SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

Ljubljana, April 2010

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BUSINESS REPORT

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.

In 2009, Slovenska odškodninska družba, d.d., sold practically no equity participations due to the economic and financial crisis. In planning our activities for 2009, we expected this kind of situation and focused our activities particularly on ensuring appropriate liquidity and optimising our rates of interest and debt. By borrowing from banks we provided a liquidity substitute for funds paid out by the company in the past under the Reimbursement of Investment in Public Telecommunications Network Act and thus attained one of our major objectives.

In 2009, the value of assets of Slovenska odškodninska družba, d.d., increased by EUR 174.5 million and totalled EUR 1.2 billion at the end of the year. The objective of the company's operations is to provide own funds in order to repay all its statutory obligations. By active action in respect of statutory repayments and refunds to investors in public telecommunications network, Slovenska odškodninska družba, d.d., made payments totalling EUR 187.8 million in 2009.

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 and maximising the value of its assets. In 2009, the company made preparations for borrowings in the forthcoming year, all with a view to a long-term optimisation of the rate of interest and debt of Slovenska odškodninska družba, d.d.

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 Fund Management , the transfer of rights and powers of D.S.U. to Slovenska odškodninska družba, d.d., and investment policy of the Pension Fund Management 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, 23 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 INTRODUCTION

In 2009, Slovenska odškodninska družba d.d. (hereinafter: Company) successfully pursued its mission of meeting its liabilities to beneficiaries under Denationalisation Act, Cooperatives Act and other regulations governing denationalisation of property and payment of obligations thereunder.

In 2009, the Company pursued a business policy and financial plan with the following characteristics:

- regular and accurate assessment of the volume of the Company's liabilities and funds available for meeting the Company's liabilities;
- management of the Company's equity investments with a view to optimising its portfolio and concentrating its participation in companies with a higher return on equity and companies that pay dividends;
- shaping and implementation of an appropriate investment policy in terms of circumstances on the financial markets in order to provide an appropriate structure of investments in debt securities, bank deposits and equity securities with appropriate level of security, liquidity and rate of return;
- liquidity management in a manner that permits the Company to provide for a regular settlement of its statutory liabilities and implementation of tits annual financial plan;
- pursuing of accounting policies in the preparation of financial statements, where the Company has observed International Financial Reporting Standards adopted by the EU since 2009.

In 2009, the Company sustained a loss of EUR 10.7 million. The loss for 2009 was expected but lowers than planned. The loss was due to the following fundamental reasons: First, the high financial interest expenses principally derived from bond coupons SOS2E; second, the general suspension of sale of equity participations in Slovenia as a result of the world financial and economic crisis that continued also in 2009 and had a considerable impact on capital market liquidity also in Slovenia.

At the year-end 2009, the Company's capital was EUR 160.7 million. Its total assets increased in 2009 by EUR 174.5 to EUR 1,258.1 as a result of an increase in market prices of key shares held by the Company in its portfolio. Notwithstanding the crisis, the Company's operation was successful in the field of investment portfolio management which is intended for securing liquidity.

The Company's equity investments in shares and equity holdings of other companies still represent the most important form of assets intended for meeting the Company's liabilities. Their value shown on the Company's books was EUR 1,012.4 million at the end of 2009. An essential characteristic of the Company's equity investments at the year-end 2009 was still the concentration of their value on a small number of investments since eight largest investments account for more than 80% of the Company's total equity investments. They include investments in major corporations and banks in the Republic of Slovenia, most of them listed on the Ljubljana Stock Exchange.

In 2009, the Company sold for a cash consideration, acting alone or together with Pension Found Management, six active capital investments. At the end of 2009, the company had 43 active investments. In 2009, the Company did not pursue an active policy of selling larger equity investments since there was practically no demand for shares of individual price ranges during the year.

In the area of denationalisation, activities were carried out in the usual way. In 2009, the Company pursued the objectives and measures aimed at the soonest possible completion of denationalisation processes. The Company's principal objective in this area was to identify consistently and accurately the basis, volume and amount of compensations paid to beneficiaries in bonds in accordance with Denationalisation Act and other acts regulating the restitution of nationalised property. In addition to addressing the most complex denationalisation issues, the Company paid particular attention to determining the Company's total liability for restitution of nationalised property on the basis of surveys sent to administrative authorities and to the Supreme Court of the Republic of Slovenia.

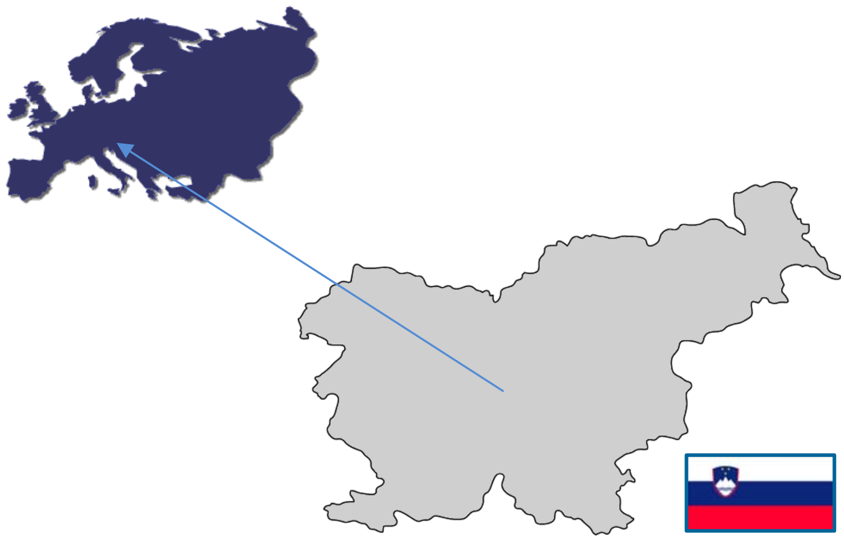
The Company estimates that 2010 will also be a very significant year for its operations. The Company will have to pursue a quality policy of managing assets and liabilities, create conditions for compliance with its statutory obligations on a regular basis and continue with its activities for a soonest possible completion of the denationalisation process. In this respect, the Company will have to take into consideration the consequences of the financial crisis and find solutions that will consider the tight financial situation on the financial markets. A sound management of its assets and liabilities will enable the Company to satisfy the interests of property owners and consequently also the interests of rightful claimants in denationalisation processes and thus attain the objective of meeting all its liabilities by its own assets.

1.1 COMPANY HIGHLIGHTS FOR 2009

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 before 18 May 2009:	Viktor Robnik, Chairman; Milan Kuster, Deputy Chairman, Robert Čehovin, member, Miha Klun, member, Jožef Kociper, member.
Members of the Supervisory Board before 21 May 2009:	Marjan Somrak, Chairman; Tomaž Glažar, Deputy Chairman, Matej Kurent, member, Ciril Pevec, member, Zdenko 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, Chairman until 8 May 2009.

1.2 THE COMPANY IN FIGURES

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 1,258.1 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

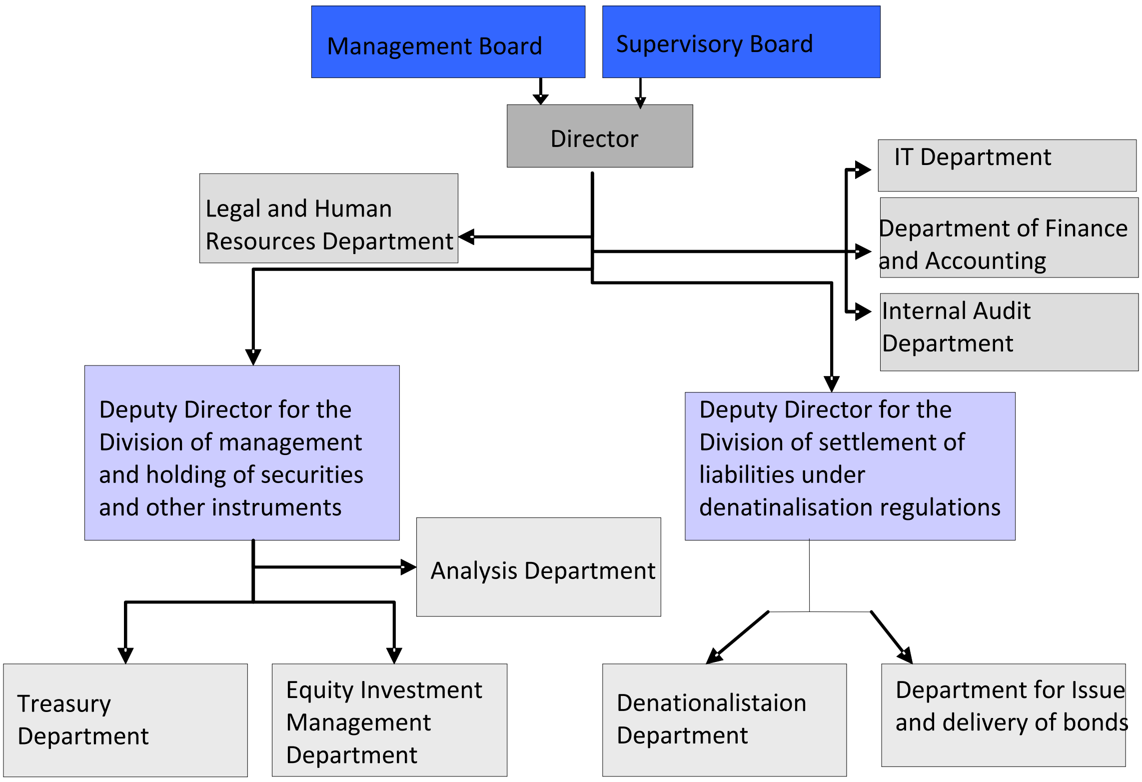
1.3 COMPANY PROFILE

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.

The Company's governing bodies 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.

1.4 ORGANISATION CHART



1.5 MISSION OF THE COMPANY

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, the Company issues bonds and manages and holds securities and other assets acquired according to the law and performs all other duties required to meet the above-mentioned obligations.

1.6 OBJECTIVES AND ANTICIPATED DEVELOPMENT OF THE COMPANY

The Company's objectives and anticipated development 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.

1.7 ACTIVITIES OF THE COMPANY

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

1.8 BASIC INFORMATION ON BONDS ISSUED BY SLOVENSKA ODŠKODNINSKA DRUŽBA (SOS2E)

Table 1.: Basic features of SOS2E bonds

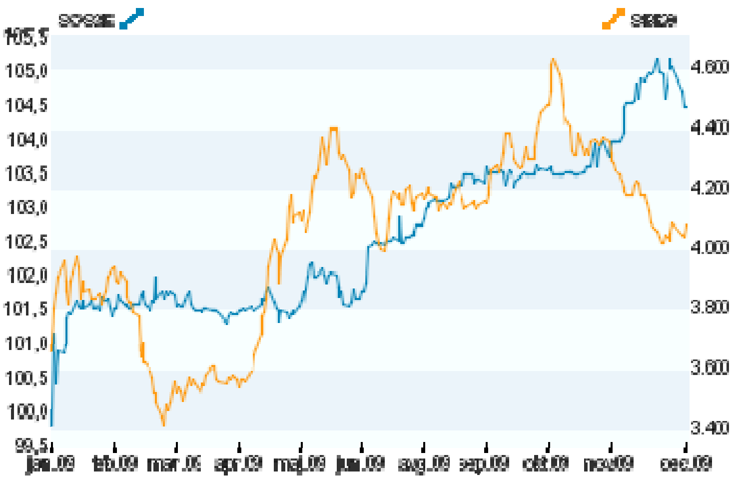
Characteristic features	SOS2E
Commencement of accrual of interest	1.7.1996
Maturity date	1.6.2016
Annual rate of interest	EUR + 6%
Method of payment of coupons	Twice a year 1.6. and 1.12.
Denomination value	EUR 51.13

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

Table 2.: 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.

1.9 LEGAL AND PERSONNEL AFFAIRS IN 2009

Activities of the Legal and Personnel Department:

- providing legal support for all activities performed by the Company in the field of managing and holding of securities and other instruments and addressing the related legal issues;
- making proposals for and coordination of acts and other activities in the field of the Company's general and personnel affairs;
- supervising the consistency of the Company's individual activities with its individual and general rules and legal regulations;
- monitoring of legislation and case law in the field of the Company's activities and proposing appropriate measures and performance of other duties.

1.9.1 Meetings of the Management Board, Supervisory Board and Auditing Committee of the Management Board

In 2009, the Management Board convened at 14 ordinary and four extraordinary meetings and at one meeting held by correspondence, and the Supervisory Board held 10 ordinary meetings. The Management Board's audit committee met at seven ordinary and three meetings held by correspondence. The Company's individual departments prepared the materials for these meetings and kept minutes of the meetings of the above-mentioned governing bodies.

1.9.2 General and personnel affairs

The personnel department made arrangements for announcements of vacancies, conclusion of training contracts, employment contracts, decisions approving justifiable absence from work and all other activities relating to the Company's human resources management.

Table 3.: Employees by education level

Education level	Balance as at 31 Dec. 2009	Average no. of employees in 2009
Secondary education V	8	9.25
Higher education first tier diploma VI	7	7
Higher education VII	38	38.6
Master's degree VIII	3	3
Total	56	57.85

In 2009 one new employee joined the Company's workforce, and five terminated their employment.

The company strives to shape optimum staffing and educational levels of its workforce. In addition to its employment policy, it is also induced to do so by the system of remuneration and career advancement and the possibility of on-the-job training.

1.9.3 Public contracts

The department supervised the implementation of public contracting procedures and advised the Company's individual departments and services in the preparations for awarding public contracts.

1.10 MAJOR POST ACCOUNTING PERIOD EVENTS

In March 2010, the four-year term of office of Zdenko Neuvirt, Deputy Director of the Division for Settlement of Liabilities under Denationalisation Regulations, expired. In 15 March 2010, the Company's Management Board appointed in his lieu for a four-year term Mr. Krešo Šavrič, formerly Legal and Human Resources Management Department Manager.

The Government of the Republic of Slovenia formulated the wording of the Act Regulating the Transformation of the Pension Found Management , the transfer of rights and powers of D.S.U. to Slovenska odškodninska družba d.d., and investment policy of the Pension Found Management and of Slovenska odškodninska družba. The purpose of this Act is to ensure an efficient management of companies in direct state ownership of the Republic of Slovenia and the transfer of rights and powers of D.S.U., consulting and management company in the area of ownership transformation of socially-owned property, privatisation and denationalisation and related property, to the Company.

No other major events followed after 1 January 2010.

1.11 CODE OF GOVERNANCE, INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

In 2009, the company had no special code of governance. On 14 December 2009, the Company signed a statement in support of the Corporate Code of Governance the amendments to which have been applied since 1 January 2010. The Company will strive to implement the recommendations of the Code in its activities in the future.

The Company has in place a system of internal controls. The Internal Audit Department was established with a view to performing supervisory activities for all processes and situations within the Company for the purpose of identifying whether the information and report on the operation of individual divisions and the Company as a whole were reliable and accurate, the Company's operations were efficient and cost-effective in accordance with regulations, the Company's business policy and defined business processes.

The Company's Internal Audit Department assesses the appropriateness and effectiveness of established internal controls. The Internal Control Audit Department carries out independent audits on the basis of which it prepares reports with findings and recommendations addressed to the Director and Audit committee of the Management Board.

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

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

2 MACROECONOMIC ENVIRONMENT IN 2009

In 2009 we saw the worst economic crisis since the Great Depression of the 1930s started to weaken. Due to the crash of the financial markets the banking system, which is the driving force of the economy, also found it more difficult to perform its credit and economic growth function burdened by write-offs of bad debt and failed banks. In view of this fact, we witnessed a decline in many economic indicators which are the yardstick of economic performance. The already adopted and new aid packages to the economy were successful in achieving some positive changes in economic activity, which was also shown by economic indicators that pointed to the receding recession. The publication of the above-mentioned macroeconomic data encouraged investors and convinced them of a gradual recovery of the economy, and we saw a sharp recovery of capital markets. In addition to Government measures, the publication of goods news in microeconomic environment was further supported by publication of macroeconomic data, and the joint effect of all these factors succeeded in preventing downturns in the financial markets and in the real economy. Capital markets reacted to changes in the economic environment in March 2009 by a steep rise in exchange quotations, which also depended on the past downturns. The largest growth was recorded in markets of developing countries (e.g. Russia) which partly mitigated downturns and losses in value for investors stemming from 2008. In 2009, Slovenia's stock market failed to react to the changes like most world stock exchanges since the rebound occurred somewhat later but did not persist.

Measures by central banks

In 2009, central banks continued with their activities aimed at fighting the credit crunch and monitoring liquidity and financial system. Measures adopted by central banks in 2009 were determined in respect of the interest rates decisions in line with the 2008 policy. The Federal reserve (hereinafter: FED) did not lower its interest rate again in 2009 since it achieved its zero-rate policy (the rate of interest ranging between 0 and 0.25%) already in 2008. The European Central Bank (hereinafter: ECB) and the Bank of England (hereinafter: BOE) additionally cut their interest rates in 2009. Among the above-mentioned central banks, ECB set the highest base interest rate of 1%, while BOE set it at 0.50%. Central banks ensured liquidity by purchasing various securities in the financial system although discussion had already been initiated in 2009 on a gradual withdrawal of liquidity provision programmes.

