SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

SLOVENSKA ODŠKODNINSKA DRUŽBA GROUP

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

Ljubljana, April 2010

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BUSINESS REPORT FOR THE GROUP

FOR THE YEAR ENDED 31 DECEMBER 2009

ADDRESS TO THE SHAREHOLDERS AND BUSINESS PARTNERS

Dear shareholders and business partners,

The year 2009 was marked by fierce market conditions which, more than ever before, demonstrated the importance of responsible governance. Slovenska odškodninska družba d.d. successfully handled the changes in circumstances. This required particularly the structuring and optimisation of debt and more active involvement in the operation of some companies in which we hold an equity interest. We were successful in our mission and, in spite of unfavourable economic conditions, provided sufficient resources for meeting our legal obligations. We managed the property entrusted to us with due care and responsibility in order to meet all our obligations with our own financial resources in the long term.

Alongside a responsible and transparent compliance with its mission, our company's activity contributed to further enhancing the importance of corporate governance in the past year. Slovenska odškodninska družba d.d. assumed a more active role and a considerable financial and management responsibility in companies which were particularly hit by the crisis. In this way, Slovenska odškodninska družba d.d. assumed a broader social responsibility and demonstrated a strong awareness of the consequences of the crisis, the dimensions of which are also reflected in the volume of measures adopted for its mitigation at home and abroad.

The year 2009 was certainly one of the most demanding for Slovenska odškodninska družba d.d. also from the aspect of transition to International Financial Reporting Standards. The company thus assumed the responsibility for even more transparent governance and reporting and contributed to a wider comparability of its operating results which were incorporated in a consolidated annual report for the first time.

Slovenska odškodninska družba d.d. anticipates intensive developments in many areas also for 2010. In providing funds for meeting statutory obligations, the company will pursue an effective management In addition to ensuring optimum financing of our obligations, we will harmonise our operations with the provisions of act governing the transformation of the Pension and Disability Insurance Institute of Slovenia, the transfer of rights and powers of SDC to Slovenska odškodninska družba d.d., and investment policy of the Pension and Disability Insurance Institute of Slovenia and of Slovenska odškodninska družba d.d.. At the same time, this means a more active involvement in financial markets, where management responsibility is even greater and often even more demanding.

Tomaž Kuntarič
Director

Slovenska
odškodninska družba d.d.
LJUBLJANA

Ljubljana, 30 April 2010

REPORT BY THE MANAGEMENT BOARD OF SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

This written report was prepared by the Management Board of Slovenska odškodninska družba d.d. (hereinafter: Company) in accordance with the provisions of Article 282 of the Companies Act (Official Gazette of the Republic of Slovenia – Ur. l. RS, no. 42/2006 with amendments; hereinafter: ZGD-1) which determines that the Supervisory Board should verify the compiled annual report and proposal for distribution of profits, both submitted by the management of the Company. In this report submitted to the general meeting of shareholders, the Management Board should indicate how and to what extent it checked the Company's management during the past financial year. In accordance with ZGD-1 provision and the Company's Articles of Association, the Management Board should also take a position on the auditors' report and conclude its own report by providing eventual remarks on the annual report following its final verification, express its agreement with the annual report and its submission to the Company's general meeting, i.e. to the Government of the Republic of Slovenia, for approval.

1. Verification of the audited annual report

Annual report is a commercial company's specific legal act which is composed of two parts: a financial and an operational report. The financial report is composed of financial statements and an annex with notes to the financial statements, all of which constitute an integral whole. Operational report is the part of the annual report which consists of a text interpreting the numerical data shown in financial statements. Operational report should include at least a fair presentation of the development and results of the company's operations and its financial situation, including a description of essential risks and uncertainties to which the company is exposed. The Company's Management Board examined the audited unconsolidated annual report of Slovenska odškodninska družba d.d. for 2009 and the audited consolidated annual report of Slovenska odškodninska družba d.d. Group's annual report for 2009 in accordance with formal and substantive rules.

At its 17th ordinary meeting held on 12 May 2010, the Company's Management Board determined that the audited consolidated annual report of Slovenska odškodninska družba d.d. for 2009 and the audited consolidated annual report of Slovenska odškodninska družba d.d. Group for 2009 include all formal financial statements that are consistent with legal provisions and, among other things, adopted the following decisions:

The Company's Management Board gives its approval to the audited unconsolidated annual report of Slovenska odškodninska družba d.d. for the financial year 2009 and to the audited consolidated financial statement of Slovenska odškodninska družba d.d. Group for the financial year 2009 and suggests that they be submitted for approval to the Company's general meeting, i.e. to the Government of the Republic of Slovenia.
The Company's Management Board gives a positive opinion on audit reports for 2009 prepared by the auditing company Deloitte Revizija, d.o.o., Ljubljana

2. How and to what extent the Management Board checked the Company's operations during the financial year

The Company's Management Board has the responsibility to draw up Articles of Association and to submit them for approval to the Company's general meeting, to adopt the Company's internal rules and regulations, except those whose adoption is the responsibility of the Company's director; to give approval to the annual report and to submit it for approval to the Company's general meeting; to draw up reports and to submit them for adoption to the Company's general meeting and for approval to the Supervisory Board; to draw up other acts and proposals for decision-making by the Company's general meeting; to appoint and to relieve of duty the Deputy Chairman of the Management Board; to appoint and relieve of duty the Company's Director and his deputies; to provide instructions and guidelines for work to the Company's Director and his deputies and to take positions on their proposals; to give its approval to the appointment of internal auditors by the Company's Director; to decide on the transfer of management of the Company's investments to foreign or domestic legal persons specialised in administration of funds pursuant to the third paragraph of Article 14 of the Company's Articles of Association; to perform other duties and to decide on other matters according to the Company's Articles of Association, statutory and implementing regulations.

In accordance with the Company's Articles of Association, the Management Board takes its decisions and carries out its activities at meetings.

The Company's Management Board has the responsibilities of the Supervisory Board laid down by ZGD-1 and the Company's Articles of Association.

The Management Board convened regularly in 2009: it held fourteen ordinary and four extraordinary meetings as well as a meeting held by correspondence. There was a change in the composition of the Management Board in 2009: before 8 May 2009, when Miha Ažman handed in his notice, the structure of the Board was the following: Dr Uroš Rotnik as Chairman, Aleksander Mervar as Deputy Chairman, Miha Ažman as member, Igor Janez Zajec as member, Mateja Tomin Vučkovič as member, Stane Seničar as member, and Bojan Dejak as member.

The Management Board regularly discussed at its meetings all basic strategic orientations, day-to-day operations, financial situation, day-to-day investment activities of the Company, acquisition of sources of financing by the Company and implementation of the Management Board's decisions, activities of the denationalisation department and of the department for issue and delivery of bonds, sales activities and the Company's equity participations management and other events that had a decisive impact on development, results and method of governance. In supervising all the above-mentioned issues, the Management Board requested the Company's management to provide oral and written information and documents that served as a basis for adopting individual operational decisions by the Company's management, i.e. for the Management Board's approval granted to the Company's management in respect of individual business decisions.

From the formal point of view, the Management Board discussed all important issues concerning the Company's operations at its meetings. Provided below is an overview of some topics discussed at the meetings:

At its 2nd ordinary meeting held on 14 January 2009, the Management Board acquainted itself with ownership structure and valuation of the Company's equity investments.

At its 3rd ordinary meeting held on 27 January 2009, the Management Board acquainted itself with settlement of liabilities and decisions made by the Management Board in these areas during the previous term of office. The Management Board further took notice of the information on the company Petrol d.d. The Management Board set up an audit committee and appointed Miha Ažman its chairman, Mateja Tomin Vučkovič and Bojan Dejak its members, and Viktorija Vehovec its independent member. Moreover, the Management Board assigned the Company's management the task of notifying members of supervisory boards whose appointment had been proposed by the Company of its Decision on recommendations to representatives of the Republic of Slovenia in supervisory bodies of commercial companies with majority state ownership on concluding service contracts, adopted by the Government of the Republic of Slovenia on 22 January 2009, and inviting them to notify the Company of their compliance with recommendations of the aforementioned Government's Decision within one month of receipt of written notification.

At its 4th ordinary meeting held on 10 February 2009, the Management Board acquainted itself with the report by the committee for selecting candidates for the Company's Director. Further, the Management Board acquainted itself with the report by the audit committee of the

Company's Management Board. Moreover, the Management Board assigned the Company's management the task of preparing a presentation of the Company's operating expenses for 2006, 2007 and 2008 for one of the next meetings. Then the Management Board acquainted itself with the Director's oral proposal for a no-fault discharge from duties and termination of employment.

At its 5th ordinary meeting held on 20 February 2009, the Management Board acquainted itself with the notice handed in by Marko Pogačnik and relieved him of his duties on 31 March 2009. Further, the Management Board assigned the Director, Marko Pogačnik to hand over his duties to the new director. Moreover, the Management Board decided to appoint Tomaž Kuntarič the Company's Director for a four-year term commencing 1 April 2009; however, subject to a suspensive condition – approval of the Government of the Republic of Slovenia.

At its 6th ordinary meeting held on 6 March 2009, the Management Board decided to notify the line ministry of the Company's liquidity situation. The Management Board acquainted itself with the information on the Company's unaudited estimated financial statements for the period January-December 2008. The Management Board acquainted itself with the Report on operations of the company HIT d.d., Nova Gorica for 2008. The Management Board approved of the content of the agreement on the termination of employment of the Company's Director, Marko Pogačnik and authorised the Management Board Chairman to sign the agreement. Furthermore, the Rules of Procedure for the Management Board were amended.

At its 7th ordinary meeting held on 24 March 2009, the Management Board acquainted itself with the report by the Company’s audit committee. The Management Board approved the Company’s annual report 2008 and submitted it for approval to the Company's general meeting, i.e. to the Government of the Republic of Slovenia. Further, the Management Board decided to allocate the Company’s profits for 2008 determined in the amount of EUR 48,931,739 to reserves. The Management Board assigned the Company’s Director with the task of including the report by the Company's audit committee into the material which would be the subject of the handover of duties between himself and the new director.

At the 8th ordinary meeting held on 31 March 2009, the Management Board approved of the content of the service contract for the new director, Tomaž Kuntarič.

At its 9th ordinary meeting held on 21 April 2009, the Management Board acquainted itself with the operations and the financial situation of the company Paloma d.d. The Management Board assigned the Company's management with the task of preparing measures to deal with the management of companies in gambling industry (casinos). Moreover, the Management Board approved of the proposal by the Company's management to obtain a loan for the purpose of financing the Company’s liabilities totalling EUR 180 million in principal amount, plus interest and related costs, under maximum favourable conditions. The Management Board proposed to the Company's general meeting, i.e. to the Government of the Republic of Slovenia to grant its approval to the Company for this loan as indicated above pursuant to the fourth paragraph of 16th Article of the Company's Articles of Association. The Management Board also acquainted itself with the proposed preparatory measures in connection with the report in response to the audit report by the Court of Auditors of the Republic of Slovenia concerning the expediency of the Company’s operations aimed at meeting its liabilities for the period 2004-2007, dated 20 April 2009. The Management Board also acquainted itself with the structure of the Company’s operating expenses for 2006, 2007 and 2008 and assigned the Company’s management the task of preparing an Operational and Financial Plan for 2009 by the next Management Board meeting.

At its 1st extraordinary meeting held on 11 May 2009, the Management Board granted its approval to the Company’s Operational and Financial Plan for 2009 and proposed to the Company's general meeting, i.e. to the Government of the Republic of Slovenia, to adopt the company's Operational and Financial Plan for 2009. The Management Board acquainted itself with the Company’s long-term cash flow plan for the period 2009-2016 and with the Interim report on previous activities conducted for the purpose of obtaining a long-term loan on the basis of Government guarantee. Moreover, the Management Board acquainted itself with the notice handed in by Miha Ažman as member of the Management Board and chairman of the Management Board's audit committee. Due to the resignation of Miha Ažman as member of the Management Board and audit committee chairman, the Management Board appointed Mateja Tomin Vučkovič chairperson of the Management Board's audit committee. The Management Board also granted its approval to the extension of the Company's guarantee amounting to EUR 254,620 for a short-term loan taken out by the company Mura d.d. in the amount of EUR 859,880.00 for a period of three months.

At its 10th ordinary meeting held on 26 May 2009. the Management Board acquainted itself with the Company's financial statements for the period January-March 2009. The Management Board further acquainted itself with the Company's long-term borrowing on the basis of Government guarantee. The Management Board granted its approval to the acceptance of some best offers up to the aggregate amount of EUR 180 million and to the conclusion of loan agreements. The Management Board also acquainted itself with the report by the denationalisation department for issue and delivery of bonds for April 2009. It also became acquainted with the procedure of resolving problems associated with the company Mura d.d. Further, the Management Board appointed Janez Zajec member of the Management Board's audit committee.

At its 2nd extraordinary meeting held on 15 June 2009, the Management Board acquainted itself with current developments in the company Petrol d.d. Moreover, the Management Board granted its approval to the Company's Director concerning the appointment of Mateja Toplak as the Company's internal auditor.

At its 11th ordinary meeting held on 20 June 2009, the Management Board granted its approval to establishing a lien on behalf of the Republic of Slovenia on 653,548 shares of the company Telekom Slovenije d.d., which bear a designation TSLG and are held by the Company. The Management Boards further acquainted itself with the Company's financial statements – January-May 2009 estimate.

At its 1st meeting held by correspondence on 10 July 2009, the Management Board granted its approval to the Company's guarantee issued on behalf of the bank or banks which would issue bank performance guarantees to Mura d.d., Murska Sobota and Mura Group companies, under which the Company would, in the event of exercise of the bank guarantee, repay the banks the amount they were obliged to pay pursuant to the issued bank guarantees, up to the aggregate amount of EUR 1 million.

At its 3rd extraordinary meeting held on 3 August 2009, the Management Board acquainted itself with previous proposals and activities in connection with saving Mura d.d. Moreover, the Management Board assigned the Company's management with the task of continuing with an active search of a solution ensuring the preservation of the maximum possible number of productive jobs, provided, however, that the "NEW MURA" project should enable the Company to exercise maximum control over the funds invested in this project. The Management Board assigned the Company's management to invite the interested parties, the professional and investment circles to send their respective proposals concerning the solution to the problem of Mura d.d. and Mura Group to the Company by 17 August 2009 at the latest, by taking into account that the Company would consider only those proposals that are supported by an active business and financial cooperation. Further, the Management Board appealed to the management of Mura d.d. to do whatever is necessary in order to provide conditions for the start-up and implementation of the "NEW MURA" project and assigned the Company's management with the task of issuing a guarantee on behalf of Mura d.d. and Mura Group for the purpose of obtaining a bank loan secured by a mortgage of up to EUR 1 million to cover the unpaid portion of wages for July and August 2009. Further, the Management Board granted its approval to the extension of the Company's guarantee, which is valid until 25 August 2009 in the amount of EUR 254,620, as a collateral for EUR 859,880.00 three-month short-term loan obtained by the company Mura d.d.

At its 4th extraordinary meeting held on 31 August 2009, the Management Board acquainted itself with the previous activities associated with resolving the problem of the company Mura d.d., which was presented to the Management Board by the management of the Company and by the management of the company Mura d.d. Moreover, the Management Board adopted a decision stating that it expected the management board and supervisory board of the company Mura d.d. to, acting within the scope of their competences find an appropriate solution which would facilitate the company's further operations and preservation of the maximum possible number of jobs, by taking into consideration the valid legislative provisions.

At its 12th ordinary meeting held on 19 August 2009, the Management Board proposed to the Company's general meeting the agenda of the general meeting and adoption of resolutions on amendments and modifications to the Company's Articles of Association and appointment of the auditing company Deloitte Revizija d.o.o. Ljubljana to audit the Company's financial statements for 2009. The Management Board also acquainted itself with the proposals received for resolving the difficult situation of Mura d.d.

At its 13th ordinary meeting held on 15 October 2009, the Management Board decided to propose to the Company's general meeting, i.e. to the Government of the Republic of Slovenia, that the Company's annual report should be prepared in accordance with International Financial Reporting Standards (IFRS) as from 1 January 2009 for a period of 5 years. The Management Board acquainted itself with the activities on the preparation of the project of issuing the Company's international bond amounting up to EUR 600,000,000.00 and guaranteed by the Government of the Republic of Slovenia. The Management Board also assigned the Company's management with the task of advertising the position of the Company's Deputy Director for the area of management and handling of securities and other instruments for a four-year term of office.

At its 14th ordinary meeting held on 11 November 2009, the Management Board adopted amendments and modifications to the Rules on Investment of Cash Assets and to the Accounting Rules on request of the Court of Auditors for the purpose of submitting a response report. Further, the Management Board acquainted itself with the Company's estimated financial statements for the period January-September 2009 and the Management Board audit committee's decisions of 10 November 2009.

At its 15th ordinary meeting held on 15 December 2009, the Management Board granted its approval to the Company's Operational and Financial Plan for 2010 and proposed to the general meeting, i.e. to the Government of the Republic of Slovenia, to adopt the Company's Operational and Financial Plan for 2010. Further, the Management Board appointed Matjaž Jauk the Company's Deputy Director for the area of management and handling of securities for a four-year term of office commencing on 1 January 2010 (on 31 December 2009 Matjaž Jauk's four-year term expired). The Management Board approved of the Company's participation in capital increase of the company PDP d.d. by in-kind contributions, i.e. shares of companies Unior Zreče, d.d., Vegrad, d.d., Adria Airways, d.d., and Paloma, d.d. The Management Board further agreed with the Company's participation in the process of capital increase of the company Unior d.d. and to exercise its pre-emptive right to subscription and payment for shares in whole or in part in the first round of public offering of this company.

3. Positions regarding auditors' opinion

The Company's management presented its unconsolidated and consolidated annual reports together with auditors' reports at the Management Board meeting held on 12 May 2010.

In the opinion of the auditing company Deloitte Revizija d.o.o. Ljubljana, the unconsolidated annual report of Slovenska odškodninska družba d.d. presents fairly, in all material respects, the financial position of the Company as of 31 December 2009 and of its comprehensive return and financial cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

In connection with the consolidated annual report of Slovenska odškodninska družba Group, the auditing company Deloitte Revizija d.o.o. Ljubljana took the position on its own behalf that, other than the potential effects of the event described in the paragraph Area Restriction, it presents fairly, in all material respects, the financial position of the Company as of 31 December 2009 and of its comprehensive return and financial cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

The Company's Management Board gives a positive opinion on auditors' reports for 2009 prepared by the auditing company Deloitte Revizija d.o.o. Ljubljana.

4. Granting approval to the annual report and submission for approval by the Company's general meeting, i.e. to the Government of the Republic of Slovenia

At the end of its report, the Company's Management Board grants its approval to the audited unconsolidated annual report of Slovenska odškodninska družba Group for 2009 and declares that it had no remarks to the audited unconsolidated annual report of Slovenska odškodninska družba d.d. for 2009 and audited consolidated annual report of Slovenska odškodninska družba Group for 2009 and submits them for approval by the Company's general meeting, i.e. the Government of the Republic of Slovenia.

Chairman of the Management Board
Dr Uroš Rotnik

Attachment: Report by the Audit committee of the Management Board of Slovenska odškodninska družba d.d.

REPORT BY THE AUDIT COMMITTEE OF THE MANAGEMENT BOARD OF SLOVENSKA ODŠKODNINSKA DRUŽBA d.d.

Here is a report on activities of the audit committee of the Management Board of Slovenska odškodninska družba d.d. hereinafter: Company) for 2009. The audit committee has the task of monitoring the process of financial reporting, efficiency of the internal control and risk management systems within the Company, compulsory audit of the Company's annual accounts, examining and monitoring the auditor in charge of auditing the company's annual report, particularly providing additional audit services, making proposals to the Management Board for the appointment of candidate auditors for the Company's annual report, controlling the accuracy of financial information provided by the Company, assessing the compilation of the annual report, including shaping of the proposal to the Management Board, participating in defining major audit areas, participating in the drafting of a contract between the auditor and the Company, cooperating with the auditor during the audit of the Company's annual report, particularly by means of mutual notification of principal issues related to the audit, and performing other tasks and duties as laid down by the Management Board's decision.

On 27 January 2009, the Company's Management Board appointed Miha Ažman as chairman, Mateja Tomin Vučkovič and Bojan Dejak as members, and Viktorija Vehovec as independent member of the audit committee. Due to Miha Ažman's resignation as audit committee chairman, the Management Board appointed Mateja Tomin Vučkovič as the committee's chairman on 11 May 2009, and Igor Janez Zajc as its member on 26 May 2009.

At the 1st ordinary meeting of the audit committee held on 3 February 2009, the head of the Company's finance and accounting department presented the structure of organisation of the accounting department and notified the members of the committee that the Company's had had no internal auditor since 21 January 2009. It was further agreed that the following materials for internal audit's final report for 2008 should be prepared and sent to the members of the audit committee: letter by the management on the audit of the Company's accounts for 2007, audit plan for 2008 (if any), contract on auditing financial statements, letter to the management on preliminary audit of financial statements (in the absence of such letter, external auditor will report on audit findings at the next meeting), report on internal control activities, table of financial investments showing a comparison between acquisition value and fair value as at 31 December 2008, and a decline in the value of investments expressed in per cent as compared to the decline in SBI index or other appropriate index, highlighted changes in Slovene Accounting Standards (SAS) and International Accounting Standards (IAS) in respect of valuation of financial investments pursuant to the views of the Slovenian Institute of Auditors.

At the 2nd ordinary meeting of the audit committee held on 27 February 2009, Ms Jovita Ažman, external auditor, member of KPMG d.o.o., acquainted the audit committee members with the findings of the external audit in respect of compliance with recommendations given in the letter to the management during the preliminary audit. Members of the audit committee further acquainted themselves with unaudited financial statements. The Company provided explanations for discrepancies the planned values for costs of insurance premiums, costs of other services, some labour cost categories, and financial expenses for revaluation of current assets.

At the 3rd ordinary meeting of the audit committee held on 19 March 2009, audit committee members acquainted themselves with the annual report for 2008. In respect of the compilation of accounting information for the annual report and external audit of the latter, the audit committee proposed the Management Board to adopt the annual report in the proposed form.

At the 1st meeting of the audit committee held by correspondence on 6 May 2009, the audit committee members acquainted themselves with the draft response report on elimination of underperformance identified by the Court of Auditors of the Republic of Slovenia in its report on the Company's underperformance in meeting its liabilities in the period between 2004 and 2007, with annexes, and approved of its contents.

At its 4th ordinary meeting held on 9 June 2009, the audit committee members supported the selection of the Company's Director and the appointment of Mateja Toplak as the Company's internal auditor. The audit committee further suggested that the candidate should examine the Rules of Procedure for Internal Audit and correct them as necessary, to prepare an annual plan of her activities for the period until the end of the year or to adapt/upgrade the existing one. The audit committee further adopted a decision that the Company should prepare the material for public contract for selecting an auditing company to perform an audit of the Company's accounts.

At the 2nd meeting of the audit committee held by correspondence on 24 June 2009, members of the committee agreed with the contents of the invitation for tenders for auditing the Company's annual accounts for 2009.

At the 5th ordinary meeting of the audit committee held on 19 August 2009, committee members acquainted themselves with the Company's unaudited report for the first half of 2009. The audit committee made proposals in respect of the compilation of accounting information as well as amendments that should be taken into consideration in the final version of the unaudited report for the first half of 2009. (The audit committee will communicate its remarks to the Management Board). Members of the audit committee further discussed the proposed Rules of Procedure for Audit Committee and put forward a proposal for its amendments and modifications. Moreover, members of the audit committee acquainted themselves with the previous procedure for selecting an auditor for the Company's financial accounts for 2009. Based on its findings of this procedure, the audit committee suggested to the Management Board to propose to the Company's general meeting, i.e. to the Government of the Republic of Slovenia, to appoint the company Deloitte Revizija d.o.o., which scored the highest rating in the selection procedure, as auditor of the Company's financial accounts. The audit committee further adopted a decision to participate in the drafting of a contract for auditing the Company's financial accounts for 2009, provided that the Company's management submits to the audit committee members the final version of the draft contract for discussion prior to signing the contract.

At its 3rd meeting held by correspondence, the audit committee adopted a decision by unanimous vote to approve the contents of the draft contract for the provision of auditing services in 2009 provided, however, that the Company's general meeting, i.e. the Government of the Republic of Slovenia, appoints the company Deloitte Revizija d.o.o. as the Company's auditor for 2009.

