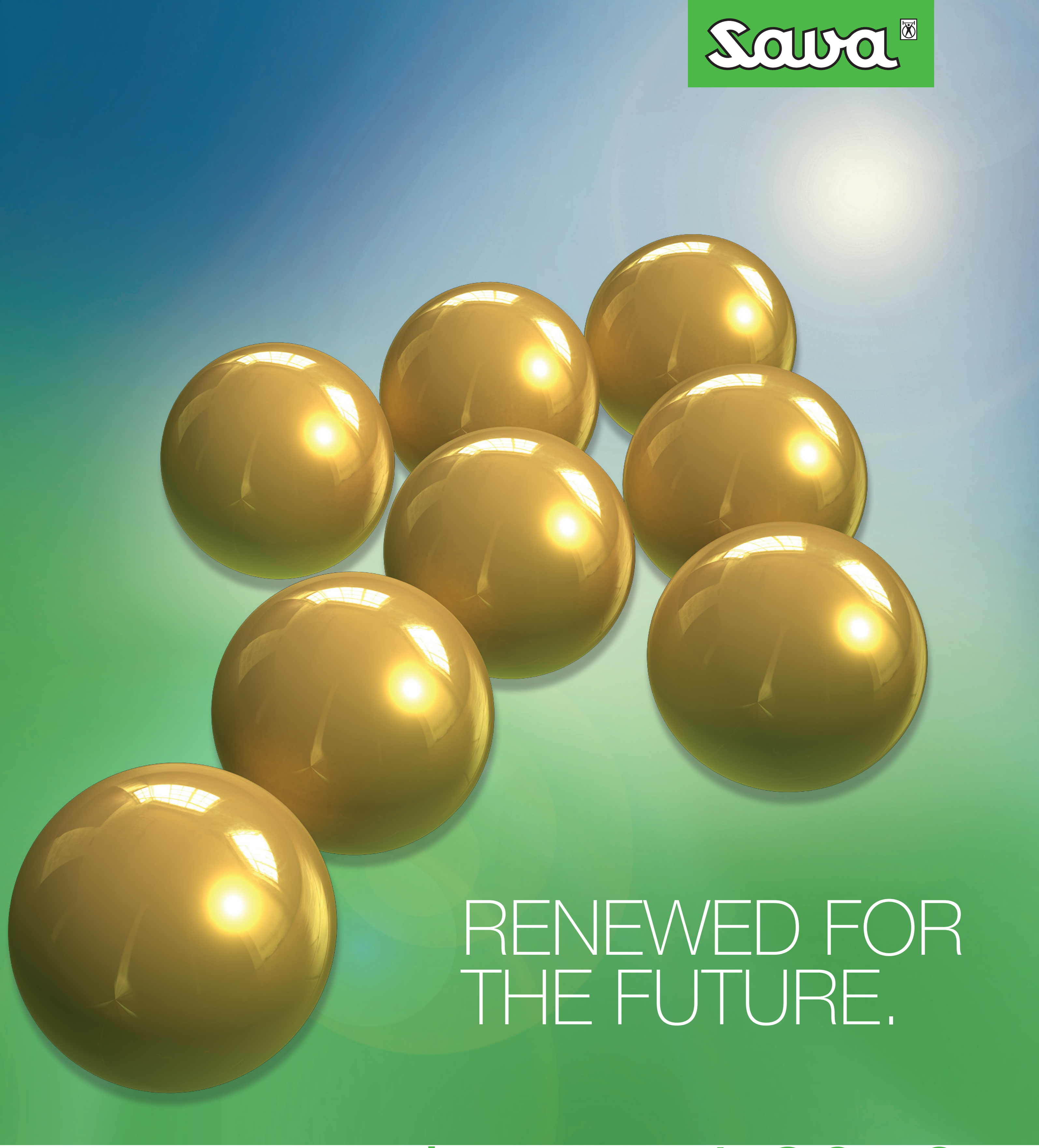

Annual report 2013

Sava Group

Changed head office of Sava d.d. - from Kranj to Ljubljana, in Dunajska cesta 152

Renewed for the Future

Annual report 2013

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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BUSINESS ANALYSIS

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FINANCIAL REPORT

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introduction

1 Significant data and indicators

(€ in millions)

Sava Group according to International Financial Reporting Standards	2009	2010	2011	2012	2013
CONSOLIDATED INCOME STATEMENT					
Sales	172.9	176.7	193.8	192.2	67.2
Revenues generated in foreign markets	70.7	83.7	101.8	105.3	0.0
Total pre-tax profit / loss	22.5	-105.1	-169.1	-93.4	-45.7
Net profit / loss	23.4	-99.9	-157.2	-99.3	-55.6
EBITDA	25.5	20.9	19.8	24.0	9.6
	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Balance sheet total	941.4	760.8	611.3	480.9	326.2
Long-term assets	776.8	643.2	491.8	349.9	290.6
Short-term assets	164.6	117.6	119.5	131.0	35.6
Equity capital	475.4	323.3	165.8	67.3	16.2
Long-term liabilities	178.8	232.8	81.4	70.2	66.2
Short-term liabilities	287.2	204.7	364.1	343.4	243.8
Investments in property, plant and equipment	6.7	6.4	6.3	5.9	5.5
INDICATORS					
Net earnings / loss per share - €	11.8	-50.0	-78.7	-49.7	-27.8
Equity / balance sheet total - %	51	42	27	14	5
Liquidity (short-term assets / short-term liabilities) -%	57	57	33	38	15
SHARE					
Book value - €	236.2	161.1	82.2	32.9	7.5
Market value - €	240.1	89.5	12.0	3.4	0.2
Dividend paid per a share - €	3.1	3.2	0.0	0.0	0.0
NUMBER OF EMPLOYEES					
Number as at 31 December	2,370	2,286	2,256	2,107	973

Profile of the company Sava d.d.

2

Company name:	Sava, družba za upravljanje in financiranje, d. d.
Abbreviated name:	Sava, d. d.
Head office:	Dunajska cesta 152, 1000 Ljubljana, Slovenia Tel: +386 4 206 55 10 Fax: +386 4 206 64 46 E-mail: info@sava.si www.sava.si
Registration number:	5111358
VAT-ID No.:	SI 75105284
Activity code:	64.200 – holding companies
Court registry date:	26 April 1996
Share capital as at 31 December 2013:	€25,441,851.48
No. of shares as at 31 December 2013:	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
*Member of the Management Board:	Aleš Aberšek
Chairman of the Supervisory Board:	Aleš Skok
Deputy Chairman of the Supervisory Board:	Miran Kraševec

* *Until the consensual termination of the position of member of the Board on 4 August 2013, the company was managed also by the Management Board member Miha Resman, besides the President of the Management Board, Matej Narat and the Management Board member, Andrej Andoljšek.*
Owing to the absence of Andrej Andoljšek, who is temporarily managing Gorenjska Banka d.d., Aleš Aberšek was appointed to the position of Management Board member on 28 January 2014.

The major business lines 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 stakes.
- Managing portfolio investments.
- Implementing financial engineering tasks.
- Formation of subsidiaries and companies, and take-overs of ownership stakes in Slovenia and abroad.
- Leasing of real estate.
- Consulting services.
- All other commercial business that directly or indirectly contributes to achieving the goals of the company and involves the purchase and sale of real estate.
- Joining in commercial interest associations and concluding commercial contracts of all types.

3 Organisational structure of the Sava Group

In the process of implementing the restructuring strategy, the Sava Group thoroughly changed its image. After divesting its traditional Rubber Manufacturing business and the major part of the Real Estate, the remodelled Sava Group consisted of 10 companies at the beginning of 2014 (the parent company Sava d.d. and 9 subsidiaries) and 2 associated companies, of which the investment in Gorenjska banka d.d. is the largest.

3.1 About the Sava Group

The Sava Group now includes the following divisions:

- Investment Finance
- Tourism
- Other Operations

The Sava Group employs about 1.000 associates, mainly in the Tourism division.

In accordance with the Restructuring strategy of Sava d.d., the processes of divesting the investments of Sava d.d. will continue in 2014 too, what will lead to further remodelling of the Sava Group.

3.2. About Sava d.d.

Sava d.d. is the management centre of the Sava Group and it also carries out the investment finance operations. Ever since the restructuring strategy has been implemented, the number of employees in the company strongly decreased and it amounted to 20 employees at the end of 2013.

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

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

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

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

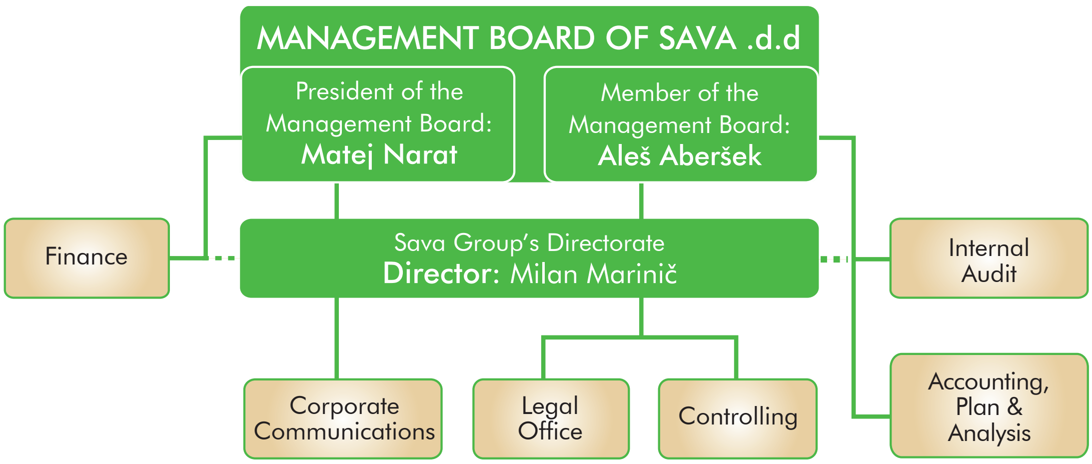
The Management Board, Sava Group's Directorate and professional services with the associates carry out the mission of Sava d.d.

At the beginning of 2013, Sava d.d. further reorganised and rationalised its operation. Already in 2012, the previous 13 competence centres were replaced by only 7 professional services. At the beginning of 2013, the number decreased by one to 6 since the business function HR Development and Organisation was outsourced.

The number of associates in other professional services of Sava d.d. further reduced in 2013. The responsibility of Management Board members for individual business functions was strengthened and reassigned due to the fact that their number decreased from the original four to the present two Management Board members.

The basic function of professional services is to provide a high-quality expert basis for the decision-making process of the Management Board of Sava d.d. and to report to the Management Board on policy implementation and the decisions adopted by the Management Board. The managers of professional services report to the Management Board member, who is responsible for that particular business area.

Organisational scheme of Sava d.d. at the beginning of 2014

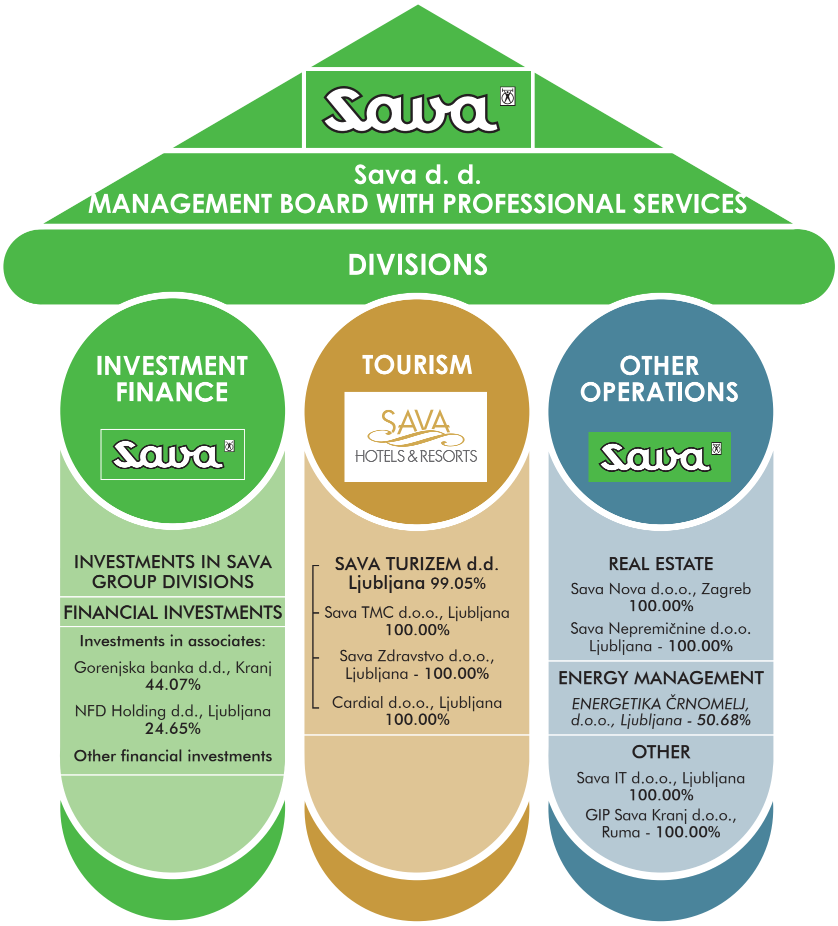


Note: On 28 January 2014, Aleš Aberšek was appointed a temporary Management Board member of Sava d.d. He assumed all working obligations of the absent Management Board member Andrej Andoljšek, who is temporarily managing the Management Board of Gorenjska Banka d.d.

The role of the Sava Group's Directorate is to ensure management and strategic supervision over individual Group's companies, enforce Sava Group's policies and to manage and supervise other companies, in which Sava d.d. holds equity investments.

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

3.3. Composition of the Sava Group (as at 28 February 2014)



3.4. Divisions of the restructured Sava Group

INVESTMENT FINANCE

This operation is carried out within the company Sava d.d. The main tasks of the division are to optimise the value of individual investments, provide support in financing Sava's divisions and take care of the assets of the Sava Group.

The major financial investment that Sava d.d. has in the associated companies is the one in Gorenjska Banka d.d. At the end of 2013, Sava d.d. lost its close to one quarter equity shareholding in Abanka Vipa d.d. since the bank was nationalised.

TOURISM

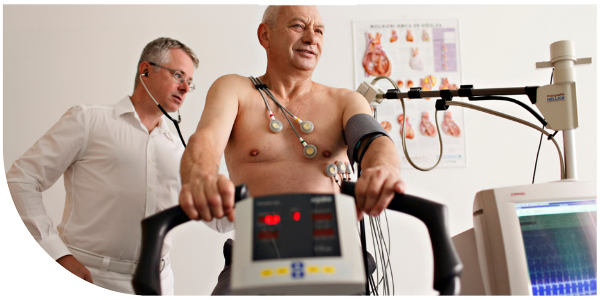
Sava Turizem d.d., Ljubljana, is the largest tourist services provider in Slovenia. The division operates under the umbrella brand name Sava Hotels & Resorts and includes five destinations: Sava Hoteli Bled, Terme 3000 in Moravske Toplice, Terme Lendava, Terme Ptuj, and health resort Radenci with Terme Banovci.

The Tourism division markets hotel, health and other tourist services as well as top-class campsites. Owing to its sustainable-oriented development the division gives great importance to cooperation with a narrower and broader community.

After the golf course Bled was efficiently sold in 2013, the plan is to sell the golf course Moravske Toplice too.

The Tourism division incorporates the company Sava TMC d.o.o., Ljubljana, which owns tourist real property for leasing out.

At the beginning of 2014, the company Cardial d.o.o. Ljubljana was acquired. This is a modern outpatients' clinic that offers diagnostics and specialist treatments; it forms a part of the health care strategy, which is considered as one of Tourism's businesses with the highest development potential.



OTHER OPERATIONS

The division includes the company Sava Nepremičnine d.o.o., Ljubljana (after selling Investicijsko podjetje d.o.o. certain pieces of land suitable for building were transferred to this company in 2012) and the company Sava Nova d.o.o., Zagreb.

In energy management business, the disposal processes are in progress too. In 2013, the company Ensa BH d.o.o., Srbac, was sold, based on which the procedure for selling the company Energetika Črnomelj, d.o.o., Ljubljana, could be continued and is now in progress.

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

At the beginning of 2014, the company Sava IT d.o.o., which provided information technology services to the Group, discontinued its business and is now dormant. Its business and employees were taken over by the companies Savatech d.o.o., Kranj and Sava Turizem d.d., Ljubljana.

4 Overview of major events and achievements

4.1 Major events and achievements in the period January – December 2013

JANUARY

- As of 1 January 2013, the Management Board of Sava d.d. consists of only three members. Franci Strajnar, Msc, consensually terminates the term of office of a Management Board member.
- Sava d.d. becomes the owner of a 16.32% equity holding of Istrabenz d.d.; considering the favourable share prices, this transaction represents an opportunity for optimisation and potential consolidation of strategic investments of the company.
- Sava d.d. sells the remaining tourist real property (mainly hotel capacities in Bled) to the company Sava TMC d.o.o. In this way, the Tourism division is an economic rounded-up entity, while the received purchase consideration of €15.3 million facilitates Sava d.d. to further reduce its debts.
- Sava d.d. receives a sum of €69.4 million for divesting the Rubber Manufacturing division. The effects of this and other performed divestitures enable the Sava Group to reduce its debts by about €100 million.

FEBRUARY

- The shareholding of Sava d.d. in Gorenjska banka d.d. decreases from 45.90% to 44.07% due to cashing in 6,050 shares of Gorenjska banka d.d. These shares are alienated in accordance with the forward sale contract for shares placed as collateral.

MARCH

- Sava d.d. sells its 0.67% shareholding of Ljubljanske mlekarne d.d.
- The Supervisory Board of Sava d.d. deals with and endorses the audited annual reports of the Sava Group and Sava d.d. for 2012.

Indebtedness of the Sava Group reduces by €77.6 million by selling Rubber Manufacturing and the related land and part of the Sava trademark.

APRIL

- After downsizing the number of employees, Sava d.d. further adapts its internal organisation and continues to introduce other rationalisations in the company' operations.
- Sava d.d. sells its total shareholding, i.e. 143,000 shares, of the company Slavonski ZIF d.d.
- The Management Board of Sava d.d. successfully harmonises the conditions of the master restructuring agreement, the so-called term-sheet, with the lending banks. This leads to a final phase in the arrangements for extending the maturity of total financial liabilities of Sava d.d. over a longer period of time.
- Miro Medvešek, the newly elected member, appointed at the 19th Shareholders' Meeting of Sava d.d. begins a four-year term of office of a Supervisory Board member – shareholder representative.

MAY

- With entering in the court register and based on the resolution from the Shareholders' Meeting Sava d.d. changes its head office, which is now in Dunajska 152, Ljubljana.
- With entering of the resolution from the Shareholders' Meeting the share capital of Sava d.d. decreases from €83,751,567.51 to €25,441,851.48. The decrease is carried out with the unchanged number of shares; after this decrease, each share in the share capital amounts to €12.68.
- Sava Turizem d.d. establishes two subsidised companies under a 100% ownership: Sava Golf d.o.o., Ljubljana and Sava Zdravstvo d.o.o., Ljubljana, to cater for the future development projects.
- As one of the creditors, Sava d.d. co-signs the agreement on restructuring and conversion of a part of the loan into the capital of NFD Holding, which is endorsed by the June assembly of the same company. After suspensory conditions defined in the agreement are fulfilled, the equity stake of Sava d.d. is expected to reduce to 21.09%.

At the 19th regular Shareholders' Meeting of Sava d.d., the shareholders motion all the proposed resolutions with a high, more than 90% , majority of the capital present.

JUNE

- Terme 3000, Moravske Toplice, finishes the investment in the infrastructure of the swimming pool complex.

JULY

- The Management Board of Sava d.d. successfully finalizes the procedure of concluding the so-called Master Restructuring Agreement with the lending banks. The Agreement refers to restructuring the existing loan obligations of Sava d.d. until the end of November 2014.
- Sava Turizem d.d., a subsidiary of Sava d.d., concludes an agreement on restructuring the loans with lending banks, too. The agreement regulates the conditions for instalment payment of the existing loan obligations. The loan restructuring agreement has been made for the period of five years (60 months).
- To achieve a proper quality of services, improve flexibility and performance efficiency, the cleaning service at Sava Hotels & Resorts destinations including the employees is outsourced to the specialised contractors.

After selling ENSA BH d.o.o., Srbac the strategic activities of Sava d.d. in energy management business

In December, stress tests show a requirement for capital increase in Gorenjska banka d.d.; the investment of Sava d.d. in Abanka Vipa d.d. is nationalised.

AUGUST

- The Supervisory Board of Sava d.d. endorses a proposal by the Management Board to further reduce the number of Management Board members. The Management Board member Miha Resman consensually terminates his employment relationship with the company on 4 August 2013.
- A bankruptcy proceeding is filed for Energetika d.o.o., Kranj.
- The assembly of Sava Turizem d.d. adopts a resolution on changing the head office of the company, which is now in Dunajska 152, Ljubljana.

OCTOBER

- Sava d.d. reaches an agreement with the SA02 bonds holders on restructuring the financial liabilities, based on which the bonds components are changed so as to equal the conditions defined for the restructured bank loans. A technical replacement of SA02 bonds with SA03 bonds takes place.
- Roman Matek, MSc, takes over managing the destination of Terme Ptuj, and Igor Magdič, who also continues to manage Terme Lendava, takes over managing of Radenci health resort.

NOVEMBER

- The Supervisory Board of Sava d.d. appoints Milan Marinič and Petra Sever procurators of the company. They represent the company jointly with one Management Board member.
- Sava d.d. sells its 100% shareholding of Sava TMC d.o.o.; the Tourism division thus integrates its operations and is entirely owned by Sava Turizem d.d.
- Sava d.d. effectively finishes divesting of ENSA BH d.o.o., Srbac.
- The first phase of a thorough renovation of the hotel Radin in the health resort Radenci, which will be completed in 2014, is finished. The energy-saving renovation of the façade and replacement of windows and doors are completed. Now, the refurbishment of the interior will take place.

The first phase of an extensive renovation of the hotel Radin in the health resort Radenci is finished.

The disposal of golf course in Bled represents the first phase of golf business divestments.

DECEMBER

- Under the worst-case scenario, the stress test results show a capital shortfall of €328 million in Gorenjska banka d.d. until the end of 2015. The investment that Sava d.d. has in Abanka Vipa d.d. is nationalised based on the resolution adopted by the Bank of Slovenia.
- In terms of value, the receivables that NLB d.d. and Nova NKBM d.d. have due from Sava d.d. and Group's companies are transferred to BAMC – Bank Asset Management Company, the so-called bad bank.
- The management of Sava Turizem d.d. closes the deal on selling the golf course in Bled in the amount of €11.0 million.

4.2 Major events and achievements in 2014 – after the accounting period

JANUARY

- As one of the Supervisory Board members of Gorenjska banka d.d., Andrej Andoljšek temporarily takes over managing of the associated company of Sava d.d. For the time of his absence, the Supervisory Board of Sava d.d. appoints Aleš Aberšek from among its members as a Management Board member of Sava d.d.
- Gorenjska banka d.d. submits a restructuring plan and produces measures for covering a possible capital shortfall, which – as shown by the December stress tests – could appear in the event of extreme circumstances or under an unfavourable macroeconomic scenario.

FEBRUARY

- As capital increase through non-cash contributions failed, a simplified compulsory settlement procedure begins in the associated company NFD Holding d.d.
- Sava Turizem d.d. acquires the Ljubljana-based company Cardial d.o.o., thereby becoming a 100% owner of this modern specialist outpatients clinic.

Acquisition of Cardial d.o.o. forms a part of the new development strategy of Health Care.

5 Report by the President of the Management Board

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

Dear shareholders and partners of Sava,

2013 was an even more challenging year than 2012, as we had to deal with the negative effects of the financial and economic crisis of the past years, adverse economic circumstances and extraordinary events in connection with the Slovene banking sector.

This was the second full year after the Management Board took up their duties and began to implement the strategy of business and financial restructuring of Sava until 2014 as adopted in September 2011.

After achieving the goals from the first preparatory restructuring phase until the end of 2011 and the commitments defined for 2012, also the goals defined for the past year were achieved to a considerable extent.

As the circumstances were significantly worse than expected and forecast, it was not possible to fully meet the expectations as regards the consolidation of investments, particularly the realisation of synergies through the envisaged consolidation of bank investments of Sava d.d.

Owing to the markedly unfavourable results of the stress tests in Slovene banks published last December, the originally outlined direction towards achieving sustainable indebtedness level has to be modified, while an extra endeavour has to be undertaken to further develop the renewed Sava.

In the adopted strategy of business and financial restructuring of Sava until 2014, we defined radical changes in the manner of management, organisation and investment portfolio structure of Sava d.d. as well as other strategic shifts towards achieving a suitable level of indebtedness, renewal of profitability and generation of long-term value for shareholders of the company.

The following major strategic achievements of the past financial year are worth a special mention:

- *Firstly,* reorganisation, rationalisation and consolidation of operations, which again showed results in significantly improved operating business of the parent company, positive operating result of the Group subsidiaries and further shifts towards creating the conditions for realisation of synergetic effects within the Slovene tourism sector.

- *Secondly,* an efficient implementation of divesting the assets of Sava d.d., which enabled a substantial reduction in Group's financial liabilities – by about €100 million – and that along with a regular settlement of interest to creditors, which were in excess of €50 million.

- *Thirdly,* a successful provision of a sufficient cash flow for maintaining current liquidity and entering into the agreements on a needed co-ordination in repayment of financial liabilities with the lending banks, bonds holders and other financial creditors over a longer period of time.

Further reorganisation, rationalisation and consolidation of operations

Powerful effects of operation rationalisation in the parent company; the subsidiaries generated operating profit again.

As a result of divesting the assets and merging the tourist destinations of Sava into a uniform company Sava Turizem at the beginning of 2012, the image of Sava that previously had been strongly diversified was radically renewed.

The present mainstay divisions of the Sava Group are Tourism and managing financial investments. The major investment is still the one in Gorenjska banka d.d., whereas the ownership stake of Sava d.d. in Abanka Vipa d.d. was cancelled in the middle of December as the bank's capital was increased through the aid from the state. Tourism further strengthens its position of a leading tourist services provider in Slovenia by carrying out intense marketing activities and winning new, emerging markets.

Already in 2012, the company introduced a decentralised model of Group management, while last year it internally reorganised and consolidated in terms of personnel. Instead of the previously thirteen competence centres in the parent company, only six professional services with a significantly lower number of associates now operate. During the restructuring period, the number of associates has already reduced by more than two thirds to the present 19 associates. Accordingly, the composition of the Management Board adapted to the complexity and dynamics of the strategy and in the past year, the Board reduced from the original four to two members.

The renewed, more cost-efficient and effective internal organisational structure of Sava d.d. was reflected in reduced operating expenses, which last year went down by one fifth if compared to the year before. They achieve only half of the value they had before the restructuring process. The operating loss of the Group's parent company totalling €0.2 million significantly reduced in comparison with the previous year (by €2.7 million).

Sales revenues of the Sava Group companies totalled €67.2 million and were 6% lower with regard to the previous year and the plan. The key reasons were the unsold real property due to unfavourable market conditions in Croatia, a strong decline in guest purchasing power, price competition in Tourism and subsequent changes in the composition of the Group during the business year (sale of a part of golf business and company for the manufacture of alternative energy sources in Bosnia.)

The Tourism division made more than 93% of Group revenues; they amounted to €62.5 million, which was 4% below the 2012 result and the plan. In extremely difficult circumstances in the market, growth was achieved in overnight stays and revenues in conference tourism and health care, while the level of average prices realised for hotel and apartment overnights was preserved too.

A decisive impact on the negative result of operative business of the entire Group had exclusions of the generated profit in consolidating the Group, introduction of extra levies and taxes, which affected the achievements of Tourism by almost €1 million, and impairments of real property, receivables and inventories in Other Operations and Tourism.

Not considering the required impairments of hotel properties and operating receivables, Tourism as a mainstay division generated a profit from operations of €2.0 million last year.

A significant contribution to the result was made by the effects of further measures aiming at operation rationalisation, including transfer of certain services to the external, specialised service providers and implementation of projects to improve energy efficiency. Tourism ended the financial year 2013 with a net profit of €1.0 million which was also due to a profitable sale of the golf course in Bled.

A lower loss, high impairments of financial investments again

Additional, unplanned impairments of financial investments tailored the operating result, especially due to the December results of stress tests in banks.

The generated operating result of Sava d.d. was positively affected by the financial revenues generated in the sale of Rubber Manufacturing amounting to €23.5 million, profit in the sale of fixed assets totalling €5.2 million and further savings in operating costs. With regard to 2012, interest expenses were by approximately half lower.

Last year's results were decisively worsened by additional impairments of assets totalling €21.6 million. Approximately half of the figure or €9.6 million referred to impairments of financial investment in Abanka Vipa d.d., the rest was due to impairments in connection with subsidiaries and securities available for sale.

Furthermore, the operating result was down because of reversing deferred tax receivables in connection with financial investments as a result of losing the ownership of investment that Sava d.d. had in Abanka Vipa d.d. Deferred tax receivables were reversed in the value of €9.8 million and significantly influenced the result of the parent company and of the Group.

Instead of the planned profit, Sava d.d. made a net loss of €11.4 million in 2013, which, however, is significantly less than in the past three years. The balance sheet total reduced by 29%, while capital reduced by 60%. The share of capital in liabilities fell to 6%.

For covering the accumulated loss of 2013 totalling €11.4 million Sava d.d. has no capital items earmarked for this purpose available. The Management Board and Supervisory Board will again propose this year's Shareholders' Meeting to reduce the share capital of the company and that from €25.4 to €14.1 million. The reduction would be carried out with unchanged number of shares; the attributable amount of a share in the share capital would amount to slightly more than €7 per a share.

The Sava Group made a loss of €55.6 million or slightly more than last year. The value of unplanned extra impairments at the Group level was about €30 million down on the year before but it still amounted to €51.4 million.

Impairments of financial investments in the associated companies, mainly in both banks, represented three quarters of total impairments. In consolidated financial statements, the financial investment in Gorenjska banka d.d. was impaired in the value of €27.6 million or to €588 per a share, thereby equalling its evaluation to the evaluation in the financial statements of Sava d.d. At Group's level, the financial investment in Abanka Vipa d.d. was ultimately impaired in the amount of €9.6 million, since based on the decision by the Bank of Slovenia, Sava d.d. lost its shareholding on 18 December 2013.

The value of the Sava share, which reflects the uncertain economic environment, low investor trust in capital markets and circumstances the company is experiencing, further reduced in 2013 and moved in the range from €0.1 to €5.4. The share book value reduced to €7.5, which still significantly surpasses the prices formed in the stock exchange market.

Effective implementation of divestments

Sale of Rubber Manufacturing represents the highest foreign direct investment in Slovenia recently; a net profit of €23.5 million was generated in this transaction.

After an in-depth analysis of the strategic investments portfolio of Sava d.d. and beginning the procedures for testing the market for possible disposals, the first projects of disposals were launched already in 2011.

In 2012, the observable project was selling the entire ownership stake of Investicijsko pdjetje d.o.o. (formerly Sava IP d.o.o.), at which a part of real property of the company was previously transferred to the newly established company Sava Nepremičnine d.o.o. The purchase consideration for the performed sale of the prevailing part of the real estate business amounted to €14.8 million, the key effect showed in reducing indebtedness of the Sava Group.

The major project and one of the milestones in the restructuring strategy was the sale of the entire Rubber Manufacturing with the Foreign Trade Network. The implementation of this project, which began already in 2012, was an extremely complex task, particularly with regard to the agreements on sharing and selling the associated part of the Sava trademark, certain pieces of land in Kranj premises and also the commitments as to the future development of once traditional Sava's business.

The Czech rubber manufacturing group ČGS was chosen as the most appropriate partner out of 49 international bidders. The contract with the selected strategic investor was signed at the end of October 2012. The suspensory conditions, the fulfilment of which was required for transfer of total purchase consideration in the amount of €69.4 million, were met at the beginning of past January. In this transaction, Sava d.d. generated a profit of €23.5 million and significantly reduced debts at Group's level.

The sale of hotel properties by Sava d.d. to TMC d.o.o., which made Tourism to an economically rounded-off unit, and the December sale of the golf course in Bled, part of Tourism, belong to larger disposals of the assets in the past year.

With selling the golf course in Bled, the first phase of golf business divestment was completed. A low profitable golf business had only a 3% share in the revenues structure. Still it created certain synergetic effects with the rest of tourism business in Sava, which is why it was sold to the specialist in this line of business. Owing to the profit generated in the sale we could suitably reduce debts, obtain liquid assets for investments in the strategic areas of Tourism and preserve synergetic effects by entering into a commercial agreement with the partner. We are pleased that with joining the Bled golf course the Eligo Golf Group, which incorporates 39 golf courses worldwide, new marketing opportunities are opening up for tourist destinations of Sava Turizem d.d. It is expected that the remaining golf business will be sold in 2014.

The disposal of the Bosnian company Ensa BH d.o.o., which manufactures alternative energy sources and represents a minor business in terms of value, was complex and lengthy. The first serious investor appeared already in 2012 but as it did not fulfil the conditions from the already concluded agreement, the agreement expired. The final sale took place in November 2013; its new owners are mainly the representatives of the existing company's management. By exiting this investment, we eliminated high legal and liquidity risks, decreased liabilities at the Group level and provided conditions for proceeding with the sale of the rest of energy management business, which in this year continues with intensity.