Measures by governments and their institutions

In 2009 we witnessed an expansion of programmes used by governments of many countries in confronting the negative effects of financial crisis and recession. The United States of America had four anti-recession programmes in place in 2008, and in 2009 their number rose to ten. In Slovenia, the volume of aid programme to the economy is EUR 1.2 billion and will last until 31 December 2010. Aid programmes to the economy included various measures from subsidising the purchase of durable goods to issuing state guarantees. Since economic aid campaigns were planned globally, national economies of individual countries moved out of the recession almost simultaneously.

Gross Domestic Product (GDP)

In 2009 we also saw a recovery of the real economy since countries slowly moved out of the recession which is defined as a period of two subsequent quarters of negative GDP growth. Movement of GDP on an annual level as a general indicator of the state of the economy in 2009 is shown by major countries in the table below.

Table 4.: Movement of GDP on an annual level in per cent

Country	1st quarter 2009	2nd quarter 2009	3rd quarter 2009	4th quarter 2009	2009
USA**	-6.40	-0.70	2.20	3.00*	-2.50*
Germany	-6.70	-5.80	-4.80	-1.85*	-4.80*
China	6.10	7.90	8.90	10.40*	8.50*
EU – euro zone	-5.00	-4.80	-4.00	-1.80*	-3.90*
United Kingdom	-5.00	-5.50	-5.10	-2.90*	-4.60*
Brazil	-2.14	-1.63	-1.22	3.95*	0.15*
Slovenia	-8.2	-9.3	-8.3	n/a	n/a

Notes: * estimate
** the data for USA is a quarter-on-quarter comparison for the same year

The Stock Market

In 2009, worldwide stock markets saw a turnaround, i.e. a break in the declining trend that had lasted since mid-October 2007. The turning point was 10 March 2009, when stock indices started to rise strongly. The reason for this increase was the Citygroup Bank's announcement that it recorded a profit in the first two months of the year and it was on the right way to achieve a quarterly profit. Following this announcement, the Dow Jones index was, at the close of trading, 5.8% higher than the closing price on the day before. On 9 March 2009, the majority of world stock markets reached the bottom. Due to the downturns, which were particularly fierce in the past few months, the rebound was very swift. The growth of stock prices was driven by investor expectations supported by the following:

- announcements of macroeconomic data pointing to a gradually subsiding recession;
- effects of hefty stimulation packages intended as aid to the economy, which countries worldwide adopted in a coordinated manner in order to combat financial crisis and recession;
- repayments of state aid by some major banks;
- announcements of operating results of companies that foreboded the exit from the crisis;
- monetary policy measures by central banks.

The Foreign Exchange Market

In spite of a small change on an annual level, the EUR/USD exchange rate saw a relatively big change in 2009. The US dollar was gaining strength at the beginning, but this trend came to an end after the turnaround on capital markets when the euro started to appreciate. The EUR/USD exchange rate ranged between 1.2543 and 1.5094.

The Money Market

In 2009 we saw a sharp decline in interest rates as a result of rescuing the banking system for which individual countries managed to ensure appropriate capital adequacy of banks by substantial injections of money. Central banks also placed large amounts of money in the financial system to ensure the necessary liquidity. The consequence of the two measures was a partial credit crunch alleviation, which was also reflected in the interest rate market. The rate of interest 3M EURIBOR thus decreased from 2.859% to 0.70 at the end of the year.

The Bond Market

Movements on the bond market are different from stock market movements since investors shift from one market to another depending on the circumstances on capital markets and economic conditions (flight to less risky investments). Movements in the average return on EUR-denominated bonds maturing beyond five years ranged between 3.71% and 4.78% in 2009.

3 SETTLEMENT OF LIABILITIES BY THE COMPANY

3.1 DENATIONALISATION

In accordance with the Denationalisation Act (hereinafter: ZDen), the Company is liable to compensation in shares held by the Government of the Republic of Slovenia (i.e. in bonds when there are no shares available). Compensation in bonds in denationalisation procedures is 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.

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 (811 cases on 31 December 2008), and there is no information about outstanding denationalisation cases in courts and cases under Article 73 of ZDen. The Company 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 or 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.

In considering denationalisation claims, the Company complied in 2009 with the decision of the Government of the Republic of Slovenia and, by analogy, also a similar decision by the Company's management from 2007, according to which the Company lodged no appeals on points of law for a disputed value of up to DEM 3000. As many as 85 such cases were recorded as at 31 December 2009, with a total disputed value of DEM 139,311.09. In 2009, the Company no longer followed the decision of the Government of the Republic of Slovenia and the analogously similar decision of the Company's management according to which the Company was no longer allowed to lodge appeals on points of law against decisions with a disputed denationalisation claims basis, but had to comply with the decision of the Company's Management Board of 27 January 2009 and regularly reported to the Company's Management Board on appeals lodged in cases with a disputed claim basis. In considering the claims, the Company also complied with the decision of the Company's Management Board of 21 April 2009 according to which the Company is obliged to consider the cases through mediation process once the conditions are met for a settlement according to the internal rules on settlement. Otherwise, the Company complied with basic positions and principles laid down by the 2009 plan in considering compensation claims.

The Company is involved in a procedure only after the authority (administrative unit or court of justice) conducting the procedure sends it a claim and documentation which serves as a basis for the claim. In considering claims for compensation in 2009, the Company verified closely the claims received and consistently made efforts to determine the correct level of compensation in bonds. The Company assessed the claims based on the documentation received from the authority in charge of conducting the procedure, and in many claims the Company obtained individual documents alone from various records throughout Slovenia, by examining ortophoto images, land register etc. In the majority of cases, the Company responded to received cases and other applications before the expiration of statutory deadlines also in 2009. In considering claims the Company tries to take a position on all facts influencing its decision already in the initial stage of its response. However, this is not always possible since the authorities conducting the procedures do not send all the relevant information at the same time.

The Company received 531 claims in 2009: 76 new, 38 continuing and 417 supplementary claims relating to cases already open. The received number of claims is slightly higher than planned for this year (approx. 400), particularly due to supplementary claims. Continuing claims are due to the fact that particularly administrative authorities consider the cases by issuing partial decisions.

In 2009, the Company received 259 various valuations and calculations of nationalised property. Valuations of buildings and mechanical equipment were examined and commented upon in accordance with the normal practice by assessors and various experts with which the Company maintains contractual relations. Other, less frequent, types of property valuation (e.g. works of art) were not topical in 2009. Calculations of the value of nationalised property (agricultural and building land, valorisation of movables, purchase price, paid compensations, etc.) were, like previously, examined by experts themselves in considering individual cases.

In 2009, the company participated in oral hearings and hearings before administrative authorities and courts of justice throughout Slovenia. The Company participated in 311 out of 318 hearings. The Company did not participate in seven hearings in which its presence was not required (because the Company had no more remarks and suggestions or did not act as a liable party, etc.).

In 2009, the Company cooperated with rightful claimants in denationalisation procedures and participated in resolving controversial cases. This cooperation took place in the form of meetings and discussions intended for finding joint solutions to open issues, direct clarification and obtaining the necessary documents. The company paid particular attention to settled controversial valuations. Since the beginning of recording of these cases, 11 April 2005, until 31 December 2009, a total of 339 cases of controversial valuation were recorded. By the end of 2009, 276 valuations were harmonised successfully whereas the harmonisation of 36 valuations was not successful. Other issues are still outstanding.

The Company generally proposed the issue of a decision in cases when it had no remarks on the report on the actual and legal status of individual cases. The report is prepared by the authority that conducted the procedure following the completed preliminary investigation, prior to issuing the decision. The report is a kind of a conclusion of the procedure which points to the possible decision by the administrative authority. The Company received 259 reports in 2009: When the Company had no remarks on the actual and legal status identified by the report and considered a claim to be justified and proposed to the relevant authority to issue a decision, the Company always made an internal record explaining the justification of individual claims. The Company had no remarks on 125 out of 259 reports.

Table 5.: Denationalisation

	Total before 31.12.07	Total before 31.12.08	Total before 31.12.2009	2009
Received claims	20,162	20,926	21,457	531
Received valuations and calculations	19,199	19,612	19,871	259
Received reports on identified actual and legal status of individual cases	21,147	21,639	21,898	259

The final stage of the first-instance procedure is the issue of a decision, where determining the level of compensation in the form of bonds is solely important for the Company. In 2009, the Company received 292 first instance decisions (administrative and judicial) with compensation in bonds. For as many as 308 decisions of this kind a statutory preslused deadline was determined. The Company lodged 60 appeals or administrative actions against these decisions and made six proposals for amending the operative part of these decisions and appeals. Proposals for amending operative parts of decisions were appeals in a subordinate meaning only since they were particularly a result of inadequate operative parts of decisions that could generally be carried out or were incorrect for being non-executable. This shows that the Company lodged no substantial appeals against more than 80% of the decisions and that it lodged an appeal only for justified reasons. The Company lodged appeals only against incompletely or incorrectly identified actual situation and improper use of substantive law, and generally not due to procedural violations when the actual and legal status were correctly identified. In 2009, reasons for appeal were primarily incorrectly defined level of compensation or lack of evidence of obstacles to restitution of property in kind. In some cases, there was controversy over the basis of the claim.

In 2009, the Company abandoned appeals on points of law when it received from the authority that conducted the procedure, the claimant or institution which the Company contacted itself the evidence that was not at its disposal prior to issuing the decision. The Company acted in this way in seven cases.

In 2009, the Company received 64 second instance (administrative and judicial) decisions that decided on its appeals against first instance decisions relating to compensation in bonds, of which the majority were administrative decisions. Decisions were favourable in 43 cases.

In 2009, the Company initiated 22 administrative disputes with the Administrative Court of the Republic of Slovenia and brought 15 actions against second instance decisions (ministries), five actions against first instance decisions on compensation adopted by the Ministry of Culture, and two actions against other two decisions. During the same year, the Company reacted against second instance decisions in 25% of all cases (59 decisions). The Company initiated no review procedures at the supreme court for appeal court rulings .

In 2009, the Company received six judgments by the Administrative Court of the Republic of Slovenia that decided on its administrative actions brought against second instance decisions relating to compensation in bonds. Four judgments were pronounced in the Company's favour. The Company initiated no review procedures and lodged no appeals against decisions by the Administrative Court of the Republic of Slovenia (restrictions under valid regulations).
In 2009, the Company received only three judgments by the Supreme Court of the Republic of Slovenia in which it was 33% successful.

Table 6.: Denationalisation decisions

	Total before 31.12.07	Total before 31.12.08	Total before 31.12.2009	2009
Received decisions on compensation in bonds	18,953	19,495	19,787	292
Appeals lodged for decisions with a preclusion period (308)	4,733	4.812	4,872	60
Percentage of appeals against decisions on compensation in bonds	24.97	24.68	24.62	19.48
Initiated legal actions and reviews	780	801	823	22

In 2009, the Company's computerised records showed 11,127 applications, which is more than 8,169 in 2008. These were claims received from the authorities in charge of conducting the procedures, participants in the procedures, various institutions and individuals, and claims made by the Company itself in the process of considering individual cases. In the area of denationalisation, the Company prepared written answers and internal records in 4,366 cases. The increase in the number of claims on 2008 is due to the fact that the Company also started making investigations about claims which had been sent to it at an earlier data and were in different stages of consideration; however, procedures against the Company in respect of these claims are currently suspended. It is a type of inventory aimed at determining the Company's future liability for compensation in the form of bonds. To this end, the Company, among other things upon recommendation made by the Court of Auditors of the Republic of Slovenia in its audit report of 9 February 2009 in connection with the planning of future liabilities, conducted a survey among administrative units and ministries responsible for a number of outstanding cases and in the Supreme Court of the Republic of Slovenia. However, the results of this survey were not satisfactory since the Company received no useful information.

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, the Company 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. that rightful claimants in these cases were not entitled to a market value of compensation. This decision is extremely important since there are several outstanding claims by agricultural communities, and a certain amount of such claims may still be expected. The difference in compensation level is substantial. The Company 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 under article 73 ZDen (decision by the Higher Court of Ljubljana) were not entitled to compensation. The Company was further successful with its argument claiming that entities liable to restitute property in kind were not entitled to compensation pursuant to Article 73 of ZDen since they had acquired property for a consideration, provided that they (or their ancestors) paid a compensation to rightful claimants for nationalised property at the time of nationalisation (decision of the Higher Court of Maribor). All cases indicated above are important since claims are still considered subject to the provisions of Article 73 and will continue to be considered in this way also in future.

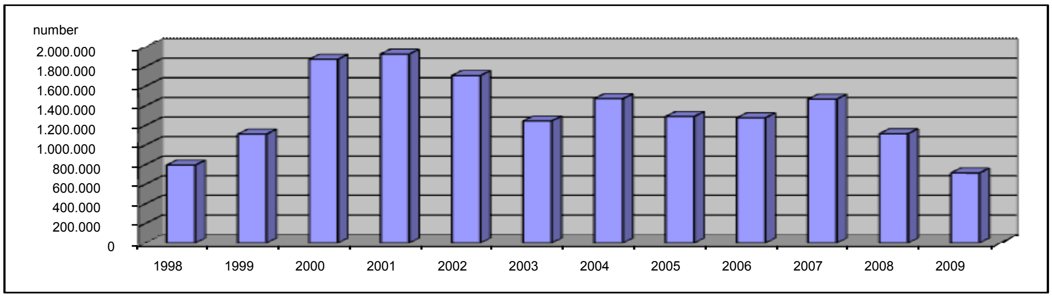
3.1.1 Implementation of decisions concerning the Company's liability to compensation

In accordance with the provision of Article 6 of 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 Government of the Republic of Slovenia, 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.

Decisions issued on the basis of the above-mentioned regulations are carried out by transfer posting of bonds from suspense account to the beneficiary's account opened with Klirinška depotna družba d.d. – Central Securities Clearing Corporation (hereinafter: KDD). If the person entitled to compensation according to ZDen dies, bonds are delivered to trustees in specific cases or to his legal successors according to a final decree of distribution. The implementation of decisions is completed by delivery of a certain number of bonds. The company pays compensations in accordance with final decisions issued pursuant to SZ-1.

For the purpose of complying with its duties laid down by Article 2 of ZSOS, the Company delivered 16,999,786 bonds to 24,538 beneficiaries by 31 December 2009.

Chart 2.: The number of delivered SOS2E bonds



In the period from 1 January 2009 to 31 December 2009 the Company delivered 714,146 bonds to 1,267 beneficiaries, of which 703,674 bonds to 1,195 beneficiaries under ZDen and other regulations governing denationalisation (98.5%). In accordance with SZ and SZ-1, the Company delivered 10,472 bonds (1.5%), and paid compensation of EUR 670 to 72 beneficiaries.

In accordance with Article 125 of SZ, the Company delivered 31 bonds (0.3%) to one beneficiary as former holder of tenancy right since the owner refused to sell denationalised housing unit. Pursuant to Article 173 of SZ-1, according to which the tenant exercising his right to purchase another housing unit is entitled to claim compensation from the Company in the amount of 25% of the value of the housing unit in the form of bonds and 36% in cash, the Company delivered 10,441 (99.7%) bonds and paid EUR 787,211 in cash to 71 beneficiaries.

Two legal proceedings are still pending before the competent tribunal for a dispute under SZ and SZ-1.

In addition to individuals, legal entities are also entitled to compensation according to Zden. Individuals received 485,499 (68%), and legal entities received 228,647 (32%) bonds.

A letter of acknowledgement is a security issued to the name of the beneficiary and to a specified amount that can be paid to the beneficiary on maturity. If the beneficiary does not buy agricultural land or forests or does not sell the letter of acknowledgement, he may exchange it for the Company's bonds. In accordance with paragraph 8 of Article 27 of ZDen and Article 59 of the Company's Articles of Association, the Company exchanges letters of acknowledgement issued by the Farmland and Forest Fund of the Republic of Slovenia for cash. In 2009, payments for 45 bonds were made under these provisions totalling EUR 483.

In 2009, the Company received an appeal regarding the correct calculation of the number of bonds, which was, however, rejected as unfounded.

In 2009, the Company received 1,216 applications relating to the implementation of acts of competent authorities. In order to provide for a smooth consideration of the received decisions, the Company addressed letters to individual entities inviting them to supplement their application as well as explanations to certain authorities in the same period. The company also invited rightful claimants in denationalisation procedures and trustees, who are, in specific cases, responsible for a beneficiary's property until a deed of distribution becomes final and no application for bonds has yet been lodged, to submit an appropriate application to the Company. In 2009, the Company sent out 49 invitations and received 22 applications for bonds which were granted in full.

3.1.2 Execution of decisions concerning the Company's liability to compensation

In accordance with the provision of Article 6 of 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 Government of the Republic of Slovenia, 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.