At its 6th ordinary meeting held on 10 November 2009, the audit committee acquainted itself with the preliminary audit procedures conducted previously by the auditing company Deloitte Revizija d.o.o. The audit committee further proposed to the auditing company to notify, once the preliminary audit was completed, the Company's management in writing of its findings during the preliminary audit and internal control results. The audit committee further assigned the internal auditor with the task of preparing a written report on her work in a three-month period (September-November) and to present it to the audit committee at its December meeting. Moreover, members of the Management Board's audit committee adopted Rules of Procedure for Audit Committee of the Company's Management Board. Audit committee members finally acquainted themselves with the Company's estimated financial statements for the period January-September 2009.

At the 7th ordinary meeting held on 23 December 2009, audit committee members acquainted themselves with the draft letter on findings of the preliminary audit of the Company's financial statements for the financial year 2008, which also include proposals for different recording of certain accounting events and economic categories. The audit committee further acquainted itself (agreed) with the proposal by the Director that, prior to introducing the proposed method of accounting, the Company should meet with the Court of Auditors in order to coordinate the proposed changes. Moreover, the audit committee decided that, upon receipt of the final letter on preliminary audit findings, this letter should be immediately forwarded to the audit committee for examination and discussion, whereupon the audit committee should notify the Company's Management Board of the findings. Audit committee members further acquainted themselves with the report on internal audit activities for the period September –November 2009.

Chairman of the Audit Committee
of the Management Board
Mateja Tomin Vučkovič

1. SLOVENSKA ODŠKODNINSKA DRUŽBA GROUP

1.1. STRUCTURE AND ORGANISATION OF THE GROUP

As at 31 December 2009, Slovenska odškodninska družba, d.d., was the controlling company whose task was to prepare a consolidated annual report for all companies within the Group.

As at 31 December 2009
- Slovenska odškodninska družba, d.d., was the controlling company of the following group of companies:
  1. PS ZA AVTO, d.o.o., Tržaška cesta 133, Ljubljana,
  2. CASINO BLED, d.d., Cesta svobode 15, Bled;

- Slovenska odškodninska družba, d.d., exercised a significant influence on the following companies considered as its affiliates:
  1. CASINO PORTOROŽ, d.d., Obala 75 a, Portorož,
  2. GIO, d.o.o., in liquidation, Dunajska cesta 160, Ljubljana,
  3. HIT, d.d., Delpinova ulica 5, Nova Gorica,
  4. PDP, d.d., Dunajska cesta 119, Ljubljana,
  5. POZAVAROVALNICA SAVA, d.d., Dunajska cesta 56, Ljubljana,
  6. ZAVAROVALNICA TRIGLAV, d.d., Miklošičeva cesta 19, Ljubljana.

1.1.1. Equity interest of the controlling company in its affiliates

Equity interest of Slovenska odškodninska družba, d.d., (hereinafter: SOD, d.d., or Company, depending on the context) as the controlling company in subsidiaries and affiliates as at 31 December 2009 is shown in the following table.

Table 1.: Equity interest of the controlling company in its affiliates

	As at 31 December 2009		As at 31 December 2008	
Companies affiliated to the Group Slovenska odškodninska družba	Direct equity interest	Direct and indirect interest in voting rights	Direct equity interest	Direct and indirect interest in voting rights
Subsidiaries				
PS ZA AVTO, d.o.o., Ljubljana	90,00%	90,00%	90,00%	90,00%
CASINO BLED, d.d., Bled	43,00%	75,43%	75,43%	75,43%
Associates				
CASINO PORTOROŽ, d.d., Portorož	20,00%	20,00%	20,00%	20,00%
GIO, d.o.o. Ljubljana, in liquidation	41,23%	41,23%	41,23%	41,23%
HIT, d.d., Nova Gorica	20,00%	33,33%	20,00%	33,33%
PDP, d.d., Ljubljana	22,96%	22,96%	0,00%	0,00%
POZAVAROVALNICA SAVA, d.d., Ljubljana	25,00%	25,00%	25,00%	25,00%
ZAVAROVALNICA TRIGLAV, d.d., Ljubljana	26,14%	28,07%	26,32%	28,14%

Slovenska odškodninska družba Group as at 31 December 2009

1.1.2. Employee information

At the year-end 2009, Slovenska odškodninska družba Group (hereinafter: Group) employed a workforce of 109, including members of the Management Board. SOD, the controlling company, had 56, its affiliate Casino Bled, d.d., 51, and its subsidiary PS ZA AVTO, d.o.o., 2 employees.

Table 2.: Qualification structure of the staff as at 31 December 2009

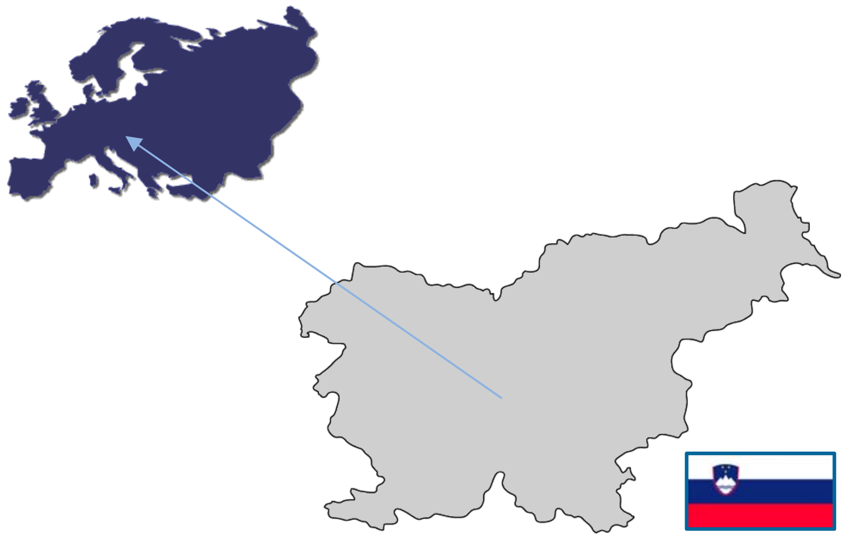
Education level	SOD, d.d.	Casino Bled, d.d.	PS ZA Avto, d.o.o.	The Group
Vocational education	0	9	0	9
Secondary education	8	30	1	39
Higher education first tier diploma	7	7	0	14
Higher education	38	5	1	44
Master's degree	3	0	0	3
Total	56	51	2	109

1.2. SOD d.d. profile

Company name:	Slovenska odškodninska družba d.d., Ljubljana
Registered office:	Mala ulica 5, 1000 Ljubljana, Slovenia
Activity code:	K 64.990
VAT ID No:	SI 46130373
Registration No:	5727847
Management:	Marko Pogačnik, Director until 31 March 2009, Tomaž Kuntarič, Director, since 1 April 2009, Matjaž Jauk, Deputy Director of the division for management and holding of securities and other instruments Zdenko Neuvirt, Deputy Director of the division for settlement of liabilities under the regulations governing denationalisation
Workforce as at 31 December 2009:	56
Registered legal form:	joint-stock company registered with the District Court of Ljubljana, reg. no. 1/21883/00
Date of incorporation:	19. February 1993
Initial capital:	EUR 166,917.04
Members of the Management Board:	Dr. Uroš Rotnik, President; Aleksander Mervar, Deputy President, Mateja Tomin Vučkovič, member; Igor Zajec, member; Bojan Dejak, member; Stanislav Seničar, member; Miha Ažman, member until 8 May 2009.
Members of the Supervisory Board until 18 May 2009:	Viktor Robnik, Chairman; Milan Kuster, Deputy Chairman, Robert Čehovin, member, Miha Klun, member, Jožef Kociper, member.
Members of the Supervisory Board since 21 May 2009:	Marjan Somrak, Chairman; Tomaž Glažar, Deputy Chairman, Matej Kurent, member; Ciril Pevec, M.S., member; Zdravko Selič, member.
Members of the Audit Committee:	Mateja Tomin Vučkovič, Chairwoman since 8 May 2009; Bojan Dejak, member; Viktorija Vehovec, member; Igor Zajec, member since 26 May 2009; Miha Ažman, M.S., Chairman until 8 May 2009.

1.2.1. SOD, d.d., highlights

43	active investments in Slovenia as at 31 December 2009
EUR 160.7 million	in equity as at 31 December 2009
16.000.786	SOS2E bonds delivered before 31 December 2009



EUR 1,258 million	in assets as at 31 December 2009
80%	of the Company's total assets placed as equity investments
EUR 187.8 million	of settled statutory liabilities in 2009
EUR 14.1 million	inflows from equity investments in 2009
6	equity investments sold for a cash consideration in 2009
EUR 182.2 million	payments for reimbursement of investments in public telecommunications network before 31 December 2009.

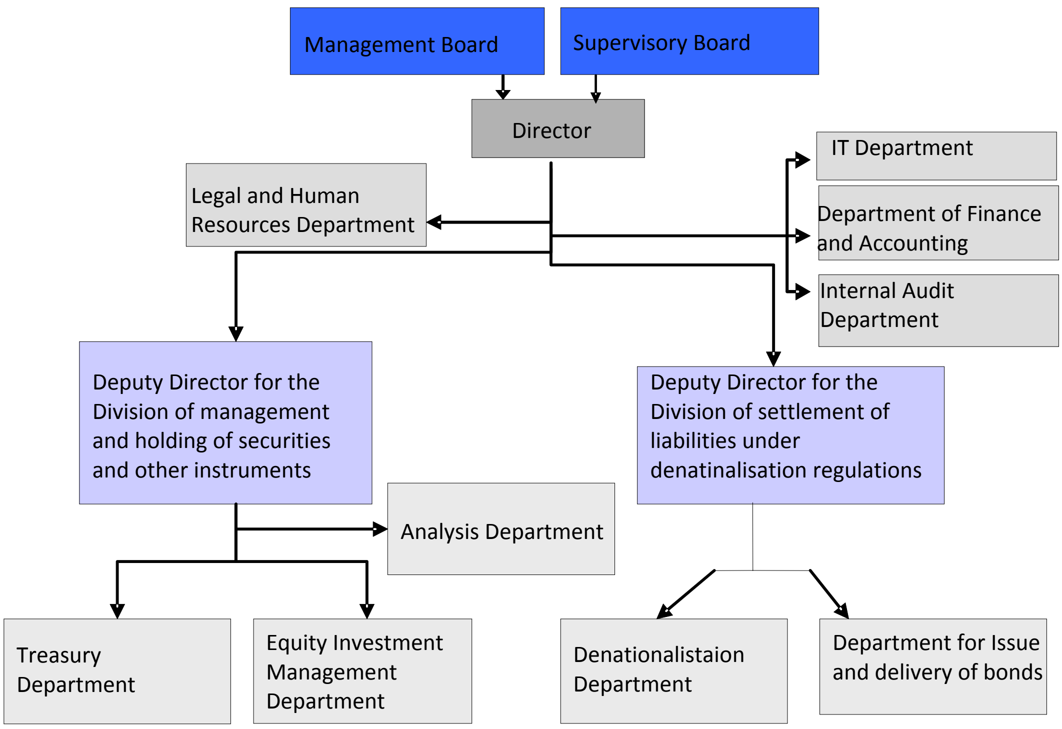
1.2.2. SOD, d.d., profile

The company is organised as a joint stock company, the Republic of Slovenia being its sole founder and shareholder. The company's head office is at Mala ulica 5, Ljubljana.

Governing bodies of SOD, d.d., and their powers and responsibilities are defined by the Slovenian Compensation Fund Act and the Company's Articles of Association which also lay down the Company's internal units of organisation. Its business processes are organised in a functional manner in individual departments and services. The Company's governing bodies are the general meeting and the Management Board. As long the Republic of Slovenia remains the Company's sole shareholder, it will assume the role of the Company's general meeting.

The Company's Management Board partly holds the supervisory, administrative and managerial functions. The Supervisory Board oversees the legality of the Company's activities and its financial operations. The Company's management manages and organises the Company's operations.

1.2.3. Organisation chart



1.2.4. Mission of SOD, d.d.

The Company is a financial organisation whose mission is to settle liabilities to rightful claimants under the Denationalisation Act, Cooperatives Act and other regulations governing the restitution of nationalised property and to settle liabilities under the Act Regulating the Issuing of Bonds in Compensation for Confiscated Property Pursuant to Abrogation of the Penalty of Confiscation of Property and Act Regulating the Payment of Compensation to War and Post-War Violence Victims. The Company also effects settlements in favour of rightful claimants under the Reimbursement of Investments in Public Telecommunications Network Act. For this purpose, SOD, d.d., 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.

1.2.5. Objectives and anticipated development of SOD, d.d.

The objectives and anticipated development of SOD, d.d., are the following:

- to gain sufficient assets to meet all liabilities of the company, to efficiently manage these assets and maximise their value;
- to identify consistently and accurately the amount of compensation in bonds to be delivered to beneficiaries under the Denationalisation Act and other acts governing the restitution of nationalised property;
- to issue, on a regular basis, decisions on the amount of compensation to all rightful claimants of compensations to war and post-war violence victims for which the company obtained the complete information from competent authorities;
- to implement final decisions on the amount of compensation for confiscated property pursuant to abrogation of the penalty of confiscation of property submitted by individual beneficiaries;
- to implement written settlements and final decisions in favour of rightful claimants for reimbursement of investments in public telecommunications network;
- to develop the quality of operations and operational functions as a going concern notwithstanding that the company was established for the purpose of denationalisation, the duration of which depends on the duration of legal and judicial proceedings and payments of SOS2E denationalisation bonds. An effective and quality control of all processes within the Company hinges upon modernisation of various areas of its operations. The Company was assigned new duties under various legal acts in the past, which were not associated solely with the denationalisation process, which is also to be expected in the future.

1.2.6. Activities of SOD, d.d.

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

Compensations	Asset Management	Zavarovalnica Triglav	Telekom
Denationalisation, compensations for confiscated property, compensations to war and post-war violence victims	Management of equity and debt investments and risk management	Implementation of the Ownership Transformation of Insurance Companies Act	Reimbursement of investments in public telecommunications network

1.2.7. Basic information on bonds issued by Slovenska Odškodninska Družba (SOS2E)

Table 3.: Basic features of SOS2E bonds

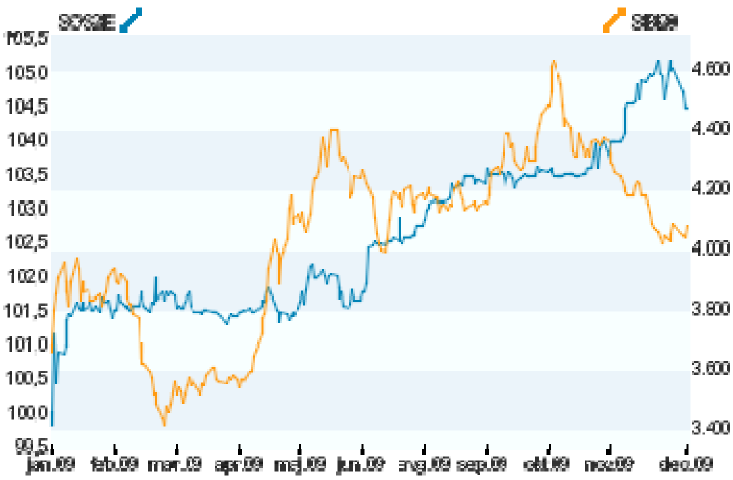
Characteristic features	SOS2E
Commencement of accrual of interest	1.7.1996
Maturity date	1.6.2016
Annual rate of interest	EUR + 6%
Method of payment of coupons	twice a year 1.6. and 1.12.
Denomination value	EUR 51.13

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

Table 4.: Trading information for SOS2E bonds for 2009

Trading information	Value
Value as at 31 December 2009 (%)	104,49
Maximum value in 2009 (%)	105,22
Minimum value in 2009 (%)	99,80
Stock exchange turnover in thousands of EUR	48.561
Market capitalisation in thousands of EUR	629.000
Number of transactions	4.727

Chart 1.: Overview of movement of bonds and Stock Exchange Index SBI20



The price per SOS2E bond recorded a sharp increase in the second half of 2009.

1.3. BASIC ONFORMATION ON SUBSIDIARIES WITHIN THE GROUP

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

Registered office: Tržaška cesta 133, 1000 Ljubljana

Management
Director: Brane Obal

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

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

1.3.2. CASINO BLED, d.d., Bled

Registered office: Cesta svobode 15, 4260 Bled

Management
President of the Managing Board: Boris Kitek
Member of the Managing Board: Miran Vovk

Ownership structure and capital
SOD, d.d. became majority owner of Casino Bled, d.d., in 2003 when it acquired 650,000 ordinary shares in the company in an out-of court settlement with the Government of the Republic of Slovenia. As a result, equity interest of SOD, d.d. increased from 6.14% to 75.43% of initial capital of the company Casino Bled, d.d.

An extremely serious liquidity situation and capital inadequacy in 2009 led to an increase in capital of the company Casino Bled, d.o.o. Its initial capital was increased by new in-kind contributions from EUR 2,087,628.83 to EUR 3,662,352.29. Following the capital increase, the company's capital was divided into 1,645.720 shares, of which 822,860 ordinary and 822,860 preference shares. As a result of this capital increase, equity interest of SOD, d.d., in the company decreased to 43% on 31 December 2009. Holders of the company's ordinary shares are also Gold Club, d.o.o., Sežana (43%), Zavarovalnica Triglav (6.65%) and Kapitalska družba, d.d. – Prvi pokojninski sklad (0,35%).

The increase in capital was legally registered on 28 December 2009, and new shares were issued by KDD on 2 March 2010. The newly issued preference shares held by the company Gold Club, d.o.o., Sežana currently have no voting rights. As at 31 December 2009, controlling interest of SOD, d.d., was 75.43%.

Basic activity
The company's basic activity is organisation of games of chance in its casino in Bled and its gambling salon Vulkan in Jesenice.

1.4. BASIC ONFORMATION ON ASSOCIATES WITHIN THE GROUP

1.4.1. CASINO PORTOROŽ, d.d., Portorož

Registered office: Obala 75a, 6320 Portorož

Management
President of the Managing Board: Marjan Bolka

Ownership structure and capital
The company Casino Portorož, d.d., is 25% owned by SOD, d.d. The company's initial capital is divided into 63.3% of ordinary shares and 36.6% of preference shares. Since no dividends were paid to holders of preference shares, these shares are voting shares. The controlling interest of SOD, d.d., equalled its equity interest in the company. The company's capital as at 31 December 2009 was EUR 10,730,934.

Basic activity
The company's basic activity is organisation of games of chance. The games of chance are organised in Casino Portotož, Casino Lipica and Osare Club casino in Žusterna. In October 2009, the Company closed its casino in Čatež due to unprofitability.

The company Casino Portorož, d.d., is also the majority (51%) owner of the company Casino Sežana, d.d., which applied for a gaming concession for a casino in Fernetiči. The company has not received a decision from the competent authority to date.

Operations in 2009
In 2009, the company's net income was EUR 23.7 million, which was 2.2% less than in the preceding year. In 2009, the company's operations showed a negative result of EUR 3.4 million. The information was taken from unaudited financial statements.

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

Registered office: Dunajska cesta 160, 1000 Ljubljana

Management
Liquidator: DSU, d.o.o., Ljubljana

Ownership structure and capital
The company GIO, d.o.o., in liquidation is 41.23% owned by SOD, d.d.

Basic activity
Prior to the commencement of liquidation proceedings, the company GIO, d.o.o., in liquidation, performed two activities: renting out the office building and commercial aviation. By selling its share of the Smelt of office building (sales agreement of 8 August 2008 between GIO, d.o.o., and SOD, KAD and DSU), the company lost a part of its operations – renting out property. By resolution of the company's general meeting of 13 June 2008, its commercial aviation activity was transferred to its subsidiary GIO Poslovna aviacija, d.o.o., which is 100% owned by the company GIO, d.o.o., in liquidation.

On 25 September 2008, the general meeting of the company GIO, d.o.o. adopted a resolution on voluntary winding up of the company, and on 15 October 2008 the voluntary winding up of the company was legally registered.

The company GIO, d.o.o., in liquidation sold its subsidiary Smelt Intag AG Zurich in 2009. The company GIO, d.o.o., in liquidation, is still a 100% owner of the company Smelt Intag TC. No activity was recorded for its subsidiary Smelt Intag TC.
Liabilities of the company GIO, d.o.o., in liquidation to its owners as at 31 Ddcember 2009 were EUR 13.1 million (of which initial capital EUR 10.1 million and retained net profit from previous periods until the date of institution of liquidation proceedings EUR 2.96 million). The information was taken from unaudited financial statements.

1.4.3. HIT, d.d., Nova Gorica

Registered office: Delpinova 7a, 5000 Nova Gorica

Management
President of the Managing Board: Drago Podobnik

Ownership structure and capital
The company HIT, d.d., is 20% owned by SOD, d.d. The company's initial capital is divided into 60% of ordinary shares and 40% of preference shares. Since preference dividends were paid for the previous year, preference shares have no voting rights. The controlling interest of SOD, d.d., was 33.33%. The company's capital as at 31 December 2009 was EUR 110,459,089.

The company HIT, d.d., is a controlling company of eleven affiliates.

Table 5.: Companies within the HIT Group

	As at 31.12.09		As at 31 December 2008	
	Direct equity interest	Direct and indirect interest in voting rights	Direct equity interest	Direct and indirect interest in voting rights
HIT Alpinea , d.d., Kranjska Gora	62,0%	94,3%	62,0%	94,3%
Casino Kobarid, d.d., Kobarid	60,0%	100,0%	60,0%	100,0%
ICIT, d.o.o., Šempeter pri Gorici	60,0%	100,0%	60,0%	100,0%
HIT Šentilj, d.d., Šentilj V Slov. goricah	100,0%	100,0%	100,0%	100,0%
HIT Bovec, d.o.o., Bovec	100,0%	100,0%	100,0%	100,0%
HIT Larix, d.d., Kranjska gora	75,3%	75,9%	75,3%	75,9%
HIT Montenegro, d.o.o, Pržno - Budva, Črna gora	75,0%	75,0%	75,0%	75,0%
HIT lnteractive N.V., Curacao, Nizozemski Antili	-	-	100,0%	100,0%
HIT International, d.o.o., Beograd	90,0%	90,0%	90,0%	90,0%
HIT Coloseum, d.o.o., Sarajevo, BIH	66,7%	66,7%	66,7%	66,7%
Casino Kristal, d.o.o., Umag	51,0%	51,0%	51,0%	51,0%

Basic activity
The company's basic activity is organisation of special games of chance. In addition to this activity, the company is also active in the hotel industry, restaurants, organisation of events and recreational activities. Games of chance are organised in Casino Park in Nova Gorica, Casino Perla in Nova Gorica, Casino Corona in Kranjska gora, Casino Fontana in Rogaška Slatina, Casino Dama in Gornja Radgona, and Casino Drive in Vrtojba.

Operations in 2009
In 2009, the company's net income was EUR 146.6 million, which was 13.8% less than in the preceding year. In 2009, the company's operations showed a negative result of EUR 44.2 million, which is largely due to write-offs and impairments of its investments in subsidiaries. Due to the poor performance of its subsidiaries, the company is exposed to a high risk of exercise of sureties and guarantees given to its subsidiaries (EUR 35.1 million) for which no provisions had been made. The information was taken from unaudited financial statements.

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

Registered office: Dunajska cesta 119, 1000 Ljubljana

Management
Executive Director: Matej Golob Matzele

Ownership structure and capital
The company PDP, Posebna družba za podjetniško svetovanje, d.d. (hereinafter: PDP, d.d.) was established in May 2009, and SOD, d.d., became its joint owner in the process of capital increase by in-kind contributions, which was completed in December 2009. In-kind contributions of SOD, d.d., were its equity interests in the following companies: Adria Airways, d.d., Paloma, d.d., Unior, d.d., and Vegrad, d.d. In exchange for the above-mentioned in-kind contributions, SOD, d.d, acquired 410,271 shares of PDP, d.d., or 22.96% equity interest in this company.

Basic activity
The basic activity of PDP, d.d., is the activity of holding companies within which it manages companies in its ownership, provides corporate and commercial advice and other financial services. At the end of 2009, the PDP, d.d., managed equity holdings in Aero, d.d., Adria Airways, d.d., Elektrooptika, d.d., Elan Skupina, d.o.o., Fotona, d.d., Novoles, d.d., Paloma, d.d., Rimske Terme, d.o.o., Unior, d.d. and Vegrad, d.d..

Operations in 2009
In respect of the date of incorporation and date of acquisition of equity holdings in companies, the volume of activities performed by the company PDP. d.d., in 2009 was modest. The company had only one employee – the executive director. The company's income totalled EUR 60,000, and total expenses EUR 99,000. As a result, the company PDP the company sustained a loss of EUR 31 thousand in 2009. The information was taken from unaudited financial statements.