After selling a total, 14.6% equity holding in Terme Maribor d.d. in 2012, the largest portfolio financial investments divested last year included total equity holding of Slavonski ZIF d.d. and Ljubljanske mlekarne d.o.o. As planned, disposals of other selected non-strategic financial investments are carried on in this year.

Provision of liquidity and agreements on restructuring of financial liabilities

Financial liabilities reduced by more than €100 million, interests of more than €50 million paid to Sava's creditors.

Ever since the beginning of their term of office in 2011, the Management Board have efficiently carried out a complex set of activities for financial recovery of Sava's operations including the measures for business and financial restructuring of the company.

Owing to the performed sale of investments in the past years, total financial liabilities of the Sava Group reduced already by over €100 million. In 2013, total financial liabilities reduced by €71.7 million in the parent company Sava d.d. to €226.8 million and at the Group level by further €64.4 million to €281.1 million. The decrease in financial liabilities is due to successful divestments carried out by Sava d.d.

The companies of the Sava Group regularly settled interest expenses: Sava d.d. in total amount of €47.9 million, while paid interest at the Group level reached €54.4 million.

Besides the activities for internal consolidation of operations, improved cost efficiency and systematic management of financial risks, we always devoted much attention to provision of liquidity and regulation of relations with the banks.

For this purpose, arrangements and coordination with banks took place throughout 2012 and continued in the past year. In the meantime, based on the agreement made in 2011, banks extended the existing loans short-term.

At the beginning of the past year, foreign experts assisted in the preparation and in April, we finally harmonised the term sheet with the banks. This was a final phase in the agreement on coordination of maturity of financial liabilities of Sava d.d. over a longer period of time.

In July, we entered into the agreement on restructuring of financial sources restructuring of Sava d.d totalling €187.7 million, based on which the lending banks have enabled Sava d.d. to defer payment of the principal under the existing loans. Sava d.d. committed itself to further implement the restructuring strategy, and to regularly pay a lower, 1% interest during this period. A portion of deferred interest at 2% interest rate will fall due for payment at the end of the contractual period, this November.

In October, Sava d.d. also made an agreement on restructuring the financial liabilities with Sava bonds holders, based on which the components of bonds changed so that their conditions equal the restructured bank loans.

In July, the Management Board of Sava Turizem d.d. signed the agreement on restructuring the existing financial liabilities of €49.7 million with the lending banks, thereby securing a new, lower level of annual amortisation and restructuring of loans until the beginning of August 2018.

2014: taking the envisaged and preparing the new direction of development

To provide the conditions for growth in assets and settlement of liabilities to creditors, shareholders and other stakeholders remains Sava's commitment for the future.

In difficult and uncertain circumstances of 2014, our huge challenge is to carry on the successful implementation of the restructuring strategy until 2014 and to outline a new business model for further strategic development of Sava. Parallel with that we will actively search for solutions to implement the strategy of investment consolidation in banking sector and to extend the master restructuring agreement at the end of this year. We wish to strengthen the financial structure for all the stakeholders of Sava d.d.: Bank Assets Management Company (BAMC), banks, other financial creditors and shareholders of the company.

Tourism plans to improve profitability based on the already performed strategic activities and those defined anew. Divestments of strategically unnecessary assets will continue, at the same time, volume of investments in refreshing the offer and improving energy efficiency is expected to increase. Besides intense marketing activities, winning new markets and other measures for strengthening operating performance, the primary focus will be on strategic development of Healthcare. The platform for the realisation of the new strategic orientation for this promising business was set at the end of the previous and the beginning of this year with purchasing a modern equipment and the renovation of capacities. Furthermore, business cooperation agreements were made with renowned doctors and a diagnostic specialist outpatients' centre Cardial d.o.o. Ljubljana was acquired. Thanks to its broader influence on the operations of the entire Tourism, the Healthcare business will make a significant strategic breakthrough already in 2014, with its role growing in importance in the future.

Further sources that can enhance the profitability have been identified in the implementation of new synergies between Sava's Tourism and the companies, in which Sava d.d. has ownership stake.

Sava d.d. will continue to optimise its operative business with the expected significant reduction in cost, both of services and labour. The activities in connection with divesting non-strategic assets (the rest of energy management business and Real Estate) and certain portfolio investments will continue. In this year again, the focus will be on provision of suitable liquidity and solvency of the company, which we will assure through the existing liquid assets and selling financial investments as well as the envisaged extension of the restructuring agreement for finance sources of the company.

As far as consolidation of the operations of banking portfolio of Sava d.d. is concerned, we intensely seek alternative directions, since the implementation of the original strategic plans was prevented by the December results of due diligence procedures. The extremely unfavourable results were obtained in the examination of assets and stress tests, which the Bank of Slovenia and foreign institutions carried out last year in eight domestic banks, including Abanka Vipa d.d. and Gorenjska banka d.d.

After we successfully implemented the majority of demanded tasks for the planned capital tie-up of both investments Sava d.d. had in the banks and for achieving the synergetic effects of their merged operations, Sava d.d. lost its one quarter shareholding in Abanka Vipa d.d. due to the decision by the Bank of Slovenia. The results of stress tests in Gorenjska banka d.d. showed a high potential capital deficit that could appear under a markedly unfavourable macroeconomic scenario until the end of 2015.

At the end of January, Gorenjska banka d.d. already adopted a set of measures and activities for strengthening the capital structure of the bank.

At Sava d.d., we firmly believe that subject to rigorous performance of restructuring measures and internal advantages of the company a future successful development and growth in operations of Gorenjska banka d.d. are feasible both in connection with the required consolidation of the Slovene banking sector and attracting investors who would be prepared to support the development potential of the bank. This will provide the basis for enhancing the value of the investment, further debts reducing and achieving a sustainable indebtedness level of Sava d.d.

Dear shareholders, members of the Supervisory Board and all partners accompanying us on the path of Sava's renewal,

allow me to express my special thanks for the confidence shown to us and your present support, which we rely upon also in this outstandingly challenging year.

Matej Narat,
President of the Management Board

6 Management and governing bodies

Sava d.d. is managed by a two-member Management Board consisting of the President Matej Narat, and the member Aleš Aberšek; they represent the company jointly.

As of the beginning of a five-year term of office on 31 March 2011 until a consensual termination, the company was managed also by Franci Strajnar, MSc, responsible for law, operations compliance and internal audit (until 31 December 2012), and Miha Resman, responsible for finance, risk management and accounting (until 4 August 2013).

The Management Board member Andrej Andoljšek managed the company until 27 January 2014 when he temporarily took over managing of Gorenjska banka d.d. For the time of his absence, Aleš Aberšek was appointed a temporary Management Board member of Sava d.d. on 28 January 2014.

The planned reducing of Management Board team from four to two members was carried out in accordance with the dynamics of implementing the final phases of Sava' restructuring and forms a part of a broader set of activities aimed at rationalisation of Sava d.d.'s operations.

6.1 Presentation of the Management Board

MANAGEMENT BOARD OF SAVA D.D.:

ALEŠ ABERŠEK,
member of the Management Board

- *BSc (Economics), born in 1977.*
- *As of 28 January 2014, responsible for controlling and operations development of the Group, accounting, planning and analyses, law, operations compliance and internal audit.*

Membership of Supervisory Boards:

- Member of the Supervisory Board of Abanka Vipa d.d., Ljubljana.
- Member of the Supervisory Board of RSG Kapital d.o.o., Ljubljana.

Other current functions and memberships:

- Member of the Slovenian Directors' Association.

MATEJ NARAT
President of the Management Board

- *MSc (Economics), born in 1967.*
- *Responsible for managing and supervision of the Group, organisation, HR and corporate communications; as of 5 August 2013 he is also responsible for finance and risk management.*

Membership of Supervisory Boards:

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

Other current functions and memberships:

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

Aleš Aberšek, Member of the Management Board of Sava d.d.

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

6.2. Presentation of the Supervisory Board

The current Supervisory Board of Sava d.d. consists of six shareholder representatives and two out of three employee representatives. Aleš Skok is the Chairman of the Supervisory Board.

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

The four-year term of office of three Supervisory Board members – shareholder representatives, Miran Kraševec, Roman Ambrož and Rok Ponikvar appointed at the 18th Shareholders' Meeting of Sava d.d., and the term of office of three members – employee representatives appointed by the Workers' Council, Aleš Aberšek, Lučka Pogačnik and Gregor Rovanšek, began on 29 June 2012 and shall be until 29 June 2016.

The office of Supervisory Board member – employee representative, Aleš Aberšek, is suspended as of his appointment to the position of a temporary Management Board member on 28 January 2014. The Supervisory Board of Sava d.d. has been operative in a narrowed, eight-member composition since then.

At the 19th Shareholders' Meeting of Sava d.d., Miro Medvešek was appointed a Supervisory Board member – shareholder representative, with a four-year term of office that began on 30 April 2013 and shall be until 30 April 2017. He replaced a shareholder representative Tomaž Perše, MSc, appointed at the 18th Shareholders' Meeting of Sava d.d., who resigned from the member position on 18 October 2012.

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

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

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

Other current functions and memberships:

- Chairman of the Supervisory Board of HG Trade BH d.o.o., Čapljina, Bosnia and Herzegovina.
- Chairman of the Supervisory Board of Chromos Boje i Lakovi d.d., Zagreb, Croatia.
- Member of board of the Capital Mutual Pension Fund.
- Member of the Slovenian Directors' Association and holder of its certificate.

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

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

Other current functions and memberships:

- Chairman of the Supervisory Board of Hoteli Bernardin d.d., Portorož.

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

- *MBA, born in 1967.*
- *Owner and director of the company Profit Plus d.o.o., Ljubljana.*

Other current functions and memberships:

- Member of the Slovenian Directors' Association and holder of its certificate.

ROMAN AMBROŽ, member – shareholder representative, audit commission member

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

Other current functions and memberships:

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

ROK PONIKVAR, shareholder representative, personnel commission member

- *BSc (Economics), born in 1972.*
- *General Manager of Slorest d.o.o., Ljubljana.*

MIRO MEDVEŠEK, member– shareholder representative

- *BSc (Economics), born in 1964.*
- *Director of the company Svetovanje M d.o.o., Ljubljana.*
- *Executive Director of Commerce d.d., Ljubljana.*

Other current functions and memberships:

- Chairman of the administrative board of Commerce d.d., Ljubljana.
- Member of the Supervisory Board of Intereuropa d.d., Koper.
- Holder of the Certificate from the Slovenian Director's Association

Members of the Supervisory Board of Sava d.d. (from left to right): Roman Ambrož, Gregor Rovanšek, Aleš Skok, Robert Ličen, MSc, Miran Kraševec, Miro Medvešek, Rok Ponikvar (Lučka Pogačnik is missing on the photo).

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

LUČKA POGAČNIK, member – employee representative

- *BSc (Economics), certified internal auditor, MBA, born in 1965.*
- *Assistant manager, Accounting, Plan & Analysis at Sava d.d.*

Principal current functions and memberships:

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

GREGOR ROVANŠEK, employee representative, audit commission member

- *BSc (Economics), certified internal auditor, MBA, born in 1981.*
- *Manager, Controlling at Sava d.d., Ljubljana.*

Principal current functions and memberships:

- Certified internal auditor at the Slovenian Audit Institute.
- Member of the Supervisory Board and audit commission chairman of Gorenjska banka d.d., Kranj.
- External audit commission member of the Supervisory Board of Sava Turizem d.d., Ljubljana.
- External audit commission member of Istrabenz d.d., Koper.
- Guest expert at the Faculty of Economics and Business Maribor, Chair of Accounting, Audit and Taxation.
- Member of the Slovenian Directors' Association.

Report by the Supervisory Board

7

On the results of examining the audited 2013 annual report of the company Sava d.d. and the audited 2013 consolidated annual report of the Sava Group

Aleš Skok, Chairman of the Supervisory Board of Sava d.d.

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 2013 annual report from the Management Board and the 2013 consolidated annual report of the Sava Group. It has determined that the 2013 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 notes to the financial statements contain all the information specified by the Companies Act-1, in Items 1 – 22 of Paragraph 1, Article 69. The business report contains all the significant business events that took place after the end of the business year, description of the anticipated growth of the company and activities of the Sava Group in the field of research and development and data about the representation offices of the company.

The business report furthermore contains an in-depth analysis of the material risks and uncertainties that the company is exposed to and gives a fair view of the development and business results of the company and its financial position.

The annual report was submitted for auditing to the auditor that had been selected at the 19th Shareholders' Meeting of the joint stock company. The auditor Deloitte revizija d.o.o., Ljubljana, produced the auditor's report on 26 March 2014.

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 26 March 2014. We therefore establish that the aforementioned legal provision was observed and so were the provisions of Paragraph 5 of Article 57 of the Companies Act-1, which defines an 8-day term for submitting the audited annual report and audited consolidated annual report to the competent body.

Method and scope of examining the management of the company

General

The Supervisory Board performed its supervisory function mainly at Supervisory Board meetings. Due to the continuation of the economic and financial crisis and their impact on the operations of the company and the Group in 2013, the Supervisory Board had eight meetings in 2013, six of which were regular and two were correspondence meetings. The regular meetings of the Supervisory Board in 2013 were held on 20 February, 27 March, 22 May, 29 August, 21 November and 12 December. The correspondence meetings took place from Tuesday, 30 July, to Thursday, 1 August, and from Thursday 24 October to Monday, 4 November 2013.

At these meetings, individual members of the Supervisory Board exercised their right under Paragraph 1, Article 282 of the Companies Act in various manners; the paragraph enables every member of the Supervisory Board to examine all the bases for producing the annual report. In accordance with the legal provision, the Supervisory Board has the right to revoke such a right from an individual member, but the Supervisory Board did not adopt any such resolution in 2013.

In accordance with the Articles of Association of the company, the Supervisory Board of Sava d.d. consists of six members elected by the Shareholders' Meeting and three members proposed by the Workers' Council. In 2013, the Supervisory Board was composed as follows: Chairman of the Supervisory Board Aleš Skok, Deputy Chairman of the Supervisory Board Miran Kraševec, and the members Aleš Aberšek, Roman Ambrož, Robert Ličen, MSc, Lučka Pogačnik, Rok Ponikvar, Gregor Rovanšek and Miro Medvešek (as of 30 April 2013). Miro Medvešek was appointed at the 19th Shareholders' Meeting of Sava d.d. and replaced Tomaž Perše, MSc, who resigned on 18 October 2012, in the Supervisory Board.

As Aleš Aberšek was appointed a temporary Management Board member on 28 January 2014, his position of the Supervisory Board member has been suspended. Since then the Supervisory Board of Sava d.d. has been operative in eight-member composition.

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 2013, or disclose any such conflict of interest.

The Supervisory Board has set the rules with regard to safeguarding business secrets and handing practice in the event of a conflict of interest. Every member signed a special a statement with regard to observing the rules on safeguarding of business secrets, especially the internal information.

Due to the aggravated economic and financial situation and the intense activities in the implementation of the restructuring strategy, the Supervisory Board met frequently in 2013. Eight meetings were held, which were attended by all Supervisory Board members, while, as a rule, the resolutions were adopted unanimously.

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

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

In 2013, the personnel commission met four times: 27 March, 29 August, 15 October and 12 December, and held three correspondence meetings on 19 July, 2 August and 23 October. It was composed of commission chairman Miran Kraševec and commission members Aleš Skok and Rok Ponikvar.

The personnel commission dealt with the candidacy and prepared a proposal for a new member of the Supervisory Board. Under the framework of cost rationalisation for the Management Board and employees of Sava d.d, a proposal for an agreement was given and adopted that defined termination of employment relation and resigning from the position of the Management Board member Miha Resman effective on 4 August 2013.

Upon narrowing the Management Board to two members, the personnel commission members agreed with the proposal from the Management Board to appoint two procurators of the company. The personnel commission members were briefed about the ZNS research on remunerations received by management boards and supervisory boards in Slovenia in the period from 2010 to 2012 and the existing remuneration system for the Management Board members of Sava d.d. They proposed the Supervisory Board to recommend to the Supervisory Board to examine the possibility for further reorganisation of the holding company and labour cost rationalisation.

The audit commission, which in accordance with Article 279 of the Companies Act-1 is mandatory in the public listed companies met five times in 2013: 20 February, 27 March, 22 May, 28 August and 20 November. The meetings were convened so that the commission met at least once in a quarter and they were participated by the audit commission chairman Robert Ličen, MSc, and the members Roman Ambrož and Gregor Rovanšek, and Janko Gedrih as an external member specialised in accounting and auditing.

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

The external auditor participated in the Supervisory Board meeting in March 2013, at which the annual report was adopted, and in the Shareholders' Meeting of the joint stock company in last April.

Manner of supervision by the Supervisory Board

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

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

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

- Besides the legally defined elements, the Supervisory Board report on its work also includes an in-depth estimate of the business operations drafted by the Supervisory Board independently of the Management Board.

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

- Efficient collaboration of the Supervisory Board with the audit and personnel commissions; the commissions regularly report to the Supervisory Board about their work.
- The Supervisory Board meets frequently enough; it always meets more than four times a year as legally defined. In 2013, the Supervisory Board had eight 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.
- Enough time is available at all meetings for a detailed and careful treatment of all agenda items.
- The Supervisory Board Chairman, who presents the work of the Supervisory Board, and the auditor are present at the Shareholders' Meeting.

Major resolutions by the Supervisory Board

The Supervisory Board pursued and adopted resolutions on the most important matters of the company on an on-going basis. The major substantive resolutions were connected with the on-going monitoring of restructuring strategy implementation with a special emphasis on provision of liquidity and solvency of Sava. The key personnel resolution was adopted at the 1st Supervisory Board meeting held from 30 July to 1 August, at which it confirmed the proposal by the Management Board for a consensual discharge from the position and termination of employment relationship for the Management Board member Miha Resman effective on 4 August. The Management Board thus consisted of two members.

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 is briefed about the Report on restructuring strategy implementation of Sava d.d. and the Sava Group. (5th meeting).
- The Supervisory Board is briefed about the Preliminary report on the operations of the Sava Group and Sava d.d. in the period January–December 2012.
- The Supervisory Board becomes acquainted with the Liquidity and solvency report for 2012 and the 2013 plan.
- The Supervisory Board is briefed about the updated version of the business plan of the Sava Group and Sava d.d. for 2013 (6th meeting).
- The Supervisory Board is briefed about the presentation and implementation of the strategy in the Tourism division of the Sava Group.
- The Supervisory Board is briefed about the operations of the Sava Group and Sava d.d. in the period January –March 2013.
- The Supervisory Board is briefed about the audit commission work report in 2012.
- The Supervisory Board is briefed about the personnel commission work report in 2012.
- The Supervisory Board endorses the audited annual report of Sava d.d. for 2012 and the audited annual report of the Sava Group for 2012.
- The Supervisory Board receives the Report on the results of examining the audited 2012 annual report of the company Sava d.d. and the audited 2012 consolidated annual report of the Sava Group.
- With regard to the newly established facts, the Supervisory Board imposes the Management Board with a task of obtaining an additional legal opinion about a possible liability for damages of the former Management Board in exercising the NLB call option.
- The Supervisory Board proposes the Shareholder' Meeting to adopt the following resolution:
  » The Shareholders' Meeting becomes acquainted with the audited annual report of Sava d.d. for 2012, the audited consolidated annual report of the Sava Group for 2012, and a written report by the Supervisory Board for 2012«.

- The Supervisory Board proposes the Shareholders' Meeting to adopt the following resolution:

  »The Shareholders' Meeting grants discharge from liability to the Management Board. The Shareholders' Meeting grants discharge from liability to the Supervisory Board. The Shareholders' Meeting confirms and approves of the work of these two company's bodies in the financial year 2012«;

- The Supervisory Board proposes the Shareholders' Meeting to adopt the following resolution:

  »The share capital of the company is decreased from the present amount of €83,751,567.51 by the amount €58,309,716.03, after which it amounts to €25,441,851.48. The simplified share capital decrease is carried out according to Article 379 of the Companies Act-1. The purpose of the share capital decrease in the company is to adjust the equity and share capital to the decreased volume of company's business. The share capital is decreased on the basis of the audited financial statements as at 31 December 2012. Since the share capital of the company is distributed into 2,006,987 ordinary personal no-par value shares, the attributable amount of each share in the share capital is reduced owing to the share capital decrease. As the attributable amount of each share in the share capital after its decrease amounts to €12.68, the decrease is carried out without aggregating the shares and with the unchanged number of shares, respectively.

  The Shareholders' Meeting adopts the amended provision of par. 3.1 of the Articles of Association of the company, which reads:

  "3.1. The company's share capital amounts to €25,441,851.48."«;

- The Supervisory Board proposes the Shareholders' Meeting to adopt the following resolution:

  »The head office of the company is changed and is now Ljubljana.«

- The Supervisory Board proposes the Shareholders' Meeting to adopt the following resolution:

  »Article 1.4.of the Articles of Association is amended and now reads: "1.4. The head office of the company is: Ljubljana."

  Article 1.5. of the Articles of Association is amended and now reads: "1.5. The business address of the company is: Dunajska cesta 152, Ljubljana."

  Article 2.2. of the Articles of Association is harmonised with the applicable classification of activities and it reads:

  "2.2. In accordance with the Decree about the Introduction and Use of Standard Classification of Activities (Official Gazette RS, No. 69/2007), the company's activities as set out in item 2.1 have been classified under the following codes and names of the standard activities classification to be entered in the court register (Note: the classification codes and associated classification contents follow).

  The Supervisory Board shall make a decision with regard to changing and amending the activities in order to harmonise them with the regulations and requirements set by the inspection authorities, or in order to implement the goals of the company as set out in the company's activities."

  Article 6.6. of the Articles of Association is amended and now reads:

  "6.6. The Shareholders' Meeting is held in the place determined by the Management Board."

  The first and the second paragraph of Article 8 of the Articles of Association of the company are amended and now read:

  "The company will publish those announcements on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES), the publishing of which on the AJPES website is compulsory by law."

  "If any regulation determines duty of publishing but does not compulsorily specify the statutory defined newspaper or e-media or AJPES as the place of publishing, the company will publish its information in the electronic version on its website."«.

- The Supervisory Board proposes the Shareholders' Meeting to adopt the following resolution:

  »The auditing company Deloitte revizija d.o.o., Dunajska cesta 165, 1000 Ljubljana shall be appointed as the auditor of the financial statements of Sava d.d. and the Sava Group for 2013.«

- The Supervisory Board propose the Shareholders' Meeting to adopt the following resolutions:

a) *»The Shareholders' Meeting establishes that the Supervisory Board member – shareholder representative, Tomaž Perše, MSc, resigned from the Supervisory Board member position on 18 October 2012.«*
b) *»The Shareholders' Meeting elects Miro Medvešek a Supervisory Board member – shareholder representative of Sava d.d. The newly elected Supervisory Board member shall begin a four-year term of office on 30 April 2013.«*

- The Supervisory Board is briefed about the report on operation of the Sava Group and Sava d.d. in the period January – March 2013 (7th meeting).
- The Supervisory Board is briefed about the information on financial restructuring of Sava d.d.
- The Supervisory Board recommends the Management Board to examine repeatedly the rebuttability of the presumption of a more permanent illiquidity according to the ZFPPIPP Act. The Supervisory Board recommends the Management Board to finalize the negotiations on restructuring with the banks by signing the binding documents in shortest time possible.
- The Supervisory Board agrees with entering into the agreement on cancellation of the employment contract made between Sava d.d. and Miha Resman (1st correspondence meeting).
- The number of Management Board members decreases by one member; as of 5 August the Management Board consists of two members who represent the company jointly.
- The Supervisory Board imposes the Management Board with a task of considering the opinion and recommendations by the law firm Jadek & Pensa in its further activities in relation to the company Sava Nova, d.o.o., Zagreb, at which it shall pay special attention to periods of limitation (8th meeting).
- The Supervisory Board is briefed about the Report on business operations of Sava d.d. and the Sava Group in the period January – June 2013;
- The Supervisory Board agrees with appointing the procurators of the company so that on 4 November 2013 Milan Marinič and Petra Sever are appointed the procurators of Sava d.d. Each of the procurators represents the company jointly with one Management Board member (2nd correspondence meeting).
- The Supervisory Board establishes that in the projects »Funtana 1 and 2« and »Zagreb Zajčeva« certain basis for determining the liability for damages of the former Management Board exists, at which special attention shall be paid to periods of limitation.
- The Supervisory Board recommends the Management Board to order a business review of the NLP option with one of the »big four« auditing companies to establish whether the call option price of NLB shares – considering the then circumstances – was fair and whether the manner used for dealing with the liquidity situation of the company was eligible.
- The Supervisory Board is briefed about the Report on business operations of Sava d.d. and the Sava Group in the period January – September 2013.
- The Supervisory Board imposes the personnel commission with a task of examining further cost rationalisations together with the Management Board, including labour cost and cost of services, and report the Supervisory Board thereof.
- The Supervisory Board recommends the Management Board to examine possibilities for further reorganisation of the holding company and labour cost rationalisation (10th meeting).
- The Supervisory Board is acquainted with the Information on assets disposal in 2013.
- The Supervisory Board is briefed about the 2014 business plan of Sava d.d. and the Sava Group. The Supervisory Board imposes the Supervisory Board with a task of repeatedly examining the suitability of the 2014 business plan of Sava d.d. and the Sava Group after the procedure of assets evaluation and stress tests are finished. Immediately when the assumptions are known but not later than by the end of the 1st quarter, they shall repeatedly submit the plan to the Supervisory Board for consideration.
- The Supervisory Board is briefed about the Development strategy of health care business in Sava Turizem d.d. for the period 2014-2018 and imposes the Management Board with a task of complementing the strategy through calculations aiming at improved business performance of the area.

A protocol is produced for every meeting, which is approved with a decision from the Supervisory Board.

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 2013, reporting by the Management Board was continual, fair and open, which enabled the Supervisory Board to exercise its supervisory role. The Management Board regularly briefed the Supervisory Board about the implementation of the restructuring strategy of Sava until 2014. The reports by the Management Board were produced according to individual areas with a synthetic review of all business effects, thereby enabling one to monitor the positive and negative effects of individual operations of the Sava Group.

The Supervisory Board was also allowed to make a review of individual companies or production and service programmes within separate divisions. The interest of the Supervisory Board primarily referred to the strategic policies, liquidity and solvency, business operations of larger companies and the consolidated statements of the entire Sava Group. The Supervisory Board devoted its careful attention to the Investment Finance division, which operates within the parent company of the Group, and the Tourism division.

In its reports, the Management Board presented and explained 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, and net profit or loss. Furthermore, periodic comparative statements for the past year and planned statements for the comparative period were added. In this way, the Supervisory Board could continuously pursue the performance trend with respect to the past and planned business operations.

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

Business estimate

Introductory explanation

The adverse economic environment of 2013 affected the performance of the Sava Group companies and the bank, in which Sava d.d. has equity holding. Tourism continued to experience further aggravation of economic circumstances, especially in the Slovene market. A strong decline in purchasing power affected the entire sector. The offer of tourist products re-oriented to the markets and market segments less affected by the crisis. The health care business was thoroughly upgraded, further rationalisation measures were implemented. The banking sector was subject to examining the portfolio, which had a significant impact on the amount of capital in banks.

After selling the companies of Rubber Manufacturing with the Foreign Trade Network, the image of Sava radically changed in 2013. As of January 2013, its largest divisions are managing financial investments of Sava d.d. with the major share in the banking sector, and the Tourism division.

Business performance of the Sava Group

Note: The information on business performance that includes the reference analysis for the same period last year take the current composition of the Sava Group into account.

In 2013, **sales revenues** of the Sava Group companies totalled €67.2 million and were by 6% lower than in the same period last year and they lagged 6% behind the planned values.

In 2013, Tourism made sales revenues of €62.5 million or 4% less than in the same period last year and also 4% below the plan.

Other Operations composed of two real estate companies, energy management companies and two smaller service providing companies, generated sales revenues of €3.6 million, which was 8% down on last year’s as well as on the planned sales revenues.

Operating expenses generated at €79.7 million were by 8% higher than in the same period last year and exceeded the plan by 15%. The deviations were entirely due to impairments of real property, inventories and receivables in total value of €9.3 million. In the operating expenses structure, labour cost had a 30% share, which was by 9% down on the same period last year and 4% down on the plan.

In 2013, the Sava Group made **a net loss** of €55.6 million. The amount of loss was due to cancellation of deferred tax receivables totalling €9.8 million and further impairments of assets totalling €51.4 million, which referred to:

- Impairment of financial investment in Gorenjska banka d.d., in which Sava d.d. entered in 1999, totalled €27.6 million (to €588 per a share, which was verified based on the certified evaluator estimate).
- Impairment of financial investments in Abanka Vipa d.d., in which Sava d.d. entered in 2007, totalled €9.6 million. Based on the decision by the Bank of Slovenia, the ownership of Sava d.d. in Abanka Vipa d.d. ceased on 18 December 2013. Total loss made with the financial investment in Abanka Vipa d.d. amounted to €130.5 million.
- Impairment of financial investment in NFD Holding d.d., in which Sava d.d. entered in 2009, totalled €0.2 million.
- Impairment of loans granted to NFD Holding d.d. in 2012 totalled to €0.7 million.
- Impairment of securities available for sale amounting to € 4.0 million (adjustment to stock exchange prices or estimated fair value with the investments in share mutual fund NFD1, Cimos d.d. and Jubmes banka d.d.).
- Impairment of receivables totalling €2.6 million (prevailing part arises from impairment of a receivable due from Zavarovalnica Triglav d.d. from selling the stake in Sava IP d.o.o.).
- Impairment of investment property in Real Estate totalling €2.5 million (adjustment to the estimated fair value of investment property owned by Sava Nepremičnine d.o.o.).
- Impairment of real property inventories in Real Estate totalling €1.2 million (adjustment to the estimated fair value owned by Sava Nova d.o.o.).
- Impairment of business real property in Tourism totalling €2.8 million (adjustment to the estimated recoverable value of hotel properties representing Primus Hotel and Livada golf course).

As at 31 December 2013, the **balance sheet total** of the Sava Group companies amounted to €326.3 million and was by €154.7 million or 32% lower than at the end of 2012. The net decrease of the balance sheet total was due to selling Rubber Manufacturing with the Foreign Trade Network and impairments carried out.

Financial investments had a 36 % share in the **assets structure**, property, land and equipment a 50%, other assets (inventories, operating receivables, granted loans, deferred tax receivables and other) had a 14% share.

In the **liabilities structure**, capital had a 5% share, long-term loans a 20% and short-term loans a 75% share.

28% of long-term assets of the Sava Group companies were financed with long-term sources and 72% with short-term sources.

Capital totalling €16.2 million represented 5% of total liabilities; its €51.1 million decrease on the previous year was due to the generated loss of the Group totalling €55.6 million, increased fair value reserves of €4.9 million and decreased capital belonging to minority owners of €0.4 million.

The value of **totally obtained long-term loans and short-term financial liabilities** of Sava Group companies amounted to €281.1 million as at 31 December 2013 or was by €64.4 million lower than at the end of 2012.

Business performance of Sava d.d.

Sales revenues of €1.9 million were generated, which was in accordance with the plan but 41% down on the same period last year. Other operating revenues generated in the value of €5.3 million mainly referred to a price difference made at selling hotel real property in Tourism.

Operating expenses amounted to €7.3 million and included impairment of a receivable amounting to €1.9 million. Without this impairment, the expenses were lower by 17% compared to the same period last year and 18% below the planned operating expenses. Labour cost amounted to €1.7 million and compared to the previous year it was lower by 40%.

In 2013, Sava d.d. made a **net loss** of €11.4 million. The result was positively affected by the profit made in selling Rubber Manufacturing with the Foreign Trade Network amounting to €24.3 million but it was aggravated by cancellation of deferred tax receivables of €9.8 million and impairments of assets totalling €21.6 million, which referred to:

- Impairment of investment in Abanka Vipa d.d. totalling €9.6 million.
- Impairment of investments and loans in connection with subsidiaries totalling €4.4. million.
- Impairments of securities available for sale totalling €4.0 million.
- Impairments of receivables totalling €1.9 million.
- Other impairments totalling €1.7 million.

As at 31 December 2013, **accumulated loss** amounted to €11.4 million and remained uncovered.

As at 31 December 2013, the **balance sheet total** amounted to €248.3 million and compared to the end of 2012, it decreased by €100.0 million or by 29%. A half of decrease was due to selling the investment in the companies of Rubber Manufacturing with the Foreign Trade Network, and another half to selling of real property, impairments of assets and cancellation of deferred tax receivables.

The largest share with 85% of the **assets structure** had long-term financial investments, granted loans had an 8%, deferred tax receivables a 4% and other assets a 3% share.

The **capital** of Sava d.d. amounting to €15.1 million was lower by €22.6 million or 60% if compared to the end of the previous year. In the liabilities structure, it had a 6% share.

Total financial liabilities of Sava d.d. reached the value of €226.8 million and compared to the end of the previous year they reduced by €71.7 million. Their share in the balance sheet total amounted to 91%. Total financial liabilities of Sava d.d. included €220.2 million of loans that Sava d.d. obtained from outside of the Sava Group. To secure the liabilities from loans obtained by Sava d.d., the assets of Sava d.d. and subsidiaries were put in pledge in favour of creditors' rights as in the value of **€235.8 million** at 31 December 2013.

