itself.

4.8. RENTING OUT REAL-ESTATE – THE CORE BUSINESS OF THE COMPANY PS ZA AVTO, d.o.o.

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

4.9. RISK MANAGEMENT

The Company was also exposed to various types of risk associated with investment management in 2012. The most important risk types were the market risk and liquidity risk.

Liquidity risk

Special attention was paid to controlling the liquidity risk. In 2012, the Company/Group was successful in managing this type of risk after having complied with all its statutory and contractual liabilities in due time. The Company/Group decreased its liquidity risk with precise cash flow projections and strict realisation of the plan. Such reconciliation of the cash flows was possible by placing fixed term deposits with banks and by consistently following the matured financial instruments owned by the Company. Moreover, liquidity risk was mitigated by the Company/Group through accurate planning and daily, weekly and monthly monitoring of the cash flows, and at the same time by maintaining a permanent liquidity reserve set up for contingent liabilities.

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

The Company's/Group's approach to liquidity management was conservative, which was reflected in the size of investments in bank deposits and debt securities as well in the methodology of forecasting new financial liabilities and monitoring liquidity flows. While no larger equity shares were being sold, the Company/Group provided financial resources for all the planned liabilities at least until the end of December 2013 by obtaining long-term loans in 2010.

Market risk of investments

The most significant risk faced by the Company/Group was the risk of long-term change in the market value of shares. As seen from the accounting report for 2012, the Company/Group was exposed predominantly to changes in the value of equity investments at home, i.e. the change in the price of shares at home.

Investments in domestic marketable and non-marketable shares account for the vast majority of investments of the Company/Group. An inadequate diversification of investments, low liquidity level and the inappropriate structure of assets compared to the structure of liabilities were the main risks to which the Company/Group was exposed. The risks could not be avoided on the Company/Group level since a withdrawal from most major capital investments would require from the Company/Group to wait for the adoption of the investment classification owned by the Republic of Slovenia.

Interest rate volatility risk

The interest rate risk is present in some investments in debt financial instruments and in liabilities arising from long-term indebtedness. In 2012, interest rates continued to decrease and ended up at relatively low levels at the end of the year. In controlling the risk of volatility of the interest rates, the Company/Group paid particular attention to the movement of the interest rates resulting from various macroeconomic reasons and to the anticipated changes in future interest rates. It is expected that interest rates will remain low for some quarters and then start to rise, which could partly be predicted at the beginning of 2013.

The company uses financial instruments to decrease the interest rate volatility risk for the taken out loans. The Company has concluded interest rate swaps (IRS) for a part of the principal of the obtained loans in the amount of €300 million, whereas a part of the principal in the amount of €170 million remains unsecured and dependant on the interest rate movement in the money market.

Credit risk

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

Exchange rate volatility risk

All assets and liabilities of the Company/Group were expressed in euros except a negligible 1.5% of portfolio investments that were maintained in other currencies. Therefore, the Company/Group was not exposed to currency risk.

Nada Drobne Popovič, MA	Igo Gruden	Peter Ješovnik, MA
Acting Member of the Management Board	Acting Member of the Management Board	Acting President of the Management Board

Ljubljana, 26 April 2013

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD ON THE VERIFICATION OF THE AUDITED ANNUAL REPORT OF THE COMPANY AND THE GROUP FOR THE FINANCIAL YEAR 2012

This written report was drafted by the Supervisory Board in accordance with the provisions of Article 282 of the Companies Act, which determines that the Supervisory Board has a duty to verify the final annual report and the proposal for the usage of profits submitted by the Management Board. In this report, the Supervisory Board is also obliged to indicate to what extent it verified the management of the Company during the financial year. In this report, the Supervisory Board should also take its position on the auditor’s report, and finally provide its comments and express its approval or disapproval of the annual report.

1. Verification of the audited annual report

The annual report is composed of two parts: a financial report and a business report. The financial report consists of financial statements and notes to the financial statements, constituting an integral whole, whereas in the business report, the operation of the Company and its achievements in 2012 are represented. The business report includes a fair presentation of the development of the Company’s operation and performance as well as its financial position, including a specification of the principal types of risk and uncertainties which the Company is exposed to.

The Supervisory Board examined the audited annual report of the Company and the Group for the financial year 2012 according to the formal and substantive rules.

At its 4th regular meeting held on 22 May 2013, the Supervisory Board established that the annual report included all the formal financial statements prepared in conformity with the legal provisions, and adopted the following decisions:

1. The Supervisory Board of the Company approves the audited annual report of the Company and the Group for the financial year 2012.
2. The Supervisory Board of the Company expresses a positive opinion on the auditor’s report for 2012, prepared by the auditing company Deloitte revizija, d.o.o.
3. The Supervisory Board of the Company proposes to the Company's general meeting, i.e. to the Government of the Republic of Slovenia, to adopt a resolution to give discharge to the President and to the two members of the Management Board and to the Supervisory Board of the Company for the financial year 2012 on the basis of the adopted annual report of the Company and the Group for 2012 and the positive opinion on the auditor's report for 2012.

2. Position on the auditor’s opinion

The Company’s Management Board presented the annual report of the Company and the Group for 2012 together with the auditor’s report at the 4th regular meeting of the Supervisory Board, which was held on 22 May 2013. The auditing company Deloitte revizija, d.o.o., expressed a positive opinion on the Company’s financial statements which fairly present the Company’s financial position as of 31 December 2012 and its comprehensive income and cash flow for the year then ended in all material aspects in accordance with the International Financial Reporting Standards. The auditing company expressed a qualified opinion for the Group as a result of the fact that the auditing company Deloitte revizija, d.o.o., did not audit the financial statements of the associate companies. In all other aspects, the consolidated financial statements fairly present the financial position of the Group as of 31 December 2012 and its comprehensive income and cash flows in accordance with the International Financial Reporting Standards.

The Supervisory Board of the Company expresses a positive opinion on the auditor's report for 2012, prepared by the auditing company Deloitte revizija, d.o.o.

3. *Approval of the audited annual report*

The Supervisory Board finally expresses its positive opinion and declares that it has no remarks regarding the audited annual report of the Company and the Group for 2012 and that it gives its approval to the audited annual report of the Company and the Group for 2012 submitted to the Supervisory Board by the Company's Management Board.

REPORT OF THE SUPERVISORY BOARD OF SLOVENSKA ODŠKODNINSKA DRUŽBA, D.D. FOR THE PERIOD FROM 1 JANUARY 2012 TO 17 DECEMBER 2012

It is the responsibility of the Supervisory Board to oversee the management of operations of Slovenska odškodninska družba, d.d., (hereinafter referred to as: the Company) and to give its approvals with regard to the Management Board's decisions pursuant to the Articles of Association and individual decisions of the Supervisory Board. In the relevant period, the Supervisory Board was overseeing the operation of the Company within its powers and responsibilities laid down by the regulations and the Company's Articles of Association. From the formal point of view, the Supervisory Board discussed all issues of importance for the Company at its meetings.

The Supervisory Board, composed of Dr Uroš Rotnik, Chairman, Aleksander Mervar, Deputy Chairman, Igor Janez Zajec, MA, Member, Bojan Dejak, Member, Stane Seničar, Member, Tomaž Babič, Member, and Pavel Gorišek, Employee Representative, held eleven regular and four extraordinary meetings, and one meeting by correspondence in the relevant period.

Among others, the Supervisory Board took care of the following at its regular meetings:

- it took note of the unaudited unconsolidated financial statements for the year ending 31 December 2011 and with the consolidated and unconsolidated semi-annual report for 2012 of the Company and the Group;
- it regularly took note of the periodic reports about the verification of the solvency of the Company, of the financial statements of the Company, of the periodic reports of the Denationalisation Department and Settlement of Liabilities Department and of the realized and unrealized decisions of the Supervisory Board, of the decisions of the Audit Committee of the Supervisory Board and with the recommendations of the Capital Assets Management Agency of the Republic of Slovenia and their announcements;
- it approved the audited annual report of the Company and the Group for the business year 2011, expressed a positive opinion on the auditor's report for 2011, drafted by the auditing company Deloitte revizija, d.o.o., and based on this, gave a proposition to the general meeting of the Company to give discharge to the President and to the two members of the Board of Directors and to the Management Board or the Supervisory Board of the Company for the financial year 2011;
- it confirmed the Business-financial plan of the Company for 2013;
- it proposed certain measures to the Management Board and regularly took note of the adopted decisions of the Management Board and adopted internal acts of the Company;
- it presented the proposal on the participation in the capital increase of NLB, d.d., Ljubljana, of 29 June 2012;
- it took note of the General Assembly of the Company to give its consent to the acquisition of 679,916 new regular registered shares of NLB, d.d.;
- it regularly took note of the topical information or more important activities during the management of individual capital investments of the Company and of signed contracts on the sale of capital investments of the Company in the relevant period, and gave the required consents to individual legal trades in accordance with the Articles of Association and internal rules of the Company;
- took note of the concept of comprehensive capital investment management organization of the Republic of Slovenia of 25 May 2012, drafted by the Ministry of

Finance, and took note of the letter of the Company to the Ministry of Finance of 6 June 2012;

- took note of the oral information about the restructuring of loans that the Company acquired for the purpose of repaying its legal obligations and gave its consent to the restructuring of the Company's loans under the terms and conditions which must not be more stringent as defined in the material for the 17th regular meeting of the Supervisory Board of the Company; it gave its consent to the restructuring of loans of Raiffeisen Bank as evident from the materials for the 20th regular meeting of the Supervisory Board of 9 October 2012;
- it took note of the balance of the investment portfolio, the balance of the investments into bonds, the balance of the portfolio of mutual funds, the balance of the portfolio of foreign shares, and the balance of free money funds on 30 November 2012 as well as the of the investment portfolio performance in the period from 1 January 2012 to 30 November 2012;
- it took note of the amended Employment Relationship Rules, the Rules on Documenting Business Events Related to the Sale of Capital Investments, and the content of the sales folder, the Rules on the Procedures and Measures for the Protection of Personal Data, the Rules on the Systemization of Work Positions and the methodology for identifying work positions, the Rules of Procedure on the Work of the Company's Management Board, the amended Rules on the Procedures of Use and Acquisition of Capital Investments of the Company and the Rules on Free Money Fund Investments, the adopted Instructions on the Management of Documented Materials and the Rules for Determining the Remuneration and some other rights of the Company's Management Board assistants;
- it took note of the document Optimisation of Business Processes in the Company in Terms of Labour Costs;
- it proposed to the General Assembly of the Company to adopt the remuneration policy of the Company as stated in the Rules for Determining the Remuneration and other Rights of the President and Members of the Company's Management Board adopted by the Company's Supervisory Board, and proposed to it to appoint the auditing company Deloitte revizija, d.o.o. for auditing the financial report and for the examination of the business report of the Company and Group for 2012 and 2013;
- it implemented the process for the evaluation of efficiency of its work (self-evaluation of the Supervisory Board);
- it gave its consent that the Company may acquire company shares of Zavarovalnica Maribor, d.d., which constitute a total of more than 5% of voting rights of Zavarovalnica Maribor, d.d., and may conclude a suitable contract, as well as gave its consent that the company may sell or dispose of all of the shares of Zavarovalnica Maribor, d.d., which will be purchased by the Company from Nova KBM, d.d.;
- it adopted the Report of the Supervisory Board of Slovenska odškodninska družba, d.d., for the period from 1 January 2012 to 17 December 2012;
- on the basis of Article 4 of the Rules for Determining the Remuneration and other Rights of the President and Members of the Management Board of Slovenska Odškodninska Družba, d.d., it rated the work of the Management Board in 2012 as very successful.

The Audit Committee consisting of: Bojan Dejak, President, Igor Janez Zajec, MA, Member, Tomaž Babič, Member, and Andreja Bajuk Mušič, External Member held four regular and two correspondence meetings in 2012.

Among others, the Audit Committee took care of the following at its regular meetings:

- it presented the periodic reports on the solvency verification for the Company, annual and quarterly reports on the work of the Internal Audit Service, the internal quality evaluation of the work of the Internal Audit Service, and the work programme of the Internal Audit Service for 2012;
- it addressed unaudited financial statements of the Company for the period from January to December 2011, took note of the audited annual report of the Company and Group, as well as proposed to the Supervisory Board to confirm and adopt it;
- it took note of the operations of the Company during the period from January to April 2012;
- it took note of the unaudited annual report of the Company and Group, of the unaudited consolidated and unconsolidated semi-annual report of the Company, of the unaudited report of the Company for the period from January to September 2012, separately checked the method of creating provisions arising from denationalisation, and requested additional explanations of the more important items of financial statements for the relevant period;
- it proposed to the Supervisory Board to propose the appointment of the auditing company Deloitte revizija, d.o.o., Ljubljana to the General Assembly for carrying out the audit of financial statements of the Company and Group for 2012;
- it took note of the report on the anticipated future liabilities arising from denationalisation, and of the impact of this report on the statements of the Company, as well as additionally checked individual items;
- it gave its consent to the content of the draft of the contract on the provision of audit services in the Company and Group for 2012, and it proposed to the Company's Management Board to conclude this contract with the auditing company;
- it proposed to the Supervisory Board to propose the appointment of the auditing company Deloitte revizija, d.o.o., Ljubljana to the General Assembly for carrying out the audit of financial statements of the Company and Group for 2013.

The Nomination Committee consisting of: Aleksander Mervar, President, Tomaž Babič, Member and Milena Pervanje, External Member, held one regular meeting in the relevant period, at which it adopted the criteria for candidates for the Supervisory Board arising from the materials “Nomination Committee of the Company’s Supervisory Board”, and proposed to the Company’s Supervisory Board to further propose to the General Meeting the selection of candidates for the members of the Company’s Supervisory Board.

The Supervisory Board actively cooperated with the Management Board throughout the year. The Chairman of the Supervisory Board also cooperated with the Management Board in preparations for Supervisory Board meetings within the scope of his responsibilities. Members of the Supervisory Board received comprehensive professionally prepared materials for their meetings. They had access to the appropriate reports, information and data which the Management Board additionally clarified at the Supervisory Board meetings as necessary, which enabled the Supervisory Board members to oversee and monitor the Company’s operations and decision-making. The Management Board’s reports presented the economic categories in a comprehensive manner, as well as provided an appropriate explanation and comparison with the previous periods and the fulfilled plans for the current year. This allowed the Supervisory Board to monitor the performance of the Company and to exercise its supervisory function in an appropriate manner.

With regard to everything stated above and Article 4 of the Rules for Determining the Remuneration and Other Rights of the President and Members of the Company's Management Board, the Supervisory Board rates the work of the Management Board in 2012 as very successful.

Ljubljana, on 17 December 2012

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

SLOVENSKA ODŠKODNINSKA DRUŽBA COMPANY AND GROUP

FINANCIAL REPORT

FOR THE YEAR THAT ENDED ON 31 DECEMBER 2012

5. STATEMENT BY THE MANAGEMENT BOARD ON ITS LIABILITY

The Management Board is responsible for the preparation of the annual report so that it fairly and accurately presents the financial position of the Company and its operational results for 2012.

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

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

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

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

In accordance with the provision of paragraph 4, Article 31 of the Slovenia Sovereign Holding Act (ZSDH), the duties and competences of the General Assembly of SOD are carried out by the government from the enforcement of the Act until the transformation of SOD into Slovenian National Holding. The responsibilities of the General Assembly are specified in Article 293 of the Companies Act (hereinafter: ZGD-1).

The Articles of Association stipulate that the Supervisory Board of the Company encompasses nine members. Six members of the Supervisory Board that represent the interests of the shareholders are elected by the General Meeting, and three members of the Supervisory Board that represent the interests of the employees are elected by the Works Council. At the meeting of the Works Council on 25 January 2013, the remaining two representatives of workers were appointed. The Supervisory Board is vested with all the responsibilities laid down by ZGD-1.

