Sava

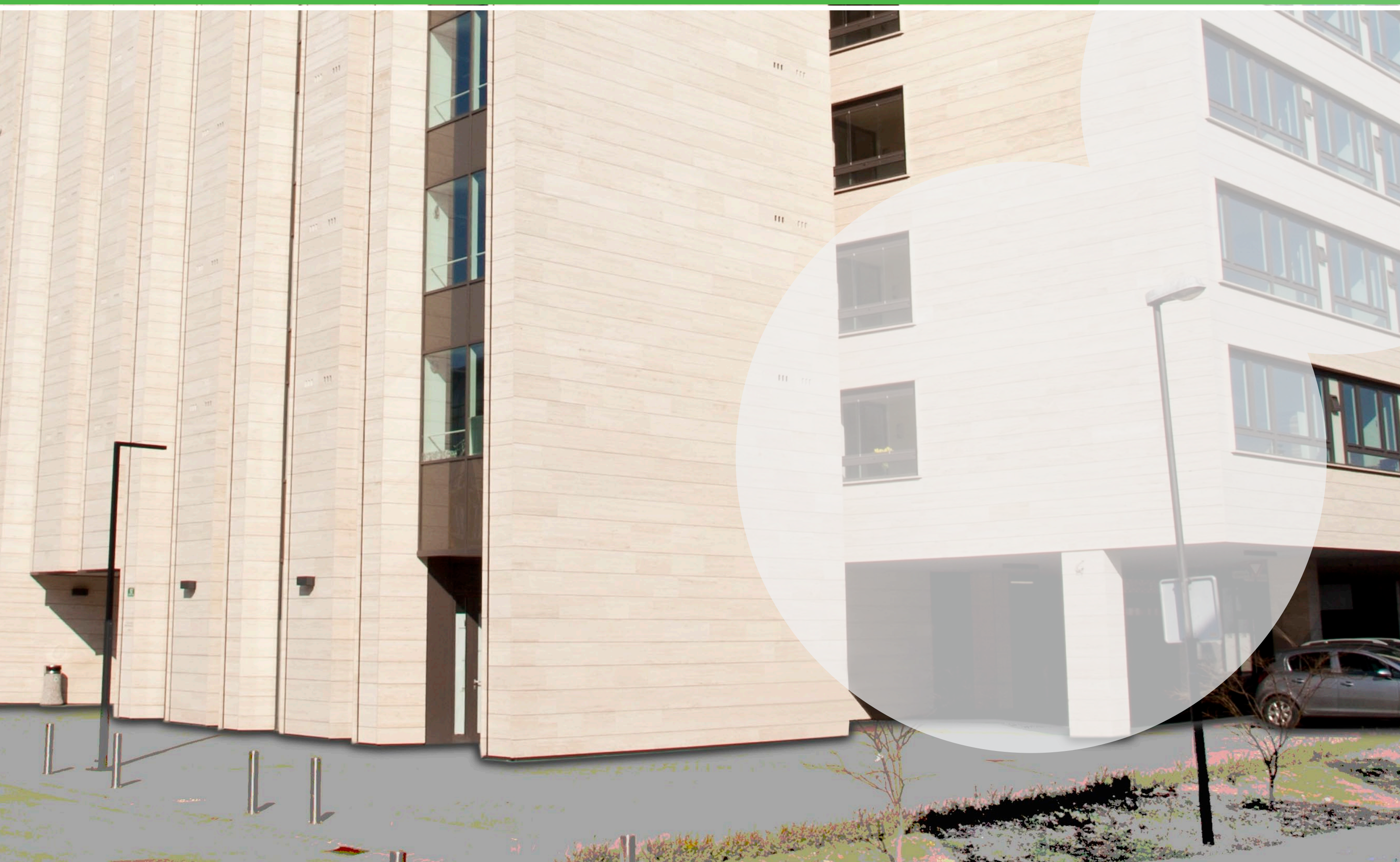
RENEWED
FOR THE FUTURE.

Annual report 2012

Sava Group

New business premises of the companies Sava d.d. and Sava Turizem d.d. at Dunajska 152, Ljubljana.

Renewed for the future



Annual report 2012

Annual report for Sava d.d.
and annual report
for the Sava Group

Report by the Supervisory
Board of Sava d.d.

Independent auditor’s report
for Sava d.d. and
independent auditor’s report
for the Sava Group

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Improved operating business

- Reorganise and rationalise the operations of Sava d.d. and the Group's subsidiaries.
- Utilise the synergies arising from the joint action in Tourism.

INTRODUCTION

1.

Significant data and indicators

€ in millions

Sava Group according to International Financial Reporting Standards	2008	2009	2010	2011	2012	Index 2012/2011
Sales	231.8	172.9	176.7	193.8	192.2	99
Exports	103.1	70.7	83.7	101.8	105.3	103
Pre-tax profit/loss	0.3	22.5	-105.1	-169.1	-93.4	55
Net profit/loss	1.9	23.4	-99.9	-157.2	-99.3	63
EBITDA	21.4	25.5	20.9	19.8	24.0	121
Balance sheet total	921.6	941.4	760.8	611.3	480.9	79
Long-term assets	815.4	776.8	643.2	491.8	349.9	71
Short-term assets	106.2	164.6	117.6	119.5	131.0	110
Equity	482.4	475.4	323.3	165.8	67.3	41
Long-term liabilities	218.6	178.8	232.8	81.4	70.2	86
Short-term liabilities	220.6	287.2	204.7	364.1	343.4	94
Investment in property, plant and equipment	23.3	6.7	6.4	6.3	5.9	94
INDICATORS						
Net profit or loss/operating revenues - %	0.8	13.1	-49.4	-79.1	-50.6	64
Pre-tax profit or loss/equity - %	0.1	4.8	-23.4	-52.3	-56.2	107
Net profit or loss/equity - %	0.3	5.0	-22.3	-48.6	-59.7	123
Net earnings/loss per share - €	1.2	11.8	-50.0	-78.7	-49.7	63
Independence rate (equity/balance sheet total) - %	52	51	42	27	14	52
Liquidity (short-term assets/short-term liabilities) -%	48	57	57	33	38	115
SHARE						
Book value - €	240.0	236.2	161.1	82.2	32.9	40
Market value at 31/12 - €	253.2	240.1	89.5	12.0	3.4	28
Paid dividend per a share - €	3.0	3.1	3.2	0.0	0.0	0
EMPLOYEE NUMBER						
Status at 31/12	2,692	2,370	2,286	2,256	2,107	92

2.

Company details

Company name:	Sava, družba za upravljanje in financiranje d. d.
Abbreviated name:	Sava d. d.
Head office:	Škofjeloška c. 6, 4000 Kranj, Slovenia Tel: +386 4 206 50 00 Fax: + 386 4 206 64 46 e-mail: info@sava.si www.sava.si
Business address:	BU Ljubljana, Dunajska cesta 152, 1000 Ljubljana
Registration number:	5111358
VAT-ID No.:	SI 75105284
Classification of industries:	64.200 – holding companies
Entered in the register of companies:	26 April 1996
Share capital at 31/12/2012:	€83,751,567.51
No. of shares at 31/12/2012:	2,000,987 ordinary personal no-par value shares
Share listing:	Ljubljana Stock Exchange d.d., stock exchange listing
Symbol:	SAVA
President of the Management Board:	Matej Narat, MSc
* Members of the Management Board:	Andrej Andoljšek and Miha Resman
**Chairman of the Supervisory Board:	Aleš Skok (as of 10 July 2012)
** Deputy Chairman of the Supervisory Board:	Miran Kraševec (as of 10 July 2012)

The more important business areas of Sava d.d.:

- Managing companies, in which the company has a majority or significant ownership stake.
- Forming and managing professional services of Sava d.d.
- Acquisitions and disposals of securities and other ownership stakes.
- Managing portfolio investments.
- Implementing financial engineering tasks.
- Establishing branch offices and companies, and taking over ownership stakes in Slovenia and abroad.
- Leasing out of real estate.
- Business consulting.
- All other commercial businesses that directly or indirectly contribute to achieving the company's goals and involve acquisitions and disposals of real property.
- Joining in commercial interest groups and concluding entrepreneurial contracts of all types.

* *Until a consensual termination of the Management Board member office, which was on 31 December 2012, the company was also managed by the Management Board member Franci Strajnar, MSc.*

** *Until the expiration of the term of office of the previous Supervisory Board, i.e. 28 June 2012, Miran Kalčič was the Chairman of the Supervisory Board, and Stanislav Valant, MSc, was the Deputy Chairman of the Supervisory Board.*

3. Organisational structure of the Sava Group

In the process of implementing the restructuring strategy, the Sava Group thoroughly changed its model. After its traditional Rubber Manufacturing operation and the major part of the Real Estate business were divested, the remodelled Sava Group now includes 12 companies (parent company Sava d.d. and 11 subsidiaries) and 6 associated companies, which incorporate both largest investments in the financial sector.

3.1. About the Sava Group

The Sava Group incorporates the following divisions:

- Investment Finance
- Tourism
- Other Operations

The Sava Group employs about 1,100 associates, mainly in the Tourism division.

As outlined in the restructuring strategy of Sava until 2014, divestment processes will continue in 2013 too, what will show in further remodelling of the Sava Group.

3.2. About Sava d.d.

Sava d.d. is the management centre of the Sava Group and it also carries out the investment finance operations.

Based on the adopted restructuring strategy, Sava d.d. remodelled into a strategically supervised financial holding at the end of 2011 and modified internally. The new organisation of Sava d.d. was established with the beginning of 2012.

A decentralised organisational structure defines the competences and the responsibilities shared between the parent company and its subsidiaries more clearly:

- The management of Sava d.d. is responsible for managing the company's investment portfolio and a strategic supervision over the Group.
- The management teams in divisions and companies are responsible for their operative business.

The remodelled internal organisation of Sava d.d. results from the changed Group's management model, which replaced the former active network management by way of competence centres of knowledge. It assures a higher efficiency level and a simplified supervision over the implementation of tasks. Furthermore, it assures compliance of the operations in Sava Group companies with the internal policies and rules as well as the applicable legislation.

The Management Board, the Sava Group's Directorate and professional services with associates carry out the mission of Sava d.d.

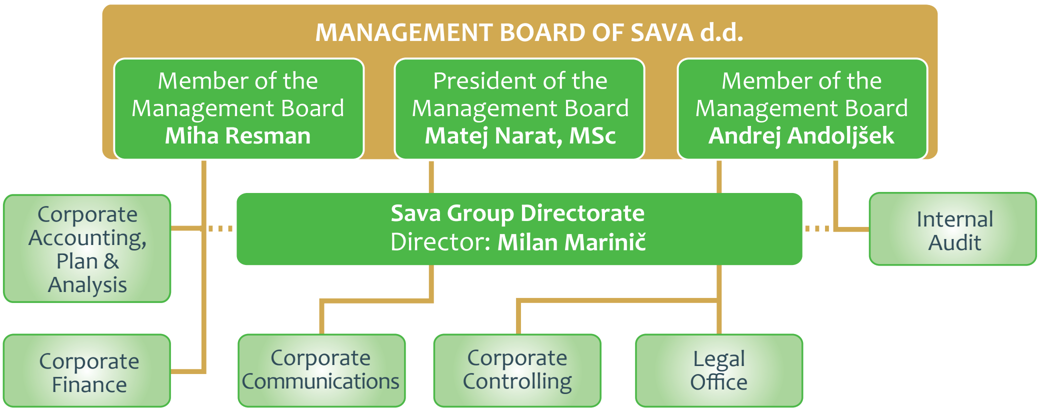
In December 2012 and in the beginning of 2013, respectively, Sava d.d. underwent further organisational changes and business rationalisation.

Already in 2012, only seven professional services out of the previous thirteen competence centres were active. Their number now dropped to six, as with this year the business function of HR & Organisation Development has been entirely outsourced. The number of employees in other professional services of Sava d.d. was further downsized. In 2013, the responsibility of the Management Board members with regard to individual business functions enhanced and was slightly reassigned as their number reduced by one member.

The Sava Group Directorate ensures management and strategic supervision over individual Group's companies, enforces Sava Group's policies, and manages and supervises other companies, in which Sava d.d. holds equity investments.

The core of the Directorate incorporates three professional services: Corporate Communications, Corporate Controlling and Legal Office. In performing the mission, the Directorate closely cooperates with other professional services of Sava d.d.: Corporate Finance, Corporate Accounting, Plan & Analyses, and Internal Audit.

Organisational scheme of Sava d.d. after the reorganisation in the beginning of 2013

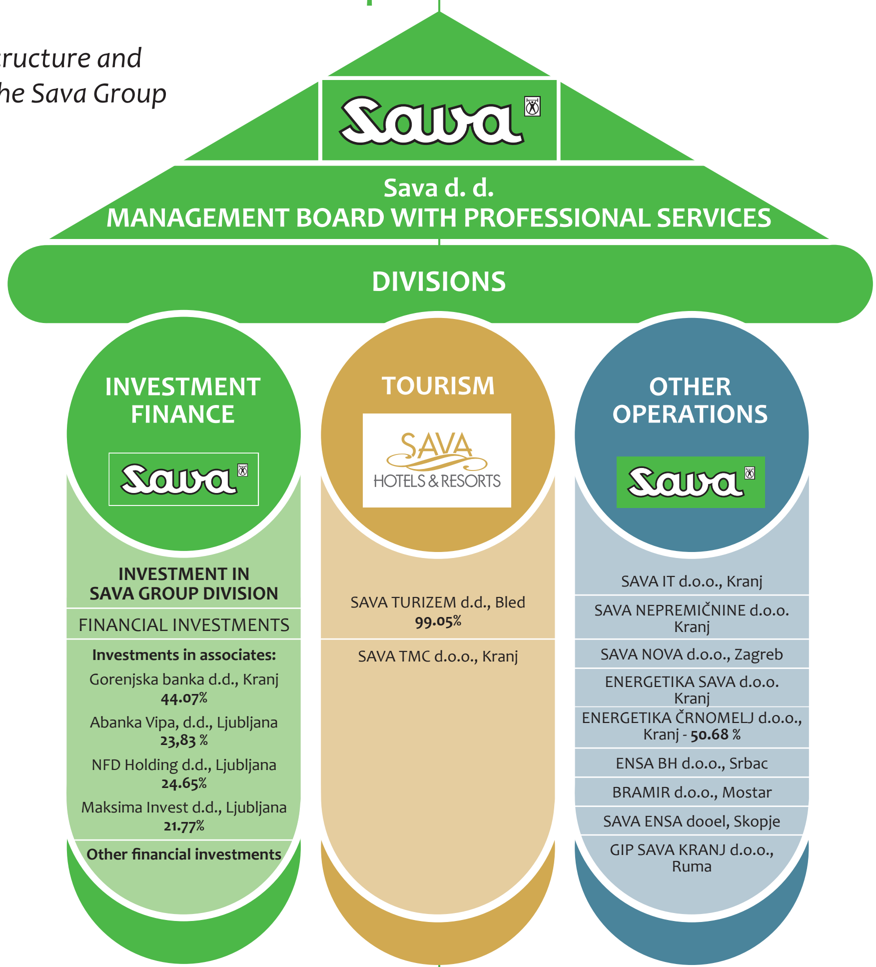


Further changes in the internal organisational structure of Sava d.d. are anticipated to take place during 2013.

The basic function of professional services is to assure a high-quality expert basis for the decision-making by the Management Board of Sava d.d., and to assure that the Management Board is reported to on the implementation of policies and resolutions adopted by the Management Board. The directors of professional services report to a Management Board member competent for a particular area.

3.3. Composition of the Sava Group

Organisational structure and composition of the Sava Group at 28/02/2013



3.4. Divisions of the remodelled Sava Group

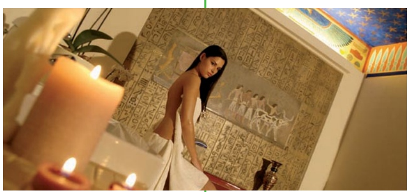
INVESTMENT FINANCE

This operation is carried out within the company Sava d.d.; its main tasks are value optimisation of individual investments, support in financing Sava's divisions and concern for the assets of the Sava Group.

The two major financial investments that Sava d.d. has in the associated companies are that in Gorenjska Banka d.d. and Abanka Vipa d.d. The value of both investments has more than a 40% share in the investment portfolio of Sava d.d.

TOURISM

Sava Turizem d.d., Bled, is the biggest provider of tourist services in Slovenia. The division operates under the common brand name Sava Hotels & Resorts and comprises five destinations: Sava Hoteli Bled, Terme 3000 in Moravske Toplice, Terme Lendava d.o.o., Terme Ptuj d.o.o., and Zdravilišče Radenci d.o.o. with Terme Banovci. Furthermore, the division includes the company



Sava TMC d.o.o., Kranj, which owns and leases tourist real properties.

The Tourism division markets hotel, health and other tourist services, as well as golf courses and campsites of the highest category. Owing to the sustainable-oriented development of the division much importance is given to interaction with a narrower and broader environment.

OTHER OPERATIONS

This includes the company Sava IT d.o.o., which began to operate in the beginning of 2012 and to which Sava transferred the business of providing IT services for the Sava Group.

After selling the mainstay of Real Estate, a part of Other Operations includes Sava Nova d.o.o., Kranj, to which a part of assets, i.e. land suitable for building, was transferred from Investicijsko podjetje, and Sava Nova d.o.o., Zagreb.

GIP Sava Kranj d.o.o. manages ownership issues connected with the real estate in Serbia.

In the energy management business, disposals are in progress. This business deals with providing alternative energy sources and incorporates the following companies: Energetika Sava d.o.o., Kranj and Energetika Črnomelj d.o.o. in Slovenia, and in the former Yugoslav markets: Ensa BH, d.o.o., Srbac, Bramir d.o.o., Mostar, and Sava Ensa dooel, Skopje.

4. Overview of major events and achievements

4.1. Major events and achievements in the period January-December 2012

January

- In support of strategy implementation and restructuring, Sava d.d. is organised as a strategically supervised financial holding with a decentralised management in the beginning of 2012, and is restructured internally.
- Based on the report on the results of the joint sale procedure of the equity holding in Abanka Vipa d.d. and the estimate of the macro-economic environment, Sava d.d. and other consortium members make a resolution to end the joint sale procedure, which is why the consortium discontinues its work.
- Sava Turizem d.d., which was established at the end of 2011 by way of merging all Tourism companies, begins its operations and becomes the largest tourism company in Slovenia.
- The newly established Sava IT d.o.o. begins to operate; Sava d.d. transfers its ICT business to the new company in order to provide all Sava Group companies with ICT services.
- The campsite Bled receives the award by Alan Rogers, which is one of the leading campsite guides in Europe. The Ecological Village of Forest Villas ranks second in the innovative offer category. The same project wins the international Jakob for Excellence and Quality in Tourism awards in the Alpe Adria trade show held in Ljubljana.

March

- Sava d.d. and NFD Holding d.d. sign with Platanus d.o.o., Maribor, a contract about the sale of a joint, 86.57% equity stake of Terme Maribor d.d. Sava d.d. thus sells its total - 14.56% equity stake.
- After the merger and formation of a uniform company, Sava Turizem d.d. completes the reorganisation of supporting services and destinations of this division.

Sava Turizem d.d. begins to operate

Total shareholding of Terme Maribor d.d. is sold

18th Shareholders Meeting of Sava d.d. elects the new members of the Supervisory Board

May

- The Shareholders' Meeting elects Supervisory Board members of Sava d.d. – shareholder representatives – for the next four-year term of office, effective 29 June 2012, as follows: Roman Ambrož, Miran Kraševec, Rok Ponikvar and Tomaž Perše, MSc.
- The Workers' Council elects the Supervisory Board members of Sava d.d. – employee representatives – as follows: Aleš Aberšek, Lučka Pogačnik and Gregor Rovanšek. They begin their four-year term of office on 29 June 2012, after the expiration of term of office of the former Supervisory Board members – employee representatives.
- Savatech d.o.o. buys the company Sava Medical in Storitve d.o.o. from Sava d.d. to complement its business on the Kranj-based location.
- A new, standardised collective labour agreement is made for the merged companies of Sava Turizem d.d. The agreement eliminates the inconsistencies between the rights and obligations of employees at individual destinations and governs the field of salaries anew.

June

- Sava d.d. sells Investicijsko podjetje d.o.o. (former Sava IP d.o.o.), Ljubljana, the mainstay of the Real Estate division. The purchase money amounts to €14.8 million. As agreed with the partner, Sava d.d. transfers a part of the real estate to the newly established company Sava Nepremičnine d.o.o., Kranj prior to the transaction.

August

- Sava Turizem d.d. successfully finalizes the attractive marketing campaign "Smile!" whose goal is to increase the visit by domestic guests during summer holidays.

September

- The health resort Radenci, a distinguished health centre specialised in treatments of patients with cardiovascular diseases and a renowned diagnostic centre, celebrates its 130th anniversary.
- In the international tourism trade fair in Novi Sad, the Bled-based Savica hotel receives a golden plaque for quality as the best family hotel in Slovenia in 2012.

The mainstay of Real Estate is sold

130 years of health resort Radenci

October

- Based on the approval by the Supervisory Board, the management of Sava d.d. signs a contract about selling the Rubber Manufacturing division. The selected bidder in the competitive sales process is the Czech rubber manufacturing group ČGS a.s.
- The Velo Programme of Savatech d.o.o. introduces its radial motorcycle tyre, a top-notch achievement, the result of several years of development based on its own in-house technology.
- The Savica hotel obtains the EU label for tourist accommodation known as the EU Daisy, proving that Sava Hotels Bled are effective in introducing a strategic concept of sustainable tourism development.
- At 59th Slovene Tourism and Catering Meeting, the employees of Sava Turizem d.d. win 18 gold, 15 silver and 3 bronze medals, and 3 acknowledgements in total. The Livada Prestige hotel wins a flattering Quality Cup.

December

- The contracts for selling the companies ENSA BH d.o.o., Srbac and Bramir d.o.o., Mostar are signed, and the suspensory conditions for their enforcement are defined. In the beginning of 2013, these conditions have not yet been met.
- The term of office of the Management Board member of Sava d.d., Franci Strajnar, MSc, is consensually terminated. As of 1 January 2013, the Management Board of Sava d.d. consists of three members.
- Sava d.d. changes its business address, which is now at Dunajska 152 in Ljubljana.

59th Tourism and Catering Meeting: numerous acknowledgements won by the employees of Tourism

4.2 Major events and achievements after the end of the accounting period

January

- Sava d.d. becomes the owner of a 16.32% equity holding of Istrabenz d.d.; considering the favourable share prices, this transaction represents an opportunity for optimisation and a potential for consolidating the strategic investments of the company.
- Sava d.d. receives €69.4 million for the sale of Rubber Manufacturing. Jointly with the already performed disinvestments the received purchase money enables the Sava Group to reduce its debts by €100 million, at which the Group also settled the interests of € 21.5 million in 2012.
- Sava d.d. sells the rest of tourism real properties (mostly hotel capacities in Bled) to Sava TMC d.o.o. In this way, the Tourism division becomes an economic rounded unit, while the received purchase money of €15.3 million enables Sava d.d. to delever further.
- Based on the analysis produced by an external advisor, which proves high synergetic effects of a tied-up bank project, the Supervisory Boards of Gorenjska Banka d.d. and Abanka Vipa d.d. endorse the implementation of further tie-up process phases. A due diligence of both banks starts.

March

- Sava d.d. receives the purchase money of €4.2 million for the sold 0.67 % equity holding of Ljubljanske Mlekarne d.d.

The sale of Rubber Manufacturing:
the greatest foreign direct investment in Slovenia in 2012

5.

Report by the President of the Management Board

Dear shareholders and partners of Sava,

The year 2012 was an extremely demanding one as the negative effects of the financial-economic crisis from the previous years had to be eliminated, while the circumstances in the economic environment still continued to be adverse.

This was the first full year after the Management Board had taken up their duty at the end of the first quarter of the previous year, and also the first full year of implementing the strategy of business-financial restructuring of Sava until 2014 adopted in September 2011.

After the strategic goals of the first – preparation – restructuring phase until the end of 2011 had been consistently attained, we effectively fulfilled the commitments from the next restructuring phase outlined for 2012, in certain parts even faster, prior to the set deadlines.

In the adopted strategy of business-financial restructuring of Sava until 2014, we have envisaged certain thoroug changes in the manner of management and organisation, and portfolio structure of Sava d.d. as well as other strategic shifts needed for achieving a suitable level of indebtedness, a recovery of profitability and generation of long-term value for the company's shareholders.

Matej Narat, MSc, President of the Management Board of Sava d.d.

The following major strategic achievements of the past financial year need to be particularly pointed out:

- *Firstly*, further reorganisation, rationalisation and consolidation of operations, which resulted in significantly improved operating business in the parent company and its subsidiaries, particularly in Tourism.
- *Secondly*, an efficient implementation of divesting the assets of Sava d.d., which facilitated a high reduction of Group's financial liabilities – by about €100 million – and that along with a regular payment of interest, which at the annual level amounted to even €21.5 million.
- *Thirdly*, a successful provision of a sufficient cash flow for maintaining liquidity and proceeding with the arrangements on a required long-term payment coordination of Sava's credit obligations.

Reorganisation, consolidation and further improvements in operating business

Sava d.d. began the year 2012 with a renewed organisation and consolidated in terms of personnel. Upon introducing a new decentralised management model of the Group and upgrading the mechanisms of strategic supervision by the Sava Group Directorate, the renewed, rationalised and more efficient internal organisational structure of Sava d.d. has already shown its virtues. In the past year, the previous thirteen competence centres were replaced with only seven professional services, while the informatics business was transferred to the newly established company Sava IT d.o.o. The number of employees in the company practically halved and in the beginning of 2013 it further decreased.

Lower labour costs and cost rationalisations in other operating segments of the parent company further reduced the operating costs, which in comparison with the year before were lower by one third, their level dropping below one half of the costs made in the period before the crisis. The operating revenues of Sava d.d. decreased too, which was mainly due to a shortfall in rentals arising from the sold real property and the revenues from providing information technology services. The operating loss of Sava d.d. in the amount of €2.9 million reduced and was 28% below the 2011 figure and also lower than planned, which is quite encouraging taking into consideration the specific nature of company's business, where a significant share of operating expenses is covered with financial revenues.

The operating profit of the subsidiaries of Sava d.d. was generated in the amount of €11.0 million; due to lower impairments of assets it was by €13.2 million better than in 2011, which is the highest value in the period of the past five years. It was planned to generate a high operating profit – mainly on account of the generated revenues – however, in the harsh conditions for doing business this was not entirely achieved. The greatest share in operating profit with €9.0 million had Rubber Manufacturing with the Foreign Trade Network, while a remarkable progress in performance was achieved by Tourism with an operating profit of €3.2 million, which was the effect of internal reorganisation and business consolidation already in the first year of operation in the merged company.

Sales revenues of Sava Group companies amounted to €192.2 million or by 1% less than in the previous year when the highest, even a 10%, increase was generated. The sales volume was additionally affected by the changed Group's composition as the prevailing part of the Real Estate division was sold in the middle of the year.

The highest operating profit in the past five years.

The Rubber Manufacturing companies, which ended the year 2012 as part of the Sava Group for the last time, increased their sales in the foreign markets by 2% again and made sales revenues of €120.2 million. Tourism generated sales revenues of €64.8 million, which equals the last year's level. A decline in the number of Slovene guests was effectively compensated with guests from abroad, who made a 2.8% increase in overnight stays. Overnight stays by domestic guests increased by 1.6% and that slightly surpasses the average in the Slovene hospitality industry.

A lower loss, impairments of financial investments still high

Further drops in the stock exchange prices and deterioration in the economic environment significantly affected the operation of the real and banking sectors and dictated additional impairments of investments held by Sava d.d. in the amount of €34.5 million. The company thus made a net loss of €49.0 million in 2012, which given the impairments is still high but substantially lower with regard to the year before that and lower than in 2010. The balance sheet total decreased by 15% while capital decreased by 57%. The share of capital in liabilities reduced to 11%.

In spite of the generated net profit of subsidiaries totalling €6.9 million, the Sava Group showed a loss of €99.3 million, which was due to high impairments of investments in the associated companies of Sava d.d. The value of impairments at the Group's level amounted to €85.4 million, of which impairments of €52.8 million referred to Gorenjska Banka d.d. and €24.7 million referred to impairing the investments in Abanka Vipa d.d.

The operating result of the Group's parent company was crucially influenced by the impairments carried out in connection with the operations of its associated companies, mostly Abanka Vipa d.d. and NFD Holding d.d., which had more than a four fifth share in total impairments of Sava d.d., or €28.1 million to be exact.

High impairments of investments in the banking sector determined the operating result.

The generated financial result was affected not only by impairments of financial investments but also by lower financial revenues if compared to plan and the past year. The dividends in the amount of €8.1 million were received mainly from Savatech d.o.o., since according to the resolution adopted at the annual general meeting the associated company Gorenjska Banka d.d. did not pay dividends. Interest expenses on loans amounted to €17.7 million and they went down by 5% if compared to the previous year. The operating result was negatively affected by the changed tax legislation and a time shift in finalizing the internal sale of tourist capacities of Sava d.d. to January this year.

The Sava share value, which reflects the general movements in the capital markets, their low liquidity and the aggravated situation the company faces, further dropped in 2012 and moved between €3.2 and €13.0. The book value of the share reduced to €32.9, which, however, is still considerably above the stock exchange price. As a result of further rigorous implementation of the strategy, the financial result of the company will improve, which is why we believe that confidence on the part of investors in the business and long-term development of Sava d.d. will build up.

Sava d.d., which used total retained profit from the past years for covering the loss made in the previous years, has no capital components available for this purpose for covering the 2012 accumulated loss of €58.3 million.

The Management Board and Supervisory Board will propose the Shareholders' Meeting to decrease the share capital of the company by €58.3 million to €25.4 million. The accumulated loss, which at the end of the year represented 69.6% of the company's share capital, was significantly reduced, i.e. by €23.5 million, in the beginning of January, after receiving the purchase consideration for selling Rubber Manufacturing.

Effective implementation of divesting the assets of Sava d.d.

After an in-depth analysis of the strategic investments portfolio of Sava d.d. had been produced and the procedures for testing the market for possible disposals in 2012 had been launched, numerous selected divestment projects took place in 2012.

The major project of the past year and one of the milestones in the restructuring strategy is, undoubtedly, the sale of the entire Rubber Manufacturing with the Foreign Trade Network. The contract with the selected strategic investor – the Czech rubber manufacturing group ČGS a.s. – as the most appropriate partner chosen out of almost fifty international bidders, was signed at the end of October 2012. The suspensory conditions, the fulfilment of which was required for a transfer of total purchase consideration in the amount of €69.4 million, were met in the beginning of this January. The implementation of this project was an extremely complex task, particularly with regard to the agreements on sharing and selling the relevant part of the Sava trademark, and the commitments as to the future development of the operation. This transaction, which represents the greatest foreign direct investment in Slovenia in 2012 and the greatest investment by the Czech Republic in Slovenia in general, generated a profit of €23.5 million; the obtained purchase consideration significantly decreased the financial liabilities of the Group and represents one of the vital sources of the profit of Sava d.d. planned for the end of this year.

Already in June, Sava d.d. effectively finished the sale procedure for a total share of Investicijsko podjetje d.o.o. (former Sava IP d.o.o.) and thus the prevailing part of Sava's real estate business. Sava d.d. received purchase consideration of €14.8 million, at which a part of the real property had previously been transferred to a newly established company Sava Nepremičnine d.o.o. The key effect this transaction had on Sava Group's business was a decrease in its leverage, while the strategic investor acquired a quality company and specialists for future expansion of its real estate business. In this year, Sava d.d. will continue with the activities associated with selling the remaining investments in real estate area, however, the prospects for selling at more favourable prices are expected in 2014, when possibilities of recovery in the real estate markets show.

Already before the end of the previous financial year, the contracts for selling the Bosnia-based energy management companies, Ensa BH d.o.o., Srbac and Bramir, d.o.o. Mostar, were signed, but the partner did not meet the suspensory conditions within the agreed deadline. The sale procedure of these and other companies, which provide alternative energy sources, is in progress in this year.

As regards the financial investments portfolio of Sava d.d., the total - 14.6% - share of Terme Maribor d.d. and this March also a shareholding of Ljubljanske mlekarne d.d. were sold. It is outlined in the programme that a disposal of other selected non-strategic financial investments will take place during this and the next year.

When making the key decisions in connection with the sale of Group's parts and the internal reorganisations, which include downsizing of employees too, the Management Board cooperated and will continue to actively cooperate with the workers' representatives. In pursuing the economic goals, we devote our deep concern to preserving employee motivation and commitment, and we seek various possibilities for addressing the issue of redundant employees.

Selling Rubber Manufacturing – the greatest foreign direct investment in Slovenia in 2012.

Provision of liquidity and further arrangements with the lending banks

The effects of falling prices of securities in several past consecutive years, lower amounts of received dividends, higher level of Sava's financial liabilities and a generally tightened access to funds, highly hinder the ability for provision of liquidity and significantly affect the financial position of the company and the entire Sava Group.

The Management Board systematically deals with risks in connection with liquidity and solvency and ever since their taking up their duty in 2011, they have been effectively carrying out a complex set of activities for a financial rehabilitation of operations, which also includes the measures for business-financial restructuring of the company.

Throughout the year 2012, the activities for selling the individual investments and other measures for free cash flow generation were carried out with intensity. The provided funds assured liquidity in the past year, whereas suitable liquidity in this and the next year – until the restructuring strategy is finished – will be mostly assured through selling the investments of Sava d.d., particularly Rubber Manufacturing, which has already been finalised, in combination with future deleverage, thereby reducing the liabilities arising from interest.

In spite of high financial liabilities towards the banks, Sava d.d. has remained solvent and regularly pays salaries to its employees, including taxes and contributions, regularly settles trade payables and pays the contractual interest arising from loans.

The crucial condition for a long-term solvency and liquidity of Sava d.d. and the future implementation of restructuring strategy in general, is the agreement with the banks on reprogramming the financial liabilities, which will assure a suitable maturity of assets.

Having this in mind, the negotiations with the banks were held throughout the year and were particularly intense in the last quarter. Assisted by foreign financial experts, we have prepared and presented an umbrella term-sheet to the banks, thereby providing a platform for a final agreement on a long-term reprogramming of Sava's credit obligations. The response by the lending banks was a positive one; currently the negotiations and bringing into line all remarks given by the interested parties are still in progress. During the process of making the arrangements in connection with a long-time reprogramming of debts based on a joint agreement made in 2011 that sets out a postponement in payment of the principal amounts of total Sava's credit obligations and the commitment on a regular settlement on interests, the banks extend the existing credit obligations short-term.

Last year Sava d.d. allocated €17.7 million to payment of interest expenses, while interest expenses at the Group's level amounted to €21.5 million.

Total financial liabilities of Sava d.d. reduced by €10.8 million in 2012 to reach €298.5 million and in the first half this January they went down by further €67.7 million as a result of reducing the debts. Last year, the financial liabilities of the Sava Group decreased by further €25.8 million to reach €345.5 million and in the first half of January they reduced by additional €70.9 million.

A decrease in financial liabilities is due to divesting of Sava d.d.'s investments, particularly a deleverage on account of the received purchase consideration generated in the sale of Rubber Manufacturing.

As a result of investment disposals in 2012, and particularly in the beginning of 2013, total financial liabilities of the Sava Group reduced by €99.6 million, of which a sum of €82.4 million referred directly to repayment of principal amounts of loans, the remaining sum of €17.2 million referred to a transfer of indebtedness out of the group, to the buyers of sold investments. Further deleverage that aims at reducing the volume of indebtedness to reach a long-term sustainable level will take place in the upcoming months of this year.

Credit obligations of Sava d.d. already down by €100 million.
€21.5 million of interest paid at the annual level.

The year 2013: consistently on the path of renewal towards a more successful Sava

I am proud that also in 2012 we implemented the strategic commitments we have taken on and would, therefore, like to thank a broad team of associates most sincerely for the accomplished results and the invested effort. Together we have proven that we understand, know how to and, in a joint endeavour, we also can do it.

The effects of the performed changes will be better observable from the financial statements of Sava for the first quarter or the entire year, respectively, which will again be an extremely tough one as we are still facing the adverse economic situation in the capital markets, banking and tourism sectors.

The present image of the Sava Group has significantly changed after disposals (Rubber Manufacturing with the Foreign Trade Network, the mainstay of Real Estate). The largest operations in the Group are now the finance investments management of Sava d.d., whose major share represents the investments in the banking sector, and the merged and consolidated Tourism operations.

In this year, Tourism plans to again improve its profitability in spite of the difficult economic circumstances, particularly in the domestic and certain traditional European markets. A decline in spending power will be substituted for through focusing on the market segments that have been less affected affected by the crisis. Furthermore, Tourism will carry on the optimisation of business processes and cost rationalisation programmes where the potential is still high. Improvements in the operations will assure yield in the form of paid dividends.

This year Sava d.d., as a financial investments manager, will continue to implement the strategy that aims at further optimisation in operating business, assets consolidation and active management of investments. The business processes and the internal organisational structure will be adapted to the target model of a financial holding, which is listed on the stock exchange and generates profit through acquisitions and disposals, and utilising the synergies within the investment portfolio.

We will continue to divest other financial investments, which are not necessary for business, and in the agreement on the reprogramming we will first of all concentrate on restructuring the investments and consolidating the operation of the banking part in the portfolio of Sava d.d. In this connection, we will further strive for a capital tie-up between Abanka Vipa d.d. and Gorenjska Banka d.d., and for acquiring a strategic co-investor that will provide required additional capital. A recent analysis made by an external advisor proved high synergetic effects originating from such a tie-up. We expect for a tie-up to have positive effects arising from the improved operations of the merged bank and, in combination with the improved market situation, it will result in the increased value of investments that Sava d.d. holds in both banks. In this manner, dividend yields would be produced that represent a basis for further deleverage of Sava d.d. towards a sustainable level of indebtedness.

In this year, Sava d.d. generates profit again.

Adopting the restructuring strategy, we have chosen the Sava's path that we consistently pursue and intend to pursue in the future, too. We hope and believe that we will be given the opportunity to successfully finish it for our mutual benefit.

Dear shareholders, members of the Supervisory Board and all partners accompanying us on the path of Sava's renewal, allow me to express my special thanks for your confidence and support, upon which we rely in this year, too.

Matej Narat, MSc
President
Management Board of Sava d.d.

6.

Management and governing bodies

Sava d.d. is managed by a three-member Management Board consisting of the President Matej Narat, MSc, and the Members Andrej Andoljšek and Miha Resman. The Management Board members took up their duty on 31 March 2011; their five-year term of office shall be until 31 March 2016.

From the beginning of his term of office, i.e. 31 March 2011, until a consensual termination on 31 December 2012, the company was also managed by the Management Board member Franci Strajnar, MSc, who was responsible for law, operations compliance and internal audit.

6.1. Presentation of the Management Board

MANAGEMENT BOARD OF SAVA D.D.:

MATEJ NARAT, MSc, President of the Management Board

- MSc (Economics), born in 1967.
- Responsible for managing and supervision of the Group, organisation, HR and corporate communications.

Membership of Supervisory Boards:

- Chairman of the Supervisory Board of Sava Turizem d.d., Bled.
- Deputy Chairman of the Supervisory Board of Hoteli Bernardin d.d., Portorož.

Other current functions and memberships:

- Member of the council at the Faculty of Economics in Ljubljana.
- Member of the Slovenian Directors' Association.

ANDREJ ANDOLJŠEK, Member of the Management Board

- BSc (Economics), MBA, born in 1970.
- Responsible for corporate controlling of the Group and business development; as of 1 January 2013, also responsible for law, operations compliance and internal audit

Membership of Supervisory Boards:

- Deputy Chairman of the Supervisory Board of Sava Turizem d.d., Bled.
- Chairman of the Supervisory Board of Abanka Vipa d.d., Ljubljana.

Other current functions and memberships:

- Member of the Innovation-Development Institute at University of Ljubljana.
- Member of the administrative board of Helios Basketball Club, Domžale.
- Member of the Slovenian Directors' Association.

MIHA RESMAN, Member of the Management Board

- BSc (Economics), born in 1975.
- Responsible for corporate finance and accounting, and risk management.

Membership of Supervisory Boards:

- Chairman of the Supervisory Board of Gorenjska Banka d.d., Kranj.
- Member of the Supervisory Board of Skupna Pokojninska Družba d.d., Ljubljana.

Other current functions and memberships:

- Member of the Slovenian Directors' Association.

Members of the Management Board of Sava d.d. from left to right: Matej Narat, Msc, President, Miha Resman, Member and Andrej Andoljšek, Member.

6.2. Presentation of the Supervisory Board

The current Supervisory Board of Sava d.d. consists of five out of the previous six shareholder representatives and three employee representatives. Aleš Skok is the Chairman, while Miran Kraševec is the Deputy Chairman of the Supervisory Board.

The four-year term of office of all new members of the Supervisory Board – shareholder representatives,who were appointed at the 18th Shareholders' Meeting held on 24 May 2012, and the term of office of all three newly elected employee representatives began on 29 June 2012 and shall be until 29 June 2016.

The term of office of the two Supervisory Board members – shareholder representatives, Robert Ličen, MSc, and Aleš Skok, who were appointed at the precedent 17th Shareholders' Meeting, began on 9 June 2011 and shall be until 9 June 2015.

Until a regular expiration of the four-year term of office, i.e. until inclusive of 28 June 2012, the Supervisory Board of Sava d.d. was composed as follows:

- **Members – shareholder representatives:**
  - Miran Kalčič, Chairman of the Supervisory Board and HR commission member.
  - Stanislav Valant, MSc, Deputy Chairman of the Supervisory Board and HR commission chairman.
  - Janko Kastelic, audit commission chairman.
  - Jože Obersnel, audit commission member
- **Members – employee representatives:**
  - Janez Justin, HR commission member.
  - Gregor Rovanšek, audit commission member.
  - Boštjan Luznar.

Already as of 9 June 2011, the above-mentioned Supervisory Board included the members – shareholder representatives Aleš Skok and Robert Ličen, MSc, who was also the audit commission member.

From 29 June 2012 until 18 October 2012, i.e. from the beginning of the office of the new Supervisory Board composition to the resignation owing to his appointment to a new position, the member of the Supervisory Board of Sava d.d. – shareholder representative and audit commission member was also Tomaž Perše, MSc.

Members of the Supervisory Board of Sava d.d. from left to right: Gregor Rovanšek, Lučka Pogačnik, MSc., Robert Ličen, MSc, Aleš Skok, Rok Ponikvar, Miran Kraševec, Tomaž Perše, MSc (member until 18 October 2012), Roman Ambrož, Aleš Aberšek

SUPERVISORY BOARD OF SAVA D.D. – MEMBERS – SHAREHOLDER REPRESENTATIVES:

ALEŠ SKOK, Chairman of the Supervisory Board, HR commission member

- BSc (Chemical Technology), born in 1967.
- Member of the Management Board of Helios d.d.

Other current functions and memberships:

- Chairman of the Supervisory Board of Belinka Belles d.o.o., Ljubljana.
- Chairman of the Supervisory Board of HGtrade d.o.o., Ljubljana.
- Chairman of the Supervisory Board of Helios Slovakia s.r.o., Žilina, Slovakia.
- Chairman of the Supervisory Board of HG Trade BH d.o.o., Čapljina, Bosnia and Herzegovina.
- Member of the Supervisory Board of Chromos Boje i Lakovi d.d., Zagreb, Croatia.
- Member of the Capital Mutual Pension Fund.

MIRAN KRAŠEVEC, Deputy Chairman of the Supervisory Board, HR commission chairman

- Graduate in High Administrative School, born in 1954.
- President of the Management Board of NFD Holding d.d.

Other current functions and memberships:

- Chairman of the Supervisory Board of Hoteli Bernardin d.d., Portorož.
- Chairman of the board of Daimond d.d., Šempeter pri Gorici.

ROBERT LIČEN, MSc, member – shareholder representative, audit commission chairman

- MSc (Business Administration and Organisation), born in 1967.
- Owner of the company Profit Plus d.o.o., Ljubljana.
- Executive Director of CVS Mobile d.d., Ljubljana.

Other current functions and memberships:

- Chairman of the Supervisory Board of Peko d.d., Tržič.
- Chairman of the Supervisory Board of Peko d.o.o., Split, Croatia.
- Member of the Slovenian Directors' Association.

ROMAN AMBROŽ, member – shareholder representative, audit commission member

- BSc (Economics); born in 1959.
- Chairman of the Management Board of NFD d.o.o., Ljubljana.

Other current functions and memberships:

- Chairman of the Supervisory Board of Melamin d.d., Kočevje.

ROK PONIKVAR, member – shareholder representative, HR commission member

- BSc (Economics), born in 1972.
- Member of the Management Board of Merkur d.d., Kranj.

Other current functions and memberships:

- Purchasing, Sales and Logistics Director, Merkur d.d., Naklo.

SUPERVISORY BOARD OF SAVA D.D. – MEMBERS – EMPLOYEE REPRESENTATIVES:

ALEŠ ABERŠEK, member – employee representative

- BSc (Economics), born in 1977.
- Assistant Director, Corporate Finance at Sava d.d.

Principal current functions and memberships:

- Member of the Supervisory Board of RSG Kapital d.o.o., Ljubljana.
- Member of the Slovenian Directors' Association.

LUČKA POGAČNIK, member – employee representative

- BSc (Economics), born in 1965.
- Assistant Director, Corporate Accounting, Plan & Analysis at Sava d.d.

Principal current functions and memberships:

- Member of the Association of Accounting and Financial Employees, Kranj.
- Member of the Slovenian Directors' Association.

GREGOR ROVANŠEK, member – employee representative, audit commission member

- BSc (Economics), born in 1981.
- Assistant Director, Corporate Controlling at Sava d.d., Kranj

Principal current functions and memberships:

- Certified internal auditor at the Slovenian Audit Institute.
- Member of the audit commission of the Supervisory Board of Sava Turizem d.d., Bled.
- Member of the Slovenian Directors' Association.

7.

Report by the Supervisory Board

On the results of examining the audited 2012 annual report of the company Sava d.d. and the audited 2012 consolidated annual report of the Sava Group

Aleš Skok, Chairman of the Sava Supervisory Board

Components of the annual report and the consolidated annual report

The Supervisory Board of the joint stock company Sava has reviewed the formal aspects concerning the 2012 annual report from the Management Board and the 2012 consolidated annual report of the Sava Group. It has determined that the 2012 annual reports were produced within the legal deadline and contain all the obligatory components as prescribed by the Companies Act-1.

The annual report consists of the **financial report** that includes the balance sheet, income statement, statement of comprehensive income, enclosures with notes to all the statements, cash flow statement, statement of changes in equity, and the **business report**. The consolidated annual report consists of all the prescribed contents too, whereby it stands that the business report is common to both the annual report and the consolidated annual report. All the essential constituents that are prescribed by legislation to produce the individual statements and reports are contained in the annual reports. The company has correctly formed reserves for its own shares. The notes to the financial statements contain all the information specified by the Companies Act-1, in Items 1 – 22 of Paragraph 1, Article 69. The business report contains all the significant business events that took place after the end of the business year, description of the anticipated growth of the company and activities of the Sava Group in the field of research and development and data about the representation offices of the company. The business report furthermore contains an in-depth analysis of the material risks and uncertainties that the company is exposed to and gives a fair view of the development and business results of the company and its financial position.

The annual report was submitted for auditing to the auditor that had been selected at the 18th Shareholders' Meeting of the joint stock company. The auditor Deloitte revizija d.o.o., Ljubljana, produced the auditor's report on 19 March 2013.

Paragraph 3 of Article 272 of the Companies Act specifies that the Management Board must present the compiled annual report together with the auditor's report to the Supervisory Board without delay. The Management Board of Sava d.d. did this on 20 March 2013. We therefore determine that the aforementioned legal provision was observed and so were the provisions of Paragraph 5 of Article 57 of the Companies Act-1, which defines an 8-day term for submitting the audited annual report and audited consolidated annual report to the competent body.

Method and scope of examining the management of the company

General

The Supervisory Board performed its supervisory function mainly at Supervisory Board meetings. Due to the continuation of the economic and financial crisis and their impact on the operations of the company and the Group in 2012, the Supervisory Board had six meetings in 2012. The Supervisory Board meetings in 2012 were held on 16 February, 19 April, 10 July, 30 August, 25 October and 13 December.

At these meetings individual members of the Supervisory Board exercised their right under Paragraph 1, Article 282 of the Companies Act in various manners; the paragraph enables every member of the Supervisory Board to examine all the bases for producing the annual report. In accordance with the legal provision the Supervisory Board has the right to revoke such a right from an individual member, but the Supervisory Board did not adopt any such resolution in 2012.

In accordance with the Articles of Association of the company, the Supervisory Board of Sava d.d. consists of six members elected by the Shareholders' Meeting and three members proposed by the Workers' Council. The members of the Supervisory Board of Sava d.d. until the expiration of a regular four-year term of office, i.e. inclusive of 28 June 2012, were as follows: Miran Kalčič, Chairman of the Supervisory Board, Stanislav Valant, MSc, Deputy Chairman of the Supervisory Board, and the members: Janez Justin, Janko Kastelic, Boštjan Luznar, Jože Obersnel and Gregor Rovanšek. Besides the aforementioned members, this composition also included the present members Robert Ličen, MSc, and Aleš Skok, who were appointed for a four-year term of office at the 17th Shareholders' Meeting held on 8 June 2011 and took up their duty of Supervisory Board members on 9 June 2011.

At the 18th Shareholders' Meeting of Sava d.d. held on 24 May 2012, the new members of the Supervisory Board for the next four-year term of office effective 29 June 2012, were appointed, as follows: Roman Ambrož, Roman Kraševec, Tomaž Perše, MSc, and Rok Ponikvar. On the same day the members of the Supervisory Board – employee representatives – Aleš Aberšek, Lučka Pogačnik and Gregor Rovanšek,who were appointed by the Workers' Council, began their four-year term of office.

At the first, founding, meeting, held on 10 July 2012, Aleš Skok was elected Chairman and Miran Kraševec Deputy Chairman of the Supervisory Board. Furthermore, the members of the audit and personnel commissions of the Supervisory Board were appointed. As of 18 October 2012, i.e. from resignation of a Supervisory Board member – shareholder representative and audit commission member, Tomaž Perše, MSc, owing to his appointing to a new position, the Supervisory Board of Sava d.d. acted in an eight-member composition, therefore, the Supervisory Board will propose the Shareholders' Meeting of Sava d.d. to elect a new member.

All members being elected by the Shareholders' Meeting acted independently in making decisions. Every member completed a statement with regard to a conflict of interest and submitted it to the company. In this statement, members declare that they are not in a conflict of interest in 2012, or disclose any such conflict of interests.

The Supervisory Board has set the rules as regards safeguarding business secrets and dealing with any conflicts of interest. Every Supervisory Board member signed a special statement as regards the observance of rules on safeguarding business secrets, and internal information, in particular.

Due to the aggravated economic and financial situation, and the intense activities in the implementation of the restructuring strategy, the Supervisory Board met frequently in 2012. Six meeting were held, which were attended by all Supervisory Board members, while, as a rule, the resolutions were adopted unanimously.

In addition to the regulations and internal acts, the Supervisory Board observed the Corporate Governance Code for Slovenia at its work, which is made clear in the Statement of Compliance with the Corporate Governance Code, which forms a constituent part of the annual report. Furthermore, it considered the principle of rational; the relevant costs of the Supervisory Board are disclosed in the financial part of the annual report.

Two commissions act within the Supervisory Board: the audit commission whose tasks are specified in Article 280, Companies Act 1, and a personnel commission which combines the competences of a commission for appointments and that for earnings. The commissions reported about their work to the Supervisory Board on an on-going basis.

In 2012, the personnel commission met five times: 29 March, 29 April, 24 August, 10 December and 13 December. In the first two meetings it acted in the composition: commission chairman Stanislav Valant, MSc, and commission members Janez Justin and Miran Kalčič. In the founding meeting of the Supervisory Board held on 10 July 2012, the personnel commission members were appointed, as follows: commission chairman Miran Kraševec and commission members Aleš Skok and Rok Ponikvar.

The personnel commission dealt with the candidacy and prepared a proposal for the members of the new Supervisory Board composition. The members of the new commission team agreed upon the manner of work of the personnel commission in the new term of office and became acquainted with the Report about the Personnel Commission Work in 2011 and 2012. They dealt with the Personnel Report for the Sava Group and particularly Sava d.d., along with the personnel policy and holding organisation, and adopted a report on comparison of the personnel data with similar holding companies in Slovenia. They adopted the report by the Management Board reporting about the additional measures aimed at cost rationalisation for the Management Board and employees at Sava d.d., and other activities associated with the restructuring of the company in terms of personnel and organisation. In this context, a proposal for an agreement was made and adopted concerning resignation of the Management Board member Franci Strajnar, MSc, from position and termination of his employment effective on 31 December 2012.

The audit commission, which in accordance with Article 279 of the Companies Act-1 is mandatory in the public listed companies met five times in 2012: 1 February, 28 March, 11 April, 27 August and 21 November. The meetings were convened so that the commission met at least once in a quarter. At the first three meetings the audit commission consisted of: commission chairman Janko Kastelic and Supervisory Board members: Gregor Rovanšek, Jože Obersnel and Robert Ličen, MSc, and external member, certified specialist in accounting and revision Kosta Bizjak. The founding meeting of the new Supervisory Board composition was held on 10 July 2012, on the occasion of which the members of the audit commission were appointed, as follows: commission chairman Robert Ličen, MSc, and the members Tomaž Perše, MSc, and Gregor Rovanšek as well as Janko Gedrih as external member. After Tomaž Perše, MSc, resigned, the Supervisory Board appointed Roman Ambrož (elected at the 3rd Supervisory Board meeting on 25 October 2012) as audit commission member.

At its meetings, the audit commission dealt with the areas defined by Article 280 of the Companies Act-1. It devoted much attention to financial reporting procedures, monitoring the performance of internal controls, risk management systems and supervised the integrity of financial information. It actively carried out its task in connection with producing the annual report and collaborated with the external auditor. At the meeting, on occasion of which the auditor presented his view of the financial statements and the audit process, the commission had an in-depth discussion with the auditor.

The external auditor participated in the Supervisory Board meeting in April 2012, at which the annual report was adopted, and in the Shareholders' Meeting of the joint stock company in last May.

Manner of business supervision

The Supervisory Board carefully and consistently performs a substantive and formal supervision of the company's business, whereby it organises its operations to the optimum extent in consideration of legal requirements.

Individual **substantive and formal** elements of this supervision system are:

- Consistent performance of the provisions set out in the Articles of Association (i.e. rules as defined by the shareholders) as regards decision-making on granting approvals for transactions made by the company.
- Regular dealing with implementation of the restructuring strategy of Sava d.d. and the Sava Group at each regular meeting.
- Regular reporting about divesting activities with regard to larger investments.
- Regular dealing with the interim liquidity and solvency report.
- Dealing with results of the company and Group business operations at each regular Supervisory Board meeting.
- Monthly reports concerning the results of company and Group business operations.
- A personal discussion with an auditor both at the Supervisory Board and audit commission meetings when annual financial statements are dealt with, as well as ad hoc meetings in the event of individual questions of significance.
- Besides the legally defined elements, the Supervisory Board report on its work also includes an in-depth estimate of the business operations drafted by the Supervisory Board independently of the Management Board.

Individual **organisational** elements of the supervisory system are:

- Efficient collaboration of the Supervisory Board with the audit and personnel commissions; the commissions regularly report to the Supervisory Board about their work.
- The Supervisory Board meets frequently enough; it always meets more than four times a year as legally defined. In 2012, the Supervisory Board had six meetings in total.
- Meetings are well prepared. As a rule, the material is sent at least one week before the meeting takes place.
- All Management Board members attend all the meetings.
- At meetings, persons who prepare the materials work as reporters, if required.
- All Supervisory Board members attend meetings.
- Enough time is available at all meetings for a detailed and careful treatment of all agenda items.
- The Supervisory Board Chairman, who presents the work of the Supervisory Board, and the auditor are present at the Shareholders' Meeting.

Major resolutions by the Supervisory Board

The Supervisory Board pursued and adopted resolutions on the most important matters of the company on an on-going basis. The major substantive resolution was adopted at the 3rd meeting on 25 October, when the members gave their consent to selling Rubber Manufacturing with the Foreign Trade Network. Already in its 2nd meeting on 30 August, the Supervisory Board provided its full support to the Management Board for achieving the goals defined in the strategy. The key personnel resolution was adopted at the 4th meeting of Supervisory Board on 13 December 2012; as proposed by the personnel commission a proposal by the Management Board on consensual termination of office and employment for the Management Board Member Franci Strajnar, MSc, effective 31 December 2012, was adopted. The Management Board of Sava d.d. thus consists of three members.

A summary of more important resolutions at individual meetings of the Supervisory Board (in chronological order) is given in the following wording:

- Supervisory Board becomes acquainted with the Internal Audit Report on Auditing the Business of Sava Nova d.o.o., Zagreb, and the report on the operations of this company for the period from 01/11/2011 until 31/01/2012. The Supervisory Board assigned the Management Board a task of proceeding with all the required measures for the company' rehabilitation and acting properly in the event of damage liability elements, of which they should report to the Supervisory Board. (31st meeting).
- The Supervisory Board is briefed about the report by the audit commission of the Supervisory Board, which became acquainted with the Audit Report in Sava Nova d.o.o. and the resolution by the Management Board.