Auditor's report

The Supervisory Board became acquainted with the auditor's reports and determined that the auditor issued qualified opinions for Sava d.d. and the Sava Group.

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

Auditor's report for Sava d.d.

With regard to qualified opinion as to the limited scope of auditing – investment in an associate – it was explained that due to current economic conditions and high uncertainty of future developments of the bank's operations, the Management Board was unable to measure the amount of potential impairment of investment in Gorenjska banka d.d. with sufficient certainty. Within the scope of the audit procedures, the auditors were unable to satisfy themselves as to the potential impairment in value of this financial investment.

With regard to qualified opinion as to the limited scope of auditing – deferred tax assets – it was explained that due to current unstable economic situation and high uncertainty of future developments of the company, the Management Board was unable to assess the planned future taxable profits, which would ensure utilisation of the discussed deferred tax assets in future periods, with sufficient certainty. Due to this fact, the auditors were unable to satisfy themselves as to the amount of deferred tax assets.

As regards the emphasis of matter, in respect of which the opinion is not modified, it was explained that the risks were suitably presented and disclosed in the annual report.

Auditor's report for the Sava Group

With regard to qualified opinion as to the limited scope of auditing – investment in an associate – it was explained that the data on capital of Gorenjska banka d.d. was not available by the day of the consolidated financial statements authorisation, which is why the Group did not use the equity method for the measurement of investment in the associated company, instead the investment was carried at cost. The Management Board of the controlling company Sava d.d. was unable to reliably measure the amount of potential impairment of the investment in Gorenjska banka d.d., due to current unstable economic conditions and high uncertainty of future developments in the bank's operations. Within the scope of the audit procedures, the auditors were unable to satisfy themselves as to the potential impairment in value of this financial investment.

With regard to qualified opinion as to the limited scope of auditing – deferred tax assets – it was explained that due to current unstable economic situation and high uncertainty of future developments of the company, the Management Board of the controlling company Sava d.d. was unable to reliably assess future taxable profits, which would ensure utilisation of the deferred tax assets in future periods. Due to this fact, the auditors were unable to satisfy themselves as to the amount of deferred tax assets.

With regard to qualified opinion – comparative financial statements – it was explained that in 2012 the Group did not disclose discontinued operations separately from the continuing operations, that is why the opinion for 2012 was modified.

With regard to the emphasis of matter – going concern in respect of which the opinion is not modified, it was explained that risks were suitably presented and disclosed in the annual report.

With regard to the emphasis of matter – contingent liabilities, in respect of which the opinion is not modified, it was explained that in connection with pending denationalisation claims a long-lasting process of resolving these claims was expected and it was not possible to reliably estimate nor project the probability of the liability being settled. The conditions for recognition of provisions are therefore not fulfilled.

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

Comments by the Supervisory Board to the annual report for 2013 and the consolidated annual report for 2013

The Supervisory Board has no comments to the 2013 annual report and the 2013 consolidated annual report that would withhold it from the adoption of a decision to endorse the annual report and the consolidated annual report.

Management Board's performance review

The Supervisory Board also reviewed the performance of the Management Board of Sava d.d. in 2013, which was an extremely demanding year due to further deterioration in the economic environment.

This was the second full year after the Management Board had taken up their duty and after the beginning of implementing the strategy of business and financial restructuring of Sava until 2014 adopted in September 2011.

The following major strategic achievements by the Management Board in the past financial year need to be particularly pointed out: maintaining current liquidity and solvency; making the master restructuring agreement with the lending banks, bonds holders and other financial creditors; further reorganisation and consolidation of operations at Sava d.d. as well as Tourism; establishing conditions for implementing high synergetic effects within the Slovene tourism sector and high efficiency of divestment programme (finishing the sale of Rubber Manufacturing, a part of energy management business and certain other financial investments, including in the associated companies).

Only in 2013, total financial liabilities decreased by €64.4 million at the Group level, and by €71.7 million at the level of Sava d.d., which is an outstanding achievement not only in view of the Slovene economy but also wider. The company regularly settles its liabilities to banks.

When pursuing the economic targets of divestments, internal costs rationalisation, and thus significantly lower labour costs, the Management Board actively cooperated with the workers' representatives and made an important contribution to preserving employee motivation and commitment.

The effects of the already performed changes in the manner of management, organisation, investment portfolio structure of Sava d.d. and other strategic shifts towards achieving a sustainable level of indebtedness, restoration of profitability and generation of long-term value for the company' shareholders have been positively reflected in the results of operations for 2013.

In spite of the achievements in further consolidation of operations of Sava d.d. and Group's subsidiaries, additional impairments of financial investments had by far the greatest effect, especially as a consequence of December results of stress tests per-formed in banks. Sava d.d. and, consequently, the Sava Group ended 2013 still with a loss, which, however, was substantially lower than in the preceding two years.

The Management Board devoted much attention to analysing future opportunities and hazards, particularly risks in the financial markets, to which they responded by preparing and carrying out extra measures aimed at implementing the devised strategic goals.

In 2013, the performed extra measures for business improvement again proved successful in Tourism. Comparisons show that this Sava's division compensated the negative pressure from the environment better than its competitors did. In the fierce economic environment, it has thus not yet achieved the original expectations, especially in the domestic market, but the new strategy set out for the Health Care development will, undoubtedly, give a fresh impetus. Based on the positive result for the second time in succession – after many years of loss – and the presented policy of the strategy upgrade, the Supervisory Board estimates that the development of Tourism is on the right path.

The difficulties and, consequently, the recovery of the Slovene banking system ist the critical objective fact, which drastically affects the implementation of the devised restructuring strategy of Sava.

In the nationalisation of Abanka Vipa d.d. last December, Sava d.d. lost ownership of its investment, and based on the order by the Bank of Slovenia requiring capital increase its investment in Gorenjska banka d.d. got a special status, too.

The value of assets through a capital tie-up between the banks and further deleveraging of Sava d. d. will have to be performed in a modified manner.

The preparation of a modified restructuring strategy of Sava or preparation of a new business model to provide an alternative to achieving the goals set out in the 2011 strategy is therefore the major task of the Management Board and one of the key expectations of the Supervisory Board in 2014.

The Supervisory Board estimates that in the given adverse economic circumstances and affected by the burden of the past business decisions, the engagement as well as the efficiency on the part of the Management Board members in fulfilment of the goals set for 2013 and the long-term strategic goals is suitable, for which they wish to express their acknowledgement and support.

Based on the abovementioned, the Supervisory Board proposes that Shareholders' Meeting grants discharge from liability to the Management Board of Sava d.d. for their work in 2013.

Endorsement of the 2013 annual report for Sava d.d. and the 2013 consolidated annual report for the Sava Group

The Supervisory Board endorses the annual report of Sava d.d. for 2013 and the consolidated annual report of the Sava Group for 2013.

In accordance with Paragraph 3 of Article 282 of the Companies Act-1, the Supervisory Board endorsed the 2013 annual reports at its 11th meeting on 26 March 2014, thereby receiving them within an open deadline, i.e. before one month expires including the day both annual reports for 2013 were submitted to the Supervisory Board.

Aleš Skok
Chairman of the Supervisory Board
of Sava d.d.

Ljubljana, 26 March 2014

8 Corporate governance system

A well-organised and efficient corporate governance system supports the implementation of Sava's business goals. Further decrease in the number of management board members in 2013 adds to rationalising the costs of managing the company. The Sava Group's Directorate will continue to enhance the quality and efficiency of corporate governance at Sava d.d.

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

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

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

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

At Sava d.d. and its subsidiaries, the corporate governance system is based on legal provisions, the rules of the Ljubljana Stock Exchange, internal organisational regulations and books of rules, and it also observes and transfers the already established good business practices.

Shareholders' Meeting of Sava d.d.

Shareholders of Sava d.d. exercise their rights in connection with the company at 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 in due time. The call for the Shareholders' Meeting is announced at least 30 days before the Meeting, in the newspaper Finance, the electronic information system of the Ljubljana Stock Exchange d.d. – SEOnet, and the company website at www.sava.si.

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

The Management Board called the 19th regular annual Shareholders' Meeting for 30 April 2013. The shareholders who were registered as share owners in the share registry of the KDD Central Securities Clearing Corporation on 26 April 2013 were entitled to attend the Shareholders' Meeting.

74.67% of total company's capital with voting right attended the Shareholders' Meeting. The proportion of voting right of the first five major shareholders amounted to 49.51% (978,530 shares) of the capital present as follows: Kapitalska Družba d.d. with 19.00% (375,542 shares), Slovenska Odškodninska Družba d.d. with 11.23% (222,029 shares), Finetol d. d. – under receivership with 7.30% (144,334), Merkur d. d. with 6.83% (134,923 shares), and NFD 1 Equity Sub-fund with 5.15% (101,702 shares).

With a high, more than a 90% majority of the capital present, shareholders endorsed all the resolutions, which were proposed in the Call by the Management Board and Supervisory Board of Sava d.d. There were no counter-proposals or announced challenging actions at the Shareholders' Meeting.

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. Furthermore, they granted discharge from liability to the Management Board and Supervisory Board of the company. The company Deloitte Revizija d.o.o., Ljubljana, was appointed the auditor of the annual financial statements for 2013.

Shareholders voted on a decrease of share capital of Sava d.d. and other amendments to the Articles of Association. They agreed on the resolution to adapt the share capital to the reduced volume of company's operations from the amount of €83,751,567.51 to the amount of €25,441,851.48, the decrease taking place with the unchanged number of shares.

Shareholders agreed with the proposal from the Supervisory Board and elected Miro Medvešek a Supervisory Board member – shareholder representative, effective on 30 April 2013. The newly elected Supervisory Board member replaced Tomaž Perše, MSc, who resigned from the position of the Supervisory Board member on 18 October 2012.

At the Shareholders' Meeting, the President of the Management Board, Matej Narat, reported on the implementation of the restructuring strategy in 2012 and presented how the implementation of Sava's restructuring strategy will be continued in 2013.

Supervisory Board of Sava d.d.

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

Supervisory Board members are elected for a four year term with a re-election option. The term of office of the present Supervisory Board members expires on 28 June 2016, except for two of the members, Robert Ličen, MSc, and Aleš Skok, who were elected at the precedent Shareholders' Meeting in 2011 (their term of office shall be until 9 June 2015) and Miro Medvešek, who was elected at the last meeting in 2013 (his term of office shall be until 30 April 2017). Until the appointment of Miro Medvešek, the Supervisory Board of Sava d.d. acted as an eight-member composition.

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

The legislation and book of procedures of the Supervisory Board define that the Supervisory Board shall meet at least once every quarter. In 2013, the Supervisory Board met at eight meetings, of which six were regular and two were correspondence meetings. It dealt with and decided about numerous matters of significance, which are presented in the Report by the Supervisory Board.

With the exception of one member who was absent for health reasons, all other Supervisory Board members were mainly present at the meetings demonstrating their commitment and diligence in carrying out the tasks. Owing to their constructive cooperation in discussions and decision-making process all Supervisory Board members significantly contributed to the success and efficiency of the Supervisory Board's work.

In 2013, the audit commission met five times and the personnel commission met seven times (four regular and three correspondence meetings). Both commissions regularly reported about their work in the Supervisory Board meetings.

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

Management Board of Sava d.d.

Management Board members are appointed by the Supervisory Board. At first, the company was managed by a four-member Management Board. The Board members appointed for the current five-year term of office with the option of a re-appointment were: President of the Management Board Matej Narat, and Board members Andrej AndolJšek, Miha Resman and Franci Strajnar, MSc. The Board member Franci Strajnar, MSc, managed the company until 31 December 2012, when he was consensually recalled from the position of the Board member, whereas the Board member Miha Resman carried out this function until 4 August 2013. Both resolutions were adopted on proposal by the Management Board in the light of reorganising and rationalising the company operations.

The present Management Board consists of two members as follows: Matej Narat as President of the Management Board and Aleš Aberšek as member of the Management Board. Aleš Aberšek replaced the absent Board member Andrej Andoljšek on 28 January 2014. As a member of the Supervisory Board of Gorenjska Banka d.d., Andrej Andoljšek temporarily manages this associated company of Sava d.d. until the selection procedure for a new president of the Management Board of Gorenjska Banka d.d. is completed.

The Management Board manages Sava d.d. and does business for the benefit of the company, autonomously and at their own responsibility. The number of Management Board members and their areas of work and mandates 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.

After the Management Board was reduced to only two members, the Supervisory Board appointed two procurators of the company at the beginning of November 2013 as proposed by the Management Board; the procurators Milan Marinič and Petra Sever represent the company jointly with one Board member.

In 2013, the Management Board reported to the Supervisory Board in a regular, understandable and timely manner on all important issues referring to the management of the company and the entire Sava Group and coordinated with it the implementation of corporate strategy and risk management.

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

Directorate for Sava Group's management

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

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

The Sava Group Directorate assures:

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

The Directorate has the following key tasks, which aim at assuring an efficient corporate governance and strategic supervision over the Sava Group:

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

Furthermore, the Directorate organises regular, weekly Management Board meetings and monthly meetings with the management teams of professional services of Sava d.d. as well as other meetings required by the Management Board of Sava d.d.

Managing the subsidised 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 the supervisory board members of the respective companies who are employed with the Sava Group in order to assist them in forming their standpoints with regard to the Agenda materials for supervisory board meetings in a more quality manner.
- In other companies, in which Sava holds an equity stake and are neither subsidised nor associated, the Management Board of Sava d.d. appoints their proxy prior to the AGMs' of these companies to participate in the meeting. Before these supervisory board meetings take place, the Management Board provides their professional consulting assistance to the members of the supervisory boards who are employed with the Sava Group.

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

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

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

Internal audit

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

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

When selecting the projects for the annual internal audit plan, Internal Audit ensues from the strategic policies of the Group and considers risks that could affect achievement of strategic goals. Owing to a comprehensive review of Sava Group's operations Internal Audit assesses the risk impact on the operations and the probability as to the occurrence of risks. Based on this assessment, priority areas are selected to be addressed and the goals defined to be accomplished in the audits. The annual plan of internal audit is confirmed by the Management Board, whereas the audit commission of the Supervisory Board is acquainted with it too.

In 2013, audits were carried out with a particular focus on risk management in connection with certain business functions, processes and monitoring business performance and efficiency of companies.

In 2014, the activities of the Internal Audit will focus on risk management of key business functions and processes in the Sava Group companies.

External audit

The auditing company Deloitte Revizija d.o.o was selected for auditing the financial statements of the joint stock company Sava d.d. and the majority of its subsidiaries.

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

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

Internal controls and risk management system in connection with the financial reporting

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

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

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

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

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

Business transparency and communication

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

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

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

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

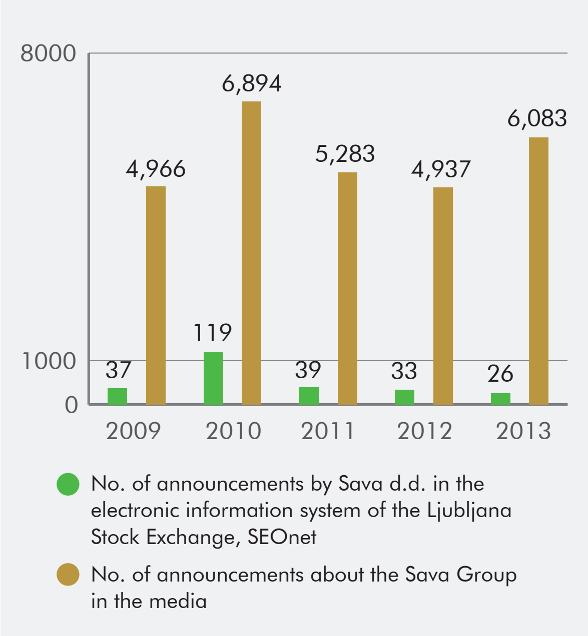
The area of safeguarding business secrets and procedures in connection with the supervised information is harmonised with the requirements defined in the Corporate Governance Code. The area is governed by the Rules on Determining and Safeguarding Business Secrets for Internal Use and the Internal Information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

Announcements in the SEO-net system and the media

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

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

Public announcements in the SEOnet system and publicity from 2009 to 2013



In 2013, Sava d.d. released 26 public announcements in the SEOnet system, while 6,083 announcements about the Sava Group were made in the media. Some of the most important topics that designed communication in the respective year were: results of business operations and implementation of restructuring strategy, selling the Rubber Manufacturing business and the golf course Bled, restructuring of bank loans and bonds of Sava d.d. and announcements referring to the financial investments Sava d.d. had in banks, especially the results of the so-called stress tests and nationalisation in connection with the investment in Abanka Vipa d.d.

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

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 monitoring the implementation of business goals and establishes the values, the principles and the standards of honest and responsible decision-making process and handling in all aspects of our business.

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

I. Explanations in accordance with the Companies Act

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

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

The internal control and risk management 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 2013 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 take-overs.

The data about achieving a qualified stake as stipulated by the Take-overs Act is announced on an on-going basis in the electronic information system of the Ljubljana Stock Exchange, and furnished to the Securities Market Agency. As at 31 December 2013, direct qualified stakes as stipulated by the Take-overs Act in Sava d.d. are held by: Kapitalska Družba d.d., Ljubljana (qualified stake 18.7% or 375,542 shares), Slovenska Odškodninska Družba d.d., Ljubljana (11.1% or 222,029 shares), Finetol d.d. – under receivership, Škofja vas (7.2%

or 144,334 shares), Merkur d.d., Kranj (6.7% or 134,923 shares), NFD 1, Delniški Podsklad, Ljubljana (5.1% or 101,702 shares).

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

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

4. Explanations about all limitations in voting rights.

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

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

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

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

In 2013, Sava d.d. did not have any proxies for the issuance or purchase of treasury shares.

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

In 2013, 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 2013, in Chapter – Corporate Governance System.

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

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

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

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

The Statement of Compliance with the Corporate Governance Code refers to the period between the former and the present statement, i.e. to the period from 20 February 2013 to 18 March 2014. The statement forms a constituent part of the 2013 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 the Code, for which the following explanations are given:

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

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

Already in the previous years and in 2013 again, the Supervisory Board members gave their statements as to any conflict of interests at their handling. The content of the statement includes the majority but not all the criteria of independence as quoted in Section C3 of Appendix C of this Code. The Supervisory Board estimated that the content of their statement sufficiently disclosed their independence and the existence of any conflict of interest, respectively.

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

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

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

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

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

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

Already in the previous year and in 2013 again, the Supervisory Board members gave their statements as to any conflict of interest at their handling. The content of the statement includes the majority but not all the criteria of independence as quoted in Section C3 of Appendix C of this Code. The Supervisory Board estimated that the content of their statement sufficiently disclosed their independence and the existence of any conflict of interest, respectively.

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

Ljubljana, 18 March 2014

Management Board and Supervisory Board
of Sava d.d.

Risk management 9

In 2013, the unstable economic circumstances continued in Slovenia. We try to minimise their negative impacts on our operations not only by actively following the situation, identifying risks and introducing timely measures but also by seizing the opportunities in the given economic environment.

Goal and organisation of risk management

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

The risk management policy is set by the parent company Sava d.d., while the responsibilities for suitable management of individual risks and their elimination fall within the competence of management teams in every individual company. Risks are classified in four larger groups: strategic, financial, operative and unpredictable risks. Individual risks can affect business of the entire Group or only of an individual company, at which they can represent an opportunity, a hazard or both.

Significant risks in 2013

The importance of individual risks did not change significantly in 2013. The focus was on financial investments management and encouraging the performance of subsidiaries.

Strategic risks: Based on the policy set out by the parent company, these are managed by the subsidiaries autonomously. Sava d.d. monitors the policies, measures and effectiveness of risk management.

Investment risks belong to most important risks of the Sava Group, since they are associated with achieving the planned investment economics and, consequently, they affect the implementation of the devised development strategy. As a result of poor economy and highly volatile economic environment, the prices of financial investments continued to fluctuate in 2013.

Strategic risks

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

Risks were minimised by actively supervising the operations of companies, in which Sava d.d. holds a significant interest. In accordance with the adopted long-term strategy and the contractual commitments arising from the financial restructuring agreement, we have formulated a divestment plan in connection with certain investments in order to assure adequate solvency. We minimise risks in connection with the implementation of development strategy by means of a clearly defined strategy, continual examination of its implementation and its regular revision with regard to the rapidly changing circumstances in the business environment.

Financial risks: In 2013, we continued to focus on financial risks as the situation in financial and money markets showed no improvement. In such circumstances, risks in connection with solvency, credit risks and risks in connection with refinancing finance sources remained high as the majority of Slovene companies had a limited access to additional funding. In these difficult circumstances, banks tightened their requirements with regard to renewing the existing loans and collateral. Financial risk referred to the management of refinancing risk, risk in interest and exchange rate changes. To decrease risks in connection with fluctuations in interest rates and foreign exchange rates, we carefully monitor the situation in money markets and study various scenarios for hedging against these fluctuations.

Restructuring of financial liabilities of the Sava Group in 2013, based on which the major part of loans is charged with fixed interest rate, minimises the risk of changes in interest rates. Since the financial liabilities restructuring agreement, which applies to the majority of finance sources at fixed interest rate, expires at the end of November 2014, the Sava Group will again be strongly exposed to changes in interest rates. Furthermore, solvency risk will increase, since on the very same day the principals and the major part of liabilities arising from the interests fall due for payment.

Financial risks

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

Operative risks

Risk area	Risk description	Manner of risk management	Exposure
Suppliers and contractors' reliability	Possible disruption in supplies, non-competitive prices	Analyse risks associated with individual suppliers and introduce suitable measures in the event of unsuitable cooperation with a supplier	Moderate
Sales	Risk of decline in sales due to adverse economic situation and lower purchasing power	Searching for new markets, innovative market approaches	Moderate
Employees	Risks of losing key personnel and shortage in highly-trained personnel	Systematic work with the key personnel, remuneration system, personnel development, further education, organisational climate measurement	Moderate
Occupational health and safety	Work-related accidents or injuries	Raise hazard awareness of employees, development of personnel, continual education, measurement of organisational culture and climate	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	Suitably insured assets and implementation of security service via specialised contractors	Low
Environmental protection	Extraordinary events with damaging impacts on the environment	Preventive drills and internal procedures as specified for the case of extraordinary events	Low
Legislation and compliance risks	Changes in legislation or its interpretation	Monitoring of legislation and consulting	Low

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

Risks associated with the reliability of suppliers and contractors are managed by using uniform supply channels, standardising demand, strict requirements as regards the quality of raw materials, materials and services, and establishing long-term partnerships with major suppliers.

Risks associated with sales of services are greatly influenced by domestic and international economic situation as well as by seasonal character of services. Risks are minimised by active search for new opportunities to expand the offer and acquire new customers.

Risks associated with employees are decreased by introducing measures, which assure proper availability of personnel and increase their level of motivation. We care for occupational health and safety, education and training as well as general contentment of employees.

Occupational health and safety risks are decreased by improving working conditions and introducing preventive actions aimed at bettering the safety culture.

Risks associated with the IT are decreased by continually improving and upgrading the software and security equipment. In this way, we make sure that business processes are stable, reliable and secure. In 2013, these risks were centrally managed via the company Sava IT d.o.o., which was suspended at the beginning of 2014 for rationalisation reasons. The employees were partly reassigned to Sava Turizem d.d. and partly to the company, to which they already provided IT services as external contractors. In 2014, the service and IT risk in the Sava Group will be managed centrally via Sava Turizem d.d.

Unpredictable risks (insurances): These risks cannot be predicted, but can have a great impact on operations. These types of risks are insured with insurance companies. Through a centralised and joint appearance in the market we can effect more favourable terms and conditions, thereby contributing to better results of Sava Group companies.

Unpredictable risks

Risk area	Risk description	Manner of risk management	Exposure
Damage to assets	Risk for damages to assets due to natural forces and other accidents	Systematic hazard assessment of facilities, measures in line with fire safety studies and taking out insurances	Moderate
Claims for damages and law suits	Claims for damages by third parties due to loss events by the company's operation, caused unintentionally or 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 damage to the assets	Insurance to minimise the consequences arising from a breakdown	Low

Financial management 10

In spite of uncertain and unpredictable economic circumstances, the Sava Group continued to implement the activities in connection with divesting, restructuring of financial liabilities and improving in operating profit as defined in its long-term strategy.

Much attention was still devoted to provision of suitable liquidity, regular settlement of financial liabilities and regulation of relations with the banks.

The future Sava's development path will focus on preserving those parts of the Group and financial investments that generate a sufficient cash flow for regular settlement of liabilities and enable further development of business.

Financial position of the Sava Group in 2013

For Slovenia, 2013 was again a year of economic and financial instability. Domestic economic environment faced uncertainty, high unemployment rate, restrictions in financing, decline in demand and low purchasing power. To strengthen the domestic economy, the Government of the Republic of Slovenia adopted certain measures in 2013 to stimulate economic growth that are connected with a required consolidation of public finance and recovery of banking system.

To determine soundness of the Slovene banking system and stabilise circumstances in the industrial sector, the Bank of Slovenia and foreign institutions carried out due diligences in the second half of 2013, in which they reviewed the quality of assets and performed stress tests in eight domestic banks.

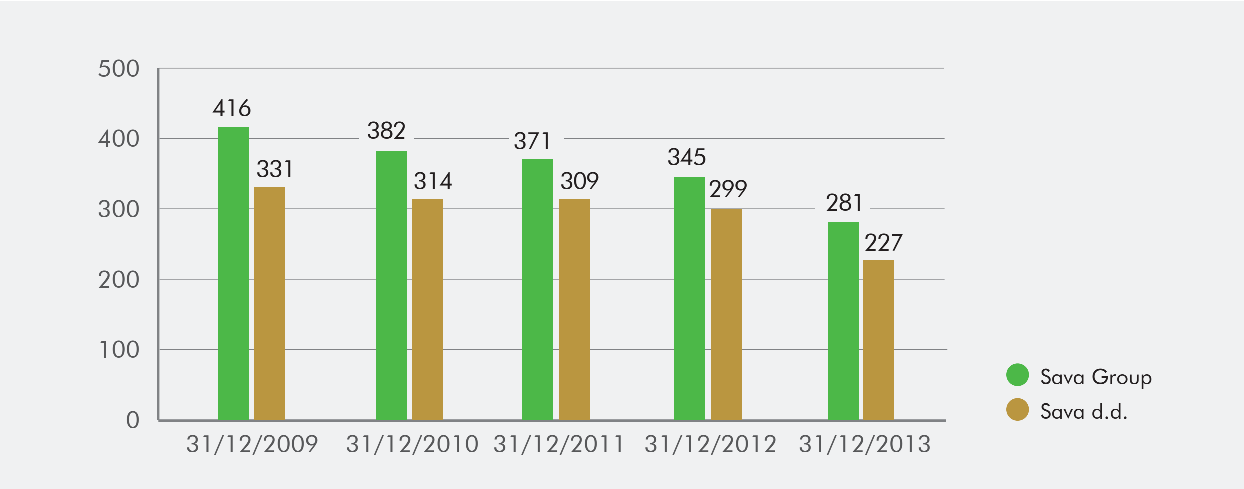
Based on the results and in the light of recovery of domestic banking system, the three largest banks (NLB d.d., Nova KBM d.d. and Abanka Vipa d.d.) received aid granted by the state in form of capital increase, at which all shareholders in the mentioned banks lost their equity stakes, one of them being Sava d.d., which had equity stakes in Abanka Vipa d.d. and NLB d.d.

This extraordinary event reduced the value of financial assets and affected the financial assets structure of the parent company Sava d.d., and consequently, the 2013 operating result.

Other banks, including Gorenjska banka d.d., which otherwise fulfilled capital requirements defined by the Bank of Slovenia, however, stress tests showed a potential deficit in their capital until 2015, were imposed with a task of introducing a set of activities to provide for a potential capital deficit until June 2014.

In 2013, the Sava Group continued to implement the activities set out in the strategy of financial and business restructuring.

Indebtedness of Sava d.d. and the Sava Group as at 31 December from 2009 to 2013 *(€ in millions)*



The stated data includes financial liabilities from the obtained loans and other financial liabilities (liabilities for payment of dividends, liabilities for interest rate swaps). The data for the Sava Group is prepared on the basis of consolidated financial statements for an individual year.

In the past year, we again focused on provision of liquidity of companies, regular settlement of financial liabilities, improvement of operative business, strengthening cash flow in subsidiaries and further cost rationalisations.

The key activities in the field of divesting and restructuring were coordinated by the competent professional services at the level of Sava d.d.

At the beginning of 2013, we effectively completed the sale of Rubber Manufacturing and, besides selling the ownership stakes, also all pieces of land in Labore and the Sava trademark were sold. In accordance with the activities defined in the adopted strategy, Sava d.d. sold at the beginning of 2013 those real properties to Sava TMC d.o.o., which are in direct connection with the business of the Tourism division. Furthermore, Sava d.d. sold a major part of energy management business, and the subsidiary Sava Turizem d.d. sold the golf course in Bled in 2013.

Hence it ensues from the consolidated statement of financial position that the balance of loans obtained by the Sava Group reduced by €63 million in 2013 and amounted to €278 million at the end of 2013. A significant decrease in indebtedness of Sava d.d. reduced costs of financing too.

As defined in the financial restructuring strategy, the Sava Group restructured its financial liabilities in the second half of 2013. In the first phase, we restructured financial liabilities with lending banks, and later the parent company Sava d.d. was successful at restructuring the financial liabilities with other financial creditors including bonds holders.

Based on financial liabilities restructuring, the parent company Sava d.d. secured a moratorium on payment of the principals originating from the obtained loans (€224 million) until the end of November 2014 and a lower interest rate on financial liabilities. A part of liabilities arising from the interest falls due for payment upon expiration of the agreed restructuring agreement, which is in November 2014.

Based on restructuring of financial liabilities, the subsidiary Sava Turizem d.d. assured a new, lower annual amortisation rate and restructured loans until 2018.

Outlook for 2014

Due to a delayed implementation of measures by the Government of the Republic of Slovenia that aim at strengthening the domestic economy, these will not yet significantly influence the recovery of domestic economy in 2014. The circumstances that continue to be uncertain will affect the operations of Sava Group companies.

A substantial part of the activities in this year will be focused on the preparation of a new long-term strategy of the Sava Group and the parent company Sava d.d. as well as on further implementation of the activities that form part of the current strategy until 2014. These activities plan the sale of financial assets, improvements in cost efficiency and searching for possibilities to preserve or enhance the value of the financial assets where Sava d.d. holds significant equity stakes. One of the critical assumptions this year's business plan was based on, is to extend the restructuring agreement for financial liabilities of the parent company Sava d.d. now effective until the end of November 2014.

The subsidiaries, mainly from Tourism, will introduce the activities to enhance revenues. Owing to further cost efficiency improvements, they will assure efficient operation and generate profit in 2014 too. As planned, they will generate operating profit (EBITDA) of €12.4 million. Using the generated cash flow, they will regularly settle their financial and operating liabilities.

We will actively engage in search for a solution for strengthening the capital structure of Gorenjska banka d.d., in which Sava d.d. holds a significant equity stake. Gorenjska banka d.d. will endeavour to meet the requirements with regard to the capital structure as requested from the Bank of Slovenia after due diligence. For this purpose, it prepared a range of activities that aim at increasing revenues, improving collection of credits, cashing in collateral for bad credits, selling receivables, transferring investments to group companies, increasing capital, seeking new investors and similar.

At Sava d.d., we believe that subject to successful implementation of the above-mentioned measures Gorenjska banka d.d. has a sufficient potential that will consolidate capital structure and assure future growth of operations. Consequently, this will increase the value of its share and thus the value of investment Sava d.d. has in this associated company.

business analysis

1 Signing of the annual report and its constituent parts for Sava d.d. and the Sava Group for 2013

The President and the member of the Management Board of Sava d.d. hereby confirm to be acquainted with the content of constituent parts of the annual report of Sava d.d. and the Sava Group for 2013, and thus the entire annual report of Sava d.d. and the Sava Group for 2013. The annual report is herewith adopted and confirmed with respective signatures.

Matej Narat
President of the Management Board

Aleš Aberšek
Member of the Management Board

2

The Sava share and ownership structure

With the Calendar of significant announcements of Sava d.d. in 2014

In 2013, the Sava share value moved between €0.10 and €5.40. At the end of 2013, the average price per share amounted to €0.23 and compared to the end of 2012, it dropped by 93.2%. The movement of the Sava share reflects the general economic situation in Slovenia, low trust of investors in the domestic capital market and, consequently, low liquidity of the Ljubljana Stock Exchange.

2012 was the first year of implementing the revised long-term strategy of Sava d.d. until inclusive of 2014. The strategy is based on financial restructuring of liabilities and disposals of those financial investments, which do not form part of a long-term business of the company.

