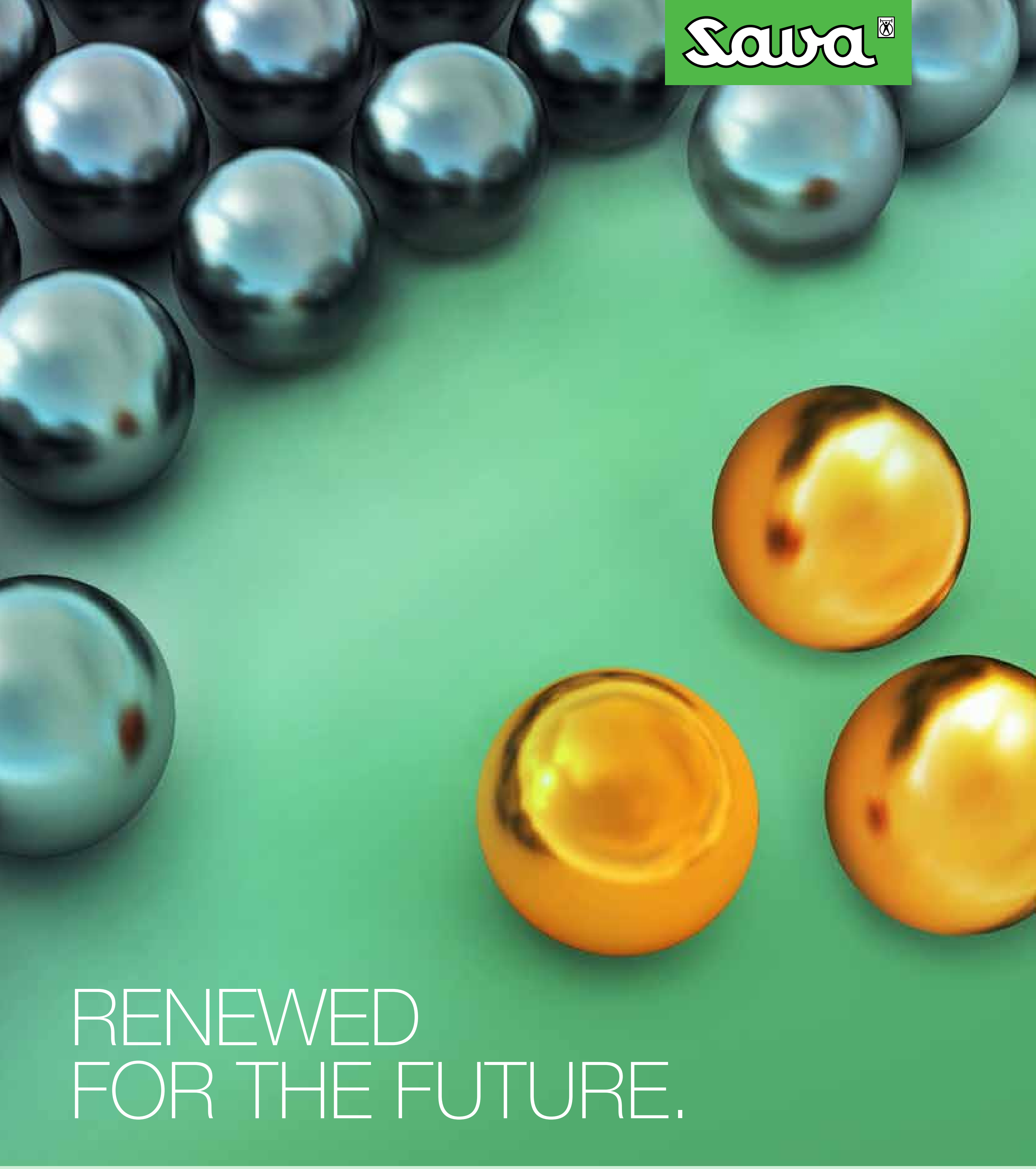

RENEWED
FOR THE FUTURE.

Annual Report 2011

Sava Group

Annual Report 2011

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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SUSTAINABLE DEVELOPMENT

FINANCIAL REPORT

INTRODUCTION

1 Significant data and indicators

€ in millions

Sava Group according to International Financial Reporting Standards	2007	2008	2009	2010	2011	Index 2011/2010
Sales	188.2	231.8	172.9	176.7	193.8	110
Exports	99.1	103.1	70.7	83.7	101.8	122
Pre-tax profit	41.6	0.3	22.5	-105.1	-169.1	161
Net profit	39.3	1.9	23.4	-99.9	-157.2	157
EBITDA	24.4	21.4	25.5	20.9	19.8	95
Balance sheet total	951.7	921.6	941.4	760.8	611.3	88
Long-term assets	850.3	815.4	776.8	643.2	491.8	76
Current assets	101.4	106.2	164.6	117.6	119.5	102
Equity	545.4	482.4	475.4	323.3	165.8	51
Long-term liabilities	203.3	218.6	178.8	232.8	81.4	35
Current liabilities	203.0	220.6	287.2	204.7	364.1	178
Investment in property, plant and equipment	37.5	23.3	6.7	6.4	6.3	98
INDICATORS						
Net profit/operating revenues - %	19.7	0.8	13.1	-49.4	-79.1	160
Pre-tax profit / equity - %	8.9	0.1	4.8	-23.4	-52.3	224
Net profit / equity - %	8.4	0.3	5.0	-22.3	-48.6	218
Net earnings/loss per share - €	19.6	1.2	11.8	-50.0	-78.7	157
Independence rate (equity/balance sheet total) - %	57	52	51	42	27	64
Liquidity (current assets / current liabilities) -%	50	48	57	57	33	58
SHARE						
Nominal value -€	-*	-*	-*	-*	-*	-
Book value - €	270.9	240.0	236.2	161.1	82.2	51
Market value at 31/12 - €	603.7	253.2	240.1	89.5	12.0	13
Paid dividend per a share - €	2.8	3.0	3.1	3.2	0.0	0
EMPLOYEE NUMBER						
Status at 31/12	2,641	2,692	2,370	2,286	2,256	99

**Since 2007 the company Sava d.d. has its capital distributed to ordinary personal no-par value shares.*

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 http://www.sava.si
Registration number:	5111358
VAT-ID No.:	SI 75105284
Activity code:	64.200 – holding companies
Date of entry in register of companies:	26 April 1996
Share capital at 31/12/2011:	€83,751,567.51
No. of shares at 31/12/2011	2,006,987 ordinary personal no-par value shares
Share listing:	Ljubljana Stock Exchange d.d., stock exchange listing
Share designation:	SAVA
* President of the Management Board:	Matej Narat, MSc
* Members of the Management Board:	Andrej Andoljšek, Miha Resman and Franci Strajnar, MSc
Chairman of the Supervisory Board:	Miran Kalčič
** Deputy Chairman of the Supervisory Board:	Stanislav Valant, MSc

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.
- Acquiring and selling securities and other ownership shares.
- Managing portfolio investments.
- Implementing financial engineering tasks.
- Establishing branch offices and companies, and taking over of ownership stakes in Slovenia and abroad.
- Leasing out of real estate.
- Management consulting services.
- All other commercial business that directly or indirectly contributes to achieving the goals of the company and involves acquisition and sale of property.
- Joining in commercial interest associations and concluding commercial contracts of all types.

* *Until 30 March 2011, the company was managed by the long-time management board consisting of Janez Bohorič as chairman, and Emil Vizovišek and Vinko Perčič as members. Vinko Perčič continued to carry out his office until his third five-year term of office expired as scheduled, i.e. 16 July 2011.*

** *Until the termination of the supervisory board member office, i.e. 8 June 2011, the deputy chairman of the supervisory board office was carried out by Marko Pogačnik, MSc.*

3 Organisational structure of the Sava Group

The Sava Group is in the process of restructuring, which includes both the internal consolidation and the sale of a part of investments. With the beginning of 2012, Sava restructured into a financial holding with a decentralised management, which is one of the key elements in implementing the adopted restructuring strategy that aims at improving the efficiency of operations.

3.1. About the Sava Group

The Sava Group is one of the larger business enterprises in Slovenia. It incorporates 24 companies (the parent company and 23 subsidised companies). In total, the companies employ more than 2,200 associates.

The divisions of the Sava Group are:

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

The restructuring strategy of the Sava Group until 2014 plans to divest a part of investments of Sava d.d. and, as a result, the Group's remodelling.

The principal goals of Sava Group's divisions and companies:

- Achieve an above-average profit (in the sector they operate in).
- Achieve a leading position in the domestic, and above all, the regional and world markets.
- Ensure a long-term competitive growth and development on a sustainable basis.

The values of the Sava Group:

INTEGRITY; *we act honestly and ethically, respecting agreements.*
RESPONSIBILITY; *we responsibly exercise the principles of sustainable development*.
KNOWLEDGE; *our success is based on knowledge.*
CREATIVITY; *we create innovative solutions.*
EXCELLENCE; *we wish to be excellent in everything we do.*

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.

To support the restructuring strategy adopted in September 2011, Sava d.d. remodelled into a strategically supervised financial holding and reorganised internally.

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

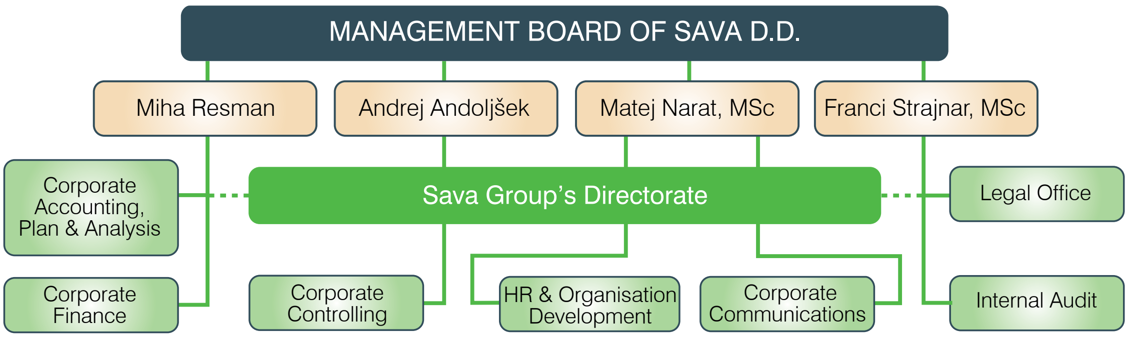
- The management of Sava d.d. is responsible for managing the investment portfolio of the company and the strategic supervision of the Group.
- The management teams in divisions and com panies are responsible for their operative business.

The remodelled internal organisation of Sava d.d. results from the change in the Group's management model, which replaced the former active network management via 13 competence centres of knowledge.

It assures a higher level of efficiency and a simplified supervision over the implementation of tasks. Furthermore, it assures the compliance of the operations in Sava Group companies with the internal policies and rules, and the legislation.

The new organisation of Sava d.d. was introduced with the beginning of 2012.

New organisational structure of Sava d.d.



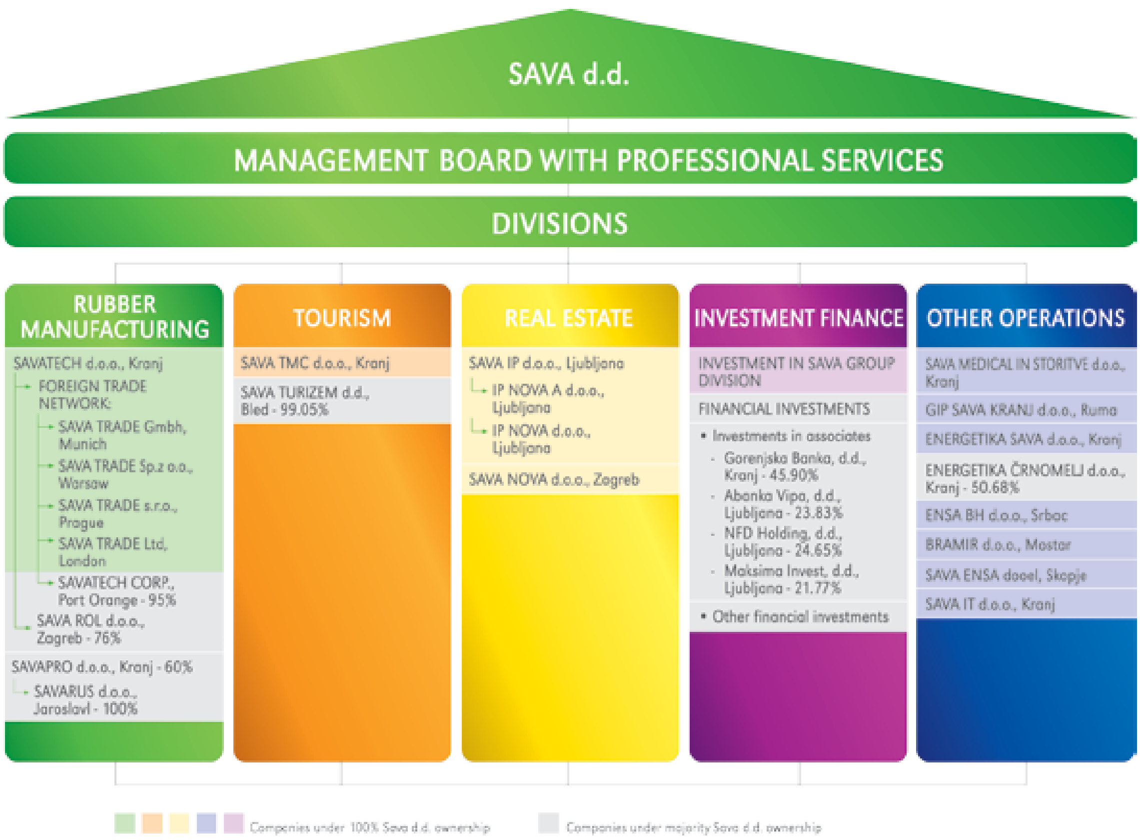
The mission of Sava d.d. is conducted by the Management Board, the Sava Group's directorate and 7 professional services with the associates.

The Sava Group's Directorate began to operate in the beginning of October 2011. Its role is to assure managing and strategic supervision over individual Group's companies, exercise Sava Group's policies, and manage and supervise other companies, in which Sava d.d. holds capital investments.

The core team of the Directorate is composed of three professional services: Corporate Controlling, HR & Organisation Development, and Corporate Communications. In carrying out the mission it closely liaises with other professional services of Sava d.d.: Corporate Finance, Corporate Accounting, Plan & Analysis, Internal Audit, and Legal Office.

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

3.3. Composition of the Sava Group



Organisational structure and composition of the Sava Group at 27/03/2011

3.4. Divisions of the Sava Group

Investment Finance

This operation is carried out within the company Sava d.d.; its main tasks are to optimise the value of individual investments, support financing Sava's divisions and the concern for the growth in Sava Group's assets. The two most important financial investments that Sava d.d. holds are those in the associated companies Gorenjska Banka d.d., and Abanka Vipa d.d. The value of both investments represents approximately one half of total assets of Sava d.d.

Rubber Manufacturing with the Foreign Trade Network

Sava's Rubber Manufacturing is based on more than nine decades of tradition. The Sava trademark achieves leading positions in numerous market niches. The mainstay of the development is Savatech d.o.o., which includes five foreign trade companies in Germany, the Czech Republic, Poland, England and Florida, and a representation office in Russia.
This division further includes the companies Sava Rol d.o.o., Savarus d.o.o., and Savapro d.o.o.

The division develops and markets a broad range of high-quality industrial rubber products and tyres suitable for industrial applications reaching from the construction industry to the car industry (motorcycles, scooters, bicycles, industrial vehicles, go-karts, cars), the graphic industry and the environmental protection. It also develops new rubber products for the sectors, which are new to Sava, such as medicine, military equipment and energy management.

Tourism

The new merged company Sava Turizem d.d. is the biggest provider of tourism 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.

The development rests on the principles of sustainability and emphasises the link between a closer and a wider environment. The division markets hotel, health and other tourist services, as well as golf courses and campsites of the highest category.

Real Estate

This division has the leading position in the Slovene property market. It includes the companies Sava IP d.o.o. and its daughter companies IP Nova d.o.o., IP Nova A d.o.o., and Sava Nova d.o.o., Zagreb.
The division finances and builds for the market and leases out its own real estate. An important part of this operation involves providing engineering and other services for the requirements of Sava Group companies.

Other Operations

The division includes the companies: Sava Medical in Storitve d.o.o., a social enterprise for employing and training disabled workers; GIP Sava Kranj d.o.o., which manages ownership issues in relation to real estate in Serbia; Sava IT d.o.o., which provides ICT services for the needs of the Sava Group, and energy management companies.
The mainstay of the energy management sector is the Kranj-based Energetika Sava d.o.o. Energetika Črnomelj d.o.o. operates in Slovenia, while Ensa BH d.o.o., Srbac, Bramir d.o.o., Mostar, and Sava Ensa dooel., Skopje, operate in the former Yugoslav markets. The companies provide comprehensive solutions for utilising the alternative energy sources and reducing the cost for energy supply.

4 Overview of significant events and achievements

4.1. Significant events and achievements in the period January-December 2011

January

- The increases in capital of Savatech d.o.o. Kranj in the amount of €31.2 million and Sava IP d.o.o. in the amount of €7.1 million approved in 2010 are entered in the register of companies.
- The Velo programme of Savatech d.o.o., begins to develop a new segment of motorcycle tyres for the so-called motoskiring, the ever more popular winter racing sport.

February

- Sava d.d. and nine other companies, the consortium members in the sale of a 50.1% ownership stake in Abanka Vipa d.d., choose the international investment bank ING as their joint financial advisor in the selling procedure.
- Sava d.d. and SchäferRolls GmbH & Co KG conclude an agreement about selling a 50% business stake of Sava d.d. in the mixed ownership company for the manufacture of roll covers Sava-Schäfer d.o.o., Kranj.
- At the general meeting, the shareholders of Merkur d.d. vote for an increase in capital of the company, which is one of the critical conditions for an effective compulsory settlement in this company. The shareholders unanimously support the request by Sava d.d. for a special audit of disputable transactions made by the management of Merkur d.d. between 2007 and 2010.

March

- Sava d.d. receives interim dividends from Gorenjska Banka d.d. totalling €4.4 million.
- Sava d.d. increases capital in ENSA d.o.o. by €212,000, and in Sava TMC d.o.o. by €150,000; after these increases, the share capital in Ensa d.o.o. amounts to €880,459, and in Sava TMC d.o.o. to €160,000.
- On 31 March 2011, the long-time management board of Sava d.d. is succeeded by the new management board with Matej Narat, MSc, as president, and Andrej Andoljšek, Miha Resman and Franci Strajnar, MSc, as members.
- The Workers' Council of Sava d.d. elects Gregor Rovanšek a new member - employee representative in the Supervisory Board of Sava d.d. to replace Miha Resman.

April

- The Supervisory Board of Sava d.d. deals with and adopts the audited annual reports of the Sava Group and Sava d.d. for 2010. It supports the proposal given by the Management Board to the Shareholders' Meeting to keep the accumulated profit of €6.5 million undistributed until further notice.
- Sava d.d. transfers its 76% ownership holding in Sava Rol d.o.o. Zagreb, to the leading company of Rubber Manufacturing, Savatech d.o.o.
- In Sava Hoteli Bled d.d., a renovation of the outdoor restaurant terrace and Cafe Park is completed; 4 new wooden huts, the so-called forest villas, are set in the campsite Bled to enhance the quality and variety of offer.
- The Bled-based Grand Hotel Toplice celebrates its 80th anniversary; this prominent jubilee is marked with a number of events and thematic sales campaigns.

May

- The Management Board of Sava d.d. adopts a short-term measures programme to improve the operations and presents it to the Supervisory Board. The programme operationalises and supports the measures that aim at stabilising the operations and strengthening cash flow, coordinating the maturity of financing sources and disinvesting certain investments.
- Velo programme of Savatech d.o.o develops the new motorcycle Racing Super Soft tyres which assure a better road grip in cold weather.

June

- At the 17th Shareholders' Meeting of Sava d.d., the shareholders grant discharge from liability to the Management Board and Supervisory Board for 2010, adopt a proposal about non-distribution of the accumulated profit, and appoint Deloitte Revizija d.o.o. as auditor of the financial statements for 2011.
- Robert Ličen, MSc, and Aleš Skok are elected the new Supervisory Board members – shareholder representatives for a 4-year term of office beginning on 9 June 2011.
- Sava d. d. receives dividends of €6.2 million from the associated company Gorenjska Banka d.d.; together with interim dividends received in March, the dividend sum totals €10.6 million.
- Converting the approved loan into the company capital, Sava d. d. increases capital of Sava Nova d.o.o., Zagreb. The value of the capital increase totals €9.0 million.
- The GTI Programme – Moulded Products of Savatech d.o.o., in Ptuj, completes the investment in setting up a new - the third in succession - horizontal injection press, and installs a bridge elevator for all three presses.
- Tourism companies introduce the loyalty programme Sava Hotels & Resorts Ambassador, which brings numerous benefits to guests.
- Sava IP d. o. o. sells the company Sava IMG d. o. o., Poreč, in which it held a 50% ownership stake.

July

- The creditors of Merkur d.d. confirm the compulsory settlement for the company to protect it from going bankrupt. After the increase in capital is entered the present 19.17% stake of Sava d.d. decreases to 8.2%.
- NFD 1, Investicijska Družba d. d. acquires 356 shares of Sava d. d., after which the share of its voting rights increases from 4.99% to 5.01%.
- The Velo Programme of Savatech d. o. o. launches the new Teracross SX11 tyres suitable for the cross country category. The new-developed compound assures a superb grip in all driving conditions and a longer service life.
- The major investment in 2011 in the Tourism division is completed: Tajfun, the largest toboggan in Slovenia opens in spa resort Ptuj to welcome all adrenaline fans and families.

August

- As a holder of a 23.83% ownership stake in Abanka Vipa d.d., Sava d. d. receives dividends of €308,851.4.
- Savatech d. o. o. continues to invest in improvements of working and adjoining spaces as well as machinery and equipment. In the recent two years, a sum in excess of €1.5 million was earmarked for this purpose.
- In the Profiles programme of Savatech d.o.o., the vulcanisation line LCM 120/1 Durferrit was extended to enable the manufacture of larger profiles and increase productivity by 15% on average.

September

- The Supervisory Board of Sava d.d. unanimously supports the strategy of business-financial restructuring and consolidation of Sava until 2014. Its goal is to significantly enhance the value of the company for its shareholders, decrease indebtedness and consolidate the basis for the growth in the Sava share value.
- In the light of the preparations for merging the Tourism companies, the Supervisory Board of Sava Hoteli Bled d. d. appoints the new management board of the company to take up their office on 1 October 2011, which consists of Andrej Prebil as president, and Renata Balažic and Borut Simonič as members.
- Sava d. d. increases capital in Ensa BH d. o. o., Srbac, in the amount of €1,921,000, after which the share capital totals €3,758,000.
- Savatech d. o. o. makes record sales exceeding €11 million, which is the best monthly sales result in the entire history of this rubber manufacturing company.

October

- The consortium for the sale of the equity holding in Abanka Vipa d. d. is joined by the insurance company Triglav d.d.; now ING has a qualified - 75.72% - equity holding in the selling procedure of this bank available.
- The ownership of Sava IPN d. o. o., the subsidiary of Sava IP d. o. o., is transferred under a direct ownership of Sava d.d.

- In Sava d.d., a directorate for Group's managing conducted by Milan Marinič is established. Its role is to direct the development of processes in key strategic functions and to assure an optimum efficiency in managing and functioning of supervisory mechanisms at Group's level.

November

- The shareholders of Sava Hoteli Bled d. d. confirm the proposal about merging the companies Terme 3000 d. o. o., Zdravilišče Radenci, d. o. o., Terme Ptuj d. o. o. and Terme Lendava d. o. o. to Sava Hoteli Bled d. d. The general assembly adopts a resolution about renaming the company to Sava Turizem d.d., and a resolution about increasing the share capital to €39,684,899.19.

December

- Sava d. d. increases its equity shareholding in Finetol d. d. by 8.58% (from 0.45% to 9.03%), and in Maksima Invest d.d. by 0.43% (from 21.34% to 21.77%).
- Sava d. d. sells the main office building, certain other real property and equipment in total value of €9.8 million to its subsidiary Savatech d. o. o. Until that time, a part of the property was leased by the company.
- On 30 December 2011, the merged company Sava Turizem d. d. was entered in the register of companies. Sava Turizem d. d. is under 99.05% ownership of the parent company Sava d. d.
- Sava IPN d.o.o. renames to Sava IT d.o.o., which after the reorganisation of Sava d.d. provides ICT services to the Group.

5.2. Significant events and achievements in 2012 - after the accounting period

January

- Based on the results report on the sale procedure and the estimate of the macro-economic environment for 2012, the consortium members for a joint sale of the ownership stake in Abanka Vipa d.d. adopt a resolution to stop the procedure and suspend the consortium.
- The general assembly of Sava Turizem d. d. appoints the new Supervisory Board members for a four-year term of office: Matej Narat, MSc, Andrej Andoljšek, Franci Strajnar, MSc, and Milan Marinič.
- To develop the energy management sector, Sava d.d. buys off a 100% ownership stake in Bramir d.o.o.

February

- In Sava Turizem d.d., the roofing of the hotel Park in Bled is being replaced; this is the first phase of renovation that will include the entire hotel facade to assure an energy-efficient building.

March

- Sava d.d. and NFD Holding d.d. signed with Platanus d.o.o., Maribor, a sale contract for a 86.57% ownership stake of Terme Maribor d.d. Thus Sava d.d. sells its 14.56% ownership stake in this company.

5 Report by the President of the Management Board

Dear shareholders and partners of Sava,

2011 was an extremely demanding year for Sava and turbulent in many ways. At the end of March, the Management Board members succeeded the former long-time management team, in September the new development strategy for Sava was adopted and negotiations with banks began on coordinating the maturity of substantial financial liabilities.

To deal with the financial crisis and a slowdown in economic activities in certain real sector segments, we first devised a short-term measures programme. Being assisted by the new management teams in subsidiaries, we have focused on four key areas: improve current business of the Sava Group, strengthen the cash flow, further harmonise the deadlines for finance sources, and divest certain investments.

The measures programme has been upgraded and developed into a business-financial restructuring strategy and consolidation of the Sava Group in the forthcoming medium-term period until the end of 2014; the strategy was unanimously motioned by the Supervisory Board of Sava d.d.

"The adopted restructuring strategy of Sava will assure a significant growth in the value of the company for shareholders; it will decrease indebtedness and reinforce the basis for increasing the Sava share value."

Impressive results of Rubber Manufacturing, better performance of Tourism

The results of Sava's divisions, Rubber Manufacturing and Tourism in particular, inspire optimism and energy for the future. Sales revenues of Sava Group companies reached the value of €193.8 million, which was a 10% improvement on the previous year, while the business plan was fulfilled and with regard to the period before the crisis the level of Group's revenues was even surpassed.

The year 2011, was the most successful one in the entire, 10-year, history of Savatech d.o.o. and Rubber Manufacturing, in general. The latter made the largest, i.e. 62% share, of Group's total sales revenues. The sale of quality rubber technical products soared by 10%, thereby surpassing the business plan by 6%. Total pre-tax profit went up to reach €8.3 million, or almost twice as much as in the previous year, and it was also a quarter above plan. Along with a fast recovery in certain markets after the crisis, the impressive performance of the division results from a varied sales mix, innovative R&D achievements, orientation to the new market niches and market restructuring, efficient risk management challenged by price rises, a limited availability of certain raw materials, and a rational cost management, in general.

Tourism companies had one third share in sales revenues of the Sava Group. In spite of a lower purchasing power and, as a consequence, a declined demand in the traditional markets and competitors' pressure on prices, the sales plan was met and sales revenues grew by 7% if compared to the previous year. The number of overnight stays by foreign guests increased and so did the average price, whereas the fierce price competition in the Slovene market caused a drop in prices that could only be compensated for through a higher number of overnight stays. The expected positive business result for the division shifted into a loss of €3.6 million mainly due to the formation of provisions for unexploited work hours and days-off, and severance pays in the reorganisation; after the reorganisation labour costs will go down what will improve price competitiveness in the upcoming period.

Real Estate and Other Operations generated a minor portion in total sales revenues, only 5% in total. Owing to a general decline in demand in this sector and a lower availability of finance sources, the amount of revenues in Real Estate was lower with regard to the previous year. A loss of €10.2 million was greatly due to the impairment of inventories in Slovenia and Croatia. Sales revenues of Other Operations, whose main share referred to the energy management, were 7% lower than in 2010, the generated loss being otherwise lower than in the previous year.

If the effects of single extraordinary events – impairments in Real Estate and provisions in Tourism, had been excluded, the subsidiaries of the Sava Group

Matej Narat, MSc, President of the Management Board

would have generated an operating profit of €11.7 million, meaning that the profit generated in the previous year would have been doubled.

We are pleased to look ahead at 2012 as we plan to further improve the results of the current business.

Operating result again affected by the impairments of financial investments

Further plummeting of stock exchange prices, which strongly affected the Sava share price too, and the deterioration of the economic environment significantly affected the real and banking sectors, and requested further impairments of financial investments of Sava d.d. in the amount of €158.1 million. In 2011, the company made a net loss of €156.1 million, the balance sheet total reduced by 27% and capital by 63%. The share of capital in liabilities reduced to 21%.

"Due to impairments of financial investments of Sava d.d., and to a lesser extent also due to impairment of inventories, the Sava Group generated a negative net operating result of €157.2 million, while the value of impairments at Group's level totalled €160.3 million."

The operating result of the parent company of the Group was strongly affected by impairments in connection with the associated companies, mostly Abanka Vipa d.d., NFD Holding d.d. and Maksima Invest d.d.; €118.9 million or three quarters of total impairments made by Sava d.d. were due to the aforementioned companies. In addition to the impairments of financial investments, the generated financial result was also influenced by financing expenses originating from a 16% increase in interest rates. With regard to the previous year and also considering the plan, financial revenues totalling €17.2 million halved, since in the given economic circumstamces the planned disposal of a 23.8% equity stake in Abanka Vipa d.d. was not doable. The value of received dividends totalled €11.3 million and mainly referred to the dividends paid by the associated companies Gorenjska Banka d.d. and Abanka Vipa d.d.

The general situation in the capital markets in 2011 was reflected in the Sava share price, which significantly decreased and reached about €12 per a share at the end of the year. The book value of the Sava share was almost half the value of the previous year and stood at €82.2 at the end of the year, thereby considerably surpassing the prices in the stock exchange market.

Sava d.d. covered a prevailing portion of the 2011 loss through the retained profit from the previous years and other capital components that could be used for this purpose; a portion of loss totalling €9.3 million remained uncovered.

We put liquidity and regulating the relations with the lending banks at the forefront

The effects of price drops in securities during several consecutive years, a decrease in the amount of received dividends, a high volume of Sava's financial liabilities, and a generally lower availability and stricter conditions for obtaining funds substantially aggravate the liquidity maintenance ability and have a significant impact on the financial position of the parent company and thus the entire Sava Group.

Liquidity maintenance needed for smooth operations and the implementation of measures that aim at consolidating the financial position were the priority tasks in the past business year. Along with the efficient implementation of measures for internal business consolidation, improved cost efficiency and financial risk management, we have been concentrating on the regulation of relations with the lending banks. In the middle of the year, we managed to agree a postponement of principal for all Group's loan liabilities, at which we committed ourselves to regularly settle the interests, and we additionally insured Sava's loan liabilities too.

In line with the presented strategy and the produced plan of business-financial restructuring, the standstill agreement for liabilities originating from principals will in 2012 be complemented through a long-term agreement, which will make sure that we carry out the activities in connection with the financial investments area without any great time pressures and when the liquidity situation is stable. This and regular repayment of liabilities will assure the conditions for maximising the value of transactions, thereby enhancing the value for all Sava stakeholders.

"Our goal is to achieve a suitable structure and maturity of liabilities of the Sava Group over a longer period of time and a decrease in the volume of indebtedness so as to reach a long-term sustainable level. The key basis for maintaining liquidity and financial soundness of Sava on a long-term basis can only be assured with a successful implementation of divesting programme."

In 2011, total financial liabilities of Sava d.d. decreased by €5.0 million to reach €309.3 million, and those of the Sava Group by €10.7 million to reach €371.3 million. Even though the economic circumstances were adverse, Sava d.d. regularly repaid its financial liabilities in 2011.

In accordance with the strategy and the financial restructuring plan, we plan a more substantial volume of deleveraging in 2012, which will be made possible after further disposals of financial assets of Sava d.d. are carried out, and additional activities are introduced for generating a free cash flow in Sava Group companies.

Implementation of the restructuring strategy - all 2011 commitments met

In addition to liquidity maintenance and the activities for making an agreement about further harmonisation of deadlines for financial liabilities, the adopted strategic policies were implemented with intensity in other business areas too.

In October, we established the Directorate for managing the Sava Group; its goal is to improve the quality and efficiency of corporate governance and strategic supervision over the Group, which already showed results in this relatively short period until today.

The strategic reorganisation project for Sava d.d. and the changed management model, which was carried out at the end of the year as scheduled, has resulted in a significantly more cost-rational and efficient organisational structure as well as in a decentralised Group's management.

Sava d.d. began the year 2012 with a new organisational structure and was consolidated in terms of personnel. The employee number almost halved. The previous 13 competence centres in the parent company were replaced by seven professional services, while the ICT services were transferred to a new company Sava IT d.o.o.

The new management of Tourism was appointed and already before the end of the year, we successfully completed the second complex project: merging Tourism companies in one uniform company Sava Turizem d.d. Already in this year, the merger will make business consolidation feasible, improve cost efficiency, enhance sales synergies, and reinforce the global competitive power of this division.

In 2012: more disinvestments and the accelerated investments restructuring

Already in 2011, the activities associated with divesting and restructuring the investment portfolio began by way of thoroughly analysing the strategic portfolio of investments of Sava d.d., and the procedures were introduced for testing the market for any possible disposals. The entire investment portfolio of Sava d.d. was subject to the examination process for strategic possibilities.

"Restructuring will offer a strategic option for the development to all divisions, to some of them in the new, restructured Sava Group, and to others by way of selecting most suitable strategic partners and a faster development outside of the Group."

Presently, numerous investments are being divested, the projects being in various phases of implementation. One of the largest projects is the sale of Sava IP d.o.o., which incorporates a major part of Sava's real property business. The sale of this investment will pay for a part of financial liabilities, thereby decreasing the indebtedness level, whereas the strategic partner will acquire a quality company and specialists for additional expansion of its real estate business.

We continually pursue the economic environment and adapt our plans to the emerging situation. Based on the report by the financial advisor, we made a decision in January to stop the procedure for a joint sale of a qualified stake of Abanka Vipa d.d. We again support a tie-up between this bank and Gorenjska Banka d.d. as we find it as one of the most favourable scenarios for restructuring the bank portfolio of investments and enhancing the assets of Sava d.d.

We design a new, the renewed Sava

Our goal is to design a new, the renewed, more sound and successful Sava. In 2011, we already began to build up the conditions for the future growth, this process is now still in progress and will continue with intensity in the following two years.

However, the fact cannot be denied that the restructuring process can be painful, too. We already had to give up many a thing in numerous fields of our business and additional sacrifices will have to be made in the future. It is particularly difficult to make a decision when it involves lay-offs or disposals of Group's business. However, the Management Board assures that the future measures will be carried out with due care too and subject to a close involvement of the persons affected.

"All these changes represent only a necessary prerequisite for the principal goal that we wish and have to attain: growth and development of Sava and its operations over a long period of time. First, Sava has to restructure to be able to grow anew."

The defined restructuring strategy is extremely challenging but implementable. Sava has a strong personnel potential with sufficient knowledge, innovation, commitment and flexibility to adapt to the changes, which can all be demonstrated in a significantly higher productivity and performance. Yet, we need time to be able to effectively perform the devised consolidation and divestments, which is why, we expect cooperation and full support on the part of lending banks and Sava shareholders, as we firmly believe that we will reach the set goals.

This last year was really a tough one but regardless of the generated business result, I am proud of what has been accomplished, even though the effects of the enormous efforts invested by the entire management team and all employees at Sava will show only over time.

Dear shareholders and partners, I would like to express my sincere thanks for your trust and your support, which Sava will definitely need in the eventful year of 2012.

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

6 Management and governing bodies

6.1. Presentation of the Management Board

Sava d.d. is managed by a four-member Management Board consisting of president Matej Narat, MSc, and members Andrej Andoljšek, Miha Resman and Franci Strajnar, MSc. The Management Board members began their office on 31 March 2011; their five-year term of office expires on 31 March 2016.

Until 30 March 2011, the company was managed by the long-time management board consisting of Janez Bohorič as chairman, and Emil Vizovišek and Vinko Perčič as members. Vinko Perčič continued to carry out his office until his third five-year term of office expired as scheduled, i.e. 16 July 2011.

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.

ANDREJ ANDOLJŠEK, Member of the Management Board

- BSc (Economics), MBA, born in 1970.
- Responsible for corporate controlling of the Group and operations development.

Membership of Supervisory Boards:

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

Other current functions:

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

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:

- Member of the Supervisory Board of Gorenjska Banka d.d., Kranj.

Other current functions:

- Member of the Slovenian Directors' Association.

Franci Strajnar, MSc, Member of the Management Board

- LLM, born in 1972.
- Responsible for law, operations compliance and internal audit.

Membership of Supervisory Boards:

- Member of the Supervisory Board of Istrabenz d.d., Koper.
- Member of the Supervisory Board of Abanka Vipa d.d., Ljubljana.
- Member of the Supervisory Board of Sava Turizem d.d., Bled.

Other current functions:

- Arbitrator at Permanent Arbitration of the Ljubljana Stock Exchange d.d., Ljubljana.

Members of the Management Board of Sava d.d. (left to right):
Miha Resman, Member, Matej Narat, MSc, President, Franci Strajnar, MSc, Member, and Andrej Andoljšek, Member.

6.2. Presentation of the Supervisory Board

The Supervisory Board of Sava d.d. consists of six shareholder representatives and three employee representatives; Miran Kalčič is chairman and Stanislav Valant, MSc, is deputy chairman of the Supervisory Board.

The term of office of the new Supervisory Board members who were appointed at the 18th Shareholders' Meeting, Robert Ličen, MSc, and Aleš Skok, began on 9 June 2011 and expires on 9 June 2015. The four-year term of the remaining Supervisory Board members expires on 28 June 2012.

Until the termination of office, which was on 8 June 2011, the Supervisory Board members were also Marko Pogačnik, MSc, and Tomaž Toplak. Marko Pogačnik, MSc, held the office of deputy chairman of the Supervisory Board and audit commission chairman, whereas Tomaž Toplak was personnel commission member.

Miha Resman was Supervisory Board member until 31 March 2011, and after he took up the Management Board member office, he was replaced by Gregor Rovanšek.

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

MIRAN KALČIČ, chairman of the Supervisory Board, member of the personnel commission

- LLB, born in 1948.
- Executive director and member of the administrative board of the Institute for Work Safety d.d., Ljubljana.
- Holder of a certificate by the Slovenian Directors' Association.

Principal current functions and membership:
- Chairman of the expert committee of the Employment Service of Slovenia.
- Member of the expert committee of the Slovene Association of Disabled Workers.
- Member of the Committee for Closed Mutual Pension Funds for Public Employees.
- Member of the administrative board of the Slovenian Directors' Association.

STANISLAV VALANT, MSc, deputy chairman of the Supervisory Board, chairman of the personnel commission

- Master in Economics, born in 1950.
- Chairman of the management board of NFD Holding, d.d., Ljubljana.

Principal current functions and membership:
- Chairman of the Supervisory Board of Etol d.d., Celje.
- Chairman of the administrative board of Hoteli Bernardin d.d., Portorož.
- Honorary chairman of the Supervisory Board of the Ljubljana Stock Exchange d.d., Ljubljana.
- Chairman of the Slovenian Investment Fund Association Ljubljana.
- Member of the Slovenian Directors' Association.

JANKO KASTELIC, member – shareholder representative, chairman of the audit commission

- BSc (Economics), born in 1950.
- Director of Finetol d.d., Celje.

Principal current functions and membership:
- Chairman of the Supervisory Board of NFD Holding d.d., Ljubljana.
- Member of the Slovenian Directors' Association.

JOŽE OBERSNEL, member – shareholder representative, member of the audit commission

- BSc (Economics), born in 1947.
- Counsel to the management board of Zavarovalnica Triglav d.d., Ljubljana.

Principal current functions and membership:
- Member of the Supervisory Board of the insurance company Triglav Pojištòvna a.s., Brno, Czech Republic.
- Member of the administrative board of Zavarovalnica Osiguranje a.d.o., Belgrade, Serbia.
- Member of the Supervisory Board of the insurance company Triglav Osiguranje d.d., Zagreb, Croatia.
- Member of the administrative board of the insurance company Triglav Osiguranje, a.d.o., Banja Luka, The Republic of Serbia.

ROBERT LIČEN, MSc, member – shareholder representative, member of the audit commission

- MSc (Business administration and Organisation), born in 1967.
- Owner of Profit Plus d.o.o.

Principal current functions and membership:
- Chairman of the Supervisory Board of Peko d.d., Tržič.
- Member of the administrative board of Managers' Association – Young Managers' Section.
- Member of Slovenian Directors' Association.

ALEŠ SKOK, member – shareholder representative

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

Principal current functions and membership:
- 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 board of Capital Mutual Pension Fund.

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

JANEZ JUSTIN, member, employee representative, member of the personnel commission

- Mechanical technician, born in 1946.

Principal current functions and membership:
- Member of the board of the European Mine, Chemical and Energy Workers' Federation (EMCEF).
- Member of the board of the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM).

BOŠTJAN LUZNAR, member - employee representative

- BSc (Agronomy), born in 1977.
- Head of the Golf Course Bled, Sava Turizem d.d., Bled.

Principal current functions and membership:
- Member of the executive board of Slovene Golf Green-Keepers Association.

GREGOR ROVANŠEK, member - employee representative, member of the audit commission

- BSc (Economics), born in 1981.
- Assistant Director to the professional service of Corporate Controlling at Sava d.d., Kranj.

Principal current functions and membership:
- Member of the audit commission of Sava Turizem d.d.
- Certified internal auditor under the Slovenian Institute of Auditors.

7 Report by the Supervisory Board

on the results of examining the audited 2011 annual report of the company Sava d.d., the audited 2011 consolidated annual report of the Sava Group

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 2011 annual report from the Management Board and the 2011 consolidated annual report of the Sava Group. It has determined that the 2011 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 explanations 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 contains an in-depth analysis on 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 an auditor that had been selected at the 17th Shareholders' Meeting of the joint stock company. The auditor Deloitte revizija d.o.o., Ljubljana, produced an auditor's report on 6 April 2012.

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 12 April 2012. 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 crisis and the aftermath in this connection, the Supervisory Board had even nine meetings in 2011. The Supervisory Board meetings in 2011 took place on 16 February, 30 March, 22 April, 31 May, 5 July, 30 August, 22 September, 27 November 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, which 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 2011.

The Supervisory Board consists of six members who were elected by the Shareholders' Meeting, and three members proposed by the Workers' Council. The members of the Supervisory Board are: Miran Kalčič, Janez Justin, Janko Kastelic, Robert Ličen, MSc, Boštjan Luznar, Jože Obersnel, Gregor Rovanšek, Aleš Skok, and Stanislav Valant, MSc. In this term of office Miha Resman as a Supervisory Board member elected by the Workers' Council was replaced by Gregor Rovanšek on 30 March 2011, while in the Shareholders' Meeting held on 8 June the Supervisory Board members, Marko Pogačnik, MSc, and Tomaž Toplak, were recalled, and instead of them Robert Ličen, MSc, and Aleš Skok were appointed as the new Supervisory Board members.

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 2011, 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.

Considering the practice from the previous term of office, the Supervisory Board adopted and applied the method of on-going assessments of its work and internal evaluations, and it also continually adapted the manner of its work. In 2011, the frequency of meetings increased, as 9 meetings in total and a few informal consultations in order to prepare for the meeting were held. The activities were mainly due to the aggravated economic and financial situation, the appointment of the new Management Board, dealing with short-term measures and their implementation for consolidating the operations, monitoring, forming and implementing the strategic guidelines. The meetings were attended by all Supervisory Board members, 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 on Conformity with the Corporate Governance code. Furthermore, it considered the principle of rational; the relevant costs of the Supervisory Board are disclosed in the annual report.

Two commissions operate within the framework of 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 ongoing basis. The Supervisory Board estimates reports and work by the audit and personnel commissions in 2011 as efficient and successful.

The personnel commission consists of: Stanislav Valant MSc, as a commission chairman, and Janez Justin and Miran Kalčič as commission members. The commission met in seven regular meetings. It dealt with the candidates to be appointed in the Management Board, the elements of contracts made with Management Board members, elements of terminating management contracts with the former management board members, report on contractual relationships with the management board in their term of office from July 2006 until July 2011, remunerations for the Supervisory Board members and commission members, and also prepared a proposal for appointing deputy chairman of the Supervisory Board and chairman of the audit commission.

The audit commission, which in accordance with Article 279 of the Companies Act-1 is mandatory in the public listed companies, consists of: chairman Janko Kastelic (appointed at the 26th meeting on 5 July 2011, until 8 June the chairman was Marko Pogačnik, MSc), and the commission members Kosta Bizjak (external member, certified for accounting and audit, respectively), Gregor Rovanšek (appointed at the 23rd meeting on 30 March 2011, until 31 March Miha Resman was the member), Jože Obersnel and Robert Ličen, MSc (appointed at the 26th meeting on 5 July 2011), who are all the Supervisory Board members too. The commission had seven meetings. The meetings were convened so that the commission met at least once in a quarter.

At its meetings, the commission dealt with the annual report, appointed a candidate for auditing the financial statements and carefully studied the work by the internal and external audit and risk management in the Sava Group.

Furthermore, it realised all other tasks set out in Article 280 Companies Act-1. It particularly dealt with liquidity, options, real estate and loan transactions, and the platform for the restructuring strategy of the Sava Group and Sava d.d.

An external auditor, who was set questions by the commission members, collaborated in the audit commission meeting. The external auditor personally presented the course of the audit.

The external auditor participated in the Supervisory Board meeting in April 2011, at which the annual report was adopted, and in the Shareholders' Meeting of the joint stock company in last June.

The manner of supervision performance

The Supervisory Board carefully performs a thorough 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 s pervision 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.
- Special agenda item at every meeting dealing with:
  - (i) Status and changes in financial investments
  - (ii) Options and forward transactions
  - (iii) Share price fluctuations
  - (iv) Any change with regard to own shares
  - (v) Ownership structure of Sava d.d.
- Regular reporting on sales activities with regard to the large-scale investments.
- 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 2011, the Supervisory Board had 9 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.
- All Supervisory Board members attend meetings.
- Meetings take at least three hours and not more than five hours, which provides enough time for a detailed and careful treatment of all agenda items.
- The Supervisory Board Chairman who present the work of the Supervisory Board and the Auditor are always present at the Shareholders' Meeting.

The most important resolutions of the Supervisory Board

The Supervisory Board pursued and adopted resolutions on the most important matters of the company on an ongoing basis. After the agreed termination of the management contract with the Chairman of the Management Board Janez Bohorič, and the appointment of Matej Narat, MSc, as the new President of the Management Board of Sava d.d. in December 2010, the most important personnel resolution of the past year was adopted at the 22nd meeting in February 2011. After a mutual agreement on termination of management contract with the Management Board member Emil Vizovišek, the Supervisory Board appointed at this meeting the new Management Board members for a five-year term of office, which began on 31 March 2011, as follows: Andrej Andoljšek, Miha Resman and Franci Strajnar, MSc. The third member of the former Management Board Vinko Perčič proceeded with carrying out the Management Board member office until a regular expiration of his term of office on 16 July 2011. The most important substantive resolution was thus adopted at the 28th meeting held on 27 September 2011, when the Supervisory Board unanimously supported the strategy of business-financial restructuring of Sava until 2014 as prepared by the company's Management Board, and assigned the Management Board the task of current reporting to the Supervisory Board about the preparation and implementation of the strategy by individual segment.

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

- The Supervisory Board assigns the Management Board the task of preparing not later than 30 June 2011 a proposal of most critical measures for business improvement, and further presents the strategy of Sava d.d. and the Sava Group until

1 September 2011 at the latest. The Supervisory Board recommends the Management Board to present both documents as soon as possible to the Supervisory Board (22nd meeting).

- The Management Board of the company makes the Supervisory Board acquainted with adoption of the rules of procedure of the Management Board, which defines the scope of work for the Management Board members as soon as the new Management Board is constituted in April 2011.
- The Supervisory Board becomes acquainted with the information on liquidity of Sava d.d.
- The Supervisory Board becomes acquainted with the intention by the Management Board to allocate a part of other revenues reserves to the accumulated profit but only to the extent, which assures that any decision about the dividend amount is made in accordance with the adopted dividend policy.
- The Supervisory Board becomes acquainted with the report on the sale procedure of Abanka Vipa d.d. and other planned divestments.
- The Supervisory Board adopts the Corporate Governance Policy of Sava d.d. and a Statement on Corporate Governance for the company.
- The Supervisory Board assigns the Management Board with a task of preparing a report about the status of a receivable under the syndicated loan agreement due from NFD Holding d.d.
- The Supervisory Board becomes acquainted with the report by the audit commission and its work at the 11th and 12th meeting. The Supervisory Board demands from the Management Board to adopt a proposal of a document that will govern the sale of assets (23rd meeting).
- The Supervisory Board becomes acquainted with the report by the personnel commission and the elements of contracts made with the Management Board members of Sava d.d.
- The Supervisory Board appoints Gregor Rovanšek as an audit commission member from 31 March 2011 until 28 June 2012.
- The Supervisory Board confirms the annual report of Sava d.d. for 2010 and the consolidated annual report of the Sava Group for 2010. The Supervisory Board adopts the Report by the Supervisory Board on examining the audited annual report of Sava d.d. for 2010, the audited consolidated annual report of the Sava Group for 2010, and a proposal of using the accumulated profit for 2010 (24th meeting).
- The Supervisory Board proposes the Shareholders' Meeting to adopt the following resolution: "The Shareholders' Meeting becomes acquainted with the audited report of Sava d.d. for 2010, the audited consolidated annual report of the Sava Group for 2010, and a written report by the Supervisory Board for 2010. The Shareholders' Meeting adopts the resolution that the accumulated profit of Sava d.d. which as per audited balance sheet at 31/12/2010 was shown in the amount of € 6,530,000.00 remains undistributed until further notice. The Shareholders' Meeting grants discharge from liability to the Supervisory Board. The Shareholders' Meeting confirms and approves the work of both company's bodies in the financial year 2010."
- The Supervisory Board proposes the Shareholders' Meeting to adopt a resolution: "Deloitte revizija d.o.o. is appointed as auditor of the financial statements of the company for 2011."
- The Supervisory Board receives the report by the audit commission about its work in relation to forward sale of shares of NLB d.d. and a receivable due from NFD Holding d.d.
- The Supervisory Board receives the Report about the operation of the Sava Group and Sava d.d. in the period January-March 2011.
- The Supervisory Board becomes acquainted with the report on maintaining liquidity in 2011.
- The Supervisory Board becomes acquainted with the activities for insuring the value of investment in Merkur d.d.; furthermore, it becomes acquainted with the set of measures in relation to securing the claims of Sava d.d. to the former Management Board of Merkur d.d., the company Merfin d.o.o. and its partners, and gives its support to the measures.
- The Supervisory Board receives a report on divesting in the Tourism division.
- The Supervisory Board deals with the request by the shareholders to extend the Agenda of the Shareholders' Meeting of Sava d.d., and a proposal of a resolution to the additional Agenda items (25th meeting).
- The Supervisory Board is presented the short-term measures programme that aims at improving the operation of the Sava Group and Sava d.d.
- The Supervisory Board elects Stanislav Valant, MSc, as deputy chairman. The Supervisory Board elects Janko Kastelic as member and chairman of the audit commission. The Supervisory Board elects Robert Ličen, MSc, as member of the audit commission (26th meeting).

- The Supervisory Board agrees with the intent of the Management Board and the chairman of the Supervisory Board to withdraw a confidentiality sign and post on the website of the company the Summary of Actual Findings Based on the Performed Procedures in Connection with the Selected Transactions, dated 2 June 2010, which was produced by KPMG Slovenija, podjetje za revidiranje, d.o.o.
- The Supervisory Board becomes acquainted with the Report on the operation of the Sava Group and Sava d.d. in the period January-June 2011, and the report by the audit commission on the semi-annual report (27th meeting).
- The Supervisory Board becomes acquainted with the Report on the operation of the Sava Group and Sava d.d. in the period January-September 2011, the business forecast for the period 9+3/2011 in the Sava Group, and the report by the audit commission (29th meeting).
- The Supervisory Board becomes acquainted with the rehabilitation of projects in Sava Nova d.o.o., Zagreb, after an internal audit is carried out and a report by the Internal Audit on the course of the transaction in question is produced.
- The Supervisory Board becomes acquainted with the business report of the Sava Group for 2012. The Supervisory Board assigns the Management Board of Sava d.d. with a task of informing the Supervisory Board about the contents of the agreements made in negotiations with the banks.
- The Supervisory Board agrees with the sale of a 100% business stake in Sava IP d.o.o. in accordance with the presented terms and conditions. Before the sale, three sets of real property (Izola, Tacen and Perovo) are separated from Sava IP d.o.o. and other conditions are fulfilled as well. The Supervisory Board assigned the Management Board a task of reporting to the Supervisory Board on the realisation of this sale.
- The Supervisory Board becomes acquainted with the report on the facts and circumstances with regard to the forward repurchase of the shares of NLB d.d. The Supervisory Board recommends the Management Board to appoint an independent commission whose members are to be external experts too. The commission shall examine all aspects of the transaction in question and prepare an expert opinion.
- The Supervisory Board becomes acquainted with the Report on Contractual relations with the Management Board members in their term of office 2006-2011. The Supervisory Board establishes that Sava d.d. disclosed the data about salaries and other remunerations of the Management Board members ever since 2005 , and that payments to the Management Board members were in accordance with the provisions of the Companies Act-1, the Corporate Governance Code for Slovenia, as well as with the employment contracts, agreements and management contracts made.

After each Supervisory Board meeting the minutes of the meeting were prepared and adopted with a resolution.

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 2011, reporting by the Management Board was continual, fair and open, which enabled the Supervisory Board to exercise its supervisory role. 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 and business operations of larger companies and production programmes, 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 the 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 maintaining was given a special attention. The Management Board informed the Supervisory Board on the most critical elements of this topic, which formed an integral part of reporting on the implementation of the 2011 business plan, the performance of short-term measures, and the implementation of Sava Group's strategic guidelines.

The Management Board further explained other categories whose explanation was requested by the Supervisory Board, and made sure that internal and external expert opinions were prepared when required and requested by the Supervisory Board.

Business estimate

The exacting economic environment continued to strongly impact the operation of Sava Group companies in 2011. While the companies of Tourism, Real Estate, and Other Operations lagged behind the planned results in spite of their adapting to the circumstances, the companies of Rubber Manufacturing with the Foreign Trade Network ended 2011 excellently, even better than 2010 and better than planned. The most important events that tailored the performance of Sava d.d., the parent company of the Sava Group, for the fourth year in succession, were the additional impairments of financial investments.

In 2011, the market value of financial investments of Sava d.d. further strongly dropped, while the loan exposure remained at a high level from before the crisis. A new long-term business strategy of the Sava Group was devised whose important part is the programme of divesting investments and the reprogramming of financial liabilities. The principal activities of the company's Management Board in 2011 included the search for possible disposals of investments, maintenance of current liquidity in order to regularly settle financial liabilities and the regulation of relations with the banks and other creditors. By signing the agreement on reprogramming, Sava will be able to regulate the structure and maturity of sources over a long period of time for all Sava Group companies, and will make a commitment to all lending banks for a timed disinvestment of investments and decreasing debts to a long-term sustainable level.

Business performance of the Sava Group

Sales revenues

In 2011, Sava Group companies generated sales revenues of €193.8 million, which was 10% better than in the previous year and at the planned level.

Owing to a growing demand and, as a result, the increased volume of orders, Rubber Manufacturing companies with the Foreign Trade Network made sales revenues of €119.2 million, which is a 10% improvement on the same period of the previous year, and 6% better than planned. Sales revenues in Tourism companies amounted to €64.8 million, and surpassed the 2010 revenues by 7%, and the planned ones by 0.5%. As expected, the revenues of Real Estate companies were 12% lower than in the previous year, while they lagged by one half behind the planned value, as a result of a further decline in the purchase power and a stricter policy for financing the real estate projects.