- The Supervisory Board is briefed about the report on the strategy implementation, which includes: liquidity plan for Sava d.d. and the Sava Group for 2012; report about the course of negotiations with the banks on agreeing about a standstill for financial liabilities and their reprogramming; status report on individual investments of Sava d.d. and report on reorganising the holding company and the Sava Group.
- The Supervisory Board is briefed about the report by the audit commission and estimates its work as effective (32nd meeting).
- The Supervisory Board is briefed about the report by the personnel commission and estimates its work as effective.
- The Supervisory Board endorses the audited annual report of Sava d.d. for 2011, and the audited consolidated annual report of the Sava Group for 2011. The Supervisory Board adopts the Report by the Supervisory Board on the result of examining the audited annual report of Sava d.d. for 2011, and the audited consolidated annual report of the Sava Group for 2011.
- The Supervisory Board proposes the Shareholders' Meeting to adopt the following resolutions:

  a) »The Shareholders' Meeting becomes acquainted with the audited annual report of Sava d.d. for 2011, the audited consolidated annual report of the Sava Group for 2011, and a written report by the Supervisory Board for 2011. The Shareholders' Meeting becomes acquainted that the company generated a net loss of €156,125,623.82 in 2011«;

  b) »The Shareholders' Meeting grants discharge from liability to the Management Board. The Shareholders' Meeting grants discharge from liability to the Supervisory Board. The Shareholders' Meeting confirms and approves of the work of both bodies of the company in the financial year 2011.«
- The Supervisory Board proposes the Shareholders' Meeting to adopt the following resolution:

  »Deloitte revizija d.o.o., Dunajska cesta 165, 1000 Ljubljana, is appointed auditor of the financial statements of Sava d.d. and the Sava Group for 2012.«
- The Supervisory Board proposes the Shareholders' Meeting to adopt the following resolutions:

  a) »The Shareholders' Meeting established that the four-year term of office of the Supervisory Board members – shareholder representatives – Miran Kalčič, Janko Kastelic, Jože Obersnel and Stanislav Valant, MSc, expires on 28 June 2012.«

  b) »The Shareholders' Meeting elects the members of the Supervisory Board of Sava d.d. – shareholder representatives – as follows: Miran Kalčič, Janko Kastelic, Jože Obersnel and Stanislav Valant, MSc. The newly elected members of the Supervisory Board begin their term of office on 29 June 2012.«
- The Supervisory Board is briefed about the Report on business operations of Sava d.d. in the period January-March 2012 and the Report on business operations of the Sava Group in the period January-March 2012.
- The Supervisory Board is briefed about the Report on reviewing the documents in connection with a forward purchase of shares of NLB d.d. in 2010, dated 5 February 2012 and prepared by the BDO Revizija, družba za revidiranje d.o.o., and the Legal Opinion by the law firm Jadek &Pensa, o.p.-d.n.o., dated 6 March 2012. The Supervisory Board assigns the Supervisory Board the task of monitoring the status in connection with the forward purchase of NLB shares and if information, facts and evidence are acquired, which would substantiate any damage liability and other types of liability of persons involved in the respective transaction, they should adopt suitable measures and initiate appropriate procedures, of which the Supervisory Board is to be reported about.
- The Supervisory Board is briefed about the Report on Strategic Policy Fulfilment at the Sava Group with emphasis on selling Rubber Manufacturing and the activities carried out until that moment.
- The Supervisory Board is briefed about the Activities and Procedure Report in connection with a tie-up between Abanka Vipa d.d. and Gorenjska Banka d.d.
- The Supervisory Board appoints Aleš Skok as chairman of the Supervisory Board of Sava d.d. (1st meeting).

- The Supervisory Board appoints Miran Kraševec as deputy chairman of the Supervisory Board of Sava d.d.
- The Supervisory Board appoints audit commission members, as follows: Robert Ličen as chairman, Tomaž Perše, MSc, and Gregor Rovanšek as members, and Janko Gedrih as external member of the audit commission of the Supervisory Board of Sava d.d.
- The Supervisory Board appoints personnel commission members: Miran Kraševec as chairman, and Aleš Skok and Rok Ponikvar as members of the personnel commission of the Supervisory Board.
- The Supervisory Board is briefed about the Report on business operations of Sava d.d. and the Sava Group in the period January-June 2012 (2nd meeting).
- The Supervisory Board is briefed about the report on implementing the sale procedure of the Rubber Manufacturing division.
- The Supervisory Board is briefed about the report on implementing the strategy of the Sava Group. The Supervisory Board expresses its support to the Management Board in the realisation of activities required for achieving the goals defined in the strategy.
- The Supervisory Board assigns the Management Board a task of communicating further measures for organisation and cost rationalisation at Sava d.d., at which it considers the already implemented strategic goals as well as restructuring activities of the Sava Group, which are already being realised. The President of the Management Board shall prepare proposal for a possible organisation- and personnel-related restructuring of the Management Board of Sava d.d.
- The Supervisory Board is briefed about the business projection for the Sava Group after finalising the sale of the Rubber Manufacturing division (3rd meeting).
- The Supervisory Board agrees with the sale of business stake, which represents 100% of the share capital of Savatech d.o.o. to the company Česka gumarenska společnost s.r.o.
- The Supervisory Board of Sava d.d. is briefed about the sale of the business stake in the nominal value of €1,800,000.00, which represent 60% of the business stake of Savapro d.o.o., which is transferred under the buyer's ownership, i.e. Česka gumarenska společnost s.r.o.
- The Supervisory Board is briefed about the Report on business operations of Sava d.d. and the Sava Group in the period January-September 2012.
- The Supervisory Board is briefed about the solvency and liquidity status; it assigns the Management Board a task of producing a regular quarterly report about liquidity and solvency of the company.
- The Supervisory Board appoints Roman Ambrož as audit commission member.
- The Supervisory Board is briefed about the Business plan of the Sava Group and Sava d.d. for 2013. The Supervisory Board assigns the Management Board of Sava d.d. a task of preparing an updated version of the business plan after producing the annual accounts for 2012, when all final effects arising from the activities during the business year are known, and communicate it to the Supervisory Board (4th meeting).
- The Supervisory Board assigns the Management Board a task of submitting the review of operations of Sava Nova d.o.o., Zagreb, which was prepared by the Internal Audit in collaboration with the legal office at Sava d.d. to the law firm Jadek & Pensa for review. The Management Board shall make the audit commission and Supervisory Board acquainted with the findings by the law firm.
- Based on the Agreement about termination of employment contract, the Supervisory Board consensually recalls Franci Strajnar, MSc, from the position of the Management Board member of Sava d.d. on 31 December 2012 and authorizes the Chairman of the Supervisory Board to sign the Agreement.

Reporting by the Management Board

The communication between the Management Board and Supervisory Board was performed in a suitable manner and in accordance with the achieved reporting standards and defined schedules. In 2012, reporting by the Management Board was continual, fair and open, which enabled the Supervisory Board to exercise its supervisory role. The Management Board regularly briefed the Supervisory Board about the implementation of the restructuring strategy of Sava until 2014. The reports by the Management Board were produced according to individual areas with a synthetic review of all business effects. These involved the operations of the divisions: Rubber Manufacturing with the Foreign Trade Network, Tourism, Investment Finance, Real Estate and Other Operations, thereby enabling one to monitor the positive and negative effects of individual operations of the Sava Group.

The Supervisory Board was also allowed to make a review of individual companies or production and service programmes within separate divisions. The interest of the Supervisory Board primarily referred to the strategic policies, liquidity and solvency, business operations of larger companies and the consolidated statements of the entire Sava Group. The Supervisory Board primarily devoted its attention to the Investment Finance division, which operates within the parent company of the Group. Furthermore, it concentrated on the human resources management, which is of special significance when major strategic changes take place.

In its reports the Management Board presented and explained all most important categories that affect the business of the joint stock company Sava and the Sava Group. These are the categories of assets and liabilities, sales, costs, added value and profit. Furthermore, periodic comparative statements for the past year and planned statements for the comparative period were added. In this way the Supervisory Board could continuously pursue the performance trend with respect to the past and planned business operations.

The area of liquidity provision was given a special attention. Parallel to regular reporting on implementing the restructuring strategy, the Management Board continually informed the Supervisory Board about the most critical elements of the issue and prepared separate interim liquidity and solvency reports.

Business estimate

Introductory explanations

The aggravated economic environment of 2012 affected the performance of the Sava Group companies and the banks, in which Sava d.d. holds equity holdings. In Rubber Manufacturing with the Foreign Trade Network, which ended the year 2012 as part of the Sava Group for the last time, the operating performance further improved. Tourism continued with rationalisation of operating business, whereas the volume of operations of Real Estate shrunk due to divesting the leading division's company. Investment Finance carried out the activities for divesting the assets and restructuring the finance sources. For the fifth time in succession, the performance of Sava d.d. and the Sava Group was affected by the impairments of financial investments.

Selling the Rubber Manufacturing companies, which subject to meeting the suspensory conditions was realised in January 2013, significantly reduced the accumulated loss and the indebtedness of the company with the banking sector.

Business performance of the Sava Group

In 2012, **sales revenues** of Sava Group companies amounted to €192.2 million and were by 1% lower than in the previous year and lagged 5% behind the planned sales revenues.

As a result of intense marketing activities, the companies of Rubber Manufacturing with the Foreign Trade Network generated sales revenues of €120.2 million, or 2% more than last year and 3% less than planned. Sales revenues of Tourism totalled €64.8 million, which is at last year's level but lagged 3% behind the planned figures for the period. As expected, Real Estate faced low sales figures as a result of further decline in purchasing power and a stricter funding policy for the real estate projects. The revenues of Other Operations totalled €8.1 million, which is better than last year; however, the planned values were not achieved.

In 2012, the Sava Group made a **net loss** of €99.3 million.

The amount of the loss was greatly affected by further **impairments of financial investments** totalling €85.4 million, which mainly referred to:

- Impairment of financial investment in Gorenjska Banka d.d. totalling €52.8 million (based on the value assessment at €732 for a share); Sava d.d. entered the investment in 1999.

- Impairment of financial investment in Abanka Vipa d.d. totalling €24.7 million (based on the value assessment at €5.6 for a share); Sava d.d. entered the investments in 2007.
- Impairment of financial investment in NFD Holding d.d. totalling €0.8 million (using the stock exchange price); Sava d.d. entered the investment in 2009.
- Impairment of loans granted to NFD Holding d.d. in the amount of €2.6 million (based on reviewing the adequacy of received collateral); Sava d.d. entered the investment in 2010.

The **balance sheet total** of Sava Group companies amounted to €480.9 million at 31/12/2012 and was by €130.3 million lower than at the end of 2011. A decrease in the balance sheet total is mainly due to impairments of assets totalling €85.4 million and selling the mainstay of Real Estate, Investicijsko podjetje d.o.o., Ljubljana (former Sava IP d.o.o., Ljubljana), at which the value of assets separated out of the Sava Group amounted to €32.3 million.

In the **assets structure**, financial investments had a 33% share, property, plant and equipment a 36%, other assets (inventories, operating receivables, granted loans, deferred tax receivables and other) had a 31% share.

39% of long-term assets of Sava Group companies were financed with long-term loans, while 63% were financed with short-term sources.

Capital in the amount of €67.3 million represented 14% of total liabilities; its decrease with regard to the end of the previous year was mostly due to the loss made by the Group in the amount of €99.3 million.

The value of **total obtained long-term loans and short-term financial liabilities** of Sava Group companies amounted to €345.4 million at 31/12/2012, which is €25.8 million less than at the end of 2011.

Return on capital of the Sava Group calculated as a ratio between the net loss and the average balance of capital was negative and amounted to 59.7%.

Business performance of Sava d.d.

The sales **revenues** generated by Sava d.d. amounted to €3.1 million, which was 43% less than in the previous year and 18% above plan. 81% of the revenues were due to the sale of services by Sava d.d. to the Group's companies.

The **net loss** of Sava d.d. amounted to €49.0 million in 2012 and was mainly due to the impairments of financial investments in the amount of €34.5 million.

At 31/12/2012, the **accumulated loss amounted** to €58.3 million and remained uncovered.

The **balance sheet total** of Sava d.d. amounted to €348.3 million at 31/12/2012 and was by €61.7 million or 15% lower than at the end of 2011.

The greatest, i.e. 85%, share in the **assets structure** had long-term financial investments and assets for sale. Tangible fixes assets and investment property had a 4% share, short-term financial investments a 4% and other assets a 7% share.

Capital of Sava d.d. in the amount of €37.7 million was by €49.9 million or 57% lower than at the end of the previous year. It had a 10.8% share in the liabilities structure.

Total financial liabilities of Sava d.d. achieved the value of €298.5 million and in comparison with the end of the previous year they reduced by €10.8 million. Their share in the balance sheet total amounts to 86%. Total financial liabilities of Sava d.d include €284.2 million of loans obtained outside of the Sava Group.

Return on capital of Sava d.d. calculated as a ratio between the net loss of the financial year and the average balance of capital was negative and amounted to €56.2%.

Auditor's report

The Supervisory Board became acquainted with the auditor's report and determined that the auditor's opinion is affirmative for Sava d.d. but qualified for the Sava Group.

The auditor has also presented his views to the Supervisory Board and collaborated in the meeting of the audit commission of the Supervisory Board.

The question by the Supervisory Board as regards the qualification, which refers to disclosing discontinued operation and investments in the associated companies, the auditor provided the explanation as given in the letter issued to the management.

With regard to the qualification of disclosing discontinued operations, it was explained that unsuitable presentation of maintained and discontinued operation in the income statement does not affect either the value of the balance sheet items or the total operating result of the Group.

With regard to disclosing the data on operations of associates it was explained that given the fact that investments in associates are valued in terms of their recoverable value, which is significantly lower than the last published book value of shares of associates, their value in the financial statements of the Sava Group is adequate and so is total equity of the Sava Group.

With regard to the emphasise of matters, which refer to risks in connection with going concern, the auditor explained that risks in this connection are suitably presented and disclosed in the annual report.

The Supervisory Board determines that the auditor's report contains the constituents prescribed in Paragraph 2 of Article 57 of the Companies Act-1. The auditor has confirmed that the financial reports have been produced in accordance with Slovene Accounting Standards, the accounting policies of the company and by employing corresponding provisions of International Financial Reporting Standards.

Comments by the Supervisory Board about the annual report for 2012 and the consolidated annual report for 2012

The Supervisory Board has no comments about the 2012 annual report and the 2012 consolidated annual report that would withhold it from the adoption of a decision to endorse the annual report and the consolidated annual report.

Management Board's performance review

The Supervisory Board reviewed the performance of the Management Board of Sava d.d. in 2012, which was an extremely demanding year as the negative effects of financial-economic crisis from the previous years had to be eliminated and the economic situation further deteriorated.

This was the first full year after the Management Board had taken up their duty at the end of the first quarter of the previous year, and also the first full year of implementing the strategy of business-financial restructuring of Sava until 2014 adopted in September 2011.

After the strategic goals of the first, preparation restructuring phase until the end of 2011 had been consistently attained, the Management Board effectively fulfilled all major commitments from the next restructuring phase outlined for 2012, in certain parts even faster, prior to the set deadlines.

The following major strategic achievements of the past financial year need to be particularly pointed out: maintaining of liquidity and solvency of the company and continued successful arrangements with the lending banks on payment postponement for credit obligations of the group, further reorganisation and consolidation of operations at Sava d.d. as well as Tourism, which show in a significant increase of operating profit, and last but not least, the efficiency of implementing the divesting programme (selling the entire Rubber Manufacturing, the principal part of Real Estate and certain other financial investments).

The lucrative divesting of Rubber Manufacturing was the greatest foreign direct investment in the Slovene economy in 2012, at which the Management Board made sure that this so far traditional Sava's business has a suitable strategic partner that will facilitate its faster development.

Divestments – along with a regular payment of interests which at the annual level amounted to more than €20 million – enabled reducing debts of the Sava Group by about €100 million in the beginning of this year; this is a remarkable achievement not only in the Slovene economy but wider.

Sava d.d. and, as a consequence, the Sava Group still ended the year 2012 with a high loss, which, however, is lower than in the preceding year, but the fact is that the sale of Rubber Manufacturing was finalised on 8 January 2013, at which a profit of €23.5 million was generated and other effects arising from this transaction have not been recognised yet.

In spite of further improvements in operating business and profitable operations of the subsidiaries of Sava d.d. in the past year, further impairments of financial investments, particularly in the banking sector, had by far the greatest effect on the generated result, and so did non-payment of planned bank dividends, changes in tax legislation and a time-shift in finalising the sale of the part of the assets of Sava d.d. to January 2013.

The effects of the already performed changes in the manner of management, organisation, investment portfolio structure of Sava d.d. and other strategic shifts for achieving a sustainable level of indebtedness, recovery of profitability and generation of long-term value for the company' shareholders have already been demonstrated in the results of operations for 2012 and will be even better observable from the financial statements of Sava for the first quarter, the entire this and the next year, respectively.

The major strategic goal of 2013 is to upgrade the agreement with the lending banks by way of a long-term maturity coordination of financial liabilities (what will also facilitate further implementation of the strategy), to proceed with the activities for restructuring Sava d.d.'s investments in banks, and to better utilise the synergies to improve the operations of Tourism, which in 2012 already made a considerable progress but did not entirely meet the expectations.

The Management Board of Sava d.d. assured financial stability for doing business and other conditions needed for a long-term development and successfully ran the company and the Sava Group.

When making key decision on the sale of Group's parts or internal reorganisations, which included downsizing, the Management Board actively cooperated with workers' representatives.

In pursuing the economic objectives of divestments, internal costs rationalisation and significantly lower labour costs, the Management Board still made an important contribution to preserving employee motivation and commitment, and also offered various options for re-employment of redundant employees, which is not to be neglected given the fact of increasing unemployment and a generally tough social situation in Slovenia.

The Management Board devoted much attention to analysing future opportunities and hazards, particularly risks in the financial markets, to which they responded with various scenarios and additional measures that aimed at implementing the goals envisaged in the restructuring strategy.

The engagement and efficiency of the Management Board members in fulfilling the goals set for 2012 and the long-term strategic goals to stimulate growth and development of the renewed Sava were suitable, for which the Supervisory Board expresses their acknowledgement and support.

Based on the aforementioned, the Supervisory Board proposes that Shareholders' Meeting grants discharge from liability to the Management Board of Sava d.d. for their work in 2012.

Endorsement of the 2012 annual report for Sava d.d. and the 2012 consolidated annual report for the Sava Group

In accordance with Paragraph 3 of Article 282 of the Companies Act-1, the Supervisory Board endorsed the 2012 annual reports at its 6th meeting on 27 March 2013, thereby approving them within an open deadline, i.e. before one month expires including the day both annual reports for 2012 were submitted to the Supervisory Board.

Aleš Skok
Chairman
Supervisory Board of Sava d.d.

In Ljubljana, 27 March 2013

8.

Corporate governance system with the Statement on Corporate Governance

A well-organised and efficient corporate governance system supports the implementation of Sava's business goals. The members of the new Supervisory Board composition were appointed in 2012. A decrease in the number of Management Board members from four to three members brings savings in the costs of managing the company. The Sava Group Directorate will further enhance the quality and efficiency of corporate governance at Sava d.d.

The two-tier system of corporate governance in Sava Group companies

Corporate governance in the Sava Group is understood as a system that assures a suitable operation of its bodies in order to provide for a continuous competitive edge for the operation of all companies in the Group.

A two-tier system is employed in managing of Sava d.d., according to which the company is conducted by the Management Board, its operations being supervised by the Supervisory Board. The companies Sava Turizem d.d. and Energetika Črnomelj d.o.o. are managed in the same manner.

Sava d.d. strives for employing a simplified and standardised governance process of the Group's companies. The governance process is based on making decisions by the Shareholders' Meeting, the supervision over business processes and efficient management of the companies. None of the Sava Group companies employs a one-tier system of corporate governance.

The corporate governance system at Sava d.d. and its subsidiaries is based on legal provisions, the rules of the Ljubljana Stock Exchange, internal organisational regulations and books of rules, and it also observes and transfers the already established best practice cases.

Shareholders' Meeting of Sava d.d.

Shareholders of Sava d.d. exercise their rights in connection with the company in the Shareholders' Meeting. The convening of the Shareholders' Meeting and other matters of significance for its implementation are governed by the Articles of Association of Sava d.d. and the legislation.

As a rule, the Management Board of Sava d.d. convenes the Shareholders' Meeting once a year. It can be attended by all shareholders and their proxies or representatives, respectively, who announce their participation in written form at least three days prior to the Shareholders' Meeting. The call for the Shareholders' Meeting is announced at least 30 days before the Meeting in the newspaper Finance, the electronic information system of the Ljubljana Stock Exchange d.d., SEOnet, and the company website at www.sava.si.

The company website further provides access to the materials with the proposed resolutions.

The Management Board called the 18th regular annual Shareholders' Meeting for 24 May 2012. The Shareholders' Meeting was attended by the share owners who on 21 May 2012 were registered as share owners in the share registry of the KDD Central Securities Clearing Corporation.

44.36% of total company's capital and 64.57% of total shares with voting right (890,357 shares) attended the Shareholders' Meeting. The proportion of voting right of the first five major shareholders amounted to 61.37% (546,447shares) of the capital present, as follows: Finetol d. d., with 16.24% (144,597 shares), Merkur d. d. with 15.15% (134,923 shares), PSL storitve d.d. with 12.16% (108,310 shares), NFD 1, delniški podsklad with 11.42% (101,702 shares), and NFD Holding d.d. with 9.76% (86,915 shares).

Shareholders elected the bodies of the Shareholders' Meeting and were made acquainted with the audited annual reports, a written report from the Supervisory Board, as well as with the information on the accumulated loss, and adopted the proposals for granting discharge from liability to the Management Board and Supervisory Board of the company. Deloitte revizija d.o.o., Ljubljana was appointed as auditor of the 2012 annual financial statements.

Upon expiration of the term of office of four out of six Supervisory Board members - shareholder representatives, the new Supervisory Board members were elected on proposal by one of the shareholders, as follows: Roman Ambrož, Miran Kraševec, Rok Ponikvar and Tomaž Perše, MSc. Furthermore, the new Supervisory Board members, who upon expiration of the term of office of previous members were appointed by the Workers' Council – Aleš Aberšek, Lučka Pogačnik and Gregor Rovanšek – were introduced to the Shareholders' Meeting. All Supervisory Board members were elected for a four-year term of office as of 29 June 2012.

At the Shareholders' Meeting, the President of the Management Board of Sava d.d., Matej Narat, MSc, reported about the results of Sava's operations and presented the implementation of the restructuring strategy at Sava.

Supervisory Board of Sava d.d.

As specified by the Articles of Association of the joint-stock company Sava d.d., the Supervisory Board is composed of nine members. Six members are elected by the Shareholders' Meeting, while three members are elected by the Workers' Council in accordance with the Worker Participation in Management Act.

The Supervisory Board members are elected for a four year term with an option of re-election. The term of office of the present Supervisory Board members expires on 28 June 2016, except for two of the members, Robert Ličen, MSc, and Aleš Skok, who were elected in the precedent Shareholders' Meeting in 2011; their term of office shall be until 9 June 2015. As of the resignation by a shareholder representative Tomaž Perše, MSc, effective 18 October 2012 owing to his appointing to a new position, the Supervisory Board has been composed of eight members.

The Articles of Association of the company and the book of procedures concerning the work of the Supervisory Board define the method of work, convening meetings and other issues of importance for the work of the Supervisory Board of Sava d.d.

The legislation and book of procedures of the Supervisory Board define that the Supervisory Board shall meet at least once every quarter. In 2012, the Supervisory Board met at six regular meetings (two in the former and four in the new Supervisory Board composition). It dealt with and decided about numerous matters of significance, which are presented in the Report by the Supervisory Board.

With the exception of one-time absence owing to health reasons, all Supervisory Board members were always present in the meeting, demonstrating thereby their outstanding commitment and diligence in carrying out the tasks. Owing to their constructive cooperation in discussions and decision-making process all Supervisory Board members significantly contributed to the success and efficiency of the Supervisory Board's work.

As the term of office was taken up by the new composition, the Supervisory Board of Sava d.d. held its founding meeting on 10 July 2012, on the occasion of which it appointed Aleš Skok as the Chairman and Miran Kraševec as the Deputy Chairman of the Supervisory Board of Sava d.d. Furthermore, the Supervisory Board of Sava d.d. appointed the members of the audit and HR commissions of the Supervisory Board of Sava d.d. In accordance with the legislation, the audit commission includes one external, independent member, Janko Gedrih. After Tomaž Perše, MSc, resigned from the position of audit commission member, Roman Ambrož was appointed a member of this commission.

In 2012, the audit commission met five times (of which three times in the former composition and two times in the current composition of the Supervisory Board). The HR commission met five times. Both commissions regularly reported about their work in the Supervisory Board meetings.

More facts on the operation of the Supervisory Board and both commissions are presented in the Report by the Supervisory Board.

Management Board of Sava d.d.

In 2012, Sava d.d. was managed by a four-member Management Board that had been appointed by the Supervisory Board. The Management Board members were appointed for a five-year term of office as of 31 March 2011 with a possibility of re-appointment. The Management Board member, Franci Strajnar, MSc, managed the company until 31 December 2012 when he was consensually recalled from the Management Board member position. The Supervisory Board adopted the resolution on the basis of a proposal given by the Management Board under the framework of implementing the measures that aim at further reorganisation and rationalisation of the company's business. The current Management Board consists of three members, as follows: Matej Narat, MSc, President of the Management Board, and Andrej Andoljšek and Miha Resman as Members of the Management Board.

The Management Board manages Sava d.d. and does business for the benefit of the company, autonomously and on its own responsibility. The number of Management Board members and their areas of work and proxies are defined by the resolution from the Supervisory Board and form a constituent part of the rules of procedures for the Management Board. The company is represented by two Management Board members jointly.

With an order by the Management Board adopted in February 2012, the procurator position, which until then was carried out by Miran Hude, was suspended.

In 2012, the Management Board reported to the Supervisory Board in a regular, understandable and timely manner on all important issues referring to the management of the company and the entire Sava Group and coordinated with it the implementation of corporate strategy and risk management. Similar to the members of the previous Supervisory Board composition, who unanimously supported the implementation of the strategy dealt with at its meeting on 27 September 2011, also the members of the new Supervisory Board composition expressed their full support to its further implementation at their 2nd meeting held on 30 August 2012.

For certain decisions and certain transactions, respectively, the Management Board has to obtain consent from the Supervisory Board; such cases include: acquisition, disposal or encumbrance of equity holding in excess of 20% of the share capital of Sava d.d.

Sava Group Directorate

The Sava Group Directorate began to operate on 1 of October 2011. It is conducted by the Director and Senior Assistant to the Management Board of Sava d.d., Milan Marinič. Its goal is to assure a quality and efficient corporate governance system and strategic supervision in order to create the conditions for enhancing performance and accelerating the development of the Sava Group.

The Sava Group Directorate includes all professional services of Sava d.d. (a detailed presentation is given in chapter 3 – Organisational structure of the Sava Group).

The Sava Group Directorate assures:

- The preparation of documents and policies for managing the subsidised and associated companies and other capital investments to be decided upon by the Management Board of Sava d.d. at its meetings.
- Professional assistance in pursuing and directing the work of supervisory and other bodies of individual Group companies.
- Monitoring and supervision over the implementation of the adopted policies.

The key areas of the Directorate for assuring an efficient corporate governance and strategic supervision over the Sava Group include:

- Development and assuring supervision over the implementation of the Corporate Governance and Supervision Policy of the Sava Group and capital investments of Sava d.d.
- Establish and upgrade a central electronic system of policies and other internal legislation applicable at the level of the entire Sava Group.
- Liaise in safeguarding lawfulness and compliance of operations in Sava Group companies with the external and internal legislation and rules.
- Cooperate in the preparation of a development strategy proposal for the Sava Group, and monitor its implementation.
- Cooperate in the preparation of the strategy and the policy for capital investments home and abroad, and monitor their implementation.
- Corporate governance and strategic supervision, and monitoring the operations of Sava Group companies.
- Cooperate in managing the financial investments of Sava d.d.
- Participate in take-over activities and establishing new companies, and their incorporation in the Sava Group.
- Cooperate in divesting of investments held by Sava d.d.
- Direct and coordinate the activities carried out by the professional services in conformity with the corporate governance and management system in the Sava Group.

Furthermore, the Directorate organises regular, weekly Management Board meetings and monthly directors' meeting with the management teams of professional services of Sava d.d., business conferences of the Sava Group, as well as other meetings for the needs of the Management Board of Sava d.d.

As a rule, a business conference of the Sava Group is held once a year– in December – and deals with the business plan for the upcoming business year. About 50 associates from the renewed Sava participated in the business conference held in December 2012; the President of the Management Board of the associated company Gorenjska Banka d.d. and the Chairman of the Supervisory Board of Sava d.d. were active contributors in discussing the development policy.

Managing the subsidised and associated companies of the Sava Group as well as other capital investments of Sava d.d.

Sava d.d. implements its governing role through supervisory boards, administrative boards and various commissions, as follows:

- In the subsidiaries, the Management Board implements its controlling role by making decisions of the sole partner (in the function of the assembly of a d.o.o.), and by setting out the policies for the work of supervisory board members.
- In the associated companies, the Management Board ensures their professional consulting assistance to the supervisory board members of the respective companies who are employed with the Sava Group as to assist them in forming their standpoints with regard to the Agenda materials for supervisory board meetings in a more quality manner.
- In other companies, in which Sava holds its equity stake and are neither subsidised nor associated, the Management Board of Sava d.d. appoints their proxy prior to the AGMs' of these companies to participate in the meeting. Before these supervisory board meetings take place, the Management Board provides their professional consulting assistance to the members of the supervisory boards who are employed with the Sava Group.

The Directorate is responsible for the preparation of the expert basis for decision-making by the Management Board in connection with implementing the governing role of Sava d.d. For this purpose, the Directorate also coordinates the activities of professional services.

In its weekly meetings, the Management Board of Sava d.d. regularly monitors how the subsidiaries and associated companies of the Sava Group as well as other capital investments held by Sava d.d. are managed.

The Management Board of Sava d.d. appoints the members of Sava d.d.'s managerial teams, who have suitable experiences about the operations of a particular company, in the management and governing bodies of Sava Group companies.

Internal audit

The mission of the internal audit involves judging and evaluating management as well as executive and information processes aimed at appropriate risk management.

Internal audit is directly responsible to the Management Board of Sava d.d. The organisational independence of internal audit and its professional approach enable that its influence is enforced in all Sava Group companies and at all levels of operations. Internal auditors continually enhance their knowledge and design the auditing methodology in accordance with the international standards of professional practice in the internal audit.

At selection of the projects for the internal audit annual plan, internal auditors proceed from the strategic policies of the Group and considers risks that could affect the accomplishment of strategic goals. Owing to their comprehensive review of Sava Group's operations Internalaudit assesses the risk impact on the operations and the probability as to the occurrence of risks. Based on this assessment, priority areas are selected to be dealt with and the goals defined to be accomplished in the audits. The annual plan of internal audit is confirmed by the Management Board, while the audit commission of the Supervisory Board is acquainted with it too.

In 2012, audits were carried out with a particular focus on risk management in connection with certain business functions, processes and monitoring business performance and efficiency of companies.

In 2013, the activities of the Internal Audit will focus on risk management of key business functions and processes in the Sava Group companies.

External audit

The financial statements of the joint stock company Sava d.d. and the majority of its subsidiaries have been audited by the auditors Deloitte revizija d.o.o.

The Shareholders' Meeting of Sava d.d. approves of appointing the auditor every year. In the preparation of a proposal, the company considers the recommendations by the Corporate Governance Code on changing the responsible auditor or key auditing partner of the same auditing company at least every five years.

The businesses of Sava d.d. with the audit company Deloitte revizija d.o.o. are disclosed in the financial section of the annual report and in the notes to the financial statements of the company and the Group.

Internal controls and risk management system in connection with financial reporting

The Management Board of Sava d.d. is responsible for the operation of the internal control system and supervision of its efficiency. The purpose of the internal control system of the Sava Group is to provide at reasonable cost a firm guarantee that company or Group assets are secured, and business tasks are correctly performed and documented.

The existing structure of the internal control system includes, among other things, the established policies and procedures, the function of internal audit performance and the selection and training of competent specialists.

In the Sava Group, standardised accounting policies apply, which are detailed in the accounting regulations of the Group companies. The regulations precisely define the duties and responsibilities of individual accounting operations, their monitoring and supervision. In this manner, a standardised approach to recording business events, procedures standardisation and an in-depth expertise of our employees are assured.

The use of a standardised central management information system supports the system of monthly monitoring and internal financial reporting on the business, of which the Supervisory Board is being made acquainted too.

Given the changing and volatile business environment, we are examining the implementation of the annual plan on the basis of quarterly business forecasts, at which we make sure that our response to possible deviation or changes is timely.

Business transparency and open communication

At Sava d.d., communication forms an important constituent part of the corporate governance system. It co-creates confidence of stakeholders in our operations, products and services, thereby significantly influencing business performance of the Sava Group.

A professional support to managing the corporate communicating on major aspects of Sava Group's operation is provided by Corporate Communications, which closely cooperates with the Management Board and other professional services and management teams in the subsidiaries.

The goal of Sava d.d. is to establish a dialogue and ensure quality information to shareholders and other stakeholders, at which it surpasses the minimum requirements concerning the information of shareholders and the public as defined by the Laws and Rules of the Ljubljana Stock Exchange. By doing so, a transparent and open corporate governance system in the company Sava d.d. is created jointly.

The procedures and responsibilities in external reporting are defined by the Information Rules of Sava d.d. as a public listed company.

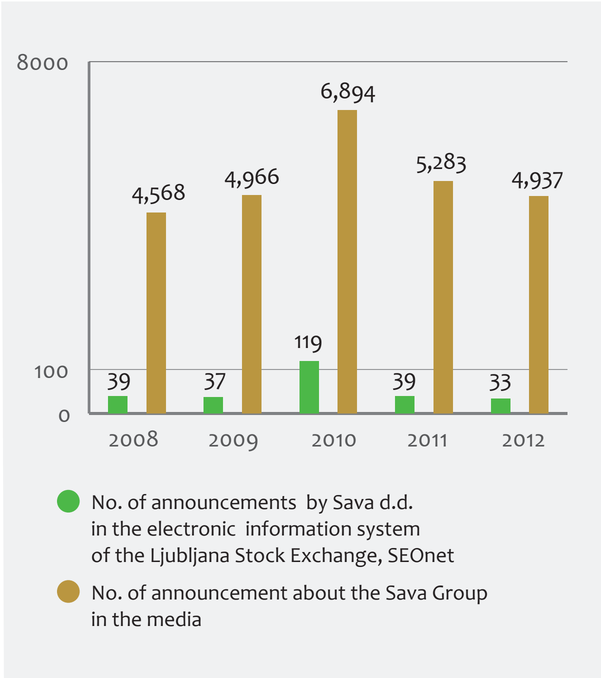
The area of safeguarding business secrets and procedures in connection with the supervised information is brought into line with the requirements defined in the Corporate Governance Code. The area is governed by the Rules on Determining and Safeguarding Business Secrets for Internal Use and the Internal Information Rules.

Announcements in the SEO-net system and the media

Information about the operations of the Sava Group and Sava d.d. and all more significant resolutions adopted by the Supervisory Board are announced in the stock exchange information system SEOnet, on the company's website at www.sava.si, and in cases stipulated by law also in the newspaper Finance.

Sava d.d. releases the information that might affect business decisions made by investors or the interested public on an on-going basis, and regularly communicates with the media.

Movement of the number of public announcements in the SEOnet system and publicity from 2008 to 2012



In 2012, Sava d.d. released 33 public announcements in the SEOnet system, while 4,937 announcements about the Sava Group were made in the media. Some of the most important topics that created communication in the respective year were, as follows: business results, Shareholders' Meeting and appointing new Supervisory Board members, selling the Rubber Manufacturing and Real Estate divisions, and press releases about the financial investments that are held by Sava d.d. in banks, particularly in connection with increase in capital of Abanka Vipa d.d.

We attach much significance to the quality preparation of business reports. The website www.sava.si provides access to all public announcements, financial calendar, information about the organised gathering of proxies, contact persons, and other pieces of information. We distribute company information to shareholders and analysts and are available for answering their questions. We devote special attention to potential investors; for this purpose, road show events and meetings are organised.

The corporate governance system at Sava d.d. provides guidelines for directing and supervising the company and its subsidiaries. It defines the distribution of rights and responsibilities among the governing bodies and sets rules and procedures for making decisions on corporate issues. Furthermore, it provides a framework for setting, achieving and monitoring the implementation of business goals and establishes the values, the principles and the highest standards of honest and responsible decision-making process and handling concerning all aspects of our business.

The corporate governance system is a tool for accomplishing long-term strategic goals of Sava and the manner in which the Management Board and Supervisory Board of Sava d.d. perform their responsibility towards shareholders and other stakeholders of the company. The vision and goal of Sava d.d. and its subsidiaries are to introduce the modern principles of governance and management, and the fullest conformity with all the advanced domestic and foreign practices.

Statement on Corporate Governance

I. Explanations in accordance with the Companies Act

Based on the 5th paragraph of Article 70 of the Companies Act, which defines the minimum content of the corporate governance, Sava d.d. gives the following explanations:

1. Description of main characteristics of the internal control and risk management systems in the company in connection with the financial reporting procedure.

The internal control and risk management system in connection with the financial reporting by Sava d.d. incorporates the policy and procedures, which enable a timely, true and fair report about the financial position, movement of assets and liabilities and the operating result of Sava d.d. and the Sava Group. The internal control system is presented in the 2012 annual report of the Sava Group and Sava d.d., Chapter – Corporate governance system in a more comprehensive manner.

2. Significant direct and indirect holdership of the company's securities in the sense of achieving a qualified stake, as stipulated by the act regulating acquisitions.

The data about achieving a qualified stake as stipulated by the Take-overs Act is announced on an on-going basis in the electronic information system of the Ljubljana Stock Exchange, and furnished to the Securities Market Agency. At 31 December 2012, the direct qualified stakes as stipulated by the Take-overs Act in Sava d.d. are held by: Kapitalska Družba d.d., Ljubljana (qualified stake 18.7% or 375,542 shares), Slovenska Odškodninska Družba d.d., Ljubljana (11.1% or 222,029 shares), Finetol d.d. – under receivership, Škofja vas (7.2% or 144,334 shares), Merkur d.d., Kranj (6.7% or 134,923 shares), NFD 1, Delniški Podsklad, Ljubljana (5.1% or 101,702 shares).

3. *Explanation about any holder of securities which assure special control rights.*

Individual shareholders of Sava d.d. have no special control rights based on the ownership of Sava shares.

4. *Explanations about all limitations in voting rights.*

The shareholders of Sava d.d. have no limitations in exercising their voting rights.

5. *Company regulations on appointing and replacing members of the management and supervisory bodies and changes in the Articles of Association.*

Company regulations do not separately govern the appointment or replacement of members in the management and supervisory bodies and amendments to the Articles of Association. The applicable legislation is applied in full.

6. *Proxies of management board members, especially those for the issue or purchase of treasury shares.*

In 2012, Sava d.d. did not have any proxies for the issuance or purchase of treasury shares.

7. *Operation of company Shareholders' Meeting and its key responsibilities.*

In 2012, the Shareholders' Meeting met once. The responsibilities of the Shareholders' Meeting are stipulated by law and exercised as set out in the standing orders of the Shareholders' Meeting and by the chairperson of the Shareholders' Meeting. The voting procedure in the Shareholders' Meeting is minutely described in the annual report of the Sava Group and the company Sava d.d. for the year 2012, in Chapter– Corporate governance system.

8. *Data on the composition and operation of management and supervisory bodies and their commissions.*

A comprehensive presentation of the management and supervisory bodies and their commissions is given in the annual report of the Sava Group and the company Sava d.d. for 2012 in Chapters– Management and governing bodies; Report by the Supervisory Board; Corporate governance system.

II. Statement of Compliance with the Corporate Governance Code for Public Joint-stock Companies

The company Sava d.d. gives the Statement of Compliance with the Corporate Governance Code for Public Joint-stock Companies (hereafter Code).

The Statement of Compliance with the Corporate Governance Code refers to the period between the former and the present statement, i.e. from 16 February 2012 to 20 February 2013. The statement forms a constituent part of the 2012 annual report, which provides a comprehensive presentation of the corporate governance system of the Sava Group and the company Sava d.d.

In the quoted period, Sava d.d. followed the provisions of the Code in the variant adopted on 8 December 2009. The entire Code text is available in Slovene and English on the website of the Ljubljana Stock Exchange (www.ljse.si), and the website of Sava d.d. (www.sava.si).

The Management Board and the Supervisory Board of the company declare that the joint stock company Sava d.d. respects the provisions of the Code except in cases where it deviates from it, for which the following explanation are given:

Recommendation under item 5.6: When resolutions are proposed by the supervisory board, the Shareholder's Meeting elects each member of the supervisory board separately.

At the 18th Shareholders' Meeting all four new Supervisory Board members – shareholder representatives were elected at one time. The proposal was brought forward by one of the shareholders and was supported by the specified majority of shareholders. Shareholders' Meeting voted through this proposal prior to the proposal formulated by the Management Board and Supervisory Board.

Recommendation under item 8: The supervisory board monitors the company throughout the financial year, takes an active part in drawing up the Corporate Governance Policy and in establishing the corporate governance system, carefully evaluates the work of the management board and performs other tasks pursuant to the law, company regulations and the Code.

All members of the supervisory board sign a special statement, disclosing their meeting of the criteria of independence from Section C.3 of Appendix C of this Code. In this statement they pronounce themselves independent if they meet all the criteria or dependent if they do not, and state explicitly that they have the relevant professional training and know-how to work on a supervisory board. Such signed statements are then posted on the company's website.

Already in the previous years and in 2012 again, the Supervisory Board members gave their statements as to any conflict of interests at their handling. The content of the statement includes the majority but not all the criteria of independence as quoted in Section C3 of Appendix C of this Code. The Supervisory Board estimated that the content of their statement sufficiently disclosed their independence and the existence of any conflict of interest, respectively.

Recommendation under item 8.2: In its rules of procedure, the supervisory board sets the scope of topics and timeframes to be observed by the management board in its periodic informing of the supervisory board. The communicated data enable supervisory board members to make an objective and balanced assessment of the company's financial position. The management board provides written notices to the supervisory board at least once per quarter. Provided adequate protection and information security are ensured, such notices may be e-mailed. The documents needed by supervisory board members to make quality decisions are made available to them or to the supervisory board committees in due time.

Based on a special resolution, the Supervisory Board defines the scope of topics and timeframes with a special order to be observed by the Management Board in its periodic informing. The Supervisory Board adapts the scope of this resolution to the economic situation in the company and the Sava Group. The Supervisory Board is of opinion that it is not necessary to define the scope and timeframes in the rules of procedure instead of in the resolution.

Recommendation under item 10.2: The president of the supervisory board ensures that the procedures related to preparatory work, consultations, adopting of resolutions and decision taking are precisely adhered to. The agenda for a supervisory board meeting consists of items to be discussed at the meeting. The agenda also specifies whether an item and corresponding materials are of an informative nature only or whether actual decisions are to be adopted on their basis (adopted report, consent or authorization granted to the management board, etc).

Provided that the members receive adequate materials and have sufficient time to prepare, the supervisory board may add additional items to the agenda on the spot, by a simple majority vote.

The rules of procedure of the Supervisory Board of Sava d.d. define that an additional item can only be added on the agenda in agreement by all Supervisory Board members.

Recommendation under item 17.2: Once a year, upon (re)appointment and upon each change, members of the supervisory board sign and provide the board with their statement of meeting the individual requirements from Appendix C3. They thereby take a position with respect to potential conflicts of interests, pursuant to the criteria stipulated in Appendix C3, and commit to immediately inform the supervisory board of any potential new conflicts of interests.

Already in the previous year and in 2012 again, the Supervisory Board members gave their statements as to any conflict of interests at their handling. The content of the statement includes the majority but not all the criteria of independence as quoted in Section C3 of Appendix C of this Code. The Supervisory Board estimated that the content of their statement sufficiently disclosed their independence and the existence of any conflict of interest, respectively.

The statement will be accessible on the website of the Ljubljana Stock Exchange at www.ljse.si, and the company's website at www.sava.si as of the announcement date.

Kranj, 20 February 2013

Management Board and Supervisory Board
of Sava d.d.

9. Risk management

We responded to the tense economic situation of 2012 by an on-going pursuit of economic environment development, risk identification and timely measures. In spite of the crisis in the domestic economy, we proceeded with the activities that aim at minimising the negative impacts on our operations. A great deal of our attention was devoted to the management of risk in connection with the operation of Investment Finance, which arises from the reduced values of financial assets and poorer access to loans. We are trying to minimise the negative impacts on our business with timely actions.

9.1. Goal, organisation and methodology of risk management

The goal of risk management in the Sava Group is an early detection of hazards and preparation of measures, which mitigate or eliminate their possible consequences. We try to convert the risks that are recognised in due time to business opportunities and incorporate them effectively in our day-to-day business.

The organisation of risk management is carried out at the level of the parent company Sava d.d., while the responsibility for suitable management of individual risks and their elimination falls within the competence of management teams in every individual company.

The risk management process in every individual company involves the broadest circle of employees to assure the most efficient process.

The risk management methodology is centrally developed at the level of the parent company in collaboration with the competent departments of subsidiaries. By doing so, we assure that risks are classified and suitably evaluated by individual group. Risks are classified in four larger groups: strategic, financial, operative and unpredictable risks. Within these four groups, they can be further broken down with regard to their effect on the entire Group or only its individual company, and also whether they represent an opportunity, a hazard or both.

The methodology facilitates a timely response in the case that any impact of a particular hazard increases as well as timely introduction of appropriate measures in connection with a particular risk.

The risk management methodology is based on the international standard IRM (International Risk Management Standard) and includes the following phases:

- Identify the reason for risk.
- Assess opportunities and hazards.
- Estimate the anticipated consequences of risks.
- Evaluate and classify risks.
- Prepare measures for limiting business damage and maximising benefits, respectively.
- Monitor risks and adapt measures with regard to the changed circumstances.

9.2. More important risks in 2012

The importance of individual risks did not change significantly in 2012. The Group's business was mostly affected by risks in connection with the Investment Finance division. We focused on managing the financial investments and we encouraged individual companies and divisions, respectively, to doing business effectively.

Strategic risks

These were managed by the subsidiaries autonomously on the basis of the policy provided by the parent company Sava d.d. The organisational units defined in advance, manage risks, while the parent company monitors the policies, measures and effectiveness of risk management.

Investment risks belong to most important risks of the Sava Group, since they are associated with achieving the planned investment economics and, consequently, they affect the implementation of the adopted development strategy. The year 2012 was denoted with high price fluctuations in financial investments as a result of a poor economic position and highly volatile economic environment. A decrease in the value of financial assets changed the structure of financial assets of the parent company Sava d.d. Risks were minimised by diversifying the investment portfolio and actively supervising the operations of companies, in which Sava d.d. holds a significant interest. We continually examine investment opportunities and have a divesting plan outlined for certain investments to assure a suitable solvency.

In 2012, the Sava Group implemented the outlined activities in accordance with the adopted business strategy, which is based on restructuring and improving the Group's performance; accordingly, this will show in a higher value of assets, growth in share price and generation of new sources for a dividend pay-out to Sava shareholders.

We minimise risks in connection with the implementation of development strategy by way of a clearly defined strategy, a continual examination of its implementation and its regular revision with regard to the rapidly changing circumstances in the business environment.

Strategic risks

Risk area	Risk description	Risk management method	Exposure
Investment risks	Possible losses and decreases in the value of assets due to decreased stock exchange rates	Diversification of financial assets	High
Implementation of development strategy	Risks in connection with the implementation of development business strategy	Standardised business policy, quality reports and suitable controls	High

Financial risks

In 2012, much attention was devoted to financial risks, since due to the circumstances in the financial and money markets, the conditions for obtaining funds deteriorated significantly.

In such circumstances, risks in connection with solvency, credits risks and risk in connection with refinancing finance sources increased as the majority of Slovene companies have a limited access to additional funding. Simultaneously, banks tightened their requirements for renewing the existing loans and collaterals. The Group's strategy has a restructuring model defined, which will improve the maturity structure of finance sources, reduce the volume of financial liabilities and strengthen its cash flow. These activities have a significant impact on minimising risks, which in the given economic circumstances are dealt with particularly carefully.

To decrease risks in connection with fluctuations in interest rates and foreign exchange rates, we carefully monitor the situation in the money markets and study various scenarios for hedging against these fluctuations. We estimate that in the present situation the Sava Group is not strongly exposed to interest rate and foreign exchange risk.

Financial risks

Risk area	Risk description	Risk management method	Exposure
Refinancing risk	Loans are not extended	Arrangements with business banks for reprogramming finance sources to improve the maturity structure of finance sources	High
Solvency risk (liquidity risk)	Possible shortage of money assets for servicing operating and financial liabilities	Previously agreed credit lines and planning requirements for liquid assets	High
Credit risk	Risks of non-payment by buyers and borrowers	Limit maximum exposure to customers, active receivables management, calculate ratings	High
Risk of changed interest rate	Possible loss due to changed interest rate	Monitor financial markets and movements of interest rates	Moderate
Foreign exchange risk	Possible loss due to unfavourable foreign exchange movement	Monitor financial markets and management by using suitable financial instruments	Low

Business risks

The Sava Group companies face this kind of risk in their daily operations. They are managed at the level of individual subsidiaries as in terms of their substance they mostly relate to a particular type of risk.

Risks associated with the reliability of suppliers and contractors are managed by using unified supply channels, standardisation of demand, strict requirements as regards the quality of raw materials, materials and services, and establishing long-term partnerships with major suppliers. We continually expand the range of our suppliers and offer suitable product liability. Parallel with that we monitor supply markets and make use of modern tools and technologies, which enables a quick and efficient adaptation to any changes.

In circumstances of growth and increased demand the **risks associated with the availability of production capacities** are mimimised through suitable procedures, which include regular maintenance and measurements of production capacities functioning. We also ensure our operation against a possible loss in income due to an operation breakdown.

Risks associated with employees are decreased by way of measures which assure suitable availability of personnel and increase their level of motivation. We are continually striving for education and training, and we carry out the measures under the Family-Friendly Enterprise certificate.

Occupational health and safety risks are decreased by improvements in working conditions and introducing preventive actions aimed at bettering the safety culture. Recently, we have devoted special attention to prevention and management of risks associated with the impact of psycho-active factors on employee health.

Risks associated with the IT are decreased by continually improving and upgrading the software and security equipment. In this way, we make sure that business processes are stable, reliable and secure. Owing to the central management via the newly established company Sava IT d.o.o, we improved organisation of work, enhanced efficiency and improved the information flow between business functions. Good practice cases from abroad are being selectively introduced.

Operating risks

Risk area	Risk description	Risk management method	Exposure
Suppliers and contractors' reliability	Possible disruption in supplies, non-competitive prices	Analyse risks associated with individual suppliers and introduce suitable measures in the case of unsuitable cooperation with a supplier	Moderate
Availability of production capacities	Unplanned standstills, production failures or breakdowns	Insurance against operation standstill, regular preventive maintenance and measurements	Moderate
Employees	Risks of losing key personnel and shortage in highly-trained personnel	Systematic work with the key personnel, remuneration system, personnel development, on-going education, organisational climate measurement	Moderate
Occupational health and safety	Work-related accidents or injuries	Verifying technology procedures, computer-assisted risk assessment system	Moderate
Information sources	Disruptions in business processes due to IT failures	Independent safety check-ups and anticipated measures for elimination of disruptions	Moderate
Assets security	Alienation or destruction of assets	Produced hazard estimates and security plan	Low
Environmental protection	Extraordinary events with damaging impacts on the environment	Preventive drills and internal procedures as specified for extraordinary events	Low
Legislation and compliance risks	Changes in legislation or its interpretation	Observance of legislation and consulting	Low

Unpredictable risks (insurances)

These risks cannot be predicted, but can have a great impact on the operations. These types of risks are insured with insurance companies. Through a centralised and joint appearance we can effect more favourable terms and conditions, thereby contributing to better results of Sava Group companies. We have a standardised policy defined, which, however, is adapted to individual divisions.

General insurances of the Sava Group are arranged with the insurance-brokerage company Priori Zavarovanja d.o.o. The assets and liabilities of companies are insured with the insurers Zavarovalnica Triglav d.d., Adriatic Slovenica d.d. and Generali d.d. In special cases, our receivables are insured with the insurer SID-Prva Kreditna Zavarovalnica d.d.

Unpredictable risks

Risk area	Risk description	Risk management method	Exposure
Damage to assets	Risk of damages to assets due to natural forces and other accidents	Systematic hazard assessment of facilities, measures in line with fire safety studies and taking out suitable insurances	Moderate
Claims for damages and law suits	Claims for damages by third parties due to loss events by the company's operation, caused unintentionally or coincidentally	Insurance against civil, producer's and environmental liability, product liability	Moderate
Financial loss due to a breakdown	Financial loss due to a production standstill or damages to the assets	Insurance of labour costs, depreciation, other operating costs and profit from operations, organisational-technical measures for minimizing consequences from a breakdown	Moderate

9.3. Anticipated risks at the global level and their impact on Sava Group's business

The operations of Sava Group companies strongly depend on the global situation, which is why we regularly pursue the global economic, financial, technology, environmental and political movements. We consider them in the preparation of our long-term business plans and strategies as they can indirectly or directly affect our operations.

In the future, the operations of the Sava Group will be mostly affected by:

- **Economic stagnation in the Euro Zone**
  Even though the circumstances in the financial market in the EU have improved, the estimated economic activity in the EU is negative in 2012. The weak economy in 2012 also provides a lower starting point for 2013. The endeavours by the EU states to balance the European economy disturb the economic growth, which in the EU will be 0.1%, while a decline in growth in the Euro Zone will amount to -0.3%. The weak economy is believed to threaten the economic stability of the entire Euro Zone. The major factors for such forecasts are the volatile government debt securities (Greece, Spain, Italy, and Portugal), fragile trust on the part of companies and the general public, a high unemployment rate, and a continued consolidation of public finance in most of the EU member states.
- **Unstable international political situation**
  The uncertain and unstable political situation affects the speed at which the economy recovers. Due to the uncertain political situation the economic recovery will slow down in the future, which is why trading, investments and employment will decline.
- **The expected price rises in energy products**
  Due to the uncertain political circumstances the prices of the key energy products are expected to furtherrise in 2013, what will impact the operating costs of all Sava Group companies.
- **Shortage in investment capital**
  The financial crisis and a new manner of arranging the international financial relations show as a shortage in investment capital. This can influence the implementation of the revised long-term strategy of the Sava Group, which is based on disinvestments and Group's restructuring.
- **Unemployment**
  It is expected that the weak economic activity will increase the unemployment rates in the EU in 2013. However, certain Sava Group divisions can consider a higher unemployment rate as an opportunity and have to adapt their services to the educational and age structure of employees.

10. Financial management

In 2012, the economic and financial crisis in Slovenia further deepened. This was to a great extent due to the political instability, which strongly affected the financial sector through decreasing the credit rating of the state, and, as a consequence, the banks and the entire industrial sector. In concert with the general economic circumstances, the market value of investments of the Sava Group further dropped, while the credit exposure remained high. In compliance with the long-term restructu ring strategy for the Sava Group, whose vital part refers to a disinvestment programme and reprogramming of financial liabilities, the provision of liquidity, regular settlement of financial liabilities and regulation of relations with the banks have been at the forefront of Sava Group's activities all the time.

The implementation of the business policy and guidelines in the financial management area is conducted centrally at the level of the parent company Sava d.d., while being coordinated by the professional service of Corporate Finance. The mission of Corporate Finance is to achieve a high level of financial balance for preserving liquidity and financial soundness of all Sava Group companies. Sava d.d. appears as a direct borrower of credit lines for its needs, whereas subject to a prior consent and the loan terms being harmonised by the parent company other Group's companies contract debts on their own account.

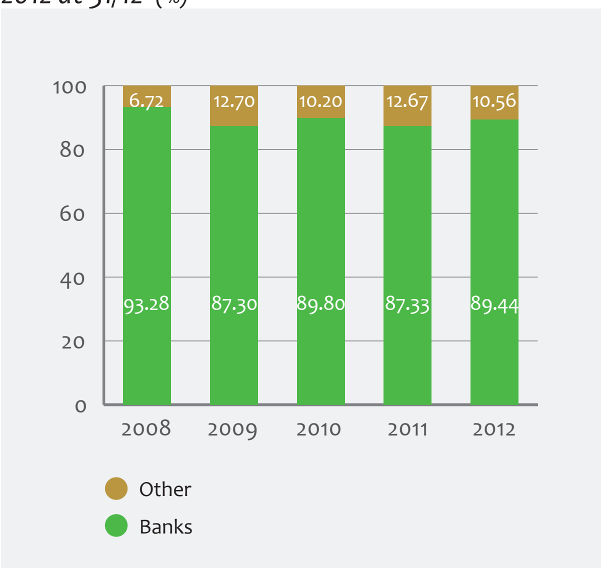
In the Sava Group, the types of collateral are standardised and harmonised. Furthermore, the policy of meeting business and other financial liabilities towards the banks is standardised too, and so are the

Structure of hired loans

The indebtedness of the Sava Group amounted to €340 million at the end of 2012 and with regard to 2011 it reduced by €26 million. This decrease resulted from the planned disposal of the investments held by Sava d.d.