The implementation of the devised strategy, which Sava d.d. is consistently carrying out, will result in a lower and sustainable level of indebtedness and an enhanced financial flexibility of the company. The capital structure will thus improve while trust of investors in the business and long-term development of the company will build up

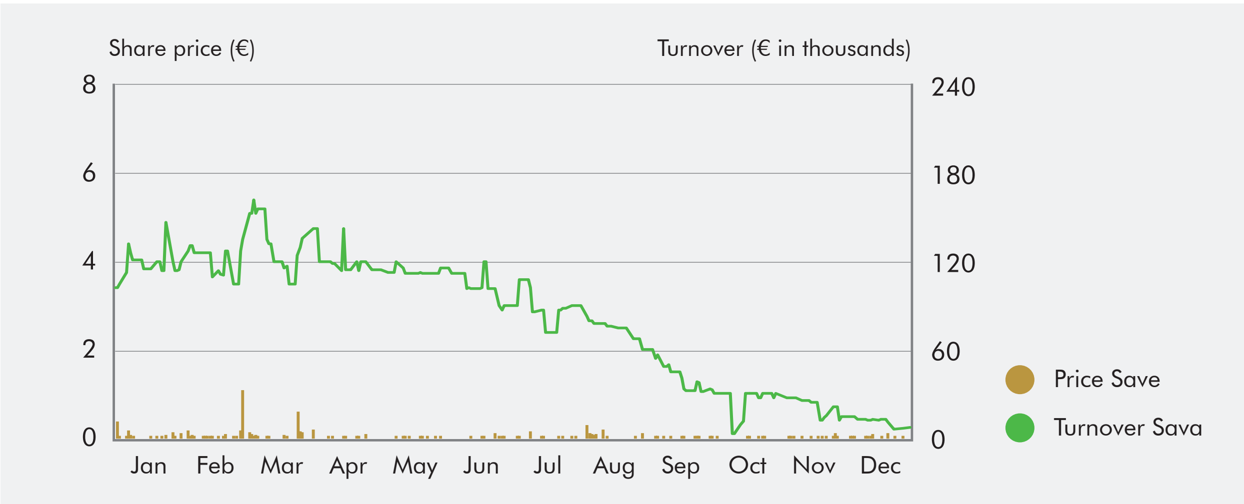
Movement of the Sava share

The range of value, in which the Sava share moved, reached the lowest point at €0.1 and the highest point at €5.4. The main reason for low price level was the general negative movements of the domestic economy and a poor liquidity of the Slovene capital market, which in 2013 slightly rose compared to the comparable period in 2012 (8.7%).

Market capitalisation

At the end of 2013, the market capitalisation of Sava shares amounted to €0.5 million and was lower than at the end of 2012. The market capitalisation of all shares in the Ljubljana Stock Exchange amounted to €5.2 billion and compared to the end of 2012 it rose by 5.3%.

Movement of the Sava share price in 2013

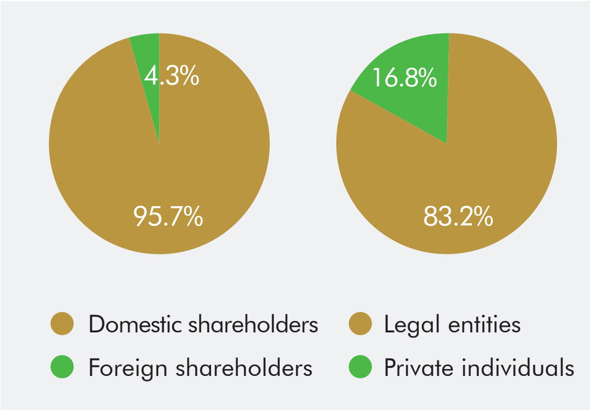


Source: Thomson Reuters Datastream.

Ownership structure

On 31 December 2013, Sava d.d. had 13,923 shareholders entered in the register book, which ranks it among the larger Slovene listed public joint stock companies. The stock of domestic shareholders amounted to 95.7% and that of foreign shareholders to 4.3%. In comparison with the end of 2012, the stock of foreign shareholders increased by 0.7 percentage point. The majority of foreign shareholders originate from Great Britain, the United States of America, Austria, Croatia and Germany. The proportion of legal entities represented 83.2% and that of private individuals 16.8% of company shareholders. The ten major shareholders own 65.26% of total company equity.

Ownership structure by category as at 31 December 2013 (%)



10 major shareholders as at 31 December 2013

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

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

Company securities

Trading with treasury shares

In 2013, Sava d.d. did not purchase any treasury shares; on 31 December 2013 it thus owned 30,541 treasury shares in the value of €4,977 thousand – valued at the average purchase price; this represents 1.52% of total Sava shares. Sava d.d. received another 32,936 Sava shares as security, representing 1.64% of total shares issued.

Management Board and Supervisory Board members who own Sava shares

At the end of 2013, the members of the Management Board and Supervisory Board of Sava d.d. held 138 Sava shares, representing 0.007% of total company's capital. In comparison with the end of 2012, the balance decreased by 129 shares, which resulted from termination of office of a Management Board member, Miha Resman, effective 4 August 2013, who owns 129 shares of the company.

Management Board and Supervisory Board members who own Sava shares

Management Board members	Position	No. of shares 31 Dec. 2012	% shareholding 31 Dec. 2012	No. of shares 31 Dec. 2013	% shareholding 31 Dec. 2013
Matej Narat	President	117	0.006%	117	0.006%
Miha Resman*	Member	129	0.006%	0	-
Total		**246**	**0.012%**	**117**	**0.006%**

Supervisory Board members	Position	No. of shares 31 Dec. 2012	% shareholding 31 Dec. 2012	No. of shares 31 Dec. 2013	% shareholding 31 Dec. 2013
Aleš Aberšek**	Member	18	0.001%	18	0.001%
Gregor Rovanšek	Member	3	0.000%	3	0.000%
Total		**21**	**0.001%**	**21**	**0.001%**

Total Management and Supervisory Board members	267	0.013%	138	0.007%

** He carried out the Management Board member office until 4 August 2013.*
*** He carried out the Supervisory Board member office until 28 January 2014 when he was appointed as Management Board member.*

Key data on the Sava share

		2009	2010	2011	2012	2013
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 million)	481.9	179.6	24.1	6.8	0.5
Share book value	(€)	236.2	161.1	82.2	32.9	7.5
Share price						
- highest	(€)	258.5	250.0	95.0	13.0	5.4
- lowest	(€)	192.0	88.0	12.0	3.2	0.1
- at period end	(€)	240.1	89.5	12.0	3.4	0.2
Average daily liquidity	(€ in thousands)	41.8	58.2	5.9	3.4	0.7
Average daily trading with shares	(No. of shares	180	308	133	572	272
Net earnings per share	(€)	13.7	-50.0	-78.7	-49.7	-27.9
Dividend per share	(€)	3.1	3.2	-	-	-
Share of dividend in net profit	(v %)	22.7	-6.4	-	-	-
Total amount of dividends paid	(€ in million)	6.2	6.4	-	-	-
Share yield	(%)	-3.9	-59.2	-86.6	-71.7	-93.2
- dividend yield	(%)	1.3	3.6	-	-	-
- capital yield	(%)	-5.2	-62.7	-86.6	-71.7	-93.2
Price-Earnings ratio (P / E ratio)						
- highest		18.9	-5.0	-1.2	-0.3	-0.2
- lowest		14.1	-1.8	-0.2	-0.1	0.0
- at period end		17.6	-1.8	-0.2	-0.1	0.0
Price-to-Book ratio (P / B ratio)	(%)	137	56	15	10	3.1

Explanations for key data computation for the Sava share:

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

Further data on the Sava share

Stock Exchange	Share name	Issuer's code
Ljubljana Stock Exchange	SAVA	SAV
ISIN- International Securities Identification Number	SI0031108457	

Share book value

The book value of the Sava share as at 31 December 2013 amounted to €7.5. When calculating the book value, the number of treasury shares is deducted from total number of shares.

Risk associated with the investments in the Sava share

Such risks are due to:

- Factors of systematic risk-taking characteristic of 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 exchange risk).

Cross links with other companies

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

- In Gorenjska Banka d.d. it had a 44.07% equity stake, whereas Gorenjska Banka had a 2.81% equity stake in Sava d.d.
- In the company Merkur d.d. it had a 6.62% equity stake, whereas Merkur had a 6.72% 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 significant announcements of Sava d.d. in 2014

TYPE OF ANNOUNCEMENT / EVENT	(Scheduled) DATE OF ANNOUNCEMENT / EVENT*
Audited annual report of the Sava Group and Sava d.d. for 2013	Thursday, 27 March 2014
Statement of Compliance with the Corporate Governance Code	Thursday, 27 March 2014
Call for the 20th regular Shareholders' Meeting of Sava d.d.	Friday, 28 March 2014
20th regular Shareholders' Meeting of Sava d.d	Tuesday, 29 April 2014
Resolutions of the 20th regular Shareholders' Meeting of Sava d.d.	Tuesday, 29 April 2014
Business report and unaudited financial statements of the Sava Group and Sava d.d. for the period January– March 2014	Monday, 19 May 2014
Business report and unaudited financial statements of the Sava Group and Sava d.d. for the period January–June 2014	Friday, 29 August 2014
Business report and unaudited financial statements of the Sava Group and Sava d.d. for the period January– September 2014	Friday, 21 November 2014

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

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

Contact persons and further information

Information on Dividend Payments

Karmen Mežnar, Associate Professional
Finance
e-mail: karmen.meznar@sava.si
Tel.: +386 4 206 55 18

Further information for shareholders is available:

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

3 Restructuring of Sava from 2011 to 2014

The goal of business and financial restructuring strategy of Sava until 2014 was to significantly enhance the value of the company, reduce indebtedness and form the foundations for the growth in the Sava share value.

Owing to extensive divestments, of which the sale of Rubber Manufacturing was the biggest, indebtedness was significantly reduced and the identity of the Sava Group changed. The most important achievements of 2013 were the agreement on restructuring the existing credit liabilities of Sava d.d. made with the lending banks and restructuring of financial liabilities achieved with bonds holders. The changed economic environment and urgent measures for recovery of the Slovene banking sector request for a renewal of the strategy.

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

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

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

At its 28th regular meeting held on 27 September 2011, the Supervisory Board of Sava d.d. expressed their unanimous support to the presented strategy of business-financial restructuring of Sava until 2014.

At its 2nd regular meeting held on 30 August 2012, also the Supervisory Board of Sava d.d. in its new composition, who began their term of office on 29 June 2012, gave their full support to further implementation of the restructuring strategy.

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

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

Preparation: 2011
Implementation: 2012–2014

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

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

The three key phases of restructuring strategy – as defined in 2011

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

PHASE 1
Until the end of 2011

PREPARATION – CREATE THE CONDITIONS FOR THE IMPLEMENTATION OF THE RESTRUCTURING STRATEGY OF SAVA D.D.

KEY STEPS:
- Assure liquidity.
- Make an agreement on coordination of maturity 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 the Tourism companies.

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

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

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

PHASE 3
in 2013 and 2014

MAXIMISE THE VALUE OF INVESTMENTS OF SAVA D.D.

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

The renewed Sava after the completed restructuring strategy – as defined in 2011

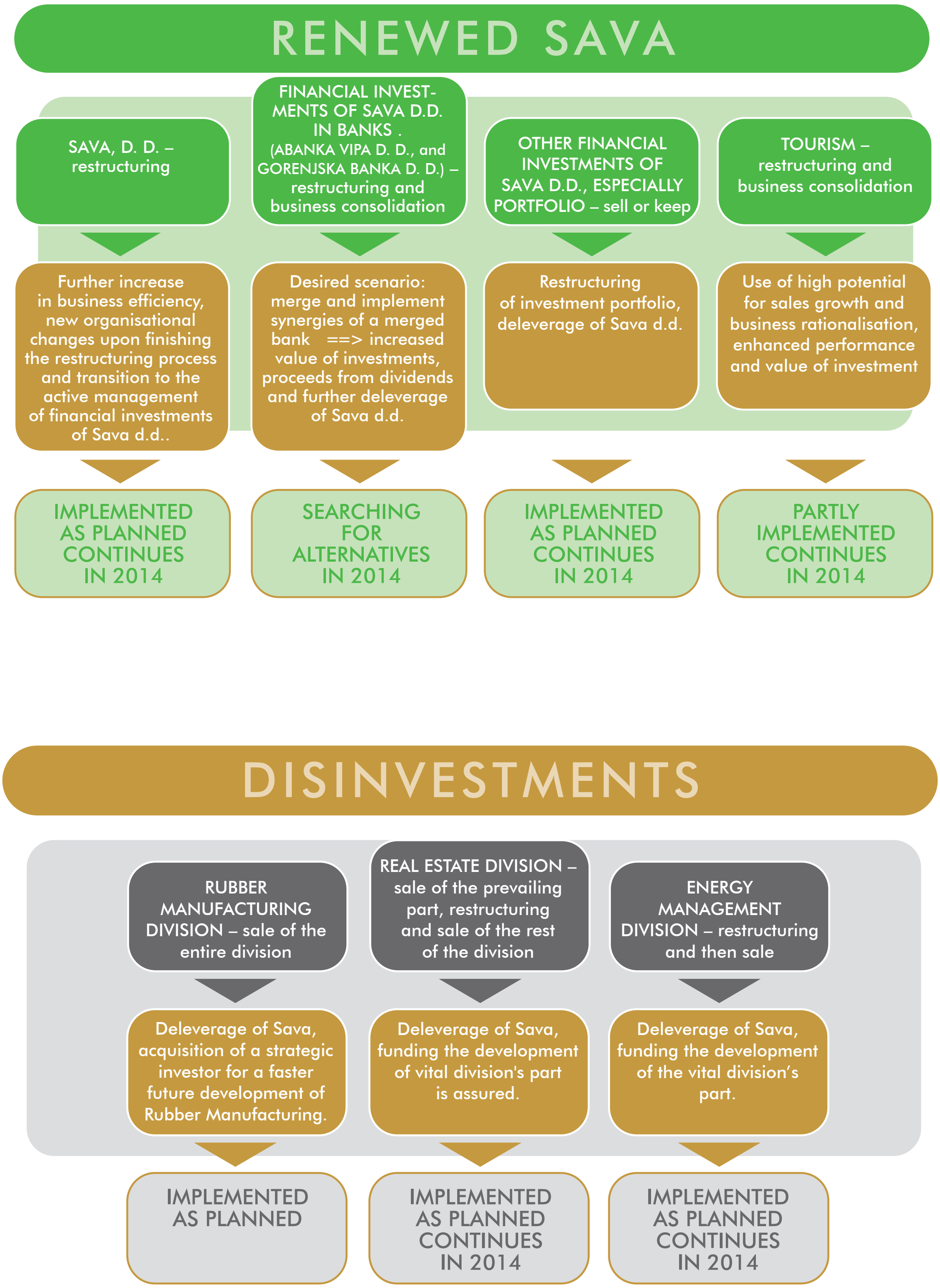
It was expected in the original 2011 plan that after the completed restructuring strategy the renewed Sava consisted of:

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

After restructuring, Sava will be a financial investor that:
- **Is still listed on the stock exchange.**
- **Generates profit from operations, acquisitions and disposals of investments.**

The investment policy at Sava d.d. will focus on making investments in the shares and stakes of companies that have:
- **A growth potential but low profitability for the time being and thus need restructuring.**
- **A potential for creating synergies with the existing portfolio of investments at Sava d.d.**

Restructuring strategy from 2011 to 2014 – remodelling Sava d.d. and its divisions (status of implementing strategic activities at the end of 2013)



Implementation of Sava's restructuring strategy in 2013

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

The focus of the 2nd strategy phase, which began in 2012 and continued in 2013, is on restructuring or divesting the individual investments of Sava d.d.

In 2013, Sava d.d. carried on with the implementation of activities to improve the operative business and generate free cash flow for Group companies.

After selling the mainstay of the Real Estate division, Rubber Manufacturing with the Foreign Trade Network was sold in January. A disposal of energy management business is in progress and the sale of portfolio investments of Sava d.d. continues.

The highlight of 2013 was the master restructuring agreement made with the lending banks in July, based on which loan obligations of Sava d.d. were restructured, and the agreement on restructuring financial liabilities arising from the SA02 bonds, based on which the bonds constituents now equal the restructured bank loans.

Thus the foundation, which assures company's stability and enables further strategic shifts towards reducing indebtedness, a renewal of profitability and generation of a long-term value for Sava shareholders, has been set until the end of November 2014.

Key strategic policies of Sava d.d. in 2014

SAVA D.D.: Provision of suitable liquidity and solvency will be one of the vital goals of the Sava Group in 2014. Sava d.d. will assure liquidity with the existing liquid assets and by selling financial investments. The Management Board expects extension of the restructuring agreement for financial liabilities of Sava d.d. made on 23 July 2013 and is valid until 30 November 2014.

As a developer of the Investment Finance business, Sava d.d. will continue to optimise operative business of the company in 2014. Costs, especially cost of services and labour cost, are expected to significantly reduce.

In this year, divesting of non-strategic assets will continue, such as the remaining assets of energy management business (the company Energetika Črnomelj), the rest of Real Estate and certain portfolio investments of Sava d.d. Divestments will be carried out to the extent and in the value, which assure economically justified disposals.

Strategic activities in the field of financial assets consolidation of Sava d.d. refer to the development of investments in both main development divisions, the restructuring strategy of Sava d.d. is based on: Tourism and banking business.

In Tourism, concentration is on the strategic development of Health Care, which in 2014 is expected to make a strategic break-through, with its role even increasing in the following years.

Given the present economic environment, further activities for consolidation of financial assets in the banking sector, where Sava d.d. had significant equity stakes so far, in both Abanka Vipa d.d. and Gorenjska banka d.d., are no longer possible as originally planned.

Key strategic policies of the Sava Group divisions in 2014

TOURISM: The principal goal is to achieve further improvements in profitability of operations resulting from the already performed or newly defined strategic activities.

The major focus will be on strategic development of Health Care business, intense marketing and winning new markets and the improved operating results also due to organisational changes. To enable strategic policy of the Health Care business, Sava Turizem d.d. acquired a 100% equity stake in Cardial d.o.o. in February 2014.

The assets that are not necessary for doing business will be further divested. The second phase of divesting golf business plans to sell the golf course in Moravske Toplice.

The volume of investments will grow, as it will be invested in modernisation of offer, introduction of certain new products and in decrease of energy consumption.

OTHER OPERATIONS: These companies, which are chiefly managed by Sava d.d., will reduce the volume of operations, continue to optimise and prepare the assets for a final withdrawal.

On 1 January 2014, Sava IT d.o.o, Kranj discontinued its operation. The employees and IT services providing business were transferred to Savatech d.o.o. and Sava Turizem d.d.

General economic trends

4

In 2013, some fresh impetus was given to the real GDP growth (without Eurozone) in highly developed economies (USA, United Kingdom and Northern Ireland), which was mainly due to a positive contribution made by the inventories. However, the growth in the majority of emergent markets calmed down as a result of a weaker domestic demand.

The global economy is expected to slowly recover as certain cyclical and structural factors still affect the growth in the medium term period.

The economic growth is expected to gradually improve and rise from 3.3% in 2013 to 3.9% in 2014 and to 4.1% in 2015. Global commercial trade should rise by 3.9% in 2013, 5.6% in 2014 and 6.4% in 2015.

In spite of strengthening, the growth rates of global commercial trade remain far below the figures noted down before the financial crisis. Global inflation continues to decrease, which is due to a declining demand, poor economic activities and weak dynamics of prices of primary raw materials.

The Eurosystem experts project that the real GDP is expected to decrease by 0.4% in Eurozone in 2013, whereas in 2014 it is expected to grow between 0.9 and 1.1% and in 2015 from 1.3 to 1.7%. This moderate growth should be due to a gradual increase in domestic and external demand; however, the economic growth could be slowed by deleveraging in the private sector and fiscal consolidation in the public sector, as well as a high unemployment rate. As forecast, the GDP is expected to reach the before-the-crisis level (first quarter of 2008) not earlier than at the end of 2015.

The inflation measured with the HIPC index is estimated to reach 1.4% in 2013, whereas in 2014 and 2015 price fluctuations are expected to gradually calm down (growth rates between 1.1 and 1.3%). This should be partly due to lower forward payments of oil, the past euro appreciation, persistent unutilised economic potential and lower price rises of foodstuffs resulting from the past decreases in international prices of food. Demand from the major trading partners of the Eurozone grows slower than the global commercial trade and is expected to increase by 3.0% in 2013, while in 2014 and 2015 it should reach 5.0% or 7.5%.

In 2013, economic activities in Slovenia fell by 1.1% due to a weak demand from abroad, restrictive measures of the fiscal consolidation, deteriorated conditions in the labour market, deleveraging of the private sector and a continued difficult access to finance sources. However, a decline in economic activities was slowed down by further growth in exports, certain larger investments and a high private consumption before the VAT increase. As projected by the Bank of Slovenia, the economy will begin to grow gradually in 2015. The average inflation measured with HICP amounted to 1.9% in 2013 and mainly reflects higher prices of food and energy sources as a consequence of measures associated with taxation (higher VAT, excise duties, other taxes). Despite a relatively high impact by tax measures, the inflation rate in 2013 was downy by 0.9 percentage point with regard to the previous year, which was mostly due to further shrinking of the economic activities in domestic and international environment and deterioration in labour market. In 2013, Slovenia began to rehabilitate the banking system. Based on due diligence in the banking system performed in the second half of 2013, the state increased the capital of three biggest banks in total amount of €2.8 billion (7.9% of GDP) in the middle of December after receiving the approval by the European Commission. Capital increases totalling €445 million took place in another two banks, for which a procedure of supervised business discontinuance was instituted. Furthermore, the assets were transferred to the Bank Asset Management Company (BAMC).

Based on the international comparisons, the position of Slovenia as regards capital adequacy of the banking system after capital increases improved and so did the position of Slovenia in the international financial markets (required yields on matured euro bonds decreased to about 4.5%).

Financial markets

The domestic capital market was influenced by these economic developments and thus experienced a negative tendency until September, whereas in autumn this trend turned upwards.

At the end of 2013, the SBI TOP index reached the value of 655.66 point and was up by 3.17% on the end of 2012, when the SBI TOP index value stood at 635.51 point. Total turnover generated with financial instruments in the Ljubljana Stock Exchange reached €391.8 million in 2013 or an 8.7% increase on 2012. The turnover made with shares of public companies amounted to €299.4 million, with bonds €86.1 million and with investment coupons €1.8 million. The market capitalisation of financial instruments in the Ljubljana Stock Exchange amounted to €19.1 billion (excluding investment funds) at the end of 2013, which was an 8.4% increase on 2012. The market capitalisation of all shares listed (excluding investment funds) amounted to €5.2 billion at the end of December 2013 and was up by 5.3% with regard to the end of 2012. The market capitalisation of bonds rose by 9.6% compared to the end of 2012, mainly due to issues of BAMC bonds and extra issues of bonds and treasury bills by the Republic of Slovenia for financing the measures that strengthen stability of banks. In December, positive trends continued in the global financial markets.

Tourism

The global tourism industry generates 9% of international GDP. In spite of less favourable economic circumstances, tourism noted a 3.8% growth in guest arrivals in 2012 and exceeded the milestone of one billion arrivals for the first time in the history. The highest growth between 6% and 7% was achieved in Asia, Pacific and Africa. Europe as the largest tourist destination generating about €535 million or 52% of total arrivals reached a 2.5% growth in 2012. International tourism is expected to grow by 3.0% in 2013, while until 2023 it is expected to grow by 4.2% annually.

As estimated by the World Travel & Tourism Council, tourism in Slovenia generates a 12.8% share in GDP and is expected to rise by 2.4% in 2013, while until 2023 it is expected to grow by 3.3% annually.

According to the data by the Statistical Office of the Republic of Slovenia, the number of tourists in 2013 grew by 2.3% compared to the year before, at which a 4.4% growth was made by arrivals of foreign tourists and a 1.6% decline in arrivals of domestic tourists. In 2013, total number of overnight stays increased by 0.3% compared to the year before, of which overnight stays by foreign tourist rose by 2.8% and overnight stay by domestic tourists dropped by 3.4%. Foreign tourists made 62% of total overnight stays.

Unfavourable economic circumstances in Slovenia still affect the result of the hospitality industry and changed the demand for tourism services (tourists plan their holidays more precisely, search for suitable price/quality ratio, spend less).

In accordance with the Slovene Tourism Development Strategy 2012-2016, tourism is about to become one of the leading businesses in the Slovene economy and will thus substantially add to attaining the development goals that Slovenia has set for tourism sector. The introduced activities will improve conditions for doing business in the hospitality industry (assisted also by the public agency of the Republic of Slovenia, SPIRIT Slovenia, Slovenian Entrepreneurship, Innovation, Development, Investment and Tourism). On this basis, the volume of Slovene tourism business is planned to grow annually by 2% in number of overnights, 4% in number of tourists, and from 6% to 8% in revenues from exports of travels.

5 Business operations of the Sava Group

Owing to disposal of Rubber Manufacturing with the Foreign Trade Network, the image of the Sava Group changed significantly. As of January 2013, the largest divisions of the Group are Finance Investment business, which manages financial investments of Sava d.d. with the major investment in the banking sector, and Tourism.

In 2013, the companies of the Sava Group made sales revenues of €67.2 million, the prevailing part of which referred to the Tourism division. In selling Rubber Manufacturing with the Foreign Trade, a profit of €8.8 million was generated. Impairing the assets by €51.4 million and cancelling deferred tax receivables of €9.8 million, significantly affected the operating result of Sava. The net loss amounted to €55.6 million and decreased the value of capital to €16.2 million.

5.1. Business performance

The information on business performance including the reference analysis for the same period last year took the current composition of the Sava Group in consideration.

The income statement of the Sava Group specifies the actual values achieved in 2012.

Sales revenues

In 2013, sales revenues of the Sava Group companies totalled €67.2 million and were by 6% lower than in the same period last year, while they lagged 6% behind the planned values.

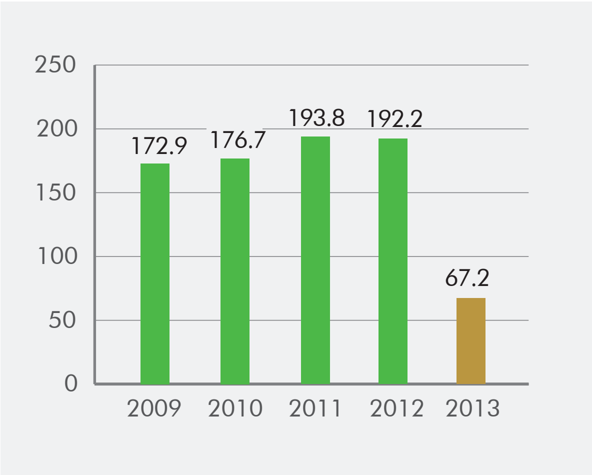
The *Tourism division* still experiences the aggravated economic conditions, especially in the Slovene market. The entire hospitality sector faces a strong fall in purchasing power.

The offer of tourist products reorients to the markets and market segments less affected by the crisis. A thorough upgrade of health care business is in progress along with further rationalisations.

In 2013, Tourism made sales revenues of €62.5 million or 4% less than in the same period last year and also 4% below the plan.

Other Operations composed of two real estate companies, energy management companies and two smaller service providing companies, generated sales revenues of €3.6 million, which was 8% down on last year's and planned sales revenues.

Sales revenues of the Sava Group from 2009 to 2013 *(€ in millions)*



Other operating revenues

Other operating revenues totalled €4.7 million. They included proceeds from the sale of real property, cancellation of impairments in current assets of the disposed company, revenues from cancellation of unused provisions and obtained government incentives.

Operating expenses

Operating expenses generated at €79.7 million were by 8% higher than in the same period last year and exceeded the plan by 15%. The deviations were entirely due to impairments of real property, inventories and receivables in total value of €9.3 million. In the operating expenses structure, labour cost had a 30% share, which was by 9% down on the same period last year and 4% down on the plan.

Cost of goods, materials and services had a 46% share, labour cost a 30%, depreciation a 10%, write-offs a 12% and other operating expenses a 2% share.

Operating loss (EBIT)

In 2013, operating loss of the Sava Group companies amounted to €7.8 million and exceeded the result of the same period last year by €7.6 million and the plan by €8.4 million.

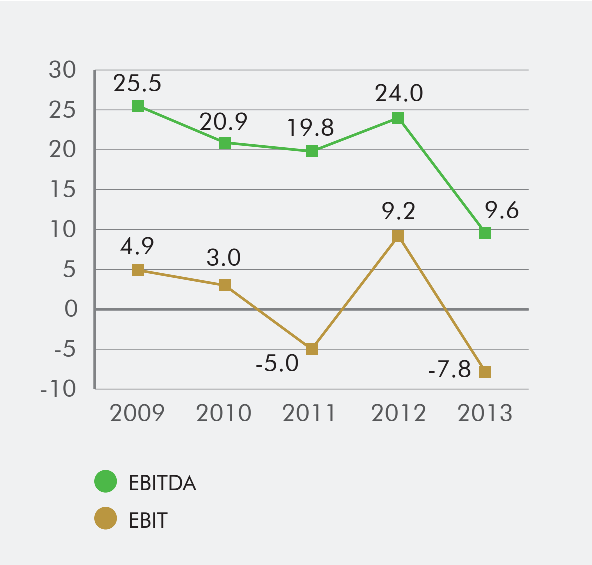
Tourism generated a loss of €1.4 million that was due to impairments of hotel real property, operating receivables in total value of €3.4 million and additional levies of €0.9 million. Had the impairments not been considered, the operating profit of €2.9 million would have been made, however, this was still a lag behind the 2012 values and the plan.

In separate financial statements, *Sava d.d.*, stated a loss of €0.2 million. The operating loss was reduced by the revenues of €5.1 million made in the sale of hotel property to a company of Tourism. A part of this profit totalling €4.2 million was excluded from consolidated financial statements as it was made within the Sava Group. Sava d.d. thus added €4.4 million to the operating loss of the Group.

The companies of *Other Operations* made an operating loss of €3.9 million resulting from impairments of inventories of real and investment property.

In *consolidated financial* statements, a cancellation was additionally recognised, which referred to the impairments carried out in the past years in connection with the disposed energy management company, amounting to €2.0 million.

EBITDA and EBIT in the Sava Group from 2009 to 2013 *(€ in millions)*



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

Financial revenues

Financial revenues totalled €16.8 million and owing to the profit made in selling the companies of Rubber Manufacturing with the Foreign Trade Network they were significantly higher than in the same period last year. They were mainly generated in the parent company Sava d.d.

Explanation to the difference between the generated profit of Sava d.d. and the profit of the Sava Group in connection with selling Rubber Manufacturing companies:

	Sava d.d.	Sava Group	Note
Profit in selling the investment	+ 23.5 mio €	+23.5 mio €	
Exclusions in consolidation 2013	-	-14.7 mio €	Profit of Rubber Manufacturing in the Sava Group recognised already in the past
Profit in selling Rubber Manufacturing with the Foreign Trade Network	**+23.5 mio €**	**+8.8 mio €**	

Financial expenses

Financial expenses totalling €16.7 million were by 34% lower than in the same period 2012. The decrease was due to the conditions agreed under the loans restructuring procedure for Sava d.d. and Sava Turizem d.d. They surpassed the planned financial expenses chiefly due to impairments of financial investments.

Net financial revenues

Net financial revenues of €0.2 million were generated.

Net expenses of the associated companies

Impairments of financial investments in the associated companies amounted to €38.1 million and included:

- Impairment of financial investment in Gorenjska banka, d.d. totalling €27.6 million. Impairment was carried out to the value of €588 for a share based on the evaluation of capital of Gorenjska banka d.d. The valuation of the investment in Gorenjska banka d.d. in consolidated financial statements is now equal to the valuation in the parent company Sava d.d.
- Ultimate impairment of financial investments in the shares of Abanka Vipa d.d. amounting to €9.6 million.
- Impairment of financial investment and granted loan referring to NFD Holding d.d. totalling €0.9 million.

Pre-tax loss

A total pre-tax loss of €45.7 million was made. A part of the profits of Sava d.d. totalling €18.9 million was not recognised in consolidated financial statement; they referred to selling Rubber Manufacturing with the Foreign Trade Network and hotel real property.

Pre-tax profit / loss structure *(€ in millions)*

	2009	2010	2011	2012	2013
Profit from operations less write-offs	9.1	5.5	5.8	10.4	1.5
Impairments of assets in profit/loss	-35.9	-93.1	-160.3	-85.4	-51.4
Financial result without impairments	31.9	-20.1	-25.5	-18.4	4.2
Profit/loss of associates without impairments	17.4	2.6	10.9	0	0
Pre-tax profit/loss	**22.5**	**-105.1**	**-169.1**	**-93.4**	**-45.7**

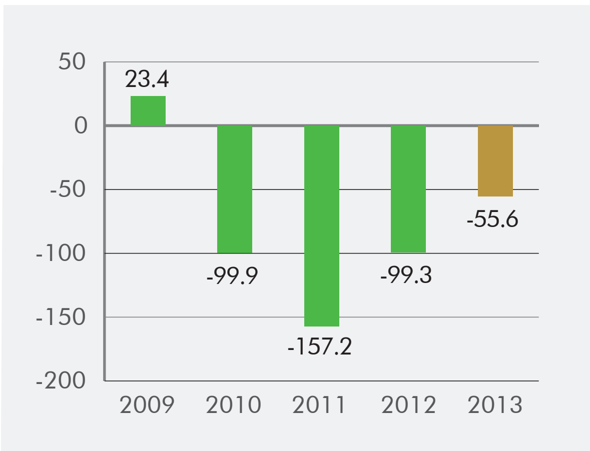
Income tax

The Sava Group stated income tax of €9.8 million, which was due to the deferred tax that aggravated the operating result for the period. It referred to cancellation of deferred tax receivables in connection with selling and deletion of financial investments including the loss of ownership in Abanka Vipa d.d. as the largest one.