Net loss

In 2011, the Sava Group made a net loss of €157.2 million. The loss amount was greatly due to the impairments of inventories and financial investments totalling €160.3 million.

Balance sheet total

The balance sheet total of Sava Group companies amounted to €611.3 million at 31/12/2011 and was by €149.6 million or 20% lower than at the end of 2011.

Assets and liabilities structure

In the assets structure, financial investments and short-term assets for sale had a 45% share, property, plant and equipment a 37% share, other short-term assets a 14%, and other assets a 4% share. The major part of a net decrease in the value of assets of the Sava Group in 2011 resulted from the impairments of financial investments.

In the liabilities structure, capital had a 27% share, long-term debts a 13%, and short-term debts a 60% share.

50% of long-term assets of Sava Group companies were financed with long-term sources, and 50% with short-term sources.

Capital value of the Sava Group decreased by €157.6 million or 49%, and was mainly due to the loss made in the amount of €157.2 million.

The value of totally obtained long-term loans and short-term financial liabilities of the Sava Group at 31/12/2011 amounted to €371.3 million, which was by €10.7 million less than at the end of 2010.

Return on equity

The calculated ratio between the net loss and average balance of equity shows a negative result of 48.6%.

Business performance of Sava d.d.

Sales revenues

Sava d.d. generated sales revenues of €5.5 million, which was 46% less than in the previous year and 5 % above plan. Sales revenues had only a 4% share in the cumulative sales; 81% of sales revenues represented the service which Sava d.d. sold to Group's companies.

Net loss and accumulated loss

The net loss made by Sava d.d. in 2011 amounted to €156.1 million and was mainly due to impairments of financial investments in the amount of €158.1 million. The 2011 loss in the amount of €146.8 million was covered with capital components earmarked for this purpose, whereas a portion of the loss could not be covered. Thus at 31/12/2011, the accumulated loss amounted to €9.3 million.

Balance sheet total

At 31/12/2011, the balance sheet total of Sava d.d. amounted to €410.0 million and was by €149.5 million or 27% lower than at the end of 2010.

Assets and liabilities structure

In the assets structure, financial liabilities and short-term assets for sale had an 85% share, property, plant and equipment a 4% share, other short-term financial 5%, and other assets a 6% share. The main part of the net decrease in the assets value of Sava d.d. was due to the impairments of financial investments.

In the liabilities structure, capital had a 21% share, financial liabilities a 76%, and other liabilities a 3%share.

In 2011, the value of capital of Sava d.d. in 2011 decreased by €151.5 million or 63% and was mainly due to the loss made totalling €156.1 million.

Total financial liabilities of Sava d.d. reached the value of €309.3 million and if compared to the same period last year they were by €5.0 million lower. Total financial liabilities of Sava d.d. included loans obtained out of the Sava Group in the amount of €290.0 million.

To secure the liabilities from obtained loans of Sava d.d., the assets of Sava d.d. in the amount of €277.2 million, the assets of the subsidiary Savatech d.o.o. in the amount of €34.6 million, and the assets of Sava Turizem d.d. in the amount of €5.1 million were pledged in favour of the creditors.

Return on equity

The calculated ratio between the net loss and average balance of equity shows a negative result of 64.7%.

Final evaluation of the operation and priority activities in the current year

The Supervisory Board has established that the short-term measures programme was outlined and carried out in 2011; the programme particularly aimed at improving the current operation, strengthening the cash flow, further coordinating of deadlines for finance sources and searching for potentials for divesting of certain investments. In 2011, the programme was incorporated in the new strategy of the Sava Group until 2014 whose goal is to assure a sustainable strategic concept, sufficient liquidity and as suitable capital structure of the company, which requests for a deleverage, and it creates the conditions for preserving the value and liquidity of the Sava share at the same time.

The new Management Board was appointed at the beginning of 2011, and the intense discussions with the banks began as to the reprogramming of financial liabilities, whereas other measures set out in the restructuring strategy were implemented. The major activities of the past business year thus concentrated on the regulation of relations with the banks and other creditors, on the search for possibilities for disposals and investments, and implementation of the programme of their divesting and assuring current liquidity along with a regular settlement of financial liabilities of the company and the Group, respectively.

The Supervisory Board establishes that the generated sales revenues of the Sava Group in 2011 amounted to €193.8 million and were by 10% higher than in the previous year, at planned level and above the level of revenues made in the period before the economic crisis, meaning that current business is improving. The business operation of the Rubber Manufacturing division with the Foreign Trade Network was particularly effective, which is a great promise for further bettering of the current business of the Sava Group in 2012, particularly because of the effects originating from the formation of a uniform company Sava Turizem d.d. and the reorganisation carried out at the beginning of the year.

However, the Supervisory Board further established that in the past four-year period the performance of the parent company Sava d.d. and that of the Sava Group was affected by significant impairments of financial investments. For already some time now, the unfavourable movements in the financial markets have had a prevailing influence on the value of financial investments and thus the operating result, which is why the value of company's financial investments significantly decreased in 2011 too, whereas its indebtedness and loan exposure, respectively, remained at high levels experienced already in the period before the beginning of the economic crisis.

The net loss made in the Sava Group in 2011 in the amount of €157.2 million was greatly due to the impairments of financial investments totalling €160.3 million. The generated net loss of the parent company Sava d.d. in the amount of €156.1 million d was greatly due to the impairments of financial investments totalling €146.8 million.

As Sava d.d. and the Sava Group already utilised total reserves formed in the past years for minimising the adverse effects of impairing the financial investments in 2011, the said net loss of 2011 was not entirely covered from capital components and the accumulated loss amounted to €9.3 million at 31/12/2011.

For this reason, an immediate, not to be delayed implementation of the set strategic activities is necessary that will enable Sava to re-establish its internal reserves, thereby preserving the ability for responding in the case of a fiercer crisis and, as a consequence, in the event of a further decline in the value and liquidity of financial investments, even though any such additional decrease is not very likely. To strengthen the financial position of Sava, an additional conversion of short-term into long-term sources is of significance on the one hand, while on the other hand the new Management Board will have to carry out disinvestments since the share of own sources (capital) in the liabilities structure lowered to about 20%, which makes disinvestments the only way for a significant deleverage of the Sava Group. The Supervisory Board pointed out the need for divesting already in 2010 and 2011, last but not least, also through its support to the strategy of the Sava Group until 2014.

The new Management Board still has to follow the priority guidelines, which include the measures for stabilisation and strengthening the cash flow of the Group, an additional coordination of deadlines for finance sources, and an even more rigorous monitoring of Group's operation in all areas, as well as a well-supervised and professional performance of the agreed and harmonised disinvestment activities.

This means that all activities in the transitory period of 2012 will have to concentrate on the implementation of the adopted policies, and particularly on:

- Improvements in operative business and generation of a free cash flow, as well as strengthening the responsiveness to the changing conditions for doing business.
- Measures for stabilisation and consolidation of Group's cash flow.
- Additional coordination of deadlines for financing sources (signing the agreement with the banks).
- A particularly rigorous monitoring of Group's operation in all work areas and implementation of suitable measures for improving the operative business, respectively.
- A controlled and professional performance of the agreed and harmonised disinvestment activities (on the basis of suitable platforms and considering various scenarios).
- Strengthen the banking sector by continuing the activities for a tie-up between Abanka Vipa d.d. and Gorenjska Banka d.d.

The restructuring of a portfolio and the efficient implementation of disinvestment programme will be of vital importance in 2012, but also in the coming years, as it will greatly consolidate the financial position of the company and influence the generated result of this fiscal year.

Auditor's report

The Supervisory Board became acquainted with the auditor's report and determined that the auditor's opinion is affirmative.

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 former auditor attended the Shareholders' Meeting in 2011, whereas the auditor appointed for auditing this annual report will be invited to this year's Shareholders' Meeting of Sava d.d.

The Supervisory Board has no comments on the auditor's report. It 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 of the Supervisory Board on the 2011 annual report and the 2011 consolidated annual report

The Supervisory Board has no comments on the 2011 annual report and the 2011 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' performance review

The Supervisory Board reviewed the performance of the Management Board of Sava d.d. in 2011, which owing to the increased uncertainty in the economic environment was even more difficult than the preceding year, both for the company and its shareholders as well as for the industrial sector in general.

After appointing the new President and members of the Management Board of Sava d.d. and the agreed premature termination of terms of office for two out of three former Management Board members, the new management team took up their duty with a new vision for the development of Sava. They immediately began to prepare and perform the programme of short-term measures that aim at stabilising the operation and eliminating the negative impacts of the financial-economic crisis, which have been affecting the economy during several past years. The innovation and a stronger positioning in the market, particularly in the fast growing markets, contributed to an even 10% growth in Sava Group's sales, thereby surpassing the highest level so far. The expenses growth was by 8 percentage points behind the revenues growth, which resulted from an efficient rationalisation in the operation and a rigorous supervision over costs. The operative business of Rubber Manufacturing showed the best result ever, while Tourism improved its operation. If the impact of extraordinary events – impairments of inventories in Real Estate and provisions in Tourism - had been excluded, the subsidiaries of Sava d.d. would have doubled the operating profit generated in the previous year.

While the Management Board and their management teams in subsidiaries were able to effectively take on the challenges of doing business in the real sector, the operating result was still greatly influenced by further unfavourable movements and circumstances in the financial markets. Sava d.d. had to impair financial investments in total amount of about €160 million, which mainly referred to its associated companies; after doing this, a positive result of the parent company and the Group changed to a substantial loss, the capital decreased significantly and the assets structure deteriorated. The company has suffered most serious consequences so far, at which the Management Board - given the indebtedness volume and a low availability and high price for loans - had to face the hazards in maintaining current liquidity. The agreement with the lending banks on postponing the payment of Group's loan liabilities was one of the remarkable successes of 2011 that resulted from the short-term measures for maintaining liquidity and strengthening the financial position. In 2012, the programme will be complemented with an agreement, by way of which the maturity of Sava's financial liabilities will be coordinated over a longer period of time.

The conditions, which the Management Board had to face in their responding to the financial crisis, only further consolidated their determination for introducing more extensive changes and even more efficient long-term measures. A significant contribution by the Management Board of Sava d.d. in the past financial year is, undoubtedly, the drafting of the strategy for business-financial restructuring until 2014; the strategy was adopted in September and brings radical changes in the manner of managing, organisation, investment portfolio structure of Sava d.d., and other strategic shifts in order to achieve a sustained level of indebtedness, renew profitability and create a long-term value for the shareholders of the company. Sava's strategy *Renewed for the Future* sets out clear guidelines for facilitating a successful development of the company on the consolidated financial platform. The Supervisory Board firmly believes that this is the way, which directs Sava on a right track also in the present, volatile economic environment. Its effective implementation, however, also greatly depends on the full support by the financial partners – lending banks, on which the Supervisory Board relies upon in the future too.

The Management Board consistently fulfilled the strategic commitments in the first restructuring phase, planned until the end of 2011, and effectively carried out a wide set of measures for a corporate renewal and a different, better future of Sava. The result of the performed revitalisation of the parent company is the new organisational structure, changed management model, for a leaner, and in terms of organisation, a more simple, cost-efficient and management-efficient Sava that is better flexible and responsive too. The present corporate structure of Sava d.d. includes more clearly defined reporting lines and a decentralised decision-making model, which transfers a full responsibility for the operation to the level of subsidiaries. This assures a more efficient management and supervision over their operation, in which the Management Board made a significant contribution by establishing a Directorate for Sava Group's Managing. After the reorganisation of Sava d.d. was completed, the company is better adapted to the current situation and to the future challenges also in view of a lower employee number and it achieves significant advantages owing to a substantial saving in other operative business costs. Another complex project was completed just before the end of the year: the merger of all Tourism companies in a uniform Sava Turizem d.d., which will facilitate a consolidation of operations, assure a higher cost-efficiency and strengthen the synergies in the operation of this division.

Given the circumstances and limitations in doing business, the Management Board of Sava d.d. efficiently managed the company and the entire Sava Group and worked hard for the benefit of the shareholders and the company in maintaining the safety and stability of Sava's operation. They devoted much of their attention to analysing the future opportunities and hazards, the potential further negative effects of the financial crisis on the operation, in particular, by way of which they secured themselves a strong platform for the preparation and efficient implementation of the adopted strategy for business-financial restructuring.

Irrespective of though circumstances and a high work load, the Management Board actively and continually collaborated with the workers' representatives in making decisions, especially the decisions, which included reducing the employee number. Furthermore, they devoted their special attention to the development of key personnel and the measures for encouraging employee motivation, their loyalty and commitment in the process of changes.

The engagement and efficient actions on the part of all Management Board members to fulfil short-term and strategic goals was to the maximum, for which the Supervisory Board wishes to express their full acknowledgement and support. Based on the above-mentioned, the Supervisory Board proposes to the Shareholders Meeting to grant discharge from liability to Board of Management of Sava d.d. for their work in 2011.

The Supervisory Board wishes to thank the Management Board members as well as the employees of the Sava Group for their work in 2011. The mutual trust they have established and a close mutual cooperation were the vital factors owing to which Sava in the light of the current circumstances was able to effectively end one of its toughest - if not the toughest - year in its entire history, and made sure that a decisive step can be taken towards the formation of its renewed future image.

Endorsement of the annual report for 2011 and the consolidated annual report

The Supervisory Board endorses the annual report of Sava d.d. for 2011 and the consolidated annual report of the Sava Group for 2011.

In accordance with Paragraph 3 of Article 282 of the Companies Act-1 the Supervisory Board adopted

the 2011 annual reports at its 32nd meeting on 19 April 2012, thereby receiving them within an open deadline, i.e. before one month expires including the day both annual reports for 2011 were submitted to the Supervisory Board.

Miran Kalčič
Chairman of the Supervisory Board of Sava d.d

In Kranj, on 19 April 2012

8 Corporate governance system

A well-organised and efficient corporate governance system supports the implementation of Sava's business goals. In 2011, the management of the company was taken over by the new management, who under the strategy renewal established a Directorate for managing the Sava Group. The latter makes a significant contribution to further improvements in the quality and efficiency of corporate governance in Sava d.d.

Sava Group companies employ the two-tier system of corporate governance

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

Managing Sava d.d. is conducted by way of the two-tier system. 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 a simplified and standardised management of the Group's companies. The managing process is based on making decisions by the Shareholders' Meeting, the supervision over business processes and efficient management of the companies. None of Sava Group companies has a one-tier system of corporate governance.

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

Shareholders' Meeting of Sava d.d.

Shareholders 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 in 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 writing 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, 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 17th regular annual Shareholders' Meeting for 8 June 2011. The Shareholders' Meeting was attended by the share owners who on 4 June 2011 were registered as share owners in the share registry of the KDD Central Securities Clearing Corporation.

After convening the Shareholders' Meeting, the Management Board received a demand from three shareholders, to expand the Agenda with the items on recalling and appointing the Supervisory Board members, and appointing a special auditor for examining individual transactions of the company. The demand was received in due time.

83% of total company's capital with voting right attended the Shareholders' Meeting (1,637,211 shares). The share of voting rights of the first five largest shareholders amounted to 81.6% (1,083,847 shares) of the capital present, as follows: Kapitalska Družba d.d. 22.94% (375.542 shares), Slovenska Odškodninska Družba d.d. 13,56% (222,029 shares), PSL Storitve d.d. 11.38% (186,323 shares), Finetol d.d, 10.08% (165,030 shares), and Merkur d.d. 8.24% (134,923 shares).

Shareholders elected the bodies of the Shareholders' Meeting and were made acquainted with the audited annual reports and a written report from the Supervisory Board. With a suitable majority they seconded a proposal by the Management Board on the use of accumulated profit, granted discharge to the Management Board and Supervisory Board of the company. As proposed by the Supervisory Board, they appointed Deloitte Revizija d.o.o. as auditor of the 2011 annual financial statements to replace the previous long-time auditing company. The Shareholders' Meeting became acquainted that Workers' Council elected Gregor Rovanšek as the new Supervisory Board member for the term of office from 31 March 2011 until 28 June 2012 to replace Miha Resman who was appointed the Management Board member of Sava d.d. With regard to recalling and appointing the Supervisory Board members, shareholders supported the counter-proposal of Kapitalska Družba d.d. and voted Robert Ličen, MSc, and Aleš Skok the new members of Supervisory Board for a four-year term of office effective as of 9 June 2011. The office of the then Supervisory Board members, Marko Pogačnik, MSc, and Tomaž Toplak, thus expired. In making a decision about two sets of proposals for resolutions under the Agenda item about appointing a special auditor to examine individual transactions of the company, shareholders did not motion any of the resolutions proposed.

One of the shareholders announced to challenge two resolutions of the Shareholders' Meeting and reproached the Shareholders' Meeting with mistakes made at their work. The company established that these reproaches were not grounded and that the Shareholders' Meeting was conducted faultlessly in terms of substance and procedure. The shareholders who announced challenging the resolutions did not file any challenging action.

Supervisory Board of Sava d.d.

The Supervisory Board is composed of nine members. Six members were elected by the Shareholders' Meeting, while three members were elected by the Workers' Council in accordance with the Worker Participation in Management Act.

Supervisory Board members are elected for four years with a possibility of re-election. The term of the present Supervisory Board expires on 28 June 2012, except for two of the members, Robert Ličen, MSc, and Aleš Skok who were elected in the Shareholders' Meeting in 2011; their term of office shall be until 9 June 2015.

The Articles of Association of the company and the book of procedures concerning the work of the Supervisory Board define the method of working, 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 has to meet at least once every quarter. In 2011, the Supervisory Board members met at nine regular meetings, which was due to the aggravated situation that the company was facing. The Supervisory Board dealt with and took decisions concerning numerous important issues, which are presented in detail in the Report by the Supervisory Board.

In all meetings, all Supervisory Board members were present, which shows their outstanding commitment and diligence in carrying out their tasks. Owing to their constructive cooperation in discussions and the decision-making process all Supervisory Board members importantly contributed to the success and efficiency of the Supervisory Board's work.

The audit and personnel commissions of the Supervisory Board worked intensively too. In accordance with the legislation, the audit commission has an external independent member, Kostja Bizjak. Each of the commissions met seven times. Both commissions regularly reported about their work at the Supervisory Board meetings.

Due to the above-described changes in the membership of the Supervisory Board, the audit commission was complemented and is now managed by Janko Kastelic.

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

Management Board of Sava d.d.

Sava d.d. is managed by a four-member Management Board as appointed by the Supervisory Board. Until 30 March 2011, the company was managed by the long-time three-member Management Board with Janez Bohorič as chairman, and Emil Vizovišek and Vinko Perčič as members. The latter continued to carry out the office until a regular expiration of his third five-year term of office, which was 16 July 2011.

The present Management Board, which took up their office on 31 March 2011 consists of four members: Matej Narat, MSc, as President, ad Andrej Andoljšek, Miha Resman and Franci Strajnar, MSc, as Members. The Management Board members were appointed for a five-year term of office with option of re-appointment.

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. The Management Board achieved the quality and efficiency of managing by incorporating as broad circle of associates as possible in the decision-making process.

On 1 October 2011, the Management Board appointed Milan Marinič as a senior assistant to the Management Board and a director of directorate for Sava Group's management. In February 2012, it adopted a resolution about suspension of the office of procuration, which until that time was carried out by Miran Hude.

In 2011, 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 harmonised with it about the corporate strategy and risk management implementation. At the end of September, the new strategy of Sava until 2014 was adopted, which the Supervisory Board unanimously supported.

For certain decisions or certain transactions it has to obtain consent from the Supervisory Board; e.g. acquisition, disposal or encumbrance of ownership stakes in excess of 20% of the share capital of Sava d.d.

Directorate for Sava Group's management

The Directorate for managing the Sava Group managed by Milan Marinič, began functioning at the beginning of October 2011. Its goal is to assure a quality and efficient corporate governance system and strategic supervision in order to create the conditions for enhancing the performance and accelerating the development of the Sava Group.

The Directorate for Sava Group's management includes seven professional services of Sava d.d. (a detailed presentation in chapter 3 – Organisational structure of the Sava Group).

The Directorate for Sava Group's management 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 Drectorate for assuring an efficient corporate governance and strategic supervision over the Sava Group include:

- Preparation of the Corporate Governing Policy of the Sava Group and capital investments of Sava d.d. (adopted in December 2011), and supervision over its implementation.
- 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 of 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 of 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 directors' meeting of the Sava Group, business conferences of the Sava Group, and other meetings for the needs of the Management Board of Sava d.d. As a rule, directors' meetings are held every quarter and are intended for presentations of operations and other current issues in the Group.

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 next business year. In 2011, the business conference was held also in June, on occasion of which the Group's management dealt with forecast until the end of the business year.

Managing the subsidiaries and associated companies of the Sava Group and 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 supervisory board members of the respective companies who are employed with the Sava Group so that they are able to form their standpoints as to the contents of 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 before 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 Management Board's decision-making process in connection with implementing the governing role of Sava d.d. For this purpose, the Directorate also coordinates the activities of other 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 are managed. The Management Board of Sava d.d. appoints the members of Sava d.d.'s managerial structure in the management and governing bodies of Sava Group companies who have suitable experiences about the operations of a particular company.

New appointments and other changes in company management teams

In 2011, the following appointments and changes were made in the management teams of Sava Group companies:

- Appointing Matej Narat, MSc, as president, and Andrej Andoljšek, Miha Resman and Franci Strajnar, MSc, as members of the Management Board of Sava d.d. (until the end of March 2016).
- Appointing Milan Marinič as senior assistant to the Management Board and director of Directorate for managing the Sava Group (until the end of September 2015).
- Re-appointing Vesna Čadež as director of Savatech d.o.o. (until the beginning of January 2015; Igor Hafnar further remains director, and Zdenka Benedičič workers' director of the company.
- Appointing Denis Šmigoc and Borut Flander as directors of Savarus d.o.o. (until January 2013).
- Appointing Slawomir Milosz Babka as director of Sava Trade Spz.o., Warsaw (until the middle of February 2013); Tomaž Perčič further remains director of the company.
- Re-appointing Zlatko Smrdel as director of Sava Trade GmbH, Munich (until the end of April 2013), and appointing Jaka Toplak as procurator of this company.
- Re-appointing Milan Vik as director of Sava Trade s.r.o., Prague (until the beginning of March 2015) and appointing Anja Bitenc Jenko as procurator of this company.

- Appointing Izidor Debenc as director of Savatech Corp., Port Orange (until the end of February 2015, and appointing David R. Lander as director of this company (until the beginning of November 2013).
- Appointing Andrej Prebil as president of the management board, and Renata Balažic and Borut Simonič, MSc, as members of the management board first of Sava Hoteli Bled d.d., and then of the merged company Sava Turizem d.d. (until the beginning of October 2016); after appointing of executive directors of Terme 3000, Zdravilišče Radenci, Terme Lendava and Terme Ptuj, and suspension of procurement in the previously mentioned individual companies.
- Appointing Ana Finc as procurator of Sava IP d.o.o., Gorazd Rous remains director of the company.
- Appointing Primož Bradeško as director of Sava Nova d.o.o. Zagreb (undefined period of time), Marko Rozman further remains procurator of the company.
- Re-appointing Gorazd Rous as director of IP Nova d.o.o. (until the middle of July 2015), Ana Finc further remains procurator of the company.
- Appointing Janez Fabijan as director of Sava medical in Storitve d.o.o. (until the end of October 2013) and appointing Aleš Aberšek as procurator, Zdenka Benedečič further remains workers' director.
- Appointing Rok Švigelj as director of GIP Sava Kranj d.o.o. (until November 2012).
- Re-appointing Stanko Cvenkel as director of Energetika Črnomelj d.o.o. (until the end of April 2016).
- Re-appointing Stanko Cvenkel as director of Ensa BH Srbac d.o.o. (until July 2015), and appointing Peter Pavček as procurator of this company

In the beginning of 2012, the following changes became effective in the Sava Group:

- Suspension of procurement office in Sava d.d. and appointing directors of professionals services (until the end of March 2016) – after the reorganisation of the company.
- Appointing Georg Pollak, MSc, as director of Sava IT d.o.o. (until the beginning of January 2016).
- Appointing Matej Roblek, as procurator of Sava Medical in Storitve d.o.o. (until the end of March 2016).

Internal audit

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

For its work, it is directly responsible to the Management Board of Sava d.d. The organisational independence of internal audit and its professional approach enable for its influence to be exercised in all Sava Group companies and at all levels of operations. Internal auditors continually enhance their knowledge and design the auditing strategy in accordance with international standards of professional practice in the internal audit.

When defining projects for the annual plan, they proceed from strategic policies of the Group and consider risks that could affect the accomplishment of strategic goals. Owing to their comprehensive review of the operations of Sava Group they assess the risk impact on the operations and probability as to the occurrence of risks. The annual plan of internal audit is confirmed by the Management Board and the audit commission of the Supervisory Board is acquainted with it too.

Internal auditors are involved as consultants in the project teams in various areas, whereby they endeavour to preserve independence and avoid a possible conflict of interest.

In 2011, audit inspections especially focused on risk management in connection with certain business functions and monitoring efficiency and performance of the operations. In the inspection reports, a range of recommendations was given, which to a great extent have already been implemented. Internal auditors regularly assess the response of the management teams in audited companies or the developers of recommendations, reporting thereafter to the parent company's Management Board and the audit committee.

In 2012, the activities of the Internal Audit will focus on monitoring the performance of operations of Sava Group companies and managing risks in the key business functions in these 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. Every year, the Shareholders' Meeting of Sava d.d. approves of appointing the auditor. 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 business of Sava d.d. with the audit company Deloitte Revizija d.o.o. is presented 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 reporting on the financial statements

The Management Board of Sava d.d. is responsible for the operation of the internal control system and supervision of its efficiency. The intention 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, 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 Group companies and updated, if required. The regulations define the duties and responsibilities of individual accounting operations as well as their monitoring and supervision.

With a partially centralised management of accounting, which is performed at individual locations for several companies simultaneously, a uniform approach to evidencing business events is assured together with a standardisation of procedures and the in-depth specialisation of employees.

The use of the standardised central information system SAP and other standard information solutions enhances the efficiency of preparation and exchange of accounting information. In a rapidly changing and uncertain business environment, increasingly more attention is devoted to the introduction of the most sophisticated methodologies and tools for a dynamic development of planning, monitoring and forecasting operations.

The Group has established a system whereby operations are monitored on a monthly basis and reported on by the internal accounting department. The Management Board makes the Supervisory Board acquainted with the data on an ongoing basis.

Business transparency and open communication

Communication forms an important part of the corporate governance system at Sava d.d. It co-creates trust of stakeholders in our operations, products and services, thereby significantly influencing business success of the Sava Group. Corporate Communications provides professional support to the corporate communication of the Sava Group about the operations, management and governing, products and services, and other important aspects of our business, at which it closely cooperates with the Management Board and other professional services and management teams of subsidiaries.

The goal of Sava d.d. is to establish a dialogue and ensure quality information to shareholders and other stakeholders that 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 coordinated as set out in the Corporate Governance Code. The area is governed by the Rules on Determining and Safeguarding Business secrets for Internal Use and the Organisational Rules on Internal Information.

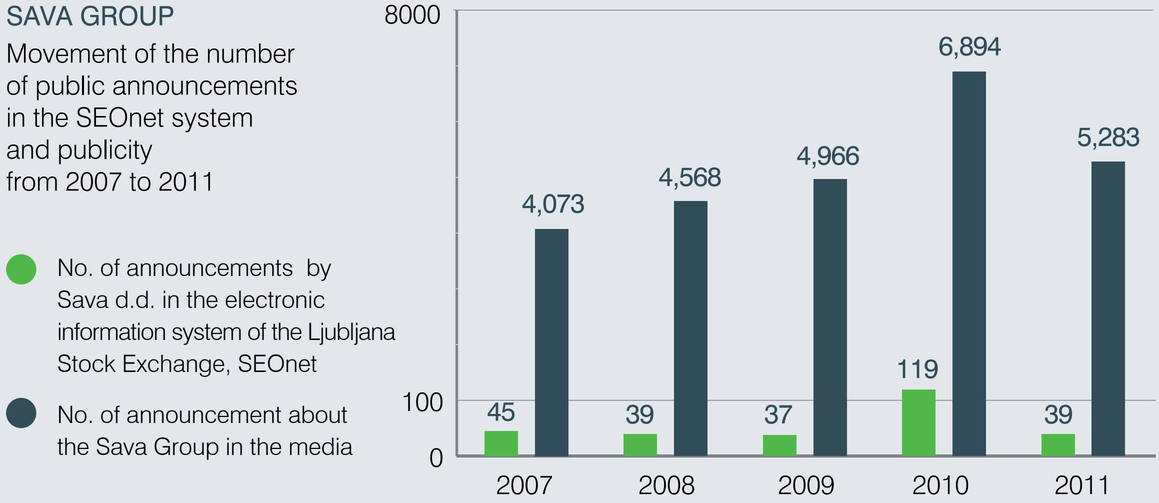
Announcements in SEO-net and the media

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

Sava d.d. releases the information that might affect the business decisions of investors or interested public regularly and on an ongoing basis, and communicates with the media in a proactive and responsive manner. In comparison with the extreme previous year, communication in 2011 was relatively less dynamic and intense.

In the SEO-net system, Sava d.d. published 39 announcements, which was at the 2008 and 2009 level. The number of articles about the Sava Group was still high and reached 5,283 releases. This is, in fact, by 23.4% less that in the record year of 2010, but still significantly more than the average of many years. Some of the more important topics, which designed communication in 2011 were: replacement of the Management Board of Sava d.d., adoption of the restructuring strategy of Sava d.d. until 2012, and implementation of its individual elements, including the merger of Tourism companies.

SAVA GROUP
Movement of the number of public announcements in the SEOnet system and publicity from 2007 to 2011



Through all these years we have assigned much importance to the preparation of annual and other reports about the operations. The website www.sava.si represents one of our main communication tools, by way of which we provide an open access to all public announcements, shareholder information, financial calendar, information about the organised gathering of proxies, contact persons, and other pieces of information.

We are available for further information and consulting either on the phone, or in person. We disseminate company information to shareholders and analysts and also answer their questions. We devote much attention to potential investors, which is why we organise presentation meetings too.

Statement on Corporate Governance

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 pursuing 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 operations.

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

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 connection with the financial reporting procedure.*

The internal control and risk management systems 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 2011 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 ongoing basis in the electronic information system of the Ljubljana Stock Exchange, and furnished to the Securities Market Agency. At 31 December 2011, the holders of direct qualified stakes as stipulated by the Take-overs Act in Sava d.d. are: 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), PSL Storitve d.d., Koper (9.3% or 186,323 shares), Finetol d.d., Škofja Vas (8.1% or 162,389 shares), Merkur d.d. (6.7% or 134,923 shares), NFD 1, Delniški Podsklad, Ljubljana (5.0% or 100,902 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 2011, Sava d.d. did not have any proxy for the issuance or purchase of treasury shares.

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

In 2011, 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 2011, 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 2011 in Chapters -Management and Governing Bodies; Report by the Supervisory Board; Corporate Governance System.

II. Statement on conformity with the Corporate Governance Code

The company Sava d.d. gives a statement on conformity with the Corporate Governance Code (hereafter Code).

The Statement on Conformity with the Corporate Governance Code refers to the period between the former and the present statement, i.e. from 16 February 2011 to 16 February 2012. The statement forms a constituent part of the 2011 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 is given:

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 2009 and again in 2010 and 2011, the Supervisory Board members gave their statements as to a conflict of interests at their handling. The contents of the statement include the majority but not all criteria of independence as quoted in Section C3 of Appendix C of this Code. The Supervisory Board estimated that the contents of its statement sufficiently disclosed their independence and the existence of any conflict of interest, respectively.

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, which are 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 is not necessary to define the scope and timeframes in the rules of procedure instead of in the resolution.

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.

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 2009 and again in 2010 and 2011, the Supervisory Board members gave their statements as to a conflict of interests at their handling. The contents of the statement include the majority but not all criteria of independence as quoted in Section C3 of Appendix C of this Code. The Supervisory Board estimated that the contents of its 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, 16 February 2012

Management Board and Supervisory Board
of Sava d.d.

9 Risk management

We responded to the aggravated circumstances of 2011 by pursuing the development of the economic environment, identification of risks as they appear, and timely measures. Despite certain signs of a recovery of the economy in the Euro Zone in the first half year, we continued to carry out the activities that aim at minimising the negative impacts on our operations as a result of the crisis in the domestic economy. A great deal of our attention was devoted to risk management in connection with the operation of Investment Finance, which originated from lower values of financial assets and poorer access to loans. By acting in time, we try to minimise negative impacts on our operations.

9.1. Goal, organisation and methodology of risk management

The goal of active risk management in the Sava Group is an early detection of hazards and preparation of measures, which mitigate or eliminate their consequences, as well as identify business opportunities and their effective incorporation in 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 managing individual risks falls within the competence of management teams of every individual company. The risk management process in every individual company involves the broadest circle of employees in their activity, which assures most efficient risk management.

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, operating, and unpredictable. 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 or hazard.

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 2011

The importance of individual risks changed in 2011. Our business was mostly affected by risks in connection with the Investment Finance division. We actively managed investments and encouraged successful performance in individual companies and divisions.

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 (management teams), who are defined in advance, manage risks, while the parent company monitors the policies, measures and effectiveness of risk management.

Investment risks belong among 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 development strategy. The year 2011 was denoted with high price fluctuations in financial investments as a result of a poor economic position and highly uncertain 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.

When the new Management Board began its work in 2011, the Sava Group revised its business strategy, which is based on restructuring and improving the Group's performance; accordingly, this will reflect in a higher value of assets, share price growth and formation 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 in the circumstances of rapidly changing economic 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 risk strategy	Risks in connection with the development of business strategy	Standardised business policy, quality reports and suitable controls	High

Financial risks: in 2011, 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 the requirements for renewing the existing loans and collaterals. The renewed strategy of the Sava Group has a restructuring model defined, which will improve the maturity structure of finance sources, decrease the volume of financial liabilities and strengthen the cash flow of the Group. Introducing these activities, we substantially minimise 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 pursue 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	Agreements with business banks about reprogramming finance sources to improve the maturity structure of finance sources	High
Solvency risk (liquidity risk)	Shortage in money assets for servicing operating and financial liabilities	Previously agreed credit lines and planned requirements for liquid assets	High
Credit risk	Risks of non-payment by borrowers	Limit maximum exposure to customers, active management through receivables, calculating ratings	High
Risk of changed interest rate	Possible loss due to changed interest rate	Monitoring financial markets and changes in interest rates	Moderate
Foreign exchange risk	Possible loss due to unfavourable foreign exchange	Monitoring financial markets and management by using suitable financial instruments	Low

Operating risks: Sava Group companies face this kind of risk in their daily operations. They are managed at the level of individual companies 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 uniform 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. We monitor supply markets and make use of modern tools and technologies, which enables us to quickly and efficiently adapt to any changes.

In circumstances of growth and increased demand the **risks associated with the availability of production capacities** are decreased through suitable procedures, which include regular maintenance and measurements of production capacities function. 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 impacts of psycho-active factors on employee health.

Risks associated with the IT are decreased by continually improving and upgrading of software and security equipment. In this way, we make sure that business processes are stable, reliable and secure. In the central management via the newly established company Sava IT d.o.o, we improved work organisation, 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, ongoing 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 uniform 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 on assets	Risk for damages on assets due to natural forces and other accidents	Systematic hazard assessment of facilities, measures in line with fire safety studies and taking out insurances	Moderate
Claims for damages and law suits	Claims for damages due to loss events by the company's operation, caused unintentionally or randomly	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 on the assets	Insurance of labour costs, depreciation, other operating costs and profit from operations, organisational-technical measures for minimising consequences from a breakdown	Low

9.3. Anticipated risks at the global level and their impact on the operation of the Sava Group

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

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

- Debt crisis in the Euro Zone
  According to the forecast, the economy of the EU should mark the stagnation, while the Euro Zone will face a mild recession. The weak economy might endanger the economic stability of the entire Euro Zone and expand to other EU countries too. The main factors in the forecast are uncertainty in the markets of government debt securities (Greece, Italy), fragile trust on the part of companies and the general public, high unemployment rate, and the need for a financial consolidation of public finance in most of the EU countries.
- Unstable international political situation
  The uncertain political situation affects the speed at which the economy recovers. Due to the international political circumstances the economic recovery will slow down in the future, which will result in a decline in trading, investments and employment..
- The expected price rises in energy products
  Owing to the uncertain political circumstances the prices of the key energy products are expected to go up, and that will affect 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 reflect in a shortage in investment capital. This can influence the implementation of the renewed long-term strategy of the Sava Group, which is based on disinvestments and Group's restructuring.
- Unemployment
  In 2012, we expect that employment will further adapt to the lower level of the economic activity. A higher unemployment rate can be seen as an opportunity for certain Sava Group divisions, which have to adapt their services to the educational and ages structure of employees.

10 Financial management

The severe financial crisis and uncertain economic circumstances continued in 2011. As a result of the general economic situation, the market value of investments of the Sava Group significantly decreased, while the loan exposure remained at the level from before the crisis. A new long-term business strategy of the Sava Group was devised whose important part forms the reprogramming of disinvestments and financial liabilities. Though the economic circumstances were unfavourable, the Sava Group continued to act concerted in finance area, and directed its attention to liquidity, regular settlement of financial liabilities and regulation of relations with banks.

The business policy and strategies in financial management are conducted centrally at the level of the parent company Savad.d., and coordinated by the professional service of Corporate Finance. The mission of Corporate Finance is to achieve high levels of financial cohesion aimed at preservation of liquidity and financial soundness in all Sava Group companies.

Sava d.d. appears as a direct borrower of loan resources for its own needs, while other companies in the Group contract debts on their own account based on a preliminary consent and loan terms that were coordinated by the parent company.

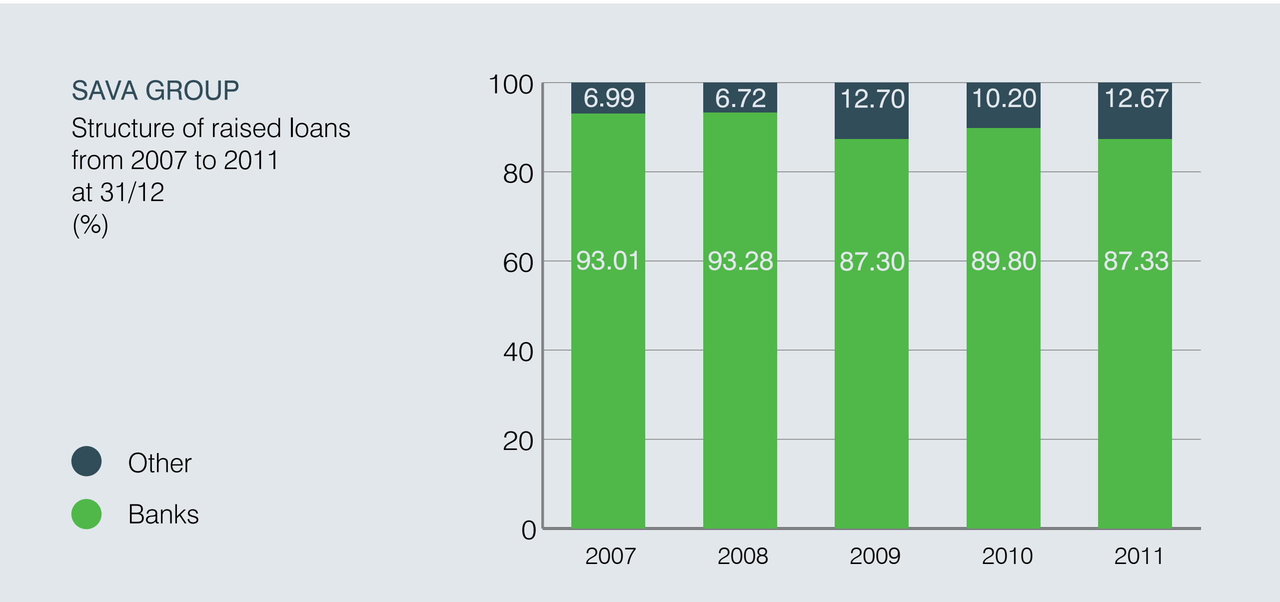
The manners and types of insurances are agreed upon and harmonised for the entire Sava Group. Furthermore, a uniform policy of implementing business and other financial obligations towards banks, internal balancing of free cash surpluses and the manners for using lines of credit are in place.

Structure of raised funds

At the end of 2011, the indebtedness of the Sava Group amounted to €366 million and in comparison with 2010 it decreased by €15 million.

This decrease was due to the planned divesting of investments of Sava d.d. in connection with selling a part of the Real Estate division, and it entirely results from the balance separation of loan liabilities of Sava IP d.o.o., because until the actual sale this investment is shown in the balance sheet as available for sale. Excluding this event, indebtedness of the Sava Group would have been actually by €2.4 million higher and would amount to €383 million.

At the end of 2011, loan resources had an 87% share in total indebtedness, while the share of loans obtained from other entities had a 13% share in total loan resources. If compared to the previous year, the structure of hired loans did not significantly change.

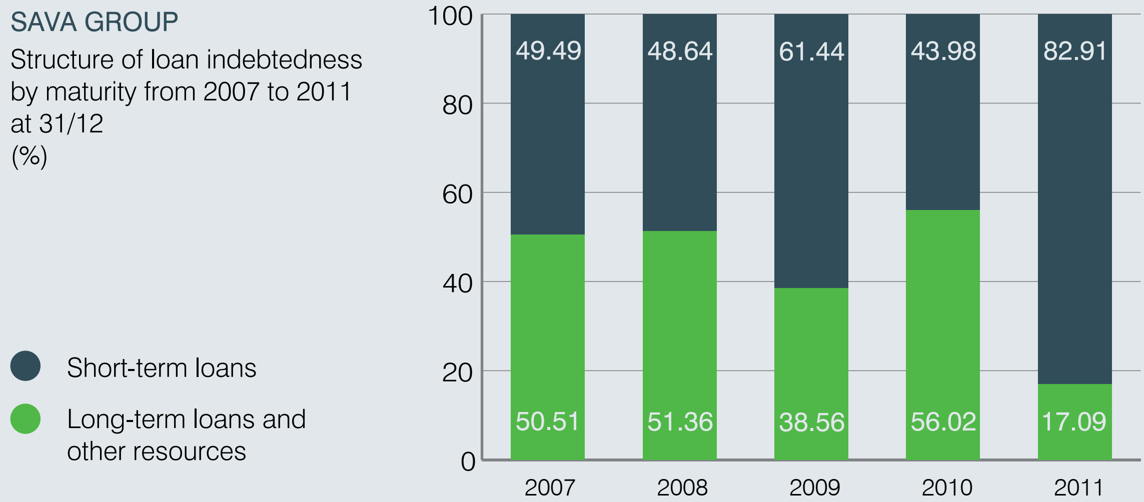


Structure of loan indebtedness by maturity

The maturity structure of loan resources changed significantly in 2011, mainly on account of the upcoming maturity of the syndicated bank loan at the end of 2012. In the loan indebtedness structure, this resource had a 35% share of total loan resources. In comparison with the previous year, the share of long-term loans went down by 39 percentage points to reach €63 million at the end of 2011. Accordingly, the short-term loan resources increased and amounted to €303 million at the end of 2011.

The exclusion of loan liabilities of Sava IP d.o.o., due to the planned sale of a part of the Real Estate significantly affected the structure of loan indebtedness of the Sava Group by maturity.

SAVA GROUP
Structure of loan indebtedness by maturity from 2007 to 2011 at 31/12
(%)

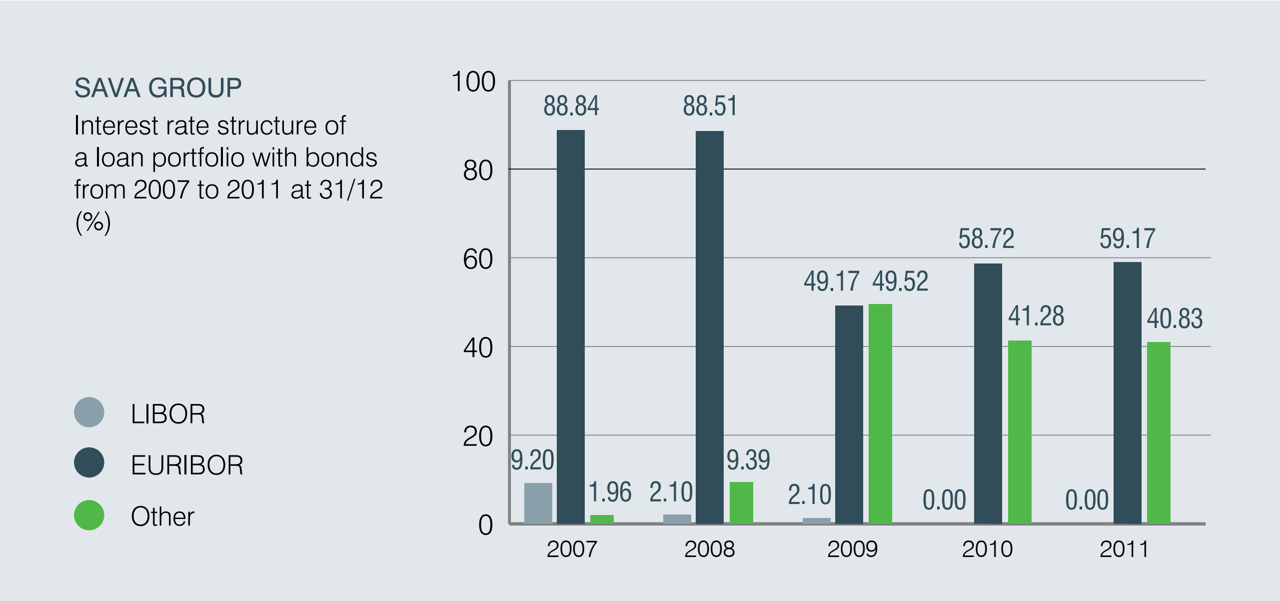


Interest rate structure of a loan portfolio

At the beginning of 2011, the European Central Bank (ECB) increased the key interest rate by 25 basis points (April and July), and then it decreased it in two consecutive steps by 25 basis points each (November and December).

The changes in the key interest rate influenced the European interbank interest rate (EURIBOR), which changed in proportion to the movement of the key interest rate. Despite these changes, the majority of banks in Slovenia did not modify the fixed interest rate or risk margin.

The exclusion of loan liabilities of Sava IP d.o.o. (due to the planned divesting of investments of Sava d.d. – disposing a part of Real Estate) had no significant impact on the interest rate structure of Sava Group's loan portfolio.



From 2007 to 2011, Other includes TOM, fixed interest rate, EBRD, NLB PRIME and IRB RS.

At the end of 2011, the interest rate structure of the loan portfolio did not significantly change with regard to the interest rate from the end of 2010.

At the end of 2011, the share of loans at the fixed interest rate represented 41% of total loan portfolio, and in comparison with the end of 2010 it did not change significantly.

The project of reprogramming and insuring existing loans

The loans that the Sava Group obtained are insured with placing mortgages on the properties of Group's companies, and pledging various securities and business stakes held by the parent company Sava d.d.

At the end of June, Sava d.d. provided an additional insurance of bonds designated SA02; the bonds are insured with further 2,392 shares of the issuer Gorenjska Banka d.d., Kranj designated as GBKR. At the end of 2011, 23,924 shares of Gorenjska Banka d.d. in total were placed as insurance for the bonds designated SA02.

Certain procedures began at the end of 2011 to insure those loans between Sava Group companies and the banks, which so far have not been insured.

In accordance with the renewed long-term business strategy, the Sava Group focused its activities to the consolidation of operations, improvement in performance, strengthening the cash flow, and a more determined cost rationalisation in 2012.

With assistance of foreign financial consultants and supported by the banks creditors, we are actively dealing with and implementing the activities set out in the reprogramming of financial restructuring and divesting. Sales activities in connection with disposal of individual investments or individual activities are in progress; their realisation will result in improved short-term liquidity and settlement of liabilities on an on-going basis. Owing to the implementation of the set financial reprogramming, we will assure a suitable structure and maturity of resources of the entire Sava Group, and decrease the value of debts to a long-term sustainable level.

Financial position of the Sava Group

In 2011, the uncertain circumstances in the financial markets continued and caused the stock exchange prices to drop, while banks tightened their liquidity policies. We therefore devoted our greatest attention to assuring liquidity of the company, regular servicing of financial liabilities and regulation the relations with banks and creditors. Parallel with that, the activities were carried out to stabilise the operations, strengthen the cash flow in subsidiaries and rationalise costs in a more determined manner. We began with the activities in connection with selling individual investments or individual divisions, as well as with the preparations for producing a new long-term business strategy adapted to the business and financial restructuring of the Sava Group.

In the meeting with all lending banks at the end of May, a moratorium - a postponement of principal - for all loans was agreed upon. Under the moratorium Sava committed itself to regularly settle interests, carry out measures for business stabilisation, perform activities for strengthening the cash flow in subsidiaries, rationalise costs and carry out other measures that aim at enhancing the operating profit.

At the beginning of December, a new umbrella document of a long-term business strategy of the Sava Group was presented, which puts divesting of investments and financial restructuring at the forefront. This should serve as a basis for an agreement on a long-term reprogramming of loans and their repayment within a deadline. It has been agreed that a postponement of principal is extended until the contract on reprogramming of total loan liabilities of the Sava Group is signed, the coordination group of banks formed, planned financial documents submitted, and steps for reprogramming the loans of the Sava Group are made. We expect that by way of signing a contract on reprogramming of long-term loans the activities will be efficiently finalised in 2012.

At the end of 2011, Sava d.d. had loans of €277 million, which in accordance with the strategy and the restructuring proposal will be reduced by €29.5 million in 2012. Under the indebtedness plan, Sava d.d. will pay off an amount of €20.0 million to banks, and repay loans to Group's companies and other companies in the amount of €8 million. The net indebtedness will decrease by €25.7 million in 2012.

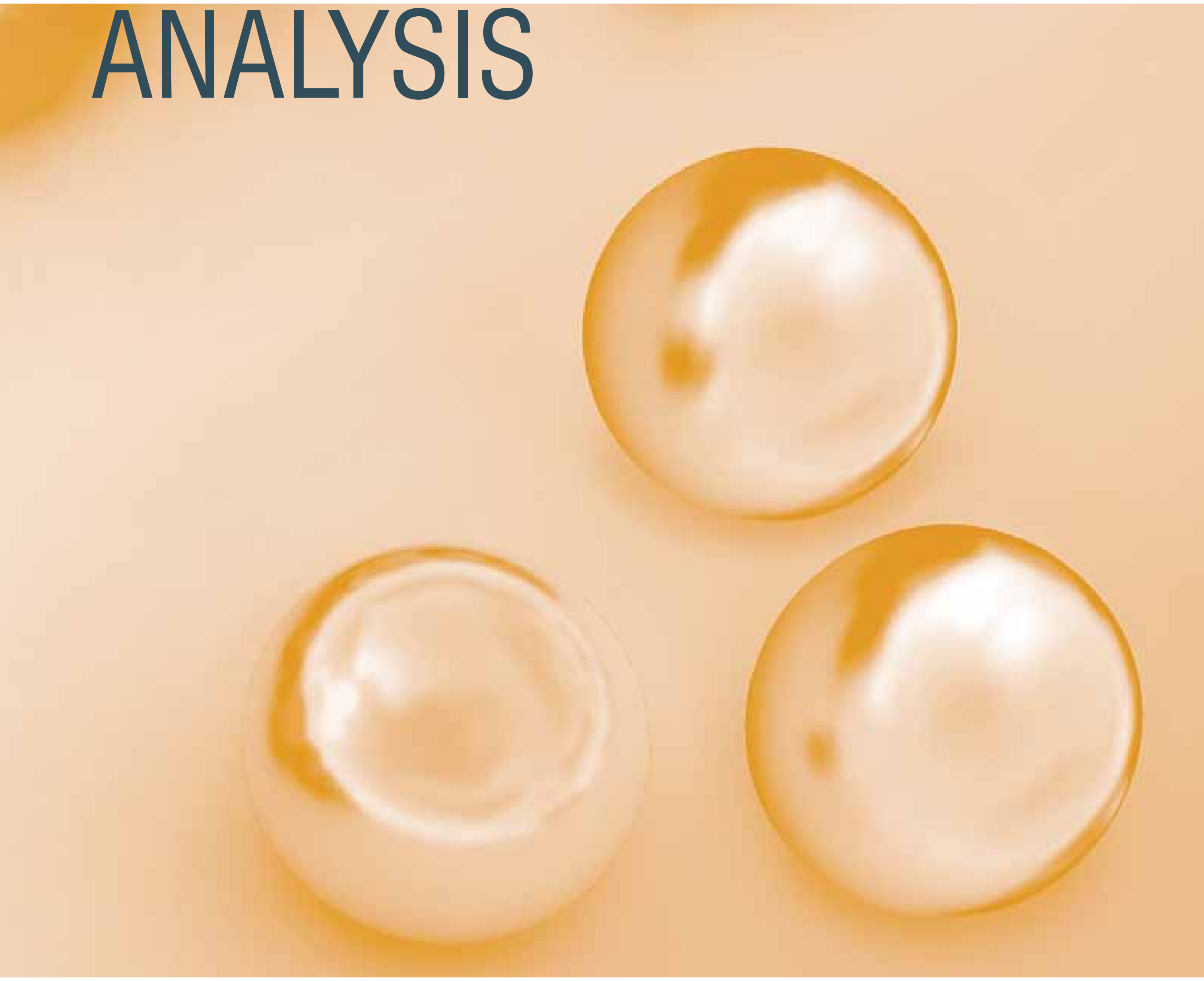
Simultaneously with the procedures for a disposal of the real estate operations and the activities for a tie-up between Abanka Vipa and Gorenjska Banka, disposals of other investments are in progress, which all aim at improving the short-term liquidity in order to assure smooth operations and an on-going settlement of liabilities by Sava d.d.

By adopting the new long-term business strategy Sava committed itself to perform a business and financial restructuring of the entire Group. The umbrella strategy document provides a basis for the already implemented bilateral balancing of loan relationships with the banks during the moratorium on principal repayment until the time of signing a long-term reprogramming of loan liabilities. By signing the reprogramming agreement, Sava will arrange the structure and maturity of resources over a long-term period both in the parent company and subsidiaries; furthermore, it made a commitment to the banks for a timed divesting of investments and achieving a long-term sustainable level of debts.

Financial position of subsidiaries

Sava Group companies plan to operate successfully and generate cash flow from operating activities in the amount of €26.7 million, and that will assure an optimum liquidity of subsidiaries throughout the year. The generated cash flow will be used for a regular servicing of total liabilities and also for make investments in business development.

BUSINESS ANALYSIS



Signing the annual report and its components for Sava d.d. and the Sava Group for 2011

We, the President and Members of the Management Board of Sava d.d., have been made acquainted with the contents of the components in the annual report of Sava d.d. and the Sava Group for 2011, and thus the entire annual report of Sava d.d. and the Sava Group for 2011. We agree with the annual report, which we CONFIRM with our signatures.

Miha Resman
Member of the Management Board

Matej Narat, MSc
President of the Management Board

Andrej Andoljšek
Member of the Management Board

Franci Strajnar, MSc
Member of the Management Board

Kranj, 27 March 2012

2 The Sava share and ownership structure with the calendar of significant announcements by Sava d.d. in 2012

In 2011, the value of the Sava share moved between €12 and €95. At end of 2011, the average price per share amounted to €12, meaning that it fell by 86.6% in comparison with the end of 2010. The movement of the Sava share mirrors the general situation in the capital markets and poor liquidity of the Ljubljana Stock Exchange.

Movement of the Sava share value

The value of the Sava share moved in the range between the highest point of €95 and the lowest point of €12. The main reason for low share prices was the general negative movements in the domestic industrial sector and poor liquidity of the Slovene capital market, which in 2011 declined by further 5%.

In 2011, the Sava share price was appraised by a certified company evaluator; the appraised value is much higher that its market price at the end of 2011.

Source: Thomson Reuters Datastream

Market capitalisation

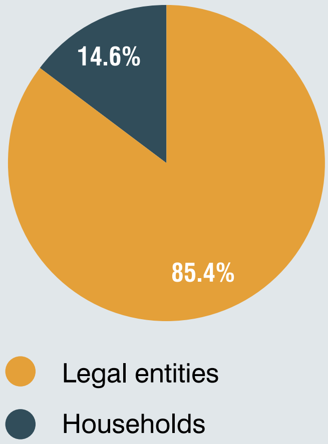
At the end of 2011, market capitalisation amounted to €24.1 million, and was lower than at the end of 2010 (€179.6 million). The market capitalisation of all shares listed in the Ljubljana Stock Exchange decreased to only €4.9 billion, which was the lowest figure since the outbreak of the financial-economic crisis.