At the end of the year, the bank credit sources represented 89% of total indebtedness, whereas the portion of loans obtained from other business entities, represented 11% of total credit sources. In comparison with the previous year, the structure of hired loan sources did not change significantly.

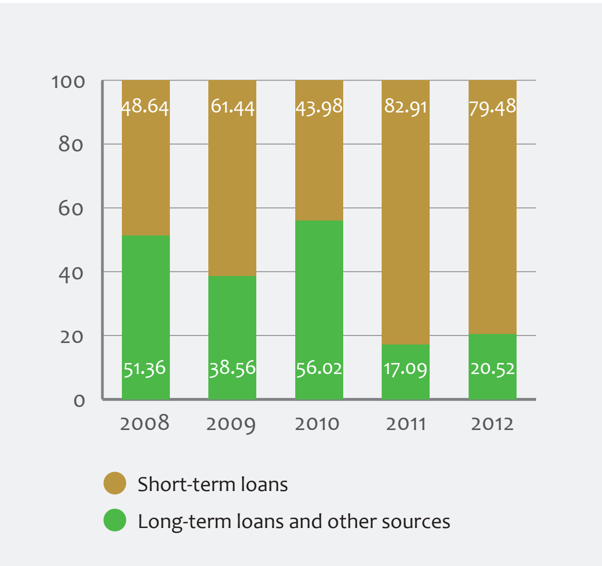
Structure of hired loan sources in the period 2008-2012 at 31/12 (%)



Structure of loan indebtedness by maturity

With regard to 2011, the maturity structure of loan sources did not significantly change in 2012. This was mainly due to the fact that in accordance with the strategy of planned restructuring and reprogramming of total liabilitiesthe banks extend the existing loans only short-term until a final arrangement on reprogramming is agreed upon. In the loan structure, short-term sources have a 79% share in total loan sources. The share of long-term loans increased with regard to the year before and amounted to €73 million at the end of 2012.

Structure of loan indebtedness by maturity in the period 2008-2012 at 31/12 (%)



Interest rate structure of loan portfolio

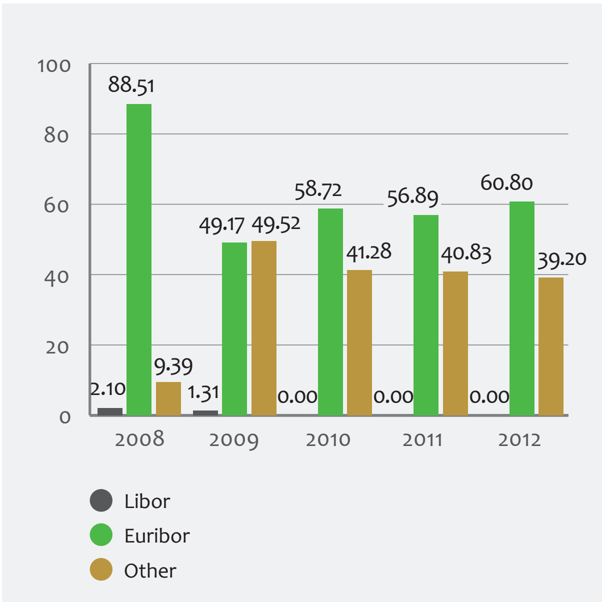
In the middle of the year, the European Central Bank (ECB) reduced the key interest rate by 25 basis points (July 2012).

This change was followed with a modification in the inter-bank interest rates (Euribor), which moved in proportion to the movement of the key interest rate and the intensity of the European debt crisis. In spite of the mentioned changes, the majority of banks in Slovenia did not significantly modify the fixed interest rates and risk margins, although the pressure in this direction was quite strong.

At the end of 2012, the interest rate structure of the loan portfolio mirrored the situation that was similar to the maturity structure of sources as banks extended short-term loans at fixed interest rate. In comparison with the interest rate structure at the end of 2011, the 2012 structure did not importantly change.

The portion of loans at fixed interest rate had a 39% share in total loan portfolio at the end of 2012 and did not significantly change with regard to 2011.

Interest rate structure of credit portfolio with bonds in the period 2008-2012 at 31/12 (%)



In the period 2008-2012 Other includes TOM; fixed interest rate, EBRD, NLB Prime and IRB RS.

Reprogramming and insurance of existing loans

The loans obtained by the Sava Group are insured with the mortgages placed on the real property of Group's companies and the pledges on various securities and shareholdings owned by the parent company Sava d.d.

Under the framework of collateral for the hired loans, Sava d.d. effected an extra collateral for the bonds designated SA02 at the end of June 2012. Sava d. d. assured another 3,993 shares issued by Gorenjska Banka d.d., Kranj, designated GBKR. Total number of shares placed as collateral for the SA02 bonds amounted to 27,917 GBKR shares at the end of 2012.

In 2012, the procedures were in progress to provide collateral for those loan transactions between Sava Group companies and the banks, which until that time had not been insured yet. At the end of the year, the loans in the amount of €19 million had no collateral.

The beginning of 2013

In the beginning of 2013, Sava effectively finished the planned sale of Rubber Manufacturing, which was taking place throughout 2012. A purchase price of €69.4 million was received for the disposed company Savatech d.o.o. A sum of €49.3 million was earmarked for repayment of bank loans, €4.9 million for settling liabilities towards the Sava Group's companies, the rest of the purchase price in the amount of €15.2 million is deposited on the notary escrow account and based on the Agreement on Sharing Purchase Price from the Escrow Account made with the lending banks,it will be drawn in 2013.

Under the framework of selling Rubber Manufacturing, all pieces of land in Labore, the Sava trademark and the company Sava Pro d.o.o. were sold in the beginning of 2013. In these transactions, the inflows of €3.7 million were generated, which were earmarked for loan repayment with Gorenjska Banka d.d., while a minor part represents a liquidity reserve of the company for 2013.

In accordance with the activities set out in the adopted strategy, the real property that directly refers to the tourism operations and was owned by Sava d.d. until that point, was sold to Sava TMC d.o.o. in the beginning of 2013. The value of transaction amounts to €15.3 million, out of which €13.5 million will be earmarked for repayment of loans with Abanka Vipa d.d., and the rest of €1.8 million refers to a receivable by Sava d.d. due from Sava TMC d.o.o.

Financial position of the Sava Group

The year 2012 was denoted with the continued debt crisis in Europe, uncertain circumstances in the international financial markets, a political crisis in Slovenia and, consequently, ever tougher circumstances in the Slovene financial market. The stock exchange prices continued to drop; banks further tightened their liquidity policy, as the situation affected them considerably.In such circumstances, Sava succeeded in stabilising the operations of the parent company, improving the operations in subsidiaries as well as in carrying on with the activities for business and financial restructuring that had been introduced already in 2011.

With adopting the new long-term business strategy, Sava committed itself to restructure the entire Group in terms of business and finance. The umbrella strategy document provides the basis for the already implemented bilateral coordination of all loan relations with the banks during the moratorium on repayment of loan principals until the moment of signing a long-term reprogramming of Sava's loan liabilities. In accordance with the adopted strategy, we particularly focused on provision of company's liquidity, regular servicing of financial liabilities and arranging the relations with the banks and creditors. Parallel with that, intense activities were in progress that aimed at improving the operations, strengthening cash flow of subsidiaries and a resolute cost rationalisation. Throughout the year numerous activities were performed for selling individual investments in order to improve a short-term liquidity and facilitate an undisturbed business and on-going settlement of liabilities of Sava d.d. The process of selling Rubber Manufacturing was the most complex one, and took the entire year. The sale deal was made at the end of October 2012, the purchase price was paid in the beginning of 2013. By reducing the absolute debts amount, the liabilities arising from the interest will reduce in 2013 to that effect.

By selling the Rubber Manufacturing division, the first phase of the adopted long-term strategy of business and financial restructuring has been wrapped up. Owing to its strict implementation the debts were repaid as promised and we thus have gained credibility for proceeding with it, its second phase to be exact. The second phase includes further disinvesting of other financial investments that are not necessary for our business, but the focus will be on the activities for a tie-up between Gorenjska Banka d.d. and Abanka Vipa d.d., that will end with a final sale of the share of a tied-up bank that will go up in value. By a rigorous implementation of the second phase of the long-term strategy, Sava will manage to provide a suitable structure and maturity of the entire Sava Group and reduce debts to a long-term sustainable level.

In the last quarter of 2012, the negotiations with the lending banks continued. Assisted by foreign financial experts, a term sheet was produced and presented to the banks, on the basis of which an agreement about a long-term reprogramming of total Sava's loan liabilities will be made. A response by the creditors was a positive one. Presently, the negotiations are still in progress and comments made by all the interested parties are being brought into line. We expect to have an effective agreement with the banks done and a long-term reprogramming of Sava's debts signed by summer.

At the end of 2012, Sava d. d. had loans of €268 million, which in accordance with the strategy and restructuring proposal will be reduced by €69 million. The 2013 indebtedness plan expects for Sava d.d. to pay-off debts of €64 million to banks and repay the loans to the companies within the Group in total amount of €5 million.

Financial position of subsidiaries

As planned, the subsidised Tourism companies will be successful in doing business and will generate a cash flow from operations in the amount of €14 million. The generated cash flow will be used for a regular servicing of liabilities and making investments in the development of business as outlined in the plan.

Sell the assets of Sava d.d; interests are paid regularly and the principal amounts of loans are reduced by about €100 million.

Facilitate a faster development of Rubber Manufacturing, Real Estate and Energy Management companies with the new strategic partners.

Disinvestment & deleverage

BUSINESS ANALYSIS

1.

Signing of the annual report and its constituent parts for Sava d.d. and the Sava Group for 2012

The President and the members of the Management Board of Sava d.d. hereby confirm to be acquainted with the content of constituent parts of the annual report of Sava d.d. and the Sava Group for 2012, and thus the entire annual report of Sava d.d. and the Sava Group for 2012. The annual report is herewith adopted and confirmed with respective signatures.

Matej Narat, MSc
President of the Management Board

Andrej Andoljšek
Member of the Management Board

Miha Resman
Member of the Management Board

In Kranj, 19 March 2013

In 2012, the Sava share value moved between €13.0 and €3.2. At the end of the year, the average price per share amounted to €3.4 and thus dropped by 71.7% with regard to the end of 2011. The movement of the Sava share reflects the general economic situation in Slovenia, low trust of investors in the domestic capital market and, consequently, a low liquidity of the Ljubljana Stock Exchange.

The year 2012 is the first full year of implementing the revised long-term strategy of Sava d.d. as formulated for the period until 2014. The strategy is based on financial restructuring of liabilities and disposals of those financial investments, which do not form part of a long-term business of the company. The implementation of the outlined strategy, which Sava d.d. is consistently carrying out, will result in a lower and sustainable level of indebtedness and enhanced financial flexibility of the company. The capital structure will thus improve while trust of investors in the business and long-term development of the company will build up.

2.

The Sava share and ownership structure with the calendar of significant announcements by Sava d.d. in 2013

Movement of the Sava share

The range of value, in which the Sava share moved, reached the highest point at €13.0 and the lowest at €3.2. The main reason for low price levels was the general negative movements of the domestic economy and a poor liquidity of the Slovene capital market, which in 2012 went down by 23.3% with regard to the comparable period in 2011.

Market capitalisation

At the end of 2012, the market capitalisation amounted to €6.8 million and was lower than at the end of 2011. The market capitalisation of all shares in the Ljubljana Stock Exchange amounted to €4.9 billion and compared to the end of 2011 it rose by 0.8%.

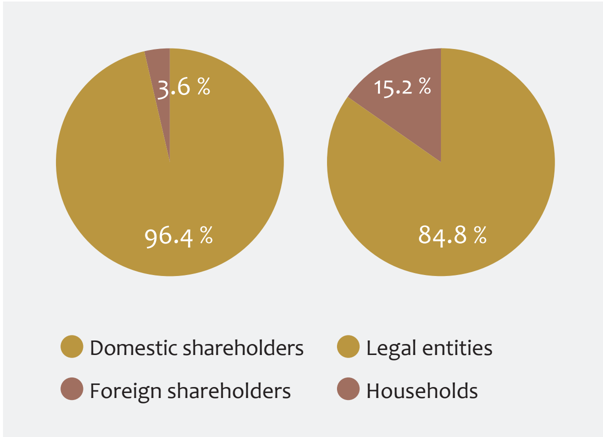
Movement of the Sava share price in 2012

Source: Thomson Reuters Datastream.

Ownership structure

On 31 December 2012, Sava d.d. had 14,200 shareholders entered in the register book, which ranks it among the larger Slovene listed public joint stock companies. The stock of domestic shareholders amounted to 96.4% and that of foreign shareholders to 3.6%. In comparison with the end of 2011, the stock of foreign shareholders decreased by 0.1 percentage point. The majority of foreign shareholders originate from Great Britain, the United States of America, Croatia and Germany. The proportion of legal entities represented 84.8% and that of private individuals 15.2%. The ten major shareholders own 65.26% of total company equity.

Ownership structure by category at 31/12/2012 (%)



10 major shareholders at 31/12/2012

10 major shareholders	Equity holding	No. of shares
Kapitalska družba d.d.	18.71%	375,542
Slovenska odškodninska družba d.d.	11.06%	222,029
FINETOL d.d. - under receivership	7.19%	144,334
Merkur d.d.	6.72%	134,923
NFD 1 delniški podsklad d.d.	5.07%	101,702
NFD Holding d.d.	4.33%	86,915
Probanka d.d.	3.97%	79,582
Gorenjska banka d.d.	2.81%	56,475
PSL storitve d.d. - under receivership	2.78%	55,851
TCK d.o.o.	2.61%	52,459
Total 10 major shareholders	**65.26%**	**1,309,812**
Sava d.d. (treasury shares)	1.52%	30,541
Other shareholders	33.22%	666,634
Total	**100.00%**	**2,006,987**

The most recent information on the ownership structure of Sava d.d. is available on our website at http://www.sava.si/eng/shareholder-relations.html.

Company securities

Trading with treasury shares

In 2012, Sava d.d. did not purchase any treasury shares; on 31 December 2012 it thus owned 30,541 treasury shares in the value of €4,977 thousand – valued at the average purchase price; this represents 1.52% of total Sava shares.

Management Board and Supervisory Board members who own Sava shares

At the end of 2012, the members of the Management Board and Supervisory Board of Sava d.d. held 267 Sava shares, or a 0.013% of total company capital. In comparison with the end of 2011, the balance increased by 18 shares as Aleš Aberšek, who took up a duty of a Supervisory Board member of Sava d.d., held 18 shares on 29 June 2012.

Management Board and Supervisory Board members who own Sava shares

Management Board members	Position	No. of shares 31/12/2011	Equity holding 31/12/2011	No. of shares 31/12/2012	Equity holding 31/12/2012
Matej Narat, MSc	President	117	0.006%	117	0.006%
Miha Resman	Member	129	0.006%	129	0.006%
Total		**246**	**0.012%**	**246**	**0.012%**

Supervisory Board members	Position	No. of shares 31/12/2011	Equity holding 31/12/2011	No. of shares 31/12/2012	Equity holding 31/12/2012
Aleš Aberšek*	Member	(18)	(0.001%)	18	0.001%
Gregor Rovanšek	Member	3	0.000%	3	0.000%
Total		**3**	**0.000%**	**21**	**0.001%**
Total Management Board and Supervisory Board members		**249**	**0.012%**	**267**	**0.013%**

* *He began to carry out the office of a Supervisory Board member on 29 June 2012, which is why his equity holding was previously not included in the equity holding of the Supervisory Board members of Sava d.d.*

Key data on the Sava share

		2008	2009	2010	2011	2012
No. of shares at period end	(No. of shares)	2,006,987	2,006,987	2,006,987	2,006,987	2,006,987
Market capitalisation at period end	(€ in mn)	508.2	481.9	179.6	24.1	6.8
Share book value	(€)	239.7	236.2	161.1	82.2	32.9
Share price						
- highest	(€)	624.1	258.5	250.0	95.0	13.0
- lowest	(€)	223.0	192.0	88.0	12.0	3.2
- at period end	(€)	253.2	240.1	89.5	12.0	3.4
Average daily liquidity	(€ in thousands)	101.4	41.8	58.2	5.9	3.4
Average daily trading with shares	(No. of shares)	259	180	308	133	571.9
Net earnings per share	(€)	2.3	13.7	-50.0	-78.7	-49.7
Dividend per share	(€)	3.0	3.1	3.2	-	-
Share of dividend in net profit	(%)	131.4	22.7	-6.4	-	-
Total amount of dividends paid	(€ in mn)	6.0	6.2	6.4	-	-
Share yield	(%)	-56.9	-3.9	-59.2	-86.6	-71.7
- dividend yield	(%)	1.2	1.3	3.6	-	-
- capital yield	(%)	-58.1	-5.2	-62.7	-86.6	-71.7
Price-Earnings ratio (P / E ratio)						
- highest		273.5	18.9	-5.0	-1.2	-0.3
- lowest		97.7	14.1	-1.8	-0.2	-0.1
- at period end		110.9	17.6	-1.8	-0.2	-0.1
Price-to-Book ratio (P / B ratio)	(%)	**143**	**137**	**56**	**15**	**10**

Explanations for the computation of key data for the Sava share:

- ***Book value of the Sava share:*** *the equity of the Sava Group without minority interest divided with the weighted average number of ordinary shares excluding treasury shares.*
- ***Net earnings per Sava share:*** *the net result belonging to Sava d.d. divided with the weighted average number of ordinary shares excluding treasury shares.*
- ***Share of dividends in net profit:*** *dividend per share divided with net earnings per share*
- ***Dividend yield:*** *dividend per share divided with the Sava share market price on the last trading day of the year.*
- ***Capital yield:*** *relative change in the market price of the Sava share at the end of the year with regard to the share market price at the beginning of the year.*
- ***Market capitalisation:*** *multiple of the number of Sava shares and the market price of the share on the last day of the year.*
- ***The Price-Earnings ratio (P/E):*** *share market price on the last day of the year (or the highest and lowest market price in the calendar year) divided with earnings per share.*
- ***The Price-to-Book ratio (P/B):*** *share market price on the last day of the year divided with the share book value at the end of the year.*

Additional data on the Sava share

Stock Exchange	Share name	Code of issuer
Ljubljana Stock Exchange	SAVA	SAV
ISIN - International Securities Identification Number	SI0031108457	

Share book value

The book value of the Sava share at 31/12/2012 amounted to €32.9. When calculating the book value, the number of treasury shares is deducted from the total number of shares.

Risk associated with the investments in the Sava share

Such risks are due to:

- Factors of systematic risk-taking characteristic for all securities listed on the Ljubljana Stock Exchange d.d. such as changed conditions in the issuer's business, changes in tax legislation and regulations relating to the securities market, and force majeure.
- Factors of non-systematic risk-taking that are connected with the operation of each individual company (investment, interest, solvency and foreign currency risk).

Cross links with other companies

Referring to the criteria as defined in the Corporate Governance Code for Public Joint-stock Companies, Sava d.d. was cross-linked at the end of December 2012, as follows:

- In Gorenjska Banka d.d. it had a 45.90% equity stake, whereas Gorenjska Banka had a 2.81% equity stake in Sava d.d.
- In Abanka Vipa d.d. it had a 23.83% equity stake, whereas Abanka Vipa had a 1.75% equity stake in Sava d.d.
- In the company Maksima Invest d.d.- under receivership, it had a 21.77% equity stake, whereas Maksima Invest had a 1.67% equity stake in Sava d.d.
- In the company Merkur d.d. it had a 8.20% equity stake, whereas Merkur had a 6.72% equity stake in Sava d.d.
- In the company Daimond d.d. it had a 7.59% equity stake, whereas Daimond d.d. had a 0.02% equity stake in Sava d.d.
- In the company NFD Holding d.d. it had a 24.65% equity stake, whereas NFD Holding d.d. had a 4.33% equity stake in Sava d.d.

Approved capital and conditional increase in share capital

The Articles of Association of Sava d.d. do not include any provisions in this regard.

Calendar of more significant announcements of Sava d.d. in 2013

TYPE OF ANNOUNCEMENT / EVENT	(Anticipated) DATE OF ANNOUNCEMENT / EVENT*
Audited annual report of the Sava Group and Sava d.d. for 2012	Thursday, 28 March 2013
Statement of Compliance with the Corporate Governance Code for Slovenia	Thursday, 28 March 2013
Call for the 19th regular Shareholders' Meeting of Sava d.d.	Friday, 29 March 2013
19th regular Shareholders' Meeting of Sava d.d	Tuesday, 30 April 2013
Resolutions of the 19th regular Shareholders' Meeting of Sava d.d.	Tuesday, 30 April 2013
Business report and unaudited financial statements of the Sava Group and Sava d.d. for the period January-March 2013	Friday, 24 May 2013
Business report and unaudited financial statements of the Sava Group and Sava d.d. for the period January-June 2013	Friday, 30 August 2013
Business report and unaudited financial statements of the Sava Group and Sava d.d. for the period January-September 2013	Friday, 22 November 2013
Business plan of the Sava Group and Sava d.d. for 2014	Friday, 13 December 2013

* *The stated days are those planned. Should the planned dates be changed, this will be notified in due course on the company's website at www.sava.si.*

Periodic announcements and other price sensitive information are published on the website of the Ljubljana Stock Exchange via the SEO-net system at **www.ljse.si** and on the company's website at **www.sava.si**, and in cases stipulated by the company's Articles of Association also in the Finance newspaper.

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Information on Dividend Payments

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Further information for shareholders is available:

- on the company's website: www.sava.si
- e-mail: info@sava.si

3. Restructuring strategy of Sava until 2014

The strategy of business-financial restructuring of Sava until 2014 facilitates a significant increase in the value of the company, a decrease in indebtedness and it will strengthen the basis for the growth in the Sava share value. Extensive divesting of investments allowed for a significant deleverage and changed the image of the Sava Group. The potential for utilising the synergetic effects in the merged company Sava Turizem d.d. has shown already in the first year of joint operations. The Management Board and Supervisory Board of the company expect to receive a full support by the banks - partners of Sava also in the future phases of implementing the restructuring process.

Year 2011 –the start of renewal and the goals of Sava's restructuring strategy

The effects of high impairments in Sava's financial investments due to the economic crisis, the need for strengthening the cash flow and decreasing the financial liabilities as well as business- organisation-related difficulties, so characteristic for diversified business systems, strongly aggravated the financial position of Sava and requested for a revision of the strategy and company's business model.

Preparation:
2011
Implementation:
2012–2014

GOAL OF THE BUSINESS-FINANCIAL RESTRUCTURING STRATEGY OF THE SAVA GROUP AND SAVA D.D.

CREATE CONDITIONS:

- For improving business performance.
- For increasing the assets of the company and the growth in the value of the Sava share.
- For increasing the profit.
- For generating new sources for a dividend pay-out to Sava shareholders.

At the end of March 2011 when the present Management Board of Sava d.d. took up their duty, the process of producing the restructuring strategy began with high intensity. In May, the Management Board first prepared a short-term measures programme, which aimed at improving the operations and in the months to come it developed it to a strategy of a business-financial restructuring and consolidation of the Sava Group until the end of 2014.

At its 28th regular meeting held on 27 September 2011, the Supervisory Board of Sava d.d. expressed their unanimous support to the presented strategy of business-financial restructuring of Sava until 2014. At its 2nd regular meeting also the Supervisory Board of Sava d.d. in its new composition, who began their term of office on 29 June 2012, gave their full support to further implementation of the restructuring strategy.

The business-financial strategy assures stability and further development of the new, renewed Sava Group, and it facilitates a long-term future to all of its previous divisions, which develop and will after restructuring continue to develop outside of the Sava Group, respectively.

The strategy considers the interests of all stakeholder groups: Sava and its employees, lending banks, shareholders and potential new investors to Sava.

Implementation of Sava's restructuring strategy

Until the end of 2011, the Management Board of Sava d.d. has consistently fulfilled all key strategic commitments from the 1st phase of preparation, thereby providing the basis for implementing the next strategy phase.

Based on the already realised activities, the Management Board of Sava d.d. continued with implementing the measures in 2012 in order to maintain the positive trends achieved in the previous business year in spite of further aggravation in the economic situation.

In 2012, the key strategic activities will be focused on:

- Improvement of operating business and generation of free cash flow of Group's companies.
- Regulation of the relations with the lending banks.
- Seek possibilities and implement divestment programme.
- Assure current liquidity along with a regular settlement of financial liabilities of the company and Group, respectively.

The goal of the 2nd strategy phase that took place in the past year and will be continued in 2013 is to restructure or divest certain investments held by Sava d.d..

The implemented measures of the business-restructuring strategy showed as further improvements in the operating business. Rubber Manufacturing with the Foreign Trade Network as well as the mainstay of Real Estate were sold, while the sale of Energy Management business is in progress, and the sale of certain portfolio investments of Sava d.d. is underway too.

The sale of assets enabled the Sava Group to reduce the principal amounts of loans in the beginning of 2013 by about €100 million, at which the Group's companies also paid interest of €21.5 million in the past year.

The principal goal of 2013 is to make an agreement with the lending banks on restructuring of finance sources, which will provide the basis for further strategy implementation. In addition to proceeding with the improvement measures for operating business and disinvestments, one of the key restructuring strategy activities in this year is our further endeavour for a capital tie-up between Abanka Vipa d.d. and Gorenjska Banka d.d., which is in compliance with the needed consolidation of the Slovene banking system.

The three key phases of restructuring strategy

The business-financial restructuring strategy and consolidation of Sava until the end of 2014 includes the three key phases, as described below.

PHASE 1
Until the end of 2011

PREPARATION – CREATE THE CONDITIONS FOR THE IMPLEMENTATION OF THE RESTRUCTURING STRATEGY

KEY STEPS:

- Assure solvency.
- Make an agreement on coordination of maturity for Sava's financial liabilities.
- Establish a new organisation of Sava d.d., cost rationalisation and change the management model of the Group.
- Complete the preparations for merging the Tourism companies.

PHASE 2
Beginning in 2011, mainly in 2012, carrying on in 2013

IMPLEMENT THE RESTRUCTURING STRATEGY AND/OR DIVEST INDIVIDUAL INVESTMENTS OF SAVA D.D.

KEY STEPS:

- Divest the selected investments of Sava d.d., which are saleable at a suitable price.
- Restructure and consolidate other investments and improve their operations, thereby increasing their value for keeping or a potential sale under more suitable conditions.
- Delever and make an agreement on reprogramming the financial liabilities of Sava d.d.

PHASE 3
in 2013 and 2014

MAXIMISE THE VALUE OF INVESTMENTS OF SAVA D.D.

KEY STEPS

- Proceed with certain divesting processes.
- Focus on further improvements of operations and implement the synergies in divisions.
- New potential acquisitions of stakes and take-overs.

Restructuring strategy until 2014 – remodelling Sava d.d. and its divisions

RENEWED SAVA

SAVA, D. D. – business restructuring and consolidation

- Establish the Sava Group Directorate – *October 2011.*
- Internal organisation-based renewal and downsizing the employee number – 1st phase: *December 2011.*
- Change in the management model of the Sava Group – *December 2011.*
- Transfer of informatics services to a new company Sava IT d. o. o., when Sava d.d. reorganised – *December 2012.*
- Agreements with the banks, intense divesting and other commitments from the restructuring strategy at the level of the Sava Group continued – *year 2012.*
- Upgrade in the organisational renewal and downsizing the employee number – 2nd phase: *from December 2012 to February 2013.*

Further increase in business efficiency, new organisational changes upon completion of the restructuring process and transition to a new model of active management of financial investments at Sava d.d.

FINANCIAL INVESTMENTS OF SAVA D.D. IN BANKS (ABANKA VIPA, D. D., AND GORENJSKA BANKA, D. D.) – business restructuring and consolidation

- The decision was made to stop a consortium sale of a qualified stake of Abanka Vipa d.d. as the transaction environment was unfavourable – *January 2012.*
- Intention for improving capital adequacy of Abanka Vipa d. d. – attempts to increase capital – *2012 and beginning of 2013.*
- Supervisory Boards of both banks are in favour of a tie-up ⟹ performance of due diligence of banks – *beginning of 2013.*

Desired scenario: merge and achieve business synergies arising from the merged bank ⟹ increase in the value of investment, revenues from dividends and further deleverage of Sava d.d.

OTHER FINANCIAL INVESTMENTS OF SAVA D. D., PARTICULARLY PORTFOLIO INVESTMENTS – sell or keep

- Sale of a total 27.0% stake of the associated company Job d. o. o. – *November 2011.*
- Sale of a total 14.6% ownership stake of Terme Maribor d. d. – *March 2012*
- Programme for selling other non-strategic financial investments – *implementation in 2013* ⟹ .

Investment portfolio restructuring, deleverage of Sava d.d.

TOURISM DIVISION – business restructuring and consolidation

- Appointment of the new management – *October 2011.*
- Preparation and implementation of a merger of all then Tourism companies into a uniform company Sava Turizem d. d. – *end of December 2011.*
- Start of utilising the synergies arising from the joint action – *January 2012* ⟹ .
- Reorganisation of operations and processes – *March 2012.*
- The new organisation and job classification adopted, new collective agreement signed – *first half of 2012.*
- Implementation of additional synergies in business and intense work on restructuring of target markets (focus on the markets not affected by the crisis) – *year 2013* ⟹ .

Utilise a high potential for sales growth and business rationalisation, increase in business performance and value.

DISINVESTING

RUBBER MANUFACTURING DIVISION – sale of the entire division

- Sava d. d. transfers the ownership of Sava Medical in Storitve d. o. o. to Savatech d. o. o. – *May 2012.*
- Agreement for sale of Rubber Manufacturing signed with the selected strategic partner– *October 2012.*
- All suspensory conditions fulfilled and total purchase money for the sale of Rubber Manufacturing transferred – *beginning of January 2013.*

Deleverage of Sava, acquisition of a strategic partner for a faster future development of Rubber Manufacturing.

REAL ESTATE DIVISION –sale of the prevailing part, Restructuring and sale of the rest of the division

- Sava Nepremičnine d. o. o. established, to which a part of the assets of Sava IP d.o.o. was transferred – *June 2012.*
- Investicijsko podjetje d. o. o. is sold (former Sava IP d. o. o.) – *June 2012.*
- Further recovery of operations of Sava Nova d. o. o., Zagreb – *2012* ⟹ .

Deleverage of Sava, funding the development of vital division's part is enabled.

ENERGY MANAGEMENT DIVISION – restructuring and sale

- Optimisation of Energy Management – *precedent years and 2012.*
- Project of examining the development alternatives for the Energy Management and a decision for sale – *middle of 2012.*
- Sale contract for ENSA BH d. o. o, Srbac and Bramir d. o. o., Mostar signed – *December 2012.*
- Contractually defined suspensory conditions are met and arrangements for selling the rest of division – *beginning 2013* ⟹ .

Deleverage of Sava, funding the development of vital division's part is enabled.

The renewed Sava after the restructuring is completed

It is anticipated that the new, renewed Sava after the completion of restructuring will be composed of:

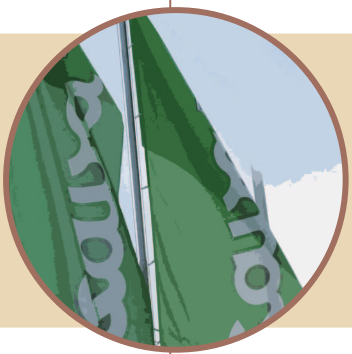
- Sava d. d., a cost-efficient holding of subsidised and associated companies highly adapted to business circumstances.
- The renewed Tourism division, more rational and successful.
- Shareholdings of both banks or a merged bank and other financial investments.

During the strategy implementation until the end of 2014, the cash flow from operating activities of the renewed Sava Group will substantially increase as a result of the implemented restructuring of the investment portfolio and that in spite of selling a great deal of financial investments of Sava d.d.

The financial liabilities of the Group will draw nearer to a long-term sustainable level, at which the structure of liabilities will significantly improve owing to an ongoing and substantial deleveraging.

After the restructuring, Sava d. d. will be a financial investor which:

- **Is still listed on the stock exchange.**
- **Generates profit from operations, acquisitions and disposals of investments.**



The investment policy at Sava d.d. will focus on making investments in the shares and stakes of companies that have:

- **A growth potential but low profitability for the time being and thus need restructuring.**
- **A potential for creating synergies with the existing portfolio of investments at Sava d.d.**

In this way, a sound financial foundation will be built and other conditions for further growth of the new, renewed Sava will be created, while based on selecting the most suitable strategic partners the former Sava's divisions will be facilitated to develop faster outside of Sava.

4.

Economic environment and its impact on business

The Sava Group companies do business globally, which is particularly the case with the Tourism and Rubber Manufacturing companies. In Tourism, foreign tourists from all over the world make 62% of total overnights stays, while Rubber Manufacturing generates 82% of total sales revenues in foreign markets. Although the European Union markets are still considered the principal ones, ever more importance is being attached to the developments in other emerging markets.In addition to the circumstances in the domestic financial market, the business of the parent company Sava d.d. is further impacted by the movements in the international capital markets, especially the financial markets.

The companies of the Sava Group adapt their operations to the continual changes in the business environment, which after the outbreak of crisis in 2008 are ever faster and more complex.

General economic trends

The 2012 economic growth is estimated at about 2% at the international level, at which the emerging countries (China, Brazil, Russia, India, Mexico, Indonesia, Turkey) demonstrated the highest growth with about 5%, whereas the G-7 countries (America, Germany, France, Italy, Canada, Great Britain and Japan) registered about 1% growth. Europe, as the greatest economy worldwide, and the majority of its members were still dealing with the activities that aimed at recovery after the economic crisis of 2008. Still, in 2012 a minimum decrease in GDP is estimated at 0.3%. The biggest problem in the EU is indebtedness, particularly of certain Member States (Greece, Italy, Spain, and Portugal), inequality between the individual European Member States and seeking solutions to a further financial consolidation.

In 2012, Slovenia has not yet carried out the measures for overcoming the crisis and, consequently, it noted one of the biggest drops in GDP in Europe, which is estimated at 2% at the annual level. The year was especially denoted with a decline in domestic consumption by households and the state both in the field of investments and current consumption. In accordance with the movements in the major trading partners, i.e. the EU States, the exports remained at the level of the previous year. We faced further aggravation in the debt crisis, which showed as distrust in the banking sector. Banks continued to reduce approving of loans to the non-banking sector and to delever banks toward the rest of the world (repayment of foreign banks and bonds and substituting the sources at Euro System). A decrease in the economic activity shows far-reaching consequences in the labour market. The level of employment is still decreasing, and the registered unemployment rate exceeded 12% at the end of the year. The average annual inflation rate measured with HICP, amounted to 2.8%, this rise was mainly due to energy and foodprices. In 2012, the budget deficit amounted to 3.1% of GDP, and a surplus in current account reached about 2% of GDP. In the financial markets, the SBI TOP index rose by 7.8% in 2012, what was the first positive shift after almost three years.

With regard to 2012, the year 2013 should be moderately optimistic with a modest economic growth in the developed and emerging countries. Economy measures will still be employed, particularly in Europe; however, certain emerging markets such as China will focus on increasing domestic consumption.

It is expected that in spite of the improved international situation, which will slightly increase exports, Slovenia will face further shrinkage in the economic activity, which will show in about 1.4% decrease in the domestic GDP. In 2013, the activities for stabilisation of the banking sector and establishing the foundation for the future economic growth will have to be carried out. Furthermore, the labour market will have to undergo certain changes. As a consequence, the year 2013 expects further increase in unemployment and a downturn in current consumption by the private sector and the state. However, the investments by the state (EU funding) are expected to grow slightly.

Tourism

In spite of less favourable economic circumstances, international tourism marked a 3.8% growth in tourist arrivals in 2012 and for the first time in the history it surpassed one billion in arrivals. The highest growth between 6% and 7% was achieved in Asia, Pacific and Africa. Europe as the greatest tourist destination, which makes about 535 million or 51% of total arrivals, noted a 3.3% growth, with the growth in the EU Member States being 2.3%. The highest growth in the consumption in tourism was achieved in the BRIC countries, whereas the greatest drop was registered in Spain and France.

In 2012, Slovenia registered 3.2 million of arrivals, which is a 2.3% increase on 2011, and 9.3 million of overnight stays, which is by 1.2% better than in 2011. The increased number of guest arrivals and overnight stays is due to a 5.6% increase in the number of foreign guests, who made 60% of total overnight stays.

In spite of the aggravated economic circumstances, the number of guest arrivals in 2013 is expected to grow between 3% and 4%, at which the trends with regard to 2012 are not expected to change significantly. Europe expects between a 2% and 3% growth in guest arrivals.

In Slovenia, guest arrivals are expected to increase by 4% and overnight stays by 2% in 2013. This growth will be mainly due to foreign guests, since the circumstances in the domestic markets are expected to further deteriorate as a consequence of a decreased domestic consumption. In addition to the traditional key markets such as Italy, Austria, Croatia and Germany, an expansion to the new emerging markets, which show increased spending in tourism, will be of significance. Given the importance of tourism industry at the national level and in accordance with the adopted Strategy of the Development of Slovene Tourism 2012-2016, the activities for improvements in tourism busines are expected to be introduced, also thanks to the newly established Public Agency of the Republic of Slovenia for Entrepreneurship, Innovation, Development, Investments and Tourism.

Rubber manufacturing

The industry, which includes the manufacture of rubber products, represents about 26% of the Slovene GDP. The rubber manufacturing industry generates the greatest share of revenues in foreign markets, mostly in Europe, where a negative economic growth of 0.3% was achieved in 2012. In the major foreign trade partner of the rubber manufacturing industry, i.e. Germany, the economy grew by 0.9%, which slightly improved the conditions for doing business. The industry was thus challenged with a fiercer competition in the global markets and the accelerated activities for consolidating this line of business. No significant changes in the trends are expected to appear in 2013.

Construction industry

The year 2012 was an unfavourable one for the construction industry, as the volume of activities reduced by about 20% with regard to the previous year. The construction industry has less than a 6% share in GDP. This is mainly due to a further decline in spending power and a stricter financing policy, as 58% of all construction companies face a low demand. The circumstances in the construction industry continue to be adverse and are expected to be such in 2013 too, with the exception of certain investments to be made by the state.

5. Business operations of the Sava Group

A tough economic environment of 2012, affected the performance of Sava Group's operations as well as that of banks, in which Sava d.d. has shareholdings. In Rubber Manufacturing companies with the Foreign Trade Network, which ended the year 2012 as part of the Sava Group composition for the last time, the operating result further improved. Tourism carried on with a rationalization of operations, while in the Real Estate the volume of operations shrunk as its leading company was sold. Investment Finance performed activities for selling the assets and restructuring finance sources.

In 2012, Sava Group companies generated sales revenues of €192.2 million, which was 1% less than in the same period of the previous year and 5% less than planned. A net loss of €99.3 million was made; the amount of net loss was greatly affected by further impairments of financial investments of Sava d.d., mainly the investments in banks.

5.1. Business performance

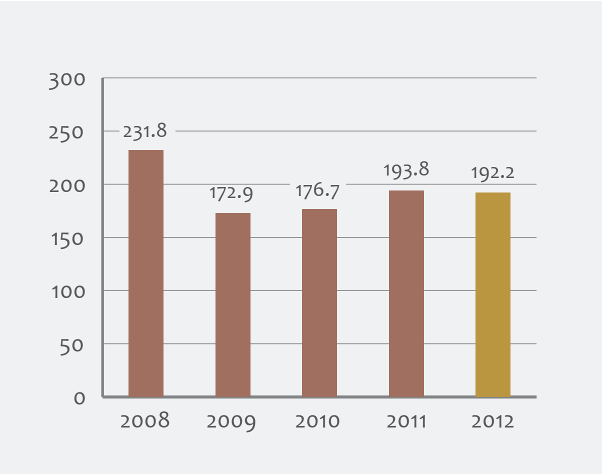
Sales revenues

In 2012, sales revenues of Sava Group companies amounted to €192.2 million and were by 1% lower than in 2011 and 5% behind the planned sales revenues.

Rubber Manufacturing companies with the Foreign Trade Network carried out intense marketing activities and made sales revenues of €120.2 million, which was 2% more than in 2011 and 3% less than planned. Sales revenues of Tourism amounted to €64.8 million, which is at the level of the previous year but 3% behind the planned values for the period. Owing to a further decline in consumer's power and a stricter policy of financing the real estate projects, the sales figures in the Real Estate companies were low as expected, while the revenues of Other operations totalling €8.1 million were higher than last year but the sales plan was not fulfilled.

In the revenues structure by division of the Sava Group, Rubber Manufacturing with the Foreign Trade Network had a 64% share, Tourism a 34%, the remaining 2% referred to the sales of Other operations. 55% of revenues were generated in the foreign markets.

Sales revenues of the Sava Group in the period 2008-2012 (€ in millions)



Operating expenses

In 2012, operating expenses were under a rigorous supervision in all Sava Group companies and entirely subordinated to the restructuring strategy of Sava.

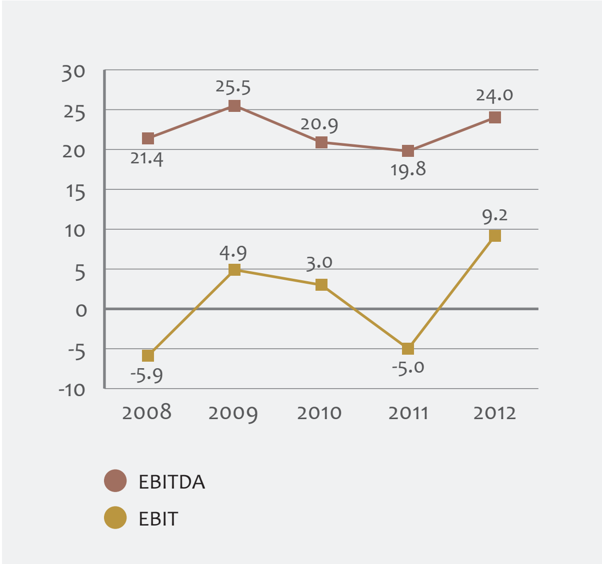
They amounted to €187.2 million and compared to the same period in 2011 they were lower by 8%. Their share in total operating expenses amounted to 95%, which owing to lower write-offs in the value of assets was substantially better than last year.

Costs of goods, materials and services had a 63% share, labour costs a 28% share, depreciation and write-offs an 8%, and other operating expenses 1% share.

Operating profit (EBIT)

In 2012, the Sava Group made an operating profit of €9.2 million, which is better than in the year before and was due to lower impairments in the value of assets. Operating profit of €9.0 million was generated in Rubber Manufacturing with the Foreign Trade Network, which was slightly lower than in the previous year and also lower than planned. Tourism made an operating profit of €3.2 million and that was behind plan too. The remaining divisions made a loss in total value of €3.0 million at this level, the greatest share of the loss was shown in the parent company Sava d.d.

EBITDA and EBIT in the Sava Group in the period 2008-2012 (€ in millions)



EBITDA – *earnings before interest, taxes, depreciation and amortisation*

EBIT – *earnings before interest and taxes*

Financial revenues

Financial revenues of €3.3. million were by 34% lower than in the same period of 2011. They were mainly generated in the parent company Sava d.d.; in terms of their substance, they refer to interest revenues, proceeds from the sale of financial assets and received dividends out of the dividends received from the associated companies.

Financial expenses

With regard to 2011, financial expenses of €25.0 million were halved on account of lower impairments of financial investments available for sale.

The financial expenses, which were mainly generated in the parent company Sava d.d. , have the following structure:

- Interest expenses on the obtained loans amounted to €21.5 million and were by 4% lower than generated in the same period last year. The average interest rate in Sava Group companies was by 2% lower than in the previous year and amounted to 5.45%.

- Impairments of financial investments available for sale in the amount of €3.3 million were made on the basis of reducing the fair value of listed and unlisted securities and in connection with a liability arising from the call option contract.
- Other financial expenses amounted to €0.2 million.

Net financial expenses

Net financial expenses of €21.7 million were made; they were lower than in the past year and that on account of lower impairments of financial investments.

Impairments of financial investments in the associated companies

Impairments of financial investments in the associated companies, which in 2012 amounted to €80.9 million, referred to:

- Impairment of financial investment in Gorenjska Banka d.d. in the amount of €52.8 million (based on the value assessment of €732 for a share).
- Impairment of financial investment in Abanka Vipa d.d. in the amount of €24.7 million (based on the value assessment of €5.6 for a share).
- Impairment of financial investment in NFD Holding d.d. in the amount of €0.8 million (using the stock exchange price).
- Impairment of the loans granted to NFD Holding d.d. in the amount of €2.6 million (based on examining the suitability of received collateral).

Net expenses of the associated companies

In 2012, the dividends of Gorenjska Banka d.d. and Abanka Vipa d.d. were not paid out, the net expenses of the associated companies thus arise from the impairments of financial investments in the associated companies.

Pre-tax loss

The total pre-tax loss amounted to €93.4 million. The amount of the loss shown was greatly affected by the impairments of financial investments, mainly those in the banks.

Pre-tax profit / loss structure

€ in millions

	2008	2009	2010	2011	2012
Profit from operations less write-offs	5.0	9.1	5.5	5.8	10.4
Impairments of assets in profit/loss	-25.8	-35.9	-93.1	-160.3	-85.4
Financial result without impairments	-3.4	31.9	-20.1	-25.5	-18.4
Profit/loss of associates without impairments	24.5	17.4	2.6	10.9	0
PRE-TAX PROFIT/LOSS	**0.3**	**22.5**	**-105.1**	**-169.1**	**-93.4**

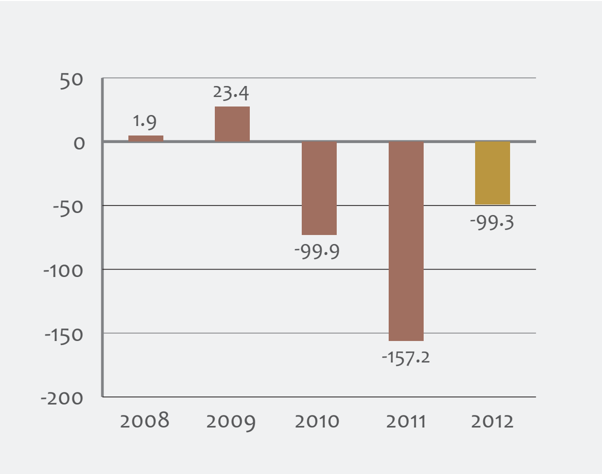
Tax

The net deferred tax of Sava Group companies amounted to a negative of €5.9 million and increased the pre-tax loss. A change in the deferred tax receivable is mainly due to recalculation of deferred tax receivables for impairments of financial investments to a reduced 15% tax rate.

Net loss

In 2012, the Sava Group made a net loss of €99.3 million. The amount of the loss was greatly influenced by further impairments of financial investments.

Net profit / loss in the Sava Group in the period 2008 -2012 (€ in millions)



Income statement of the Sava Group by quarter in 2012

The parent company Sava d.d. still makes a significant contribution to the results of the Group. The dynamics of achieving the business performance of Sava d.d. by quarter greatly depends on when financial investments are sold and dividends received as well as on interim movement of fair values of financial investments. Certain divisions face seasonal fluctuations, therefore a comparison of the quarterly results with those of last year without a detailed analysis is not reasonable.

Income statement of the Sava Group by quarter in 2012

€ in thousands

	JAN–MAR 2012	APR–JUN 2012	JUL–SEPT 2012	OCT–DEC 2012
Net sales revenues from goods sold and services rendered	45,446	51,163	52,795	42,784
Change in inventories	432	-365	-713	-259
Other operating revenue	723	1,422	1,017	1,927
Operating revenue	**46,601**	**52,220**	**53,099**	**44,452**
Cost of goods, materials and services	-29,441	-30,353	-30,640	-27,178
Labour cost	-13,230	-13,423	-13,016	-13,024
Depreciation and amortisation	-3,459	-3,436	-3,395	-3,314
Other write-offs	-216	-505	-297	-209
Other operating expense	-539	-385	-364	-771
Operating expenses	**-46,885**	**-48,102**	**-47,712**	**-44,496**
Operating income/expense	**-284**	**4,118**	**5,387**	**-44**
Financial income	1,633	337	780	627
Financial expense	-6,491	-6,892	-4,336	-7,318
Net financial income	**-4,858**	**-6,555**	**-3,556**	**-6,691**
Net income/expenses of associates	**-166**	**-1,410**	**-468**	**-78,840**
Pre-tax profit/ loss	**-5,308**	**-3,847**	**1,363**	**-85,575**
Tax	-484	-2,892	-336	-2,200
Net profit/ loss for the year	**-5,792**	**-6,739**	**1,027**	**-87,775**

5.2. Assets and liabilities structure

Balance sheet total, assets and liabilities structure

At 31/12/2012, the *balance sheet total* of Sava Group companies amounted to €480.9 million and was €130.3 million lower than at the end of 2011. This decrease originates from the impairments of assets totalling €85.4 million and the sale of the leading company of Real Estate, Investicijsko podjetje d.o.o., Ljubljana (former Sava IP d.o.o.), in which the value of the assets separated-out from the Sava Group amounted to €32.3 million.

In the assets structure, financial investments had a 33% share, property, plant and equipment a 36%, other assets (inventories, operating receivables, deferred tax receivables and other) a 31% share.

In the *liabilities structure*, capital had a 14% share, long-term loans a 13%, and short-term debts a 71% share.

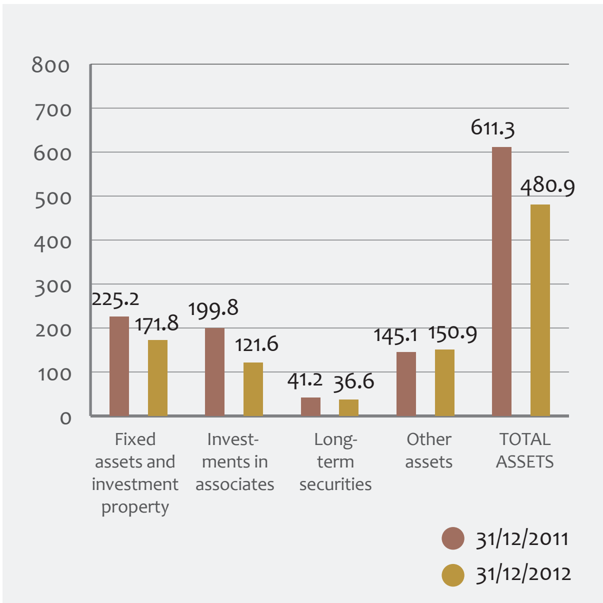
39% of long-term assets of the Sava Group were financed with long-term sources, and 63% with short-term sources.

Assets

The **major changes** in assets of the Sava Group with regard to the end of 2011 were as follows:

- The value of **investments in the associated companies** which at 31/12/2012 amounted to €121.6 million decreased by €78.3 million due to impairments.
- The value of **investments in long-term securities available for sale**, which at 31/12/2012 amounted to €36.6 million decreased by €4.6 million with regard to the end of the past year. The decrease was due to disposals of certain financial investments and extra impairments as a result of further drop in fair value.
- The value of **deferred tax receivables**, which at 31/12/2012 achieved the value of €19.3 million decreased by €5.4 million with regard to the end of last year. The decrease was mainly due to recalculating the receivables to a 15% tax rate.
- **Assets for sale**, which at 31/12/2011 were shown in the amount of €32.3 million referred to the assets of Investicijsko podjetje d.o.o. (former Sava IP d.o.o.), in terms of their substance. The sale transaction for the share was carried out in June, therefore, these assets were no longer included in the assets of the Sava Group as at 31/12/2012. On the last day of the year total assets of Rubber Manufacturing with the Foreign Trade Network were shown under assets for sale; upon meeting the suspensory conditions from the contract, these assets were disposed in January 2013.
- Changes in **short-term assets** were mainly due to a transfer of assets of Rubber Manufacturing with the Foreign Trade Network under assets for sale.

Comparison of the assets structure of the Sava Group at 31/12/2012 and 31/12/2011 (€ in millions)

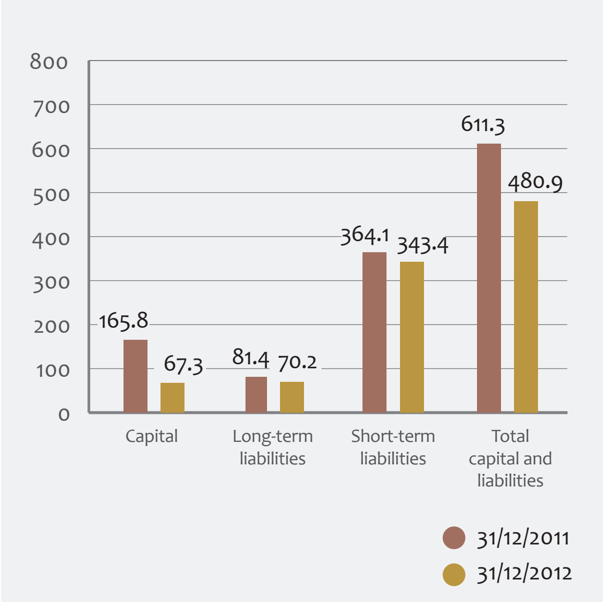


Capital and liabilities

In 2012, the **major changes in liabilities** were as follows:

- **Capital** totalling €67.3 million represented 14% of total liabilities; its decrease in comparison with the previous year was due to the generated loss of the Group totalling €99.3 million.
- **Long-term liabilities** amounted to €70.2 million and were by €11.1 million lower than at the end of the previous year. This decrease is partly due to a deleverage of Sava d.d. through assets received in the sale of a share in the subsidiary, and partly due to transferring loans, which mature within a year, under short-term loans.
- **Short-term debts** achieved €343.4 million and were by €20.7 million lower than at the end of the previous year. The sale transaction of Investicijsko podjetje d.o.o., Ljubljana was carried out in June, the debts are thus no longer included in the balance at 31/12/2012.
- The value of **totally obtained long-term loans and short-term financial liabilities** of Sava Group companies at 31/12/2012 amounted to €345.4 million, which was by €25.8 million less than at the end of 2011.

Comparison of the liabilities structure of the Sava Group at 31/12/2012 and 31/12/2011 (€ in millions)



Investments

Investments in the Sava Group companies achieved €5.9 million in 2012. They were limited to the necessary investments in connection with modernisation of production equipment in Rubber Manufacturing, and improvements in quality of accommodation facilities and energy improvements in Tourism.

5.3. Personnel structure and employee development

Average employee number

In 2012, the Sava Group employed 2,187 associates on average or 102 less than in 2011. On the last day of 2012, 2,107 associates were employed, which was 6% less than in 2011.

Tourism companies employed 52% of total employees, Rubber Manufacturing 40% and other companies 8%.

Employee number in the Sava Group:

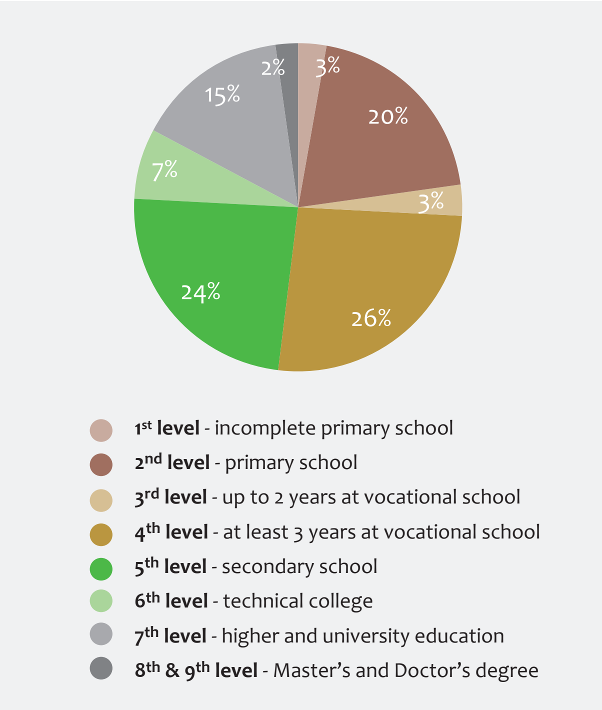
	Employee number 31/12/2011	Employee number 31/12/2012	Index 2./1., year 2012/2011	Average employee number in 2012
Sava d.d.	61	31	51	35
RUBBER MANUFACTURING	**882**	**835**	**95**	**860**
Savatech d.o.o., Kranj	810	765	94	789
Savarus d.o.o. Jaroslavl, Russia	24	22	92	23
Sava Rol d.o.o., Zagreb, Croatia	10	9	90	9
Sava PRO d.o.o., Kranj	1	1	100	1
Foreign trade network	37	38	103	38
TOURISM	**1,158**	**1,097**	**95**	**1,137**
Sava Hoteli Bled d.d., Bled	339	/		
Terme 3000 d.o.o., Moravske Toplice	366	/		
Terme Lendava d.o.o., Lendava	109	/		
Terme Ptuj d.o.o., Ptuj	123	/		
Zdravilišče Radenci, d.o.o., Radenci	201	/		
Sava Turizem d.d., Bled	/	1,097		1,133
Sava TMC d.o.o., Kranj	20	0	0	4
REAL ESTATE	**18**	**0**	**0**	**9**
Sava IP d.o.o., Ljubljana	18	0	0	9
OTHER OPERATIONS	**130**	**144**	**111**	**146**
Sava Medical in storitve d.o.o., Kranj	83	88	106	92
Sava IT d.o.o., Kranj	/	16		16
GIP Sava Kranj d.o.o., Ruma	1	1	100	1
Energetika Sava d.o.o., Kranj	3	1	33	2
Energetika Črnomelj d.o.o., Kranj	/	2		2
Ensa BH, d.o.o. Srbac, Bosnia and Herzegovina	43	36	84	33
TOTAL SAVA GROUP	2,249	2,107	94	2,187

299 associates were employed anew in 2012, while 448 associates left the Sava Group companies. In 2012, total fluctuation in the Sava Group amounted to 20.5% and is higher in comparison with 2011 when it amounted to 11.4%.