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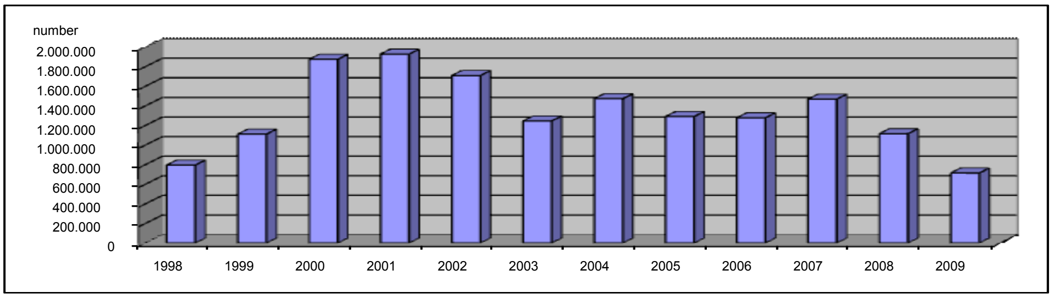

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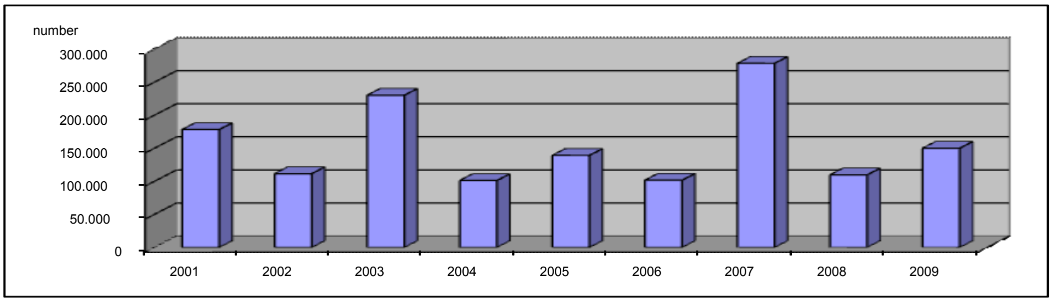
3.2 COMPENSATIONS FOR CONFISCATED PROPERTY PURSUANT TO ABROGATION OF THE PENALTY OF CONFISCATION OF PROPERTY

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, the Company’s duties which originally related to the meeting of obligations laid down by the regulations governing denationalisation, 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. Due to the changing case law regarding the interpretation of the fifth paragraph of ZIOOZP, the Company calculates interest from the date when a decision on abrogation of the penalty of confiscation of property and fixing the level of compensation in bonds becomes final. The bonds are delivered by way of transfer from the Company's special account with KDD to the account of the beneficiary.

The Company delivered 1,399,821 RS21 bonds by 31 December 2009.

Chart 4.: The number of delivered RS21 bonds



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 decisions and delivered 27% more RS21 bonds than in 2008. The reason is in 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.

The Company received 125 claims in connection with the execution of decisions on compensation for confiscated property and the performance of duties of delivering bonds, payment of principal and calculation and payment of interest, to which it provided various interpretations and information with respect to different actual and legal circumstances by duly notifying the beneficiaries of each bond delivery pursuant to the provision of Article 4 of the Decree.

3.3 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.

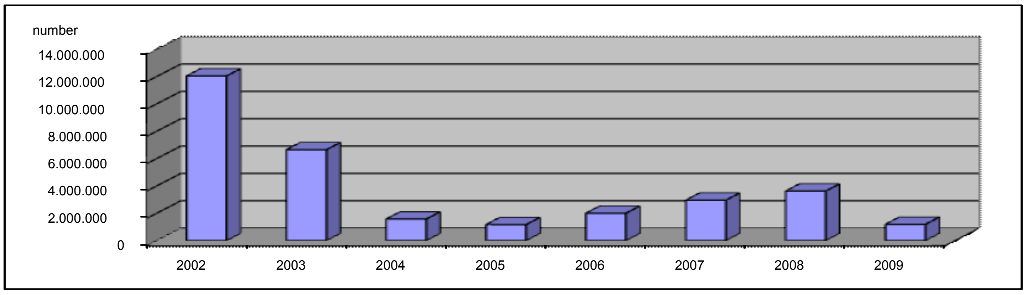
Considering the fact that the War and Post-War Victims Act (hereinafter: ZZVN) and the Redressing of Injustices Act (hereinafter: ZPkri), which serve as the basis for recognition of entitlement to compensation according ZSPOZ, do not specify the time limit for filing claims, the decision recognising 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.

The Company 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 execution. 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.

The Company delivered 31,189,542 RS39 bonds by 31 December 2009.

Chart 5.: The number of delivered RS39 bonds



In 2009, the Company 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 period 1 January 2009-31 December 2009, the Company issued 14% more decisions than in 2008. Bond deliveries were more than halved due to adoption of amendments and modifications to ZSPOZ according to which decisions are issued and paid in cash. The amount of payments fluctuated throughout the year. There is a longer period of time between the issue of decisions on compensation and their execution. For this reason, a comparison with the number of decisions executed in the previous year can show that differences in the ratio between issued and executed decisions is due to the higher average compensation amount and the fact that a great number of issued decisions relate to deceased beneficiaries. The fourth paragraph of Article 12 of ZSPOZ determines that, when a person entitled to compensation dies, compensation is paid to his heirs according to the regulations governing inheritance. This means that the date of execution of decisions on compensation is postponed as necessary in order to allow the competent court enough time to issue an appropriate decree of distribution.

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 the Company in terms of both amount and number. In addition to basic decisions (68%), the Company also issued supplementary decisions (32%) to beneficiaries. Individual beneficiaries may also receive several supplementary decisions; however, the total amount received by each beneficiary according to ZPOZ may not exceed EUR 8,345.85.The percentage of issued supplementary decisions increased by 10% on 2008. Their amount was also higher since the average amount of compensation laid down by supplementary decisions exceeded EUR 6,000 per beneficiary.

In the performance of its duties according to ZSPOZ, the Company received 9,950 claims in 2008, which are divided into claims for compensation filed by beneficiaries, their legal successor and plenipotentiaries and claims by which these persons supplement and communicate the information necessary for issue and execution of compensation decisions.

3.4 LIABILITIES UNDER THE REIMBURSEMENT OF INVESTMENTS IN PUBLIC TELECOMMUNICATIONS NETWORK ACT

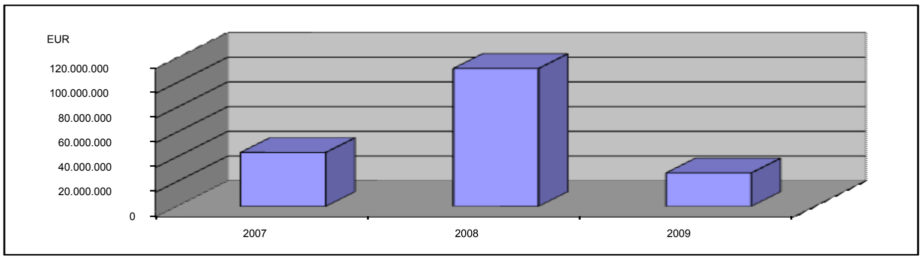
The Act Amending the Reimbursement of Investments in Public Telecommunications Network Act (hereinafter: ZVVJTO), which was enacted on 14 April 2007, conferred new duties on the Company. The Company makes reimbursements of investments in public telecommunications network on behalf of the Government of 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 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 Company's account with KDD on 7 August 2007.

The Company 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.

Chart 6.: Payments under ZVVJTO



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

The information provided by the State Attorney's Office of the Republic of Slovenia shows that only 96 claims out of a total of 39,928 (56 claims by individuals and 40 by local communities) remained unresolved on 31 December 2009. Unresolved claims included more complex claims in terms of both content and amount. Reaching settlements with local communities and housing cooperatives required more time; moreover, these entities were involved in several settlements at a time, which has no particular influence on end beneficiaries, but is reflected in liabilities of the Company whose duty is to comply with its liabilities under such settlements within a statutory limit. If the attorney general rejects a claim or fails to prepare a proposal for settlement in writing or fails to respond to the claimant's request within the specified time limit, the claimant may file a proposal for resolving the claim. According to the information provided by the State Attorney's Office of the Republic of Slovenia, there were 39 such claims.

Beneficiaries lodged no appeals on points of law against agreed settlements except in one case, when the Company timely effected payment, and the beneficiary filed a suit for nullification. The procedure is in its final stage.

Table 7.: ZVVJTO – payments in 2009

	Amount in EUR	Share in %	No. of persons	Share in %
Legal entities	26.955.177	99,7	165	40
Individuals	83.495	0,3	247	60
TOTAL	27.038.672	100	412	100

4 IMPLEMENTATION OF OWNERSHIP TRANSFORMATION OF INSURANCE COMPANIES ACT

The Ownership Transformation of Insurance Companies Act (hereinafter: ZLPZ-1) entered into force at the end of May 2002, and has been enforced since February 2003, when the Constitutional Court concluded the procedure of assessing its constitutionality.

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

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 only one positive administrative decision.

In 2009, the Company's most intensive activities focused on implementing the process of ownership transformation of the Insurance Company were carried out in respect of the custody function for Insurance Company's shares, which was in accordance with anticipations of the Company's plan of activities for 2009. In spite of considerable growth, the market value of Insurance Company's shares did not attain the average price at which beneficiaries could buy it in the process of ownership transformation in 2009; moreover, due to litigations, very few final decisions were issued according to which beneficiaries could buy Insurance Company's shares. As a result, only one contract on the transfer of Insurance Company's shares for which all contractual obligations had been met was concluded: EUR 32,848 purchase price for basic shares, EUR 3,722 for capital increase shares, and EUR 573 of custody charges. Beneficiaries were also reimbursed with revalued dividends for these shares totalling EUR 797.

The Company transferred to the central government budget EUR 419,547, i.e. the sum of purchase monies received for basic shares in the period 1 October-30 September 2009, plus purchase monies received by the Company in 2007 under the contract[4] on transfer of shares of the Insurance Company.

[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.

[2] Basic shares were issued in the process of ownership transformation for the purpose of adjusting the Insurance Company's initial capital to the share of capital with no identified owners in the Insurance Company's total capital as at 31 December 2000. The price per basic share was determined on the basis of 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] The Company 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 the Company, plus the cost of financing from the date of payment by beneficiary. The purchase monies received for capital increase shares belong to the Company.

[4] The Company did not transfer Insurance Company's shares to the beneficiary in spite of received purchase monies since the Company received a decision by the District Court to issue an interlocutory injunction by which the Company was forbidden from making the transfer until final conclusion of litigation. For the same reason, the Company did not transfer the purchase monies received for basic shares to the central government budget. In 2009, the Higher Court of Ljubljana decided in this matter to set aside the decision by the District Court on issuing an interlocutory injunction and to reject the proposal for issue thereof. On the basis of the decision by the Higher Court of Ljubljana, the Company made a transfer of these shares to the beneficiary in 2009 and remitted the purchase monies received for basic shares under this contract to the central government budget. The Company also concluded an Agreement on Regulating Mutual Relations with the beneficiary, which, among other things, served as a legal basis for payment of dividends in the amount of EUR 5,484, which had been, in the meantime, paid to the Company but belonged to the beneficiary.

As at 31 December 2009, the Company 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.

In 2009, the total number of Insurance Company's shares held by the Company decreased by 16,912. These shares were transferred to the possession of beneficiaries under realised contracts[5], and the number of Insurance Company's shares held in the Company's custody was consequently decreased to the same extent. The decrease in the number of Insurance Company's shares held in custody at the Company, simultaneously with the increase in the number of shares held by the Company during 2009 was due to the fact that some beneficiaries did not redeem shares of the Insurance Company within one year of the finality of the positive decision. A number of administrative disputes were also brought to an end.

Acting in accordance with the principle of prudence, at the year-end 2009 the Company decided to re-examine all open positions on the basis of which the Company might be bound to transfer shares of Insurance Company to beneficiaries. According to its findings as at 31 December 2009, the Company slightly increased the number of Insurance Company's shares held in custody. In this decision, the Company also relied on the fact that the anticipated adoption of the act according to which the Company would be obliged to transfer Insurance Company's shares in its possession to the Government of the Republic of Slovenia, which meant that, after the transfer, the Company would hold and transfer to beneficiaries only those shares held in its custody.

Table 8.: Movement of the number of Insurance Company's shares held by the Company 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 the Company	5,984,284	5,943,317	-40,967	26.32%	26.14%	-0.18%
Held in custody at the Company	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, the Company received several decisions of the Supreme Court of the Republic of Slovenia that acceded to the decision on auditing beneficiaries in these matters and annulled the Company's decision to renew the procedure. Due to the confusion in connection with 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].

[5] The predominant number of transferred shares (15,660) relates to the already mentioned contract[4] from 2007.
[6] According to the original assessment, the value of the Insurance Company was set at 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 508 million and its share to EUR 56.70.

5 ASSET MANAGEMENT

5.1 MANAGEMENT OF EQUITY INVESTMENTS

5.1.1 State of investments

At the end of 2009, equity investments in shares and holdings in commercial companies, banks and insurance companies established in the Republic of Slovenia which had been acquired by the Company in ownership transformation procedures of companies by means of purchase and swaps and other transfers by the state as a source for meeting statutory liabilities still accounted for the largest part of the Company'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 in the company PDP, Posebna družba za podjetniško svetovanje, d.d. (hereinafter: PDP, d.d.) which was founded by Pension Found Management in 2009.

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 Company’s equity investments, which made an active sale of these investments on a large scale unreasonable.

During the same period, the Company acquired gratuitously the shares and holdings in four companies from D.S.U. Družba za svetovanje, d.o.o. (hereinafter: D.S.U., 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 Company held three more equity investments in companies in liquidation: Gio, d.o.o., KLI Logatec, d.d. and Sora Medvode, d.d.

Table 9.: Movement of the number of equity investments of the Company

Type of equity investment	Balance as at 31 Dec. 2008	Balance as at 31 Dec. 2009
Active investments	53	43
Inactive investments[1]	14	16
Unrealised sales contracts[2]	-	1
Total	67	60

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 four investments in banks, two investments in insurance companies and 37 investments in commercial companies. The Company also has 16 investments in companies under receivership (at the end of 2008 there were 14 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 10.: Active equity investments* of the Company as at 31 December 2009

Reg.no.	Name of company	The Company's equity holding in %
	STRATEGIC INVESTMENTS	
1	Abanka Vipa d.d.	2.24
2	Aerodrom Ljubljana, d.d., Zgornji Brnik	6.82
3	Banka Celje, d.d., Celje	9.36
4	Casino Bled, d.d., Bled	43.00
5	Casino Ljubljana, d.d., Ljubljana	3.29
6	Casino Portorož, d.d., Portorož	20.00
7	Hit, d.d., Nova Gorica	20.00
8	Krka, d.d., Novo mesto	14.99
9	Loterija Slovenije, d.d., Ljubljana	15.00
10	Luka Koper, d.d., Koper	11.13
11	Nova KBM, d.d., Maribor	4.79
12	Nova LB, d.d., Ljubljana	5.05
13	PDP, d.d., Ljubljana **	22.96
14	Petrol, d.d., Ljubljana	19.75
15	Pozavarovalnica Sava, d.d., Ljubljana	25.00
16	Telekom Slovenije, d.d., Ljubljana	14.25
17	Zavarovalnica Triglav, d.d., Ljubljana	26.14
	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	Salus, d.d., Ljubljana	7.92
8	Sava, d.d., Kranj	11.06
9	Slovenijales, d.d., Ljubljana	10.91
10	Žito, d.d., Ljubljana	12.26

	NON-MARKET INVESTMENTS	
1	Agroind Vipava 1894, d.d., Vipava	8.23
2	ČZP Večer, d.d, Maribor	10.00
3	Elektro Gorenjska, d.d., Kranj	0.30
4	Elektro Ljubljana d.d., Ljubljana	0.30
5	Gio, d.o.o, Ljubljana v likvidaciji	41.23
6	KDD, d.d., Ljubljana	9.62
7	Kli Logatec, d.d., Logatec v likvidaciji	0.59
8	Mariborska livarna Maribor, d.d., Maribor	4.72
9	Nolik, d.d., Kočevje	19.95
10	Pomurske mlekarne d.d., Murska Sobota	3.34
11	PS ZA Avto, d.o.o., Ljubljana	90.00
12	Sora Medvode, d.d., Medvode v likvidaciji	0.93
13	Splošna plovba, d.o.o, Portorož	19.80
14	Svea, d.d., Zagorje ob Savi	15.57
15	Terme Olimia, d.d., Podčetrtek	4.79
16	ZIM, d.o.o., Maribor	2.25

Note: * Equity investments held by the Company (without investment companies) that were not under receivership on the cut-off date and for which a sales contract had not been made on that date.
** In 2006, when investments were classified into groups, PDP was not yet established and was therefore not classified in any group. In respect of the purpose of incorporation and mission of PDP, the company is classified into the group of strategic investments.

Investments that the Company 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 11.: Distribution of active equity investments of the Company 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%	10	6	6	22
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	16	10	17	43

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.

5.1.2 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 12.: Equity investments of the Company 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 Company signed six contracts for the sale of equity investments totalling EUR 369,000. The Company received payment for five contracts and most of the purchase monies for one contract. The Company 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 Company followed the principle of transparency of sale and maximising their selling value. Some equity investments were the subject of public tender offers announced by the Company alone or jointly with Pension Found Management in earlier years.