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

Igor Drobne Popovič, MA	Igo Gruden	Peter Ješovnik, MA
Acting Member of the Management Board	Acting Member of the Management Board	Acting President of the Management Board

Ljubljana, on 26 April 2013

6. INDEPENDENT AUDITOR'S REPORT

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

Deloitte.

Deloitte Revizija d.o.o.
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1000 Ljubljana
Slovenija

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

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of the company SLOVENSKA ODŠKODNINSKA DRUŽBA d.d. (hereinafter the "Company"), which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its comprehensive income and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

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

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj
Certified Auditor

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

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

Ljubljana, 26 April 2013

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

6.2. OPINION FOR THE SLOVENSKA ODŠKODNINSKA DRUŽBA GROUP

Deloitte.

Deloitte Revizija d.o.o.
Dunajska cesta 165
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INDEPENDENT AUDITOR'S REPORT
to the owners of
SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the SLOVENSKA ODŠKODNINSKA DRUŽBA GROUP (hereinafter: the "Group"), which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except for the matters referred to in the following paragraph (Limitation of Scope), we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion – Limitation of Scope

The group discloses important investments in associates. The effects of valuation of investments in associates under the equity method have a material impact on the statements of comprehensive income of the Group. As we have not audited the financial statements of associates and have not reviewed the work done by the auditors of associates, we were unable to satisfy ourselves as to the fair presentation of effects resulting from valuation under the equity method.

Qualified Opinion

In our opinion, except for the potential effects of the matter referred to in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its comprehensive income and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

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

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj
Certified Auditor

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

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

Ljubljana, 26 April 2013

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

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

7.1. STATEMENT OF THE FINANCIAL POSITION /BALANCE SHEET

in €000	Note	Company		Group	
		31/12/2012	*31/12/2011*	*31/12/2012*	*31/12/2011*
ASSETS		**1,132,633**	**1,242,479**	**1,143,771**	**1,264,637**
LONG-TERM ASSETS		**868,178**	**998,943**	**879,316**	**1,021,101**
Intangible assets and long term deferred costs and accrued revenues	9.1.1.	53	58	53	58
Tangible fixed assets	9.1.2.	794	914	794	914
Investment property	9.1.3.	5,450	5,600	5,450	5,600
Long-term financial investments	9.1.4.	663,877	727,918	675,015	750,076
Long-term operating receivables	9.1.5.	198,004	264,453	198,004	264,453
SHORT-TERM ASSETS – TOTAL		**264,455**	**243,536**	**264,455**	**243,536**
Short-term assets without deferred costs and accrued revenues		**264,429**	**243,509**	**264,429**	**243,509**
Non-current assets held for sale	9.1.6.	50,000	0	50,000	0
Short-term financial investments	9.1.7.	141,410	163,827	141,410	163,827
Short-term operating receivables	9.1.8.	71,248	72,545	71,248	72,545
Cash	9.1.9.	1,771	7,137	1,771	7,137
Short-term deferred costs and accrued revenues	9.1.10.	**26**	**27**	**26**	**27**
LIABILITIES TO ASSET SOURCES		**1,132,633**	**1,242,479**	**1,143,771**	**1,264,637**
CAPITAL	9.1.11.	**102,844**	**105,740**	**113,982**	**127,898**
Issued capital		60,167	60,167	60,167	60,167
Capital reserves		0	0	0	0
Statutory reserves		0	0	0	0
Revaluation surplus		344,355	351,584	230,045	265,176
Retained net profit or loss		-301,678	-306,011	-176,230	-197,445
Net profit or loss for the financial year		0	0	0	0
Capital of the minority shareholders				**0**	**0**
LONG-TERM LIABILITIES - TOTAL		**854,790**	**829,562**	**854,790**	**829,562**
Provisions and long-term accrued costs and deferred revenues	9.1.12.	**91,123**	**147,138**	**91,123**	**147,138**
Long-term liabilities		**763,667**	**682,424**	**763,667**	**682,424**
Long-term financial liabilities	9.1.13.	763,667	682,424	763,667	682,424
Long-term operating liabilities		0	0	0	0
SHORT-TERM LIABILITIES - TOTAL		**174,999**	**307,177**	**174,999**	**307,177**
Short-term liabilities		**174,834**	**307,065**	**174,834**	**307,065**
Short-term financial liabilities	9.1.14.	108,052	279,897	108,052	279,897
Short-term operating liabilities	9.1.15.	66,782	27,168	66,782	27,168
Short-term accrued costs and deferred revenues	9.1.16.	**165**	**112**	**165**	**112**

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

7.2. COMPREHENSIVE INCOME STATEMENT

in €000	Note	Company		Group	
		01/01/2012 - 31/12/2012	*01/01/2011 - 31/12/2011*	*01/01/2012 - 31/12/2012*	*01/01/2011 - 31/12/2011*
Net revenue from sales	9.1.17.	586	596	586	1,676
Other operating revenues (with operating revenues from revaluation)	9.1.17.	50,907	216,182	50,907	216,186
Operating income		**51,493**	**216,778**	**51,493**	**217,862**
Costs of goods, material and services	9.1.18.	-1,052	-1,175	-1,052	-1,687
Labour costs	9.1.19.	-3,104	-2,685	-3,104	-3,023
Depreciation	9.1.20.	-308	-314	-308	-520
Long-term provisions	9.1.21.	-30	-39	-30	-39
Amounts written-off	9.1.22.	-20	-61	-20	-61
Other operating expenses	9.1.23.	-287	-484	-287	-587
Operating profit or loss		**46,692**	**212,020**	**46,692**	**211,945**
Financial income	9.1.24.	39,931	51,966	39,931	51,966
Financial expenses	9.1.24.	-75,795	-138,720	-71,838	-133,589
Profit/loss share from investments evaluated according to the equity method	9.1.25.	0	0	22,685	-35,034
Other income	9.1.26.	0	3	0	5
Other expenses	9.1.26.	0	0	0	-6
Profit or loss before tax		**10,828**	**125,269**	**37,470**	**95,287**
Tax on profit	9.1.27.	0	0	0	0
Deferred taxes	9.1.27.	-6,495	-9,766	-6,495	-9,766
Net profit or loss for the accounting period		**4,333**	**115,503**	**30,975**	**85,521**
of which attributable to the owners of the controlling company		-	-	30,975	85,580
of which attributable to the non-controlling share		-	-	0	-59
Profit/loss recognized in the revaluation surplus		-13,724	-79,529	-41,626	-43,506
Corporation tax from other comprehensive income		6,495	9,766	6,495	9,766
Other comprehensive income after tax		**-7,229**	**-69,763**	**-35,131**	**-33,740**
Total comprehensive income for the financial year after tax		**-2,896**	**45,740**	**-4,156**	**51,781**
of which attributable to the owners of the controlling company		-	-	32,054	51,840
of which attributable to the non-controlling share		-	-	0	-59

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

7.3. CASH FLOW STATEMENT

in €000	Company		Group	
	01/01/2012-31/12/2012	*01/01/2011 - 31/12/2011*	*01/01/2012-31/12/2012*	*01/01/2011 - 31/12/2011*
Cash flows from operating activities				
Operating receipts	*85,265*	*18,174*	*85,265*	*19,470*
Operating receipts	3,545	3,678	3,545	4,974
Receipts from the Republic of Slovenia (commission operations)	81,720	14,496	81,720	14,496
Operating expenses	*-141,191*	*-143,993*	*-141,191*	*-145,239*
Expenditure for the purchase of materials and services	-934	-1,059	-934	-1,530
Expenditure for wages of employees	-2,822	-2,716	-2,822	-3,033
Expenditure for various charges	-55	-57	-55	-435
Payments under ZDen and SZ (also SOS2E)	-126,590	-124,135	-126,590	-124,135
Expenditure for the account of the Republic of Slovenia (commission business)	-10,623	-15,884	-10,623	-15,884
Other operating expenses	-167	-142	-167	-222
Net cash flow from operations	***-55,926***	***-125,819***	***-55,926***	***-125,769***
Cash flows from investment activities				
Receipts from investement activities	*589,642*	*295,589*	*589,642*	*295,589*
Receipts from the interest and participation in profits of the company	28,263	22,946	28,263	22,946
Receipts from the disposal of tangible fixed assets	0	13	0	13
Receipts from the disposal of long-term financial investments	71,603	18,550	71,603	18,550
Receipts from the disposal of short-term financial investments	489,776	254,080	489,776	254,080
Expenditure in investment activities	*-516,348*	*-219,362*	*-516,348*	*-219,368*
Expenditure for the acquisition of intangible assets	-18	-1	-18	-1
Expenditure for the acquisition of tangible fixed assets	-53	-85	-53	-91
Expenditure for the acquisition of long-term financial investments	-116,302	-70,196	-116,302	-70,196
Expenditure for the acquisition of short-term financial investments	-399,975	-149,080	-399,975	-149,080
Net cash flow from investment activities	***73,294***	***76,227***	***73,294***	***76,221***
Cash flows from financing activities				
Receipts from financing activities	*0*	*60,000*	*0*	*60,004*
Receipts from paid capital	*0*	*60,000*	*0*	*60,000*
Receipts from increase in long-term financial liabilities	0	0	*0*	*4*
Receipts from increase in short-term financial liabilities	0	0	*0*	*0*
Expenditure from financing activities	*-22,734*	*-12,250*	*-22,734*	*-12,313*
Interest expenses relating to financing	-12,734	-12,250	-12,734	-12,259
Expenditure for the repayment of long-term financial liabilities	-10,000	0	-10,000	-54
Expenditure for the repayment of short-term financial liabilities	0	0	0	0
Net cash flow from financing activities	***-22,734***	***47,750***	***-22,734***	***47,691***
Balance of cash of the subsidiary during the transition to associate companies	***0***	***0***	***0***	***155***
Closing cash balance	**1,771**	**7,137**	**1,771**	**7,137**
Net increase/decrease in cash for the period (Ac + Bc + Cc)	*-5,366*	*-1,842*	*-5,366*	*-1,857*
Opening cash balance	*7,137*	*8,979*	*7,137*	*9,149*

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

7.4. STATEMENT OF CHANGES IN EQUITY CAPITAL

7.4.1. Statement of changes in equity capital of Slovenska odškodninska družba, d.d.

in €000	Issued capital	Statutory reserves	Retained profit/loss	Net profit/loss	Revaluation of financial investments intended for sale in net amount	Total
Balance as of 1 January 2011	***167***	***0***	***-389,104***	***-32,410***	***421,347***	***0***
Changes in equity capital	**60,000**	**0**	**0**	**0**	**0**	***60,000***
Subscription of called-up initial capital	60,000	0	0	0	0	60,000
Total comprehensive income for the reporting period	**0**	**0**	**0**	**115,503**	**-69,763**	***45,740***
Input of operating profit/loss for the reporting period	0	0	0	115,503	0	115,503
Change in the financial investment revaluation surplus	0	0	0	0	-69,763	-69,763
Changes in equity	**0**	**0**	**83,093**	**-83,093**	**0**	***0***
Allocation of residual net profit for benchmark reporting period to other capital components	0	0	83,093	-83,093	0	0
Closing balance as of 31 December 2011	**60,167**	**0**	**-306,011**	**0**	**351,584**	***105,740***
Total comprehensive income for the reporting period	**0**	**0**	**0**	**4,333**	**-7,229**	***-2,896***
Input of net operating profit/loss for the reporting period	0	0	0	4,333	0	4,333
Change in the financial investment revaluation surplus	0	0	0	0	-7,229	-7,229
Changes in equity	**0**	**0**	**4,333**	**-4,333**	**0**	***0***
Allocation of residual net profit for benchmark reporting period to other capital components	0	0	4,333	-4,333	0	0
						0
Closing balance as of 31 December 2012	**60,167**	**0**	**-301,678**	**0**	**344,355**	**102,844**

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

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

in €000	
Net profit or loss for 2012	4,333
Retained net profit or loss	-306,011
Accumulated loss for 2012	-301,678

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

7.4.3. Statement of changes in equity capital of Slovenska odškodninska družba Group

	Issued capital	Capital reserves	Statutory reserves	Retained profit/loss	Net profit/loss	The revaluation of the financial investments for sale in their net amount	Majority owners' capital total	Minority owners' capital	CAPITAL TOTAL
Balance as of 1 January 2011	**167**	**6**	**0**	**-214,114**	**-64,561**	**298,916**	**20,414**	**439**	**20,853**
Total comprehensive income for the reporting period	**60,000**	**0**	**0**	**0**	**85,521**	**-33,740**	***111,781***	**-59**	**111,722**
Subscription of called-up capital	**60,000**	**0**	**0**	**0**	**0**	**0**	***60,000***	0	60,000
Input of operating profit/loss for the reporting period	0	0	0	0	85,521		***85,521***	-59	85,462
Other comprehensive income	0	0	0	0		-43,506	***-43,506***	0	-43,506
Taxes related to other comprehensive income						9,766	***9,766***	0	9,766
Changes in equity	**0**	**0**	**0**	**20,960**	**-20,960**	**0**	***0***	**0**	**0**
Allocation of the residual net profit for the benchmark reporting period to the other capital components	0	0	0	-64,561	64,561	0	*0*	0	0
Offsetting of losses	0	0	0	85,521	-85,521	0	*0*	**0**	0
Movement from capital	**0**	**-6**	**0**	**-4,291**	**0**	**0**	**-4,297**	**-380**	**-4,677**
Other changes in capital	0	-6	0	-4,291	0	0	*-4,297*	-380	-4,677
							0	**0**	0
Closing balance as of 31 December 2011	**60,167**	**0**	**0**	**-197,445**	**0**	**265,176**	**127,898**	**0**	**127,898**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**30,975**	**-35,131**	***-4,156***	**0**	**-4,156**
Subscription of called-up capital	**0**	**0**	**0**	**0**	**0**	**0**	***0***	0	0
Input of operating profit/loss for the reporting period	0	0	0	0	30,975		***30,975***	0	30,975
Other comprehensive income	0	0	0	0	0	-41,626	***-41,626***	0	-41,626
Taxes related to other comprehensive income						6,495	***6,495***		6,495
Changes in equity	**0**	**0**	**0**	**30,975**	**-30,975**	**0**	**0**	**0**	**0**
Allocation of the residual net profit for the benchmark reporting period to the other capital components	0	0	0	0	0	0	***0***	0	0
Offsetting of losses			0	30,975	-30,975	0	***0***	**0**	0
Movement from capital	**0**	**0**	**0**	**-9,760**	**0**	**0**	**-9,760**	**0**	**-9,760**
Other changes in capital	0	0	0	-9,760	0	0	*-9,760*	0	-9,760
Closing balance as of 31 December 2012	**60,167**	**0**	**0**	**-176,230**	**0**	**230,045**	**113,982**	**0**	**113,982**

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

8. RELEVANT ACCOUNTING POLICIES

8.1. THE REPORTING COMPANY

The reporting company Slovenska odškodninska družba, d.d., is a public limited company legally registered with the District Court of Ljubljana, decision Srg 199304616, reg. no. 1/21883/00. Under the provisions of Articles 55 and 56 of the Companies Act (ZGD-1) it is a large company and is bound to a regular annual audit.

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

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

The Company is the controlling company of Slovenska odškodninska družba Group established in the Republic of Slovenia, Mala ulica 5, Ljubljana. The Company had one subsidiary and eight associate companies among its financial investments at the end of 2012. The Company also prepared its consolidated financial statements as of 31 December 2012, which included associate companies under the equity method. The incorporation of the PS ZA AVTO, d.o.o., company into consolidated financial statements is insignificant from the viewpoint of presenting fair and true financial statements for the Group; therefore, the company was not included in consolidation. The individual and consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union.