Employee educational structure

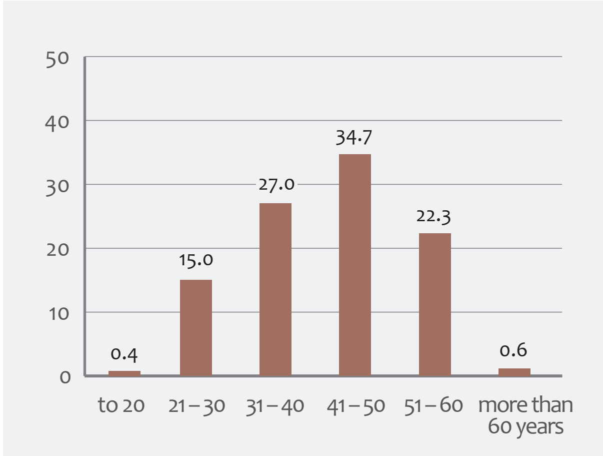
In 2012, the educational structure of employees did not change significantly: 26% of employees had a 3rd level of education or lower, 50% had a 4th and 5th level of education, 7% of employees had a 6th level of education and 17% had a 7th level of education or higher

Employee educational structure at the Sava Group



Age structure of employees

Age structure of employees at the Sava Group



Almost 60% of employees were older than 40 years, 15.4% of employees were younger than 30 years, and 27% of employees were between 30 and 40 years.

Utilisation of working hours and sick leave

In 2012, working hours were utilised at 81%. In all Sava Group companies 5,492 overtime hours were made, or 0.1% of total working hours.

In 2012, the sick leave level increased by 0.1 percentage point and amounted to 4.6%. Sick leave up to 30 days did not change, whereas sick leave exceeding 30 days increased and amounted to 1.8%.

Disability issues

At 31/12/2012, the Sava Group employs 128 employees with a disability status, which represents 6.1% of total employee number. In cooperation with workers' representatives and management teams in companies, we devoted much attention to introducing improvements in working conditions in order to preserve employee health.

Motivating and rewarding employees

Various motivation systems are employed at Sava Group companies such as promotion, rewarding, incorporation in demanding projects, education and training as well as informal commendations and feedback. Using these types of motivation, we reaffirm employee commitment and their loyalty to the company, enhance their contentment, build the company's reputation in the social environment and enhance its competitive power.

In 2012, a variable part in the salary mass achieved 4.2% on average, which was less than in 2011. The average salary in the Sava Group amounted to €1,480 in 2012 and increased by 9% with regard to the previous year. A holiday allowance of €850.0 was paid in Tourism companies, €1,074.57 in Rubber Manufacturing, and €900.0 in other companies.

Effective September 2012, a new salary model is used in Sava Turizem d.d. In 2012, Rubber Manufacturing companies carried out employee assessment according to the new salary model for the first time, on the basis of which the employees were promoted horizontally.

Education, training and development of employees

The Sava Group organises various training courses and integrates their employees in formal education process, thereby supporting knowledge acquisition and competences development needed for efficient work and helping our employees at their personal and career development in concert with the strategic development of individual companies and divisions.

In 2012, the key training areas in Tourism included acquisition of new knowledge of work, on-the-job training, statutory educational courses, workshops under the Health Promotion and exchange projects as part of the Leonardo da Vinci project.

In Rubber Manufacturing, the educational focus was placed on technical-technological knowledge, language and other specialist courses. 12 associates participated in specialist trainings abroad. For the fifth time in succession, rubber manufacturing school took place and managing and educational courses for work instructors were held too.

In 2012, the average number of training hours per employee amounted to 27. A sum of €135 per employee was invested in training classes.

Sava d.d. is the parent company of the Sava Group. The falling stock exchange prices and deteriorated economic environment significantly impacted the real and banking sector business, which is why Sava d.d. had to additionally impair its financial investments in the amount of €34.5 million. Another shortfall in the business was due to a non-realisation of the planned payment of bank dividends. The company thus made a net loss of €49.0 million, which reduced the proportion of capital in liabilities to 10.8%.

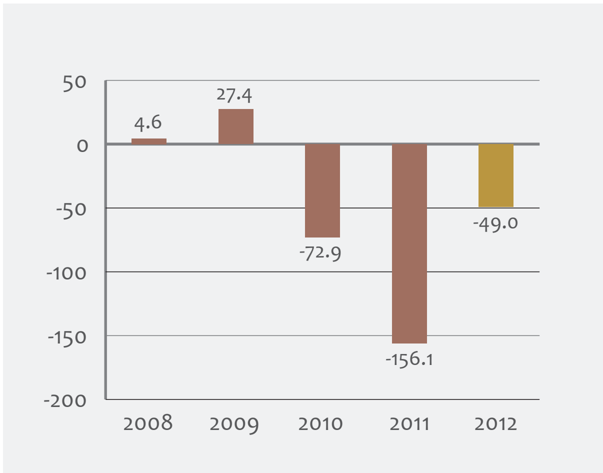
Selling the Rubber Manufacturing companies, which subject to a realisation of suspensory conditions was effected in January 2013, significantly reduced the accumulated loss as well as indebtedness of the company with the banking sector.

6.

Business operations of Sava d.d.

6.1. Business performance

Net profit / loss of Sava d.d. in the period 2008-2012 (€ in millions)



Overview of significant data on the operations of Sava d.d.

€ in millions

	2008	2009	2010	2011	2012	Index 2012/2011
Net sales revenues	8.4	8.1	8.7	5.5	3.1	57
Other revenues	0.7	0.2	1.6	0.0	0.5	-
Operating expenses	-13.4	-11.1	-10.6	-9.5	-6.5	68
Operating result	**-4.3**	**-2.8**	**-0.3**	**-4.0**	**-2.9**	**73**
Financial result	**6.6**	**27.8**	**-79.2**	**-167.6**	**-41.8**	**25**
Total pre-tax result	**2.3**	**25.8**	**-79.4**	**-170.7**	**-44.7**	**26**
Net result	**4.6**	**27.4**	**-72.9**	**-156.1**	**-49.0**	**31**

Performance indicators of Sava d.d. by year

	2008	2009	2010	2011	2012
Participation rate of equity (in %) equity / liabilities	54.4	50.5	42.4	21.4	**10.8**
Participation rate of long-term financing (in %) total equity + long-term liabilities (incl. provisions and deferred taxes) + long-term accruals and deferrals / liabilities	74.6	66.1	74.3	32.2	**21.9**
Operating fixed assets rate (in %) Fixed assets + investment property / assets	9.4	8.0	4.4	3.7	**4.3**
Long-term investment rate (in %) Total fixed assets + accruals and deferrals + investment property + long-term financial investments + long-term operating receivables / assets	92.8	84.7	86.4	89.4	**78.1**
Equity of fixed operating assets ratio Equity/ fixed assets + investment property	5.8	6.3	9.6	5.7	**2.5**
Acid test ratio Liquid assets / short-term liabilities	0.0	0.0	0.0	0.0	**0.0**
Quick ratio Total liquid assets + short-term receivables and short-term financial investments / short-term liabilities	0.3	0.5	0.5	0.1	**0.1**
Current ratio Short-term assets / short-term liabilities	0.3	0.5	0.5	0.2	**0.3**
Operating efficiency ratio Operating revenues / operating expenses	1.0	1.5	0.4	0.1	**0.2**
Net return on equity ratio Net profit for financial year / average equity less net operating results for the year	1.2	7.9	-22.0	-64.7	**-56.2**
Dividends to share capital ratio Total dividends paid in financial year / average share capital	7.2	7.4	7.7	0.0	**0.0**

Business operations of Sava d.d. by quarter in 2012

The dynamics of achieving the business result of Sava d.d. by quarter strongly depends on the time of selling financial investments, receiving dividends, interim fluctuations in stock exchange prices and elaboration of the financial investments evaluation; it is, therefore, not reasonable to compare the achieved results with the quarterly data of the past year.

€ in thousands

	JAN–MAR 2012	APR–JUN 2012	JUL–SEPT 2012	OCT–DEC 2012
1. NET SALES REVENUES	**681**	**784**	**716**	**949**
a) Revenues in domestic market	680	777	708	940
To companies in the Group	549	610	560	796
To associates	0	0	0	0
To others	131	167	148	144
b) Revenues in foreign market	1	7	8	9
To companies in the Group	1	7	8	9
To associates	0	0	0	0
To others	0	0	0	0
2. CHANGE IN THE VALUE OF INVENTORIES OF PRODUCTS AND WORK IN PROGRESS	**0**	**0**	**0**	**0**
3. CAPITALISED OWN PRODUCTS AND SERVICES	**0**	**0**	**0**	**0**
4. OTHER OPERATING REVENUES (with operating revenues from revaluation adjustment)	**2**	**5**	**272**	**212**
5. COSTS OF MERCHANDISE, MATERIALS AND SERVICES	**-814**	**-748**	**-634**	**-1,098**
a) Cost of merchandise and material sold and cost of material used	-23	-14	-16	-21
b) Cost of services	-791	-735	-617	-1,077
6. LABOUR COSTS	**-678**	**-589**	**-601**	**-970**
a) Salaries and wages	-532	-505	-477	-796
b) Social security cost (pension insurance cost shown separately)	-98	-94	-90	-87
- Social security cost	-40	-38	-37	-36
- Pension insurance cost	-58	-56	-53	-51
c) Other labour cost	-48	10	-34	-87
7. AMORTISATION AND DEPRECIATION EXPENSE, WRITE-OFFS	**-65**	**-85**	**-64**	**-83**
a) Amortisation	-65	-66	-64	-66
b) Operating expenses from revaluation of intangible and tangible fixed assets	0	0	0	-1
c) Operating expenses from revaluation of current assets	0	-19	0	-16
8. OTHER OPERATING EXPENSES	**-28**	**-27**	**-28**	**32**
9. FINANCIAL REVENUES FROM SHARES	**8,545**	**87**	**152**	**0**
a) Financial revenues from shares in Group's companies	7,900	0	0	0
b) Financial revenues from shares in associates	0	0	0	0
c) Financial revenues from shares in other companies	645	87	152	0
d) Financial revenues from other investments	0	0	0	0
10. FINANCIAL REVENUES FROM GRANTED LOANS	**565**	**458**	**498**	**489**
a) Financial revenues from loans granted to Group's companies	85	75	77	87
b) Financial revenues from loans granted to other entities	480	383	421	402
11. FINANCIAL REVENUES FROM OPERATING RECEIVABLES	**1**	**0**	**2**	**0**
a) Financial revenues from operating receivables due from Group's companies	0	0	0	0
b) Financial revenues from operating receivables due from other entities	1	0	2	0
12. FINANCIAL EXPENSES FROM IMPAIRMENT AND WRITE-OFFS IN FINANCIAL INVESTMENTS	**-1,141**	**-3,004**	**2**	**-30,554**

€ in thousands

	JAN–MAR 2012	APR–JUN 2012	JUL–SEPT 2012	OCT–DEC 2012
13. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	**-4,774**	**-4,532**	**-4,015**	**-4,572**
a) Financial expenses from borrowings obtained from Group's companies	-179	-144	-128	-142
b) Financial expenses from borrowings obtained from banks	-3,914	-3,712	-3,312	-3,658
c) Financial expenses from issued bonds	-474	-477	-481	-478
d) Financial expenses from other financial liabilities	-207	-198	-95	-294
14. FINANCIAL EXPENSES FROM OPERATING LIABILITIES	**0**	**0**	**0**	**0**
a) Financial expenses from operating liabilities due to Group's companies	0	0	0	0
b) Financial expenses from trade payables and bill payables	0	0	0	0
c) Financial expenses from other operating liabilities	0	0	0	0
15. OTHER REVENUES	**0**	**1**	**1**	**5**
16. OTHER EXPENSES	**-11**	**0**	**-3**	**-1**
17. TAX ON PROFIT	**0**	**0**	**0**	**0**
18. DEFERRED TAXES	**116**	**-2,349**	**-30**	**-2,113**
19. NET PROFIT FOR THE FINANCIAL YEAR	**2,399**	**-10,000**	**-3,731**	**-37,704**

Net sales revenues

- Net sales revenues of €3.1 million were generated, which is 43% less than in the same period last year and 18% above the planned values. The deviation of net sales revenues in comparison with the previous year was due to lower rents from the real property transferred to Savatech d.o.o., and less information technology services provided (as of 01/01/2012 in Sava IT d.o.o.).
- Net sales revenues do not have a significant impact on total sales revenues of the Sava Group; in 81% they refer to the services that Sava d.d. sells to the Group companies.
- The net sales revenues structure:43% are rents for real property,57% the use of trademark by the subsidiaries and other services provided by the professional services of Sava d.d.

Operating expenses

- They amounted to €6.5 million and were 32% lower than last year and 6% higher than planned.
- Positive deviations in comparison with the same period last year were due to reducing the depreciation costs in connection with transferring the real property to the Rubber Manufacturing division, lower labour costs and lower costs of services.
- In their structure, costs of services have a 50% share, labour costs a 44%, write-offs a 5% and other expenses have 1% share.
- A considerable amount of these expenses was due to managing financial investments, which is why a part of financial revenues was earmarked for their covering.

Operating profit / loss

- An operating loss of €2.9 million was generated, which is 28% lower than in the same period last year and 10% lower than planned.

Financial result

- **Financial result** in Sava d.d. is negative and totals €41.8 million. In comparison with the same period last year it was better as impairments of financial investments were lower.
- **Financial revenues** of €10.8 million were generated, which, however, were lower in comparison with the same period in 2011 and also in comparison with the plan. According to the AGM's resolution, the dividends by the associated company Gorenjska Banka d.d. were not paid in 2012.
- **Financial expenses** of €52.6 million are significantly lower than in the same period last year and higher than planned; both in connection with the impairments of financial investments.

Financial result by type of activities

€ in millions

	Financial result	Financial result	Financial result	Financial result	Financial revenues	Financial expenses	Financial result
	2008	2009	2010	2011	JAN – DEC 2012		
Dividends	33.2	20.8	29.3	11.3	8.1	0.0	8.1
Securities	0.6	39.8	0.8	1.6	0.7	-0.2	0.5
Impairments of financial investments	-14.9	-22.7	-95.0	-158.1	0.0	-34.5	-34.5
Interest	-12.3	-10.1	-12.9	-16.1	1.9	-17.7	-15.8
Other	0.0	0.0	-1.4	-6.3	0.1	-0.2	-0.1
Total	**6.6**	**27.8**	**-79.2**	**-167.6**	**10.8**	**-52.6**	**-41.8**

- **Dividends** total €8.1 million; in the amount of €7.9 million these were received from Savatech d.o.o. The dividends received from the subsidiary increase the financial result of the controlling company Sava d.d., but have no influence on the result of the Sava Group, since this is a transaction between the companies in the Group. In the same period last year Sava d.d. received dividends in total amount of €11.3 million, mainly from Gorenjska Banka d.d.
- **Financial revenues in connection with securities** were generated in disposal of securities available for sale; financial expenses were generated in selling the share of the subsidiary Investicijsko podjetje d.o.o., Ljubljana.
- **Impairments of financial investments** totalling €34.5 million refer to:
  - Impairment of financial investment in the shares of Abanka Vipa d.d. in the amount of €24.7 million.
  - Impairment of financial investment and granted loan in connection with NFD Holding d.d. in the amount of €3.4 million.
  - Impairment of financial investments and granted loans in connection with the subsidiaries in the Sava Group in the amount of €2.9 million.
  - Other impairments totalling €3.5 million refer to other financial investment and the call option.
- **Interest revenues** totalling €1.9 million refer to interests from the loans granted to the subsidiaries and to interest from deposits to banks. **Interest expenses** totalling €17.7 million were due to indebtedness of the company with creditors and were 5% lower than in the past year.

Total pre-tax loss

In 2012, Sava d.d. generated a pre-tax loss of €44.7 million. The amount of loss was influenced by the financial expenses of €52.6 million whose major portion was due to the impairments of financial investments in the amount of €34.5 million and interest for the borrowings in the amount of €17.7 million.

Income tax

- In 2012, Sava d.d. has no liability for the income tax accounted for.
- The net amount of deferred taxes totalling €4.4 million, which deteriorates the operating result for the financial year, mainly refers to the effect of a recalculation of deferred tax receivables from impairments of financial investments on account of reducing the corporate income tax rate from 20% to 15%. The net loss of Sava d.d. is thus higher than a total pre-tax loss.

Net loss

In 2012, Sava d.d. generated a net loss of €49.0 million, whereas the business plan for the period envisaged a profit of €2.4 million. The deviation from the planned values is mostly due to impairments of financial investment, a shortfall of dividends and delay in the sale of real property.

Accumulated loss

- It amounts to €58.3 million on the last day of the period.
- No capital components earmarked for this purpose are available for covering the loss.
- The accumulated loss represents 69.6% of the company's share capital.

Movement of the accumulated loss of Sava d.d. in 2012

€ in millions

Net loss for period Jan-Dec 2012	-49.0
Retained net loss from the year 2011	-9.3
Accumulated loss on 31/12/2012	**-58.3**

6.2. Assets and liabilities structure

Balance sheet total

It totals €348.3 million and compared to the figure at the end of 2011 it is lower by 15%.

Assets structure

The major or a 85% share in the assets structure have long-term financial investments and assets for sale. Tangible fixed assets and investment property have a 4% share, short-term financial investments a 4%, and other assets a 7% share.

- In the structure of **long-term financial investments and assets for sale**, which are shown in the amount of €294.8 million and are €53.4 million or 15% lower than at the end of the previous year, the following significant changes appeared in 2012:
  - The capital of a subsidiary was increased by €0.4 million.
  - A 100% share of Sava Medical in Storitve d.o.o., Kranj was sold; the book value of the share amounted to €2.9 million, the selling price was €2.9 million, no price difference was thus made in the sale; the share was acquired by Savatech d.o.o.
  - A 100% share of Investicijsko podjetje d.o.o., Ljubljana was sold; the book value of the share amounted to €19.3 million, the selling price was €16.7 million; a net loss of €0,2 million was made in the sale.
  - Impairments of investments in the associated companies amounted to €25.7 million.
  - Impairments of investments in the subsidiaries amounted to €1.3 million.
  - As a result of disposals and revaluations, other financial investments were lower by €4.6 million.

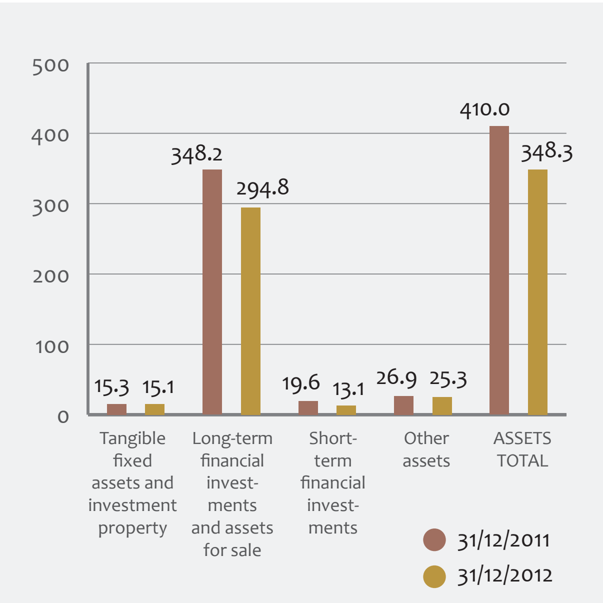
In October 2012, a contract on selling the companies of the Rubber Manufacturing division with the Foreign Trade Network was signed. The suspensory conditions determined in the contract were fulfilled on 8 January 2013, meaning that the sale transaction was entirely completed on the same day.

- The value of **tangible fixed assets and investment property** as at 31/12/2012 amounts to €15.1 million. There were no significant changes in comparison with the end of the previous year.
- **Short-term financial investments** shown in the amount of €13.1 million were €6.5 million lower than at the end of the previous year.

  Short-term financial investments have the following structure:
  - Gross receivable from short-term granted loans to NFD Holding d.d. totals €21.8 million and in comparison with the end of the previous year it reduced by €0.6 million; based on the estimate of suitability of the received collateral, the granted loans are impaired by €9.3 million.
  - Other short-term financial investments totalling €0.6 million refer to short-term loans granted to the companies in the Sava Group and short-term deposits to banks.

- In **other assets**, shown in total amount of €25.3 million, the greatest share or €20.7 million refer to the deferred tax receivables due from the state. The deferred tax receivables mainly arise in connection with the impairments of financial investments to fair value. The remaining other assets totalling €4.6 million refer to the receivables due from the buyers of equity holdings of the companies and receivables for interest on granted loans.

Assets structure of Sava d.d. at 31/12/2012 and a comparison with 31/12/2011 (€ in millions)



Liabilities structure

- The **capital** of Sava d.d. in the amount of €37.7 million is €49.9 million or 57% lower than at the end of the past year. It has a 10.8% share in the liabilities structure. The following changes appeared in capital:
  - A loss of the financial year totalling €49.0 million was made; the generated accumulated loss could not be covered with the capital components earmarked for this purpose as these had been entirely utilised in 2011.
  - Revaluation reserve decreased by €0.9 million.

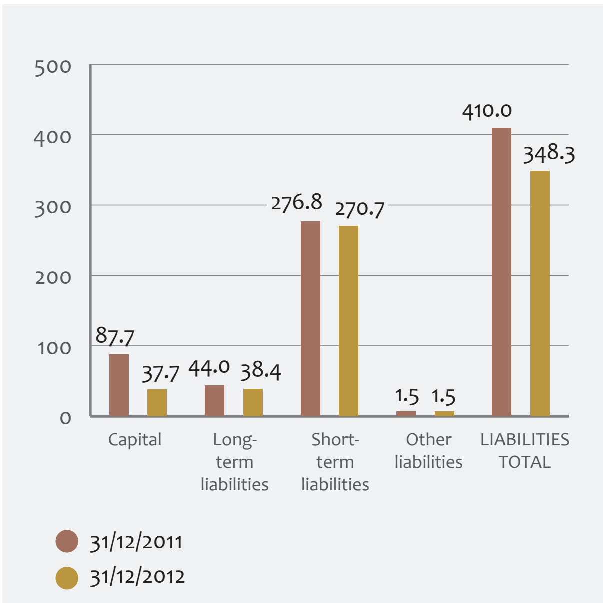
- **Total financial liabilities** of Sava d.d. achieved the value of €298.5 million and in comparison with the end of the previous year they reduced by €10.8 million. They have an 86% share in the balance sheet total. Total financial liabilities of Sava d.d. include the borrowings obtained out of the Sava Group in the amount of €284.2 million.

As at 31/12/2012, the pledges as collateral for the liabilities arising from the borrowings of Sava d.d. were placed on the assets of Sava d.d. in the amount of €275.4 million, on the assets of the subsidiary Savatech d.o.o. in the amount of €36.5 million and on the assets of Sava Turizem d.d. in the amount of €4.9 million,

Upon finalising the sale transaction in 2013, the pledge placed on the assets of Savatech d. o. o. was released, thereby reducing the financial liabilities by €49.3 million.

- **Other liabilities** totalling €12.1 million refer to short-term operating liabilities, short- and long-term provisions and deferred tax liabilities. In comparison with the end of the previous year, they did not significantly change and have a 3% share in the liabilities structure.

Liabilities structure of Sava d.d. at 31/12/2012 and a comparison with 31/12/2011 (€ in millions)



6.3. Personnel structure and employee development

Employee number

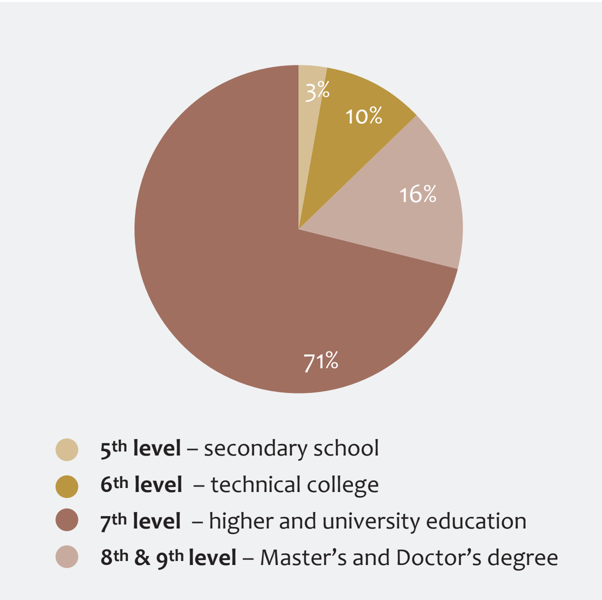
In 2012, Sava d.d. employed 35 associates on average or 25 associates fewer than in 2011. On the last day of 2012, there were 31 associates employed, which is almost by one half less that at the end of 2011.

In 2012, 3 associates were employed anew, while 33 associates left, of whom 16 due to transferring business to Sava IT d.o.o

Educational structure of employees

The educational structure of employees slightly improved in 2012. The number of employees with a 5th level of education decreased, while the number of employees with a 7th level of education increased.

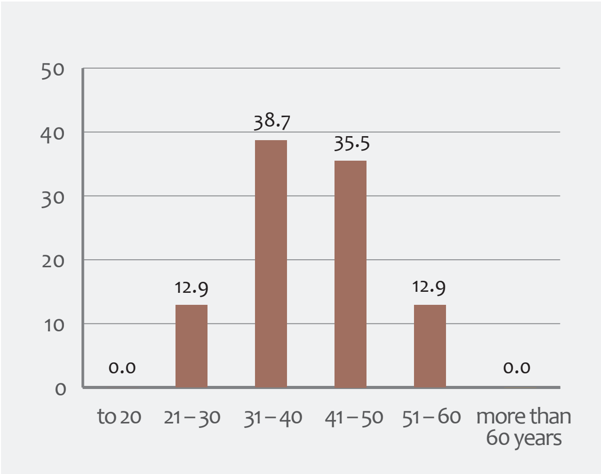
Educational structure of employees at 31/12/2012



Age structure of employees

38.7% of employees are aged between 30 and 40 years, 12.9% are younger than 30 years, and almost one half of employees is more than 40 years of age.

Age structure of employees at 31/12/2012 (%)



Sick leave

In 2012, the sick leave totalled 2.86%, which is more than in 2011 when it was 1.97%. The sick leave of more than 30 days increased and amounted to 1.64%, whereas the sick leave up to 30 days decreased and amounted to 1.22%.

Education, training and development of employees

In 2012, the associates mostly participated in the specialized educational courses needed for an effective performance of their tasks, and in personal and career development courses.

The employees participated in 25 hours of training on average. A sum of €1,072 per employee was invested in carrying out the training.

7. Outlook for 2013

The premises defined in the restructuring strategy of the Sava Group have been considered in the preparation of the business plan of the Sava Group companies for 2013. Owing to the effects of significant impairments of financial investments, need for cash flow strengthening and necessity of reducing the financial liabilities to the level that can be maintained with Sava Group's cash flow requested for a revision of the strategy and the management business model.

The Sava Group strategy for the period 2012-2014 is aimed at the restructuring of the business group with a prime focus on:

- Rationalisation of operations at Sava d.d.
- Sale of assets (Real Estate, Rubber Manufacturing).
- Agreement on restructuring financial sources.
- Consolidation of assets in financial resources.
- Optimisation of Tourism operations.

In 2012, Sava d.d. managed to implement all the set goals. The key achievements of 2012 include a rationalisation in the operations of Sava d.d., improved operations of Tourism, sale of the key part of Real Estate and certain other investments, on the basis of which the financial liabilities were reduced at the level of Sava d.d. and the Sava Group. As a result of the activities in connection with a disposal of financial investments, a contract on selling the companies of Rubber Manufacturing with the Foreign Trade Network was signed in 2012.

The 2013 business plan represents a continuation of the strategy implementation for the period 2012-2014. Similar to the precedent year, the year 2013 will be a demanding one too, particularly owing to a further aggravation in the economic environment.

In addition to the finalized procedure of selling Rubber Manufacturing, one of the major **goals** we have set for 2013 is to make an agreement on restructuring the financing sources, thereby providing a vital and critical basis for further implementation of the strategy which addresses:

- Consolidation of assets in financial resources.
- Further optimisation of Tourism operations.
- Further optimisation of Sava d.d. operations.

The business plan of the Sava Group has been prepared on the basis of the following key **assumptions**:

- Considered are the assumptions on changing the Group's composition (Sava d.d., Tourism and Other Operations).
- Sava d.d. – continues to implement the strategy in 2013 by further optimisation of the operating business of the company, consolidation of the company's assets and active management of investments, in which it holds a significant shareholding (continuation of a capital tie-up of banks).
- Tourism – further improvements in operations and profitability in spite of fierce economic conditions.
- Other operations – optimisation of assets targeting at provision of liquidity and optimum structure of the Group.
- Agreement on restructuring the financing sources that will be adapted to the Group's cash flow.

In terms of substance, the more important **starting points** in the preparation of the business plan of Sava Group companies for 2013 were as follows:

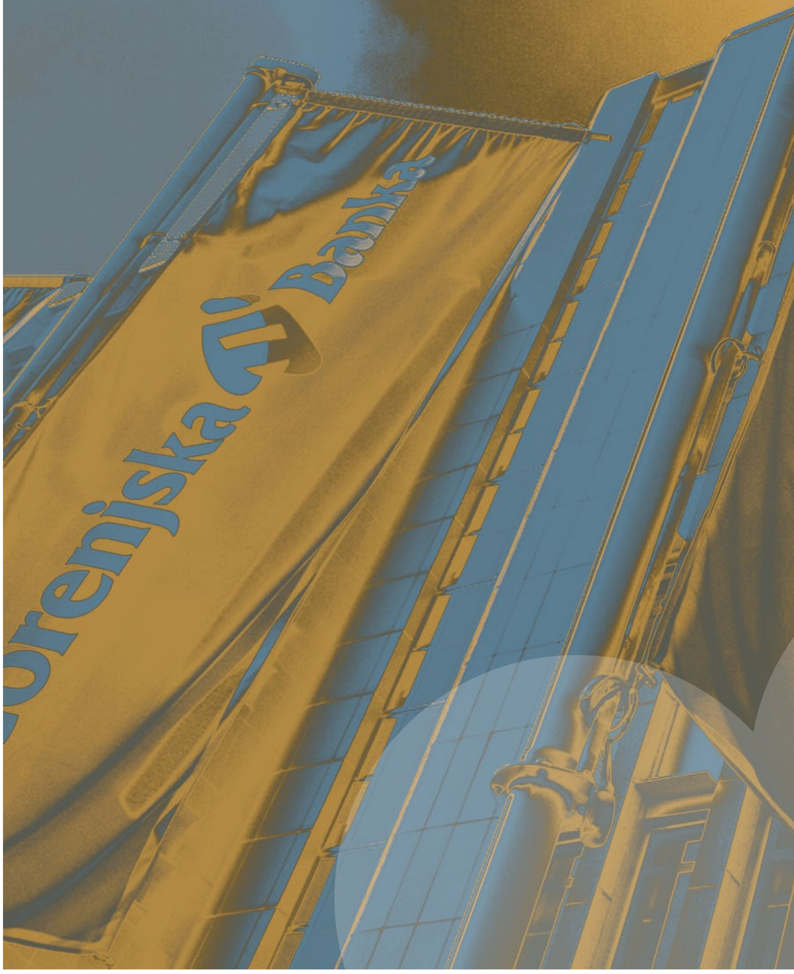
- The generated cash flow from operations of subsidiaries has to be sufficient for covering the financial expenses, planned investments and repayment of amortizing loans.
- Financial liabilities of the Sava Group will be reprogrammed in accordance with the proposed restructuring of finance sources.
- Financial expenses at the level of subsidiaries are planned in consideration of the existing contractual interest rates, whereas at Sava d.d. it is anticipated to reduce the interest rates to the level that will facilitate further strategy implementation.
- The performance of Tourism will continue to improve.
- In Other operations, disposals of energy management companies and the activities for selling the stock in real property are expected.

The 2013 business plan in figures

	Sava d.d. – 2013 business plan	Sava Group 2013 business plan
Sales revenues – €m	1.9	73.1
Net operating profit/ loss – €m	14.8	-11.5
Balance sheet total – €m	282.2	390.9
Capital – €m	42.0	61.0
Employee number	22	1.163
Investments – €m	0.1	7.4

Consolidate the operations of Sava d.d., its subsidiaries and investments in the banking sector.

A desired capital tie-up of Abanka Vipa d.d. and Gorenjska Banka d.d.



Greater value of assets & further deleverage

Acquire a strategic co-investor and utilise the synergies arising from a joint action of the merged bank.

Increase the value of assets and dividend yields due to the improved general economic circumstances, particularly in the financial markets.

FINANCIAL REPORT

1.

Financial statements of the Sava Group with notes in accordance with the International Financial Reporting Standards as adopted by the EU

1.1. Consolidated financial statements of the Sava Group in accordance with International Financial Reporting Standards as adopted by the EU

Consolidated statement of financial position

€ in thousands

	Notes	31/12/2012	31/12/2011
ASSETS			
Property, plant and equipment	1.3.10.	164,969	215,182
Intangible assets	1.3.11.	565	459
Investment property	1.3.12.	6,865	10,040
Investments in associates	1.3.13.	121,585	199,847
Long-term equity securities, available for sale	1.3.14.	36,582	41,177
Long-term loans	1.3.15.	20	384
Deferred tax assets	1.3.26.	19,293	24,697
Long-term assets		**349,879**	**491,786**
Assets for sale	1.3.16.	91,427	32,348
Inventories	1.3.17.	11,710	29,347
Operating and other receivables	1.3.18.	7,863	26,768
Current tax receivable		0	25
Short-term financial investments	1.3.19.	0	128
Short-term loans	1.3.20.	19,500	20,224
Cash and cash equivalent	1.3.21.	551	10,649
Short-term assets		**131,051**	**119,489**
Total assets		**480,930**	**611,275**

€ in thousands

	Notes	31/12/2012	31/12/2011
EQUITY AND LIABILITIES	1.3.22.		
Issued capital		83,751	83,751
Share premium		0	0
Reserves		4,977	4,977
Fair value reserve		-3,782	-4,847
Treasury shares		-4,977	-4,977
Translation reserve		0	236
Retained earnings		-14,241	84,940
Total equity attributable to equity holders of the parent		**65,728**	**164,080**
Minority interest		1,568	1,716
Total equity	**1.3.22.**	**67,296**	**165,796**
Long-term provisions	1.3.23.	2,921	6,615
Deferred government grants	1.3.24.	9,598	12,243
Long-term interest-bearing borrowings	1.3.25.	57,740	62,501
Long-term operating liabilities		0	42
Deferred tax liabilities		0	0
Long-term liabilities		**70,259**	**81,401**
Liabilities for sale	1.3.16.	33,197	17,898
Short-term interest-bearing borrowings	1.3.25.	287,738	308,809
Short-term operating liabilities	1.3.27.	18,418	31,105
Short-term costs and accrued revenues	1.3.28.	4,022	6,266
Short-term operating liabilities		**343,375**	**364,078**
Total liabilities		**413,634**	**445,479**
Total equity and liabilities		**480,930**	**611,275**

The notes are an integral part of these financial statements.

Consolidated income statement

€ in thousands

	Notes	2012	2011
Revenues from goods sold and services rendered	1.3.29.	192,188	193,783
Change in inventories of products and work in progress		-905	-67
Other operating revenue	1.3.30.	5,089	4,942
Operating revenue		**196,372**	**198,658**
Cost of goods, materials and services	1.3.31.	-117,612	-117,861
Labour cost	1.3.32.	-52,693	-57,044
Depreciation and amortisation		-13,604	-13,964
Other write-offs	1.3.33.	-1,227	-10,792
Other operating expense	1.3.34.	-2,059	-4,019
Operating expenses		**-187,195**	**-203,680**
Operating profit / loss		**9,177**	**-5,022**
Financial income		3,377	5,144
Financial expense		-25,037	-59,623
Net financing expense	**1.3.35.**	**-21,660**	**-54,479**
Share in income of associates		0	11,049
Share in loss of associates		0	-108
Impairments of financial investments in associates		-80,884	-120,507
Net expense from asscoiates	**1.3.36.**	**-80,884**	**-109,566**
Pre-tax loss		**-93,367**	**-169,067**
Tax	1.3.37.	-5,912	11,907
Net loss for the year		**-99,279**	**-157,160**
Net loss for the year attributable to:			
Equity holders of the parent		-99,181	-157,013
- arising from a discontinued operation		6,834	657
Minority interest		-98	-147
Net loss for the period		**-99,279**	**-157,160**
Basic loss per share (€)		-49,70	-78,69
Diluted loss per share (€)		-49,70	-78,69

The notes are an integral part of these financial statements.

Consolidated statement of other comprehensive income

€ in thousands

	Notes	2012	2011
Net profit / loss for the period		-99,279	-157,160
Other comprehensive income			
- Foreign currency translation differences		1	14
- Effective portion of changes in fair values of cash flow hedges		0	959
- Change in fair value of available-for-sale financial assets	1.3.14.	1,821	6,321
- Deferred tax on change in fair value of available-for-sale financial assets	1.3.25.	-282	-868
- Change in fair value of investments in associates	1.3.13.	0	-5,055
- Change in fair value of available-for-sale financial assets transferred to profit or loss		-709	-2,355
- Deferred tax on change in fair value of available-for-sale financial assets transferred to profit or loss	1.3.25.	234	599
Other comprehensive income for the period, net of deferred tax		**1,065**	**-385**
Total comprehensive income for the period		**-98,214**	**-157,545**
Total comprehensive income for the period attributable to:			
Owners of the Company		-98,116	-157,398
Minority interest		-98	-147
Total comprehensive income for the period		**-98,214**	**-157,545**

The notes are an integral part of these financial statements.

Consolidated cash flow statement

€ in thousands

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit / loss	-99,279	-157,160
Adjustments for:		
Depreciation of property, plant and equipment	13,140	13,266
Depreciation of intangible assets	98	119
Depreciation of investment property	268	580
Impairment of property, plant and equipment	52	189
Write-off of investments in progress	0	0
Reversal of impairments of property, plant and equipment	0	0
Reversal of increase in property, plant and equipment	0	298
Impairment of intangible assets	0	92
Impairment of investment property	0	416
Impairment of financial investments	2,424	26,429
Impairments of investments in associates	78,262	113,820
Proceeds from sale of plant, property and equipment	-78	-93
Loss at disposal of property, plant and equipment	23	3
Proceeds from sale of investment property	0	-459
Loss from sale of investment property	0	0
Foreign currency translation difference	1	14
Profit in sale of long-term securities	-708	-2,597
Loss in sale of securities	101	1,609
Loss in sale of associates	0	108
Share in income of associates	0	-11,049
Other dividends received	-179	-196
Share in loss of associates	0	0
Foreign exchange difference	67	-5
Impairment of granted loans	0	0
Impairment of loans granted to associates	2,621	6,687
Proceeds from acquisition of subsidiary	-68	0
Interest expense	21,461	22,446
Interest revenue	-2,042	-2,196
Income tax liability / receivable	5,912	-11,907
Income from operations prior to change in operating equity and provisions	**22,076**	**530**
Change in long-term receivables	-35	-13,113
Change in short-term receivables	838	-2,759
Change in inventories	1,293	7,256
Change in short-term operating liabilities and accrued costs	-3,458	16,547
Change in long-term operating liabilities	-42	3,592
Change in provisions	-1,130	-19
Change in government grants	-581	-558
Acquired cash in operations	**18,961**	**11,476**
Paid income tax	-1,345	-1,595
Net cash flow from operatins	**17,616**	**9,881**

€ in thousands

	2012	2011
CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of property, plant and equipment	-6,846	-7,293
Proceeds from sale of property, plant and equipment	779	164
Purchase of intangible assets	-306	-72
Proceeds from sale of intangible assets	0	6
Purchase of investment property	-109	-17
Proceeds from sale of investment properties	0	459
Proceeds from sale of subsidiaries	5,760	1,100
Purchase of subsidiaries	-10	0
Purchase of associates	0	-1
Proceeds from sale of associates	0	0
Proceeds from repaid loans	594	74,431
Expenses for granted loans	-3,386	-75,571
Purchase of long-term securities	-689	-1,992
Proceeds from sale of long-term securities	5,405	7,982
Received dividends of associates	0	11,049
Other dividends and shares in profit	179	196
Received interests	2,042	2,196
Net cash flow from investment activities	**3,413**	**12,966**
CASH FLOWS IN FINANCING ACTIVITIES		
Acqusition of own shares	0	0
Other changes in capital	-287	-10
Proceeds from granted long-term loans	23	14,769
Expenditures for granted long-term loans	-924	-14,065
Proceeds from granted short-term loans	22,931	131,238
Expenses for granted short-term loans	-24,844	-129,369
Expenses for dividends of Group's shareholders	0	-11
Paid interests	-21,461	-22,446
Net cash flow from financing activities	**-24,562**	**-19,894**
Net increase or decrease in cash and cash equivalents	**-3,533**	**2,953**
Cash and cash equivalents at year begin	10,649	5
Cash and cash equivalents from companies for sale	-6,566	-597
Cash and cash equivalents at the end of the period	551	10,649

The notes are an integral part of these financial statements.

Consolidated statement of changes in equity

€ in thousands

	Issued capital	Share premium	Reserves	Reserves for Own shares	Reserves for fair value of financial assets	Reserves from a change in the value of financial investments in associated companies	Reserves for fair value of interest rate swaps	Own shares	Translation reserve	Net profit/loss for the financial year	Net profit/loss brought forward	Capital attributed to owners of the cotrolling interest	Non-controlling interest	Total
Balance at 31/12/2010	83,751	125,608	14,714	4,977	-2,939	-549	-960	-4,977	222	-26,945	128,577	321,479	1,873	323,352
Total comprehensive income														
Loss for the year	0	0	0	0	0	0	0	0	0	-157,013	0	-157,013	-147	-157,160
Other comprehensive income	0	0	0	0	3,697	-5,055	959	0	14	0	0	-385	0	-385
Foreign currency translation differences for foreign operations	0	0	0	0	0	0	0	0	14	0	0	14	0	14
Effective portion of changes in fair values of cash flow hedges - interest rate swaps	0	0	0	0	0	0	959	0	0	0	0	959	0	959
Change in fair value of available-for-sale financial assets		0	0	0	6,321	0	0	0	0	0	0	6,321	0	6,321
Deferred tax on change in fair value of available-for-sale financial assets	0	0	0	0	-868	0	0	0	0	0	0	-868	0	-868
Change in fair value of investments in associates	0	0	0	0	0	-5,055	0	0	0	0	0	-5,055	0	-5,055
Change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	0	-2,355	0	0	0	0	0	0	-2,355	0	-2,355
Deferred tax on change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	0	599	0	0	0	0	0	0	599	0	599
Total comprehensive income	0	0	0	0	3,697	-5,055	959	0	14	-157,013	0	-157,398	-147	-157,545
Transactions with owners, recorded directly in equity														
Dividend payout	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of net profit of the previous year in the retained net profit	0	0	0	0	0	0	0	0	0	26,945	-26,945	0	0	0
Acquisition of own shares	0	0			0	0	0	0	0	0	0	0	0	0
Decrease in minority interest due to exchange rate change	0	0	0	0	0	0	0	0	0	0	0	0	17	17
Decrease in minority interest due to purchase of stakes	0	0	0	0	0	0	0	0	0	0	0	0	-27	-27
Total transaction with owners recorded in capital	0	0	0	0	0	0	0	0	0	26,945	-26,945	0	-10	-10
Changes in capital												0		
Covering a loss	0	-125,608	-14,714	0	0	0	0	0	0	146,852	-6,530	0	0	0
Formation of reserves for own shares	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other changes in capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total changes in capital	0	-125,608	-14,714	0	0	0	0	0	0	146,852	-6,530	0	0	0
Balance at 31/12/2011	83,751	0	0	4,977	758	-5,604	-1	-4,977	236	-10,162	95,102	164,080	1,716	165,796

€ in thousands

	Issued capital	Share premium	Reserves	Reserves for Own shares	Reserves for fair value of financial assets	Reserves from a change in the value of financial investments in associated companies	Reserves for fair value of interest rate swaps	Own shares	Translation reserve	Net profit/loss for the financial year	Net profit/loss brought forward	Capital attributed to owners of the cotrolling interest	Non-controlling interest	Total
Balance 31/12/2011	83,751	0	0	4,977	758	-5,604	-1	-4,977	236	-10,162	95,102	164,080	1,716	165,796
Total comprehensive income														
Profit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-99,181**	**0**	**-99,181**	**-98**	**-99,279**
Other comprehensive income	**0**	**0**	**0**	**0**	**1,064**	**0**	**1**	**0**	**0**	**0**	**0**	**1,065**	**0**	**1,065**
Foreign currency translation differences for foreign operations	0	0	0	0	0	0	1	0	0	0	0	**1**	0	1
Effective portion of changes in fair values of cash flow hedges - interest rate swaps	0	0	0	0	0	0	0	0	0	0	0	**0**	0	0
Change in fair value of available-for-sale financial assets		0	0	0	1,821	0	0	0	0	0	0	**1,821**	0	1,821
Deferred tax of change in fair value of available-for-sale financial assets	0	0	0	0	0	0	0	0	0		0	**0**	0	0
Change in fair value of investments in associates	0	0	0	0	0	0	0	0	0	0	0	**0**	0	0
Change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	0	-475	0	0	0	0		0	**-475**	0	-475
Deferred tax on change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	0	-282	0	0	0	0		0	**-282**	0	-282
Total comprehensive income	**0**	**0**	**0**	**0**	**1,064**	**0**	**1**	**0**	**0**	**-99,181**	**0**	**-98,116**	**-98**	**-98,214**
Transactions with owners, recorded directly in equity												**0**		
Transfer of net loss of the previous year in the retained net profit	0	0	0	0	0	0	0	0	0	10,162	-10,162	**0**	0	0
Acquisition of own shares	0	0			0	0	0	0	0	0	0	**0**	0	0
Decrease in minority interest due to exchange rate change	0	0	0	0	0	0	0	0	0	0	0	**0**	-29	-29
Decrease in minority stakes due to acquisition of minority share	0	0	0	0	0	0	0	0	0	0	0	**0**	-21	-21
Total transactions with owners recorded in capital	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**10,162**	**-10,162**	**0**	**-50**	**-50**
Changes in capital												**0**		
Covering a loss	0	0	0	0	0	0	0	0	0	0	0	**0**	0	0
Formation of reserves for own shares	0	0	0	0	0	0	0	0	0	0	0	**0**	0	0
Other changes in capital	0	0	0	0	0	0	0	0	-236		0	**-236**	0	-236
Total changes in capital	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-236**	**0**	**0**	**-236**	**0**	**-236**
Balance at 31/12/2012	83,751	0	0	4,977	1,822	-5,605	0	-4,977	0	-99,181	84,940	65,728	1,568	67,296

1.2. Composition of the Sava Group and data about the operations of the subsidised and associated companies in 2012

At 31/12/2012, the Sava Group consisted of 22 companies: the parent company Sava d.d. and 21 subsidiaries.

The financial statements of all these companies are included in the consolidated financial statements of the Sava Group. In all companies the capital and control rights are in accord.

List of companies that besides the parent company Sava d.d. are included in the Sava Group, with a comparison of ownership stakes as at 31/12/2012 and 31/12/2011:

	% ownership 31/12/2012	% ownership 31/12/2011	Change in % of ownership 2012
SAVATECH d.o.o., Kranj*	**100.00%**	**100.00%**	**0.00%**
- SAVA TRADE GmbH, Munich, Germany (owned by Savatech d.o.o)*	100.00%	100.00%	0.00%
- SAVA TRADE sp.z.o.o., Warsaw, Poland (owned by Savatech d.o.o)*	100.00%	100.00%	0.00%
- SAVA TRADE spol.s.o.o., Prague, Czech Republic (owned by Savatech d.o.o)*	100.00%	100.00%	0.00%
- SAVATECH TRADE Ltd., London, Great Britain (owned by Savatech d.o.o)*	100.00%	100.00%	0.00%
- SAVATECH CORP., Port Orange, Florida (owned by Savatech d.o.o)*	100.00%	95.00%	5.00%
- SAVA-ROL, d.o.o., Zagreb (owned by Savatech d.o.o)*	76.00%	76.00%	0.00%
SAVAPRO d.o.o., Kranj*	**60.00%**	**60.00%**	**0.00%**
- SAVARUS d.o.o., Jaroslavl, Russia (owned by SAVAPRO, d.o.o.)*	100.00%	100.00%	0.00%
TOURISM			
SAVA TURIZEM d.d., Bled	**99.05%**	**99.05%**	**0.00%**
SAVA TMC d.o.o., Kranj	**100.00%**	**100.00%**	**0.00%**
REAL ESTATE			
INVESTICIJSKO PODJETJE d.o.o., Ljubljana**	**0.00%**	**100.00%**	**-100.00%**
- IP NOVA d.o.o., Ljubljana (owned by SAVA IP, d.o.o.)**	0.00%	100.00%	-100.00%
- IP NOVA A d.o.o., Ljubljana (owned by SAVA IP, d.o.o.)**	0.00%	100.00%	-100.00%
SAVA NEPREMIČNINE d.o.o., Kranj	**100.00%**	**0.00%**	**100.00%**
SAVA NOVA d.o.o., Zagreb	**100.00%**	**100.00%**	**0.00%**
OTHER OPERATIONS			
SAVA MEDICAL IN STORITVE d.o.o., Kranj (owned by Savatech d.o.o)*	**100.00%**	**100.00%**	**0.00%**
GIP SAVA KRANJ d.o.o., Ruma, Serbia	**100.00%**	**100.00%**	**0.00%**
ENERGETIKA SAVA d.o.o., Kranj	**100.00%**	**100.00%**	**0.00%**
ENERGETIKA ČRNOMELJ d.o.o., Kranj	**50.68%**	**50.68%**	**0.00%**
ENSA BH d.o.o., Srbac, Bosnia and Herzegovina	**100.00%**	**100.00%**	**0.00%**
SAVA ENSA dooel., Skopje, Macedonia	**100.00%**	**100.00%**	**0.00%**
BRAMIR d.o.o., Mostar, Bosnia and Herzegovina	**100.00%**	**0.00%**	**100.00%**
SAVA IT d.o.o. Kranj	**100.00%**	**100.00%**	**0.00%**

* *In October 2012 a contract was signed on selling the companies of Rubber Manufacturing with the Foreign Trade Network and Sava Medical in Storitve d.o.o. The suspensory conditions defined in the contract were met on 8 January 2013, based on which the sale transaction was entirely finalised. The income statement of the Sava Group for 2012 still includes the data of the sold companies. In the statement of financial position, the value of assets and liabilities of sold companies is shown under Assets and Liabilities for sale.*

** *A 100% share of Investicijsko podjetje d.o.o., Ljubljana (former Sava IP d.o.o., Ljubljana) was sold. The sale transaction included also the companies owned by Investicijsko podjetje d.o.o., i.e. IP Nova A d.o.o., Ljubljana and IP Nova A d.o.o., Ljubljana. Before selling the stake a part of the company's assets was separated out to Sava Nepremičnine d.o.o., Kranj, which is under a 100% ownership of Sava d.d.*

Other changes in the composition of the Sava Group

In Other Operations, the energy management business to be exact, a 100% stake was acquired in the company Bramir, d.o.o., Mostar, Bosnia and Herzegovina.

Increase in capital of subsidiaries

The capital of Sava IT d.o.o., Kranj was increased with an in-cash contribution totalling €0.4 million.

Associated companies of the Sava Group

In 2012, no changes appeared in connection with the equity stakes in the associated companies.

List of associated companies with a comparison of ownership stakes at 31/12/2012 and 31/12/2011:

	% ownership 31/12/2012	% ownership 31/12/ 2011	Change in % of ownership 2012	Controlling stake 31/12/2012**
SAVA d.d., družba za upravljanje in financiranje, Kranj - as the parent company				
- Gorenjska Banka d.d., Kranj*	45.90%	45.90%	0.00%	49.76%
- Abanka Vipa d.d., Ljubljana	23.83%	23.83%	0.00%	23.86%
- NFD Holding d.d., Ljubljana	24.65%	24.65%	0.00%	24.65%
- Maksima Invest d.d., Ljubljana	21.77%	21.77%	0.00%	21.77%
SAVA TURIZEM d.d. - as the parent company				
- Gorenjska Banka d.d., Kranj	0.16%	0.16%	0.00%	0.17%
- Turizem Lendava, d.o.o.	29.92%	29.92%	0.00%	29.92%
ENSA BH d.o.o., Srbac, Bosnia and Herzegovina - as the parent company				
- Panensa d.o.o., Srbac, Bosnia and Herzegovina	40.00%	40.00%	0.00%	40.00%

* *Sava d.d. transferred 27,917 shares of Gorenjska Banka d.d., Kranj, under a fiduciary ownership of the fiduciary Abanka Vipa d.d., Ljubljana. The fiduciary saves them in favour of the holders of bonds issued by Sava d.d. as collateral for the liabilities arising from the bonds until their maturity, which is on 09/12/2014.*

** *The controlling stake is calculated as a ratio between the number of shares owned by Sava d.d. and total number of issued shares of the associated company less treasury shares.*

Representation offices in the Sava Group

As part of the Sava Group, the company Savatech d.o.o., Kranj, has a representation office in Moscow with a head office at Dmitrija Uljanova 16/2, app. 127, 117292 Moscow, Russia.