Table 13.: Sales relationships with other equity investment owners

	Number of sales	Share in the total no. of sales (%)
SOD independently	3	50
SOD and Pension Found Management	2	33
SOD, Pension Found Management and others	1	17
Total	6	100

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

b) Capital increases

On two occasions, the Company 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, the Company's participation in Unior's new initial capital will be 2.3%. 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.

The Company 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. The Company 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%). The Company was not the largest individual shareholder of none of the above-listed companies. In the capital increase process, the Company acted jointly with Pension Found Management, 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., by reason of its stronger capital base. On this basis, the Company acquired a 22.96% share in initial capital of PDP, d.d., on 30 December 2009, Pension Found Management being PDP's majority owner.

5.2 INVESTMENT PORTFOLIO AND LIQUIDITY MANAGEMENT

5.2.1 The basic orientation of investment policy

Within the framework of its adopted financial plan for 2009 and rules on investment of funds, the Company pursued its adopted business and investment policies. In accordance with the basic positions for investments, the Company took into consideration both liquidity and maturity match between investments and liabilities. The key conclusion is that the Company complied with all its statutory and contract liabilities in time throughout 2009. The Company maintained current liquidity by planning its cash flows and maintaining a permanent liquidity reserve.

In 2009, the Company provided cash assets predominantly by loans obtained from banks. At the beginning of the year, the Company 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.

The Company 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.

5.2.2 Cash flows in 2009

Cash flows realised in 2009 (the records are kept by the treasury department for the purpose of identifying net monthly cash flows since they differ from those disclosed in the financial statement which is prepared according to the gross principle and includes a number of transactions throughout the year) totalled EUR 349 million. The volume of cash flows showed a decline by EUR 86.7 million on 2008 and fell short of the plan by EUR 34.4 million. The reason for a decreased volume of cash flows was a decrease in cash outflows according to ZVVJTO and a decreased number denationalisation and other bonds delivered by the Company according to the law.

In 2009, the Company provided financial assets predominantly by obtaining loans from banks (65% of total cash inflows), maturity of financial investments and sale of its portfolio investments (21% of total cash inflows), cash inflows from the Ministry of Finance for the purpose of ZVVJTO (9% of total cash inflows), dividends (4% of total cash inflows), and statutory cash inflows (1% of total cash inflows).

In 2009, the Company carried out all payments of compensations and other statutory payments on time. Cash outflows for meeting the Company's statutory liabilities declined by EUR 27 million or by 15% on 2008. The lagging of payment of statutory liabilities behind the plan was recorded in all kinds of payment The main reason was a decline in the number of delivered SOS2E bonds to denationalisation beneficiaries, minor compensations paid to victims of war and post-war violence, and a decline in the number of delivered RS21 bonds as compared to the plan since it is not possible to anticipate with accuracy the conclusion of denationalisation and other compensation procedures.

The Company continued to make reimbursements for investments in public telecommunications network pursuant to ZVVJTO and the contract for gratuitous transfer of shares of Telekom. Payment in 2009 totalled EUR 27 million, which is four times less than in 2008. By 31 December 2009, reimbursements for investments in public telecommunications network totalled EUR 182.2 million, of which EUR 149.4 million from the Company's own funds.

Due to the advancement of funds for payments under ZVVJTO in 2007 and 2008, the Company was obliged to find outside sources of financing and obtain short-term and long-term bank loans in 2009. At the beginning of the year, the Company gradually obtained short-term loans and concluded a long-term loan contract with six banks for a total of EUR 180 million. The loan was secured by a guarantee of the Government of the Republic of Slovenia.

In the period July-December, the Company repaid all short-term loans totalling EUR 93 million. Repayment of short-term loans took place gradually until the end of the year although the Company had excess liquidity and could have provided for early repayment in accordance with contract provisions. Due to favourable deposit rates the Company placed excess financial assets as deposits at a higher rate of interest than stipulated for individual loan by contract. The Company repaid individual short-term loans only provided that the credit interest rate was higher than the rate achieved for individual deposits given.

Due to a strong pressure on liquidity, the policy of day-to-day planning of cash flows on annual, monthly and weekly level played an important role in taking timely action to secure funds.

Table 14.: Cash flow in 2009 compared to 2008 and plan for 2009

in EUR

	Realisation 2008		Plan 2009		Realisation 2009	
Openi9ng balance of cash	689.092		46.030		62.917	
CASH INFLOWS	**435.873.914**	**100%**	**383.613.008**	**100%**	**349.169.136**	**100%**
Cash inflows according to SOD Act	4.761.848	1%	3.910.000	1%	3.995.144	1%
Cash inflows for ZVVJTO (incl. Telekom divide	8.365.414	2%	50.420.000	13%	30.911.803	9%
Cash inflows from fin. instruments*	119.248.706	27%	65.158.493	17%	70.984.224	21%
Cash inflows from equity investments:	188.625.571	43%	13.220.000	3%	14.108.790	4%
Dividends	*21.709.729*	*5%*	*12.720.000*	*3%*	*13.732.093*	*4%*
Sale of equity investments	*166.915.842*	*38%*	*500.000*	*0%*	*376.697*	*0%*
Loans obtained from banks	112.900.000	26%	250.000.000	65%	227.991.000	65%
Other cash inflows from oper. activities	1.972.375	0%	904.515	0%	1.178.175	0%
CASH OUTFLOWS	**436.500.089**	**100%**	**383.336.713**	**100%**	**349.189.411**	**100%**
Cash outflows for statutory liabilities	187.890.922	43%	216.234.304	56%	160.809.760	46%
Cash outflows according to ZDEN	*132.849.283*	*30%*	*169.376.497*	*44%*	*128.018.674*	*37%*
Cash outflows according to ZSPOZ	*46.720.119*	*11%*	*30.222.746*	*8%*	*21.406.056*	*6%*
Cash outflows according to ZIOOZP	*8.321.520*	*2%*	*16.635.061*	*4%*	*11.385.030*	*3%*
Cash outflows for ZVVJTO	111.611.427	26%	50.000.000	13%	27.038.672	8%
Cash outflows for financing activities	77.730.637	18%	81.910.000	21%	96.264.263	28%
Expenses for SOD operations	4.848.962	1%	4.905.100	1%	4.425.118	1%
Other cash outflows from operatiing activities	1.807.318	0%	487.309	0%	1.812.389	1%
New financial investments	52.610.823	12%	29.800.000	8%	58.839.209	17%
Closing balance of cash	62.917		322.325		42.642	

Source: AdTreasury Programme
Note: * repaid deposits, interest, bond coupons, investments sold. The cash flow table presents net cash flows.

5.2.3 The volume and structure of investment portfolio

Investment portfolio is composed of short-term financial investments, a portion of long-term investments and redeemed own bonds. These are financial investments acquired by the Company, unlike other financial investments received by it gratuitously pursuant to a number of laws. In the statement of financial position, investment portfolio is a constituent part of corresponding 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.

As at 31 December 2009, the market value of the investment portfolio was EUR 141.2 million and showed an increase of EUR 2.3 million without taking into account the funds according to ZVVJTO. By taking into account these funds, which the Government of the Republic of Slovenia recognised to the Company pursuant to an annex to the contract on gratuitous transfer of shares, the value of investment portfolio was EUR 290.6 million.

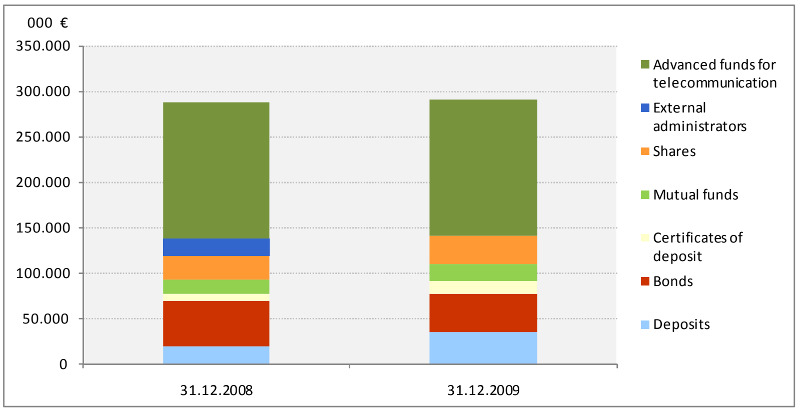
The Company channelled all financial assets exclusively into liquid and safe investments, i.e. deposits, bank certificates of deposits and bonds. A portion of assets under management was restructured from one investment group into another, and the existing Zavarovalnica Triglav bond was exchanged for a new one. At the end of the year, the Company allocated a portion of its assets to the capital increase of the company Unior, d.d. In 2009, the Company also made long-term investments in bank certificates, bonds issued by Zavarovalnica Triglav, Abanka, Banka Celje, NLB, NKBM and Kmečka banka. These investments totalled EUR 23 million.

Table 15.: Structure of investment portfolio by type of investment (at market values)

Type of investment	31.12.2008		Plan 2009		31.12.2009	
	v EUR	%	v EUR	%	v EUR	%
Debt investments	**94.954.844**	**68**	**67.583.533**	**64**	**92.014.729**	**65**
Deposits	19.015.000	14	29.800.000	28	35.869.000	25
Bonds	50.152.536	36	37.783.533	36	41.145.729	29
Certificates of deposit	8.143.232	6	0	0	15.000.000	11
Debt investments by managers	17.644.076	13	0	0	0	0
Equity investments	**43.834.767**	**32**	**37.322.773**	**36**	**49.145.516**	**35**
Mutual funds	16.002.642	12	12.000.000	11	17.383.340	12
Shares	25.333.948	18	25.322.773	25	31.762.176	23
Equity investments by managers	2.498.177	2	0	0	0	0
TOTAL INVESTMENT PORTFOLIO	**138.789.611**	**100**	**104.906.306**	**100**	**141.160.245**	**100**
Advanced funds for telecommunications reimb *	**149.400.244**		**149.500.000**		**149.448.401**	
Borrowings	**45.000.000**		**220.000.000**		**180.000.000**	

Source: AdTreasury Programme
Note: without costs of financing and costs of payment

Chart 7.: The structure of investment portfolio by type of investment



Source: AdTreasury support

Debt investments

At the end of 2009, the market value of debt investments was EUR 92 million or EUR 3 million less than at the year-end 2008. Debt investments still predominantly included bonds that accounted for 29% of the total investment portfolio. The largest portion of the bond portfolio represented redeemed own SOS2E bonds which accounted for 40% of total bonds. The remaining part of the portfolio was composed particularly bonds of domestic and foreign banks and some loan stocks with maximum maturity in 2017. Assets placed in bonds declined by EUR 9 million to EUR 41 million in 2009. In the same year, two bonds of EUR 6.9 million and a part of SOS2E principal totalling EUR 1.6 million became due for redemption. The value of bonds sold was EUR 6.2 million, and the value of purchases of the two bonds EUR 1.8 million. The bond portfolio was also increased by the acquisition of four bonds acquired on repayment of assets under management totalling EUR 4 million. In 2009, the Company removed from its portfolio the bonds issued by Lehman Brothers as a result of submission of claims against the bankrupt's estate in October 2009. The change in bond prices had a positive effect on the value of the portfolio. Particularly the prices of bonds of foreign issuers saw an upward correction after considerable declines in 2008.

At the year-end 2009, the total value of deposits and certificates of deposit was higher than in 2008; however, the total deposits of EUR 36 million were earmarked for complying with current liabilities in the first months of 2010. Bank certificates of deposit totalled EUR 15 million, and their maturity was divided by quarters for the period 2010-2012 with a view to offsetting interest liabilities for long-term loans. The Company decided to invest in long-term certificate of deposit because of higher interest rates achieved than those offered for deposits.

Equity investments in shares of domestic and foreign issuers

The market conditions regarding investment in shares of domestic issuers, which the Company had acquired before 2007, improved after a considerable downturn in 2008. The market value of shares of domestic issuers (Krka, Luka Koper, Petrol, Žito) was EUR 26.1 million at the end of the year. There was no change in the structure of investments and the number of shares since the Company did not buy or sell shares in 2009.

In 2009, investments in investment companies rose by EUR 0.5 million due to the growth of prices of these shares. Their market value was EUR 2 million. The company did not acquire or sell shares of investment companies and none of the investment companies was restructured into a mutual fund in 2009.

Investments in shares of foreign issuers increased by EUR 1.5 million to EUR 3.6 million in 2009. This increase was due to the higher share prices in 2009. In addition to the recovery of share prices, 2009 also saw many corporate actions by enterprises and banks whose shares the

Company acquired before the onset of the financial crisis. In the case of some issuers of corporate actions, the Company decided not to buy new shares and sold its capital increase rights, thus improving the current return on investments, and, in other cases, it participated in corporate actions (supplementary payment for new shares issued by the banks BNP Paribas and Societe Generale). The Company also sold its investment in the company Antofagasta and earned a 16% return including dividend. In 2009, shares of foreign issuers held in the portfolio generally followed the positive trend in the capital markets.

Mutual funds

In 2009, the value of the mutual fund portfolio rose by EUR 1.4 million to EUR 17.4 million on 2008. The transfer of mutual funds from external administrator totalled EUR 0.8 million, and sales EUR 4.2 million. Current returns of mutual funds strongly recovered and reached a 28% rate of return in 2009. Returns on investments in most mutual funds remained negative until the end of 2009. The lowest rates of return were achieved by mutual funds with heavy investments in the Balkans.

The company had investments in 33 equity and three mixed funds which mean a relatively high correlation between risks and returns; however, the risk exposure is lower due to the dispersion of funds across minor investments.

Assets of mutual funds are dispersed across various geographical areas and various industries, which reduces investment risks and facilitates a long-term achievement of target returns.

Table 16.: Diversification of the portfolio of investments in mutual funds

Geographical distribution	No. of funds	Share in %
Slovenia	3	10
Europe - Western	5	17
Europe – Eastern, Central, Southern	6	21
Developing markets	8	15
Global markets	14	37
Total	36	100

The Company's portfolio includes funds invested directly in seven industry-oriented mutual funds. Investment policy of other mutual funds covers several different industries, which means that they are not directly dependent upon a single industry.

In the first months of 2009, the return on mutual fund portfolio was negative. The lowest return was achieved in February (-3.6%). Later in the year, the return increased and peaked at the end of the year when it reached 28.3%. The Company was recognised a management fee of EUR 83,953 in accordance with arrangements and contracts concluded with fund management companies. Payment of a part of the management fee improved the profitability of this portfolio to 29.4%.

Assets under management

In August 2009, contracts with external asset managers expired. Assets were partly returned in cash (EUR 15,888,844) and partly in the form of takeover of mutual fund points and bonds (a total of EUR 4,852,895). The Company arranged to take over subordinated bonds issued by four large Slovenian banks and got the opportunity to redeem these bonds within two years based on the put option. By signing a contract for repurchase of bonds the Company arranged for the bonds to be repurchased under the same purchase prices, independent of the current market prices, and protected itself from any capital losses from disposal of bonds. It is estimated that the Company achieved solid results with this arrangement in the past two years: it received regular annual payments for coupons from bond issuers and, in case of more favourable conditions on the financial market, it may even make a profit.

Table 17.: Asset values by individual external administrators

ASSET MANAGER	Payments in EUR	Value as at 31.12.08 in EUR	Value as at 31/08709 in EUR	Return in the period August 2007-August 2009 in %	Current return for 2009 (%)
Allianz Invest KAG	7,000,000	6,663,686	7,067,303	0.96	6.06
Perspektiva d.d.	7,000,000	6,749,559	6,894,658	-1.50	2.15
Probanka d.d.	7,000,000	6,729,007	6,779,776	-3.15	0.75
TOTAL	21,000,000	20,142,253	20,741,739	-1.23	2.98

The end result of asset management for the two-year period was negative, but still much better when compared to the global benchmark indices and mutual fund indices (-33.01% for equity funds). Performance results of asset managers were higher than world indices particularly due to the requisite investment structure of assets under management and asset managers' conservative investment policy.

5.2.4 Profitability of investment portfolio

The table below shows the profitability achieved by individual segments of investments in investment portfolio in 2006, 2007 and 2008. For securities listed on a regulated market, the market values on the last day of each year were taken into consideration.

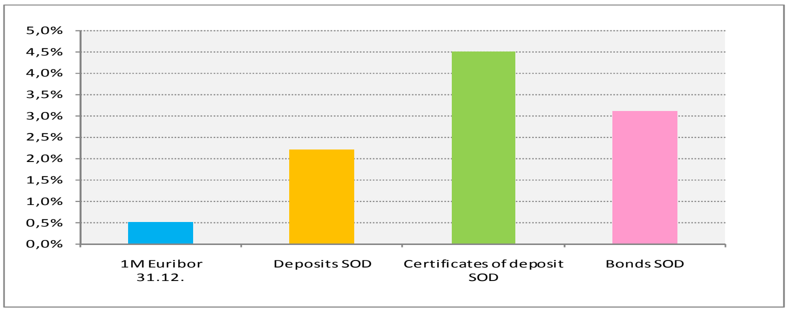
Table 18.: Profitability of investment portfolio at market values in the period 2006-2009

Type of investment	Profitability* in %			
	2006	2007	2008	2009
Deposits	3.8	4.1	4.5	2.2
Certificates of deposit	4.0	4.3	4.8	4.5
Treasury bills	-	3.8	-	-
Bonds	5.6	4.1	3.0	3.1
Mutual funds	8.5	12.4	-41.2	28.3
Domestic shares	62.8	76.7	-69.8	23.7
Investment companies	55.4	38.6	-46.8	29.9
Foreign shares	2.6	3.9	-41.6	66,1
Assets under management	-	1.5	-5.1	3.0
Funds for telecommunications	-	4.5	4.5	4.5
Profitability of investment portfolio	13.4	16.9	-5.5	4.7

Note: * Profitability was calculated as internal rate of return (IRR) which is calculated by ADTreasury application. The overall profitability of investment portfolio (by taking into account total investments) was calculated for 2006 and 2007 on the basis of a weighted volume of individual segments of investments at the end of each year. The calculated overall profitability for 2008 and 2009 is based on the principle of cash flows and investment transactions (according to AdTreasury programme).