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

Subsidiary company as of 31 December 2012:

- PS ZA AVTO, d.o.o., Ljubljana, Tržaška cesta 133, the Company's ownership share is 90%;

Associate companies as of 31 December 2012:

- Casino Bled, d.d., Cesta svobode 15, Bled, the Company's share is 43.00%;
- GIO in liquidation, d.o.o., Dunajska cesta 160, Ljubljana the Company's share is 41.23%;
- Zavarovalnica Triglav, d.d., Miklošičeva cesta 19, Ljubljana the Company's share is 28.06%;
- Pozavarovalnica Sava, d.d., Dunajska cesta 56, Ljubljana, the Company's share is 25.00%;
- PDP, d.d., Dunajska cesta 119, Ljubljana the Company's share is 22.96%;
- Casino Portorož, d.d., Obala 75 a, Portorož the Company's share is 20.00%;
- Hit Nova Gorica, d.d., Delpinova ulica 5, Nova Gorica the Company's share is 20.00%;
- Zavarovalnica Maribor, Cankarjeva ulica 3, Maribor the Company's share is 39.21%.

In the financial year 2012, the Company had an average number of employees of 48.04, calculated on the basis of the number of hours worked. As of 31 December 2012, the Company had 71 employees since with the implementation of the ZSDH, the Company hired 23 new employees on 28 December 2012 who were prior to that employed at the Capital Assets Management Agency of the Republic of Slovenia.

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

The management approved the publication of the Company's financial statements for the financial year 2012 on 26 April 2013.

8.2. IMPORTANT ACCOUNTING POLICIES

8.2.1. Statement of compliance with the IFRS

In addition to its individual financial statements, the Company also prepared consolidated financial statements for the year that ended on 31 December 2012. The financial statements for the controlling company and the Group were conducted in compliance with the IFRS as adopted by the European Union (hereinafter: "IFRS"). In the preparation of its financial statements, the Company complied with the Slovenian legislation (ZGD-1) and its own internal rules.

8.2.2. Basis of the preparation of the financial statements

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

The financial assets available for sale were stated at their fair values. The impairment is regularly verified and recorded for all the assets as necessary.

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

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

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

The financial statements should include all items that are sufficiently relevant to impact the estimates and decisions. Reliable information does not contain relevant errors and biased points of view. There is uncertainty about many of the business events; therefore, the accounting policy needs to be selected with due caution. The asset and liability items must not be offset. The same applies to revenues and expense items unless expressly permitted by any of the IFRS. Business events are treated according to their content, not only their legal form. In explaining a document, priority should be given to the content over the form. The accounting information must be appropriate, intelligible, reliable, complete, timely and accurate.

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

a) Currently valid standards of interpretation

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

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

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

b) Standards and notes issued by the IFRC and adopted by the EU but still not valid

- **IFRS 10** – “Consolidated Financial Statements” adopted by the EU on 11 December 2012 (effective for the annual periods commencing on 1 January 2014 or later);
- **IFRS 11** – “Common Regulations” adopted by the EU on 11 December 2012 (effective for the annual periods commencing on 1 January 2014 or later);
- **IFRS 12 –**”Disclosure of Interests in Other Entities” adopted by the EU on 11 December 2012 (effective for the annual periods commencing on 1 January 2014 or later);
- **IFRS 13** – “Measuring Fair Value” adopted by the EU on 11 December 2012 (effective for the annual periods commencing on 1 January 2013 or later);
- **IAS 27** (as amended in 2011) – “Separate Financial Statements” adopted by the EU on 11 December 2012 (effective for the annual periods commencing on 1 January 2014 or later);
- **IAS 28** (as amended in 2011) – “Investments in Associate Companies and Joint Ventures” adopted by the EU on 11 December 2012 (effective for the annual periods commencing on 1 January 2014 or later);
- **Amendments to IFRS 1 –** “First-time Adoption of IFRS” – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for the annual periods commencing on 1 January 2013 or later);
- **Amendments to IFRS 7** – “Financial Instruments: Disclosures” – Reclassification of Financial Assets adopted by the EU on 13 December 2012 (effective for the annual periods commencing on 1 January 2013 or later);
- **Amendments to IAS 1** – “Presentation of Financial Statements” – Presentation of Items of Other Comprehensive Income adopted by the EU on 5 June 2012 (effective for the annual periods commencing on 1 July 2012 or later);
- **Amendments to IAS 12**– “Income Taxes” – Deferred tax: Reimbursement of the Respective Assets adopted by the EU on 11 December 2012 (effective for the annual periods commencing on 1 January 2013 or later);
- **Amendments to IAS 19** – “Earnings of Employees” – Improvements in the Calculation of Post-employment Earnings adopted by the EU on 5 June 2012 (effective for the annual periods commencing 1 January 2013 or later);
- **Amendments to IAS 32** – “Financial Instruments: Presentations” – Reclassification of Financial Assets adopted by the EU on 13 December 2012 (effective for the annual periods commencing on 1 January 2014 or later);
- **IFRIC 20** “Costs of Disposal in the Production Phase of Surface Sites” adopted by the EU on 11 December 2012 (effective for the annual periods commencing 1 January 2013 or later).

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

c) Standards and notes issued by the IFRC but not yet adopted by the EU

Currently, the IFRS as adopted by the EU are not very different from the provisions adopted by the International Financial Reporting Interpretations Committee (IFRIC) with the exception of the following standards, amendments of the existing standards and interpretations which were not confirmed for use as of 26 April 2013:

- **IFRS 9** – "Financial Instruments" (effective for the annual periods commencing 1 January 2015 or later);
- **Amendments to IFRS 1** – "First-time Adoption of IFRS" – Government Loans (effective for the annual periods commencing 1 January 2013 or later);
- **Amendments to IFRS 9** – "Financial Instruments" and **IFRS 7** – "Financial Instruments: Disclosures" – Mandatory Effective Date and Transition Disclosure;
- **Amendments to IFRS 10 –** "Consolidated Financial Statements", **IFRS 11 –** "Common Regulations" **and IFRS 12** "Disclosure of Interests in Other Entities" – Transition Guidance (effective for the annual periods commencing on 1 January 2013 or later);
- **Amendments to IFRS 10 –** "Consolidated Financial Statements", **IFRS 12 –** "Disclosure of Interests in Other Entities" and **IAS 27** – "Separate Financial Statements" – Investment Companies (effective for the annual periods commencing on 1 January 2014 or later);
- **Changes in the various standards** "**Improvements to the IFRS (2012)"** arising from the annual project for the improvement of the IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34), particularly for the purpose of addressing inconsistencies and the interpretation of the text (effective for the annual periods commencing on 1 July January 2013 or later).

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

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

The Company/Group estimates that the calculation of protection against risks regarding the portfolio of financial assets and liabilities in compliance with the requirements of **IAS 39 –** "Financial Instruments: Recognition and Measurement" would not have an important impact on their financial statements if it would be used on the balance sheet date.

8.2.3. Currency reporting

a) Functional and presentation currency

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

b) Trades and balances

Trades presented in a foreign currency are converted into euros at the exchange reference rate of the European Central Bank (ECB) on the transaction date. Profits and losses resulting from those trades as well as in the revaluation of the cash assets and liabilities expressed in a foreign currency are recognized in the comprehensive income statement.

Exchange rate differences arising from debt securities and other cash assets recognized at fair value are included in the profits and losses from trades in foreign currencies. Exchange rate differences for non-cash items, such as assets available for sale, are recognized directly in equity, in the revaluation surplus.

8.2.4. Value estimates of individual items

The estimates made by the Company's management, actuarial appraisers and other experts in valuation serve as the basis for making value estimates of the following items: financial investments, provisions, depreciation. Since this is an estimate, there exists some uncertainty as to the individual assumptions used by the valuers.

8.2.5. Important orientations for the Company and the Group

8.2.5.1. Revenue recognition

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

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

8.2.5.2. Investments in subsidiaries

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

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

8.2.5.3. Investments in associate companies

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

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

On acquisition of a financial investment, each difference between the acquisition value of the financial investment and the investor's interest in the net fair value of the definable assets, liabilities and contingent liabilities of the associate company are shown according to the IFRS 3 – Business Combinations.

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

8.2.5.4. Intangible assets and long-term deferred costs and accrued revenues

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

An acquisition cost model is used; therefore, intangible assets are shown at cost, less a value adjustment for depreciation and losses due to impairment.

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

The depreciation of intangible assets is calculated at the straight line method by taking into consideration the useful life of the assets. The depreciation rates used range from 10.0% 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.

8.2.5.5. Tangible fixed assets

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

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

- land and buildings	3.0–5.0%
- parts of buildings	6.0%
- computer equipment	33.3–50.0%

-	motor vehicles	20.0%
-	other equipment	20.0–33.3%
-	small tools	25.0–100.0%.

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

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

8.2.5.6. Investment property

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

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

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

8.2.5.7. Financial assets

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

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

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

b) Loans and receivables

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

c) Financial investments held to maturity

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

d) Financial assets available for sale

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

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

These evaluation models reflect the market conditions on the measurement date which can differ from the market conditions before or after this date.

Profit and loss deriving from the changed fair value of the financial assets available for sale are recognized directly in the comprehensive income except losses due to impairment, until recognition of the financial assets is eliminated. In this case, the accumulated profit and loss presented in the capital is recognized in the profit and loss account. Interests from debt securities are recognized directly in the profit and loss account.

On each balance sheet cut-off date, the Company/Group determines whether there is objective evidence that the value of the financial assets or a group of financial assets has been impaired. In case of financial assets available for sale, the characteristic and long lasting reduction in fair value below the acquisition cost is considered as an indicator of impairment of the investments. In cases when there is such an evidence (a 20% drop below the acquisition cost in a particular year or a drop during a period of at least nine months), the Company/Group recognizes the cumulative losses (determined as the difference between the acquisition cost and the current fair value, less the losses due to impairment of the financial assets) in financial expenses and eliminates them from the capital. Impairments of equity instruments which are recognized in the profit and loss account cannot be reversed.

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

8.2.5.8. Derived financial instruments

Derived financial instruments are recognized at the beginning according to fair value; costs related to the operation are recognized in the profit or loss account when they are incurred. After the initial recognition, the derived financial instruments are measured according to fair value and the related amendments are discussed in two ways.

- When a derived financial instrument is determined as protection against risk in the case of exposure to changes of cash flows which can be attributed to individual risk related to the recognized asset or liability or very likely presumable operations which can affect the profit or loss, the successful portion of the amendments is recognized in fair value in the comprehensive income of the time period. The unsuccessful portion of fair value of the derived financial instrument is recognized directly in the profit or loss account. The Company/Group shall presumably cease to charge the protection against risk if the protection instrument is not sufficient, if the instrument is sold, terminated or used.
- The effects of other derived financial instruments which are not defined as hedging in the case of exposure to cash flows are recognized in the profit or loss account.

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

8.2.5.9. Assets to be disposed or Group to be disposed

Assets or Group to be disposed, which includes assets and liabilities the value of which is expected to be settled predominantly by sale, are classified under assets and liabilities held for sale. If they fulfill this criterion, also financial investments into subsidiaries or associates are classified into the category Assets/Group to be disposed. Directly before the classification of assets under the assets held for sale, a new measurement of assets or Group to be disposed shall be carried out. A long-term asset or Group to be disposed is accordingly recognized at book value or fair value reduced by the lower selling costs. Losses due to impairment upon the reclassification of assets under assets held for sale and subsequent losses or profits upon new measurement shall be shown in the profit or loss account. Profits shall not be shown in the amount that exceeds possible cumulative losses due to impairment.

When intangible assets and tangible fixed assets are classified under assets held for sale or distribution, their depreciation is ceased. After the classification under assets held for sale or distribution, the calculation of investments according to the equity method is ceased as well.

8.2.5.10. Impairment of non-financial assets

On the reporting date, the Company checks the book values of the assets in order to determine whether there is any sign of impairment. Assets which have an unlimited useful life and are not depreciated are tested for impairment once a year. Assets subject to depreciation are checked for impairment whenever the events or circumstances point to their impairment. Loss due to impairment is recognized in the amount by which the book value of the asset exceeds its recoverable value. The recoverable value is higher than the fair value of the asset, less the selling costs and the value in use.

For the purpose of identifying impairment, assets are allocated to smaller units for which cash flows independent of other units may be defined (money making units).

8.2.5.11. Operating receivables

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

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

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

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

The Group/Company listed the following major operating receivables:

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

8.2.5.12. Cash and cash equivalents

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

8.2.5.13. Provisions

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

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

In accordance with legislation and the Group's internal regulations, the Company/Group is liable for payment of long-service bonuses and termination benefits on retirement, for which they create long-term provisions. This liability is calculated by the actuary who takes into account the following factors: the probability of death, probability of retirement, probability of staff turnover, and probability of disability. The calculation is discounted to the present value. The actuarial calculation is usually made every other year, and also earlier in case of major changes with regard to employees.

8.2.5.15. Deferred taxes

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

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

8.2.5.16. Liabilities

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

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

A portion of the long-term liabilities that falls due for payment within twelve months after the reporting date is shown among the short-term liabilities.

8.2.5.17. Capital

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

8.2.5.18. Determination of fair value

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

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

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

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

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

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

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

8.2.5.19. Own shares

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

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

8.2.5.20. Consolidation

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

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

Trades with minority owners are treated in the same way as transactions with outside partners The profits and losses of the minority owners are shown in the Group's statement of the comprehensive return.

8.2.5.21. Structure of the group of associate companies

SOD, d.d., is 100% owned by the Government of the Republic of Slovenia. A subsidiary company is a company in which the controlling company has a controlling interest or a controlling influence for other reasons and joins the group for which the consolidated financial statements are prepared. If the value of an investment in the subsidiary is not relevant to the true and fair presentation of the group's financial statements, it need not be included in the consolidated financial statements. Moreover, consolidation does not apply to companies for which bankruptcy proceedings are instituted; in such cases, the owners lose their voting rights.

On 31 December 2012, the Group was composed of the parent company and the subsidiary PS ZA AVTO, d.o.o., in which the Company has a 90% ownership share and shareholder rights in the same percentage. The subsidiary generated a profit of €140,000 in 2012 and its capital amounts to €9,049,000.

SOD, d.d., Mala ulica 5, Ljubljana, prepares a consolidated annual report for the controlling company and all the subsidiaries within the Group. Due to a material irrelevance, the company PS ZA AVTO, d.o.o. is not included in the process of the consolidation of subsidiaries. The consolidated financial statements for the first three months of 2011 included a fully consolidated investment in Casino Bled, and the investments in Zavarovalnica Triglav, Pozavarovalnica Sava, Casino Portorož, Hit, PDP and Casino Bled were consolidated by using the equity method only for the last nine months of 2011. Zavarovalnica Maribor, d.d., is not valued according to the equity method but is classified under non-current assets held for sale since the Company/Group only predicts short-term control. All the other associate companies were grouped according to the equity method in 2012. The financial statements of the Zavarovalnica Triglav Group and Pozavarovalnica Sava RE Group are audited.

8.2.5.22. Inventories

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

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

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

8.2.6. Reporting by segments

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

9. NOTES AND DISCLOSURES

9.1. NOTES TO THE FINANCIAL STATEMENTS

9.1.1. Intangible fixed assets and long-term deferred costs and accrued revenues

9.1.1.1. Intangible fixed assets and long-term deferred costs and accrued revenues in the Company

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

in €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 2011	*505*	*75*	*0*	*580*
New acquisitions	1	0	0	1
Purchase value as of 31 December 2011	*506*	*75*	*0*	*581*
Value adjustment				
Value adjustment as of 1 January 2011	*461*	*33*	*0*	*494*
Depreciation for the current year	16	0	0	16
Transfer to profit or loss	0	13	0	13
Value adjustment as of 31 December 2011	*477*	*46*	*0*	*523*
Present value on 1 January 2011	44	42	0	86
Present value on 31 December 2011	**29**	**29**	**0**	**58**

Computer software has a useful life of between 3 to 10 years.

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

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

At the year-end 2012, the Company had no outstanding liabilities for the acquisition of long-term property rights.