Net loss of the Sava Group

In 2013, the Sava Group made a net loss of €55.6 million or €27.85 per a share.

Net profit / loss in the Sava Group from 2009 to 2013 *(€ in millions)*



Retained net loss of the Sava Group

The retained net loss of the Sava Group as at 31 December 2013 amounted to €11.5 million.

	JAN-MAR 2013	APR-JUN 2013	JUL-SEP 2013	OCT-DEC 2013
Net sales revenues from goods sold and services rendered	12,377	17,551	22,898	14,395
Change in inventories	32	48	-67	-13
Other operating revenues	469	462	283	3,459
Operating revenues	**12,878**	**18,061**	**23,114**	**17,841**
Cost of goods, materials and services	-8,484	-8,515	-10,492	-8,959
Labour cost	-6,128	-6,338	-5,798	-5,956
Depreciation and amortisation	-2,195	-2,037	-2,087	-1,741
Other write-offs	-348	-163	88	-8,846
Other operating expenses	-260	-338	-617	-451
Operating expenses	**-17,415**	**-17,391**	**-18,906**	**-25,953**
Operating profit / loss	-4,537	670	4,208	-8,112
Financial revenues	10,469	197	250	5,928
Financial expenses	-4,663	-6,315	-2,632	-3,055
Net financial revenues / expenses	**5,806**	**-6,118**	**-2,382**	**2,873**
Net revenues / expenses of associates	**-1,057**	**-21**	**-17**	**-37,044**
Pre-tax profit / loss	212	-5,469	1,809	-42,283
Income tax	-993	251	23	-9,108
Net profit/ loss for the year	-781	-5,218	1,832	-51,391

5.2. Assets and liabilities structure

Balance sheet total, assets and liabilities structure

As at 31 December 2013, *the balance sheet total* of the Sava Group companies amounted to €326.3 million and was by €154.7 million or 32% lower than at the end of 2012. The net decrease of the balance sheet total was due to selling Rubber Manufacturing with the Foreign Trade Network and impairments carried out.

Financial investments had a 36 % share in the *assets structure*, property, land and equipment a 50%, other assets (inventories, operating receivables, granted loans, deferred tax receivables and other) had a 14% share.

In the *liabilities structure,* capital had a 5% share, long-term loans a 20% and short-term loans a 75% share.

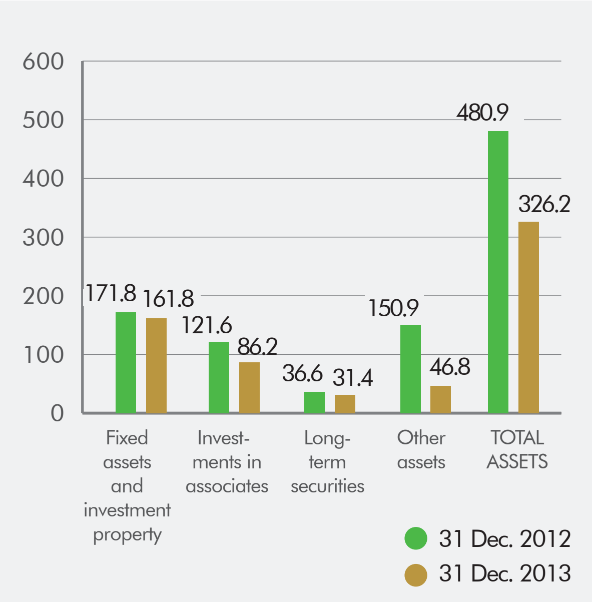
28% of long-term assets of the Sava Grouo companies were financed with long-term sources and 72% with short-term sources.

Assets

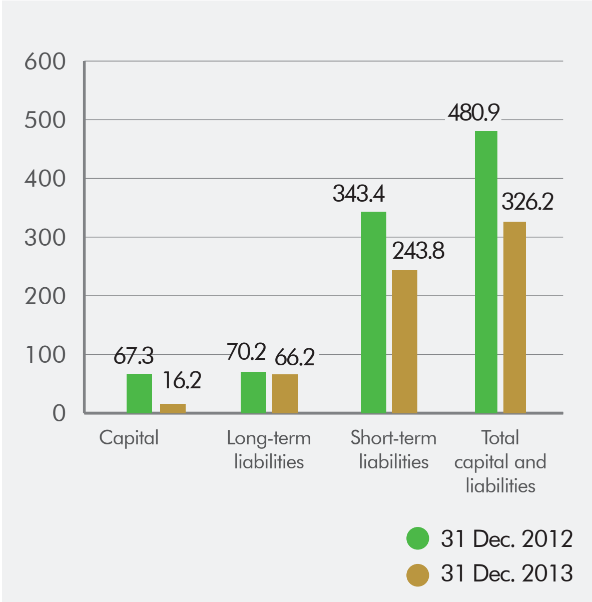
With regard to 2012, the following major **changes in the assets** of the Sava Group took place:

- The value of **real property, plant and equipment**, which as at 31 December 2013 amounted to €153.4 million decreased in net of €11.6 million compared to the end of the previous year. The depreciation of €8.1 million was accounted for, investments were realised to the amount of €5.5 million. The value decreased by €6.2 million due to selling the companies Ensa BH d.o.o. and Sava Golf d.o.o., and due to impairments amounting to €2.8 million.
- As at 31 December 2013, **investment property** achieved the value of €8.4 million and compared to the end of the previous year it increased by €1.5 million in net terms. The net increase was due to transferring the value of property intended for sale in Sava Nepremičnine d.o.o. from inventories to investment property in the amount of €6.3 million, sale of land in Kranj totalling €2.2 million and impairments of investment property totalling €2.5 million.
- As at 31 December 2013, **investments in the associated companies** amounted to €86.2 million and compared to the end of the previous year they reduced by €35.4 million. The decrease was due to:
  - Cashing in 6,050 pledged shares of Gorenjska banka d.d., thereby reducing equity stake of Sava d.d. in Gorenjska banka d.d. by 1.83 percentage point to 44.07% or by €3.6 million in terms of value.
  - Impairment of financial investments in the shares of Gorenjska banka d.d. in the net amount of €22.0 million to €588 per a share (impairment -€27.6 million, cancellation of equity revaluation adjustment +€5.6 million).
  - Ultimate impairment of a financial investment in the shares of Abanka Vipa d.d. totalling €9.6 million.
  - Impairments of financial investments in NFD Holding d.d. totalling €0.2 million.
- As at 31 December 2013, **long-term securities available for sale** amounted to €31.4 million and decreased by a net value of €5.2 million in the period. The amount mainly refererd to extra impairments of the mentioned financial investments.
- The amount of **deferred tax receivables** decreased by €8.5 million in the period and as at 31 December 2013 it amounted to €10.8 million. This decrease was mainly due to losing the ownership of Abanka Vipa d.d. The rest of deferred tax receivables referred to impairments of financial investments formed prior to 2012. In spite of the performed impairments, there were no newly formed deferred tax receivables in 2013.
- **Assets for sale**, which as at 31 December 2013 were stated at €91.4 million, referred to the assets of Rubber Manufacturing with the Foreign Trade Network. The sale transaction for the shares was finalised in January 2013, therefore these assets are no longer included under the assets of the Sava Group.
- **Inventories**, which as at 31 December 2013 were stated at €4.3 million decreased by €7.4 million compared to the end of the previous year. The decrease was due to transferring part of inventories to investment property totalling €6.3 million and impairments of property inventories totalling €1.1 million. 45% of inventories referred to the real property in Sava Nova d.o.o., Zagreb, where a final decision about selling or proceeding with the activities on the pieces of land has not been made yet.
- **Operating and other receivables, and granted loans**, which as at 31 December 2013 amounted to €30.1 million was by €8 million higher than at the end of the past year. A net increase chiefly referred to an increase in granted loans.

Comparison of assets structure of the Sava Group as at 31 December 2013 and 31 December 2012 *(€ in millions)*



Comparison of liabilities structure of the Sava Group as at 31 December 2013 and 31 December 2012 *(€ in millions)*



Capital and liabilities

In 2013, the major changes in liabilities were as follows:

- **Capital** totalling €16.2 million represented 5% of total liabilities; its €51.1million decrease on the previous year was due to the generated loss of the Group totalling €55.6 million, increased fair value reserves of €4.9 million and decreased capital belonging to minority owners of €0.4 million.
- **Long-term liabilities** amounted to €66.2 million and compared to the end of the previous year they were lower by only €4.0 million resulting from the agreed conditions for loans restructuring in Tourism companies.
- **Short-term debts** amounted to €243.8 million and were by €99.5 million lower than at the end of the previous year. In terms of the substance, the decrease of short-term debts by €33.2 million referred to total liabilities of Rubber Manufacturing with the Foreign Trade Network. The sale transaction was finalised in January 2013, which is why these liabilities are no longer included under the liabilities of the Sava Group. Short-term financial liabilities reduced by €60.8 million and other operating liabilities by €5.5 million.
- The value of totally **obtained long-term loans and short-term financial liabilities** of Sava Group companies amounted to €281.1 million as at 31 December 2013 and were by €64.4 million lower than at the end of 2012.

5.3. Investments

In 2013, the Sava Group companies made **investments** of €5.5 million, which were entirely implemented in Tourism.

5.4. Financial restructuring of Sava d.d. and Sava Turizem d.d.

On 23 July 2013, the **Management Board** of Sava d.d. effectively completed the process of concluding the Master Restructuring Agreement with the organiser, agent and collateral agent of the banks' consortium – Nova Ljubljanska Banka d.d. – and other lending banks. The Agreement refers to restructuring the loan obligations of Sava d.d. in the amount of €187.7 million at a 3% interest rate, the effective date of restructuring being 28 February 2013 and the final date 30 November 2014.

Signing this Agreement, the lending banks have enabled Sava d.d. to defer payment of the principal under the existing loans. Sava d.d. committed itself to regularly pay 1% interest during this period, whereas a portion of deferred interest will fall due for payment at the end of the contractual period. By signing the Master Restructuring Agreement, the Management Board of Sava d.d. engaged to further consistently implement the envisaged strategy towards divesting the financial assets of the company, decreasing costs and improving performance.

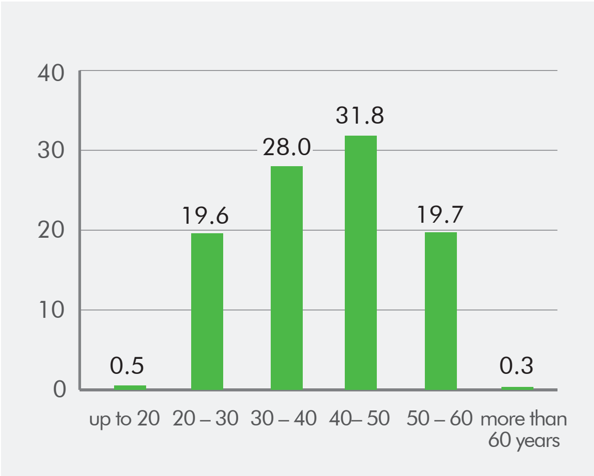
On 2 July 2013, the Management Board of **Sava Turizem d.d.** signed the agreement on restructuring financial liabilities with the lending banks. One of the lending banks did not join the agreement, however, it made an annex to the loan agreement with Sava Turizem d.d., which stipulates the conditions that equal the conditions from the restructuring agreement made with the lending banks. Under the agreement, the existing loan obligations of Sava Turizem d.d. of €49.7 million were restructure, the interest rate being 3mEUR + 5%, the effective date 2 July 2013 and the final date 2 August 2018.

5.5. Employees

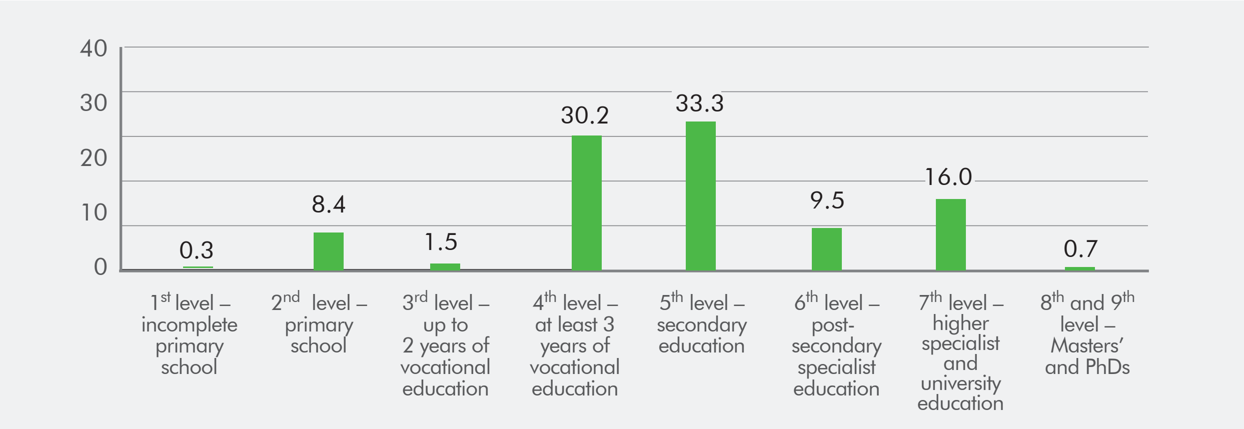
As at 31 December 2013, the Sava Group employed 973 associates, or 1,134 less than at the end of the previous year. A decrease of 959 employees was due to selling Rubber Manufacturing with the Foreign Trade Network and Ensa BH d.o.o. A further decrease of 175 associates was mainly due to transferring the cleaning service together with the employees from Tourism to an external specialist service provider, to selling golf business in Bled together with the employees and rationalisations in all business processes in the Group companies. 96% of total number of employees in the Sava Group were employed in Tourism.

In the companies of the Sava Group, 1,129 employees on average were employed in 2013, while in the same period last year there were 2,187 employees.

Age structure of employees in the companies of the Sava Group (%)



Educational structure of employees in the companies of the Sava Group (%)



Number of employees in the companies of the Sava Group

	2013		2012	
	As at 31 Dec. 2013	Average in year	As at 31 Dec. 2012	Average in year
Sava d.d., družba za upravljanje in financiranje, Ljubljana	20	26	31	35
RUBBER MANUFACTURING WITH THE FOREIGN TRADE NETWORK	0	0	835	860
SAVATECH d.o.o., Kranj*	0	0	765	789
- Foreign Trade Network	0	0	38	38
- SAVA-ROL d.o.o., Zagreb owned by Savatech d.o.o.)*	0	0	9	9
SAVAPRO d.o.o., Kranj*	0	0	1	1
- SAVARUS, d.o.o., Jaroslavl, Rusija (owned by SAVAPRO d.o.o.)*	0	0	22	23
TOURISM	939	1,044	1,097	1,137
SAVA TURIZEM d.d., Ljubljana	939	1,044	1,097	1,133
- Sava Golf d.o.o., Ljubljana (owned by Sava Turizem d.d.)**	0	0	0	0
- Sava Zdravstvo d.o.o., Ljubljana (owned by Sava Turizem d.d.)	0	0	0	0
- Sava TMC d.o.o., Ljubljana (owned by Sava Turizem d.d.)	0	0	0	4
REAL ESTATE	0	0	0	9
SAVA NEPREMIČNINE d.o.o., Ljubljana	0	0	0	9
SAVA NOVA d.o.o., Zagreb	0	0	0	0
OTHER OPERATIONS	14	59	144	146
SAVA MEDICAL IN STORITVE, d.o.o., Kranj (owned by Savatech, d.o.o.)*	0	0	88	92
GIP SAVA KRANJ, d.o.o., Ruma, Serbia	0	0	1	1
ENERGETIKA d.o.o., Kranj***	0	0	1	2
ENERGETIKA ČRNOMELJ d.o.o., Ljubljana	0	0	2	2
ENSA BH d.o.o., Srbac, Bosnia and Herzegovina**	0	42	36	33
SAVA ENSA dooel., Skopje, Macedonia****	0	0	0	0
BRAMIR d.o.o., Mostar, Bosnia and Herzegovina***	0	0	0	0
SAVA IT d.o.o., Ljubljana*****	14	17	16	16
TOTAL SAVA GROUP	973	1,129	2,107	2,187

* *The companies of Rubber Manufacturing with the Foreign Trade Network and Sava Medical in storitve d.o.o. were sold.*
** *Sava Golf d.o.o. and Ensa BH d.o.o. were sold.*
*** *Energetika d.o.o. is in bankruptcy procedure and has no employees*
**** *Sava Ensa dooel. and Bramir d.o.o. were transferred under securities available for sale as their value is minimum; therefore employees are not shown.*
***** *SAVA IT d.o.o. discontinued its operation on 1 January 2014, employees were transferred to Savatech d.o.o. and Sava Turizem d.d.*

Business operations of Sava d.d.

6

The major project of 2012 was selling the Rubber Manufacturing division with the Foreign Trade Network, representing one of the milestones in Sava's restructuring strategy. The agreement with the selected strategic investor, the Czech rubber group ČGS, was signed at the end of October 2012.

At the beginning of January 2013, the contractually defined suspensory conditions were fulfilled, after which the purchase consideration of €69.4 million was paid for a 100% share in Savatech d.o.o., and €1.0 million for a 60% share of Savapro d.o.o. In this transaction, a net profit of €23.5 million was generated.

The sale of hotel real property to a Tourism company made this division to an economically rounded-up entity, while Sava d.d. generated a profit of €5.1 million in this transaction.

The operating result was negatively affected by further impairments of financial investments totalling €19.0 million and cancellation of deferred tax receivables totalling €9.8 million.

The net loss amounted to €11.4 million.

In 2013, Sava d.d. decreased its financial liabilities by €71.7 million.

On 23 July 2013, the Management Board of Sava d.d. signed the Master Restructuring Agreement with the lending banks, thereby fulfilling the critical condition for achieving solvency and liquidity of the company as well as further implementation of the devised restructuring strategy.

6.1. Business performance of Sava d.d..

Overview of significant data on the operations of Sava d.d. *(€ in millions)*

	2009	2010	2011	2012	2013
Net sales revenues	8.1	8.7	5.5	3.1	1.9
Other revenues	0.2	1.6	0.0	0.5	5.3
Operating expenses	-11.1	-10.6	-9.5	-6.5	-7.3
Operating profit or loss	-2.8	-0.3	-4.0	-2.9	-0.2
Financial result	27.8	-79.2	-167.6	-41.8	-1.5
Pre-tax operating result	25.8	-79.4	-170.7	-44.7	-1.6
Net profit or loss	27.4	-72.9	-156.1	-49.0	-11.4

Operations indicators for Sava d.d.

	2009	2010	2011	2012	2013
Participation rate of equity (in %) Equity / liabilities	50.5	42.4	21.4	10.8	6.1
Participation rate of long-term financing (in %) Total equity + long-term liabilities (incl. provisions and deferred taxes) + long-term accruals and deferrals / liabilities	66.1	74.3	32.2	21.9	6.2
Operating fixed assets rate (in %) Fixed assets + investment property / assets	8.0	4.4	3.7	4.3	1.0
Long-term investment rate (in %) Total fixed assets + accruals and deferrals + investment property + long-term financial investments + long-term operating receivables / assets	84.7	86.4	89.4	78.1	91.6
Equity of fixed operating assets ratio Equity/ fixed assets + investment property	6.3	9.6	5.7	2.5	5.8
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	0.5	0.5	0.1	0.1	0.1
Current ratio Short-term assets / short-term liabilities	0.5	0.5	0.2	0.3	0.1
Operating efficiency ratio Operating efficiency ratio	1.5	0.4	0.1	0.2	1.0
Net return on equity ratio Net profit for financial year / average equity less net operating results for the year	7.9	-22.0	-64.7	-56.2	-35.4
Dividends to share capital ratio Total dividends paid in financial year / average share capital	7.4	7.7	0.0	0.0	0.0

Income statement of Sava d.d. by quarter in 2013 *(€ in thousands)*

	JAN-MAR 2013	APR-JUN 2013	JUL-SEP 2013	OCT-DEC 2013
1. NET SALES REVENUES	716	211	659	272
a) Revenues in domestic market	331	202	271	269
To group enterprises	230	117	185	178
To associated companies	0	0	0	0
To others	101	85	86	91
b) Revenues in foreign market	385	8	389	3
To group enterprises	8	8	8	2
To associated companies	0	0	0	0
To others	377	0	381	1
2. CHANGE IN THE VALUE OF INVENTORIES OF PRODUCTS AND WORK IN PROGRESS	0	0	0	0
3. CAPITALISED OWN PRODUCTS AND/OR SERVICES	0	0	0	0
4. OTHER OPERATING REVENUES (with operating revenues from revaluation adjustment)	5,210	0	1	53
5. COST OF MERCHANDISE, MATERIALS AND SERVICES	-1,667	-492	-709	-587
a) Cost of merchandise and material sold and cost of material used	-20	-18	-17	-18
b) Cost of services	-1,647	-474	-692	-569
6. LABOUR COST	-463	-461	-403	-372
a) Salaries and wages	-379	-365	-334	-295
b) Social security cost (pension insurance cost shown separately)	-66	-64	-58	-66
Social security cost	-28	-27	-25	-24
Pension insurance cost	-38	-37	-32	-43
c) Other labour cost	-18	-32	-11	-11
7. AMORTISATION AND DEPRECIATION EXPENSE, WRITE-OFFS	-41	-54	-29	-1,914
a) Amortisation	-41	-27	-28	-28
b) Operating expenses from revaluation of intangible and tangible fixed assets	0	0	0	0
c) Operating expenses from revaluation of current assets	0	-27	-1	-1,886
8. OTHER OPERATING EXPENSES	-9	1	-47	-30
9. OTHER FINANCIAL REVENUES FROM SHARES	25,419	144	2	45
a) Financial revenues from shares in group enterprises	24,302	0	0	0
b) Financial revenues from shares in associated companies	0	0	0	0
c) Financial revenues from shares in other entities	0	144	2	4
d) Financial revenues from other investments	1,117	0	0	41

	JAN-MAR 2013	APR-JUN 2013	JUL-SEP 2013	OCT-DEC 2013
10. FINANCIAL REVENUES FROM GRANTED LOANS	**621**	**-36**	**192**	**500**
a) Financial revenues from loans granted to group enterprises	62	68	77	74
b) Financial revenues from loans granted to other entities	559	-104	115	426
11. FINANCIAL REVENUES FROM OPERATING RECEIVABLES	**0**	**0**	**0**	**14**
a) Financial revenues from operating receivables due from group enterprises	0	0	0	13
b) Financial revenues from operating receivables due from other entities	0	0	0	1
12. FINANCIAL EXPENSES FROM IMPAIRMENTS AND WRITE-OFFS IN FINANCIAL INVESTMENTS	**-1,396**	**-1,139**	**-959**	**-16,236**
13. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	**-3,532**	**-4,522**	**357**	**-994**
a) Financial expenses from borrowings obtained from group enterprises	-66	-57	5	-28
b) Financial expenses from borrowings obtained from banks	-2,902	-3,897	1,370	-1,083
c) Financial expenses from issued bonds	-470	-474	-481	145
d) Financial expenses from other financial liabilities	-94	-94	-537	-28
14. FINANCIAL EXPENSES FROM OPERATING LIABILITIES	**0**	**0**	**0**	**0**
a) Financial expenses from operating liabilities to group enterprises	0	0	0	0
b) Financial expenses from trade payables and bill payables	0	0	0	0
c) Financial expenses from other operating liabilities	0	0	0	0
15. OTHER REVENUES	**9**	**3**	**3**	**81**
16. OTHER EXPENSES	**0**	**-4**	**-2**	**-1**
17. INCOME TAX	**-993**	**273**	**1**	**719**
18. DEFERRED TAX	**0**	**0**	**0**	**-9,795**
19. NET PROFIT/LOSS FOR THE ACCOUNTING PERIOD	**23,874**	**-6,076**	**-934**	**-28,246**

Net sales revenues

- Net sales revenues of €1.9 million were generated, which was in accordance with the plan but 41% down on the same period last year. The deviation from last year's result was due to a discontinued charging of services to the companies of Rubber Manufacturing with the Foreign Trade Network as it was sold.
- 60% of net sales revenues were made in relation to the partners outside of the Group and 40% referred to the services Sava d.d. sold to the companies within the Group.

Other revenues

- Other revenues generated in the value of €5.3 million mainly referred to a price difference made at selling the fixed assets.
- In January 2013, hotel real property was sold to Sava TMC d.o.o., a part of Tourism division. The purchase consideration for the real estate amounted to €15.3 million, the amount was based on the real property rights assessment report. In this transaction, Sava d.d. generated a profit of €5.1 million, while Tourism became an economically rounded-up entity.
- The remaining other revenues totalling €0.2 million were made in the sale of land in Kranj and cancellation of provisions.

Operating expenses

- These amounted to €7.3 million and included impairments of receivable totalling €1.9 million. Without impairments, the expenses were lower by 17% compared to the same period last year and also 18% below the planned operating expenses.
- In 2013, the company employed 26 associates on average, labour cost amounted to €1.7 million and compared to the previous year it was lower by 40%.
- In their structure, cost of services had a 47% share, labour cost a 23%, impairments of receivables a 29% and, depreciation and other expenses a 1% share.
- A considerable amount of these expenses was due to managing financial investments, which is why a part of financial expenses was earmarked for their covering.

Operating profit or loss

- An operating loss of €0.2 million was made.

Financial result

- **Financial result** of Sava d.d. was negative and totalled €1.5 million.
- A net profit of €23.5 million was generated in **the sale of the companies of Rubber Manufacturing with the Foreign Trade Network**.
- **Impairments of financial investments**, which were not planned, amounted to €19.0 million and referred to the following investments:
  - Abanka Vipa d.d. amounting to €9.6 million.
  - Subsidiaries amounting to €4.4. million.
  - Other investments amounting to €5.0 million.
- **Interests for the obtained bank** loans totalled €8.7 million and were computed by using a 3.0% interest rate defined in the Master Restructuring Agreement. A portion of interests amounting to 1.0% falls due for payment monthly; the remaining 2.0% fall due for payment at the end of November 2014.

Financial result by type of activity *(€ in millions)*

	Financial result	Financial result	Financial result	Financial result	Financial revenues	Financial expenses	Financial result
	2009	2010	2011	2012	JAN - DEC 2013		
Dividends	20.8	29.3	11.3	8.1	0.1	0.0	0.1
Sale of Rubber Manufacturing with FTN	0.0	0.0	0.0	0.0	24.3	-0.8	23.5
Securities	39.8	0.8	1.6	0.5	0.1	0.0	0.1
Impairments of financial investments	-22.7	-95.0	-158.1	-34.5	0.0	-19.0	-19.0
Interest	-10.1	-12.9	-16.1	-15.8	1.3	-8.7	-7.4
Other	0.0	-1.4	-6.3	-0.1	1.2	0.0	1.2
Total	27.8	-79.2	-167.6	-41.8	27.0	-28.5	-1.5

Total pre-tax loss

A total pre-tax loss made by Sava d.d. in 2013 amounted to €1.6 million. Its amount was influenced by net financial revenues from the sale of Rubber Manufacturing with the Foreign Trade Network of €23.5 million and the revenues from the sale of hotel real property totalling €5.1 million. Due to stock exchange movements, general economic situation and other evaluations of investments, financial investments had to be impaired by €19.0 million.

Income tax

Sava d.d. had no income tax liability accounted for 2013. The net value of deferred tax totalling €9.8 million aggravated the operating result for the accounting period and mainly referred to the cancellation of deferred receivables in connection with the sale and cancellation of financial investments.

Net loss

In 2013, Sava d.d. made a net loss of €11.4 million. In the business plan for the period, which did not forecast any impairment of investments, a profit of €14.8 million was planned.

Accumulated loss

Accumulated loss *(€ in millions)*

Net operating result Jan-Dec 2013	-11.4
Retained loss from the previous years	0.0
Accumulated loss as at 31 Dec. 2013*	**-11.4**

** At the 19th Shareholders' Meeting held on 30 April 2013, a resolution on a simplified decrease in share capital was adopted. In terms of its substance, a share capital decrease totalling €58.3 million was earmarked for covering total loss from previous periods; it was entered in the court register on 20 May 2013. The accumulated loss of 2013 thus refers only to the 2013 operating result.*

6.2. Assets and liabilities structure

Balance sheet total

It amounted to €248.3 million and compared to the end of 2012, it decreased by 29%.

Assets structure

The largest share with 85% of the assets structure had long-term financial investments, granted loans had an 8%, deferred receivables a 4% and other assets a 3% share.

- As at 31 December 2013, the value of **tangible fixed assets and investment property** totalled €2.6 million. Compared to the end of the previous year, it decreased by €12.4 million:
  - This decrease was mainly due to selling hotel real property to Tourism division by Sava d.d. The book value of sold properties amounted to €10.2 million, the estimated selling value €15.3 million, the difference incurred in price, which was recognised in the income statement of Sava d.d., amounted to €5.1 million.
  - The remaining net decrease totalling €2.2 million referred to the sale of land in Kranj.
- In the structure of **long-term financial investments (and assets for sale)** stated in the amount of €213.9 million and lower by €80.9 million if compared to the previous year, the following significant changes took place:
  - The ownership stakes in the companies of Rubber Manufacturing with the Foreign Trade Network were sold; their book value totalled €58.4 million (basic purchase cost €46.9 million), selling value €70.4 million. A net profit of €23.5 million was generated in this transaction.
  - The value of investments in the Group companies decreased by €4.2 million and that mainly referred to impairments of financial investments in the companies of Real Estate.

- The value of investments in the associated companies decreased by €13.4 million. A part of a decrease totalling €9.6 million was associated with a loss of ownership and ultimate write-off of the investment in Abanka Vipa d.d. The other part totalling €3.6 million was due to cashing in 6,050 shares of Gorenjska banka d.d., which were placed as collateral for securities purchase. A decrease totalling €0.2 million referred to impairing the investments in NFD Holding d.d.
- Other net decreases of long-term financial investments amounted to €4.9 million and mainly referred to impairments of securities available for sale.

• **Short-term financial investments** totalling €16.0 million were by €2.9 million higher than at the end of the previous year.

  Short-term financial investments had the following structure:
  - A gross receivable from short-term granted loans to NFD Holding d.d. amounted to €17.8 million and compared to the end of the previous year it was down by €4.0 million due to repayment of a loan and by €0.7 million due to additionally impairing the loan calculated on the basis of received collaterals. The net value of receivables totalled €7.8 million at the end of 2013.
  - Other short-term financial investments amounted to €8.2 million and referred to granted loans.

• Other assets stated in the value of €15.8 million included the following assets:
  - The greatest share or €10.9 million had deferred tax receivables due from the state. Over the years, deferred tax receivables mostly arose in connection with impairments of financial investments to fair value.
  - The amount of €1.8 million referred to the remaining receivable due from Tourism companies arising from the sale of hotel real property.
  - The remaining amount of €3.1 million referred to interest receivables arising from the granted loans and cash on accounts.

Assets structure of Sava d.d. as at 31 December 2013 and a comparison with 31 December 2012 *(€ in millions)*

Liabilities structure

• **The capital** of Sava d.d. amounting to €15.1 million was lower by €22.6 million if compared to the end of the previous year. In the liabilities structure, it has a 6% share. The following changes in capital took place:
  - A loss for the financial year of €11.4 million was made. In share capital, this loss had a 45% share.
  - Revaluation reserve decreased by €11.2 million.
  - A loss from the past years totalling €58.3 million was covered from the share capital based on the Shareholders Meeting's resolution on a simplified share capital decrease, which, however, had no impact on total capital amount.

- **Total financial liabilities** of Sava d.d. reached the value of €226.8 million and compared to the end of the previous year they reduced by €71.7 million. Their share in the balance sheet total amounted to 91%. Total financial liabilities included €220.2 million of loans that Sava d.d. received from outside of the Group. To secure the liabilities from loans received by Sava d.d., the assets of Sava d.d. and subsidiaries were put in pledge in favour of creditors' rights as at 31 December 2013 in the value of €235.8 million.
- **Other liabilities** totalling €6.4 million referred to short-term operating liabilities, short-term and long-term provisions and deferred tax liabilities. The stated amount further included liabilities for interests on obtained loans computed as defined by the Master Restructuring Agreement.

Liabilities structure of Sava d.d. as at 31 December 2013 and a comparison with 31 December 2012 *(€ in millions)*

6.3. Financial restructuring of Sava d.d.

On 23 July 2013, the Management Board of Sava d.d. effectively completed the process of concluding the Master Restructuring Agreement with the organiser, agent and collateral agent of the banks' consortium – Nova Ljubljanska Banka d.d. – and other lending banks. The Agreement refers to restructuring the loan obligations of Sava d.d. in the amount of €187.7 million at a 3% interest rate, the effective date of restructuring being 28 February 2013 and the final date 30 November 2014.

Signing this Agreement, the lending banks have enabled Sava d.d. to defer payment of the principal under the existing loans. Sava d.d. committed itself to regularly pay 1% interest during this period, whereas a portion of deferred interest will fall due for payment at the end of the contractual period. By signing the Master Restructuring Agreement, the Management Board of Sava d.d. engaged to further consistently implement the envisaged strategy towards divesting the financial assets of the company, decreasing costs and improving performance.