It is important to note that, contrary to the data for 2008, profitability was positive in all segments of the investment portfolio in 2009. By taking into consideration total investments, +4.7% profitability of investment portfolio was recorded in 2009. The increase in profitability of investment portfolio was largely due mainly to the segment of foreign shares, followed by mutual funds and domestic shares. The segment of debt investments carried interest at the upper levels of reference interest rate movements for this period. In evaluating the results of asset management it should be stressed that the Company's most important short-term objective was to maintain liquidity of its assets, and, in the long term, a positive growth of investments, not activities focused on achieving short-term profits. This is also demonstrated by the fact that average return on investments achieved by the Company in the past few years was +7.4% per year. This achievement is in line with objectives set for the four-year period, when the target return on investments was projected between 5.8% and 7.9% per year.

Chart 8.: Money market returns in 2009

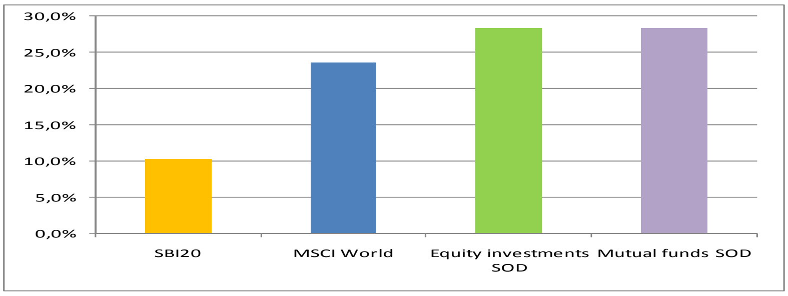


Source: AdTreasury support

The above chart illustrates profitability of financial instruments in debt investment portfolio.

The following chart shows that the Company's equity investments performed much better than the Slovenian benchmark stock index SBI20 and MSCI World Index.

Chart 9.: Returns on selected stock indices, equity investments and mutual funds of the Company in 2009



Source: Ljubljana Stock Exchange, Ad Treasury and Bloomberg programmes

5.3 FINANCIAL RISK MANAGEMENT

The Company was exposed to various types of risk associated with managing investments also in 2009. Of all risks facing the Company, the market risk and the liquidity risk arising from the ongoing world financial and economic crisis that started in 2009 were the most important.

The 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, the Company was successful in managing this type of risk after having complied with all its statutory and contractual liabilities. Liquidity risk was mitigated by making accurate projections of maturity of statutory and other liabilities and maturity of investments and current cash inflows so that cash inflows were allocated on a precisely specified date at which cash outflows for such liabilities had been planned. 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 by accurate planning and daily, weekly and monthly monitoring of cash flows, by maintaining, at the same time, a permanent liquidity reserve set up for contingent liabilities.

Due to the constantly poor liquidity of the Slovenian capital market, liquidity risk was present in the majority of equity investments of the Company. 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.

In January 2009, the Company met all its planned liabilities maturing within three months, and then anticipated obtaining a long-term loan in July 2009 in order to provide liquidity for at least one year. After July, the Company borrowed gradually according to its needs for liquidity until October 2009.

Market risk

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

Table 19.: Structure of investments of the Company 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 –Entry Market	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 marketable 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 the Company. 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

The Company’s all assets and liabilities 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 20.: Structure of investments by currency and market value

Type of investment	31.12.2008	%	31.12.2009	%
Investments in EUR	131.704.545	95	118.167.422	84
Investments in EUR (linked to Euribor)	6.043.300	4	21.318.300	15
Investments in other currencies	1.041.766	1	1.674.523	1
TOTAL	**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, 23 April 2010

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d.

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

6 FINANCIAL STATEMENTS

6.1 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, the Company is categorised K 64.990 – other unclassified activities relating to financial services except insurance business and pension fund activities.

The company 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. The company 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 of 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: Company) is the controlling company of Slovenska odškodninska družba Group with registered office in Slovenia, Mala ulica 5, Ljubljana. The Company has financial investments in two subsidiaries and six associated companies. The Company will prepare consolidated financial statements as at 31 December 2009, including for its subsidiary Casino Bled according to the full consolidation method, and associated companies according to the equity method. 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. Individual consolidated financial statements have been prepared in accordance with IFRS.

Subsidiaries as at 31 December 2009:
- PS za avto, d.o.o., Ljubljana, Tržaška cesta 133, the company's equity interest is 90%,
- Casino Bled, d.d., Bled, Cesta svobode 15, the Company's voting rights 75.43%, 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 25,00%,
- PDP, d.d., Dunajska cesta 119, Ljubljana, the Company's equity interest 22,96%,
- Casino Portorož, d.d., Obala 75 a, Portorož, the Company's equity interest 20,00%,
- Hit Nova Gorica, d.d., Delpinova ulica 5, Nova Gorica, the Company's equity interest 20,00%.

In the financial year 2009, the Company had an average workforce of 55.96 employees, calculated on the basis of the number of hours worked. As at 31.12.09, the Company had 56 employees.

The Company's governing bodies are the General Meeting, the Management Board, the Supervisory Board and the Management. The Company's sole shareholder is the Government of the Republic of Slovenia. The Management Board has set up an audit committee.

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

The management approved the publication of the Company's financial statements for the financial year 2009 on 23 April 2009. The Management Board has the possibility of modifying the financial statements after the date of approval by the management.

6.2 STATEMENT BY THE MANAGEMENT

The Management is responsible for the preparation of the annual report so that it presents fairly and accurately the financial position of the Company and its operation results for 2009.

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 Company's operations, 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 Company’s management is not aware of any circumstances that might cause any major liability thereunder.

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

In accordance with the provision of Article 18 of the Company's Articles of Association the Government of the Republic of Slovenia performs the function of the General Meeting. 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, decided on increase or reduction of initial capital, placing the Company's shares on the market and inclusion of new shareholders, decides on the offset of losses, on issue and on the total amount in which the Company’s bonds or other securities 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 Company's General Meeting 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 Slovenian Compensation Fund Act (ZSOS) introduced for the Company a sui generis provision that differs from the provisions on supervisory and managerial bodies as defined by the commercial law and the law of companies. ZSOS laid down as far back as 1993 that the Company may have a management board (which was introduced in joint stock companies only by the Companies Act, Ur. l. RS, no. 42/2006 and others; ZGD-1), which has a president and six members appointed by the General Meeting (the Government of the Republic of Slovenia), and a supervisory board consisting of five members appointed by the National Assembly of the Republic of Slovenia. In respect of the provisions of ZSOS and the Company's Articles of Association, the supervisory board's corporate function performs the management board pursuant to the provisions of ZGD-1. The supervisory board is not a governing body of the Company: ZSOS and the Company's Articles of Association define it as a body in charge of supervising the legality of the Company's operations and its financial operations; it is a specific body not found in other joint stock companies.

The Company's management board represents the Company's 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, the Company's shares are not placed on the market pursuant to the provisions of the Company's Articles of Association. Decision on placing the Company’s shares on the market and inclusion of new shareholders is the responsibility of the Company’s General Meeting, i.e. The Government of the Republic of Slovenia; however, not such decisions are scheduled for the future.

Matjaž Jauk
Deputy Director

Tomaž Kuntarič
Director

Slovenska
odškodninska družba, d.d.
LJUBLJANA

Ljubljana, 23 April 2010

6.3 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 is the controlling company of some subsidiaries. In accordance with Article 545 of ZGD-1, the Company presents the following report on its related party transactions:

Slovenska odškodninska družba has a more than 20% or more equity interest in the following companies: PS za avto, d.o.o., Gio, d.o.o. in liquidation, Casino Bled, d.d., Casino Ljubljana, d.d., Zavarovalnica Triglav, d.d., Pozavarovalnica Sava, d.d., PDP, d.d., Casino Portorož, d.d. and Hit Nova Gorica, d.d. The Company has acquired shares and equity interests in the above-mentioned companies pursuant to the provisions of Ownership Transformation of Enterprises Act and other acts for the purpose of meeting its liabilities for compensation under claims for restitution of nationalised property and liabilities for compensation to war and post-war violence victims. The Company maintains no business relationships with the above-mentioned 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.

In accordance with the provisions of Article 545 of ZGD-1, the Company declares that as the controlling company it did not take advantage of its influence to induce its associated companies to carry out a detrimental legal transaction for their own account or act to their own detriment.

Matjaž Jauk

Deputy Director

Tomaž Kuntarič
Director

Slovenska
odškodninska družba, d.d.
LJUBLJANA

Ljubljana, 23 April 2010

6.4 INDEPENDENT AUDITOR'S REPORT

DELOITTE REVIZIJA D.O.O.
Davčna ulica 1
1000 Ljubljana
Slovenija

Tel: + 386 (0)1 3072 800
Fax: + 386 (0)1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of the company SLOVENSKA ODŠKODNINSKA DRUŽBA d.d. (hereinafter "the Company"), which comprise the statement of financial position as at 31 December 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 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 financial statements based on our audit. 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the unconsolidated financial sta :sent fairly, in all material respects, the financial position of the Company as at 31] 009, and its comprehensive income and its cash flows for the year then endec ance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter – consolidated financial statements

SLOVENSKA ODŠKODNINSKA DRUŽBA, d.d. is the controlling company of the SLOVENSKA ODŠKODNINSKA DRUŽBA Group (hereinafter: "the Group") that prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. The consolidated financial statements of the Group for the year ended 31 December 2009 will be presented separately and have not yet been prepared as of the date of this report.

Report on Other Legal and Regulatory Requirements

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

DELOITTE REVIZIJA d.o.o.

Dušan Hartman
Certified Auditor
Member of the Board

For signature please refer to the original Slovenian version.

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

Ljubljana, 23 April 2010

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

6.5 UNCONSOLIDATED FINANCIAL STATEMENTS

6.5.1 Statement of financial position in EUR

	Note	Balance as at 31.12.2009 IFRS	Balance as at 31.12.2008 IFRC	Balance as at 31.12.2008 SAS
ASSETS		**1,258,130,995**	**1,083,617,803**	**1,350,259,912**
LONG-TERM ASSETS		**1,213,539,761**	**1,026,441,919**	**926,272,041**
Intangible fixed assets and long-term prepaid expenses	1	111,687	150,692	469,072
Tangible fixed assets	2	1,138,407	873,988	868,172
Investment property	3	5,858,797	5,932,235	5,932,235
Long-term financial investments	4	1,046,907,331	855,546,991	910,265,674
Long-term operating liabilities	5	159,523,539	163,938,013	0
Deferred tax receivables	6	0	0	8,736,888
SHORT-TERM ASSETS		**44,571,495**	**57,146,788**	**423,958,775**
Short-term financial investments	7	31,093,576	29,624,347	30,005,760
Short.terrm operating receivables	8	3,566,277	3,303,394	369,733,968
Cash assets	9	9,911,642	24,219,047	24,219,047
SHORT-TERM PREPAID EXPENSES	10	**19,739**	**29,096**	**29,096**
LIABILITIES		**1,258,130,995**	**1,083,617,803**	**1,350,259,912**
CAPITAL	11	**160,659,634**	**10,913,273**	**547,716,983**
Called-up capital		166,917	166,917	166,917
Statutory reserves		16,692	16,692	16,692
Other reserves		0	0	114,569,010
Revaluation surplus		549,597,067	389,144,844	382,727,117
Retained net profit or loss from previous periods		-378,415,180	-305,855,513	1,305,508
Net profit or loss for the financial year		-10,705,862	-72,559,667	48,931,739
PROVISIONS AND LONG-TERM ACCRUED EXPENSES	12	**238,862,848**	**317,625,783**	**508,906**
LONG-TERM LIABILITIES		**746,944,284**	**607,309,978**	**654,353,736**
Long-term financial liabilities	13	743,233,044	603,598,738	603,917,118
Long-term operating liabilities	13	3,711,240	3,711,240	3,711,240
Deferred tax liabilities	6	0	0	46,725,378
SHORT-TERM LIABILITIES	14	**111,578,681**	**147,673,555**	**147,673,555**
Short-term financial liabilities		81,580,668	111,883,340	111,883,341
Short-term operating liabilities		29,998,013	35,790,215	35,790,214
				0
SHORT-TERM ACCRUED EXPENSES	15	**85,548**	**95,214**	**6,732**

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

6.5.2 Statement of comprehensive income in EUR

Items	Note	1 - 12/ 2009	1 - 12/ 2008	1 - 12/ 2008
		IFRS	IFRS	SAS
Net sales revenues	16	512,446	283,339	283,339
Other operating income (with revaluatory operating income	16	18,482,028	5,828,876	633,551
Operating income		**18,994,474**	**6,112,215**	**916,890**
Costs of goods, materials and services	17	-1,519,444	-1,712,860	-1,712,860
Labour costs	18	-2,606,308	-2,737,498	-2,720,715
Depreciation	19	-320,644	-210,300	-216,116
Long-term provisions	20	-2,991,583	-7,902,255	-66,506
Amounts written off	21	-1,253,505	-556,300	-556,300
Other operating income	22	-26,573,845	-25,270,150	-20,366
Operating profit or loss		**-16,270,855**	**-32,277,148**	**-4,375,973**
Financial income	23	38,409,051	172,908,778	170,584,905
Financial expenses	23	-52,811,351	-91,666,053	-124,853,536
Other income	24	7,005	240,026	240,026
Other expenses	24	-8	-51,374	-51,374
Profit or loss before taxation		**-30,666,158**	**49,154,229**	**41,544,048**
Profits tax	25	0	0	0
Deferred taxes	6.25	19,960,296	-121,713,896	7,387,691
Net profit or loss for the accounting period		**-10,705,862**	**-72,559,667**	**48,931,739**
Earnings per share - basic in EUR	**11**	**-107,058.62**	**-725,596.67**	**489,317.39**
Profit/loss recognised in revaluation surplus		180,412,519	-1,002,367,204	-1,010,260,245
Corporation tax from other overall return		-19,960,296	121,681,618	123,286,049
Other overall return after taxation	11	**160,452,223**	**-880,685,586**	**-886,974,196**
Total overall return for the financial year after taxation		**149,746,361**	**-953,245,253**	**-838,042,457**
Majority owner's holding		**149,746,361**	**-953,245,253**	**-838,042,457**

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

6.5.3 Statement of cash flows in EUR

		1 - 12 / 2009	1 - 12 / 2008
A.	**Cash flows from operating activities**		
a)	*Inflows*	*35,407,847*	*15,692,798*
	Other inflows	35,407,847	15,692,798
b)	*Outflows*	*-191,327,841*	*-314,074,389*
	Expenses for the purchase of materials and services	-1,529,169	-1,994,423
	Expenses for wages and workers' participation in profit	-2,611,487	-2,720,715
	Expenses for various charges	-32,641	-81,215
	Other operating expenses	-187,154,544	-309,278,036
c)	***Net cash flow from operating activities***	***-155,919,994***	***-298,381,591***
B.	**Cash flows from investing activities**		
a)	*Inflows*	*416,274,062*	*726,832,097*
	Receipts from interest and participation in profits of other entiti	15,288,438	27,136,702
	Receipts from disposal of tangible fixed assets	16,150	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*	*-406,949,602*	*-474,747,088*
	Expenses for acquisition of intangible fixed assets	-8,280	-23,123
	Expenses for acquisition of tangible fixed assets	-847,695	-1,539,452
	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***	***9,324,460***	***252,085,009***
C.	**Cash flows from financing activities**		
a)	*Inflows*	*233,499,265*	*144,038,650*
	Receipts from increase in long-term financial liabilities	180,000,000	0
	Receipts from increase in short-term financial liabilities	53,499,265	144,038,650
b)	*Outlows*	*-101,211,136*	*-99,298,024*
	Interest expenses relating to financing	-2,711,871	-259,374
	Expenses for repayment of short-term financial liabilities	-98,499,265	-99,038,650
c)	***Net cash flow from financing activities***	***132,288,129***	***44,740,626***
Č.	**Cash at the end of period**	**9,911,642**	**24,219,047**
	Net increase/decrease in cash	*-14,307,405*	*-1,555,956*
	Cash at the beginning of period	*24,219,047*	*25,775,003*

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

6.5.4 Statement of changes in equity in EUR

	Initial capital	Statutory reserves	Reserves	Retained profit/lossf from peevious per.	Net profit/loss	Revaluation of financial investments intended to be sold in net amount	Total
Balance as at 01/01/2008 according to SAS	*166,917*	*16,692*	*21,726,537*	*1,446,089*	*92,842,473*	*1,269,701,313*	*1,385,900,021*
Rectified errors from previous year				*-417,872,443*			*-417,872,443*
Transition to IFRS				*-3,998,169*		*129,117*	*-3,869,052*
Reallocations			*-21,726,537*	*114,569,010*	*-92,842,473*		*0*
Balance as at 01/01/2008 according to IFRS	*166,917*	*16,692*	*0*	*-305,855,513*	*0*	*1,269,830,430*	*964,158,526*
							0
Total overall return for reporting period	**0**	**0**		**0**	**-72,559,667**	**-880,685,586**	*-953,245,253*
Input of operating profit/loss for reporting period					-72,559,667		-72,559,667
Change in financial investment revaluation surplus						-880,685,586	*-880,685,586*
Changes in equity	**0**	**0**	**0**	**-72,559,667**	**72,559,667**	**0**	*0*
Allocation of residual net profit for benchmark reporting period to other capital components				-72,559,667	72,559,667		0
							0
Closing balance 31.12.2008	**166,917**	**16,692**	**0**	**-378,415,180**	**0**	**389,144,844**	**10,913,273**
							0
Total overall return for reporting period	**0**	**0**		**0**	**-10,705,862**	**160,452,223**	*149,746,361*
Input of net operating profit/loss for reporting period					-10,705,862		-10,705,862
Change in financial investment revaluation surplus						160,452,223	*160,452,223*
Changes in equity	**0**	**0**	**0**	**-10,705,862**	**10,705,862**	**0**	*0*
Allocation of residual net profit for benchmark reporting period to other capital components				-10,705,862	10,705,862		0
							0
Closing balance 31.12.2009	**166,917**	**16,692**	**0**	**-389,121,042**	**0**	**549,597,067**	**160,659,634**

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

6.5.5 Determination of distributable profit/loss for 2009 in EUR

Net profit or loss for 2009		-10,705,862
Retained profit or loss from previous periods		-378,415,180
Accumulated loss for 2009		-389,121,042

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

6.6 ACCOUNTING POLICIES

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

6.6.1 Statement of compliance with IFRS

In addition to its individual financial statements, Slovenska odškodninska družba will also prepare consolidated financial statements. In both its individual and consolidated financial statements, together with notes thereto, the Company 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 Company's sole shareholder with the function of the General Meeting of Slovenska odškodninska družba, d.d. 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 Company complied with Slovenian legislation (ZGD-1) and internal rules of its own. In the transtional period, the Company fully observed the provisions of IFRS 1 – First Use of International Financial Reporting Standards.