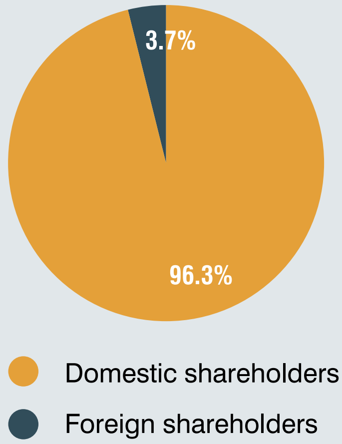
Ownership structure

At the end of 2011, 14,490 shareholders were registered in the Sava share registry, which ranks the company among the larger Slovene public joint stock companies. The stock of domestic shareholders amounted to 96.3% and that of foreign shareholders 3.7%. In comparison with the end of the previous year, the stock of foreign shareholders decreased by 0.4% percentage points. The majority of foreign shareholders originated from Great Britain, Austria, the United States of America and Germany.

The proportion of legal entities represented 85.4% and households 14.6%. The largest ten shareholders hold 69.7% of total capital of the company.

SAVA d.d.
Ownership structure by category at 31/12/2011 (%)





10 largest shareholders at 31/12/2011

10 largest shareholders	% ownership	No. of shares
Kapitalska družba d.d.	18.7%	375,542
Slovenska odškodninska družba d.d.	11.1%	222,029
PSL storitve d.d.	9.3%	186,323
FINETOL d.d.	8.1%	162,389
Merkur d.d.	6.7%	134,923
NFD 1 delniški investicijski sklad d.d.	5.0%	100,902
NFD Holding d.d.	4.3%	86,915
Gorenjska Banka d.d., Kranj	2.8%	56,475
Forticap Ltd.	2.0%	39,500
UniCredit Banka Slovenija d.d.	1.7%	34,375
Total 10 largest shareholders	69.7%	1,399,373
Sava d.d. (treasury shares)	1.5%	30,541
Other shareholders	28.8%	577,073
TOTAL	100.0%	2,006,987

The most recent information on the ownership structure of Sava d.d. is available on the Sava homepage at sava.si/Shareholder Relations.html.

Company securities

Trading with treasury shares

On 19 August 2010, Sava d.d. informed the public that in accordance with the provisions of Article 247 of the Companies Act-1, the second and eighth indent of the first paragraph, it would start to repurchase treasury shares in the regulated market of the Ljubljana Stock Exchange. In the period from the announced intention until the end of December 2010, it acquired 27,252 treasury shares in total amount of €4,753 thousand. In 2011, the company did not purchase treasury shares so that at 31/12/2011 it held 30,541 treasury shares in the value of €4,977 thousand – valued at the average acquisition cost; this represents 1.52% of total shares. In accordance with Article 247 of the Companies Act-1, the company offered the associates of the Sava Group the total quantity of 30,541 Sava treasury shares for repurchasing in July 2011.

Members of the Management Board and Supervisory Board who own Sava shares

At the end of December 2011, the members of the Management Board and Supervisory Board of Sava d.d. held 371 Sava shares, or a 0.018% share of total company capital. In comparison with the end of 2010 the balance decreased by 2,314 shares and was due:

- Termination of appointment for Chairman (Janez Bohorič) and Members (Emil Vizovišek, Vinko Perčič), who own 2,563 shares in total.
- Matej Narat, MSc, who took up the position of Management Board President of Sava d.d. on 31 March 2011 and acquired 117 shares in June.
- Miha Resman, Management Board Member of Sava d.d., became the owner of 129 Sava shares in August .
- Gregor Rovanšek, who took up the position of Workers' Council representative in the Supervisory Board on 31 March 2011, owns 3 shares.

Members of the Management Board and Supervisory Board who own Sava shares

Members of the Management Board	Position	No of shares at 31/12/2010	% ownership 31/12/2010	No of shares at 31/12/2011	% ownership 31/12/2011
Matej Narat, MSc	President	-	0.000%	117	0.006%
Miha Resman	Member	-	0.000%	129	0.006%
Janez Bohorič*	Chairman	706	0.035%	(706)	-
Vinko Perčič*	Member	717	0.036%	(717)	-
Emil Vizovišek*	Member	1,140	0.057%	(1,140)	-
TOTAL		2,563	0.128%	246	0.012%

* *Their chairman and member functions expired in 2011, which is why their ownership stakes are not included in the ownership by Sava d.d.'s Management Board members at the end of the year.*

Members of the Management Board and Supervisory Board who own Sava shares

Supervisory Board members	Position	No of shares at 31/12/2010	% ownership 31/12/2010	No of shares at 31/12/2011	% ownership 31/12/2011
Miran Kalčič	Chairman	86	0.004%	86	0.004%
Janko Kastelic	Member	36	0.002%	36	0.002%
Gregor Rovanšek**	Member	(3)	-	3	0.000%
TOTAL		**122**	**0.006%**	**125**	**0.006%**
TOTAL MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS		**2,685**	**0.134%**	**371**	**0.018%**

** *He took up the position of the Supervisory Board member on 31 March 2011, which is why his ownership stake was previously not included in the ownerships by Supervisory Board's members.*

Key data on the Sava share

		2007	2008	2009	2010	2011
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 millions)	1,211.6	508.2	481.9	179.6	24.1
Share book value	(€)	270.9	239.7	236.2	161.1	82.2
Share price						
- highest	(€)	681.1	624.1	258.5	250.0	95.0
- lowest	(€)	223.4	223.0	192.0	88.0	12.0
- at period end	(€)	603.7	253.2	240.1	89.5	12.0
Average daily liquidity	(€ in thousands)	201.3	101.4	41.8	58.2	5.9
Average daily trading with shares	(No. of shares)	501	259	180	308	133
Net earnings per share	(€)	6.0	2.3	13.7	-50.0	-78.7
Dividend per share	(€)	2.8	3.0	3.1	3.2	-
Share of dividend in net profit	(%)	46.5	131.4	22.7	-6.4	-
Total amount of dividends paid	(€ in millions)	5.6	6.0	6.2	6.4	-
Share yield	(%)	161.1	-56.9	-3.9	-59.2	-86.6
- dividend yield	(%)	0.5	1.2	1.3	3.6	-
- capital yield	(%)	160.6	-58.1	-5.2	-62.7	-86.6
Price-Earnings ratio (P / E ratio)						
- highest		113.2	273.5	18.9	-5.0	-1.2
- lowest		37.1	97.7	14.1	-1.8	-0.2
- at period end		100.4	110.9	17.6	-1.8	-0.2
Price-to-Book ratio (P / B ratio)	(%)	291	143	137	56	15

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 profit 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 last day of the year.
- **The Price-Earnings ratio (P/E):** share market price on 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 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
Ljubljanska borza	SAVA	SAV
ISIN- international security designation	SI0031108457	

Share book value

The book value of the Sava share at 31/12/2011 amounted to €82,2. When calculating the book value, the number of treasury shares is deducted from the total number of shares.

Risks associated with the investment 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

According to the criteria of the Corporate Governance Code, at the end of the year 2011 Sava was cross-linked on the basis of the following ownership links:

- 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 0.22% equity stake in Sava d.d.
- In the company NFD 1 Delniški Investicijski Sklad d.d., it had a 23.35% equity stake, whereas NFD 1 had a 5.03% equity stake in Sava d.d.
- In the company Maksima Invest d.d. it had a 21.77% equity stake, whereas Maksima Invest had a 1.70% equity stake in Sava d.d.
- In the company Merkur d.d. it had a 8.20% equity stake, whereas Merkur had an 6.72% equity stake in Sava d.d.
- In the company Daimond d.d. it had a 7.59% equity stake, whereas Daimond 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 by Sava d.d. in 2012

TYPE OF ANNOUNCEMENT/EVENT	(anticipated) DATE OF ANNOUNCEMENT/ EVENT*
Audited annual report of the Sava Group and Sava d.d. for 2011	Friday, 20 April 2012
Statement on Conformity with the Corporate Governance Code for Slovenia	Friday, 20 April 2012
Call for the 18th regular Shareholders' Meeting of Sava d.d.	Monday, 23 April 2012
Business report and unaudited financial statements of the Sava Group and Sava d.d. for the period January-March 2012	Thursday, 24 May 2012
18th regular Shareholders' Meeting of Sava d.d.	Thursday, 24 May 2012
Resolutions of the 18th regular Supervisory Board Meeting of the Sava d.d.	Thursday, 24 May 2012 , or Friday, 25 May 2012
Business report and unaudited financial statements of the Sava Group and Sava d.d. for the period January-June 2012	Friday, 24 August 2012
Business report and unaudited financial statements of the Sava Group and Sava d.d. for the period January-September 2012	Friday, 23 November 2012
Business Plan of the Sava Group and Sava d.d. for 2013	Friday, 21 December 2012

Periodical announcements and other price-sensitive information are published on the website of the Ljubljana Stock Exchange via the e-system SEOnet (www.ljse.si). Access to information is also provided on the company website at www.sava.si, and in cases stipulated by the company's Articles of Association statute also in the newspaper Finance.

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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

** The stated dates are those planned and may be changed during the year. Should the planned announcementdates and events be changed, this will be notified in due course on the company's website (www.sava.si).*

3 Restructuring strategy of Sava until 2014

The strategy of business-financial restructuring of Sava until 2014 will facilitate a significant increase in the value of the company, a decrease in indebtedness and will provide a firm basis for the growth in the Sava share value. With unanimous support by the Supervisory Board, the Management Board expects that the banks – Sava partners will offer their full assistance, too. The reorganisation of Sava d.d., a change in the Group's management model and the merger of Tourism companies were already carried out last December. The decision about disinvesting will be made in the final phase of examining the market as to the potential options for disposals, which includes all investments of Sava d.d.

Restructuring strategy – building the basis for a new development cycle of Sava

At the end of March 2011 when the present Management Board of Sava d.d. took up its duty, the preparations for mapping out the restructuring strategy began with high intensity. In May, the Management Board first prepared a short-term measures programme, which aims at improving the operations. In the following months the programme was complemented with a new development strategy, which in terms of its contents represents the umbrella strategy of business-financial restructuring and consolidation of the Sava Group in the upcoming medium-term period, i.e. until the end of 2014.

The renewal of the development strategy and Sava's business model is necessary due to:

- The effects of significant impairments of Sava's investments resulting from a drop in price of securities in the past few years.
- The need for strengthening the cash flow and decreasing financial liabilities.
- A shortage in financial sources for making the needed investments in the development of the present Sava's operations.
- The difficulties in terms of organisation and business, which are otherwise characteristic of all strongly diversified business systems.

In preparing the restructuring strategy the Management Board and Supervisory Board of Sava d.d. considered the proposals and analyses prepared by the international consulting firm EquityGate. The strategy takes into account the interests of all stakeholder groups: Sava and its employees, banks creditors, shareholders and potential new investors.

In its 28th regular meeting held on 27 September 2011, the Supervisory Board of Sava d.d. unanimously motioned the produced strategy and gave its full support to the Management Board in implementing the strategy.

The Management Board of Sava d.d. expects to receive the support from the banks - creditors of Sava d.d., too. For this purpose, it presented the banks the restructuring plan for financial liabilities, which has been prepared on the basis of the strategy and which favours the goals set out in the strategy. The activities for making an agreement are in progress.

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

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

A clearly defined business restructuring model of Sava and its implementation in the upcoming years will:

- Create the basis for a more stable business and an increase in the value of Sava.
- Decrease the volume and achieve an adequate level of Group's indebtedness.
- Improve the balance sheet structure
- Create a sufficient cash flow for making investments in the development of those Sava's operations, which after restructuring will continue to develop as part of it.

A healthy development potential for restructuring and a sufficient inner strength for its implementation

The strategy of business-financial restructuring and consolidation of Sava until the end of 2014 includes three key phases:

PHASE 1
Until the end of 2011

ESTABLISH CONDITIONS FOR THE IMPLEMENTATION OF RESTRUCTURING STRATEGY OF SAVA

Key steps:

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

A new organisational structure of Sava d.d. and a change in the management model to enhance efficiency

To support the restructuring process, a new organisational structure of Sava d.d. and a change of the management model of the Group were delineated; as planned, the aforementioned changes were carried out at the end of December 2011.

The purpose of these organisational changes was to establish new supervision and management mechanisms and to reform business processes in the company and the Group, on account of which Sava d.d. gained from significant advantages in productivity and cost efficiency area.

A decentralised organisational structure was formed, which defines competences and responsibilities between the parent company and its subsidiaries more clearly than this was the case with the previous network organisation of active management.

The previous competence centres of knowledge got a new role by being restructured in professional corporate services within the parent company, transferring their business function to the level of Sava operations, or by acting independently as market-oriented profit centres.

On 1 October 2011, a directorate for managing the Sava Group began to operate, whose role is to improve the quality and efficiency of corporate management and strategic supervision, by way of which it will establish conditions for a better performance and a faster development of the Sava Group.

The present organisational structure of Sava d.d. is presented in this annual report, Chapter 3 – Organisational structure of the Sava Group and Sava d.d.

Merging the companies to enhance performance of Tourism

The decision about merging five Tourism companies in one company was made on the basis of the strategic analysis and to achieve greater efficiency and performance in the operations of this division.

The strategic analysis showed that due to being organised in several separate companies, the potential of synergetic effects that could have resulted from a merged company was not utilised in full, despite the fact that individual companies already underwent certain changes in the past years, which all aimed at the best possible standardisation and rationalisation of the operation.

Owing to the internal restructuring and standardisation, Tourism will gain better opportunities for further growth, making investments in the development and expanding its operations.

Merging the companies of Tourism will assure:

- Optimisation and rationalisation of certain common processes in destinations.
- A more efficient utilisation of synergetic effects in marketing and sales.
- Introduction of uniform business standards in order to achieve a high quality service in all processes of operations.

One of the steps in merging Tourism was to appoint the new management board of Sava Hoteli Bled d.d., who took up this task on 1 October 2011. In the transition period until the merger, the management board will be assisted by the management teams and associates of Sava's tourism companies in carrying out the activities necessary for establishing the organisational structure, which will assure an effective operation of the division.

The merger of Tourism companies was carried out by merging the companies Terme Ptuj d. o. o., Terme 3000 d. o. o., Zdravilišče Radenci d. o. o., and Terme Lendava d. o. o. to the company Sava Hoteli Bled d. d. This merged company was named Sava Turizem d. d. and was entered in the register of companies on 30 December 2011. The management board of Sava Hoteli Bled d. d. assumed managing of Sava Turizem d. d., while the responsibility of executive directors is to assure quality services, enhance guest satisfaction and maintain excellent performance of individual destinations.

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 reasonable price.
- Restructure other investments and improve their operations, thereby enhancing their value for preserving or a potential sale in more suitable conditions.

The restructuring process provides a strategic potential for the development to all divisions of the present Sava: to some of them in a new, restructured Sava Group, and to others through the selection of most suitable strategic partners and a faster development outside of the Group.

The criteria for choosing between divesting and restructuring the assets of Sava d.d. are as follows:

- Strategic suitability.
- Profitability.
- Potential for enhancing profitability with or without additionally needed investments.
- Possibility for reducing financial liabilities of the Group in the case of any sale.
- Acceptability of transaction environment for a divestiture on favourable terms.

The Management Board of Sava d.d. already thoroughly analysed the strategic portfolio of real and financial investments, which included analysing the competitive environment, long-term development potentials and investment requirements, while at the same time it initiated the procedures for testing the market as to the feasibility of individual divestitures.

To optimise risk management and maximise the value at divesting, the process of examining various strategic options incorporates all investments of Sava d.d. The Management Board will make a final decision about implementing a particular option in the final phase of the performed procedures.

In the beginning of January 2012, Sava d.d. and other consortium members for a joint sale of the ownership stake in Abanka Vipa d.d. decided to discontinue the procedure for divesting a 75.72% stake in this bank and to suspend the consortium; the decision was made on the basis of the report drawn up by the financial advisor and the estimate of the macro-economic environment.

In accordance with the adopted strategy Sava d. d. will carry on the restructuring of its investment portfolio, including the banking sector. It was defined within this scope to enhance the assets of the company through a tie-up between Gorenjska Banka d.d. and Abanka Vipa d.d. Already in the past, Sava d.d. motioned this idea and now it estimates it as one of best optimum future scenarios.

In December 2011, Sava d. d. sold its 27.0% stake in the associated company Job d. o. o. at price of slightly more than €0.3 million. In 2012, the divesting activities are carried on with intensity.

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 synergies in divisions. • New potential purchases of stakes and take-overs.

Sava after the completed restructuring process

When the restructuring process is completed, Sava d.d. will be the investor which:

- Is still listed on the stock exchange.
- Generates profit from divisions, and from acquiring and divesting of investments.

The investment policy of Sava d.d. will be directed to making investments in shares and stakes of companies that have:

- Growth potential but presently show a low profitability and need restructuring.
- Potential for creating synergies using the present investment portfolio of Sava d.d.

4 General economic circumstances, the impacts of the recession and trends

In 2011, a modest economic growth was registered in the amount of 3.8%, which was by 1.4 percentage point less than in the previous year, and 0.6 percentage points below expectations. The major factors that negatively affected the economic activity in Slovenia were the continuation of a credit crunch, distrust in the banking sector, the political situation and deteriorated circumstances in the government bonds market. The domestic market does not expect any major changes in the economic environment in 2012.

General economic circumstances

In 2011, a modest economic growth was registered in the amount of 3.8%, which was by 1.4 percentage point less than in the previous year, and 0.6 percentage points below expectations. The most developed countries, which include the Euro Zone countries, faced both the lowest and the highest growth in the economy. In the 2011, the growth in the Euro Zone was estimated at 1.6% at the annual level. In Slovenia, the economic growth is estimated at 1%, or below the European average, which was the case in previous years too. Important factors which negatively affected the economic activity in Slovenia are the continued credit crunch, distrust in the banking sector, political situation and deteriorated circumstances in the government bonds market.

The inflation in 2011 amounted to 2%, which was similar to the rate of the previous three years. The weak economic activity and higher prices of oil and food at the beginning of the year affected the prices in Slovenia and the entire Euro Zone where the inflation rate stood at 2.8%. A lower growth in the inflation rate in Slovenia was due to a decline in demand for consumables, while the inflation rate was importantly affected by higher prices of energy products and net increase in levies originating from the difficulties in public finance.

In the last months of 2011, the situation in the labour market further deteriorated, the modest growth in the average gross wage was still due to the private sector. The number of unemployed reached the highest point after the outbreak of the crisis.

At the end of 2011, the plummeting of loan activities slowed down slightly, but financing by banks further grew stricter.

Market capitalisation of all shares at the Ljubljana Stock Exchange decreased to €4.9 billion, which was the lowest level since the beginning of the financial economic crisis.

The yield of the key Slovene stock exchange index (Slovene blue chip index SBI TOP) reduced by 30.7% in 2011. The main reasons for low stock exchange indices were the general negative movements of the domestic economy and poor liquidity of the Slovene capital market, which still lagged behind the levels from the previous periods. The latter is by 4.6% lower than in 2010.

Rubber Manufacturing

In 2011, the market of industrial rubber products and tyres experienced fierce competition and price pressure in this connection; however, in global terms, the market was thriving.

In the first nine months of 2011, the prices of the basis rubber manufacturing materials – rubber, increased but at the end of the year they slightly fell.

Manufacturers focused on the optimisation of purchasing and internal processes – increase productivity and decrease other costs, including inventory costs.

The existing demands change and demands for new products open up, while new markets and niches emerge. The demand for after-sales services enhanced, and environmental standards grew more rigorous.

Tourism

In 2011, the tourism sector was characterised by a slow recovery of the world economy, political changes in the Near East and North Africa, and a natural disaster in Japan. However, a 4.4% growth in the number of guest arrivals was reached, whereas Europe registered a 6% increase in the number of guest arrivals, which is just the opposite of the economics recovery indicators.

In Slovenia, 7% more arrivals and 5% more overnight stays were made than in 2010, the increase being higher with foreign guests.

Construction sector

The building industry faced another fall in the purchasing power and a stricter financing policy in 2011. 58% of all construction companies had to deal with a decline in demand, 39% of companies reported difficulties in obtaining funding. In 2011, an approximately 30% decline was registered in the building of flats, and more than a 40% decline in non-residential buildings.

The expected economic circumstances in 2012

It is characteristic of the Euro Zone that in the second half of 2011, it got into a new crisis period, which decreases the expectations with regard to the economic growth in 2012. The domestic market does not expect any significant changes in the industrial sector, however, a risk of a decline in the export-oriented operations resulting from further deterioration of the economic situation in the Euro Zone exists. Owing to a deficit in the budget of the Republic of Slovenia, structural changes are expected in the area of wages, pensions and social transfers to individuals and households. Despite recent price increases in certain sectors with a limited competition, the inflation rate is expected to decrease in 2012.

Forecasts for 2012 for the Euro Zone are thus negative, a decline in the economic growth should be 0.5%. In global terms, the economic growth is expected to be lower than in 2011 too; it is estimated to reach 3.3%, the figure being based on the expected increase in activities in certain developing regions, particularly China and India.

The market of rubber manufacturing industry is expected to grow at 3 to 5% annually. An above-average growth is estimated in Asia, which already presents the greatest world market for industrial rubber products. Even though the competition grows tougher, the market is still rather fragmented, therefore its consolidation is expected in the future. In 2011, problems can arise in assuring required raw materials and their increasing prices.

At the international level, the tourism sector anticipates to increase the guest arrivals rate between 3 and 4%, in Europe about 4% and in Slovenia 2%, mainly owing to foreign guests. The significance of tourism will grow both in Slovenia and Europe.

The construction industry does not expect a substantial improvement of the economic circumstances.

5 Business operations of the Sava Group

The demanding economic environment strongly affected the operations of the Sava Group. After a successful year of 2010, Rubber Manufacturing companies with the Foreign Trade Network ended the year 2011 excellently, meaning that their achievements were better than in the previous year and even better than planned, whereas other divisions lagged behind plan in spite of their adapting to the economic situation. Already for the fourth year in succession, the performance of Sava d.d., the parent company of the Sava Group, was tailored by the additional impairments of financial investments.

In 2011, Sava Group companies generated sales revenues of €193.8 million, which was 10% more than in 2010, and at the planned sales revenues level. A net loss of €157.2 million was made. The deviations from plan mainly resulted from impairments of financial investments of Sava d.d. and inventories in total amount of €160.3 million.

5.1. Business performance

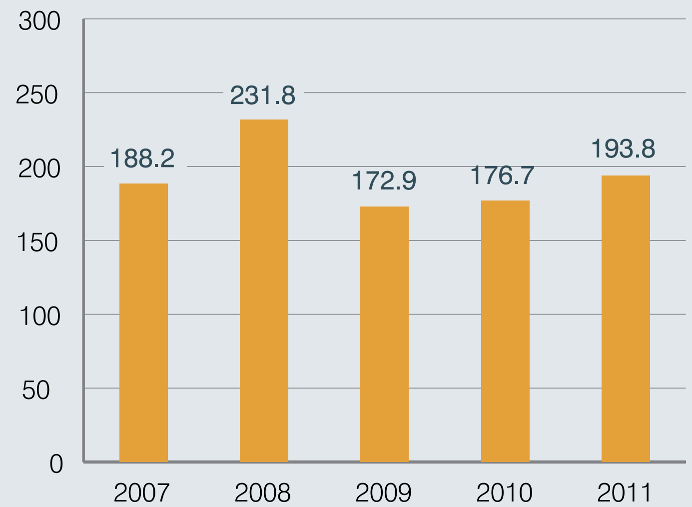
Sales revenues

The generated sales revenues of Sava Group companies amounted to €193.8 million in 2011, and were 10% higher than in the previous year and at the planned sales revenues level.

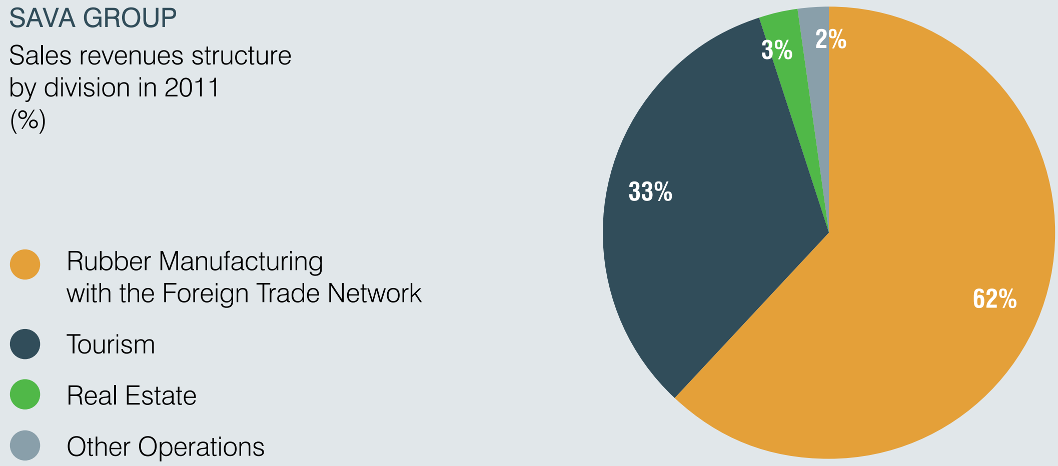
Owing to further growth in demand and, consequently, increased volume of orders, Rubber Manufacturing with the Foreign Trade Network generated sales revenues of €119,2 million, which was 10% more than in the same period last year, thereby exceeding the business plan by 6%. Sales revenues of Tourism amounted to €64.8 million, which was a 7% increase on last year, and 0.5% increase on plan. As expected, Real Estate companies generated sales that was 12% lower than in the previous year, and due to a further decline in purchase power and a stricter financing policy in connection with the real estate projects, it lagged by one half behind plan.

In the revenues structure by Sava Group division, Rubber Manufacturing with the Foreign Trade Network had a 62% share, Tourism a 33%, Real Estate a 3% share, the remaining 2% referred to the sale by companies from other operations. The share of sales in the foreign markets increased from last year's 47% to 53% in 2011.

SAVA GROUP
Sales revenues
from 2007 to 2011
(€ in millions)



SAVA GROUP
Sales revenues structure
by division in 2011
(%)



Operating expenses

In 2011, operating expenses in all Sava Group companies were under a rigorous supervision and entirely subordinated to the changed volume of operations and the strategic policies.

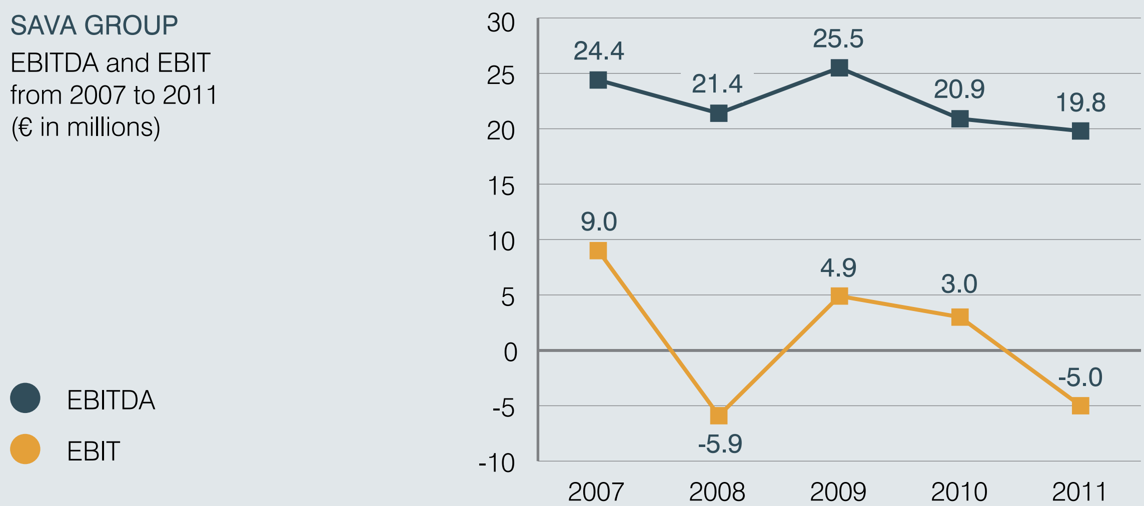
Operating expenses amounted to €203.7 million and compared to the past year they were higher by 2%. Due to the decreased business activities in Real Estate, costs of goods, materials and services went down by €7.4 million, and labour costs went up by €4.8 million, mainly as a result of provisions in connection with the reorganisation, and the provisions in connection with unutilised holidays and surpluses in work hours in the Tourism companies. Write-offs amounted to €10.8 million, and mostly referred to impairments of inventories in real properties in the Real Estate division.

In the costs structure, the costs of goods, materials and services had a 58% share, labour costs a 28%, depreciation a 7%, write-offs a 5%, and other operating expenses a 2% share.

Operating loss (EBIT)

In 2011, the Sava Group made an operating loss of €5.0 million, its amount being due to impairments of inventories in Real Estate, and provisions in Tourism. An operating profit was generated only by Rubber Manufacturing with the Foreign Trade Network, while the remaining divisions made a loss at this level.

SAVA GROUP
EBITDA and EBIT
from 2007 to 2011
(€ in millions)



EBITDA – Earnings before interest, taxes, depreciation and amortisation

EBIT - Earnings before interest and taxes

Financial revenues

Financial revenues were made in the amount of €5.1 million and were 8% higher than in 2010.

Financial revenues were mainly generated in the parent company Sava d.d., and in terms of substance, they represented interest revenues, proceeds from the sale of financial assets and the dividends received apart from the dividends from the associated companies.

Financial expenses

In comparison with the same period last year, financial expenses were lower by one half, and they strongly deviate from the planned financing expenses.

The structure of financial expenses, which were mainly generated in the parent company Sava d.d. is as follows:

- **Interest expenses for received loans** totalled €22.4 million and were 5% higher than in 2010 on account of the increased variable interest rate. The average interest rate in Sava Group companies was 17% higher than in the previous year, and amounted to 5.80%.
- **Impairments of financial investments available for sale** were carried out in the amount of €29.0 million, and referred to a drop in fair value of listed and unlisted securities, the mutual fund NFD 1, and impairments in connection with a liability arising from a call option contract.
- **Other financial expenses** in the amount of €8.2 million were mainly losses in the sale of financial assets and expenses in connection with liabilities from interest rate swaps.

Net financing expenses

These were made in the net amount of €54.5 million. The financing result was aggravated by impairments of financial investments available for sale totalling €29.0 million.

Share in the profit of associated companies

These mainly referred to Gorenjska Banka d.d., Abanka Vipa d.d., and amounted to €11.0 million, and referred to the received dividends.

Share in the loss of the associated companies

A share in the loss of the associated companies totalling €0.1 million referred to the loss made at selling the financial investment in JOB d.o.o.

Impairments of financial investments in the associated companies

Impairments of financial investments in the associated companies totalled €120.5 million and referred to the following impairments:

- Financial investments in Gorenjska Banka d.d. in the amount of €10.6 million.;
- Financial investments in Abanka Vipa d.d. in the amount of €82.5 million.
- Financial investments in NFD Holding d.d. in the amount of €16.6 million.
- Loan granted to NFD Holding d.d. in the amount of €6.7 million.
- Financial investment in Maksima Invest d.d. in the amount of €4.1 million.

Net revenues from the associated companies

In 2011, net revenues from the associated companies achieved €109.6 million, as a result of significant impairments of financial investments.

Pre-tax loss

A total pre-tax loss amounted to €169.1 million. The amount of the generated loss was greatly influenced by impairments of inventories and impairments of financial investments in total amount of €160.3 million.

Pre tax profit /loss structure

	2008	2008	2009	2010	2011
Profit from operations less negative goodwill and write-offs	7.9	5.0	9.1	5.5	5.8
Newly arisen negative goodwill	1.0	0	0	0	0
Impairments of assets in profit/loss	0.0	-25.8	-35.9	-93.1	-160.3
Financial result without included impairments	-1.5	-3.4	31.9	-20.1	-25.5
Profit/loss of associates without included impairments	34.2	24.5	17.4	2.6	10.9
PRE-TAX PROFIT/LOSS	41.6	0.3	22.5	-105.1	-169.1

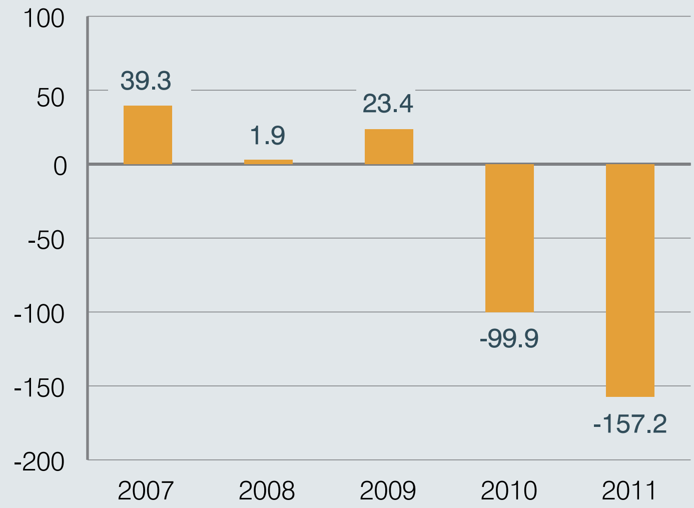
Tax

Net deferred tax of Sava Group companies amounted to €11.9 million and was considerably higher than in the previous year. Deferred tax receivables were mainly generated in the parent company Sava d.d., and were formed in connection with the performed impairments of financial investments.

Net loss

In 2011, the Sava Group made a net loss of €157.2 million. The amount of the loss was greatly influenced by impairments of inventories and financial investments in total amount of €160.3 million.

SAVA GROUP
Net profit/loss
from 2007 to 2011
(€ in millions)



Return on equity

When calculating the ratio between the net loss and the average balance of equity, the return was negative and amounted to 48.6%.

Contribution to the return on equity of the Sava Group by type of performance

	2008	2008	2009	2010	2011
Operating profit without negative goodwill and write-offs	1.6 p.p.	1.0 p.p.	1.9 p.p.	1.2 p.p.	1.8 p.p.
Newly arisen negative goodwill	0.2 p.p.	-	-	-	-
Impairments of assets in profit/loss	-	–5.0 p.p.	–7.6 p.p.	–20.8 p.p.	–47.6 p.p.
Financial result without impairments	–0.2 p.p.	–0.7 p.p.	6.8 p.p.	–4.5 p.p.	–7.9 p.p.
Profit/loss of associates without included impairments	7.3 p.p.	4.7 p.p.	3.7 p.p.	–1.4 p.p.	3.4 p.p.
Tax	–0.5 p.p.	0.3 p.p.	0.2 p.p.	1.2 p.p.	3.7 p.p.
Return (net profit(loss)/ average equity	8.4 %	0.3 %	5.0 %	–21.5 %	–48.6 %

p.p. = percentage point

Income statement of the Sava Group by quarter in 2011

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 2011

	JAN-MAR 2011	APR-JUN 2011	JUL-SEP 2011	OCT-DEC 2011
Net sales revenues from goods sold and services rendered	42,632	51,141	54,195	45,815
Change in inventories of products and work in progress	1,533	-98	458	-1,960
Other operating revenue	500	895	872	2,675
Operating revenue	44,665	51,938	55,525	46,530
Cost of goods, materials and services	-28,103	-31,357	-31,914	-26,487
Labour cost	-12,750	-13,389	-13,446	-17,459
Depreciation and amortisation	-3,534	-3,461	-3,452	-3,517
Other write-offs	-19	17	-2,292	-8,498
Other operating expense	-310	-1,205	-499	-2,005
Operating expenses	-44,716	-49,395	-51,603	-57,966
Operating income	-51	2,543	3,922	-11,436
Financial income	3,230	614	534	766
Financial expense	-13,041	-7,245	-21,910	-17,427
Net financing income	-9,811	-6,631	-21,376	-16,661
Net income/ expense from associates	-14,367	5,920	366	-101,658
Pre-tax profit/ loss	-24,229	1,832	-17,088	-129,582
Tax	1,851	328	1,662	8,066
Net profit/ loss for the year	-22,378	2,160	-15,426	-121,516

5.2. Assets and liabilities structure

Balance sheet total, assets and liabilities structure

At 31/12/2011, the balance sheet total amounted to €611.3 million and was €149.6 million or 20% lower than at the end of 2010.

In the assets structure, financial investments and short-term assets available for sale had a 45% share, property, plant and equipment a 37%, other current assets a 14%, and other assets a 4% share.

In the liabilities structure, capital had a 27% share, non-current liabilities a 13%, and short-term debts a 60% share.

50% of long-term assets of the Sava Group were financed by long-term sources, and 50% by short-term sources.

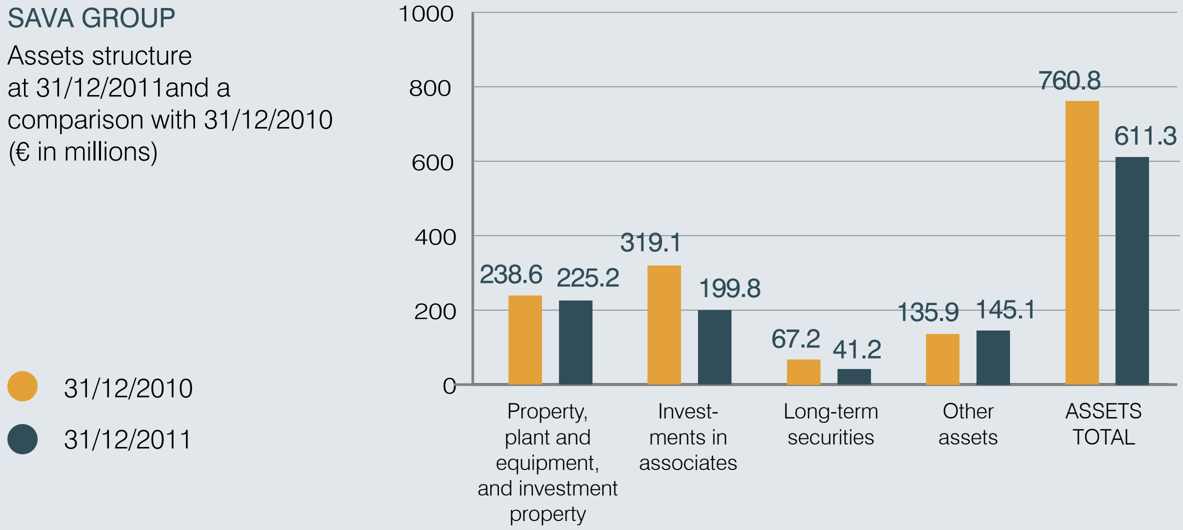
Assets

The most important **changes in assets** of the Sava Group in 2011 were as follows:

- The value of **investments in the associated companies**, which at 31/12/2011 amounted to €199.8 million, was by €119.3 million net lower if compared to the end of the previous year. This decrease was mainly due to impairing their amount as a result of further drop in fair value.
- The value of investment in **non-current securities available for sale**, which ate 31/12/2011 achieved €41.2 million, and decreased by €26.0 million in comparison with the end of the previous year. This decrease was mainly due to impairing their amount as a result of a further drop in fair value.

- The value of all types of assets in Sava IP d.o.o. which are earmarked for sale was transferred under **Short-term assets available for sale** in the amount of €32.3 million, therefore a comparison of certain types of assets of the Sava Group with the same period last year is not reasonable.

SAVA GROUP
Assets structure
at 31/12/2011and a comparison with 31/12/2010
(€ in millions)

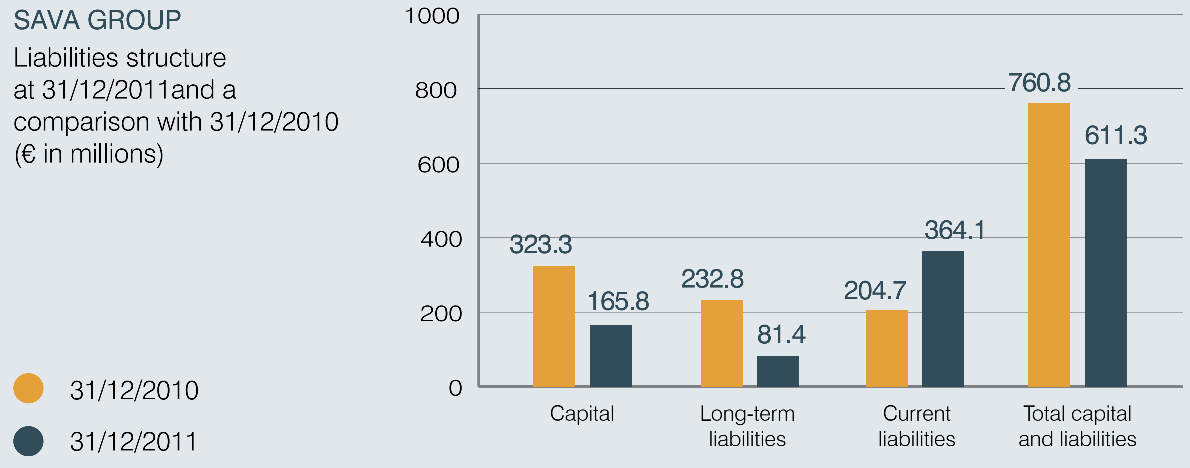


Capital and liabilities

The most important changes in liabilities in 2011 were as follows:

- **Capital** totalling €165.8 million represented 27% of total liabilities; its decrease in comparison with the previous year was due to the generated loss of the Group totalling €157.2 million, and a net negative change in the revaluation reserve totalling €0.4 million. In comparison with the end of the previous year, its value thus decreased by €157.6 million or 49%.
- **Long-term liabilities** amounted to €81.4 million and were €151.4 million lower than at the end of the previous year. This decrease is mainly due to transferring that part of long-term liabilities, which fall due for payment in 2012, under short-term liabilities.
- **Short-term debts** achieved €364.1 million and were €159.4 million higher than at the end of the previous year, mainly due to their being transferred from a long-term part of loans, and, to a minor extent, due to classifying the loans of Sava IP d.o.o. under Liabilities for sale, but also due to an additional borrowing.
- The value of **totally obtained long-term loans and current financial liabilities** of Sava Group companies at 31/12/2011 amounted to €371.3 million, which was by €10.7 million less than at the end of 2010. This decrease is entirely due to transferring the obtained loans of Sava IP d.o.o. under Liabilities for sale.
- The value of all types of liabilities of Sava IP d.o.o. in the amount of €17.9 million, which are intended for sale, was transferred under **Short-term liabilities for sale**, therefore a comparison of certain types of liabilities of the Sava Group with the same period last year is not reasonable.

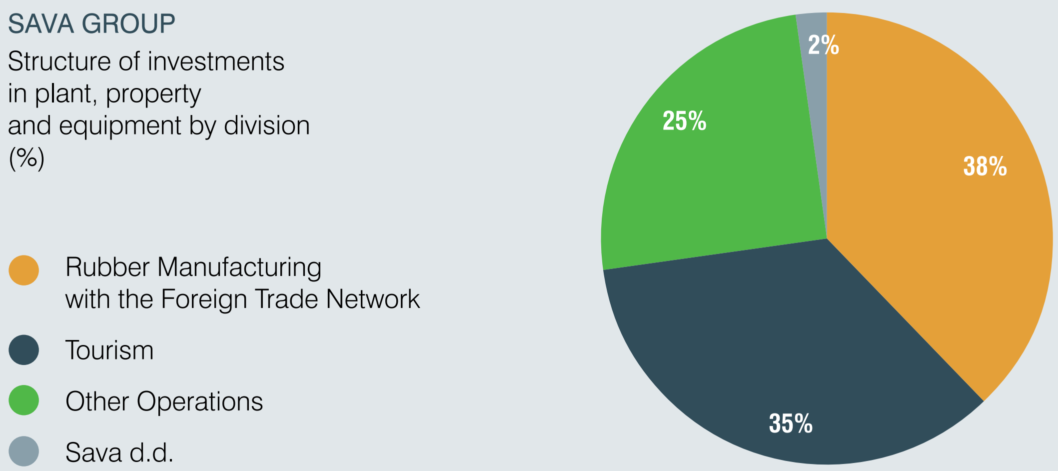
SAVA GROUP
Liabilities structure
at 31/12/2011and a
comparison with 31/12/2010
(€ in millions)



Investments

Given the difficult economic situation, the investments in Sava Group companies were limited to urgent investments and reached the value of €6.3 million.

SAVA GROUP
Structure of investments
in plant, property
and equipment by division
(%)



Number of employees in the Sava Group

At 31/12/2011, the Sava Group employed 2,256 associates, or 30 less than at the end of the previous year. During the year, the number of employees was being adapted to the economic situation and requirements of the manufacturing and service providing process.

6 Business operations by division

The economic circumstances exerted various effects on Sava Group companies. The companies of Rubber Manufacturing with the Foreign Trade Network managed to enhance the volume of orders again and ended the year beyond all expectations. The performance of Tourism was strongly aggravated by the formation of provisions, and that of Real Estate by impairments of inventories. Rubber Manufacturing with the Foreign Trade Network thus surpassed the 2011 plan, whereas other Sava Group companies lagged behind their plans.

6.1. Rubber Manufacturing division with the Foreign Trade Network

Characteristics of the economic environment in 2011

Rubber Manufacturing is closely connected with the car and construction industry. In 2011, the market of industrial rubber products and tyres faced fierce competition and, consequently, pressures on prices of products. In the global scheme of things, the market thus picked up, yet it is still rather fragmented, which is why an accelerated consolidation is expected to take place in the future.

The more significant features of the economic environment, which affected Rubber Manufacturing with the Foreign Trade Network, were as follows:

- Price increases in rubber manufacturing materials- rubber.
- Increased volume of orders, stronger competition, intense optimisation of inventories, pressures on selling prices.
- Enhanced customer demand for after-sales services.
- The focus on the optimisation of purchasing and internal processes in uncertain circumstances is one of the key efficiency factors.
- Stricter environmental standards and their observance are further incorporated in the rubber manufacturing operations.

Division operation in 2011

Savatech d.o.o., the leading company of Rubber Manufacturing with the Foreign Trade Network, celebrates the 10th anniversary of its existence. The company, which has united and organised rubber manufacturing programmes anew, passed through various cycles in this decade. The beginnings were not promising at all, but owing to the management's clear vision, and hard work, loyalty and knowledge on the part of all employees, the negative trend turned into a positive one already after two years. The years of growth followed which were further strengthened by the economic boom across the world. However, when the global financial crisis sparked off, Savatech d.o.o. had to cope with the consequences, too. Owing to timely measures and fast actions aimed at adapting to the delicate situation, we managed to promptly stop a decline in activities.

The year 2011 was a very successful one for Rubber Manufacturing with the Foreign Trade Network. In addition to a number of new products, which in this decade were developed in all programmes of Savatech d.o.o., the in-house R&D Institute also dealt with new uses for the existing products, thereby considering most recent trends and the requirements set out by the ecology and environmental preservation. As Savatech's specialists are involved in development partnerships with suppliers, they are able to participate in the development of new products from the very start.

Ever since its formation, the foreign trade network plays an important role in sales activities; the network presently consists of the companies in England, German, Czech Republic, Poland, the USA, and a representation office in Russia.

In 2011, Sava d.d. and the long-time partner, the company SchäferRolls GmbH & Co. KG, made an agreement about selling a 50% business stake in the mixed ownership company for the manufacture of roll covers Sava-Schäfer d.o.o., Kranj. The rubber manufacturing company Sava-Schäfer d.o.o. thus became wholly-owned by the German partner SchäferRolls GmbH & Co. KG. The real property where the premises for the manufacture of roll covers are located will remained owned by Savatech d.o.o.. All other agreements on cooperation between the partners remain valid too.

In 2011, Sava d.d. sold Sava Rol d.o.o., Zagreb, to Savatech d.o.o.

The increase in capital of Savatech d.o.o. in the amount of €31.2 million, which had been approved in 2010, was entered in the register of companies in 2011; the assets of the company increased further by purchasing the remaining real property at Labore in Kranj in the amount of €9.8 million.

The companies of Rubber Manufacturing with the Foreign Trade Network made sales revenues of €119.2 million, which was a 10% improvement on the previous year, and 6% more than planned. 62% of sales revenues were made in foreign markets in 92 countries. The geographical dispersion of customers and a highly varied sales mix along with introducing additional sales and marketing activities assisted in bridging the crisis situation.

In the consolidated total sales of the Sava Group, Rubber Manufacturing with the Foreign Trade Network had a 62% share.

Total profit generated in 2011, amounted to €8.3 million and was almost twice as high as generated in the previous year, while it exceeds the planned value by 25%. All companies except Savarus d.o.o. from Russia, which was affected by the unfavourable Rouble/Euro exchange rate and lower sales results than in 2010, made a positive result.

The companies of this division earmarked €12.2 million for **investments**. Investments in the amount of €9.8 million referred to purchasing real property from the parent company Sava d.d. in Labore, Kranj, while investments in the amount of €2.4 million were made in connection with the modernisation of the production equipment.

64% of **assets** of the companies from Rubber Manufacturing with the Foreign Trade Network in the amount of €117.3 million were financed with capital and 36% with foreign sources.

At 31/12/2011, the **number of employees** in Rubber Manufacturing with the Foreign Trade Network amounted to 882, or 20 less than at the end of 2010.

Key data for Rubber Manufacturing with the Foreign Trade Network

€ in millions

	2007	2008	2009	2010	2011	Index 2011/2010
Sales revenues*	109.3	110.6	87.7	107.9	119.2	110
Pre-tax profit	4.6	0.0	1.3	4.8	8.3	173
Net profit	3.5	0.0	1.1	3.9	6.7	172
Assets	65.3	71.8	74.1	113.2	117.3	104
Capital**	32.4	37.9	39.0	39.4	75.6	192
Liabilities	32.9	33.9	35.1	73.8	41.7	57
Investments in property, plant and equipment	3.4	6.6	2.9	2.6	12.2	469
Employee number	1,040	1,078	899	902	882	98

* *Sales revenues for Rubber Manufacturing with the Foreign Trade Network are consolidated.*

** *In 2010, an increase in capital of Savatech d.o.o. with an investment in kind totalling €31.2 million was approved, which was entered in the register of companies in the beginning of 2011.*

2012 business plan

It is estimated that in 2012 the international environment remains uncertain and risks high. The prices of oil, energy and services are expected to rise, whereas the prices of raw materials will stop. Our challenges for the future are to expand our business to new markets, develop new products, establish links and respond quickly to customer initiatives.

For 2012, we plan to generate sales revenues of €124.3 million, which is 4% more than in 2011, a total pre-tax profit of €8.3 million, and investments in expansion and modernisation of production capacities totalling €5.9 million.

6.2. Tourism division

Characteristics of the economic environment in 2011

In 2011, the tourism sector was characterised by a slow recovery of the world economy, political changes in the Near East and North Africa, and a natural disaster in Japan. However, a 4.4% growth in the number of guest arrivals was reached, whereas Europe registered a 6% increase in the number of guest arrivals, which is just the opposite of the economy recovery indicators.

In Slovenia, 7% more arrivals and 5% more overnight stays were made than in 2010, the increase being higher with foreign guests.

Division operation in 2011

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 merged company was named Sava Turizem d.d. and on 30 December 2011 it was entered in the register of companies. In 2011, the new management board of Sava Turizem d.d. was appointed. Sava TMC d.o.o. established in 2009 to support the Tourism companies in introducing the efficient management system will discontinue its activities in 2012.

The destinations included in Tourism of the Sava Group represent one of the key tourism service providers in Slovenia; they appear under the umbrella brand Sava Hotels & Resorts.

In 2011, tourist destinations under Sava Turizem d.d. made 1,091,850 overnight stays, which was 6.9% more than in the previous year, and 2.2% more than planned. Overnight stays in all types of accommodation surpassed last year's achievements, though the number of overnights in campsite lags behind plan.

An efficient approach and implementation of business arrangements brought about good after-sales results in the markets of West Europe and the Balkans. The results were poorer in the overseas markets, however, new markets are opening up, the Asian markets, in particular. In foreign markets, we register the growth in both the average price and the number of overnights, the generated results surpass last years' figures and plan too. The markets of West Europe, the selected markets of the Balkans and East Europe and the new overseas markets provide a good basis for the future growth.

The domestic market experienced a fierce price competition, the consequence being a decline in the average price achieved, which, however, was compensated with a faster growth in the number of overnight stays. The overnight stays figure in Slovenia surpasses both the overnights stays of the previous year and the planned overnight stays, while the generated revenues move above the revenues of the previous year but still lag behind plan. A similar trend was noted in the Austrian market. In 2011, we intensified our cooperation with trading networks in order to promote sales in low seasons. In the promotion of sales in the market niches, we linked with marketing and sales partners.

Sales revenues of Tourism were generated in the amount of €64.8 million and surpassed the 2010 achievements by 7%, while sales revenues were by 0.5% better. In total consolidated sales of the Sava Group, the destinations of Tourism had a 33% share.

A **loss** of €3.6 million was made, which was more than in the previous year and also more than planned. The loss was mainly due to the formation of provisions for unutilised working hours, unutilised holidays and severance pays in connection with the reorganisation in total amount of €3.2 million. Terme 3000 was the only company to end the year 2011 with a positive result.

Investments in Tourism amounted to €2.2 million in 2011 and were made in the renovation of the existing capacities, building of a new water slide and improvements in the quality of guest accommodation.

50% of the **assets** of Tourism in the amount of €183.4 million were financed with capital, and 50% with foreign sources.

At 31/12/2011 Tourism **employed** 1,158 associates, or 22 less than at the end of 2010.

Key data for Tourism

€ in millions

	2007	2008	2009	2010	2011	Index 2011/2010
Sales revenues*	64.6	69.0	62.6	60.7	64.8	107
Pre-tax profit	0.2	-19.1	0.2	-2.2	-3.7	168
Net profit	-0.1	-19.3	0.2	-2.2	-3.6	164
Assets	212.5	191.7	197.7	186.6	183.4	98
Capital	115.8	102.4	103.0	96.0	92.3	96
Liabilities	96.7	89.3	94.7	90.6	91.1	101
Investments in property, plant and equipment	25.1	12.4	2.2	2.2	2.2	100
Employee number	1,428	1,430	1,256	1,180	1,158	98

* *Sales revenues of Sava TMC d.o.o. were excluded from the cumulative sales revenues of Tourism as they were entirely generated in relation with Sava Turizem d.d.*

2012 business plan

The year 2012 will be as demanding for Tourism as 2011. No significant changes in the economic circumstances are expected, the risk of increased input prices of materials and services exists. However, opportunities open up in the utilisation of synergetic effects arising from the merger of companies and the implementation of yield and revenue management, and in conferences, golf and health services from the sales point of view.

For 2012, Tourism plans to generate revenues of €66.7 million, or a 3% improvement on 2011. A pre-tax profit of €1.8 million will be made, employee number will reduce by another 100 by the end of the year. Investments will amount to €25.5 million, of which €20.00 million refer to a purchase of hotel capacities in Bled from Sava d.d., the rest in the amount of €5.5 million is earmarked for the renovation of existing capacities.

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6.3. Real Estate division

Characteristics of the economic environment in 2011

The building industry faced another fall in the purchasing power and a stricter financing policy in 2011. 58% of all construction companies had to deal with a decline in demand, 39% of companies reported difficulties in obtaining funding. In 2011, an approximately 30% decline was registered in the building of flats, and more than a 40% decline in non-residential buildings.

Division operation in 2011

The companies of Real Estate made sales revenues of €6.5 million in 2011, or 12% less than in the previous year and half as less as planned. A loss was made in the amount of €10.2 million, which was entirely due to impairments of inventories in real estate both in Sava IP d.o.o., Ljubljana, and Sava Nova d.o.o., Zagreb.

The increase in capital in **Sava IP d.o.o.** through an investment in kind of €7.1 million approved in 2010 was entered in the register of companies. Sava IP d.o.o. is earmarked for selling. The negotiations with a potential buyer are already in progress on condition that certain projects are excluded from the sale and will be separated to the company, which will remain owned by Sava d.d.

In 2011, Sava d.d. converted the granted loans in a capital investments to increase capital of **Sava Nova d.o.o.**, Zagreb, in the amount of €9.0 million. A rehabilitation plan was prepared and approved for the company in Croatia, which defined the model of the current situation processing. The model defines accelerating the pending legal proceedings, and an immediate and active approach to the sale of real property.