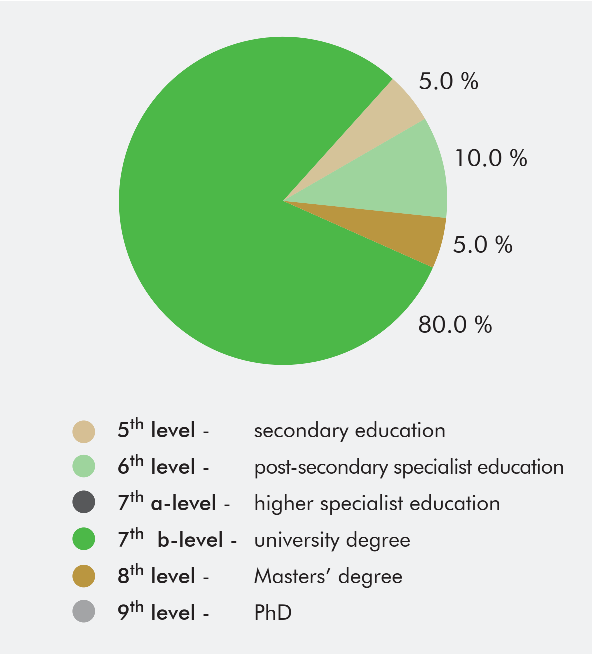
6.4. Employees

Number of employees

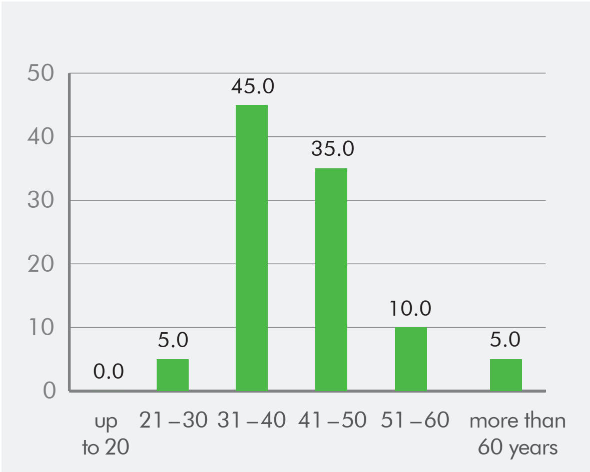
As at 31 December 2013, Sava d.d. employed 20 associates. In comparison with the end of 2012 their number reduced by 11 associates, as a result of reassignment to other companies outside of the Sava Group or leaving the company.

In 2013, Sava d.d. employed 26 associates on average or 6 fewer than in 2012.

Number of employees as at 31 December 2013 (%)



Age structure of employees as at 31 December 2013 (%)



7

Outlook for 2014

Sava d.d. will continue to implement the devised strategy by consolidating its property in financial assets, improving its operative business, further developing its core businesses and by providing suitable liquidity.

The 2014 business plan defines that all vital strategy elements will be further implemented in spite of the continued adverse economic circumstances as follows:

- **Further rationalisations of operations at Sava d.d.**
- **Development and continued optimisation of Tourism.**
- **Consolidation of property in financial assets.**

Core activities set out in the 2014 business plan:

- Continually optimise operations in the parent company Sava d.d. and other companies of the Sava Group.
- Develop new businesses in Tourism (mainly health care), market intensely, win new markets and improve operative performance of the division.
- Preserve value of financial investments in the banking sector via its active role in carrying out the activities planned by Gorenjska banka d.d.
- Introduce activities for disposal of non-strategic assets of the Group.
- Assure suitable liquidity and agree on further restructuring of finance sources.

Basic premises in the preparation of the 2014 business plan for the Sava Group

- Adverse economic circumstances in domestic economic environment and intense activities for consolidation of the Slovene banking sector continue.
- In terms of organisation, the Sava Group includes Investment Finance (Sava d.d.), Tourism and Other Operations.
- The operations of the parent company Sava d.d. will be influenced by interest expenses of financing.
- Improved performance of Tourism through strengthening new sales channels as already defined in the cost optimisation activities.
- The generated cash flow from operations of subsidiaries covers planned investments, financial expenses and repayment of the principals in accordance with amortisation schedules.
- Disposal of financial investments in Sava d.d., to the volume and value which economically justifies selling.
- Extending the restructuring agreement for finance sources of Sava d.d. made on 23 July 2013 and valid until 30 November 2014, at which liquidity is assured with the existing liquid assets and sale of financial investments.

Business plan 2014 at a glance (€ in millions)

	Sava d.d.	Subsidiaries	Sava Group
Sales revenues	0.861	65.236	65.484
Net operating result	-8.94	0.824	-8.115
Balance sheet total	241.425	185.468	315.963
Capital	5.43	98.105	8.06
Number of employees	19	974	993
Investments	0.025	6.62	6.645

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 with notes in accordance with International Financial Reporting Standards as adopted by the EU

Consolidated statement of financial position *(€ in thousands)*

	Notes	31 Dec. 2013	31 Dec. 2012
ASSETS			
Property, plant and equipment	1.3.9.	153,358	164,969
Intangible assets	1.3.10.	405	565
Investment property	1.3.11.	8,355	6,865
Investments in associates	1.3.12.	86,217	121,585
Long-term securities available for sale	1.3.13.	31,426	36,582
Long-term loans	1.3.14.	41	20
Deferred tax receivables	1.3.15.	10,806	19,293
Long-term assets		**290,608**	**349,879**
Assets for sale	1.3.8.	0	91,427
Inventories	1.3.16.	4,265	11,710
Operating and other receivables	1.3.17.	5,544	7,863
Current tax receivable		0	0
Short-term financial investments		0	0
Granted loans	1.3.18.	24,594	19,500
Cash and cash equivalent	1.3.19.	1,239	551
Short-term assets		**35,642**	**131,051**
Assets		**326,250**	**480,930**

	Notes	31 Dec. 2013	31 Dec. 2012
EQUITY AND LIABILITIES			
Issued capital		25,442	83,751
Share premium		0	0
Reserves		4,977	4,977
Fair value reserve		1,068	-3,782
Treasury shares		-4,977	-4,977
Translation reserve		0	0
Retained net profit / loss		-11,500	-14,241
Total equity attributable to equity holders of the parent		**15,010**	**65,728**
Minority interest		1,166	1,568
Capital	1.3.20.	**16,176**	**67,296**
Long-term provisions	1.3.21.	2,961	2,921
Deferred government grants	1.3.22.	9,068	9,598
Obtained long-term loans	1.3.23.	54,216	57,740
Long-term operating liabilities		0	0
Deferred tax liabilities		0	0
Long-term liabilities		**66,245**	**70,259**
Liabilities for sale	1.3.8.	0	33,197
Short-term financial liabilities	1.3.23.	226,890	287,738
Short-term operating liabilities	1.3.24.	13,055	18,418
Short-term accrued costs and deferred revenues	1.3.25.	3,884	4,022
Short-term liabilities		**243,829**	**343,375**
Total liabilities		**310,074**	**413,634**
Total equity and liabilities		**326,250**	**480,930**

The notes are an integral part of these financial statements.

Consolidated income statement *(€ in thousands)*

	Notes	2013	2012
Revenues from goods sold and services rendered	1.3.26.	67,221	192,188
Change in inventories of products and work in progress		0	-905
Other operating revenue	1.3.27.	4,673	5,089
Operating revenue		71,894	196,372
Cost of goods, materials and services	1.3.28.	-36,450	-117,612
Labour cost	1.3.29.	-24,220	-52,693
Depreciation and amortisation		-8,060	-13,604
Other write-offs	1.3.30.	-9,269	-1,227
Other operating expense	1.3.31.	-1,666	-2,059
Operating expenses		-79,665	-187,195
Operating profit / loss		-7,771	9,177
Financial revenues		16,844	3,377
Financial expenses		-16,665	-25,037
Net financial revenues/ expenses	1.3.32.	179	-21,660
Share in profit of associates		0	0
Share in loss of associates		0	0
Impairments of financial investments in associates		-38,139	-80,884
Net expense from associates	1.3.33.	-38,139	-80,884
Pre-tax loss		-45,731	-93,367
Tax	1.3.34.	-9,827	-5,912
Net loss for the year		-55,558	-99,279
Net loss for the year attributable to:			
Equity holders of the parent		-55,569	-99,181
- arising from a discontinued operation		-262	-636
Minority interest		11	-98
Net loss for the period		-55,558	-99,279
Basic loss per share (€)		-27.85	-49.70
Diluted loss per share (€)		-27.85	-49.70

The notes are an integral part of these financial statements.

Consolidated statement of comprehensive income (€ in thousands)

	Notes	2013	2012
Net profit / loss for the period		-55,558	-99,279
Other comprehensive income			
- Items not to be reclassified in profit or loss		-20	0
- Items that might be reclassified in profit or loss subsequently			
- Foreign currency translation differences		0	1
- Effective portion of changes in fair values of cash flow hedges			0
- Change in fair value of available-for-sale financial assets	1.3.13.	-727	1,821
- Deferred tax on change in fair value of available-for-sale financial assets	1.3.15.	55	-282
- Change in fair value of investments in associates transferred to profit or loss	1.3.12.	5,604	0
- Change in fair value of available-for-sale financial assets transferred to profit or loss	1.3.13.	-73	-709
- Deferred tax on change in fair value of available-for-sale financial assets transferred to profit or loss	1.3.15.	11	234
Other comprehensive income for the period, net of deferred tax		4,850	1,065
Total comprehensive income for the period		-50,708	-98,214
Total comprehensive income for the period attributable to:			
Owners of the company		-50,719	-98,116
Minority interest		11	-98
Total comprehensive income for the period		-50,708	-98,214

The notes are an integral part of these financial statements.

Consolidated cash flow statement (€ in thousands)

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / loss		-55,558	-99,279
Adjustments for:			
Depreciation of property, plant and equipment	1.3.9.	7,730	13,140
Depreciation of intangible assets	1.3.10.	129	98
Depreciation of investment property	1.3.11.	201	268
Write-off and impairments of property, plant and equipment	1.3.9.	2,799	52
Write-off of investments in progress		0	0
Impairments of inventories	1.3.16.	1,167	0
Impairments of receivables	1.3.17.	2,557	0
Write-offs and impairments of intangible assets	1.3.10.	35	0
Loss in sale of intangible assets	1.3.10.	10	0
Profit from sale of intangible assets	1.3.10.	-46	0
Write-offs and impairments of investment property	1.3.11.	2,543	0
Impairment of financial investments	1.3.13.	3,967	2,424
Impairment of investments in associates	1.3.12.	37,414	78,262
Profit from sale of plant, property and equipment	1.3.27.	-115	-78
Loss at disposal of property, plant and equipment	1.3.30.	159	23
Profit from sale of investment property	1.3.27.	-1,033	0
Loss from sale of investment property		0	0
Foreign currency translation difference		0	1
Profit in sale of long-term securities	1.3.32.	-73	-708
Loss in sale of securities	1.3.32.	0	101
Loss in sale of associates		0	0
Share in profit of associates		0	0
Dividends and share in profit received	1.3.32.	-86	-179
Share in loss of associates		0	0
Foreign exchange difference		0	67
Impairment of granted loans		0	0
Impairment of loans granted to associates	1.3.33.	725	2,621
Proceeds from acquisition of subsidiary		0	-68
Interest expense	1.3.32.	11,700	21,461
Interest revenue	1.3.32.	-979	-2,042
Income tax liability / receivable	1.3.34.	9,827	5,912
Income from operations prior to change in operating equity and provisions		23,073	22,076
Change in long-term receivables	1.3.14., 1.3.15.	-1,319	-35
Change in short-term receivables	1.3.17.	-21,684	838
Change in inventories	1.3.16.	-38	1,293
Change in short-term operating liabilities	1.3.24.	-6,654	-3,458
Change in long-term operating liabilities		0	-42
Change in provisions	1.3.21.	40	-1,130
Change in government grants	1.3.22.	-530	-581
Acquired cash in operations		-7,112	18,961
Paid income tax	1.3.34.	-50	-1,345
Net cash flow from operations		-7,162	17,616

	Notes	2013	2012
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment	1.3.9.	-5,351	-6,846
Proceeds from sale of property, plant and equipment		6,389	779
Purchase of intangible assets	1.3.10.	-12	-306
Proceeds from sale of intangible assets	1.3.10.	44	0
Purchase of investment property	1.3.11.	-76	-109
Proceeds from sale of investment properties		3,190	0
Proceeds from sale of subsidiaries		79,800	5,760
Purchase of subsidiaries		0	0
Purchase of associates		0	0
Proceeds from sale of associates	1.3.12.	3,558	0
Proceeds from repaid loans		3,981	594
Expenses for granted loans		-9,792	-3,386
Purchase of long-term securities	1.3.13.	-142	-689
Proceeds from sale of long-term securities		698	5,405
Received dividends of associates		0	0
Other dividends and shares in profit	1.3.32.	86	179
Received interests		855	2,042
Net cash flow from investment activities		83,228	3,413
CASH FLOWS IN FINANCING ACTIVITIES			
Acquisition of own shares		0	0
Other changes in capital		-460	-287
Proceeds from granted long-term loans		0	23
Expenditures for granted long-term loans		0	-924
Proceeds from granted short-term loans		0	22,931
Expenses for granted short-term loans		-64,372	-24,844
Expenses for dividends of Group's shareholders		0	0
Paid interests		-10,546	-21,461
Net cash flow from financing activities		-75,378	-24,562
Net increase or decrease in cash and cash equivalents		688	-3,533
Cash and cash equivalents at year begin		551	10,649
Cash and cash equivalents from companies for sale		0	-6,566
Cash and cash equivalents at the end of the period		1,239	551

The notes are an integral part of these financial statements.

Consolidated statement of changes in equity (€ in thousands)

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

Consolidated statement of changes in equity (€ in thousands)

	Issued capital	Share premium	Reserves	Reserves for own shares	Reserves for fair value of financial assets	Reserves from a change in the value of financial investments in associated companies	Reserves for fair value of interest rate swaps	Own shares	Translation reserve	Net profit/loss for the financial year	Retained net profit/loss	Capital attributed to owners of the controlling interest	Non-controlling interest	Total
Balance as at 31 Dec. 2012	83,751	0	0	4,977	1,822	-5,604	0	-4,977	0	-99,181	84,940	65,728	1,568	67,296
Total comprehensive income														
Loss for the year	0	0	0	0	0	0	0	0	0	-55,569	0	-55,569	11	-55,558
Other comprehensive income	0	0	0	0	-754	5,604	0	0	0	0	0	4,850	0	4,850
Items not to be reclassified to profit or loss	0	0	0	0	-20	0	0	0	0	0	0	-20	0	-20
Foreign currency translation differences	0	0	0	0	0	0		0		0	0		0	0
Effective portion of changes in fair values of cash flow hedges - interest rate swaps	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in fair value of available-for-sale financial assets		0	0	0	-727	0	0	0	0	0	0	-727	0	-727
Deferred tax on change in fair value of available-for-sale financial assets	0	0	0	0	55	0	0	0	0		0	55	0	55
Change in fair value of investments in associates	0	0	0	0	0	5,604	0	0	0	0	0	5,604	0	5,604
Change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	0	-73	0	0	0	0		0	-73	0	-73
Deferred tax on change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	0	11	0	0	0	0		0	11	0	11
Total comprehensive income	0	0	0	0	-754	5,604	0	0	0	-55,569	0	-50,719	11	-50,708
Transactions with owners, recorded directly in equity												0		
Transfer of net loss of the previous year in the retained net profit	0	0	0	0	0	0	0	0	0	99,181	-99,181	0	0	0
Acquisition of own shares	0	0			0	0	0	0	0	0	0	0	0	0
Decrease of minority interest due to sale of companies	0	0	0	0	0	0	0	0	0	0	0	0	-415	-415
Increase of minority interest due to change of company ownership	0	0	0	0	0	0	0	0	0	0	0	0	2	2
Total transaction with owners recorded in capital	0	0	0	0	0	0	0	0	0	99,181	-99,181	0	-413	-413
Changes in capital												0		
Covering a loss	-58,309	0	0	0	0	0	0	0	0	0	58,309	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
Total changes in capital	-58,309	0	0	0	0	0	0	0	0	0	58,309	0	0	0
Balance as at 31 Dec. 2013	25,442	0	0	4,977	1,068	0	0	-4,977	0	-55,569	44,069	15,010	1,166	16,176

1.2 Composition of the Sava Group and data about the operations of subsidiaries and associates in 2013

As at 31 December 2013, the Sava Group consisted of 9 companies: the parent company Sava d.d. and 8 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 December 2013 and 31 December 2012

	% ownership 31 Dec. 2013	% ownership 31 Dec. 2012	Change in % of ownership in 2013
RUBBER MANUFACTURING WITH THE FOREIGN TRADE NETWORK		-7.771	9.177
SAVATECH d.o.o., Kranj*	0.00%	100.00%	-100.00%
- SAVA TRADE GmbH, Munich, Germany (owned by Savatech d.o.o)*	0.00%	100.00%	-100.00%
- SAVA TRADE sp.z.o.o., Warsaw, Poland (owned by Savatech d.o.o)*	0.00%	100.00%	-100.00%
- SAVA TRADE spol.s.o.o., Prague, Czech Republic (owned by Savatech d.o.o)*	0.00%	100.00%	-100.00%
- SAVATECH TRADE Ltd., London, Great Britain (owned by Savatech d.o.o)*	0.00%	100.00%	-100.00%
- SAVATECH CORP., Port Orange, Florida, USA (owned by Savatech d.o.o)*	0.00%	100.00%	-100.00%
- SAVA-ROL, d.o.o., Zagreb, Croatia (owned by Savatech d.o.o)*	0.00%	76.00%	-76.00%
SAVAPRO d.o.o., Kranj*	0.00%	60.00%	-60.00%
- SAVARUS d.o.o., Jaroslavl, Russia (owned by SAVAPRO, d.o.o.)*	0.00%	100.00%	-100.00%
TOURISM			
SAVA TURIZEM d.d., Ljubljana	99.05%	99.05%	0.00%
Sava Golf d.o.o., Ljubljana (owned by Sava Turizem d.d.)**	0.00%	0.00%	0.00%
Sava Zdravstvo d.o.o., Ljubljana (owned by Sava Turizem d.d.)	100.00%	0.00%	100.00%
SAVA TMC d.o.o., Ljubljana (owned by Sava Turizem d.d.)	100.00%	100.00%	0.00%
REAL ESTATE			
SAVA NEPREMIČNINE d.o.o., Kranj	100.00%	100.00%	0.00%
SAVA NOVA d.o.o., Zagreb, Croatia	100.00%	100.00%	0.00%
OTHER OPERATIONS			
SAVA MEDICAL IN STORITVE d.o.o., Kranj (owned by Savatech d.o.o)*	0.00%	100.00%	-100.00%
GIP SAVA KRANJ d.o.o., Ruma, Serbia	100.00%	100.00%	0.00%
ENERGETIKA d.o.o., Kranj***	under receivership	100.00%	-100.00%
ENERGETIKA ČRNOMELJ d.o.o., Ljubljana	50.68%	50.68%	0.00%
ENSA BH d.o.o., Srbac, Bosnia and Herzegovina**	0.00%	100.00%	-100.00%
SAVA ENSA, dooel., Skopje, Macedonia****	transfer to other investments	100.00%	-100.00%
BRAMIR d.o.o., Mostar, Bosnia and Herzegovina****	transfer	100.00%	-100.00%
SAVA IT d.o.o., Ljubljana	100.00%	100.00%	0.00%

Changes in the composition of the Sava Group

Explanation to the List of companies

As at 31 December 2013, the number of companies in the Sava Group decreased by 13 companies compared to the end of 2012.

* **Divesting the entire Rubber Manufacturing with the Foreign Trade Network** was the major project of 2012 and represented one of the milestones in Sava's restructuring strategy. The agreement with the selected strategic partner, the Czech rubber manufacturing group ČGS, was signed at the end of October 2012. At the beginning of January 2013, all suspensory conditions defined in the agreement were fulfilled. The transaction was completed with effecting the purchase consideration.

** As part of the Tourism business, the company Sava **Golf d.o.o.** was established, to which the assets of the golf course in Bled were transferred in the course of the year. At the end of 2013, a 100% shareholding of this company was sold.
The company **Ensa BH d.o.o.**, Srbac, Bosnia and Herzegovina, was sold at the end of 2013.

*** A petition for insolvency proceedings of the company **Energetika**, družba za naložbe in upravljanje z energijo, d.o.o., was filed at the Kranj District Court. At the beginning of August 2013, the court issued the decision on opening **insolvency proceedings** on 5 August 2013. As at 31 December 2013, the insolvency proceedings were still in progress.

****Owing to their minimum values, the companies Sava Ensa dooel. and Bramir d.o.o. were transferred under securities available for sale. For this reason, they were excluded from consolidated financial statements.

Other explanations

- The company Sava Zdravstvo d.o.o. was established in the Tourism division, which is under a 100% ownership of Sava Turizem d.d. At the end of 2013, the company was still dormant, it will deal with strategic renewal of healthcare business.
- The head office of the parent company Sava d.d. was changed and is now in Dunajska cesta 152, Ljubljana.
- The head office of SAVA TMC d.o.o. was changed and is now in Dunajska cesta 152, Ljubljana.
- The head office of Sava Nepremičnine d.o.o. was changed and is now in Dunajska cesta 152, Ljubljana.
- The head office of Sava Turizem d.d. was changed and is now in Dunajska cesta 152, Ljubljana.

Associated companies of the Sava Group

The following changes in connection with equity stakes in associates took place in 2013:

* The number of shares of Gorenjska banka d.d. owned by Sava d.d. reduced by 6,050 to reach 146,060 shares, while the ownership decreased by 1.83 percentage point to 44.07%. The shares were alienated in the procedure of cashing in collateral under the securities call option contract. The controlling stake decreased to 48.82%.

** Based on the decision by the Bank of Slovenia of 17 December 2013 on introducing urgent measures, total qualifying liabilities of the bank including the share capital of Abanka expired on 18 December 2013. On the very same day, corresponding entries were carried out in the court register, while the existing shares were cancelled from the central registry of dematerialised securities run by the KDD d.d. Prior to this change, Sava d.d. held 1,715,841 ABKN shares representing 23.8311% of total issue of Abanka shares. After cancellation of the ABKN shares, Sava d.d. no longer holds any Abanka shares.

***Maksima Invest d.d. is in insolvency proceedings, which is why the ownership ceased to exist.

**** Panensa d.o.o.was alienated when selling the ownership stake of Ensa BH d.o.o.

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

List of associates and a comparison of ownership stakes as at 31 December 2013 and 31 December 2012:

	% ownership 31 Dec. 2013	% ownership 31 Dec. 2012	Change in % of ownership in 2013	Controlling stake ***** 31 Dec. 2013
SAVA d.d., družba za upravljanje in financiranje, Kranj - as the parent company				
- Gorenjska banka d.d., Kranj*	44.07%	45.90%	-1.83%	48.82%
- Abanka Vipa d.d., Ljubljana**	0.00%	23.83%	-23.83%	0.00%
- NFD Holding d.d., Ljubljana	24.65%	24.65%	0.00%	24.65%
- Maksima Invest d.d., Ljubljana - under receivership***	0.00%	21.77%	-21.77%	0.00%
SAVA TURIZEM d.d. - as the parent company				
- Gorenjska banka d.d., Kranj	0.16%	0.16%	0.00%	0.17%
ENSA BH d.o.o., Srbac, Bosnia and Herzegovina - as the parent company				
- Panensa d.o.o., Srbac, Bosnia and Herzegovina****	0.00%	40.00%	-40.00%	0.00%

Other explanations:

- Owing to its minimum investment value the company Turizem Lendava d.o.o. was excluded from the list of associated companies.
- Sava d.d. transferred 34,287 shares of Gorenjska banka d.d., Kranj under a fiduciary ownership of the fiduciary Abanka Vipa d.d., Ljubljana. The fiduciary saves them in favour of the holders of bonds issued by Sava d.d. as collateral for the liabilities arising from the bonds until their maturity, which is on 30 November 2014.

Sales revenues of subsidiaries in 2013, capital of subsidiaries as at 31 December 2013 and operating profit/loss of subsidiaries in 2013 (€ in thousands):

	Sales revenues Jan- Dec 2013	Equity value 31 Dec. 2013	Operating profit /loss Jan-Dec 2013
TOURISM	64,169	94,058	1,027
SAVA TMC d.o.o., Dunajska cesta 152, 1000 Ljubljana	1,640	567	509
Sava Turizem d.d., Dunajska cesta 152, 1000 Ljubljana	61,916	93,483	670
Sava Golf d.o.o., Dunajska cesta 152, 1000 Ljubljana	614	0	-153
Sava Zdravstvo d.o.o., Dunajska cesta 152, 1000 Ljubljana	0	7	0
REAL ESTATE	0	1,976	-4,081
SAVA NEPREMIČNINE d.o.o., Dunajska cesta 152, 1000 Ljubljana	0	3,723	-2,717
SAVA NOVA d.o.o., Fra Filipa Grabovca 14, 10000 Zagreb, Croatia	0	-1,747	-1,364
OTHER OPERATIONS	4,183	988	-102
GIP SAVA KRANJ d.o.o., Industrijski put bb, 22400 Ruma, SSerbia	29	5	2
Sava IT d.o.o., Škofjeloška cesta 6, 4000 Kranj	1,662	431	2
ENERGETIKA ČRNOMELJ d.o.o., Dunajska cesta 152, 1000 Ljubljana	344	552	3
ENSA BH d.o.o., Prijeblezi BB, 78429 Srbac, Bosnia and Herzegovina	2,148	0	-109
SUBSIDIARIES TOTAL	68,352	97,022	-3,156

Sales revenues of subsidiaries in 2012, capital of subsidiaries as at 31 December 2012 and operating profit/loss of subsidiaries in 2012 (€ in thousands):

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

**The data refers to the period Jan-Jun 2012 and as at 30 June 2012.*

Capital of associated companies as at 31 December 2013 and operating profit/loss of associated companies in 2013 (€ in thousands):

Associated company / head office	Equity value 31 Dec.2013	Operating profit/loss 2013
Gorenjska banka, d.d., Bleiweisova 1, 4000 Kranj	X	X
NFD Holding, d.d., Trdinova 4, Ljubljana	X	X

Public announcements of the financial statements of Gorenjska banka d.d. and NFD Holding d.d. are planned to takes place after the date of publicly releasing the annual report of Sava d.d. and the Sava Group for 2013, which is why disclosure is not possible.

Capital of associated companies as at 31 December 2012 and operating profit/loss of associated companies in 2012 (€ in thousands):

Associated company / head office	Equity value 31 Dec.2012	Operating profit/loss 2012
Gorenjska banka, d.d., Bleiweisova 1, 4000 Kranj	289,187	-62,225
Abanka Vipa, d.d., Slovenska cesta 58, 1517 Ljubljana	168,558	-75,694
NFD Holding, d.d., Trdinova 4, Ljubljana	715	-20,068
Maksima Invest, d.d., Trdinova 4, Ljubljana*	n.d.	n.d.
Turizem Lendava, d.o.o., Glavna ulica 38, 9220 Lendava	-3	4
Panensa, d.o.o., Prijeblezi bb, 78429 Srbac, Bosnia and Herzegovina	-31	-12

** The company is under receivership.*

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 Dunajska cesta 152, 1000 Ljubljana. The consolidated financial statements of the Sava Group, which include the controlling company Sava d.d., its subsidiaries, and the interests in the associated companies, have been drawn for the period ending on 31 December 2013.

1.3.2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and in compliance with the IFRICs as adopted by the International Accounting Standards Board (IASB), and in accordance with the Companies Act.

The Management Board approved the issue of the financial statements on 18 March 2014.

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 values.

The methods applied in fair value measurement are described under paragraph 1.3.4. below.

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, which have their head office outside of Slovenia, use the following currencies: HRK, RSD.

d) Application of estimates and assumptions

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

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

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

- 1.3.21. Provisions
- 1.3.37. Contingent liabilities
- 1.3.12., 1.3.13. Evaluation of financial instruments

1.3.3. Significant accounting policies

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

a) Basis of consolidation

BUSINESS COMBINATIONS

In 2013, no interest was acquired whose value would constitute a new subsidiary of the Sava Group.

COMPOSITION OF THE SAVA GROUP

The Sava Group includes the parent company Sava d.d., 8 subsidiaries, and 2 associated companies. The financial statements of the mentioned subsidiaries are entirely included in the Group's consolidated financial statements, whereas in the case of the associated companies, the equity accounting method is considered at the annual level, i.e. the attributable profit or loss is added to the financial result of the Group, and equity revaluation adjustment is attributed to the equity of the Group. The parent company and subsidiaries prepare separate financial statements in accordance with SAS, whereas adjustments to IFRSs as adopted by the EU are carried out for the purpose of consolidation.

SUBSIDIARIES

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

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

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

ASSOCIATED COMPANIES

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

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

TRANSACTION ELIMINATED ON CONSOLIDATION

Intra-group balances of receivables and liabilities, and any unrealised gains and losses or income and expenses arising from transactions within the Sava Group are eliminated in preparing the consolidated financial statements. Unrealised 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 reporting 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 original 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 transaction. Foreign exchange gains/losses arising on retranslation are recognised in other comprehensive income as a translation reserve in equity. In the case of a subsidiary, which is not wholly owned, a suitable proportionate share of translation reserve is reallocated under the non-controlling share. At eliminating a foreign operation, the translation reserve amount is transferred in the income statement.

c) Financial instruments

c 1) NON-DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Loans and receivables

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

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

If impartial evidence exists that a receivable recognised at amortised cost resulted in a loss due to impairment, the loss is measured as a difference between the carrying amount of a receivable and the 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 with banks 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 of listed companies, shares and stakes of 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 impairment is determined at least once a year.

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

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

Non-derivative financial liabilities

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

c 2) DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Cash flow hedging

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, 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 for payment if the company discontinues its operation. It is determined on the basis of the sums invested by the owners, and the sums that appeared during operation and belong to the owners. It is decreased by loss from operations, repurchased own shares and withdrawals (payments). Total capital comprises share capital, capital reserves, revenue reserves, retained net profit, fair value reserve and own shares as a deductible item.

Ordinary no-par value shares

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

Repurchase of treasury shares

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

Dividends

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

Net earnings per share

Share capital of the Group is divided in ordinary nominal 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 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. The Group companies determine at least once a year whether there exists evidence for any impairment.

TRANSFER OF PROPERTY FROM TANGIBLE FIXED ASSETS TO INVESTMENT PROPERTY

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

SUBSEQUENT COSTS

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

DEPRECIATION

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

Estimated useful lives are as follows:

	2013	2012
Manufacturing building	-	25 to 80 years
Hotels, commercial buildings, warehouses	20 to 71 years	20 to 71 years
Office buildings	25 to 40 years	25 to 40 years
Manufacturing equipment in rubber manufacturing	-	4 to 20 years
Hotel furnishings	5 to 20 years	5 to 20 years
Computer equipment	2 to 5 years	2 to 5 years
Other equipment	6 to 20 years	6 to 20 years

In 2013, a change of depreciation rates in Tourism companies took place as follows:

1. Buildings – depreciation rates between 1.4% and 5.0%.
2. Infrastructure – depreciation rates between 1.4% and 5.0%.
3. Landscaping and recreational surfaces – depreciation rates between 1.4% and 3.0%.

The impact of the deprecation rates change in terms of value is detailed in paragraph 1.3.9.

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 net fair value of ascertained assets, liabilities and contingent liabilities of the acquired company.

Subsequent measurement

Goodwill is measured at cost less any 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 neither allocated to any asset, nor goodwill that forms part of the carrying amount of the equity accounted investment.

RESEARCH AND DEVELOPMENT

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

OTHER INTANGIBLE ASSETS

Other intangible 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 embodied in the specific asset to which it relates. All other expenditures are recognised in profit or loss as incurred.

AMORTISATION

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

f) **Investment property**

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

When it should be decided whether an asset is an investment property or property, plant and equipment, the asset is an investment property if more than 20% of its total 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 of real properties

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 inventories of Real Estate also includes interest expense on loans hired for a specific project.

h) Impairments of assets

FINANCIAL ASSETS

Financial assets is considered 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 recoverable amount is estimated each year at the reporting time.

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

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

i) Employee benefits

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

j) Provisions

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

Warranties for products and services

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

Provisions for retirement amounts and employee jubilee benefits

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

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

Provisions for reorganisation

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

Provisions for lawsuits

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

k) Government grants

Government grants are recognised in financial statements as deferred revenue when they are received and when there is a reasonable assurance that the conditions attaching to them will be complied with. Grants that compensate the Group for 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) Revenues

GOODS SOLD

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

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

SERVICES RENDERED

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

CONSTRUCTION CONTRACTS

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

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

An expected loss on a contract is recognised as incurred.

RENTAL INCOME

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

a) Finance income and finance costs

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

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

b) 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 to assess the Sava Group's performance.

p) Standards and interpretations effective in the present period

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

- **IFRS 13** - Fair Value Measurement; adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).
- **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, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).
- **Amended IFRS 1** - First-Time Adoption of International Financial Reporting Standards; government loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013).
- **Amended IFRS 7** - Financial Instruments: Disclosures; offsetting of financial assets and liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013).
- **Amended IAS 1** - Financial Statements Presentation; presentation of items of other comprehensive income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012).
- **Amended IAS 12** - Income Taxes, deferred tax: recovery of respective assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).
- **Amended IAS 19** - Employee Benefits; improved accounting for after-employment benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013).
- **Amendments to various standards -Improvements in IFRS (period 2009-2011)**; which arise from the annual improvement plan IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34), mainly with the intention of elimination inconsistencies and interpretations of texts adopted by the EU on 27 March 2013 (amendment are effective for annual periods beginning on or after 1 January 2013).
- **IFRIC 20 - Stripping Cost in the Production Phase of a Surface Mine**; adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

Adopting these amendments to the existing standards did not lead to any changes in the accounting policy of the company.