6.6.2 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 staments.

In the preparation of its financial statements, the Company observes the following gerneral valuation rules: going concern, consistency and, particularly, accrual. The company considers that it will still operate in the future and that periodic statements, including annual ones, have only a relative importance.

Changes in economic categories are considered alongside the accruals. In each comparison between revenues and expenses, only appropriate expenses may be posted agains revenues notwithstanding receipts and expenditures. Accounting treatment of economic categories cannot be modified with regard to the Company'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’s are 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, the Company 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 2009).
- 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).

The Company has decided not to adopt these standards, adjustments and interpretations until they become effective. The Company 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).

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

6.6.3 Revenue recognition

Revenues are recognised on the basis of sales of services and on receipt of additional assets for payment of compensations under denationalisation claims, compensations to war and post-war violence victims and for confiscated property. 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 is recognised when the shareholder's right to receive the dividend is established, i.e. when the Company is notified of the payment of dividends/
- Income from sales of financial investments is recognised on the date of settlement. An exception to this rule exists only when the Company holds an irrevocable guarantee issued by a domestic bank or other full guarantee on the conclusion of a sales agreement. The Company considers the receipt or delivery of this kind of security instrument as settlement and, in this case, makes the necessary postings prior to the actual inflow/outflow of funds.

6.6.4 Investments in subsidiaries

A group subsidiary company is a company in which the controlling company has a controlling interest or a controlling influence for other reasons and joins the group for which 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.

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

6.6.5 Investments in associates

Associated companies are those in which the Company has between 20% and 50% of voting shares and in which the Company has a significant influence on their operations, but does not control them. Financial investments in associates are valued in the Company's financial statements pursuant to IAS 39 – they are recognised at fair value or at cost when fair value cannot be measured with accuracy. The Company laid down in its policies that all financial investments in equity instruments should be allocated to the group – for the purpose of selling available assets. Profit or loss on investment listed on the regulated capital market and is a result of revaluation to fair value is recognised indirectly in equity (in revaluation surplus) except losses due to impairment that are recognised in the profit and loss account as financial expenses.

6.6.6 Currency reporting

a. Functional and presentation currency

Amounts in the Company's financial statements 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 euros at the reference rate of exchange of the European Central Bank (ECB) on the transaction date. Profits and losses resulting from these transactions and in the revaluation of cash assets and liabilities expressed in a foreign currency are recognised in the profit and loss 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.

6.6.7 Intangible fixed assets and long-term prepaid expenses

Intangible fixed assets comprise investments in computer software and other intangible 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 solely when there is a probability that the Company will receive economic benefits in the future and if the acquisition cost can be reliably measured.

The Company 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.

6.6.8 Tangible fixed assets

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

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

property	3,0 – 5,0%
parts of buildings	6%
computer equipment	33,3 – 50%
motor vehicles	12,5 – 20%
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.

6.6.9 Investment property

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

Investment property is considered to be a plot of land and 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 that the 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.

6.6.10 Financial assets

The company 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 group, the Company 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 the 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, the Company determines 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.

6.6.11 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).

6.6.12 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 there from.

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 ne 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, expire 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 Company 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 Company 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, the Company makes reimbursements for investments in public telecommunications network from its own funds; however, a refund is guaranteed by the law.

6.6.13 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 the Company signed a contract for bank account overdraft, it is shown in short-term financial liabilities in the balance sheet.

6.6.14 Provisions

Provisions are recognised when the 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 obligation 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.

6.6.15 Provisions for termination benefits on retirement and long-service bonuses

In accordance with legislation and the Company's internal regulations, the Company is liable for payment of long-service bonuses and termination benefits on retirement, for which it creates long-tem provisions. This 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.

6.6.16 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.

6.6.17 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.

The company recognises financial liabilities when incurred at fair value, without transaction costs arising there from. 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.

6.6.18 Capital

The Company's entire capital 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. The company allocates the total generated profit to reserves in accordance with the Slovenian Compensation Fund Act (ZSOS) and its Articles of Association.

6.6.19 Own shares

Company does not dispose of own shares, nor intends to acquire.

6.6.20 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.

6.6.21 Benchmark information

Slovenska odškodninska družba 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, the Company harmonised its accounting policies and SAS valuation methods with IFRS. Comparative figures for the financial year 2008 were calculated in accordance with IFRS and reflect adjustments to IFRS. Effects of these calculations, i.e. switching from SAS to IFRS are presented below.

6.7 SPECIFICATION OF EFFECTS OF TRANSITION TO IFRS AND RECTIFIED ERRORS IN FINANCIAL STATEMENTS

in EUR

	Note	Opening 01.01.08	Balance 31.12.2007 SAS
ASSETS		**2,101,799,260**	**2,504,999,063**
LONG-TERM ASSETS		**1,974,845,215**	**2,174,418,989**
Intangible fixed assets and long-term prepa	A	90,897	435,994
Tangible fixed assets		925,831	925,831
Long-term financial financial investments	B	1,917,678,574	2,171,567,385
Long-term operating liabilities	C	56,149,913	0
Deferred tax liabilities	H	0	1,489,779
SHORT-TERM ASSETS		**126,941,901**	**330,567,930**
Short-term financial investments		95,671,285	95,671,285
Short-ter operating receivables	D	5,495,613	209,121,642
Cash assets		25,775,003	25,775,003
SHORT-TERM PREPAID EXPENSES		**12,144**	**12,144**
LIABILITIES		**2,101,799,260**	**2,504,999,063**
CAPITAL		**964,158,526**	**1,385,900,021**
Called-up capital		166,917	166,917
Statutory reserves		16,692	16,692
Other reserves	I	0	21,726,537
Revaluation surplus	I	1,269,830,430	1,269,701,313
Retained profit/loss from previous periods	I	-305,855,513	1,446,089
Net profit/loss for the financial year	I	0	92,842,473
PROVISIONS AND LONG-TERM ACCRUED EXPENSES	E	**403,966,742**	**623,234**
LONG-TERM LIABILITIES		**619,014,960**	**789,371,484**
Long-term financial liabilities	A	619,014,960	619,360,057
Deferred tax liabilities	H	0	170,011,427
SHORT-TERM LIABILITIES		**114,581,138**	**329,098,129**
Short-term financial liabilities		74,690,298	74,690,298
Short-term operating liabilities	F	39,890,840	254,407,831
SHORT-TERM ACCRUED EXPENSES	G	**77,894**	**6,195**

Complying with the provisions of IFRS 1, the Company drew up an opening balance sheet on the transition to IFRS. This opening balance showed all assets and liabilities the recognition of which requires IFRS and rectified errors. It particularly referred to the modified method of recording accounting events.

Note A – Intangible fixed assets and long-term prepaid expenses and long-term financial liabilities

Table 21.: Changes in intangible fixed assets and long-term prepaid expenses

		EUR
Value of intangible fixed assets according to SAS	01/01/2008	435,994
Transfer to long-term liabilities - costs of purchase of own bonds		-345,097
Value according to IFRS and rectified errors from previous years	**01/01/2008**	**90,897**

The costs of purchase of own shares represent the difference between the acquisition and nominal value of SOS2E bonds which the Company purchased in the previous years. The company gradually transfers the costs to the profit or loss. Bonds are valued at repayment value. As a result of rectified errors from previous years, long-term prepaid expenses decreased by EUR 345,097; long-term liabilities decreased by the same amount.

		EUR
Value of long-term financial liabilities according to SAS	01/01/2008	619,360,057
Transfer from l/t prepaid expense cost of purchase of own shares		-345,097
Value according to IFRS and rectified errors from previous years	**01/01/2008**	**619,014,960**

Note B – Long-term financial investments

Table 22.: Changes in long-term financial investments

		EUR
Value of long-term financial assets according to SAS	01/01/2008	2,171,567,385
Reversal of recognition of financial investments received for ZVVJTO		-270,666,904
Recognition of put option at fair value		20,614,865
Revaluation of long-term financial investments to fair value		-3,836,772
Value according to IFRS and rectified errors from previous years	**01/01/2008**	**1,917,678,574**

On behalf of the state and pursuant to the provisions of ZVVJTO, the Company provides reimbursements for investments in public telecommunications network. The Government of the Republic of Slovenia transferred to the Company a 10% interest in the company Telekom as the source of funds for these reimbursements. The contract between the Government of the Republic of Slovenia and the Company stipulates that if the purchase pice for the above-mentioned interest exceeds the amount of reimbursements and related costs, the Company should refund the difference to the central government budget. It is also agreed that, if the purchase price proves insufficient to cover outflows and expenses, the Company is entitled to additional funds from the state. Hence the Company expects no economic benefits from these assets and abolished recognition. Funds received for this purpose are recorded off balance sheet.

In 2007, the Company entered into a put option contract for the disposal of its interest in Splošna plovba Portorož. The execution of the contract is secured by a guarantee issued by a first-rate bank. The amount bears interest at the rate specified by the contract.

On transition to IFRS it was established that some financial investments showed signs of impairment. Their value was re-examined and adjustments were posted against the retained profit or loss from previous periods.

Note C – Long-term operating receivables

Table 23.: Changes in long-term operating receivables

		EUR
Long-term operating receivables according to SAS	01/01/2008	**0**
Establishment of receivables from the state for ZVVJTO		56,149,913
Value according to IFRS and rectified errors from previous years	**01/01/2008**	**56,149,913**

The Company started providing reimbursements for investments in public telecommunications network in 2007. Payments in 2007 and 2008 were made from the Company's own funds so that the Company had to borrow and pledge its above-mentioned shares. The Company does not dispose freely of these shares. Receivables as at 1 January 2008 represent total payments in 2007 and costs of compliance with of the law during the same year.

Note D – Short-term operating receivables

Table 24.: Changes in short-term operating receivables

		EUR
Value of short-term operating receivables according to SAS	01/01/2008	209,121,642
Reversed recognition of receivable from the state - Zden		-87,652,901
Reversed recognition of receivable from the state - ZSPOZ		-68,398,310
Reversed recognition of receivable from the state - ZIOOZP		-47,574,818
Value according to IFRS and rectified errors from previous years	**01/01/2008**	**5,495,613**

In the period after 1 January 2005 the Company posted compensations to rightful claimants according to ZDen, ZSPOY and ZIOZP as receivables from the state. The appropriateness and regularity of such recording was subject to verification. The Company received earmarked funds for denationalisation (ZDen); therefore, receivables from the state cannot be presented until it is determined that funds received are not sufficient to cover liabilities to rightful claimants in denationalisation procedures. Likewise, the Company has no basis for recognising its receivables from the State under ZSPOZ and ZIOZP since both acts provide that the Company should also pay compensations from funds received for denationalisation. Receivables from the state were cancelled to the debit of retained profit or loss from previous periods.

When paying compensations in denationalisation procedures, the Company uses provisions when liability to a rightful claimant is incurred. For compensations according to ZSPOZ and ZIOOZP, expenses are made when liability to rightful claimants is incurred.

Note E – Provisions

Table 25.: Changes in provisions

		EUR
Value of long-term provisions according to SAS	01/01/2008	623,234
Creation of provisions for denationalisation		403,343,508
Value according to IFRS and rectified errors from previous years	**01/01/2008**	**403,966,742**

On transition to IFRS, the Company created a long-term provision for compensations to rightful claimants in denationalisation procedures on the basis of a thorough assessment of known facts and pas experiences. Details of denationalisation procedures are shown in chapter 3.1. – Business Report of this annual report. The company examined all claims received and determined the most likely amount of compensation to be paid in the future. Claims are in different stages of consideration. The requested amount does usually not equal the recognised compensation. In determining the amount of compensation for individual claims, statistical data of previously answered requests are used. The amount of compensation is converted into the number of SOS2E bonds that are delivered to beneficiaries. In addition to compensation, the amount of provisions also includes interest according to amortisation schedule calculated until the balance sheet cut-off date.

Note F – Short-term operating liabilities

Table 26.: Changes in short-term operating liabilities

		EUR
Value of short-term operating receivables according to SAS	01/01/2008	254,407,831
Reversed recognition of liabilities for ZVVJTO		-214,516,991
Value according to IFRS and rectified errors from previous years	**01/01/2008**	**39,890,840**

On the asset side of the balance sheet, recognition of financial investment acquired for a specific purpose (10% interest in the company Telekom) was cancelled. On receipt of the above-mentioned shares, the Company recorded an increase in financial investments and liability to beneficiaries, which it reduced by amounts of received settlements (signed by the attorney general). As indicated in item long-term operating receivables, a different method of recording accounting events was adopted. The Company will post the liability to beneficiaries and receivables from the state for the amount of received settlements. Liability to beneficiaries is reduced by refunds (transfers) of the Company's investments.

Note G – Short-term accrued expenses

Table 27.: Changes in short-term accrued expenses

		EUR
Short-term accrued expenses according to SAS	01/01/2008	6,195
Accrued expenses for unused portion of annual leave		71,699
Value according to IFRS and rectified errors from previous years	**01/01/2008**	**77,894**

Short-term accrued expenses relate to unused annual leave entitlements chargeable to retained profit or loss from previous periods.

Note H – Long-term deferred receivables and tax liabilities

Table 28.: Changes in long-term deferred tax receivables

		EUR
Value of long-term defered tax receivables according to SAS	01/01/2008	1,489,779
Established under conversion of financial investments according to IFRS		799,634
Established under changes in accounting		34,608,889
Established under unused tax losses		57,899,722
Established under recognised provisions		80,668,701
Reconciliation of receivables - to the amount of liabilities		-1,300,046
Value according to IFRS and rectified errors fromp previous years	**01/01/2008**	**174,166,679**

The Company has large amounts of unused tax losses from previous years. Since, on the other hand, it has considerable amounts of deferred tax liabilities, the Company recognised the deferred receivable from unused tax losses.

The Company thoroughly checks and determines the value of future liabilities. So far, these potential liabilities have been recorded off balance sheet. During the years, these estimates have come increasingly close to the real values since there is more available information, better quality data, and experience also counts, after all. As at 1 January 2008, the calculated amount of necessary provisions for denationalisation was EUR 403 million.

Since it is impossible to anticipate with accuracy whether there will be enough taxable profits in the future in order to use all tax reliefs and tax credits, the Company decided to present in its financial statements deferred tax receivables in the amount that equals deferred tax liabilities.