9.1.1.2. Intangible fixed assets and long-term deferred costs and accrued revenues in the Group

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

in €000	Long-term property rights	Other long-term deferred costs and accrued revenues	Capitalized costs of investments in tangible fixed assets of others	Total
Purchase value				
Purchase value as of 1 January 2011	*732*	*75*	*0*	*807*
Elimination of the subsidiary	-227	0	0	-227
New acquisitions	1	0	0	1
Purchase value as of 31 December 2011	*506*	*75*	*0*	581
Value adjustment				
Value adjustment as of 1 January 2011	*556*	*33*	*0*	*589*
Elimination of the subsidiary	-95	0	0	-95
Depreciation for the current year	16	0	0	16
Transfer to profit or loss	0	13	0	13
Value adjustment as of 31 December 2011	*477*	*46*	*0*	*523*
Present value on 1 January 2011	176	42	0	218
Present value on 31 December 2011	**29**	**29**	**0**	**58**

9.1.2. Tangible fixed assets

9.1.2.1. Tangible fixed assets of the Company

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

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

Tangible fixed assets important to the Company are buildings and equipment of which the individual purchase value exceeds 10% of the total tangible fixed assets. At the end of the reporting period, the Company had no outstanding liabilities for the purchase of tangible fixed assets.

in €000	Land	Buildings	Equipment and spare parts	Small tools	Total
Acquisition value					
Acquisition value as of 1 January 2012	*140*	*1,940*	*498*	*19*	*2,597*
New acquisitions	0	0	25	0	*25*
Acquisitions with the adoption of ZSDH (Slovenian National Holding Company Act	0	0	65	0	*65*
Disposals	0	0	-31	0	*-31*
Purchase value as of 31 December 2012	*140*	*1,940*	*557*	*19*	*2,656*
Value adjustment					
Value adjustment as of 1 January 2012	*0*	*1,306*	*360*	*17*	*1,683*
Depreciation for the current year	0	90	56	0	*146*
Acquisitions with the adoption of ZSDH (Slovenian National Holding Company Act	0	0	63	0	*63*
Disposals	0	0	-30	0	*-30*
Value adjustment value as of 31 December 2012	*0*	*1,396*	*449*	*17*	*1,862*
Present value on 1 January 2012	140	634	138	2	914
Present value on 31 December 2012	**140**	**544**	**108**	**2**	**794**

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

9.1.2.2. Tangible fixed assets of the Group

in €000	Land	Buildings	Equipment and spare parts	Small tools	Capital. costs of investments in tangible fixed assets of others	Total
Acquisition value						
Acquisition value as of 1 January 2012	*140*	*1,940*	*498*	*19*	*0*	*2,597*
New acquisitions	0	0	25	0	0	*25*
Disposals	0	0	65	0	0	*65*
Transfer	0	0	-31	0	0	*-31*
Purchase value as of 31 December 2012	*140*	*1,940*	*557*	*19*	*0*	*2,656*
Value adjustment						
Value adjustment as of 1 January 2012	*0*	*1,306*	*360*	*17*	*0*	*1,683*
Depreciation for the current year	0	90	56	0	0	*146*
Disposals	0	0	63	0	0	*63*
Transfer	0	0	-30	0	0	*-30*
Value adjustment as of 31 December 2012	*0*	*1,396*	*449*	*17*	*0*	*1,862*
Present value on 1 January 2012	140	634	138	2	0	914
Present value on 31 December 2012	**140**	**544**	**108**	**2**	**0**	**794**

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

9.1.3. Investment property of the Company and the Group

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

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

By renting out the investment property, the Company/Group generated €430,000 of income in 2012. The expenses relating to this investment property totalled €284,000.

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

In 2010, the Company/Group commissioned the valuation of the investment property during the year and determined that the book value of this property did not exceed the fair value. The market value determined under the comparable values method and capitalization method (they both have the same weight) was €5,873,000. During the preparation of the Annual Report 2012, the Company/Group verified the market prices and established that the book value did not exceed the fair value.

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

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

9.1.4. Long-term financial investments

in € 000	Cmpany		Group	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Long-term fin. investments in subsidiaries**	3,757	3,757	3,757	3,757
Long-term fin. Investments in associates	133,849	91,360	144,987	113,518
Long-term fin. investments at fair value through profit or loss	0	44,565	0	44,565
Other financial investments available for sale	524,771	578,236	524,771	578,236
Loans	1,500	10,000	1,500	10,000
Total	663,877	727,918	675,015	750,076

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

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

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

Seq.no.	Company name	Registered office		Activity/note
1	Casino Bled, d.d.	Cesta svobode 15	4 260 Bled	Organisation of gambling
2	Casino Maribor, d.d.	Glavni trg 1	2 000 Maribor	Bankruptcy
3	Casino Portorož d.d.	Obala 75A	6 320 Portorož	Organisation of gambling
4	GIO v likvidaciji, d.o.o.,	Dunajska 160	1 000 Ljubljana	In liquidation
5	HIT d.d., Nova Gorica	Delpinova 7A	5 000 Nova Gorica	Organisation of gambling
6	IUV, d.d.	Tržaška cesta 31	1 360 Vrhnika	Bankruptcy
7	PDP, d.d.	Dunajska cesta 119	1 000 Ljubljana	Activity of holding companies
8	PIK d.d., Maribor	Kraljeviča Marka 5	2 000 Maribor	Bankruptcy
9	Planika Kranj, d.d.	Savska Loka 21	4 000 Kranj	Bankruptcy
10	Pozavarovalnica Sava, d.d.	Dunajska cesta 56	1 000 Ljubljana	Reinsurance
11	PS za avto, d.o.o. Lj.	Tržaška cesta 133	1 000 Ljubljana	Renting out of property
12	Zavarovalnica Maribor, d.d.**	Cankarjeva ulica 3	2 000 Maribor	Insurance
13	Zavarovalnica Triglav, d.d.	Miklošičeva 19	1 000 Ljubljana	Insurance

Note: ** on 31 December 2012, Zavarovalnica Maribor, d.d., was classified as a non-current asset held for sale.

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

Seq. no.	Company name	Number of shares/ holdings	31 December 2012, % of ownership	Total capital of the company in €000	Profit/loss in €000	The data refers to
1	Casino Bled, d.d.	707,620	43.00	106	-245	2012
2	Casino Maribor, d.d.	2,085	20.00	2,810	stečaj	2008
3	Casino Portorož d.d.	706,314	20.00	-784	-4,897	2012
4	GIO v likvidaciji, d.o.o.,	1,002,210	41.23	8,685	-78	Liquidation balance sheet 2012
5	HIT d.d., Nova Gorica	1,357,727	20.00	47,546	-36,647	2012
6	IUV, d.d.	3,493,915	85.26	20,303	stečaj	2007
7	PDP, d.d.	410,271	22.96	9,979	-16,897	2012
8	PIK d.d., Maribor	529,090	53.57	-892	stečaj	2004
9	Planika Kranj, d.d.	1,493,547	56.68	14,601	stečaj	2003
10	Pozavarovalnica Sava, d.d.	2,340,631	25.00	174,790	9,605	2012
11	PS za avto, d.o.o., Lj.	1,752,969	90.00	9,049	140	2012
12	Zavarovalnica Maribor, d.d.**	4,882,813	39.21	99,109	7,717	2012
13	Zavarovalnica Triglav, d.d.	6,183,399	27.20	507,657	50,392	2012

Note: ** on 31 December 2012, Zavarovalnica Maribor, d.d., was classified as a non-current asset held for sale.

The data for Zavarovalnica Triglav, d.d., and Pozavarovalnica Sava Re, d.d, are obtained from the audited financial statements for 2012.

9.1.4.1. Long-term financial investments in subsidiaries

As at 31 December 2010, the controlling company had 75.43% voting rights and a 43% ownership share in Casino Bled, d.d., which is therefore treated as a subsidiary. The newly issued preference shares from the capital increase in 2009 in Casino Bled, d.d., held by Gold Club, d.o.o., acquired the voting right on 13 April 2011. For this reason, the management share of the Company fell from 75.43% to 43.00% and equals the share capital of the Company. Thus, Casino Bled, d.d. became an associate company of SOD, d.d. In the first quarter of 2011, the Company controlled Casino Bled, d.d. and it therefore fully consolidated it. When controlling terminated, the Company began to use equity methods in compliance with the IFRS.

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

9.1.4.2. Long-term financial investments in associates

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

	31-Dec-12	31-Dec-12	Company		Group	
	Voting rights	Ownership	*31-Dec-12*	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
	in %	in %	in €000	in €000	in €000	in €000
Casino Bled, d.d.	43.00	43.00	0	78	46	151
Casino Portorož, d.d.	20.00	20.00	0	0	0	823
Gio, d.o.o v likvidaciji	41.23	41.23	2,138	2,138	2,518	2,550
Hit, d.d.	33.33	20.00	7,478	7,478	13,602	22,345
PDP, d.d., Ljubljana	22.96	22.96	2,292	6,171	6,880	12,154
Pozavarovalnica Sava, d.d.	25.00	25.00	16,665	13,599	16,665	13,599
Zavarovalnica Triglav, d.d.	28.07	28.06	105,276	61,896	105,276	61,896
Total			133,849	91,360	144,987	113,518

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

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

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

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

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

As at 31 December 2012, the Company/Group held 6,380,728 shares of Zavarovalnica Triglav, d.d., of which 356 were held in custody. In 2012, there was no change in the total number of shares of Zavarovalnica Triglav, d.d., held by the Company. The number of Zavarovalnica Triglav, d.d. shares held in custody fell by 190,731 shares due to the failure of beneficiaries to purchase these shares within one year of the date when the declaratory decision became final. On the other hand, some administrative disputes were settled. The decrease in the number of the shares held in custody was reflected in the number of shares held by the Company/Group in the same amount. The ownership transformation of Zavarovalnica Triglav, d.d., is explained in Chapter 4.5.

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

The Company signed the repurchase agreement for securities. The agreement refers to three bonds with a market value of €1.4 million as of 31 December 2012, whereas the difference from the contract value, which amounted to €3 million, was €1.6 million. The Company estimates that an important risk with regard to the actual realization or realization deadline exists, therefore the option evaluation is unreliable. Due to the aforementioned fact, the Company/Group has decided that it shall not recognize this derivative instrument.

Due to a lack of already available market data related to the price of shares of Zavarovalnica Maribor and because options are based on numerous non-market parameters, the Company was not able to measure the fair value of the option (options). In accordance with that, the value of the option is not stated in financial statements.

9.1.4.4. Other financial investments available for sale

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

in € 000	The Company		The Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
A) At fair value				
Investments in domestic companies	433,985	498,690	433,985	498,690
Investments in investment companies	0	0	0	0
Investments in banks	2,272	6,530	2,272	6,530
Investments in mutual funds	27,933	23,045	27,933	23,045
Investments in shares of foreign issuers	3,799	2,659	3,799	2,659
Investments in structured products	0	494	0	494
Bond investments	7,288	5,767	7,288	5,767
Total at fair value	*475,277*	*537,185*	*475,277*	*537,185*
B) At cost with verification for imapirment signs				
Investments in domestic companies	2,444	5,206	2,444	5,206
Investments in banks	46,507	35,302	46,507	35,302
Bond investments	543	543	543	543
Total at purchase value with verification for impairment signs	*49,494*	*41,051*	*49,494*	*41,051*
Total	524,771	578,236	524,771	578,236

The Company/Group shows other investments available for sale on the regulated market at fair value through equity; unlisted ones are shown at purchase value and the signs of impairment are verified. The fair value for listed companies is established on the basis of the market-listed price on the date of reporting. The Company/Group regularly monitors the performance and major events associated with the individual companies invested in. The Company/Group uses these facts to determine whether there are signs of impairment, prepares the valuation if needed, and checks if there is a need for an adjustment chargeable to financial expenses.

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

- Krka, d.d. €265.6 million,
- Zavarovalnica Triglav, d.d. €105.3 million,
- Petrol, d.d. €97.4 million,
- Zavarovalnica Maribor, d.d., €50.0 million,
- NLB, d.d. €40.9 million,
- Telekom Slovenije, d.d. €26.5 million,
- Sava Re, d.d. €16.7 million,
- Helios Domžale, d.d. €13.4 million,
- Luka Koper, d.d. €12.4 million,
- Hit, d.d., Nova Gorica €7.5 million

Banks in which the Company/Group had an equity interest on 31 December 2012:

- Banka Celje, d.d. 9.36%,
- NLB, d.d. 9.00%,
- NKBM, d.d. 3.20%, and
- Abanka Vipa, d.d. 2.24%.

At the end of 2012, the Company/Group had financial investments in 53 mutual funds of which fair value of nine investments individually exceeded €1 million:

- Raiffeisen Global Allocation managed by Raiffeisen bank,
- Ilirika Gazela shareholders' fund managed by Ilirika DZU,
- Raiffeisen R337 fund managed by the Raiffeisen bank,
- Ilirika Azija shareholders' fund managed by Ilirika DZU,
- Beta fund managed by Probanka DZU,
- DBA and Emerg. market funds managed by DWS investments,
- NLB Skladi Globalni fund managed by NLB Skladi,
- KD shareholders' income fund managed by KD Skladi DZU, and
- KD MM fund managed by KD Skladi DZU.

The Company/Group also holds 27 foreign shares in its portfolio in which the highest fair value of each single share is €360,000 and the values of the following six shares are between €200,000 and €300,000.

Interest rates on bonds ranged between 1.681% and 7.57% in 2012.

Principal amounts of bonds totalling €2,250,000 will fall due for payment within a period of more than five years from the reporting date.

9.1.4.5. Long-term loans

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Deposits given and commercial bank deposits	1,500	10,000	1,500	10,000
Total	1,500	10,000	1,500	10,000

Interest rates in long-term deposits with commercial banks, and deposits ranged between 4,5% and 4.8%.

9.1.4.6. Levels of the fair values of the financial instruments

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

- level 1 – market prices (unadjusted) from the operating market; this level includes shares, bonds, implemented financial instruments which are listed on stock markets and points of the investment/mutual funds;
- level 2 – valuation model which is directly or indirectly based on the market data; the source of the market data like the yield curve and bonuses of counterparties was the Bloomberg system;
- level 3 – valuation model which is not based on the market data; this level represents the non-market shares and non-market bonds.

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

in €000		**Company**		**Group**
	31/12/2012	*31/12/2011*	*31/12/2012*	*31/12/2011*
Financial assets at the fair value of level 1	598,569	246,962	598,569	246,962
Financial assets at the fair value of level 2	43,314	401,542	43,314	401,542
Financial assets at the fair value of level 3	21,845	75,541	32,826	95,957
Total financial assets at the fair value	663,728	724,045	674,708	744,461

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

The investment in the shares of Krka was evaluated according to the market price in the financial statements for 2012, which totalled €265.6 million; in the statements for 2011, the value of €371.8 million was determined on the basis of a model and is stated among the financial assets of level 2. Reasons for change are explained under Item 9.1.4.9.

9.1.4.7. Long-term financial investments of the Company

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

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

Among the investments in domestic shares (without associates), an important positive growth was achieved by the shares of Petrol, d.d., (€33.5 million), Telekom, d.d., (€9 million), Pozavarovalnica Sava, d.d., (€3.1 million) and Helios, d.d., (€2.7 million) in 2012. The revaluation amount of the investment available for sale also included the impairment of some investments in domestic companies through profit or loss. Larger amounts are represented by the impairment of shares: NLB, d.d., – €16.7 million, PDP, d.d., – €3.9 million, NKBM, d.d., – 2.3 million, Abanka, d.d., – €1.9 million, Sava Kranj, d.d., – €1.9 million.

Granted deposits belong among acquisitions and all trades were concluded with commercial banks. The short-term portion of the long-term loans totalled €71.4 million and was shown among disposals.