53% of the **assets** of Real Estate companies totalling €49.0 million were financed with capital, and 47% with foreign sources.

At 31/12/2012, Real Estate companies **employed** 18 associates, as it did at the end of 2010.

Key data for Real Estate

€ in millions

	2007	2008	2009	2010	2011	Index 2011/2010
Sales revenues	20.5	46.8	20.9	7.4	6.5	88
Pre-tax profit	1.5	1.6	-0.2	-2.4	-10.2	425
Net profit	1.1	1.2	-0.2	-2.7	-10.2	378
Assets	64.9	83.2	69.5	64.3	49.0	76
Capital*	9.6	18.7	18.3	20.1	26.0	129
Liabilities	55.3	64.5	51.2	44.2	23.0	52
Investments in property, plant and equipment	0.0	2.1	0.4	0.7	0.0	0
Employee number	19	19	20	18	18	100

* *In 2010, an increase in capital was approved for Sava IP d.o.o. with an investment in kind totalling €7.1 million. In 2011, the increase in capital was entered in the register of companies.*

2012 business plan

Two companies in Slovenia are included in the 2012 business plan, which after selling a part of Sava IP d.o.o. will remain incorporated in the Sava Group, and Sava Nova d.o.o., Zagreb. The real estate operations will have to face further decrease in demand, a drop in the real estate value, tax on property, whereas the conditions for obtaining loans for project execution will probably remain strict.

For 2012, Real Estate plans revenues of €3.0 million which will be entirely generated in the Croatian company. The planned costs will be low and will ensure only a minimum functioning of companies. The operating result is planned at a positive zero.

6.4. Other Operations

Characteristics of the economic environment in 2011

Slovenia has introduced a suitable legislation for the promotion of heat and electricity co-generation, thereby enabling lucrative and safe investments in this field. Government and European funding for utilising biomass for heating purposes is available. However, due to the ongoing financial crisis and the recession in Slovenia, new investments in energy operations were not made in 2011. The existing projects are though carried out as planned, whereas the already devised projects were postponed.

Our most important market of Bosnia and Herzegovina had to deal with a great decline in the timber processing industry and insolvency of local companies.

Division operation in 2011

Other operations include energy **management companies**: Energetika Sava d.o.o., Energetika Črnomelj d.o.o., Ensa BH d.o.o, Srbac, B&H, and Sava Ensa dooel., Skopje, Macedonia, and the **disablement company** Sava Medical in Storitve d.o.o., and GIP Sava Kranj d.o.o., Ruma.

The mainstay of the energy management business is **Energetika Sava d.d.**, which specialises in providing services for the rational use and renewable energy sources. It provides services for the needs of Sava Group companies and the external market. Most attention was paid to the project of the refined biomass manufacture in Bosnia and Herzegovina (pellets and briquettes), mainly to the issues of raw materials availability and production optimisation. The 2nd phase concept of developing this project was carried out, i.e. a 50% increase in production capacities. In strategic terms, this project involves a setting-up of our own raw material basis that will supply our own plants for a combined production of heat and electricity.

Sava Medical in Storitve d.o.o. is the company for training and employing disabled workers. The main activities of the company include: managing real property, safety services, rent-a-car services, cleaning service and other general services. As a company with a disability company status, Sava Medical in Storitve d.o.o. primarily employs associates who due to their health condition are difficult to employ. The new legislation on the rehabilitation and employment of disabled workers and occupational health and safety introduced certain changes in the operation of the company. A decrease in the amount of products and services provided to Sava Group companies demanded to expand the service providing business out of the Sava Group in order to be able to preserve the employee number.

A stable business of the company will be facilitated by way of implementing the adopted strategy, maximising the synergetic effects in doing business with Rubber Manufacturing and offering competitive services to the external market.

In 2011, the companies from Other Operations made revenues of €5.0 million, which was 7% below the 2010 figure and 31% below business plan. A loss of €0.9 million was made. The greatest contribution to the result was made by the energy management business.

Key data for Other Operations

€ in millions

	2007	2008	2009	2010	2011	Index 2011/2010
Sales revenues	4.3	5.0	4.8	5.4	5.0	93
Pre-tax profit	-0.2	-0.1	-0.3	-2.3	-0.9	39
Net profit	-0.2	-0.1	-0.3	-2.3	-0.9	39
Assets	18.3	12.0	12.1	10.7	11.3	106
Capital	8.6	5.0	4.7	3.0	4.1	137
Liabilities	9.7	7.0	7.4	7.7	7.2	94
Investments in property, plant and equipment	6.7	0.6	0.4	1.9	1.6	84
Employee number	95	101	133	127	137	108

2012 business plan

The key development goal and activities of the energy management companies will concentrate on filling up the capacities, improving the sales structure, expanding engineering, service business, consulting services, searching for new purchasing sources for raw materials and on improving the logistics.

In the next year the disability company Sava Medical in Storitve d.o.o. will expand its volume of operations in the real estate management.

In 2012, Sava IT d.o.o. was included under Other Operations; the company includes ICT services for the Sava Group and until the end of 2011 it formed a part of Sava d.d.

For 2012, we plan to generate sales revenues of €9.3 million, and a total pre-tax profit of €0.1 million.

6.5. Investment Finance

Investment Finance operations are carried out within the parent company Sava d.d. In 2011, a revised strategy of business financial restructuring of Sava until 2014 was devised. The goal of the strategy is to create the conditions for improving the performance, enhancing the assets and the value of the Sava share, thereby generating new sources for a dividend pay-out to Sava shareholders.

The renewed strategy refers to the Investment Finance operations and anticipates restructuring and divesting of individual investments, respectively. For this reason, a comprehensive analysis of the strategic portfolio of real and financial investments was made, which also included an analysis of the competitive environment, long-term development potentials and investment requirements of the division; the needed procedures were initiated at the same time for testing the market as to the potential sale of individual disposals.

The divesting process includes financial investments that can be sold at appropriate price, while the remaining investments will be restructured to improve their operations and enhance their value, which will provide us with an for selling under more favourable conditions. The criteria for making a decision about divesting or restructuring the assets of Sava d.d. are: strategic suitability, profitability, a potential for increasing the profitability with or without additionally needed investments, a possible decrease in financial liabilities in the case selling, and acceptability of the transaction environment.

Structure of the financial investments portfolio of Sava d.d. by division

Operations	% of portfolio
Banks and insurance companies	39%
Tourism	30%
Rubber Manufacturing	18%
Mutual funds	8%
Other financial investments	6%
Total financial investments	**100%**

In accordance with the adopted strategy and in order to increase the efficiency and performance, a decision was made in 2011 to merge five companies (spa resort Ptuj, health resort Radenci with the spa Banovci, spa 3000, Moravske Toplice, spa Lendava and Sava Hotels Bled) from Tourism, which operate in individual destinations into one single company. The decision was made on the basis of a thorough analysis of the operations made by the Management Board and the management of this division.

Sava d.d. has a 23.8% equity stake in Abanka Vipa d.d. and it participated in the consortium procedure for selling this bank, which started in 2010. Besides Sava d.d., another 9 investors participated in the consortium, which chose the international investment bank ING as their advisor in the procedure. In 2011, the advisor informed the consortium members that despite the expressed interest of certain potential investors the sale procedure did not lead to receiving a binding offer for repurchasing. The key reason for such an outcome is the present economic circumstances, particularly the crisis in the banking sector and a low interest of investors for making investments in Slovenia. On the basis of the received report, the consortium members decided to stop the procedure of a joint sale and suspend the consortium..

The greatest Sava's investments and % of ownership

	No. of shares/units of assets	% of ownership
Gorenjska Banka d. d., Kranj	152,110	45.9
NFD 1, delniški Vzajemni sklad, Ljubljana	37,498,152	n.d.
Abanka Vipa d. d., Ljubljana	1,715,841	23.8
Terme Maribor d. d., Maribor	131,421	14.6
Hoteli Bernardin d. d., Portorož	1,563,899	9.1

After a medium-term procedure of restructuring and divesting is finished, a long-term investment policy will be oriented to making investments in shares and stakes of companies that have a growth potential but are low profitable, which is why they need be restructured to develop a potential for creating synergies with the existing investment portfolio of Sava d.d. The planned effects will improve the performance, strengthen the financial position of Sava and assure financial sources for investments in the development of new strategic operations.

7 Business operations of Sava d.d.

The company Sava d.d. is the parent company of the Sava Group. The plummeting stock market and the aggravated economic environment had a significant impact on the operation of the real and banking sector, which is why Sava d.d. had to impair financial investments in the amount of €158.1 million. The company thus made a net loss of €156.1 million, which lowered the share of capital in total liabilities to 21%.

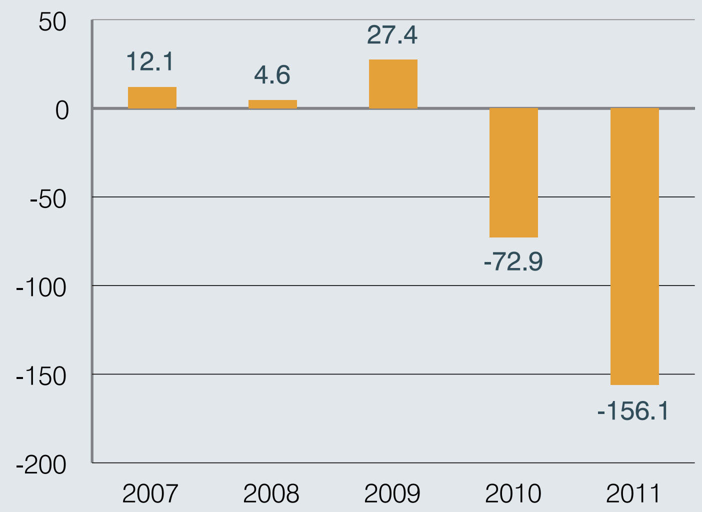
7.1. Business performance

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

€ in millions

	2007	2008	2009	2010	2011	Index 2010/2011
Net sales revenues	9.0	8.4	8.1	8.7	5.5	68
Other revenues	2.3	0.7	0.2	1.6	0.0	0
Operating expenses	-12.8	-13.4	-11.1	-10.6	-9.5	86
Operating profit/loss	**-1.5**	**-4.3**	**-2.8**	**-0.3**	**-4.0**	**143**
Financial result	**14.2**	**6.6**	**27.8**	**-79.2**	**-167.6**	**-603**
Total pre-tax profit/loss	**12.6**	**2.3**	**25.8**	**-79.4**	**-170.7**	**-662**
Net profit/loss	12.1	4.6	27.4	-72.9	-156.1	-570

SAVA d.d.
Net profit/loss from 2007 to 2011 (€ in millions)



Operations indicators for Sava d.d. by year

	2007	2008	2009	2010	2011
Participation rate of equity - in % equity / liabilities	60.2	54.4	50.5	42.4	21.4
Participation rate of long-term financing - in % total equity + long-term liabilities (incl. provisions and deferred taxes) + long-term accruals and deferrals / liabilities	79.5	74.6	66.1	74.3	32.2
Operating fixed assets rate - in % Fixed assets + investment property / assets	9.3	9.4	8.0	4.4	3.7
Long-term investment rate - in % Total fixed assets + accruals and deferrals + investment property + long-term financial investments + long-term operating receivables / assets	92.2	92.8	84.7	86.4	89.4
Equity of fixed operating assets ratio Equity/ fixed assets + investment property	6.5	5.8	6.3	9.6	5.7
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	0.4	0.3	0.5	0.5	0.1
Current ratio Short-term assets / short-term liabilities	0.4	0.3	0.5	0.5	0.2
Operating efficiency ratio Operating revenues / operating expenses	1.5	1.0	1.5	0.4	0.1
Net return on equity ratio Net profit for financial year / average equity less net operating results for the year	3.3	1.2	7.9	-22.0	-64.7
Dividends to share capital ratio Total dividends paid in financial year / average share capital	6.7	7.2	7.4	7.7	0.0

Operations of Sava d.d. by quarter in 2011

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

€ in thousands

	JAN-MAR 2011	APR-JUN 2011	JUL-SEPT 2011	OCT-DEC 2011
1. NET SALES REVENUES	1,385	1,337	1,363	1,426
a) Revenues in domestic market	1,384	1,337	1,362	1,426
To companies in the Group	1,109	1,060	1,135	1,146
To associates	0	0	0	0
To others	275	277	227	280
b) Revenues in foreign market	1	0	1	0
To companies in the Group	1	0	1	0
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	14	1	4
5. COSTS OF MERCHANDISE, MATERIALS AND SERVICES	-1,342	-1,141	-1,239	-973
a) Cost of merchandise and material sold and cost of material used	-81	-56	-39	-66
b) Cost of services	-1,261	-1,085	-1,200	-907
6. LABOUR COSTS	-613	-764	-778	-1,327
a) Salaries and wages	-488	-615	-630	-674
b) Social security cost (pension insurance cost shown separately)	-91	-113	-118	-123
- Social security cost	-36	-46	-48	-50
- Pension insurance cost	-55	-67	-70	-73
c) Other labour cost	-34	-35	-31	-530
7. AMORTISATION AND DEPRECIATION EXPENSE, WRITE-OFFS	-224	-196	-185	-217
a) Amortisation	-198	-192	-188	-188
b) Operating expenses from revaluation of intangible and tangible fixed assets	0	0	0	-4
c) Operating expenses from revaluation of current assets	-26	-4	3	-25
8. OTHER OPERATING EXPENSES	-32	-33	-147	-274
9. FINANCIAL REVENUES FROM SHARES	7,667	6,841	40	45
a) Financial revenues from shares in Group's companies	988	0	0	0
b) Financial revenues from shares in associates	4,411	6,600	0	42
c) Financial revenues from shares in other companies	2,268	241	40	3
d) Financial revenues from other investments	0	0	0	0
10. FINANCIAL REVENUES FROM GRANTED LOANS	712	751	529	653
a) Financial revenues from loans granted to Group's companies	245	252	114	117
b) Financial revenues from loans granted to other entities	467	499	415	536
11. FINANCIAL REVENUES FROM OPERATING RECEIVABLES	2	8	0	7
a) Financial revenues from operating receivables due from Group's companies	0	0	0	6
b) Financial revenues from operating receivables due from other entities	2	8	0	1
12. FINANCIAL EXPENSES FROM IMPAIRMENT AND WRITE-OFFS IN FINANCIAL INVESTMENTS	-35,857	-1,567	-18,437	-103,902

	JAN-MAR 2011	APR-JUN 2011	JUL-SEPT 2011	OCT-DEC 2011
13. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	-4,424	-5,226	-4,777	-10,584
a) Financial expenses from borrowings obtained from Group's companies	-228	-224	-213	-214
b) Financial expenses from borrowings obtained from banks	-3,632	-3,719	-3,889	-4,031
c) Financial expenses from issued bonds	-470	-476	-481	-481
d) Financial expenses from other financial liabilities	-94	-807	-194	-5,859
14. FINANCIAL EXPENSES FROM OPERATING LIABILITIES	-1	-6	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	-1	-6	0	0
15. OTHER REVENUES	53	-26	127	652
16. OTHER EXPENSES	-4	0	0	0
17. TAX ON PROFIT	0	0	0	0
18. DEFERRED TAXES	2,291	757	2,007	9,496
19. NET PROFIT FOR THE FINANCIAL YEAR	-30,385	749	-21,497	-104,992

Net sales revenues

- Sales revenues of €5.5 million were generated, or 46% less than last year and 5% above plan. The deviation of net sales revenues from last year's figure resulted from lowering the rents, which was due to the real property used to increase capital of two Sava Group companies.
- Net sales revenues did not significantly influence the level of total sales of the Sava Group; they had only a 4% share of cumulative sales and 81% of them represented sales by Sava d.d. to Group companies.
- The structure of net sales revenues: 34% was revenues from rent for business premises, 66% was contributed by subsidiaries for using the brand name and the ICT services.

Operating expenses

- These amounted to €9.5 million and were 11% lower than last year as well as 25% below plan.
- Positive deviations in comparison with last year were due to a substantial decrease in depreciation costs. If compared to plan, operating expenses were lower due to the fact that a greater financial investment was not carried out, at which expenditure had been planned for a successful sale.
- The structure of operating expenses: 49% was costs of energy and services, 37% was labour costs, 9% was write-offs and 5% was other expenses.
- A considerable amount of these expenses was due to managing financial investments, therefore a part of financial revenues was intended for covering these expenses.

Financial result

- **Financial result** in the company Sava d.d. was negative and totalled €167.6 million. The deviations from last year's result as well as plan were due to the impairments of financial investments in the amount of €158.1 million.
- **Financial revenues** of €17.2 million were generated, which were halved in comparison with the previous year and the planned values. The planned sale of financial investments in the shares of Abanka Vipa d.d. was not carried out in 2011.
- **Financial expenses** totalling €184.8 million were 63% higher than in the previous year and they considerably deviated from the planned values. Their level was significantly influenced by impairments of financial investments in the amount of €158.1 million and interests on loans totalling €18.7 million.

Financial result by type of activity

€ in millions

	Financial result	Financial result	Financial result	Financial result	Financial revenues	Financial expenses	Financial result	Financial result
	2007	2008	2009	2010		2011		5-year average
Dividends	13.3	33.2	20.8	29.3	11.3	0.0	11.3	21.6
Securities	8.5	0.6	39.8	0.8	3.3	-1.7	1.6	10.3
Impairments of financial investment	0.0	-14.9	-22.7	-95.0	0.0	-158.1	-158.1	-58.1
Interests	-6.2	-12.3	-10.1	-12.9	2.6	-18.7	-16.1	-11.5
Others	-1.4	0.0	0.0	-1.4	0.0	-6.3	-6.3	-1.8
Total	14.2	6.6	27.8	-79.2	17.2	-184.8	-167.6	-39.6

- **Dividends**, which total €11.3 million were significantly lower in comparison with the previous year when dividends of Sava Group's subsidiaries in the amount of €17.0 million were paid to the parent company Sava d.d. They lagged 23% behind the planned values. Dividends were mainly received from Gorenjska Banka d.d., which is the associated company of Sava.d.d.
- **Financial revenues and financial expenses in connection with securities** were due to the disposal of securities available for sale and the sale of share in the company Sava Schäfer d. o. o.
- **Impairments of financial investments** in the amount of €158.1 million referred to:
  - Impairment of financial investment in the shares of Abanke Vipa d. d. in the amount of €82.5 million; the impairment was carried out by using the lower range limit from the assessment of the financial investment, which is €20 per a share.
  - Impairment of financial investment and the loan granted to NFD Holding d. d., and impairment of financial investment in Maksima Invest d. d. in total amount €36.4 million.
  - Impairment of financial investment in NFD, Delniški Vzajemni Sklad in the amount of €9.4 million.
  - Impairments of financial investments and loans granted to Real Estate companies in the amount of €9.4 million and financial investments in the energy management company in the amount of €0.8 million.
  - Other impairments totalling €19.6 million referred to financial investments in Merkur, Hotels Bernardin, Sole Orto, and other financial investments.
- **Interest revenues** in the amount of €2.6 million referred to interest from the approved loans to subsidiaries and to interest from deposits to banks. **Interest expenses** in the amount of €18.7 million whose 15% increase in comparison with the previous year originated from the increased interest rates, which were due to indebtedness of the company with creditors. The average interest rate in the banking system was 16% higher than in the previous year and amounted to 6.09%.
- **Other financial expenses** in the amount of €6.3 million appeared in connection with hedging against interest rate risk of the anticipated future change in the reference interest rate EURIBOR.

Total pre-tax loss

In 2011, a pre-tax loss of €170.7 million was made. The amount of the generated loss was influenced by financial expenses totalling €184.8 million whose substantial part referred to impairments of financial investments.

Income tax

- In 2011, Sava d.d. had no income tax liability accounted for.
- Deferred tax in the amount of €14.6 million was accounted for impairments of financial investments.

Net loss

In 2011, Sava d.d. made a net loss of €156.1 million and compared to the previous year this figure doubled. The plummeting stock market and the aggravated economic environment significantly impacted the operations of the real and also the banking sector, which is why financial investments had to be impaired in the amount of €158.1 million.

Accumulated loss

- On the last day of the year it amounted to €9.3 million.
- To cover a part of the generated loss in 2011 totalling €146.8 million, the profit brought forward in the amount of €6.5 million was used, as well as other profit reserves in the amount of €7.5 million, legal reserves of €7.2 million and capital reserves of €125.6 million. A part of the loss in the amount of €9.3 million could not be covered from capital components intended for this purpose. .

Movement of accumulated loss of Sava d.d. in 2011

	€ in millions
Net profit/loss for 2011	-156.1
Profit brought forward from 2010	6.5
Dividend pay-out in 2011	0.0
Covering loss from capital components in 2011	140.3
Accumulated loss at 31/12/2011	**-9.3**

Return on equity

- The ratio between the total pre-tax profit for the financial year and the average balance of equity: return was negative and amounted to 70.7%.
- The ratio between the net loss for the financial year and the average balance of equity: return was negative and amounted to 64.7%.

Employee number

At the end of 2011, Sava d.d. employed 61 associates, their number being higher by 2 associates compared to the end of 2010. The employee number in Sava d.d. will significantly reduce in 2012 due to the reorganisation of the company and the changes management model of the Sava Group.

7.2. Assets and liabilities structure

Balance sheet total

It amounted to €410.0 million, which was 27% less than in the previous year.

Assets structure

Long-term financial investments had the largest - 85% - share; tangible fixed assets and investment properties had a 4% share, short-term financial investments a 5% and other assets a 6% share.

- In the structure of **long-term financial investments**, which totalled **€348.2 million** and were €102.6 million or 23% lower compared to the previous year, the following significant changes appeared in 2011:
  - The increases in capital of subsidiaries in the amount of €38.2 million approved in 2010 were entered in the register of companies.
  - In 2011, the increases in capital of subsidiaries in the net amount of €4.8 million were approved and entered.
  - Impairments of financial investments in Real Estate companies were carried out in the amount of €8.9 million.
  - Impairments of financial investments in an energy management company was carried out in the amount of €0.8 million.
  - Impairment of financial investment in financial investment in the shares of Abanka Vipa d. d. in the amount of €82.5 million was carried out.
  - Impairments of financial investments in the shares of NFD Holding d. d. and Maksima Invest d. d. in total amount of €29.7 million were carried out.
  - Impairment of financial investments in NFD1, Delniški Vzajemni Sklad in the amount of €9.4 million was carried out.
  - The value of impairments of other financial investments amounted to €19.6 million.

- Other net increases of financial investments in the amount of €5.3 million were mainly due to revaluations that were carried out in accordance with the accounting policies.

In the balance sheet of Sava d.d. as at 31/12/2011, a part of the financial investment in the subsidiary Sava IP d. o. o. in the amount of €19.3 million, for which a selling procedure is in progress, was shown under short-term assets available for sale. The financial investment in the subsidiary Sava Medical in Storitve d. o. o. is shown under short-term assets available for sale too, as in 2012 it will be sold to Savatech d.o.o.

- The value of **tangible fixed assets and investment property** amounted to €15.3 million at 31/12/2011. In comparison with last year it decreased by €9.5 million, which was due to the sale of the main office building, the accompanying land and parking lot in the premises in Kranj to Savatech d.o.o.

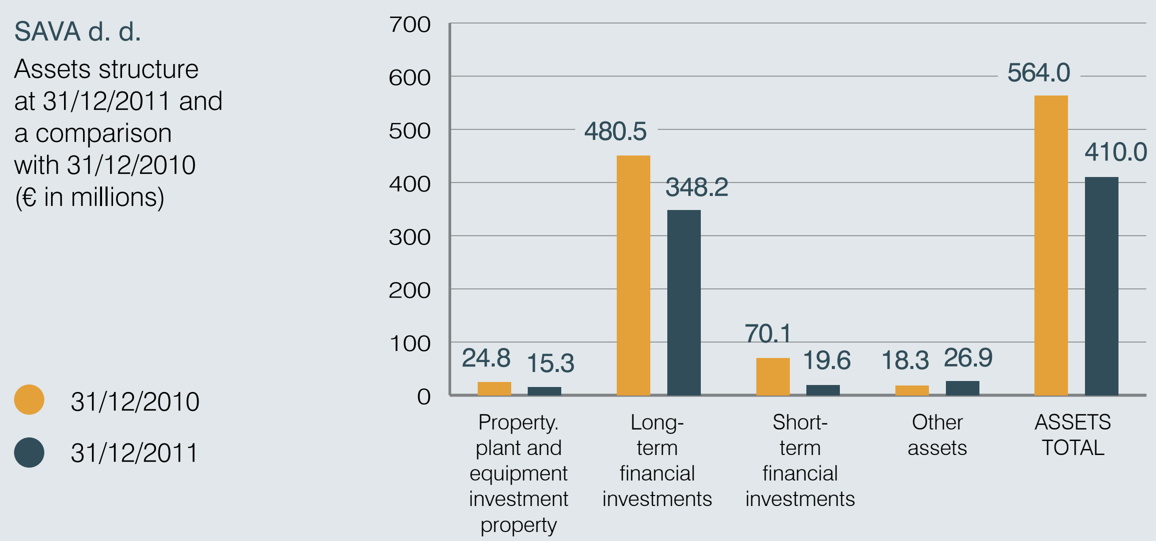
- **Short-term financial investments** in the amount of €19.6 million were €50.5 million lower than in the previous year. The most important change was a transfer of a receivable for short-term called-up capital totalling €38.2 million under financial investments in subsidiaries.

The structure of short-term assets is as follows:

  - Gross receivable from short-term approved loan to NFD Holding d. d. amounts to €22.4 million and compared to the end of the previous year it was lower by €2.0 million; based on the suitability estimate of received insurances for the granted loan, the loan was impaired in the amount of €6.7 million.
  - Other short-term financial investments in the amount of €3.9 million mainly referred to short-term loans granted to Sava Group companies and short-term deposits to banks.

- **Other assets** were shown in the amount of €26.9 million, the largest part or €25.1 million referred to deferred receivables due from the state. Deferred tax receivables mainly arose in connection with impairments of financial investments to fair value.

SAVA d. d.
Assets structure at 31/12/2011 and a comparison with 31/12/2010 (€ in millions)



Liabilities structure

- The **capital** of Sava d.d. totalled €87.7 million and was €151.5 million or 63% lower than in the previous year; in the liabilities structure it had a 21% share. The changes in capital were as follows:
  - A loss in the financial year in the amount of €156.1 million* was made.
  - The revaluation reserve from revaluation increased by €4.6 million.

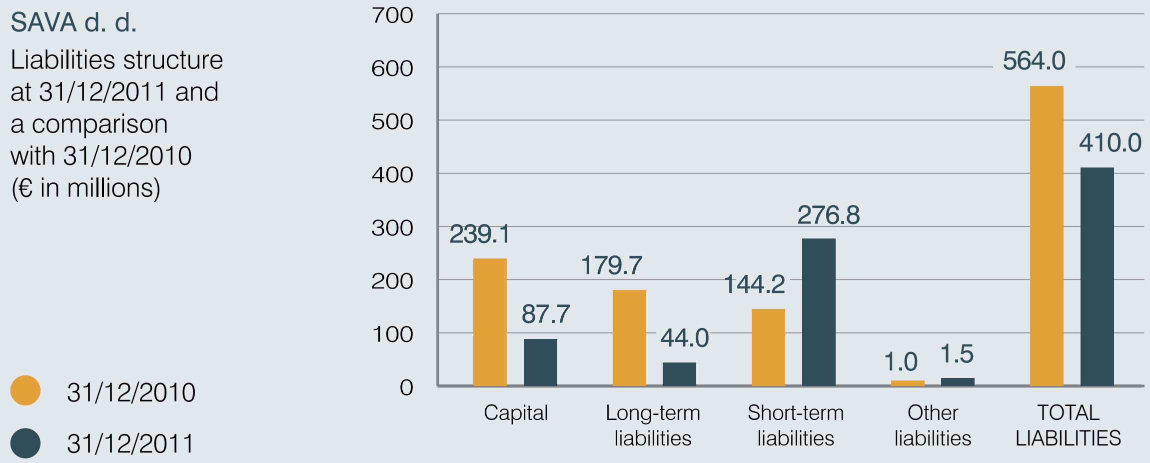
*The loss of Sava d.d. in the amount of €146.8 million was covered with capital components earmarked for this purpose, a part of the loss in the amount of €9.3 million remained uncovered.

- **Total financial liabilities** of Sava d.d. amounted to €309.3 million and compared to the same period last year they were lower by €5 million. They have a 76% share in the balance sheet total. Total financial liabilities included loans of €290 million, which Sava d.d. obtained outside of the Sava Group.

To secure liabilities from the obtained loans Sava d.d. mortgaged the assets of Sava d.d. in favour of creditors in the amount of €277.2 million, placed a mortgage on the assets of subsidiary Savatech d .o.o. totalling €34.6 million, and a mortgage totalling €5.1 million on the assets of Sava Turizem d.d.

- **Other liabilities** totalling €13.0 million referred to short-term operating liabilities and long-term provisions and deferred tax receivables. In comparison with the previous year they did not significantly change, in the liabilities structure they had a 3% share.

SAVA d. d.
Liabilities structure at 31/12/2011 and a comparison with 31/12/2010 (€ in millions)



8 Outlook for 2012

The business plan of Sava Group companies for 2012 was prepared with taking into account the starting points set out in the restructuring strategy of the Sava Group. The renewal of the strategy and the management model was imposed by the effects of significant financial investments, the need for strengthening the cash flow and the needed decrease in financial liabilities to the level that can be maintained with the cash flow of the Sava Group. The reprogramming of financial liabilities of the Sava Group represents an important part of the strategic policy, whereas financial liabilities can be decreased through selling financial investments. The results achieved in 2012 will particularly depend on how efficiently the planned divesting of financial investments will be carried out.

More important premises in the preparation of the business plan of Sava Group companies for 2012 were as follows:

- The generated cash flow from operations of subsidiaries shall be sufficient for covering financial expenses, planned investments, repayment of amortisation loans, and in Rubber Manufacturing also for payment of dividends to Sava d.d.
- None of the operations of the Group may operate with a loss.
- Financial expenses are planned with due regard to the present contractual interest rates.
- Financial liabilities of Sava Group companies will be reprogrammed in accordance with the proposal for restructuring finance resources.
- Effective 1 January 2012, Tourism companies will be merged in one company.
- The hotel capacities, which until now are owned by Sava d.d., will be sold to a company of Tourism; the merged company Sava Turizem d.d. will become an economic entity.
- In 2012, the volume of operations of Real Estate will be decreased.

The 2012 business plan in figures:

- Sava Group companies will make sales revenues of €205.9 million, which is 6% more than generated in 2011.
- Sava Group companies will end the year 2012 with a total loss of €4.9 million; in the Group structure, subsidiaries will operate successfully and will make a profit of €10.1 million. Sava d.d., the parent company of the Sava Group, will show a profit of €2.4 million in individual financial statements, which includes revenues of €17.4 million generated in the relation to Group companies; these do not have a character of revenues in the consolidated financial statements.
- Sava Group companies will achieve the value of cash flow, which will be sufficient for covering total liabilities as determined in the business plan.
- The planned balance sheet total of the Sava Group will amount to €563.4 million at the end of 2012, or 8% less than at the end of 2011.
- The planned value of capital at the end of 2012 will amount to €159.5 million, its share in the balance sheet total will amount to 28%.
- The employee number in the Sava Group will amount to 2,132 at the end of 2012, or 124 less than at the end of 2011.
- A sum of €13.0 million will be earmarked for investments, mostly for Rubber Manufacturing and Tourism.

The 2012 business plan considers the same structure of the Sava Group as it was at the end of 2011.

The actual operating result of 2012 can be significantly different and will mainly depend on the speed and effectiveness of implementing disinvestments, which in 2012 are being carried out with intensity.

9 Marketing and customer orientation

We continued to develop higher added value products and services. The number of our customers increased and our sales network was expanded beyond our traditional markets. Marketing activities were carried out to strengthen the identity of our Sava and Sava Hotels & Resorts brands.

Rubber Manufacturing

In terms of marketing, 2011 was a successful year for Rubber Manufacturing. With regard to the previous year, sales achievements were greater in all programmes of Savatech d.o.o. and the foreign trade network. Total volume of sold products and services of Savatech d.o.o. achieved close to €110 million, which was the best result ever in the history of the company. This result is a proof that decisions made in connection with the development and marketing as well as diversification of sales portfolio were correct.

Our products and services were sold to 91 countries in all continents. The German market was the largest one with almost a quarter of total sales, and was followed by Slovenia with slightly less than one fifth of total sales.

In 2011, we began to market our products and services to 300 new customers and generated sales revenues of over €3.4 million. A great emphasis was placed on marketing of new products whose sales exceeded €14 million. We developed new products and upgraded processes in the existing product groups, while our development projects incorporated new fields, including renewable energy sources, medicine, rescue actions and environmental protection.

We established cooperation beyond our traditional European and USA markets, and entered the fast growing markets of South America, Asia and Africa, which we intend to develop in the future too.

We exhibited our products in numerous specialised trade shows, especially in Europe and the USA. In 2012, we will continue to intensify our presence in Asia and the near East, thereby consolidating the recognition of the Sava brand and its position in these markets.

Innovation, an excellent after-sales service and high-quality products and services are the basis, on which we build our relationship with customers and achieve the leading position in the world's market niches.

Tourism

In spite of the negative impacts of the economic crisis and a fierce competition between tourist destinations, Tourism surpassed overnights in all types of accommodation. The greatest increase was achieved in the hotel overnight segment.

A more aggressive approach, which incorporated a systematic expansion of partnership network of agencies, produced desired results, particularly in certain new markets in Europe and in the Balkans. By doing this, we managed to compensate a revenue shortfall resulting from a decreased number of guests from the traditional markets, which was due to the general economic factors and the fact that the Slovene national air carrier cancelled airways to certain important emittive markets. However, a repeated growth in certain traditional markets, which the past registered a decline, was encouraging. In foreign markets, the Tourism division increased the number of overnights and the average price.

As a result of a fierce price competition among tourist service providers in the domestic market, we registered a decline in the average price, which was compensated for by a faster growth in the number of overnight stays. To promote sales, we increased our cooperation with the trading network in a low season and carried out the so-called co-branding campaigns in collaboration with our partners.

The goal of marketing-communication strategy was to create the recognisability and appeal of the umbrella brand Sava Hotels & Resorts as the largest tourism chain in Slovenia, and to promote the sale of services offered by individual destinations. The activities focused on keeping the existing guests and attracting new guests. In June, we launched a new loyalty programme Sava Hotels & Resorts Ambassador to encourage guest loyalty. Until the end of 2011, 12,000 active members joined this programme.

The innovation and appeal of Tourism's offer were reaffirmed in various ways during 2011. Sava's tourist destinations became a member of one of the most prestigious health and wellness services organisations worldwide, FEMTEC, and obtained a FEMTEC acknowledgement for the development of thermal spa tourism in Slovenia. The campsite Bled was awarded a renowned European award as the best campsite in Europe, and ranked among the best five out of 6,000 participating campsites. An innovative ecological village of forest villas in the campsite Bled was presented in the World Tourism Market in London. The 80th anniversary of the Bled Grand Hotel Toplice was marked with a number of events and thematic sales campaigns. We received a golden plaque by the Municipality of Bled for many years of tradition in the hotel industry, and an acknowledgement by the Tourism Catering Chamber of the Slovenian Chamber of Commerce for the quality of services and development of innovative tourist offer. The achieved sales results and positive impressions of athletes upon closing the world rowing championships in Bled confirmed that the employees of Sava Hoteli Bled d.d. organised and carried out this demanding project excellently.

Upon establishing a uniform company Sava Turizem d.d, marketing and sales were further centralised to increase their efficiency.

Real Estate

Owing to the efficient marketing, larger business premises were sold in the building Modri Kvadrat in Ljubljana, and the residential area of modern and energy-saving family houses in Perovo at Kamnik was completed. Presently this residential area, for which their architects received a Golden Pen award by the Slovene Chamber of Architecture and Space, is still being marketed.

In Croatia, where the effects of the financial crisis in the property market were more dramatic than in Slovenia, the sale of all buildings that we built in Zagreb was finalised.

In planning of buildings we devote much attention to the location of the future property, its architectural design, the quality of installed materials and performed works, and we listen to the desires and requirements of our customers. We identify customer requirements and desires by way of marketing research, at which we make use of questionnaires and systematic interviews with the present and potential buyers, using the so-called focus group method.

A great deal of assets earmarked for marketing is invested in the production of efficient and multimedia websites for individual projects and in advertising in the web portals specialised in real property and other web search machines.

Other Operations – energy management

The marketing activities of Eneregetika Sava d.o.o. mainly focused on buyers of fuels made from timber biomass. In the case of the already installed remote heating systems, we concentrated especially on adapting the price relation between the energy products and the sold heat energy. With the manufacture of refined timber biomass in the Republic of Serbia, we carry out the strategy of introducing the supply from domestic alternative energy sources in this region.

10 Purchasing and suppliers

Rubber manufacturing had to deal with a low availability of raw materials and soaring prices of raw materials. Based on the common purchasing policy and central management, Tourism managed to keep almost the same prices levels it had last year and that despite the pressures. With the introduction of a decentralised Group's management model, the operation of the previous competence centre Strategic Purchasing was transferred to the level of companies in 2012.

Selection of suppliers and supply markets

In selecting suppliers we put the strategic partnerships in the forefront as they lead to a common development and planning of all supply aspects, and assure a high quality for the best price at the same time. Social and environmental responsibility on the part of suppliers is one of the factors we consider in the selection process.

Raw materials for Rubber Manufacturing are being purchased in all continents, however, the major part of raw materials is purchased in the European Union. Tourism companies give priority to local food products and the select Slovene wines, as well as season vegetables and fruits.

Rubber Manufacturing

In 2011, the prices of rubber raw materials were rather high. The basic feature of the market was a low availability and soaring prices of raw materials. Towards the end of the third quarter the offer of raw materials for rubber manufacturing improved on account of a decline in demand, but the price trend turned downwards only with a smaller number of raw materials.

The prices of rubber raw materials used in Rubber Manufacturing increased in comparison with 2010, but we mainly managed to transfer them to the prices of finished products and services.

Owing to the reduced production capacities in the chemical industry and high oil prices, the prices of monomers, which form the basic component for the manufacturing of raw materials for the rubber manufacturing industry, significantly rose. A shortage in materials and rising prices were characteristic of the supply with synthetic rubber, carbon black and certain chemicals. The price of natural rubber grew at the beginning of the year, which was followed by a price drop and a period of slower price decreasing. EPDM rubber is a major raw material used in this sector, and despite the record prices the demand has been surpassing the offer ever since 2010.

Purchasing risks were managed by way of forecasting the requirements and building strong links with suppliers, which also incorporates a consistent settlement of contractual liabilities in accordance with the agreed payment terms and conditions.

In the segment of raw materials, in which the global availability was low, we carried out the policy of high inventories. We have introduced alternative raw materials sources according to the low-price criteria but of the same quality and delivery safety. In order to minimise risks, we carried out purchasing policy of several suppliers.

Tourism

In Tourism, we are reducing market risks by way of a centralised supply management, a coordinated appearance in the market and joint agreements, thereby realising significant savings. We proceeded with a selection of suppliers able to comprehensively supply particular areas and achieved positive effects in this field too. The merger and the established links within Sava's hotel purchasing network and certain other Slovene tourism companies made an important contribution to supply costs management and this is the policy we intend to follow in the future, too.

The prices of food articles, beverages, consumables and energy products in the world markets and stock exchange continued to grow in 2011. Despite pressures on the entry prices for the aforementioned articles, Tourism companies managed to keep their prices at almost the same level as in the previous year. The costs of energy products went up by 6.2% in 2011. The greatest share had the costs of electricity, which surpass one half of total energy costs.

Slovenia is still the main supply market, in which the majority of our supply with goods and services is done.

Further price increases are expected

The macro-economic forecasts for 2012 are uncertain. It is expected that a declined demand in Europe will be more than compensated in the fast growing Asian markets, which is why it is anticipated that rubber raw materials prices will rise in the future too.

The pressures on the prices of food, beverages, consumables, energy products, fixed assets and small inventories will continue, which will affect the operations of the merged company Sava Turizem d. d.

11 Quality systems

Sava Group companies successfully passed the scheduled audits. The quality indicators reaffirmed that products and services as well as the operations are of high quality. After the management model was decentralised, the operation of the competence centre Quality Systems was transferred to the level of the companies. Quality and excellence form a significant part of the future strategic policy of Group's companies.

Long-time tradition of quality and orientation to excellence

Sava Group companies have many years of tradition in conducting business in accordance with the policy of quality and excellence, and verify the compliance of operations by the international quality management standards.

All Group companies follow the common policy, which defines that various approaches are encouraged and developed to reach high quality and excellence in practice. Sava Group companies devote their special attention to employee education and to transfer of good national and international practice in this field.

Rubber Manufacturing

To achieve the strategic goals in quality, Rubber Manufacturing companies maintained the already introduced standards, which regulate their business processes: SIST EN ISO 9001, SIST ISO/TS 16949, SIST EN ISO 17025, AQAP 211 Certificate of Conformity, CE mark for products, and others.

The audits by customers and certification organisations according to the SIST ISO/TS 16949 standard for the GTI Moulded Products programme, SIST EN ISO 17012 for testing the Central Laboratory, and the standard SIST EN ISO 9001 in the case of all other programmes or companies were passed with success.

As regards the quality area, the processes and the documentation were standardised, and education and training courses for employees were organised in order to achieve the set goals. We upgraded the manner of monitoring and analysing the main quality indicators, and introduced new work methods, particularly in the process supervision and analytics, to improve the stability of processes. As part of the continual improvements programme and our excellence-driven business, we continued with the activities that are associated with the 20 Keys system.

Total costs originating from poor quality were by 0.14% lower than in 2010, thus we saved €110,000. This decrease was mainly due to reducing total scrap; despite a 15% increase in production and a significant increase in productivity, the quality of products was preserved at the level of the previous year, i.e. 98.76%. With regard to 2010, total scrap was lower by 0.91%.

Tourism

Professional quality management teams made sure that the standards of Sava Hotels & Resorts were complied with and the best practice cases among Tourism companies transferred. In 2011, another 18 associates were trained as internal auditors. 169 internal auditors are now trained in total who are able to carry out audits in conformity with the quality management system SIST EN ISO 9011:2008, and the food safety management system SIST EN ISO 22000:2005. 83% or 140 internal auditors participated in the annual training. At the beginning of the year, internal audits were carried out as scheduled in the annual audit plan.

At the end of May and the beginning of June 2011, the certification company Bureau Veritas conducted a joint certification audit of the quality management systems in all Tourism companies and evaluated that the quality management system and the food safety management system were both in compliance with the requirements of the SIST EN ISO 9001:2008, and the SIST EN ISO 22000:2005 standards.

In January 2011, the results of the national invitation for the business excellence according (EFQM) organised by the Republic of Slovenia were announced. Sava Hoteli Bled d.d. and Terme Ptuj d.o.o. participated in this contest; in the category of companies with more than 250 employees in private sector, Sava Hoteli Bled d.d. was awarded with a bronze diploma by the Metrology Office of the Republic of Slovenia at the Ministry of Higher Education, Science and Technology. Based on the recommendations given by the evaluation team, we outlined 11 projects and implemented most of them already in 2011.

All accommodation facilities in Tourism are harmonised with the requirements of hotel categorisation legislation. Owing to quality improvements, the hotel Izvir in the health resort Radenci was upgraded to a four-star hotel in 2011. All hotels having a Cycling Hotel or Trekking Hotel designation meet the criteria defined as the marketing standards for this category. In December 2011, the hotel Zeleni Gaj from the spa resort Banovci was classified under the hotels with this designation too. Throughout the year the quality of hotels and services was assessed in accordance with our evaluation technology developed in-house and 56 check-ups in our accommodation capacities were carried out in total.

12 EU projects

We have oriented ourselves to the acquisition of funding for the projects, which do not request greater investments. In 2011, we prepared 33 projects, applied for funding in the amount of €1.582 million, and by the end of the year we received funds in the amount of €248,052. In the period from 2005 to 2011, the competence centre EU Projects prepared more than 200 projects, and made sure that €12.4 million were drawn, and further €9.44 million of grants were acquired. In 2012, the operations of the previous competence centre EU Projects were transferred to the level of companies.

In 2011, the operations of the competence centre EU Projects adapted to the changed business environment. It was mainly oriented to the acquisition of funding for the projects, which did not request greater investments, namely in the HR area, promotion of products and services, energy management, environmental protection and social responsibility.

In 2011, we prepared 40 projects, of which 33 were carried out independently, while 7 were prepared in cooperation with the partners. We applied for the assets in total amount of €1.582 million. By the end of December, the projects in total amount of €248,052 were approved. 11 projects are still being evaluated for approval. We prepared 5 projects for the promotion of tourist services, 4 projects in leading technologies areas, 14 projects in the HR area, 2 projects in the environmental protection, 1 project in development of rural area, and we cooperated in numerous projects as a supporting network member. Together with the partners we prepared 7 projects for the promotion of occupational health and safety. By doing this, we managed to link and prepare an improved basis for involving in the knowledge network, and for the cooperation of Sava Group companies with the environment.

In 2011, the following larger EU projects were carried out:

- Under the lifelong learning programme and its subprogramme Leonardo da Vinci – Mobility, we carried out and finalised an innovative project called VETTOUR in mentor development in Tourism with knowledge exchanges abroad. We obtained funding and began to carry out another three innovative projects: MENTTOUR for further development of mentors – competent associates in tourism; EcoTech-SAVA for the development of mentors, developers of ecological, technical-technology and business knowledge; and « IP-CAT for the development of tourist workers in the partnership cooperation with the Faculty of Tourism Studies of University of Primorska.
- Within the lifelong learning programme and the sub-programme Leonardo da Vinci – Innovation Transfer, the project e-Rubber validation was carried out, which is already validating the knowledge of rubber manufacturing. Under this programme, we prepared the project Fit4Life, which deals with the system of health-friendly incorporation in life employment cycle of an individual.
- We acquired the project Glamorous Camping in Gorenjska – Glamping by the LEADER programme within the framework of the European Rural Development Fund, which will began to be carried out in the beginning of 2012.
- In Safety, we prepared seven projects for Sava Group companies in accordance with the public invitation of the Slovene Health Insurance Institute for co-financing the health promotion projects in 2011 and 2012: Healthy Today and Tomorrow; Healthy and Committed; Work Out Every Day to Fight Off Illness; Health For Success; Action for the Future; Healthy and Aware; and Health for Growth and Development.
- In cooperation with the University of Primorska we obtained funding for the company Zdravilišče Radenci d. o. o., and started to carry out the research project Evaluation of Neuromuscular Stabilisation Body Functions and the Development of Preventive Exercises to Relieve Pains in the Lower Back.
- We obtained funding for Savatech d. o. o. and carried out the efficient use of energy project in the industry under the Operative Programme for the Development of Environmental and Traffic Infrastructure.
- As part of the HR Development Operative Programme of RS 2007-2013, the project of Incentives to Employers for Implementing Training by Way of Work was carried out for Sava d.d.

By reorganising Sava d.d. and introducing a decentralised management model in the beginning of 2012, the competence centre EU Projects restructured and transferred its operations directly to individual companies of the Sava Group. We are further striving for implementing the vision Each Project, an EU Project. A systematic work in this area will assure a significant source of assets for developing the Sava Group in the future too.

13 Information support

The expansion of the IT capacities, standardisation of IT solutions and their perfection all resulted in the optimised work processes and a more efficient implementation of work procedures in all divisions. After Sava d.d. was reorganised, the competence centre ICT restructured to an independent company Sava IT d.o.o.

IT is centrally managed for all Sava Group companies; it coordinates and directs the development of the entire IT infrastructure and ensures a major share of software equipment. Furthermore, it assures stability, safety, availability and efficient functioning of IT services to all Group's companies.

In 2011, the following major projects were implemented:

Sava d. d.:

- Preparation of the ICT strategy of the Sava Group for the period 2011-2015.
- Change in providing the ICT services upon being restructured to an independent company.
- Performance of external security checks, which showed that Sava's information system, is being properly managed in view of security.
- Introduction of an internal ICT auditor function in cooperation with Internal Audit.

Rubber Manufacturing:

- Support to the implementation of the project dealing with the IT system modernisation in the central laboratory.
- Support in the modernisation of the system for sales and production capacities planning.
- Preparation of additional IT solutions to optimise the warehouse processes.
- Modernisation of work hour registration system, including an electronic approval of absence, days off, and employee insight in their HR data.

Tourism:

- Various activities in IT under the project of tourism companies merger in Sava Turizem d.d.
- Cooperation in the loyalty card project.
- Updating the ROS system to support the introduction of uniform sales processes in the merged company.
- Technical support in the call centre project in the central sales department of Tourism.

At the beginning of 2012, the competence centre ICT restructured to an autonomous company Sava IT d.o.o., which provides its services to all Sava Group companies.

Its role is to introduce modern IT solutions and to proactively support the business functions of Sava Group companies; it is expected that in the future it will sell its IT services to the external users too.

SUSTAINABLE DEVELOPMENT

1 HR management

1.1. HR structure indicators and employee development

The policy of managing the HR capital was implemented, which is oriented to a continual upgrade of employee knowledge and competences. New measures under the Family-Friendly Enterprise were introduced. When changes in the management teams, the reorganisation and personnel consolidation, as well as other aspects of restructuring strategy took place, a lot of attention was devoted to communicating and incorporating employees in performance of these changes. Based on preventive actions and raising awareness, the number of accidents and work-related injuries was reduced again.

Average employee number

In 2011, Sava Group companies employed 2,290 employees on average, or 37 employees less than in 2010. On the last day of 2011, there were 2,256 associates employed, which was 1.3% less than in 2010.

Tourism companies employed 51% of total employee number, Rubber Manufacturing companies 39%, and other companies 10% of total employee number.

Employee number in the Sava Group

	Employee number 31/12/2010	Employee number 31/12/2011	Index year 2011/2010	Average employee number in 2011
Sava d. d.	59	61	103	60
RUBBER MANUFACTURING	902	882	98	886
Savatech d. o. o., Kranj	793	810	102	814
Sava-Schäfe, d. o. o., Kranj*	39	/	/	/
Savapro d. o. o., Kranj	/	1	/	1
Savarus d. o. o., Jaroslavl, Russia	23	24	104	24
Sava Rol d. o. o., Zagreb, Croatia	10	10	100	10
Foreign Trade Network	37	37	100	37
TOURISM	1,180	1,158	98	1,196
Sava TMC d. o. o., Kranj	23	20	87	20
Sava Hoteli Bled d. d., Bled	339	339	100	353
Terme 3000 d. o. o., Moravske Toplice	370	366	99	373
Zdravilišče Radenci d. o. o., Radenci	212	201	95	213
Terme Lendava d. o. o., Lendava	108	109	101	110
Terme Ptuj d. o. o., Ptuj	128	123	96	127
REAL ESTATE	18	18	100	18
Sava IP d. o. o., Ljubljana	18	18	100	18
OTHER OPERATIONS	127	130	102	129
Sava Medical in Storitve d. o. o., Kranj	81	83	102	83
GIP Sava Kranj d. o. o., Ruma	1	1	100	1
Energetika Sava d. o. o., Kranj	3	3	100	3
Ensa BH d. o. o., Srbac, Bosnia and Herzegovina	42	50	102	43
SAVA GROUP TOTAL	2,286	2,256	98	2,290

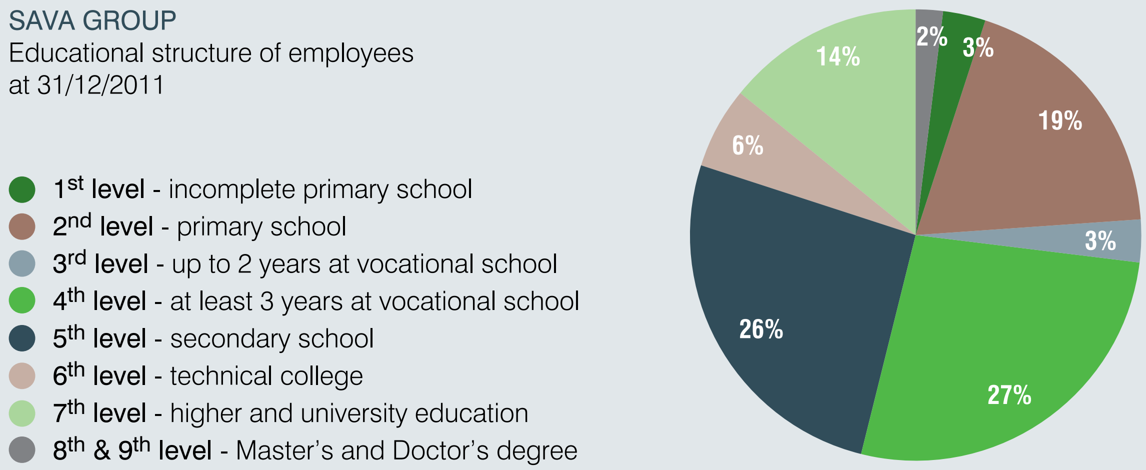
**In 2011, Sava d. d. sold its remaining 50% share in this company.*

In 2011, 260 associates were employed anew, while 261 associates left. In 2011, total fluctuation in the Sava Group amounted to 11.4%, and was lower than in 2010 when it amounted to 13.0%.

Employee educational structure

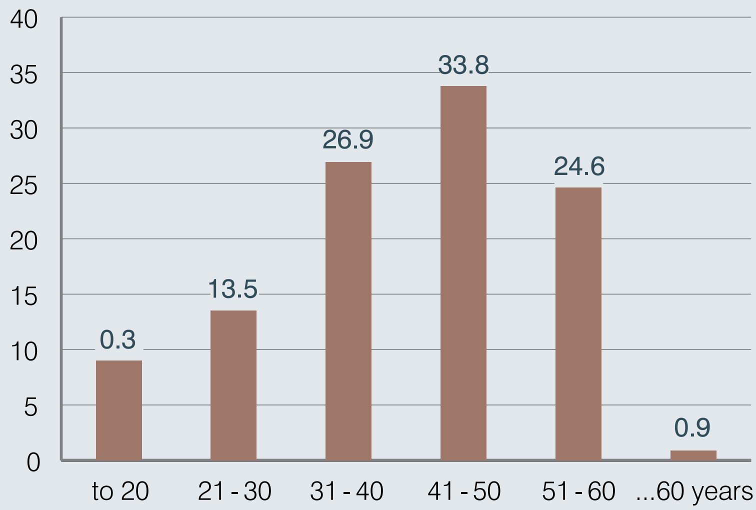
In 2011, the educational structure of employees improved slightly. 25% of employees had a 3rd level of education or lower, 53% had a 4th and 5th level of education, 6% of employees had a 6th level of education and 1% had a 7th level of education or higher.

SAVA GROUP
Educational structure of employees
at 31/12/2011



Age structure of employees

SAVA GROUP
Age structure of employees
at 31/12/2011
(%)



More than one half of employees were older than 40 years, 13.8% of employees were younger than 30 years, and 26.9% of employees were between 30 and 40 years.

Utilisation of working hours and sick leave

In 2011, the utilisation of working hours amounted to 81.8%, which was 0.8 percentage point improvement on the previous year. In all Sava Group companies 19,867 overtime hours were performed, or 0.4% of total working hours (in 2010: 37,515 overtime hours or 0.8% of total working hours).

In 2011, the sick leave level remained at the 2010 level and amounted to 4.5%. Sick leave up to 30 days increased to reach 2.8% (2.6% in 2010), while sick leave exceeding 30 days decreased and amounted to 1.7% (1.9% in 2010).

Disability issues

At 31/12/2011, the Sava Group employed 141 employees with a disability status, which represented 6.3% of total employee number. We devote much attention to improvements in working conditions, which aim at preserving employee health.

Motivating and rewarding employees

Various motivation systems are employed in Sava Group companies such as promotion, rewarding, collaboration 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, grow the company's reputation in the social environment and enhance its global competitive power.

With an increase in basic salary 527 associates were promoted horizontally or vertically in 2011. The average percentage in variable part in the salary mass amounted to 4.2% in 2011, which was less than in the previous year. In 2011, the average salary in the Sava Group amounted to €1,468 and was 9.7% higher than in the previous year. Employees received a holiday allowance of €1,054.80, whereas the employees in Rubber Manufacturing companies received a holiday allowance of €1,066.90.

In 2011 too, the most successful workers were awarded: 535 of them received the Model Worker award. Employees in Tourism are encouraged to take part in specialised competitions; in various catering competitions such as the Catering Tourism Meeting, Bogričijada, Chefs Olympics, and numerous other competitions they always rank high. We award money prizes for any of the first three places. The Sava Group encourages innovation and rewards those employees and teams who give most proposals and presents special awards for outstanding innovation proposals.