Table 29.: Changes in long-term deferred tax liabilities

		EUR
Value of long-term deferred tax liabilities according to SAS	01/01/2008	170,011,427
Increase in liabilities - revaluation of financial investments		32,279
Increase in liabilities - additionally recognised income		4,122,973
Value according to IFRS and rectified errors from previous years	**01/01/2008**	**174,166,679**

Table 30.: Offset long-term deferred receivables and tax liabilities

		EUR
Value of long-term deferred tax receivables according to IFRS		174,166,679
Value of long-term deferred tax laibility according to SAS		-174,166,679
Offset value according to IFRS and rectified errors from previous years	**01/01/2008**	**0**

Note I – Capital

Table 31.: Changes in revaluation surplus

		EUR
Revaluation surplus according to SAS	01/01/2008	1,269,701,313
Revaluation to fair value - transfer to IPI		161,396
Change in amount of deferred tax liability		-32,279
Value according to IFRS and rectified errors from previous years	**01/01/2008**	**1,269,830,430**

Table 32.: Changes in retained profit or loss from previous periods and net profit or loss for the financial year

		EUR
Value of transferred net operating profit/loss according to SAS	01/01/2008	1,446,089
Net profit/loss for 2007 according to SAS		92,842,473
Revaluation of long-term financial investments		-3,998,169
Provisions created for compensations under denationalisation		-403,343,507
Established liabilities for unused portion of annual leave		-71,699
Reversed recognition of receivable from the state for Zden,ZSPOZ and ZIOOZP		-203,626,029
Recognition of put option at fair value		20,614,865
Drawing on reserves		21,726,537
Established deferred tax receivable		172,676,900
Established deferred tax liability - recognition of derivative instrument		-4,122,973
Value according to IFRS and rectified errors from previous years	**01/01/2008**	**-305,855,513**

Table 33.: Changes in equity in 2008

		EUR
Value of capital according to SAS	31/12/2008	547,716,983
Changes on transition date 01/01/2008		-421,741,495
revenues for the pursposes of Zden and ZSPOZ (before: decrease of receivables from the state		5,195,325
Revaluation of put option to fair value		2,223,643
Established expenses for unused portion of annual leave		-16,783
Reduction of cost of depreciation		5,816
Expenses for Zden (cash payments)		-1,158,283
Expenses for compensations for ZSPOZ		-19,511,717
Expenses for compensations for ZIOOZP		-4,579,784
Reduction of interest expenses SOS2E (drawing on provisions)		37,739,514
Creation of provisions for denationalisation		-7,835,749
Revaluation to fair value (impairment of financial investments)		-4,451,801
Revaluation surplus		6,288,610
Reduction of deferred tax receivable (reversal of receivable)		-128,961,006
Value according to IFRS and rectified errors from previous years	**31/12/2008**	**10,913,273**

The statement of cash flows for 2008 presented in accordance with IFRS showed no major discrepancies as compared with the funds flow statement for 2008 prepared in accordance with SAS.

6.8 MANAGEMENT OF FINANCIAL RISKS

The Company continuously monitors and assesses financial risks and strives to achieve long-term liquidity and avoid excessive exposure to individual risks. The company 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 Company 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 Company has set restrictions and limits for individual issuers and banks, which are renewed on an annual basis in respect of their balance sheet data. Ratings of internationally renowned credit agencies are used in the analysis of individual securities.

Tough conditions on financial markets resulted in a more rigorous control of the Company's business partners and banks. The Company 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 Company 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) Risk of changes in interest rates

The Company 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 to fixed rate of interest. Changes in market rates of interest do not affect the Company's liabilities for issued SOS2E bonds that represent the Company'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 Company'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 Company 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 Company'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 Company met all its liabilities in 2009 in time. The Company 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 Company'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 Company, which is further increased by a high lack of liquidity of the majority of major investments.

Table 34.: Liquidity of major investments of the Company 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 35.: The Company's domestic shares of first and stock exchange listing as at 31 December 2009

Type of equity investment	Amount in EUR	Share in %
Krka, d.d.	340,184,963	40.28
Petrol, d.d.	132,539,175	15.69
Zavarovalnica Triglav, d.d.	150,960,252	17.88
Other investments	220,843,620	26.15
Total	**844,528,010**	**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 Company established a high level of exposure to the risk of change in marketable shares. On the liabilities side, the Company 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 36.: 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 - 15%**	**Change in market prices + 20%**	**Change in market prices - 20%**
Krka, d.d., Novo Mesto	340,184,963	51,027,744	-51,027,744	68,036,993	-68,036,993
Petrol, d.d., Ljubljana	132,539,175	19,880,876	-19,880,876	26,507,835	-26,507,835
Zavarovalnica Triglav, d.d.	150,960,252	22,644,038	-22,644,038	30,192,050	-30,192,050
Other investments	220,843,620	33,126,543	-33,126,543	44,168,724	-44,168,724
Non-marketable domestic shares	119,317,346	17,897,602	-17,897,602	23,863,469	-23,863,469
Investment companies	2,080,935	312,140	-312,140	416,187	-416,187
Foreign shares	3,560,255	534,038	-534,038	712,051	-712,051
Mutual fundsi	17,383,340	2,607,501	-2,607,501	3,476,668	-3,476,668
Total shares	**986,869,886**	**148,030,482**	**-148,030,482**	**197,373,977**	**-197,373,977**

Source: AdTreasury Programme - SOD treasury support

The table shows the effect of changes in market prices for individual investments or type of investment. Due to a large share of equity investments in total assets, a 20% change in prices of shares on capital markets results in a 17.9% change in the value of all investments. The change in the value of Slovenian shares by 20% alone results in a 17.5% change in the value of all investments.

The Company high lack of liquidity represents an additional risk since the Company has difficulty in responding to market changes.

6.9 NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

6.9.1 Notes to the statement of financial position

Note 1 Intangible fixed assets

Table 37.: Movement of intangible fixed assets and long-term prepaid expenses in 2009 in EUR

	l/t property rights	Other l/t prepaid expenses	Total
Acquisition value			
Acquisition value as at 01/01/2009	*517,831*	*75,009*	*592,840*
New acquisitions	8,280	0	8,280
Disposals	0	0	0
Acquisition value as at 31/12/2009	*526,111*	*75,009*	*601,120*
			0
Value adjustment			*0*
Value adjustment as at 01/01/2009	*433,814*	*8,334*	*442,148*
Depreciation for the current year	34,785	0	34,785
Transfer to profit/loss	0	12,500	12,500
Disposals	0	0	0
Value adjustment as at 31/12/2009	*468,599*	*20,834*	*489,433*
Present value 01/01/2009	84,017	66,675	150,692
Present value 31/12/2009	**57,512**	**54,175**	**111,687**

Table 38.: Movement of intangible fixed assets and long-term prepaid expenses in 2008 in EUR

	L/t property rights	Other l/t prepaid expenses	Total
Acquisition value			
Acquisition value as at 01/01/2008	*499,940*	*0*	*499,940*
New acquisitions	23,123	75,009	98,132
Disposals	-5,232	0	-5,232
Acquisition value as at 31/12/2008	*517,831*	*75,009*	*592,840*
			0
Value adjustment			*0*
Value adjustment as at 01/01/2008	*409,043*	*0*	*409,043*
Depreciation for the current year	30,003	0	30,003
Transfer to profit/loss	0	8,334	8,334
Disposals	-5,232	0	-5,232
Value adjustment as at 31/12/2008	*433,814*	*8,334*	*442,148*
Present value 01/01/2008	90,897	0	90,897
Present value 31/12/2008	**84,017**	**66,675**	**150,692**

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

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

In accordance with accounting rules, an important asset is an asset whose individual value exceeds 8% of the value of total intangible assets.

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

Note 2 Tangible fixed assets

Table 39.: Movement of tangible fixed assets in 2009 in EUR

	Land	Buildings	Equipment and spare parts	Small tools	Equipment under construction	Total
Acquisition value						
Acquisition value as at 01/01/2009	*116,318*	*1,597,490*	*513,446*	*16,472*	*326*	*2,244,052*
New acquisitions	23,646	339,388	72,301	0	0	435,335
Disposals	0	0	-66,217	0	-326	-66,543
Acquisition value as at 31/12/2009	*139,964*	*1,936,878*	*519,530*	*16,472*	*0*	*2,612,844*
Value adjustment						
Value adjustment as at 01/01/2009	*0*	*1,043,946*	*313,226*	*12,893*	*0*	*1,370,065*
Depreciation for the current year	0	81,566	60,839	2,321	0	144,726
Disposals	0	0	-40,354	0	0	-40,354
Value adjustment as at 31/12/2009	*0*	*1,125,512*	*333,711*	*15,214*	*0*	*1,474,437*
Present value as at 01/01/2009	116,318	553,544	200,220	3,579	326	873,987
Present value as at 31/12/2009	**139,964**	**811,366**	**185,819**	**1,258**	**0**	**1,138,407**

Table 40.: Movement of tangible fixed assets in 2008 in EUR

	Land	Buildings	Equipment and spare parts	Small tools	Equipment under construction	Total
Acquisition value						
Acquisition value as at 01/01/2008	*116,318*	*1,621,352*	*449,756*	*18,959*	*0*	*2,206,385*
New acquisitions	0	3,715	123,769	0	326	127,810
Disposals	0	-27,577	-60,079	-2,487	0	-90,143
Acquisition value as at 31/12/2008	*116,318*	*1,597,490*	*513,446*	*16,472*	*326*	*2,244,052*
Value adjustment						
Value adjustment as at 01/01/2008	*0*	*965,061*	*304,258*	*11,235*		*1,280,554*
Depreciation for the current year	0	78,885	50,952	3,476		133,313
Disposals	0	0	-41,984	-1,818		-43,802
Value adjustment as at 31/12/2008	*0*	*1,043,946*	*313,226*	*12,893*	*0*	*1,370,065*
Present value 01/01/2008	116,318	656,291	145,498	7,724	0	925,831
Present value 31/12/2008	**116,318**	**553,544**	**200,220**	**3,579**	**326**	**873,987**

In 2009, the Company purchased a part of the seventh storey of the building in which it has had office. The lease for the fifth floor expired, so that there was a need for substitute premises. Tangible fixed assets are not encumbered by mortgages, liens and other charges. Disposal of tangible fixed assets represented sales and removal of unnecessary assets.

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

Tangible fixed assets important to the Company are buildings and equipment of which the individual aquisition cost exceeds 8% of the total tangible fixed assets. As at the balance sheet date, the Company had an outstanding liability for the acquisition of tangible fixed assets totalling EUR 3,185.

Note 3 Investment property

Table 41.: 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 42.: 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 Company is a joint owner (33.55%) of investment property that is encumbered by a lien amounting to EUR 1 million. The other two joint owners are Pension Found Management and D.S.U.

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 Company generated EUR 477,000 income in 2009. Expenses relating to this investment property totalled EUR 313,000.

As at the balance sheet date, the Company has 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 Company 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 Company also had an outstanding liability for the completion of investment property totalling EUR 51,539.

At the end of the year, the Company 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 43.: Distribution of financial investments in EUR

	31/12/2009	31/12/2008
Long-term fin. Investments in subsidiaries	4,741,211	4,741,211
Long-term fin. Investments in associates	210,511,007	128,156,354
Long-term fin. Investments at fair value through profit or loss	25,062,152	22,838,509
Other fin. Investments available for sale	772,071,570	674,043,219
Loans	34,521,391	25,767,697
Total	**1,046,907,331**	**855,546,990**

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

Table 44.: Investments in shares and holdings in which the Company has a 20% or more interest

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	0.00	-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	likv.bil.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

The information on the following companies is taken from audited financial statements: Zavarovalnica Triglav, d.d., Hit Nova Gorica, d.d., and Casino Portorož, d.d..

a) Investments in subsidiaries

As at 31 December 2009, the 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 book value of investment is EUR 984,000. Investment in a subsidiary is carried at cost. An impairment test is made every year.

The Company's interest in the company PS za avto was 90% on the balance sheet date. The book value of the investment on the same date was EUR 3,757,000. The investment is carried at cost. An impairment test is made every year. 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.

b) Long-term financial investments in associates

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

- in the company Zavarovalnica Triglav, in which the Company 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 Company's voting rights equal the percentage of ownership due to non-payment of dividends.

Table 45.: Investments in associates

	31/12/2009	31/12/2009	31/12/2008
	voting rights in %	EUR	EUR
Gio, d.o.o in liquidation	41.23	2,137,950	2,137,950
Casino Ljubljana, d.d.	-	0	0
Paloma, d.d.	-	0	0
Hit, d.d.	33.33	7,478,150	7,478,150
Zavarovalnica Triglav, d.d.	28.07	150,960,252	91,320,174
Pozavarovalnica Sava, d.d.	25.00	32,370,927	26,800,225
PDP, d.d., Ljubljana	22.96	16,492,894	0
Casino Portorož, d.d.	20.00	1,070,834	419,855
Total		**210,511,007**	**128,156,354**

Investments in associated companies that are listed on the regulated market are carried by the Company at fair value (revaluations are posted to capital, i.e. revaluation surplus), and other investments are carried at cost.

In 2009, the Company 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, the Company conducted 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 Company made an adjustment for the investment of EUR 349,000.

In 2009, the Company 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. The Company impaired its financial investment in Casino Maribor to EUR 0 as early as 2008.

c) Financial investments at fair value through profit or loss

In 2007, the Company 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 was added in the amount of EUR 2,223,643, and book value as at 31 December 2009 was EUR 25,062,152.

d) Other financial investments available for sale

Table 46.: Other investments available for sale (without investments in subsidiaries and associates) in EUR

	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	66,970,081	66,970,081
Total at cost	*87,396,308*	*96,587,844*
Total	**772,071,570**	**674,043,219**

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

At the end of 2009, the Company 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 company 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 47.: 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) Changes in long-term financial investments

Table 48.: Changes in long-term financial investments in 2009 in EUR

	31/12/2008	Acquisitions	Disposals	Revaluation	31/12/2009
Long-term investments in subsidiaries	4,741,211	0	0	0	4,741,211
Long-term investments in associates	128,156,355	17,492,893	354,284	65,216,043	210,511,007
Long-term 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	**855,546,991**	**39,560,149**	**23,243,769**	**175,043,960**	**1,046,907,331**

One of the acquisitions of investments in associated companies is EUR 16.5 million capital increase of the company PDP, d.d.

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.

Revaluation of investments in associates relates to an increase in market value of shares of Zavarovalnica Triglav (EUR 59.6 million) and Pozavarovalnica Sava (EUR 5.6 million).

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

The Company 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 Company disposed of shares of Unior, Vegrad and Paloma.

Table 49.: Changes in long-term financial investments in 2008 in EUR

	31/12/2007	Acquisitions	Disposals	Revaluation	31/12/2008
Long-term investments in subsidiaries	6,937,140	0	0	-2,195,929	4,741,211
Long-term investments in associates	77,724,113	214,569	25,962,075	76,179,748	128,156,355
Long-term financial 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	**1,918,759,244**	**31,640,696**	**70,901,852**	**-1,023,951,097**	**855,546,991**

Note 5 Long-term operating receivables

In accordance with the provisions of ZVVJTO, the Company makes reimbursements of investments in public telecommunications network to entitled beneficiaries. The Company 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, the Company 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, the Company would have to pay the excess amount in to the budget. In 2009, the Company 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 Company 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 Company is also recognised the costs of implementing the law.

Table 50.: 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 laibility method and 20% tax.

Table 51.: 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 creaded for litigations and unused tax losses.

Table 52.: 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
Balance 31/12/2009	8,277,884	1,227,192	333,329	58,451,700	68,290,105

The Company 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 Company 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 Company 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 53.: Movement of long-term deferred tax liabilities in EUR

Deferred tax receivables 01/01/2009	48,329,809
Transfer to profit or loss	417,681
Change due to modified tax base	19,542,615
Balance 31/12/2009	68,290,105

Note 7 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 54.: 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 Company 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 Company granted no loans to its management, Management Board and Supervisory Board members.

The Company received no collateral instruments for granted loans.
Risk exposure is explained in point 6.8.

Note 8 Short-term operating receivables

Table 55.: Short-term operating receivables in EUR

	31/12/2009	31/12/2008
Receivables from buyers in the country	39,456	42,174
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	439,853	364,846
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	1,051,515
Adjustment of other receivables	-1,904,264	-1,050,809
Total	3,566,277	3,303,394

Receivables for which it is assumed that they will not be paid in full are considered as doubtful. The company 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 Company 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 the Company 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 the Company 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 implemenation 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 company 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 56.: Movement of the value of receivables adjustment in EUR

	31/12/2009	31/12/2008
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 9 Cash in bank and cash in hand

Table 57.: Cash in bank and cash in hand in EUR

	31/12/2009	31/12/2008
Cash in hand	475	757
Cash at bank	42,167	62,160
Money equivalents	9,869,000	24,156,130
Total	9,911,642	24,219,047

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 10 Short-term prepaid expenses

Table 58.: Short-term prepaid expenses in EUR

	31/12/2009	31/12/2008
Prepaid expenses	19,739	29,096
Total	19,739	29,096

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

Note 11 Capital

The Company'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 Company's sole shareholder is the Government of the Republic of Slovenia. The Company' initial capital of EUR 166,917 is divided into 100 (one hundred) non-par value shares.