Sales revenues of subsidiaries in 2012, capital of subsidiaries at 31/12/2012 and operating profit/loss of subsidiaries in 2012:

€ in thousands

Company / head office	Sales revenues JAN-DEC 2012	Equity value 31/12/2012	Net profit /loss 2012
RUBBER MANUFACTURING DIVISION WITH THE FOREIGN TRADE NETWORK	**143,335**	**75,078**	**7,430**
SAVATECH d.o.o., Škofjeloška cesta 6, 4000 Kranj	110,977	70,161	7,072
SAVA-ROL d.o.o., Fallerovo šetalište 22, 10000 Zagreb, Croatia	340	152	1
SAVAPRO d.o.o., Škofjeloška cesta 6, 4000 Kranj	0	3,312	0
SAVARUS d.o.o., Spartakovskaja 1d, 150036 Jaroslavl, Russia	4,621	-2,320	-178
- FOREIGN TRADE NETWORK	**27,397**	**3,773**	**535**
SAVA TRADE GmbH, Kobellstrasse 4, 80336 Munich, Germany	13,934	1,809	351
SAVA TRADE sp.z.o.o., Ul Przyparkova 19, 05-850 Ozarow Mazowiecki, Poland	3,996	102	3
SAVA TRADE spol.s.o.o., U Elektry 650/50, Budova K, 190 00 Prague, Czech Republic	7,080	1,371	203
SAVATECH TRADE Ltd., Bourne House, 475 Godstone Road, Whyteleafe, Surrey CR 3 OBL, Great Britain	97	86	27
SAVATECH CORP., 413 Oak Place, Blgd 5-J, Port Orange, FL 32127, USA	2,290	405	-49
TOURISM	**64,834**	**92,880**	**585**
SAVA TMC d.o.o., Škofjeloška cesta 6, 4000 Kranj	23	58	-206
Sava Turizem d.d. (SAVA HOTELI BLED, d.d.), Cankarjeva 6, 4260 Bled	64,811	92,821	791
REAL ESTATE	**338**	**25,074**	**-883**
SAVA IP d.o.o., Davčna ulica 1, 1000 Ljubljana	331	18,767	-638
IP NOVA d.o.o., Davčna ulica 1, 1000 Ljubljana	7	245	2
IP NOVA A d.o.o., Davčna ulica 1, 1000 Ljubljana	0	9	0
SAVA NEPREMIČNINE d.o.o., Škofjeloška cesta 6, 4000 Kranj	0	6,440	-10
SAVA NOVA d.o.o., Fra Filipa Grabovca 14, 10000 Zagreb, Croatia	0	-387	-237
OTHER OPERATIONS	**8,551**	**4,328**	**-229**
SAVA MEDICAL IN STORITVE d.o.o., Škofjeloška cesta 6, 4000 Kranj	2,993	2,982	40
GIP SAVA KRANJ d.o.o., Industrijski put bb, 22400 Ruma, Serbia	8	3	0
Sava IT d.o.o., Škofjeloška cesta 6, 4000 Kranj	1,786	430	63
ENERGETIKA SAVA d.o.o., Škofjeloška cesta 6, 4000 Kranj	324	-428	-231
ENERGETIKA ČRNOMELJ d.o.o., Škofjeloška cesta 6, 4000 Kranj	421	549	-71
ENSA BH d.o.o., Prijeblezi BB, 78429 Srbac, Bosnia and Herzegovina	2,589	756	-3
BRAMIR d.o.o., Kralja Petra Krešimira IV, Mostar, Bosnia and Herzegovina	430	51	-27
SAVA ENSA dooel., Ul Veljko Vlahović br. 16/4, 1000 Skopje, Macedonia	0	-16	0
SUBSIDIARIES TOTAL	**217,058**	**197,359**	**6,902**

Sales revenues of subsidiaries in 2011, capital of subsidiaries at 31/12/2011 and operating profit/loss of subsidiaries in 2011:

€ in thousands

Company / head office	Sales revenues 2011	Equity value 31/12/2011	Net profit / loss 2011
RUBBER MANUFACTURING DIVISION WITH THE FOREIGN TRADE NETWORK	**139,849**	**75,601**	**6,727**
SAVATECH d.o.o., Škofjeloška cesta 6, 4000 Kranj	109,832	70,988	6,357
SAVA-ROL d.o.o., Fallerovo šetalište 22, 10000 Zagreb, Croatia	301	151	0
*SAVA-SCHÄFER, d.o.o., Škofjeloška cesta 6, 4000 Kranj	615	0	96
SAVAPRO d.o.o., Škofjeloška cesta 6, 4000 Kranj	0	3,312	52
SAVARUS d.o.o., Spartakovskaja 1d, 150036 Jaroslavl, Russia	3,188	-2,070	-342
- FOREIGN TRADE NETWORK	**25,913**	**3,220**	**564**
SAVA TRADE GmbH, Kobellstrasse 4, 80336 Munich, Germany	14,893	1,458	362
SAVA TRADE sp.z.o.o., Ul Przyparkova 19, 05-850 Ozarow Mazowiecki, Poland	3,673	100	94
SAVA TRADE spol.s.o.o., U Elektry 650/50, Budova K, 190 00 Prague, Czech Republic	5,324	1,194	51
SAVATECH TRADE Ltd., Bourne House, 475 Godstone Road, Whyteleafe, Surrey CR 3 OBL, Great Britain	115	57	-8
SAVATECH CORP., 413 Oak Place, Blgd 5-J, Port Orange, FL 32127, USA	1,908	411	65
TOURISM	**67,159**	**92,275**	**-3,646**
SAVA TMC d.o.o., Škofjeloška cesta 6, 4000 Kranj	2,403	265	106
**SAVA HOTELI BLED d.d., Cankarjeva 6, 4260 Bled	19,712	27,751	-1,698
**TERME 3000 d.o.o., Kranjčeva cesta 12, 9226 Moravske Toplice	19,889	35,299	147
**ZDRAVILIŠČE RADENCI d.o.o., Zdraviliško naselje 12, 9252 Radenci	12,371	8,267	-1,288
**TERME LENDAVA d.o.o., Tomšičeva 2a, 9220 Lendava	4,600	4,889	-245
**TERME PTUJ d.o.o., Pot v toplice 9, 2251 Ptuj	8,183	15,805	-668
REAL ESTATE	**6,539**	**25,967**	**-10,151**
SAVA IP d.o.o., Davčna ulica 1, 1000 Ljubljana	5,854	25,855	-6,113
IP NOVA d.o.o., Davčna ulica 1, 1000 Ljubljana	13	244	8
IP NOVA A d.o.o., Davčna ulica 1, 1000 Ljubljana	0	9	0
SAVA IPN d.o.o., Davčna ulica 1, 1000 Ljubljana	0	9	0
*SAVA IMG d.o.o., Poreč (owned by IP d.o.o.)	0	0	-1
SAVA NOVA d.o.o., Fra Filipa Grabovca 14, 10000 Zagreb, Croatia	672	-150	-4,045
OTHER OPERATIONS	**5,044**	**4,136**	**-943**
SAVA MEDICAL IN STORITVE d.o.o., Škofjeloška cesta 6, 4000 Kranj	2,847	2,966	35
GIP SAVA KRANJ d.o.o., Industrijski put bb, 22400 Ruma, Serbia	31	3	2
ENERGETIKA SAVA d.o.o., Škofjeloška cesta 6, 4000 Kranj	473	-197	-392
ENERGETIKA ČRNOMELJ d.o.o., Škofjeloška cesta 6, 4000 Kranj	389	620	4
ENSA BH d.o.o., Prijeblezi BB, 78429 Srbac, Bosnia and Herzegovina	1,304	760	-592
SAVA ENSA dooel., Ul Veljko Vlahović br. 16/4, 1000 Skopje, Macedonia	0	-16	0
SUBSIDIARIES	**218,590**	**197,979**	**-8,014**

* *In the case of companies, in which Sava d.d. had a 50% controlling stake, total revenues, total capital and total operating profit/loss until the month of investment disposal are shown.*

** *The companies Terme 3000 d.o.o., Zdravilišče Radenci d.o.o., Terme Ptuj d.o.o. and Terme Lendava d.o.o., merged to Sava Hoteli Bled d.d.; on 30 December 2011, the merged company Sava Turizem d.d. was entered in the register of companies. Sales revenues for 2011, value of capital at 31/12/2011 and operating profit/loss for 2011 are shown separately by individual company.*

Capital of associated companies at 31/12/2012 and operating profit/loss of associated companies in 2012:

Public announcements of financial statements for Gorenjska Banka d.d., Abanka Vipa d.d. and NFD Holding d.d. are planned after the public announcement of the annual report for Sava d.d. and the Sava Group for 2012, therefore the disclosure is possible to a limited extent. Maksima Invest d.d. is in a receivership procedure.

Capital of associated companies at 31/12/2012, 31/12/2011 and operating profit/loss of the associated companies in 2012 and 2011

€ in thousands

	Equity value 31/12/2011	Profit/loss 2011	Equity value 31/12/2012	Profit/loss 2012
Gorenjska Banka d.d., Bleiweisova 1, 4000 Kranj	337,026	1,680	n.d.	n.d.
Abanka Vipa d.d., Slovenska cesta 58, 1517 Ljubljana	228,689	-119,149	n.d.	-76,000
NFD Holding d.d., Trdinova 4, Ljubljana	21,144	-31,124	n.d.	n.d.
Maksima Invest d.d., Trdinova 4, Ljubljana	-17,775	-39,693	n.d.	n.d.
Turizem Lendava d.o.o., Glavna ulica 38, 9220 Lendava	-7	25	-3	4
Panensa d.o.o., Prijeblezi bb, 78429 Srbac, Bosnia and Herzegovina	-19	-122	-31	-12

The data for 2011 has been prepared on the basis of unaudited financial statement of the associated companies and do not deviate from the audited values.

1.3. Notes to the financial statements of the Sava Group in accordance with the International Financial Reporting Standards as adopted by the EU

1. 3.1. The reporting company

The controlling company Sava d.d. is domiciled in Škofjeloška cesta 6, 4000 Kranj. The consolidated financial statements of the Sava Group, which include the controlling company Sava d.d., its subsidiaries, jointly controlled companies (until the month of sale in 2011) and the interests in the associated companies, have been drawn for the year ending on 31 December 2012.

1.3.2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and in compliance with the IFRICs as adopted by the International Accounting Standards Board (IASB), and in accordance with the Companies Act. The Management Board approved the issue of the financial statements on 19 March 2013.

b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the financial instruments classified as available for sale and derivative financial instruments that are stated at their fair value.

The methods used for measuring the fair value are described under item 1.3.4.

c) Functional and presentation currency

The consolidated financial statements are presented in Euro, which is the functional currency of the company. The financial information is presented in Euro, rounded to the nearest thousand. When adding together, minor differences can appear due to rounding off.

The Sava Group companies, which have their company seat out of Slovenia, use the following currencies: USD, GBP, HRK, RSD, BAM, MKD, RUB, CZK, and PLN.

d) Application of estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and for all future periods which the revision affects.

The data about important estimates of uncertainties and critical judgments, which the management prepared in the process of implementing the accounting policies and which have the strongest effect on the amounts in financial statements, are described in the following items:

- Item 1.3.23- provisions
- Item 1.3.40 – contingent liabilities
- Item 1.30.13, 1.3.14 – evaluating financial instruments

1.3.3. Significant accounting policies

The companies in the Sava Group have consistently applied the accounting policies for all the periods shown in the enclosed consolidated financial statements.

a) Basis of consolidation

Business combinations

In 2012, a 5% stake was acquired in Savatech Corp., Port Orange, Florida. The transaction value amounted to USD 27,000. In 2012, a 100% stake of Bramir d.o.o., Mostar, Bosnia and Herzegovina, was acquired, the transaction value being €10,000.

Composition of the Sava Group

The Sava Group includes the parent company Sava d.d., 21 subsidiaries, and 6 associated companies. The consolidated financial statements of the Group include the financial statements of subsidiaries, the operating profit/loss of the jointly controlled operations is included in proportion to the ownership stake until the month of sale (in 2011), whereas in the case of the associated companies, the equity accounting method is considered at the annual level, i.e. the attributable profit or loss is added to the financial result of the Group, and equity revaluation adjustment is attributed to the equity of the Group. The parent company and subsidiaries prepare separate financial statements in accordance with SAS, whereas adjustments to IFRSs as adopted by the EU are carried out for the needs of consolidation.

Subsidiaries

Subsidiaries are the entities controlled by Sava d.d. Control exists when the parent company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the existence and effect of voting rights are considered which at that time can be exercised or exchanged. In all subsidiaries the capital and controlling stakes are in accord.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Accounting policies of subsidiaries are adapted to the policies of the Sava Group. Losses that refer to non-controlling interests in a subsidiary are reallocated under non-controlling interests even if this item later shows a negative balance.

Jointly controlled operations

A jointly controlled operation is a joint venture on the basis of a contract between the Group and the contracting party. The consolidated financial statements include the proportionate venturer’s share in the assets, liabilities, revenues and expenses of a jointly controlled operation in relation to similar items in the venturer’s financial statements as of the date of starting a jointly controlled operation until the date the joint control ceases. The Sava Group composition included jointly controlled operations in 2011.

Associated companies

Associated companies are those entities in which the Sava Group has a significant influence, but not control, over the financial and operating policies. At initial recognition, the investments are measured at fair value which equals the trading (acquisition) value; in the continuation the equity method is used. The consolidated financial statements include the Sava Group's share of the total recognised gains or losses, and revaluation reserve of associated companies on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the value of such investment is reduced to nil and recognition of further losses is discontinued except to the extent that a company is liable for settling certain obligations on behalf of an associated company.

The capital and controlling rights are not in accord in all associated companies (explanation is given under 1.2). Any impairment of investments in associated companies is ascertained on the basis of an evaluation prepared by a certified company evaluator. The value of other investments in associated companies is examined once a year based on stock exchange prices or established evaluation models for companies, on the basis of which we ascertain if any impairments are needed.

Transaction eliminated on consolidation

Intra-group balances of receivables and liabilities, and any unrealised gains and losses or income and expenses arising from transactions within the Sava Group are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled operations are eliminated to the extent of the Group's interest in a jointly controlled operation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the reference exchange rate of the ECB ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the reference exchange rate of the ECB ruling at that date. Foreign exchange gains/losses present differences between the repayment value in functional currency at the beginning of the period adjusted by the amount of effective interest and payments during the period and the repayment value in foreign currency calculated at the reference exchange rate of the ECB at the period end. The foreign exchange gains/losses arising on translation are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the reference exchange rate of the ECB ruling at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euro at the reference exchange rate of the ECB ruling at the date the fair value was determined.

Foreign exchange gains/losses arising from the retranslation are recognised in the income statement, which is not the case with gains/losses arising from the calculation of capital instruments available for sale, or non-financial liability determined as a cash-flow hedge against risk, which is recognised directly in equity.

Foreign operations

The assets and liabilities of foreign operations including goodwill and fair value revaluation adjustments upon consolidating are translated to Euro at the reference exchange rate of the ECB ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Euro at rates ruling at the dates of transactions. Foreign exchange gains/losses arising on retranslation are recognised in other comprehensive income as a translation reserve in equity. In the case of a subsidiary, which is not wholly-owned, a suitable proportionate share of translation reserve is reallocated under the non-controlling share. At eliminating a foreign operation, the translation reserve amount is transferred in the income statement.

c) Financial instruments

c 1) Non-derivative financial instruments

Non-derivative financial instruments include investments in equity and debtor's securities, operating and other receivables, cash and cash equivalents, received and granted loans, operating and other liabilities. Non-derivative financial instruments are initially recognised at fair value increased by costs which directly relate to the transaction.

Non-derivative financial instruments are recognised if the group becomes a party to the contractual provisions of the instrument. The recognition of financial assets is eliminated when contractual rights of the group towards the cash flows expire or the financial instrument is transferred to another party including risks and benefits. Purchases and sales carried out in an ordinary way are accounted for on the day when the group obliges itself to purchase or sell an asset. The recognition of financial liabilities is eliminated when the contractual liabilities of the group are expired, terminated or interrupted.

Financial assets and liabilities are offset and net amount is shown in the balance sheet if and only if the group has a legal right to either settle the net amount or cash in the asset, and to settle its liability at the same time.

Loans and receivables

At initial recognition loans are recognised at fair value, after initial recognition they are recognised at their repayment value, any difference between the original and amortised cost is recognised in the income statement in the repayment period. The method of effective interest rate is applied.

At their initial recognition the operating receivables are shown in the amounts that arise from the corresponding documents on condition that they will be paid. As a rule, receivables are measured at amortised cost using the method of effective interest rates. Short-term operating receivables are not discounted on the balance sheet date.

If impartial evidence exists that a receivable recognised at amortised cost resulted in a loss due to impairment, the loss is measured as a difference between the carrying amount of a receivable and expected cashable value and is recognised in the income statement.

Receivables, which are assumed not be settled within the due term and in the total amount, respectively, are considered doubtful and, if a court procedure has already begun, disputable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, on transaction accounts and call deposits. Overdrafts on transaction accounts subject to settlement on call and being a component of managing monetary assets in the Group are included under cash and cash equivalents in the cash flow statement.

Financial assets available for sale

Non-current securities are located in the Group and classified under financial assets available for sale. They comprise investments in shares and stakes of listed and unlisted companies and investments in mutual funds. More than 99% of these assets are located in the parent company Sava d.d.

The available-for-sale financial assets are initially measured at fair value on the day of acquisition. Subsequent to initial recognition, they are measured at market value: share bid price at balance sheet date for listed financial instruments; in the case of unlisted financial instruments, the evidence for a needed impairments is determined at least once a year.

Any changes in fair value and foreign exchange losses/gains in capital instruments available for sale are shown in other comprehensive income. A loss due to impairment is recognised in profit or loss. In reversing the recognised investment, the cumulative gains and losses shown in other comprehensive income for the period are transferred to profit or loss.

If a decrease in fair value of a financial asset available for sale was recognised directly as a negative revaluation reserve and there exists impartial evidence that the asset is impaired over a long-term period, the impairment is recognised in the income statement as a financial expense. It is considered that impartial evidence for the examination of a financial investment exists when the fair value of the financial asset on the balance sheet date is 20% lower than the cost value of the financial asset. The examination of the impairment of the financial asset is carried out separately for each investment or group of investments.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial liabilities: issued bonds, loans and borrowings, trade payables and receivables. Such financial liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

C 2) Derivative financial instruments

The Group does not hold or issue any financial instruments for trading purposes.

The Group applies derivative financial instruments to hedge its interest rate risk exposure.

Derivative financial instruments are initially recognised at fair value; costs related to a transaction are recognised in profit or loss upon its appearance. After initial recognition derivative financial instruments are measured at fair value, while related changes are recognised in the income statement.

Cash flow hedging

Changes in fair value of a derivative financial instrument determined to hedge its exposure to risk are recognised directly in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued.

Hedging against risks

With derivative financial instruments which hedge monetary assets and liabilities in a foreign currency, hedging against risk is not performed. Changes in the fair value of derivative financial instruments are recognised in the income statement as part of foreign exchange gains and losses.

Capital

Total capital of a company is its liability towards its owners which falls due if the company discontinues its operation. It is determined on the basis of the sums invested by the owners, and the sums that appeared during operation and belong to the owners. It is decreased by the loss from operations, repurchased own shares and withdrawals (payments). Total capital comprises share capital, capital reserves, revenue reserves, retained net profit, fair value reserve and own shares as a deductible item.

Ordinary no-par value shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Repurchase of treasury shares

Repurchase of treasury shares is shown as a deduction from total equity.

Dividends

Dividends are recognised in the financial statements of the Group in the period in which the Shareholders' Meeting adopts a resolution on dividend payment.

Net earnings per share

Share capital of the Group is divided in ordinary no-par value shares therefore the Group shows the basic earnings per share. The basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding in the financial year.

Diluted net earnings per share equal the basic net earnings per share as the Group has no preferential shares or exchangeable bonds available. The number of issued shares did not change during the year.

d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Value at cost includes costs that are directly attributed to the purchase of an asset. The cost of self-constructed assets includes cost of materials, direct labour costs and other costs directly attributed to its putting into intended use, and costs of dismantling and removing property, plant and equipment and restoring the site at which they are located, as well as capitalised borrowing costs. Costs may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

When parts of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Sava Group companies determine at least once a year whether there exists evidence for any impairment.

Transfer of property from tangible fixed assets to investment property

If an owner-occupied property changes to an investment property, this property is measured at its fair value and reclassified as investment property. The gain which appears in the repeated measurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss, while the loss is recognised directly in the income statement.

Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is calculated and recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The suitability of the method and useful lives are reviewed on the day of reporting.

Estimated useful lives in the current and comparable period are as follows:	
Manufacturing buildings	25 to 80 years
Hotels, commercial buildings, warehouses	20 to 71 years
Office buildings	25 to 40 years
Manufacturing equipment in rubber manufacturing	4 to 20 years
Hotel furnishing	5 to 20 years
Computer equipment	2 to 5 years
Other equipment	6 to 20 years

e) Intangible assets

Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associated companies and joint ventures and refers to a surplus or difference between the acquisition cost and share of the group in the net fair value of ascertained assets, liabilities and contingent liabilities of the acquired company.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted for investments, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investment.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as incurred.

Other intangible assets

Other tangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodies in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The estimated useful lives for the current and comparative periods for computer software and other patents and licences amount to ten years.

f) Investment property

Investment properties are properties which are held either to earn rental income or for long-term investment appreciation or for both. For evaluating investment properties the cost model is applied. Investment property is initially measured at cost, which includes purchase price and costs that can be attributed to the purchase such as legal fees, tax on property transfer and other transaction costs.

When it should be decided whether an asset is an investment property or property, plant and equipment, the asset is an investment property if more than 20% of its entire value is used as held to earn rental income.

Depreciation is accounted for on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The useful lives for investment property are the same as for property, plant and equipment.

g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The item cost of other inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The use of inventories is stated at weighted average prices.

Inventories in the Real Estate division include interest expense for loans hired for a specific project.

h) Impairment of assets

Financial assets

Financial assets are impaired when impartial evidence exists, which shows that the expected future cash flows from this asset are decreased as a result of one or several events that can be reliably measured.

Impairment loss related to financial assets stated at payment value is calculated as the difference between the net value of an asset and the future expected cash flows, discounted at an originally valid interest rate. Impairment loss is recognised in the income statement.

Impairment loss related to a financial asset intended for sale is accounted for at its present fair value. The cumulative impairment loss recognised in other comprehensive income and stated in the fair value reserve is transferred to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost and the current fair value less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit and loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income for the period.

With an important financial asset an impairment estimate is performed individually. The impairment estimate of other financial assets is carried out collectively with regard to their common characteristic in risk exposure.

Non-financial assets

The carrying amounts of the Group's non-financial assets other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the reporting time.

Impairment of assets or cash-generating items is recognised when its carrying amount exceeds its recoverable value. A cash generating unit is the smallest group of assets which generates financial inflows that to a great extent do not depend on financial inflows from other assets or groups of assets. Impairment is stated in the income statement. Loss recognised in a cash-generating unit arising from an impairment is classified so as to first reduce the carrying amount of the goodwill allocated to the cash-generating unit, and then on other assets of the unit (group of units) in proportion to the carrying amount of each item in the group.

The recoverable amount of an asset or a cash-generating unit is the greater of their fair values in use or fair value less selling costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment is stated in the income statement.

i) Employee benefits

Liabilities for short-term employee benefits are measured without discounting and stated under expenses as work in connection with definite short-term benefits is done.

j) Provisions

A provision is recognised if the Group has a present legal or constructive obligation as a result of a past event, which is measurable, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Warranties for products and services

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and considering all possible outcomes with regard to their probability.

Provisions for retirement amounts and employee jubilee benefits

As stipulated by law, collective agreement and internal regulations the Group is committed to pay employee jubilee benefits and retirement amounts, for which long-term provisions are formed. No other liabilities due to pensions exist.

Provisions are formed for employees in those countries where a legal obligation for payment of retirement amounts and jubilee benefits exists and that in the amount of estimated future payments of retirement amounts and jubilee benefits discounted at the balance sheet date. The calculation includes expenses of retirement amounts and costs of all expected jubilee benefits until retirement. In calculating, the certified actuary considered the project unit method. When ascertained, actuary gains or actuary losses from the current operations are entirely recognised in the income statement.

Provisions for reorganisation

Provisions for reorganisation include direct costs of reorganisation and refer to severance pay to employees associated with the changes in the organisational structure of companies.

Provisions for lawsuits

Provisions for lawsuits are formed when legal proceeding begins. The amount of provisions for law suits is determined in consideration of the estimated outcome of an individual claim.

k) Government grants

Provisions from assigned contributions are formed according to the Employment Rehabilitation Act at accounting for salaries and wages. These funds may be used for the material development of the company and covering various expenses and any deficit in revenues and for other purposes in compliance with legal requirements.

Government grants are recognised in financial statements as deferred revenue when they are received and when there is a reasonable assurance that the conditions attaching to them will be complied with. Grants that compensate the Group for expenses incurred are recognised as revenue on a systematic basis in the same periods in which the expenses are incurred that are compensated with grants. Grants that compensate the Group for the cost of an asset are strictly recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

l) Revenue

Goods sold

Revenue from goods sold is recognised at fair value of received payment or receivable less paybacks and discounts, rebates for further sale and quantity discounts. Revenue is shown when the buyer has assumed all significant risks and rewards of ownership and there exists a certainty regarding the recovery of the consideration due, associated costs or the possible return of goods or products and when the Group ceases to make further decisions about sold products.

Transfer of risks and rewards depends on individual provisions of the sale contract. When selling goods a transfer is performed when the goods arrive in a customer's warehouse, and in certain international consignments a transfer is performed when the goods are loaded on a truck.

Services rendered

Revenue from services rendered is recognised in the income statement with regard to the stage of completion to date. The stage of completion is assessed by surveys of work performed. Revenue from services in the Tourism division is recognised as a service is rendered. When revenue from a tourist arrangement relates to two accounting periods they are deferred with regard to the number of days in each individual accounting period.

Construction contracts

As soon as the outcome of a construction contract can be reliably estimated, contract revenue and expense are recognised in the income statement in proportion to the stage of the contract completion. Contract revenue includes the initial amount determined upon the contract conclusion and possible changes in the volume of work under contract, requirements and performance bonuses when it is probable they will result in revenue and can be measured reliably. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenues is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised as incurred.

Rental income

Rental income from investment property is recognised in the income statement on a straight line basis over the term of the lease.

m) Finance income and finance costs

Net finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, foreign exchange gains and gains arising from instruments for hedging against risk which are recognised in the income statement. Interest income is recognised as it arises by using the effective interest rate method. Dividend income is recognised in the income statement on the data when the shareholder's right for payment is established.

Finance costs comprise interest expense on borrowings, expenses from the disposal of available-for-sale financial assets, foreign exchange loss, impairment losses in the value of financial assets and losses arising from hedging against risk, which are recognised in the income statement. The expense of lease payments is recognised in the income statement using the effective interest rate method except those which are attributed to intangible and tangible assets under construction or preparation.

n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax from tax losses was not accounted for.

o) Segment reporting

A segment is a component of the Group that engages either in business activities from which it may earn revenues and incur expenses. For operating segments discrete financial information is available. All operating segments' operating results are reviewed regularly by the Management Board of Sava d.d. to make decisions about resources to be allocated to the segment and assess the Group's performance.

p) Standards and interpretations effective in the present period

In the present period, the following updates in the existing standards apply that were issued by the International Accounting Standards Board and adopted by the EU:

- **Amended IFRS 7- Financial Instruments: Disclosures;** transfers of financial assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on 1 July 2011 or later).

  The adoption of these amendments in the existing standards did not lead to any changes in the accounting policy of Group's companies.

q) Standards and explanations issued by the IASB and adopted by the EU, which are not yet effective

On the date of approving these financial statements the following standards, amendments and explanations adopted by the EU were issued but have not yet become effective:

- **IFRS 10 - Consolidated Financial Statements;** adopted by the EU on 11 December 2012 (effective for annual periods beginning on 1 January 2014 or later).
- **IFRS 11 -Joint Arrangements;** adopted by the EU on 11 December 2012 (effective for annual periods beginning on 1 January 2014 or later).
- **IFRS 12 - Disclosure of Interest in Other Entities;** adopted by the EU on 11 December 2012 (effective for annual periods beginning on 1 January 2014 or later).
- **IFRS 13 - Fair Value Measurement;** adopted by the EU on 11 December 2012 (effective for annual periods beginning on 1 January 2013 or later).

- **IAS 27 (amended in 2011) - Separate Financial Statements;** adopted by the EU on 11 December 2012 (effective for annual periods beginning on 1 January 2014, or later).
- **IAS 28 (amended in 2011) - Investments in Associates and Joint Ventures;** adopted by the EU on 11 December 2012 (effective for annual periods beginning on 1 January 2014 or later).
- **Amended IFRS 1 - First-Time Adoption of International Financial Reporting Standards;** high hyper-inflation and eliminating the agreed dates for users, who use IFRS for the first time, adopted by the EU on 11 December 2012 (effective for annual periods beginning on 1 July 2013 or later).
- **Amended IFRS 7 - Financial Instruments: Disclosures;** offsetting of financial assets and liabilities, adopted by the EU on 1 December 2012 (effective for annual periods beginning on 1 January 2013 or later).
- **Amended IAS 1 - Financial Statements Presentation;** presentation of items of other comprehensive income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on 1 July 2012 or later).
- **Amended IAS 12 - Income Taxes;** deferred tax: recovery of respective assets, adopted by the EU on 11 December 2011 (effective for annual periods beginning on 1 January 2013 or later).
- **Amended IAS 19 - Employee Benefits;** improved accounting for after-employment benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on 1 January 2013 or later).
- **Amended IAS 32 - Financial Instruments: Presentation;** offsetting financial assets and liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on 1 January 2014 or later).
- **IFRIC 20 - Stripping Cost in the Production Phase of a Surface Mine;** adopted by the EU on 11 December 2012 (effective for annual periods beginning on 1 January 2013 or later).

r) Standards and explanations issued by the IASB but not yet adopted by the EU

Presently, the IFRS as adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to the existing standards and explanations which on 19 March 2013 were not approved for use:

- **IFRS 9 – Financial Instruments;** (effective for annual periods beginning on 1 January 2015 or later).
- **Amended IFRS 1 - First-Time Adoption of International Financial Reporting Standards;** government grants (effective for annual periods beginning on 1 January 2013, or later).
- **Amended IFRS 9 - Financial Instruments and IFRS 7 - Financial Instruments: Disclosures;** mandatory date of enacting and disclosing of transitions.
- **Amended IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements andI FRS 12 - Disclosure of Interest in Other Entities and IAS 27 Separate Financial Statements**–recommendations for transition; (effective for annual periods beginning on 1 January 2013, or later).
- **Amended IFRS 10 - Consolidated financial statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 27 - Separate Financial Statements**–joint ventures (effective for annual periods beginning on 1 January 2014, or later).
- **Amendments to various standards - Annual Improvements (2012)**, under the IFRS annual improvements project published on 17 May 2012 (IFRS1, IAS 1, IAS 16, IAS 32; IAS 34), in order to eliminate inconsistencies and interpretations (amendments are to be applied for annual period beginning on 1 January 2013 or later).

The company anticipates that introducing these standards, amendments to the existing standards, and explanations will not significantly influence the financial statements of the company.

At the same time, the accounting of hedging against risk in relation to a portfolio of financial assets and liabilities whose principles the EU has not adopted yet, still remains unregulated.

The company estimates that accounting of hedging against risk in relation to a portfolio of financial assets and liabilities in accordance with the **IAS 39 - Financial Instruments: Recognition and Measurement** would not have a significant impact on the financial statements of the company if they had been applied on the balance sheet date.

1.3.4. Determination of fair values

In view of the accounting policies that are applied in the Group and the breakdowns, it is required to determine the fair value of both financial and non-financial assets and liabilities. The Group determined fair values of individual groups of assets for measuring and reporting purposes in accordance with the methods described below. Where additional explanations in respect of assumptions for the determination of fair values are required, these are mentioned in the notes to individual items of assets or liabilities of the Group.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property can be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and willingly. The market value of plant, equipment, fixtures and fittings is based on the quoted prices for similar items.

Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of assets.

Investment property

The fair value is based on market values, which equals the estimated value for which a property can be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the expected cash flows from renting out the property. A yield that reflects the specific risks is applied in the calculation of property value on the basis of discounted net cash flows at the annual level.

Valuations reflect the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and general perception of their creditworthiness, furthermore the allocation of maintenance and insurance between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated revisionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Investments in equity and debt securities

The fair value of financial instruments classified as held for trading and available for sale is their quoted closing bid price at the reporting date. The fair value of shares and stakes which are not listed is estimated on the basis of signs for needed impairments.

Operating and other receivables

The fair value of operating and other receivables, except construction work in progress whose maturity is longer than one year, is calculated as the current value of future cash flows discounted at the market interest rate to date.

Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date.

Non-derivative financial liabilities

For the purpose of reporting, the fair value is calculated considering the current value of future payments of the principal and interest discounted at the market interest rate on the day of reporting. For financing leases the market rate of interest is determined by reference to similar lease agreements.

Preparation of the cash flow statement

The cash flow statement has been prepared by considering the data from the income statement for the period January-December 2012 (for the past period January-December 2011), the balance sheet data as at 31/12/2012 and 31/12/2011 (for the past period 31/12/2011 and 31/12/2010), and other required data. The cash flow statement excludes values which are not connected with revenues and expenses.

1.3.5. Financial risk management

Overview

In the Sava Group, we examine and analyse economic circumstances and regularly monitor the exposure to various risks and take measures for their managing. The parent company manages financial risks centrally at the level of the entire Sava Group. With regard to the use of financial instruments, the Sava Group was exposed to the following risks in 2012:

- Risk of change in fair value (price risk)
- Credit risk
- Solvency risk
- Interest rate risk
- Foreign exchange risk
- Guarantees and sureties
- Capital management

In the continuation, we present the risk management policy and the exposure of Sava Group companies to individual types of financial risks. Further quantitative disclosures are included in the notes to the consolidated statements.

Risk management policy

Risk management is carried out centrally in the parent company of the Sava Group. The policies are established to identify and analyse the risks that the Group's companies face in their day-to-day business. Based on the performed analyses, appropriate limits and controls are defined. Considering the set limits, risks are monitored and verified. Through continual training and considering the applicable standards and procedures defined for risk management, the Group's companies strive for developing a disciplined and constructive environment, in which all employees are aware of their roles and obligations. The management teams of the companies are regularly informed on risk management issues.

Risk of a change in fair value (price risk)

The risk of a change in fair value is one of the most important risks of the Sava Group as it is associated with achieving the planned return on financial assets and it impacts the implementation of the outlined strategy. In 2012, price deviations in the value of financial investments continued as a result of the deteriorated economic situation and high volatility. Changes in the value of financial assets strongly affect the structure of financial assets of the parent company Sava d.d. and thus the generated result from operations in 2012. Risks in this connection are decreased through diversifying the investment portfolio and active supervision over the companies' operations, in which Sava d.d. hold a major equity holding. We continually examine investment opportunities and have a disinvestment plan for certain investments ready in order to ensure suitable solvency.

Credit risk

This involves the risk that a customer engaged in an agreement on a financial instrument will not meet its obligations, thus causing the company a financial loss.

Credit risk is directly connected with commercial risk and presents a danger that trade receivables or receivables due from other business partners will be settled with a delay or not at all.

For this purpose, we devote special attention to customer solvency. We regularly monitor debts to be collected and due receivables, maturity of receivables and movements of average payment terms. To decrease exposure to this risk we make use of the customer rating system to supervise bad payers and carry out on-going compensations. Certain of our trade receivables in manufacturing and partly in tourism divisionsare insured with SID - Prva Kreditna Zavarovalnica d.d., Ljubljana. In certain of our other divisions it is not always possible to insure receivables in this manner, therefore measures to minimise exposure to credit risk rely on our own in-depth customer rating and insurance estimates.

In 2012, Sava d.d. approved two short-term loans to NFD Holding d.d. In 2012, NFD Holding d.d. settled a part of its liabilities arising from these two loans in the amount of €594 thousand as payment of the principals. The outstanding amount referring to both the principal and interest totals €23,463 thousand at the end of 2012. The granted loans are entirely insured with bills of exchange and securities. The estimated value of pledged securities amounts to €14,181 thousand, or 60% of total value of the said short-term loans. Due to insufficient collateral value, the loans were additionally impaired by €2,622 thousand (impairment at the end of 2011 amounted to €6,687 thousand) in 2012.

On the basis of described events, the credit risk in the Sava Group is estimated as high.

Interest rate and foreign exchange risk

Interest rate risk involves the risk that the value of financial instruments and cost of contracting debts will change on account of the changed market interest rates. The Sava Group manages this type of risk in a centralised manner and makes use of various mechanisms for managing it. A standardised appearance with banks and a standardised policy of contracting debts inside the Sava Group are determined, in which the parent company Sava d.d. appears as a main coordinator of all activities. Suitable derived financial instruments are used to avoid risks in connection with interest rate fluctuations; using this type of hedging, 2.8% of long-term loans of the Sava Group is hedged.

Foreign exchange risk involves the risk of a loss in economic benefits due to changes in foreign currency exchange rates. The Sava Group mostly runs business in the Euro Zone, but minor part of its business is carried out in other foreign currencies too (British Pound Sterling, Polish Zlot, American Dollar, Chinese Yuan). We actively pursue the macro-economic movements as well as foreign exchange rate fluctuations, and decrease most of this risk through a natural hedge by adapting the business so as to avoid the exposure to foreign exchange risk. The parent company has investments in the markets of the former Yugoslavia, which is why it is exposed to the fluctuations of foreign exchange rates of Croatian, Kuna, Serbian Dinar and Macedonian Denar. To hedge against foreign exchange risks, we did not use any derivative financial instruments in 2012 as due to big differences between the interest rate for the above-mentioned currencies, and the Euro interest rate, there were no suitable hedge instruments available in the market that would effectively eliminate risks in this connection.

To decreases risks in connection with the fluctuations in interest rates and foreign exchange, we attentively monitor the situation in money markets and study various scenarios to hedge against these fluctuations. In the given circumstances, we estimate that the Sava Group is not strongly exposed to interest rate and foreign currency risks.

Solvency risk

This involves the risk that a company may not meet its financial obligations in due time. In the Sava Group, we manage solvency risk centrally and have a standardised financial policy established. The goal of such policy is to assure suitable liquidity of the parent and its subsidised companies and enable all Sava Group companies financing under most favourable conditions. Solvency risk is managed by using various mechanisms at the level of the parent company and the subsidiaries.

In this year, the Sava Group devoted much of its attention to assuring suitable liquidity of all companies, regular settlement of financial liabilities and arranging its relations with the banks – partners. In 2012, the activities set out in the adopted long-term strategy until 2014 are consistently carried out. The strategy is based on restructuring of financial liabilities and determines the activities for divesting of investments, which will reduce indebtedness and assure a sustainable level of indebtedness. All Group companies carry out measures for stabilising the operative business through rationalisation of operating expenses, perform required activities for strengthening of cash flow and other steps to enhance profit from operations.

Due to the aggravated circumstances in the money markets, the solvency risk in the Sava Group is high.

Guarantees and sureties

In accordance with its policy the parent company Sava d.d. offers financial guarantees and sureties for hired loans mainly to the subsidiaries wholly-owned by the controlling company. At 31/12/2012, guarantees and sureties to the subsidiaries amounted to €5.7 million (€17.7 million at the end of 2011).

Capital management

A suitable capital structure assures investor, creditor and market confidence and sustainable development of the Sava Group.In 2011, the Sava Group revised its long-term business strategy, which is based on the financial restructuring of liabilities and divesting of Group's investments. By doing this, the capital structure will improve and confidence on the part of investors and other partners in the operations and long-term development of the Group will grow.

Sava d.d. has no employee stock option scheme.

The regulatory bodies do not have any capital requirements towards the parent company or subsidiaries of the Sava Group.

The Group's debt to adjusted capital ratio was as follows:

€ in thousands

	2012	2011
1. Total liabilities	413,634	445,479
2. Less: cash and cash equivalents	-551	-10,649
3. Net debts (1. – 2.)	413,083	434,830
4. Total equity	67,296	165,796
5. Less/plus: amounts accumulated in equity relating to cash flow hedges	0	0
6. Adjusted capital (4. – 5.)	67,296	165,796
7. Debt to adjusted capital ratio at 31/12 (3/6)	6.14	2.62

1.3.6. Segment reporting

The Sava Group reports by operating segment. The basic reporting form, which arises from the strategic business units, is founded on the internal organisational structure and management of the Group. Internal management reports are reviewed in regular strategic meetings by company management teams and the Management Board of Sava d.d.

The prices of transfers among segments are measured on a pure business basis. The performance of individual segments is measured at profit or loss of the segment before corporate income tax.

Financial results, assets and liabilities by segment include items that can be attributed directly to the segment, which is provided by a suitable legal in formal organisational structure of the Group.

Operating segments

The Sava Group consists of the following operating segments:

- Rubber Manufacturing division with the Foreign Trade Network
- Tourism division
- Real Estate division
- Investment Finance division
- Other Operations

1.3.7. Data by segment

Segment information is presented in respect of the Group's operating segments included in the Sava Group's divisions.

Data by operating segment for 2012

€ in thousands

	RUBBER MANUFACTURING WITH FOREIGN TRADE NEWORK	TOURISM	REAL ESTATE	OTHER OPERATIONS	INVESTMENT FINANCE	Excluding Group operations	Total
Revenues from goods sold	111,494	0	2	2,593	0	-21,395	92,694
Revenues from services rendered	1,394	63,177	193	4,499	1,777	-6,605	64,434
Rental income	608	1,110	143	1,345	1,353	0	4,559
Revenues from merchandise sold	29,839	547	0	114	0	0	30,500
Change in inventories	-739	0	589	-755	0	0	-905
Other operating income	988	1,810	0	637	491	1,164	5,090
Total revenues	143,584	66,644	927	8,433	3,621	-26,836	196,373
Interest income	565	515	100	940	1,955	-2,033	2,042
Interest expenses	-1,124	-2,807	-488	-475	-17,694	1,127	-21,461
Share in income of associates	0	0	0	0	0	0	0
Net profit/loss for the year	7,430	585	-883	-229	-39,787	-66,395	-99,279
Assets	115,795	173,653	47,735	12,993	348,276	-217,523	480,930
Investments in associates	0	64	0	0	174,327	-52,806	121,585
Liabilities	40,717	80,773	22,661	8,666	310,547	-49,730	413,634
Purchase of property, plant and equipment	2,017	796	0	853	1	662	4,329
Depreciation	4,566	7,960	95	722	261	0	13,604
Impairment in property, plant and equipment	0	0	0	0	0	0	0
Impairment in investment property	0	0	0	0	0	0	0

Data by operating segment for 2011

€ in thousands

	RUBBER MANUFACTURING WITH FOREIGN TRADE NETWORK"	TOURISM	REAL ESTATE	OTHER OPERATIONS	INVESTMENT FINANCE	Excluding Group operations	Total
Net sales revenues from goods sold	109,609	0	5,962	1,312	0	-20,516	96,367
Net sales revenues from services rendered	1,160	65,436	199	2,159	3,662	-8,531	64,085
Net revenue from rents	402	1,226	378	1,431	1,849	-1,271	4,015
Net sales revenues from merchandise sold	28,678	496	0	142	0	0	29,316
Change in inventories	1,815	0	-2,474	716	0	-124	-67
Other operating revenues	750	1,389	389	836	21	1,558	4,942
Operating revenues total	142,414	68,547	4,454	6,595	5,532	-28,885	198,658
Interest income	810	615	242	29	2,488	-1,988	2,196
Interest expenses	-1,168	-2,860	-1,331	-91	-18,985	1,988	-22,447
Share in income of associ- ates	0	0	0	0	10,941	0	10,941
Net profit for the year	6,727	-3,646	-10,151	-943	-146,877	-2,270	-157,160
Assets	117,299	183,427	48,954	11,281	500,438	-250,123	611,276
Investments in associates	0	64	0	0	199,783	0	199,847
Liabilities	41,698	91,151	22,987	7,145	322,384	-39,885	445,480
Purchase of property, plant and equipment	3,221	2,118	19	1,636	63	-3	7,055
Depreciation	4,249	8,222	192	555	766	-21	13,964
Impairment property, plant and equipment	1	0	0	0	0	0	1
Impairment in investment property	408	0	0	0	0	0	408

Revenues from shares in the profit/loss of the associated companies entirely refer to Investment Finance and are shown under 1.3.36.

Data about sales revenues by region

€ in thousands

	Slovenia	Other EU countries	Other	Total
Year 2012	86,895	58,260	47,033	192,188
Year 2011	91,951	72,600	29,232	193,783

The assets are not segmented by region due to the fact that the carrying amount of assets relating to the companies in Slovenia represents 96.9% of total assets of the Group (in 2011: 97.6%).

Sales revenues to the biggest customer of the Sava Group, i.e. a customer of Rubber Manufacturing, amounted to €8,530 in 2012 (in 2011 Rubber Manufacturing: €9,080 thousand).

1.3.8. Acquisitions and disposals of ownership stakes in subsidiaries and jointly controlled companies, and other changes

Year 2012

- Savatech d.o.o. bought a 5% stake of Savatech Corp., Port Orange, Florida and thus became a 100% owner of this company; the value of transaction amounted to USD27,000.
- A 100% stake in Investicijsko podjetje d.o.o., Ljubljana (former Sava IP d.o.o., Ljubljana) was sold. Two companies owned by Investijsko podjetje d.o.o., IP Nova d.o.o., Ljubljana and IP Nova A d.o.o., Ljubljana, participated in the sales transaction. Prior to selling the stake, a part of the assets was separated out to Sava Nepremičnine d.o.o., Kranj, which is under 100% ownership of Sava d.d. Further details are disclosed under 1.3.16 – Discontinued operations, and assets and liabilities for sale.
- In Other Operations – energy management business – a 100% stake was acquired in Bramir d.o.o., Mostar, Bosnia and Herzegovina. The transaction value amounted to €10 thousand.

Year 2011

- A 50% ownership stake in Sava Schäfer d.o.o., Kranj was sold. The assets proportionate to the share of the sold company amounted to €1,363 thousand, the proportionate value of capital €858 thousand. The received payment for the sold stake amounted to €1,100 thousand, at which Sava d.d. made a positive difference in the price totalling €988 thousand.
- A 50% ownership stake in Sava IMG d.o.o. Poreč was sold; the values in connection with this companies are at minimum and do not exceed €3 thousand.
- The companies Terme 3000 d.o.o., Zdravilišče Radenci d.o.o., Terme Ptuj d.o.o., and Terme Lendava d.o.o. merged to Sava Hoteli Bled d.d., the cut-off date being 30 June 2011. The merged company named Sava Turizem d.d. and was entered in the register of companies on 30/12/2011. The mentioned transaction had no impact on the financial statements of the Sava Group.

1.3.9. Jointly controlled companies

In 2012, the Sava Group did not include any jointly controlled companies.

The two companies, in which the parent company had a 50% stake, Sava Schäfer d.o.o., Kranj and Sava IMG d.o.o., Poreč, were sold in 2011. The consolidated financial statements included the data from the income statement until the date of disposal (February 2011). In consolidating, we have applied the proportionate consolidation method and we present below the appropriate portion of assets, liabilities, revenues and expenses.

€ in thousands

	2012	2011
Income stetement		
Net sales revenues from goods sold and services rendered	0	308
Other operating revenue	0	2
Cost of goods, materials and services	0	-141
Labour costs	0	82
Other operating expenses	0	-30
Tax	0	10
Net profit for the year	0	47
Balance sheet		
Property, plant and equipment	0	0
Long-term receivables	0	0
Inventories	0	0
Operating and other receivables	0	0
Interest-bearing borrowings	0	0
Cash and cash equivalents	0	0
Assets	**0**	**0**
Equity	0	0
Provisions	0	0
Long-term loans	0	0
Long-term operating liabilities	0	0
Short-term loans	0	0
Short-term operating liabilities	0	0
Equity and liabilities	**0**	**0**

1.3.10. Property, plant and equipment

Movement of property, plant and equipment of the Sava Group in 2012

€ in thousands

	Land	Buildings	Plant and machinery	Other equipment	PPE under construction	Total
COST						
Balance at 01/01/2012	**26,235**	**279,661**	**85,169**	**18,960**	**1,871**	**411,896**
Purchase	13	1,097	2,904	206	1,340	5,561
Increase in advance payment	0	0	0	0	2,732	2,732
Decrease in advance payments	0	0	25	87	-1,554	-1,442
Decrease in advance payment from current year	0	0	0	0	0	0
Put in use	0	111	1,443	41	-1,595	0
Transfer to assets for sale	-6,934	-49,003	-41,471	-3,912	-2,620	-103,940
Transfers	1,733	-58	2,771	-2,749	-1	1,695
Decrease	0	-16	-1,110	-79	0	-1,205
Increase due to acquisitions	0	0	1,694	0	0	1,694
Write-offs	0	0	-717	-67	0	-783
Impairments	0	-20	0	47	0	27
Effect of changed exchange rate	0	0	0	-47	0	-47
Balance at 31/12/2012	**21,047**	**231,772**	**50,708**	**12,488**	**173**	**316,187**
ACCUMULATED DEPRECIATION						
Balance at 01/01/2012	**0**	**-126,581**	**-55,609**	**-14,525**	**0**	**-196,714**
Purchase, increase	0	0	0	-6	0	-6
Transfer under available for sale	0	27,246	27,020	3,162	0	57,428
Transfers	0	958	-900	-54	0	4
Decrease	0	9	427	45	0	481
Write-offs	0	0	691	85	0	776
Impairments	0	0	-45	-27	0	-72
Depreciation	0	-5,738	-6,874	-528	0	-13,140
Effect of changed exchange rate	0	0	0	27	0	27
Balance at 31/12/2012	**0**	**-104,106**	**-35,291**	**-11,821**	**0**	**-151,216**
CARRYING AMOUNT						
Balance at 01/01/2012	**26,235**	**153,081**	**29,561**	**4,435**	**1,871**	**215,182**
Balance at 31/12/2012	**21,046**	**127,667**	**15,416**	**667**	**173**	**164,969**

Movement of property, plant and equipment of the Sava Group in 2011

€ in thousands

	Land	Buildings	Plant and machinery	Other equipment	PPE under construction	Total
COST						
Balance at 01/01/2011	**28,800**	**280,049**	**90,465**	**19,454**	**2,039**	**420,807**
Purchase	0	1,660	3,456	406	1,533	7,055
Increase in advance payment	0	0	0	0	1,026	1,026
Decrease in advance payments	0	0	0	0	-788	-788
Put into use	0	425	1,215	4	-1,644	0
Transfer under assets for sale	0	-1,735	0	-583	0	-2,318
Transfers	-2,268	-658	-469	303	-173	-3,265
Decrease	-1	-46	-6,306	-162	0	-6,515
Decrease due to sale of companies	0	0	-1,249	-9	-10	-1,267
Write-offs	0	-32	-1,942	-454	-113	-2,541
Impairment	-297	0	-1	0	0	-298
Balance at 31/12/2011	**26,235**	**279,661**	**85,169**	**18,960**	**1,871**	**411,896**
ACCUMULATED DEPRECIATION						
Balance at 01/01/2011	**0**	**-120,503**	**-58,365**	**-13,878**	**0**	**-192,746**
Transfer under assets for sale	0	144	0	391	0	535
Transfers	0	-548	303	-196	0	-441
Decrease	0	19	6,261	161	0	6,441
Decrease due to disposal of companies	0	0	404	7	0	411
Write-offs	0	17	1,902	434	0	2,353
Depreciation	0	-5,710	-6,113	-1,443	0	-13,266
Balance at 31/12/2011	**0**	**-126,581**	**-55,609**	**-14,525**	**0**	**-196,714**
CARRYING AMOUNT						
Balance at 01/01/2011	**28,800**	**159,546**	**32,100**	**5,576**	**2,039**	**228,060**
Balance at 31/12/2011	**26,235**	**153,081**	**29,561**	**4,435**	**1,871**	**215,182**

The data about the value of impaired assets is given under 1.3.33.

Overview of mortgages value at 31/12/2012

€ in thousands

	Carrying amount of mortgaged assets	Value of mortgages on real estate
Sava d.d.*	7,902	7,902
ENSA BH d.o.o.	191	191
Savatech d.o.o.	34,141	34,141
Sava Turizem d.d.	101,413	49,525
Total	**143,647**	**91,759**

** The value of mortgages in Sava d.d. includes a mortgage placed on the investment property in the value of €1,637 thousand.*

Overview of mortgages value at 31/12/2011

€ in thousands

	Carrying amount of mortgaged assets	Value of mortgages on real estate
Sava d.d.*	8,005	8,005
Sava IP, d.o.o.	17,654	17,857
ENSA BH d.o.o.	191	191
Savatech d.o.o.	34,651	34,651
Sava Turizem d.d.	121,941	56,468
Total	**182,442**	**117,172**

** The value of mortgages in Sava d.d. includes a mortgage placed on the investment property in the value of €1,574 thousand.*

1.3.11. Intangible assets

Movement of intangible assets of the Sava Group in 2012 and 2011

€ in thousands

	2012	2011
COST VALUE		
Balance at 01/01	**1,676**	**2,157**
Additions	306	72
Transfers	-111	-238
Decreases	0	-6
Transfer to assets for sale	0	-156
Write-offs	0	-151
Balance at 31/12	**1,871**	**1,678**
ACCUMULATED DEPRECIATION		
Balance at 01/01	**-1,216**	**-1,205**
Transfers	8	0
Transfer to assets for sale	0	47
Write-offs	0	59
Amortisation	-98	-119
Balance at 31/12	**-1,306**	**-1,219**
CARRYING AMOUNT		
Balance at 01/01	**459**	**951**
Balance at 31/12	**565**	**459**

The depreciation of intangible assets is included under depreciation in the income statement.

1.3.12. Investment property

Movement of investment property of the Sava Group in 2012

€ in thousands

	Land - investment property	Buildings - investment property	Total
COST VALUE			
Balance at 01/01/2012	**5,006**	**12,665**	**17,672**
Acquisitions	0	108	108
Transfer	-1,697	0	-1,697
Transfer to assets for sale	0	-4,018	-4,018
Balance at 31/12/2012	**3,309**	**8,755**	**12,065**
ACCUMULATED DEPRECIATION			
Balance at 01/01/2012	**0**	**-7,632**	**-7,632**
Transfer to assets for sale	0	2,701	2,701
Depreciation	0	-268	-268
Balance at 31/12/2012	**0**	**-5,199**	**-5,199**
CARRYING AMOUNT			
Balance at 01/01/2012	**5,006**	**5,033**	**10,040**
Balance at 31/12/2012	**3,309**	**3,556**	**6,865**

According to our estimate, the fair value of investment property does not significantly deviate from the book values. The value of mortgages in Sava d.d. shown under 1.3.10. also includes a mortgage placed on investment property totalling €1,637 thousand. In investment property put in lease revenues of €1,530 thousand and expenses of €499 thousand were generated. In investment property not put in lease, expenses of €299 thousand were shown.

Movement of investment property of the Sava Group in 2011

€ in thousands

	Land - investment property	Buildings - investment property	Total
COST VALUE			
Balance at 01/01/2011	**2,933**	**15,643**	**18,577**
Acquisitions	0	17	17
Transfer	2,267	1,122	3,390
Transfer to assets for sale	-194	-2,951	-3,145
Write-offs	0	-20	-20
Impairments	0	-1,146	-1,146
Balance at 31/12/2011	**5,007**	**12,665**	**17,672**
ACCUMULATED DEPRECIATION			
Balance at 01/01/2011	**0**	**-8,027**	**-8,028**
Transfer	0	-507	-507
Transfer to assets for sale	0	733	733
Write-offs	0	12	12
Impairments	0	738	738
Depreciation	0	-580	-580
Balance at 31/12/2011	**0**	**-7,632**	**-7,632**
CARRYING AMOUNT			
Balance at 01/01/2011	**2,933**	**7,616**	**10,549**
Balance at 31/12/2011	**5,006**	**5,033**	**10,040**

The value of mortgages in Sava d.d. shown under 1.3.10. also includes a mortgage placed on the investment property in the amount of €1,574 thousand.

1.3.13. Investments in the associated companies

Sava Group companies have shareholdings in the following associated companies:

€ in thousands

			Value of financial investments	
	Stake in % 31/12/2012	Stake in % 31/12/2011	31/12/2012	31/12/2011
Gorenjska Banka d. d., Kranj*	46.06	46.06	111,724	164,530
Abanka Vipa d.d., Ljubljana	23.83	23.83	9,609	34,317
NFD Holding d.d., Ljubljana	24.65	24.65	249	997
Maksima Invest d.d., Ljubljana	21.77	21.77	0	0
Turizem Lendava d.o.o., Lendava	29.92	29.92	3	3
Panensa d.o.o., Srbac, BIH	40.00	40.00	0	0
Total			**121,585**	**199,847**

* *Sava d.d. transferred 27,917 shares of Gorenjska Banka d.d., Kranj, under the fiduciary ownership of the fiduciary Abanka Vipa d.d., Ljubljana. The fiduciary saves them in favour of holders of bonds issued by Sava d.d. as collateral for liabilities arising from bonds until their maturity, which is on 09/12/2014.*

The investments made in the associated companies moved as follows:

€ in thousands

	2012	2011
Initial balance	**199,848**	**319,158**
Acquisitions	0	1
Attributable equity revaluation adjustments	0	-4,652
Attributable profit	0	11,049
Paid dividends	0	-11,049
Sales	0	-437
Impairments*	-78,262	-114,223
Final balance	**121,585**	**199,847**

* *In 2012, the attributable losses and impairments are shown together (on the basis of value assessment) due to the fact that the data on operations of Gorenjska Banka d.d. and Abanka Vipa d.d will be publicly accessible only after the public announcement of Sava's annual report.*

Significant financial data about the associated company – Gorenjska Banka d.d., Kranj

€ in thousands

	2012	2011
Assets	n.d.	1,947,403
Liabilities and provisions	n.d.	1,610,377
Capital	n.d.	337,026
Revenues	n.d.	134,081
Net profit/loss	n.d.	1,680
Comprehensive income for the financial year after tax	n.d.	-8,421

The data for 2012 will be publicly accessible only after the public announcement of Sava's annual report. The data for 2011 is prepared on the basis of the unaudited financial statements of the company and does not deviate from the audited data.

Significant financial data about the associated company – Group Abanka Vipa d.d., Ljubljana

€ in thousands

	2012	2011
Assets	n.d.	4,258,192
Liabilities and provisions	n.d.	4,026,836
Capital	n.d.	231,356
Revenues	n.d.	245,299
Net profit/loss	n.d.	-109,656
Comprehensive income for the financial year after tax	n.d.	-124,495

The data for 2012 will be publicly accessible only after the public announcement of Sava's annual report. The data for 2011 is prepared on the basis of the unaudited financial statements of the company and does not deviate from the audited data.

Significant financial data about the associated company – Group NFD Holding d.d., Ljubljana

€ in thousands

	2012	2011
Assets	n.d.	109,030
Liabilities and provisions	n.d.	87,886
Capital	n.d.	21,144
Revenues	n.d.	2,775
Net profit/loss	n.d.	-31,124
Comprehensive income for the financial year after tax	n.d.	-33,076

The data for 2012 will be publicly accessible only after the public announcement of Sava's annual report. The data for 2011 is prepared on the basis of the unaudited financial statements of the company and does not deviate from the audited data.

Significant financial data about the associated company – Maksima Invest d.d. – under receivership, Ljubljana

€ in thousands

	2012	2011
Assets	n.d.	22,131
Liabilities and provisions	n.d.	39,906
Capital	n.d.	-17,775
Revenues	n.d.	136
Net profit/loss	n.d.	-39,693
Comprehensive income for the financial year after tax	n.d.	-35,484

In 2012, a receivership proceeding was introduced forMaksima Invest d.d. The data for 2011 is prepared on the basis of the unaudited financial statements of the company.

Other explanations in connection with the associated companies

In the consolidated financial statements of the Sava Group a 46.06% ownership stake in **Gorenjska Banka d.d.** is valued in accordance with the equity method and amountedto €111,724 thousand. In comparison with the end of the previous year, the ownership stake did not change, while the investment was impaired by €52,806 thousand to €732 for a share.

135,670 shares of Gorenjska Banka d.d. were pledged for the obtained loans of Sava d.d., the obtained loan of Savatech d.o.o., and the liabilities arising from the call option contract. The book value of pledged shares amounted to €79,776 thousand. After the sales transaction was executed in the beginning of 2013, the pledge for the obtained loan by Savatech d.o.o. was released.