Education, training and development of employees

The Sava Group organises various training courses and integrates their employees in the education process, thereby supporting the need for knowledge acquisition and competences development, which on the one hand facilitates that our associates work effectively, and on the other hand it promotes their personal and career development in balance with the strategic development of individual companies and divisions.

In 2011, the major focus for employee training in Tourism was on developing management skills and coaching, as well as sales techniques of associates employed in sales departments, booking service and front desks. Foreign language classes and various specialised workshops are held on an ongoing basis. Within the framework of the Tourism School, we made investments in the development of specialist knowledge in the front desk and waiting service. The teams consisting of associates from both aforementioned areas enjoyed the support from the external service providers in the preparation of instructions for work and work procedures, respectively. Based on these instructions, they held training courses for the associates in the booking service and front desks. We encouraged good practice transfer between the companies also by way of several-day exchanges of associates from particular specialist fields. For the managers in Tourism, internal workshops were held, in which HR specialists dealt with the current HR issues and devised action plans with the aim of enhancing employee loyalty in collaboration with the managers. As a part of the School of Management programme, managers participated in workshops on interpersonal and communication skills.

In 2011, Rubber Manufacturing continued the process of developing expertise in cooperation with the domestic and foreign experts, and transferred the knowledge of rubber manufacturing technology within the framework of the Rubber Manufacturing School. Another project is in progress, which is called Work Instructors and is suitable for training of shop floor workers. Based on quality teaching materials the project will be efficiently introduced; they will not only be used in giving lectures but will also help the instructors at developing their own skills needed for an efficient transfer of knowledge to shop floor workers.

Workshops addressing the issues of occupational safety, the quality of services, product and processes are organised for the entire Sava Group throughout the year.

In June 2011, the Programme for Business Plan Preparation under the Sava Academy project, which included 15 associates from the entire Sava Group, was completed with success. After several months of training, the participants drew up four business plans, which subject to business plan assumptions can be implemented within a certain period of time.

Training projects in the HR area are co-financed by the European funds and by the assets acquired in various calls for applications by various Slovene institutions. Within the mobility project under the Leonardo da Vinci programme, the associates from Tourism participated in specialised training courses abroad, on the occasion of which they gained knowledge of best practice cases and are now able to efficiently transfer them to their respective working environment.

In 2011, the average number of training hours per employee amounted to 44. A sum of €134 per employee was invested in the organisation of training classes. We support and invest in formal and informal education. Total number of associates who in 2011 participated in the part-time study financed by Sava Group companies amounted to 64, which was less than in the previous year (2010: 87 associates).

Internal communication

We are in favour of an honest and fair communication and concern for employees to enhance their satisfaction and motivation.

In 2011 too, we devoted much of our attention to internal means of communication : Sava newspaper, leaflets Informator and Savček, notice boards, e-mail, the internet and the intranet.

We strengthened the forms of interpersonal communications. The associates in all of our companies can directly communicate with the management. In the meetings of workers' representatives, current issues are dealt with, which relate to all employees, the decisions are made and business processes explained, questions can be asked, initiatives and proposals are given. At least once a year, we organise assemblies to inform employees about the operations of the companies and other topics of interest.

In 2011, the communication was particularly intense as workers' representatives participated in the meetings of the new Management Board, the new management in Sava Turizem d.d., and in the presentations of the new restructuring strategy for Sava d.d., which included lay-offs and reassignments too. An open communication contributed to a high level of understanding of the significance of changes and resolving of questions as they appeared, as well as good cooperation between the management teams and workers' representatives.

Family-Friendly Enterprise project

After obtaining the basic Family-Friendly Enterprise certificate in 2007, the Sava Group obtained a full certificate after it effectively introduced certain measures in December 2010. On this basis we have decided to apply for an extension of the certificate for the next three year period, which is why five new measures were adopted.

In 2011, all these measures were already introduced. We offered parents - our employees – to utilise a 12-hour bonus in the week they introduce their child in a daily care for the first time. Free holidays at the seaside were arranged for the children of parents employed in one of Sava Group companies. Associates receive a gift voucher for their new-borns. We grant scholarships to children of our employees who passed away, by way of which we not only financially alleviate their housekeeping but also provide for their education. In December, we prepared a holiday season's party with a theatre performance and a gift for children.

1.2. Concern for health and safety at work

Proactive, preventive and professional actions and consulting services to the companies' management teams that aim at assuring the compliance with the legislation are performed by the Safety centre whose expert core acts as a part of Sava Medical in Storitve d.o.o. The Safety centre succeeded the former competence centre Safety. The employees of the Safety centre carry out professional safety tasks as authorised by the companies and in accordance with the occupational health and safety permits issued by the Ministry of Labour, Family and Social Affairs.

A systematic approach and preventive actions

The occupational health and safety policy in the Sava Group systematically:

- Identifies, analyses and decreases risks in occupational health and safety.
- Prevents social risk with emphasis on stress and risks due to the addiction to psychoactive substances.
- Assures that employees are able to work throughout their working period.

The goal of the occupational health and safety policy in the Sava Group is as follows:

- Assure the well-being of all employees.
- Prevent work-related accidents.
- Prevent diseases originating from the working environment factors, or diseases associated with work.
- Employ workers in jobs that are adapted to their psycho-physical abilities.

In Sava Group companies, a systematic approach to the occupational health and safety management is based the Occupational Health and Safety Management Systems, OHSAS 18001.

Savatech d.o.o. is incorporated in the international voluntary initiative of the chemical industry Responsible Care and holds a Responsible Care certificate. This programme commits itself to continually introduce improvements in occupational health and safety, to minimise impacts on the environment and make sure that these activities are reported about in an open manner.

Monitoring employee state of health

Every work place as well as the environment is featured by special risks and harmful effects, it is therefore important to monitor the state of health and take care of a healthy working environment.

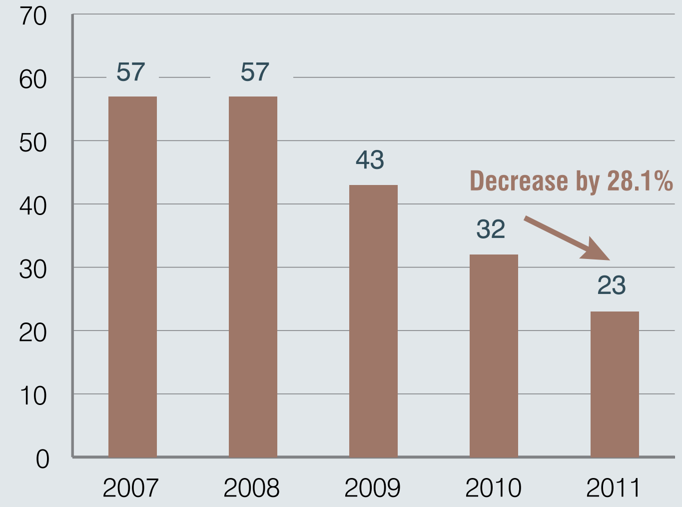
In 2011, 30.7% of Sava Group employees underwent preliminary, periodic and specific health examinations, which was at the level of the previous year (39.5% in 2010).

Work-related accidents with injuries

The introduction of a systematic approach to detecting hazardous occurrences that could lead to an accident with a material damage or an injury resulted in decreasing the number and frequency of work-related injuries.

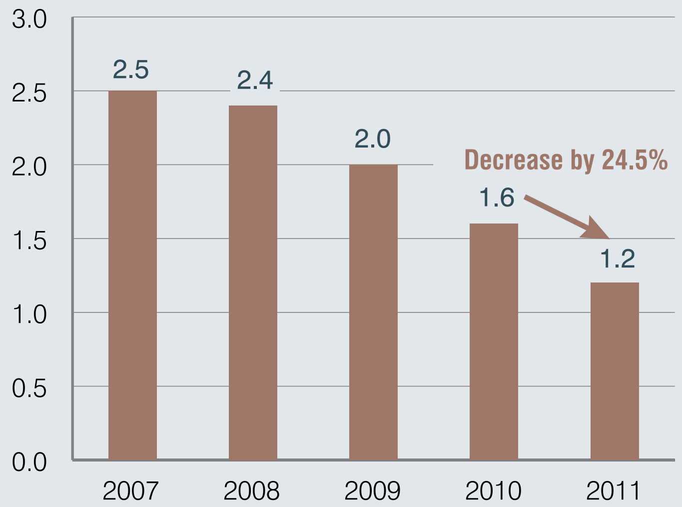
For the period 2007-2012, the European Commission adopted a strategy for a 25% decrease in work-related accidents. Owing to various programmes and activities Sava Group companies already decreased the number of work-related accidents by 2.5 times in the period 2007-2011.

SAVA GROUP
No. of work-related accidents with injuries from 2007 to 2011



With regard to 2010, the number of work-related accidents with sick leave decreased by 28.1% in 2011. The work-related accidents with sick leave resulted in 354 days of sick leave, which was by 30.4% less than in the previous year.

SAVA GROUP
Frequency of work-related accidents with injuries per 200,000 working hours from 2007 to 2011



The frequency of work-related accidents with sick leave (number of work-related accident with sick leave per 200,000 working hours) amounted to 1.2 in 2011, and considering the 2010 data it was lower by 24.5%.

Trainings, raising awareness and employee incorporation

Risks are prevented by way of anticipation and supervision. The correctly and well-informed employees are able to react in line with the occupational health and safety guidelines, and are able to identify various hazards.

In 2011, 73.0% of Sava Group employees attended theoretical classes in safe work procedures (71.5% in 2010), and 45.3% in practical classes (52.3% in 2010).

We further measured the efficiency of training classes and included 27.0% of Sava Group employees (26.2% in 2010) in this procedure.

In addition to the basic trainings we provide employees with the information about the safety issues through:

- Involving workers' representatives in safety teams.
- Weekly notices and instructions for safe work on special notice boards.
- A column *Srečko Warns and Makes Advice* in the monthly leaflet *Informator*.
- The newspaper of the Sava Group.
- Special preventive campaigns such as *March – A Month of Safety and October - A Month of Fire Safety.*

Our employees participate in the occupational health and safety issues and identify hazardous occurrences, give proposals directly to their superiors, or via the workers' council, trade union organisation, workers' director, bulletin Srečko Warns and Makes Advice, or occupational health and safety teams.

Presentation of good practice cases in occupational health and safety

9th safety conference of the Sava Group

At the end of May, the 9th safety conference was organised, which dealt with managing occupational health and safety as a tool of continual improvements. The focus was placed on the EU occupational health and safety directives, and the novelties in the Slovene legislation. The conference was attended by 111 senior and junior managers of Sava Group companies.

The European project: Encouraging Mental Health and Well-Being at Work

At the European conference titled *Encouraging Well-Being at Work* held in May in Berlin, Zdravilišče Radenci d.o.o. presented the winning good practice case. Together with Domel d.o.o. the health resort Radenci was chosen among 126 participating companies in Slovenia as the best practice case in promotion and preventive activities for strengthening and maintaining health and well-being at work place.

The PHWork project: Workplace Health Promotion for Workers with Chronic Diseases

In 2011, Terme 3000 d.o.o. joined the project by the Slovene network of health promotion called promotion of healthy work for workers with chronic diseases, which is held under the 9th common initiative by the European Network of Workplace Health Promotion. Sava's company was chosen as one of two best practice case companies in Slovenia and was shortlisted among 18 European countries.

Health promotion project: Healthy and Committed

Sava Hoteli Bled d.d. applied in the public invitation by the Slovene Institute of Health Insurance for co-funding the health promotion projects, carried out in 2011 and 2012.

The project is based on the promotion of health, healthy way of living and the quality of life when inflicted by a disease; its purpose is to improve employees' attitude to health and taking care of their own health.

2 Development of social community

Sava Group companies are aware of their responsibility to the wider community, which is why they sponsor and make donations to promote a successful and faster development of the environment, in which they operate. We further promoted the cooperation with our traditional partners, yet owing to the aggravated financial situation the amount of funds donated in 2011 was lower. Our associates actively spent their leisure time within the framework of the Sports-Recreational Society Savčan and the Cultural Society Sava.

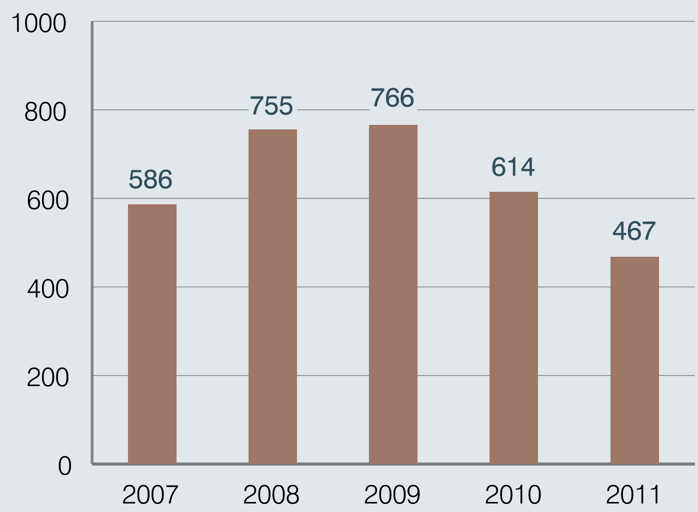
Sponsorships and donations to the social community

The essence of the sustainable development is to act strategically towards a better tomorrow. Although the economic circumstances are still difficult, we still wish to promote the development of the wider community, but we had to substantially reduce the funding earmarked for sponsorships and donations.

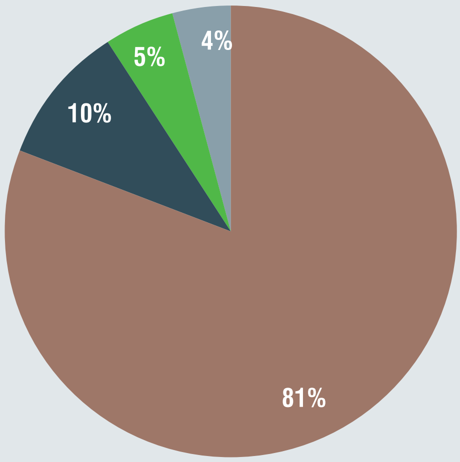
The advantage in selection of funds recipients is given to long-term partnerships and the projects, which include wider groups of people and the youngest generations. We offer our partners our assistance in organisation, and our associates often participate in such projects in their spare time.

In 2011 too, the majority of funds was earmarked for the development of sport, either for the youth or for professional sports team with outstanding international achievements, but also for mass recreation. We sponsored cultural events, donated to humanitarian social projects and made investments in professional development and education too.

SAVA GROUP
The amount of funds for sponsorships and donations from 2007 to 2011
(€ in thousands)



SAVA GROUP
Structure of sponsorships and donations in 2011 (%)



Sava d.d.

For many years Sava d.d. has been supporting the cycling sport in Kranj. We have been sponsoring the Sava Cycling Club ever since 1968. The club has a rich history in training young athletes, who achieve top results at international level, while some of them are even members of the elite professional cycling teams. The management of the Sava Cycling Club is an excellent organiser of cycling events either for recreational athletes or professionals in the international Kranj Grand Prix.

For the fourth year in succession, we co-financed the Basketball Club Stražišče Kranj, which places a great focus on the work with young athletes. The boys and girls from the team are progressing and can already keep up the pace with the young generation of the well-established Slovene basketball clubs. We are faithful to the women's Handball Club Sava Kranj who plays in the 1st B national women handball league.

In 2011, we also sponsored the international sports spectacle, ski jumps in Planica.

We have been sponsoring the Sava Cultural Society for many years. The cultural society not only encourages creativity of its members, but excites people's interest in the Slovene folk heritage with performances of its folk dance group.

We sponsored the Museum of Gorenjska in Kranj and the birth-house of the Slovene greatest poet Dr. France Prešeren in Vrba. In cooperation with the Prešeren's Theatre in Kranj, we enable viewers a free admission to theatrical performances during the Drama Week.

It is our tradition to co-organise and support the Let's Clean Kranj campaign, in which 40 societies and 3,500 individuals including the associates from Sava participated.

Rubber Manufacturing

Similar to other Sava Group companies, Savatech d. o. o. made sure that young people from socially-deprived families enjoyed free holidays organised by the Institute for Holiday-Making and Recreation of Children. It further sponsored the Multiple Sclerosis Association of Slovenia, the Red Cross and the Slovene Association of Societies for Combating Cancer.

It sponsored the Engineers' Association and Technicians of Velenje Coal Mine in the organisation of the 4th international conference BALKANMINE 2011, and the Slovene Mechanical Engineers Association in the organisation of their formal academy.

Furthermore, it assisted in the organisation of the 24th cultural week of Stražišče in cooperation with the local community of Stražišče and in the preparation of the concerts by the choir Mysterium.

As far as sport is concerned, it sponsored the organisation of the 11th Mayor's Run in Kranj, the world football championships for homeless, the Hockey Club Triglav and the Swimming Club Triglav Kranj.

In 2011, a lot of sponsorship funds were earmarked for the events, at which Savatech's new off-road products were promoted. For the third year in succession, the Sava Enduro Cup was organised, which attracted racers from Slovenia, Croatia and Austria to participate. The company also sponsored the most attractive Slovene motorcycle championships SXC, or Slovene Cross Country, which in overall standing included over 300 drivers. Savatech's off-road products were demonstrated to the best male and female racers on the occasion of the World Motocross Championships in Orehova vas, Slovenia; it should be pointed out that the female category was included for the first time.

It also sponsored a very promising Slovene stunt racer Rok Bagoroš, who represents our company in a very attractive manner home and abroad.

Tourism

Sava Hoteli Bled d. d. sponsored the traditional Bled Festival, while in the 13th friendship golf tournament for President's Cup Sava funds were gathered for the ICT equipment in the primary school Dr. Josip Plemelj Bled. It sponsored the charity hockey tournament organised by the hockey player Anže Kopitar, the Bled Rowing Club and numerous smaller sports clubs in Bled promoting sport among the youth.

Terme 3000 d. o. o. sponsored ethnological events It *Smells of Prekmurje* and the *Festival of Prekmurska Gibanica and Ham*. The company repeatedly collaborated in the organisation of the charity events *Our Great Heart* whose aim is to gather funds for children from socially- deprived families in Pomurje. The company co-funded the Institute for Holiday-Making and Recreation of Children Ljubljana to assist in organising holidays for their employees' children.

Terme Lendava d. o. o. continued to fund the Football Club Nafta Lendava, Sports Speedway team Lendava and the Women's Football Club Pomurje Beltinci. Further, it supported the Croatian Cultural Society Pomurje, the Institute for the Culture of Hungarian Nationality and various smaller cultural societies in Lendava.

Zdravilišče Radenci, d. o. o. sponsored the traditional *Marathon of Three Hearts* organised by the Sports Society Radenci. It repeatedly organised the charity event *Night of Sparkling Wine* and allocated the gathered funds to the General Hospital Murska Sobota for purchasing an MRI device. This year too, it sponsored the Night of Traminec Wine, the Football Club Mura, the Slovene Association of Disabled Workers and the Society of Disabled Persons Maribor.

Under the sponsorships of Terme Banovci d. o. o. the event Xmas Village took place for the 12th time in succession in Banovci.

3 Environmental protection and fire safety

In 2011, the effects of a preventive and systematic work in safety area manifested in further improvements of environmental indicators. We reduced the level of CO_2 emissions, the quantity of waste and the number of fire incidents. By analysing the carbon footprint in the Bled Strategic Forum, we evaluated how efficient the adopted measures were and introduced the so-called Green meetings. We maintained a high quality level of swimming pool water and improved guest safety.

3.1. Protecting the natural environment

We make every endeavour to reduce the impacts on the environment. By educating and raising awareness, we make sure that all employees as well as our suppliers act responsibly towards the environment. Our operations are regularly adapted to the requirements set out in the environmental legislation.

Our priority goals are as follows:

- The rational use of energy, raw materials and natural resources.
- Separate collection and recycling of waste to decrease the quantity of waste for disposal.
- Decreasing the specific quantity of waste.
- The prevention of environmental pollution.
- Substitution of hazardous substances with less hazardous ones.
- The training of employees.

Based on the international environmental management standard SIST EN ISO 14001:2004, Sava Group companies systematically approach to the environmental management. Tourism adapts its operations to the programme introduced by the European golf association, the so-called Committed to Green, while the activities for obtaining the European eco sign for products and services, which meet the highest environmental standards - Eco Label, are in progress.

The Safety Centre provides a professional support and consulting services to the management teams of Sava Group in environmental protection, fire safety, guest safety and assets security.

A team for the efficient use of energy managed by the director of Sava's energy management operations liaises in the projects for minimising the consumption of energy and natural resources, and investments, in general.

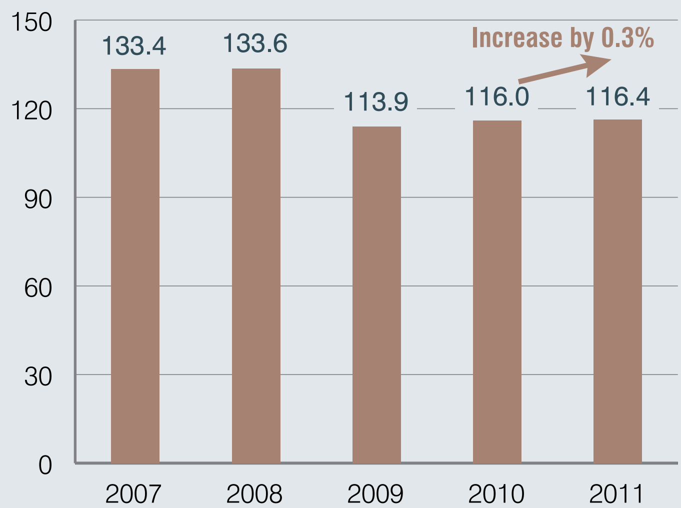
Indicators of responsible environmental management

We monitor decreasing the impacts of our operations on the environment by means of measurable environmental indicators, which are regularly dealt with and, as a result, corrective measures are introduced.

Efficient use of energy

The main energy resources in Sava Group companies are electricity, natural gas, heating oil and household

SAVA GROUP
Total consumption of energy products from 2007 to 2011 (GWh)

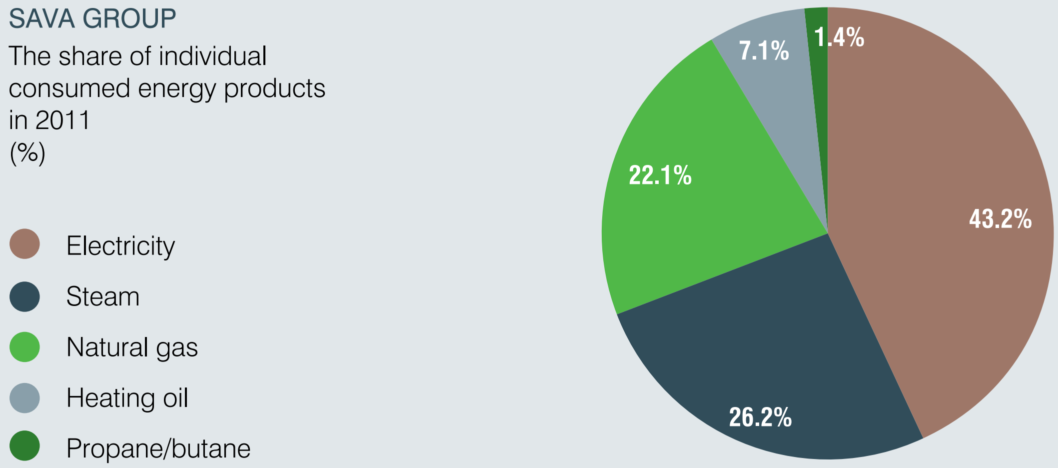


The total consumption of energy in the Sava Group increased by 0.3% and that despite the increased volume in produced products and services in Group's companies. The share of energy costs in sales revenues decreased by 0.15 percentage point in 2011.

Considering the type of energy product, the 2011 consumption indicators at the level of the Sava Group are as follows:

- The consumption of electricity decreased by 3.2%.
- The consumption of steam increased by 8.7%.
- The consumption of natural gas decreased by 2.0%.
- The consumption of heating oil increased by 1.4%.
- The consumption of household gas propane/butane decreased by 3%.

SAVA GROUP
The share of individual consumed energy products in 2011
(%)



In 2011, the team for the efficient use of energy finished 11 projects, 13 are still being in progress; total saving amounts to €318,000 annually.

Lower emissions into the air

In Savatech d.o.o. we make sure that emissions of substances into the air are monitored every two to three years, which is in compliance with the environmental legislation. The most frequent parameters monitored are TOC (total organic carbon) and dust particles. The findings are reported to the Agency of the Environment of the Republic of Slovenia.

In 2011, 10 measurements of emissions to the air were carried out, mainly because of the new TOC limit value; based on the results, certain measures were introduced to reduce these emissions.

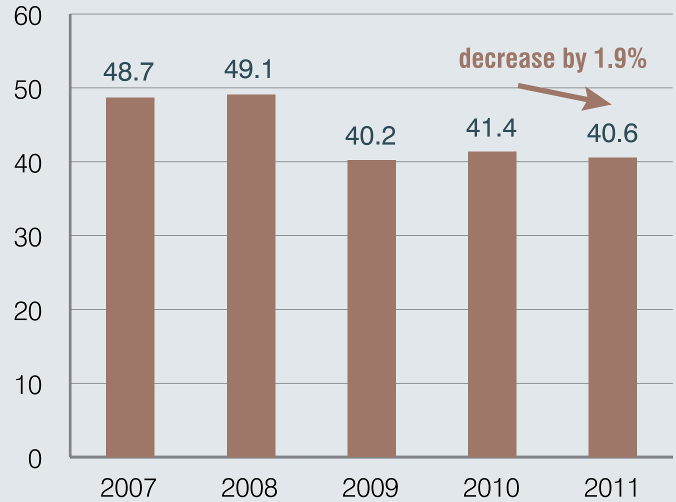
A system for regeneration of solvents using adsorption was introduced in 2010. This new air cleaning system intercepts solvents evaporating in the process, and instead of incinerating them, they are regenerated and returned back into the process. The introduced procedure results in a considerable reduction in the carbon dioxide emissions. Furthermore, 85% less solvents are purchased, which substantially decreases the environmental risk at decanting solvents into tanks.

Lower greenhouse gases emissions v

The efforts for a more rational use of energy and a change in the type of energy products in Sava Group companies resulted in a continual decrease of CO_2 emissions over a few years' period.

We are fulfilling the commitments of the European Union in implementing the Kyoto Protocol.

SAVA GROUP
Total CO_2 emission dueto the consumption of energy products from 2007 to 2011
(thousand of metric tons)



In 2011, the direct and indirect CO_2 emissions decreased by 1.9%. The structure of CO_2 emissions is clear from the graph on the opposite page.

Carbon footprint calculation and analyses of environmental impacts - Green meetings

In 2011, Tourism developed a new product of environmentally-friendly conferences and meetings. The efficiency of the measures aiming at reducing the greenhouse gas emissions was verified with the case of the Bled Strategic Forum, the first model Green meeting.

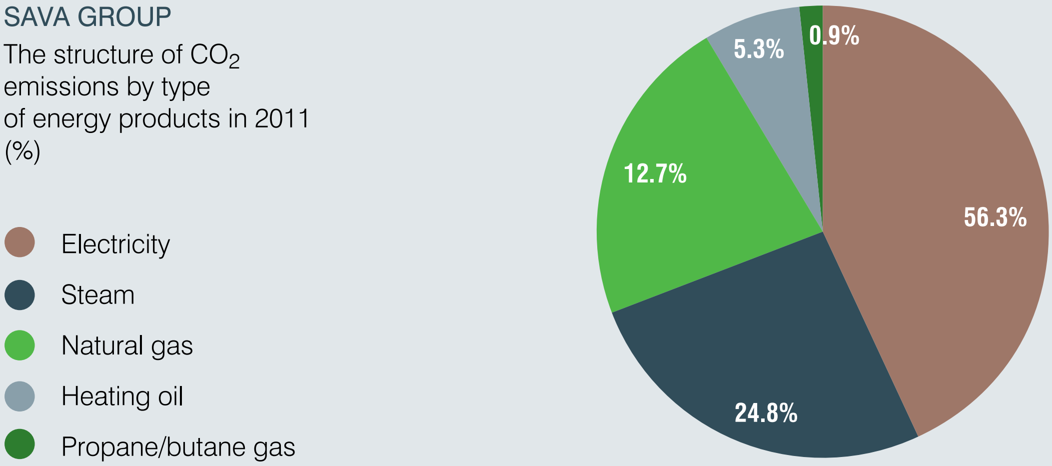
The analysis of the carbon footprint showed that the organisation of the Bled Strategic Forum generated 22.5 metric tons of CO_2 emissions or 57.4 kg CO_2 per a participant. In this figure, transportation had a 59% share, accommodation 37%, and the consumption of energy in conference halls had 1% share.

The analysis of environmental impacts included other fields too. We examined the efficiency of waste separation and analysed food and beverages field, in the case of which, we will encourage the sale of locally produced season food and beverages to further contribute to acting in a sustainable manner.

The carbon footprint analyses in the Bled Strategic Forum enabled:

- Estimate of the impact this Green meeting had on the environment.
- Evaluation of the efficiency of the already adopted measures on reducing the impacts on the environment.
- A suitable basis for the new measures for reducing the amount of greenhouse gases emissions in conference events as well as other day-to-day hotel operations.

SAVA GROUP
The structure of CO_2 emissions by type of energy products in 2011 (%)

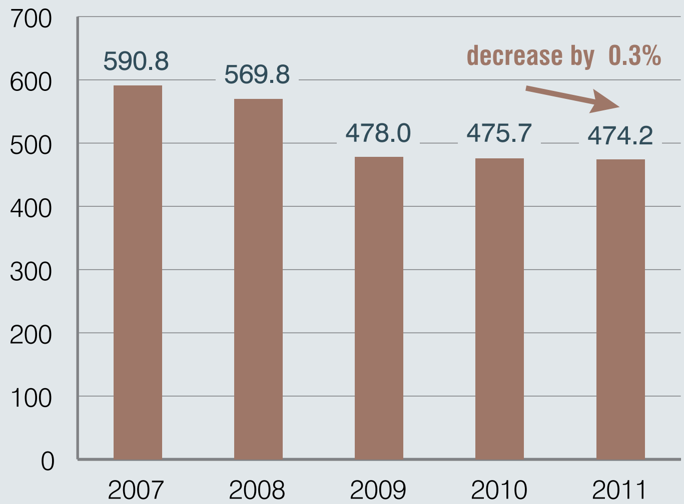


Lower drinking water consumption

In 2011, we proceeded with a systematic project for decreasing the consumption of drinking water:

- Systematically detect drinking water leaks in the network and eliminate faults as they appear.
- Regularly monitor drinking water consumption.
- Ensure the rational use of water.

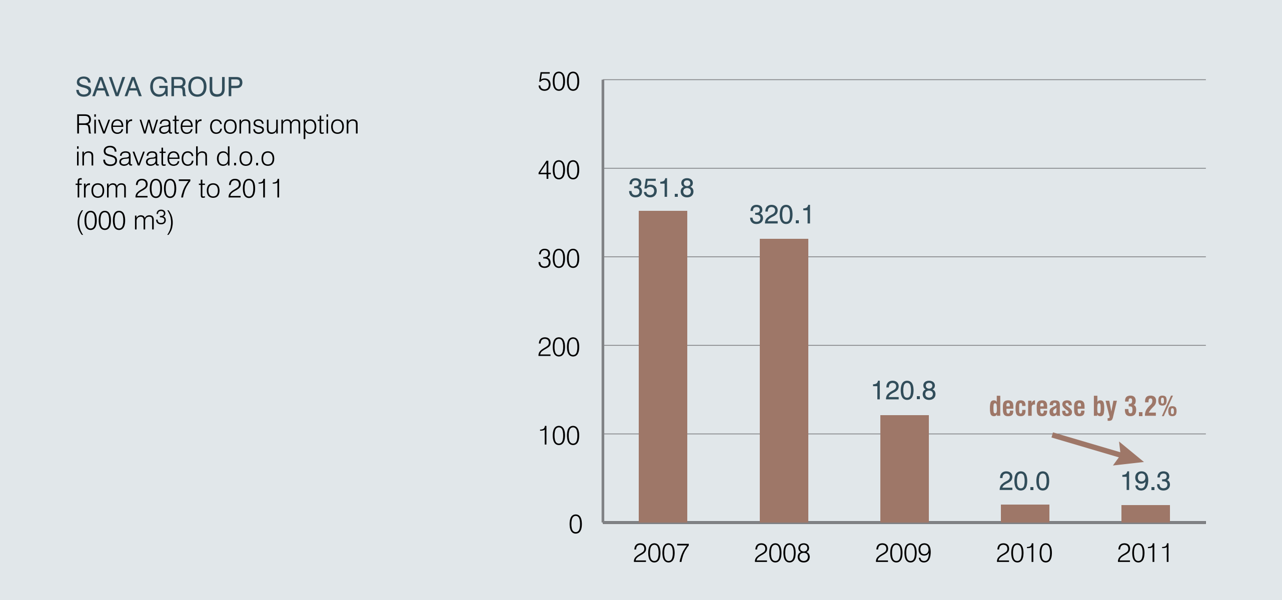
SAVA GROUP
Consumption of drinking water from 2007 to 2011 (000 m^3)



In 2011, the consumption of drinking water in the Sava Group was 0.3% lower than in 2010 and that despite an increased number of guests in the Tourism companies.

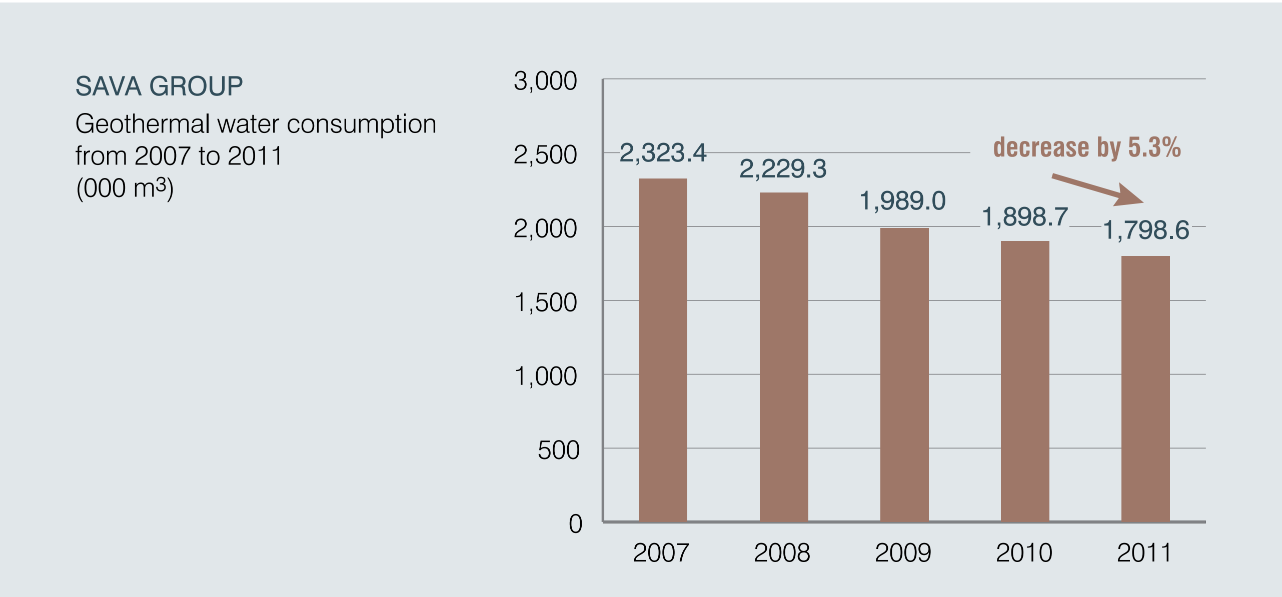
Lower river water consumption

In August 2009, Savatech d.o.o., Kranj, discontinued its flow-through system for cooling with water from the Sava River. River water is now used only indirectly, mainly as softened water used in technology processes and for filling up the closed cooling water systems. This water is assured by Goodyear Dunlop Sava Tires d.o.o., which uses the pumped water also for the production of steam. The latter is used in technology processes and partly also for heating.



By installing local autonomous cooling units and closed cooling towers, the consumption of river water decreased by 3.2%, the specific consumption of river water (the quantity of river water per produced quantity of products) was 5.7% lower in 2011 to amount to 0.89 m³/tons of products.

Lower geothermal water consumption



With regard to 2010, the consumption of geothermal water in 2011 was by 5.3% lower.

Responsible handling of waste water

We are continually decreasing the environmental pollution with waste water by returning water in production processes, closed cooling systems and the efficient functioning of internal cleaning devices (oil catchers).

Based on the operation monitoring programme and in compliance with the requirements of environmental permits, we regularly carry out monitoring of waste water at two measuring points before the inflow in the public sewage system, and at industrial waste water outflows before the inflow in the internal sewage system.

Measurements are carried out by the outsourced certified service providers. Based on the internal monitoring plan, we carry out monthly check-up measurements. In 2011, three measurements at the outflow of sewage-technology system into the public sewage system, and two measurements each at four oil catchers were carried out.

With regard to 2010, total quantity of waste water in Sava Group companies increased by 2.0% in 2010, which was due to a bigger volume of products and services.

Concern for a safe and professional waste disposal

Rubber waste

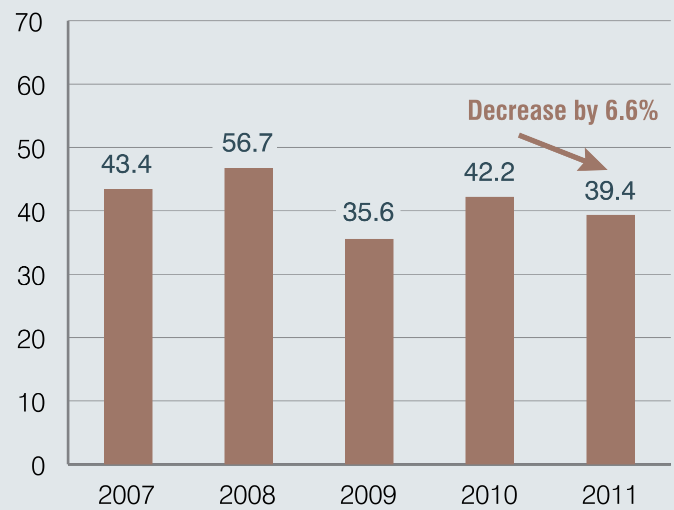
in Savatech d.o.o. we have been separately collecting waste according to type and property for several years. Before waste is transported to the authorised waste disposal companies, it is weighed.

Wood, metal, paper and plastic are recycled, whereas hazardous substances and their packaging are incinerated or reprocessed. The majority of office and production waste is sorted out and what remains after sorting out is disposed. A part of rubber waste is left to energy utilisation in cement works, and part of it is processed.

We carried on with the strategic project Reducing and use of waste, which is being continued in 2012 too. Rubber waste was used in the manufacture of product prototypes.

In 2011, total amount of rubber waste amounted to €856.8 tons, and compared to the previous year it was lower by 4.2%.

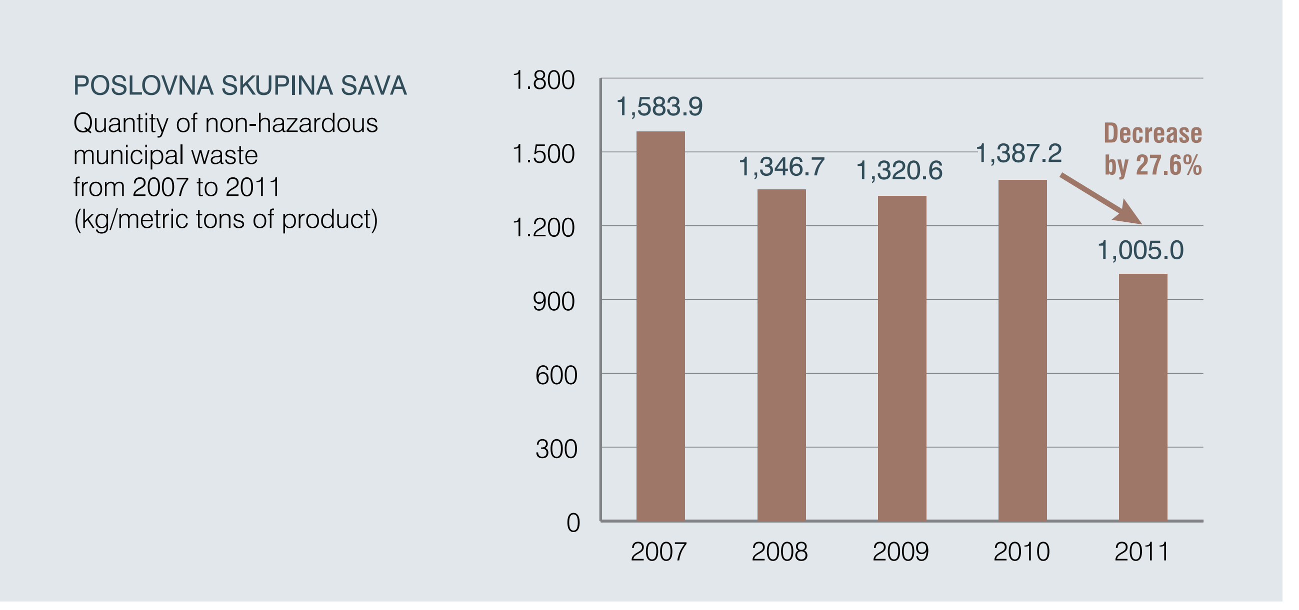
SAVA GROUP
Specific quantity of deposited rubber waste in Savatech d.o.o. from 2007 to 2011
(kg/ metric tons of product)



The specific quantity of rubber waste (in kg of waste / tons of products) decreased by 6.6% in 2011.

In 2011, 37 m of asbestos cement pipes weighing 7.5 tons were eliminated from the duct of the technical hall of Savatech d.o.o. In conformity with the regulations, pipes were replaced by a service provider authorised by the Ministry of the Environment, who before the intervention informed the Inspectorate of RS of the Environment and the Labour Inspectorate of RS.

Municipal waste



A systematic waste management and ongoing employee training resulted in a 27.6% decrease in the quantity of municipal waste in Sava Group companies.

Waste as secondary raw materials

Endeavouring for decreasing the occupation of space with waste, we examine the applicability of technology waste. Rubber waste is partly left for further processing, and as high-heat valued waste it is partly left for incineration.

Anti-noise measures

The main sources of noise in Rubber Manufacturing are the production itself, cooling towers, and filter systems for dust particles as well as indoor and outdoor transportation.

After investments were made in noise reduction in 2009, noise measurements were carried out again in 2011 and, based on the results, further measures were introduced. To decrease noise at night, a green barrier made of pine trees was planted, and an anti-noise barrier was erected, which muffles sound echoing from the outer wall of the production plant. The next measurements are planned for 2012.

An anti-noise protection for a higher guest comfort is incorporated in all investment projects, either for new buildings or renovations of the existing facilities.

Cooperation with the local community

We are open to initiatives from the neighbouring residents for minimising the impacts on the environment.

In cooperation with SchäferRolls d.o.o., Goodyear Dunlop Sava Tires d.o.o. and Veyance Technologies Europe d.o.o., Savatech d.o.o. organised the 15th traditional meeting with neighbours of the Sava industrial complex in the beginning of January 2012. The meeting was attended by 45 residents from Labore and Medetova Street, who became acquainted with the common environmental indicators of all companies, most important achievements and planned investments for minimising impacts on the environment and also made proposals for further improvements of the situation.

3.2. Fire safety and protection against other extraordinary events

Preventive measures and preparedness for extraordinary events

Despite continual improvements in the preventive measures in the fire safety area, employee training about taking precautionary measures in fire safety, and a strict implementation of the planned fire safety measures, risks still exist. The consequences of extraordinary events depend on time and manner of all involved in an extraordinary event. Checking-up employee ability for reaction in extraordinary events provides a basis for introducing improvements. Savatech d.o.o. regularly checks-up the qualification of intervention teams to deal with emergency situations.

Owing to a systematic approach to fire safety we have strongly decreased the number of fires. In 2011, only 10 initial fire incidents of the 0 level broke out, meaning that the initial fire was extinguished by associates themselves and no major material damage was caused.

The number of fire incidents decreased by 23%.

It is a tradition that every October we join the pan-Slovene preventive action campaign called October – A Month of Fire Safety. In October and November, practical drills for handling portable fire-extinguishers and taking measures in the event of initial fires were organised in certain companies.

Zero environmental accidents in 2011

A preventive and systematic approach to the environmental management and making employees aware of the significance of the environment protection resulted in a decrease risks for environmental accidents. In 2011, there was no environmental accident in Sava Group companies, which would impact the natural and living environment.

3.3. Guest safety and quality of swimming pool water

Concern for guest safety

Concern for guest safety is one of the most important commitments of Tourism companies. However, if accident happens in a swimming pool or elsewhere in a particular destination, the reported accident is recorded and, if required, additional measures for improving safety are introduced. In 2011, the number of accidents in the entire Tourism division fell by 8%. Injuries as a result of slipping on wet surfaces around the swimming pools and wardrobes are prevented with drying the floor continually, renewing anti-sliding coatings, and setting up notice boards with warnings. To prevent injuries due to incorrect diving, warning boards are set while lifeguards carefully supervise the situation in the pools.

In 2011, a new methodology was developed and introduced, which involves regular preventive check-ups of children playgrounds to assure compliance with the internal standards set out by the Tourism division

The quality of swimming pool water

The quality of swimming pool water in Tourism is of high level. We monitor it regularly and throughout the year in order to minimise health hazards. A great progress was made in the past years by introducing an integrated supervision over the operation of swimming pool systems, regular cleaning of surfaces in and around swimming pools, improvements in procedures and maintenance of high hygienic standards.

Regular samplings show that Sava's swimming pool water is highly compliant with the specified values. In rare cases when limit values are exceeded, corrective measures are introduced.

For preserving and further improvements in the quality of swimming pool water, continual training and educational courses will be organised in the future, and bathers will be reminded to have a shower before entering the pool in order to prevent the input of organic substances.

3.4. Concern for the environment in the supply chain of materials and services

In selecting the suppliers of materials and services we give priority to those who show a respectful and systematic attitude to environmental protection and to local suppliers. Supplies from the local environment, namely, place less of a burden on the environment.

Every two years we send to suppliers an environmental questionnaire, on the basis of which we ascertain their environmental responsibility and also obtain the data about their environment management certificates. Every year all contractors are made familiar with a system of environmental protection applicable for a particular location.

3.5. Environmental safety in the future

We will further demonstrate our responsibility towards the environment by implementing legal requirements, which we will upgrade with sophisticated methods and standards that will assure continual improvements in environmental management.

In Savatech d.o.o., the activities will be oriented to obtaining an environmental permit according to Article 86 of the Environmental Protection Act – Environmental Permits. In Tourism, we will further endeavour to preserve the variety and diversity of animal species on golf courses. We will endeavour to relieve the burden of car exhaust emissions on the surroundings of hotels in Bled and Bled Lake by building a road by-pass. We will proceed with the adaptation of hotels to meet EKO standards.

In planning and monitoring our future operations, we will comply with the principle that the unspoiled nature is the best heritage for the future generations.

FINANCIAL REPORT

1 Financial statements of the Sava Group with notes in accordance with 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	31/12/2011	31/12/2010
ASSETS			
Property, plant and equipment	1.3.10.	215,182	228,061
Intangible assets	1.3.11.	459	951
Investment property	1.3.12.	10,040	10,549
Investments in associates	1.3.13.	199,847	319,158
Long-term equity securities, available for sale	1.3.14.	41,177	67,225
Long-term loans	1.3.15.	384	5,675
Deferred tax assets	1.3.26.	24,697	11,615
Long-term assets		491,786	643,234
Assets for sale	1.3.16.	32,348	0
Inventories	1.3.17.	29,347	58,834
Trade and other receivables	1.3.18.	26,768	25,383
Current tax receivable		25	15
Short-term investments	1.3.19.	128	115
Current loans	1.3.20.	20,224	24,958
Cash and cash equivalent	1.3.21.	10,649	8,293
Current assets		119,489	117,598
Total assets		611,275	760,832

€ in thousands

	Notes	31/12/2011	31/12/2010
EQUITY AND LIABILITIES			
Issued capital		83,751	83,751
Share premium		0	125,608
Reserves		4,977	19,691
Fair value reserve		-4,847	-4,448
Treasury shares		-4,977	-4,977
Translation reserve		236	222
Retained earnings		84,940	101,632
Total equity attributable to equity holders of the parent		164,080	321,479
Minority interest		1,716	1,873
Total equity	1.3.22.	165,796	323,352
Long-term provisions	1.3.23.	6,615	6,899
Deferred government grants	1.3.24.	12,243	12,801
Long-term interest-bearing borrowings	1.3.25.	62,501	212,999
Long-term operating liabilities		42	76
Deferred tax liabilities		0	0
Long-term liabilities for sale		81,401	232,775
Liabilities for sale	1.3.16.	17,898	0
Current interest-bearing borrowings	1.3.25.	308,809	169,015
Current operating liabilities	1.3.27.	31,105	33,828
Accrued expenses	1.3.28.	6,266	1,862
Current operating liabilities		364,078	204,705
Total liabilities		445,479	437,480
Total equity and liabilities		611,275	760,832

The notes to the financial statements form a constituent part of the latter, they, therefore, should be read in conjunction with the financial statements, *Consolidated income statement*

€ in thousands

	Notes	2011	2010
Revenues from goods sold and services rendered	1.3.29.	193,783	176,730
Change in inventories of products and work in progress		-67	21,718
Other operating revenue	1.3.30.	4,942	3,872
Operating revenue		**198,658**	**202,320**
Cost of goods, materials and services		-117,861	-125,265
Labour cost	1.3.32.	-57,044	-52,193
Depreciation and amortisation		-13,964	-15,358
Other write-offs	1.3.33.	-10,792	-2,548
Other operating expense	1.3.34.	-4,019	-3,948
Operating expenses		**-203,680**	**-199,312**
Operating income/ loss		-5,022	3,008
Financial income		5,144	4,768
Financial expense		-59,623	-114,479
Net financing income/expense	**1.3.35.**	**-54,479**	**-109,711**
Share in income of associates		11,049	11,819
Share in loss of associates		-108	-9,249
Impairments of financial investments in associates		-120,507	-989
Net income/expense from asscoiates	**1.3.36.**	**-109,566**	**1,581**
Pre-tax profit		-169,067	-105,122
Tax	1.3.37.	11,907	5,223
Net profit/loss for the year		-157,160	-99,899
Net profit for the year attributable to:			
Equity holders of the parent		-157,013	-99,848
Minority interest		-147	-51
Net profit/loss for the period		-157,160	-99,899
Basic earnings per share (€)		-78.69	-50.04
Diluted earnings per share (€)		-78.69	-50.04

The notes to the financial statements form a constituent part of the latter, they, therefore, should be read in conjunction with the financial statements.

Consolidated statement of comprehensive income

€ in thousands

	Notes	2011	2010
Profit for the period		-157,160	-99,899
Other comprehensive income			
- Foreign currency translation differences for foreign operations		14	64
- Effective portion of changes in fair values of cash flow hedges		959	-937
- Net changes in fair values of cash flow hedges transferred to profit or loss		0	0
- Change in fair value of available-for-sale financial assets	1.3.14.	6,321	-41,582
- Deferred tax on change in fair value of available-for-sale financial assets	1.3.25.	-868	4,063
- Change in fair value of investments in associates	1.3.13.	-5,055	-2,358
- Change in fair value of available-for-sale financial assets transferred to profit or loss		-2,355	-362
- Deferred tax on change in fair value of available-for-sale financial assets transferred to profit or loss	1.3.25.	599	319
Other comprehensive income for the periods, net of deferred tax		-385	-40,793
Total comprehensive income for the period		-157,545	-140,692
Total comprehensive income for the period attributable to:			
Owners of the Company		-157,398	-140,641
Minority interest		-147	-51
Total comprehensive income for the period		-157,545	-140,692

The notes to the financial statements form a constituent part of the latter, they, therefore, should be read in conjunction with the financial statements.

Consolidated cash flow statement

€ in thousands

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss before taxation		-157,160	-99,899
Adjustments for:			
Depreciation of property, plant and equipment	1.3.10.	13,266	14,420
Depreciation of intangible assets	1.3.11.	119	120
Depreciation of investment property	1.3.12.	580	818
Impairment of property, plant and equipment	1.3.10.	189	69
Write-off of investments in progress		116	0
Reversal of impairments of property, plant and equipment	1.3.10.	0	-138
Reversal of increases in value of property, plant and equipment		298	0
Write-offs of intangible assets	1.3.11.	92	17
Write-offs and impairments of investment property	1.3.12.	416	142
Impairment of financial assets	1.3.14.	26,429	53,108
Impairment of investments in associates	1.3.13.	113,820	989
Proceeds from sale of plant, property and equipment	1.3.30.	-93	-126
Loss at disposal of property, plant and equipment	1.3.33.	3	13
Profit from sale of investment property	1.3.30.	-459	-46
Foreign currency translation difference		14	64
Profit in sale of long-term securities	1.3.35.	-2,597	-868
Loss in sale of securities	1.3.35.	1,609	1,012
Loss in sale of associates		108	0
Share in income of associates	1.3.36.	-11,049	-11,819
Other dividends received and shares in profit	1.3.35.	-196	-505
Share in loss of associates	1.3.36.	0	9,249
Foreign exchange rate difference		-5	79
Impairment of granted loans	1.3.35.	0	16,255
Impairment of granted loans to associates	1.3.36.	6,687	0
Write-off of financial receivables		0	18,276
Interest expenses	1.3.35.	22,446	21,360
Interest revenue	1.3.35.	-2,196	-3,137
Liabilities/receivables for income tax	1.3.37.	-11,907	5,223
Income from operations prior to change in operating equity and provisions		530	24,676
Change in long-term receivables		-13,113	-10,896
Change in current receivables		-2,759	5,329
Change in inventories		7,256	14,392
Change in current operating liabilities		16,547	1,144
Change in long-term operating liabilities		3,592	3,847
Change in provisions	1.3.23.	-19	1,402
Change in government grants	1.3.24.	-558	-630
Acquired cash in operations		11,476	39,264
Paid income tax	1.3.37.	-1,595	-1,328
Net cash flow from operations		9,881	37,936

€ in thousands

	Notes	2011	2010
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment	1.3.10.	-7,293	-6,396
Proceeds from sale of property, plant and equipment		164	2,397
Purchase of intangible assets	1.3.11.	-72	-65
Proceeds from sale of intangible assets	1.3.11.	6	0
Purchase of investment property	1.3.12.	-17	0
Proceeds from sale of investment property		459	46
Proceeds from sale of subsidiaries		1,100	0
Expenses from sale of associates	1.3.13.	-1	-4,338
Proceeds from sale of associates		329	0
Proceeds from repaid loans		74,431	98,841
Expenses for granted loan		-75,571	-56,456
Expenses for purchase of long-term securities	1.3.14.	-1,992	-15,340
Proceeds from sale of long-term securities		7,982	4,707
Received dividends from associates	1.3.13.	11,049	11,819
Other dividends received and shares in profit	1.3.35.	196	361
Received interests	1.3.35.	2,196	3,137
Net cash flow from investment activities		12,966	38,713
CASH FLOWS IN FINANCING ACTIVITIES			
Acquisition of own shares		0	-4,753
Other changes in capital		-10	-35
Proceeds from granted long-term loans		14,769	54,524
Expenses for granted long-term loans		-14,065	-81,296
Proceeds from granted current loans		131,238	215,302
Expenses for granted current loans		-129,369	-228,753
Expenses for dividends of Group's shareholders		-11	-6,416
Paid interests		-22,446	-21,360
Net cash flow from financing activities		-19,894	-72,787
Net increase or decrease in cash and cash equivalents		2,953	3,862
Cash and cash equivalents at year begin		8,293	4,431
Cash and cash equivalents from companies for sale		-597	0
Cash and cash equivalents at the end of the period		10,649	8,293

The notes to the financial statements form a constituent part of the latter, they, therefore, should be read in conjunction with the financial statements.