1.4.5. POZAVAROVALNICA SAVA, d.d., Ljubljana

Registered office: Dunajska cesta 56, 1000 Ljubljana

Management
President of the Managing Board: mag. Zvonko Ivanušič

Ownership structure and capital
Pozavarovalnica Sava, d.d., is 25% owned by SOD, d.d.
The company’s capital as at 31 December 2009 was EUR 149,995,279.

Basic activity
The basic activity of Pozavarovalnica Sava, d.d., is reinsurance, and its subsidiaries in the territory of Slovenia, Croatia, Republic of Srpska, Montenegro, Kosovo and Macedonia are predominantly engaged in insurance business.

Operations in 2009
In the financial year 2009, Pozavarovalnica Sava, d.d., earned a net premium income of EUR 119.1 million, representing a 9.2% increase on the preceding year. Notwithstanding the growing volume of business, Pozavarovalnica Sava, d.d., had a negative result of EUR 12.6 million at the year-end 2009, which was due principally due to catastrophic thunderstorms in Slovenia in 2009 and the crisis which had a negative impact on its financial investments. The information was taken from unaudited financial statements.

1.4.6. ZAVAROVALNICA TRIGLAV, d.d., Ljubljana

Registered office: Miklošičeva cesta 19, 1000 Ljubljana

Management
President of the Managing Board: Matjaž Rakovec

Ownership structure and capital
SOD, d.d., has a 26.14% equity holding in Zavarovalnica Triglav, d.d. and administrates an additional 1.8% of equity which the beneficiaries from ownership transformation of Zavarovalnica Triglav, d.d., are entitled to acquire. As at 31 December 2009, the company's capital was EUR 477,389,183.

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

Operations in 2009
In 2009, Zavarovalnica Triglav, d.d., earned a net insurance premium income of EUR 669.1 million, which remained at the same level as in the preceding year. The net operating result showed a loss of EUR 1.8 million. The operating result was negatively affected by thunderstorms that hit Slovenia on several occasions in the summer months of 2009, and by the financial crisis that had a critical influence on developments on the financial markets and consequently also on changes in the value of financial investments. The information was taken from unaudited financial statements.

2. OPERATIONS OF THE GROUP BY AREA

The Group is composed of the controlling company, Slovenska odškodninska družba, d.d., and two subsidiaries: PS ZA AVTO, d.o.o., and Casino Bled, d.d. The Group is active in nine different areas.

The principal activities of the controlling company SOD, d.d., are:

- denationalisation;
- compensation for confiscated property pursuant to abrogation of the penalty of confiscation of property;
- compensation to war and post-war violence victims;
- liabilities under the act regulating reimbursement of investments in public telecommunications network;
- implementation of the Ownership Transformation of Insurance Companies Act;
- management of equity investments;
- management of investment portfolio.

Subsidiaries operate in two areas:

- gambling industry - organisation of games of chance and
- leasing out of property.

Organisation of games of chance is performed by the subsidiary Casino Bled, d.d., and leasing out of property by the subsidiary PS ZA AVTO, d.o.o.

2.1. DENATIONALISATION

In accordance with the Denationalisation Act (hereinafter: ZDen), SOD, d.d., is liable to compensation in shares held by the Government of the Republic of Slovenia (i.e. in bonds when there are no shares available). Compensation in bonds in denationalisation procedures is relevant when restitution of nationalised property in kind is not possible or when there are obstacles to such restitution in kind, except in exceptional cases when rightful claimants are entitled to choose the form of restitution. Compensation assessment procedures for entities liable for compensation that restituted real property to rightful claimants in kind also provide for compensation in the form of bonds.

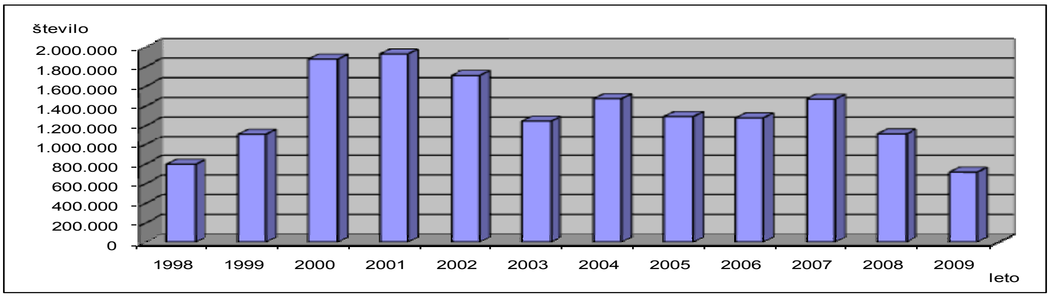
In accordance with the Slovenian Compensation Fund Act (hereinafter: ZSOS), the Company issues bonds and other securities, manages and holds securities and other assets acquired according to the law. The Company floated seven bond issues and issued bonds bearing a designation SOS2E. These bonds are bearer bonds issued for the total value of EUR 895 million. The bonds were issued in denominations of EUR 51.13. Pursuant to the provision of the first indent of Article 59 of ZDen, the Company carries out decisions on denationalisation. In case of compensation paid in bonds, the Company carries out decisions of the Ministry of the Environment and Spatial Planning in accordance with the provisions of the fourth paragraph of Article 125 of Housing Act (hereinafter: SZ) and the third paragraph of Article 173 of Housing Act (hereinafter: SZ-1). Pursuant to these decisions issued on the basis of SZ-1 tenants are entitled to compensation in bonds or cash.

The denationalisation process was far from being completed even in 2009. According to the information provided by the Ministry of Justice, 576 cases remained outstanding with administrative authorities as at 31 December 2009, and there is no information about outstanding denationalisation cases in courts and cases under Article 73 of ZDen. SOD, d.d., as a liable party participated in denationalisation and compensation assessment procedures for entities liable to compensation that restituted property to rightful claimants in kind also in 2009. The procedures were conducted with administrative authorities and courts of justice throughout Slovenia. Since the denationalisation process slowly nears its end, in 2009 this resulted in a lower influx of new cases and claims as compared with the previous years; however, the fact is that the Company was engaged in resolving the most complex cases. However, claims based on the provisions of ZDen, Cooperatives Act and Restoration of Agricultural Communities Act, and claims for assessing the level of compensation to entities liable for restitution of property in kind (Article 73 of ZDen) were still relevant. The majority of denationalisation procedures were carried out in the first instance with administrative units and the Ministry of Culture as well as with district and local courts, and, to a lesser extent, with the Ministry of the Environment and Spatial Planning and the Ministry of Finance. There were also some cases of cooperation in procedures before second-instance authorities (ministries) that conducted the procedures themselves within the framework of considering appeals.

From a substantive point of view, considering denationalisation claims in 2009 was certainly one of the most complex tasks. The Company was engaged both in extremely comprehensive matters and high compensation claims and complex legal issues. In the same year, SOD, d.d., also acquired a specific case law which will be of advantage to it in the future and will also impact on the level of its liabilities. This particularly referred to the decision by the Supreme Court of the Republic of Slovenia concerning the method of determining the level of compensation for property, mostly agricultural land and forests, which had been confiscated from members of the former agricultural communities. The Supreme Court adopted a decision in support of the company’s position that compensation should be determined according to denationalisation methods also in these cases, i.e. those rightful claimants in these cases were not entitled to a market value of compensation. SOD, d.d., was also successful in its position that entities (companies, cooperatives, etc.) whose agricultural land and forests had been transferred to the Republic of Slovenia, to be administered by the Farmland and Forest Fund of the Republic of Slovenia, which was liable to restitution of this property (decision by the Higher Court of Ljubljana), were not entitled to compensation.

For the purpose of complying with its duties laid down by Article 2 of ZSOS, SOD, d.d., delivered 16,000,786 bonds to 24,538 beneficiaries by 31 December 2009.

Chart 2.: The number of delivered SOS2E bonds



In 2009, the company delivered 714,146 bonds to 1,267 beneficiaires, of which 98.5% bonds according to Zden and other regulations governing denationalisation and 1.5% according to SZ and SZ-1. Both individuals and legal persons were entitled to compensation. In 2009, individuals received 485,499 (68%), and legal entities received 228,647 (32%) bonds.

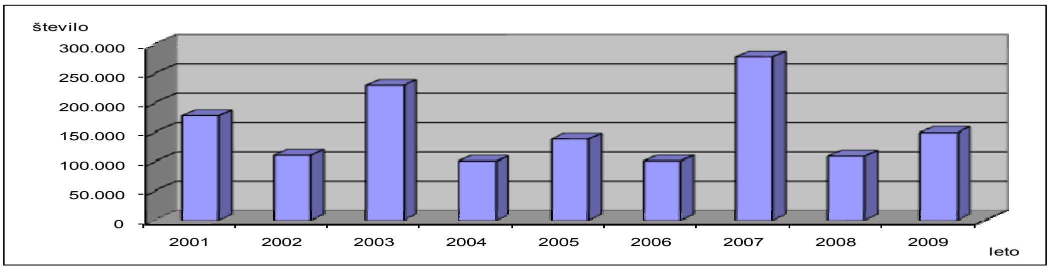
2.2. COMPENSATIONS FOR CONFISCATED PROPERTY PURSUANT TO ABROGATION OF THE PENALTY OF CONFISCATION OF PROPERTY

In accordance with Article 1 of Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to Abrogation of the Penalty of Confiscation of Property (hereinafter: ZIOOZP), the Government of the Republic of Slovenia issued two million RS 21 registered bonds in the total amount of EUR 83 million. The bonds were issued in denominations of EUR 41.73. With the adoption of ZIOOZP, duties of SOD, d.d., were further expanded to the issue, reimbursement and calculation of interest on bonds.

The method and time limits for payment of the principal and interest of RS21 bonds and the method of implementing decisions on compensation for confiscated property were laid down in greater detail by the Decree on Issuing Bonds for Payment of Compensation Pursuant to Abrogation of the Penalty of Confiscation of Property (hereinafter: Decree). Bonds may be claimed by beneficiaries in accordance with a final decision laying down the amount of compensation for confiscated property and legal successor of the beneficiary by submitting a valid decree of distribution or other valid title. The Company must carry out the decisions on compensation for confiscated property within 15 days of receipt of a complete application by delivering an appropriate number of bonds plus interest. Bonds are delivered by way of transfer to the recipient's registered account with KDD.

SOD, d.d., delivered 1,399,821 RS21 bonds by 31 December 2009.

Chart 3.: The number of delivered RS21bonds



In 2009, the Company carried out 19 competent court decisions and delivered 149,995 RS21 bonds to beneficiaries and their legal successors. The company carried out 37% less decision and delivered 27% more RS21 bonds than in 2008. The reason is the increased number of delivered bonds as compared to the reduced number of issued compensation decisions is the type of property for which compensation is determined.

2.3. COMPENSATION TO VICTIMS OF WAR AND POST-WAR VIOLENCE

The Government of the Republic of Slovenia issued 30 million RS39 registered bonds totalling EUR 125.1 million for the purpose of compensation to war and post-war violence victims. The bonds were issued in denominations of EUR 4.17. On 7 April 2009, the Company floated an additional issue of 2.5 million bonds totalling EUR 10.4 million. Compensation is paid in two parts: up to EUR 1,251.88 in cash and the remaining amount in bonds. The total amount received by individual beneficiary according to the Act Regulating Compensation to Victims of War and Post-War Violence (hereinafter: ZSPOZ) may not exceed EUR 8,345.85.

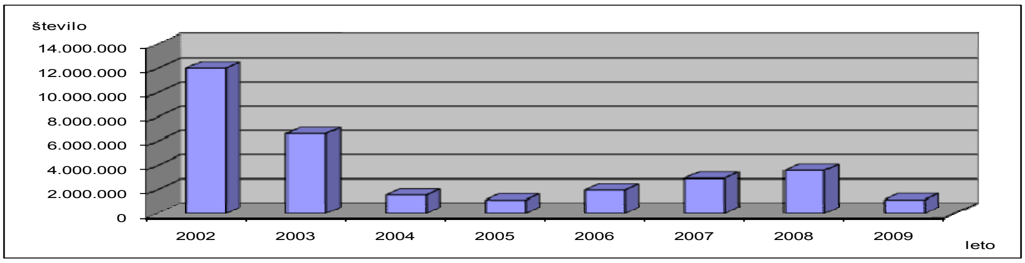
Considering the fact that the War and Post-War Victims Act (hereinafter: ZZVN) and the Redressing of Injustices Act (hereinafter: ZPkri), which serve as the basis for recognition of entitlement to compensation according ZSPOZ, do not specify the time limit for filing claims, the decision recognising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

SOD, d.d., as holder of public authority conducts procedures of issuing decisions on the level of compensation and performs administrative and technical operations in connecting with their implementation. Acts by which competent authorities decide on beneficiaries and their rights according to ZPkri, ZZVN and Specific Rights of Victims of the 1991 War for Slovenia are sent by these competent authorities ex officio to the Company which then calculates the level of compensation and issues appropriate decisions based on these acts and criteria laid down by ZSPOZ.

Decisions issued pursuant to ZSPOZ are carried out by transferring cash to beneficiaries' accounts and transfer posting of bonds from the company's special account with KDD to beneficiaries' registered accounts.

SOD, d.d., delivered 31,189,542 RS39 bonds by 31 December 2009.

Chart 4.: The number of delivered RS39 bonds



In 2009, SOD, d.d., issued 3,779 decisions on the amount of compensation and paid EUR 13,321,180 in cash and delivered 1,189,877 RS39 bonds. In the total number of decisions issued on individual legal bases, decisions issued according to ZPkri predominated (96%). Decisions issued according to ZZVN (4%) were of lesser importance to SOD, d.d., in terms of both amount and number.

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

The Act Amending the Reimbursement of Investments in Public Telecommunications Network Act (hereinafter: ZVVJTO), which was enacted on 14 April 2007, conferred new duties on SOD, d.d. The Company makes reimbursements of investments in public telecommunications network on behalf of the Government of the Republic of Slovenia and performs administrative duties for the committee referred to in Article 5 of ZVVJTO. The Company settled its liabilities on the basis of these acts within six months of the effective date of amendments and modifications of ZVVJTO. Payment of liabilities under the titles received by SOD, d.d., directly from attorneys general of the Republic of Slovenia is effected by the company within sixty days of receipt of these titles.

For the purpose of implementation of the act, the Government of the Republic of Slovenia signed a special contract transferring 653,548 ordinary registered shares of the company Telekom, d.d., accounting for 10% of this company's capital, to the Company. The contract was concluded on 2 August 2007, and shares were transferred to the account of SOD, d.d., with KDD on 7 August 2007.

SOD, d.d. effected payments of liabilities under ZVVJTO from its own funds. According to ZVVJTO, the company should meet its liabilities by using the proceeds from sale of the above-mentioned shares; however, there was no sale of these shares for objective reasons. In order to remedy this situation, the Company signed a contract with the Ministry of Finance of the Republic of Slovenia on reimbursement of liabilities for investments in public telecommunications network.

The Company paid reimbursements for investments in telecommunications totalling EUR 182.2 million by 31 December 2009.

In 2009, the amount settlements between the Government of the Republic of Slovenia and individual local communities and housing cooperatives and their legal successors and individuals was by 83% lower than in 2008.

2.5. IMPLEMENTATION OF OWNERSHIP TRANSFORMATION OF INSURANCE COMPANIES ACT

In the process of ownership transformation of the Zavarovalnica Triglav (hereinafter: Insurance Company) which was conducted in accordance with the provisions of Ownership Transformation of Insurance Companies Act (hereinafter: ZLPZ-1), the Company held in custody 36.8% of Insurance Company's initial capital[1] in the form of 2,046,083 shares, of which 659,436 basic shares[2] and 1,386,647 capital increase shares[3] to which private law legal entities were entitled. Entities entitled to Insurance Company's shares held in custody at SOD, d.d., were obliged to redeem the shares not later than within one year after the decision granting them the right to take over Insurance Company's shares became final. Shares not redeemed by beneficiaries within the specified period became property of SOD, d.d.

The process of ownership transformation of the Insurance Company by private law legal entities is in its final stage. For this reason, the company conducted to a minor extent only the administrative procedures for determining persons entitled to Insurance Company's shares and issued the first positive administrative decision.

As at 31 December 2009, SOD, d.d., had 6,380,728 Insurance Company's shares of which it finally held 5,943,317 shares accounting for 26.14% of Insurance Company's initial capital, and held in custody 437,411 shares accounting for 1.92% of Insurance Company's initial capital.

Table 6.: Movement of the number of Insurance Company's shares held by SOD, d.d., in the period 31 December 2008 – 31 December 2009

	Number of shares			Share in initial capital of Insurance Company (%)		
	31.12.2008	31.12.2009	Difference	31.12.2008	31.12.2009	Difference
	1	2	3 (2-1)	4 (1/*)	5 (2/*)	6 (5-4)
Held by SOD, d.d.	5.984.284	5.943.317	-40.967	26,32%	26,14%	-0,18%
In custody of SOD, d.d.	413.356	437.411	24.055	1,82%	1,92%	0,11%
Total	6.397.640	6.380.728	-16.912	28,14%	28,07%	-0,07%

Note: * The number of all issued shares of the Insurance Company as at 31 December 2009

The Company originally anticipated that the process of ownership transformation of the Insurance Company would mainly be completed in 2006, which did not come true due to the verification of regularity of bases for determining the price of basic shares. In 2006, the Company issued to all beneficiaries entitled to acquire basic shares for a consideration the decisions on renewal of the procedure and substitute decisions entitling them to redeem basic shares at the price determined in the renewed procedure. In 2008 and 2009, SOD, d.d., received several decisions of the Supreme Court of the Republic of Slovenia that acceded to the decision on auditing beneficiaries in these matters and annulled the Company's decision to renew the procedure. Due to the confusion in connection with legal consequences, the decision of the Supreme Court of the Republic of Slovenia, the Company obtained a legal opinion on this matter from the Institute for Comparative Law and shaped its positions with regard to further ownership transformation procedures of the Insurance Company. The Company advocates a position that beneficiaries may acquire basic shares only on the basis of the share price resulting from the verification of assessment[6].

[1] At the beginning of ownership transformation, the Insurance Company's initial capital was SIT 5,562,660,000 (EUR 23,212,568.85), and in 2005 it increased to EUR 23,701,391.79. All shares were calculated at the present value of initial capital.
Basic shares were issued in the process of ownership transformation for the purpose of adjusting the Insurance Company's initial capital to the share of capital with no identified owners in the Insurance Company's total capital as at 31 December 2000. The price per basic share was determined on the basis of estimated value of the Insurance Company as at 1 January 2001 and was revalued by the cost of living index from that date to the date of payment. The purchase monies received for basic shares belong to the Republic of Slovenia.
[3] SOD, d.d., acquired capital increase shares by payment of EUR 36.2 million in order to ensure that the share of the Insurance Company's capital with no identified owners remained unchanged after 2000 even after both initial capital increases. The price per capital increase share equalled the issue amount of EUR 2.82 per share paid by SOD, d.d.,, plus the cost of financing from the date of payment by beneficiary. The purchase monies received for capital increase shares belong to SOD, d.d.
[4] According to the original assessment, the value of the Insurance Company was set as EUR 253 million and its share to EUR 28.23. In the process of assessment verification, the value of the Insurance Company was set at EUR 56.70.

2.6. MANAGEMENT OF EQUITY INVESTMENTS

In this report, management activities relate to activities performed by the controlling company SOD, d.d., and its two subsidiaries, Casino Bled, d.d., and PS ZA AVTO, d.o.o., which together constitute the Group. In other associated companies, SOD, d.d., had no management facilitating an active policy of managing these companies due to its lower equity interest in these companies.

2.6.1. State of investments

The Group's equity investments in shares and holdings in commercial companies, banks and insurance companies established in the Republic of Slovenia are predominantly investments acquired by SOD, d.d., in owneship transformation procedures of companies by means of purchase and swaps and other transfers by the state as a source for meeting statutory liabilities. At the year-end 2009, they still accounted for the largest part of the Group’s assets.

The dynamics of reducing the number of investments in 2009 was similar to that in 2008: while seven investments had been sold in 2008 (of which one only in part), six investments were sold for a consideration in cash in 2009. Four investments were disposed of as in-kind contribution to the company PDP, d.d., which was founded in 2009 by Kapitalska družba, d.d.

The reason for a smaller number of sales of equity investments for a consideration in cash was the decline in interest in equity investments after the first signs of stagnation of the world capital markets in the first half of 2008 that continued into 2009 and tough conditions of financing investments of this kind by the banking sector of the Republic of Slovenia. The latter also caused a considerably more difficult or even rendered impossible the financing of takeovers which significantly shaped the demand for capital investments in companies in the Republic of Slovenia held by institutional owners in the past. Uncertain economic and financial conditions in the world significantly influenced also the lower market and estimated value of the Group’s equity investments, which made an active sale of these investments on a large scale unreasonable.

During the same period, the Group acquired gratuitously the shares and holdings in four companies from D.S.U. Družba za svetovanje, d.o.o. (hereinafter: DSU, d.o.o.) pursuant to the Act Concluding Ownership Transformation of Enterprises: Agroemona, d.o.o., Lesnina, d.d., Ribe, d.o.o. and Semesadike, d.d.. All above-mentioned investments that were irrelevant in terms of both their value or equity interest were sold during the year for a consideration in cash.

In one case (Emona Blagovni center, d.d.) the liquidation process was completed with final payment of liquidation assets in cash. As at 31 December 2009, the Group held three more equity investments in companies in liquidation: Gio, d.o.o., KLI Logatec, d.d. and Sora Medvode, d.d.

Table 7.: Movement of the number of equity investments of the Group

Type of equity investment	Balance as at 31 Dec. 2008	Balance as at 31 Dec. 2009
Active investments	58	48
Inactive investments[1]	15	17
Unrealised sales contracts[2]	-	1
Total	73	66

Notes: 1 – investments in companies under receivership; 2 – signed sales contracts for which the Company did not receive full payment on the cut-off date.

Active domestic equity investments include six investments in banks, two investments in insurance companies and 40 investments in commercial companies. The Group also has 17 investments in companies under receivership (at the end of 2008 there were 15 such investments). In 2009, bankruptcy proceedings were commenced for the companies Alpetour RIC, d.o.o., Casino Maribor, d.d., and Mura, d.d. Bankruptcy proceedings for the company TVI Majšperk, d.o.o. was completed. The Company had an already signed contract for the company Semesadike, d.d., on the cut-off date; however, the Company received no purchase monies to that date.

In terms of value, equity investments classified by decision of the Government of the Republic of Slovenia in July 2006 as so-called strategic investments for which the time of sale had not been determined in advance predominated in the structure of equity investments. An indicative time schedule was set for the remaining investments, which could no longer be carried into effect due to the new circumstances in the economy and on the capital markets.