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

On the date of approving these financial statements, the following standards, amendments to the existing standards and explanation were issued by IASB and adopted by the EU but are not yet effective:

- **IFRS 10 - Consolidated Financial Statements;** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- **IFRS 11 – Joint Arrangements;** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- **IFRS 12 – Disclosure of Interests in Other Entities;** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- **IAS 27 (amended in 2011) – Separate Financial Statements;** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- **IAS 28 (amended in 2011) – Investments in Associates and Joint Ventures;** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, and IFRS 12 – Disclosures of Interests in Other Entities;** recommendations for transition as adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014).
- **Amended IFRS 10 – Consolidated Financial Statements, IFRS – Disclosure of Interests in Other Entities, and IAS 27 (as amended in 2011) – Separated Financial Statements;** Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2013).
- **Amended IAS 32 – Financial Instruments:** Presentation; offsetting financial assets and liabilities as adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- **Amended IAS 36 – Impairment of Assets;** recoverable amount disclosures for non-financial Assets, as adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).
- **Amended IAS 39 – Financial Instruments:** Recognition and Measurement; novation of derivative financial instruments and further applying of hedge accounting requirements as adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

  We still examine a possible effect of IFRS 10 on the Group, which depends also on the future events.

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

Currently, the IFRS as adopted by the EU, do not significantly differ from the regulations adopted by the IASB, with the exception of the following standards, amendments to the existing standards and explanations, which on 18 March 2014 were not yet endorsed for use in the EU:

- **IFRS 9 – Financial Instruments and Further Amendments;** (effective date not yet defined).
- **Amended IAS 19 – Employee Benefits – Defined Benefit Plans: Employee Contributions;** (effective for annual periods beginning on or after 1 July 2014).
- **Amendments to various standards – Annual Improvements to IFRS 2010-2012 Cycle;** they ensue from the IFRS annual improvement process (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) mainly with the intention of elimination inconsistencies and interpretations of texts (amendments are effective for annual periods beginning on or after 1 July 2014).
- **Amendments to various standards – Annual Improvements to IFRS 2011-2013 Cycle;** they ensue from the IFRS annual improvement process (IFRS 1, IFRS 3, IFRS 13, IAS 40) mainly with the intention of elimination inconsistencies and interpretations of texts (amendments are effective for annual periods beginning on or after 1 July 2014).

- **IFRIC 21 – Levies**; (effective for annual periods beginning on or after 1 January 2014).

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

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

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

1.3.4. Determination of fair values

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

PROPERTY, PLANT AND EQUIPMENT

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

INTANGIBLE ASSETS

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

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

INVESTMENT PROPERTY

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

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

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

INVENTORIES

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

INVESTMENTS IN EQUITY AND DEBT SECURITIES

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

OPERATING AND OTHER RECEIVABLES

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

DERIVATIVES

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

NON-DERIVATIVE FINANCIAL LIABILITIES

For reporting purpose, 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 2013 (for the past period January-December 2012), the balance sheet data as at 31 December 2013 and 31 December 2012 (for the past period 31 December 2012 and 31 December 2011) and other required data. The cash flow statement excludes the more important values which are not connected with revenues and expenses.

1.3.5. Financial risk management

OVERVIEW

In the Sava Group, we examine and analyse economic circumstances and regularly monitor the exposure to various risks and take measures for their managing.

With regard to the use of financial instruments, the Sava Group was exposed to the following risks in 2013:

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

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

RISK MANAGEMENT POLICY

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

RISK OF A CHANGE IN FAIR VALUE (PRICE RISK)

The risk of a change in fair value is one of the most important risks of the Sava Group as it is associated with achieving the planned return on financial assets and it impacts the implementation of the outlined strategy. As a consequence of poor economy, high uncertainty and new legal regulations, prices of financial investments continued to fluctuate in 2013. In the second half of 2013, stress tests and reviews of banks' assets quality were carried out to stabilise circumstances in the banking sector. Business banks with the worst stress tests results (NLB, NKBM and Abanka) received a decision on urgent measures by the Bank of Slovenia, whose objective was to re-establish conditions for long-term effective operations. For Sava d.d., implementing these measures resulted in a loss over the ownership of 1,715,841 shares of Abanka Vipa d.d. (a 23.83% shareholding) and of 1,504 shares of NLB d.d. (a 0.02% shareholding). This extraordinary event reduced the value of financial assets and the structure of financial assets of Sava d.d., as well as the 2013 operating result.

Risks in connection with fair value changes are decreased through diversifying the investment portfolio and active supervision over the companies' operations, in which Sava d.d. holds a major equity holding. In accordance with the adopted strategy and contractual commitments bound to financial restructuring of the company, we formulated a divestment plan investments to provide for suitable solvency.

CREDIT RISK

This involves the risk that a customer engaged in an agreement on a financial instrument will not meet its obligations, thus causing the company a financial loss. Credit risk is directly connected with commercial risk and presents a danger that trade receivables or receivables due from other business partners will be settled with a delay or not at all.

For this purpose, we devote special attention to customer solvency. We regularly monitor debts to be collected and due receivables, maturity of receivables and movements of average payment terms. To decrease exposure to this risk we make use of the customer rating system to supervise bad payers and carry out on-going compensations. Measures to minimise exposure to credit risk rely on our own in-depth customer rating and insurance estimates.

The major part of the increased credit risk at Sava d.d. is due to the transactions made with NFD Holding d.d. in the past. Sava d.d. approved two short-term loans to NFD Holding d.d. As at 31 December 2013, the value of the loans granted to NFD Holding d.d. in total with interests accruing amounted to €19,150 thousand. In April 2013, NFD Holding d.d. made a contract on financial liabilities restructuring, which regulated also the credit relations with Sava d.d. These loans are entirely secured with bills of exchange and securities. As at 31 December 2013, the value of pledged securities was estimated at €9,117 thousand, representing 48% of the granted short-term loans value. Owing to insufficient loan security, the loans were impaired by additional €725 thousand in 2013 (impairment at the end of 2012 amounted to €9,309 thousand).

Given the situation described above, the credit risk in the Sava Group is estimated as high.

INTEREST RATE AND EXCHANGE RATE RISK

Interest rate risk involves the risk that the value of financial instruments and cost of contracting debts will change because of the changed market interest rates. In July, Sava Turizem d.d. made an agreement on restructuring financial liabilities with all lending banks; financial liabilities mature in 2018, the agreed interest rate amounts to EURIBOR +

5%. In July 2013, Sava d.d. made an agreement on restructuring financial liabilities with the lending banks, which expires at the end of 2014. Later on, the company agreed equal conditions with other financial creditors, meaning that the company agreed uniform conditions and interest rate for its total financial liabilities, which upon signing the restructuring arrangement was turned into a fixed interest rate. Upon expiration of the restructuring agreement, the exposure to interest rate change will increase again. The risk of changes in market interest rate in the described and uncertain economic circumstances is high.

Exchange rate risk involves a risk of losing economic benefits due to changes in the foreign currency exchange rates. The Sava Group mainly does business in the Euro Zone. We actively pursue the macro-economic movements as well as foreign exchange rate fluctuations, and decrease most of this risk through a natural hedge by adapting the business so as to avoid the exposure to foreign exchange risk. The parent company has investments in the markets of the former Yugoslavia, which is why it is exposed to the fluctuations of foreign exchange rates of Serbian dinar and Macedonian denar. To hedge against foreign exchange risks, we did not use any derivative financial instruments in 2013, since due to big differences between the interest rate for the above-mentioned currencies there were no suitable hedge instruments available in the market that would effectively eliminate risks in this connection.

Considering the given circumstances, we estimate that the Sava Group is not strongly exposed to the foreign currency risk.

SOLVENCY RISK

This involves the risk that a company may not meet its financial obligations in due time. Owing to the continued adverse economic situation in 2013, the circumstances in money markets were adverse too. The recovery process of domestic banking system negatively affects the acquisition of additional finance sources, which is demonstrated in the aggravated conditions for provision of suitable solvency of Slovene companies and on-going settlement of liabilities.

In this year, the Sava Group devoted much attention to provision of liquidity in companies, regular settling of financial liabilities and regulating relations with the lending banks. In the given circumstances, the company implemented the crucial activities as defined in the long-term business strategy until 2014, which facilitated doing business smoothly. The strategy is based on restructuring of financial liabilities and defines the activities for divesting financial investments. Divesting financial investments of the parent company, with disposal of Rubber Manufacturing in January 2013 representing the biggest share, selling the assets and regular repayment of the principals in the tourism business reduced indebtedness of the Group by €64.4 million with regard to the end of 2012.

All Group companies carry out measures to improve operating business by cost rationalisations, activities for cash flow strengthening and other measures to increase the operating profit.

Due to unfavourable circumstances in money markets, and above all due to expiration of the major part of restructured Group's liabilities in November 2014, solvency risk in the Sava Group remains very high.

GUARANTEES AND SURETIES

In accordance with its policy the parent company Sava d.d. has offered financial guarantees and sureties for hired loans mainly to the subsidiaries within the Group until recently. Owing to financial liabilities restructuring and the associated commitments, the possibilities for issuing guarantees and sureties are rather limited and deferred in the case of the parent company. Issued guarantees and sureties referred to transactions made before the restructuring and as at 31 December 2013, they amounted to €4.2 million (at the end of 2012: €10.7 million).

CAPITAL MANAGEMENT

An adequate 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 financial restructuring of liabilities and divesting of Group's investments. Based on the planned and performed activities, the capital structure will improve and investor and other partners' confidence in the business and long-term development of the Group will enhance.

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

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

The Group's debt to adjusted capital ratio was as follows (€ in thousands):

	2013	2012
1. Total debts	310,074	413,634
2. Less: cash and cash equivalents	-1,239	-551
3. Net debts (1. – 2.)	308,835	413,083
4. Total equity	16,176	67,296
5. Less/plus: amounts accumulated in equity relating to cash flow hedges	0	0
6. Adjusted capital (4.+5.)	16,176	67,296
7. Debt to adjusted capital ratio at 31 Dec. (3./6.)	19.09	6.14

1.3.6. Segment reporting

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

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

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

Operating segments

The Sava Group consists of the following operating segments:

- Tourism division
- Real Estate division
- Investment Finance division
- Other Operations

1.3.7. Data by segment

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

Business operations of individual divisions are described in the business section of the annual report.

Data by operating segment for 2013 *(€ in thousands)*

	Tourism	Real Estate	Other Operations	Investment Finance	Excluding Group transactions	Total
Revenues from goods sold	0	0	2,148	0	0	2,148
Revenues from services rendered	60,962	0	2,035	1,432	-1,266	63,163
Net revenues from construction contracts	0	0	0	0	0	0
Rental income	2,720	0	0	426	-1,723	1,423
Revenues from merchandise sold	488	0	0	0	0	488
Change of inventories	0	0	0	0	0	0
Other operating revenues	1,338	0	182	5,264	-2,111	4,673
Total operating revenues	65,508	0	4,365	7,122	-5,100	71,895
Interest revenues	377	44	2	994	-438	979
Interest expenses	-3,159	-207	-83	-8,690	439	-11,700
Share in profit/loss of associates	0	0	0	0	0	0
Net profit/loss for the year	1,027	-4,081	-102	-11,381	-41,020	-55,558
Assets	177,259	9,437	2,168	248,317	-110,931	326,250
Investments in associates	64	0	0	85,915	238	86,217
Liabilities	83,201	7,461	1,180	233,200	-14,968	310,075
Purchase of property, plant and equipment	5,199	0	9	130	0	5,338
Depreciation	7,711	0	225	124	0	8,060
Impairment of property, plant and equipment	2,758	0	17	0	0	2,775
Impairment of investment property	0	2,543	0	0	0	2,543

Revenues from shares in profit/loss of associates entirely referred to the Investment Finance business. In 2013, there were none.

Data by operating segment for 2012 (€ in thousands)

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

Revenues from shares in profit/loss of associates entirely referred to the Investment Finance business. In 2012, there were none.

Data about sales revenues by region (€ in thousands)

	Slovenia	Other EU countries	Other	Total
2013	65,040	0	2,181	67,221
2012	86,895	58,260	47,033	192,188

The assets are not segmented by region due to the fact that the carrying amount of assets relating to the companies in Slovenia represented 99.9% of total Group's assets (2012: 96.9%).

Sales revenues to the biggest customer of the Sava Group, i.e. a customer of Tourism, amounted to €1,919 in 2013 (2012: Rubber Manufacturing €8,530 thousand).

1.3.8. Discontinued business, assets and liabilities for sale, acquisitions and disposals of equity stakes in subsidiaries

YEAR 2013

a) Explanation in connection with the procedure and implementation of selling the companies of Rubber Manufacturing with the Foreign Trade Network

- The object of the sale was a 100% share of Savatech d.o.o., Kranj with its daughter companies, a 60% share of Savapro d.o.o., Kranj and the Sava trademark in the part referring to the production process in Savatech, d.o.o.;
- The primary goal of the sale was to maximise purchase consideration to reduce debts of Sava d.d., and the secondary goal was to preserve this business as a whole and keep the production in Kranj.
- The sale procedure took place in several phases, during which strategic and financial investors were invited to participate.
- Besides the Management Board members of Sava d.d. and management of Savatech d.o.o., the process was conducted also by financial EquityGate Advisors and legal counsellors of the law firm Jadek&Pensa;
- The best bidder was the Czech rubber manufacturing group ČGS a.s. which was selected as a strategic partner, the agreement on selling the business was signed on 25 October 2012.
- The conditions for effecting the purchase consideration defined in the agreement were met on 8 January 2013, on which day total purchase consideration was effected. The procedure of selling Rubber Manufacturing was thus formally finished.
- The purchase consideration for a 100% share of Savatech d.o.o. amounted to €69,400 thousand. The amount of €49,300 thousand was used for repayment of loans to banks, €4,932 thousand for closing the liabilities that Sava d.d. had to Rubber Manufacturing, €15,168 thousand was put on the escrow account at the notary. In this transaction, Sava d.d. generated a profit of €24,302 thousand.
- The purchase consideration for a 60% share of Savapro d.o.o. amounted to €1,000 thousand and was entirely settled. In this transaction, Sava d.d. made a loss of €794 thousand

Information on the values in the income statement of the companies of Rubber Manufacturing with the Foreign Trade Network as at 31 December 2012 (prior to the sale)

(€ in thousands)

	2012	2011
Revenues from products sold and services rendered	146,328	142,696
Changes in inventories	-739	1,812
Other revenues	1,515	1,553
Cost of goods, material and services	-107,119	-105,947
Labour cost	-24,966	-24,563
Amortisation, depreciation and write-offs	-5,211	-5,449
Other operating expenses	-837	-1,161
Financial and other revenues	1,732	1,902
Financial expenses	-1,960	-2,522
Tax	-1,273	-1,560
Net operating profit for the year	**7,470**	**6,762**

Information on the values in the statement of financial position of the companies of Rubber Manufacturing with the Foreign Trade Network as at 31 December 2012 (prior to the sale) (€ in thousands)

	31 Dec. 2012	Exclusions in consolidation 31 Dec. 2012	Transfer under available for sale 31 Dec. 2012	31 Dec. 2011
Property, plant and equipment	57,740	-11,227	46,513	57,877
Intangible assets	100	0	100	9
Investment property	1,600	-283	1,317	1,589
Long-term financial investments	3,438	-3,438	0	171
Long-term loans and receivables	313	0	313	2,023
Deferred tax receivables	429	0	429	520
Inventories	16,344	0	16,344	17,217
Operating and other receivables	25,708	-6,759	18,949	26,528
Granted loans	9,199	-8,303	896	8,761
Cash and cash equivalents	6,566	0	6,566	8,176
Assets	**121,437**	**-30,010**	**91,427**	**122,871**
Capital	78,060	-78,060	0	78,567
Provisions	4,628	0	4,628	4,714
Obtained long-term loans	0	0	0	0
Long-term operating liabilities	0	0	0	1,403
Deferred tax liability	0	0	0	0
Obtained short-term loans	19,765	-2,715	17,050	18,454
Short-term operating liabilities	18,414	-7,465	10,949	19,127
Short-term provisions	570	0	570	607
Capital and liabilities	**121,437**	**-88,240**	**33,197**	**122,871**

b) Explanation in connection with selling the companies of Energy Management

- The object of the sale was a 100% share of Ensa BH, d.o.o., Srbac, Bosnia and Herzegovina.
- In 2013, Sava d.d. sold the share of the company without any price difference.
- Financial investment in Ensa BH d.o.o. amounted to €3,751 thousand, until inclusive of 2012, the investments was impaired in total amount.

Information on the values in the income statement of Ensa BH d.o.o., Srbac (€ in thousands)

	Jan-Sep 2013	Jan-Dec 2012
Revenues from products sold and services rendered	2,148	2,589
Changes of inventories	13	-755
Other revenues	0	37
Cost of goods, material and services	-1,861	-2,167
Labour cost	-268	-312
Amortisation, depreciation and write-offs	-67	-135
Other operating expenses	0	-5
Financial and other revenues	0	901
Financial expenses	-37	-155
Tax	0	0
Net operating profit for the year	**-72**	**-2**

Information on the values in statement of financial position of Ensa BH d.o.o., Srbac
(€ in thousands)

	30 Sept. 2013	31 Dec. 2012
Property, plant and equipment	1,834	1,926
Intangible assets	2	3
Investment property	0	0
Long-term financial investments	0	0
Long-term loans and receivables	0	0
Deferred tax receivables	0	0
Inventories	457	476
Operating and other receivables	320	239
Granted loans	32	77
Cash and cash equivalents	6	40
Assets	2,651	2,761
Capital	697	756
Provisions	0	2
Obtained long-term loans	73	170
Long-term operating liabilities	0	0
Deferred tax liability	0	0
Obtained short-term loans	662	808
Short-term operating liabilities	1,219	1,025
Short-term provisions	0	0
Capital and liabilities	2,651	2,761

c) Explanation to selling of Sava Golf d.o.o..

- The object of selling was a 100% share Sava Turizem d.d. had in Sava Golf d.o.o.
- Sava Golf d.o.o. was established for selling the golf course in Bled.
- On the day of selling, Sava Golf d.o.o. had a balance sheet total of €5,442 thousand available, tangible assets of €5,420 thousand and other assets totalling €22 thousand. The value of capital amounted to €3,598 thousand and that of liabilities €1,844 thousand.
- In this sale transaction, Sava Turizem d.d. made a profit of €5,402 thousand.

d) Introduction of insolvency proceeding for Energetika d.o.o.

On 30 May 2013, a petition for institution of insolvency proceeding for the company Energetika, družba za naložbe in upravljanje z energijo d.o.o. was filed at the Kranj District Court. By the decision of the Court, insolvency proceeding was instituted on 5 August 2013.

As at 31 December 2013, Energetika d.o.o. disposed of the balance sheet total of €174 thousand. It had negative capital of €428 thousand, its structure including the uncovered losses of €1,308 thousand. On the day of instituting insolvency proceedings, which as at 31 December 2013 was not finished yet, the ownership of Sava d.d. in this company ceased.

e) Other changes

Owing to their minimum values, the financial investments in Sava Ensa dooel., Skopje and Bramir d.o.o., Mostar were transferred under securities available for sale. For this reason, they were excluded from consolidated financial statements. In the financial statements of Sava d.d., all relations with the mentioned companies were settled.

Sava Ensa doel. had the assets of €342 thousand, liabilities of €337 thousand and capital of €5 thousand available. The company is not operative. In connection with the financial investment in this company, Sava d.d. made a loss of €5 thousand already 2012. The company is being dissolved. We estimate that Sava d.d. is not exposed to potential liabilities risk in connection with Sava Ensa doel.

Bramir d.o.o. had the assets of €1,477 thousand, liabilities of €1,600 thousand and negative capital of €123 thousand available. The major part of assets and liabilities was transferred to Ensa BH d.o.o. in the final phase of selling the same. In connection with the financial investment in this company, Sava d.d. suffered a loss of €10 thousand already in 2012. The company is being closed. We estimate that Sava d.d. is not exposed to potential liabilities risk in connection with Bramir d.o.o.

YEAR 2012

a) Savatech d.o.o. purchased a 5% shareholding of Savatech Corp., Port Orange, Florida, and thus became a 100% owner of the company. The value of share amounted to USD 27 thousand.

b) Under Other Operations – Energy Management - a 100% share of Bramir, d.o.o., Mostar, Bosnia and Herzegovina was acquired. The value of share amounted €10 thousand.

c) 100% share of Investicijsko podjetje d.o.o., Ljubljana (previously Sava IP d.o.o., Ljubljana) was sold. The companies owned by Investicijsko podjetje, IP Nova d.o.o., Ljubljana and IP Nova A d.o.o.,Ljubljana, were part of this transaction. Before selling the shareholding, a part of assets of the company was separated to Sava Nepremičnine d.o.o., Kranj, which is under a 100% ownership of Sava d.d. The purchase consideration for the sold part amounted to €16,658 thousand, at which a negative price difference of €242 thousand was made at Sava d.d.

Income statement of Investicijsko podjetje d.o.o. (previously Sava IP d.o.o.), IP Nova d.o.o. and IP Nova A d.o.o. for the period January-June 2012 and 2011 (€ in thousands)

	Jan. - Jun. 2012	2011
Revenues from products sold and services rendered	338	5,867
Changes of inventories	471	-2,320
Other revenues	0	389
Cost of goods, material and services	-483	-2,082
Labour cost	-554	-1,073
Amortisation, depreciation and write-offs	-95	-6,316
Other operating expenses	-6	-135
Financial and other revenues	126	462
Financial expenses	-419	-858
Tax	-14	-39
Net profit for the year	**-636**	**-6,105**

Statement of financial position of Investicijsko podjetje d.o.o.(previously Sava IP d.o.o.), IP Nova d.o.o. and IP Nova A d.o.o. as at 30 June 2012 and 31 December 2011 – sold assets and liabilities
(€ in thousands)

	30 Jun. 2012	Exclusions in consolidation 30 Jun. 2012	Sale of assets and liabilities 30 Jun. 2012	31 Dec. 2011	Exclusions in consolidation 31 Dec. 2011	Transfer under assets and liabilities for sale
Property, plant and equipment	1,739	0	1,739	1,782	0	1,782
Intangible assets	102	0	102	109	0	109
Investment property	2,377	0	2,377	2,413	0	2,413
Long-term loans and receivables	4,796	0	4,796	4,829	-18	4,811
Inventories	25,252	-3,320	21,932	24,782	-3,320	21,462
Operating and other receivables	494	0	494	574	-27	547
Granted loans	487	0	487	2,171	-1,544	627
Cash and cash equivalents	1,192	0	1,192	597	0	597
Assets	36,439	-3,320	33,119	37,257	-4,909	32,348
Capital	19,021	-19,021	0	19,340	-19,340	0
Provisions	270	0	270	266	0	266
Obtained long-term loans	6,370	0	6,370	6,752	0	6,752
Long-term operating liabilities	32	0	32	32	0	32
Obtained short-term loans	10,400	0	10,400	10,399	-8	10,391
Short-term operating liabilities	299	0	299	320	-11	309
Short-term provisions	47	0	47	148	0	148
Capital and liabilities	36,439	-19,021	17,418	37,257	-19,359	17,898

1.3.9. Property, plant and equipment

Movement of property, plant and equipment of the Sava Group for 2013 *(€ in thousands)*

	Land	Buildings	Plant and machinery	Other equipment	PPE under construction	Advances for acquisition of tangible assets	Total
COST							
Balance as at 1 Jan. 2013	**21,047**	**231,772**	**50,708**	**12,488**	**173**	**0**	**316,188**
Purchase	306	1,227	847	48	2,911	13	5,351
Increase in advance payment	0	0	0	0	0	0	0
Decrease in advance payments	0	0	0	0	0	0	0
Decrease in advance payment from the current year	0	0	0	0	0	0	0
Transfers	0	2,023	67	0	-2,090	0	0
Decrease due to sale	0	-13	-727	-12	0	0	-753
Decrease due to sale of a subsidiary	-549	-7,057	-4,489	-8	0	0	-12,103
Write-offs	0	-6	-920	-199	0	0	-1,126
Impairment	-377	-2,422	-907	-3	0	0	-3,709
Balance as at 31 Dec. 2013	**20,427**	**225,525**	**44,578**	**12,313**	**993**	**13**	**303,848**
ACCUMULATED DEPRECIATION							
Balance as at 1 Jan. 2013	**0**	**-104,106**	**-35,291**	**-11,821**	**0**	**0**	**-151,217**
Purchase, increase	0	0	0	0	0	0	0
Put in use	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Decrease due to disposal	0	2	652	9	0	0	662
Decrease due to spin-off a company	0	3,210	2,551	0	0	0	5,760
Write-offs	0	1	896	205	0	0	1,102
Impairment	0	418	515	0	0	0	933
Depreciation	0	-4,489	-3,084	-158	0	0	-7,730
Balance as at 31 Dec. 2013	**0**	**-104,963**	**-33,762**	**-11,765**	**0**	**0**	**-150,490**
CARRYING AMOUNT							
Balance as at 1 Jan. 2013	**21,046**	**127,667**	**15,416**	**667**	**173**	**0**	**164,969**
Balance as at 31 Dec. 2013	**20,427**	**120,561**	**10,816**	**548**	**993**	**13**	**153,358**

The data on the assets value, which were impaired, is given under 1.3.30.

Based on the real estate listing project in 2013, it was established in the companies of Tourism that certain depreciation rates as per destinations differ and considering the condition of buildings, infrastructure and recreational surfaces, they are high. That is why the expected service life considering normal use and maintenance of buildings was estimated, based on which a decision was made to change the sets of depreciation rates as follows:

- Buildings – with regard to the condition and use of buildings the depreciation rate ranges from 1.4% to 5.0%.
- Infrastructure – the condition of infrastructure enables normal use with the expected changed depreciation rate between 1.4% and 5.0%.
- Exterior landscaping and recreational surfaces: the condition enables normal use with the expected changed depreciation rate between 1.4% and 3.0%.

The revaluation effect in the period from 1 January to 31 December 2013 reduced the depreciation costs by €336 thousand, which also applies to 2012.

Movement property, plant and equipment of the Sava Group for 2012 (€ in thousands)

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

The data on the assets value, which were impaired, is given under 1.3.30.

Overview of mortgage values as at 31 December 2013 *(€ in thousands)*

	Carrying amount of mortgaged assets	Mortgage value on real estate
Sava d.d.*	1,466	1,466
Sava Nepremičnine d.o.o.	2,359	7,000
Sava Turizem d.d.	93,111	51,952
Total	**96,936**	**60,418**

** The value of mortgages in Sava d.d. totalling €1,466 thousand referred to investment property.*

*** The value of mortgages in Sava Nepremičnine d.o.o. totalling €2,359 thousand referred to investment property.*

Overview of mortgage values as at 31 December 2012 *(€ in thousands)*

	Carrying amount of mortgaged assets	Mortgage value on real estate
Sava d.d.*	7,902	7,902
ENSA BH d.o.o.	191	191
Savatech d.o.o.	34,141	34,141
Sava Turizem d.d.	101,413	49,525
Total	**143,647**	**91,759**

* The value of mortgages in Sava d.d. included a mortgage on investment property totalling €1,637 thousand.

1.3.10. Intangible assets

Movement of intangible assets of the Sava Group for 2013 and 2012 *(€ in thousands)*

	31 Dec. 2013	31 Dec. 2012
COST VALUE		
Balance as at 1 Jan.	**1,871**	**1,676**
Increases, purchases	12	306
Transfers	0	-111
Decreases	-612	0
Transfer to assets for sale	-3	0
Write-offs	-77	0
Final balance	**1,192**	**1,871**
ACCUMULATED DEPRECIATION		
Balance as at 1 Jan.	**-1,306**	**-1,216**
Increases, purchases	0	0
Decreases	607	0
Decreases due to sale of companies	-1	0
Transfers	0	8
Write-offs	41	0
Depreciation	-129	-98
Final balance	**-786**	**-1,306**
CARRYING AMOUNT		
Balance as at 1 Jan.	**565**	**459**
Final balance	**405**	**565**

1.3.11. Investment property

Movement of investment property of the Sava Group for 2013 *(€ in thousands)*

	Land - investment property	Buildings - investment property	Total
COST VALUE			
Balance as at 1 Jan. 2013	3,309	8,755	12,065
Increases, purchases	0	76	76
Transfers	6,316	0	6,316
Decrease due to sale	-2,173	-11	-2,184
Impairment	-2,543	0	-2,543
Balance as at 31 Dec. 2013	4,909	8,819	13,729
ACCUMULATED DEPRECIATION			
Balance as at 1 Jan. 2013	0	-5,199	-5,199
Decrease due to sale	0	27	27
Depreciation	0	-201	-201
Balance as at 31 December 2013	0	-5,374	-5,374
CARRYING AMOUNT			
Balance as at 1 Jan. 2013	3,309	3,556	6,865
Balance as at 31 Dec. 2013	4,909	3,446	8,355

According to our estimate, the fair value of investment property does not significantly deviate from the book values.

The value of mortgages in Sava d.d. shown under 1.3.9. also includes a mortgage placed on investment property totalling €1,466 thousand.

With investment property put in lease, revenues of €1,423 thousand and expenses of €582 thousand were generated. With investment property not put in lease, expenses of €136 thousand were shown.

The book value of investment property in Sava Nepremičnine, d.o.o., placed as surety for the liabilities from loans contracts, amounted to €2,359 thousand. The amount of placed mortgages on investment property amounted to €7,000 thousand, representing the balance of unpaid loans as at 31 December 2013. The real property Perovo with the book value of €1,414 thousand is additionally encumbered with a land debt totalling €2,485 thousand.

Movement of investment property of the Sava Group for 2012 (€ in thousands)

	Land - investment property	Buildings - investment property	Total
COST VALUE			
Balance as at 1 Jan. 2012	5,006	12,665	17,672
Increases, purchases	0	108	108
Transfers	-1,697	0	-1,697
Transfer to assets for sale	0	-4,018	-4,018
Balance as at 31 Dec. 2012	3,309	8,755	12,065
ACCUMULATED DEPRECIATION			
Balance as at 1 Jan. 2012	0	-7,632	-7,632
Transfer to assets for sale	0	2,701	2,701
Depreciation	0	-268	-268
Balance as at 31 December 2012	0	-5,199	-5,199
CARRYING AMOUNT			
Balance as at 1 Jan. 2012	5,006	5,033	10,040
Balance as at 31 Dec. 2012	3,309	3,556	6,865

According to our estimate, the fair value of investment property does not significantly deviate from the book values.

The value of mortgages in Sava d.d. shown under 1.3.9. also includes a mortgage placed on investment property totalling €1,637 thousand.

With investment property put in lease, revenues of €1,530 thousand and expenses of €499 thousand were generated. With investment property not put in lease, expenses of €299 thousand were shown.

1.3.12. Investments in the associated companies

The companies of the Sava Group had shares in the following associated companies (€ in thousands)

	% shareholding 31 Dec. 2013	% shareholding 31 Dec. 2012	Value of financial investments	
			31 Dec. 2013	31 Dec. 2012
Gorenjska banka d.d., Kranj*	44.23	46.06	86,188	111,72
Abanka Vipa d.d., Ljubljana**	0.00	23.83	0	9,609
NFD Holding d.d., Ljubljana	24.65	24.65	29	249
Maksima Invest d.d., Ljubljana***	0.00	21.77	0	0
Turizem Lendava d.o.o., Lendava****	0.00	29.92	0	3
Panensa d.o.o., BIH*****	0.00	**40.00**	0	0
Total			86,217	121,585

Explanations to the changes on shareholdings and other changes with regard to the previous year:

* The number of shares of **Gorenjske banka d.d.** owned by Sava d.d. and Sava Turizem d.d. decreased by 6,050 to 146,578 shares, while the shareholding decreased by 1.83 percentage point to 44.23%. These shares were alienated in the procedure of cashing in the collateral on forward sale of securities.

Sava d.d. transferred 34,287 shares of Gorenjska banka d.d., Kranj under a fiduciary ownership of the fiduciary Abanka Vipa d.d., Ljubljana. The fiduciary saves them in favour of the holders of bonds issued by Sava d.d. as collateral for the liabilities arising from the bonds until their maturity, which is on 30 November 2014.

** Based on the decision by the Bank of Slovenia of 17 December 2013 on introducing urgent measures, total qualifying liabilities of the bank including the share capital of **Abanka** expired on 18 December 2013. On the very same day, corresponding entries were carried out in the court register, while the existing shares were cancelled from the central registry of dematerialised securities run by the KDD d.d. Prior to this change, Sava d.d. held 1,715,841 ABKN shares representing 23.8311% of total issue of Abanka shares. After cancellation of the ABKN shares Sava d.d. no longer holds any Abanka shares.