Information about the evaluation of a 45.90% equity holding of Gorenjska Banka d.d. for financial reporting purpose at 31/12/2012

An evaluation report for a 45.90% equity holding of Gorenjska Banka d.d. as per 31/12/2012 was produced for the financial reporting purpose. The evaluation was produced by a certified company evaluator licensed with the Slovene Audit Institute.

In calculating the value of share capital of Gorenjska Banka d.d., the value in use was assessed based on the method of the expected present free cash flow and the estimated value less costs of sale by using the method of market comparisons. The following assumptions were taken into consideration: going-concern, business projections were prepared considering the analysis of the past business results, publicly announced strategic platform and orientations of the company, analysis of macro-economic environment and the industrial branch, as of 2013 an amount of profit is retained in the company, which assures keeping of Core Tier 1 at level of 9%, discount for minority owner of 5%, package discount for marketability shortage of 5%, required return on capital 15.71%, and 2% increase in normalized cash flow.

The final decision on recoverable value estimate was made based on the value in use in the range from €683 for a share to €747 for a share, with the mean value of €732 for a share.

The value of a 23.83% ownership stake in **Abanka Vipa d.d., Ljubljana** was calculated on the basis of the evaluation as per 31/12/2012. In comparison with the end of the previous year, the ownership stake and the value of investment remained unchanged, while the value of investments was impaired by €24,708 thousand, to €5.6 for a share. The value of investment using the stock exchange price on the last trading day in 2012 in the amount of €4.01 for a share amounted to €6,881 thousand. All shares of Abanka Vipa d.d. are pledged for the loans obtained by Sava d.d. The book value of pledged shares amounted to €9,609 thousand.

Information about the evaluation of a 23.83% equity holding of Abanka Vipa d.d. for financial reporting purpose at 31/12/2012

An evaluation report for a 23.83% equity holding of Abanka Vipa d.d. as per 31/12/2012 was produced for financial reporting purpose. The evaluation was produced by a certified company evaluator licensed with the Slovene Audit Institute.

In calculating of the equity value of Abanka Vipa d.d., the value in use was estimated based on the method of the current value of expected free cash flow. The following assumptions were taken into consideration: going-concern, business projections on the unconsolidated basis were prepared considering the analysis of the past business results, publicly announced strategic platform and orientations of the company, analysis of macro-economic environment and the industrial branch, as of 2013 a 25% profit is retained in the company, minimum Core Tier 1 at level of 9%, discount for minority owner of 10%, package discount for marketability shortage of 24%, required return on capital 15.71%, 2% increase in normalized cash flow, successfully implemented increase in capital.

The estimate of value in use was made in the range from €5.0 for a share to €6.2 for a share, with a mean value of €5.6 for a share.

The value of a 24.65% stake in **NFD Holding d.d., Ljubljana**, in separate and consolidated financial statements, amounted to €249 thousand. In comparison with the end of the previous year, the ownership stake did not change, whereas the value of investments decreased by €748 thousand in 2012 as a result of a further drop in the stock exchange price. The value of investment ascertained on the basis of the stock exchange price amounts to €249 thousand at 31/12/2012.

The value of a 21.77% stake in in **Maksima Invest d.d.**-under receivership, Ljubljana, in separate and consolidated financial statements of Sava d.d., has no value.

The financial investment in the associated company **Panensa d.o.o., Srbac, BiH**, was entirely impaired, while the ownership stake remained unchanged.

The disclosures in connection with the composition of the associated companies of the Sava Group, and the share in capital, are presented in the financial part of theannual report of the Sava Group.

1.3.14. Long-term securities available for sale

Types of long-term securities

€ in thousands

	31/12/2012	31/12/2011
Shares of listed companies	4,755	4,203
Shares and stakes of unlisted companies	5,953	11,851
Mutual funds	25,874	25,123
Total	**36,582**	**41,177**

The value of other stakes and shares totalled €36,582 thousand and in comparison with the previous year it was lower by 11%. Other shares and stakes included listed securities available for sale in the amount of €4,755 thousand, unlisted securities available for sale in the amount of €5,953 thousand, and investment in a mutual fund in the amount of €25,874 thousand.

At 31/12/2012, securities available for sale are valued at fair value. The net negative effect of revaluation amounted to €587 thousand, of which impairments through profit or loss amounted to €2,408 thousand and a net of €1,821 thousand were increases through equity revaluation adjustment.

The value of a 23.35% ownership stake in **NFD 1, mutual fund, Ljubljana** amounted to €25,874 thousand. The fair value was ascertained by using the stock exchange price at 31/12/2012. Despite a 23.35% ownership stake, the investment in NFD 1, mutual fund, is considered as available for sale and not as an associated company. NFD 1, mutual fund, is managed by a management company, in which Sava d.d. holds no ownership stake. The Supervisory Board of the company solely supervises the fund's operation. In 2011, NFD 1, mutual fund, restructured from a closed investment fund into an open mutual fund, after which Sava d.d. became the owner of a certain share of mutual fund's coupons and has no influence on its management.

The total share in NFD 1, mutual fund, is pledged for the loans obtained by Sava d.d. The book value of pledged shares amounts to €25,874thousand.

The value of **other shares and stakes** amounted to €10,708 thousand, and included 1,360,000 shares of Hoteli Bernardin d.d., 13,500 shares of Kompas Bled d.d, 1,504 shares of NLB d.d., 4,987 shares of Pokojninska Družba A d.d., and 9,874 shares of Jubmes Banka d.d., pledged for the loans obtained by Sava d.d. The book value of pledged shares amounts to €6,763 thousand.

Forward sale contract and call option contract

The value of the call option contract amounts to €7,184 thousand. The counter party in the call option contract is Factor Banka d.d., the subject of the option being 26,748 shares of NLB. The agreed transaction price amounts to €268.60 for a share. The contract was signed on 26 July 2010, the maturity date being 15 January 2013. The market value ascertained on the basis of evaluating the company's capital being the subject of the option amounts to €1,006 thousand. The difference between the value at the call option contract and the market value totalling €6,178 thousand is included under financial expenses from impairment and write-offs of financial investments (€5,294 thousand until 2011, another €884 thousand in 2012). The counterparty received 6,050 shares of Gorenjska Banka d.d. as collateral for complying with the contract. The book value of pledged shares amounts to €3,558 thousand.

Further explanation is given under 2.5.9. in the financial part of the annual report for Sava d.d. – Influence by events after the balance sheet date.

Movement of long-term securities

€ in thousands

	2012	2011
Balance at 01/01	**41,177**	**67,225**
Acquisitions	689	1,992
Transfer from long-term loans	0	1,674
Transfer to assets for sale	0	-15
Change to fair value	1,821	6,320
Disposals	-4,697	-9,590
Impairments	-2,408	-26,429
Balance at 31/12	**36,582**	**41,177**

1.3.15. Long-term loans

Long-term loans mainly refer to loans to employees for purchase of flats and are insured with placing a creditor's mortgage on real property and operating receivables due from buyers of products.

€ in thousands

	31/12/2012	31/12/2011
Receivables due to financial leasing	0	0
Granted long-term loans	10	7
Other	10	377
Total	**20**	**384**

Analysis of long-term loans maturity

€ in thousands

	31/12/2012		31/12/2011	
	From 1 to 5 years	More than 5 years	From 1 to 5 years	More than 5 years
Receivables due to financial leasing	0	0	0	0
Granted long-term loans	10	0	7	0
Other	10	0	377	0
Total	**20**	**0**	**384**	**0**

Movement of long-term loans

€ in thousands

	2012	2011
Balance at 01/01	**384**	**5,675**
Newly formed loans	13	44
Transfers	-314	-5,063
Decrease	-10	-169
Repayments	-37	-96
Impairment	-16	-7
Balance at 31/12	**20**	**384**

1.3.16. Discontinued operations and assets for sale

a) Selling the Real Estate companies

In the first half-year of 2012, a 100% stake of Investicijsko podjetje d.o.o.(former Sava IP d.o.o., Ljubljana) was sold together with the financial investments in IP Nova d.o.o. and IP Nova A d.o.o. The purchase consideration for the sold stake amounted to €16,658 thousand; a negative difference in the price totalling €242 thousand was made at Sava d.d.

The table below shows the income statement of the disposed companies, which is still included in the consolidated financial statements of the Sava Group, and the assets and liabilities of the sold companies.

Income statement of Investicijsko podjetje d.o.o. (former Sava IP d.o.o), IP Nova d.o.o. and IP Nova A d.d. for the period January-June 2012 and the year 2011

€ in thousands

	JAN – JUN 2012	2011
Sales revenues from services and goods	338	5,867
Changes in the value of inventories	471	-2,320
Other revenues	0	389
Costs of goods, materials and services	-483	-2,082
Labour costs	-554	-1,073
Depreciation and write-offs	-95	-6,316
Other operating expenses	-6	-135
Financial and other revenues	126	462
Financial expenses	-419	-858
Tax	-14	-39
Net profit for the financial year	**-636**	**-6,105**

Statement of financial position of Investicijsko podjetje d.o.o. (former Sava IP d.o.o), IP Nova d.o.o. and IP Nova A d.d. at 30/06/2012 and 31/12/2011 – sold assets and liabilities

€ in thousands

	30/06/2012	Excluded in consolidation 30/06/2012	Sale of assets and liabilities 30/06/2012	31/12/2011	Excluded in consolidation 31/12/2011	Sale of assets and liabilities 31/12/2011
Property, plant and equipment	1,739	0	1,739	1,782	0	1,782
Intangible assets	102	0	102	109	0	109
Investment property	2,377	0	2,377	2,413	0	2,413
Long-term loans and receivables	4,796	0	4,796	4,829	-18	4,811
Inventories	25,252	-3,320	21,932	24,782	-3,320	21,462
Operating and other receivables	494	0	494	574	-27	547
Granted loans	487	0	487	2,171	-1,544	627
Cash and cash equivalents	1,192	0	1,192	597	0	597
Assets	**36,439**	**-3,320**	**33,119**	**37,257**	**-4,909**	**32,348**
Capital	19,021	-19,021	0	19,340	-19,340	0
Provisions	270	0	270	266	0	266
Obtained long-term loans	6,370	0	6,370	6,752	0	6,752
Long-term operating liabilities	32	0	32	32	0	32
Obtained short-term loans	10,400	0	10,400	10,399	-8	10,391
Short-term operating liabilities	299	0	299	320	-11	309
Short-term provisions	47	0	47	148	0	148
Capital and liabilities	**36,439**	**-19,021**	**17,418**	**37,257**	**-19,359**	**17,898**

b) Selling Rubber Manufacturing with the Foreign Trade companies – transfer under Assets for sale and liabilities for sale as at 31/12/2012

In October 2012, a contract for the sale of a 100% share of Savatech d.o.o., Kranj with all of its daughter companies, and a 60% share of Savapro d.o.o., Kranj was signed. The suspensory conditions defined in the contract for effecting the transaction were met in 2013, which is why the assets and liabilities of these companies as at 31/12/2012 were transferred under Assets for sales and Liabilities for sale.

Income statement of Rubber Manufacturing with the Foreign Trade companies for the period January-December 2012

€ in thousands

	2012	2011
Sales revenues from products sold and services rendered	146,328	142,696
Change in inventories	-739	1,812
Other revenues	1,515	1,553
Costs of goods, materials and services	-107,119	-105,947
Labour costs	-24,966	-24,563
Depreciation, amortisation and write-offs	-5,211	-5,449
Other operating expenses	-837	-1,161
Financial and other revenues	1,732	1,902
Financial expenses	-1,960	-2,522
Tax	-1,273	-1,560
Net profit for the financial year	**7,470**	**6,762**

Statement of financial position of Rubber Manufacturing with the Foreign Trade companies as at 31/12/2012 – transfer under assets and liabilities for sale

€ in thousands

	31/12/2012	Excluded in consolidation 31/12/2012	Transfer under assets and liabilities for sale 31/12/2012	31/12/2011
Property, plant and equipment	57,740	-11,227	46,513	57,877
Intangible assets	100	0	100	9
Investment property	1,600	-283	1,317	1,589
Long-term financial investments	3,438	-3,438	0	171
Long-term loans and receivables	313	0	313	2,023
Deferred tax receivables	429	0	429	520
Inventories	16,344	0	16,344	17,217
Operating and other receivables	25,708	-6,759	18,949	26,528
Granted loans	9,199	-8,303	896	8,761
Cash and cash equivalents	6,566	0	6,566	8,176
Assets	**121,437**	**-30,010**	**91,427**	**122,871**
Capital	78,060	-78,060	0	78,567
Provisions	4,628	0	4,628	4,714
Obtained long-term loans	0	0	0	0
Long-term operating liabilities	0	0	0	1,403
Deferred tax liabilities	0	0	0	0
Obtained short-term loans	19,765	-2,715	17,050	18,454
Short-term operating liabilities	18,414	-7,465	10,949	19,127
Short-term provisions	570	0	570	607
Capital and liabilities	**121,437**	**-88,240**	**33,197**	**122,871**

1.3.17. Inventories

€ in thousands

	Gross value 31/12/2012	Write-offs in 2012	Net value 31/12/2012	Net value 31/12/2011
Materials	763	-222	541	6,556
Work and projects in progress	0	0	0	2,758
Finished goods	61	-5	56	4,715
Merchandise	4	-4	0	4,193
Unfinished construction projects	11,231	-118	11,113	11,126
Finished construction projects	0	0	0	0
Capital and liabilities	**12,059**	**-349**	**11,710**	**29,347**

In 2012, Sava Group companies formed an allowance in inventories in the amount of €349 thousand and in 2011 in the amount of €9,308 thousand.

The book value of inventories in Sava Nepremičnine d.o.o. placed as a guarantee for liabilities arising from loan agreements, amounts to €3,950 thousand. The amount of the entered mortgages amounts to €7,000 thousand, which also represents the balance of outstanding loans as at 31/12/2012 insured with the inventories.

In the company Sava Nova d.o.o., Zagreb a mortgage is placed on inventories. The book value of these inventories amounted to €1,048thousand. The balance of outstanding loan principal, which in 2012 was insured with a mortgage on inventories, amounted to €700 thousand.

1.3.18. Short-term operating and other receivables

€ in thousands

	31/12/2012	31/12/2011
Trade receivables	2,551	20,906
Receivables temporary not charged	1,121	1,500
Receivables due from associates	1,688	900
Advances paid	0	106
Receivables for VAT and other taxes	420	2,572
Other receivables	2,083	783
Total	**7,863**	**26,768**

In 2012, the companies of the Sava Group formed an allowance in trade receivables totalling €809 thousand. The allowance in trade receivables that was formed in 2011 amounted to €734 thousand.

1.3.19. Short-term financial investments

There were no short-term financial investments at the end of 2012; at the end of 2011 they amounted to €128 thousand and entirely referred to the value of interest rate swaps.

1.3.20. Short-term loans

€ in thousands

	31/12/2012	31/12/2011
Originated loans	19,500	20,221
Short-term portion of long-term loans	0	3
Total	**19,500**	**20,224**

The gross amount of the loan granted to NFD Holding d.d. totals €21,780 thousand, the balance of the formed value adjustment amounts to €9,309 thousand, and the net value of a receivable amounts to €12,471 thousand. In comparison with the end of the previous year, the balance of loans granted to NFD Holding d.d. was decreased by €3,216 thousand, of which repayment of loans amounted to €594 thousand and additional impairment of loans, calculated on the basis of estimating the suitability of received collateral for these two loans, amounted to €2,622 thousand.

The approved loans are insured with the bills of exchange and securities, which include 9,154,192 shares of Hoteli Bernardin d.d., 346,243 shares of NFD 1 d.d., 647,318 shares of Istrabenz d.d., 166,484 shares of Melamin d.d., 56,839 shares of Finetol d.d. 536,926 shares of Ljubljanske mlekarne d.d., 5,806 shares of Krka d.d., 893 shares of Petrol d.d., and 32,936 shares of Sava d.d. With all the mentioned shares, except for the shares of Ljubljanske mlekarne d.d., Sava d.d. is partly the first-entered lien holder, and partly the second-entered lien holder.The estimated value of securities received in pledge amounts to €14,181 thousand.

The contract on assignment of claims, based on which a prevailing portion of receivables due from NFD Holding d.d. is shown, is covered with a loan by NLB d.d. on the liabilities side, which is insured with bills of exchange and shares of Sava Turizem d.d. The interest rates for the granted short-term loans amount to 5.78% and 7.3%.

The remaining short-term approved loans totalling €7,029 thousand are deposits to banks, the interest rates being from 0.6% to 3.2%.

1.3.21. Cash and cash equivalents

€ in thousands

	31/12/2012	31/12/2011
Cash on hand and transaction accounts	551	10,649
Total	**551**	**10,649**

The agreed overdraft credit on transaction accounts amounted to €1,260 thousand, which is the same as at the end of the previous year. At 31/12/2012, the overdraft limit was entirely utilised, the liabilities from the negative balance on transaction account were shown under current financial liabilities.

1.3.22. Equity and reserves

Share capital

The approved share capital that was totally paid in did not change in comparison with the previous year and amounted to €83,751,567.51. It is divided into 2,006,987 ordinary personal no-par value shares. The shareholders are entitled to a dividend in accordance with the resolution adopted by the Shareholders' Meeting. The ownership structure and its changes are described in the chapter - The Sava share and ownership structure.

The balance and movement of equity is clear from the statement in changes of equity.

Share premium paid-in

Already in 2011, the share premium in the amount of €125,608 thousand was entirely used for covering the 2011 loss of Sava d.d.

Reserves

€ in thousands

	31/12/2012	31/12/2011
Structure of reserves		
Legal reserves	0	0
Reserves for treasury shares	4,977	4,977
Other revenue reserves	0	0
Reserves	**4,977**	**4,977**

Fair value reserve

€ in thousands

	31/2/2012	31/12/2011
Structure of fair value reserves		
From financial investment available for sale	1,822	758
From investments in associated companies	-5,604	-5,604
From derivative financial instruments – interest rate swaps	0	0
Fair value reserves	**-3,782**	**-4,847**

Treasury shares

	31/12/2012	31/12/2011
Treasury shares		
Number of treasury shares	30,541	30,541
Value of treasury shares (*€ in thousands*)	4,977	4,977
% of treasury shares with regard to total issued shares	1.52	1.52

The value of treasury shares, which at 31/12/2012 reduces total capital, amounts to €4,977 thousand, the number of treasury shares amounted to 30,541, or 1.52% of totally issued shares.

Sava d.d. received another 32,936 shares of Sava in pledge, which represents 1.64% of totally issued shares.

Translation reserve

Translation reserve, which at 31/12/2011 was shown in the amount of €236thousand, was entirely transferred in the income statement in 2012. Translation reserve was entirely due to foreign currency gains/losses arising from the translation of individual items in the financial statements of foreign trade network subsidiaries from their local currencies into the reporting currency. Total assets and liabilities of these companies were transferred under Assets and Liabilities for sale at the end of 2012.

Retained net earnings

€ in thousands

	31/12/2012	31/12/2011
Structure of retained net earnings		
Retained earnings from previous years	84,940	101,632
Less paid dividends of Sava d.d.	0	0
Transfer from other revenue reserves acc. to the Management Board resolution	0	0
Net profit / loss for the financial year	-99,181	-157,013
Covering the loss of Sava d.d. from other revenue reserves	0	7,532
Covering the loss of Sava d.d. from legal reserves	0	7,182
Covering the loss of Sava d.d. from paid in share premium	0	125,608
Retained net earnings	**-14,241**	**84,940**

Dividends

	2012	2011
Dividend per ordinary share in the year (*€*)	0.0	0.0
Total amount of paid dividends to the debit of retained earnings (*€ in thousands*)	0	0

Net earnings per share

Share capital is divided into 2,006,987 ordinary personal no-par value shares that all have voting right and are freely transferrable. All shares are wholly paid in. The company has no bonds available to be converted into shares.

Weighted average number of ordinary shares

	2012	2011
Total number of shares	2,006,987	2,006,987
Less own shares	-30,541	-30,541
Weighted average number of shares	1,995,423	1,995,423

Net loss attributable to ordinary shares

	2012	2011
Net profit/loss for the year (*€ in thousands*)	-99,279	-157,160
Net profit /loss for the year attributable to the owners of the parent (*€ in thousands*)	-99,181	-157,013
Weighted average number of ordinary shares	1,995,423	1,995,423
Basic net earnings/loss per share (*€*)	**-49.70**	**-78.69**

The diluted net loss per share equals the basic net loss per share, since capital is composed of ordinary shares.

The appropriation of profit is only possible within the amount determined in accordance with Slovene legislation. The legislation regulates that a parent company may distribute the accumulated profit as determined in the separate financial statements compiled in accordance with Slovene Accounting Standards. At 31/12/2012, Sava d.d. showed an uncovered loss of €58,310 thousand, whereas at 31/12/2011 the uncovered loss amounted to €9,274 thousand.

	2012	2011
Retained net profit for the financial year for the Sava Group, according to IFRS as adopted by the EU	-14,241	84,940
Accumulated profit/loss of Sava d.d. for the financial year, according to SAS	-58,310	-9,274
Non-distributable reserve	**-**	**84,940**

Minority interest, capital and profit

The share minority interest, attributable capital and profit for the subsidiaries are calculated indirectly, through the ownership of the parent company.

In 2012, minority interest decreased by €148 thousand and that due to the attributable losses in the amount of €98 thousand, €29 thousand due to the changed Euro/Rouble exchange rate, and by €21 thousand due to a purchase of a minority interest.

Minority interest attributable to the following companies:

€ in thousands

	Share of minority interest		Capital belonging to minority interest		Profit belonging to minority interest	
	31/2/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Sava ROL d,o,o,, Zagreb	24.00%	24.00%	36	36	0	0
Savapro d.o.o., Kranj	40.00%	40.00%	1,325	1,325	0	21
Savarus d.o.o., Jaroslavl, Russia	40.30%	40.30%	-946	-845	-71	-137
Savatrade Inc., Port Orange, Florida	0.00%	5.00%	0	21	0	3
Sava Turizem, d.d. (Sava Hoteli Bled d.d., Bled)	0.95%	0.95%	882	874	8	-36
Energetika Črnomelj d.o.o., Kranj	49.32%	49.32%	271	305	-35	2
Total			**1,568**	**1,716**	**-98**	**-147**

1.3.23. Provisions

€ in thousands

	Balance at 01/01/2012	Formation	Reversal	Used	Transfer to available for sale	Balance at 31/12/2012
Provisions for severance pays and similar liabilities	4,761	266	-627	-265	-2,308	1,827
Provisions for law suits and other claims	264	0	-17	-143	-51	53
Warranties	30	0	0	0	0	30
Others	1,561	79	-394	-30	-205	1,011
Total	**6,615**	**345**	**-1,038**	**-438**	**-2,564**	**2,921**

The accrued liabilities to employees include liabilities for retirement amounts and employee jubilee benefits in the amount as determined by the actuary calculation made on 31/12/2012 under the following assumptions: retirement amounts and provisions for jubilee benefits in accordance with the provisions from the collective and individual employment contracts -no increase in salary is anticipated for 2013, employee fluctuation, while the chosen discount interest rate amounts to 4.70 % p.a. and represents a yield of 10-year loan stock with a high rating in the Euro Zone increased by a margin for local risk.

Provisions for law suits and other claims are formed after consulting lawyers who estimated the outcome of law suits filed and other claims.

1.3.24. Government grants

€ in thousands

	Balance at 01.01.2012	Formation	Reversal	Used	Transfer to available for sale	Balance at 31/12/2012
Provisions from release in contribution payment	1,819	673	-452	-53	-1,987	0
Funding by EU and other funds	10,424	0	-20	-730	-77	9,598
Total	**12,243**	**673**	**-472**	**-783**	**-2,064**	**9,598**

Provisions due to exemption from payment of social security contributions were formed in accordance with the Employment Rehabilitation and Disabled Persons Employment Act. They are used for covering various expenses set out in the mentioned act, particularly for covering depreciation in plant, property and equipment in the social enterprise and for covering labour costs and retirement amounts.

1.3.25. Obtained loans and other financial liabilities

The explanation below provides information as to the terms and conditions for the obtained loans.Further information about the company's exposure to interest and exchange rate risk is contained in Item 1.3.38. – Financial instruments.

The grants that the companies of the Tourism division obtained from the structural funds were utilised for the renovation of tourist facilities such as the building of a 5* hotel in Moravske Toplice, renovation of Hotel Radin in Radenci, construction of apartments in Lendava, building of the 4* Grand Hotel Primus, a swimming pool complex in Ptuj and a renewal of the hotel Terapija in Radenci.

Government grants formed in Sava Medical in Storitve d.o.o. were transferred under Liabilities for sale.

€ in thousands

	31/12/2012	31/12/2011
LONG-TERM BORROWINGS		
Borrowings from domestic banks	23,921	26,192
Borrowings from foreign banks	1,267	329
Borrowings from banks total	**25,188**	**26,521**
Long-term liabilities originating from bonds	26,515	26,515
Borrowings from others	6,037	9,465
Total long-term borrowings	**57,740**	**62,501**
CURRENT FINANCIAL LIABILITIES		
Current portion in long-term borrowings from banks	156,998	175,735
Current borrowings from domestic banks	121,099	116,126
Current borrowings from foreign banks	5,000	5,000
Current borrowings from banks total	**283,097**	**296,861**
Current borrowings of others	259	6,283
Liabilities for dividend payments	709	713
Liabilities for interest rate swaps	3,673	4,951
Total current interest-bearing borrowings	**287,738**	**308,809**
Total borrowings and other financial liabilities	**345,478**	**371,310**

Long-term liabilities based on bonds

Long-term liabilities based on bonds amounted to €26,515 thousand. The total nominal value of the bond issuance amounted to €26,500 thousand; during the issuance procedure in 2009, another €15 thousand were paid in on account of the submitted binding bids.

Further explanations in connection with the issue of bonds:

- Type of bond: ordinary bond nominated in euro, nominal, issued in non-materialised form entered in the central registry at KDD d.d. Ljubljana.
- Bonds listing: in the bonds market of the Ljubljana Stock Exchange under the designation SA02.
- Denomination structure: total issue includes 26,500 denominations at €1,000.00 each.
- Interest rate: amounts to 7.20 % p.a. and is fixed; interest falls due for payment six months in arrears.
- Payment of the principal and maturity date: nominal value of the principal falls entirely due in a single amount upon maturity of bonds at 09/12/2014.
- Collateral: bonds are secured with 27,917 shares of Gorenjska Banka d.d. The book value of the pledged shares amounted to €16,416 thousand.

Terms and conditions for loans

Long-term loans	Interest rate (%)	Maturity of last instalment	Type of collateral
loans by associated companies	3M EURIBOR + 2.5 to 4.9 6M EURIBOR + 2.5	2012 - 2016	bills of exchange, letter of comfort, pledge of securities, pledge of a share, mortgage
loans by domestic banks	3M EURIBOR + 1.25 to 4.9 6M EURIBOR + 3.25 to 4.5	2012 - 2026	bills of exchange, letter of comfort, pledge of securities, mortgage, liabilities set-off
loans by foreign banks	IRB RS + 3.1 or min 5.1	2015	bills of exchange, payment orders, corporate guarantee
other	TOM + 1.6 to 2.5 3M EURIBOR + 0.35 to 0.5 from 6.3 to 7.20	2013 - 2015	bills of exchange, bank guarantee, pledge of real estate and securities
Short-term loans	**Interest rate (%)**	**Maturity of last instalment**	**Type of collateral**
loans by associated companies	from 5.2 to 7	2013	bills of exchange, sureties, pledge of securities, pledge of business share, pledge of real property, receivables set-off
loans by domestic banks	1M EURIBOR + 5.3 to 5.4 3M EURIBOR + 4.55 6M EURIBOR + 3.85 from 5.50 to 6.3	2012 - 2013	bills of exchange, sureties, mortgages, pledge of securities, pledge of business share, liabilities set-off
loans by foreign banks	3M EURIBOR + 3.75	2013	bills of exchange, sureties, pledge of securities, pledge of business share

Note: IRB RS - Investment Development Bank of the Republic of Serbia - tied to a 6M EURIBOR

Maturity of long-term loans

€ in thousands

	31/12/2012	31/12/2011
Between 1 and 2 years	9,260	20,857
Between 2 and 5 years	46,533	38,881
More than 5 years	1,947	2,763
Total	**57,740**	**62,501**

Classification of loans with regard to a fixed and variable interest rate

€ in thousands

	Fixed interest rate	Variable interest rate	Total
Long-term borrowings	32,709	25,031	57,740
Current borrowings	88,268	195,088	283,356
Total	**120,977**	**220,119**	**341,096**

Total current financial liabilities amounted to €287,738 thousand (2011: €308,809 thousand). The difference to the amount of short-term loans totalling €4,382 thousand (in 2011: €5,666 thousand) were financial liabilities arising from the unpaid dividends to shareholders of Sava d.d. and Sava Turizem d.d. totalling €709 thousand, and short-term financial liabilities from interest rate swaps totalling €3,673 thousand.

Loan insurance

The loans obtained by Sava d.d. are insured with placing mortgages on the real property of Group's companies and pledges on the shares and stakes owned by Sava d.d.

The explanation about the insurance of loans of the Sava Group by placing mortgages on the real property is provided under 1.3.10.

A comprehensive explanation on the pledge of shares and stakes and the mortgages on real property owned by Sava d.d. is given under item 2.5.2. of financial statements of the parent company Sava d.d. with notes.

Unregulated loans

At 31/12/2012, Sava Group companies have unregulated loans in the amount of €15,588 thousand.

1.3.26. Deferred tax receivables or liabilities

Net deferred tax receivables were formed in the amount of €19,293 thousand (in 2011: €24,697 thousand); they mainly appeared in the parent company Sava d.d. in connection with the revaluation of securities available for sale and financial investments in the associated company to fair value. In calculating the deferred tax receivable, a 15% tax rate was considered.

Deferred tax receivables or liabilities refer to the following items:

€ in thousands

	2012	2011
Receivables/liabilities of foreign subsidiaries – revaluation of securities to fair value	19,129	23,682
Receivables - newly formed long-term provisions	0	0
Receivables - provisions according to actuary calculation, disputes	9	843
Receivables - profit retained in inventories	0	36
Receivables - subsidiaries abroad	155	136
Liabilities – subsidiaries abroad	0	0
Total	**19,293**	**24,697**

Deferred tax receivables or liabilities moved as follows:

€ in thousands

	2012	2011
Balance at 01/01	**24,697**	**11,615**
Change in deferred tax liability - through the income statement	**-5,161**	**13,502**
Change in receivables for provisions for retirement amounts	-1,023	-95
Change in receivables due to impairments of securities	-4,138	13,597
Change in deferred tax liability - through other comprehensive income	**4**	**-269**
Change in liability due to revaluation of securities to fair value	-80	-269
Other changes in liabilities	84	0
Transfer	**-247**	**-151**
Balance at 31/12	**19,293**	**24,697**

Deferred tax receivables from tax losses are not accounted for as it is estimated that in the foreseeable future no revenues are generated that in addition to the deferred receivables from impairments of financial investments would also cover deferred taxes from tax losses. The amount of the not accounted for deferred tax receivables from tax losses of Sava Group companies by using a 15% tax rate amounts to €19,077 thousand at 31/12/2012.

1.3.27. Short-term operating liabilities

€ in thousands

	31/12/2012	31/12/2011
Trade payables	6,131	14,573
Liabilities for received advances	365	592
VAT and other taxes	804	3,005
Employee payables	1,850	3,855
Other operating liabilities	9,267	9,079
Total	**18,418**	**31,105**

Interest liabilities from the obtained loans were included under other operating liabilities.

1.3.28. Short-term provisions

€ in thousands

	31/12/2012	31/12/2011
Short-term provisions	4,022	6,266

The amount €4,022 thousand (in 2011: €6,266 thousand) mainly referred to short-term provisions for retirement amounts, unutilised hours worked and days of leave, deferred revenues from the sale of vouchers in Tourism totalling €2,510 thousand and the accrued costs in connection with the reorganisation of Sava d.d. and deferred interest on loans totalling €1,410 thousand.

1.3.29. Sales revenues

€ in thousands

	2012	2011
Revenues from goods sold	92,694	96,367
Net revenues from construction contracts	0	0
Rental income	4,559	4,015
Revenues from other services rendered	64,434	64,085
Revenues from merchandise sold	30,500	29,316
Total	**192,188**	**193,783**

1.3.30. Other operating revenues

€ in thousands

	2012	2011
Reversal of provisions not used	1,038	580
Income from government grants	472	1,000
Income from government incentives	648	412
Net proceeds from sale of property, plant and equipment	78	93
Proceeds from sale of investment property	1,250	459
Other	1,604	2,398
Total	**5,089**	**4,942**

Other operating revenues mainly refer to reversal of other provisions formed in the past.

1.3.31. Costs by functional group

€ in thousands

	2012	2011
Manufacturing costs of products sold	121,881	127,959
Selling costs	44,296	37,278
Overheads	21,923	38,510
Total	**188,100**	**203,747**

1.3.32. Labour costs

€ in thousands

	2012	2011
Wages and salaries	39,888	41,015
Social security expenses	6,652	6,861
Other labour costs	6,152	9,168
Total	**52,693**	**57,044**

Other labour costs include paid employee holiday allowance, other compensations in accordance with the collective agreement (meals and commuting to and from work) and formed provisions.

2,103 employees were employed in 2012 on average, while in 2011 the employee number totalled 2,290.

1.3.33. Write-offs

€ in thousands

	2012	2011
Impairment of property, plant and equipment	0	1
Write-offs of property, plant and equipment	29	188
Property, plant and equipment - loss from sale	23	3
Write-offs of intangible assets	0	92
Investment property - impairments	0	408
Investment property - write-offs	0	8
Inventories	349	9,308
Receivables	825	784
Total	**1,227**	**10,792**

In 2012, Sava Group companies impaired the value of inventories, mainly due to the age component of inventories.

Based on risk assessment, trade receivables of €809 thousand were impaired *in 2012*, mainly in Tourism, and the approved loans were impaired in the amount of €16 thousand.

In 2011, the investment property of Savatech was impaired, which is intended for expansion of its basis operation, in the amount of €408 thousand.

In2011, Sava Group companies formed value adjustment in inventories totalling €9,308 thousand, of which in Sava IP d.o.o. in the amount of €6,123 thousand, in Sava Nova d.o.o., Zagreb in the amount of €2,839 thousand, and in other Group's companies in the amount of €346 thousand. All impairments were made based on an estimate or person responsible for supervising investment property or a real property assessor.

In 2011, Sava Group companies formed revaluation adjustment in trade receivables in the amount of €734 thousand and impaired receivables due form other partners in the amount of €50 thousand.

Overview of book values of impaired investment property in 2011

€ in thousands

	Book value before impairment	Impairment	Book value at 31/12/2011
Investment property	408	-408	0
Total	**408**	**-408**	**0**

1.3.34. Other operating expenses

€ in thousands

	2012	2011
Forming long-term provisions	345	1,108
Other operating expenses	1,714	2,911
Total	**2,059**	**4,019**

Other operating expenses mainly referred to contributions for the use of urban land, compensations for obtaining operating permits and payment of water fees.

Other data about costs

€ in thousands

	2012	2011
Research and development costs	**4,091**	**3,742**
Direct operating expenses for investment property	**553**	**814**
- rent-generating	547	809
- revenue non-generating	**6**	**5**

1.3.35. Net financial revenues / expenses

€ in thousands

	2012	2011
Net gain on disposal of equity securities	708	2,597
Income from dividends and shares in profit	179	196
Interest revenue	2,042	2,196
Foreign exchange gains	221	0
Other	227	155
Financial revenues	**3,377**	**5,144**
Interest expenses	-21,461	-22,446
Impairment of financial investments available for sale	-3,293	-29,013
Foreign exchange losses	0	-1,591
Loss in disposal of financial investments	-101	-1,609
Impairment of trade receivables	0	0
Other	-182	-4,963
Financial expenses	**-25,037**	**-59,623**
Net financial revenues / expenses	**-21,660**	**-54,479**

Impairments of financial investments available for sale shown in the amount of €3,293 thousand are in the amount of €2,409 thousand due to a drop in the fair value of listed and unlisted securities, an in the amount of €889 they are due to the impairments in connection with the liability arising from the call option contract.

1.3.36. Net income / costs of associated companies

Overview of income from shares in the profit/loss of the associated companies

€ in thousands

	2012	2011
Gorenjska Banka, d.d.	0	10,686
Abanka Vipa, d.d.	0	309
NFD Holding, d.d.	0	0
Maksima Invest, d.d.	0	0
Other associated companies	0	54
Total	**0**	**11,049**

A share in the loss of the associated company in 2011 totalling €108 thousand refers to the loss made in the sale of shareholding of JOB d.o.o.

Overview of impairments in financial investments in the associated companies

€ in thousands

	2012	2011
Financial investment in Gorenjska Banka d.d.	-52,806	-10,575
Financial investment in Abanka Vipa d.d.	-24,708	-82,532
Financial investment in NFD Holding d.d.	-748	-16,589
Financial investment in Maksima Invest d.d.	0	-4,124
Approved loan to NFD Holding d.d.	-2,622	-6,687
Total	**-80,884**	**-120,507**

1.3.37. Corporate tax

Corporate tax recognised in the income statement

€ in thousands

	2012	2011
Assessed tax in the current year		
- for the current year	-1,194	-1,595
Total	**-1,194**	**-1,595**
DEFERRED TAX		
- newly arisen and withdrawn temporary differences	-4,718	13,502
Total	**-4,718**	**13,502**
Tax to the debit of the income statement	**-5,912**	**11,907**

Comparison between the actual and calculated tax rate

€ in thousands

	Rate	2012	Stopnja	2011
Pre-tax profit in accordance with IFRSs		-40,561		-157,943
Income tax by applying the official rate	18.0%	-7,301	20.0%	-31,589
Tax rate effect in foreign operations	-0.4%	174	-0.2%	278
Tax non-deductible expenses	-15.5%	6,301	-10.0%	15,839
Tax free revenues	-7.4%	3,004	2.7%	-4,302
Changed tax base due to transition to a new accounting method resulting from past changes in the accounting policies	0.1%	-46	0.0%	-30
Tax benefits not recognised in the income statement	1.5%	-617	0.2%	-299
Effect by companies operating with a loss	-10.8%	4,397	-5.2%	8,197
Effective tax rate	**-14.6%**	**5,913**	**7.5%**	**-11,907**

1.3.38. Financial instruments

Financial risks

At the Group level, we have determined a standardised appearance of all companies with the banks and a uniform interest rate policy within the Group. Financial risk management is systematically carried out via the parent company Sava d.d., while management teams of individual companies are responsible for a proper management and elimination of risks. The process of risk management in individual companies involves a broader circle of employees in order to assure most effective management.

Foreign exchange risk

The Sava Group mostly conducts its business in the Euro Zone, but a minor part of its business is carried out in other international currencies too (British Pound Sterling, Polish Zlot, American Dollar, Chinese Yuan). The structure of inflows and outflows by individual currency is almost levelled; foreign exchange risk in the Sava Group is, therefore, low. The parent company Sava d.d. has investments in the markets of the former Yugoslavia, which is why it is exposed to the fluctuations of foreign currencies such as Croatian, Kuna, Serbian Dinar and Macedonian Denar. In 2012, we did not use any derivative financial instruments to hedge against foreign currency risks as due to high interest rate differences between the interest rate for the above-mentioned currencies, and the interest rate for Euro, there were no suitable hedge instruments available in the market.

Overview of values associated with exchange rate risk

€ in thousands

	31/12/2012					31/12/2011				
	Total in €	€	USD	CHF	Other currencies	Total in €	€	USD	CHF	Other currencies
Trade receivables	**2,551**	**2,469**	**0**	**0**	**135**	**20,906**	**18,713**	**1,136**	**0**	**1,057**
Insured bank loans	-220,479	-219,041	0	0	-1,437	-231,337	-230,850	0	0	-487
Loans from associates	**-87,807**	**-87,807**	**0**	**0**	**0**	**-92,045**	**-92,045**	**0**	**0**	**0**
Bonds	-26,515	-26,515	0	0	0	-26,515	-26,515	0	0	0
Trade payables and other liabilities	**-18,418**	**-17,285**	**0**	**0**	**-1,134**	**-31,146**	**-29,446**	**-301**	**0**	**-1,399**
Other received loans	-7,006	-6,906	0	0	-99	-16,461	-16,455	0	0	-6
Gross exposure of balance sheet	**-357,673**	**-355,085**	**0**	**0**	**-2,535**	**-376,599**	**-376,599**	**835**	**0**	**-835**
Sales planned for the next year	67,038	67,038	0	0	0	205,946	192,362	2,624	0	10,960
Purchases planned for the next year	**-31,389**	**-31,389**	**0**	**0**	**0**	**-120,948**	**-120,948**	**0**	**0**	**0**
Gross exposure	**35,649**	**35,649**	**0**	**0**	**0**	**84,997**	**71,413**	**2,624**	**0**	**10,960**
Net exposure	**-322,024**	**-319,436**	**0**	**0**	**-2,535**	**-291,601**	**-305,185**	**3,459**	**0**	**10,125**

Interest rate risk

It has an important effect on the operations since the majority of loans with banks are hired at a variable reference interest rate EURIBOR. The Sava Group manages the interest rate risk centrally and makes use of various mechanisms for managing these types of risks. We have determined a standardised appearance for all companies with banks and a uniform interest policy within the Group, at which the parent company Sava d.d. is the main coordinator of these activities. Suitable derivative financial instruments are used to eliminate risks in connection with interest rate fluctuations. 2.8% of loan indebtedness in the Sava Group is protected by using this type of hedging.

At the end of 2012, Sava d.d. had one financial instrument for hedging against interest rate risk. Its total nominal value amounted to €10.0 million at the end of the year. The fair value of interest rate swap as a difference between receivables and liabilities is negative at the end of the year in the amount of €3,672 thousand (at the end of 2011: €4,823 thousand).

Interest rate risk management by using interest rate swaps

€ in thousands

31/12/2012	Carrying amount	Contracted cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	more than 5 years
Interest rate swaps							
Assets	0	0	0	0	0	0	0
Liabilities	-3,672	-3,672	-400	-400	-1,600	-1,272	0
Total	**-3,672**	**-3,672**	**-400**	**-400**	**-1,600**	**-1,272**	**0**
31/12/2011							
Interest rate swaps							
Assets	128	-128	-128	0	0	0	0
Liabilities	-4,951	-4,951	-654	-450	-2,200	-1,647	0
Total	**-4,823**	**-5,079**	**-782**	**-450**	**-2,200**	**-1,647**	**0**

Solvency risk

In the Sava Group, we manage solvency risk centrally and have a standardised financial policy established. The goal of such organisation is to assure a suitable liquidity of the parent and subsidised companies and enable financing under most favourable conditions for all Sava Group companies. Liquidity risk is managed by various mechanisms at the level of the parent company and subsidiaries. In this year, Sava Group devoted much of its attention to assuring suitable liquidity of all companies, regular settlement of financial liabilities and arranging its relations with the banks – partners.

In 2012, we consistently carry out the activities adopted with the long-term business strategy until 2014. The strategy is based on the restructuring of financial liabilities and determines the activities for divesting of investments, which will result in a lower and, at the same time, sustainable level of indebtedness. All Group's companies carry out measures for improving the operations, through operating costs rationalisations, activities for cash flow strengthening and other measures for increasing the profit from operating business. .

Overview of values associated with solvency risk

€ in thousands

31/12/2012	Carrying amount	Contracted cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	more than 5 years
Non derivative financial liabilities	**360,225**	**-365,968**	**-296,799**	**-7,508**	**-49,258**	**-9,493**	**-2,911**
Insured bank loans (excluding associates)	220,479	-221,902	-194,829	-5,163	-10,562	-8,436	-2,911
Trade payables and other liabilities	18,418	-18,399	-18,399	0	0	0	0
Loans from associated companies	87,807	-88,451	-82,165	-1,192	-4,037	-1,057	0
Bonds	26,515	-30,196	-946	-962	-28,288	0	0
Other financial liabilities	7,006	-7,021	-459	-191	-6,371	0	0
Liabilities from financial leasing	0	0	0	0	0	0	0
Financial liabilities performed	0	0	0	0	0	0	0
Interest rate swaps used as risk hedging instruments	**3,672**	**-3,672**	**-400**	**-400**	**-1,600**	**-1,272**	**0**
Interest rate swaps used as risk hedging instruments	3,672	-3,672	-400	-400	-1,600	-1,272	0
Total financial liabilities	**363,897**	**-369,640**	**-297,199**	**-7,908**	**-50,858**	**-10,765**	**-2,911**
31/12/2011							
Non derivative financial liabilities	**397,505**	**-413,018**	**-75,249**	**-267,953**	**-24,539**	**-44,971**	**-305**
Insured bank loans	231,337	-237,605	-37,617	-174,644	-11,588	-13,467	-288
Trade payables and other liabilities	31,147	-31,147	-31,117	-30	0	0	0
Loans from associated companies	92,045	-94,967	-2,877	-85,890	-3,000	-3,200	0
Bonds	26,515	-32,109	-951	-962	-1,908	-28,288	0
Other financial liabilities	16,461	-17,190	-2,687	-6,427	-8,043	-16	-17
Overdrafts on bank accounts	0	0	0	0	0	0	0
Liabilities from financial leasing	0	0	0	0	0	0	0
Financial liabilities performed	**4,951**	**-4,951**	**-654**	**-450**	**-2,200**	**-1,647**	**0**
Interest rate swaps used as risk hedging instruments	4,951	-4,951	-654	-450	-2,200	-1,647	0
Total financial liabilities	**402,456**	**-417,969**	**-75,903**	**-268,403**	**-26,739**	**-46,618**	**-305**

Credit risk

This is reduced by using a standardised policy of monitoring the credit ability of our customers and other business partners. To decrease exposure to this risk we make use of the customer rating system to supervise bad payers and carry out on-going compensations. Certain of the trade receivables in manufacturing and partly also in tourism services are insured with SID - Prva Kreditna Zavarovalnica d.d., Ljubljana. In the real estate business it is not always possible to haveinsurance, therefore the measures for minimising the exposure to credit risk rely on our own customer rating and insurance estimates.

Trade receivables by geographical region

€ in thousands

	Book value	
	31/12/2012	31/12/2011
Slovenia	1,908	5,523
Other EU countries	422	10,966
Other	221	4,417
Total	**2,551**	**20,906**

Balance and movement of value adjustment in trade receivables

€ in thousands

	2012	2011
Initial balance	2,775	3,900
Increase of impairment	809	734
Reversal of impairment	-1,945	-1,859
End balance	**1,639**	**2,775**

Age structure of trade receivables

€ in thousands

	31/12/2012			31/12/2011		
	Gross receivable	Impairment	Net receivable	Gross receivable	Impairment	Net receivable
not past due	1,781	102	1,679	17,030	248	16,782
past due 0 - 30 days	579	201	378	3,053	1	3,052
past due 31 - 120 days	458	0	458	1,000	10	990
past due more than 120 days	1,372	1,336	36	2,598	2,516	82
Total	**4,190**	**1,639**	**2,551**	**23,681**	**2,775**	**20,906**

Sensitivity analysis of financial risk

Sensitivity to interest rate change

In 2012, the Sava Group had the largest part of hired loans tied to a reference interest rate 3-month and 6-month EURIBOR. In 2012, the reference interest rates were at extremely low levels which mirror the general economic situation in Europe.

The movement of future interest rates will be in strong relation to the economic situation in the Euro Zone.

For 2012, the levels of reference interest rates in the Euro zone are not expected to rise; however, the sensitivity of a loan portfolio in the case of the changed interest rates is still high. Considering the indebtedness of the Sava Group at the end of 2012, the annual interest expense would change by €1,785 thousand if interest rate increased by 50 basis points.

	31/12/2012	31/12/2011	Highest value	Lowest value	Mean value	Daily standard deviation	Coefficient of variance
3-month EURIBOR	0.19 %	1.32 %	1.34 %	0.18 %	0.57 %	1.12 %	50.9 %
6-month EURIBOR	0.32 %	1.62 %	1.61 %	0.32 %	0.83 %	0.75 %	110.7 %

Sensitivity to enhanced indebtedness

At the end 2012, the Sava Group had short- and long-term financial liabilities with the banking system in the amount of €356.9 million. If the Sava Group contracted additional debts of €10 million, the interest expense with regard to the average interest rate as valid at the end of 2012, would increase by €526 thousand.

1.3.39. Fair values of financial instruments

Sensitivity to exchange rate change

Sava Group companies have the majority of inflows and outflows mutually balanced and the majority of assets are tied to the domestic currency. For this reason, the company is not strongly exposed to exchange rate changes.

Fair values of financial instruments

€ in thousands

	31/12/2012	31/12/2012	2011	2011
	Book value	Fair value	Book value	Fair value
Securities available for sale	36,582	36,582	41,177	41,177
Assets available for sale	102,937	102,937	32,348	32,348
Long-term receivables – financial leasing	0	0	0	0
Other short-term receivables	10	10	384	384
Short-term receivables	7,863	7,863	26,768	26,768
Derivative financial instruments – interest rate swap	0	0	128	128
Granted loans	19,500	19,500	20,224	20,224
Cash and cash equivalents	551	551	10,649	10,649
Long-term loans at a fixed interest rate	-6,194	-6,188	-8,329	-8,433
Long-term loans - issued bonds at fixed interest rate	-26,515	-22,538	-26,515	-25,967
Long-term loans at a variable interest rate	-25,031	-25,031	-27,656	-27,656
Liabilities available for sale	33,197	33,197	-17,898	-17,898
Long-term operating liabilities	0	0	-42	-42
Short-term loans	-283,356	-283,356	-303,143	-303,143
Derivative financial instruments – interest rate swap	-3,673	-3,673	-4,951	-4,951
Liabilities for dividends	-709	-709	-715	-715
Short-term operating liabilities	18,418	18,418	-31,105	-31,105

The hierarchy of fair values

The financial instruments valued at fair value are classified at three levels:

- Level 1: Assets and liabilities at stock exchange price at 31/12.
- Level 2: Assets and liabilities not classified at level 1, their value being determined directly or indirectly on the basis of the market data.
- Level 3: Assets and liabilities whose value cannot be ascertained from the market data.

Classification of financial instruments with regard to the calculation of their fair value

€ in thousands

	31/12/2012				31/12/2011			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Securities available for sale	36,582	4,683	25,874	6,025	41,177	4,163	25,124	11,890
Derivative financial instruments - assets	0	0	0	0	128	0	128	0
Derivative financial instruments - liabilities	-3,673	0	-3,673	0	-4,951	0	-4,951	0
Total	**32,909**	**4,683**	**22,201**	**6,025**	**36,354**	**4,163**	**20,301**	**11,890**

1.3.40. Contingent liabilities

At 31/12/2012, the Sava Group had contingent liabilities in the amount of €341 thousand, whereas in the past year they amounted to €490 thousand. Denationalisation claims are explained under item 1.3.43.

1.3.41. Related parties

Related parties include subsidiaries and associates, members of supervisory boards, management board of the parent company and Group's subsidiaries and their closer family members.

a) Relations with subsidiaries

Business relations between Sava Group companies mainly refer to the provided services, which include rent of property and equipment, use of trademark, and services provided by the professional services.

Business among related parties is performed under the same conditions as valid in an ordinary arm's length transaction.

For loans of subsidiaries obtained from banks, which in the consolidated financial statements are shown as liabilities towards banks, the guarantees were issued by Sava d.d., which at 31/12/2012 amounted to €5,321 thousand, and 9,298 shares of Gorenjska Banka d.d. were pledged in the value of €5,467 thousand, as well as 251,566 shares of Merkur d.d. which show zero book value. In accordance with IFRS 4, the issued guarantees are considered insurance contracts.

b) Relations with the associated companies

Gorenjska Banka d.d., Kranj

Ownership of the Sava share

	2012	2011
Number of Sava d.d. shares owned by Gorenjska Banka d.d.	56,475	56,475
Ownership stake of Gorenjska Banka in Sava d.d.	2.81 %	2.81 %

The companies in the Sava Group raise loans with Gorenjska Banka d.d. Terms and conditions for these transactions equal those effective for other companies with a similar rating.

Overview of transactions made with Gorenjska Banka d.d.

€ in thousands

	31/12/2012	31/12/2011
Balance of received loans at 01/01	**38,564**	**37,717**
Hiring new loans	7,242	20,825
Repayment of loans	-4,743	-19,978
Revaluation of foreign currency loans	0	0
Final balance of received loans	**41,063**	**38,564**
Final balance of made deposits	**3,012**	**0**

Various interest rates are paid on loans obtained from Gorenjska Banka d.d.: 3-month EURIBOR + 4.90%, 6-month EURIBOR + 2.5% and the fixed interest rate from 5.20%, 5.30% and 5.50%. The deposit bears interest of 0.6% to 3.2%.

Other transactions with Gorenjska Banka d.d.

- Operating receivables due from Gorenjska Banka d.d. amount to €10 thousand (€2 thousand in 2011).
- The balance of short-term operating liabilities from interest to Gorenjska Banka d.d. amounts to €437 thousand (€500 thousand in 2011).
- In doing business with Gorenjska Banka d.d. in 2012, financial revenues were generated in the amount of €16 thousand (€20 thousand in 2011), and interest expenses of €2,214 thousand (€2,316 thousand in 2011).

Maksima Invest d.d. – under receivership , Ljubljana

At the end of 2011, the balance of received loans amounted to €121 thousand. In 2012, loans of additional €5 thousand were received, total amount of €126 thousand was then settled in full amount.

Abanka Vipa d.d., Ljubljana

The companies in the Sava Group raise loans with Abanka Vipa d.d. Terms and conditions for these transactions equal those effective for other companies with a similar rating.

Overview of transactions made with Abanka Vipa d.d.

€ in thousands

	31/12/2012	31/12/2011
Balance of received loans at 01/01	**53,360**	**53,828**
Hiring new loans	15,544	58,644
Repayment of loans	-17,110	-59,112
Revaluation of foreign currency loans	0	0
Final balance of received loans	**51,794**	**53,360**
Final balance of made deposits	**0**	**2,276**

Various interest rates are charged on loans obtained from Abanka Vipa d.d.: 3 – month EURIBOR + 2.5%, 6-month EURIBOR + 2.5% and 3-month EURIBOR + 4.5%, and the fixed interest rates of 5.60%, 5.80% and 7%. In 2011, the deposit brought interest of 1.2%

Other transactions with Abanka Vipa d.d.

- The balance of short-term operating liabilities from interest to Abanka Vipa d.d. amounted to €204 thousand at 31/12/2012 (€241 thousand at in 2011).
- In doing business with Abanka Vipa d.d. in 2012 interest expenses amounted to €2,610 thousand (€2,604 thousand in 2011).

NFD Holding d.d., Ljubljana

At 31/12/2012, the receivable due from NFD Holding d.d. from the granted loans amounted to €21,780 thousand (in 2011: €22,374 thousand). Operating receivables from the imputed interests at 31/12/2012 were shown in the amount of €1,687 thousand (in 2011: €899 thousand). Interest revenues amounted to €1,540 thousand in 2012 (in 2011: €1,579 thousand), financial revenues from operating receivables amounted to €4 thousand in 2012 (in 2011: €49 thousand).

c) Relations with natural persons

Related natural persons own 447 shares in the parent company Sava d.d., which represents 0.022% of ownership.

Ownership of the Sava share at 31/12/2012

	No. of shares	Stake in capital
Management Board members of Sava d.d.	246	0.012 %
Closer family members of Sava d.d. Board members	0	0.000 %
Sava d.d. Supervisory Board members	21	0.001 %
Managers in subsidiaries	180	0.009 %
Supervisory Board members in subsidiaries	0	0.012 %
Total	**447**	**0.022 %**

Gross emoluments in 2012

€ in thousands

	31/12/2012	31/12/2011
Board members and members of management in Group companies	2,172	3,113
Other employees with managerial contracts in Group companies	10,791	9,246
Supervisory Board members in Group companies	182	169

The name list including the emoluments of the Management Board members of Sava d.d. is disclosed under 2.5.7. - Related parties in the financial report for Sava d.d.

1.3.42. Disclosure of business with auditors

€ in thousands

	2012	2011
Cost of auditing the annual report	116	151
Cost of other auditing services	4	11
Cost of tax consulting	0	0
Other non-auditing services	0	1
Total	**120**	**163**

Receivables of Group's companies due from the related natural persons

v 000 EUR

	31.12.2012	31.12.2011
Members of Management Board and management teams in the Group	0	67
Other employees acc. to individual employment contracts in Group's companies	0	4
Members of Supervisory Boards of the Group	0	0

The receivables of 2011 referred to the loans granted to employees for flats. The loans were approved at the valid market interest rate on the day of loan approval. Investicijsko podjetje d.o.o. was sold in 2012.

At 31/12/2012, the Sava Group companies show liabilities to the related persons only from regular monthly salary for December 2012, paid in January 2013. The amount does not deviate from the usual interim monthly payments.

The emoluments of the Management Board of Sava d.d. are disclosed in the financial part of Sava d.d.' annual report under 2.5.7.in detail.

1.3.43. Explanations in connection with denationalisation claims

Denationalisation claim in the company Sava Turizem d.d.

a) Denationalisation claim – Höhn - Šarič

Health resort Radenci is one of the parties in the Höhn-Šarič denationalisation procedure. The applicants of the denationalisation claim require a part of the property within the health resort to be returned. Until 2009, the question of granting citizenship to one of the applicants was processed, and for one applicant the procedure of granting citizenship is still underway.