Consolidated statement of changes in equity

€ in thousands

	Issued capital	Share premium	Re-serves	Re-serves for Own shares	Reserve for fair value of financial assets	Reserves from the change in the value of financial in-vestments in associates	Reserve for fair value of interest rate swaps	Own shares	Transla-tion reserve	Net profit/ loss for the financial year	Net profit/ loss brought forward	Capital attributed to the owners of con-trolling company	Non-con-trolling interest	Total
Balance at 31/12/2009	83,751	125,608	68,665	224	34,623	1,809	-23	-224	158	9,887	148,808	473,285	2,111	475,396
Total comprehensive income														
Loss of the year	0	0	0	0	0	0	0	0	0	-99,848	0	-99,848	-51	-99,899
Other comprehensive income	0	0	0	0	-37,562	-2,358	-937	0	64	0	0	-40,793	0	-40,793
Foreign currency translation differences for foreign operations	0	0	0	0	0	0	0	0	64	0	0	64	0	64
Effective portion of changes in fair values of cash flow hedges - interest rate swaps	0	0	0	0	0	0	-937	0	0	0	0	-937	0	-937
Change in fair value of available-for-sale financial assets	0	0	0	0	-41,582	0	0	0	0	0	0	-41,582	0	-41,582
Deferred tax on change in fair value of available-for-sale financial assets	0	0	0	0	4,063	0	0	0	0	0	0	4,063	0	4,063
Change in fair value of investments in associates	0	0	0	0	0	-2,358	0	0	0	0	0	-2,358	0	-2,358
Change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	0	-362	0	0	0	0	0	0	-362	0	-362
Deferred tax on change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	0	319	0	0	0	0	0	0	319	0	319
Total comprehensive income	0	0	0	0	-37,562	-2,358	-937	0	64	-99,848	0	-140,641	-51	-140,692
Transactions with owners, recorded directly in equity														
Dividend payout	0	0	0	0	0	0	0	0	0	0	-6,412	-6,412	-152	-6,564
Transfer of net profit from the previous year in net profit/loss brought forward	0	0	0	0	0	0	0	0	0	-9,887	9,887	0	0	0
Acquisition of own shares	0	0	0	0	0	0	0	-4,753	0	0	0	-4,753	0	-4,753
Decrease in minority interest due to exchange rate change	0	0	0	0	0	0	0	0	0	0	0	0	-35	-35
Total transactions with own-ers shown in capital	0	0	0	0	0	0	0	-4,753	0	-9,887	3,475	-11,165	-187	-11,352
Changes in capital														
Coverage of loss	0	0	-42,668	0	0	0	0	0	0	72,903	-30,235	0	0	0
Formation of reserves for own shares	0	0	-4,753	4,753	0	0	0	0	0	0	0	0	0	0
Other changes in capital	0	0	-6,530	0	0	0	0	0	0	0	6,530	0	0	0
Total changes in capital	0	0	-53,951	4,753	0	0	0	0	0	72,903	-23,705	0	0	0
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

€ in thousands

	Issued capital	Share premium	Re-serves	Re-serves for Own shares	Reserve for fair value of financial assets	Reserves from the change in the value of financial in-vestments in associates	Reserve for fair value of interest rate swaps	Own shares	Transla-tion reserve	Net profit/ loss for the financial year	Net profit/ loss brought forward	Capital attributed to the owners of con-trolling company	Non-con-trolling 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 in 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	0	6,321	0	0	0	0	0	0	6,321	0	6,321
Deferred tax of 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														
Transfer of net profit from the previous year in net profit/loss brought forward	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 a status change in Tourism	0	0	0	0	0	0	0	0	0	0	0	0	-27	-27
Total transactions with owners, recorded directly in equity	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

1.2. Composition of the Sava Group and data about the operations of subsidiaries and associated companies in 2011

On 31 December 2011 the Sava Group consisted of 23 companies: the parent company Sava d.d. and 22 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 31/12/2011 and 31/12/2010:

€ in thousands

	% ownership 31/12/2011	% ownership 31/12/ 2010	Change in % of ownership 2011
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.)	95.00%	95.00%	0.00%
- SAVA-ROL d.o.o., Zagreb (owned by Savatech, d.o.o.)	76.00%	76.00%	0.00%
SAVA-SCHÄFER d.o.o., Kranj	0.00%	50.00%	-50.00%
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 DIVISION			
SAVA TURIZEM d.d., Bled	99.05%	0.00%	99.05%
SAVA TMC d.o.o., Kranj	100.00%	100.00%	0.00%
SAVA HOTELI BLED d.d., Bled	0.00%	96.82%	-96.82%
TERME 3000 d.o.o., Moravske Toplice	0.00%	100.00%	-100.00%
ZDRAVILIŠČE RADENCI d.o.o., Radenci	0.00%	100.00%	-100.00%
TERME LENDAVA d.o.o., Lendava	0.00%	100.00%	-100.00%
TERME PTUJ d.o.o., Ptuj	0.00%	100.00%	-100.00%
REAL ESTATE DIVISION			
SAVA IP d.o.o., Ljubljana	100.00%	100.00%	0.00%
- IP NOVA d.o.o., Ljubljana (owned by SAVA IP, d.o.o.)	100.00%	100.00%	0.00%
- IP NOVA A d.o.o., Ljubljana (owned by SAVA IP, d.o.o.)	100.00%	100.00%	0.00%
- SAVA IPN d.o.o., Ljubljana (owned by SAVA IP, d.o.o.)	0.00%	100.00%	0.00%
- SAVA IMG, d.o.o., Poreč (owned by Sava IP, d.o.o.)	0.00%	50.00%	-100.00%
SAVA NOVA d.o.o., Zagreb	100.00%	100.00%	-50.00%
OTHER OPERATIONS			
SAVA MEDICAL IN STORITVE d.o.o., Kranj	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%
SAVA IT d.o.o. Kranj	100.00%	0.00%	-100.00%

Changes in the composition of the Sava Group

Sava d.d. transferred the ownership of Sava Rol d.d. , Zagreb to the mainstay of Rubber Manufacturing, Savatech d.o.o., Kranj.

On 22 February 2011, Sava d.d. concluded an agreement with its long-term partners SchäferRolls GmbH & Co. KG about selling a 50% business stake of Sava d.d. in the mixed ownership company for the manufacture of roll covers Sava Schäfer d.o.o., Kranj. The ownership of the rubber manufacturing company Sava-Schäfer d.o.o. thus passed over to become wholly owned by the German partner SchäferRolls GmbH & Co. KG, and renamed SchäferRolls d.o.o.

The companies Terme 3000 d.o.o., Zdravilšče Radenci d.o.o., Terme Ptuj d.o.o. and Terme Lendava d.o.o., merged to Sava Hoteli Bled d.d.; the merged company Sava Turizem d.d. was entered in the register of companies on 30 December 2011.

Sava d.d. split a 100% ownership stake in Sava IP d.o.o. in two stakes: a 51% and a 49% stake. The division of the business stake in two parts was required, since one part was pledged for the obtained loan. The division was formally made in sale and purchase transactions, which did not change the total value of the financial investment. Presently, the negotiations about selling a part of the financial investment in Sava IP d.o.o. to a partner out of the Sava Group are in progress.

Sava IP d.o.o. sold its 100% stake in Sava IPN d.o.o. to Sava d.d. Sava IPN d.o.o. renamed to Sava IT d.o.o. and was incorporated in Other Operations.

Sava IP d.o.o. sold its 50% ownership stake in a jointly controlled company SAVA IMG d.o.o., Poreč in Croatia.

Increase in capital of subsidiaries

The increases in capital of Savatech d.o.o., Kranj, in the amount of €31.2 million, Sava IP d.o.o. , Ljubljana, in the amount of €7.1 million, and Ensa BH d.o.o., Srbac, in the amount of €1.9 million, which had been approved already in 2010, were entered in the register of companies.

In the period January-December 2011, the controlling company Sava d.d. increased capital in the following companies:

- Sava Nova d.o.o., Zagreb in the amount of €9.0 million- by converting the granted loan into company's capital.
- Energetika Sava d.d., Kranj, in the amount of €0.2 million – with money paid in.
- Sava TMC d.o.o., Kranj, in the amount of €0.2 million – with money paid in.

Other explanations

In the financial statements of Sava d.d. and the Sava Group, a part of the financial investment in Sava IP d.o.o. in the amount of €19.3 million was transferred from financial investments in the subsidiaries under short-term assets available for sale. It is thus expected that a part of the investment is sold to a partner out of the Sava Group in 2012.

In the financial statements of Sava d.d. and the Sava Group, a part of the financial investment in Sava Medical in Storitve d.o.o. in the amount of €2.9 million was transferred from financial investments in the subsidiaries under short-term assets available for sale. It is thus expected that a part of the investment is sold to the mainstay of the Rubber Manufacturing with the Foreign Trade Network, Savatech d.o.o., in 2012.

Associated companies in the Sava Group

In 2011, additional purchases were made in Maksima Invest d.d., Ljubljana, after which the share of Sava d.d. increased by 21.77%.

In 2011, a 27% share in Job d.o.o., Maribor was sold.

There were no other changes in connection with ownership stakes in the associated companies.

List of associated companies with a comparison of ownership stakes at 31/12/2011 and 31/12/2010:

	% ownership 31/12/2011	% ownership 31/12/ 2010	Change in % of ownership 2011	Controlling stake** 31/ 12/ 2011
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%	21.34%	0.43%	21.77%
- Job d.o.o., Maribor	0.00%	27.00%	-27.00%	0.00%
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 23,924 shares of Gorenjska Banka d.d., Kranj (7.21%), 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 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 the total number of issued shares of the associated company less own shares.*

Representation offices in the Sava Group

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

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

Sales revenues of subsidiaries in 2010, capital of subsidiaries at 31/12/2010 and operating profit/loss of subsidiaries in 2010:

€ in thousands

Company/ head office	Sales revenues 2010	Equity value 31/12/2010	Profit/loss 2010
RUBBER MANUFACTURING DIVISION	124,054	39,383	3,915
SAVATECH d.o.o., Škofjeloška cesta 6, 4000 Kranj	94,162	33,480	3,573
SAVA-ROL d.o.o., Fallerovo šetalište 22, 10000 Zagreb, Croatia	363	157	1
*SAVA-SCHÄFER d.o.o., Škofjeloška cesta 6, 4000 Kranj	3,737	1,622	91
SAVAPRO d.o.o., Škofjeloška cesta 6, 4000 Kranj	0	3,260	164
SAVARUS d.o.o., Spartakovskaja 1d, 150036 Jaroslavl, Russia	3,668	-1,773	-198
- FOREIGN TRADE NETWORK	22,124	2,637	284
SAVA TRADE GmbH, Kobellstrasse 4, 80336 Munich, Germany	12,200	1,096	105
SAVA TRADE sp.z.o.o., Ul Przyparkova 19, 05-850 Ozarow Mazowiecki, Poland	3,002	6	85
SAVA TRADE spol.s.o.o., U Elektry 650/50, Budova K, 190 00 Prague, Czech Republic	4,449	1,112	23
SAVATECH TRADE Ltd., Bourne House, 475 Godstone Road, Whyteleafe, Surrey CR 3 OBL, Great Britain	519	64	13
SAVATECH CORP., 413 Oak Place, Blgd 5-J, Port Orange, FL 32127, USA	1,954	359	58
TOURISM DIVISION	63,822	96,000	-2,227
SAVA TMC d.o.o., Škofjeloška cesta 6, 4000 Kranj	3,105	8	419
SAVA HOTELI BLED d.d., Cankarjeva 6, 4260 Bled	18,614	29,449	-1,324
TERME 3000 d.o.o., Kranjčeva cesta 12, 9226 Moravske Toplice	18,120	35,152	125
ZDRAVILIŠČE RADENCI d.o.o., Zdraviliško naselje 12, 9252 Radenci	11,581	9,555	-840
TERME LENDAVA d.o.o., Tomšičeva 2a, 9220 Lendava	4,487	5,363	18
TERME PTUJ d.o.o., Pot v toplice 9, 2251 Ptuj	7,915	16,473	-626
REAL ESTATE DIVISION	7,376	20,087	-2,734
SAVA IP d.o.o., Davčna ulica 1, 1000 Ljubljana	6,055	24,883	1,119
IP NOVA d.o.o., Davčna ulica 1, 1000 Ljubljana	13	236	21
IP NOVA A d.o.o., Davčna ulica 1, 1000 Ljubljana	0	8	0
SAVA IPN d.o.o., Davčna ulica 1, 1000 Ljubljana	0	8	0
*SAVA IMG d.o.o., Poreč (owned by Sava IP, d.o.o.)	4	3	-1
SAVA NOVA d.o.o., Fra Filipa Grabovca 14, 10000 Zagreb, Croatia	1,304	-5,051	-3,873
OTHER OPERATIONS	5,392	2,974	-2,336
SAVA MEDICAL IN STORITVE d.o.o., Škofjeloška cesta 6, 4000 Kranj	2,887	2,956	20
GIP SAVA KRANJ d.o.o., Industrijski put bb, 22400 Ruma, Serbia	24	1	2
ENERGETIKA SAVA d.o.o., Škofjeloška cesta 6, 4000 Kranj	543	-17	-180
ENERGETIKA ČRNOMELJ d.o.o., Škofjeloška cesta 6, 4000 Kranj	392	616	3
ENSA BH d.o.o., Prijeblezi BB, 78429 Srbac, Bosnia and Herzegovina	1,518	-567	-2,157
SAVA ENSA dooel., Ul Veljko Vlahović br. 16/4, 1000 Skopje, Macedonia	28	-16	-24
SUBSIDIARIES	200,644	158,443	-3,382

* *In the case of companies, in which Sava d.d. had a 50% controlling stake, total revenues, total capital and total profit/loss from operations are shown.*

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

€ in thousands

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

The 2011 data has been prepared on the basis of the unaudited financial statements of the associated companies.

Capital of associated companies at 31/12/2010 and operating profit/loss of the associated companies in 2010

€ in thousands

	Equity value 31/12/2010	Profit/loss 2010
Gorenjska Banka, d.d., Bleiweisova 1, 4000 Kranj	366,846	21,092
Abanka Vipa, d.d., Slovenska cesta 58, 1517 Ljubljana	364,003	6,566
NFD Holding, d.d., Trdinova 4, Ljubljana	54,221	-18,864
Maksima Invest, d.d., Trdinova 4, Ljubljana	17,919	-7,834
Job, d.o.o., Cofova ulica 8, 2000 Maribor	1,142	295
Turizem Lendava, d.o.o., Glavna ulica 38, 9220 Lendava	-32	-44
Panensa, d.o.o., Prijeblezi bb, 78429 Srbac, Bosnia and Herzegovina	137	-325

The 2011 data has been prepared on the basis of the unaudited financial statements of the associated companies.

1.3. Notes to the financial statements of the Sava Group in accordance with 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 include the controlling company Sava d.d., its subsidiaries, jointly controlled companies until the month of their sale in 2011, and interests in the associated companies, and have been drawn for the year ended on 31 December 2011.

1.3.2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and in compliance with the IFRIC 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 27 March 2012.

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. All 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 having 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 ongoing 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 periods shown in the enclosed consolidated financial statements..

a) Basis of consolidation

Business combinations

In 2011, no business combinations and acquisitions of non-controlling interests took place.

Composition of the Sava Group

The Sava Group includes the parent company Sava d.d., 22 subsidiaries, and 6 associated companies. Two jointly controlled companies were sold in 2011. The consolidated financial statements of the Group include the financial statements of subsidiaries, whereas the financial statements of the jointly controlled are included in proportion to the interest until the month of disposal, and in the case of the associated companies, the equity accounting method is considered, i.e. the attributable profit 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 individual 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 rights 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 shows a negative balance.

Jointly controlled companies

Jointly controlled companies are those entities over whose activities the Group has a joint control, established by a contractual agreement between the Group and the contractual partner. The consolidated financial statements include the partner's proportionate share of the entity's assets, liabilities, revenues and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

Associates

Associates 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 equity revaluation adjustments of associates 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 Group's carrying amount 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 associate.

In the parent company, the associates are valued at cost while signs for impairment are examined at least once a year. The impairment is estimated by verifying the recoverable value, i.e. verification of the value in use (estimate of discounted cash flows) and the fair value; the recoverable value is the lower of both.

The capital and controlling interests in associates are not in accord (explanation given under 1.2). Any impairment of investments in associates is ascertained on the basis of an evaluation prepared by a certified company evaluator. The value of other investments in associates 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 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 associates are eliminated to the extent of the Group's interest in the entity. 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

c1) 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 an 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 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 recognised initially 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 rate method.

C 2) Derivative financial instruments

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

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

Derivative financial instruments are recognised initially 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 dealt with as described further in the report.

Cash flow hedging

Changes in fair value of a derivative financial instrument determined to hedge its exposure against 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 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). The 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 an 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 is 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 form 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 five 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 is 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 impairment 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, 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.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group are lower than the unavoidable cost of meeting its obligation under the contract. Provisions are measured at the lower of current value of the expected costs for terminating the contract or the expected costs for continuing the contractual relationship. Before the Group forms a provision, it recognises any impairment loss on the assets associated with that contract.

Provisions for retirement amounts and employee jubilee benefits

As stipulated by the legislation, 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 for 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 in connection with the changes in the organisational structure of companies.

Provisions for law suits

Provisions for law suits 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 there is a reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it.
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 estimated reliably, 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.

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 adopted by the EU:

- Amended IAS 24: Related Party Disclosure; simplifying the requirements for disclosing companies related to the government, and an explanation as to the related party definition, adopted by the EU on 19 July 2010 (effective for annual periods beginning on 1 January 2011, or later).
- Amended IAS 32: Financial Instruments Presentation; accounting for the issue of share options adopted by the EU on 23 December 2009 (effective for annual periods beginning on 1 February 2010, or later).
- Amended IFRS 1: First-Time Adoption of International Financial Reporting Standards; restricted exclusion from comparative disclosures according to IFRS 7 for users which apply IFRS for the first time, adopted by the EU on 30 June 2010 (effective for annual periods beginning on 1 July 2010, or later).
- Updates of various standards and interpretations Improvements in IFRS (2010); originating from the annual project for improving the IFRSs announced on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13), mostly in order to eliminate inconsistencies and to explain the wording, which on 18 February 2011 was adopted by the EU (amendments should be applied for annual periods beginning on 1 July 2010 or later, and 1 January 2011 respectively, depending on the standard / interpretation).
- Amended IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction; advance minimum funding payments adopted by the EU on 19 July 2010 (effective for annual periods beginning on 1 January 2011, or later).
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments; adopted by the EU on 23 July 2010 (effective for annual periods beginning on 1 July 2010, or later).

The adoption of these amendments to the existing standards did not cause any changes in the financial policies of the company.

q) Standards and interpretations 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:

- 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 company decided not to adopt these standards, amendments and interpretations prior to their becoming effective. The company expects that the adoption of these standards, amendments and interpretations will have no significant impact on the financial statements of the company in the initial period of use.

r) Standards and interpretations 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 (IABS), except for the following standards, amendments to the existing standards and explanations which were not approved for use:

- IFRS 9 Financial Instruments; (effective for annual periods beginning on 1 January 2015, or later).
- IFRS 10 Consolidated Financial Statements; (effective for annual periods beginning on 1 January 2013, or later).
- IFRS 11 Joint Arrangements; (effective for annual periods beginning on 1 January 2013, or later).
- IFRS 12 Disclosure of Interest in Other Entities; (effective for annual periods beginning on 1 January 2013, or later).
- IFRS 13 Fair Value Measurement; (effective for annual periods beginning on 1 January 2013, or later).
- IAS 27 (amended in 2011) Separate Financial Statements; (effective for annual periods beginning on 1 January 2013, or later).
- IAS 28 (amended in 2011) Investments in Associates and Joint Ventures; (effective for annual periods beginning on 1 January 2013, or later).
- Amended IFRS 1 First-Time Adoption of International Financial Reporting Standards; high hyperinflation and eliminating the agreed dates for users, who use IFRS for the first time (effective for annual periods beginning on 1 July 2011, or later).
- Amended IFRS 7 Financial Instruments: Disclosures; offsetting of financial assets and liabilities (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 IAS 1 Financial Statements Presentation; presentation of items of other comprehensive income (effective for annual periods beginning on 1 July 2012, or later).
- Amended IAS 12 Income Taxes; deferred tax: recovery of respective assets (effective for annual periods beginning on 1 January 2012, or later).
- Amended IAS 19 Employee Benefits; improved accounting for after-employment benefits (effective for annual periods beginning on 1 January 2013, or later).
- Amended IAS 32 Financial Instruments Presentation; offsetting financial assets and liabilities (effective for annual periods beginning on 1 January 2014, or later).
- IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine; (effective for annual periods beginning on 1 January 2013, or later).

The company expects that introducing these standards and amendments to the existing standards, and explanations in the initial period will not have a significant impact on these financial statements.

At the same time, the accounting of hedging against risk in relation to a portfolio of financial assets and liabilities whose principals 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 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, or the fair value is being estimated by using the method of discounted cash flows, which are expected to originate from the use or disposal of assets.

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 examining if there exists a need for impairment.

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 2011 (for the past period January – December 2010), the balance sheet data as at 31/12/2011 and 31/12/2010 (for the past data 31/12/2010 and 31/12/2009), and other required data. The cash flow statement excludes values which are not connected with revenues and expenses.

1.3.5. Financial risk management

In the Sava Group, we examine and analyse economic circumstances and regularly pursue the exposure to various risks and takes measures to manage them. The parent company manages financial risks centrally at the level of the entire Sava Group. In 2011, the Sava Group was exposed to the following risks from its use of financial instruments:

- Credit risk
- Solvency risk
- Interest rate risk
- Foreign currency risk
- Guarantees and sureties
- Capital management

We present the policies in risk management 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 policies

Risk management is carried out centrally in the parent company of the Sava Group, which regularly reports to management boards and company management about the operation of the risk management area. The policies are established to identify and analyse the risks faced by the Group in daily business. Based on performed analyses, appropriate limits and controls are defined. Considering the set limits, risks are monitored and verified. Through continual training and by way of applicable standards and the procedures defined for risk management, the Group's companies aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The management teams of the companies are regularly informed on risk management issues.

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 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 a delay or not at all.

For this purpose, we devote special attention to customer solvency. We regularly pursue debts to be collected and due receivables, maturity of receivables and fluctuations in average payment terms. To decrease exposure to this risk we make use of the customer rating system to supervise bad payers and carry out ongoing compensations. The majority of trade receivables in manufacturing and partly also in tourism services is insured with SID (Prva Kreditna Zavarovalnica d.d.), Ljubljana. In certain of our 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 2011, the major part of loans risk were caused by transactions that in the past were made with NFD Holding d.d. and Maksima Invest d.d.

- Sava d.d. granted short-term credits to NFD Holding d.d. whose balance at the beginning of 2011 amounted to €24,374 thousand. In 2011, NFD Holding d.d., settled a part of its liabilities originating from the principle in the amount of €2,000 thousand; the outstanding amount totalled €22,374 thousand. The granted loans to NFD Holding d.d. were entirely secured with bills of exchange and securities. The estimated value of the pledged securities amounts to €12,998 thousand, or 72% of total value of these two short-term loans. Due to insufficient value of the loan collateral, the loans were impaired by €6,687 thousand at the end of 2011.
- Sava d.d. made a forward sale contract with Maksima Invest d.d. for 14,780 shares issued by Daimond d.d. with the designation DNGG in the value of €1,155 thousand. For the reporting purposes, the fair value of the concluded forward sale contract was verified at the end of 2011, and based on the performed evaluation and the presence of additional risks in connection with its execution it was impaired by €1,155 thousand in 2010 and 2011.

Given the described events we estimate credit risk in the Sava Group as high.

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 established a standardised financial policy. The goal of such policy is to assure suitable liquidity of the parent and 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.

Due to the generally aggravated economic situation, the circumstances in money markets grew heavily unfavourable in 2011. Banks are becoming highly conservative in renewing the existing loans and approving additional funds to entities. By doing this, they are limiting accessibility to funds and, consequently, they reduce flexibility of entities in assuring a suitable solvency and regular balancing of liabilities.

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 September, a new long-term business strategy until 2014 was adopted. The strategy also incorporates a restructuring plan of financial liabilities of companies and determines the activities for divesting investments, which will demonstrate in a lower and at the same time a sustainable indebtedness level. All Group companies carry out the measures for stabilising the operations, the needed activities for strengthening the cash flow, costs rationalisations and other steps to enhance profit from operations.

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

Risk in the fair value change (price risk)

Risk in the fair value change is one of the most important risks in the Sava Group, as it is associated with achieving the planned return on financial assets and it influences the implementation of the outlined strategy. The year 2011 was marked with high price fluctuations in financial investments as a consequence of the poor economic situation and high uncertainty. A decrease in the value of financial assets strongly changed the structure of financial assets of the parent company Sava d.d. and its 2011 operating result. These risks are decreased by diversifying the investment portfolio and by actively supervising the operations of the companies, in which Sava d.d. or its subsidiaries hold a significant interest. We continually study investment opportunities and have a plan designed for divesting certain investments in order to assure a suitable solvency.

Interest rate and foreign currency 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 this risk. 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, 3.7% of long-term loan indebtedness of the Sava Group is covered.

Foreign currency risk involves the risk of a loss in economic benefits due to changes in foreign currency exchange rates. The Sava Group mostly conducts its business in the Euro zone, but minor part of its business is carried out in other international currencies too (British Pound Sterling, Polish Zlot, America 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 currency risk. The parent company 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. To hedge against foreign currency risks we did not use any derivative financial instruments in 2011 as due to the large interest rate 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 fluctuations in interest rates and foreign currencies, we attentively pursue 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.

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 which are wholly-owned by the controlling company. At 31/12/2011, guarantees and sureties to the subsidiaries amounted to €17.7 million (in 2010: €20.3 million).

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 programme for liabilities and divesting investments of the Group. In this manner, the capital structure will improve and the trust on the part of investors and other partners in the operations and a long-term development of the Group will enhance.

Sava d.d. has neither introduced an employee stock option scheme. In July 2011, the company offered the employees of the Sava Group to repurchase own shares, which it had acquired in accordance with the second and eighth indent of the first paragraph of Article 247 of the Companies Act-1 in 2010. Sava d.d. offered the entire amount of 30,541 owns shares for repurchase, which represented 1.52% of the company's share capital.

Regulatory bodies do not have any capital requirements towards the parent company or subsidiaries in the Sava Group.

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

€ in thousands

	2011	2010
1. Total liabilities	445,479	437,480
2. Less: cash and cash equivalents	-10,649	-8,293
3. Net debts (1. – 2.)	434,830	429,187
4. Total equity	165,796	323,352
5. Less/plus: amounts accumulated in equity relating to cash flow hedges	0	-960
6. Adjusted capital (4. – 5.)	165,796	324,312
7. Debt to adjusted capital ratio at 31/12 (3/6)	2.62	1.32

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 monthly 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 income tax.

Financial results, assets and liabilities by segment include items that can be attributed directly to the segment, which is provided by the 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 that are included in the Sava Group's division.

The operation by a particular division is presented in the business part of the annual report.

Data by operating segment for the year 2011

€ in thousands

	RUBBER MANUFACTURING WITH FOREIGN TRADE NETWORK	TOURISM	REAL ESTATE	OTHER OPERATIONS	INVEST-MENT FINANCE	Excluding Group operations	Total
Revenues from goods sold	109,609	0	5,962	1,312	0	-20,516	96,367
Revenues from services rendered	1,160	65,436	199	2,159	3,662	-8,531	64,085
Rental income	402	1,226	378	1,431	1,849	-1,271	4,015
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 income	750	1,389	389	836	21	1,558	4,942
Total revenues	142,414	68,547	4,454	6,595	5,532	-28,884	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	-22,446
Share in profit/ loss of associates	0	0	0	0	10,941	0	10,941
Net profit/loss for the year	6,727	-3,646	-10,151	-943	-146,877	-2,269	-157,159
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	-39,886	445,480
Purchase of property, plant and equipment	3,221	2,118	19	1,636	63	-2	7,055
Depreciation	4,249	8,222	192	555	766	-21	13,964
Impairment in property, plant and equipment	1	0	0	0	0	0	1
Impairment in investment property	408	0	0	0	0	0	408

Shares in the profit/loss of associated companies referred entirely to the Investment Finance division and are shown under 1.3.36.

Data by operating segment for the year 2010

€ in thousands

	RUBBER MANUFACTURING WITH FOREIGN TRADE NETWORK	TOURISM	REAL ESTATE	OTHER OPERATIONS	INVEST-MENT FINANCE	Excluding Group operations	Total
Sales revenues from goods sold	94,547	0	5,734	1,404	0	-17,224	84,461
Revenues from services rendered	4,822	62,347	114	2,282	3,761	-11,754	61,573
Revenue from rents	0	982	1,528	1,405	4,966	-3,661	5,220
Revenues from merchandise sold	24,685	493	0	301	0	-2	25,477
Change in inventories	-217	0	21,915	41	0	-21	21,718
Other operating revenues	729	1,139	37	771	1,588	-392	3,872
Operating revenues total	124,566	64,961	29,328	6,204	10,315	-33,053	202,321
Interest income	903	891	287	18	3,831	-2,793	3,137
Interest expenses	-1,140	-2,661	-2,318	-92	-17,956	2,808	-21,360
Share in income/ loss of associates	0	0	0	0	2,570	0	2,570
Net profit/ loss for the year	3,915	-2,227	-2,734	-2,336	-82,152	-14,365	-99,899
Assets	113,231	186,579	64,344	10,652	648,020	-261,993	760,832
Investments in associates	0	64	0	0	319,094	0	319,158
Liabilities	73,848	90,579	44,257	7,679	324,905	-103,785	437,481
Purchase of property, plant and equipment	3,474	2,242	20	1,479	105	-460	6,861
Depreciation	3,913	8,438	580	606	1,900	-80	15,358
Impairment property, plant and equipment	0	0	0	583	0	-583	0
Impairment in investment property	0	0	0	0	142	0	142

Data about sales revenues by region

€ in thousands

	Slovenia	Other EU countries	Other	Total
2011	91,951	72,600	29,232	193,783
2010	92,815	59,363	24,552	176,730

The assets are not segmented by region due to the fact that the carrying amount of assets relating to the companies in Slovenia represented 97.6% of the total assets of the Group (in 2010: 97.8%).

The sale to the largest buyer of the Sava Group, which is the buyer of Rubber Manufacturing, amounted to €9,080 thousand in 2011 (in 2010 a buyer of Rubber Manufacturing in the amount of €7,832 thousand).

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

In 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.

In 2011, a 50% ownership stake in Sava IMG d.o.o. Poreč was sold; the value in connection with this companies are minimum and do not exceed €3 thousand.

In 2011, a 76% stake held by Sava d.d. in Sava Rol d.o.o. was transferred to Savatech d.o.o.; the mentioned transaction did not affect the financial statements of the Sava Group.

In 2011, a 100% stake of Sava IP d.o.o. in Sava IPN d.o.o. was transferred to Sava d.d.; the mentioned transaction did not affect the financial statements of the Sava Group.

In 2011, the merger of 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 did not affect the financial statements of the Sava Group.

In 2010, a 70% ownership stake of Sava Trade d.o.o., Split was sold. On the day of sale, the capital of Sava Trade Split d.o.o., amounted to €2 thousand. The received payment for a 70% ownership holding amounted to €0.1 thousand, at which no difference in price was achieved.

In 2010, GTI d.o.o. was merged to Savatech d.o.o. The merger was carried out on 01/01/2010; on the basis of the agreement about a simplified merger this was entered in the register of companies on 01/06/2010. The value of assets of Sava GTI d.o.o. merged to Savatech d.o.o. amounted to €3,308 thousand. The mentioned transaction did not affect the financial statements of the Sava Group.

In 2010, there were no business combinations.

1.3.9. Jointly controlled companies

The two companies, in which the parent company has a 50% stake, Sava Schäfer d.o.o., Kranj and Sava IMG d.o.o., Poreč, were sold. 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

	2011	2010
Income statement		
Net sales revenues from goods sold and services rendered	308	1,869
Other operating revenue	2	1
Cost of goods, materials and services	-141	-1,193
Labour costs	-82	-483
Other operating expenses	-30	-140
Tax	-10	-10
Net profit for the year	47	45
Balance sheet		
Property, plant and equipment	0	877
Non-current receivables	0	8
Inventories	0	87
Operating and other receivables	0	317
Interest-bearing borrowings	0	11
Cash and cash equivalents	0	29
Assets	0	1,327
Equity	0	813
Provisions	0	51
Non-current loans	0	100
Non-current operating liabilities	-	-
Current loans	0	75
Current operating liabilities	0	289
Equity and liabilities	0	1,327

1.3.10. Property, plant and equipment

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

€ in thousands

Cost	Land	Buildings	Plant and machinery	Other equipment	PPE under construction	Total
Balance at 01/01/2011	28,800	280,049	90,465	19,454	2,039	420,807
Acquisitions	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 to assets for sale	0	-1,735	0	-583	0	-2,318
Transfers	-2,268	-658	-469	303	-173	-3,265
Disposals	-1	-46	-6,306	-162	0	-6,515
Decrease due to disposal of companies	0	0	-1,249	-9	-10	-1,267
Write-offs	0	-32	-1,942	-454	-113	-2,541
Impairments	-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 to assets for sale	0	144	0	391	0	535
Transfers	0	-548	303	-196	0	-441
Disposals	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 assets that were impaired is shown under 1.3.33.

Movement of property, plant and equipment of the Sava Group in 2010

€ in thousands

Cost	Land	Buildings	Plant and machinery	Other equipment	PPE under construction	Total
Balance at 01/01/2010	28,880	276,414	94,387	19,519	1,370	420,570
Acquisitions	57	2,016	2,825	350	1,612	6,861
Increase in advance payment	0	0	0	0	381	381
Decrease in advance payments	0	0	0	0	-847	-847
Put into use	0	87	310	7	-403	0
Transfers	58	2,586	-3,925	-120	-74	-1,475
Disposals	-196	-1,005	-1,460	-7	0	-2,668
Decrease due to disposal of companies	0	0	-194	0	0	-194
Write-offs	0	-49	-1,477	-295	0	-1,821
Balance at 31/12/2010	28,800	280,049	90,465	19,454	2,039	420,807
ACCUMULATED DEPRECIATION						
Balance at 01/01/2010	0	-113,004	-55,805	-12,697	0	-181,506
Transfers	0	-2,105	2,875	123	0	893
Disposals	0	74	307	4	0	385
Decrease due to disposal of companies	0	0	12	0	0	12
Write-offs	0	25	1,442	285	0	1,752
Impairments	0	0	138	0	0	138
Depreciation	0	-5,492	-7,334	-1,594	0	-14,420
Balance at 31/12/2010	0	-120,503	-58,365	-13,878	0	-192,746
CARRYING AMOUNT						
Balance at 01/01/2010	28,880	163,410	38,582	6,822	1,370	239,064
Balance at 31/12/2010	28,800	159,546	32,100	5,576	2,039	228,061

The data about the value of assets that were impaired is shown under 1.3.33.

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 investment property in the value of €1,574 thousand.*

Mortgages value at 31/12/2010

€ in thousands

	Book value of assets encumbered with mortgages	Mortgage value on property
Sava d.d.*	16,717	16,717
Sava IP d.o.o.	19,530	15,911
Savatech d.o.o.	26,065	5,000
Terme 3000 d.o.o.	56,541	7,945
Zdravilišče Radenci d.o.o.	25,027	9,781
Terme Ptuj d.o.o.	20,254	4,573
Terme Lendava d.o.o.	8,510	686
Sava Hoteli Bled d.d.	14,890	13,500
Total	187,534	74,113

** The value of mortgages in Sava d.d. also includes a mortgage placed on investment property in the amount of €1,628 thousand.*

1.3.11. Intangible assets

Movement of intangible assets of the Sava Group in 2011 and 2010

€ in thousands

	2011	2010
COST VALUE		
Balance at 01/01	2,157	2,319
Additions	72	65
Transfers	-238	-106
Decreases	-6	0
Transfer to assets for sale	-156	-1
Write-offs	-151	-120
Balance at 31/12	1,678	2,157
ACCUMULATED DEPRECIATION		
Balance at 01/01	-1,205	-1,295
Transfer to assets for sale	47	1
Transfers	0	103
Write-offs	59	103
Amortisation	-119	-118
Balance at 31/12	-1,219	-1,205
CARRYING AMOUNT		
Balance at 01/01	951	1,024
Balance at 31/12	459	951

The depreciation of intangible assets was included under depreciation in the income statement.

1.3.12. Investment property

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

According to our estimate, the fair value of investment property does not significantly deviate from the book values.

Movement of investment property of the Sava Group in 2010

€ in thousands

	Land - investment property	Buildings - investment property	Total
COST VALUE			
Balance at 01/01/2010	10,147	40,901	51,048
Transfer	-7,214	-24,579	-31,792
Impairments	0	-679	-679
Balance at 31/12/2010	2,933	15,643	18,577
ACCUMULATED DEPRECIATION			
Balance at 01/01/2010	0	-9,444	-9,444
Transfer	0	1,698	1,698
Impairments	0	537	537
Depreciation	0	-818	-818
Balance at 31/12/2010	0	-8,027	-8,027
CARRYING AMOUNT			
Balance at 01/01/2010	10,147	31,457	41,604
Balance at 31/12/2010	2,933	7,616	10,549

The value of mortgages in Sava d.d. shown under 1.3.10. also includes a mortgage placed on investment property in the amount of €1,574 thousand.

1.3.13. Investments in the associated companies

Sava Group companies have shareholding in the following associated companies:

€ in thousands

			Value of financial investments	
	Stake in % 31/12/2011	Stake in % 31/12/2010	31/12/2011	31/12/2010
Gorenjska Banka d. d., Kranj*	46.06	46.06	164,530	179,757
Abanka Vipa d.d., Ljubljana	23.83	23.83	34,317	116,849
NFD Holding d.d., Ljubljana	24.65	24.65	997	18,820
Maksima Invest d.d., Ljubljana	21.77	21.34	0	3,292
JOB d.o.o., Maribor	0.00	27.00	0	437
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			199,847	319,158

* *Sava d.d. transferred 23,924 (7.21%) 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 a collateral of liabilities arising from bonds until their maturity, which is on 09/12/2014.*

The investments in the associated companies moved as follows:

€ in thousands

	2011	2010
Initial balance	319,158	300,428
Acquisitions	1	4,338
Transfers from non-current securities available for sale	0	26,988
Attributable equity revaluation adjustments	-4,652	-2,358
Attributable profit	11,049	11,819
Attributable losses	0	-9,249
Paid dividends	-11,049	-11,819
Sales	-437	0
Impairments	-114,223	-989
Final balance	199,847	319,158

Significant financial data about the associated company Gorenjska Banka d.d., Kranj

€ in thousands

	2011	2010
Assets	1,947,403	1,980,801
Liabilities and provisions	1,610,377	1,613,955
Capital	337,026	366,846
Revenues	134,081	110,483
Net profit/loss	1,680	21,092
Comprehensive income for the financial year after tax	-8,421	15,096

The data was prepared on the basis of the unaudited financial statements of the company.

Significant financial data about the associated company - Abanka Vipa d.d. Group, Ljubljana

€ in thousands

	2011	2010
Assets	4,258,192	4,586,218
Liabilities and provisions	4,026,836	4,229,084
Capital	231,356	357,134
Revenues	245,299	237,641
Net profit/loss	-109,656	2,991
Comprehensive income for the financial year after tax	-124,495	1,367

The data was prepared on the basis of the unaudited financial statements of the company.

Significant financial data about the associated company NFD Holding d.d., Ljubljana

€ in thousands

	2011	2010
Assets	109,030	312,691
Liabilities and provisions	87,886	194,249
Capital	21,144	118,442
Revenues	2,775	107,075
Net profit/loss	-31,124	-26,070
Comprehensive income for the financial year after tax	-33,076	-23,712

The 2010 data was prepared on the basis of the unaudited consolidated financial statements of the company, whereas the 2011 data was prepared on the basis of the unaudited financial statements of NFD Holding d.d.

Significant financial data about the associated company Maksima Invest d.d., Ljubljana

€ in thousands

	2011	2010
Assets	22,131	53,634
Liabilities and provisions	39,906	35,715
Capital	-17,775	17,919
Revenues	136	3,873
Net profit/loss	-39,693	-7,834
Comprehensive income for the financial year after tax	-35,484	-11,355

The data was 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 **Gorenjska Banka d.d.** is valued in accordance with the equity method and amounted to €164,530 thousand. In comparison with the end of the previous year, the ownership stake did not change.

80,260 shares of Gorenjska Banka d.d . were pledged for the obtained loans of Sava d.d., the obtained loan of Savatech d.o.o., liabilities arising from the call option contract and the bonds issued by Sava d.d. The book value of pledged shares amounted to €47,194 thousand.

The value of a 23.83% ownership stake in **Abanka Vipa d.d., Ljubljana**, computed on the basis of the evaluation at 30/09/2011 and the evaluation update at 31/12/2011 amounted to 34,317 thousand. In comparison with the end of the previous year, the ownership stake remained unchanged, while the value of investment was impaired by €82,532 thousand to reach €20 per a share. The value of investments using the market price on the last trading day of 2011of €16 per a share amounted to €27,453 thousand. All shares of Abanka Vipa d.d. were pledged for the loans obtained by Sava d.d. The book value of pledged shares amounted to €34,317 thousand.

The information on estimating the value of a 23.83% equity capital in Abanka Vipa d.d. at 31/12/2011

For accounting purposes, a report on the evaluation of a 23.8% equity stake of Abanka Vipa d.d. as at 30/09/2010 was produced in 2011. The produced evaluation was updated on 31 December 2011. The evaluation was carried out by a certified evaluator of companies with a valid licence from the Slovene Auditors' Institute.

The value calculation in the optimistic scenario is based on optimistic business projections, under assumption of capital financing for the need of capital adequacy with a subordinated debt in the amount of 25%, a long-term growth of 2.8%, the required capital adequacy of 10%, and the required return rate of 11.49%. A surplus in capital for capital adequacy was added to the estimated value. Under assumption of a non-going market, a 10% discount for a shortage in marketability was applied.

The value calculation in the pessimistic scenario is based on pessimistic business projections, under assumption of capital financing for the need of capital adequacy with a subordinated debt in the amount of 25%, long-term growth of 2.5%, the required capital adequacy of 10%, and the required return rate of 11.49%. The surplus in capital for capital adequacy was added to the estimated value. Under assumption of a non-going market, a 10% discount for a shortage in marketability was applied.

The value estimate is based on the weighted mean value calculated in the optimistic and the pessimistic scenario. The value range is determined at +/-10%.

When performing an evaluation, the metod of discounted cash flows was used. Free net cash flow was discounted with a discount rate 11.49 % in the optimistic scenario, and a discount rate of 11.49% in the pessimistic scenario. The discount rate was estimated on the basis of the CAPM method. The final decision on the value estimate was based on the discounted cash flows method. Using the pessimistic and the optimistic scenario, the weighted mean value was calculated, while for determining the value range +/-10% was used. The value estimate was given in the range from €19.9 to €28 per a share.

The value of a 24.65% stake in **NFD Holding d.d., Ljubljana** in individual and consolidated financial statements, amounted to €997 thousand. In comparison with the end of the previous year, the ownership stake did not change, the value of investments decreased by €17,832 thousand in 2011 as a result of a further drop in stock exchange prices. The value of investment using a stock exchange price at 31/12/2011 amounted to €997 thousand.

The value of a 21.77% share in **Maksima Invest d.d., Ljubljana**, in individual financial statements of Sava d.d. amounted to €252 thousand, whereas in the consolidated financial statements it was impaired to zero on account of the developments in 2012. In comparison with the end of the previous year, the equity shareholding increased by 0.43%, whereas the value of investment decreased by €3,292 thousand. The value of investments ascertained by using the stock exchange price at 31/12/2011 amounted to €252 thousand.

The financial investment in the associated company **Panensa d.o.o., Srbac, BiH**, was impaired already in 2010 in total amount of €620 thousand, while the ownership stake remained unchanged.

The financial investment in a smaller associated company **JOB d.o.o**. was sold in 2011.

The disclosures in connection with the composition of the associated companies of the Sava Group, the share in capital, the amount of capital and profit/loss from operations are presented in the financial part of the annual report of the Sava Group.

1.3.14. Long-term securities available for sale

Types of long-term securities

€ in thousands

	2011	2010
Shares of listed companies	4,203	33,168
Shares and stakes of unlisted companies	11,851	31,483
Mutual funds	25,123	2,574
Total	41,177	67,225

The value of other stakes and shares totalled €41,177 thousand and in comparison with the previous year it was lower by 39%. Other shares and stakes included listed securities available for sale in the amount of €4,203 thousand, unlisted securities available for sale in the amount of €11,851 thousand, and investments in a mutual fund in the amount of €25,123 thousand.

At 31/12/2011, securities available for sale were valued at fair value. The net negative effect of revaluation amounted to €20,109 thousand, of which €26,429 thousand were impairments carried out in the profit or loss, and net of €6,320 thousand were increases in equity revaluation adjustment.

The value of a 23.35% ownership stake in **NFD 1 d.d., Ljubljana amounted to €25,123 thousand**. The fair value was ascertained by using the stock exchange price at 31/12/2011. The total value of impairments included in the income statement amounted to €9,404 thousand.

Despite a 23.35% ownership stake the investment in NFD 1 d.d. is considered as available for sale and not an associated company. NFD 1 d.d. is managed by the funds management company, in which Sava d.d. holds no shareholding. The supervisory board of the company merely supervises the funds operation. Besides, NFD 1 restructured from a closed investment fund to an open mutual fund in 2011, at which Sava d.d. become a holder of a certain share of mutual fund coupons and has no influence whatsoever on its management.

At 31/12/2010, NFD 1 d.d. with its head office at Trdinova 4, 1000 Ljubljana, had capital of €102,719 thousand available, while the net loss of 2011 amounted to €21,601 thousand.

The entire 23.35% share in NFD 1 d.d. was pledged for the loans obtained by Sava d.d. The book value of pledged shares amounts to €25,123 thousand.

The value of **other shares and stakes amounted to €16,054 thousand**, and included 837,000 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 the pledged shares amounts to €3,703 thousand.

Forward sales and call option contracts

Other shares and stakes included a forward sales contract in the amount of €1,155 thousand. The counter party in the forward sales contract is Maksima Invest d.d., the subject of the option being 14,780 shares of Daimond d.d. The agreed transaction price amounts to €78,16 per a share. The contract was signed on 18 March 2009, the maturity date being 18 February 2012. When estimating the ability of the counter party to fulfil the forward contract, we have established the presence of higher risks, therefore an impairment of these shares was carried out. In 2012, the contract was extended until 18 May, 2012.

The value of the call option contract amounted to €6,719 thousand. The counter party of 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 is €251.20 per a share. The contract was signed on 26 July 2010 and will fall due on 1 October 2012. The market value ascertained on the basis of the book value of company's capital, which is the subject of the option, amounted to €1,425 thousand.

The difference between the value according to the call option contract and the market value totalled €5,294 thousand and was included under financial expenses from impairments and write-offs of financial investments (in 2011: €2,579 thousand and in the previous year €2,715 thousand). 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.

Movement of long-term securities

€ in thousands

	2011	2010
Balance at 01/01	67,225	152,789
Acquisitions	1,992	25,045
Transfer from long-term loans	1,674	19,411
Transfer to asscoiated companies	0	-26,988
Transfer to assets for sale	-15	0
Change to fair value	-6,320	-41,582
Disposals	-9,590	-8,342
Impairment	-26,429	-53,108
Balance at 31/12	41,177	67,225

1.3.15. Long-term loans

€ in thousands

	2011	2010
Receivables due to financial leasing	0	5,039
Granted long-term loans	7	111
Other	377	525
Total	384	5,675

Owing to the intended sale of a stake in Sava IP d.o.o., the amount of long-term receivables from financial lease in the amount of €4,556 thousand, and the amount of a short-term receivable from financial lease in the amount of €611 thousand were transferred under Assets available for sale in the 2011 financial statements. The contract about the financial lease of unfurnished offices for the needs of government bodies was concluded by Sava IP d.o.o., for a period of 15 years. The contract interest rate in the first half of 2011 year amounted to 3.462%, and in the second half 4.349%. The contract interest rate is subject to annual adjustment with regard to a change in a 12-month EURIBOR.

In 2011, financial revenues arising from financial lease amounted to €164 thousand whereas in the same period last year they totalled €168 thousand. The expected future financial revenue arising from finance lease calculated at an effective interest rate totalled €787 thousand.

The discounted lowest amount of rent for financial lease where a 3.141% discount rate was applied, amounted to €5,410 thousand; the fair value of the principle was €4,221 thousand.

Other long-term loans in the amount of €377 thousand referred to the loans approved to employees for the purchase of flats. These loans are insured by placing a borrower's mortgage on the property and an operating receivable due from a buyer of products.

Analysis of maturity of long-term loans

€ in thousands

	2011		2010	
	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	2,821	2,218
Granted long-term loans	7	0	97	14
Other	377	0	514	11
Total	384	0	3,432	2,243

Movement of long-term loans

€ in thousands

	2011	2010
Balance at 01/01	5,675	41,249
Newly formed provisions	44	52
Transfer	-5,063	-19,961
Decrease	-169	-19
Repayment	-96	-96
Impairment	-7	-15,550
Final balance	384	5,675

1.3.16. Assets available for sale

In connection with the planned sale of the ownership stake in Sava IP d.o.o. a part of the assets and liabilities planned to be sold, was transferred under assets and liabilities for sale. The remaining assets of Sava IP d.o.o. will be separated on the company, which will remain to form a constituent part of the Sava Group.

Income statement of Sava IP d.o.o. for 2011

€ in thousands

	2011
Sales revenues from services and goods	5,867
Changes in the value of inventories	-2,320
Other revenues	389
Costs of goods, materials and services	-2,082
Labour costs	-1,073
Depreciation and write-offs	-6,316
Other operating expenses	-135
Financial and other revenues	462
Financial expenses	-858
Tax	-39
Net profit for the financial year	-6,105

Statement of financial position of Sava d.d. at 31/12/2011 – assets and liabilities for sale

€ in thousands

	31/12/2011	Excluded in consolidation	Transfer under assets and liabilities for sale
Property, plant and equipment	1,782	0	1,782
Intangible assets	109	0	109
Investment property	2,413	0	2,413
Long-term loans and receivables	4,829	-18	4,811
Inventories	24,782	-3,320	21,462
Operating and other receivables	574	-27	547
Granted loans	2,171	-1,544	627
Cash and cash equivalents	597	0	597
Assets	37,257	-4,909	32,348
Capital	19,340	-19,340	0
Provisions	266	0	266
Obtained long-term loans	6,752	0	6,752
Long-term operating liabilities	32	0	32
Obtained short-term loans	10,399	-8	10,391
Current operating liabilities	320	-11	309
Current provisions	148	0	148
Capital and liabilities	37,257	-19,359	17,898

1.3.17. Inventories

€ in thousands

	Gross value 31/12/2011	Write-offs in 2011	Net value 31/12/2011	Net value 31/12/2010
Materials	6,849	-293	6,556	6,378
Work and projects in progress	2,758	0	2,758	5,695
Finished goods	4,741	-26	4,715	3,226
Merchandise	4,220	-27	4,193	3,421
Unfinished construction projects	19,938	-8,812	11,126	36,462
Finished construction projects	150	-150	0	3,652
Total	38,655	-9,308	29,347	58,834

In 2011, the companies of the Sava Group formed an allowance in inventories in the amount of €9,308 thousand, of which in Sava IP d.o.o. in the amount of €6,123 thousand, Sava Nova d.o.o, Zagreb in the amount of €2,839 thousand. In 2010, the allowance in inventories amounted to €2,312 thousand.

The book value of inventories in Sava IP d.o.o. approved as a guarantee for liabilities from loan agreements amounted to €8,800 thousand. The amount of placed mortgages on inventories amounted to €9,629 thousand, which represented the balance of outstanding loan at 31/12/2011 insured with inventories.

In the company Sava Nova d.o.o., Zagreb a mortgage is placed on inventories. The carrying amount of these inventories amounted to €1,048 thousand. The balance of outstanding loan, which in 2011 was insured with a mortgage on inventories, amounted to €700 thousand.

1.3.18. Current operating and other receivables

€ in thousands

	2011	2010
Trade receivables	20,906	19,457
Receivables temporary not charged	1,500	945
Receivables due from associates	900	440
Advances paid	106	188
Receivables for VAT and other taxes	2,572	1,949
Other receivables	783	2,404
Total	26,768	25,383

In 2011, the companies of the Sava Group formed an adjustment in trade receivables totalling €734 thousand. In 2010, the adjustment in trade receivables amounted to €1,493 thousand.

1.3.19. Current financial investments

Current financial investments totalling €128 thousand (in 2010: €115 thousand) entirely referred to the value of interest rate swaps.

1.3.20. Current loans

€ in thousands

	2011	2010
Originated loans	20,221	24,374
Current portion of non-current loans	3	584
Total	20,224	24,958

A current loan in total amount of €15,687 thousand entirely referred to the loans granted to NFD Holding d.d., which are both secured with 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., and 32,936 shares of Sava d.d. With all the mentioned shares except for shares of Ljubljanske Mlekarne d.d. Sava d.d. is partly entered as the first-entered lien holder, and partly as the second-entered lien holder. The estimated value of securities on pledge amounts to €16,074 thousand. In comparison with the end of the previous year, the balance of the loan to NFD Holding d.d. was decreased by €8,687 thousand, of which a sum of €2,000 was loan repayment, and a sum of €6,687 thousand was impairment of the loan, computed on the basis of evaluating the suitability of received collaterals for both loans.

The Assignment of Claims, on the basis of which the prevailing part of the receivable due from NFD Holding d.d. was shown, was in liabilities covered with the granted loan from NLB d.d., and secured with bills of exchange and shares of Turizem d.d. The interest rate for current loans amounts to 6.12% and 7.3%.

Other short-term granted loans in the amount of €4,534 thousand were deposits to banks, the interest rate being from 0.8 to 1.4%.

1.3.21. Cash and cash equivalents

€ in thousands

	2011	2010
Cash on hand and transaction accounts	10,649	8,293
Total	10,649	8,293

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 31/12/2011, 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

€ in thousands

	31/12/2011	31/12/2010
Capital reserves	0	50,821
Share capital revaluation	0	53,305
Additional capital paid-in	0	21,482
Share premium paid from capital	0	125,608

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

	31/12/2011	31/12/2010
Legal reserves	0	7,182
Reserves for treasury shares	4,977	4,977
Other revenue reserves	0	7,532
Reserves	4,977	19,691

Legal reserves in the amount of €7,182 thousand and other revenue reserves totalling €7,532 thousand were entirely used for covering the 2011 loss of Sava d.d.

Fair value reserve

€ in thousands

	31/12/2011	31/12/2010
From securities available for sale	758	-2,939
From investments in associated companies	-5,604	-549
From derivative financial instruments – interest rate swaps	4,847	-960
Fair value reserves	-195	-4,448

Treasury shares

€ in thousands

	31/12/2011	31/12/2010
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 31/12/2011 decreased total capital, amounted to €4,977 thousand, the number of treasury shares amounted to 30,541, or 1.52% of totally issued shares.

Sava d.d. received in pledge another 32,936 shares of Sava, which makes 1.64% of totally issued shares.

Translation reserve

The translation reserve in the amount of €236 thousand (in 2010: €222 thousand) comprised total foreign currency gains/losses arising from the translation of individual items in the financial statements of foreign operations from their local currencies to the reporting currency.

Retained net earnings

€ in thousands

	31/12/2011	31/12/2010
Retained earnings from previous years	101,632	158,694
Less paid dividends of Sava d.d.	0	-6,412
Transfer from other revenue reserves acc. to the Management Board resolution	0	6,530
Net profit / loss for the financial year	-157,013	-99,848
Covering the loss of Sava d.d. from other revenue reserves	7,532	42,668
Covering the loss of Sava d.d. from legal reserves	7,182	0
Covering the loss of Sava d.d. from paid in share premium	125,608	0
Retained net earnings	84,940	101,632

Dividends

	31/12/2011	31/12/2010
Dividend per ordinary share in the year (€)	0.0	3.20
Total amount of paid dividends to the debit of retained earnings (€ in thousands)	0	6,412

Net earnings per share

Share capital is divided into 2,006,987 ordinary personal no-par value shares that all have voting rights 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

	31/12/2011	31/12/2010
Total number of shares	2,006,987	2,006,987
Less treasury shares	-30,541	-30,541
Weighted average number of shares	1,995,423	1,995,423

Net loss attributable to ordinary shares

	31/12/2011	31/12/2010
Net profit/loss for the year (€ in thousands)	-157,160	-99,899
Net profit /loss for the year attributable to the owners of the parent company	-157,013	-99,848
Weighted average number of ordinary shares	1,995,423	1,995,423
Basic net earnings/loss per share (€)	-78.69	-50.04

The diluted net loss per a share equalled the basic net loss per a 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 individual financial statements compiled in accordance with Slovene Accounting Standards. At 31/12/2011 the uncovered loss amounted to €9,274 thousand, while on the last day of the previous year accumulated profit amounted to €6,530 thousand.