An overview and classification of the Company's equity investments according to the above-mentioned criteria is shown in the table below:

Table 8.: Active equity investments* of the Group as at 31 December 2009

Reg.no.	Name of company	Share in %
STRATEGIC INVESTMENTS		
1	Abanka Vipa, d.d., Ljubljana	2,24
2	Aerodrom Ljubljana, d.d., Zgornji Brnik	6,82
3	Banka Koper, d.d., Koper **	0,00
4	Banka Celje, d.d., Celje	9,47
5	Casino Bled, d.d., Bled	43,00
6	Casino Ljubljana, d.d., Ljubljana	3,29
7	Casino Portorož, d.d., Portorož	20,00
8	Gorenjska Banka, d.d., Kranj **	0,00
9	Hit, d.d., Nova Gorica	20,00
10	Krka, d.d., Novo mesto	15,00
11	Loterija Slovenije, d.d., Ljubljana	15,00
12	Luka Koper, d.d., Koper	11,13
13	Nova KBM, d.d., Maribor	4,79
14	Nova LB, d.d., Ljubljana	5,05
15	PDP, d.d., Ljubljana **	22,96
16	Petrol, d.d., Ljubljana	19,75
17	Pozavarovalnica Sava, d.d., Ljubljana	25,00
18	Telekom Slovenije, d.d., Ljubljana	14,25
19	Zavarovalnica Triglav, d.d., Ljubljana	26,16
MARKET INVESTMENTS		
1	Cetis, d.d., Celje	7,47
2	Cinkarna Celje, d.d., Celje	11,41
3	Helios Domžale, d.d., Domžale	9,54
4	Intereuropa, d.d., Koper	6,01
5	Intertrade ITA, d.d., Ljubljana	7,69
6	Iskra Avtoelektrika, d.d., Šempeter pri Novi Gorici	7,08
7	PS Mercator, d.d., Ljubljana	0,00
8	Salus, d.d., Ljubljana	7,92

9	Sava, d.d., Kranj	11,06
10	Slovenijales, d.d., Ljubljana	10,91
11	Žito, d.d., Ljubljana	12,26
NON-MARKET INVESTMENTS		
1	Agroind Vipava 1894, d.d., Vipava	8,23
2	Cimos International, d.d., Koper	0,14
3	ČZP Večer, d.d, Maribor	10,00
4	Elektro Gorenjska, d.d., Kranj	0,30
5	Elektro Ljubljana d.d., Ljubljana	0,30
6	Gio, d.o.o, Ljubljana v likvidaciji	41,23
7	KDD, d.d., Ljubljana	9,62
8	Kli Logatec, d.d., Logatec v likvidaciji	0,59
9	Mariborska livarna Maribor d.d., Maribor	4,72
10	Marles, d.d., Maribor	0,18
11	Nolik, d.d., Kočevje	19,95
12	Pomurske mlekarne d.d., Murska Sobota	3,34
13	PS ZA Avto, d.o.o., Ljubljana	90,00
14	Sora Medvode, d.d., Medvode v likvidaciji	0,93
15	Splošna plovba, d.o.o, Portorož	19,80
16	Svea, d.d., Zagorje ob Savi	15,57
17	Terme Olimia, d.d., Podčetrtek	4,79
18	ZIM, d.o.o., Maribor	2,25

Note: * Equity investments held by SOD, d.d. (without investment companies) that were not under receivership on the cut-off date and for which a sales contract had been made on that date.
** In 2006, when investments were categorised, SOD, d.d., held no ordinary shares of banks and was not liable to prepare a consolidated annual report; this categorisation (although for a single share issued by Gorenjska banka and held by Casino Bled, d.d., and two shares issued by Banka Koper and held by PS ZA Avto, d.o.o.) was a result of categorisation analogous to other shares issued by banks and held by the controlling company DOS, d.d.); PDP, d.d., was not yet incorporated in 2006; therefore, it was not classified into any category. In respect of the purpose of incorporation and mission of PDP, the company is classified into the group of strategic investments.

Investments that the Group cannot actively manage since its ownership share is less than 25% predominate in the structure of investments. A more detailed structure from the aspect of ownership and according to typical groups of investments in respect of the Government's decision of July 2006 to withdraw from commercial companies is shown in the table below.

Table 9.: Distribution of active equity investments of the Group with regard to the Company's equity interest as at 31 December 2009

Equity interest in the company (%)	Non-market equity investments	Market equity investments	Strategic * equity investments	Total
Up to 9.99%	12	7	8	27
From 10.00% to 24.99%	4	4	8	16
From 25.00% to 49.99%	1	-	2	3
Above 50.00%	1	-	1	2
Total	18	11	19	48

Notes: * Equity investments for which according to the decision of the Government of the Republic of Slovenia of 2006 no time schedule for withdrawal was set.

2.6.2. Sale of equity investments

For the purpose of a more realistic presentation of selling activities in 2009, the overview of sales of equity investments relates exclusively to signed contracts for sale of equity investments for consideration in cash during this year. The value of capital increases by in-kind contributions is shown separately.

a) Sales

Table 10.: Equity investments of the Group sold* for a cash consideration in 2009

	2008	2009	Ratio 09/08
Number of sales	7	6	86
Value of sales – in EUR 000	167.598	369	0,22

Notes: * The term 'sold' refers to the signed sales contract.

In 2009, the Group signed six contracts for the sale of equity investments totalling EUR 369,000. The Group received payment for five contracts and most of the purchase monies for one contract. The Group did not enter into option contracts.

The low amount of purchase monies received is a result of sale in terms both of sales and holding of small equity investments. A predominant part of purchase monies represents the EUR 292,000 sale of 0.19% interest in the company Lesnina, d.d. for the purpose of squeezing out small shareholders.

In selling equity investments, the Group followed the principle of transparency of sale and maximising their selling value. Some equity investments were the subject of public tender offers announced by SOD, d.d., alone or jointly with Kapitalska družba, d.d., in earlier years.

Table 11.: Sales relationships with other equity investment owners

	Number of sales	Share in the total no. of sales (%)
The Group alone	3	50
The Group and Kapitalska družba	2	33
The Group, Kapitalska družba and others	1	17
Total	6	100

All selling procedures for which the Group had acquired appropriate offers were carried out in 2009.

b) Capital increases

On two occasions, SOD, d.d., participated in capital increase procedures in companies by in-kind and cash contributions. By making a cash contribution in the company Unior, d.d., totalling EUR 1,313,220 (the full amount of publicly announced capital increase was EUR 10 million), the Company supported Unior's development plans to the extent of its previous holding in this company (13.13%). After the legal registration of capital increase, participation of SOD, d.d., in Unior's new initial capital will be 2.3% (since the previous equity share was used for the capital increase of PSP, d.d.). Due to a low equity interest, this investment will be merely a portfolio investment and will be sold more easily after the anticipated listing of the company's shares on the stock exchange than the previously held considerably larger equity interest.

SOD, d.d., increased the capital of PDP, d.d., by in-kind contributions in the form of transfer of the Company's shares in the total estimated amount of EUR 16.49 million. SOD, d.d., transferred the entire package of equity shares in companies Adria Airways, d.d. (8.83%), Paloma, d.d., (33.49%), Vegrad, d.d. (10%) and Unior, d.d. (13.13%). SOD, d.d., was not the largest individual shareholder of none of the above-listed companies. In the capital increase process, SOD, d.d., acted jointly with Kapitalska družba, d.d. and D.S.U., d.o.o., which transferred to PDP, d.d., investments in the same and other companies. The basic objective of this capital increase was to ensure a transfer to active management of transferred investments from a single point, which was earlier not possible due to the fragmentation of investments. Active management, among other things, provides for a continued restructuring and consolidation of these companies with funds provided by PDP, d.d. On this basis, SOD, d.d., acquired a 22.96% share in initial capital of PDP, d.d., on 30 December 2009, Kapitalska družba, d.d., being PDP's majority owner.

2.7. INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio of the controlling company is composed of short-term financial investments, a portion of long-term financial investments and redeemed own bonds. These are financial investments purchased by the Company unlike other financial investments received gratuitously by the Company on the basis of various acts. The Company's statement of financial position shows investment portfolio as a constituent part of appropriate assets. Shares, mutual funds and other equity securities were included in short-term financial investments, SOS2E bonds reduced liabilities, and other bonds were included in long-term and short-term loans. Assets under management were classified as short-term financial investments pursuant to the contracts.

In 2009, SOD, d.d., provided cash assets predominantly by loans obtained from banks. At the beginning of the year, SOD, d.d., entered a borrowing arrangement for EUR 180 million, secured by a guarantee issued by the Government of the Republic of Slovenia. The purpose of this long-term borrowing was to offset a liquidity deficit resulting from the company's advancement of its own funds in order to comply with its liabilities under ZVVJTO in 2007 and 2008. This loan falls due for repayment in 2012. In the meantime, the Company will make payments of contractual interest on these loans.

As at 31 December 2009, the value of investment portfolio was EUR 141.2 million.

The company channelled all financial assets exclusively into liquid and safe investments, i.e. deposits, bank certificates of deposits and bonds. At the year-end 2009, the company allocated a portion of funds to increasing the capital of the company Unior.

Table 12.: Structure of investment portfolio of SOD, d.d., by type of investment (at market values)

Vrsta naložbe	Stanje 31.12.2008		Stanje 31.12.2009	
	v EUR	%	v EUR	%
Dolžniške naložbe	**94.954.844**	**68**	**92.014.729**	**65**
Depoziti	19.015.000	14	35.869.000	25
Obveznice	50.152.536	36	41.145.729	29
Potrdilo o vlogi	8.143.232	6	15.000.000	11
Dolžniške naložbe upravljalcev	17.644.076	13	0	0
Lastniške naložbe	**43.834.767**	**32**	**49.145.516**	**35**
Vzajemni skladi	16.002.642	12	17.383.340	12
Delnice	25.333.948	18	31.762.176	23
Lastniške naložbe upravljalcev	2.498.177	2	0	0
SKUPAJ NALOŽBENI PORTFELJ	**138.789.611**	**100**	**141.160.245**	**100**
Stanje založenih sredstev za telekomunikacije *	**149.400.244**		**149.448.401**	
Stanje zadolžitve	**45.000.000**		**180.000.000**	

Source: AdTreasury Programme

Note: without costs of financing and costs of payment

SOD, d.d., paid a great deal of attention to verifying its existing investments in debt instruments, mutual funds, shares of investment companies and bonds and shares of major foreign companies. Since the prices of these instruments mainly rose after the 2008 downturn, the company achieved positive returns on all equity instruments.

2.8. GAMBLING INDUSTRY – ORGANISATION OF GAMES OF CHANCE

The principal activity of the company Casino Bled, d.d., is organisation of games of chance in its casino in Bled and gambling salon Vulkan in Jesenice.

The year 2009 was extremely difficult for the company Casino Bled, d.d., since the company was faced with serious liquidity problems and capital inadequacy. Due to an extremely bad financial situation of the company Casino Bled, d.d., and inappropriate equipment of the casino, the company's management board and supervisory board suggested an increase in capital. The company's shareholders approved EUR 1.5 million capital increase by in-kind contributions at the general meeting held on 12 June 2009. The issued preference shares were subscribed and paid in full by the company Gold Club, d.d.

The renovation of the Bled casino, which began in 2009 after the capital increase, was completed in January 2010.

In 2009, the company earned EUR 3,094,796 in net income or 24.5% less than in the same period of the preceding year. The company had a negative operating result for 2009 totalling EUR 816,665.

2.9. LEASING OUT OF PROPERTY

The principal activity of the company PS ZA AVTO, d.o.o., is leasing out of property. The basic activities of the company PS ZA AVTO, d.o.o. is sale of property, resolution of denationalisation disputes and other litigations, and management of the company's assets with due care. The company employs a single person on a full-time basis and a director with a four-hour working time.

In 2009, the company earned EUR 237 income from leasing out property, representing a 2% increase on the preceding year. The company closed its operations in w2009 with a profit of EUR 169,000.

As at 31 December 2009 the company's capital was negative totalling EUR 3.1 million. The negative capital is due to the provisions created for contracts in litigation. The most important items within the framework of the company's assets include long-term financial investments totalling EUR 4.1 million and short-term financial investments totalling EUR 2.9 million.

3. RISK MANAGEMENT

The Group was exposed to various types of risk associated with managing investments also in 2009. Of all risks facing the controlling company SOD, d.d., the market risk and the liquidity risk arising from the ongoing world financial and economic crisis that started in 2009 were the most important. These are also the most significant risks faced by the Group in which investments by the controlling company account for a major part of the Group's assets.

The controlling company checked its existing investments and new financial investments for risk factors in terms of their intensity and frequency in order to prevent a deterioration of the quality of the Company's entire financial assets.

Liquidity risk

Due to adverse conditions in financial markets, particular attention was paid to managing liquidity risk. In 2009, SOD, d.d., was successful in managing this type of risk after having complied with all its statutory and contractual liabilities. The company mitigated liquidity risk by matching the maturity of its statutory and other liabilities with the maturity of investments and currenct cash inflows. This harmonisation of cash flows was made possible by placing fix-term deposits with banks for which the date of repayment was fixed by contract and by provisional disposal of securities with precisely specified repayment dates. Moreover, liquidity risk was mitigated y accurate planning and daily, weekly and monthly monitoring of cash flows, by maintaining, at the same tiime, a permanent liquidity reserve.

Due to the constantly poor liquidity of the Slovenian capital market, liquidity risk was present in the majority of the controlling company's equity investments. Avoidance of this risk involves spreading of investments across international markets with higher investment liquidity.

The Company's approach to liquidity management was conservative, which was reflected in the size of investments in bank deposits and securities as well in the methodology of forecasting new financial liabilities and monitoring liquidity flows.

Market risk

The most significant risk facing the controlling company was the risk of change in the market price of shares. SOD, d.d., was exposed predominantly to changes in the value of equity investments, i.e. the change in the price of shares.

Table 13.: Structure of investments of SOD, d.d., as at 31 December 2009

Type of investment	Amount in EUR	Structural share
Domestic marketable shares	844.528.010	76,50%
Shares – Prime Market	564.267.604	51,11%
Shares – Standard Market	264.659.364	23,97%
Other marketable shares	15.601.042	1,41%
Derivative financial instruments	25.062.152	2,27%
Domestic non-market investments	119.317.346	10,81%
Mutual funds	17.383.340	1,57%
Investment funds	2.080.935	0,19%
Foreign shares	3.560.255	0,32%
Debt investments (bonds, cash)	92.014.729	8,34%
Total investments	1.103.946.767	100,00%

Source: AdTreasury Programme

The above table shows that 84.9% of investments represent investments in shares (mutual funds are almost exclusively equity funds). The most important category is the category of domestic marketable shares which accounts for 75% of the Company's investments. Debt investments shown in the above table also include redeemed own SOS2E bonds.

Lack of dispersion, lack of liquidity and inappropriate structure of assets in terms of the structure of liabilities are the main market risks facing the Company.

Risk of changes in interest rates

Interest rate risk is present in the majority of investments in debt financial instruments and in liabilities for current borrowing for bridging liquidity gaps. In 2009, interest rates were relatively low so that no further decline could be expected. In managing the risk of changes in interest rates, the Company was mindful of the achieved and anticipated interest rates on deposits, bank certificates of deposit and bonds. The Company avoided this risk by placing shorter term time deposits and a fixed rate of interest on investments. In investments in bonds, the Company properly secured its investments by forecasting the movement of interest rates and profitability curve for debt investments. On the basis of these forecasts, the Company endeavoured to structure its bond portfolio so as to meet its liabilities in terms of both maturity and duration.

Credit risk

The Company regularly checked the solvency of its trading partners – customers and banks – in order to reduce its credit risk exposure. Amounts of open customer items indicate a low level of risk exposure for SOD, d.d. The Company placed a portion of temporarily available funds in deposits and other financial instruments. The spread of investments was laid down by the Company's internal rules, credit standing of banks and other issuers of securities was checked regularly, and implementation of contractual provisions was monitored. The Company considers its credit risk exposure to be modest.

Risk of changes in exchange rates

All assets and liabilities of SOD, d.d., were expressed in euros except a negligible 1% of investments in shares that were maintained in other currencies. Therefore, the Company was not exposed to currency risk. This ratio did not decrease as compared to 2008.

Table 14.: Structure of investments by currency and market value

Vrsta naložbe	31.12.2008	%	31.12.2009	%
Naložbe v EUR	131.704.545	95	118.167.422	84
Naložbe v EUR (s klavzulo Euribor)	6.043.300	4	21.318.300	15
Naložbe v druge valute	1.041.766	1	1.674.523	1
SKUPAJ	**138.789.611**	**100**	**141.160.245**	**100**

Source: AdTreasury Programme

Matjaž Jauk
Deputy Director

mag. Tomaž Kuntarič
Director

Slovenska
odškodninska družba, d.d.
LJUBLJANA

Ljubljana, 30 April 2010

SLOVENSKA ODŠKODNINSKA DRUŽBA GROUP

FINANCIAL STATEMENT FOR THE GROUP

FOR THE YEAR ENDED 31 DECEMBER 2009

4. FINANCIAL STATEMENTS

4.1. GENERAL INFORMATION

Slovenska odškodninska družba, d.d. is a joint stock company legally registered with the District Court of Ljubljana, decision Srg 199304616, reg. no. 1/21883/00. It is a medium-sized company and is bound to a regular annual audit.

According to the standard classification of activities, Slovenska odškodninska družba, d.d. is categorised K 64.990 – other unclassified activities relating to financial services except insurance business and pension fund activities.

iT was incorporated under the Slovenian Compensation Fund Act (Ur. l. RS nos. 7/1993 and 48/1994); its founder is the Government of the Republic of Slovenia. It was established with a view to settling the liabilities under the Denationalisation Act, Cooperatives Act and other regulations governing denationalisation of property. The Company also meets its liabilities under the Act Regulating the Issuing of Bonds in Compensation for Confiscated Property Pursuant to Abrogation the Penalty of Confiscation of Property, Act Regulating the Payment of Compensation to War and Post-War Violence Victims, and Reimbursement of Investment in Public Telecommunications Network Act.

Slovenska odškodninska družba, d.d. (hereinafter: SOD, d.d.) is the controlling company of Slovenska odškodninska družba Group (hereinafter: Group) with registered office in Slovenia, Mala ulica 5, Ljubljana. The Group is composed of two subsidiaries and six associates.

Subsidiaries as at 31 December 2009:
- PS za avto, d.o.o., Ljubljana, Tržaška cesta 133, the controlling company's equity interest is 90%
- Casino Bled, d.d., Bled, Cesta svobode 15, the controlling company's voting rights equal 75.43% and equity interest 43%. In 2009, the company Gold Club increased the capital of Casino; new shares are scheduled to acquire a voting right immediately after the next general meeting.

Associated companies as at 31 December 2009:
- Gio d.o.o., in liquidation, Dunajska cesta 160, Ljubljana, the company's equity interest 41.23%
- Zavarovalnica Triglav, d.d., Miklošičeva cesta 19, Ljubljana, the company's equity interest 26.14%,
- Pozavarovalnica Sava, d.d., Dunajska cesta 56, Ljubljana, the company's equity interest 25%,
- PDP, d.d., Dunajska cesta 119, Ljubljana, the company's equity interest 22.96%,
- Casino Portorož, d.d., the company's equity interest 20%,
- Hit Nova Gorica, d.d., Delpinova ulica 5, Nova Gorica, the company's equity interest 20%.

At the year-end 2009, the Group has a workforce of 109 employees, including members of the Management Board: the controlling company had 56, the subsidiary Casino Bled 51, and the subsidiary PS za avto 2 employees.

SOD, d.d., prepared its consolidated financial statements as at 31 December 2009, which included the subsidiary Casino Bled according to the full consolidation method, and affiliated companies according to the equity method. Incorporation of the company PS za avto 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. Individual and consolidated financial statements have been prepared in accordance with IFRS.

The Group’s initial capital of EUR 166,917.04 is divided into non-par value shares which are not listed on the stock exchange.

The management of SOD, d.d., approved the publication of financial statements for 2009 on 23 April 2010. The Management Board has the possibility of modifying the financial statements after the date of approval by the management.

4.2. STATEMENT BY THE MANAGEMENT

The Management is responsible for the preparation of the Group's annual report and consolidated financial statements so that they present fairly and accurately the financial position of the Group and its operating results for 2009 and are prepared in accordance with International Financial Reporting Standards and the Companies Act.

The management of SOD, d.d., approves the annual report and consolidated financial statements with notes thereto for the year ended 31 December 2009 and declares:

- that consolidated financial statements, together with notes to the financial statements, have been prepared on the assumption of going concern;
- that appropriate accounting policies have been consistently applied and eventual changes in accounting policies duly disclosed;
- that accounting estimates have been made on the principle of prudence and operating efficiency;
- that consolidated financial statements have been prepared in accordance with the valid legislation and International Financial Reporting Standards.

The management is responsible for the adoption of appropriate measures to protect the Group’s property and to prevent and detect fraud and other irregularities.

The management 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 also confirms that financial statements, together with notes to the financial statements, have been prepared on the assumption of going concern and in accordance with the valid legislation and International Financial Reporting Standards adopted by the EU.

The management 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 tax became chargeable, review the operations of any company within the Group, which may give rise to additional liability of paying tax, interest on arrears and penalties for corporate income tax or other taxes and duties. The Group’s management is not aware of any circumstances that might cause any major liability thereunder.

In accordance with the provision of Article 18 of Articles of Association of SOD, d.d., the Government of the Republic of Slovenia performs the function of the General Meeting of SOD, d.d.. The General Meeting has the responsibilities laid down by Article 293 of the Companies Act (ZGD-1). In accordance with Article 17 of the Company’s Articles of Association, the General Meeting adopts the Company’s Articles of Association, financial plan and annual accounts, appoints the Company's Director, decides on increase or reduction of initial capital, placing the shares of SOD. d.d., on the market and inclusion of new shareholders, decides on the offset of losses, on issue and on the total amount in which the bonds or other securities of SOD, d.d., are to be issued and grants its approval to the transfer of management of the Company's investments to foreign or domestic legal entities.

The General Meeting of SOD, d.d., decides on issues within its competence in the manner laid down by the law, rules of procedure and other acts of the Government of the Republic of Slovenia.

The management board of SOD, d.d., represents its management which is composed of a director and his two deputies – one for the area of denationalisation and one for the area of management and holding of securities.

The company's business report does not include any data required by the sixth paragraph of Article 70 of ZGD-1. The company's total capital is EUR 160 million, which means that it complies with the provision of the second paragraph of Article 4 of the Takeovers Act (ZPre-1); however, shares of SOD, d.d., are not placed on the market pursuant to the provisions of Articles of Association. Decision on placing the shares of SOD, d.d., on the market and inclusion of new shareholders is the responsibility of the General Meeting of SOD, d.d., i.e. The Government of the Republic of Slovenia; however, no such decisions are scheduled for the future.

Matjaž Jauk
Deputy Director

Tomaž Kuntarič
Director

Slovenska
odškodninska družba, d.d.
LJUBLJANA

Ljubljana, 30 April 2010

4.3. RELATED PARTY TRANSACTIONS

Related parties are deemed to be all subsidiary companies, the management and members of the Management Board and of the Supervisory Board, including audit committees. The company maintains no business relations with subsidiary companies.

Slovenska odškodninska družba as the controlling company entered in no legal transaction in 2009 that might be detrimental to the operation of its associated companies.

In the financial year 2009, the Company's management provided no binding instructions as the controlling company. Likewise, no legal transaction was concluded between the controlling company and its associated company pursuant to binding instructions during the same period.

Matjaž Jauk
Deputy Director

mag. Tomaž Kuntarič
Director

Slovenska
odškodninska družba, d.d.
LJUBLJANA

Ljubljana, 30 April 2010

4.4. INDEPENDENT AUDITOR'S REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

to the owners of
SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the SLOVENSKA ODŠKODNINSKA DRUŽBA GROUP (hereinafter "the Group"), which comprise the statement of financial position as at 31 December 2009, 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 on 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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.

Limitation on 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. Since 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 Limitation of Scope paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, 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

Pursuant to Article 57(1) of the Companies Act (ZGD-1), we have reviewed the Group's business report. In our opinion, the business report is consistent with the audited consolidated financial statements.

DELOITTE REVIZIJA d.o.o.

Dušan Hartman
Certified Auditor
Member of the Board

For signature please refer to the original Slovenian version.