The revaluation of the investments in associated companies relates to:

- an increase in the market value of shares of Zavarovalnica Triglav, d.d. €42 million;
- an increase in the market value of Pozavarovalnica Sava, d.d. €3.1 million;
- a permanent impairment of investment in PDP, d.d. €3.9 million;
- a permanent impairment of investment in Casino Bled, d.d. €0.1 million.

Investments in shares (listed) within the Group of the remaining financial investments available for sale which suffered the heaviest loss in market value in 2012:

- Krka, d.d.,* €15.4 million,
- NKBM, d.d., €2.3 million,
- Abanka, d.d. €1.9 million,
- Sava, d.d. €1.9 million,
- Žito, d.d. €1.2 million.

Note: * investment in the shares of Krka suffered a loss of €15.4 million according to the market prices and because the Company/Group valued the shares according to the model, the book value was lower by €106.2 million compared to the previous year.

As of 31 December 2012, the Company holds the evaluation of the market value of the minority ownership capital of NLB, d.d. Based on the considered assumptions in the valuation and on the valuation method based on market comparisons, which includes the method of comparable and listed companies as well as the method of comparable purchases on a limited controlling and limited market basis, the value of a share is €36.2 with a possible range from €26.9 to €38.5. The investment impairment through profit and loss is €16.7 million.

The Company/Group also impaired individual investments in bonds totalling €1.075 million through profit or loss.

Important sales in 2012:

- The Company/Group enforced the sale option of its share in Splošna plovba, d.o.o. The received purchase price amounted to €47.9 million.
- The Company/Group disposed the shares of Slovenijales, d.d. The purchase price amounted to €3.6 million.
- The Company/Group carried out a restructuring, sold less profitable funds, and re-invested the purchase price into the points of other mutual funds with regard to mutual funds.
- The Company/Group accepted the offer by Nova KBM, d.d., for the purchase of subordinate instruments. The subject of the purchase is the Floating Rate Perpetual Note bond with a purchase value of €3.4 million, whereas the received purchase price amounted to €2.6 million.

9.1.4.8. Long-term financial investments of the Group

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

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

9.1.4.9. Change of the evaluation of Krka, d.d. shares

In order to prepare the Annual Report for 2012, the Company decided to evaluate the financial investment in the shares of Krka, d.d., according to the market price effective on Ljubljana Stock Exchange on the balance sheet cut-off date. During the preparation of the Annual Report for 2011, the Company used a model for the evaluation of the investment in question. That model could however not be used for 2012 due to the reasons described below.

In January 2013 after previous coordination and consideration, the Bank of Slovenia and the Institute of Internal Auditors of Slovenia published the instructions for the evaluation of financial investments for the preparation of the Annual Report for 2012. The instructions provide the definition of the operating market and classification of securities according to this definition.

Securities listed on Ljubljana Stock Exchange can be classified under securities with the operating market and securities without the operating market. However, the classification depends on the liquidity of Ljubljana Stock Exchange for individual securities. The criteria and instruction stated by Ljubljana Stock Exchange are:

- the average daily number of concluded trades with securities of an individual class without blocks must be 1 or higher,
- the average daily value bracket of concluded trades with securities of an individual class without taking blocks into consideration must be €2,000 or higher,
- the market depth measured over the entire market depth (EMD) must be €1,000 or lower.

If a trade order in the amount of €7,500 is entered, the currency strength can change by maximum 10% according to this criterion. Securities meeting the market depth criterion and at least one of the other two criteria are classified under continuous trade or the market for them is classified as operating.

Krka, d.d., shares meet the aforementioned criteria and are classified under continuous trade, whereas the market for them is classified as operating according to these criteria that were not defined in the previous year by the Bank of Slovenia and the Institute of Internal Auditors in their instructions.

Financial investments which are traded with on the operating market and for which the tradable price is known must be evaluated according to IAS 39 at fair value on the balance sheet cut-off date. The published prices on the operating market are the best evidence of the current fair value.

If it is assessed that a financial investment trade value does not reflect the real fair value due to the non-operating market, fair value of such an investment can be measured in accordance with the IAS 39 by using evaluation techniques or according to the model.

Financial circumstances and uncertainties in the Republic of Slovenia which changed significantly in 2012 in comparison to the previous year and are also reflected in the variability of the requested return on government bonds of the RS are aggravating or preventing the use of the model in the aforementioned fiscal year since the discount factors are consequently extremely variable, whereas the value according to the model would also be too variable.

When measuring fair value according to the model, the IFRS give priority to the evaluation methods based on market data or comparisons. However, due to an increased risk in the state and fluctuations of the requested returns on RS bonds, the methods based on market comparisons no more provide adequate results or do not fully capture the investment risk of Krka, d.d., shares.

By using the discounted cash flow method, the problem with the market comparison based model could be alleviated but in no way fully eliminated since the discount factor used for discounting cash flows is much too dependant on the fluctuations of the required return of our ten-year government bonds which are a constituent part of the discount factor (“risk-free” part of the discount factor).

Also, the differences between estimates by analysts monitored by the Company via the Bloomberg system and current trade prices for Krka, d.d., shares have decreased extremely, or, in a different wording, average estimates by analysts only slightly differ from the current trade price.

In order to prepare the Annual Report for 2012, the Company decided to evaluate the investment in the shares of Krka, d.d., according to the market price effective on Ljubljana Stock Exchange on the balance sheet cut-off date due to the aforementioned reasons.

9.1.5. Long-term operating receivables

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Long-term receivable from the Government of RS arising from the implementation of ZSPOZ	70,027	93,527	70,027	93,527
Long-term receivable from the Government of RS arising from the implementation of ZIOOZP	33,721	45,038	33,721	45,038
Long-term receivable from the Government of RS arising from the implementation of ZVVJTO	94,256	125,888	94,256	125,888
Total	198,004	264,453	198,004	264,453

Maturity of long-term receivables by years

in €000	Amount matured in a year			Total
	2014	2015	2016	
Receivable ZSPOZ	23,992	23,269	22,766	70,027
Receivable ZIOOZP	11,553	11,205	10,963	33,721
Receivable ZVVJTO	32,292	31,320	30,644	94,256
Total	67,837	65,794	64,373	198,004

9.1.5.1. Receivables from the Republic of Slovenia under ZSPOZ

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

9.1.5.2. Receivables from the Republic of Slovenia under ZIOOZP

At its session held on 19 May 2011, the National Assembly adopted the Act Amending the Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property (ZSPOZ-D); arising from it is that SOD, d.d., shall perform tasks regarding issuing, delivery and payment of bonds on behalf of and for the account of the Republic of Slovenia. The amendments to the act determine that the assets for the implementation of this act shall be provided in the budget. The amendment to this act also regulated the financing of the liability of payment of compensations to the beneficiaries under ZIOOZP in the future and payment for administrative and technical activities carried out by SOD, d.d., on behalf of the Government of the Republic of Slovenia under this act. On 21 June 2011, SOD, d.d., and the Ministry of Finance signed a protocol establishing the level of liabilities of the Republic of Slovenia towards SOD, d.d., as of 31 December 2010. On the basis of the contract concluded with the Ministry of Finance on 14 July 2011 which, among other things, also regulated the repayment of the funds advanced in a gradual manner in ten half-year instalments until 2016, SOD, d.d., established a claim against the Government of the Republic of Slovenia under ZIOOZP in the books for 2011. Based on the legislative provisions, the six-month Euribor changing twice a year was applied to the claim. Based on an analysis of the market conditions for borrowing, the contract amount is discounted and the expected profit of a government bond with a comparable maturity was used for the discounting factor.

9.1.5.3. Receivables from the Republic of Slovenia under ZVVJTO

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

On the basis of the amendments to ZVVJTO which were adopted by the National Assembly on 19 May 2011, SOD, d.d., transferred a 10% share of Telekom, d.d., back to the Government of the Republic of Slovenia and signed a contract with it on 14 July 2011, which was the basis for establishing the amount of receivable of SOD, d.d., on 31 December 2010 to the Government of the Republic of Slovenia arising from the implementation of ZVVJTO, as well as the deadline and manner of payment. The receivable carried interest at the rate of the six-month Euribor, which changes twice a year. Based on an analysis of the market conditions for borrowing, the contract amount is discounted and the expected profit of a government bond with a comparable maturity was used for the discounting factor.

The contract established that the Government of the Republic of Slovenia shall pay its liability in ten equal half-year instalments between 2012 and 2016. In addition to the interest, SOD, d.d., has also recognized the costs of implementing ZVVJTO.

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

9.1.6. Non-current assets held for sale

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Non-current assets held for sale	50,000	0	50,000	0
Total	50,000	0	50,000	0

Pozavarovalnica Sava, d.d., (hereinafter: "Sava RE") and the Company signed the agreement on the purchase and sale of Zavarovalnica Maribor, d.d., shares on 11 December 2012 with Nova kreditna banka Maribor (hereinafter: "Purchase Agreement"), based on which the Company became the holder of 4,882,813 regular transferable nominal non-par value shares of Zavarovalnica Maribor, d.d., (ZM) representing 39.21% of the ZM share capital for the total purchase price of €50,000,005.12. Based on the contractual provisions, the Company transferred €5 million in December 2012. The remaining liability will be settled in April 2013.

At the same time, the Company and Sava RE concluded an agreement on rights regarding the ZM shares ("Agreement on rights") that shall enter into force on the day of the execution of the Purchase Agreement. Based on the provisions of the Agreement on Rights, Sava RE granted the Company more rights to sell all of the ZM shares held by the Company.

The first right to sell all of the ZM shares can be exercised by the Company within 30 days following a successful increase of the share capital. If Sava RE is not able to buy the ZM shares held by the Company by 1 October 2013, the Company can claim a collective sale of all ZM shares held by the two companies on that day from Sava RE. Entire costs of the sale will be covered by Sava RE, except the costs that are exclusively necessary due to legal requirements. If the price does not reach the purchase price of ZM shares increased by the agreed interests during the collective sale, Sava RE shall guarantee the payment of the difference for all the ZM shares held by the Company. If a price higher than the purchase price should be reached during the collective sale of ZM shares increased by the agreed interests, the Company shall be obliged to pay the difference (for all the ZM shares held) to Sava RE.

The second right to sell ZM shares can be exercised by the Company (in case of an unsuccessful collective sale of ZM shares) in two parts, as follows:

- in the period from 1 June 2014 to 15 June 2014 (for the purchase price of ZM shares in the amount of €30 million increased by the appurtenant interests and decreased by all the paid option rights); and

- from 15 July 2015 to 30 July 2015 for the remaining ZM shares held by the Company, but only under the prerequisite that Sava RE shall meet 160% of the minimum required capital adequacy according to the then effective legislation after the execution of its right to sell.

If and in the scale in which the capital adequacy of Sava RE does not allow the exercising of the second right to sell by the Company, the Company may claim from Sava RE to approve or let a third party approve adequate debt financing in order to balance the Company's liquidity, and Sava RE is obliged to approve or provide such debt financing under the conditions defined in the Agreement on Rights.

By the Agreement on Rights, also the purchase right which is granted by the Company to Sava RE shall be agreed and it shall be valid from the day of ZM shares acquisition until the expiry of five years from the day this agreement enters into force. The calculation method of the ZM shares price, as well as the procedures regarding exercising the rights are also defined in case of exercising the right to sell or purchase.

9.1.7. Short-term financial investments

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

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

in €000		Company		Group
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Short-term finan.investments available for sale	1,351	6,127	1,351	6,127
Depositts given and commercial bank deposits	138,400	157,700	138,400	157,700
Commercial papers	1,659	0	1,659	0
Total	141,410	163,827	141,410	163,827

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

Movements of interest rates were as follows:
- for deposits from 1.50% to 4.65%,
- for bonds from 1.681% to 7.57%,
- for inpayments from 3.65% to 4.31%.

Major bonds, i.e. their coupons that will be realized in 2013:
- BCE11 €257,000,
- BDM1 €543,000, and
- NOVALJ €551,000.

The Company/Group granted no loans to the management, members of the Supervisory Board and members of their committees in 2012.

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

9.1.8. Short-term operating receivables

in €000	Company		Group	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
Receivables from domestic customers	41	41	41	41
Interest receivables	1,178	1,386	1,178	1,386
Adjustment of interest receivable	-28	-28	-28	-28
Dividends receivable	297	258	297	258
Receivables from the RS arising from ZSPOZ	24,826	24,982	24,826	24,982
Receivables from the RS arising from ZIOOZP	11,762	12,536	11,762	12,536
Receivables from the RS arising from ZVVJTO	32,549	32,412	32,549	32,412
Other receivables from state institutions	578	535	578	535
Receivables arising from the ownership transformation of Zavarovalnica Triglav	1	364	1	364
Receivables arising from ownership transformation of housing units	876	887	876	887
Adjustments of receivables for ownership transformation of housing units	-836	-828	-836	-828
Other receivables (enforced guarantees etc.)	4,092	4,505	4,092	4,505
Value adjustment of other receivables	-4,088	-4,505	-4,088	-4,505
Total	71,248	72,545	71,248	72,545

Receivables for which it is assumed that they will not be paid in full are considered as doubtful. The Company/Group uses two criteria in the value adjustment of receivables:

- according to experience from previous years and expectations, the value is adjusted for receivables within 90 to 150 days of the maturity date – 50% adjustment of the receivable; for receivables within 151 and 210 days of the maturity date – 75% adjustment of the receivable, and within 210 days of the maturity date or more – 100% adjustment of the receivable;
- according to the doubtfulness of the debtor – the value is adjusted for other individual receivables as well when there is a reasonable doubt concerning their settlement.

Receivables for the given advance payments represent the amount paid by the Company for the acquisition of Zavarovalnica Maribor shares in accordance with the Agreement for Purchase and Sale of Shares concluded between Nova kreditna banka Maribor, d.d., Pozavarovalnica Sava, d.d., and Slovenska odškodninska družba, d.d. The transaction will be executed when all the suspensive conditions stated in this agreement are met. Among others, appropriate approvals by competition protection bodies and the Insurance Supervision Agency need to be obtained.

Trade receivables included no items due. The interest receivables related to the interest on bonds, deposits made and other loans granted. Among receivables from state institutions, the highest receivable is the one from the Fund of Agricultural Land for revenues arising from farmland and forest management, as well as purchase monies from farmland sales totalling €522,000.

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

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

In 2012, the value of receivables adjustment totalled €13,000 all deriving from receivables on the basis of the Housing Act.

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

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

Movement of the value of receivables adjustment

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
State of the value adjustment of receivables on 1 January	5,361	5,614	5,361	5,614
Recovered receivables for which the value adjustment was made	9	5	9	5
Receivables written off during the year	412	260	412	260
Value adjustment made during the year	12	12	12	12
Total value adjustments as of 31 December	4,952	5,361	4,952	5,361

9.1.9. Cash in bank and cash in hand

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Cash in hand	0	1	0	1
Credit balances with commercial banks	41	321	41	321
Cash equivalents	1,730	6,815	1,730	6,815
Total	1,771	7,137	1,771	7,137

Larger amounts of cash equivalents represent the following:

- call deposit with Abanka Vipa, d.d., totalling €1.4 million, transaction realised in December 2012,
- call deposit with BKS Bank, AG, totalling €0.3 million, transaction realised in December 2012.

9.1.10. Short-term deferred costs and accrued revenues

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Deferred costs and accrued revenues	26	27	26	27
Total	26	27	26	27

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

9.1.11. Capital

9.1.11.1. The Company's capital

The Company's capital is composed of called-up capital, revaluation surplus from the revaluation of financial investments, retained losses from previous periods and, provisionally, uncovered losses for the financial year. The Group's sole shareholder is the Government of the Republic of

Slovenia. The Company's share capital amounting to €60,166,917.04 is divided into 36,046 (thirty-six thousand and forty-six) non-par value shares.