€ in thousands

	31/12/2011	31/12/2010
Retained net profit for the financial year for the Sava Group according to IFRS as adopted by the EU	84,940	101,632
Accumulated loss of the company Sava d.d. for the financial year according to SAS	-9,274	6,530
Non-distributable reserve	84,940	95,102

Minority interest, total capital, and profit/loss

The share minority interest, attributable capital and profit for the subsidiaries are calculated indirectly, through the ownership by the parent company.

In 2010, minority interest decreased by €157 thousand partly due to the attributable losses in the amount of €147 thousand, increased by €17 thousand due to the changed Euro/Rouble exchange rate, and decreased by €27 thousand due to the status change in Tourism.

Minority interest belongs to the following companies:

€ in thousands

	Non-controlling interest		Capital belonging to non-controlling interest		Profit belonging to non-controlling interest	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Sava ROL,d.o.o., Zagreb	24.00%	24.00%	36	38	0	0
Savapro d.o.o., Kranj	40.00%	40.00%	1,325	1,304	21	66
Savarus d.o.o., Jaroslavl, Russia	40.30%	40.30%	-845	-726	-137	-79
Savatrade Inc., Port Orange, Florida	5.00%	5.00%	21	18	3	3
Sava Turizem d.d. (Sava Hoteli Bled, d.d., Bled)	0.95%	3.18%	874	936	-36	-42
Energetika Črnomelj d.o.o., Kranj	49.32%	49.32%	305	303	2	1
Total			1,716	1,873	-147	-51

1.3.23. Provisions

€ in thousands

	Balance at 01/01/2011	Formation	Reversal	Used	Balance at 31/12/2011
Provisions for liabilities to employees	5,073	339	-112	-540	4,761
Provisions for law suits and other claims	132	162	0	-30	264
Warranties	391	50	-389	-22	30
Others	1,303	557	-79	-220	1,561
Total	6,899	1,108	-580	-811	6,615

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 31/12/2011 under the following assumptions: retirement amounts and provisions for jubilee benefits in accordance with the provisions from the collective and individual work contracts, a 3.5% annual growth in wages, retirement amounts and jubilee benefits, employee fluctuation, while the chosen discount interest rate amounts to 4.80 % annually and represents a yield of 10-year loan stock with a high rating in the Euro Zone.

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 01/01/2011	Decrease	Reversal	Used	Balance at 31/12/2011
Provisions from release in contribution payment	2,030	528	-739	0	1,819
Funding by EU and other funds	10,771	227	-261	-313	10,424
Total	12,801	755	-1,000	-313	12,243

Provisions due to relief in payment of social security contributions were formed in accordance with the Law on Employment Rehabilitation and Disabled Persons Act. They are used for covering various expenses as set out in the mentioned law, in particular to cover depreciation in plant, property and equipment in the disablement company and for covering labour costs and retirement amounts.

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.

1.3.25. Obtained loans and other financial liabilities

The explanation below provides information as to the terms and conditions for the obtained loans. More information about the company's exposure to interest and exchange rate risk is contained in Item 1.3.38. – Financial instruments.

€ in thousands

	2011	2010
LONG-TERM BORROWINGS		
Borrowings from domestic banks	26,192	178,520
Borrowings from foreign banks	329	335
Borrowings from banks total	**26,521**	**178,855**
Long-term liabilities originating from bonds	26,515	26,515
Borrowings from others	9,465	7,629
Total long-term borrowings	**62,501**	**212,999**
CURRENT FINANCIAL LIABILITIES		
Current portion in long-term borrowings from banks	175,735	44,215
Current borrowings from domestic banks	116,126	122,761
Current borrowings from foreign banks	5,000	0
Current borrowings from banks total	**296,861**	**166,976**
Current borrowings of others	6,283	228
Liabilities for dividend payments	713	724
Liabilities for interest rate swaps	4,951	1,087
Total current interest-bearing borrowings	**308,809**	**169,015**
Total borrowings and other financial liabilities	**371,310**	**382,014**

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.

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 23,924 shares of Gorenjska Banka d.d. The book value of the pledged shares amounted to €14,068 thousand.

Terms and conditions for borrowings

Long-term borrowings	Interest rate in %	Maturity of last instalment	Type of collateral
Borrowings from associate	3M EURIBOR + 0.60 to 4.90 6M EURIBOR + 0.75 to 0.85	2012 - 2016	bills of exchange, letter of comfort, mortgage, pledge of securities, pledge of a business share
Borrowings from domestic bank	3M EURIBOR + 1.25 to 4.90 6M EURIBOR + 3.25 to 4.5 12M EURIBOR + 1.00 from 5.60 to 6.00	2012 - 2020	bills of exchange, surety, letter of comfort, mortgage, compensation of liabilities and receivables, cession of future receivables, pledge of securities
Borrowings from foreign bank	IRB RS + 3.10 or min 5.10	2015	bills of exchange, payment order, corporate guarantee
Borrowings from others	TOM + 1.60 to 2.50 3M EURIBOR + 0.35 to 0.50 EBRD + 1.00 from 5.60 to 7.20	2012 - 2025	bills of exchange, surety, mortgage, bank guarantee, pledge of securities, pledge of a business share
Current borrowings	**Interest rate in %**	**Maturity of last instalment**	**Type of collateral**
Borrowings from associate	from 5.20 to 5.80	2012	bills of exchange, surety, pledge of securities, pledge of a business share
Borrowings from domestic bank	1M EURIBOR + 4.20 to 4.70 3M EURIBOR + 4.55 6M EURIBOR + 3.85 from 5.50 to 6.30	2011 - 2012	bills of exchange, surety, letter of comfort, mortgage, pledge of securities, pledge of a business share
Borrowings from foreign bank	3M EURIBOR + 3.75	2012	bills of exchange, surety, pledge of securities
Borrowings from others	from 1.25 to 2.50	2012	-

Note: IRB RS - Investment Development Bank of the Republic of Serbia - tied to a 6M EUROBOR

Maturity of non-current borrowings

€ in thousands

	2011	2010
Between 1 and 2 years	20,857	155,251
Between 2 and 5 years	38,881	52,248
More than 5 years	2,763	5,501
Total	62,501	212,999

Classification of borrowings in respect of a fixed and variable interest rate

€ in thousands

	Fixed interest rate	Variable interest rate	Total
Long-term borrowing	34,845	27,656	62,501
Current borrowing	114,270	188,873	303,143
Total	149,115	216,529	365,644

Total current financial liabilities amounted to €308,809 thousand (2010: €169.015 thousand). The difference to the amount of current borrowings in the amount of €5,666 thousand (in 2010: €1,811 thousand) were financial liabilities from the unpaid dividends to shareholders of Sava d.d. and Sava Turizem d.d. totalling €713 thousand, and current financial liabilities from interest rate swaps totalling €4,951 thousand.

Loan collateral

The loans obtained by Sava d.d. are insured with mortgages on real property of Group's companies and pledging the shares and stakes owned by Sava d.d.

An explanation as to the collateral for loans of the Sava Group by placing mortgages on real estate is provided under 1.3.10.

A comprehensive explanation of 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.

Unregulated loans

At 31/12/2011, Sava Group companies had unregulated loans in the amount of €15,694 thousand, of which €12,000 thousand in Sava d.d., and €3,694 thousand in Sava Turizem d.d.

1.3.26. Deferred tax receivables or liabilities

Net deferred tax receivables were formed in the amount of €24,697 thousand (in 2010: €11,615 thousand); they mainly appeared in the parent company Sava d.d. in connection with the revaluation of securities available for sale at fair value.

Deferred tax receivables or liabilities referred to the following items:

€ in thousands

	2011	2010
Liabilities of foreign subsidiaries – revaluation of securities to fair value	23,682	10,499
Receivables - provisions according to actuary calculation, disputes	843	1,036
Receivables - profit retained in inventories	36	10
Receivables - subsidiaries abroad	136	69
Total	24,697	11,615

Deferred tax receivables or liabilities moved as follows:

€ in thousands

	2011	2010
Balance at 01/01	11,615	683
Change in deferred tax liability - through the income statement	13,502	6,549
Change in receivables for provisions for retirement amounts	-95	-57
Change in receivables due to impairments of securities and receivables	13,597	6,606
Change in deferred tax liability - through other comprehensive income	-269	4,383
Change in liability due to revaluation of securities to fair value	-269	4,383
Other changes in liabilities	-269	4,383
Transfer	-151	0
Balance at 31/12	24,697	11,615

Deferred tax receivables from tax losses were not accounted for, as it is estimated that in a foreseeable future no revenues will be generated that in addition to deferred receivables for impairments of financial investments could cover the deferred tax losses. The amount of the non-accounted for deferred tax receivables from tax losses amounted to €20,908 thousand at 31/12/2011.

1.3.27. Current operating liabilities

€ in thousands

	2011	2010
Trade payables	14,573	18,879
Liabilities for received advances	592	1,543
VAT and other taxes	3,005	3,004
Employee payables	3,855	4,023
Other operating liabilities	9,079	6,379
Total	31,105	33,828

Interest liabilities from the obtained loans were included under other operating liabilities.

1.3.28. Current provisions

€ in thousands

	2011	2010
Current provisions	6,266	1,862

The amount €6,266 thousand (in 2010: €1,862 thousand) mainly referred to short-term provisions for retirement amounts, unutilised working hours and holidays in the Tourism division totalling €4,397 thousand, and the accrued costs in connection with the reorganisation of Sava d.d., and deferred interest on loans in the amount of €1,235 thousand.

1.3.29. Sales revenues

€ in thousands

	2011	2010
Revenues from goods sold	96,367	84,437
Net revenues from construction contracts	0	24
Rental income	4,015	5,220
Revenues from other services rendered	64,085	61,573
Revenues from merchandise sold	29,316	25,477
TOTAL	193,783	176,730

1.3.30. Other operating revenues

€ in thousands

	2011	2010
Reversal of provisions not used	580	204
Income from government grants	1,000	943
Income from government incentives	412	365
Proceeds from sale of companies	0	61
Net proceeds from sale of property, plant and equipment	93	126
Proceeds from sale of investment property	459	46
Other	2,398	2,128
TOTAL	4,942	3,872

Other operating revenues mainly referred to the reversal of other provisions that had been formed in the past.

1.3.31. Costs by functional group

€ in thousands

	2011	2010
Manufacturing costs of products sold	127,959	109,412
Selling costs	37,278	32,826
Overheads	38,510	35,356
TOTAL	203,747	177,594

1.3.32. Labour costs

€ in thousands

	2011	2010
Wages and salaries	41,015	38,211
Social security expenses	6,861	6,718
Other labour costs	9,168	7,264
TOTAL	57,044	52,193

Other labour costs include paid employee holiday allowance, other compensations in accordance with the collective agreement (meals and commuting to and from work), and provisions for retirement amounts and employee jubilee benefits as additionally accounted for on the basis the actuary calculation.

2,290 employees were employed in 2011 on average, while in 2010 the employee number totalled 2,327.

1.3.33. Write-offs and impairments

€ in thousands

	2011	2010
Impairment of property, plant and equipment	1	0
Write-offs of property, plant and equipment	188	64
Property, plant and equipment - loss from sale	3	13
Intangible assets - write-offs	92	17
Investment property - impairments	408	142
Write-offs of investment property	8	0
Inventories	9,308	2,312
Receivables	784	0
TOTAL	10,792	2,548

In 2011, the investment property of Savatech d.o.o., which is earmarked for expanding the capacity for its basic activity, was impaired in the amount of €408 thousand.

In 2011, Sava Group companies formed adjustments in the value of 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 companies in the amount of €346 thousand. In 2010, a value adjustment in inventories amounted to €2,312 thousand.

All impairments were carried out based on the evaluation given by persons responsible for supervision over investment property, or by a real property evaluator.

In 2011, Sava Group companies formed a value adjustment in trade receivables in the amount of €734 thousand and €50 thousand were impairments of receivables due from other partners. In 2010, impairments of receivables were shown under financial expenses.

Overview of carrying amounts of impaired investment property in 2011

€ in thousands

Type of assets	Carrying amount before impairment	Impairment	Carrying amount at 31/12/2011
Investment property	408	-408	0
Total	408	-408	0

Overview of carrying amounts of impaired investment property in 2010

€ in thousands

Type assets	Carrying amount before impairment	Impairment	Carrying amount at 31/12/2010
Investment property	142	-142	0
Total	142	-142	0

1.3.34. Other operating expenses

€ in thousands

	2011	2010
Forming long-term provisions	1,108	2,165
Other operating expenses	2,911	1,784
TOTAL	4,019	3,948

Other operating expenses mainly referred to contributions for the use of urban land, compensations for acquiring of operating permits and water supply fees.

Other data about costs

€ in thousands

	2011	2010
Research and development costs	3,742	3,628
Direct operating expenses for investment property	814	866
- rent-generating	809	859
- revenue non-generating	5	7

1.3.35. Net financial revenues / expenses

€ in thousands

	2011	2010
Net gain on disposal of equity securities	2,597	868
Revenues from dividends and shares in profit	196	504
Interest revenues	2,196	3,137
Foreign exchange gains	0	154
Others	155	105
Total financing revenues	**5,144**	**4,768**
Interest expenses	-22,446	-21,360
Impairment of financial investments available for sale	-29,013	-55,823
Impairment of approved loans	0	-16,255
Foreign exchange losses	-1,591	0
Net loss on disposal of financial investments	-1,609	-1,012
Impairment of trade receivables	0	-1,492
Write-off of a financial receivable	0	-18,276
Impairment of receivables due from other entities	0	-47
Others	-4,963	-214
Financing expenses	**-59,623**	**-114,479**
Net revenues/ expenses	**-54,479**	**-109,711**

Impairments of financial investment available for sale shown in the amount of €29,013 thousand, referred in the amount of €26,434 thousand to a drop in the fair value of listed and unlisted securities and the mutual fund NFD 1, and in the amount of €2,579 thousand to the impairments in connection with the liability under the call option contract.

Other financial expenses totalling €4,963 thousand mainly referred to liabilities from interest rate swaps. In 2011, impairments of receivables value were shown under Write-offs.

1.3.36. Net income / costs of associated companies

Income from stakes in profit of associated companies in the amount of €11,049 thousand mainly referred to the income from dividends.

Income from stakes in profit/ loss of associated companies

€ in thousands

	2011	2010
Gorenjska Banka d.d.	10,686	10,684
Abanka Vipa d.d.	309	1,081
NFD Holding d.d.	0	-6,115
Maksima Invest d.d.	0	-3,134
Other associated companies	54	54
Total associated companies	11,049	2,570

Share in profit of the associate in the amount of €108 thousand referred to the loss made in the sale of the interest in JOB d.o.o.

Impairments of financial investments in the associated companies in the amount of €120,507 thousand referred to impairments of:

- financial investments in Gorenjska Banka d.d. in the amount of €10,575 thousand;
- Financial investments in Abanka Vipa d.d. totalling €82,532 thousand.
- Financial investment in NFD Holding d.d. totalling €16,589 thousand.
- Approved loan to NFD Holding d.d. totalling €6,687 thousand.
- Financial investment in Maksima Invest d.d. totalling €4,124 thousand.

1.3.37. Corporate tax

Corporate tax recognised in the income statement

€ in thousands

	2011	2010
Assessed tax in the current year		
- for the current year	-1,595	-1,328
Total	-1,595	-1,328
DEFERRED TAX		
- recently arisen and withdrawn temporary differences	13,502	6,550
Total	13,502	6,550
Tax to the debit of the income statement	11,907	5,223

Comparison between the actual and computed tax rate

€ in thousands

	Rate	2011	Rate	2010
Pre-tax profit in accordance with IFRSs		-157,943		-103,673
Income tax by applying the official rate	20.0%	-31,589	21.0%	-20,735
Tax rate effect in foreign operations	-0.2%	278	-7.6%	462
Tax non-deductible expenses	-10.0%	15,839	672.1%	10,590
Tax free revenues	2.7%	-4,302	-3579.1%	-2,038
Changed tax base due to transition to a new accounting method resulting from past changes in the accounting policies	0.0%	-30	-2.0%	-77
Tax benefits not recognised in the income statement	0.2%	-299	-129.8%	-322
Effect by companies operating with a loss	-5.2%	8,197	2491.8%	6,896
Effective tax rate	**7.5%**	**-11,907**	**5.0%**	**-5,223**

1.3.38. Financial instruments

Financial risks

At the Group level, we have determined a standardised apppearance of all companies with 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 handling 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 currency 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, America Dollar, Chinese Yuan. The structure of inflows and outflows by individual currency is almost levelled, foreign currency 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. To hedge against foreign currency risks we did not use any derivative financial instruments in 2011 as due to the large 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.

€ in thousands

	31/12/2011					31/12/2010				
	Total in €	€	USD	CHF	Other currencies	Total in €	€	USD	CHF	Other currencies
Trade receivables	20,906	18,713	1,136	0	1,057	19,457	17,572	850	0	1,035
Insured bank loans	-231,337	-230,850	0	0	-487	-254,285	-253,927	0	0	-358
Loans from associates	-92,045	-92,045	0	0	0	-91,545	-91,546	0	0	0
Bonds	-26,515	-26,515	0	0	0	-26,515	-26,515	0	0	0
Trade payables and other liabilities	-31,147	-29,446	-301	0	-1,399	-33,904	-31,449	-237	-573	-1,646
Other received loans	-16,461	-16,455	0	0	-6	-8,581	-8,480	0	-101	0
Gross exposure of balance sheet	-376,599	-376,598	835	0	-835	-395,374	-394,345	613	-674	-969
Sales planned for the next year	205,946	192,362	2,624	0	10,960	202,080	185,219	2,083	0	14,778
Purchases planned for the next year	-120,948	-120,948	0	0	0	-111,858	-111,858	0	0	0
Gross exposure	84,998	71,414	2,624	0	10,960	90,222	73,361	2,083	0	14,778
Net exposure	-291,601	-305,184	3,459	0	10,125	-305,152	-320,984	2,696	-674	13,809

Interest rate risk

It has an important effect on 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 rate policy within the Group, at which the parent company Sava d.d. is the main coordinator of these activities. Suitable derived financial instruments are used to eliminate risks in connection with interest rate fluctuations. 3.7% of loan indebtedness in the Sava Group is protected by using this type of hedging.

At the end of 2011, Sava d.d. had one financial instrument concluded to hedge against interest rate risk. Its total nominal value amounted to €14.0 million at the end of the year. The fair value of interest rate risk as a difference between receivables and liabilities is negative at the end of the year in the amount of €4,823 thousand, and in the consolidated financial statements of the Sava Group it is included in the income statement.

Interest rate risk management by using interest rate swaps

€ in thousands

31/12/2011	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	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 thousands

31/12/2010	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	115	-115	-115	0	0	0	0
Liabilities	-1,087	-1,087	-177	0	-455	-455	0
Total	-972	-1.202	-292	0	-455	-455	0

Solvency risk

In the Sava Group, we manage solvency risk centrally and have established a standardised financial policy. The goal of such organisation is to assure a suitable liquidity of the parent and subsidised companies and enable all Sava Group companies financing under most favourable conditions. Liquidity risk is managed by way of 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 lending banks.

In September, the new long-term business strategy until 2014 was adopted. The strategy also incorporates a restructuring plan for financial liabilities of companies and determines the activities for divesting investments, which will demonstrate in a lower and at the same time a sustainable indebtedness level. All Group companies carry out measures for stabilising operations, necessary activities for strengthening the cash flow, costs rationalisations and other steps to enhance operating profit.

31/12/2011	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	397,505	-413,018	-75,249	-267,953	-24,539	-44,971	-305
Insured bank loans (excluding associates)	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
Derivative financial liabilities	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	402,456	-417,969	-75,903	-268,403	-26,739	-46,618	-305

31/12/2010	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	**414,831**	**-447,360**	**-136,282**	**-77,373**	**-172,485**	**-50,611**	**-10,609**
Insured bank loans (excluding associates)	254,285	-272,147	-70,979	-62,981	-111,935	-16,675	-9,576
Trade payables and other liabilities	33,904	-33,961	-33,941	-20	0	0	0
Loans from associated companies	91,545	-98,000	-29,246	-13,166	-52,175	-3,413	0
Bonds	26,515	-34,017	-946	-962	-1,913	-30,196	0
Other financial liabilities	8,581	-9,234	-1,170	-244	-6,461	-327	-1,033
Derivative financial liabilities	**1,087**	**-1,087**	**-177**	**0**	**-455**	**-455**	**0**
Interest rate swaps used as risk hedging instruments	1,087	-1,087	-177	0	-455	-455	0
Total	415,918	-448,447	-136,459	-77,373	-172,940	-51,066	-10,609

Credit risk

This is reduced by using a standardised policy of pursuing 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 ongoing compensations. The majority of trade receivables in manufacturing and partly also in tourism services is insured with SID (Prva Kreditna Zavarovalnica d.d.) , Ljubljana. In the real estate business it is not always possible to have insurance, therefore measures to minimise exposure to credit risk rely on our own customer rating and insurance estimates.

Trade receivables by geographical region

€ in thousands

	Carrying amount	
	2011	2010
Slovenia	5,523	6,041
Other EU countries	10,966	9,944
Other	4,417	3,472
TOTAL	20,906	19,457

Balance and movement of value adjustment in trade receivables

€ in thousands

	Carrying amount	
	2011	2010
Initial balance	3,900	2,777
Increase of value adjustment	734	1,492
Decrease of value adjustment	-1,859	-369
End balance	2,775	3,900

Maturing structure of trade receivables

€ in thousands

	2011			2010		
	Gross receivables	Impairment	Net receivables	Gross receivables	Impairment	Net receivables
Not due	17,030	248	16,782	16,313	57	16,256
Due 0 - 30 days	3,053	1	3,052	2,605	280	2,325
Due 31 - 120 days	1,000	10	990	892	43	849
Due more than 120 days	2,598	2,516	82	3,547	3,520	27
Total	23,681	2,775	20,906	23,357	3,900	19,457

Sensitivity analysis to financial risk

Sensitivity analysis to interest rate change

In 2011, the Sava Group had the largest part of hired loans tied to a reference interest rate 3- month and 6-month EURIBOR. In 2011, the reference interest rates were at extremely low levels, which reflected the general economic situation in Europe.

	31/12/2011	31/12/2010	Highest value	Lowest value	Mean value	Daily standard deviation	Coefficient of variance
3-month EURIBOR	1.36 %	1.01 %	1.62 %	1.00 %	1.39 %	0.68 %	48.6 %
6-month EURIBOR	1.22 %	1.23 %	1.83 %	1.22 %	1.63 %	0.62 %	37.9 %

The movement of the future interest rates will be strongly connected with 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 2011, the annual interest expense would change by €1,913 thousand if interest rate increases by 50 basis points.

Sensitivity analysis to enhanced indebtedness

At the end of 2011, the Sava Group had short- and long-term financial liabilities with the banking system in the amount of €382.6 million. If the Sava Group contracted additional debts of €10 million, the interest expense with regard to the present average interest rate as valid at the end of 2011, would increase by €580 thousand.

Sensitivity analysis to exchange rate variation

Sava Group companies have the majority of inflows and outflows mutually levelled, and the majority of assets are tied to the domestic currency. For this reason, the exposure of the company to foreign currency risk is not high.

1.3.39. Fair values of financial instruments

Fair values of financial instruments

€ in thousands

	2011	2011	2010	2010
	Book value	Fair value	Book value	Fair value
Securities available for sale	41,177	41,177	67,225	67,225
Assets available for sale	32,348	32,348	0	0
Non-current receivables – financial leasing	0	0	5,039	4,678
Other long-term receivables	384	384	636	636
Short-term receivables	26,768	26,768	25,383	25,383
Derivative financial instruments – interest rate swap	128	128	115	115
Granted loans	20,224	20,224	24,958	24,958
Cash and cash equivalents	10,649	10,649	8,293	8,293
Non-current loans at a fixed interest rate	-8,329	-8,433	-9,336	-9,260
Long-term loans - issued bonds with fixed interest rate	-26,515	-25,967	-26,515	-26,739
Long-term loans at a variable interest rate	-27,656	-27,656	-177,148	-177,148
Liabilities available for sale	-17,898	-17,898	0	0
Long-term operating liabilities	-42	-42	-76	-76
Current loans	-303,143	-303,143	-167,204	-167,204
Derivative financial instruments – interest rate swap	-4,951	-4,951	-1,087	-1,087
Liabilities for dividends	-715	-715	-724	-724
Current operating liabilities	-31,105	-31,105	-33,828	-33,828

The hierarchy of fair values

The financial instruments valued at fair value are classified at three levels:

- Level 1: Assets or liabilities at stock exchange price at 31/12.
- Level 2: Assets or liabilities not classified at level 1, their value being determined directly or indirectly on the basis of market data.
- Level 3: Assets or liabilities whose value cannot be ascertained from the market data.

In connection with the assets classified at level 3, a sum of €92 thousand was reallocated from level 1 in 2011, as well as impairments of €16,738 thousand and net sales of €3,028 thousand. Impairments in the amount of €16,528 thousand were shown in the income statement, whereas impairments in the amount of €210 thousand were shown in equity revaluation adjustment. A loss of €1,609 thousand and a profit of €85 thousand were made in sales.

Classification of financial instruments with regard to their fair value calculation

€ in thousands

	2011				2010			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Securities available for sale	41,177	4,163	25,124	11,890	67,225	33,087	2,574	31,564
Derivative financial instruments - assets	128	0	128	0	115	0	115	0
Derivative financial instruments - liabilities	-2,909	0	-2,909	0	-1,087	0	-1,087	0
Total	38,396	4,163	22,343	11,890	66,253	33,087	1,602	31,564

1.3.40. Contingent liabilities

At 31/12/2011 the Sava Group had contingent liabilities in the amount of €490 thousand, whereas in the past year they amounted to €1.0 million. 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 subsidiaries in the Group and their closer family members.

a) Relations with subsidiaries

Business relations between Sava d.d. and its subsidiaries mainly related to provided services, which include rent of property and equipment, use of brand name, and services provided by the competence centres of knowledge.

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 to banks, referred to the issued guarantees, which at 31/12/2011 amounted to €17,214 thousand, and 5,688 pledged shares of Gorenjska Banka d.d. in the value of €3,345 thousand.

b) Relations with the associated companies

Gorenjska Banka d. d.

	2011	2010
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 with Gorenjska Banka d.d.

€ in thousands

	2011	2010
Balance of obtained loans at 01/01	**37,717**	**28,816**
Hiring new loans	20,825	33,540
Repayment of loans	-19,978	-24,638
Foreign exchange diferences	0	0
Balance of obtained loans at period end	**38,564**	**37,717**
Balance of deposits at period end	**0**	**0**

Various interest rates are paid on loans from Gorenjska Banka d.d.:3-month EURIBOR + 4.90% , 6-month EURIBOR + 0.75% and the fixed interest rate 5.20%, 5.30% and 5.50%.

Other transactions with Gorenjska Banka d.d.

- at 31/12/2010, operating receivables due from Gorenjska Banka d.d. amounted to €2 thousand (in 2010: €2 thousand);
- at 31/12/2010, the balance of current operating liabilities from interest to Gorenjska Banka d.d. amounted to €500 thousand (in 2010; €496 thousand);
- in 2011, financial revenues were made in doing business with Gorenjska Banka d.d. in the amount of €20 thousand (in 2010: €7 thousand), and interest expenses €2,316 thousand (in 2010: €1,721 thousand).

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 with Abanka Vipa d.d.

€ in thousand

	2011	2010
Balance of obtained loans at 01/01	**53,828**	**45,513**
Hiring new loans	58,644	99,497
Repayment of loans	-59,112	-91,182
Foreign exchange diferences	0	0
Balance of obtained loans at period end	**53,360**	**53,828**
Balance of deposits at period end	**2,276**	**0**

Various interest rates are charged on loans from Abanka Vipa d.d.: 3 – month EURIBOR + 0.60%, 6-month EURIBOR + 0.85% and 3-month EURIBOR + 4.5%, and the fixed interest rates of 5.60% and 5.80%. The interest rate for deposit amounted to 1.20%.

Other transactions with Abanko Vipa d.d.

- at 31/12/2011, the balance of current operating liabilities from interest to Abanka Vipa d.d. amounted to €241 thousand (in 2010: €208 thousand);
- in doing business with Abanka Vipa d.d. in 2011, interest expenses amounted to €2,604 thousand (in 2010: €2,102 thousand).

NFD HOLDING d.d., Ljubljana

At 31/12/2011 the receivable due from NFD Holding d.d. arising from the granted loans amounted to €22,374 thousand (at 31/12/2010: €24,374 thousand). Operating receivables from the computed interests at 31/12/2011 were shown in the amount of €899 thousand (in 2010: €440 thousand). In 2011, interest revenues amounted to €1,579 thousand (in 2010: €233 thousand), financial revenues from operating receivables amounted to €49 thousand in 2011 (none in 2010).

MAKSIMA INVEST d.d., Ljubljana

In 2011,Sava d.d. received a loan of €225 thousand from Maksima Invest d.d. During the year it already paid off €105 thousand, the financial liability to Maksima Invest d.d. thus amounted to €121 thousand at 31/12/2011. Interest expenses amounted to €1 thousand in 2011.

C) Relations with natural persons

Related natural persons own 551 shares in the parent company Sava d.d., which represents 0.027% of ownership.

Ownership of the Sava share at 31/12/2011

€ in thousands

	No. of shares	Stake in capital
Management Board of Sava d.d. members	246	0.012%
Closer family members of Sava d.d. Board members	0	0.000%
Sava d.d. Supervisory Board members	125	0.006%
Managers in subsidiaries	180	0.009%
Supervisory Board members in subsidiaries	0	0.000%
Total	551	0.027%

Gross remunerations in 2011

€ in thousands

	2011	2010
Board members and members of management in Group companies	3,113	2,400
Other employees with managerial contracts in Group companies	9,246	9,956
Supervisory Board members in Group companies	169	221

Company receivables due from related natural persons

€ in thousands

	2011	2010
Board members and members of management in Group companies	67	76
Other employees with managerial contracts in Group companies	4	33
Supervisory Board members in Group companies	0	0

Receivables relate to granted housing loans to employees. Loans were granted at the effective market interest rate on the day of loan approval.

At 31/12/2011, the liabilities of Sava d.d. to the related persons were shown only for regular monthly wages for December 2011, which were paid in January 2012.

The amount does not deviate from the usual interim monthly payments.

The remunerations by the Management Board is minutely disclosed under item 2.5.7 of the financial report of Sava d.d.

1.3.42. Disclosing business with auditors

€ in thousands

	2011	2010
Auditing costs of annual report	151	161
Costs of other auditing services	11	3
Tax consulting cost	0	0
Other non-auditing services	1	58
Total	163	222

1.3.43. Explanations in connection with denationalisation claims (contingent liabilities)

a) Denationalisation claim – Zdravilišče Radenci

Zdravilišče Radenci d.o.o. 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 eliminated from the ownership restructuring of the company until the denationalisation procedure is finished, therefore Zdravilišče Radenci d.o.o. keeps this property under off-balance.

In December 2011, the competent administrative authority issued a resolution about discontinuance of the administrative denationalisation procedure until a final decision about non-litigious proceedings beings carried out in the District Court of Novo Mesto. 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 cannot be estimated.

In years past, the company Zdravilišče Radenci entirely renovated one of its facilities, which forms a part of the spa resort complex. 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 in kind. After a complaint was filed 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 that has been favourable to the company 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 estate, on which insurance was imposed in 1992 and 2005, but later they were no longer subject of returning in kind. The procedure at the District Court has not yet been completed.

In our 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 shares, which are reserved at the DSU.

c) Denationalisation claim – Dermastja

The subject to the denationalisation claim has 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 complaints against the resolution concerning the privatisation. The Administrative Court rejected the complaint. 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 correction in the consolidated financial statements. However, we would like to point out the following events:

a) Procedure of selling a financial investment in the shares of Abanka Vipa d.d.

Sava d.d. was a consortium member for a joint sale of the ownership stake in Abanka Vipa d.d. In the consortium meeting held on 22/12/2011, the consortium members became acquainted with the report by the common financial advisor, the international investment bank ING, on the results of the procedure for the sale of the stake in Abanka Vipa d.d. until that time. ING informed the consortium members that despite the expressed interest by certain potential investors, the sale procedure did not lead to receiving a binding offer for repurchase. Based on the report on the joint sale procedure and the estimate of the macro-economic environment for 2012, the consortium members made a decision to discontinue the joint sale procedure and suspend the consortium. The consortium for the joint sale of the stake in Abanka Vipa d.d. formed in December 2010 thus discontinued its work on the day of adopting this resolution, which was 5 January 2012.

b) Financial position of the Sava Group

A detailed explanation in connection with the activities in the financial area of Sava Group companies in 2011 is given in the business report of the annual reports, Chapter 10 – Financial management.

1.4. Statement of Management`s responsibilites for the Sava Group

The Management Board approves the consolidated financial statements of the Sava Group for the year that ended on 31 December 2011.

The Management Board confirms that when drawing up the consolidated financial statements the corresponding accounting policies were consistently applied, the accounting estimates were elaborated according to the principle of prudence and good management, and that the annual report gives a true and fair view of the company's assets and business results in the year 2011.

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 and in accordance with current legislation and International Financial Reporting Standards as adopted by the EU.

Miha Resman
Member of the Management Board

Matej Narat, MSc
President of the Management Board

Andrej Andoljšek
Member of the Management Board

Franci Strajnar, MSc
Member of the Management Board

Kranj, 27 March 2012

1.5. Independent auditor`s report for the Sava Group

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenija

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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 group Sava (hereinafter: the "Group"), which comprise the balance sheet as at 31 December 2011, 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 preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. 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 group'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 group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its operating results and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 1.3.5. »Financial risk management« to the consolidated financial statements, the Group is exposed to high credit risk, high solvency risk and risks of change in fair value. The Group has suffered recurring losses and as at 31 December 2011 its short-term liabilities exceeded its current assets by EUR 244,589 thousand. This is predominantly arising from the company Sava d.d. 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 an uncertainty which may raise doubt about the Group's ability to continue as a going concern. The management's plans in relation to the abovementioned risk are disclosed in Note 1.3.5. and Note 10 »Financial management« of the business report. The financial statements do not include potential adjustments that may have been the consequence of this uncertainty.

As discussed in Note 1.3.43. to the consolidated financial statements, the company within the Sava Group has been a subject of various denationalisation 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 Group. 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.

Other Matter

The financial statements for the financial year ended 31 December 2010 were audited by a different auditor who issued an unmodified opinion on the statements on 8 April 2011.

Report on Other Legal and Regulatory Requirements

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

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj
Certified Auditor

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

Deloitte.

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

Ljubljana, 6 April 2012

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

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 Sava d.d. at 31/12/2011

€ in thousands

	Notes	31/12/2011	31/12/2010
ASSETS			
A. FIXED ASSETS		366,642	487,341
I. INTANGIBLE FIXED ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	2.4.1.	141	149
1. Long-term industrial property rights		141	149
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.	153	5,392
1. Land and buildings		0	4,294
a)Land		0	0
b)Buildings		0	4,294
2. Plant and machinery		151	813
3. Other equipment		2	164
4. Tangible fixed assets under construction		0	121
a) Tangible fixed assets under construction and manufacture		0	121
b) Advances for tangible fixed assets		0	0
III. INVESTMENT PROPERTY	2.4.3.	15,127	19,421
1. Leased to subsidiaries		8,771	15,328
2. Leased to other companies		4,304	2,041
3. Not leased		2,052	2,052
IV. LONG-TERM FINANCIAL INVESTMENTS	2.4.4.	326,093	450,794
1. Long-term financial investments except loans		322,833	450,062
a) Shares and stakes in Group's companies		156,694	145,497
b) Shares and stakes in associates		125,009	237,537
c) Other shares and stakes		41,130	67,028
d) Other long-term financial investments		0	0
2. Long-term loans		3,260	732
a) Long-term loans to companies in the Group		3,260	732
b) Long-term loans to other entities		0	0
c) Long-term unpaid called-up capital		0	0
V. LONG-TERM OPERATING RECEIVABLES	2.4.5.	63	143
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		63	143
VI. DEFERRED TAX RECEIVABLES	2.4.6.	25,065	11,442

€ in thousands

	Notes	31/12/2011	31/12/2010
B. SHORT-TERM ASSETS		43,282	76,575
I. ASSETS (GROUPS FOR DISPOSAL) FOR SALE	2.4.7.	22,145	0
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.	19,554	70,066
1. Short-term financial investments except loans		128	115
a) Shares and stakes in Group's companies		0	0
b) Other shares and stakes		0	0
c) Other short-term financial investments		128	115
2. Short-term loans		19,426	69,951
a) Short-term loans to companies in the Group		1,464	7,339
b) Short-term loans to other entities		17,962	24,374
c) Short-term unpaid called-in capital		0	38,238
IV. SHORT-TERM OPERATING RECEIVABLES	2.4.9.	1,582	6,507
1. Short-term operating liabilities to companies in the Group		471	3,344
2. Short-term trade receivables		118	299
3. Short-term operating receivables to other entities		993	2,864
V. CASH	2.4.10.	0	2
1. Cash on hand and accounts		0	2
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		114	111
ASSETS TOTAL		410,038	564,027

€ in thousands

	Notes	31/12/2011	31/12/2010
LIABILITIES			
A, CAPITAL	2.4.11.	87,654	239,122
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	125,608
III. REVENUE RESERVES		0	14,714
1. Legal reserves		0	7,182
2. Reserves for treasury shares and own business stakes		4,977	4,977
3.Treasury shares and own business stakes (as a deductible item)		-4,977	-4,977
4. Statutory reserves		0	0
5. Other revenue reserves		0	7,532
IV. SURPLUS FROM REVALUATION		13,177	8,519
- From tangible fixed assets		0	0
- From intangible fixed assets		0	0
- From long-term financial investments		13,177	8,519
- From short-term financial investments		0	0
V. RETAINED NET PROFIT OR LOSS FROM PREVIOUS PERIODS		0	6,530
VI. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR		-9,274	0
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	2.4.13.	332	280
1. Provisions for pensions and similar liabilities		332	280
2. Other provisions		0	0
3. Long-term accrued costs and deferred revenues		0	0
C. LONG-TERM LIABILITIES	2.4.14.	43,990	179,692
I. LONG-TERM FINANCIAL LIABILITIES		42,296	177,339
1. Long-term financial liabilities to Group's companies		25	4,688
2. Long-term financial liabilities to banks		7,756	140,136
3. Long-term financial liabilities arising from bonds		26,515	26,515
4. Other long-term financial liabilities		8,000	6,000
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		1,694	2,353

€ in thousands

	Notes	31/12/2011	31/12/2010
D. SHORT-TERM LIABILITIES	2.4.15.	276,827	144,221
I. LIABILITIES INCLUDED IN GROUPS FOR DISPOSAL		0	0
II. SHORT-TERM FINANCIAL LIABILITIES		267,035	136,948
1. Short-term financial liabilities to Group's companies		12,362	24,362
2. Short-term financial liabilities to banks		242,892	110,712
3. Short-term liabilities arising from bonds		0	0
4. Other short-term financial liabilities		11,781	1,874
III.SHORT-TERM OPERATING LIABILITIES		9,792	7,273
1. Short-term operating liabilities to Group's companies		129	229
2. Short-term trade payables		281	678
3. Short-term bills payables		0	0
4. Short-term operating liabilities arising from advances		57	26
5. Other short-term operating liabilities		9,325	6,340
E. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES	2.4.16.	1,235	712
TOTAL LIABILITIES		410,038	564,027

The notes to the financial statements form a constituent part of the latter, therefore, they should be read in conjunction with the financial statements.

Income statement of Sava d.d. for the period January – December 2011

€ in thousands

	Notes	2011	2010
1. NET SALES REVENUES	2.4.17.	5,511	8,727
a) Revenues in domestic market		5,509	8,724
To companies in the Group		4,450	7,122
To associates		0	0
To others		1,059	1,602
b) Revenues in foreign market		2	3
To companies in the Group		2	3
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 revaluationent)	2.4.18.	21	1,588
5. COSTS OF MERCHANDISE, MATERIALS AND SERVICES	2.4.20.	-4,695	-5,664
a) Cost of merchandise and material sold and cost of material used		-242	-328
b) Cost of services		-4,453	-5,336
6. LABOUR COSTS	2.4.21.	-3,482	-2,496
a) Salaries and wages		-2,407	-1,896
b) Social security cost (pension insurance cost shown separately)		-445	-374
- Social security cost		-180	-148
- Pension insurance cost		-265	-226
c) Other labour cost		-630	-226
7. AMORTISATION AND DEPRECIATION EXPENSE, WRITE-OFFS	2.4.22.	-822	-2,141
a) Amortisation		-766	-1,900
b) Operating expenses from revaluation of intangible and tangible fixed assets		-4	-143
c) Operating expenses from revaluation of current assets		-52	-98
8. OTHER OPERATING EXPENSES	2.4.23.	-486	-345
9. OPERATING LOSS		-3,953	-331
10. FINANCIAL REVENUES FROM SHARES	2.4.24.	14,593	30,192
a) Financial revenues from shares in Group's companies		988	17,037
b) Financial revenues from shares in associates		11,053	11,783
c) Financial revenues from shares in other companies		2,552	1,372
d) Financial revenues from other investments		0	0
11. FINANCIAL REVENUES FROM GRANTED LOANS	2.4.25.	2,645	3,946
a) Financial revenues from loans granted to Group's companies		728	1,093
b) Financial revenues from loans granted to other entities		1,917	2,853
12. FINANCIAL REVENUES FROM OPERATING RECEIVABLES	2.4.26.	17	12
a) Financial revenues from operating receivables due from Group's companies		6	0
b) Financial revenues from operating receivables due from other entities		11	12
13. FINANCIAL EXPENSES FROM IMPAIRMENT AND WRITE-OFFS IN FINANCIAL INVESTMENTS	2.4.27.	-159,763	-95,162

€ in thousands

	Notes	2011	2010
14. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	2.4.28.	-25,011	-18,181
a) Financial expenses from borrowings obtained from Group's companies		-879	-1,269
b) Financial expenses from borrowings obtained from banks		-15,271	-12,783
c) Financial expenses from issued bonds		-1,908	-1,908
d) Financial expenses from other financial liabilities		-6,953	-2,221
15. FINANCIAL EXPENSES FROM OPERATING LIABILITIES		-7	0
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		-7	0
16. OTHER REVENUES	2.4.29.	806	207
17. OTHER EXPENSES	2.4.29.	-4	-47
18. TAX ON PROFIT		0	0
19. DEFERRED TAXES	2.4.30.	14,551	6,461
20. NET LOSS FOR THE FINANCIAL YEAR		-156,126	-72,903

The notes to the financial statements form a constituent part of the latter, therefore, they should be read in conjunction with the financial statements.

Statement of comprehensive income of Sava d.d. for the period January-December 2011

€ in thousands

	2011	2010
Net loss for the period	-156,126	-72,903
Other comprehensive income:	0	0
- effective portion of changes in fair value of cash flow hedges	959	-1,123
- change in fair value of available-for-sale financial assets	6,323	-27,712
- deferred tax from change in fair value of available-for-sale financial assets	-868	2,591
- change in fair value of available-for-sale financial assets transferred to profit or loss	-2,356	-1,152
- deferred tax from a change in fair value of available-for-sale financial assets transferred to profit or loss	599	319
Other comprehensive income for the period, net of income tax in the period	4,658	-27,077
Total comprehensive income for the period	-151,469	-99,980

Cash flow statement of Sava d.d. for the period January – December 2011

€ in thousands

	2011	2010
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a) Net profit/ loss for the financial year	-156,126	-72,903
- Pre-tax profit/ loss	-170,677	-79,364
- Profit tax and other taxes	14,551	6,461
b) Adjustments for:	168,422	79,831
- Depreciation	766	1,900
- Operating revenues from revaluation in connection with items of investing and financing activities	0	-1,417
- Operating expenses from revaluation in connection with items of investing and financing activities	120	143
- Financial revenues excluding financial revenues from operating receivables	-17,238	-34,138
- Financial expenses excluding financial expenses from operating liabilities	184,774	113,343
c) Change in net current assets (and accruals, deferrals, provisions and deferred tax receivables and liabilities) balance sheet items	-11,798	-17,932
- Opening minus closing operating receivables	-1,920	-6,174
- Opening minus closing deferred costs and accrued revenues	-3	-78
- Opening minus closing deferred tax receivables	-13,623	-7,024
- Opening minus closing assets (groups for disposal) for sale	0	0
- Opening minus closing inventories	0	0
- Closing minus opening operating liabilities	-1,144	-3,793
- Closing minus opening accrued costs and deferred revenues and provisions	997	-87
- Closing minus opening deferred tax liabilities	3,895	-776
d) Surplus in inflows from operating activities or surplus of outflows from operating activities	498	-11,004
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a) Inflows from investing activities	42,521	142,989
- Revenues from received interests and shares in profit in relation to investing activities	15,149	31,682
- Revenues from disposal of intangible fixed assets	0	0
- Revenues from disposal of tangible fixed assets	3	0
- Revenues from disposal of investment property	0	5,900
- Revenues from disposal of long-term financial investments	9,439	4,596
- Revenues from disposal of short-term financial investments	17,930	100,811
b) Outflows from investing activities	-21,103	-90,144
- Expenses for purchase of intangible fixed assets	-14	0
- Expenses for purchase of tangible fixed assets	-63	-105
- Expenses for purchase of investment properties	0	0
- Expenses for purchase of long-term financial investments	-2,357	-33,022
- Expenses for purchase of short-term financial investments	-18,669	-57,017
c) Surplus in inflows from investing activities or surplus in outflows from investing activities	21,418	52,845

€ in thousands

	2011	2010
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a) Inflows from financing activities	102,814	237,625
- Revenues from paid-in capital	0	-4,753
- Revenues from increase in long-term financial liabilities	8,000	39,326
- Revenues from increase in short-term financial liabilities	94,813	203,052
b) Outflows from financing activities	-124,731	-279,466
- Expenses for interests related to financing	-24,819	-16,217
- Expenses for return of capital	0	0
- Expenses for repayment of long-term financial liabilities	-10,050	-49,475
- Expenses for repayment of short-term financial liabilities	-89,853	-207,503
- Expenses for payment of dividends and other shares in profit	-9	-6,271
c) Surplus in inflows from financing activities or surplus in expenses from financing activities	-21,917	-41,841
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD	0	2
a) Net increase in cash and cash equivalents	-2	0
b) Cash and cash equivalents at beginning of period	2	2

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 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 reserve	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	-151,469
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
c) 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	6,323	0	0	0	0	6,323
e) Deferred tax from a change in fair value of availbale-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-sales 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
c) 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**

Statement of changes in equity of Sava d.d. for the period from 31/12/2009 to 31/12/2010

€ 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 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 reserve	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 31/12/2009	**83,751**	**0**	**125,608**	**7,182**	**224**	**-224**	**0**	**61,483**	**35,596**	**22,957**	**0**	**13,690**	**0**	**350,267**
A.2. INITIAL BALANCE 01/01/2010	**83,751**	**0**	**125,608**	**7,182**	**224**	**-224**	**0**	**61,483**	**35,596**	**22,957**	**0**	**13,690**	**0**	**350,267**
B.1. Changes in equity - transactions with owners	0	0	0	0	0	-4,753	0	0	0	-6,412	0	0	0	-11,165
d) Purchase of treasury shares and own business stakes	0	0	0	0	0	-4,753	0	0	0	0	0	0	0	-4,753
g) Dividend pay-out	0	0	0	0	0	0	0	0	0	-6,412	0	0	0	-6,412
B.2. Total comprehensive income for the period	0	0	0	0	0	0	0	0	-27,077	0	0	0	-72,903	-99,980
a) Entry of net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	0	0	-72,903	-72,903
c) Effective portion of changes in fair value of cash flow hedges	0	0	0	0	0	0	0	0	-1,123	0	0	0	0	-1,123
d) Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	0	0	-27,712	0	0	0	0	-27,712
e) Deferred tax from a change in fair value of availbale-for-sale financial assets	0	0	0	0	0	0	0	0	2,591	0	0	0	0	2,591
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	-1,152	0	0	0	0	-1,152
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	319	0	0	0	0	319
B.3. Changes within equity	0	0	0	0	4,753	0	0	-53,951	0	-10,015	0	-13,690	72,903	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	13,690	0	-13,690	0	0
c) Settling loss as deductible capital item	0	0	0	0	0	0	0	-42,668	0	-30,235	0	0	72,903	0
d) Forming reserves for treasury shares and own business stakes from other capital components	0	0	0	0	4,753	0	0	-4,753	0	0	0	0	0	0
f) Other changes in capital	0	0	0	0	0	0	0	-6,530	0	6,530	0	0	0	0
C. END BALANCE 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**

Calculation of the accumulated loss for Sava d.d. as at 31/12/2011

€ in thousands

	2011	2010
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	-156,126	-72,903
Retained profit/ loss at 01/01	6,530	36,647
Decrease due to payment of dividends/ stakes	0	-6,412
Decrease / reversal of capital reserves	125,608	0
Decrease (reversal) of revenue reserves	7,532	49,198
Other changes	7,182	0
Accumulated profit / loss at 01/01	-9,274	6,530

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 which ended on 31 December 2011. 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 27 March 2012.

Functional currency

The financial statements are presented in Euro, which as of 1 January 2007 has been the functional currency of the company. All 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 2011, 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 as incurred.

Investment property

Investment property is a property which is held either to earn rental income or for long-term investment 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 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 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 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 investment 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 at least once a year signs for impairments are examined. The impairment estimate is carried out by verifying the recoverable value, i.e. verification of the value in use (estimate of discounted cash flows) and the fair value; the recoverable value is the lower 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 investment 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 determining 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 2011. 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 rates and current borrowing power of swap participants.

Receivables

At their initial recognition, 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 reorganisation costs and refer to severance pays to the employees in connection with the change in the organisational structure of Sava d.d. and the change in the management model of the Sava Group.

Government grants are recognised in financial statements as deferred revenue when received and there is 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

Revenue 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 revenues 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 a 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 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 for which 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 for which 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 divide profit 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 priority 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 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 2011 (for the past period January-December 2010), the balance sheet data as at 31/12/2011 and 31/12/2010 (for the past period 31/12/2010 and 31/12/2009), and other required data. The cash flow statement excludes 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 in the fair value change (price risk)

This involves the risk that the company may suffer from a loss in the economic benefits due to the changed value of financial assets.

This risk is one of the most important risks that Sava d.d. faces as it is strongly associated with achieving the planned return and implementation of the outlined strategy. The year 2011 was marked with high price fluctuations in financial investments as a consequence of the poor economic situation and high uncertainty. A decrease in the value of financial assets significantly changed the assets structure of the parent company Sava d.d. and influenced its operating result in 2011. These risks are decreased by diversifying the investment portfolio and by actively supervising the operations of the companies, in which Sava d.d. holds a significant interest. We continually study investment opportunities and have a plan designed for divesting certain investments in order to assure a suitable solvency.

Foreign currency risk

This involves a risk of losing economic benefits due to changes in foreign currency exchange rates. Sava d.d. mainly does 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 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 protect ourselves against foreign currency risk by non-exposing to foreign currency risk.

In 2011, we did not use any derivative financial instruments for hedging against exchange rate risk owing to high differences between the interest rates for the above-mentioned currencies and that for Euro in the market, as no suitable hedge instruments were available to successfully eliminate risks in this connection.

Interest rate risk

This involves a risk that the value of financial instrument and indebtedness costs will fluctuate due to changes in the market interest rates.

At the level of the Sava Group we manage interest rate risk centrally and have a uniform appearance with banks and a standardised indebtedness policy within the Group defined, at which the parent company Sava d.d. appears as the main coordinator of all activities. We use suitable derivative financial instruments to eliminate risks arising from interest rate changes. The risk of changes in the market interest rate is high in these uncertain economic circumstances. 4.6% of obtained loans is hedged against interest risk.

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 supervising over bad payers and carrying out ongoing compensations. The major part of the increased credit risk of Sava d.d. in 2011 was due to transactions made with NFD Holding d.d. and Maksima Invest d.d. in the past.

Sava d.d. granted two short-term loans to NFD Holding d.d.. In 2011, NFD Holding d.d. settled a part of its liabilities in the amount of €2,000 thousand as payment of principals so that the outstanding value at the end of the year totalled €22,374 thousand. The loans granted to NFD Holding d.d. were entirely secured with bills of exchange and securities. The estimated value of the pledged securities totals €16,074 thousand, or 72% of the short-term loans value. Owing to the insufficient value of the collateral, the loans were impaired by €6,687 thousand at the end of 2011.

Sava d.d. made a forward sale agreement with Maksima Invest d.d. for 14,780 shares issued by Daimond d.d. with designation DNGG in the value of €1,155 thousand. For the accounting reporting purpose, the fair value of the concluded forward sale option contract was examined at the end of the year, and impaired in total.

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 its subsidiaries, and financing under most favourable conditions for all Sava Group companies.

Owing to a difficult economic situation, the circumstances in money markets further deteriorated in 2011. Banks focused on approving additional credit lines to economic entities, which caused a limited access to the sources and difficult conditions for solvency assurance and regular settlement of liabilities.

In 2011, Sava d.d. devoted a great deal of its attention to solvency, regular settlement of financial liabilities and arrangement of relations with the banks-partners. In September, a new business strategy for the period until 2014 was adopted. This strategy includes a restructuring plan for financial liabilities of the company and defines the activities for divesting of company's investments to lower indebtedness and assure a sustainable level of indebtedness of the company.

Parallel with the activities in the parent company Sava d.d., the subsidiaries of the Sava Group carry out measures for stabilising the operations, the activities for cash flow consolidation, cost rationalisation and other steps, which aim at increasing the operating profit.

Due to the aggravated situation in the money markets, the solvency risk in Sava d.d. in 2011 is estimated as high.

Managing the capital

An adequate capital structure assures the confidence of investors, creditors, the market and facilitates sustainable development of the entire Sava Group. The Management Board of Sava d.d. improved the capital structure by introducing the financial restructuring programme.

Sava d.d. has no programme of granting stock options to its employees. In July 2011, the company offered the employees in the Sava Group to repurchase own shares, which it had acquired in 2010 in accordance with the provisions of the second and eighth indent of the first paragraph Article 247 of the Companies Act-1 it. The company offered the entire amount of 30,541 own shares, or 1.52% of the company's share capital, for repurchase.

Regulatory bodies do not have any capital requirements towards the parent company or subsidiaries in the Sava Group.

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 €141 thousand included purchased licences for the use of software programmes. In 2011, depreciation in the amount of €21 thousand was accounted for.

Movement of intangible fixed assets and long-term deferred costs and accrued revenues

€ in thousands

		Property rights				
Cost value	Long-term deferred development costs	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 01/01/2011	0	730	0	0	0	730
Increase, purchase	0	14	0	0	0	14
Balance at 31/12/2011	0	744	0	0	0	744
VALUE ADJUSTMENT						
Balance at 01/01/2011	0	-581	0	0	0	-581
Depreciation	0	-21	0	0	0	-21
Balance at 31/12/2011	0	-602	0	0	0	-602
CARRYING AMOUNT						
Balance at 01/01/2011	0	149	0	0	0	149
Balance at 31/12/2011	0	141	0	0	0	141

2.4.2. Tangible fixed assets

The value of tangible fixed assets totalling €153 thousand was significantly lower in comparison with the previous year. In 2011, property in the premises Labore, Kranj, was sold to Savatech d.o.o. The book value of this property, which was defined as a fair market value, amounted to €4,675 thousand. Minimum investments were carried out from own finance sources, therefore the cost of borrowings do not increase the value of tangible fixed assets.

In 2011, the depreciation of tangible fixed assets was accounted for in the amount of €453 thousand.