Ljubljana, 30 April 2010

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

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

4.5. CONSOLIDATED FINANCIAL STATEMENTS

4.5.1. Consolidated statement of financial position in EUR

	Note	Balance as at 31.12.2009	Balance as at 31.12.2008
ASSETS		**1,261,675,785**	**1,118,955,838**
LONG-TERM ASSETS		**1,216,693,273**	**1,061,570,271**
Intangible fixed assets and long-term prepaid ex	1	292,624	354,483
Tangible fixed assets	2	5,153,509	3,574,693
Investment property	3	5,858,796	5,932,235
L/t fin. investments in subsidiaries	4	3,757,160	3,757,160
L/t fin. investments in associates	4	210,400,033	161,311,762
Other l/t financial Investments	4	831,655,126	722,649,439
Long-term operating liabilities	5	159,576,025	163,990,499
Deferred tax receivables	6	0	0
SHORT-TERM ASSETS		**44,952,845**	**57,355,437**
Stocks	7	88,409	26,549
Short-term financial investments	8	31,093,576	29,624,347
Short.terrm operating receivables	9	3,619,141	3,323,547
Cash assets	10	10,151,719	24,380,994
SHORT-TERM PREPAID EXPENSES	11	**29,667**	**30,130**
LIABILITIES		**1,261,675,785**	**1,118,955,838**
CAPITAL	12	**160,379,781**	**43,940,060**
Called-up capital		166,917	166,917
Reserves		7,506	0
Statutory reserves		16,692	16,692
Other reserves		373,190,618	279,946,463
Revaluation surplus		-239,917,916	-4,689,230
Retained net profit or loss from previous periods		26,915,964	-231,500,782
Net profit or loss for the financial year			
Minority owners' equity	**13**	**1,080,579**	**278,623**
PROVISIONS AND LONG-TERM ACCRUED EXPENSES	14	**238,917,584**	**317,690,495**
LONG-TERM LIABILITIES		**747,563,145**	**608,124,392**
Long-term financial liabilities	15	743,851,905	604,413,152
Long-term operating liabilities	15	3,711,240	3,711,240
Deferred tax liabilities	6	0	0
SHORT-TERM LIABILITIES	16	**113,637,396**	**148,816,619**
Short-term financial liabilities		82,592,371	112,459,073
Short-term operating liabilities		31,045,025	36,357,546
SHORT-TERM ACCRUED EXPENSES	17	**97,300**	**105,649**

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

4.5.2. Consolidated statement of comprehensive income in EUR

Items	Note	1 - 12/ 2009	1 - 12/ 2008
Net sales revenues		3,607,242	4,379,408
Change in the value of stocks of products and work in progress		0	0
Other operating income (with revaluatory operating income)		18,501,028	5,835,741
Operating income	18	**22,108,270**	**10,215,149**
Costs of goods, materials and services	19	-3,244,336	-4,082,811
Labour costs	20	-3,900,498	-4,339,334
Depreciation	21	-792,789	-761,464
Long-term provisions	22	-2,991,583	-7,934,437
Amounts written off	23	-1,253,685	-563,157
Other operating income	24	-26,921,031	-25,697,152
Operating profit or loss		-16,995,652	-33,163,206
Financial income	25	38,409,271	46,722,544
Financial expenses	25	-52,546,453	-83,593,789
Participation in profit/loss of associates	26	37,628,067	-40,232,030
Other income	27	13,029	374,315
Other expenses	27	-23,523	-114,043
Profit or loss before taxation		**6,484,739**	**-110,006,209**
Profits tax	28	0	0
Deferred taxes	28	19,960,296	-121,718,510
Net profit or loss for the accounting period		**26,445,035**	**-231,724,719**
Minority owners' share in net profit		-470,929	-223,937
Majority owners' share in net profit		**26,915,964**	**-231,500,782**
Net profit per majority owners' share		**264,450.35**	**-2,317,247.19**
Other comprehensive income		113,211,957	-1,111,565,585
Corporation tax from other compr. income		-19,960,296	121,681,618
Other overall return after taxation		**93,251,661**	**-989,883,967**
Other comprehensive imcome after taxation for majority owners		93,251,661	-989,883,967
Total comprehensive income for the financial year after taxation		**119,696,696**	**-1,221,608,686**
Majority owner's share		**120,167,625**	**-1,221,384,749**
Minority owners' share		**-470,929**	**-223,937**

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

4.5.3. Consolidated cash flow statement in EUR

		1 - 12 / 2009	1 - 12 / 2008
A.	**Cash flows from operating activities**		
a)	*Inflows*	*38,815,309*	*20,166,317*
	Other inflows	38,815,309	20,166,317
b)	*Outflows*	*-194,651,105*	*-318,660,708*
	Expenses for the purchase of materials and services	-3,313,800	-4,124,374
	Expenses for wages and workers' participation in profit	-3,928,911	-4,322,551
	Expenses for various charges	-253,850	-935,747
	Other operating expenses	-187,154,544	-309,278,036
c)	***Net cash flow from operating activities***	***-155,835,796***	***-298,494,391***
B.	**Cash flows from investing activities**		
a)	*Inflows*	*416,293,133*	*726,839,068*
	Receipts from interest and participation in profits of other entities	15,288,509	27,136,986
	Receipts from disposal of intangible fixed assets	0	6,687
	Receipts from disposal of tangible fixed assets	35,150	10,600
	Receipts from disposal of long-term financial investments	36,033,110	200,449,446
	Receipts from disposal of short-term financial investments	364,936,364	499,235,349
b)	*Outflows*	*-407,125,580*	*-474,809,562*
	Expenses for acquisition of intangible fixed assets	-8,280	-23,123
	Expenses for acquisition of tangible fixed assets	-1,023,673	-1,601,926
	Expenses for acquisition of long-term financial investments	-35,538,627	-36,597,272
	Expenses for acquisition of short-term financial investments	-370,555,000	-436,587,241
c)	***Net cash flow from investing activities***	***9,167,553***	***252,029,506***
C.	**Cash flows from financing activities**		
a)	*Inflows*	*233,980,247*	*144,389,039*
	Receipts from capital paid in	0	0
	Receipts from increase in long-term financial liabilities	180,000,000	0
	Receipts from increase in short-term financial liabilities	53,980,247	144,389,039
b)	*Outlows*	*-101,541,279*	*-99,714,598*
	Interest expenses relating to financing	-2,791,924	-349,130
	Expenses for repayment of l/t fin. liabilities	-199,864	-291,983
	Expenses for repayment of short-term financial liabilities	-98,539,965	-99,073,485
	Expenses for dividends	-9,526	0
c)	***Net cash flow from financing activities***	***132,438,968***	***44,674,441***
Č.	**Cash at the end of period**	**10,151,719**	**24,380,994**
	Net increase/decrease in cash	*-14,229,275*	*-1,790,444*
	Cash at the beginning of period	*24,380,994*	*26,171,438*

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

4.5.4. Consolidated statement of changes in equity capital in EUR

	Initial capital	Capital reserves	Statutory reserves	Retained profit/lossf from peevious per.	Net profit / loss	Revaluation of financial investments intended to be sold in net amount	Majority owner´s capital - total	Minority owner´s equity	Total capital
Balance as at 01/01/2008	*166,917*	*0*	*16,692*	*-4,897,860*	*0*	*1,269,830,430*	*1,265,116,179*	502,560	1,265,618,739
							0		0
Total comprehensive income for reporting period	0	0	0	0	-231,500,782	-989,883,967	*-1,221,384,749*	*-223,937*	-1,221,608,686
Input of operating profit/loss for reporting period	0	0	0	0	-231,500,782	0	*-231,500,782*	*-223,937*	-231,724,719
Other comprehensive income	0	0	0	0	0	-1,111,565,585	*-1,111,565,585*	*0*	-1,111,565,585
Taxes associated with other comprehensive income	0	0	0	0	0	121,681,618	*121,681,618*	*0*	121,681,618
Changes in equity	0		0	0	0	0	*0*	0	0
Allocation of residual net profit for benchmark reporting period to other capital components	0	0	0	0	0	0	*0*	0	0
Movements from capital	0	0	0	208,630	0	0	208,630	0	208,630
Other changes in capital				208,630			*208,630*		208,630
Closing balance 31.12.2008	166,917	0	16,692	-4,689,230	-231,500,782	279,946,463	43,940,060	278,623	44,218,683
Total comprehensive income for reporting period	0	7,506	0	0	26,915,964	93,244,155	*120,167,625*	-470,929	119,696,696
Subscription of called-up capital	0	7,506	0	0	0	0	*7,506*		7,506
Input of net operating profit/loss for reporting period	0	0	0	0	26,915,964	0	*26,915,964*	-470,929	26,445,035
Other comprehensive income	0	0	0	0	0	113,204,451	*113,204,451*	0	113,204,451
Taxes associated with other comprehensive income						-19,960,296	*-19,960,296*		
Changes in equity	0	0	0	-231,500,782	231,500,782	0	*0*	0	0
Allocation of residual net profit for benchmark reporting period to other capital components				-231,500,782	231,500,782		*0*	0	0
Movements from capital	0	0	0	-3,727,904	0	0	-3,727,904	1,272,885	-2,455,019
Other changes in capital	0	0	0	-3,727,904	0	0	*-3,727,904*	1,272,885	-2,455,019
							0	0	0
Closing balance 31/12/2009	166,917	7,506	16,692	-239,917,916	26,915,964	373,190,618	160,379,781	1,080,579	161,460,360

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

4.6. ACCOUNTING POLICIES

The principal accounting policies employed in the preparation of these financial statements are shown below:

4.6.1. Statement of compliance with IFRS

In addition to its individual financial statements, Slovenska odškodninska družba also prepared consolidated financial statements. In both its individual and consolidated financial statements, together with notes thereto, SOD, d.d., switched to International Financial Reporting Standards (IFRS) on 1 January 2008. The decision that the company should prepare its financial standards and reports referred to in Article 60 of the Companies Act (ZGD-1) in accordance with IFRS within the next five years was adopted at the 50th ordinary meeting of the Government of the Republic of Slovenia as the sole shareholder with the function of the General Meeting of Slovenska odškodninska družba, d.d. SOD, d.d., as the controlling company, prepared its consolidated financial statements by taking into account for the fist time International Financial Reporting Standards. The company's financial statements were, at the time of preparation, drawn up in accordance with the valid IFRS issued by the International Accounting Standards Board (IASB) and the notes issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the EU. In the preparation of its financial statements, the Group complied with Slovenian legislation (ZGD-1) and internal rules of its own. In the transitional period, SOD, d.d., fully observed the provisions of IFRS 1 – First Use of International Financial Reporting Standards.

4.6.2. Basis of preparation of financial statements

IFRS were directly used in presenting and valuing individual items, except in the valuation of items for which IFRS give the Company the possibility of choosing between various valuation methods. In the preliminary assessment, accounting standards were prepared by taking into consideration historical values. Financial assets available for sale were shown at their fair values provided that their market price could be determined on the stock market. Impairment is verified and recorded for all assets as necessary.

For property and equipment, their book value on the date of transition to IFRS was used. In the past years, this book value was shown by historical costs that were increased by the annual cost of living index until 2001.

In the preparation of financial statements, the management is obliged under IFRS to provide individual estimates, assessments and assumptions that influence the use of accounting policies and values of the presented assets and liabilities, revenues and expenses. 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. Estimates and assumptions should be subject to a continuous assessment. Adjustments of accounting estimates are recognised for the period in which an estimate is adjusted and for all following years affected by this adjustment. Financial statements should fairly and accurately present the Company's financial position, financial performance and cash flows. The principle of prudence and the principle of fair value as laid down by IFRS should also be taken in consideration in the preparation of financial statements.

In the preparation of its financial statements, SOD, d.d., as the controlling company, observes the following general valuation rules: going concern, consistency and, particularly, accrual. The Group operates on the basis of going-concern assumption; therefore, it is estimated that interim results, including annual results, have a relative value only.

Changes in economic categories are considered alongside the accruals. In each comparison between revenues and expenses, only appropriate expenses may be posted against revenues notwithstanding receipts and expenditures. Accounting treatment of economic categories cannot be modified with regard to the Group's current business interests. Consistency of presentation and classification of items in financial statements should be provided at all times. In case of discrepancies in individual periods, reasons for such changes and their consequences need to be shown.

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

Accounting policies that are shown below were consistently adhered to in all periods shown in these financial statements and in the drawing up of the opening balance sheet in accordance with IFRS as at 1 January 2009 on transition to IFRS.

a) Currently valid standards of interpretation

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

- IFRS 8 – "Operating Segments", which was adopted by the EU on 22 November 2007 (effective for annual periods commencing 1 January 2009). By observing the provisions of this standard, reporting has been adapted to the needs of the management and adjusted with internal reporting since 1 January 2009.
- IFRS 1 – Amendment – "First-Time Adoption of International Financial Reporting Standards" and IFRS 27 – "Consolidated and Separate Financial Statements" – Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate, adopted by the EU on 23 January 2009 (effective for annual periods commencing 1 January 2009).
- IFRS 4 – "Insurance Contracts" and IFRS 7 – "Financial Instruments: Disclosures" – improved disclosures of financial instruments, adopted by the EU on 27 November 2009 (effective for annual periods commencing 1 January 2009).
- IAS 32 – Amendment – "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – *puttable financial instruments and* obligations arising on liquidation, adopted by the EU on 21 January 2009 (effective for annual periods commencing 1 January 2009).
- IAS 39 – Amendment – "Financial Instruments: Recognition and Measurement" and IFRS 7 – "Financial Instruments: Disclosures" – reclassification of financial assets, effective date and transitional period, adopted by the EU on 9 September 2009 (effective for annual periods commencing 1 July 2008).
- IAS 1 – Revised – "Presentation of Financial Statements" – amended presentation, adopted by the EU on 17 December 2009 (effective for annual periods commencing 1 January 2009).
- IAS 23 – Revised – "Borrowing Costs", adopted by the EU on 10 December 2008 (effective for annual periods commencing 1 January 2009).
- IFRS 2 – Amended – "Share-Based Payment" (effective for annual periods commencing 1 January 2009).
- IFRIC 9 – Amendment – "Re-Assessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement" – Embedded Derivatives, adopted by the EU on 30 November 2009 (effective for annual periods commencing 1 January 2009).
- IFRIC 11 – "IFRS 2 – Group and Treasury Share Transactions", adopted by he EU on 1 June 2007 (effective for annual periods commencing 1 March 2008).
- IFRS 13 – "Customer Loyalty Programmes", adopted by the EU on 16 December 2008 (effective for annual periods commencing 1 January 2009).
- IFRIC 14 – "IAS 19 – "The Limit on a Defined Benefit Asset,. Minimum Funding. Requirements and their Interaction", adopted by the EU on 16 December 2008 (effective for annual periods commencing 1 January 2009).

In the preparation of these financial statements, SOD, d.d., complied with all above-mentioned amendments to accounting standards.

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

- IFRS 1 – Revised – "First-Time Adoption of International Financial Reporting Standards", adopted by the EU on 25 November 2009 (effective for annual periods commencing 1 January 2010 or later).
- IFRS 3 – Revised – "Business Combinations", adopted by the EU on 3 June 2009 (effective for annual periods commencing 1 July 2009 or later).
- IAS 27 – Amended – "Consolidated and Separate Financial Statements", adopted by the EU on 3 June 2009 (effective for annual periods commencing 1 July 2009 or later).
- IAS 32 – Amendment – "Financial Instruments: Presentation" – *Accounting for share-related rights*, adopted by the EU on 23 December 2009 (effective for annual periods commencing 1 January 2011 or later).
- IAS 39 – Amendment – "Financial Instruments: Recognition and Measurement" – Eligible Hedged Items, adopted by the EU on 15 September 2009 (effective for annual periods commencing 1 July 2008).

- IFRIC 12 – “Service Concession Arrangements”, adopted by the EU on 25 March 2009 (effective for annual periods commencing 1 March 2009 or later).
- IFRIC 15 – “Arrangements for the Construction of Real Estate”, adopted by the EU on 22 July 2009 (effective for annual periods commencing 1 January 2010 or later).
- IFRIC 16 – “Hedges of a Net Investment in a Foreign Operation”, adopted by the EU on 4 June 2009 (effective for annual periods commencing 1 July 2009 or later).
- IFRIC 17 – “Distribution of Non-Cash Assets to Owners”, adopted by the EU on 26 November 2009 (effective for annual periods commencing 1 November 2009 or later).
- IFRIC 18 – “Transfers of Assets from Customers”, adopted by the EU on 27 November 2009 (effective for annual periods commencing 1 November 2009 or later).

SOD, d.d., as the controlling company, has decided not to adopt these standards, adjustments and interpretations until they become effective. SOD, d.d., expects that the adoption of these standards, adjustments and interpretations will have no significant effect on the Company’s financial statement during the initial period of application.

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

- IFRS 9 – “Financial Instruments” (effective for annual periods commencing 1 January 2013 or later).
- IAS 24 – Related Party Disclosures" – simplification disclosure requirements for companies connected with the Government and the reason for related party definition (effective for annual periods commencing 1 January 2011 or later).
- IFRS 1 – Revised – “First-Time Adoption of International Financial Reporting Standards” – additional exemptions for first IFRS users (effective for annual periods commencing 1 January 2010 or later).
- IFRS 2 – "Share-Based Payment” – Payment transactions settled by cash for group shares (effective for annual periods commending 1 January 2010 or later).
- IFRIC 14 – “IAS 19 – “The Limit on a Defined Benefit Asset,. Minimum Funding. Requirements and their Interaction" – Prepayments of a minimum funding requirement (effective for annual periods commencing 1 January 2011 or later).
- IFRIC 19 – “'Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods commencing 1 July 2010 or later).

It is expected that the first application of these standards, amendments, existing standards and interpretations will have no significant effect on the Group’s financial statements.

4.6.3. 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 acquisition of a controlling interest by the Group. Consolidation no longer applies when the Group loses its controlling interest. All transactions, receivables and liabilities between Group companies are eliminated for the purpose of preparation of consolidated financial statements. Any impairment of subsidiaries shown in the controlling company’s individual financial statements should also be eliminated. In 2009, impairment of the company Casino Portorož totalling EUR 349,021 was thus eliminated. In order to provide accurate information for the purpose of consolidation and financial reporting of the Group, accounting policies of the subsidiaries should be aligned with those of the controlling company. No major discrepancies between accounting policies were identified.

The Group prepared an opening balance sheet as at 1 January 2008 in which it presented a calculation of investments in associated companies pursuant to IFRS. So far, the controlling company has prepared financial statements according to SAS. The changes on the transition to IFRS are described in detail in individual financial statements of Slovenska odškodninska družba, d.d.

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

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

4.6.4. Structure of the group of associated companies

Slovenska odškodninska družba, 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 consolidated financial statements are prepared. If the value of an investment in subsidiary is not relevant to the true and fair presentation of the group's financial statements, it need not be included in consolidated financial statements. Moreover, consolidation does not apply to companies for which bankruptcy proceedings are instituted; in such cases, owners lose their voting rights.

Table 15.: Subsidiaries within the Group as at 31 December 2009

Company name	Activity of the company	Country	% of ownership	% of voting rights	The Company´s total capital in EUR	Profit/loss for 2009
PS za avto, d.o.o.	leasing out of property	Slovenija	90.00	90.00	-3,085,163	168,543
Casino Bled, d.d.	organisation of games of chance	Slovenija	43.00	75.43	1,895,751	-816,665

SOD, d.d., Mala ulica 5, Ljubljana, prepares a consolidated annual report for the parent company and all subsidiaries within the Group. Due to a material irrelevance, the company PS za avto, d.o.o. is not included in the process of consolidation of subsidiaries. Consolidated financial statements for 2008 and 2009 included a fully consolidated investment in Casino Bled, and investments in Zavarovalnica Triglav, Pozavarovalnica Sava, Casino Ljubljana, Casino Portorož, Hit, Paloma and PDP were consolidated by using equity method. At the end of 2009, the Group sold its holding in Paloma.

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

4.6.5. Revenue recognition

Revenues are recognised on the basis of sales of products, services and commercial goods, i.e. on receipt of additional assets for payment of compensations under denationalisation claims, compensations to war and post-war violence victims and for confiscated property. Sales revenues are recognised when major risks and benefits derived from ownership are transferred from the seller to the buyer. Other realised revenues were recognised on the following basis:

- Interest income – recognised on accrual basis unless there is doubt about recovery, when the amount is written off to replacement cost.
- Dividend income – when the Group becomes entitled to payment thereof.
- Rental income as a result of leasing out investment property is recognised evenly throughout the duration of the lease contract.

- Income from sales of financial investments is recognised on the date of settlement. An exception to these rules exists only when SOD, d.d., or its subsidiary holds an irrevocable guarantee issued by a domestic bank or other full guarantee on the conclusion of a sales agreement. SOD, d.d., 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.

4.6.6. Investments in associates

Associated companies are those in which SOD, d.d., 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 associates are valued in financial statements of SOD, d.d., pursuant to IAS 39 – they are recognised at fair value or at cost when fair value cannot be measured with accuracy.

According to IAS 28, financial investments in associated companies are recognised according to equity method from the date when a company becomes associated. According to equity method, investment is recognised in the balance sheet at cost plus changes (upon acquisition) in the capital of the associated company, less any impairment. The amount obtained by dividing the net profit of the company in which the controlling company exercises a significant influence reduces the book value of financial investment. If the investor's proportional interest in capital of another company changes, and these changes are not included in the profit or loss, recalculations need to be made. Such changes include revaluation of tangible fixed assets, intangible fixed assets and revaluation of financial investments, exchange rate differences and calculation of differences resulting from a merger.

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

Goodwill of the associated company is included in the book value of financial investment. Goodwill should be regularly checked for any signs of impairment.

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

Table 16.: Associated companies as at 31 December 2009

Company name	Activity of the company	Country	% of ownership	% of voting rights	The Company´s total capital in EUR	Profit/loss for 2009
GIO v likvidaciji, d.o.o.	in liquidation	Slovenija	41.23	41.23	13,097,865	-81,065
Zavarovalnica Triglav, d.d.	insurance business	Slovenija	26.14	28.07	477,389,183	-1,810,699
Pozavarovalnica Sava, d.d.	reinsurance business	Slovenija	25.00	25.00	149,995,280	-12,598,645
PDP, d.d.	activity of holdings	Slovenija	22.96	22.96	71,804,000	-31,000
Casino Portorož d.d.	organisation of games of chance	Slovenija	20.00	20.00	10,730,934	-3,416,224
HIT d.d., Nova Gorica	organisation of games of chance	Slovenija	20.00	33.33	110,459,089	-44,202,175

In 2009, a capital increase was carried out for Casino Portorož. There was no change in the percentage of ownership by SOD, d.d., due to this transaction. In the same year, a capital increase was also carried out for Casino Maribor, which was included in consolidated financial statements in the previous year. The share of ownership by SOD, d.d., was reduced from 20% to

3.29% after the capital increase; moreover, bankruptcy proceedings were instituted for that company.

4.6.7. Currency reporting

a) Functional and presentation currency

Amounts in the financial statements of the Group are shown in euro (EUR), which is simultaneously the Company's functional and presentation currency.

b) Transactions and balances

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

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

4.6.8. Intangible fixed assets and long-term prepaid expenses

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

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

Depreciation of intangible fixed assets is calculated at the straight line method by taking into consideration the useful life of assets. Depreciation rates used range from 10.0% and 33.3%.

Long-term prepaid expenses are recorded in the profit and loss account during the useful life of assets.

4.6.9. Tangible fixed assets

Tangible fixed assets include property, equipment and small tools owned or taken on financial lease. Tangible fixed assets are shown at cost, less depreciation and accumulated losses due to impairment.

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

- property	2,0 – 5,0%
- parts of buildings	6%
- slot machines	20%
- surveillance and security systems	20%
- computer equipment	33,3 – 50%
- motor vehicles	12,5 – 33,3%
- other equipment	20,0 – 33,3%
- small tools	25,0 – 100%.

Land is not depreciated since it is presumed to have an unlimited useful life. Likewise, assets in course of construction are not depreciated until they are ready to be used. Since the book value of assets exceeds their estimated recoverable value, they must be revalued to the estimated recoverable value, i.e. impaired pursuant to IAS 36. Profits and losses incurred on disposal of land, buildings and equipment are determined according to their book value and affect the Company's operating results. Subsequent costs associated with tangible fixed assets increase their acquisition cost when future economic benefits are expected from these assets. Costs of all other repair 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 then EUR 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 modified during the preparation of financial statements.

4.6.10. 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 individual company's operations.

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

The Company measures investment property by using the acquisition cost model, i.e. investment property is shown at cost, less 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 assets.

4.6.11. Financial assets

The 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 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 and belong to short-term assets. These assets are measured at fair value, and profits/losses due to changes in prices are included in the profit and loss account in the period in which they were generated/incurred. In this category, the Group included a put option contract which is regularly revalued to its fair value pursuant to the provisions of the contract.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments and are not listed on the active market. They are included among short-term assets or long-term assets with maturity beyond twelve months following the balance sheet date. Loans and receivables are shown in the balance sheet among operating and other receivables at repayment cost by taking into consideration the valid rates of interest. Subsequent impairments are recognised in the profit or loss. Loss due to impairment is eliminated when the subsequent increase in recoverable value of the asset may be objectively associated with the even following impairment recognition.

c) Financial investments held until maturity

Fixed-maturity investments which a company's management intends to hold and is able to hold until maturity are classified as investments held until maturity and included among 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 short-term assets. Subsequent impairments are recognised in the profit or loss. Loss due to impairment is eliminated when the subsequent increase in recoverable value of the asset may be objectively associated with the even following impairment recognition.

d) Assets available for sale

Assets available for sale are non-derivative financial assets that are either classified into this group or are not classified into any of the above-mentioned groups. Assets in this group are measured in terms of fair value or at cost when fair value cannot be reliably measured. When assets are measured at fair value, revaluation to fair value is recognised directly in equity.

On each balance sheet cut-off date, it is determined whether there is objective evidence that the value of 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 acquisition cost is considered as an indicator of impairment of shares. In cases when there is such an evidence (20% decline below acquisition cost in a particular year or decline during a period of at least nine months), the company recognises cumulative losses (determined as the difference between acquisition cost and the current fair value, less losses due to impairment of financial assets) in the profit and loss account and eliminates them from capital. Impairments of equity instruments recognised in the profit and loss account cannot be reversed.

4.6.12. Impairment of non-financial assets

On the reporting date, the company checks the book values of 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 recognised in the amount by which the book value of asset exceeds its recoverable value. The recoverable value is higher than the fair value of asset, less selling costs and 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).