On the basis of a proposal for issuance of a temporary order, the property which is the subject of the procedure, was separated out from the ownership restructuring of the company until the denationalisation procedure is finished, therefore Sava Turizem d.d. keeps this property under off-balance.

In December 2011, the competent administrative body issued an order on interruption of denationalisation procedure until the final decision of non-litigious proceedings in progress in the Novo Mesto Local Court is issued. Due to the complexity of legal and actual issues, the outcome of denationalisation procedure cannot be predicted in this phase, which is why any future liabilities of the company arising thereof cannot be estimated.

In years past, the health resort Radenci entirely renovated one of its facilities, which is subject to a denationalisation procedure. This facility was excluded from the ownership restructuring until the completion of the denationalisation procedure. The company management estimates that once the procedure is complete, it will repurchase the remaining part of the property.

b) Denationalisation claim – Mayer

The subject of the denationalisation claim is land and a park around Hotel Savica in Bled measuring 8,084 sq m. As proposed by the denationalisation claimant, the court issued two temporary orders to interdict any change of the actual and legal status of the real estate and disposing of it or encumber it until the denationalisation claim is complete.

The District Court issued an interim order which determined that the property is not privatised, therefore the company is liable for returning it back inkind. After the company filed a complaint in court, the Higher Court rejected the claim by the denationalisation claimant who then appealed for a review, on the basis of which the Supreme Court annulled the resolution and returned the matter to the Court of First Instance. In a repeated procedure, the court partly stopped the procedure and annulled the insurance on real estates, on which insurance was imposed in 1992 and 2005, but later they were no longer subject of returning in kind.

A partial decision was issued in this matter, on the basis of which the courtly partly granted the claim and returned part of the land 753, 752/1 and 751/1 k.o. Želeče in kind, and partly it rejected the claim. As both parties made an appeal, the partial decision is not final yet.

In company's opinion, this property forms a whole with the hotel Savica, therefore returning it in kind is not possible. In this case, the denationalisation claimant would have the possibility to obtain the shares, which for this purpose are reserved at the DSU.

c) Denationalisation claim – Dermastja

The subject of the denationalisation claim is a one third stake in the old Park hotel. The temporary order was filed in after the term expiration, therefore a temporary order was not issued, and the administrative body decided that claimants were not entitled to returning ownership stake in kind. The claimant, and claimants who subsequently entered a dispute, filed in a complaint against the resolution concerning the privatisationat the Administrative Court, which rejected it. The complaint was then filed at the Supreme Court, which has not yet made a decision regarding this matter. The Management Board of the company estimates that the claimants will fail in their litigation procedure.

1.3.44. Events after the balance sheet date

The events that appeared after the balance sheet date are described in the business part of the annual report. These events are not of such nature that they would require any adjustments in the consolidated financial statements. However, the events in connection with the procedure and realisation of sale of Rubber Manufacturing companies with the Foreign Trade Network, the realisation of selling the hotel real property (within the Sava Group), and in connection with the call option are separately disclosed. The explanations are given under item 2.5.9 of the financial report for Sava d.d.

1.4. Statement of Management Responsibility for the Sava Group

The Management Board confirms the consolidated financial statements of the Sava Group for the year ending on 31 December 2012.

The Management Board confirms that when drawing up the consolidated financial statements the corresponding accounting policies were consistently applied, and that the consolidated report gives a true and fair view of the company's assets and operating results for 2012.

Kranj, 19 March 2013

The Management Board is responsible for the proper managing of its accounting procedures, establishing, operation and maintaining internal control in relation to the preparation and fair presentation of the financial statements, which do not contain any material misstatements originating from fraud or error, and for adopting suitable measures to secure assets and other funds. The Management Board confirms herewith that the financial statements and the notes have been produced on the going concern presumption of the companies within the Group and in accordance with the valid legislation and International Financial Reporting Standards as adopted by the European Union.

Matej Narat, MSc
President of the Management Board

Miha Resman
Member of the Management Board

Andrej Andoljšek
Member of the Management Board

1.5. Independent auditor`s report for the Sava Group

Deloitte.

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20 let v Sloveniji

INDEPENDENT AUDITOR'S REPORT
to the owners of SAVA, d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the company SAVA, d.d. and its subsidiaries (» the Group«), which comprise the statement of financial position as at 31 December 2012, and the income statement, statement of other 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 EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Member of Deloitte Touche Tohmatsu Limited

Basis for qualified opinion

a) *Discontinued operations*

In its consolidated income statement the Group did not present discontinued operations separately from continued operations as required by IFRS 5 – Noncurrent assets held for sale and discontinued operations.

b) *Limitation on scope – investments in associates*

As disclosed in note *1.2. Structure of the Sava Group and data on subsidiaries and associates for 2012* to the consolidated financial statements, the Group did not disclose information on associates as required by MRS 28 – Investments in Associates. Since the information related to the movement of the equity of the associates is not available, the Group did not use equity method for the measurement of investments in associates in its consolidated financial statements. Instead, the investments were impaired to their recoverable amount. Since the financial statements of the associates were not available we were not able to satisfy ourselves as to the potential effects arising out of equity method.

Qualified opinion

In our opinion, except for the potential effects of the matter referred to in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2012, and its operating results and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Emphases of Matter

a) Going Concern

Without qualifying our opinion, we draw attention to Note 1.3.5 to the consolidated financial statements which indicates that the Group is exposed to high credit risk, liquidity risk and fair value risk. The Group has recurring losses and as of 31.12.2012 its current liabilities exceeded its total assets by EUR 212,324 thousand as of 31 December 2012. These conditions, along with other matters as set forth in Note 1.3.5 and Note 10 of the business report, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The management plans related to the aforementioned risk are disclosed in Note 1.3.5 and Chapter 10 of the business report. The consolidated financial statements do not include any potential adjustments that may have been the consequence of this uncertainty.

b) Denationalization claims

As discussed in Note *1.3.43.* to the consolidated financial statements, the Group has been a subject of various denationalization claims. Since it is not possible to estimate the future liability nor it is possible to project the probability of the liability being settled, the conditions for recognition of provisions have not been met. It is expected that the process of resolving these claims will be long-lasting and that the claims may have a material impact on future operations of the subsidiary. The financial statements do not include potential adjustments that may have been the consequence of this uncertainty, as discussed in detail in Note *1.3.43*.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements:

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

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Auditor

Yuri Sidorovich Certified
President of the Board

For signature please refer to the original Slovenian version.

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

Ljubljana, 19 March 2013

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

Sava d.d.

2.

Financial statements of Sava d.d. with notes in accordance with Slovene Accounting Standards

2.1. Financial statements of Sava d.d. in accordance with Slovene Accounting Standards

Balance sheet of the company Sava d.d. at 31/12/2012

€ in thousands

	Notes	31/12/2012	31/12/2011
ASSETS			
A. FIXED ASSETS		**272,111**	**366,642**
I. INTANGIBLE FIXED ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	**2.4.1.**	**19**	**141**
1. Long-term industrial property rights		19	141
2. Goodwill		0	0
3. Advances for intangible fixed assets		0	0
4. Long-term deferred development costs		0	0
5. Other long-term deferred costs and accrued revenues		0	0
II. TANGIBLE FIXED ASSETS	**2.4.2.**	**169**	**153**
1. Land and buildings		0	0
a) Land		0	0
b) Buildings		0	0
2. Plant and machinery		82	151
3. Other equipment		87	2
4. Tangible fixed assets under construction		0	0
a) Tangible fixed assets under construction and manufacture		0	0
b) Advances for tangible fixed assets		0	0
III. INVESTMENT PROPERTY	**2.4.3.**	**14,877**	**15,127**
1. Leased to subsidiaries		10,280	8,771
2. Leased to other companies		4,242	4,304
3. Not leased		355	2,052
IV. LONG-TERM FINANCIAL INVESTMENTS	**2.4.4.**	**236,367**	**326,093**
1. Long-term financial investments except loans		233,208	322,833
a) Shares and stakes in Group's companies		97,400	156,694
b) Shares and stakes in associates		99,301	125,009
c) Other shares and stakes		36,507	41,130
d) Other long-term financial investments		0	0
2. Long-term loans		3,159	3,260
a) Long-term loans to companies in the Group		3,159	3,260
b) Long-term loans to other entities		0	0
c) Long-term unpaid called-up capital		0	0

€ in thousands

V. LONG-TERM OPERATING RECEIVABLES	**2.4.5.**	**10**	**63**
1. Long-term operating receivables to companies in the Group		0	0
2. Long-term operating trade receivables		0	0
3. Long-term receivables to other entities		10	63
VI. DEFERRED TAX RECEIVABLES	**2.4.6.**	**20,669**	**25,065**
B. SHORT-TERM ASSETS		**76,145**	**43,282**
I. ASSETS (GROUPS FOR DISPOSAL) FOR SALE	**2.4.7.**	**58,402**	**22,145**
II. INVENTORIES		**0**	**0**
1. Material		0	0
2. Work in process		0	0
3. Products and merchandise		0	0
4. Advances for inventories		0	0
III. SHORT-TERM FINANCIAL INVESTMENTS	**2.4.8.**	**13,136**	**19,554**
1. Short-term financial investments except loans		0	128
a) Shares and stakes in Group's companies		0	0
b) Other shares and stakes		0	0
c) Other short-term financial investments		0	128
2. Short-term loans		13,136	19,426
a) Short-term loans to companies in the Group		459	1,464
b) Short-term loans to other entities		12,677	17,962
c) Short-term unpaid called-in capital		0	0
IV. SHORT-TERM OPERATING RECEIVABLES	**2.4.9.**	**4,604**	**1,582**
1. Short-term operating liabilities to companies in the Group		321	471
2. Short-term trade receivables		59	118
3. Short-term operating receivables to other entities		4,224	993
V. CASH	**2.4.10.**	**3**	**0**
1. Cash on hand and accounts		3	0
2. Short-term deposits		0	0
a) Short-term deposits Group’s companies		0	0
b) Short-term deposits in associates		0	0
c) Short-term deposits in other entities		0	0
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES		**20**	**114**
ASSETS TOTAL		**348,276**	**410,038**

€ in thousands

	Notes	31/12/2012	31/12/2011
LIABILITIES			
A. CAPITAL	2.4.11.	37,729	87,654
CALLED-UP CAPITAL		83,751	83,751
1. Share capital		83,751	83,751
2. Uncalled capital (as a deductible item)		0	0
II. CAPITAL RESERVES		0	0
III. REVENUE RESERVES		0	0
1. Legal reserves		0	0
2. Reserves for treasury shares and own business stakes		4,977	4,977
3. Treasury shares and own business shares (as a deductible item)		-4,977	-4,977
4. Statutory reserves		0	0
5. Other revenue reserves		0	0
IV. SURPLUS FROM REVALUATION		12,288	13,177
- from tangible fixed assets		0	0
- from intangible fixed assets		0	0
- from long-term financial investments		12,288	13,177
- from short-term financial investments		0	0
V. RETAINED NET PROFIT OR LOSS FROM PREVIOUS PERIODS		-9,274	0
VI. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR		-49,036	-9,274
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	2.4.13.	122	332
1. Provisions for pensions and similar liabilities		122	332
2. Other provisions		0	0
3. Long-term accrued costs and deferred revenues		0	0

€ in thousands

	Notes	31/12/2012	31/12/2011
C. LONG-TERM LIABILITIES	**2.4.14.**	**38,361**	**43,990**
I. LONG-TERM FINANCIAL LIABILITIES		**37,078**	**42,296**
1. Long-term financial liabilities to Group's companies		0	25
2. Long-term financial liabilities to banks		4,540	7,756
3. Long-term financial liabilities arising from bonds		26,515	26,515
4. Other long-term financial liabilities		6,023	8,000
II. LONG-TERM OPERATING LIABILITIES		**0**	**0**
1. Long-term operating liabilities to Group's companies		0	0
2. Long-term trade payables		0	0
3. Long-term bills payables		0	0
4. Long-term operating liabilities arising from advances		0	0
5. Other long-term operating liabilities		0	0
III. DEFERRED TAX LIABILITIES		**1,283**	**1,694**
D. SHORT-TERM LIABILITIES	**2.4.15.**	**270,653**	**276,827**
I. LIABILITIES INCLUDED IN GROUPS FOR DISPOSAL		**0**	**0**
II. SHORT-TERM FINANCIAL LIABILITIES		**261,442**	**267,035**
1. Short-term financial liabilities to Group's companies		9,930	12,362
2. Short-term financial liabilities to banks		247,130	242,892
3. Short-term liabilities arising from bonds		0	0
4. Other short-term financial liabilities		4,382	11,781
III. SHORT-TERM OPERATING LIABILITIES		**9,211**	**9,792**
1. Short-term operating liabilities to Group's companies		98	129
2. Short-term trade payables		444	281
3. Short-term bills payables		0	0
4. Short-term operating liabilities arising from advances		30	57
5. Other short-term operating liabilities		8,639	9,325
E. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES	**2.4.16.**	**1,410**	**1,235**
TOTAL LIABILITIES		**348,276**	**410,038**

The notes form an integral part of these financial statements.

Income statement of the company Sava d.d. for the period January-December 2012

€ in thousands

	Notes	2012	2011
1. NET SALES REVENUES	**2.4.17.**	**3,130**	**5,511**
a) Revenues in domestic market		3,105	5,509
To companies in the Group		2,515	4,450
To associates		0	0
To others		590	1,059
b) Revenues in foreign market		25	2
To companies in the Group		25	2
To associates		0	0
To others		0	0
2. CHANGE IN THE VALUE OF INVENTORIES OF PRODUCTS AND WORK IN PROGRESS		**0**	**0**
3. CAPITALISED OWN PRODUCTS AND SERVICES		**0**	**0**
4. OTHER OPERATING REVENUES (with operating revenues from revaluation adjustment)	**2.4.18.**	**491**	**21**
5. COSTS OF MERCHANDISE, MATERIALS AND SERVICES	**2.4.20.**	**-3,294**	**-4,695**
a) Cost of merchandise and material sold and cost of material used		-74	-242
b) Cost of services		-3,220	-4,453
6. LABOUR COSTS	**2.4.21.**	**-2,838**	**-3,482**
a) Salaries and wages		-2,310	-2,407
b) Social security cost (pension insurance cost shown separately)		-369	-445
- Social security cost		-151	-180
- Pension insurance cost		-218	-265
c) Other labour cost		-159	-630
7. AMORTISATION AND DEPRECIATION EXPENSE, WRITE-OFFS	**2.4.22.**	**-297**	**-822**
a) Amortisation		-261	-766
b) Operating expenses from revaluation of intangible and tangible fixed assets		-1	-4
c) Operating expenses from revaluation of current assets		-35	-52
8. OTHER OPERATING EXPENSES	**2.4.23.**	**-51**	**-486**
9. OPERATING PROFIT		**-2,859**	**-3,953**
10. FINANCIAL REVENUES FROM SHARES	**2.4.24.**	**8,784**	**14,593**
a) Financial revenues from shares in Group's companies		7,900	988
b) Financial revenues from shares in associates		0	11,053
c) Financial revenues from shares in other companies		884	2,552
d) Financial revenues from other investments		0	0
11. FINANCIAL REVENUES FROM GRANTED LOANS	**2.4.25.**	**2,010**	**2,645**
a) Financial revenues from loans granted to Group's companies		324	728
b) Financial revenues from loans granted to other entities		1,686	1,917
12. FINANCIAL REVENUES FROM OPERATING RECEIVABLES	**2.4.26.**	**3**	**17**
a) Financial revenues from operating receivables due from Group's companies		0	6
b) Financial revenues from operating receivables due from other entities		3	11
13. FINANCIAL EXPENSES FROM IMPAIRMENT AND WRITE-OFFS IN FINANCIAL INVESTMENTS	**2.4.27.**	**-34,697**	**-159,763**

€ in thousands

	Notes	2012	2011
14. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	**2.4.28.**	**-17,893**	**-25,011**
a) Financial expenses from borrowings obtained from Group's companies		-593	-879
b) Financial expenses from borrowings obtained from banks		-14,596	-15,271
c) Financial expenses from issued bonds		-1,910	-1,908
d) Financial expenses from other financial liabilities		-794	-6,953
15. FINANCIAL EXPENSES FROM OPERATING LIABILITIES		**0**	**-7**
a) Financial expenses from operating liabilities due to Group's companies		0	0
b) Financial expenses from trade payables and bill payables		0	0
c) Financial expenses from other operating liabilities		0	-7
16. OTHER REVENUES	**2.4.29.**	**7**	**806**
17. OTHER EXPENSES	**2.4.29.**	**-15**	**-4**
18. TAX ON PROFIT		**0**	**0**
19. DEFERRED TAXES	**2.4.30.**	**-4,376**	**14,551**
20. NET PROFIT / LOSS FOR THE FINANCIAL YEAR		**-49,036**	**-156,126**

The notes form an integral part of these financial statements.

Statement of other comprehensive income of Sava d.d. for the period January-December 2012

€ in thousands

	2012	2011
Net loss for the period	**-49,036**	**-156,126**
Other comprehensive income:	**0**	**0**
- foreign currency translation differences	0	0
- loss on hedge of net investment in foreign operation	0	0
- revaluation of property, plant and equipment	0	0
- effective portion of changes in fair value of cash flow hedges	0	959
- change in fair value of cash flow hedges transferred to profit or loss	0	0
- change in fair value of available-for-sale financial assets	1,793	6,323
- deferred tax from change in fair value of available-for-sale financial assets	-274	-868
- change in fair value of investments in associated companies	0	0
- change in fair value of available-for-sale financial assets transferred to profit or loss	-3,072	-2,356
- deferred tax from a change in fair value of available-for-sale financial assets transferred to profit or loss	385	599
- defined benefit plan actuarial gains / losses	0	0
- deferred tax	279	0
Other comprehensive income for the period, net of income tax in the period	**-889**	**4,658**
Total comprehensive income for the period	**-49,925**	**-151,468**

Cash flow statement of Sava d.d. for the period January-December 2012

€ in thousands

	2012	2011
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a) Net profit / loss for the financial year	**-49,036**	**-156,126**
Pre-tax profit / loss	-44,660	-170,677
Profit tax and other taxes	-4,376	14,551
b) Adjustments for:	**41,798**	**168,422**
Depreciation	261	766
Operating revenues from revaluation in connection with items of investing and financing activities	-260	0
Operating expenses from revaluation in connection with items of investing and financing activities	1	120
Financial revenues excluding financial revenues from operating receivables	-10,794	-17,238
Financial expenses excluding financial expenses from operating liabilities	52,590	184,774
c) Change in net current assets (and accruals, deferrals, provisions and deferred tax receivables and liabilities) balance sheet items	**2,646**	**-11,798**
Opening minus closing operating receivables	-1,709	-1,920
Opening minus closing deferred costs and accrued revenues	94	-3
Opening minus closing deferred tax receivables	4,396	-13,623
Opening minus closing assets (groups for disposal) for sale	0	0
Opening minus closing inventories	0	0
Closing minus opening operating liabilities	1,198	-1,144
Closing minus opening accrued costs and deferred revenues and provisions	-35	997
Closing minus opening tax liabilities	-1,299	3,895
d) Surplus in inflows from operating activities or surplus of outflows from operating activities	**-4,592**	**498**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a) Inflows from investing activities	**39,969**	**42,521**
Revenues from received interests and shares in profit in relation to investing activities	9,260	15,149
Revenues from disposal of intangible fixed assets	141	0
Revenues from disposal of tangible fixed assets	84	3
Revenues from disposal of investment property	260	0
Revenues from disposal of long-term financial investments	10,457	9,439
Revenues from disposal of short-term financial investments	19,767	17,930
b) Outflows from investing activities	**-18,589**	**-21,103**
Expenses for purchase of intangible fixed assets	-19	-14
Expenses for purchase of tangible fixed assets	-112	-63
Expenses for purchase of investment properties	0	0
Expenses for purchase of long-term financial investments	-1,180	-2,357
Expenses for purchase of short-term financial investments	-17,278	-18,669
c) Surplus in inflows from investing activities or surplus in outflows from investing activities	**21,380**	**21,418**

€ in thousands

	2012	2011
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a) Inflows from financing activities	**24,583**	**102,814**
Revenues from paid-in capital	0	0
Revenues from increase in long-term financial liabilities	23	8,000
Revenues from increase in short-term financial liabilities	24,559	94,813
b) Outflows from financing activities	**-41,368**	**-124,731**
Expenses for interests related to financing	-20,525	-24,819
Expenses for return of capital	0	0
Expenses for repayment of long-term financial liabilities	0	-10,050
Expenses for repayment of short-term financial liabilities	-20,843	-89,853
Expenses for payment of dividends and other shares in profit	0	-9
c) Surplus in inflows from financing activities or surplus in expenses from financing activities	**-16,785**	**-21,918**
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3**	**0**
a) Net increase in cash and cash equivalents	**3**	**-2**
b) Cash and cash equivalents at beginning of period	**0**	**2**

Statement of changes in equity of Sava d.d. for the period from 31/12/2011 to 31/12/2012

€ in thousands

	Called up capital I		Capital reserves II	Revenue reserves III					Revaluation reserve IV	Retained net profit/loss from previous periods V		Net profit/loss for the financial year VI		
	Share capital	Uncalled capital (as deductible item)	Capital reserves	Legal reserves	Reserve for treasury shares and own business stakes	Treasury shares and own business stakes (as deductible item)	Statutory reserves	Other revenue reserves	Revaluation reserves	Retained net profit	Retained net loss	Net profit for the financial year	Net loss for the financial year	Total capital
	I/1	I/2	II	III/1	III/2	III/3	III/4	III/5	IV	V/1	V/2	VI/1	VI/2	
A.1. BALANCE AT 31/12/2011	83,751	0	0	0	4,977	-4,977	0	0	13,177	0	0	0	-9,274	87,654
a) Retroactive recalculation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b) Retroactive adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
A.2. INITIAL BALANCE 01/01/2012	83,751	0	0	0	4,977	-4,977	0	0	13,177	0	0	0	-9,274	87,654
B.1. Changes in equity - transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.2. Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-889**	**0**	**0**	**0**	**-49,036**	**-49,925**
a) Entry of net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	0	0	-49,036	-49,036
d) Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	0	0	1,793	0	0	0	0	1,793
e) Deferred tax from a change in fair value of available for-sale financial assets	0	0	0	0	0	0	0	0	-274	0	0	0	0	-274
f) Change in fair value of available-for-sale financial assets to be transferred to profit or loss	0	0	0	0	0	0	0	0	-3,072	0	0	0	0	-3,072
g) Deferred tax from a change in fair value of available-for-sales financial assets to be transferred to profit or loss	0	0	0	0	0	0	0	0	385	0	0	0	0	385
h) Other components of comprehensive income for the period	0	0	0	0	0	0	0	0	279	0	0	0	0	279
B.3. Changes within equity	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-9,274**	**0**	**9,274**	**0**
a) Allocation of the remaining net profit part for the comparative period to other capital components	0	0	0	0	0	0	0	0	0	0	-9,274	0	9,274	0
C. END BALANCE 31/12/2012	83,751	0	0	0	4,977	-4,977	0	0	12,288	0	-9,274	0	-49,036	37,729

Statement of changes in equity of Sava d.d. for the period from 31/12/2010 to 31/12/2011

€ in thousands

	Called up capital I		Capital reserves II	Revenue reserves III					Revaluation reserve IV	Retained net profit/loss from previous periods V		Net profit/loss for the financial year VI		
	Share capital	Uncalled capital (as deductible item)	Capital reserves	Legal reserves	Reserve for treasury shares and own business stakes	Treasury shares and own business stakes (as deductible item)	Statutory reserves	Other revenue reserves	Revaluation reserves	Retained net profit	Retained net loss	Net profit for the financial year	Net loss for the financial year	Total capital
	I/1	I/2	II	III/1	III/2	III/3	III/4	III/5	IV	V/1	V/2	VI/1	VI/2	
A.1. BALANCE AT 31/12/2010	83,751	0	125,608	7,182	4,977	-4,977	0	7,532	8,519	6,530	0	0	0	239,122
A.2. INITIAL BALANCE 01/01/2011	83,751	0	125,608	7,182	4,977	-4,977	0	7,532	8,519	6,530	0	0	0	239,122
B.1. Changes in equity - transactions with owners	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B.2. Total comprehensive income for the period	0	0	0	0	0	0	0	0	4,658	0	0	0	-156,126	-151,468
a) Entry of net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	0	0	-156,126	-156,126
č) Effective portion of changes in fair value of cash flow hedges	0	0	0	0	0	0	0	0	959	0	0	0	0	959
d) Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	0	0	6,323	0	0	0	0	6,323
e) Deferred tax from a change in fair value of available for-sale financial assets	0	0	0	0	0	0	0	0	-868	0	0	0	0	-868
f) Change in fair value of available-for-sale financial assets to be transferred to profit or loss	0	0	0	0	0	0	0	0	-2,356	0	0	0	0	-2,356
g) Deferred tax from a change in fair value of available-for-sale financial assets to be transferred to profit or loss	0	0	0	0	0	0	0	0	599	0	0	0	0	599
B.3. Changes within equity	0	0	-125,608	-7,182	0	0	0	-7,532	0	-6,530	0	0	146,852	0
č) Settling loss as deductible capital item	0	0	-125,608	-7,182	0	0	0	-7,532	0	-6,530	0	0	146,852	0
C. END BALANCE 31/12/2011	83,751	0	0	0	4,977	-4,977	0	0	13,177	0	0	0	-9,274	87,654

Calculation of the accumulated loss for the company Sava d.d. at 31/12/2012

€ in thousands

	2012	2011
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	-49,036	-156,126
Retained profit / loss at 01/01	-9,274	6,530
Decrease due to payment of dividends/stakes	0	0
Decrease / reversal of capital reserves	0	125,608
Decrease (reversal) of revenue reserves	0	7,532
Increase (additional allocation) of revenue reserves	0	0
Other changes	0	7,182
Accumulated loss at 31/12	-58,310	-9,274

2.2. Notes to the financial statements of Sava d.d.

2.2.1. Basis for drawing the financial statements

Reporting company

Sava d.d., Družba za Upravljanje in Financiranje, Škofjeloška Cesta 6, 4000 Kranj, is the controlling company of the Sava Group. The financial statements of Sava d.d. have been drawn up for the period that ended on 31 December 2012. The ownership structure of Sava d.d. is explained in the chapter about the Sava share and ownership structure, which forms a part of the business annual report.

The annual report can be accessed on the company's website at www.sava.si.

Statement of compliance

The financial statements have been prepared in accordance with Slovene Accounting Standards, which had been issued by the Slovene Institute of Auditors.

The Management Board approved the issue of financial statements on 19 March 2013.

Functional currency

The financial statements are presented in Euro, which as of 1 January 2007 has been the functional currency of the company. The financial information is presented in Euro, rounded to one thousand units. When adding together, minor differences can appear due to rounding up.

Changes in accounting policies

In 2012, there were no changes in the accounting policies.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the reference exchange rate of the ECB ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the reference exchange rate of the ECB ruling at last day of the accounting period. Foreign exchange gains/losses present differences between the repayment value in functional currency at the beginning of the period adjusted by the amount of effective interest and payments during the period and the repayment value in foreign currency calculated at the reference exchange rate of ECB at the period end. Foreign exchange losses/gains are recognised in the income statement.

Non-monetary assets and liabilities that are stated at original value in foreign currency are translated to functional currency at the reference exchange rate of the ECB ruling at the transaction date. Non-monetary items and liabilities shown in foreign currency and measured at fair value are translated to Euro at the reference exchange rate of ECB ruling at the day when fair value is determined.

Foreign exchange losses/gains are recognised in the income statement.

2.2.2. Significant accounting policies

Intangible assets

Intangible fixed assets have their useful lives defined. They are measured at cost less depreciation adjustment and accumulated losses due to impairment.

Cost also includes import and non-refundable purchasing taxes, as well as interest on loans for acquisition of an intangible fixed asset until it is put in service for use.

Tangible fixed assets

Tangible fixed assets are measured at cost less depreciation adjustment and accumulated loss due to impairment.

At initial recognition a tangible fixed asset is valued at cost. The cost includes its purchase expense, import and non-refundable purchasing taxes and expenses which can be attributed directly to its placement in service for the intended use, especially expenses for its transport and installation and estimated cost of its dismantling, removal and restoration. Costs are increased due to the interests on loans for acquiring a tangible fixed asset until it is put in service for use.

Those parts of tangible fixed assets that have different useful lives are calculated as individual fixed assets.

Subsequent expenditures in connection with tangible fixed assets

Subsequent expenditures in connection with a tangible fixed asset increase its cost value if the future economic benefits embodied in the assets are higher than originally estimated.

Repairs of or maintaining tangible fixed assets are intended for renewing or preserving the future economic benefits expected on the basis of the originally estimated level of asset efficiency. They are recognised as expenses when incurred.

Investment property

Investment property is a property which is held either to earn rental income or for capital appreciation or both. Investment property is not intended for the manufacture of products, supply of goods, providing services or for office purposes like tangible fixed assets. Investment property is also not intended for short-term sale.

A property which is built or developed to be used as an investment property in the future is dealt with as an investment property in construction and stated at cost until the completion date when it becomes an investment property.

In cases when a decision should be made as to whether a property is an investment property or a an owner-occupied property, the property is classified as an investment property when more than 20 per cent of the property is used as investment property.

When an investment property becomes owner-occupied, it is reclassified as property, fixtures and fittings.

Investment property is stated at the cost value model less depreciation adjustment and accumulated loss due to impairment.

For the needs of disclosure the fair value of investment properties is ascertained.

Depreciation

The carrying amount of a tangible fixed asset, intangible fixed asset and investment property is decreased through depreciation.

We use the method of depreciation on a straight-line basis considering thereby the useful life of an asset. Land is not depreciated. The remaining value of a tangible fixed asset is not assessed.

Intangible fixed asset, tangible fixed asset and investment property start to be depreciated on the first day of the next month when it is available for use.

The depreciation rates are based on the useful lives of the assets and amount to:

	Current year	Past year
Intangible fixed assets	from 10.0 to 20.0	from 10.0 to 20.0
Buildings	from 2.0 to 5.0	from 2.0 to 5.0
Plant and machinery	from 5.0 to 33.3	from 5.0 to 33.3
Other equipment	from 10.0 to 25.0	from 10.0 to 25.0

The useful lives of investment property equal those valid for property of the same kind which is kept as tangible fixed assets.

Impairment of intangible assets, tangible fixed assets and investment property

At least once a year the company examines the remaining carrying amount of intangible assets, tangible assets and investment property in order to ascertain whether they are impaired. If they are impaired, the recoverable value of the asset is estimated.

Impairment of assets or cash-generating items is recognised when its carrying amount exceeds its recoverable value. A cash-generating unit is the smallest group of assets which generates financial inflowsthat to a great extent do not depend on financial inflows from other assets or groups of assets. Impairment is stated in the income statement. Loss recognised in a cash-generating unit arising from an impairment is allocated to other assets of the unit (group of units) in proportion to the carrying amount of each item in the group.

The recoverable amount of an asset or a cash-generating unit is the greater of their fair values in use or fair value less selling costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Financial investments

In the balance sheet, financial investments are stated as long- and short-term financial investments. Long-term financial investments are those which are in possession for more than one year, and are not held for trading.

Financial investments in capital, proprietary securities of other companies or debtor's securities of other companies or the state as well as approved loans are initially recognised at the cost of purchase, which equals the paid sum of money or its equivalents.

In the financial statements, long-term financial investments in subsidiaries and associates are valued at cost. In the parent company, the associates are valued at cost and checked at least once a year whether there exists an indication for impairment. The impairment estimate is based on the examination of recoverable value, that is examination of the value in use (estimate of discounted cash flows) and fair value; the recoverable value is the higher of both.

With regard to the purpose of their acquisition the investments in debtor and proprietary securities are dealt with as available for sale. They are divided into investments in shares of listed companies, investments in shares and stakes of unlisted companies and investments in mutual funds. These financial instruments are recognised or reversed on the transaction day. The fair value of listed securities available for sale equals the bid price of these shares on the balance sheet date. The fair value of shares and stakes of companies which are not listed is ascertained by checking whether there exists an indication for an impairment.

The fair value of securities available for sale is assessed at least every three months, the last evaluation was carried out on 31 December 2012. The change in fair value is recognised in capital as a revaluation reserve.

If a decrease in the fair value of a financial instrument available for sale was recognised directly as a negative revaluation reserve and there exists impartial evidence that the asset is long-term impaired, the impairment is recognised in the income statement as a financial expense. It is considered that impartial evidence for the examination of a financial investment exists when the fair value of the financial asset on the balance sheet date is 20% lower than the cost value of the financial asset. The examination of the impairment in the financial asset is carried out separately for each investment or group of investments.

The fair value of an interest swap is the estimated amount that the company would receive or pay upon suspending the interest rate swap at the balance sheet date, considering thereby current interest rate and current borrowing power of swap participants.

Receivables

At their initial recognition, the receivables of all types are shown in the amounts that arise from the corresponding documents on condition that they will be paid. The original receivables can later be increased, or irrespective of payment or any other settlement, decreased by every amount, which is proven by an agreement.

The advances in the balance sheet are shown in relation with things they refer to.

Receivables, which are assumed not be settled within the due term and in the total amount, respectively, are considered doubtful and, if a court procedure has already begun, disputable.

The revaluation adjustments in receivables are formed as follows:

- a 100 per cent adjustment in all sued receivables and receivables filed in a bankruptcy proceeding and obligatory enforcement proceeding; and
- a 100 per cent adjustment for receivables which according to the best professional judgement are doubtful and there is a reasonable doubt about the outcome of a possible law suit due to customer insolvency.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on transaction accounts.

Capital

Total capital of a company is its liability towards its owners which falls due if the company discontinues operation. It is determined on the basis of the sums invested by owners, and the sums that appeared during operation and belong to the owners. It is decreased by the loss from operations, repurchased own shares and withdrawals (payments). The total capital comprises share capital, capital reserves, revenue reserves, retained net profit, fair value reserve and own shares as a deductible item.

Long-term and short-term provisions

Provisions are recognised if a company due to a past event has legal or indirect liabilities that can be reliably estimated and it is likely that to settle the liability an outflow of assets which assure economic benefits will be required. The amount of provision is defined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

In accordance with the legal regulations, collective agreement and internal book of rules the company is obliged to pay employee jubilee benefits and retirement amounts, for which it forms long-term provisions in the amount of the estimated future payments of retirement amounts and jubilee bonuses discounted at the balance sheet date. There are no other retirement liabilities.

Provisions for the reorganisation include direct costs of reorganisation and refer to severance pays to the employees in connection with the change in the organisational structure of Sava d.d.

Government grants are recognised in financial statements as deferred revenue when received and there is a reasonable assurance that it will comply with the conditions attaching to it. Grants that compensate for expenses incurred are recognised as revenue on a systematic basis in the same periods in which the expenses are incurred. Grants are strictly recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

Liabilities

Liabilities are either financial or operating, short-term or long-term.

All liabilities are initially recognised with the amounts arising from the corresponding documents about their appearance, which prove the receipt of cash or redemption of any operating liability.

Long-term liabilities are further increased by imputed interests or decreased by repaid amounts and any other settlements, agreed upon with a creditor. The book value of long-term liabilities equals their original value decreased by repayment of the principal and transfers under short-term liabilities until the need for a revaluation adjustment of long-term debts appears.

The book value of short-term liabilities equals their original value adjusted by their increases or decreases as agreed upon with the creditors until the need for their revaluation adjustment appears.

Short-term and long-term liabilities of all kinds are initially shown with the amounts which arise from the corresponding documents on condition that the creditors request their repayment. The liabilities are later increased with imputed yields (interests, other compensations), about which an agreement is made with the creditor. Liabilities are decreased by repaid amounts and any other settlements in agreement with the creditor.

When measuring long-term liabilities the company follows the policy that the interest rate being agreed upon does not considerably differ from the effective interest rate if the difference is not more than one percentage point.

Short-term accruals and deferrals

Short-term accruals and deferrals include receivables and other assets and liabilities that are anticipated to appear within a year and whose appearance is probable and their size reliably estimated. Receivables and liabilities relate to the known and not yet known legal entities or natural persons towards whom actual receivables and debts will then appear, while assets include products and services to their debit.

Deferred costs and accrued revenues include short-term accrued revenues and short-term deferred costs. Accrued costs and deferred revenues include short-term deferred revenues and short-term accrued cost.

Recognition of revenues

Revenues are recognised if the enhancement of economic benefits in the accounting period is connected with an increase in an asset or a decrease in a liability and such an increase could be reliably measured. Revenues are recognised when it is legitimate to expect they will result in earnings if these were not already implemented at their appearance.

Operating revenues

Revenues from services rendered are recognised in the income statement with regard to the level of the completeness of a transaction on the reporting date. The level of completeness is estimated with a survey of the work performed.

Revenues from rents from investment property are recognised in expenses on a straight line basis during the rent period.

Revenues from received subsidies or endowments are measured in amounts that are approved for this purpose.

Operating revenues from revaluation arise upon the disposal of tangible fixed assets, intangible fixed assets and investment property as surpluses of their selling value over their carrying amount.

Financial revenues

Financial revenues include interest revenues from investments, revenues from dividends, revenues from disposal of financial assets available for sale, foreign exchange gains and proceeds from hedging instruments when they are recognised in the income statement. Interest revenues are recognised as they arise by using an effective interest rate method. Revenues from dividends are recognised in the income statement in the period when the Shareholders' Meeting adopts a resolution about dividend payment.

Other revenues

Other revenues consist of extraordinary items; they appear in actually incurred amounts.

Recognition of expenses

Expenses are recognised if a decrease in economic benefits in the accounting period is connected with a decrease in assets or an increase in liabilities and this decrease could be reliably measured.

Operating expenses

Operating expenses are recognised when the material is used and service provided, respectively, in the period, to which they relate.

Operating expenses from revaluation arise in connection with tangible fixed assets, intangible fixed assets and current assets due to their impairment.

Financial expenses

Financial expenses include expenses for interest, foreign exchange losses, losses due to impairment in the value of financial assets and loss of risk hedging instruments, which are recognised in the income statement. In the income statement the expenses for borrowing are recognised according to the effective rate method except for those which are attributed to intangible and tangible fixed assets under construction and preparation, respectively.

Other expenses

Other expenses consist of extraordinary items; they appear in actually incurred amounts.

Income tax and deferred tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Net earnings per share

Share capital of the Group is divided into ordinary personal no-par value shares, therefore the company states the basic earnings per share. The basic earnings of the share is calculated so as to divideprofit or loss with the weighted number of ordinary shares in the business year.

The diluted net earnings per share equal the basic earnings per share as the company is not in possession of any preference shares or exchangeable bonds. There were no changes in the number of issued shares during the year.

Criteria of importance for disclosures

The company states the accounting policies at least for the assets and liabilities whose value exceeds 10 per cent of the value of assets or liabilities at the balance sheet date.

The company discloses an individual asset or debt at least when it exceeds 10 per cent of the balance sheet total. Lower amounts are disclosed when the company evaluates them of importance for a fair view of its business.

Drawing up a cash flow statement

The cash flow statement has been prepared in accordance with SAS 26 - variant II. It has been prepared by considering the data from the income statement for the period January-December 2012 (for the past period January-December 2011), the balance sheet data as at 31/12/2012 and 31/12/2011 (for the past period31/12/2011 and 31/12/2010), and other required data. The cash flow statement excludes the values which are not connected with revenues and expenses.

2.3. Financial risk management for Sava d.d.

Sava d.d. is exposed to the following financial risks:

Risk of a change in the fair value of assets (price risk)

Risk of a change in the fair value is the risk that the company will suffer a loss of economic benefits as a result of a change in the value of a financial asset.

This risk is one of the most important risks Sava d.d. is exposed to as it is strongly connected with achieving the planned return and the implementation of the outlined strategy. The year 2012 was characterised with big fluctuations in financial investment prices as a consequence of the poor economic situation and a high uncertainty level. A change in the value of financial investments strongly impacted the structure of financial assets of the parent company Sava d.d. and showed in the generated result of 2012. The associated risks were reduced by diversifying the investment portfolio and an active supervision over the operations of the companies, in which Sava d.d. holds a significant equity share. We continually examine investment opportunities and in accordance with the adopted long-term strategy, we have produced a plan for divesting certain investments in order to assure suitable solvency.

Foreign exchange risk

This involves a risk of losing economic benefits due to the changes in the foreign currency exchange rates. Sava d.d. mainly conducts business in the Euro Zone, but it also has investments in the markets of Croatia, Serbia, Macedonia, and Bosnia and Herzegovina, which is why it is exposed to the changes in the exchange rates of the Croatian Kuna, Serbian Dinar and Macedonian Denar. We actively pursue the macro-economic movements and fluctuations in the foreign exchange rates in these geographical regions and try to naturally protect ourselves against foreign exchange risk by non-exposing to foreign exchange risk.

In 2012, we did not use any derivative financial instruments to hedge against foreign exchange risk, since due to high interest rate differences between the interest rate for the above-mentioned currencies and the interest rate for Euro there were no suitable hedge instruments available in the market that would successfully eliminate risks in this connection.

Interest rate risk

This involves a risk that the value of financial instrument and costs of indebtedness will fluctuate due to changes in market interest rates.

At Sava d.d., we use suitable derivative financial instruments to hedge against interest rate risk;3.7% of obtained loans is hedged against interest risk.

In these uncertain economic circumstances the risk of changes in the market interest rate is high.

Credit risk

This involves a risk that a customer engaged in a business relationship will not meet its obligations and will cause the company to make a financial loss. Credit risk is directly connected with commercial risk and presents a danger that trade receivables or receivables due from other business partners will be settled with delay or not at all.

Sava d.d. mainly sells its services to its subsidiaries where the risk of non-payment is low. Special attention is devoted to solvency of customers out of the Group with which Sava d.d. has established a business relationship. We regularly monitor open and outstanding receivables, the maturity structure of receivables and movement of average payment terms. We have established a customer rating system for supervision over bad payers and carry out on-going compensations. The major part of the increased credit risk of Sava d.d. in 2012 was caused by the transactions that in the past were made with NFD Holding d.d.

Sava d.d. granted NFD Holding d.d. two short-term loans. In 2012, NFD Holding d.d. settled a part of its liabilities in the amount of €594 thousand as payment of principals so that the outstanding value, which refers to the principal and interests, totalled €23,463 thousand at the end of the year. The granted loans to NFD Holding d.d. were entirely secured with bills of exchange and securities. The value of pledged securities is estimated at €14,181 thousand, which represents 60% of the value of these short-term loans. Owing to insufficient value of collateral, the loans were impaired by further €2,622 thousand in 2012 (impairment at the end of 2011 amounted to €6,687 thousand.

Considering the above-mentioned business events, we estimate credit risks for Sava d.d. as high.

Solvency risk

This involves a risk that a company will not be able to fulfil its financial liabilities in due time. In the Sava Group, the solvency risk is centrally managed and a uniform financial policy has been established. The goal of such arrangement is to assure suitable liquidity of the parent company and subsidiaries, and to ensure all Sava Group companies financing under most favourable conditions.

As a result of continued tough economic circumstances, the situation in the money markets was aggravated in 2012 too. Banks carefully examine the rating of economic entities and impose stricter terms and conditions for approving the extra lines of credit; in this way, the access to the financial sources is impeded, thereby causing problems in assuring solvency and an on-going settlement of liabilities.

This year, Sava d.d. devoted a great deal of its attention to assuring solvency, regular settlement of financial liabilities and arranging the relations with the partner banks. The year 2012 is the first year of implementing the newly adopted business strategy until 2014. The major activities, on which the strategy is based, refer to restructuring of financial liabilities and disinvesting of those financial investments, which do not belong to the long-term business of the company. The effects will show in a lower indebtedness and reaching a sustainable level of indebtedness. The strategy is based on the measures that aim at improvements of operative business by way of rationalising operating costs, what will result in a more stable and lucrative business and a suitable cash flow level.

Parallel with the activities in the parent company Sava d.d., the subsidiaries of the Sava Group carry out ongoing measures to stabilise the operations too, the activities for cashflow consolidation, operating cost rationalisation and other steps that aim at increasing the operating profit.

Due to the aggravated situation in money markets the solvency risk in Sava d.d. in 2012 is estimated as high.

Management of capital

The adequate capital structure assures the confidence of investors, creditors, the market and sustainable development of the entire Sava Group. In 2011, Sava d.d. revised the long-term business strategy, which is based on the financial restructuring of liabilities and divesting of financial investments. On this basis, the capital structure will improve and investors and other partners' trust in the business and long-term development of the company will enhance.

Sava d.d. has no programme of granting stock options to its employees.

Regulatory bodies do not have any capital requirements towards the parent company or subsidiaries in the Sava Group.

At 31/12/2012 Sava d.d. shows an uncovered loss of €58.3 million, or 69.6% of share capital. In January 2013, a profit of €23.5 million was generated in the sale of Rubber Manufacturing with the Foreign Trade Network companies, and a profit of €5.1 million in the sale of hotel real estate; in total it amounts to €28.6 million. Considering the profit in the mentioned two transactions, the uncovered loss totals €29.7 million, or 35.4% of share capital.

2.4. Breakdown and notes to the financial statements of Sava d.d.

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

Intangible assets totalling €19 thousand refer to the purchase of a new information system for accounting services. The licences for the use of computer software whose value amounted to €141 thousand at the end of 2011 were sold to the subsidised company Sava IT d.o.o.

In 2012, depreciation for intangible fixed assets was not accounted for.

Movement of intangible fixed assets and long-term deferred costs and accrued revenues

€ in thousands

Cost value	Long-term deferred development costs	Property rights: Investments in acquired rights to industrial property and other rights	Advances for intagible long-term assets	Goodwill of acquired company	Other long-term deferred costs and accrued revenues	Total
Balance at 01/01/2012	**0**	**744**	**0**	**0**	**0**	**744**
Increase, purchase	0	19	0	0	0	19
Decrease	0	-743	0	0	0	-743
Balance at 31/12/2012	**0**	**20**	**0**	**0**	**0**	**20**
VALUE ADJUSTMENT						
Balance at 01/01/2012	**0**	**-602**	**0**	**0**	**0**	**-602**
Decrease	0	602	0	0	0	602
Depreciation	0	0	0	0	0	0
Balance at 31/12/2012	**0**	**0**	**0**	**0**	**0**	**0**
CARRYING AMOUNT						
Balance at 01/01/2012	**0**	**141**	**0**	**0**	**0**	**141**
Balance at 31/12/2012	**0**	**19**	**0**	**0**	**0**	**19**

2.4.2. Tangible fixed assets

The value of tangible fixed assets totalling €169 thousand at the end of 2012 is not significantly different from the value at the end of 2012. Minimum investments were carried out by investing our own finance sources, which is why the cost of borrowings did not increase the value of tangible fixed assets.

In 2012, the depreciation of tangible fixed assets was accounted for in the amount of €11 thousand.

Movement of tangible fixed assets

€ in thousands

Cost value	Land	Buildings	Plant and machinery	Other equipment	Tangible fixed assets under construction and manufacture	Advances for tangible fixed assets	Total
Balance at 01/01/2012	**0**	**0**	**976**	**15**	**0**	**0**	**991**
Decrease in advances	0	0	25	87	0	0	112
Transfers	0	0	5	-5	0	0	0
Decrease	0	0	-836	-7	0	0	-843
Balance at 31/12/2012	**0**	**0**	**170**	**90**	**0**	**0**	**259**
VALUE ADJUSTMENT							
Balance at 01/01/2012	**0**	**0**	**-825**	**-14**	**0**	**0**	**-838**
Transfers	0	0	-5	5	0	0	0
Decrease	0	0	752	7	0	0	759
Depreciation	0	0	-10	-1	0	0	-11
Balance at 31/12/2012	**0**	**0**	**-88**	**-3**	**0**	**0**	**-90**
CARRYING AMOUNT							
Balance at 01/01/2012	**0**	**0**	**151**	**2**	**0**	**0**	**153**
Balance at 31/12/2012	**0**	**0**	**82**	**87**	**0**	**0**	**169**

2.4.3. Investment property

Investment property in the amount of €14,877 thousand represents 4% of the assets structure. In comparison with the previous year its value reduced by €250 thousand, which entirely refers to the depreciation accounted for in 2012.

A mortgage was placed on the real property of Grand Hotel Toplice with the Panorama Restaurant whose book value totals €6,162 thousand, for a loan hired with Pokojninska Družba A d.d. At 31/12/2012, the balance of the outstanding loan amounted to €6,000 thousand.

A mortgage was placed on the land in Škofjeloška cesta 6 in Kranj and on the real property BTC, Ljubljana, whose book value totals €1,637 thousand, for a long-term syndicated loan obtained in 2010. At 31/12/2012, the outstanding balance of the loan amounted to €128,068 thousand.

We estimate that the fair value of investment property does not deviate significantly from the book values.

In leasing out the investment property, revenues of €1,530 thousand and expenses of €499 thousand were made. The investment property that was not leased out had expenses in the amount of €229 thousand.

Movement of investment property

€ in thousands

Cost value	Land-investment properties	Buildings-investment properties	Total
Balance at 01/01/2012	**6,791**	**13,361**	**20,152**
Balance at 31/12/2012	**6,791**	**13,361**	**20,152**
VALUE ADJUSTMENT			
Balance at 01/01/2012	**0**	**-5,025**	**-5,025**
Depreciation	0	-250	-250
Balance at 31/12/2012	**0**	**-5,275**	**-5,275**
CARRYING AMOUNT			
Balance at 01/01/2012	**6,791**	**8,336**	**15,127**
Balance at 31/12/2012	**6,791**	**8,086**	**14,877**

2.4.4. Long-term financial investments

Long-term financial investments in the amount of €236,367 thousand represent 68% of the balance sheet total. In comparison with the previous year their value reduced by €89,726 thousand, partly as a result of the impairments carried out and partly as a result of transferring financial investments in two companies of Rubber Manufacturing with the Foreign Trade Network under the available-for-sale assets.

a) Shares and stakes in Sava Group companies

Shares and stakes in Sava Group companies totalling €97,400 thousand are €59,294 thousand lower than at the end of the previous year. The following changes took place in 2012:

- As per 31/12/2012, the financial investments in Savatech d.o.o. and Savapro d.o.o. totalling €58,402 thousand were transferred under Assets available for sale, the sale procedure being completed in January 2013.
- Impairments of financial investments were carried out in Energy management companies in the amount of €1,259 thousand.
- The remaining amount of the change in the value of financial investments in the subsidiaries totalling €367 thousand mainly referred to the increase in capital of Sava IT d.o.o.

The entire ownership stakes in Savatech d.o.o. and Sava Turizem d.o.o. were pledged. At 31/12/2012 the book value of the pledged stakes and shares of subsidiaries amounted to €145,568 thousand. Upon executing the sale in the beginning of January 2013, the pledge of the ownership stake of Savatech d.o.o. was released.

The disclosures in connection with the composition of the Sava Group, share in capital, amount of capital and operating result of the subsidiaries are described in the financial part of the annual report of the Sava Group.

b) Shares and stakes in the associated companies

The value of shares and stakes in the associated companies amounted to €99,301 thousand and was €25,708 thousand lower than at the end of the previous year. The decrease was entirely due to the impairments of financial investments in the associated companies, mostly in connection with the financial investment in the shares of Abanka Vipa d.d.

- The value of a 45.90% stake of Sava d.d. in **Gorenjska Banka d.d., Kranj** amounted to €89,443 thousand. In comparison with the end of the previous year the ownership stakes and the value of investment did not change.At 31/12/2012, the book value of the financial investment in Gorenjska Banka d.d. amounted to €588 per a share.

135,670 shares of Gorenjska Banka d.d. were pledged for the loans obtained by Sava d.d., for the issued bonds and liabilities arising from the call option contract and the loan granted by Savatech d.o.o. The book value of pledged shares amounted to €79,776 thousand. After the sale transaction had been performed, the pledge of the shares for the loan obtained from Savatech d.o.o. was released in the beginning of January 2013.

- The value of a 23.83% stake of **Abanka Vipa d.d., Ljubljana** amounted to €9,609 thousand. In comparison with the end of the previous year, the ownership stake did not change, whereas based on evaluation the value of investment was impaired by €24,708 thousand to reach the value of €5.6 per a share. The impairment of investment was included in the income statement. The value of investment using the stock exchange price on the last trading day in 2012 in the amount of €4.01 per a share totalled €6,881 thousand.

All shares of Abanka Vipa d.d. are pledged for the loans obtained by Sava d.d. The book value of the pledged shares amounts to €9,609 thousand.

Information about the evaluation of a 23.83% equity holding of Abanka Vipa d.d. for financial reporting purpose at 31/12/2012

In 2012, an evaluation report for a 23.83% equity holding of Abanka Vipa d.d. as per 31/12/2012 was produced for financial reporting purposes.. The evaluation was conducted by a certified company evaluator licensed with the Slovene Audit Institute.

In the calculation of the equity value of Abanka Vipa d.d., the value in use was estimated based on the method of the current value of the expected free cash flow. The following assumptions were taken into consideration: going-concern, business projections on the unconsolidated basis were prepared considering the analysis of the past business results, publicly announced strategic platform and orientations of the company, analysis of macro-economic environment and the industrial branch, as of 2013 a 25% is retained in the company each year, a minimum Core Tier 1 at level of 9%, discount for minority owner of 10%, package discount for marketability shortage of 24%, required return on capital 15.71%, 2% increase in normalized cash flow and a successfully implemented increase in capital.

The estimate of value in use was made in the range between €5.0 for a share and €6.2 per a share, with a mean value of €5.6 for a share.

- The value of a 24.65% stake in **NFD Holding d.d., Ljubljana**, ascertained by using the stock exchange price at 31/12/2012, amounted to €249 thousand. In comparison with the end of the previous year, the ownership stake did not change, the value of investment decreased by €748 thousand in 2012 as a result of a further drop in stock exchange prices. The impairment of investment was included in the income statement.
- Owing to introducing insolvency proceedings, the value of a 21.77% stake in **Maksima Invest d.d. under receivership, Ljubljana** was entirely impaired with the value of impairment totalling €252 thousand. The impairment of investment was included in the income statement.

The disclosures in connection with the composition of the Sava Group, share in capital, amount of capital and operating result are described in the financial part of the annual report of the Sava Group.

c) Other shares and stakes

Other shares and stakes totalling €36,507 thousand were by €4,623 thousand lower than in the previous year. Other shares and stakes included listed securities available for sale in the amount of €4,683 thousand, unlisted securities available for sale in the amount of €5,950 thousand, and the investment in a mutual fund in the amount of €25,874 thousand.

At 31/12/2012, securities available for sale were valued at fair value; the net negative effect from revaluation amounted to €617 thousand, of which €2,409 thousand were impairments in the income statement, while net increase in the value of financial investments totalling €1,792 thousand was shown in equity revaluation adjustment.

The value of a 23.35% ownership stake in **NFD 1, mutual fund, Ljubljana** amounted to €25,874 thousand. The fair value was ascertained by using the stock exchange price at 31/12/2012.

Despite a 23.35% ownership stake, the investment in NFD 1, mutual fund, is considered as available for sale and not as an associated company. NFD 1, mutual fund, is managed by the management company, in which Sava d.d. has no ownership stake. The Supervisory Board of the company solely supervises the fund operation. Furthermore, NFD 1 restructured from a closed mutual fund to an open mutual fund in 2011, at which Sava d.d. became the owner of a certain portion of mutual fund coupons and has no influence on managing the fund whatsoever.

The total share in NFD 1, mutual fund, was pledged for the loans obtained by Sava d.d. The book value of pledged shares amounts to €25,874 thousand.

The value of **other shares and stakes** amounted to €10,633 thousand, and included 1,360,00 shares of Hoteli Bernardin d.d, 13,500 shares of Kompas Hoteli Bled d.d, 1,504 shares of NLB d.d., 4,987 shares of Pokojninska Družba A d.d., 9,874 shares of Jubmes Banka d.d., 251,566 shares of Merkur d.d., and 4,766 shares of Helios d.d. pledged for the loans obtained by Sava d.d. The book value of the pledged shares amounts to €6,763 thousand.

Call option contract

The value of the call option contract amounts to €7,184 thousand. The counter party in the call option contract is Factor Banka d.d., the subject of the option being 26,748 shares of NLB d.d. The agreed transaction price amounts to €268.60 for a share. The contract was signed on 26 July 2010, the maturity date being 15 January 2013. The market value ascertained on the basis of evaluating the company's capital being the subject of the option amounts to €1,006 thousand. The difference between the value according to the call option contract and the market value totalling €6,178 thousand is included under financial expenses from impairment and write-offs of financial investments (€5,294 thousand until 2011, and another €884 thousand in 2012). The counter-party received 6,050 shares of Gorenjska Banka d.d. as collateral for complying with the contract. The book value of pledged shares amounted to €3,558 thousand.

Further explanation is given under 2.5.9. - Influence of events after the balance sheet date.

Types of securities available for sale *€ in thousands*

	31/12/2012	31/12/2011
Shares of listed companies	4,683	4,159
Shares and stakes of unlisted companies	5,950	11,848
Mutual funds	25,874	25,123
Total	**36,507**	**41,130**

d) Long-term loans to Group companies

Long-term loans to Sava Group companies totalling €3,159 thousand were partly insured with bills of exchange. Interest rates for long-term loans to Group companies amounted from 7.5% to 8%, and a 3-month EURIBOR +1%.