Movement o 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 01/01/2011	0	7,953	2,797	400	121	0	11,272
Purchase, increase	0	0	50	13	0	0	63
Put in use	0	0	6	0	-6	0	0
Transfers	0	0	-157	-8	-116	0	-281
Decrease	0	-7,953	-875	-383	0	0	-9,211
Write-offs	0	0	-845	-7	0	0	-852
Balance at 31/12/2011	0	0	976	15	0	0	991
VALUE ADJUSTMENT							
Balance at 01/01/2011	0	-3,659	-1,984	-237	0	0	-5,880
Transfers	0	0	100	7	0	0	107
Decrease	0	3,820	447	272	0	0	4,539
Write-offs	0	0	842	6	0	0	848
Depreciation	0	-161	-230	-62	0	0	-453
Balance at 31/12/2011	0	0	-825	-14	0	0	-839
CARRYING AMOUNT							
Balance at 01/01/2011	0	4,294	813	164	121	0	5,392
Balance at 31/12/2011	0	0	151	2	0	0	153

2.4.3. Investment property

Investment property in the amount of €15,127 thousand represented 4% of the assets structure, their value being by €4,294 thousand lower than in the previous year. In 2011, the investment property in the premises Labore, Kranj was sold to Savatech d.o.o.; the book value of this property, which was defined as a fair market value, amounted to €4,060 thousand.

A mortgage was placed on the real estate of GH Toplice with the Panorama Restaurant whose book value totals €6,314 thousand, for a loan hired with Pokojninska Družba A d.d. At 31/12/2011, the balance of the outstanding loan amounted to €6,000 thousand.

A mortgage was placed on the land of the Main Office Building Škofjeloška cesta 6 in Kranj, and on the property BTC in Ljubljana whose total book value amounted to €1,691 thousand, for a long-term syndicated loan granted in 2010. At 31/12/2011, the amount of €128,068 thousand was outstanding.

In 2011, the depreciation of investment property was accounted for in the amount of €292 thousand.

We estimate that the fair value of investment property does not significantly deviate from the book values.

Movement of investment property

€ in thousands

Cost value	Land-investment properties	Buildings-investment properties	Total
Balance at 01/01/2011	9,250	15,767	25,017
Transfers	0	165	165
Decrease due to selling	-2,459	-2,571	-5,030
Balance at 31/12/2011	6,791	13,361	20,152
VALUE ADJUSTMENT			
Balance at 01/01/2011	0	-5,596	-5,596
Transfers	0	-107	-107
Decrease due to selling	0	970	970
Depreciation	0	-292	-292
Balance at 31/12/2011	0	-5,025	-5,025
CARRYING AMOUNT			
Balance at 01/01/2011	9,250	10,171	19,421
Balance at 31/12/2011	6,791	8,336	15,127

2.4.4. Long-term financial investments

Long-term financial investments in the amount of €326,093 thousand represented 80% of the balance sheet total and were €124,701 thousand or 28% lower than last year.

a) Shares and stakes in Sava Group companies

Shares and stakes in Sava Group companies totalling €156,694 thousand were €11,197 thousand or 8% higher than at the end of the previous year. The following changes took place in 2011:

- increases in capital of Savatech d.o.o., Sava IP d.o.o. and Ensa BH d.o.o., Srbac, in the amount of €38,238 thousand were entered in the register of companies, which had been approved already in 2010. In 2011, increases in capital of Sava Group companies were additionally approved and entered in the net amount of €5,001 thousand, which mainly referred to Sava Nova d.o.o. from Zagreb. The increases in capital totalled €43,239 thousand.
- A part of the financial investment in Sava IP d.o.o. in the amount of €19,264 thousand, which was designed for sale in 2012, was transferred under assets available for sale.
- Financial investment in Sava Medical in Storitve d.o.o. in the amount of €2,881 thousand, designed for sale to Savatech d.o.o. in 2012, was transferred under assets available for sale.
- An impairment of financial investments in Real Estate companies was made in the amount of €8,887 thousand.
- An impairment of financial investments in Energetika Sava d.o.o., Kranj in the amount of €797 thousand was carried out.
- Other decreases in the amount of €213 thousand represented the sale of shares of Sava d.d. in smaller companies of the Rubber Manufacturing division.

For the obtained loans of Sava d.d. total ownership stakes in Savatech d.o.o. and Sava Turizem d.d. were pledged, as well as a 51% stake in Sava IP d.o.o. The book value of the pledged stakes and shares of subsidiaries amounted to €158,844 thousand.

The disclosures in connection with the composition of the Sava Group, share in capital and operating result are described in the financial part of the annual report for the Sava Group.

b) Shares and stakes in the associated companies

The value of shares and stakes in the associated companies amounted to €125,009 thousand and was by €112,528 thousand or 47% lower than at the end of the previous year. The decrease was mainly due impairments of financial investments in associates in the amount of €112,242 thousand.

- The value of a 45.90% stake of Sava d.d. in **Gorenjska Banka d.d**. 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. The financial investment in the shares of Gorenjska Banka d.d. amounted to €588 on 31/12/2011.

80.260 shares of Gorenjska Banka d.d. are pledged for the obtained loans of Sava d.d., the obtained loan of Savatech d.o.o., for the liabilities arising from the call option contract, and for the issued bonds of Sava d.d. The book value of the pledged shares amounted to €47,194 thousand.

- The value of a 23.83% stake of **Abanka Vipa d.d., Ljubljan**a amounted to €34,317 thousand. In comparison with the end of the previous year, the ownership stake did not change, while based on the evaluation the value of investment was impaired by €82,532 thousand to reach €20 per a share. The value of investment using the stock exchange price on the last trading day of 2011 in the amount of €16 per a share totalled €27,453 thousand.

All shares of Abanka Vipa d.d. are pledged for the loans Sava d.d. obtained. The book value of the pledged shares amounted to €34,317 thousand.

Estimating the value of a 23.8% equity capital in Abanka Vipa d.d. for accounting purposes at 31/12/2011

For accounting purposes a report on the evaluation of a 23.8% equity stake of Abanka Vipa d.d. as at 30/09/2011 was produced. The produced evaluation was updated on 31 December 2011. The evaluation was carried out by a certified evaluator of companies with a valid licence from the Slovene Auditors' Institute.

The value calculation in the optimistic scenario is based on optimistic business projections, under assumption of capital financing for the need of capital adequacy with a subordinated debt in the amount of 25%, a long-term growth of 2.8%, the required capital adequacy of 10%, and the requested return rate of 11.49%. A surplus in capital for capital adequacy was added to the estimated value. Under assumption of a non-going market, a 10% discount for a shortage in marketability was applied.

The value calculation in the pessimistic scenario is based on pessimistic business projections, under assumption of capital financing for the need of capital adequacy with a subordinated debt in the amount of 25%, long-term growth of 2.5%, the required capital adequacy of 10%, and the requested return rate of 11.49%. The surplus in capital for capital adequacy was added to the estimated value. Under assumption of a non-going market, a 10% discount for a shortage in marketability was applied.

The value estimate is based on the weighted mean value calculated in the optimistic and the pessimistic scenario. The value range is determined at +/-10%.

When performing an evaluation, the discounted cash flows method was used as the basis. Free net cash flow was discounted with a discount rate 11.49% in the optimistic scenario, and a discount rate of 11.49% in the pessimistic scenario. The discount rate was estimated on the basis of the CAPM method. The final decision on the value estimate was based on the discounted cash flows method. Using the pessimistic and the optimistic scenario, the weighted mean value was calculated, while for determining the value range +/-10% was used. The value estimate was given in the range from €19.9 to €28 per a share.

- The value of a 24.65% stake in **NFD Holding d.d., Ljubljana**, ascertained by using the stock exchange price at 31/12/2011, amounted to €997 thousand. In comparison with the end of the previous year, the ownership stake did not change, the value of investments decreased by €22,704 thousand in 2011 as a result of a further drop in stock exchange prices. The impairment of investment was included in the income statement.
- The value of a 21.77% stake in **Maksima Invest d.d., Ljubljana**, ascertained by using the stock exchange price at 31/12/2011 amounted to €252 thousand. In comparison with the end of the previous year, the ownership stake increased by 0.43%, while the value of investment decreased by €7,006 thousand in 2011 as a result of a further drop in stock exchange prices. The impairment of investment was included in the income statement.
- The financial investment in a smaller associated company **JOB d.o.o., Maribor**, whose value amounted to €287 thousand, was sold in 2011.

The disclosures in connection with the composition of the associated companies of the Sava Group, the share in capital, the amount of capital and profit/loss from operations are presented in the financial part of the annual report of the Sava Group.

c) Other shares and stakes

Other shares and stakes totalling €41,130 thousand were €25,898 thousand or 39% lower than last year. Other shares and stakes included listed securities available for sale in the amount of €4,159 thousand, unlisted securities available for sale in the amount of €11,848 thousand, and investments in a mutual fund in the amount of €25,123 thousand.

At 31/12/2011, securities available for sale were valued at fair value, the net negative effect from revaluation amounted to €20,073 thousand, of which €26,396 thousand were impairments in the income statement, while net increase in the value of financial investments totalling €6,323 thousand was shown in equity revaluation adjustments.

- The value of a 23.35% ownership stake in **NFD 1 d.d., Ljubljana** amounted to €25,123 thousand. The fair value was ascertained by using the stock exchange price at 31/12/2011. The total value of impairments included in the income statement amounted to €9,404 thousand.

  Despite a 23.35% ownership stake, the investment in NFD 1 d.d. is considered as available for sale and not an associated company. NFD 1 d.d. is managed by the funds management company, in which Sava d.d. holds no shareholding. The Supervisory Board of the company merely supervises the funds operation. In 2011, NFD 1 d.d. restructured from a closed investment fund to an open mutual fund, at which Sava d.d. became the owner of a certain amount of mutual fund coupons and has no influence whatsoever on its management.

  At 31/12/2011, NFD 1 d.d. with its head office at Trdinova 4, 1000 Ljubljana, has capital of €102,719 thousand available, while the net loss of 2011 amounted to €21,601 thousand.

  The entire 23.35% share in NFD 1 d.d. is pledged for the loans obtained by Sava d.d.. The book value of pledged shares amounts to €25,123 thousand.

- The value of **other shares and stakes** amounted to €16,007 thousand, and included 837,000 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 the pledged shares amounts to €3,703 thousand.

Forward sales and call option contracts

Other shares and stakes included the concluded forward sales contract in the amount of €1,155 thousand. The counter party in the forward sales contract is Maksima Invest d.d., the subject of the option being 14,780 shares of Daimond d.d. The agreed transaction price amounts to €78,16 per a share. The contract was signed on 18 March 2009, the maturity date being 18 February 2012. When estimating the ability of the counter party to fulfil the forward contract, we have established the presence of higher risk, therefore an impairment of these shares was carried out in 2010 and 2011 totalling €1,155 thousand.

The value of the call option contract amounted to €6,719 thousand. The counter party of 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 is €251.20 per a share. The contract was signed on 26 July 2010 and will fall due on 1 October 2012. The market value ascertained on the basis of the book value of company's capital, which is the subject of the option, amounted to €1,425 thousand. The difference between the value according to the call option contract and the market value totalled €5,294 thousand was included under financial expenses from impairments and write-offs of financial investments (in 2011: €2,579 thousand and in the previous year €2,715 thousand). 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.

Types of securities available for sale

€ in thousands

	31/12/2011	31/12/2010
Shares of listed companies	4,159	33,083
Shares and stakes of unlisted companies	11,848	31,371
Mutual funds	25,123	2,574
Total	41,130	67,028

d) Long-term loans to Group companies

Long-term loans to Sava Group companies totalling €3,260 thousand were partly insured with bills of exchange. Interest rates for long-term loans to Group companies amounted from 7.5% to 8%, 3-month EURIBOR +1%, and 12-month EURIBOR +1.05%.

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 01/01/2011	**146,413**	**251,586**	**122,753**	**0**	**520,752**	**732**	**0**	**0**	**732**	**521,484**
Purchase, increase	15,404	1	1,993	0	17,398	111	0	0	111	17,509
Increase in capital through money paid in	362	0	0	0	362	0	0	0	0	362
Increase in capital through investment in kind	49,110	0	0	0	49,110	0	0	0	0	49,110
Increase due to acquisition	-15,617	-287	-13,927	0	-29,831	-122	0	0	-122	-29,953
Decrease	-27,532	0	1,674	0	-25,858	3,727	0	0	3,727	-22,131
Transfers	0	0	-7	0	-7	0	0	0	0	-7
Revaluation	0	0	6,323	0	6,323	0	0	0	0	6,323
Balance at 31/12/2011	**168,140**	**251,300**	**118,809**	**0**	**538,249**	**4,448**	**0**	**0**	**4,448**	**542,697**
VALUE ADJUSTMENT										
Balance at 01/01/2011	**-916**	**-14,049**	**-55,725**	**0**	**-70,690**	**0**	**0**	**0**	**0**	**-70,690**
Purchase, increase	0	0	0	0	0	0	0	0	0	0
Increase in capital through investment in kind	-6,233	0	0	0	-6,233	0	0	0	0	-6,233
Increase due to acquisition	0	0	4,436	0	4,436	0	0	0	0	4,436
Decrease	5,387	0	0	0	5,387	-1,188	0	0	-1,188	4,199
Transfers	0	0	7	0	7	0	0	0	0	7
Revaluation	-9,684	-112,242	-26,396	0	-148,322	0	0	0	0	-148,322
Balance at 31/12/2011	**-11,446**	**-126,291**	**-77,678**	**0**	**-215,415**	**-1,188**	**0**	**0**	**-1,188**	**-216,603**
NET VALUE										
Balance at 01/01/2011	**145,497**	**237,537**	**67,028**	**0**	**450,062**	**732**	**0**	**0**	**732**	**450,794**
Balance at 31/12/2011	**156,694**	**125,009**	**41,130**	**0**	**322,833**	**3,260**	**0**	**0**	**3,260**	**326,093**

2.4.5. Long-term operating receivables

Long-term operating receivables in the amount of €63 thousand referred to long-term loans approved to employees for the purchase of flats. These loans are insured by a creditor's mortgage on flats. The interest rate for granted housing loans amounted from TOM + 2% to TOM + 3%. Long-term operating receivables will fall due in 2013 at the latest.

Movement of long-term operating receivables

€ in thousands

	2011	2010
Balance at 01/01	143	225
Repayment of receivables	-80	-82
Final balance	63	143

2.4.6. Deferred tax receivables

Deferred tax receivables due from the state were formed in the amount of €25,065 thousand and were significantly higher than at the end of 2010. They were mainly due to the revaluation of securities available for sale and financial investments in the associated companies to the fair value.

Movement of deferred tax receivables

€ in thousands

	2011	2010
Balance at 01/01	**11,442**	**4,418**
Increase in receivables due to revaluation of securities to fair value - in other comprehensive income	21	792
Decrease in receivables due to revaluation of securities to fair value - in other comprehensive income	-948	-228
Decrease in receivables due to sale of securities - through profit or loss	-887	-282
Increase in receivables due to impairment of securities - through profit or loss	15,392	6,732
Increase in receivables for provisions for retirement - through profit or loss	5	0
Decrease in receivables for provisions for retirement pay - through profit or loss	0	-9
Other changes - through profit or loss	40	19
Final balance	**25,065**	**11,442**

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 that in addition to deferred receivables from impairments of financial investments would cover the deferred tax from a tax loss. At 31/12/2011, the amount of the not accounted for deferred tax receivables from a tax loss amounted to €14,329 thousand.

2.4.7. Assets for sale

The value of assets for sale amounted to €22,145 thousand and referred to a part of the financial investment in the subsidiary Sava IP d.o.o., Ljubljana, totalling €19,264 thousand earmarked for selling in 2012. The rest in the amount of €2,881 thousand referred to a financial investment in the subsidiary Sava Medical in Storitve d.o.o., which is expected to be sold to Savatech d.o.o.in 2012 too.

2.4.8. Short-term financial investments

The value of **short-term financial investments** in the amount of €19,554 thousand were significantly lower than last year, partly due to the entered increases in capital of subsidiaries in the register of companies, and reallocation of the same under long-term financial investments, and partly due to reducing the value of granted loans.

Short-term financial investments except loans

Short-term financial investments except loans in the amount of €128 thousand were entirely the value of interest rate swaps.

Short-term loans

Short-term loans in the amount of €19,426 thousand were as follows:

- Short-term loans to Group companies in the amount of €1,464 thousand were not insured.
- Short-term deposits to banks in the amount of €2,275 thousand.
- Short-term loans to others (NFD Holding d.d.) totalling €15,687 thousand were 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., and 32,936 shares of Sava. With all shares except for the shares of Ljubljanske Mlekarne, Sava d.d. is partly the first-entered lien-holder and partly the second-entered lien-holder. The estimated value of securities in pledge amounted to €16,074 thousand.

In comparison with the end of the previous year, the balance of the loan to NFD Holding d.d. was decreased by €8,687 thousand, of which a sum of €2,000 thousand was loan repayment, and a sum of €6,687 thousand was impairment of the loan, computed on the basis of evaluating the suitability of received collaterals for both loans.

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 liability 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 rate for the granted short-term loans amounted from 6.12% to 7.3%.

2.4.9. Short-term operating receivables

Short-term operating receivables in the amount of €1,582 thousand were lower than in the previous year, mainly due to the fact that the contractual provisions in the sale of securities were not applied to.

The shares being the subject of the sales contracts thus remained owned by Sava d.d. A minor part of operating receivables is not insured.

Short-term operating receivables by maturity

€ in thousands

	31/12/2011		
	TOTAL	Due	Not due
IV) Short-term operating receivables	1,582	62	1,520
1. Short-term receivables due from Group companies	471	1	470
2. Short-term trade receivables	118	57	61
3. Short-term operating liabilities to other entities	993	4	989

Value adjustments in trade receivables for services

At 31/12/2011, revaluation adjustments in trade receivables amounted to €428 thousand and in comparison with the previous year they were lower by €359 thousand. New revaluation adjustments in trade receivables in the amount of €40 thousand were formed. As a result of closing the court proceedings, the value adjustments were decreased by €399 thousand.

Movement of value adjustments in trade receivables for services

€ in thousands

	2011	2010
Balance at 01/01	787	704
Increase of value adjustment	40	98
Decrease of value adjustment	-399	-15
Balance at 31/12	428	787

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 credits on transaction accounts amounted to €1,260 thousand and was entirely utilised at 31/12/2011. The liabilities from the negative balance on the transaction account were shown under short-term financial liabilities.

2.4.11. Capital

The value of capital totalling €87,654 thousand was by €151,468 thousand or by 63% lower than at the end of the previous year; it had a 21% share in the structure of financing sources.

Changes in capital

In 2011, the following changes were carried out in capital:

- A loss for the financial year was generated in the amount of €156,126 thousand.
- Revaluation reserve increased by €4,658 thousand as follows:
  - Net increase in fair value of securities available for sale in the amount of €3,699 thousand.
  - Incorporating a negative effect from interest rate swaps totalling €959 thousand in the income statement.

The loss made in the amount of €156,126 thousand was covered to the amount of €146,852 thousand by using the following capital components:

- Retained net profit in the amount of €6,530 thousand.
- Other revenue reserves in the amount of €7,532 thousand.
- Legal reserves in the amount of €7,182 thousand.
- Capital reserves in the amount of €125,608 thousand.

As per 31/12/2011, a part of the loss in the amount of €9,274 thousand could not be covered by way of using capital components earmarked for this purpose.

Capital reserve structure

€ in thousands

	31/12/2011	31/12/2010
Share premium	0	21,482
Other capital reserves	0	48,535
Payment exceeding net value - repurchased treasury shares	0	2,286
Transfer from general equity revaluation adjustments	0	53,305
CAPITAL RESERVES total	0	125,608

A part of the loss made in 2011 was covered by way of using capital reserves, which at 31/12/2010 amounted to €125,608 thousand.

Reserves for own shares within other revenue reserve

At 31/12/2011 reserves for own shares amounted to €4,977 thousand, the number of own shares totalled 30,541, which was 1.52% of total issued shares. In 2011, no changes appeared with regard the end of 2010.

Sava d.d. received another 32,936 Sava shares in pledge, which is 1.64% of totally issued shares.

Revaluation reserve from long-term financial investments

At 31/12/2011, the revaluation reserve from long-term financial investments amounted to €13,177 thousand (at the end of 2010: €8,519 thousand), and compared to the end of the past year it was higher by 55%.

The revaluation reserve structure:

- a positive revaluation reserves from increases in capital of Savatech d.o.o. and Sava IP d.o.o. in the amount of €12.416 thousand, which appeared as a difference between the estimated and the book value of investments in kind (at the end of 2010: €12,416 thousand);
- a positive revaluation reserve from securities available for sale in the amount of €949 thousand (at the end of 2010: €5,109 thousand);
- negative revaluation reserve from securities available for sale in the amount of €188 thousand (at the end of 2010: €8,047 thousand).

2.4.12. Paid dividends, weighted average number of shares and net loss per share

Paid dividends

	2011	2010
Dividend per ordinary share in the year (€)	0.00	3.20
Total amount of dividends to the debit of retained profit (€ in thousands)	0	6,412

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 converting into shares.

Weighted average number of shares

	2011	2010
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

	2011	2010
Net profit for the financial year (€ in thousands)	-156,126	-72,903
Weighted average number of shares	1,995,423	1,995,423
Basic net earnings per share (in €)	-78.24	-36.54

The adjusted 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 €332 thousand entirely represented the provisions for retirement amounts and jubilee benefits.

The actuary calculation as per 31/12/2011 was made considering the following assumptions: retirement amounts and jubilee benefits in accordance with the provisions from the collective and individual work contracts, a 3.5% annual growth in wages, retirement amounts and jubilee benefits, employee fluctuation, while the chosen discount interest rate amounts to 4.80 % annually and represents a yield of 10-year loan stock with a high rating in the Euro Zone.

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 01/01/2011	**280**	**0**	**0**	**280**
Newly formed provisions	55	0	0	55
Drawing of provisions	-3	0	0	-3
Balance at 31/12/2011	**332**	**0**	**0**	**332**

2.4.14. Long-term liabilities

At 31/12/2011 the company stated long-term liabilities of €43,990 thousand, which had an 11% share in the structure of financing sources. In comparison with the end of the previous year, they were 76% lower due to transferring the hired loans under short-term liabilities.

The explanation about the value of assets of Sava d.d., placed as a collateral for granted long- and short-term loans are explained in chapter 2.5.2.

The maturity of long-term financial liabilities is as follows:

- 2013 €11,216 thousand
- 2014 €28,771 thousand
- 2015 €2,309 thousand

Total €42,296 thousand

Movement of long-term financial liabilities

€ in thousands

	2011	2010
Balance at 01/01	177,339	102,749
Hiring new loans	8,000	44,926
Transfer from short-term part	1,856	81,699
Exchange rate gains/losses	0	134
Repayment of loans	0	-14,542
Transfer under short-term part	-144,899	-37,627
Balance at 31/12	42,296	177,339

Long-term financial liabilities to Group companies

Long-term financial liabilities to Group companies were due to managing financial sources in the Sava Group and amounted to €25 thousand. Loans were not insured, the interest rate for these loans was 12-month EURIBOR + 1.05%.

Long-term financial liabilities to banks

Long-term loans in total amount of €7,756 thousand were mainly nominated in Euro and hired with domestic and foreign banks. The interest rate for granted long-term loans was a 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, during the issue procedure additional €15 thousand were paid arising from the submitted binding bids.

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 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 23,924 shares of Gorenjska Banka d.d. The book value of the pledged shares amounted to €14,068 thousand.

Other long-term financial liabilities

Other long-term financial liabilities in the amount of €8,000 thousand represented the obtained loan from a company in Slovenia, with which negotiations about selling one of the financial investments of Sava d.d. are in progress. The interest rate for the loan amounts to 5.60%. The obtained loan is insured with a stake of Sava in the same financial investment.

Maturity of non-current loan obtained out of the Group

€ in thousands

	31/12/2011	31/12/2010
From 1 to 2 years	11,216	140,264
From 2 to 5 years	4,540	5,872
Total	15,756	146,136

Loans obtained out of the Group at either fixed or variable interest rate

€ in thousands

	Fixed interest rate	Variable interest rate	Total
Non-current loans	8,000	7,756	15,756
Current loans	81,400	167,612	249,012
Total	89,400	175,368	264,768

Deferred tax liability

Deferred tax liability in the amount of €1,694 thousand was formed in connection with evaluating financial investments at fair value.

Movement of deferred tax liability

€ in thousnds

	2011	2010
Balance at 01/01	2,353	4,700
Increase in liabilities due to revaluation of securities to fair value - in other comprehensive income	412	2,153
Decrease in liabilities due to revaluation of securities to fair value - in other comprehensive income	-607	-4,274
Decrease in liabilities due to sale of securities- in other comprehensive income	-464	-226
Balance at 31/12	1,694	2,353

2.4.15. Short-term liabilities

Short-term liabilities in the amount of €276,827 thousand were 92% higher than in the previous year, in the liabilities structure they had a 67% share.

The explanation about the value of assets of Sava d.d., put as collateral for the granted long- and short-term loans are explained in chapter 2.5.2.

Short-term financial liabilities

Short-term financial liabilities to Group companies in the amount of €12,362 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 from Sava Group companies amounted from 1.25% to 6.00%.

Short-term financial liabilities to banks in the amount of €242,892 thousand were significantly higher due to a transfer of loans from long-term loans. Short-term loans were hired with banks in Slovenia and abroad, the interest rate being from 5.50% to 6.30 and 3-month EURIBOR + 3.75% to 4.90% , and six-month EURIBOR +3.25% to 4.50%. Short-term financial liabilities to banks are insured and partly matured.

Other short-term financial liabilities in the amount of €11,781 thousand referred to the loan obtained from A Pokojninska Družba d.d. in the amount of €6,000 thousand and other liabilities totalling €5,781 thousand. The interest rate for the obtained loan amounted to 6.30%, the loan has not matured yet and is insured. The rest of other short-term financial liabilities included: liabilities from hedging against interest rate in the amount of €4,951 thousand, liabilities for unpaid dividends in the amount of €709 thousand, and liabilities to Maksima Invest d.d., totalling €121 thousand.

Short-term operating liabilities

Short-term operating liabilities in the amount of €9,792 thousand mainly referred to liabilities to the sellers of securities from call option contract, and to liabilities for interest for bank loans referring to December 2011.

Non-regulated loans

At 31/12/2011, the amount of outstanding instalments for non-regulated loans totalled €12,000 thousand.

2.4.16. Short-term accrued costs and deferred revenues

Short-term accrued costs and deferred revenues in the amount of €1,235 thousand mainly represented accrued expenses in relation to the reorganisation of Sava d.d., and deferred interest on loans and other accrued cost.

2.4.17. Net sales revenues

81% of net sales revenues of Sava d.d. which totalled €5,511 thousand (€8,727 thousand in 2010) presented inter-company sales within the Sava Group. Sales revenues were generated from leasing out real estate and providing other services. On account of increases in capital of the subsidiaries net sales revenues in 2011 were 37% lower than in the same period last year.

Net sales revenues were mainly generated in Slovenia.

€ in thousnds

	2011	2010
Net sales revenues from services	3,662	3,761
Net sales revenues from rents	1,849	4,966
Total net sales revenues	5,511	8,727

2.4.18. Other operating revenues (with operating revenues from revaluation)

Other operating revenues with operating revenues from revaluation totalling €21 thousand (€1,588 thousand in 2010) appeared in connection with closing civil proceedings.

2.4.19. Costs by functional group

Total operating cost in the amount of €9,485 thousand (€10,646 thousand in 2010) referred to overheads.

2.4.20. Costs of merchandise, materials and services

In the operating costs structure, costs of merchandise, materials and services had a 50% share. They totalled €4,695 thousand and compared to the same period last year, when they totalled €5,664 thousand, they were 17% lower.

Costs of merchandise, materials and services by type of cost

€ in thousands

	2011	2010
Cost of material	242	328
Cost of transportation services	124	115
Cost of maintenance services	552	620
Cost of rentals	302	321
Cost refunds to employees	21	25
Cost of payment transactions, bank services and insurance premiums	228	871
Cost of intellectual services provided by legal entities and natural persons	1,396	1,240
Cost of fairs, advertising and office allowances	455	605
Cost of other services	1,375	1,539
TOTAL	4,695	5,664

2.4.21. Labour costs

Labour costs in the amount of €3,482 thousand (€2,496 thousand in 2010) had a 37% share in the operating costs structure. A 40% increase in on last year's costs was mainly due to the employment of the new Management Board members. The former Management Board members received payments on the basis of the management work contracts, which in the financial statements were shown as costs of service.

Labour costs include the accounted premiums for additional pension insurance in the amount of €21 thousand.

At 31/12/2011 the company Sava d.d. employed 61 associates (59 at 31/12/2010), the average number of employees on the basis of man-hour amounted to 55.90 in 2011 (59,61 in 2010).

2.4.22. Amortisation, depreciation expenses and write-offs

Amortisation and depreciation expenses, write-offs totalled €822 thousand (2010: €2,141 thousand) were 62% lower than in the same period last year. The accounted amortisation is lower due to the performed increase in capital of the subsidiaries through real property.

Amortisation and operating expenses from revaluation included:

- Depreciation of intangible assets – €21 thousand;
- Depreciation of tangible fixed assets – €453 thousand;
- Depreciation of investment property – €292 thousand;
- Operating expenses from revaluation (write-off in fixed assets) – €4 thousand.
- Operating expenses from revaluation (impairment of operating receivables) - €52 thousand.

2.4.23. Other operating expenses

Other operating expenses totalling €486 thousand (€345 thousand in 2010) mainly referred to court expenses, paid contributions for urban real estate, housing and compensation fund, and the formed provisions for retirement amounts, jubilee benefits and other contingencies.

2.4.24. Financial revenues from shares

Financial revenues from shares in the amount of €14,593 thousand were 52% lower than in the same period of 2010 when they amounted to €30,192 thousand.

Financial revenues from shares in Group companies

Financial revenues from shares in Group companies totalling €988 thousand were the profit generated in the sale of the subsidiary Sava Schäfer d.o.o., Kranj.

Financial revenues from shares in associates

Financial revenues from shares in associates in the amount of €11,053 thousand were the dividends received from subsidiaries Gorenjska Banka d.d. and Abanka Vipa d.d.

Financial revenues from shares in other companies

92% of financial revenues from shares in other companies shown in the amount of €2,552 thousand referred to the revenues from the sale of securities available for sale, while 8% of them referred to the dividends received from other companies.

2.4.25. Financial revenues from granted loans

Financial revenues from loans granted to Group companies in the amount of €728 thousand and financial revenues from loans granted to other entities in the amount of €1,917 thousand were 33% lower than in the same pariod of 2010 and mainly referred to interest from granted loans, compensations for the issued guarantees, interest rate swaps, and foreign exchange gains. In 2010, financial revenues from granted loans amounted to €3,946 thousand.

In total financial revenues from granted loans, €1,581 thousand were generated in relation with the associated companies (€698 thousand in 2010).

2.4.26. Financial revenues from operating receivables

Financial revenues from operating receivables in the amount of €17 thousand (2010: €12 thousand) were interest charged to customers.

2.4.27. Financial expenses from impairments and write-off of financial investments

Financial expenses from impairments and write-offs of financial investments in the amount of €159,763 thousand were 68% higher than in the same period of 2010 when they amounted to €95,162 thousand.

They mainly referred to the following financial investments:

- Impairment of investments in the associated companies in the amount of €112,242 thousand.
- Impairment of long-term securities available for sale in the amount of €26,396 thousand.
- Impairment of investments and loans in the subsidiaries in the amount of €10,190 thousand.
- Impairment of a loan granted to an associated company in the amount of €6,687 thousand.
- Impairment of long-term securities acc. to the call option totalling €2,579 thousand.
- Loss made in the sale of long-term securities available for sale in the amount of €1,669 thousand.

2.4.28. Financial expenses from financial liabilities

Financial revenues from financial liabilities in the amount of €25,011 thousand were 38% higher than in the same period last year (€18,181 thousand), mainly due to a higher average deposit interest rate , and partly due to expenses in connection with a derivative financial instrument – interest rate swaps.

61% or €15,271 thousand of financial expenses were bank interests, 8% or €1,908 thousand were interest for the issued bonds, 25% or €6,361 thousand were financial expenses in connection with interest rate swaps. The remaining 6% of financial expenses from financial liabilities or €1,471 thousand were interest on loans obtained from Group companies and interests from loans obtained from other companies. €4,639 thousand of financial expenses referred to the associated companies.

2.4.29. Other revenues and other expenses

Other revenues in the amount of €806 thousand (€207 thousand in 2010) mainly represented received security in the non-realised sale of securities, cancellation of liabilities to a supplier and payment of an insurance sum.

Other expenses amounted to €4 thousand (€47 thousand in 2010).

2.4.30. Income tax

Sava d.d. had no liabilities charged for tax on income for 2011.

Expenses which are not tax deductible included revaluation of long-term financial investments, revaluation of receivables, formation of provisions and other expenses not deductible in accordance with the Corporate Income Tax Act.

In 2011, the company Sava, d.d. did not utilise tax reliefs since a tax loss was shown.

At 31/12/2011 Sava d.d. showed the unused tax loss totalling €71,646 thousand and €36 thousand of not utilised other tax reliefs.

Deferred taxes in the amount of €14,551 thousand mainly represented deferred tax from impairments of long-term financial investments. Deferred tax from tax losses were not accounted for.

Comparison of the actual and the computed tax rate

€ in thousands

	2011		2010	
	Rate	Amount	Rate	Amount
Pre-tax profit		-170,677		-79,364
Tax on profit applying the official rate	20%	-34,135	20%	-15,873
Effect by tax rates in other countries		0		0
Amounts having a negative impact on tax base		157,161		79,996
- amount from revenue increase to level of tax-deductible revenues		479		0
- amount from expense decrease to level of tax-deductible expenses		156,079		78,517
- amount of expense for which tax was deducted		0		0
- possible other amounts having impact on tax rate increase		603		1,479
Effect of increase in tax rate on special profits		0		0
Amounts having positive effect on tax base		17,663		31,421
- amount from revenue decrease to level of tax-deductible revenues		11,727		29,634
- amount from expense increase to level of tax-deductible expenses		5,936		1,787
- possible other amounts impacting tax rate decrease (e.g. amount of revenues for which tax was already deducted)		0		0
Changed tax base due to transition to new accounting method resulting from changes in accounting policy		3		99
Tax benefits				
- applied, having effect on tax liability decrease		0		0
- remaining, to be utilised in the following years		11		26
Tax reliefs				
- applied, having effect on tax liability decrease		0		0
- originating from the current year - remaining for utilisation in the following years		31,182		30,887
Adjustments for previous years		0		0
TAX ASSESSED FOR THE CURRENT YEAR	0.0%	0	0.0%	0
Increase/decrease of deferred tax		-14,551		-6,461
TAX IN THE INCOME STATEMENT	8.5%	-14,551	8.1%	-6,461

2.4.31. Survey of receivables and liabilities for deferred taxes

Receivables and liabilities for deferred tax 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

Receivables and liabilities for deferred tax for 2010

€ in thousands

31/12/2010	Receivables	Liabilities	Net
Financial investments	11,388	2,353	9,035
Operating receivables	19	0	19
Provisions	35	0	35
TOTAL	11,442	2,353	9,089

2.4.32. Shares in profit

The Shareholders' Meeting did not approve any shares in the profit to those who are not shareholders.

2.5. Other disclosures

2.5.1. Contingent liabilities and mortgages

Mortgages totalling €8,005 thousand included the book value of fixed assets and investment property pledged for the loan obtained from Pokojninska Družba A d.d., and the syndicated loan.

97% of approved warranties and guarantees totalling €17,704 thousand referred to loans received by the subsidised companies in the Sava Group, other warranties and guarantees were due to the companies outside of the Group.

Interest rate swaps totalling €14,000 thousand represented a contracting value of the insurance for a long-term credit portfolio.

The contracts with option of purchase totalling €6,719 thousand referred to other shares and stakes.

The pledge of securities in the amount of €269,181 thousand - a detailed explanation under 2.5.2.

Overview of contingent liabilities and mortgages structure

€ in thousands

	31/12/2011	Structure 31/12/2011	31/12/2010	Structure 31/12/20101	Index 2011/2010
Mortgages	8,005	2.5%	16,717	4.5%	48
Issued guarantees	17,704	5.6%	21,497	5.8%	82
Interest rate swaps	14,000	4.4%	26,022	7.0%	54
Contracts with a possibility of purchasing	6,719	2.1%	6,452	1.7%	104
Pledging securities	269,181	85.3%	298,514	80.9%	90
TOTAL	315,609	100.0%	369,202	100.0%	85

2.5.2. Pledge of assest for the obtained long- and short-term loans of the company Sava d.d. at 31/12/2011

At 31/12/2011 Sava d.d. showed financial liabilities from the obtained loans out of the Sava Group totaling €290,024 thousand. The total value of pledged assets for the obtained loans of Sava d.d. amounted to €316,933 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	78,198	78,198
- to other banks	7,756	158,555	166,311
- to other partners	8,000	11,000	19,000
- from issuance of bonds	26,515	0	26,515
TOTAL	42,271	247,753	290,024

Sava d.d. pledged its own assets for the obtained loans in total amount of €277,186 thousand, which represented 67.6% of balance sheet total of Sava d.d., the assets of Savatech d.o.o. in total amount of €34,651 thousand, and the assets of Sava Turizem d.d. in the amount of €5,096 thousand.

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	34,651
TOTAL VALUE OF PLEDGED REAL ESTATE	34,651

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 with belonging land	5,096
TOTAL VALUE OF PLEDGED REAL ESTATE	5,096

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.	132,868
- pledged stakes in companies owned by Sava d.d.	136,313
- pledged real estate owned by Sava d.d.	8,005
TOTAL PLEDGED VALUE OF ASSETS OF SAVA d.d.	277,186
BALANCE SHEET TOTAL OF SAVA d.d. AT 31/12/2011	410,038
Percentage of pledged assets in the balance sheet total	67.6%

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 - ABKN	1,715,841	1,715,841	0	0	34,317
- shares of NFD 1, Delniški Investicijski Sklad, d.d. -1N	37,498,152	37,498,152	0	0	25,124
- shares of Gorenjska Banka d.d. - GBKR	152,110	74,572	5,688	71,850	47,194
- shares of Hoteli Bernardin d.d. - HBPN	1,468,221	837,000	0	631,221	1,674
- shares of Sava Hoteli Bled d.d. - SHBR	11,467,652	11,467,652	0	0	22,531
- shares of Kompas Hoteli Bled, d.d. - KHIR	13,500	13,500	0	0	115
- shares of Nova Ljubljanska Banka, d.d. - NLB	1,504	1,504	0	0	80
- 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	1,239
TOTAL VALUE OF PLEDGED SHARES					132,868

Breakdown by type of pledged shares

Type of assets	Available percentage of ownership	Pledged percentage of ownership for loans of Sava d.d.	Pledged percentage of ownership for loans of subsidiaries	Percentage 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
- Terme 3000 d.o.o.*	100.0%	100.0%	0%	0.0%	33,758
- Zdravilišče Radenci d.o.o.*	100.0%	100.0%	0%	0.0%	10,500
- Terme Lendava d.o.o.*	100.0%	100.0%	0%	0.0%	5,081
- Terme Ptuj d.o.o.*	100.0%	100.0%	0%	0.0%	17,090
- Sava IP, d.o.o.	100.0%	51.0%	0%	49.0%	13,276
TOTAL VALUE OF PLEDGED OWNERSHIP STAKES					136,313

* *In spite of the merger, the stakes in Tourism companies are shown separately.*

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	6,314
- 2,587 sq m of land Labore Kranj, store BTC Ljubljana	1,691
TOTAL VALUE OF PLEDGED REAL ESTATE	8,005

2.5.3. Financial instruments - financial risks

Foreign currency risk

Table of foreign currency risk

€ in thousands

	31/12/2011					31/12/2010				
	Total in €	€	USD	CHF	Other currencies	Total in €	€	USD	CHF	Other currencies
Trade receivables	589	589	0	0	0	3,643	3,643	0	0	0
Insured bank loans	-171,190	-171,190	0	0	0	-172,988	-172,988	0	0	0
Loans from Group companies	-12,387	-12,387	0	0	0	-29,050	-29,050	0	0	0
Loans from associated companies	-79,459	-79,459	0	0	0	-77,860	-77,860	0	0	0
Bonds	-26,515	-26,515	0	0	0	-26,515	-26,515	0	0	0
Other financial liabilities	-14,830	-14,830	0	0	0	-6,787	-6,686	0	-101	0
Trade payables and other liabilities	-9,792	-9,792	0	0	0	-7,273	-7,267	0	0	-6
Gross exposure of balance sheet	-313,583	-313,583	0	0	0	-316,830	-316,723	0	-101	-6
Estimated forecast sales	2,644	2,644	0	0	0	5,244	5,244	0	0	0
Estimated forecast purchasing	3,097	3,097	0	0	0	8,812	8,812	0	0	0
Gross exposure	5,741	5,741	0	0	0	14,056	14,056	0	0	0
Net exposure	-307,842	-307,842	0	0	0	-302,774	-302,667	0	-101	-6

Interest rate risk

In accordance with hedging against interest risk arising from the anticipated change in the reference interest rate EURIBOR, Sava d.d. has one derived financial instrument concluded to hedge against interest risk with a total nominal value of €14 million. At the end of December 2011, the net value of interest rate swaps as a difference between receivables and liabilities arising thereof amounted to the negative €4,823 thousand (negative €972 thousand at the end of 2010) and was included in the income statement. Using a financial instrument, 4.6% of all obtained loans are hedged. The average interest rate for the hired loans amounted to 6.1% at 31/12/2011.

Interest risk management in Sava d.d. using the financial instrument

€ in thousands

31/12/2011	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	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 thousands

31/12/2010	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	115	-115	-115	0	0	0	0
Liabilities	-1,087	-1,087	-177	0	-455	-455	0
TOTAL	-972	-1,202	-292	0	-455	-455	0

Solvency risk

Table of solvency risk

€ in thousands

31/12/2011	Carrying amount	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 (without associated companies)	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
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

€ in thousands

31/12/2010	Carrying amount	Contracted cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	more than 5 years
Non-derived financial liabilities	320,473	-349,442	-102,101	-56,239	-154,660	-36,442	0
Insured bank loans	172,988	-186,971	-47,382	-40,308	-93,061	-6,220	0
Loans from Group companies	29,050	-29,704	-22,435	-2,668	-4,575	-27	0
Trade payables and other liabilities	7,273	-7,273	-7,253	-20	0	0	0
Borrowings from associated companies	77,860	-83,942	-23,112	-12,090	-48,740	0	0
Bonds	26,515	-34,017	-946	-962	-1,913	-30,196	0
Other financial liabilities	6,787	-7,536	-974	-191	-6,371	0	0
Derived financial liabilities	1,087	-1,087	-177	0	-455	-455	0
Interest rate swaps for hedging from risk	1,087	-1,087	-177	0	-455	-455	0
TOTAL	321,560	-350,529	-102,278	-56,239	-155,115	-36,897	0

Credit risk

Trade receivables by geographic region

€ in thousands

	Carrying amount	
	31/12/2011	31/12/2010
Slovenia	584	2,681
Other	5	962
TOTAL	589	3,643

Balance and movement of value adjustments in trade receivables

€ in thousands

	2011	2010
Balance at 01/01	787	704
Increase of value adjustment	40	98
Decrease of value adjustment	-399	-15
Balance at 31/12	428	787

Maturity of trade receivables

€ in thousands

	31/12/2011			31/12/2010		
	Gross receivable	Impairment	Net receivable	Gross receivable	Impairment	Net receivable
Not past due	531	0	531	2,560	0	2,560
Past due 0 - 30 days	32	1	31	318	1	317
Past due 31 - 120 days	33	10	23	372	40	332
Past due more than one year	421	417	4	1,180	746	434
TOTAL	1,017	428	589	4,430	787	3,643

Sensitivity analysis to financial risks

- Sensitivity analysis to a change in interest rate

  At the end of 2011, Sava d.d. had the greatest share of hired loans tied to the reference interest rate 3-month EURIBOR. In 2011, the reference interest rate increased by 0.35 percentage point.

The fluctuation of the future interest rate will be strongly associated with the economic situation in the Euro Zone. For 2012, the reference interest rate in the Euro Zone is not expected to rise, but in the case of a changed interest rate, the sensitivity of the credit portfolio still remains high. If the interest rate would change by 50 basis points, and taking into consideration the indebtedness of Sava d.d. at the end of 2011, the interest expense would change by €1,518 thousand.

	31/12/2011	31/12/2010	Highest value	Lowest value	Mean value	Daily standard deviation	Coefficient of variation
3-month EURIBOR	1.36 %	1.01 %	1.62 %	1.00 %	1.39 %	0.68 %	48.6 %

- Sensitivity analysis to increased indebtedness

  At the end of 2011, Sava d.d. had short-term and long-term financial liabilities of €303.7 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 2011 would increase by €610 thousand.

- Sensitivity analysis to a change in the value of foreign currencies

  Sava d.d. has a majority of inflows and outflows mutually settled, 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 securities available for sale that are listed equals the announced standard bid market price at the balance sheet date.

The fair value of shares and stakes of unlisted companies is estimated on the basis of cost value less any impairments based on examining the evidence of impairment.

Interest-bearing loans and borrowings

The fair value is estimated as a discounted value of the expected cash flow from 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

	31/12/2011		31/12/2010	
	Book value	Fair value	Book value	Fair value
Securities available for sale	41,130	41,130	67,028	67,028
Long-term receivables	63	63	143	143
Short-term receivables	1,582	1,582	6,507	6,507
Approved loans	22,686	22,686	70,683	70,683
Cash and cash equivalents	0	0	2	2
Long-term loans	15,781	15,879	150,824	150,786
Issued bonds	26,515	25,982	26,515	26,739
Short-term loans	267,035	267,133	136,948	136,948
Short-term operating liabilities	9,792	9,792	7,273	7,273

2.5.5. Hierarchy of fair values

Financial instruments valued at fair value are ranked 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 ranked at 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	**41,130**	4,159	25,124	11,847	**67,028**	33,083	2,574	31,371
Derived financial instruments - assets	**128**	0	128	0	**115**	0	115	0
Derived financial instruments - liabilities	**-4,951**	0	-4,951	0	**-1,087**	0	-1,087	0
Total	36,307	4,159	20,301	11,847	66,056	33,083	1,602	31,371

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	230,603	2.00%	4,612	-160,738

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 competence centres of knowledge.
- Financial operations in connection with managing interest-bearing borrowings and loans.

Transactions among related parties are performed under the same conditions as valid in an ordinary arm's length transaction. The capital of subsidiaries at 31/12/2011, operating income and net profit of subsidiaries for the year 2011 are disclosed in the Notes to the Financial Statements of the Sava Group.

Relations with associated companies

Gorenjska Banka d.d., Abanka Vipa d.d., NFD Holding d.d., and Maksima Invest d.d. 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

	31/12/2011	31/12/2010
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

	2011	2010
Balance of received loans at 01/01	**31,779**	**20,280**
Hiring new loans	2,620	33,140
Repayment of loans	-1,361	-21,641
Balance of received loans at 31/12	**33,038**	**31,779**

Other transactions with Gorenjska Banka d.d.

- No operating receivables due from Gorenjska Banka d.d. at 31/12/2011 (none in 2010).
- The balance of short-term operating liabilities from interest to Gorenjska Banka d.d. at 31/12/2011 amounted to €497 thousand (€472 thousand in 2010).
- In doing business with Gorenjska Banka d.d. in 2011, financial revenues from operating receivables were generated in the amount of €63 thousand (€12 thousand in 2010). Financial expenses from fees for payment transactions in the amount of €8 thousand (€11 thousand in 2010).
- In doing business with Gorenjska Banka d.d. in 2011, no interest revenues from deposits were generated (€5 thousand in 2010). Interest expenses in the amount of €2,029 thousand (€1,412 thousand in 2010).

ABANKA VIPA d.d., Ljubljana

Sava d.d. raises loans with Abanka Vipa d.d. Terms and conditions for these transactions equal those effective for other companies with a similar rating.

At 31/12/2011 Abanka Vipa possessed bonds issued by Sava in the amount of €9,281 thousand

Transactions with Abanka Vipa d.d.- obtained loans and deposits

€ in thousands

	2011	2010
Balance of received loans at 01/01	46,081	36,300
Hiring new loans	56,111	99,497
Repayment of loans	-55,892	-89,716
Balance of received loans at 31/12	46,300	46,081
Balance of deposits at 31/12	2,276	0

Other transactions with Abanka Vipa d.d.

- Operating receivables due from Abanka Vipa d.d. shown in the amount of €1 thousand at 31/12/2011 (none at 31/12/2010).
- The balance short-term operating liabilities from interest to Abanka Vipa d.d. at 31/12/2011 amounted to €241 thousand (€208 thousand at 31/12/2010).
- In doing business with Abanka Vipa d.d., no financial revenues from operating receivables were generated in 2011 (none in 2010 too), while financial expenses from provisions for payment transactions amounted to €37 thousand (€100 thousand in 2010).
- In doing business with Abanka Vipa d.d. in 2011, financial revenues from loans were generated in the amount of €1 thousand (none in 2010), while interest expenses amounted to €2,604 thousand (€2,102 thousand in 2010).

NFD HOLDING d.d., Ljubljana

At 31/12/2011, the balance of the receivable due from NFD Holding d.d. amounted to €22,374 thousand (€24,374 thousand at 31/12/2010). At 31/12/2011, operating receivables from the accounted interest on loans amounted to €899 thousand (€440 thousand in 2010). Interest revenues amounted to €1,579 thousand (€233 thousand in 2010), financial revenues from operating receivables amounted to €49 thousand in 2011

MAKSIMA INVEST d.d., Ljubljana

Transactions with Maksima Invest d.d. – obtained loans:

€ in thousands

	2011	2010
Balance of received loans at 01/01	0	0
Hiring new loans	225	0
Repayment of loans	-105	0
Balance of received loans at 31/12	121	0

In 2011, interest expenses amounted to €1 thousand.

Relations with natural persons

Related natural persons own 551 Sava shares, which represents 0.027% of ownership.

Ownership of the Sava share

	31/12/2011		31/12/2010	
	Number	Share	Number	Share
Sava d.d. Board of Management members	246	0.012%	2,563	0.128%
Close family members of the Sava d.d. Management Board members	0	0.000%	72	0.004%
Sava d.d Supervisory Board members	125	0.006%	122	0.006%
Directors of subsidiaries	180	0.009%	133	0.007%

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

Gross remuneration of the Management Board members who discontinued their office on 30/03/2011 or 16/07/2011 amounted to €895 thousand in 2011. The amount included gross income according to the management work contracts, severance pay, compensations, remunerations from the insurance sum and other remunerations. Their net remunerations amounted to €482 thousand, or 54% of gross remunerations.

Remunerations of the former Management Board of Sava d.d.

€ in thousands

	Gross remunerations from management contracts	Gross retirement amounts	Gross compensation	Gross travel expense refunds	Gross insurance amount	Gross other payments	Gross remunerations from tasks performance in subsidiaries	Total gross remunera-tions	Total net remuner-tionsu
Janez Bohorič, Chairman of the Board	61	153	54	0.32	43	2	0	313	168
Emil Vizovišek, Member of the Board	57	142	50	0.30	38	4	0	291	156
Vinko Perčič, Member of the Board	107	142	0	0.80	38	4	0	292	158
TOTAL	225	437	103	1.42	119	10	0	895	482

Gross remunerations of the new Management Board members who took up their office on 31/03/2011 and 06/06/2011 amounted to €419 thousand in 2011. The stated amount included gross income from salaries, insurance premiums and other remunerations as well as remunerations from task performance in the subsidiaries. Their net remunerations amounted to €212 thousand or 51% of gross remunerations.

Remunerations of the Management Board of Sava d.d.

€ in thousands

	Gross salary	Gross bonuses	Gross rewards	Gross travel expense refunds	Gross insur-ance amount	Gross other payments	Gross remunerations from tasks performance in subsidiaries	Total gross remunera-tions	Total net remu-nerations
Matej Narat, MSc, President of the Board	109	0	0	1.14	6	4	2	121	62
Franci Strajnar, MSc, Member of the Board	99	0	0	1.54	6	2	0	108	55
Miha Resman, Member of the Board	100	0	0	0.49	6	3	0	109	54
Andrej Andoljšek, Member of the Board	73	0	0	0.53	5	3	0	80	40
TOTAL	380	0	0	3.70	21	12	2	419	212

Data about the group of persons – other employees with individual contracts of employment

30 employees (at the end of 2010 there were 32 such associates) with individual contracts of employment received gross remunerations of €1,684 thousand. This sum consisted of gross salaries and other remunerations, of which travel expense refunds amounted to €17 thousand.

At 31/12/2011 Sava d.d. showed no receivables from approved loans due from the associates employed under individual work contracts.

Data about the group of persons – Supervisory Board and its commissions

In 2011, the gross remunerations of the Supervisory Board members amounted to €157 thousand. The amount included attendance fees, rewards and travel expense refunds.

€ in thousands

		Attendance fees	Bonus	Expense refunds	Total
Miran Kalčič	Chairman of the Supervisory Board	6	17	0.17	22
Marko Pogačnik, MSc	Deputy Chairman of the Supervisory Board, until 08/06/2011	3	8	0.07	10
Janko Kastelic	Member – shareholder representative	4	12	0.20	16
Jože Obersnel	Member – shareholder representative	5	12	0.30	17
Tomaž Toplak	Member – shareholder representative, until 08/06/2011	2	6	0.07	8
Stanislav Valant, MSc	Member – shareholder representative, since 05/07/2011 Deputy Chairman of the Supervisory Board	5	13	0.17	18
Robert Ličen, MSc	Member – shareholder representative	2	6	0.13	8
Aleš Skok	Member – shareholder representative	2	6	0.09	7
Janez Justin	Member – employee representative	5	12	0.03	17
Boštjan Luznar	Member – employee representative	3	12	0.10	15
Miha Resman	Member – employee representative, until 30/03/2011	1	4	0.00	5
Gregor Rovanšek	Member – employee representative, since 31/03/2011	3	8	0.22	11
Kosta Bizjak	Audit Commission Member	2	0	0.13	2
TOTAL		41	115	1.68	157

2.5.8. Disclosing business with auditors

According to the contract with Deloitte d.o.o., the contract value of auditing the individual and consolidated financial statements of Sava d.d. and the Sava Group for 2011 amounted to €32 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.

Owing to their nature, these events do not affect the balance of assets and liabilities stated in the financial statements of Sava d.d. for the year 2011, or on the going concern presumption.

We separately give an explanation about the following events:

a) Procedure of selling financial investment in shares of Abanka Vipa d.d.

Sava d.d. was a consortium member for a joint sale of the ownership stake in Abanka Vipa d.d.. In the consortium meeting held on 22/12/2011, the consortium members became acquainted with the report by the common financial advisor, the international investment bank ING, on the results of the procedure for the sale of the stake in Abanka Vipa d.d. until that time. ING informed the consortium members that despite the expressed interest by certain potential investors, the sale procedure did not lead to receiving a binding offer for repurchase. Based on the report on the joint sale procedure and the estimate of the macro-economic environment for 2012, the consortium members made a decision to discontinue the joint sale procedure and suspend the consortium. The consortium for the joint sale of the stake in Abanka Vipa d.d. formed in December 2010 thus discontinued its work on the day of adopting this resolution, which was 5 January 2012.

b) Financial position of Sava d.d.

A detailed explanation in connection with the activities in the financial area in 2011 is given in the business report of the annual reports, Chapter 10 – Financial management.

2.6. Statement of Management`s responsibilities for Sava d.d.

The Management Board confirms the financial statements of Sava d.d. for the year that ended on 31 December 2011, 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 that the annual report gives a true and fair view of the company's assets and business results in the year 2011.

The Management Board is responsible for a 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 and in accordance with current legislation and Slovene Accounting Standards.

Miha Resman
Member of the Management Board

Matej Narat, MSc
President of the Management Board

Andrej Andoljšek
Member of the Management Board

Franci Strajnar, MSc
Member of the Management Board

Kranj, 27 March, 2012

2.7. Independent auditor`s report for Sava d.d.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
to the owners of Sava d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of the company Sava d.d. (hereinafter: the "Company"), which comprise the balance sheet as at 31 December 2011, 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011 and its financial performance 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 financial statements, the Company is exposed to high credit risk, high solvency risk and risk of change in fair value of assets. The Company has suffered recurring losses and as at 31 December 2011 its short-term liabilities exceeded its current assets by EUR 233,545 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 an 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 to the financial statements and Note 10 »Financial management« of the business report. The 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.

Other Matter

The financial statements for the financial year ended 31 December 2010 were audited by a different auditor who issued an unmodified opinion on the statements on 8 April 2011.

Report on Other Legal and Regulatory Requirements

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

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj — Yuri Sidorovich

Certified Auditor — President of the Board

For signature please refer to the original Slovenian version.

Deloitte.

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

Ljubljana, 6 April 2012

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

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(as at 27 March 2012)*

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