4.6.13. Inventories

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

The value of the components of the unit price and the total unit price are originally derived from original amounts. If during the accounting period prices of newly acquired units differ from prices or costs of units of the same goods in stock, stocks are maintained according to the first in first out (FIFO) method.

Stocks are valued at cost or at the net marketable value, at the lower of the two values. Stocks are not subject to revaluation due to strengthening.

4.6.14. Operating receivables

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

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

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

The Group quotes its long-term receivable from the state for Reimbursement of Investments in Public Telecommunications Network Act (ZVVJTO) as a major operating receivable. On behalf of the Government of the Republic of Slovenia, SOD, d.d., makes reimbursements for investments in public telecommunications network from its own funds; however, a refund is guaranteed by the law.

4.6.15. Cash and cash equivalents

Cash and cash equivalents are initially recognised by being shown in the amount resulting from 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 approval of the transaction) and other investments in money market instruments. When a company signed a contract for bank account overdraft, it is shown in short-term financial liabilities in the balance sheet.

4.6.16. Provisions

Provisions are recognised when a Group company presents the current legal obligation as a result of past events for which there is a high probability that the Company will have to meet this obligation in the future and, simultaneously a reliable assessment of the obligati9on can be made. Amounts shown as provisions represent the best possible assessment of expenses necessary to meet the existing obligations on the balance sheet date. Provisions may not be created in order to offset future operating losses.

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

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

4.6.18. 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 provisional differences between asset and liability-based tax and presented amounts of tax in financial statements. Deferred taxes are calculated according to the statutory tax rate which the company expects that will be applied once the receivables for deferred taxes have been realised, i.e. once the liabilities for deferred taxes have been satisfied.

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

4.6.19. Liabilities

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

Financial liabilities are recognised 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 recognised in the profit and loss account throughout the period of existence of the entire financial liability. Interest on loans received is calculated in accordance with contracts and increase financial interest expenses.

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

4.6.20. Capital

The entire capital of SOD, d.d., represents its liability to its owners – the Republic of Slovenia as its sole owner – and falls due for payment on the dissolution of the Company. The entire capital consists of called-up capital, capital reserves, profit reserves, revaluation, retained net profit or loss from previous periods and provisionally undistributed net profit for the current year or uncovered losses for the current year.

4.6.21. Own shares

If the controlling company or its subsidiaries acquire an interest in a controlling company, the amount paid, including transaction costs exclusive of tax are deducted from 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 payments received exclusive of transaction costs and related tax effects are included in equity capital.

Neither the controlling company nor its subsidiaries hold own shares or interests, nor do they intend to acquire them.

4.6.22. Reporting by segments

Business segments are services that are distinguished from other segments in terms of risks and benefits. The Group 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 public telecommunications network and gambling industry. The legal framework and content of individual segments is provided in Chapter 2 of the Business Report.

4.6.23. Value estimates of individual items

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 individual assumptions used by valuers.

4.6.24. Benchmark information

Slovenska odškodninska družba, d.d. prepared for the previous financial years and for 2008 individual financial statements in accordance with accounting and reporting requirements of Slovene Accounting Standards (SAS). In the preparation of financial statements for the financial year 2009, SOD switched to accounting policies and valuation methods according to IFRS. Comparative figures of the Group for the financial year 2008 were calculated in accordance with IFRS and reflect adjustments to IFRS.

4.7. FINANCIAL RISK MANAGEMENT

The Group continuously monitors and assesses 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.

a) 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. In 2009, the Group paid special attention to changes in credit rating of issuers of bonds which the Company holds in its portfolio. The credit rating was reduced for several issuers. In these cases, a detailed analysis of issuers was made and, at the same time, issuers were monitored through the existing information systems. 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 Group 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.

Tough conditions on financial markets resulted in a more rigorous control of the Group's business partners and banks. The Group is the most strongly exposed to financial institutions and banks with which it places its deposits, and any default on contract could result in lower liquidity. There were no such cases of default on contractual obligations in 2009.

However, risks were recorded in relation to other issuers of debt securities since the deep financial crisis caused a few issuers to default on their obligations (payment of coupons).

The Group controls these risks by the following measures:
- verification of credit ratings of issuers of securities,
- verification whether all coupons are paid on maturity,
- dispersion of deposits between various banks by using their size as a criterion,
- requesting business partners to submit a bank guarantee and make advance payments.

b) Interest rate risk

Interest rate risk is a 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 is exposed to interest rate risk both in respect of investing in debt securities and in terms of liabilities. Investments are mostly associated with variable rates of interest linked to Euribor. In approximately one fifth of financial liabilities, the rate of interest is linked to Euribor, and the majority of other liabilities are subject a to fixed rate of interest. Changes in market rates of interest do not affect the Group's liabilities for issued SOS2E bonds that represent the Group's major long-term liability since these bonds are subject to a fixed rate of interest of 6% on nominal liability expressed in EUR. It is estimated that a change in the rate of interest for loan obtained at a variable rate of interest (three-month Euribor plus a fixed surcharge) could have a favourable effect on the Group's financial statements. The calculation shows that a change in the rate of interest:
- from 0.7% to 1.5% interest expenses rise by EUR 1,440,000 on an annual level;
- from 0.7% to 2.0% interest expenses rise by EUR 2,340,000 on an annual level;
- from 0.7% to 3.0% interest expenses rise by EUR 4,140,000 on an annual level.

It is true, however, that the key rates of interest of central banks are currently on their historically lowest levels and that a gradual increase in interest rates of central banks is anticipated, which will also result in a rise in reference interest rates (Euribor, for instance). The Group will regularly measure the effect of changes in reference interest rates, and, in the event of major changes, take measures by applying derivative financial instruments (interest rate swap); moreover, the Company has also agreed on the possibility of early loan repayment.

c) Currency risk

The exposure to currency risk has been reduced considerably after the adoption of the euro as Slovenia's national currency. By taking into consideration the fact that the majority of financial instruments is linked to EUR, the Group's currency risk in 2009 was negligible. The company has only EUR 1.7 million of investments in a foreign currency, which is a mere 0.13% of total assets.

d) Liquidity risk

Due to the tough conditions on the financial markets, particular attention was paid to liquidity risk management. The Group met all its liabilities in 2009 in time. The Group made accurate plans of daily, weekly and monthly outflows and adjusted them to its inflows (deposits, certificates of deposits, repo transactions). The characteristic of the Slovenian market is poor liquidity. For this reason, the majority of the Group's investments in domestic equity and debt instruments are subject to liquidity risk. Adverse financial conditions in the past two years further increased the liquidity risk.

e) Market risk

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

Table 17.: Liquidity of major investments of the Group and all domestic marketable securities

Type of equity investment	Average monthly transactions in 2009 / Market capitalisation 31/12/2009
Krka, d.d.	0.78%
Petrol, d.d.	0.31%
Telekom, d.d.	0.32%
Zavarovalnica Triglav, d.d.	0.22%
Total market investments	**0.71%**

Source: LJSE, Statistics

Table 18.: The Group's domestic shares of prime and standard market as at 31 December 2009

Type of equity investment	Amount in EUR	Share in %
Krka, d.d.	340,184,963	41.53
Petrol, d.d.	132,539,175	16.18
Zavarovalnica Triglav, d.d.	125,519,020	15.32
Other investments	220,843,620	26.96
Total	**819,086,778**	**100.00**

Source: AdTreasury Programme - SOD treasury support

Due to extremely unstable capital market conditions, the risk of change in prices of marketable shares was very high in 2009. The decline in share prices on capital markets bottomed in March 2009, and later in the year a high increase in prices was recorded. At the year-end 2008 and in early 2009, volatility of price movements of shares on capital markets reached its long-term maximum, and stabilised towards the end of 2009 (see VIX S&P 500). A similar stable development is expected also in 2010.

Notwithstanding the considerably improved situation on the capital market and on the financial markets, the Group established a high level of exposure to the risk of change in marketable shares. On the liabilities side, the Group has liabilities with an average three years' maturity, and on the assets side it holds assets, predominantly domestic market shares, of which 73.9% in three financial investments. The fact is also that the risk of the lack of dispersion of investments is extremely high since most investments are exposed to the risk of change of market prices on the domestic capital market.

Table 19.: Sensitivity of value of equity investments to changes in market prices

Type of equity investment	**Amount in EUR 31/12/2009**	**Change in market prices + 15%**	**Change in market prices + 20%**	**Change in market prices - 15%**	**Change in market prices - 20%**
Krka, d.d., Novo Mesto	340,184,963	51,027,744	68,036,993	-51,027,744	-68,036,993
Petrol, d.d., Ljubljana	132,539,175	19,880,876	26,507,835	-19,880,876	-26,507,835
Zavarovalnica Triglav, d.d.	125,519,020	18,827,853	25,103,804	-18,827,853	-25,103,804
Other investments	220,843,620	33,126,543	44,168,724	-33,126,543	-44,168,724
Non-marketable domestic shares	119,317,346	17,897,602	23,863,469	-17,897,602	-23,863,469
Investment companies	2,080,935	312,140	416,187	-312,140	-416,187
Foreign shares	3,560,255	534,038	712,051	-534,038	-712,051
Mutual funds	17,383,340	2,607,501	3,476,668	-2,607,501	-3,476,668
Total shares	**961,428,654**	**144,214,297**	**192,285,731**	**-144,214,297**	**-192,285,731**

Source: AdTreasury Programme - SOD treasury support

The table shows the effect of changes in market prices for individual investments or type of investment. A 15% change in market prices means 11.4% reduction in the Group's assets. The high lack of liquidity of the majority of investments represents an additional risk since the Group responds with difficulty to market changes.

4.8. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4.8.1. Notes to the statement of financial position

Note 1 Intangible fixed asset

Table 20.: Movement of intangible fixed assets and long-term prepaid expenses in 2009 in EUR

	L/t property rights	Other l/t prepaid expenses	Capitalised costs of invest. in foreign tangible f/a	Total
Acquisition value				
Acquisition value as at 01/01/2009	*584,911*	*75,009*	*247,579*	*907,499*
New acquisitions	*8,280*	*0*	*0*	*8,280*
Disposals	*0*	*0*	*0*	*0*
Acquisition value as at 31/12/2009	*593,191*	*75,009*	*247,579*	*915,779*
Value adjustment				
Value adjustment as at 01/01/2009	*500,894*	*8,334*	*43,788*	*553,016*
Depreciation for the current year	*34,785*	*0*	*22,854*	*57,639*
Transfer to profit/loss	*0*	*12,500*	*0*	*12,500*
Disposals	*0*	*0*	*0*	
Value adjustment as at 31/12/2009	*535,679*	*20,834*	*66,642*	*623,155*
Present value 01/01/2009	84,017	66,675	203,791	354,483
Present value 31/12/2009	**57,512**	**54,175**	**180,937**	**292,624**

Table 21.: Movement of intangible fixed assets and long-term prepaid expenses in 2008 in EUR

	L/t property rights	Other l/t prepaid expenses	Capitalisded costs of invest. in foreign tangible f/a	Total
Acquisition value				
Acquisition value as at 01/01/2008	*499,940*	*0*	*247,741*	*747,681*
New acquisitions	23,123	75,009	0	*98,132*
Disposals	-5,232	0	-162	*-5,394*
Acquisition value as at 31/12/2008	*517,831*	*75,009*	*247,579*	*840,419*
Value adjustment				
Value adjustment as at 01/01/2008	*409,043*	*0*	*21,768*	*430,811*
Depreciation for the current year	30,003	0	19,832	*49,835*
Transfer to profit/loss	0	8,334	2,187	*10,521*
Disposals	-5,232	0	0	
Value adjustment as at 31/12/2008	*433,814*	*8,334*	*43,787*	*485,935*
Present value 01/01/2008	90,897	0	225,973	316,870
Present value 31/12/2008	**84,017**	**66,675**	**203,792**	**354,484**

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

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

Capitalised costs of investment in tangible fixed assets of others have a useful life of 10 years.

At the year-end 2009, the Group had no outstanding liabilities for acquisition of long-term property rights.

Note 2 Tangible fixed assets

Table 22.: Movement of tangible fixed assets in 2009 in EUR

	Land	Buildings	Equipment and spare parts	Small tools	Short-term advances	Equipment under construction	Total
Acquisition value							
Acquisition value as at 01/01/2009	*121,536*	*3,426,769*	*3,837,980*	*183,095*	*0*	*326*	*7,569,706*
New acquisitions	*23,646*	*339,388*	*1,502,610*	*0*	*22,467*	*311,090*	*2,199,201*
Disposals	*0*	*0*	*-401,080*	*0*	*0*	*-326*	*-401,406*
Acquisition value as at 31/12/2009	*145,182*	*3,766,157*	*4,939,510*	*183,095*	*22,467*	*311,090*	*9,367,501*
Value adjustment							
Value adjustment as at 01/01/2009	*0*	*1,512,016*	*2,303,481*	*179,516*	*0*	*0*	*3,995,013*
Depreciation for the current year	*0*	*160,323*	*431,372*	*2,321*	*0*	*0*	*594,016*
Disposals	*0*	*0*	*-375,037*	*0*	*0*	*0*	*-375,037*
Value adjustment as at 31/12/2009	*0*	*1,672,339*	*2,359,816*	*181,837*		*0*	*4,213,992*
Present value 01/01/2009	121,536	1,914,753	1,534,499	3,579	0	326	3,574,693
Present value 31/12/2009	**145,182**	**2,093,818**	**2,579,694**	**1,258**	**22,467**	**311,090**	**5,153,509**

Table 23.: Movement of tangible fixed assets in 2008 in EUR

	Land	Buildings	Equipment and spare parts	Small tools	Short-term advances	Equipment under construction	Total
Acquisition value							
Acquisition value as at 01/01/2008	*121,536*	*3,450,631*	*3,894,524*	*185,582*	*14,468*	*350,837*	*8,017,578*
New acquisitions	0	3,715	551,548	0	0	326	555,589
Disposals	0	-27,577	-608,093	-2,487	-14,468	-350,837	-1,003,462
Acquisition value as at 31/12/2008	*121,536*	*3,426,769*	*3,837,979*	*183,095*	*0*	*326*	*7,569,705*
Value adjustment							
Value adjustment as at 01/01/2008	*0*	*1,355,008*	*2,382,638*	*177,858*	*0*	*0*	*3,915,504*
Depreciation for the current year	0	157,008	504,161	3,476			664,645
Disposals	0	0	-583,319	-1,818			-585,137
Value adjustment as at 31/12/2008	*0*	*1,512,016*	*2,303,480*	*179,516*	*0*	*0*	*3,995,012*
Present value as at 01/01/2008	121,536	2,095,623	1,511,886	7,724	14,468	350,837	4,102,074
Present value as at 01/01/2008	**121,536**	**1,914,753**	**1,534,499**	**3,579**	**0**	**326**	**3,574,693**

Major acquisitions of tangible fixed assets in 2009:

- 143 gaming machines and five electronic roulettes – EUR 1,587,890
- business premises in Mala ulica 5, Ljubljana – EUR 363,064

Some tangible fixed assets are burdened with mortgage:

- assets acquired on financial lease – mortgage totalling EUR 354,990;
- real property in Bled – mortgage registered in favour of Banka Koper (EUR 510,521), Abanka, d.d. (EUR 500,000), both as security for loan, and Tax Administration of the Republic of Slovenia (EUR 503,993) as tax debt security.

Disposal of tangible fixed assets represented sales and removal of redundant assets.

All tangible fixed assets are valued at cost. The Group estimates that there are no factors that might require impairment of tangible fixed assets.

As at the balance sheet date, the Group had an outstanding liability for the acquisition of tangible fixed assets totalling EUR 268,312.

Note 3 Investment property

Table 24.: Movement of investment property in 2009 in EUR

	Land	Buildings	Total
Acquisition value			
Acquisition value as at 01/01/2009	*1,280,749*	*4,698,471*	*5,979,220*
New acquisitions	0	67,693	67,693
Disposals	0	0	0
Acquisition value as at 31/12/2009	*1,280,749*	*4,766,164*	*6,046,913*
Value adjustment			
Value adjustment as at 01/01/2009	*0*	*46,985*	*46,985*
Depreciation for the current year	0	141,132	141,132
Disposals	0	0	0
Value adjustment as at 31/12/ 2009	*0*	*188,117*	*188,117*
Present value 01/01/2009	1,280,749	4,651,486	5,932,235
Present value 31/12/2009	**1,280,749**	**4,578,047**	**5,858,796**

Table 25.: Movement of investment property in 2008 in EUR

	Land	Buildings	Total
Acquisition value			
Acquisition value as at 01/01/2008	*0*	*0*	*0*
New acquisitions	1,280,749	4,698,471	5,979,220
Disposals	0	0	0
Acquisition value as at 31/12/2008	*1,280,749*	*4,698,471*	*5,979,220*
Value adjustment			
Value adjustment as at 01/01/2008	*0*	*0*	*0*
Depreciation for the current year	0	46,985	46,985
Disposals	0	0	0
Value adjustment as at 31/12/2008	*0*	*46,985*	*46,985*
Present value 01/01/2008	0	0	0
Present value 31/12/2008	**1,280,749**	**4,651,486**	**5,932,235**

The Group is a joint owner (33.55%) of investment property that is encumbered by a lien amounting to EUR 1 million. Other joint owners are D.S.U. and Kapitalska družba.

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

By leasing out the investment property, the Group generated EUR 477,000 income in 2009. Expenses relating to this investment property totalled EUR 313,000.

As at the balance sheet date, the Group had an outstanding liability to the company GIO d.o.o. in liquidation for the purchase of investment property in the total amount of EUR 4,123,600, which, according to the provisions of the contract, falls due before August 2011. The Group has a 41.23% equity interest in the company GIO d.o.o. in liquidation. An offset of liabilities is anticipated for the purchase of the property and receivables for payment of equity interest on GIO's liquidation. As at 31 December 2009, the Group also had an outstanding liability for the completion of investment property totalling EUR 51,539.

At the end of the year, the Group did not determine the fair value of investment property by valuation, but determined on the basis of comparable transactions that the book value of the property did not exceed its fair value.

Note 4 Long-term financial investments

Table 26.: Distribution of financial investments in EUR

	31/12/2009	31/12/2008
Long-term fin. Investments in subsidiaries	3,757,160	3,757,160
Long-term fin. Investments in associates	210,400,033	161,311,762
Long-term fin. Investments at fair value through profit or loss	25,062,152	22,838,509
Other l/t investments at fair value through capital	684,675,262	577,455,376
Other l/t investments at cost	87,396,321	96,587,857
L/t investments at repayment value	34,521,391	25,767,697
Total	**1,045,812,319**	**887,718,361**

The item "long-term investments in subsidiaries" shows the book value of investment in the company PS za avto, which is made on the basis of an appropriate estimate and is not subject to consolidation due to the lack of relevance.

Table 27.: Investments in subsidiary and associated companies

Reg. No.	Name of company	Registered office	Number of shares/holdings	31.12.2009 % of ownership	Total capital	Profit/loss	The data refer to
1	PS za avto, d.o.o. Lj.	Tržaška cesta 133, 1000 Ljubljana	1,752,969	90.00	-3,085,163	168,543	2009
2	IUV, d.d.	Tržaška cesta 31, 1360 Vrhnika	3,493,915	85.26	20,302,711	bankruptcy	2007
3	Planika Kranj, d.d.	Savska Loka 21, 4000 Kranj	1,493,547	56.68	14,601,253	bankruptcy	2003
4	PIK d.d., Maribor	Kraljeviča Marka 5, 2000 Maribor	529,090	53.57	-891,638	bankruptcy	2004
5	Casino Bled, d.d.	Cesta svobode 15, 4260 Bled	707,620	43.00	1,895,751	-816,665	2009
6	GIO v likvidaciji, d.o.o.,	Dunajska 160, 1000 Ljubljana	1,002,210	41.23	13,097,865	-81,065	liqv.bal.2009
7	Zavarovalnica Triglav, d.d.	Miklošičeva 19, 1000 Ljubljana	5,984,284	26.14	477,389,183	-1,810,699	2009
8	Pozavarovalnica Sava, d.d.	Dunajska cesta 56, 1000 Ljubljana	2,340,631	25.00	149,995,280	-12,598,645	2009
9	PDP, d.d.	Dunajska cesta 119, Ljubljana	410,271	22.96	71,804,000	-31,000	2009
10	Casino Maribor, d.d.	Glavni trg 1, 2000 Maribor	2,085	20.00	2,809,994	bankruptcy	2008
11	Casino Portorož d.d.	Obala 75A, 6320 Portorož	706,314	20.00	10,730,934	-3,416,224	2009
12	HIT d.d., Nova Gorica	Delpinova 7A, 5000 Nova Gorica	1,357,727	20.00	110,459,089	-44,202,175	2009

a) Investments in subsidiaries

Table 28.: Long-term financial investments in subsidiaries

Company name	Activity of the company	Country	% of ownership	% of voting rights	The Company´s total capital in EUR	Profit/loss for 2009
PS za avto, d.o.o.	leasing out of property	Slovenija	90.00	90.00	-3,085,163	168,543
Casino Bled, d.d.	organisation of games of chance	Slovenija	43.00	75.43	1,895,751	-816,665

As at 31 December 2009, the controlling company had 75.43% voting rights and a 43% equity interest in the company Casino Bled, which is, therefore, treated as a subsidiary. Shares of the company Gold Club, which increased the capital of Casino Bled, do not have yet the voting rights; they will acquire voting rights after the next general meeting which will decide on the distribution of profit or loss.

The controlling company's interest in the company PS za avto was 90% on the balance sheet date. The inclusion of the company PS za avto into 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.
Investment in a subsidiary is carried at cost. An impairment test is made every year.

b) **Long-term financial investments in associates**

The table below shows the information about the share of voting rights held by the Group in individual associated company. The percentage of voting rights differs from the percentage of ownership:
- in the company Zavarovalnica Triglav, in which the Group is the administrator of stocks for beneficiaries of ownership transformation of Zavarovalnica Triglav, and
- in the company Hit, which also holds preference shares, dividends are paid regularly.

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

Table 29.: Investments in associates – values determined according to the equity method

	31/12/2009	31/12/2009	31/12/2008
	voting rights in %	EUR	EUR
Gio, d.o.o v likvidaciji	41.23	4,049,355	4,082,781
Casino Ljubljana, d.d.	-	0	0
Paloma, d.d.	-	0	0
Hit, d.d.	33.33	29,828,767	36,279,150
Zavarovalnica Triglav, d.d.	26.14	125,519,020	91,320,174
Pozavarovalnica Sava, d.d.	25.00	32,370,927	26,800,225
PDP, d.d.	22.96	16,485,777	0
Casino Portorož, d.d.	20.00	2,146,187	2,829,432
Total		**210,400,033**	**161,311,762**

Investments in associated companies are valued in 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, impairment should be made chargeable to financial expenses. As at 31 December 2009, the fair value of financial investments was the following:
- in shares of Zavarovalnica Triglav: EUR 150,960,252 and
- in shares of Pozavarovalnica Sava: EUR 32,370,927.

Table 30.: Movement of investments in associated companies in EUR

	2009	2008
Balance as at 01/01/…	161,311,762	387,375,161
Acquisitions	16,492,894	418,576
Profit/loss for the current year	37,499,013	-61,972,073
Revaluation	-3,971,859	-38,321,379
Disposals	-931,468	-126,188,523
Stanje na dan 31/12/….	210,400,342	161,311,762

In 2009, SOD, d.d., increased the capital of its associate Casino Portorož in the amount of EUR 999,999 and thus preserved a 20% interest. By taking into consideration Casino Portorož's operating results, SOD, d.d., conducted a verification after impairment. An internal valuation was made. The actual data of the company Casino Portorož for the first nine months of 2009, the 2009 estimate and operational and financial plan for 2010 were used. On the basis of this valuation, the controlling company made an adjustment for the investment of EUR 349,000. This impairment is not included in consolidated financial statements.