Revaluation surplus

in €000	Company	
	31-Dec-12	*31-Dec-11*
Strengthening of investments in the shares of companies	304,160	364,403
Strengthening/impairment of investments in the shares of foreign issuers	845	582
Strengthening/impairment of mutual funds	3,053	2,726
Strengthening of investments in shares of fin. and insur. companies	71,809	26,748
Strengthening/impairment of other investments abroad	0	-106
Strengthening/impairment of investments in bonds	-483	-1,245
Deferred tax liability	-35,029	-41,524
Total	344,355	351,584

Major amounts of enhancements as of 31 December 2012:

- Krka, d.d. €224.2 million,
- Zavarovalnica Triglav, d.d. €66.2 million,
- Petrol, d.d. €51.4 million,
- Helios, d.d. €11.1 million.

Movements of revaluation surplus

in €000	01-Jan-12	Transfer to profit or loss	Added during the year	Balance as of 31 Dec 2012
Surplus from domestic companies	364,403	433	-59,810	304,160
Surplus from foreign companies (shares)	582	139	402	845
Surplus from mutual funds	2,726	1,445	1,772	3,053
Surplus from investments in insurance companies	26,748	0	45,061	71,809
Surplus from other foreign investments	-106	-106	0	0
Surplus from bonds	-1,245	-754	8	-483
Total by surplus type	393,108	1,157	-12,567	379,384
Deferred tax liability	-41,524	-190	6,305	-35,029
Total	351,584	967	-6,262	344,355

In case of capital revaluation in order to maintain the purchasing power based on the growth of the consumer prices in 2012 (2.7%), the profit/loss shall be reduced by €2,855,000.

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

- as of 31 December 2012 – 102,844,256/36,046 = €2,853.14
- as of 31 December 2011 – 105,739,692/36,046 = €2,933.47

9.1.11.2. Capital of the Group

The capital of the Group includes capital of the controlling company totalling €102.84 million and the proportional value of the capital of the associate companies determined in compliance with the equity method of consolidation used. According to the equity method, Zavarovalnica Triglav Group, Pozavarovalnica Sava Group, Hit Group, PDP Group, Casino Bled, d.d., Casino Portorož, d.d., and Gio, d.o.o., in liquidation are included in the consolidation. The impact of the individual associate company on the capital of the Group is explained in point 9.1.25.

At the end of 2012, the Group did not have the capital of the minority owner at its disposal since only associate companies are consolidated and are included through the equity method.

The book value per Group's share, which is calculated as a ratio between the total capital and the number of the Company's shares:
- as of 31 December 2012 – 113,981,320/36,046 = €3,162.11
- as of 31 December 2011 – 127,898,157/36,046 = €3,548.19

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

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

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Provisions for denationalisation	90,599	146,708	90,599	146,708
Provisions for onerous contracts	311	312	311	312
Provisions for long-service bonuses	29	23	29	23
Provisions for termination benefits	147	95	147	95
Other provisions	30	0	30	0
Accrued costs and deferred revenues	7	0	7	0
Total	91,123	147,138	91,123	147,138

The Company/Group shall check regularly which received denationalisation claims satisfied all conditions for creating long-term provisions. The Company/Group assessed the amount of claims on the basis of studying each claim considering its own and legal practice used so far. The amount of the necessary provisions is verified once a year. Claims were submitted in various procedures:
- potential final decision, where the amount of compensation was already determined. The company agreed; however, appeals on the points of law lodged by claimants were not ruled out;
- claims for which decisions were issued, but appeals on points of law were lodged and a renewed procedure was under way;
- claims for which no decision had yet been issued, and the procedure was under way.

The amount of the necessary provision is a sum of estimated compensations and accrued interest under the amortization plan for SOS2E bonds until the end of the reporting period (for the purpose of calculating the interest compensations are converted into a number of SOS2E bonds).
During the consideration which claims should be classified under provisions and which ones under contingent liabilities, the Company took the decisions of administrative authorities in similar cases under consideration and reclassified certain claims from provisions to contingent liabilities based on them. Those claims are from persons who were granted or obtained the right to claim compensation from Austria on the basis of a treaty between the Federal Republic of Germany and the Republic of Austria on the settlement of damages to deportees, resettled and displaced persons, settlement of other financial issues and issues relating to the social area or to the Financial and Compensation Treaty, including the Bad Kreuznach Abkommen agreement of 27 November 1961 and Austrian laws adopted on its basis. By the end of 2012, the Company recorded more than 50 cases where this objection was relevant.

The Company also classified some claims regarding the issue of the existence of obstacles for the return of real estate in kind under contingent liabilities. SOD, d.d., achieved success with the appeal against the first instance decision and it can be expected with regard to the existing practice of the Administrative and Supreme Court of the Republic of Slovenia that it will not be liable in the repeated procedure. In cases when the Company/Group established that there is only a limited probability that it shall become the person liable for the damages based on facts, it classified those claims under contingent liabilities.

The Company/Group created provisions for termination benefits and long-service bonuses of employees. Their amounts are shown in the table above. The latest calculation made as of 31 December 2012 took into account the following:

- employees are entitled to a severance grant in the amount of two salaries he/she receives or in the amount of two average salaries at the state level, whichever is more favourable;
- retirement in accordance with the model based on Pension and Disability Insurance Act (ZPIZ-2);
- long-service bonuses are paid to employees for the total length of their service;
- staff turnover ranging between 0% and 3%, depending on the age of the employees;
- the 3.5% wage growth in Slovenia;
- discount rate of 3.5%.

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

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

9.1.12.1. Movement of provisions of the Company

in €000	As of 1 January 2012	Newly created provisions	Used provisions	Reversed provisions	Balance as of 31 December 2012
Provisions for denationalisation	146,708	0	16,904	39,205	90,599
Provisons for onerous contracts	312	29	0	30	311
Provisons for long-service bonuses	23	9	3	0	29
Provisons for termination benefits	95	52	0	0	147
Other provisions	0	30	0	0	30
Accrued costs and deferred revenue	0	7	0	0	7
Total	147,138	127	16,907	39,235	91,123

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

9.1.12.2. Movement of provisions of the Group

in €000	As of 1 January 2012	Newly created provisions	Used provisions	Reversed provisions	Balance as of 31 December 2012
Provisions for denationalisation	146,708	0	16,904	39,205	90,599
Provisons for onerous contracts	312	29	0	30	311
Provisons for long-service bonuses	23	9	3	0	29
Provisons for termination benefits	95	52	0	0	147
Other provisions	0	30	0	0	30
Accrued costs and deferred revenue	0	7	0	0	7
Total	147,138	127	16,907	39,235	91,123

in €000	As of 1 January 2011	Newly created provisions	Used provisions	Reversed provisions	Balance as of 31 December 2011
Provisions for denationalisation	196,963	0	21,474	28,781	146,708
Provisons for onerous contracts	412	39	0	139	312
Provisons for long-service bonuses	28	0	2	3	23
Provisons for termination benefits	142	0	0	47	95
Total	197,545	39	21,476	28,970	147,138

9.1.13. Long-term financial and operating liabilities

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

The Company's/Group's long-term financial liabilities are issued long-term debt securities and obtained loans. The Company delivers SOS2E bonds in order to meet its liabilities of recognized compensations arising out of denationalisation.

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Loans obtained from banks	469,859	299,871	469,859	299,871
SOS2E bond principal amount	286,878	382,553	286,878	382,553
Interest rate swaps fair value	6,930	0	6,930	0
Skupaj	763,667	682,424	763,667	682,424

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

A portion of the long-term liabilities arising from the SOS2E bond that had already become due for payment and the portion due for payment within one year after the balance sheet date were stated among the short-term liabilities. The amount of liabilities due and outstanding was of no relevance to the Company. The reason for non-payment was on the side of beneficiaries that failed to submit the necessary information, for example, in case of probate hearings after a person's death, the Company had no information about the person's legal heirs.

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

in €000	Balance as of 1 January 2011	Acquisitions	Repayments	Transfer to the short-term portion	Balance as of 31 December 2011
Loans obtained from banks	479,783	54	0	179,966	299,871
SOS2E bond	464,681	17,515	11,487	88,156	382,553
RS21 bond	25,509	-25,509	0	0	0
Total	969,973	-7,940	11,487	268,122	682,424

The lending banks:

- SKB banka, d.d. €120 million,
- Abanka Vipa, d.d. €75 million,
- Unicredit banka Slovenija, d.d. €75 million,
- Raiffeisen banka, d.d. €70 million,
- Nova Ljubljanska banka, d.d. €50 million,
- Banka Koper, d.d. €30 million,
- BKS bank, AG., €20 million,
- Hypo Alpe Adria bank, d.d. €20 million,
- Banka Celje, d.d. €10 million.

in €000	Amount matured in a year			Total
	2014	2015	2016	
Credits received from commercial banks	149,893	299,970	19,996	469,859
SOS2E Bond	107,759	117,086	62,033	286,878
Total	257,652	417,056	82,029	756,737

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

- for €40 million – 6M EURIBOR increased by an average surcharge of 232 basis points,
- for €430 million – 3M EURIBOR increased by an average surcharge of 140 basis points,
- the average surcharge considering all the credits amounts to 148 basis points at the end of the year.

Loans obtained from banks are secured by a guarantee issued by the Government of the Republic of Slovenia, as laid down by the Act on Guarantee of the Republic of Slovenia for Liabilities Assumed by Slovenska odškodninska družba, d.d., for Loans Obtained for the Financing of Slovenska odškodninska družba, d.d., in 2009 (ZPSOD09) and the Act on the Guarantee of the Republic of Slovenia for Liabilities Assumed by Slovenska odškodninska družba, d.d. totalling €300 million for Loans and Bonds Issued for the Financing of Slovenska odškodninska družba, d.d., in 2010 (ZPSOD10) and blank bills of exchange. As security for the guarantee under ZPSOD09, the Company pledged a long-term receivable to the Government of the Republic of Slovenia arising from the implementation of ZVVJTO for the benefit of the Government. As security for the guarantee under ZPSOD10, the Company pledged shares of Aerodrom Ljubljana, d.d., Hit, d.d., Loterija, d.d., Luka Koper, d.d., Nova KBM, d.d. and Zavarovalnica Triglav, d.d. Under the contract, the Company is supposed to establish a lien on behalf of the Government of the Republic of Slovenia on shares held by Ljubljanska banka, d.d., whereby the Government of the Republic of Slovenia already has an established prohibition of disposal in its benefit.

Liabilities to banks arising from changing interest rate in the amount of €6,930,000 represent the estimated fair value of open contracts for the protection of interest risk at the end of the reporting period. The Company concluded nine contracts regulating the changing interest rate with seven banks for a total virtual principal of €300 million. The fixed interest rate fluctuates between 0.684 and 1.4379% p.a., whereas for the floating interest rate, the three-month EURIBOR recalculated four times a year is agreed.

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 has a maturity beyond five years after the reporting date.

The company is licensed by the Ministry of Finance to purchase SOS2E bonds. These bonds are shown by the Company as a deduction item to the liabilities accounts. As of the balance sheet date, the long-term portion of own bonds totalled €7,169,000.

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

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

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

in €000	Balance as of 1 January 2011	Acquisitions	Repayments	Transfer to the short-term portion	Balance as of 31 December 2011
Loans obtained from banks	480,073	-236	0	179,966	299,871
SOS2E bond	464,681	17,515	11,487	88,156	382,553
RS21 bond	25,509	-25,509	0	0	0
Other loans received	122	-122	0	0	0
Total	970,385	-8,352	11,487	268,122	682,424

9.1.14. Short-term financial liabilities

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Loans obtained from banks	0	179,966	0	179,966
Other short-term financial liabilities	0	0	0	0
Interst rate swaps fair value	0	949	0	949
SOS2E bond principal amount	108,052	98,982	108,052	98,982
Total	108,052	279,897	108,052	279,897

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

The Company held own bonds SOS2E, and the short-term portion of the principal amount which is posted as a deduction item to the liabilities account totalled €2,460,000 on the cut-off date. The level of the interest rate for SOS2E bonds is disclosed in Note 9.1.13.

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

in €000	Balance as of 1 January 2012	Acquisitions	Repayments	Transfer from/to long-term debt	Balance as of 31 December 2012
Loans obtained from banks	179,966	34	10,000	-170,000	0
Interest rate swap fair value	949	0	0	-949	0
SOS2E bond	98,982	0	86,841	95,911	108,052
Total	279,897	34	96,841	-75,038	108,052

Liability arising from the fair value of an interest swap was transferred to long-term liabilities according to the agreements.

in €000	Balance as of 1 January 2011	Acquisitions	Repayments	Transfer from long-term debt	Balance as of 31 December 2011
Loans obtained from banks	0	0	0	179,966	179,966
Interest rate swap fair value	0	949	0	0	949
SOS2E bond	87,545	0	76,719	88,156	98,982
RS21 bond	5,296	-5,296	0	0	0
RS 39 bond	780	-780	0	0	0
Total	93,621	-5,127	76,719	268,122	279,897

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

in €000	Balance as of 1 January 2012	Acquisitions	Repayments	Transfer from/to long-term debt	Balance as of 31 December 2012
Loans obtained from banks	179,966	34	10,000	-170,000	0
Interest rate swap fair value	949	0	0	-949	0
SOS2E bond	98,982	0	86,841	95,911	108,052
Total	279,897	34	96,841	-75,038	108,052

in €000	Balance as of 1 January 2011	Acquisitions	Repayments	Transfer from long-term debt	Balance as of 31 December 2011
Loans obtained from banks	995	-995	0	179,966	179,966
Interest rate swap fair value	0	949	0	0	949
SOS2E bond	87,545	0	76,719	88,156	98,982
RS21 bond	5,296	-5,296	0	0	0
RS 39 bond	780	-780	0	0	0
Other loans received	149	-120	29	0	0
Total	94,765	-6,242	76,748	268,122	279,897

9.1.15. Short-term operating liabilities

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Accounts payable	4,199	4,233	4,199	4,233
Liability for acquisition of shares	45,000	0	45,000	0
Advance payments received	9	9	9	9
Interest on loans obtained from banks	1,160	2,391	1,160	2,391
Interest on SOS2E bonds	15,946	20,055	15,946	20,055
Dividends payable to the future owners of Zavarovalnica Triglav	1	209	1	209
Liabilities towards employees	192	123	192	123
Liabilities towards state institutions	269	125	269	125
Other liabilities	6	23	6	23
Total	66,782	27,168	66,782	27,168

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

Share acquisition liability for ZM shares is explained under Item 9.1.6.

The Company had no liabilities towards related parties on the balance sheet date.

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

The company has no matured and outstanding liabilities.

9.1.16. Short-term accrued costs and deferred revenues

In short-term accrued costs and deferred revenues, the Company/Group discloses its liabilities to employees for the unused portion of annual leave, whereas short-term deferred income represents calculated interests that do not belong under income yet.

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Accrued expenses	129	103	129	103
Short-term deferred income	36	9	36	9
Total	165	112	165	112

9.1.17. Operating revenues

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Income from sales of goods and services	156	161	156	220
Income from gambling	0	0	0	1,001
Lease income	430	435	430	459
Total net sales revenues	*586*	*596*	*586*	*1,680*
Income from use and reversal of long-term provisions – denationalisation	46,844	28,782	46,844	28,782
Income from use and reversal of other long-term provisions	31	139	31	139
Income for denationalisation purposes	3,942	3,810	3,942	3,810
Income for ZSPOZ purposes	0	115,568	0	115,568
Income for ZIOOZP purposes	0	67,545	0	67,545
Revaluation operating income	90	338	90	338
Other operating income	*50,907*	*216,182*	*50,907*	*216,182*
Total	51,493	216,778	51,493	217,862

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

Every year, the Company/Group checks the necessary volume of provisions. In drawing up this account, the Company determined that according to the already established facts, the amount of created provisions for denationalisation compensations exceeded the newly established liabilities. More under Note 9.1.12.

The profit and loss account of the Group includes income and expenses of Slovenska odškodninska družba for 2012 and income and expenses of Casino Bled for first three months of 2011.