Table 59.: Capital in EUR

	31/12/2009	31/12/2008
Equity capital	166,917	166,917
Statutory reserves	16,692	16,692
Retained net loss from previous years	-378,415,180	-305,855,513
Net profit/loss for the current year	-10,705,862	-72,559,667
Liabilities to the owner		
Revaluation surplus	549,597,067	389,144,844
Total	160,659,634	10,913,273

Table 60.: Revaluation surplus in EUR

	31/12/2009	31/12/2008
Strengthening of investments in shares of companies	471,069,654	365,293,002
Strengthening/impairment of investments in foreign shares	1,346,925	-23,541
Strengthening/impairment of mutual funds	4,655,888	-8,152
Strengthening of investments in shares fin. and insur. comp.	136,751,619	70,872,027
Strengthening/impairment of assets under management	0	-1,764,484
Strengthening/impairment of of investments in shares of banks	4,209,087	3,279,162
Strengthening/impairment of other investments abroad	-146,001	-173,361
Deferred tax liabilities	-68,290,105	-48,329,809
Total	549,597,067	389,144,844

Major amounts of enhancements as at 31 December 2009:

- Krka d.d. – EUR 298.7 million,
- Zavarovalnica Triglav d.d. – EUR 115.1 million,
- Petrol d.d. – EUR 86.6 million,
- Sava d.d. – EUR 38.8 million,

Table 61.: Movements of revaluation surplus in EUR

	01/01/2009	Transfer to profit/loss	Addition for the year	31/12/2009
Surplus from domestic companies	365,293,002	0	105,776,652	471,069,654
Surplus from foreign companies (shares)	-23,541	0	1,370,466	1,346,925
Surplus from mutual funds	-8,151	-8,151	4,655,888	4,655,888
Surplus from investments in insrance companies	70,872,026	0	65,565,064	136,437,090
Surplus from investments in inv. companies	0	0	314,529	314,529
Surplus from assets under management	-1,764,484	-1,764,484		0
Surplus from financial companies (banks)	3,279,162	0	929,925	4,209,087
Surplus from other foreign investments	-173,361	0	27,360	-146,001
Total by type of surplus	437,474,653	-1,772,635	178,639,884	617,887,172
Deferred tax liabilitiy	-48,329,809	0	-19,960,296	-68,290,105
Total	389,144,844	-1,772,635	158,679,588	549,597,067

In case of capital revaluation in order to maintain purchasing power based on the growth of consumer prices in 2009 (1.8%), the operating result would decline by EUR 196,439.

Net profit/loss per share was calculated by dividing net profit/loss by the number of shares (100):

- for 2008 – loss of 72,559,667/100 = EUR -725,596.67 and
- for 2009 – loss of 10,705,862/100 = EUR -107,058.62.

The book value per share, which is calculated as a ration between total capital and the number of shares (100):

- as at 31 December 2008 – 10,913,273/100 = EUR 109,132.73 and
- as at 31 December 2009 – 160,659,634/100 = EUR 1,606,596.34.

Note 12 Long-term provisions and long term accrued expenses

The Company considers important only those provisions the value of which exceeds 8% of the value of total long-term provisions, provided that the amount of total provisions created attains at least 0.5% of capital on balance sheet date.

Table 62.: Long-term provisions in EUR

	31/12/2009	31/12/2008
Provisions for denationalisation	235,446,976	317,116,877
Provisions for gaurantees given	2,834,670	0
Provisions for delicate contracts	483,555	406,080
Provisions for long-service bonuses	21,503	23,801
Provisions for termination benefits	76,144	79,025
Total	238,862,848	317,625,783

The Company estimated that denationalisation claims received satisfied all conditions for creating long-term provisions. The Company 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 company 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 Company 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 Company 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 Company estimated that additional provisions needed to be created and that conditions had been met for reversing individual provisions.

Table 63.: 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	23,801	0	2,298	0	21,503
Provisions for termination benefits	79,025	0	2,881	0	76,144
Total	317,625,783	2,991,583	67,576,358	14,178,160	238,862,848

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

Note 13 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 Company's long-term financial liabilities are issued long-term debt securities and obtained loans. The company delivers SOS2E bonds for offsetting liabilities arising from denationalisation under ZDen), RS21 bonds issued in compensation for confiscated property (ZIOOZP) and RS39 bonds issed to war and post-war violence victims (ZSPOZ).

The Company has a long-term operating liability for acquisitions of investment property.

Table 64.: Long-term financial and operating liabilities in EUR

	31/12/2009	31/12/2008
Loans obtained from banks	179,916,538	0
Principal amount for SOS2E bonds	534,116,240	573,352,949
Long-term liabilities to beneficiaries under ZIOOZP	29,200,266	30,245,789
Long-term operating liabilities	3,711,240	3,711,240
Total	746,944,284	607,309,978

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 were shown among short-term liabilities. The amount of liabilities due and outstanding was of no relevance to the Company. The reason for non-payment was on the side of beneficiaries that failed to submit the necessary information, for example, in case of probate hearings after a person's death, the Company had no information about the person's legal heirs.

Lenders:

Abanka Vipa d.d.	EUR 5,000,000
Raiffeisen banka d.d.	EUR 30,000,000
Banka Koper d.d.	EUR 30,000,000
SKB banka d.d.	EUR 60,000,000 and
Unicredit banka Slovenia	EUR 35,000,000

The rate of interest for loans received ranged between 1.45% and 4.26% on an annual level. Loans obtained from banks were secured by 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. The Company 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. All loans obtained from banks mature within three years from drawdown, i.e. in 2012.

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 company is licensed by the Ministry of Finance to purchase SOS2E bonds. The Company 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 Company 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 Company 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 14 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 65.: Short-term financial liabilities in EUR

	31/12/2009	31/12/2008
Loans obtained from banks	0	45,000,000
Principal amount for SOS 2E bond	76,081,615	61,662,493
Short-term liabilities to beneficiaries under ZIOOZP	4,700,377	3,936,018
Short-term liabilities to beneficiaries under ZSPOZ	798,676	1,284,829
Total	81,580,668	111,883,340

The Company hold own bonds SOS2E, and the short-term portion of principal amount which is posted as deduction item to liabilities totalled EUR 1,770,345 on the balance sheet date.
The rate of interest on bonds is disclosed in long-term liabilities.

Table 66.: Short-term operating liabilities in EUR

	31/12/2009	31/12/2008
Liabilities to suppliers	547,649	1,031,849
Advance payments received	42,138	10,057
Liabilities to the state for ownership transformation of Zavarovalnica Triglav	0	386,699
Interest on loans obtained from banks	965,268	61,186
Interest on SOS 2E bonds	22,741,391	19,585,551
Interest to beneficiaries under ZSPOZ and ZIOOZP	686,375	2,226,483
Liabilities to future owners of ZT for dividends	302,675	239,190
Liabililities – reimbursement of investments in telecommunications	4,696,351	12,228,191
Other liabilities	16,166	21,009
Total	29,998,013	35,790,215

As at the balance sheet date, the Company had no liabilities to the management, Management Board, Supervisory Board and audit committee members.

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

The company has not matured and outstanding liabilities.

Note 15 Short-term accrued expenses

In item, the Company discloses short-term deferred revenues and expenses incurred during the financial year; however, the Company received no invoice from the supplier.

Table 67.: Short-term accrued expenses in EUR

	31/12/2009	31/12/2008
Prepaid expenses	85,548	88,938
Short-term deferred income	0	6,276
Total	85,548	95,214

In short-term accrued expenses, the Company discloses its liabilities to employees for unused portion of annual leave. There was no significant change in these liabilities on the previous year.

6.9.2 Notes to the statement of comprehensive income

Note 16 Operating revenues

Lease income was generated by leasing out investment property (Smelt office building). As compared with the year before, lease income was higher since the Company started receiving this type of income only in the second half of 2008.

Every year, the Company checks the necessary volume of provisions. In drawing up this account, the Company determined that, according to the already established facts, the volume of created provisions 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 Company, 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 Company, new owners effect payment directly to the Company;
- proceeds 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 Company is entitled pursuant to the Act Regulating the Use of Funds Arising from the Proceeds Based on the Ownership Transformation of Enterprises Act.

Table 68.: Operating revenues in EUR

	jan - dec 2009	jan - dec 2008
Income from services of selling shares of Zav. Triglav	4,460	25,187
Income from services of reimbursement of inv. in telcom.	30,499	63,620
Tental income (investment property)	477,487	194,532
Total sales income	*512,446*	*283,339*
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
Revaluation operating income	50	467,168
Other operating income	*18,482,028*	*5,828,876*
Total	18,994,474	6,112,215

In 2009, operating revenues accounted for 33% of the total revenues earned by the Company. All sales revenues were generated on the domestic market.

Note 17 Costs of goods, material and services

Table 69.: Costs of material used in EUR

	jan - dec 2009	jan - dec 2008
Costs of energy	38,499	44,102
Costs of spare parts	302	82
Write-offs of small tools	3,939	7,234
Costs of office supplies	21,635	23,332
Other costs of material	20,110	19,201
Total	84,485	93,951

Table 70.: Costs of services used in EUR

	jan - dec 2009	jan - dec 2008
Costs of transport services	85,554	109,237
Costs of maintenance	152,796	153,141
Costs of rents	71,533	83,333
Reimb. of work-related expenses to employees	39,722	48,173
Costs of payments, banking services and ins.premiums	226,027	226,656
Costs of intellectual and personal services	227,163	261,575
Costs of trade fairs, publicity and entertainment	3,982	8,508
Costs of services of individuals not performing activ.	112,386	202,508
Costs of other services	515,796	525,778
Total	1,434,959	1,618,909

The largest transport services item totalling 83,398 in 2009 was the cost of postage and telephone services.

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

Maintenance costs include maintenance of software and premises.

Financial statements for 2009 were audited by Deloitte Revizija, d.o.o., Ljubljana. The contract amount for audit of the Company's financial statements for 2009 totalled EUR 15,500. The company KPMG charged EUR 21,036 for the audit of the Company's financial statements for 2008. This amount also included VAT since the Company is not entitled to deduct VAT due to the nature of its activity. Costs of training provided by the auditing company Deloitte were disclosed in the amount of EUR 214.

Table 71.: 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	3,338
Pevec Ciril	2,063	0	234	2,296
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	27,296

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.

Table 72.: 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	7,894
Zajec Igor Janez	8,250	780	1,980	11,010
Total	54,749	2,892	6,098	63,739

Table 73.: Receipts by the Management Board's Audit Committee in EUR

	Gross 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

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 18 Labour costs

Table 74.: Labour costs in EUR

	jan - dec 2009	jan - dec 2008
Wages of employees	1,969,694	1,902,301
Wage compensations	36,932	40,981
Costs of pension insurance	182,115	187,323
Costs of vountary supplementary pension insurance	64,720	65,033
Costs of social insurance	147,013	152,162
Holiday allowance, refunds and other receipts by employees	205,834	327,238
Payroll tax	0	62,460
Total	2,606,308	2,737,498

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 Company had no outstanding labour costs payable. The Company created provisions for long-service bonuses and termination benefits.

Receipts by the management (Director and two Deputy Directors) – gross wages, wage compensations, termination benefits and holiday allowance. None of the employees is a member of the Management Board or Supervisory Board of the Company.

Table 75.: 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
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

The Company has no staff employed on the basis of a service contract other than the management.

Note 19 Depreciation

Table 76.: Depreciation in EUR

	jan - dec 2009	jan - dec 2008
Depreciation of intangible fixed assets	34,785	30,003
Depreciation of buildings	81,566	79,689
Depreciation of investment property	141,132	46,985
Depreciation of equipment and spare parts	60,840	50,147
Depreciation of small tools	2,321	3,476
Skupaj	320,644	210,300

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

Note 20 Long-term provisions

Table 77.: Long-term provision expenses in EUR

	jan - dec 2009	jan - dec 2008
Provisions for long'services bonuses	0	4,499
Provisions for termination benefits	0	18,102
Provisions for litigations and guarantees	2,991,583	43,905
Provisions for denationalisation	0	7,835,749
Total	2,991,583	7,902,255

Provision revenues and expenses are disclosed in greater detail in Note 12.

Note 21 Amounts written off

Table 78.: Amounts written off in EUR

	jan - dec 2009	jan - dec 2008
Revaluatory operating expenses for intangible and tangible fixed assets	9,762	8,163
Revaluatory operating expenses for short-term assets, except, fin. Investments	1,243,743	548,137
Total	1,253,505	556,300

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 1,243,743 adjustment for short-term assets, EUR 1,243,743 relates to the exercise of the gurarantee granted to Mura for which bankruptcy proceedings had been initiated.

Note 22 Other operating expenses

Table 79.: 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
Expenses for environmental protection	153	174
Total	26,573,845	25,270,150

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. Interests 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 23 Net profit or loss

Table 80.: Financial income and financial expenses in EUR

	jan - dec 2009	Jan - Dec 2008
Financial income from participations	27,632,189	164,198,326
Financial income from loans given	10,776,862	8,710,452
Total financial income	*38,409,051*	*172,908,778*
Financial expenses for write-offs and impairment of fin. Investments	9,076,061	43,251,119
Financial expenses for financial liabilities	43,735,290	48,414,934
Total financial expenses	*52,811,351*	*91,666,053*
Net profit or loss	-14,402,300	81,242,725

In 2009, the Company sold only some of its financial investments, and consequently acquired no capital gains. 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 81.: Financial 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 comp.	1,817,516	6,354,203
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	139,800,266
Total	27,632,189	164,198,326

Table 82.: Financial income from loans given in EUR

	jan - dec 2009	jan - dec 2009
Income from loans - interest	10,054,171	7,337,477
Income from funds in management	395,760	745,613
Reval. fin, income from disposal of inv. in loans	273,052	485,946
Interest income from privatisation of ZT	3,105	52,312
Other interest income	49,161	80,662
Income from exchange rate differences	1,613	8,442
Total	10,776,862	8,710,452

Table 83.: Financial expenses for amounts written off and impairments of financial investments in EUR

	jan - dec 2009	jan - dec 2009
Expenses for disposal of partic. in comm. Companies	1,810,965	103,187
Expenses fior impairment of fin,inv. in shares and inter.	4,683,173	40,946,171
Expenses for disposal of funds in management	1,554,820	684,341
Expenses for impairment of loans	782,075	675,150
Expenses for sale of bonds	236,214	4,250
Expenses for sale of mutual funds, struct. Products	8,314	836,116
Expenses for sale and impairment of COD	500	1,904
Total	9,076,061	43,251,119

Table 84.: Financial expenses for financial liabilities in EUR

	jan - dec 2009	jan - dec 2009
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	3,626,607	320,560
Expenses for operating liabilities - interest	669	2,008
Expenses for operating liabilities - revaluation	5,160	10,512
Total	43,735,290	48,414,934

Table 85.: Financial income and expenses in associates and subsidiaries in EUR

	jan - dec 2009	jan - dec 2009
Financial income relating to associates	9,923,730	129,930,458
Financial expenses relating to subsidiaries	0	-1,721,036
Financial expenses relating to associates	-349,021	-9,766,956
Net financial income	9,923,730	129,930,458

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

Note 24 Other income and expenses

Table 86.: Other income and expenses in EUR

	jan - dec 2009	jan - dec 2009
Received compensations and fines	2,970	7,547
Other unusual items	4,035	232,479
Total other income	*7,005*	*240,026*
Fines	0	50,767
Other expenses	8	607
Total other expenses	*8*	*51,374*
Skupaj	6,997	188,652

Note 25 Taxation

Table 87.: Current and deferred taxes in EUR

	31/12/2009	31/12/2008
Current tax	0	0
Deferred tax	19,960,296	-121,713,896
Total	19,960,296	-121,713,896

Table 88.: Calculation of effective tax rate in EUR

	31/12/2009	31/12/2008
Profit before taxation	-30,666,158	49,154,229
Anticipated tax on profit (21% and 22%)	0	10,813,930
Harmonised income	-19,432,295	-86,999,264
Harmonised expenses	-1,941,766	37,329,312
Tax relief used	0	0
Transition to IFRS	-541,493,278	0
Other adjustments	970,477	4,342,867
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 the relevant year.

6.9.3 Note to the statement of the cash flows

The statement of the cash flows shows changes in cash flows in a particular financial year. The data were acquired from the Company's books and other accounting records such as original documents on receipts and expenses and statments of acounts 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 Company'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.

6.10 OFF-BALANCE SHEET ITEMS

The Company performs activities according to ZSPOZ and ZIOOZP on behalf and for the account of the Republic of Slovenia, which transferred to the Company 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 Company's assets (received for the purpose of denationalisation). The Company 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 the Company. Since, by taking into account legal bases and contractual arrangements, the Company expects no economic benefits from this investment, this investment is shown only as an off-balance sheet item.

Table 89.: 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 Company 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 company 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 90.: Payment of 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 Company has future liabilities for the already delivered bonds, as shown in the table below.

Table 91.: 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	798,676	1,284,829
Principal of bond RS21	538,420	2,045,178
Principal of bond RS39	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.

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

Table 92.: 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 Company recognised provisions since conditions had been met for a recognition, the Company also has contingent liabilities. So far, the Company 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 Company. For this reason, the Company determined their value by price. The Company will continue to be liable to pay compensations under ZIOOZP and ZSPOZ also in the future. Based on past experience, the Company 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 Company delivered a blank bill to the banks as collateral for the received long-term loans in the amount of EUR 180 million.

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

- basic shares of Zavarovalnica Triglav, d.d., held in custody at the Company (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 Company (EUR 875,000).

6.11 POST-BALANCE SHEET EVENTS

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

Matjaž Jauk
Deputy Director

mag. Tomaž Kuntarič
Director

Slovenska
odškodninska družba, d.d.
LJUBLJANA

Ljubljana, 23 April 2010