In 2009, SOD, d.d., increased the value of its investment in Casino Maribor in which it had and preserved a 20% interest; nevertheless, bankruptcy proceedings were initiated for this company. In individual financial statements, financial investment in Casino Maribor was, by taking into account the company's results, impaired to EUR 0.00 already in 2008. This impairment is not included in consolidated financial statements.

c) Financial investments at fair value through profit or loss

In 2007, SOD, d.d., concluded with the company Döhle, Germany, a put option contract together with a contract on transfer of equity interests which represent 19.8% of initial capital of the company Splošna plovba, d.o.o., Portorož, in which the strike price is determined and bears 6% annual interest until the date of payment on the basis of the exercise of the option. In 2009, interest totalling EUR 2,223,643 was added to the principal.

d) Other financial investments available for sale

Table 31.: Other investments available for sale (without investments in subsidiaries and associates)

	31/12/2009	31/12/2008
A) At fair value		
Investments in domestic companies	638,358,505	535,101,338
Investments in investment companies	2,080,935	1,766,406
Investments in insurance companies	0	0
Investments in banks	22,838,328	21,908,403
Investments in mutual funds	17,383,339	16,002,641
Investments in shares of foreign issuers	3,560,255	2,250,047
Investments in structured products	453,900	426,540
Total at fair value	*684,675,262*	*577,455,375*
B) At cost		
Investments in domestic companies	20,426,227	29,617,763
Investments in banks	66,970,094	66,970,094
Total at cost	*87,396,321*	*96,587,857*
Total	**772,071,583**	**674,043,232**

Financial investments listed on regulated markets are shown at their fair value, and other investments are valued at cost.

Almost 80% of the value of investments in domestic companies available for sale, which are listed on the regulated market, represented investments in Krka, d.d. (EUR -340.2 million), Petrol. d.d. (EUR -132.5 million), Sava, d.d. (EUR -53.3 million), and Luka Koper, d.d. (EUR -37.1 million).

The book value of investment in shares of NLB d.d. was EUR 61.4 million.

Banks in which the Company has an equity interest:

- Banka Celje – 9.36%,
- NLB – 5.05%,
- NKBM – 4.79%,
- Abanka Vipa – 2.24%.

At the end of 2009, the Group had financial investments in 36 mutual funds of which fair value of four investments individually exceeded EUR 1 million:

- Infond Uravnoteženi managed by KBM Infond,

- NLB Skladi Globalni managed by NLB Skladi,
- Beta managed by Probanka DZU and
- Raiffeisen Oesteuropa managed by Raiffeisen KAG.

The Group also holds 28 foreign shares in its portfolio in which the fair value of only a single share exceeds EUR 0.6 million.

e) Long-term loans

Table 32.: Long-term loans granted in EUR

	31/12/2009	31/12/2008
Loans given by redeeming bonds from others	22,721,391	25,767,697
Deposits given and deposits by comm. banks	11,800,000	0
Total	**34,521,391**	**25,767,697**

The fair value of loans granted by redemption of shares totalled EUR 23,076,245 on the balance sheet cut-off date

Movements of interest rates were as follows:

- for bonds from 2.10% to 7%,
- for certificates of deposit from 3.50% to 4.29%.

Within a period longer than five years the amount of EUR 7,250,000 will become due.

f) Movement of other long-term financial investments (other than in subsidiaries and associates)

Table 33.: Movement in 2009 in EUR

	31.12.2008	Acquisitions	Disposals	Revaluation	31/12/2009
Long-term fin. Investments at fair value through profit or loss	22,838,509			2,223,643	25,062,152
Other investments available for sale	674,043,219	1,293,436	11,651,434	108,386,349	772,071,570
Loans	25,767,697	20,773,820	11,238,051	-782,075	34,521,391
Total	**722,649,425**	**22,067,256**	**22,889,485**	**109,827,917**	**831,655,113**

Among the acquisitions of loans is EUR 5.8 million purchase of bonds and EUR 15 million deposit placed with a commercial bank. Disposals also include short-term portion of long-term loans totalling EUR 5.1 million.

The largest revaluation amounts for sale of available funds in 2009: Krka 93.8 million and Petrol EUR 21.8 million.

The Group impaired investments in RBS bonds (EUR 640,000), BNP (EUR 121,000) and Lehman Brothers (EUR 21,000). An adjustment o EUR 675,000 was made for Lehman Brothers bonds as early as 2008.

Major sales: In 2009, the Group disposed of shares of Unior, Vegrad and Paloma.

Table 34.: Movement in 2009 in EUR

	31/12/2007	Acquisitions	Disposals	Revaluation	31/12/2008
Long-term fin. investments at fair value through profit or loss	20,614,866	0	0	2,223,643	22,838,509
Other investments available for sale	1,767,384,807	28,426,127	22,284,306	-1,099,483,409	674,043,219
Loans	46,098,318	3,000,000	22,655,471	-675,150	25,767,697
Total	**1,834,097,991**	**31,426,127**	**44,939,777**	**-1,097,934,916**	**722,649,425**

Risk exposure is explained in point 4.7.

Note 5 Long-term operating receivables

Table 35.: Short-term operating receivables in EUR

	31/12/2009	31/12/2008
Long-term receivables from the state for ZVVJTO	159,523,539	163,938,013
Long-term guarantees given	52,486	52,486
Total	159,576,025	163,990,499

In accordance with the provisions of ZVVJTO, SOD, d.d., makes reimbursements of investments in public telecommunications network to entitled beneficiaries. SOD, d.d., started effecting transfers of funds in 2007. To this end, the Company received a 10% interest in the company Telekom from the Government. According to the contract, SOD, d.d., will receive additional funds from the central government budget if the purchase price for these shares is lower then the volume of refunds to beneficiaries. And, conversely, if the purchase price exceeded the amount of refunds, SOD, d.d., would have to pay the excess amount in to the budget. In 2009, SOD, d.d., signed a new contract with the Ministry of Finance according to which the Ministry of Finance was obliged to reimburse the Company for the amounts paid out; however only to the extent paid out in 2009 and later. Dividends corresponding to these shares are used to cover expenses or reduce the receivable from the state.

Shares of the company Telekom do not qualify for recognition of assets in the balance sheet since the Group expects no economic benefit from them. For this reason, the Company set up off-balance sheet records.

The funds advanced carry interest at rate agreed by the contract. In addition to interest, the Group is also recognised the costs of implementing the law.

Long-term guarantees given represent a guarantee for the lease of business premises in Jesenice.

Table 36.: Established receivable from the state under ZVVJTO in EUR

	2007	2008	2009	Total
Payments to beneficiaries	43,605,631	111,553,821	27,038,672	182,198,124
Costs of implementing the law, incl. Interest	808,785	4,107,000	6,990,496	11,906,281
Dividends received	0	-8,365,414	-3,921,288	-12,286,702
Transfers by the Ministry of Finance	0	0	-26,990,515	-26,990,515
Settlement received and outstanding	0	0	4,696,351	4,696,351
Total receivables from the state 31/12/2009				**159,523,539**

Note 6 Long-term deferred tax receivables and liabilities

Long-term deferred tax receivables and liabilities are calculated on the basis of provisional differences according to the liability method and 20% tax.

Table 37.: Long-tem receivables from and liabilities for deferred taxes in EUR

	31/12/2009	31/12/2008
Long-term deferred tax receivables	68,290,105	48,329,809
Long-term deferred tax liabilities	68,290,105	48,329,809
Net long-term deferred tax receivables	0	0

Deferred tax receivables and liabilities are derived from impairments of financial investments, provisions created for termination benefits on retirement and long-term service bonuses, provisions created for litigations and unused tax losses.

Table 38.: Movement of long-term deferred tax receivables in EUR

	Revaluation of financial investments	Impairment of short-term operating receivables	Provisions	Unused tax losses	Total
Deferred tax receivables 01/01/2009	10,384,771	0	42,111	37,902,927	48,329,809
Used in 2009	-2,218,183	0	0		-2,218,183
Newly established in 2009	111,296	1,227,192	299,158		1,637,646
Eliminations in 2009		0	-7,940		-7,940
Reconciliation with deferred tax liability	0	0	0	20,548,773	20,548,773
Total changes in profit or loss account	*-2,106,887*	*1,227,192*	*299,158*	*0*	*-580,537*
Total changes in balance sheet	*0*	*0*	*0*	*0*	*0*
Balance 31/12/2009	8,277,884	1,227,192	333,329	58,451,700	68,290,105

The Group has the following deferred tax receivables:

- for impairment of financial investments and receivables EUR 9.5 million,
- for provisions not entirely recognised for tax purposes on their creation EUR 0.3 million,
- for unused tax losses EUR 177.2 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 Group decided to present in its financial statements deferred tax receivables in the amount that equals deferred tax liabilities.

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

Table 39.: Movement of long-term deferred tax liabilities in EUR

	2009	**2008**
Deferred tax receivables 01/01/….	48,329,809	170,043,706
Transfer to profit or loss	417,681	-2,324,877
Changes in the balance sheet	19,542,615	-119,389,020
Balance 31/12/….	68,290,105	48,329,809

Note 7 Stocks

Table 40.: Stocks in EUR

	31/12/2009	31/12/2008
Stocks of material	69,906	25,320
Stocks of commercial goods	2,290	1,229
Advances for stocks	16,213	0
Total	88,409	26,549

Stocks are not pledged as a security for liabilities. In 2009, no stocks were written off due to a change in their quality. During the 2009 inventory, no stock surplus or deficit was established.

Stocks increased in connection with investing activities: acquisitions included chairs for casinos, which are shown as small tools since the value of individual chair was less than EUR 500. This

Note 8 Short-term financial investments

The general notes and guidelines used in the preparation of financial statements are the same as in the chapter on 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 long-term investments in financial liabilities that falls due for payment one year after the balance sheet date.

Table 41.: Short-term financial investments in EUR

	31/12/2009	31/12/2008
Funds in management - equity securities	0	7,213,486
Total s/t fin. inv. except loans	*0*	*7,213,486*
Loans given by redeeming bonds from others, at repayment value	1,893,576	6,936,175
Deposits given and deposits by comm. banks	29,200,000	3,000,000
Funds in management - loans	0	12,474,686
Total loans	*31,093,576*	*22,410,861*
Total	31,093,576	29,624,347

In 2009, contracts on management of financial assets concluded in 2007 and extended in 2008 with Perspektiva, Probanka and Allianz, Austria, expired. Administrators refunded the assets used by the Group for making regular payments of compensations and purchase of financial instruments. The presented value of short-term financial investments reflects their fair value.

Movements of interest rates were as follows:
- for deposits from 1.2% to 4.6%,
- for bonds from 2.10% to 7%,
- for certificates of deposit from 3.50% to 4.29%.

Major bonds, i.e. their coupons that will be realised in 2010:
- RBS – EUR 451,000 and
- DZS1 – EUR 750,000.

In 2009, the Group granted no loans to its management, Management Board and Supervisory Board members.

The Group received no collateral instruments for granted loans.

Risk exposure is explained in point 4.7. – Risk management.

Note 9 Short-term operating receivables

Table 42.: Short-term operating receivables in EUR

	31/12/2009	31/12/2008
Receivables from buyers in the country	91,201	61,247
Advances given for shares and holdings	*1,316,722*	*999,999*
Interest receivables	861,512	1,036,224
Interest receivable adjustment	-28,252	-27,679
Dividend receivables	37,190	35,334
Other receivables to state institutions	440,972	365,555
Receivables from ownership transf. of ZT	834,335	758,556
Receivables from privatisation of housing units	1,021,306	1,104,459
Adjustments for receivables from privatisation of housing units	-956,194	-1,011,225
Other receivables (exercised guarantees, etc.)	1,904,613	1,051,886
Adjustment of other receivables	-1,904,264	-1,050,809
Total	3,619,141	3,323,547

Receivables for which it is assumed that they will not be paid in full are considered as doubtful. The Group has in place a policy of making value adjustments of individual receivables when they are not settled within 90 days of maturity date, including when there is reasonable doubt concerning their settlement. In 2009, the Group made EUR 1.24 million value adjustments, of which EUR 1.22 million relate to exercised guarantee granted to Mura, d.d., for which bankruptcy proceedings were initiated.

Trade receivables included no items due. In advances made, the amount of EUR 1.3 million related to capital increase of the company Unior. Interest receivables related to interest on bonds, deposits made and other loans granted. Receivables from state institutions included receivables from the land bank for revenues from farmland and forest management and purchase monies from farmland sales totalling EUR 336,000, and receivables for disposed holdings of companies subject to ownership transformation from D.S.U., d.o.o., totalling EUR 97,000. Both revenues were earmarked for meeting denationalisation expenditures.

Receivables from ownership transformation of Zavarovalnica Triglav were incurred years ago when SOD, d.d., paid in shares for the increase of capital in the process of ownership transformation of his insurance company. Beneficiaries may redeem these shares under specified conditions. Ownership transformation of Zavarovalnica Triglav is described in the business report, chapter on the Implementation of the Ownership Transformation of Insurance Companies Act. In 2009 SOD, d.d., partly reversed the long-term investment increased in the year before and increased the number of shares in its custody under the transfer of entitlements in connection with the implementation of the Ownership Transformation of Insurance Companies Act.

A source of financing liabilities for denationalisation are also the full amounts of purchase monies received from sale of socially-owned housing units and 10% of purchase monies from nationalised housing units. In the first case, persons liable for payment are buyers, and sellers of housing units in the latter.

The Group has no receivables from the management, Management Board and Supervisory Board members.

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

Table 43.: Movement of the value of receivables adjustment in EUR

	2009	2008
Value adjustment of receivable as at 1 January	2,089,712	1,693,530
Recovered receivables for which adjustment was made	22,764	21,724
Receivables written off during the year	421,443	29,042
Adjustment made during the year	1,243,205	446,948
Total adjusment as at 31 December	2,888,710	2,089,712

Note 10 Cash in bank and cash in hand

Table 44.: Cash in bank and cash in hand in EUR

	31/12/2009	31/12/2008
Cash in hand	169,548	159,656
Cash at bank	113,171	65,208
Money equivalents	9,869,000	24,156,130
Total	10,151,719	24,380,994

Cash at bank is connected with gambling activities.

Larger amounts of cash equivalents represent the following:

- deposits with Gorenjska banka totalling EUR 4 million, placed in October and December 2009, with January 2010 as agreed realisation date,
- deposits with Hypo Adria Bank totalling EUR 3 million, placed in October and December 2009, with January 2010 as agreed realisation date,
- Call deposit with Sparkasse Bank totalling EUR 1.7 million, placed in December 2009.

Note 11 Short-term prepaid expenses

Table 45.: Short-term prepaid expenses in EUR

	31/12/2009	31/12/2008
Prepaid expenses	29,667	30,130
Total	29,667	30,130

In this item, the Group presented deferred costs of insurance premiums, subscriptions to newspapers, tuition fees, access to information database and VAT on advances received.

Note 12 Majority owners' capital

The Group's capital is composed of called-up capital revaluation surplus from revaluation of financial investments, retained losses from previous periods, liabilities to the owners and, provisionally, uncovered losses for the financial year. The Group's sole shareholder is the Government of the Republic of Slovenia. The Groups' initial capital of EUR 166,917 is divided into 100 (one hundred) non-par value shares.

The retained net loss from previous periods increased in 2009 primarily as a result of the retained net profit from 2008.

Table 46.: Capital in EUR

	31/12/2009	31/12/2008
Equity capital	166,917	166,917
Capital reserves	7,506	0
Statutory reserves	16,692	16,692
Retained net loss from previous years	-239,917,915	-4,689,229
Net profit/loss for the current year	26,915,964	-231,500,782
Revaluation surplus	373,190,617	279,946,462
Total	160,379,781	43,940,060

Major amounts of enhancements as at 31 December 2009:

- Krka d.d. – EUR 298.7 million,
- Petrol d.d. – EUR 86.6 million,
- Sava d.d. – EUR 38.8 million,

Note 13 Minority owners' capital

At the year-end 2009, capital of minority owners was EUR 1,080,579, representing EUR 801,956 increase on 2008. In 2009, minority owners sustained a loss of EUR 470,929 and were entitled to profit participation of EUR 9,526. Their share rose by EUR 1,272,884 due to the change in ownership structure. The controlling company's ownership share declined from 75.43% to 43%.

Note 14 Long-term provisions and long term accrued expenses

Table 47.: Long-term provisions in EUR

	31/12/2009	31/12/2008
Provisions for denationalisation	235,446,976	317,116,877
Provisions for guarantees given	2,834,670	0
Provisions for delicate contracts	483,555	406,080
Provisions for long-service bonuses and termination benefits	152,383	167,538
Total	238,917,584	317,690,495

The Group estimated that denationalisation claims received satisfied all conditions for creating long-term provisions. The Group determined the amount of claims on the basis of the ratio between the requested value and assessed compensation. The ratio is subject to verification once a year. Claims were submitted in various procedures:

- potentially final, where the amount of compensation was already determined. The Group agreed; however, appeals on 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 compensations determined in this way was converted into the number of SOS2E bonds, by adding accrued interest according to amortisation schedule since all compensation amounts are calculated on the same day following the effective date of ZDen.

The Group created provisions for termination benefits and long-service bonuses of employees. Their amounts are shows in the table below. The last calculation, made on 31 December 2008 (the Group commissions a calculation to be made for two years or when need arises as a result of major changes), took into account the following:

- employees are entitled to a termination benefit in the amount of two salaries he receives or in the amount of two average salaries on state level, whichever is more favourable,
- long-service bonuses are paid to employees for the total length of service,
- staff turnover ranging between 0% and 3%, depending on the age of employees,
- the 4% wage growth in Slovenia,
- the 5.5% discount factor.

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

Table 48.: Movement of provisions in 2009 in EUR

Type of provision	01/01/2009	Newly created provisions	Drawing on provisions	Reversed provisions	31/12/2009
Provisions for denationalisation	317,116,877	0	67,571,145	14,098,756	235,446,976
Provisions for guarantees given	0	2,834,670	0	0	2,834,670
Provisions for delicate contracts	406,080	156,913	34	79,404	483,555
Provisions for long-service bonuses and termination benefits	167,538	0	15,155	0	152,383
Total	317,690,495	2,991,583	67,586,334	14,178,160	238,917,584

Table 49.: Movement of provisions in 2008 in EUR

Type of provision	01/01/2008	Newly created provisions	Drawing on provisions	Reversed provisions	31/12/2008
Provisions for denationalisation	403,343,508	7,835,748	94,062,379		317,116,877
Provisions for delicate contracts	536,284	43,905	31,690	142,419	406,080
Provisions for long-service bonuses and termination benefits	151,662	22,601	6,725	0	167,538
Total	404,031,454	7,902,254	94,100,794	142,419	317,690,495

As at the balance sheet cut-off date, the Group had no long-term accrued expenses,

Note 15 Long-term financial and operating liabilities

Long-term liabilities are liabilities recognised 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 Group's long-term financial liabilities are issued long-term debt securities and obtained loans. The Group delivers SOS2E bonds for offsetting liabilities arising from denationalisation under Zden), RS21 bonds issued in compensation for confiscated property (ZIOOZP) and RS39 bonds issued to war and post-war violence victims (ZSPOZ).

The Group has a long-term liability for long-term financial lease and a long-term operating liability for acquisition of investment property.

Table 50.: Long-term financial and operating liabilities in EUR

	31/12/2009	31/12/2008
Loans obtained from banks	180,312,394	501,701
Principal of SOS2E bonds	534,116,240	573,352,949
Long-term liabiloities to beneficiares under ZIOOZP	29,200,266	30,245,789
Other long-term financial liabilities	223,005	312,713
Long-term operating liabilities	3,711,240	3,711,240
Total	747,563,145	608,124,392

A portion of long-term liabilities that had already become due for payment and the portion due for payment within one year after the balance sheet date was shown among short-term liabilities. The amount of liabilities due and outstanding was of no relevance to the Group.

Major amounts of loans were obtained from

- Abanka Vipa. – 5,000,000 EUR,
- Raiffeisen banka– 30,000,000 EUR,
- Banka Koper– 30,000,000 EUR,
- SKB banka 60,000,000 EUR in
- Unicredit banka Slovenija – 35,000,000 EUR.

The Group also had minor liabilities to Banka Koper and Gorenjska banka. The rate of interest for loans received ranged between 1.45% and 4.26% on an annual level. A major part of loans obtained from banks was secured by a guarantee issued by the Government of the Republic of Slovenia for liabilities of Slovenska odškodninska družba, d.d., for loans obtained for the financing of Slovenska odškodninska družba, d.d., in 2009 (ZPSOD09) and blank bills. A lien was established on shares of the company Telekom (10%) on behalf of the Government of the Republic of Slovenia under the above-mentioned guarantee. Security for obtained loans also includes a mortgage on the property of Casino Bled, d.d., in the amount of EUR 510,521. The Group urgently needed these funds for maintaining its current liquidity since it paid more than EUR 150 million in reimbursements for investments in public telecommunications network. The majority of loans obtained from banks mature within three years from drawdown, i.e. in 2012. A loan obtained from Banka Koper amounting to EUR 270,000 matures within five years from the balance sheet date (2016).

The rate of interest for SIS2E bonds is 6% a year and is calculated according to the compound method. The last instalment is due in 2016.

The amount of EUR 172,464,964 represents a part of liability under SOS2E bond with a maturity beyond five years.

The Group is licensed by the Ministry of Finance to purchase SOS2E bonds. The Group showed these own bonds as a deduction item to liabilities accounts. As at the balance sheet date, the long-term portion of own bonds totalled EUR 14,120,624.

Liabilities for issued bonds bear, on an average, a higher rate of interest than that achieved for available funds placed as deposits, loans and certificates of deposit. Dividends received are also lower than the interest rate on issued bonds. The Group compensates for this discrepancy by proceeds from sale of long-term investments. Eventual risks were covered by a commitment by the state to meet liabilities to beneficiaries when the Group runs out of funds.

Liabilities to beneficiaries under ZIOOZP represented RS21 bonds, the last coupon falling due in March 2015. Liabilities maturing in 2015 amount to EUR 7,587,030. The interest rate applied is T+1.

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

Note 16 Short-term financial and operating liabilities

Short-term liabilities are liabilities which have to be repaid within one year at the latest. Short-term liabilities are either financial or operating. Financial liabilities are short-term loans obtained on the basis of loan contracts and issued short-term securities. 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 balance sheet date.

Table 51.: Short-term financial liabilities in EUR

	31/12/2009	31/12/2008
Loans obtained from banks	1,011,703	45,575,733
Principal for SOS2E bonds	76,081,615	61,662,493
Short-term liabilities to beneficiaries under ZIOOZP	4,700,377	3,936,018
Short-term liabilities under ZSPOZ	798,676	1,284,829
Total	82,592,371	112,459,073

The Group held own bonds SOS2E, and the short-term portion of principal amount which is posted as deduction item to liabilities account totalled EUR 1,770,345 on the balance sheet date.

The rate of interest on bonds and loans is disclosed in long-term liabilities.

Table 52.: Short-term operating liabilities in EUR

	31/12/2009	31/12/2008
Liabilities to suppliers	853,903	1,272,403
Advance payments received	58,338	10,057
Liabilities to the state under ownership transf. of Zavarovalnica Triglav	0	386,699
Liabilities to employees	94,642	114,570
Liabilities to state and other institutions	558,465	152,021
Operating liabilities for the account of others	12,563	11,569
Interest on loans obtained from banks	965,268	61,186
Interest on SOS2E bonds	22,741,391	19,585,551
Interest to beneficiaries under ZSPOZ and ZIOOZP	686,375	2,226,483
dividends	302,675	239,190
Liabilities-reimb. of inv. in telecomm.	4,696,351	12,228,191
Other liabilities	75,054	69,626
Total	31,045,025	36,357,546

Matured liabilities to suppliers as at 31 December 2009:

- more than 60 days – EUR 1,558
- more than 30 days – EUR 12,880 and
- Up to 30 days – EUR 123,449.

Liabilities to government institutions include a liability for a concession fee totalling EUR 531,351. The Tax Administration of the Republic of Slovenia approved a deferred payment (in 12 monthly instalments) pursuant to the Tax Procedure Act.

The amount of EUR 4,696,351 represents its liability to beneficiaries on the basis of approved settlements under ZVVJTO received by the Group before 31 December 2009.

Note 17 Short-term accrued expenses

Table 53.: Short-term accrued expenses in EUR

	31/12/2009	31/12/2008
Prepaid expensesi	97,300	99,373
Short-term deferred income	0	6,276
Total	97,300	105,649

In item, the Group discloses short-term deferred revenues and expenses incurred during the financial year; however, the Group received no invoice from the supplier and information on liabilities to employees for unused portion of annual leave.

4.8.2. Notes to the statement of comprehensive income

Note 18 Operating income

Table 54.: Operating income in EUR

	jan - dec 2009	jan - dec 2008
Proceeds from sales of products and services	291,049	566,766
Income from games of chance	2,823,242	3,612,607
Rental income (investment property)	492,951	200,035
Total sales income	*3,607,242*	*4,379,408*
Income from reversal of impairment of receivables	22,750	23,964
Income from use and reversal of l/t provisions-denat.	14,098,756	0
Income from use and reversal of other l/t provisions	79,404	142,419
Income for denationalisation purposes	3,698,628	4,541,440
Income for ZSPOZ purposes	582,440	653,885
Revaluatory operating income	19,050	474,033
Other operating income	*18,501,028*	*5,835,741*
Total	22,108,270	10,215,149

Lease income was generated by leasing out property. As compared with the year before, lease income was higher since the Group acquired a considerable investment property in the second half of 2008.