The income for denationalisation purposes includes the following:

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

In 2012, the operating income accounted for a good 56% of the total revenues earned by the Company. 90% of operating revenue arise from reversed provisions from denationalization. All sales revenues were generated on the domestic market.

9.1.18. Costs of goods, material and services

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Purchase value of sold goods and materials	0	0	0	5
Total	*0*	*0*	*0*	*5*
Costs of material	0	0	0	56
Costs of energy	37	37	37	75
Costs of spare parts	0	0	0	2
Small tools written off	1	1	1	1
Costs of office supplies	12	16	12	17
Other costs of materials	16	15	16	23
Total	*66*	*69*	*66*	*174*
Telecommunication cost, ect.	69	76	69	112
Costs of maintenance	126	149	126	176
Costs of leases	7	7	7	66
Reimbursement of employment-related expenses to the staff	40	52	40	52
Costs of payment services, banking services and insur. premiums	125	126	125	145
Inntellectual and personal services costs	135	207	135	223
Costs of trade fairs, advertising and entertainment	2	3	2	163
Costs of services by natural persons who are not sole traders	133	81	133	84
Costs of other services	349	405	349	487
Total	*986*	*1,106*	*986*	*1,508*
Total	1,052	1,175	1,052	1,687

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

Maintenance costs include maintenance of software and premises.

The contract amount for the audit of the financial statements of the Company and the Group for 2012 totalled €16,800 excluding VAT. Other services were not performed in this year by the auditing company for the Company/Group.

The item "Costs of services by natural persons who are not sole traders" discloses meeting attendance fees and compensation to members of supervisory boards performing their functions. Meeting attendance fees were increased by travel expenses and compulsory contributions.

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

9.1.19. Labour costs

Labour costs comprise costs of wages to employees, wage compensations which, pursuant to the law, the collective agreement or employment contract employees are entitled to receive during a period off work, and bonuses paid to employees, fees and levies charged on the aforementioned items. They also include the reimbursement of travel expenses to and from work, costs of meals, holiday allowance, any severance payments, and provision costs for long-service bonuses severance as well as retirement severances.

As of 31 December 2012, the Company had no outstanding labour costs payable.

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Salaries and wages of employees	2,341	2,104	2,341	2,363
Costs of pension insurance	209	187	209	210
Costs of voluntary supplementary pension insurance	62	65	62	65
Costs of social insurance	171	154	171	173
Holiday allowance, reimbursements and other receipts of employees	259	175	259	212
Provisions for long-service bonuses	10	0	10	0
Retirement severance pay provisions	52	0	52	0
Total	3,104	2,685	3,104	3,023

9.1.20. Depreciation

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Depreciation of intangible fixed assets	11	16	11	21
Depreciation of buildings	90	90	90	110
Depreciation of investment property	150	145	150	145
Depreciation of equipment and spare parts	56	62	56	243
Depreciation of small tools	1	1	1	1
Total	308	314	308	520

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

9.1.21. Long-term provisions

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Provisions for litigations	30	39	30	39
Total	30	39	30	39

Provision revenues and expenses are disclosed in greater detail in Note 9.1.12.

9.1.22. Amounts written-off

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Revaluatory operating expenses associated with intangible and tangible fixed assets	7	49	7	49
Revaluatory operating expenses associated with short-term assets except fin. investments	13	12	13	12
Total	20	61	20	61

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

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

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

9.1.23. Other operating expenses

Denationalisation expenses are compensations recognized to beneficiaries under the Housing Act.

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Denationalisation expenses	267	464	267	464
Charge for the use of building land	14	14	14	14
Contribution for employment of disabled persons	6	6	6	6
Concession charges (gambling)	0	0	0	102
Other costs	0	0	0	1
Total	287	484	287	587

9.1.24. Net profit or loss

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Financial income from holdings and bonds	28,463	36,945	28,463	36,945
Financial income from loans given	11,468	15,021	11,468	15,021
Total financial income	*39,931*	*51,966*	*39,931*	*51,966*
Financial expenses for the write-offs and impairments of financial investments	31,914	88,924	27,957	83,769
Financial expenses for financial liabilities	43,881	49,796	43,881	49,820
Total financial expenses	*75,795*	*138,720*	*71,838*	*133,589*
Net profit or loss	-35,864	-86,754	-31,907	-81,623

Financial income from participations and bonds

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Dividend income paid by companies	16,576	13,776	16,576	13,776
Dividend income paid by banks and insurance companies	4,675	2,709	4,675	2,709
Dividend income paid by mutual funds	187	154	187	154
Profit from the disposal of mutual funds	2,143	810	2,143	810
Revaluation of put option to fair value	844	17,279	844	17,279
Profit from the disposal of holdings in companies	3,272	1,100	3,272	1,100
Income from the elimination of impairment of bonds	0	134	0	134
Interest income from bonds	766	983	766	983
Total	28,463	36,945	28,463	36,945

Financial income from loans given

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Income from loans – interest	10,694	11,672	10,694	11,672
Reval. income from the disposal of debt investments	22	76	22	76
Other interest income	2	14	2	14
Income from exchange differences	0	1	0	1
Other financial income	750	3,258	750	3,258
Total	11,468	15,021	11,468	15,021

The item "Other financial income" represents interests from long-term receivables towards the Government of the Republic of Slovenia under at the effective interest rate.

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

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Expenses from the disposal of holdings of companies	0	160	0	160
Expenses for the impairment of fin. investments available for sale	30,282	88,008	26,325	82,853
Expenses for the disposal of bonds	1,404	484	1,404	484
Expenses for the disposal of mutual funds	166	272	166	272
Expenses for the disposal of other fin.instruments	62	0	62	0
Total	31,914	88,924	27,957	83,769

Financial expenses for financial liabilities

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
SOS 2E bond interest expenses	26,328	30,920	26,328	30,920
Interest on loans received	11,572	12,658	11,572	12,682
Loss of derived financial instruments	5,980	949	5,980	949
Expenses for operating liabilities – interest	1	1	1	1
Expenses for operating liabilities – revaluation	0	5,268	0	5,268
Total	43,881	49,796	43,881	49,820

On the basis of contracts or the concluded operations of interest rate substitution, the Company/Group realized €1,529,000 of net expenses and the evaluation of the implemented financial instrument to fair value caused additional €5,981,000 of expenses.

Review of financial income and expenses in associates

in €000	Company	
	Jan-Dec 2012	*Jan-Dec 2011*
Financial income associated with associated companies	4,675	2,480
Financial expenses associated with associated companies	-3,957	-5,155
Net profit or loss	718	-2,675

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

9.1.25. Participation in profit/loss of associate companies

in €000	Group	
	Jan-Dec 2012	*Jan-Dec 2011*
Financial income associated with associated companies	43,197	16,315
Financial expenses associated with associated companies	-20,512	-51,349
Net profit or loss	22,685	-35,034

As of 31 December 2012, the SOD Group held 6,380,372 shares of Zavarovalnica Triglav (and, moreover, held 356 shares in custody), so that its ownership share on that date was 28.064% and the share of voting rights was practically the same. In 2012, Zavarovalnica Triglav Group realized a profit of €73,181,000 and paid dividends in the amount of €15,898,000 so that the SOD Group showed a net financial income in the proportional amount of €15,862,000. On the basis of other changes in capital, the Group increased its revaluation surplus by €13,760,000 and decreased the retained profit or loss by €5,956,000. Due to the revaluation of the investment in Zavarovalnica Triglav shares (in previous years, the value established by using the equity method was higher than the fair value), the Group recorded a financial income in the amount of €19,713,000 recognised as a difference from the trade value.

As of 31 December 2012, the SOD Group held 2,340,631 shares of Pozavarovalnica Sava, representing a 25% ownership share. In 2012, the Pozavarovalnica Sava Group generated a profit of €11,788,000; accordingly, the SOD Group showed a net financial income in the proportional amount of €2,947,000. On the basis of other changes in capital, the Group increased its revaluation surplus by €3,084,000 and decreased the retained profit or loss by €213,000. Since the fair (trade) value of the investment in the shares of Pozavarovalnica Sava, d.d., was lower than the value determined under the equity method, the Group recognized financial expenses totalling €2,752,000.

At the end of 2012, the SOD Group held 410,271 shares in PDP, d.d., which is 22.96% of the shares. The PDP Group realized a loss in the amount of €22,807,000. Based on this, the Group recorded financial expenses totalling €5,236,000. On the basis of other changes in capital, the Group increased its revaluation surplus by €46,000 and decreased the retained profit or loss by €85,000.

As of 31 December 2012, the SOD Group held 706,314 shares in Casino Portorož, representing a 20% ownership share. In 2012, Casino Portorož generated a loss of €4,897,000; accordingly, the SOD Group showed net financial expenses in the proportional amount of €979,000. The associate company made no other changes in equity.

As of 31 December 2012, the SOD Group held 1,357,727 shares of Hit, d.d., representing a 20% ownership share. In 2012, the Hit Group generated a loss of €34,444,000; accordingly, the SOD Group showed net financial expenses in the proportional amount of €6,889,000. On the basis of other changes in capital, the Group increased its revaluation surplus by €268,000 and decreased the retained profit or loss by €2,122,000.

As of 31 December 2012, the SOD Group held a 41.234% share in Gio, d.o.o., in liquidation. The company sustained a loss of €78,000, which increased the Group's financial expenses in the proportional amount of €32,000.

As of 31 December 2012, the SOD Group held 707,620 shares of Casino Bled, d.d, representing a 43% ownership share. Casino Bled, d.d., generated a loss of €245,000 in 2012. Accordingly, the SOD Group showed net financial expenses in the proportional amount of €105,000. The associate company made no other changes in equity.

9.1.26. Other income and expenses

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Compensations and penalties received	0	2	0	4
Other unusual items	0	1	0	1
Total other income	*0*	*3*	*0*	*5*
Cash penalties	0	0	0	6
Total other expenses	*0*	*0*	*0*	*6*
Total	0	3	0	-1

9.1.27. Taxation

Current and deferred taxes

in €000	Company		Group	
	Jan-Dec 2012	*Jan-Dec 2011*	*Jan-Dec 2012*	*Jan-Dec 2011*
Apportioned profit taxation	0	0	0	0
Deferred tax	-6,495	-9,766	-6,495	-9,766
Total	-6,495	-9,766	-6,495	-9,766

Calculation of the effective tax rate

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Profit before taxation	10,828	125,269	10,828	125,167
Anticipated profit tax on profit 18% or 20%	1,949	25,054	1,949	25,033
Adjustment of income	-22,670	-16,358	-22,670	-16,358
Adjustment of expenses	26,076	64,121	26,076	64,121
Tax relief used	-15,368	-173,840	-15,368	-173,840
Other adjustments	1,133	807	1,133	807
Profits tax	0	0	0	0
Effective tax rate	0	0	0	0

Movement of tax losses

in €000	Company		Group	
	2012	*2011*	*2012*	*2011*
Initial balance of unused tax losses	720,550	894,295	720,550	898,813
Increase during the year	0	0	0	0
Used during the year	-15,304	-173,745	-15,304	-173,745
Elimination of the subsidiary	0	0	0	-4,518
Final balance of unusused tax losses	705,246	720,550	705,246	720,550

Long-term deferred tax receivables and liabilities are calculated on the basis of the provisional differences according to the liability method and 17% tax. To lower the tax base, the unused tax base in the amount of €15,304,000 and premiums paid by the employer for voluntary pension insurance in the amount of €63,000 were used.

Long-term receivables and liabilities for deferred taxes

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Long-term receivables for deferred taxes	35,029	41,524	35,029	41,524
Long-term deferred tax liabilities	35,029	41,524	35,029	41,524
Net long-term receivables for deferred taxes	0	0	0	0

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

in €000	Revaluation of financial investments	Impairment of short-term operating receivables	Provisions	Unused tax losses	Total
Unused tax receivables as of 1 January 2012	19,081	1,800	31	20,612	41,524
Used in 2012	-776	0	0	-15,304	-16,080
Newly created in 2012	3,322	0	2	0	3,324
Exclusions in 2012	-3,084	-82	-3	0	-3,169
Adjustment due to tax rate change	-2,311	-258	-4	0	-2,573
Adjustment with deferred tax liability	0	0	0	12,003	12,003
Total changes in the statement of profit or loss					
Total changes in the statement of profit or loss	*-2,849*	*-340*	*-5*	*-3,301*	-6,495
Total changes in the statement of the financial position	*0*	*0*	*0*	*0*	*0*
Balance as of 31 Dec 2012	16,232	1,460	26	17,311	35,029

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

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

- for impairment of financial investments and receivables €17.69 million,
- for provisions not entirely recognised for tax purposes on their creation €0.03 million,
- for unused tax losses €119.89 million

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

Movement of long-term deferred tax liabilities

in €000	Company		Group	
	31/12/2012	*31/12/2011*	*31/12/2012*	*31/12/2011*
Deferred tax liabilities as of 1 January 20..	41,524	51,290	41,524	51,290
Transfer to profit or loss	-190	-633	-190	-633
Change due to changes in taxable base	-6,305	-9,133	-6,305	-9,133
Stanje 31.12.20..	35,029	41,524	35,029	41,524

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

9.1.28. Net earnings per share

in €000		Company		Group
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Profit/loss of the majority owners	4,333	115,503	30,975	85,580
Number of shares issued	36,046	36,046	36,046	36,046
Weighted number of shares	36,046	395.45	36,046	395.45
Net profit/loss per share	0.12	292.08	0.86	216.41

9.1.29. Dividends per share

The controlling company does not pay dividends in accordance with its rules.

9.1.30. Note to the cash flow statement

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

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

Cash flows based on the execution of ZSPOZ, ZIOOZP and ZVVJTO in 2012

in €000				
	ZSPOZ	*ZIOOZP*	*ZVVJTO*	*Total*
Payments to beneficiaries	3,978	6,607	38	10,623
Receipts from the Republic of Slovenia - Current payments	4,237	7,429	39	11,705
Received from the Republic of Slovenia - Contract debt	24,761	11,924	33,329	70,014
Net financial effect	25,020	12,746	33,330	71,096

9.1.31. Business combinations

There were no business combinations within the Group in 2012 and 2011.

9.2. MANAGEMENT OF FINANCIAL RISKS OF THE COMPANY/GROUP

The Company/Group continuously monitors and assesses the financial risks and strives to achieve long-term liquidity and avoid excessive exposure to individual risks. The Group is confronted with credit risk, interest rate risk, currency risk, and particularly market and liquidity risk.

9.2.1. Credit risk

Financial investments in banks or other issuers of securities entail risk due to the borrowers' default on their obligations, which means that funds invested are not repaid in full or in part on maturity. For the purpose of managing credit risks, the financial position of issuers and their capacity to generate sufficient funds for repayment are assessed. In investments in debt securities, the Company has set restrictions and limits for individual issuers and banks, which are renewed on an annual basis in respect of their balance sheet data. Ratings of internationally renowned credit agencies are used in the analysis of individual securities.

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

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

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

9.2.2. Interest rate volatility risk

Interest rate risk is the risk of the effect of change in market interest rates on the value of interest-sensitive assets and, at the same time, a risk of financially sensitive assets and financially sensitive liabilities maturing on different dates and in different amounts. The Group/Company is exposed to interest rate risk particularly on the liabilities side. Deposits are subject mainly to a fixed interest rate; only a minor part of debt securities is subject to a variable interest rate. Almost one half of financial liabilities are subject to the Euribor. A fixed interest rate is applied to most other liabilities. Changes in the market interest rates do not affect the Company/Group's liabilities for issued SOS2E bonds that represent the Company/Group's major long-term liability since these bonds are subject to an agreed fixed interest rate of 6% (conformal calculation of interest).

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

- by 0.5% causes interest expenses to rise by €2.35 million annually;
- by 1.0% causes interest expenses to rise by €4.70 million annually;
- by 1.5% causes interest expenses to rise by €7.05 million annually.