Movement of long-term financial investments

€ in thousands

	Long-term financial investments, excluding loans					Long-term loans				
	Stocks and shares in the Group	Stocks and shares in associates	Other stocks and shares	Other long-term financial investments	Total long-term financial investments, excluding loans	Long-term loans to Group companies	Other long-term loans	Long-term unpaid called-up capital	Total long-term loans	Total long-term financial investments
GROSS VALUE										
Balance at 01/01/2012	**168,140**	**251,300**	**118,809**	**0**	**538,248**	**4,448**	**0**	**0**	**4,448**	**542,696**
Purchase, increase	10	0	689	0	699	191	0	0	191	890
Increase in capital through money paid in	358	0	0	0	358	0	0	0	0	358
Increase in capital through investment in kind	0	0	0	0	0	0	0	0	0	0
Increase due to acquisition	0	0	0	0	0	0	0	0	0	0
Decrease	0	0	-4,874	0	-4,874	-25	0	0	-25	-4,899
Transfers	-58,402	0	0	0	-58,402	-77	0	0	-77	-58,479
Write-off	0	0	0	0	0	0	0	0	0	0
Revaluation	0	0	1,793	0	1,793	0	0	0	0	1,793
Balance at 31/12/2012	**110,106**	**251,300**	**116,416**	**0**	**477,821**	**4,537**	**0**	**0**	**4,537**	**482,358**
VALUE ADJUSTMENT										
Balance at 01/01/2012	**-11,446**	**-126,291**	**-77,678**	**0**	**-215,415**	**-1,188**	**0**	**0**	**-1,188**	**-216,603**
Purchase, increase	0	0	0	0	0	0	0	0	0	0
Increase in capital through investment in kind	0	0	0	0	0	0	0	0	0	0
Increase due to acquisition	0	0	0	0	0	0	0	0	0	0
Decrease	0	0	177	0	177	0	0	0	0	177
Transfers	0	0	0	0	0	0	0	0	0	0
Write-off	0	0	0	0	0	0	0	0	0	0
Revaluation	-1,259	-25,707	-2,408	0	-29,375	-190	0	0	-190	-29,565
Balance at 31/12/2012	**-12,705**	**-151,998**	**-79,909**	**0**	**-244,613**	**-1,378**	**0**	**0**	**-1,378**	**-245,991**
NET VALUE										
Balance at 01/01/2012	**156,694**	**125,009**	**41,130**	**0**	**322,832**	**3,260**	**0**	**0**	**3,260**	**326,092**
Balance at 31/12/2012	**97,400**	**99,301**	**36,507**	**0**	**233,208**	**3,159**	**0**	**0**	**3,159**	**236,367**

2.4.5. Long-term operating receivables

Long-term operating receivables in the amount of €10 thousand refer to long-term loans approved to employees for the purchase of flats. These loans are insured with a creditor's mortgage on flats. The interest rate for the granted housing loans amounted from TOM + 2% to TOM + 3%. Long-term operating receivables will fall due in 2013 at the latest. In 2012, an allowance was formed for long-term operating receivables, which totalled €16 thousand.

Movement of long-term operating receivables

€ in thousands

	2012	2011
Balance at 01/01	63	143
Newly formed receivables	0	0
Repayment of receivables	-37	0
Final balance	-16	-80
Balance at 31/12	**10**	**63**

2.4.6. Deferred tax receivables

Deferred tax receivables were formed in the amount of €20,669 thousand. The majority of them is due to a revaluation of securities available for sale and financial investments in the associated companies to fair value. A 15% tax rate was used in computing of deferred tax receivables.

Deferred tax receivables from a tax loss were not accounted for as it is estimated that no revenues will be generated in the foreseeable future, which in addition to deferred receivables from impairments of financial investments would cover the deferred tax from tax losses. As at 31/12/2012, the not accounted for deferred tax receivables from tax losses by using a 15% tax rate amounted to €14,390 thousand.

Movement of deferred tax receivables

€ in thousands

	2012	2011
Balance at 01/01	**25,065**	**11,442**
Increase in receivables due to revaluation of securities to fair value - in other comprehensive income	0	21
Decrease in receivables due to revaluation of securities to fair value - in other comprehensive income	0	-948
Decrease in receivables due to sale of securities - in other comprehensive income	-19	0
Decrease in receivables due to sale of securities - through profit or loss	-516	-887
Increase in receivables due to impairment of securities - through profit or loss	2,819	15,392
Increase in receivables for provisions for retirement amounts - through profit or loss	0	5
Decrease in receivables for provisions for retirement amounts - through profit or loss	-25	0
Other changes - in other comprehensive income	-1	0
Other changes - through profit or loss	-6,654	40
Balance at 31/12	**20,669**	**25,065**

2.4.7. Assets for sale

The value of assets for sale amounts to €58,402 thousand. These assets refer to the financial investments in Savatech d.o.o. totalling €56,608 thousand and the financial investments in Savapro d.o.o. totalling €1,794 thousand.

The sale of Rubber Manufacturing with the Foreign Trade companies was finalised on 8 January 2013.

At the end of 2011 the assets for sale were shown in the amount of €22,145 thousand and referred to a part of financial investment in Sava IP d.o.o., Ljubljana totalling €19,264 thousand and the financial investment in Sava Medical in Storitve d.o.o. totalling €2,881 thousand. Both investments were sold in 2012, at which a loss of €242 thousand was made..

2.4.8. Short-term financial investments

With regard to the previous year, the value ofshort-term financial investments in the amount of €13,136 thousand was lowerby €6,418 thousand, partly due to reducing the value of short-term loans granted to the subsidiaries, and partly due to impairments of the loans granted to NFD Holding d.d.

Short-term financial investments except loans

Short-term financial investments except loans, which at the end of 2011 were shown in the amount €128 thousand entirely represent the value of interest rate swaps.

Short-term loans

Short-term loans in the amount of €13,136 thousand are as follows:

- Short-term loans to Group companies in total amount of €459 thousand are not insured.
- Short-term deposits to banks in the amount of €196 thousand and loans granted to others in the amount of €10 thousand.
- Short-term loans to others - NFD Holding d.d. – in total gross amount of €21,780 thousand, the balance of value adjustment at 31/12/2012 amounts to €9,309 thousand, the net shown value of receivable amounts to €12,471 thousand.

In comparison with the end of the previous year, the balance of loans granted to NFD Holding d.d. was decreased by €3,216 thousand, of which loan repayments amounted to €594 thousand and additional impairments of loans computed on the basis of estimating the suitability of received collateral for these two loans amounted to €2,622 thousand.

The granted loans are insured with bills of exchange and securities, which included 9,154,192 shares of Hoteli Bernardin d.d., 346,243 shares of NFD 1 d.d., 647,318 shares of Istrabenz d.d., 166,484 shares of Melamin d.d., 56,839 shares of Finetol d.d., 536,926 shares of Ljubljanske Mlekarne d.d., 5,806 shares of Krka d.d., 893 shares of Petrol d.d., and 32,936 shares of Sava d.d. Sava d.d. is partly the first-entered lien-holder and partly the second-entered lien-holder with all the shares, save for the shares of Ljubljanske Mlekarne d.d. The estimated value of securities received in the pledge amounts to €14,181 thousand.

The contract about assignment of receivables, on the basis of which the prevailing part of receivables due from NFD Holding d.d. is covered on the liabilities side with the loan granted by NLB d.d., which is secured with bills of exchange and the shares of Sava Turizem d.d. The interest rates for the granted short-term loans amounted 5.78% and 7.3%.

2.4.9. Short-term operating receivables

Short-term operating receivables in the amount of €4,604 thousand were €3,022 thousand higherthan at the end of the previous year. They mainly refer to the interests from the granted loans and the receivables due from buyers of financial investments originating from the sale of the company IP Nepremičnine d.o.o.

Short-term operating receivables by maturity

€ in thousands

	31/12/2012 TOTAL	Due	Not due
IV) Short-term operating receivables	**4,604**	**1,288**	**3,316**
1. Short-term receivables due from Group companies	321	34	287
2. Short-term trade receivables	59	24	35
3. Short-term operating liabilities to other entities	4,224	1,230	2,994

Valuation allowance in trade receivables for services

At 31/12/2012, the balance of valuation allowance in trade receivables amounted to €138 thousand and with regard to the previous year it was lower by €290 thousand. New valuation allowances in trade receivables were formed in the amount of €19 thousand. In connection with completed court and other proceedings associated with the old receivables the valuation allowances were reduced by €309 thousand.

Movement of valuation allowance in trade receivables for services

€ in thousands

	2012	2011
Balance at 01/01	**428**	**787**
Increase of impairment	19	40
Reversal of impairment	-309	-399
Balance at 31/12	**138**	**428**

The maturity structure of receivables is shown in chapter 2.5.3 – Financial instruments – financial risks.

2.4.10. Cash and cash equivalents

The agreed amount of overdraft credit on transaction accounts amounted to €1,260 thousand and was entirely utilised at 31/12/2012. The liabilities from the negative balance on transaction account were shown under short-term financial liabilities.

2.4.11. Capital

The value of capital of Sava d.d. which totals €37,729 thousand(€87,654 thousand at the end of 2011) was by €49,925 thousand or by 57% lower than at the end of the previous year. In the structure of financing sources, capital had an 11% share.

Changes in capital

In 2012, the following changes were carried out in capital:

- A loss for the financial year was generated in the amount of €49,036 thousand.
- Revaluation reserve decreased by €889 thousand.

A portion of the 2011 loss totalling €9,274 thousand could not be covered using the capital components for this purpose. The loss of 2012 totalling €49,036 thousand remained uncovered too. The uncovered loss at 31/12/2012 totalled €58,310 thousand, which represents 69.6% of share capital of Sava d.d.

Capital reserves

Already in 2011, the capital reserves were entirely used for covering the 2011 loss.

Reserves for own shares within other revenue reserve

At 31/12/2012, reserves for own shares amounted to €4,977 thousand, the number of own shares totalled 30,541, which was 1.52% of totally issued shares. With regard to the end of 2011, no changes appeared in 2012

Sava d.d. received another 32,936 Sava shares in pledge, which represents 1.64% of totally issued shares.

Revaluation reserve from long-term financial investments

At 31/12/2012, the revaluation reserve from long-term financial investments amounted to €12,288 thousand (at the end of 2011: €13,177 thousand).

The revaluation reserve structure:

- A positive revaluation reserves from increase in capital of Savatech d.o.o. totalling €10,483 thousand as a difference between the estimated and the book value of investment in kind (in 2011: €12,416 thousand).
- A positive revaluation reserve from securities available for sale in the amount of €1,805 thousand (in 2011: €949 thousand).
- There is no negative revaluation reserve from securities available for sale (in 2011: €188 thousand.)

2.4.12. Paid dividends, weighted average number of shares and net loss per share

Paid dividends

	2012	2011
Dividend per ordinary share in the year *(€)*	0.00	0.00
Total amount of dividends to the debit of retained profit *(€ in thousands)*	0	0

The share capital is divided in 2,006,987 ordinary personal no-par value shares, which all have voting rights and are freely transferable. All shares have been paid in full. The company has no bonds for conversion to shares.

Weighted average number of shares

	2012	2011
No. of all shares at 01/01	2.006.987	2.006.987
Own shares	-30.541	-30.541
Weighted average number of shares at 31/12	1,995,423	1,995,423

Net loss attributable to shares

	2012	2011
Net loss for the financial year *(€ in thousands)*	-49.036	-156.126
Weighted average number of shares	1.995.423	1.995.423
Basic net loss per share *(in €)*	-24,57	-78,24

The diluted net loss per share equals the net loss per share as capital consists of ordinary shares only.

2.4.13. Provisions and long-term accrued costs and deferred revenues

The value of provisions and long-term accrued costs and deferred revenues in the amount of €122 thousand entirely represented the provisions for severance pay and jubilee benefits. With regard to the previous year the balance of provisions reduced, which is due to reducing the number of employees in the company.

The actuary calculation as per 31/12/2012 was made considering the following assumptions: retirement amounts and jubilee benefits and their growth in accordance with the provisions from the collective and individual employment contracts; no increase in wages is expected for 2013, employee fluctuation is considered, while the chosen discount interest rate amounts to 4.70 % p.a. and represents a yield of 10-annual loan stock with a high rating in the Euro Zone increased by the local risk margin.

Movement of provisions and long-term accrued costs and deferred revenues

€ in thousands

	Provisions for retirement amounts and similar liabilities	Other provisions	Long-term accrued costs and deferred revenues	Total
Balance at 01/01	**332**	**0**	**0**	**332**
Newly formed provisions	0	0	0	0
Reversal of provisions	-209	0	0	-209
Drawing of provisions	-1	0	0	-1
Balance at 31/12	**122**	**0**	**0**	**122**

2.4.14. Long-term liabilities

At 31/12/2012 the company showed long-term liabilities of €38,361 thousand, which represented an 11% share in the structure of financing sources. They include long-term financial liabilities and deferred tax liabilities. In comparison with the end of the previous year, they were by €5,629 thousand lower, mainly as a result of transferring the obtained loans under short-term liabilities

The explanation about the value of assets of Sava d.d., placed as collateral for the obtained long- and short-term loans is given in chapter 2.5.2.

The maturity of long-term financial liabilities totalling €37,078 thousand is as follows:

- Year 2014 €26,523 thousand
- Year 2015 €8,264 thousand
- Year 2016 €2,291 thousand

Total €37,078 thousand

Movement of long-term financial liabilities

€ in thousands

	2012	2011
Balance at 01/01	**42,296**	**177,339**
Hiring new loans	23	8,000
Issue of bonds	0	0
Transfer from short-term part during year	6,000	1,856
Exchange rate gains/losses	0	0
Repayment of loans	-25	0
Transfer under short-term part at 31/12	-11,216	-144,899
Balance at 31/12	**37,078**	**42,296**

Long-term financial liabilities to banks

Long-term loans in total amount of €4,540 thousand were all nominated in Euro and hired with domestic and foreign banks. The interest rate for the obtained long-term loans are 6-month EURIBOR +3.25% to 4.50%. The obtained loans are insured.

Long-term liabilities originating from bonds

Long-term liabilities originating from bonds amounted to €26,515 thousand. Total nominal value of issued bonds amounted to €26,500 thousand;owing to the submitted binding bids additional €15 thousand were paid in during the issuance procedure.

Additional explanations in connection with the issue of bonds:

- Type of bond: ordinary bond nominated in euro, nominal, issued in non-materialised form entered in the central registry at KDD d.d. Ljubljana.
- Bonds listing: in the bonds market of the Ljubljana Stock Exchange under the designation SA02.
- Denomination structure: total issue includes 26,500 denominations at €1,000.00 each.
- Interest rate: amounts to 7.20 % p.a. and is fixed; interests fall due for payment six months in arrears.
- Payment of the principal and maturity date: nominal value of the principal falls entirely due in a single amount upon maturity of bonds at 09/12/2014.
- Collateral: bonds are secured with 27,917shares of Gorenjska Banka d.d. The book value of the pledged shares amounts to €16,416 thousand.

Other long-term financial liabilities

Other long-term financial liabilities totalling €6,023 thousand consist of:

- A loan in the amount of €6,000 thousand granted by Pokojninska Družba A d.d., at a 6.30% interest rate. The obtained loan is secured with placing a mortgage on the real property of Grand Hotel Toplice with the Panorama Restaurant and on the Savica hotel building.
- Financial leasing of a vehicle totalling €23 thousand.

Maturity of long-term loans obtained out of the Group

€ in thousands

	31/12/2012	31/12/2011
From 1 to 2 years	8,272	11,216
From 2 to 5 years	2,291	4,540
Total	**10,563**	**15,756**

Loans obtained out of the Group either at fixed or variable interest rate

€ in thousands

	Fixed interest rate	Variable interest rate	Total
Non-current loans	6,023	4,540	10,563
Current loans	76,302	170,828	247,130
Total	**82,325**	**175,368**	**257,693**

Deferred tax liability

A deferred tax liability in the amount of €1,283 thousand was formed in connection with evaluation of financial investments at fair value. It is accounted for at a 15% tax rate. The exception is a 17% deferred tax liability from the financial investment in Savatech d.o.o. whose sale was finalised in January 2013.

Maturity of long-term loans obtained out of the Group

€ in thousands

	2012	2011
Balance at 01/01	**1,694**	**2,353**
Increase in liabilities due to revaluation of securities to fair value - in other comprehensive income	216	412
Decrease in liabilities due to revaluation of securities to fair value - in other comprehensive income	-63	-607
Decrease in liabilities due to sale of securities- in other comprehensive income	-282	-464
Other changes- in other comprehensive income	-281	0
Balance at 31/12	**1,283**	**1,694**

2.4.15. Short-term liabilities

Short-term liabilities in the amount of €270,653 thousand were €6,174 thousand lower than in the previous year, in the finance sources structure they had a 78% share.

The explanation about the value of assets of Sava d.d., put as collateral for the obtained long- and short-term loans is given in chapter 2.5.2.

Short-term financial liabilities

Short-term financial liabilities to Group companies in the amount of €9,930 thousand were due to the management of financial sources in Sava Group companies. Liabilities have not matured yet and are not secured. The interest rate for short-term loans granted by Sava Group companies amounted from 1.25% to 6.00%.

Short-term financial liabilities to banks in the amount of €247,130 thousand were 2% higher than at the end of the previous year, the reason being a transfer of loans from long-term loans. Short-term loans are hired with banks in Slovenia and abroad, the interest rates being from 5.50% to 7.00%, 3-month EURIBOR + 3.75% to 4.90% , and six-month EURIBOR +3.25% to 4.50%. Short-term financial liabilities to banks are partly matured and insured.

Other short-term financial liabilities in the amount of €4,382 thousand included the liabilities from interest rate hedging in the amount of €3,673 thousand and the liabilities for the unpaid dividends in the amount of €709 thousand.

Short-term operating liabilities

Short-term operating liabilities in the amount of €8,639 thousand mostly include the liabilities to the sellers of securities from the call option contract, and the liabilities for interest on bank loans, which refer to December 2012.

Unregulated loans

At 31/12/2012, the balance of outstanding instalments for the unregulated loans amounted to €11,244 thousand.

2.4.16. Short-term accrued costs and deferred revenues

Short-term accrued costs and deferred revenues in the amount of €1,410 thousand refer to short-term accrued expenses in relation to the reorganisation of Sava d.d., and deferred interest on loans and other accrued expenses.

2.4.17. Net sales revenues

81% of net sales revenues of Sava d.d., which totalled €3,130 thousand (€5,511 thousand in 2011), referred to the sale within the Sava Group. Sales revenues were generated from leasing out real estate and providing other services. In 2012, net sales revenues were 43% lower than in the same period last year due to disposals of real estate to the subsidiaries and the reorganisation of strategic services .

Net sales revenues were mainly generated in Slovenia.

Net sales revenues

€ in thousands

	2012	2011
Net sales revenues from services	1,777	3,662
Net sales revenues from rents	1,353	1,849
Total net sales revenues	**3,130**	**5,511**

2.4.18. Other operating revenues (with operating revenues from revaluation)

Other operating revenues with operating revenues from revaluation totalling €491 thousand (€21 thousand in 2011) were mainly generated in the sale of real property in Croatia and reversal of provisions for retirement amounts and jubilee benefits as a result of employee downsizing in the company.

2.4.19. Costs by functional group

Total operating cost in the amount of €6,480 thousand (€9,485 thousand in 2011) referred to costs of overheads.

2.4.20. Costs of merchandise, materials and services

In the operating costs structure, costs of merchandise, materials and services had a 51% share. They totalled €3,294 thousand and compared to the same period last year, when they totalled €4,695 thousand, they were lower by 30%.

Costs of merchandise, materials and services by type of cost

€ in thousands

	2012	2011
Cost of merchandise	0	0
Cost of material	73	242
Cost of transportation services	27	124
Cost of maintenance services	74	552
Cost of rentals	433	302
Cost refunds to employees	19	21
Cost of payment transactions, bank services and insurance premiums	253	228
Cost of intellectual and personal services	1,480	1,396
Cost of fairs, advertising and office allowances	216	455
Cost of other services	719	1,375
Total	**3,294**	**4,695**

2.4.21. Labour costs

Labour costs in the amount of €2,838thousand (€3,482 thousand in 2011) had a 44% share in the operating costs structure. With regard to the same period last year, they reduced by 18% on account of employee downsizing.

Labour costs include the accounted for premiums for additional pension insurance in the amount of €34 thousand.

At 31/12/2012, the company Sava d.d. employed 31 associates (61 at 31/12/2011), the average number of employees on the basis of man-hour amounted to 32.36 in 2012 (55.90 in the 2011).

2.1.22. Amortisation, depreciation expenses and write-offs

Amortisation and depreciation expenses, write-offs totalled €297 thousand (2011: €822 thousand) were 64% lower than in the same period last year. The accounted for amortisation is namely lower due to the sale of real estate to the subsidiaries.

Depreciation and operating expenses from revaluation consist of the following items:

- Depreciation of tangible fixed assets – €11 thousand.
- Depreciation of investment property – €250 thousand.
- Operating expenses from revaluation (write-offs in fixed assets) - €1 thousand.
- Operating expenses from revaluation (impairment of operating receivables) – €35 thousand.

2.4.23. Other operating expenses

Other operating expenses totalling €51 thousand (€486 thousand in 2011) mainly referred to the paid contributions for urban real estate as well as the housing and compensation fund.

2.4.24. Financial revenues from shares

Financial revenues from shares totalled €8,784 thousand and were 40% lower than last year when they reached the value of €14,593 thousand.

Financial revenues from shares in Group companies

Financial revenues from shares in Group companies totalling €7,900 thousand were the dividends from the subsidiary Savatech d.o.o., Kranj.

Financial revenues from shares in associates

No financial revenues from shares in the associates were generated in 2012. In 2011, they amounted to €11,053 thousand and mainly referred to the dividends paid by Gorenjska Banka d.d. and Abanka Vipa d.d.

Financial revenues from shares in other companies

80% of financial revenues from shares in other companies shown in the amount of €884 thousand (2011: €2,552 thousand) referred to the revenues from the sale of securities available for sale, while 20% were the dividends obtained from other companies.

2.4.25. Financial revenues from granted loans

Financial revenues from loans granted to Group companies in the amount of €324 thousand (2011: €728 thousand) and financial revenues from loans granted to other entities in the amount of €1,686 thousand (2011:€1,917 thousand) were 24% lower than in the same period last year and mainly referred to interest from granted loans and compensation for the issued guarantees.

In total financial revenues from granted loans, €1,524 thousand were generated in relation to the associated companies (2011: €1,581 thousand).

2.4.26. Financial revenues from operating receivables

Financial revenues from operating receivables in the amount of €3 thousand (2011: €17 thousand) were interest charged to customers.

2.4.27. Financial expenses from impairments and write-offs of financial investments

Financial expenses from impairments and write-offs of financial investments in the amount of €34,697 thousand were significantly lower than in the same period last year when they amounted to €159,763 thousand.

They mainly referred to the following financial investments:

- Impairment of investments in the associated companies in the amount of €25,707 thousand (2011: €112,242 thousand).
- Impairment of a loan granted to an associated company in the amount of €2,622 thousand (2011: €6.687 thousand).
- Impairment of long-term securities available for sale in the amount of €2,409 thousand (2011: €26,396 thousand).
- Impairment of investments and loans in subsidiaries in the amount of €2,833 thousand (2011: €10,190 thousand).
- Impairment of long-term securities in call options in the amount of €884 thousand (2011: €2,579 thousand).
- Loss made in the sale of long-term securities available for sale in the amount of €242 thousand (2011: €1,669 thousand).

2.4.28. Financial expenses from financial liabilities

Financial expenses from financial liabilities in the amount of €17,893 thousand (2011: €25,011 thousand) were 28% lower than in the same period last year. The difference is mainly due to the expenses in connection with the derivative financial instrument – interest rate swaps that were charged in 2011.

82% or €14,596 thousand of financial expenses were bank interests, 11% or €1,910 thousand were interests for the issued bonds, the remaining 7% or €1,387 thousand were interests on loans obtained from Group's companies and interests on loans granted from other companies, and other financial expenses. €4,434 thousand of financial expenses referred to the associated companies.

2.4.29. Other revenues and other expenses

Other revenues amounted to €7 thousand (2011: €806 thousand) and were due to payment of impaired receivables.

Other expenses amounted to €15 thousand (2011: €4 thousand) and referred to payment of compensations.

2.4.30. Income tax

Sava d.d. had no liabilities charged for tax on income in 2012.

The revenues which are not deductible for tax purposes include: revaluation of long-term financial investments, revaluation of receivables, formation of provisions and other expenses which are not deductible under the Corporate Income Tax Act.

In 2012, Sava d.d. did not claim any tax reliefs since a tax loss was shown.

At 31/12/2012 Sava d.d.showed the unused tax loss of €95,934 thousand and of unused other tax reliefs of €37 thousand.

The net value of deferred taxes in the amount of €4,376 thousand, which aggravates the result for the period mainly represents the effect of recalculating a deferred tax receivable to a 15% corporate income tax rate. Deferred taxes from tax losses are not accounted for.

Comparison between the actual and the computed tax rate

€ in thousands

	2012		2011	
	Rate	Amount	Rate	Amount
Pre-tax profit		**-44,660**		**-170,677**
Tax on profit applying the official rate	18%	**-8,039**	20%	**-34,135**
Effect by tax rates in other countries		**0**		**0**
Amounts having a negative impact on tax base		**34,420**		**157,161**
- amount from revenue increase to level of tax-deductible revenues		1		479
- amount from expense decrease to level of tax-deductible expenses		33,994		156,079
- amount of expense for which tax was withheld		0		0
- possible other amounts having impact on tax base increase		425		603
Effect of increase in tax rate on special profits		**0**		**0**
Amounts having positive effect on tax base		**13,978**		**17,663**
- amount from revenue decrease to level of tax-deductible revenues		8,309		11,727
- amount from expense increase to level of tax-deductible expenses		5,669		5,936
- possible other amounts impacting tax base decrease (e.g. amount of revenues for which tax was already withheld)		0		0
Changed tax base due to transition to new accounting method resulting from changes in accounting policy		**70**		**3**
Tax benefits				
- applied, having effect on tax liability decrease		0		0
- remaining, to be utilised in the following years		10		11
Tax loss				
- applied, having effect on tax liability decrease		0		0
- originating from the current year - remaining for utilisation in the following years		24,288		31,182
Adjustments for previous years		**0**		**0**
TAX ASSESSED FOR THE CURRENT YEAR	**0.0%**	**0**	**0.0%**	**0**
Increase/decrease of deferred tax		**4,376**		**-14,551**
TAX IN THE INCOME STATEMENT	**-9.8%**	**4,376**	**8.5%**	**-14,551**

2.4.31. Deferred tax receivables and liabilities for the year

Deferred tax receivables and liabilities for 2012

€ in thousands

31/12/2012	Receivables	Liabilities	Net
Financial investments	20,627	1,283	19,344
Operating receivables	22	0	22
Provisions	20	0	20
Total	**20,669**	**1,283**	**19,386**

Deferred tax receivables and liabilities for 2011

€ in thousands

31/12/2011	Receivables	Liabilities	Net
Financial investments	24,965	1,694	23,271
Operating receivables	28	0	28
Provisions	72	0	72
Total	**25,065**	**1,694**	**23,371**

2.4.32. Shares in profit

The Shareholders' Meeting did not approve any shares in the profit to non-shareholders.

2.5. Other disclosures

2.5.1. Contingent assets, contingent liabilities and mortgages

The item mortgages in the amount of €7,799 thousand shows the book value of fixed assets and investment property, which are pledged for the loan obtained with Pokojninska družba A d.d., and for the obtained syndicated loan.

85% of the issued guarantees and sureties in the amount of €5,663 thousand refer to the loans obtained by the company Investicijsko podjetje d.o.o., the remaining 15% refer to the issued guarantees and sureties obtained by the companies outside of the Group.

Interest rate swaps totalling €10,000 thousand represent a contracting value of the insurance for a loan portfolio.

The call option contracts totalling €7,184 thousand referred to other shares and stakes.

The pledge of securities in the amount of €267,589 thousand -a detailed explanation under 2.5.2

Overview of the contingent liabilities, mortgages and pledges

€ in thousands

	31/12/2012	Structure 31/12/2012	31/12/2011	Structure 31/12/2011	Index 2012/2011
Mortgages	7.799	2.6%	8.005	2.5%	97
Issued guarantees	5,663	1.9%	17,704	5.6%	32
Interest rate swaps	10,000	3.4%	14,000	4.4%	71
Contracts with a possibility of purchasing	7,184	2.4%	6,719	2.1%	107
Pledging securities	267,589	89.7%	269,181	85.3%	99
Total	**298,235**	**100.0%**	**315.609**	**100.0%**	**94**

2.5.2. Pledge of assets for the obtained long-term and short-term loans of Sava d.d. at 31/12/2012

At 31/12/2012, Sava d.d. shows financial liabilities from the obtained loans out of the Sava Group totalling €284,185 thousand. The total value of pledged assets for the obtained loans of Sava d.d. amounted to €316,868 thousand.

Sava d.d. pledged its own assets for the obtained loans in total amount of €275,388 thousand, which represents 79.1% of the balance sheet total of Sava d.d., the assets of Savatech d.o.o. in the amount of €36,542 thousand, and the assets of Sava Turizem d.d., Bled in the amount of €4,938 thousand.

Breakdown of financial liabilities of Sava d.d. from the loans obtained out of the Sava Group

€ in thousands

Type of financial liability	Long-term financial liabilities	Short-term financial liabilities	Total financial liabilities
- to associated banks (GB, AB)	0	80,358	80,358
- to other banks	4,540	166,772	171,312
- to other partners	6,000	0	6,000
- from issuance of bonds	26,515	0	26,515
Total	**37,055**	**247,130**	**284,185**

Pledged assets of Savatech d.o.o. for the loans obtained by Sava d.d.

€ in thousands

Type of assets	Book value of pledge
Mortgages on real estate owned by Savatech d.o.o.	
- Labore premises	33,661
Pledged ownership stakes owned by Savatech d.o.o.	
- Sava Medical in storitve d.o.o.	2,881
Total pledged value of assets	**36,542**

Note: The pledge placed on the real property owned by Savatech d.o.o. and the ownership stake of Savatech d.o.o. in Sava Medical in Storitve d.o.o. was released in the beginning of January 2013 when the sale of Rubber Manufacturing with the Foreign Trade Network companies had been completed.

Pledged assets of Sava Turizem d.d , Bled for the loans obtained by Sava d.d.

€ in thousands

Type of assets	Book value of pledge
Mortgages on real estate owned by Sava Turizem d.d.	
- family hotel Savica	4,938
Total pledged value of assets	**4,938**

Mortgages on real estate owned by Sava d.d.

€ in thousands

Type of assets	Book value of pledge
Mortgages on real estate	
- Grand Hotel Toplice, Restaurant Panorama	6,162
- 2,587 sq m of land Labore Kranj, store BTC Ljubljana	1,637
Total pledged value of assets	**7,799**

Breakdown of pledged assets of Sava d.d. by type of assets for the loans obtained by Sava d.d.

€ in thousands

Type of assets	Book value of pledge
Pledged assets:	
- pledged shares of companies owned by Sava d.d.	210,981
- pledged stakes in companies owned by Sava d.d.	56,608
- pledged real estate owned by Sava d.d.	7,799
Total pledged value of assets of Sava d.d.	**275,388**
Balance sheet total of Sava d.d. at 31/12/2012	**348,276**
Percentage of pledged assets in the balance sheet total	79.1%

Breakdown by type of pledged shares

Type of assets	Available number of shares	Pledged number of shares for loans of Sava d.d.	Pledged number of shares for loans of subsidiaries and other liabilities	Number of unpledged shares	Book value of pledge - 000 EUR
Pledged shares					
- shares of Abanka Vipa d.d. - ABKN	1,715,841	1,715,841	0	0	9,608
- shares of NFD 1, delniški vzajemni sklad - NF1N	37,498,152	37,498,152	0	0	25,874
- shares of Gorenjska banka d.d. - GBKR	152,110	126,372	9,298	16,440	79,776
- shares of Hoteli Bernardin d.d. - HBPN	1,468,221	1,360,000	0	108,221	2,516
- shares of Sava Turizem d.d. - SHBR	39,308,317	39,308,317	0	0	88,960
- shares of Kompas Hoteli Bled d.d. - KHIR	13,500	13,500	0	0	116
- shares of Nova ljubljanska banka d.d. - NLB	1,504	1,504	0	0	56
- shares of Helios d.d. - HDOG	4,766	4,766	0	0	2,407
- shares of Merkur d.d. - MER	251,566	0	251,566	0	0
- shares of Pokojninska družba A d.d. - PDAR	4,987	4,987	0	0	594
- shares of Jubmes banka a.d. - JBMN	12,113	9,874	0	2,239	1,074
Total value of pledged shares					**210,981**

Breakdown by type of pledged stakes

Type of assets	Available % of ownership	Pledged % of ownership for loans of Sava d.d.	Pledged % of ownership for loans of subsidiaries and other liabilities	% of unpledged ownership	Book value of pledge - 000 EUR
Pledged ownership stakes:					
- Savatech d.o.o.	100.0%	100.0%	0%	0.0%	56,608
Total value of pledged ownership stakes					**56,608**

Note: When the sale was finalized in the beginning of January 2013, the pledge on the ownership stake of Savatech d.o.o. was released.

2.5.3. Financial instruments - financial risks

Exchange rate risk

Overview of exchange rate risk

€ in thousands

	31/12/2011					31/12/2011				
	Total in €	€	USD	CHF	Other currencies	Total in €	€	USD	CHF	Other currencies
Trade receivables	380	380	0	0	0	589	589	0	0	0
Insured bank loans	-171,311	-171,311	0	0	0	-171,190	-171,190	0	0	0
Borrowings from Group companies	-9,930	-9,930	0	0	0	-12,387	-12,387	0	0	0
Borrowings from associated companies	-80,359	-80,359	0	0	0	-79,459	-79,459	0	0	0
Bonds	-26,515	-26,515	0	0	0	-26,515	-26,515	0	0	0
Other financial liabilities	-6,733	-6,733	0	0	0	-14,830	-14,830	0	0	0
Trade payables and other liabilities	-9,211	-9,211	0	0	0	-9,792	-9,792	0	0	0
Gross exposure of balance sheet	**-303,679**	**-303,679**	**0**	**0**	**0**	**-313,583**	**-313,583**	**0**	**0**	**0**
Estimated forecast sales	1,079	1,079	0	0	0	2,644	2,644	0	0	0
Estimated forecast purchasing	2,558	2,558	0	0	0	3,097	3,097	0	0	0
Gross exposure	3,637	3,637	0	0	0	5,741	5,741	0	0	0
Net exposure	**-300,042**	**-300,042**	**0**	**0**	**0**	**-307,842**	**-307,842**	**0**	**0**	**0**

Interest rate risk

Interest risk management in Sava d.d. using the financial instrument

€ in thousands

31/12/2012	Book value	Contracted cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	more than 5 years
Interest rate swaps							
Assets	0	0	0	0	0	0	0
Liabilities	-3,672	-3,672	-400	-400	-1,600	-1,272	0
Total	**-3,672**	**-3,672**	**-400**	**-400**	**-1,600**	**-1,272**	**0**

€ in thousands

31/12/2011	Book value	Contracted cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	more than 5 years
Interest rate swaps							
Assets	128	-128	-128	0	0	0	0
Liabilities	-4,951	-4,951	-654	-450	-2,200	-1,647	0
Total	**-4,823**	**-5,079**	**-782**	**-450**	**-2,200**	**-1,647**	**0**

In accordance with hedging against interest risk arising from the anticipated changein the reference interest rate EURIBOR, Sava d.d. has one financial instrument concluded for hedging against interest risk with a total nominal value amounting to €10 million. At the end of December 2012, the net value of interest rate swaps as a difference between the receivables and the liabilities arising thereof is negative and amounted to €3,672 thousand at the end of the year (a negative of €4,823 thousand at the end of 2011). Using this financial instrument, 3.7% of all obtained loans are hedged. At 31/12/2012, the average interest rate for the hired loans amounted to 5.2%.

Solvency risk

Overview of solvency risk

€ in thousands

31/12/2012	Book value	Contracted cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	more than 5 years
Non-derived financial liabilities	304,059	-309,741	-267,454	-2,884	-37,066	-2,337	0
Insured bank loans (without associated companies)	171,311	-172,536	-166,060	-1,731	-2,407	-2,337	0
Loans from Group companies	9,930	-10,046	-10,046	0	0	0	0
Trade payables and other liabilities	9,211	-9,211	-9,211	0	0	0	0
Borrowings from associated companies	80,359	-81,003	-81,003	0	0	0	0
Bonds	26,515	-30,196	-946	-962	-28,288	0	0
Other financial liabilities	6,733	-6,749	-187	-191	-6,371	0	0
Overdrafts on bank accounts	0	0	0	0	0	0	0
Liabilities from financial lease	0	0	0	0	0	0	0
Derived financial liabilities	3,672	-3,672	-400	-400	-1,600	-1,272	0
Interest rate swaps for hedging from risk	3,672	-3,672	-400	-400	-1,600	-1,272	0
Total	**307,731**	**-313,413**	**-267,854**	**-3,284**	**-38,666**	**-3,609**	**0**

€ in thousands

31/12/2011	Book value	Contracted cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	more than 5 years
Non-derived financial liabilities	**314,172**	**-332,489**	**-34,970**	**-250,927**	**-13,487**	**-33,105**	**0**
Insured bank loans	171,190	-181,377	-17,312	-155,711	-3,562	-4,791	0
Loans from Group companies	12,387	-12,732	-4,933	-7,772	-1	-26	0
Trade payables and other liabilities	9,792	-9,792	-9,762	-30	0	0	0
Borrowings from associated companies	79,459	-81,637	-1,597	-80,040	0	0	0
Bonds	26,515	-32,109	-951	-962	-1,908	-28,288	0
Other financial liabilities	14,830	-14,843	-415	-6,412	-8,016	0	0
Overdrafts on bank accounts	0	0	0	0	0	0	0
Liabilities from financial lease	0	0	0	0	0	0	0
Derived financial liabilities	**4,951**	**-4,951**	**-654**	**-450**	**-2,200**	**-1,647**	**0**
Interest rate swaps for hedging from risk	4,951	-4,951	-654	-450	-2,200	-1,647	0
Total	**319,123**	**-337,440**	**-35,624**	**-251,377**	**-15,687**	**-34,752**	**0**

Credit risk

Trade receivables by geographic region

€ in thousands

	Carrying amount	
	31/12/2012	31/12/2011
Slovenia	355	584
Other EU countries	0	0
Other	25	5
Total	**380**	**589**

Balance and movement of value adjustments in trade receivables

€ in thousands

	2012	2011
Balance at 01/01	428	787
Increase of impairment	19	40
Reversal of impairment	-309	-399
Balance at 31/12	**138**	**428**

Maturity of trade receivables

€ in thousands

	31/12/2012			31/12/2011		
	Gross receivable	Impairment	Net receivable	Gross receivable	Impairment	Net receivable
Not past due	322	0	322	531	0	531
Past due 0 - 30 days	31	0	31	32	1	31
Past due 31 - 120 days	19	0	19	33	10	23
Past due more than one year	146	138	8	421	417	4
Total	**518**	**138**	**380**	**1,017**	**428**	**589**

Sensitivity analysis to financial risks

- **Sensitivity analysis to the interest rate change**

At the end of 2012, Sava d.d. had the greatest share of hired loans tied to the reference interest rate 3-month EURIBOR. In 2012, the interest rate decreased by 1.13 percentage point.

The fluctuation of the future interest rate will be in strong relation to the economic situation in the Euro Zone. For 2013, the reference interest rate in the Euro Zone is not expected to rise, however, if the interest rate changes, the sensitivity of the loan portfolio is still high. In the case that the interest rate would change by 50 basis points, the interest expense would change by €1,470 thousand taking into account the indebtedness of Sava d.d. at the end of 2012.

	31/12/2012	31/12/2011	Highest value	Lowest value	Mean value	Daily standard deviation	Coefficient of variation
3-month EURIBOR	0.19 %	1.32%	1.34 %	0.18 %	0.57 %	1.12 %	50.9 %

- **Sensitivity analysis to the increased indebtedness**
  At the end of 2012, Sava d.d. had short-term and long-term financial liabilities of €294.0 million. In the event that Sava d.d. contracts an additional debt of €10 million, the interest expenses at the average weighted interest rate valid at the end of 2012 would increase by €543 thousand.

- **Sensitivity analysis to a change in the value of foreign currencies**
  Sava d.d. has a majority of inflows and outflows mutually balanced, and the major part of assets is tied to the domestic currency. For this reason, the company is not strongly exposed to the changes in the value of foreign currencies

2.5.4. Estimating fair values

Securities available for sale

The fair value of listed securities available for sale equals the announced standard bid market price at the balance sheet date. The fair value of shares and stakes of unlisted companies equals the cost value less any impairments based on checking for any indications of impairment.

Interest-bearing loans and borrowings

The fair value is estimated as a discounted value of the expected cash flow from the principal and interest, whereby the effective interest rate equals the contracting interest rate, which is variable.

Issued bonds

The fair value of issued bonds was ascertained by using the stock exchange price achieved in the bonds listing in the Ljubljana Stock Exchange.

Short-term receivables and liabilities

For receivables and liabilities with a remaining life of less than one year, the notional value is deemed to reflect the fair value.

Fair values of financial instruments

€ in thousands

	31/12/2012		31/12/2011	
	Book value	Fair value	Book value	Fair value
Securities available for sale	36,507	36,507	41,130	41,130
Long-term receivables	10	10	63	63
Short-term receivables	4,604	4,604	1,582	1,582
Approved loans	16,295	16,295	22,686	22,686
Cash and cash equivalents	3	3	0	0
Long-term loans	10,563	10,563	15,781	15,879
Issued bonds	26,515	22,538	26,515	25,982
Short-term loans	261,442	261,442	267,035	267,133
Short-term operating liabilities	9,211	9,211	9,792	9,792

2.5.5. Hierarchy of fair values

Financial instruments valued at fair value are classified in three levels:

- Level 1: assets or liabilities at stock exchange price on the last day of accounting period.
- Level 2: assets or liabilities, which are not classified as level 1; their value is defined directly or indirectly on the basis of the market data.
- Level 3: assets or liabilities whose value cannot be obtained from the market data.

Hierarchy of financial instruments considering computation of their fair value

€ in thousands

	31/12/2011				31/12/2010			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Securities available for sale	36,507	4,683	25,874	5,950	41,130	4,159	25,124	11,847
Derived financial instruments - assets	0	0	0	0	128	0	128	0
Derived financial instruments - liabilities	-3,673	0	-3,673	0	-4,951	0	-4,951	0
Total	**32,834**	**4,683**	**22,201**	**5,950**	**36,307**	**4,159**	**20,301**	**11,847**

2.5.6. Converting capital by means of living

€ in thousands

	Capital	% growth	Calculated effect	Net profit for the financial year less calculation effect
CAPITAL - calculation for cost of living	74,477	2.70%	2,011	-51,047

2.5.7. Related parties

Related parties include subsidiaries and associates, Supervisory Board members, Management Board members and their closer family members.

Relations among companies in the Sava Group

Business relations between Sava d.d. and its subsidiaries relate to:

- Provided services, which include rent of property and equipment, use of brand name, and services provided by the professional services.
- Financial operations in connection with managing granted and obtained loans.

Transactions among the Sava Group companies are performed under the same conditions as valid in an ordinary arm's length transaction. The capital of subsidiaries as per 31/12/2012, operating income and net result of subsidiaries for 2012 are disclosed in the Notes to the Financial Statements of the Sava Group.

Relations with the associated companies

Gorenjska Banka d.d., Abanka Vipa d.d., NFD Holding d.d., and Maksima Invest d.d. under receivership, are the associated companies of Sava d.d.

GORENJSKA BANKA d.d., Kranj

Sava d.d. raises loans with Gorenjska Banka d.d. Terms and conditions for these transactions equal those effective for other companies with a similar rating.

Ownership of the Sava share

	31/12/2012	31/12/2011
No. of Sava d.d. shares owned by Gorenjska Banka d.d.	56,475	56,475
Ownership stake of Gorenjska Banka d.d. in Sava d.d.	2.81%	2.81%

Transactions with Gorenjska Banka d.d. – obtained loans and deposits

€ in thousands

	2012	2011
Balance of received loans at 01/01	**33,038**	**31,779**
Hiring new loans	2,942	2,620
Repayment of loans	-443	-1,361
Revaluation of foreign currency loans	0	0
Balance of received loans at 31/12	**35,537**	**33,038**
Balance of deposits at 31/12	**196**	**0**

Other transactions with Gorenjska Banka d.d.

- No operating receivables due from Gorenjska Banka d.d. at 31/12/2012 (none in 2011, too).
- The balance of short-term operating liabilities from interests to Gorenjska Banka d.d. at 31/12/2012 amounted to €411 thousand (€497 thousand at 31/12/2011).
- In doing business with Gorenjska Banka d.d. in 2012, no financial revenues from operating receivables were generated (€63 thousand in 2011). Financial expenses from payment transaction fees amounted to €24 thousand (€8 thousand in 2011).
- In doing business with Gorenjska Banka d.d. in 2012, interest revenues from deposits were generated in the amount of €1 thousand (none in 2011). Interest expenses totalled €1,903 thousand (€2,029 thousand in 2011).

ABANKA VIPA d.d, Ljubljana

Sava d.d. raises loans with Abanka Vipa d.d. Terms and conditions for these transactions equal to those effective for other companies with a similar rating.

At 31/12/2012 Abanka Vipa d.d. held bonds issued by Sava in the amount of €9,281 thousand.

Transactions with Abanka Vipa d.d.- obtained loans and deposits

€ in thousands

	2012	2011
Balance of received loans at 01/01	**46,300**	**46,081**
Hiring new loans	15,544	56,111
Repayment of loans	-17,022	-55,892
Revaluation of foreign currency loans	0	0
Balance of received loans at 31/12	**44,822**	**46,300**
Balance of deposits at 31/12	**0**	**2,276**

Other transactions with Abanka Vipa d.d.

- No operating receivables due from Abanka Vipa d.d. were shown at 31/12/2012 (€1 thousand at 31/12/2011).
- The balance of short-term operating liabilities from interests to Abanka Vipa d.d. amounted to €204 thousand at 31/12/2012 (€241 thousand at 31/12/2011).
- In doing business with Abanka Vipa d.d. in 2012, no financial revenues from operating receivables were generated (none in 2011, too), while financial expenses from payment transaction fees amounted to €32 thousand (€37 thousand in 2011).
- In doing business with Abanka Vipa d.d. in 2012, financial revenues from loans of €2 thousand were generated (€1 thousand in 2011), while interest expenses amounted to €2,489 thousand (€2,604 thousand in 2011).

NFD HOLDING d.d., Ljubljana

At 31/12/2012, the balance of the receivable due from NFD Holding d.d. amounted to €21,780 thousand (€22,374 thousand in 2011). At 31/12/2012, operating receivables from the accounted interest for loans amounted to €1,683 thousand (€899 thousand in 2011). In 2012, interest revenues amounted to €1,540 thousand (€1,579 thousand in 2011), and financial revenues from operating receivables were generatedin the amount of €4 thousand in 2012 (€49 thousand in 2011).

MAKSIMA INVEST d.d. – under receivership, Ljubljana

Transactions with Maksima Invest d.d. – under receivership – obtained loans:

€ in thousands

Balance of received loans at 01/01	**121**	**0**
Hiring new loans	5	225
Repayment of loans	-126	-105
Revaluation of foreign currency loans	0	0
Balance of received loans at 31/12	**0**	**121**
Balance of deposits at 31/12	**0**	**0**

No interest expenses were made 2012 (€1 thousand in 2011).

Relations with natural persons

Related natural persons own 447 Sava shares, which represents 0.022% of ownership.

Ownership of the Sava share

	31/12/2012		31/12/2011	
	Number	Share	Number	Share
Sava d.d. Management Board members	246	0.012%	246	0.012%
Close family members of the Sava d.d. Management Board members	0	0.000%	0	0.000%
Sava d.d. Supervisory Board members	21	0.001%	125	0.006%
Directors of subsidiaries	180	0.009%	180	0.009%
Supervisory Board members in subsidiaries	0	0.000%	0	0.000%

The name list of the Management Board and Supervisory Board members who own Sava shares is disclosed in the business part of the annual report, chapter- The Sava share and ownership structure.

Data about the group of persons – Management Board

In 2012, gross emoluments of the Management Board members amounted to €757 thousand. The amount included gross income according to the management employment contracts, insurance premiums, expenses refunds, and other emoluments for carrying out tasks in the subsidiaries; in 2012, their net emoluments amounted to €386 thousand, or 51% of the gross emoluments.

Overview of emoluments of the Management Board of Sava d.d.

€ in thousands

	Gross salary	Gross bonuses	Gross rewards	Gross expenses refunds	Gross insurance premiums	Gross income from other payments	Gross income from carrying out tasks in subsidiaries	Total income in gross amount	Total income in net amount
Matej Narat, MSc, President of the Management Board	184	0	0	1.50	8	5	10	209	108
Franci Strajnar, MSc, Member of the Management Board	166	0	0	2.60	8	2	3	181	92
Miha Resman, Member of the Management Board	166	0	0	0.90	8	3	0	178	88
Andrej Andoljšek, Member of the Management Board	166	0	0	1.63	8	5	7	189	98

Data about the group of persons – other employees with individual contracts of employment

16 employees (at the end of 2011 there were 30 such associates) had individual contracts of employment and received gross emoluments of €1,488 thousand in 2012. This sum consisted of gross salaries and other emoluments, of which travel expense refunds amounted to €13 thousand.

At 31/12/2012, Sava showed no receivables from approved loans due from the associates employed under individual employment contracts.

Data about the group of persons – Supervisory Board and its commissions

In 2012, the gross emoluments of the Supervisory Board members amounted to €140 thousand. The amount included monthly attendance fees, rewards and travel expense refunds.

Overview of emoluments of the Supervisory Board of Sava d.d.

€ in thousands

		Attendance fees	Bonus	Expense refunds	Total
Aleš Skok	Member of the Supervisory Board since 9/6/2011, Chairman of the Supervisory Board since 10/7/2012	3	14	0.15	17
Miran Kraševec	Member of the Supervisory Board since 29/6/2012, Deputy Chairman of the Supervisory Board since 10/7/2012	2	6	0.13	8
Roman Ambrož	Member – shareholder representative – since 29/6/2012	2	5	0.13	7
Robert Ličen, MSc	Member – shareholder representative – since 9/6/2011	3	12	0.17	15
Tomaž Perše, MSc	Member – shareholder representative – from 29/6/2012 to 18/10/2012	1	4	0.07	5
Rok Ponikvar	Member – shareholder representative – since 29/6/2012	2	5	0.13	7
Aleš Aberšek	Member – employee representative – since 29/6/2012	1	5	0.00	6
Lučka Pogačnik	Member – employee representative – since 29/6/2012	1	5	0.00	6
Gregor Rovanšek	Member – employee representative – to 28/6/2012 and since 29/6/2012	3	12	0.00	15
Janko Gedrih	Audit Commission Member – until 10/7/2012	1	0	0.00	1
Miran Kalčič	Chairman of the Supervisory Board – until 28/6/2012	1	10	0.04	11
Janko Kastelic	Member – shareholder representative – until 28/6/2012	2	7	0.06	9
Stanislav Valant, MSc	Deputy Chairman of the Supervisory Board – until 28/6/2012	1	8	0.04	10
Jože Obersnel	Member – shareholder representative – until 28/6/2012	1	7	0.06	8
Janez Justin	Member – employee representative – until 28/6/2012	1	7	0.01	8

2.5.8. Disclosure of business with the selected auditor

According to the contract made with Deloitte d.o.o. the contractual value of auditing the separate and consolidated financial statements of Sava d.d. and the Sava Group for 2012 amounts to €33 thousand.

2.5.9. Influence by events after the balance sheet date

Important events that appeared after the balance sheet date are disclosed in the business part of the annual report. The nature of these events does not affect the balance of assets and liabilities shown in the financial statements of Sava d.d. for 2012, or the going-concern presumption.

We separately give the following explanations:

a) Explanation in connection with the procedure and performance of selling the companies of Rubber Manufacturing with the Foreign Trade Network, which was completed on 8 January 2013

- Subject of sale was a 100% stake in Savatech d.o.o., Kranj, with inclusion of all subsidiaries, a 60% stake in Savapro, d.o.o., Kranj and the trademark Sava in the part, which refers to the production process of the company Savatech d.o.o.
- The primary goal of the sale was to maximise the purchase money in order to reduce debts of Sava d.d., and its secondary goals was to preserve the division as a whole and keep the production in the Kranj-based premises.
- The sale procedure had several phases, strategic and financial investors were invited to participate.
- In addition to the Management Board members of Sava d.d. and the management team of Savatech d.o.o., the financial advisors of EquityGate Advisors and legal advisors of the law firm Jadek&Pensa engaged in conducting the sale procedure.
- The Czech rubber manufacturing group ČGS a.s. was selected as the best bidder in the sale process, the sale contract was signed on 25 October 2012.
- The contract defined the terms for purchase money transfer and they were met until 8 January 2013, which is why the total purchase money was transferred on the very same day; the sale procedure of Rubber Manufacturing was thus formally completed.
- The consideration for a 100% stake of Savatech d.o.o. amounted to €69.4 million. The received purchase money in the amount of €49.3 million was used for repayment of bank loans, a sum of €4.9 million was earmarked for settling the liabilities that Sava d.d. had to Rubber Manufacturing companies, while a sum of €15.2 million was transferred to the escrow account at the notary. In this transaction, Sava d.d. generated a profit of €24.3 million.
- The purchase money for a 60% stake of Savapro d.o.o. totalled €1.0 million and was entirely settled. In this transaction, Sava d.d. made a loss of €0.8 million.

b) Explanation in connection with the performance of selling the hotel real property owned by Sava d.d. to TMC d.o.o. (part of Tourism division), which was completed on 18 January 2013

- As of entering in the ownership of the Tourism division companies in Bled, Sava d.d. owned certain hotel capacities in Bled. After the sale of real property had been carried out, Tourism has become a self-contained entity.
- The purchase money for real property amounted to €15.3 million, the amount was determined on the basis of the Report on the Estimate of Real Property Rights Evaluation. In this transaction, Sava d.d. generated a profit of €5.1 million.
- Based on the abovementioned event Sava d.d. reduced its indebtedness with banks by €13.5 million.

c) Call option NLB

Sava d.d. had a contract with Factor Banka d.d. for a forward sale of 26,748 shares of NLB d.d. with the maturity date of 15 January 2013. The contract was insured with 6,050 shares of Gorenjska Banka d.d. Upon the contract expiration, Sava d.d. did not exercise its right for purchasing the shares of NLB d.d., whereas the seller exercised its right from the collateral made for the contract. After this event, the ownership stake that Sava d.d. had in Gorenjska Banka d.d. reduced from 45.90% to 44.07%.

2.6. Statement of Management Responsibility for Sava d.d.

The Management Board of Sava d.d. confirms the financial statements of the company Sava d.d. for the period that ended on 31 December 2012, which have been prepared in accordance with Slovene Accounting Standards.

The Management Board confirms that when drawing up the financial statements the corresponding accounting policies were consistently applied, the accounting estimates were elaborated according to the principle of prudence and good management, and the report gives a true and fair view of the company's assets and business results in 2012.

The Management Board is responsible for the proper managing of its accounting procedures, establishing, operation and maintaining internal control in relation to the preparation and fair presentation of the financial statements, which do not contain any material misstatements originating from fraud or error, and for adopting suitable measures for securing assets and other funds. The Management Board confirms herewith that the financial statements and the notes have been produced on the going concern presumption and in accordance with the legislation in force and Slovene Accounting Standards.

Kranj, 19 March 2013

Matej Narat, MSc
President of the Management Board

Miha Resman
Member of the Management Board

Andrej Andoljšek
Member of the Management Board

2.7. Independent auditor's report for Sava d.d.

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20 let v Sloveniji

INDEPENDENT AUDITOR'S REPORT
to the owners of SAVA, d.d.

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of the company SAVA, d.d. (hereinafter: the 'Company'), which comprise the balance sheet as at 31 December 2012, the income statement, statement of other 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 Slovenian Accounting Standards. The management is also responsible for the level of internal control required in its opinion to prepare financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company SAVA d.d. as at 31 December 2012 and its operating results and its cash flows for the year then ended in accordance with Slovenian Accounting Standards.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note *2.3 Financial risk management for the company Sava d.d.* to the unconsolidated financial statements, the Company is exposed to high credit risk, high solvency risk and risk of change in fair value. The Company has recurring losses and as at 31 December 2012 its short-term liabilities exceeded its current assets by EUR 194,508 thousand. These conditions, along with other matters as set forth in Note 2.3 and Note 10 of the business report indicate the existence of uncertainty which may raise doubt about the Company's ability to continue as a going concern. The management's plans in relation to the abovementioned risk are disclosed in Note 2.3. and in Note 10 *Financial management* of the business report. The unconsolidated financial statements do not include potential adjustments that may have been the consequence of this uncertainty.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements:

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

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik Certified Auditor	Yuri Sidorovich President of the Board

For signature please refer to the original Slovenian version.

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

Ljubljana, 19 March 2013

The conditions for the improved performance, increased assets and profit growth have been created.

The increased Sava share price and new sources for payment of dividends to Sava shareholders.

Sustainable growth & development of the renewed Sava

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