Income from games of chance represents income realised by the casino in Bled totalling EUR 1,994,000 and in the casino in Jesenice totalling EUR 829,000.

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

Denationalisation income included the following:

- proceeds from sale and management of agricultural land and forests, paid by the Farmland and Forest Fund of the Republic of Slovenia;
- proceeds from sale of socially-owned housing units – 10% of the purchase money belongs to the Group, persons liable for payment being former owners of socially-owned housing units;
- proceeds from sale of nationalised housing units – 100% of the purchase money belongs to the Group;

- revenues from ownership transformation of enterprises – in cash or in the form of bonds or equity holdings.

Revenues for the purposes of ZSPOZ include inflows from the budget to which the Group is entitled pursuant to the Act Regulating the Use of Funds Arising from the Proceeds Based on the Ownership Transformation of Enterprises Act.

Note 19 Costs of goods, material and services

Table 55.: Acquisition value of goods and material sold in EUR

	jan - dec 2009	jan - dec 2008
Acquisition value of goods and material sold	13,400	19,562
Total	*13,400*	*19,562*
Costs of material	168,444	282,278
Costs of energy	186,843	185,064
Costs of spare parts	5,933	16,392
Write-offs of small tools	9,519	60,605
Costs of office supplies	28,945	39,335
Other costs of material	51,849	55,161
Total	*451,533*	*638,835*
Costs of transport services	100,614	132,964
Costs of maintenance	244,827	233,222
Costs of rents	321,096	338,026
Reimb. of work-related expenses to employees	48,542	63,903
Costs of payments, banking services and ins.premiums	285,783	292,980
Costs of intellectual and personal services	326,050	382,680
Costs of trade fairs, publicity and entertainment	448,294	688,796
Costs of services of individuals not performing activ.	421,136	649,641
Costs of other services	583,061	642,202
Total	*2,779,403*	*3,424,414*
Grand total	3,244,336	4,082,811

Financial statements of the controlling company and of the Group for 2009 were audited by Deloitte Revizija, d.o.o., Ljubljana. The contract amount for audit of individual and consolidated financial statements for 2009 totalled EUR 19,000, excluding VAT. The Group's expenses for training provided by the company Deloitte Revizija were shown in the amount of EUR 214. A subsidiary's audit-related expenses totalled EUR 9,190, excluding VAT.

The item “costs of services provided by individuals not performing a business activity” discloses meeting attendance fees and student work brokered by a specialist student employment brokerage service. 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, fees to asset managers and investment property costs.

Note 20 Labour costs

Table 56.: Labour costs in EUR

	jan - dec 2009	jan - dec 2008
Wages of employees	2,991,542	3,166,263
Costs of pension insurance	269,280	295,557
Costs of vountary supplementary pension insurance	64,720	65,033
Costs of social insurance	221,763	245,106
Holiday allowance, refunds and other receipts by employees	353,193	478,942
Payroll tax	0	88,433
Total	3,900,498	4,339,334

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 above-mentioned items. Labour costs also include the reimbursement of commuting expenses, costs of meals and holiday allowance.

As at the balance sheet date, the Group had no outstanding labour costs payable. The Group created provisions for long-service bonuses and termination benefits.

Note 21 Depreciation

Table 57.: Depreciation in EUR

	jan - dec 2009	jan - dec 2008
Depreciation of intangible fixed assets	57,639	49,835
Depreciation of buildings	160,323	157,812
Depreciation of investment property	141,132	46,985
Depreciation of equipment and spare parts	431,374	503,356
Depreciation of small tools	2,321	3,476
Total	792,789	761,464

Note 22 Long-term provisions

Table 58.: Long-term provision expenses in EUR

	jan - dec 2009	jan - dec 2008
Provisions for long-service bonuses and termination benefits	0	54,783
Provisions for litigations and guarantees	2,991,583	43,905
Provisions for denationalisation	0	7,835,749
Total	2,991,583	7,934,437

Provision revenues and expenses are disclosed in greater detail in Note 14.

Note 23 Amounts written off

Table 59.: Amounts written off in EUR

	jan - dec 2009	jan - dec 2008
Revaluatory operating expenses for intangible and tangible fixed assets	9,942	15,020
Revaluatory operating expenses for short-term assets, except, fin. Investments	1,243,743	548,137
Total	1,253,685	563,157

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

Revaluatory operating expenses were composed of impairments of operating receivables.

Adjustment was made for receivables from housing matters of companies for which bankruptcy of forced settlement proceedings were instituted and for receivables overdue by more than 90 days. Out of the total EUR 1.244 adjustment for short-term assets, EUR 1,227 million relates to the exercise of the guarantee granted to Mura for which bankruptcy proceedings had been initiated.

Note 24 Other operating expenses

Table 60.: Other operation expenses in EUR

	jan - dec 2009	jan - dec 2008
Compensations according to ZSPOZ	19,506,054	19,511,717
Compensations according to ZIOOZP	6,259,291	4,579,784
Denationalisation expenses	787,853	1,158,283
Charge for the use of building land	15,516	15,393
Contribution for employment of disabled persons	4,978	4,799
Concession fees (games of chance)	326,710	410,820
Other costs	20,629	16,356
Total	26,921,031	25,697,152

Expenses – compensations for ZSPOZ in 2009 included compensations recognised to war and post-war violence victims, either in RS39 bonds or in the form of money transfers. Interest on delivered bonds were not included in this item.

Expenses – compensations for ZIOOZP in 2009 included compensations recognised for confiscated property pursuant to abrogation of the penalty of confiscation of property. Beneficiaries received RS21 bonds. Interests on delivered bonds were not included in this item.

Denationalisation expenses disclosed cash payments to beneficiaries and mainly related to payments under the housing law.

Note 25 Net profit or loss

Table 61.: Financial income and financial expenses in EUR

	jan - dec 2009	jan - dec 2008
Financial income from participations	27,632,260	38,009,912
Financial income from loans given	10,777,011	8,712,632
Total financial income	*38,409,271*	*46,722,544*
Financial expenses for write-offs and impairment of fin. Investments	8,727,040	35,084,167
Financial expenses for financial liabilities	43,819,413	48,509,622
Total financial expenses	*52,546,453*	*83,593,789*
Net profit or loss	-14,137,182	-36,871,245

In 2009, the Group realised no significant profits from sale of equity investments. Conditions on the financial markets stabilised somewhat in comparison with the year before, which is why expenses for impairment of financial expenses were much lower than the year before. Financial expenses for financial liabilities were comparable to those in the preceding year.

Table 62.: Income from participations in EUR

	jan - dec 2009	jan - dec 2008
Income from dividends of commercial companies	11,888,267	15,136,707
Income from dividends of banks and insurance companie	1,817,587	6,354,293
Income from dividends of mutual funds	86,519	176,379
Profit from disposal of mutual funds	103,385	116,158
Profit from investments in management	240,442	390,970
Revaluation of put option to fair price	2,223,643	2,223,643
Profit from sale of participations in comm. Companies	11,272,417	13,611,762
Total	27,632,260	38,009,912

Participation in profit/loss in associated companies

Table 63.: Participation in profit/loss in associated companies in EUR

	2009	2008
Participation in loss of associated companies	-15,476,033	-41,929,145
Participation in profit in subsidiary companies	53,104,100	1,697,115
Net profit/loss	37,628,067	-40,232,030

As at 31 December 2009, the SOD Group held 5,943,317 shares of Zavarovalnica Triglav, and, moreover, held 40,967 shares in custody, so that its equity interest on that date was 26.1415%, and the share of voting rights 20.07%. In 2009, Zavarovalnica Triglav Group sustained a loss of EUR 6,292,342, and paid dividends totalling EUR 2,289,798 so that the SOD Group showed net financial expenses in a proportional amount of EUR 2,243,343. On the basis of other changes in capital, the Group reduced its revaluation surplus by EUR 4,088,684 and retained profit or loss by EUR 3,900,110. As a result of revaluation of investment in shares of Zavarovalnica Triglav (at the year-end 2008, the value determined by means of equity method was higher than the fair value), the Group posted a financial income of EUR 44,430,983.

As at 31 December 2009, the SOD Group held 2,340,631 shares of Pozavarovalnica Sava, representing a 25% equity interest. In 2009, Pozavarovalnica Sava Group sustained a loss of EUR 28,216,212; accordingly, the SOD Group showed net financial expenses in a proportional amount of EUR 7,054,057. On the basis of other changes in capital, the SOD Group increased its revaluation surplus by EUR 2,749,115 and retained profit or loss by EUR 1,202,527. As a result of revaluation of investment in shares of Pozavarovalnica Sava (at the year-end 2008, the value determined by means of equity method was higher than the fair value), the Group partly reversed the impairment and posted a financial income of EUR 8,673,116.

The company PDP, d.d., in which the Group has had a 22.9593% holding since December 2009, started its operations in 2009 and sustained a loss totalling EUR 31,000. As a result, the Group posted a financial income of EUR 7,117.

In the past year, the Paloma Group was impaired through profit or loss to EUR 0.00, and was disposed of in 2009. The resulting capital gain was EUR 9,325,302.

Casino Ljubljana, d.d., has had a negative capital, i.e. a loss, for a number of consecutive years notwithstanding increased in capital. In 2009, the Group reduced its equity interest from 34.7394% to 3.29%. Bankruptcy proceedings were instituted for the company in 2010.

As at 31 December 2009, the SOD Group held 706,314 shares of the company Casino Portorož, representing a 20% equity interest. In 2009, Casino Portorož sustained a loss of EUR 3,416,224; as a result, the Group SOD showed net financial expenses in a proportional amount of EUR 683,245. There were no other changes in capital of this associated company.

As at 31 December 2009, the SOD Group held 1,357,727 shares of the company Hit, d.d., representing a 20% equity interest. In 2009, the Hit Group sustained a loss of EUR 27,274,223 and paid dividends totalling EUR 624,554. As a result, the SOD Group showed net financial expenses in a proportional amount of EUR 5,454,845. On the basis of other changes in capital, the Group reduced its revaluation surplus by EUR 303,435 and retained profit or loss by EUR 692,104.

As at 31 December 2009, the SOD Group held a 41.234% equity interest in the company Gio, d.o.o., in liquidation. The company sustained a loss of EUR 81,065, which increased the Group's financial expenses in a proportional amount of EUR 33,426.

Table 64.: Financial expenses for financial liabilities in EUR

	jan - dec 2009	jan - dec 2008
Interest expenses for SOS2E bonds	35,400,546	38,462,634
Interest expenses for RS21 bonds (ZIOOZP)	3,335,669	4,160,860
Interest expenses for RS39 bonds (ZSPOZ)	1,366,639	5,458,360
Interest for loans obtained	3,706,660	413,596
Expenses for operating liabilities - interest	4,739	3,660
Expenses for operating liabilities - revaluation	5,160	10,512
Total	43,819,413	48,509,622

Note 27 Other income and expenses

Table 65.: Other income and expenses in EUR

	jan - dec 2009	jan - dec 2008
Received compensations and fines	2,970	10,558
Other unusual items	10,059	363,757
Total other income	*13,029*	*374,315*
Fines	8,983	57,047
Other expenses	14,540	56,996
Total other expenses	*23,523*	*114,043*
Total	-10,494	260,272

Note 28 Taxation

Table 66.: Current and deferred taxes in EUR

	jan - dec 2009	jan - dec 2008
Current tax	0	0
Deferred tax	19,960,296	-121,718,510
Total	19,960,296	-121,718,510

Table 67.: Calculation of effective tax rate in EUR

	31/12/2009	31/12/2008
Profit before taxation	-31,482,349	48,244,200
Anticipated tax on profit (21% and 22%)	0	10,813,930
Harmonised income	-19,432,295	-86,999,264
Harmonised expenses	-1,812,672	37,553,848
Tax relief used	0	0
Transition to IFRS and adjustments with retroactive effect	-541,493,278	0
Other adjustments	975,465	4,350,547
Tax on profit	0	0
Effective tax rate	0	0

The column for 2008 discloses profit as determined in the profit and loss account for 2008 following the rectification of errors and introduction of IFRS; other amounts were taken from the tax return for individual years.

4.8.3. Note to the cash flow statement

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

Paid amounts of interest and principal of all bonds were disclosed in the first part of the cash flow statement, among cash flows from operating activities, since the Group's basic activity is to settle liabilities determined by laws. Receipts, with the exception of financial investments sold to compensate for these outflows, were shown as operating receipts.

4.8.4. Net profit per share

The net profit/loss per share is calculated by dividing the net profit/loss of majority owners by the number of shares, excluding own shares.

Table 68.: Net profit per share

	2009	2008
Profit/loss of majority owners	26,915,964	-231,500,782
Number of shares issued	100	100
Net profit per share	269,160	-2,315,008

4.8.5. Business combinations

There were no business combinations within the Group in 2009 and 2008.

4.8.6. Dividends per share

The controlling company does not pay dividends in accordance with its rules. The subsidiary Casino Bled calculated the dividends for preference shares totalling EUR 9,526. Dividends were not paid to shareholders.

4.8.7. Receipts by the management and staff employed under service contracts

Table 69.: Receipts by the management in EUR

	Fixed portion of receipts	Variable portion of receipts	Other receipts (benefits)	Holiday allowance	Reimbursement of costs (meals)	Reimbursement of costs (travel exp., daily allowances)	Voluntary supplementary pension insurance	Other (termination benefits)	Total
Slovenska odškodninska družba, d.d.									
Pogačnik Marko	27,559	0	1,487	0	318	32	651	18,373	48,420
Kuntarič Tomaž	86,960	0	1,468	967	1,071	32	1,953	0	92,451
Jauk Matjaž	96,840	4,483	6,737	967	1,402	305	2,605	0	113,339
Neuvirt Zdenko	96,541	4,483	3,626	967	1,371	582	2,605	0	110,175
Casino Bled									
Boris Kitek	58,594	0	3,679	750	1,377	0	0	0	64,400
Miran Vovk	52,974	0	1,040	750	1,402	2,807	0	0	58,973

The Group has no staff employed under service contracts other than its management.

Table 70.: Receipts by the Supervisory Board in EUR

	Gross meeting attendance fee	Benefit	Travel expenses	Total
Čehovin Robert	2,475	0	325	2,800
Glažar Tomaž	1,930	0	115	2,045
Klun Miha	2,475	0	205	2,680
Kociper Jožef	2,475	0	859	3,334
Kurent Matej	2,063	0	0	2,063
Kuster Milan	2,755	0	582	3,337
Pevec Ciril	2,063	0	234	2,297
Robnik Viktor	3,218	0	449	3,666
Selič Zdravko	2,063	0	0	2,063
Somrak Marjan	2,681	0	329	3,011
Total	24,197	0	3,098	27,295

Table 71.: Receipts by the Management Board in EUR

	Gross meeting attendance fee	Benefit	Travel expenses	Total
Ažman Miha	3,333	0	0	3,333
Dejak Bojan	8,415	780	0	9,195
Mervar Aleksander	9,251	552	763	10,566
Rotnik Uroš	9,545	0	1,445	10,990
Seničar Stanislav	8,613	780	1,358	10,751
Tomin Vučković Mateja	7,343	0	552	7,895
Zajec Igor Janez	8,250	780	1,980	11,010
Total	54,750	2,892	6,098	63,740

Table 72.: Receipts by the Management Board's Audit Committee in EUR

	Gross meeting attendance fee	Benefit	Travel expenses	Total
Ažman Miha	1,630	0	0	1,630
Dejak Bojan	2,772	0	0	2,772
Tomin Vučković Mateja	3,656	0	195	3,851
Vehovec Viktorija	2,772	0	12	2,784
Zajec Igor Janez	1,848	0	349	2,197
Total	12,679	0	557	13,235

Table 73.: Receipts by the Supervisory Board in EUR

	Gross meeting attendance fee	Benefit	Travel expenses	Total
Marjanovič Dimitrij	390	0	163	553
Habjan Branko	690	0	33	723
Armuš Ranko	300	0		300
Jerman Aleš	600	0		600
Omerzel Anton	600	0		600
Berčon Matjaž	300	0		300
Total	2,880	0	196	3,076

4.9. BUSINESS SEGMENTS

The Group has the following business segments:

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

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

The Group obtained all funds for denationalisation except those for the purpose of ZSPOZ and claims for reimbursement of investments and funds for gambling industry. It is a result of lack of clarity in legislation: there is a dilemma whether it would be more appropriate to attribute all funds to the segment of denationalisation since it advanced funds for both ZSPOZ and ZVVJTO segments. In allocating liabilities, there was also a dilemma regarding the choice of segment to which individual liabilities could be attributed. The Group decided to attribute obtained loans and the related expenses to the ZVVJTO segment since the long-term loan has been obtained for this very purpose.

Table 74.: Operations of the Group by segments in 2009 in EUR 000

	ZDen	ZSPOZ	ZIOOZP	ZVVJTO	Gambling	Other	Total
Operating income	17,797	583	0	30	3,114	584	22,108
Operating expenses	788	19,506	6,259	30	3,839	8,682	39,104
Interest expenses	35,401	1,367	3,335	3,626	80	10	43,819
Interest income	4,086	0	0	6,691	0	0	10,777
Assets	1,036,765	59,232	0	159,524	4,647	0	1,260,168
Liabilities	632,939	947	34,439	185,578	2,678	4,620	861,201
Payments*	127,953	21,392	11,383	27,039		0	187,767

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

Table 75.: Operations of the Group by segments in 2008 in EUR 000

	ZDen	ZSPOZ	ZIOOZP	ZVVJTO	Gambling	Other	Total
Operating income	4,541	654	0	64	4,103	853	10,215
Operating expenses	8,994	19,512	4,580	64	4,989	5,240	43,379
Interest expenses	38,463	5,458	4,161	321	93	14	48,510
Interest income	6,456	0	0	2,254	0	0	8,710
Assets	891,406	58,930	0	163,938	3,174	0	1,117,448
Liabilities	654,601	1,466	36,227	45,061	1,958	17,628	756,941
Payments*	132,807	46,689	8,331	111,554	0	0	299,381

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

4.10. OFF-BALANCE SHEET ITEMS

The Group performs activities according to ZSPOZ and ZIOOZP on behalf and for the account of the Republic of Slovenia, which transferred to Slovenska odškodninska družbo, d.d., some assets, partly in the form of participations or shares and partly in the form of cash transfers, for the purposes of ZSPOZ. Both acts provide that sources of finance for compensating for liabilities are, in addition to funds provided by the state, also the Group's assets (received for the purpose of denationalisation). The Group keeps a record of funds employed for individual purpose in its off-balance sheet items, which is why investments acquired specifically for ZSPOZ are also recorded as off-balance sheet items.

The source of funds for the implementation of ZVVJTO is a 10% interest in the company Telekom, d.d., which the Government of the Republic of Slovenia transferred to SOD, d.d. Since, by taking into account legal bases and contractual arrangements, the Group expects no economic benefits from this investment, this investment is shown only as an off-balance sheet item.

Table 76.: Assets acquired for a specific purpose in EUR

	31/12/2009	31/12/2008
Committed investments received for ZSPOZ	59,232,180	58,930,399
Committed investments received for ZVVJTO	88,006,774	77,510,793
Total	147,238,954	136,441,192

Shown below is a list of financial investments disclosed as off-balance sheet items not yet disposed of:

- 10% interest in the company Telekom, d.d., for the purpose of ZVVJTO – EUR 88 million; a lien is established on the shares as a guarantee obtained by the Group for borrowing for the purpose of payments under ZVVJTO;
- 1.33% share of the company Telekom, d.d., for the purpose of ZSPOZ – EUR 11.7 million;
- 19.8% of the company Splošna plovba Portorož, d.o.o., for the purpose of ZSPOZ – EUR 42.7 million (call/put option);
- 80% share of the company PS za avto, d.o.o., for the purpose of ZSPOZ – EUR 3.1 million;
- 34.04% share of the company Gio d.o.o., in liquidation, for the purpose of ZSPOZ – EUR 1.7 million;
- IUV, d.d., under receivership, for the purpose of ZPOZ – EUR 0.00;
- loan to Mura (under receivership). The company established a lien on property received for the purpose of ZSPOZ – EUR 0.00.

The Group financed reimbursements of investments in public telecommunication network in the period 2007-2009 from its own funds and paid EUR 159.5 million, as disclosed in Note 5.

Table 77.: Payment from own sources of funds for ZSPSOZ and ZIOOZP during the implementation of the laws in EUR

	ZSPOZ	ZIOOZP
Payments to beneficiaries until 31/12/2007 - advancing of own resources	111,510,758	29,236,745
Payments to beneficiaries in 2008-advancing of own resources	44,615,578	8,331,491
Payments to beneficiaries in 2009-advancing from own resources	11,317,183	11,382,881
Total payments until 31/12/2009	167,443,519	48,951,117

All amounts were converted at parity EUR 1 = SIT 239.64). The amounts were shown net, which means that inflows from assets acquired for a specific purpose had also been taken into consideration in the calculation (cash transfers from the budget, proceeds from disposal of financial assets acquired for a specific purpose). Outflows also include actual payments for cash disbursements, principal and interest. The Group has future liabilities for the already delivered bonds, as shown in the table below.

Table 78.: Liabilities to rightful claimants under ZSPOZ and ZIOOZP in EUR

	31/12/2009	31/12/2008
Principal of bond RS21	33,900,643	34,181,807
Principal of bond RS39	798,677	1,284,829
Interest on RS21 bonds	538,419	2,045,178
Interest on RS39 bonds	147,954	181,304
Total	35,385,693	37,693,118

The table shows liabilities for RS39 and RS21 bonds. Interest was calculated according to the amortisation schedule until 31 December 2009. The last coupon of RS21 bonds matures in March 2015. Until 31 December 2009, as many as 1,399,821 lots of RS21 bonds were delivered, with the part maturing in 2015 totalling EUR 7,587,030. The last coupon of RS39 bonds matured in September 2008. The principal was not paid in full due to the pending probation procedures.

It is important to note that the amounts relating to SZPOZ were included in financial statements and this item contains disclosures thereof.

Table 79.: Contingent liabilities in EUR

	31/12/2009	31/12/2008
Contingent liabilities Zden	58,450,780	102,539,400
Contingent liabilities ZSPOZ	35,600,135	45,459,227
Contingent liabilities ZOIOOZP	30,854,628	51,293,691
Total	124,905,543	199,292,318

In addition to future liabilities for which the Group recognised provisions since conditions had been met for a recognition, the Company also has contingent liabilities. So far, the Group has not received all claims for compensation according to ZDen. It is a known fact that administrative units and ministries still have some claims that have not yet been submitted to the Group. For this reason, the Group determined their value by means of assessment. The Group will continue to be liable to pay compensations under ZIOOZP and ZSPOZ also in the future. Based on past experience, the Group assessed the amount of recognised compensations for the following years. The Company is not a party to the proceeding and cannot influence the process of considering compensation claims.

The Group delivered a blank bill to the banks as a collateral for the received long-term loans in the amount of EUR 180 million.

Moreover, the Group's off-balance sheet records also include:

- basic shares of Zavarovalnica Triglav, d.d., held in custody at the Group (EUR 146,000),
- receivables from buyers of socially-owned and nationalised housing units (EUR 2,514,000) and
- security for claims – a lien established on behalf of the Group (EUR 875,000).
- mortgages established on the property of the company Casino Bled for loans amounting to EUR 510,000 obtained from Banka Koper;
- mortgages established on the property of the company Casino Bled for loans amounting to EUR 500,000 obtained from Abanka Vipa;
- mortgages established on the property of the company Casino Bled for deferred payment of a special tax on games of chance amounting to EUR 504,000;
- bills delivered to the company Hypo Leasing for the purpose of obtaining gaming machines under financial lease contracts totalling EUR 355,000.

4.11. POST-BALANCE SHEET EVENTS

According to the financial statements for January 2010, the company Casino Bled fell short of meeting capital adequacy requirements pursuant to the provision of the second point of the third paragraph of Article 14 of the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act since the company's accumulated loss exceeded one half of its initial capital. However, the company is still in control of its liquidity situation. The company initiated its financial restructuring based on these findings. The management of Casino Bled, d.d., will prepare a Report on Financial Restructuring Measures within the statutory deadline.

After the balance sheet date, no accounting events occurred that might significantly influence the Group's financial statements for 2009.

Matjaž Jauk
Deputy Director

Tomaž Kuntarič
Director

Slovenska
odškodninska družba, d.d.
LJUBLJANA

Ljubljana, 30 April 2010