The key interest rates of the central banks were also at an extremely low level in 2012. They are expected to gradually rise, which will trigger the rise of the reference interest rates (Euribor). To protect the risk of changes of the interest rate, the Company/Group used the implemented financial instrument – interest rate swap (IRS). The Company/Group protected €300 million of loans obtained on the basis of an interest rate swap; all contracts are due in June 2015. The partners in these contracts are Slovenian banks. Therefore, the Company/Group evaluated that no risk existed that the concluded contracts would not be fulfilled. The Company/Group will continue to carefully study the market conditions and decide about the possible protection of additional amounts.

Interest rate swap effect

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Unrealised loss of interest rate swaps	5,981	949	5,981	949
Realised loss of interest rate swaps	1,529	16	1,529	16
Total interest rate swap effect	7,510	965	7,510	965

9.2.3. Foreign exchange risk

The exposure to foreign exchange risk has been reduced considerably after the adoption of the euro as Slovenia's national currency. By taking into consideration the fact that the majority of financial instruments are linked to the euro, the Company's/Group's currency risk in 2012 was negligible. The Company/Group has only €2.9 million of investments in foreign currency, which is less than 0.3% of the total assets of the Company.

9.2.4. Liquidity risk

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

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

9.2.4.1. Liquidity indicators

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

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

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

	in €000	in €000	in %	in %
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Direct coverage of short-term liabilities				
Liquidity resources	143,181	170,964	81.90	55.68
Short-term liabilities	174,834	307,065		
Quick coverage of short-term liabilities				
Liquidity resources + short-term receivables	214,429	243,509	122.65	79.30
Short-term liabilities	174,834	307,065		

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

9.2.5. Market Risk

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

	Market capitalization annual turnover ratio* in 2012
Krka, d.d.	8.25%
Luka Koper, d.d.	3.13%
Petrol, d.d.	6.57%
Telekom, d.d.	4.45%
Zavarovalnica Triglav, d.d.	7.07%
Prime market	7.40%
Standard listing	4.12%

Note: * The ratio between the annual turnover and the average market capitalization based on the values as of the last day of the year, before the expiry of six and twelve months.

Source: Monthly and annual statistics of the Ljubljana Stock Exchange, December 2012

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

The Company's/Group's domestic marketable shares as of 31 December 2012

Type of equity investment	Amount in €000	%
Krka, d.d.	265,604	47.58
Zavarovalnica Triglav, d.d.	105,276	18.86
Petrol, d.d.	97,399	17.45
Other investments	89,919	16.11
Total	558,198	100.00

Sensitivity of the value of equity financial investments to changes in trade prices

Type of equity investment	Value	Change in trade prices	Change in trade prices	Change in trade prices	Change in trade prices
v 000 EUR	31-Dec-12	15%	20%	-15%	-20%
Krka, d.d., Novo Mesto	265,604	39,841	53,121	-39,841	-53,121
Petrol, d.d., Ljubljana	97,399	14,610	19,480	-14,610	-19,480
Zavarovalnica Triglav, d.d.	105,276	15,791	21,055	-15,791	-21,055
Other domestic marketable shares	89,919	13,488	17,984	-13,488	-17,984
Nnon-marketable stocks and domestic shares	114,615	17,192	22,923	-17,192	-22,923
Shares of foreign issuers	3,799	570	760	-570	-760
Mutual funds	27,933	4,190	5,587	-4,190	-5,587
Total	704,545	105,682	140,909	-105,682	-140,909

The Company/Group established that its exposure to the risk of change in the trade price of shares was extremely high. On the liabilities side, the Company/Group has liabilities with an average 2.1 years' maturity, and on the assets side, more than half of the assets are domestic market shares. The three major individual investments of the Company account for a good 70% of its total long-term financial investments. The fact is that the risk of the lack of dispersion of investments is extremely high since most investments are exposed to the risk of change in trade prices on the domestic capital market.

9.3. RELATED PARTY TRADES

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

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

The company entered no legal transaction in 2012 that might be detrimental to the performance of its associated companies or entities.

9.3.1. Subsidiary and associate companies

The Company has a 20% or more equity interest in the following companies: PS ZA AVTO, d.o.o., Gio in liquidation, d.o.o., Casino Bled, d.d., Zavarovalnica Triglav, d.d., Pozavarovalnica Sava, Zavarovalnica Maribor, d.d., PDP, d.d., Casino Portorož, d.d., and Hit Nova Gorica, d.d. The Company has acquired most of the shares and equity interests in the aforementioned companies pursuant to the provisions of the Ownership Transformation of Enterprises Act and other acts for the purpose of meeting its liabilities for compensation under claims for the restitution of nationalised property and liabilities for compensation to war and post-war violence victims. No major business trades were concluded between the Company and the aforementioned companies.

The Company as the controlling company entered into no legal transaction in 2012 that might be detrimental to the corporate performance of its associate companies. Likewise, no legal transaction was concluded between the controlling company and its associate companies pursuant to binding instructions during the same period.

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

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

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

Receipts by the management and member of the Supervisory Board who represented the employees in 2012

in €	Management Board			Member of the Supervisory Board who represents employees
	Tomaž Kuntarič	Matjaž Jauk	Krešo Šavrič	Pavel Gorišek
Fixed part of receipts	146,332	131,698	126,285	36,002
Variable part of receipts	84,092	84,092	94,628	0
Other receipts (bonuses, company car)	1,183	5,330	5,307	0
Other receipts (bonuses, liability insurance)	55	55	55	0
Other receipts (other bonuses)	90	90	60	90
Holiday allowance	0	0	0	763
Reimbursement of expenses (meals, transportation)	1,389	1,316	1,236	1,623
Reimbursement of expenses (travel expenses, daily allowance)	353	918	2,349	818
Voluntary supplementary pension ins.	2,756	2,756	2,756	1,074

The Company does not employ on the basis of an individual contract except for the management.

Salaries to the members of the Management Board are paid in compliance with the Act Governing the Remuneration of Managers of Companies with a Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (ZPPOGD). The Company is classified as a large company. The members of the Management Board do not receive reimbursements of expenses for transportation to work. The variable part of income includes the calculated variable income for three years. The majority of it was paid in 2013 (recall of the Management Board).

Former Management Board members (replacement on 6 February 2013) also represented equity interests in supervisory boards of the following (un)associated companies: Mr. Tomaž Kuntarič in Petrol, d.d., and PDP, d.d., and Mr. Matjaž Jauk in Snežnik, d.d. On 6 February 2013, new members of the Management Board were appointed. They are the acting president of the Management Board Mr. Peter Ješovnik, acting member of the Management Board Ms. Nada Drobne Popovič, and acting member of the Management Board Mr. Igor Gruden. The appointed members were not members of supervisory boards in the previous year, whereas since 7 April 2013, Mr. Gruden is a member of the Supervisory Board of Petrol, d.d.

According to the decision made at the 2nd General Meeting of Shareholders held on 11 July 2011, Members of the Supervisory Board shall receive a meeting attendance fee for attending the meeting amounting to €275 gross for each member of the Supervisory Board. Members of the Supervisory Board Committee shall receive a meeting attendance fee for attending Commission meetings equalling 80% of the fee for attending Supervisory Board meetings for each member of the Committee. The attendance fee for a correspondence session amounts to 80% of the usual meeting attendance fee. The total amount of meeting attendance fees for an individual member of the Supervisory Board annually shall not exceed 50% of payments for performing their function. Supervisory Board members shall receive a reimbursement for performing their function along with the meeting attendance fees, which are as follows: the President in the amount of €15,450 gross p.a., Deputy President €11,330 p.a. and each member €10,300 p. a. The President of the Supervisory Board Committee shall receive a supplemental payment for performing his function in the amount of 50% of the payment for performing his function, and Supervisory Board committee members a supplemental payment in the amount of 25% of the payment for performing their function. Members of the Supervisory Board and Supervisory Board Committee shall receive the base pay and supplemental payment for performing their function in proportional monthly payments to which they are entitled as long as they perform their function. The monthly payment amounts to one-twelfth of the aforementioned annual amounts. In no case shall the supplemental payments for performing functions in committees exceed 50% of the payment for performing functions in the Supervisory Board, even though an individual is a member or president in more than one committee.

Supervisory Board and committee members are also entitled to a reimbursement of costs arising from their function in the Supervisory Board in the form of travel costs, daily allowances and accommodation costs. Daily allowances and costs are paid in compliance with the regulations regulating the economic field in question.

Receipts of the Supervisory Board of the Company in 2012

in €	Compensation for performing their function	Gross meeting attendance fee	Credit rating	Travel costs	Total
Zlatko Alibegovič	305	0	0	0	305
Tomaž Babič	9,912	4,015	23	0	13,950
Andrej Cunder	305	0	0	0	305
Bojan Dejak	9,912	4,565	23	0	14,500
Nuša Ferenčič	305	0	0	0	305
Pavel Gorišek	10,217	4,290	23	0	14,530
Igor Maher	305	0	0	0	305
Aleksander Mervar	10,903	1,265	23	135	12,326
Andrej Pristovnik	305	0	0	0	305
Uroš Rotnik	14,868	4,565	23	1,275	20,731
Stanislav Seničar	10,217	3,740	23	905	14,885
Igor Janez Zajec	9,912	4,015	23	1,514	15,464
Total	77,466	26,455	161	3,829	107,911

Receipts of the Audit Committee in 2012

in €	Compensation for performing their function	Gross meeting attendance fee	Credit rating	Travel costs	Total
Bojan Dejak	4,956	1,232	0	0	6,188
Andreja Bajuk Mušič	2,478	1,232	0	0	3,710
Igor Zajec Igor	2,478	1,232	0	466	4,176
Tomaž Babič	1,799	1,012	0	0	2,811
Total	11,711	4,708	0	466	16,885

Receipts of the Nomination Committee of the Supervisory Board in 2012

in €	Compensation for performing their function	Gross meeting attendance fee	Credit rating	Travel costs	Total
Aleksander Mervar	0	220	0	45	265
Tomaž Babič	0	220	0	0	220
Milena Pervanje	0	220	0	32	252
Total	0	660	0	77	737

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

Companies associated with the Government are all companies in which the Republic of Slovenia has a major influence. Trades related to Zavarovalnica Maribor, d.d., can be found in Item 9.1.6.

in €000	Terjatve	Prihodki
	31-Dec-12	*1 - 12 / 2012*
Ministry of Finance	274,547	4,446
Farmland and Forest Fund of the Republic of Slovenia	522	505
DSU, Management and Consultancy Company	38	2,227
Total	275,107	7,178

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

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

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

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

9.5. OPERATINGSEGMENTS

The Group has the following business segments:

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

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

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

Operations of the Group by segments in 2012

in €000	ZDen	ZSPOZ	ZIOOZP	ZVVJTO	Gambling	Other	Total
Operating income	50,816	102	42	12	0	521	51,493
Operating expenses	267	102	42	12	0	4,378	4,801
Interest expenses	31,433	2,287	1,102	3,079	0	0	37,901
Income from interest	6,535	1,471	708	1,980	0	0	10,694
Assets	865,188	94,960	45,536	126,949	0	0	1,132,633
Liabilities	749,030	97,457	46,738	130,319	0	6,245	1,029,789
Payments*	129,479	3,978	6,607	38	0	0	140,102

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

Operations of the Group by segments in 2011

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

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

9.6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

in €000	Company		Group	
	31-Dec-12	*31-Dec-11*	*31-Dec-12*	*31-Dec-11*
Contigent liabilities under Zden	59,866	25,414	59,866	25,414
Total	59,866	25,414	59,866	25,414

The Company/Group also submitted blank bills of exchange (total of €360 million) to the majority of banks as security for the repayment of long-term loans secured by the guarantee issued by the Government of the Republic of Slovenia.

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

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

The Company holds the following contingent assets:

- receivables from buyers of socially-owned and nationalised housing units (€368,000) and
- security for claims – a lien established on behalf of the Company (€875,000).

9.7. POST- BALANCE SHEET EVENTS

9.7.1. Appointment of new members of supervisory authorities

On 25 January 2013, the Worker's Council of the Company appointed two of its representatives for the Company's Supervisory Board, those are Ms. Simona Razvornik Škofič and Mr. Miran Škof.

On 25 January 2013, the Company's Supervisory Board appointed from its members two members of the Audit Committee: Mr. Zlatko Alibegovič, President, and Mr. Igor Maher (member since 4 February 2013). The external member of the Audit Committee is Ms. Andreja Bajuk Mušič.

At the Company's General Meeting of Shareholders on 4 February 2013, two members of the Supervisory Board were recalled: Mr. Igor Maher and Mr. Stane Seničar; whereas two substitute members were appointed: Mr. Radivoj Nardin and Mr. Martin Bratanič.

Mr. Radivoj Nardin was appointed a new member of the Audit Committee by the Supervisory Board at its meeting on 4 March 2013. Mr. Nardin replaced Mr. Maher.

At the General Meeting held on 19 April 2013, the following members of the Company's Supervisory Board were recalled: Zlatko Alibegovič, MA, Martin Bratanič, Andrej Cunder, Nuša Ferenčič, Radivoj Nardin, and Andrej Pristovnik. At the same General Meeting, new members of the Supervisory Board were appointed to replace them: Roman Dobnikar, Nives Cesar, Samo Lozej, Aleksander Mervar, Stane Seničar, and Dr. Otmar Zorn.

The Supervisory Board in the new composition first met on 24 April 2013 and appointed Dr. Zorn President of the Supervisory Board and Mr. Mervar Deputy President. At this meeting, the Supervisory Board appointed members of the Audit Committee: Samo Lozej (President), Miran Škof (member), and Andreja Bajuk Mušič (external member).

9.7.2. Deprivation of voting rights for Telekom Slovenije, d.d., shares

On 29 January 2013, Slovenska odškodninska družba, d.d., received a decision from the Securities Market Agency that prohibited the enforcement of voting rights by the Company (and some other owners) in the target company Telekom Slovenije, d.d., Ljubljana from the day the decision becomes final because the acquisition threshold had been exceeded according to the provisions of the Takeover Act.

9.7.3. Management Board changes

On 6 February 2013, the Supervisory Board of Slovenska odškodninska družba, d.d. recalled the president of the Management Board Tomaž Kuntarič, MSc, and both members of the Management Board; Mr. Matjaž Jauk and Mr. Krešo Šavrič, and appointed new temporary members of the Management Board for the period of 6 months: Peter Ješovnik, MA, Acting President of the Management Board, Igo Gruden, acting member of the Management Board, and Nada Drobne Popovič, MA, acting member of the Management Board.

9.7.4. Decision by the General Meeting of Shareholders on capital increase

The Company's General Meeting of Shareholders adopted a decision on increasing the share capital of the Company by €20 million on 14 February 2013. The share capital increase was not yet realised as of the date of publishing this annual report.

9.7.5. Deprivation of voting rights for Zavarovalnica Triglav, d.d., shares

On 5 March 2013, Slovenska odškodninska družba, d.d., received a decision from the Securities Market Agency that prohibited the enforcement of voting rights by the Company (and some other owners) in the target company Zavarovalnica Triglav, d.d., Ljubljana from the day the decision becomes final because the acquisition threshold had been exceeded according to the provisions of the Takeover Act.

9.7.6. Accreditation Committee

On 6 March 2013, the Management Board of Slovenska odškodninska družba, d.d., appointed members of the Accreditation Committee, a consulting body of the Company for the formation of a professional opinion regarding the suitability of candidates for performing the functions of members of various bodies of companies in which SOD and the Republic of Slovenia have invested.

The Accreditation Committee has the following five external experts: Katja Hleb, President of the Committee, Samo Iršič, Matej Erjavec, Nuša Ferenčič, and Andrej Pristovnik.

Nada Drobne Popovič, MA	Igo Gruden	Peter Ješovnik, MA
Acting Member of the Management Board	Acting Member of the Management Board	Acting President of the Management Board

Ljubljana, on 26 April 2013