*****Maksima Invest d.d.** is in insolvency proceeding, which is why the ownership ceased to exist.

**** **Turizem Lendava d.o.o.** was excluded from the list of the associated companies because of its minimum value.

***** **Panensa d.o.o.** was alienated with selling the ownership of Ensa BH d.o.o.

The investments in the associated companies moved as follows (€ in thousands):

	2013	2012
Initial balance	**121,585**	**199,848**
Acquisitions	0	0
Cancellation of attributable equity revaluation adjustments	5,604	0
Attributable profit	0	0
Paid dividends	0	0
Sales	3,588	0
Attributable losses	0	0
Impairments	37,414	-78,262
Final balance	**86,217**	**121,585**

Significant financial data about the associated company Gorenjska banka d.d., Kranj (€ in thousands)

	2013	2012
Assets	n.d.	1,790,040
Liabilities and provisions	n.d.	1,500,853
Capital	n.d.	289,187
Revenues	n.d.	97,421
Net profit/loss	n.d.	-62,225
Comprehensive income for the financial year after tax	n.d.	-40,771

The data for 2013 will be publicly accessible only after releasing the annual report of Sava.

Significant financial data about the associated company Abanka Vipa d.d., Ljubljana – for 2012 (€ in thousands)

	2013*	2012
Assets	-	3,597,986
Liabilities and provisions	-	3,429,428
Capital	-	168,558
Revenues	-	225,057
Net profit/loss	-	-75,694
Comprehensive income for the financial year after tax	-	-60,141

** As at 31 December 2013, the company was no longer owned by Sava d.d.*

Significant financial data about the associated company NFD Holding d.d., Ljubljana
(€ in thousands)

	2013	2012
Assets	n.d.	78,473
Liabilities and provisions	n.d.	77,758
Capital	n.d.	715
Revenues	n.d.	8,331
Net profit/loss	n.d.	-20,068
Comprehensive income for the financial year after tax	n.d.	-20,429

The data for 2013 will be publicly accessible only after releasing the annual report of Sava.

OTHER EXPLANATIONS IN CONNECTION WITH THE ASSOCIATED COMPANIES

In consolidated financial statements of the Sava Group, a 44.23% shareholding in Gorenjska banka d.d. is shown in the value of €86,188 thousand. Compared to the end of the previous year, the shareholding decreased by 1.83%. The investment value was reduced by €25,536 thousand, €3,588 thousand of which were due to cashing in the pledged shares and €21,981 thousand were due to net impairment of financial investment to €588 for a share.

Sava d.d. pledged 139,480 shares of Gorenjska banka d.d. for the obtained loans, issued bonds and obtained loan of a subsidiary. The book value of the pledged shares amounted to €82,017 thousand.

Introductory explanations to the evaluation of a financial investment in Gorenjska banka d.d. are given under item 2.4.4. of the financial report of Sava d.d., whereas the information about the evaluation of a 44.07% equity holding of Gorenjska banka d.d. for financial reporting purpose as at 31 December 2013 is given further below:

An evaluation report for a 44.07% equity holding of Gorenjska banka d.d. as at 31 December 2013 was produced for financial reporting purpose. A certified company evaluator licensed with the Slovene Audit Institute carried out the evaluation.

When computing the equity capital of Gorenjska banka d.d., the value in use was estimated using the method of the current value of expected free cash flow and the evaluated fair value decreased by selling costs and using the method of market comparisons. The following assumptions were considered: unchanged operations and going concern; business projections were produced based on the past performance results, the 2014 business plans, publicly announced platform for action and policies of the company, explanations given by the company's management board, analyses of macroeconomic environment and the industry. As of 2013, an amount of profit is retained in the company every year that ensures preserving Tier 1 at the level of 11.5%. As per the evaluation date, capital was adapted by a surplus capital amount, minority owner discount at 5%, shortage of marketability at 5%, required return on capital at 14.29%, and growth in normalised cash flow at 2%.

The final resolution on the estimate of recoverable amount was made based on the value in use in the range from €549 to €602 for a share, with the mean value at €585 for a share. Based on the evaluation, a value adjustment was formed in 2013 amounting to €27,585 thousand and the negative equity revaluation adjustment was cancelled totalling €5,604 thousand, after which the value of share reduced to €588 for a share and was thus equalled with the evaluation of investment in the parent company.

As at 31 December 2013, Sava d.d. and Sava Turizem d.d. held 146,578 shares of Gorenjska banka d.d., valued at €732 for a share. Based on the evaluation, a value adjustment was formed in 2013 amounting to 25,536 thousand after which the value of share reduced to €588 for a share and was thus equalled with the evaluation of investment in the parent company.

In 2013, the announced share capital increases of **Abanka Vipa d.d.** failed. Based on the decision by the Bank of Slovenia on introducing urgent measures, which was adopted on 17 December 2013, total bank's qualifying liabilities including the share capital of Abanka Vipa d.d. expired on 18 December 2013. On the same day, the corresponding entries were made in the court's register; consequently, the existent shares were cancelled from the Central Securities Depository. As at 31 December 2013, Sava d.d. thus no longer held this bank's shares. An ultimate impairment totalling €9,609 thousand was included in the single income statement and the income statement of the Group. Total loss of Sava d.d. arising from the financial investment in Abanka Vipa d.d. amounted to €130,529 thousand.

The value of a 24.65% stake in **NFD Holding d.d.**, Ljubljana, in single and consolidated financial statements amounted to €29 thousand. In comparison with the end of the previous year, the ownership stake did not change, whereas the value of investment decreased by €220 thousand in 2013 because of further drops in stock exchange prices. The value of investments ascertained by using the stock exchange price as at 31 December 2013, amounted to €29 thousand

The equity holding in **Maksima Invest d.d.** – under receivership, Ljubljana, was cancelled, the value of investment was entirely impaired already in the previous year. Total value of loss made by Sava d.d. with the financial investment in Maksima Invest amounted to €7,626 thousand.

Disclosures in connection with the composition of the Sava Group, share in capital, amount of capital and operating result of the subsidiaries are presented in the financial part of the annual report of the Sava Group.

1.3.13. Long-term securities available for sale

Types of long-term securities *(€ in thousands)*

	31 Dec. 2013	31 Dec. 2012
Shares of listed companies	3,604	4,755
Shares and stakes of unlisted companies	3,823	5,953
Mutual funds	23,999	25,874
Total	**31,426**	**36,582**

The value of other stakes and shares totalled €31,426 thousand and in comparison with the previous year it was lower by 14%. Other shares and stakes included listed securities available for sale totalling €3,604 thousand, unlisted securities available for sale in the amount of €3,823 thousand, and investment in a mutual fund totalling €23,999 thousand.

As at 31 December 2013, securities available for sale are valued at fair value. The net negative effect of revaluation amounted to €4,673 thousand, of which impairments through profit or loss amounted to €3,967 thousand and a net of €706 thousand were decreases of financial investments through equity revaluation adjustment.

The value of a 23.35% ownership stake in NFD 1, mutual fund, Ljubljana amounted to €23,999 thousand. The fair value was ascertained by using the stock exchange price on the last day of accounting period.

Despite a 23.35% ownership stake, the investment in NFD 1, mutual fund, is considered as available for sale and not as an associated company. NFD 1, mutual fund, is managed by a management company, in which Sava d.d. holds no ownership stake. The Supervisory Board of the company solely supervises the fund's operation. In 2011, NFD 1, mutual fund, restructured from a close investment fund into an open mutual fund, after which Sava d.d. became the owner of a certain share of mutual fund's coupons and has no influence on its management.

The total share in NFD 1, mutual fund, is pledged for the loans obtained by Sava d.d. The book value of pledged shares amounts to €23,999 thousand.

The value of other shares and stakes amounted to €7,427 thousand, and included 1,468,221 shares of Hoteli Bernardin d.d., 13,500 shares of Kompas Bled d.d, 4,987 shares of Pokojninska Družba A d.d., 9,874 shares of Jubmes Banka d.d., and 4,766 shares of Helios pledged for the loans obtained by Sava d.d. The book value of pledged shares amounts to €6,099 thousand.

Call option contract

Sava d.d. had a forward sale contract for 26,748 shares of NLB d.d. with Factor Banka d.d. concluded with maturity date as at 15 January 2013. The contract was secured with 6,050 shares of Gorenjska banka d.d. Upon its maturity, Sava d.d. did not exercise its right for buying the shares of NLB d.d., whereas the seller exercised its rights from collateral. The shares of Gorenjska banka d.d. placed as collateral were not sufficient for closing total liabilities arising from the call option contract. As at 31 December 2013, liabilities amounted to €1,561 thousand and fall due for payment at the end of November 2014; they are insured by entering a land debt on the real estate Perovo owned by Sava Nepremičnine d.o.o.

Movement of long-term securities
(€ in thousands)

	2013	2012
Balance as at 1 Jan.	36,582	41,178
Acquisitions	142	689
Increase with non-cash contributions	0	0
Transfers	0	0
Change to fair value	-706	1,821
Disposals at cost value	-625	-4,697
Impairments	-3,967	-2,408
Final balance	31,426	36,582

1.3.14. Long-term loans and long-term operating receivables

(€ in thousands)

	31 Dec. 2013	31 Dec. 2012
Receivables from financial lease*	0	0
Granted long-term loans	2	10
Other long-term financial receivables	0	10
Other long-term operating receivables	39	0
Total	41	20

Movement of long-term loans (€ in thousands)

	2013	2012
Balance as at 1 Jan.	20	384
Newly formed loans	0	13
Transfer	39	-314
Decrease	-7	-10
Repayments	-10	-37
Impairment	0	-16
Final balance	41	20

Analysis of long-term loans maturity (€ in thousands)

	31 Dec. 2013		31 Dec. 2012	
	From 1 to 5 years	More than 5 years	From 1 to 5 years	More than 5 years
Receivables from financial lease	0	0	0	0
Granted long-term loans	2	0	10	0
Other long-term financial receivables	0	0	10	0
Other long-term operating receivables	39	0	0	0
Total	41	0	20	0

1.3.15. Deferred tax receivables

Deferred tax receivables were formed in the value of €10,806 thousand and compared to the same period last year they were lower by half. This decrease was mainly due to the loss of ownership in Abanka Vipa d.d.

Deferred tax receivables referred to revaluation of securities available for sale to fair value. In accounting for deferred tax receivables, a 17% tax rate was used.

In spite of certain additional revaluations of available-for-sale financial investments, Sava d.d. neither formed new nor cancelled remaining deferred tax receivables in 2013. This is the result of extremely difficult and uncertain domestic economic situation that strongly affects the achieved conditions for selling financial investments, which is why we are not able to determine them precisely enough in terms of value and time.

Deferred tax receivables referred to the following items *(€ in thousands)*

	2013	2012
Receivables/liabilities – revaluation of securities to fair value	10,664	19,129
Receivables – newly formed long-term provisions	0	0
Receivables – provisions acc. to actuarial calculation, disputes	142	9
Receivables – retained profit in inventories	0	0
Receivables – subsidiaries abroad	0	155
Liabilities – subsidiaries abroad	0	0
Total	**10,806**	**19,293**

Deferred tax receivables or liabilities moved as follows *(€ in thousands):*

	2013	2012
Balance as at 1 Jan.	**19,293**	**24,697**
Change of deferred tax liabilities – through profit or loss	**-9,777**	**-5,161**
Change of receivables for provisions for severance pay	9	-1,023
Change of receivables due to impairment of securities and receivables	-9,786	-4,138
Change of deferred tax liabilities – in other comprehensive income	**1,506**	**4**
Change of liabilities from revaluation of securities to fair value	1,091	-80
Other changes of liabilities	415	84
Transfer	**-216**	**-247**
Final balance	10,806	19,293

Deferred tax receivables arising from tax losses were not accounted for, as it is estimated that in near future no such revenues would be generated that in addition to the deferred receivables from impairments of financial investments would also cover for deferred taxes arising from tax losses. The amount of not accounted for deferred tax receivables arising from tax loss of the Sava Group using a 17% tax rate amounted to €40,340 thousand as at 31 December 2013.

1.3.16. Inventories *(€ in thousands)*

	Gross value 31 Dec. 2013	Write-offs in 2013	Net value 31 Dec. 2013	Net value 31 Dec. 2012
Material	613	0	613	541
Merchandise	73	0	73	56
Unfinished construction projects	9,490	-1,167	3,578	11,113
Finished construction projects	0	0	0	0
Total	**10,177**	**-1,167**	**4,265**	**11,710**

In 2013, value adjustment was formed additionally in Sava Nova d.o.o., Zagreb amounting to €1,167 thousand, and in 2012 amounting to €349 thousand in all Group companies together. A mortgage was placed on inventories of Sava Nova d.o.o., Zagreb.

The book value of inventories amounted to €1,048 thousand. The balance of not yet repaid loan principal, which in 2013 was secured by placing mortgages on inventories, amounted to €700 thousand. Civil proceedings in connection with cashing in is in progress.

1.3.17. Short-term operating and other receivables *(€ in thousands)*

	31 Dec. 2013	31 Dec. 2012
Trade receivables	2,687	2,551
Receivables temporary not charged	843	1,121
Receivables due from associates	1,348	1,688
Advances paid	0	0
Receivables for VAT and other taxes	418	420
Other receivables	248	2,083
Total	**5,544**	**7,863**

In 2013, the Sava Group companies formed an allowance in trade receivables totalling €2,557 thousand. In 2012, the allowance amounted to €825 thousand.

1.3.18. Short-term granted loans *(€ in thousands)*

	31 Dec. 2013	31 Dec. 2012
Short-term granted loans	24,594	19,500
Short-term portion of long-term loans	0	0
Total	**24,594**	**19,500**

The gross amount of the loan granted to NFD Holding d.d. totalled €17,806 thousand, the balance of the formed value adjustment amounted to €10,034 thousand, and the net value of a receivable amounted to €7,772 thousand. In comparison with the end of the previous year, the balance of loans granted to NFD Holding d.d. was decreased by €4,698 thousand, of which repayment of loans amounted to €3,973 thousand and additional impairment of loans, calculated on the basis of estimating the suitability of received collateral for these two loans, amounted to €725 thousand.

The approved loans are insured with the bills of exchange and securities, which include 9,154,192 shares of Hoteli Bernardin d.d., 346,243 shares of NFD 1 d.d., 647,318 shares of Istrabenz d.d., 166,484 shares of Melamin d.d., 56,839 shares of Finetol d.d., 5,806 shares of Krka d.d., 893 shares of Petrol d.d., and 32,936 shares of Sava d.d. With all the mentioned shares, Sava d.d. is partly the first-entered lien holder, and partly the second-entered lien holder. The estimated value of securities received in pledge amounted to €9,116 thousand. A 2.70% interest is charged on the loan.

The remaining short-term granted loans totalling €16,822 thousand were deposits to banks. The interest rates range from 0.15% to 3.25%.

1.3.19. Cash and cash equivalents

(€ in thousands)

	31 Dec. 2013	31 Dec. 2012
Cash on hand and transaction account	1,239	551
Total	1,239	551

Cash and cash equivalents totalling €1,239 thousand referred to cash on account.

1.3.20. Equity capital and reserves

SHARE CAPITAL

The approved share capital that was totally paid in amounted to €25,441,851.48 as at 31 December 2013. Compared to the previous year it reduced by €58,309,716.03. At the 19th Shareholders' Meeting of Sava d.d. a decision on a simplified share capital decrease was adopted totalling €58,310 thousand to cover the accumulated loss as at 31 December 2012.

Capital 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.

RESERVE *(€ in thousands)*

Reserves structure	31 Dec. 2013	31 Dec. 2012
Legal reserve	0	0
Reserves for treasury shares	4,977	4,977
Other revenue reserves	0	0
Reserves	4,977	4,977

FAIR VALUE RESERVES *(€ in thousands)*

Fair value reserves structure	31 Dec. 2013	31 Dec. 2012
- from items not reclassified to profit or loss	-20	0
- from securities available for sale	1,088	1,822
- from investments in associates	0	-5,604
Fair value reserves	1,068	3,782

TREASURY SHARES

Treasury shares	31 Dec. 2013	31 Dec. 2012
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 as at 31 December 2013 reduced 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 another 32,936 Sava shares in pledge, representing 1.64% of totally issued shares.

RETAINED NET PROFIT *(€ in thousands)*

Retained net profit structure	31 Dec. 2013	31 Dec. 2012
Retained profit from previous years	-14,241	84,940
Share capital decrease (covering accumulated loss as per 31 December 2013)	+58,310	0
Net operating result for the period	-55,669	-99,181
Retained net profit	**-11,500**	**-14,241**

DIVIDENDS

	2013	2012
Dividend per ordinary share in the year *(€)*	0.0	0.0
Total amount of paid dividends to the debit of retained profit *(€ in thousands)*	0	0

NET LOSS PER SHARE

Share capital is divided into 2,006,987 ordinary personal no-par value shares that all have voting right and are freely transferrable. All shares are wholly paid in. The company has no bonds available to be converted into shares.

Weighted average number of sharesc

	2013	2012
Total number of shares	2,006,987	2,006,987
Less own shares	-30,541	-30,541
Weighted average number of shares	1,995,423	1,995,423

Net loss attributable to ordinary shares

	2013	2012
Net profit/loss for the year *(€ in thousands)*	-55,558	-99,279
Net profit /loss for the year attributable to the owners of the parent (€ in thousands)	-55,569	-99,181
Weighted average number of ordinary shares	1,995,423	1,995,423
Basic net loss per share (€)	**-27.85**	**-49.70**

The diluted net loss per share equals the basic net loss per share, since capital is composed of ordinary shares.

The appropriation of profit is only possible within the amount determined in accordance with Slovene legislation. The legislation regulates that a parent company may distribute the accumulated profit as determined in the separate financial statements compiled in accordance with Slovene Accounting Standards.

As at 31 December 2013, Sava d.d. showed the uncovered loss of €11,381 thousand, whereas at 31 December 2012 the uncovered loss amounted to €58,310 thousand.

(€ in thousands)

	2013	2012
Retained net profit for the financial year for the Sava Group, according to IFRS as adopted by the EU	-11,500	-14,241
Accumulated loss of Sava d.d. for the financial year, according to SAS	-11,381	-58,310
Non-distributable difference	-	-

MINORITY INTEREST, CAPITAL AND PROFIT

The share minority interest, attributable capital and profit for the subsidiaries are calculated indirectly, through the ownership of the parent company.

In 2013, minority interest decreased by €402 thousand; it increased by €11 thousand due to the attributable profit and by € 2 thousand due to changed ownership of the company and decreased by €415 thousand due to the sale of companies.

Minority interest attributable to the following companies (*€ in thousands*)

	Share of minority interest		Capital belonging to minority interest		Profit belonging to minority interest	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Sava ROL d.o.o., Zagreb, Croatia	0.00 %	24.00 %	0	36	0	0
Savapro d.o.o., Kranj	0.00 %	40.00%	0	1,325	0	0
Savarus, d.o.o., Jaroslavl Russia	0.00 %	40.30 %	0	-946	0	-71
Savatrade, Inc, Port Orange, Florida, USA	0.00 %	0.00 %	0	0	0	0
Sava Turizem d.d.	0.95 %	0.95 %	888	882	6	8
Sava TMC d.o.o.	0.95 %	0.00 %	6	0	4	0
Sava Zdravstvo d.o.o.	0.95 %	0.00 %	0	0	0	0
Energetika Črnomelj d.o.o., Kranj	49.32 %	49.32 %	272	271	1	-35
Total			1,166	1,568	11	-98

1.3.21 Provisions

	Balance 1 Jan. 2013	Formation	Cancellation	Use	Balance 31 Dec. 2013
Provisions for severance pays and similar liabilities	1,749	331	-244	-53	1,783
Provisions for lawsuits and other claims	52	30	0	-22	60
Warranties	30	0	0	0	30
Other	1,090	0	-2	0	1,088
Total	2,921	361	-246	-75	2,961

The accrued liabilities to employees included liabilities for retirement amounts and employee jubilee benefits in the amount as determined by the actuary calculation made on 31 December 2012. A recalculation with regard to the changed number of employees was made in 2013.

Provisions for lawsuits and other claims were formed after consulting lawyers who estimated the outcome of lawsuits filed and other claims.

Other provisions referred to the provisions formed for the loss in the inventory of real property in Sava Nova d.o.o., which was placed as security for the bank loan obtained by a legal entity outside of the Group. A civil procedure is in progress.

1.3.22 Government grants *(€ in thousands)*

	Balance 1 Jan. 2013	Increase	Cancellation	Use	Transfer to available for sale	Balance 31 Dec. 2013
Assets by European and other funds	9,598	0	-530	0	0	9,068
Total	**9,598**	**0**	**-530**	**0**	**0**	**9,068**

The assets obtained from Structural Funds were used in Tourism companies for renewing tourist infrastructure: building of a five-star hotel Livada, renovation of health care centre Thermalium in Moravske Toplice, hotels Radin and Terapija in Radenci, building of apartment village in Lendava, building of a four-star hotel Grand Hotel Primus, a swimming pool complex in Ptuj and renewal of a family hotel Savica in Bled.

1.3.23 Obtained loans and other financial liabilities *(€ in thousands)*

The explanation below provides information as to the terms and conditions for the obtained loans. Further information about the company's exposure to interest and exchange rate risk is contained in Item 1.3.35. – Financial instruments.

	31 Dec. 2013	31 Dec. 2012
LONG-TERM LOANS		
Loans with domestic banks	54,197	23,921
Loans with foreign banks	0	1,267
Loans with banks total	**54,197**	**25,188**
Long-term liabilities originating from bonds	0	26,515
Loans with other entities	19	6,037
Total long-term loans	**54,216**	**57,740**
Short-term financial liabilities		
Short-term part in long-term loans with banks	107,596	156,998
Short-term loans with domestic banks	80,018	121,099
Short-term loans with foreign banks	3,501	5,000
Total short-term loans with banks	**191,116**	**283,097**
Short-term liabilities originating from bonds	26,515	0
Short-term loans with other entities	6,517	259
Liabilities for dividend payments	709	709
Liabilities for interest rate swaps	2,034	3,673
Total short-term financial liabilities	**226,890**	**287,738**
Total obtained loans and other financial liabilities	**281,106**	**345,478**

SHORT-TERM LIABILITIES BASED ON BONDS

Liabilities based on bonds amounted to €26,515 thousand. 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

Liabilities based on bonds fall due for payment in 2014, which is why they were transferred from long-term to short-term liabilities at the end of the accounting period.

Further explanations in connection with the issue of bonds:

- Type of bond: ordinary bond nominated in euro, nominal, issued in non-materialised form entered in the Central Securities Depository at KDD d.d. Ljubljana.
- Bonds listing: in the bonds market of the Ljubljana Stock Exchange under the designation SA03.
- Denomination structure: total issue includes 26,500 denominations at €1,000.00 each.
- Interest rate: under the Master Restructuring Agreement made with all creditors, the interest rate amounts to 3% p.a. and is fixed. The interests of 1% p.a. (payable interest) are settled quarterly in arrears, the interests of 2% p.a. (deferred interest) fall due for payment together with the principal on 30 November 2014.
- Payment of the principal and maturity date: nominal value of the principal falls entirely due in a single amount upon maturity of bonds at 30 November 2014.
- Collateral: bonds are secured with 34,287 shares of Gorenjska banka d.d. The book value of the pledged shares amounts to €20,161 thousand.

Terms and conditions for loans

Long- and short-term loans	Interest rate (% p.a.)	Maturity of last instalment	Type of collateral
Loans with associated companies	6M EURIBOR + 5.0 3.0	2014, 2018	bill of exchange, mortgage, pledge of securities, assignment of claims (deposit and business account, part of operating receivables)
Loans with domestic banks*	1M EURIBOR + 5.0 3M EURIBOR + 5.0 6M EURIBOR + 5.0 3.0	2014, 2017, 2018	bill of exchange, surety, letter of comfort, mortgage, pledge of securities, pledge of business stake, assignment of claims (deposit and business account, part of operating receivables), pledge of receivables
Loans with foreign banks	3.00	2014	bill of exchange, surety, pledge of securities, assignment of claims payment (deposit and business account, part of operating receivables)
Other	TOM + 1.60 to 2.10 3M EURIBOR + 0,35 to 0,50 3.00	2014 - 2025	bill of exchange, mortgage, bank guarantee, pledge of securities

* *Loans with domestic banks include:*

- *Loans of the Sava Group hired with NLB, whose receivables due from the Sava Group are transferred to the Bank Asset Management Company (BAMC).*
- *Loans of the Sava Group hired with NKBM, whose receivables due from the Sava Group are transferred to the Bank Asset Management Company (BAMC).*

Maturity of long-term loans (*€ in thousands*)

	31 Dec. 2013	31 Dec. 2012
Between 1 and 2 years	4,162	9,260
Between 2 and 5 years	43,057	46,533
More than 5 years	6,997	1,947
Total	54,216	57,740

Classification of loans with regard to a fixed and variable interest rate (*€ in thousands*)

	Fixed interest rate	Variable interest rate	Total
Long-term loans	16	54,200	54,216
Short-term loans	220,217	3,929	224,146
Total	220,233	58,129	278,362

Total short-term financial liabilities amounted to €226,890 thousand (2012: €287,738 thousand). The difference to the amount of short-term loans totalling €2,744 thousand (2012: 4,382 thousand) referred to financial liabilities from unpaid dividends to the shareholders of Sava d.d. and Sava Turizem d.d. Ljubljana totalling €710 thousand and short-term financial liabilities from interest rate swaps totalling €2,034 thousand.

Loan insurance

Loans obtained by the Sava Group insured with mortgages on the real property of Group's companies and pledged shares and stakes owned by Sava d.d.

The explanation about the insurance of loans of the Sava Group by placing mortgages on the real property is provided under 1.3.9.

A detailed explanation as to the shares and stakes owned by Sava d.d. is given under 2.5.2 of the financial report for the parent company Sava d.d.

1.3.24 Short-term operating liabilities

(*€ in thousands*)

	31 Dec. 2013	31 Dec. 2012
Trade payables	5,203	6,131
Liabilities for obtained advances	404	365
VAT and other taxes	819	804
Liabilities to employees	1,469	1,850
Other operating liabilities	5,160	9,267
Total	13,055	18,418

Liabilities from interest on obtained loans were included under other operating liabilities.

1.3.25 Short-term provisions (*€ in thousands*)

	31 Dec. 2013	31 Dec. 2012
Short-term provisions	3,884	4,022

The amount of €3,884 thousand (2012: €4,022 thousand) mainly referred to short-term provisions for severance pay, unused hours and annual leaves, deferred revenues from the sale of gift vouchers, accrued costs in connection with reorganisation and deferred interest on loans.

1.3.26 Sales revenues (*€ in thousands*)

	31 Dec. 2013	31 Dec. 2012
Revenues from goods sold	2,148	92,694
Net revenues from construction contracts	0	0
Rental income	1,423	4,559
Revenues from other services rendered	63,162	64,434
Revenues from merchandise sold	488	30,500
Total	67,221	192,188

1.3.27 Other operating revenues *(€ in thousands))*

	31 Dec. 2013	31 Dec. 2012
Reversal of provisions not used	245	1,038
Income from government grants	530	472
Income from government incentives	0	0
Proceeds from sale of companies	0	648
Proceeds from sale of property, plant and equipment	0	0
Proceeds from sale of investment property	115	78
Proceeds from sale of intangible assets	1,033	1,250
Other operating revenues	46	0
Total	2,704	1,604
Skupaj	**4,673**	**5,089**

Other operating revenues mainly referred to the cancelled impairments of current assets formed in the past.

1.3.28 Cost by functional group

(€ in thousands)

	31 Dec. 2013	31 Dec. 2012
Manufacturing costs of products sold	50,185	121,881
Selling costs	4,468	44,296
General overheads	25,012	21,923
Total	**79,665**	**188,100**

Manufacturing costs of sold products and services referred to direct costs in Tourism.

1.3.29 Labour cost

(€ in thousands)

	31 Dec. 2013	31 Dec. 2012
Wages and salaries	18,044	39,888
Social security expenses	2,862	6,652
Other labour costs	3,314	6,152
Total	**24,220**	**52,693**

Other labour costs included paid employee holiday allowance, other compensations in accordance with the collective agreement (meals and commuting to and from work).

On average 1,129 employees were employed in 2013, while in 2012 the employee number totalled 2,103.

1.3.30 Write-offs *(€ in thousands)*

	2013	2012
Impairment of property, plant and equipment	2,775	0
Write-offs of property, plant and equipment	24	29
Property, plant and equipment - loss from sale	159	23
Write-offs of intangible assets	10	0
Write-offs of intangible assets	35	0
Impairment of investment property	2,543	0
Write-offs of investment property	0	0
Inventories	1,167	349
Receivables	2,557	825
Total	**9,269**	**1,227**

Overview of book values of real property and investment property impaired in 2013 *(€ in thousands)*

Type of asset	Book value before impairment	Impairment	Book value as at 1 December 2013
Hotel Primus Ptuj*	15,933	-2,370	13,563
Golf course Livada*	3,248	-388	2,860
Miscellaneous	17	-17	0
Total real property	18,607	-2,775	15,832
Land Kamnik – Perovo**	2,500	-1,086	1,414
Land Tacen**	2,000	-615	1,385
Land Izola**	1,816	-842	974
Total investment property	6,316	-2,543	3,773

Explanations to impairment of real property:

* *In 2013, certain real properties were evaluated for financial reporting purposes as at 31 Decembers 2013. The evaluation was carried out by a certified evaluator of real property. The method of yield capitalisation was used. The hotels Primus and Radin and the golf course Livada were evaluated. The estimated recoverable value of hotel Primus amounted to €13,563 thousand, of hotel Radin to €8,864 thousand and of the golf course Livada to €2,860 thousand. The estimated recoverable value of hotel Radin exceeded its book value, which is why no need for impairment exists.*

** *In 2013, the market value of real estate property rights for three pieces of land was carried out. The estimate was prepared by a certified evaluator, based on which investment property was impaired.*

Explanations to impairments of inventories and receivables

In 2013, the inventory of real property was impaired amounting to €1,167 thousand (2012: impairments of inventories totalling €349 thousand). Based on the internal estimate of marketability of real property inventory impairment took place in a company in Croatia.

In 2013, a receivable of €2,557 thousand was impaired based on estimated probability of cashing in. Impairment of €1,845 thousand referred to impairing a receivable due from a buyer of financial investment, while the remaining amount of €712 thousand mainly referred to impairing a receivable in Tourism.

1.3.31 Other operating expenses

(€ in thousands)

	31 Dec. 2013	31 Dec. 2012
Formed long-term provisions	361	345
Other operating expenses	1,305	1,714
Total	1,666	2,059

Other operating expenses mainly referred to contributions for the use of urban land, compensations for obtaining operating permits and payment of water fees

Other data about costs *(€ in thousands)*

	2013	2012
Research and development costs	0	4,091
Direct operating expenses for investment property	718	553
- rent-generating	582	547
- revenue non-generating	136	6

1.3.32 Net financial revenues / expenses (€ in thousands)

	2013	2012
Net gain on disposal of financial assets	14,249	708
Income from dividends and shares in profit	86	179
Interest revenue	979	2,042
Foreign exchange gains	296	221
Other	1,235	227
Financial revenues	**16,844**	**3,377**
Interest expenses	-11,700	-21,461
Impairment of financial investments available for sale	-3,967	-3,293
Foreign exchange losses	0	-101
Other	-997	-182
Financial expenses	**-16,665**	**-25,037**
Net revenues / expenses	**179**	**-21,660**

Impairments of financial investments available for sale shown at €3,967 thousand were entirely due to a drop in the fair value of listed and unlisted securities.

1.3.33. Net expenses from the associated companies

Net expenses of the associated companies totalling €38,139 thousand (2012: -€80,884 thousand) entirely referred to impairments.

Impairments of financial investments in the associated companies (€ in thousands)

	2013	2012
Financial investment in Gorenjska banka d.d.	-27,585	-52,806
Financial investment in Abanka Vipa d.d.	-9,609	-24,708
Financial investment in NFD Holding d.d.	-220	-748
Loan granted to NFD Holding d.d.	-725	-2,622
Total	**-38,139**	**-80,884**

1.3.34. Corporate income tax

Tax on profit recognised in the income statement (€ in thousands)

	2013	2012
Assessed tax in the current year		
- for the current year	-50	-1,195
- impairment for the past years	0	0
Total	**-50**	**-1,195**
Deferred tax		
- newly arisen and withdrawn temporary differences	-9,777	-4,718
Total	**-9,777**	**-4,718**
Tax to the debit of the income statement	**-9,827**	**-5,912**

Comparison between the actual and calculated tax rate *(€ in thousands)*

	Tax rate	2013	Tax rate	2012
Pre-tax profit in accordance with IFRSs		-45,731		-40,561
Income tax by applying the official rate	17.0%	-7,774	18.0%	-7,301
Tax rate effect in foreign operations	0.0%	0	-0.2%	174
Tax non-deductible expenses	-8.6%	3,951	-6.7%	6,301
Tax-free revenues	38.8%	-17,747	-3.2%	3,004
Changed tax base due to transition to a new accounting method resulting from past changes in the accounting policies	0.0%	0	0.0%	-46
Tax reliefs not recognised in the income statement	0.0%	0	0.7%	-617
Effect by companies operating with a loss	-68.7%	31,397	-4.7%	4,397
Effective tax rate	**-21.5%**	**9,827**	**3.8%**	**5,912**

1.3.35 Financial instruments

FINANCIAL RISKS

At the Group level, we have determined a standardised appearance of all companies with the banks and a uniform interest rate policy within the Group. Financial risk management is systematically carried out via the parent company Sava d.d., while management teams of individual companies are responsible for a proper management and elimination of risks. The process of risk management in individual companies involves a broader circle of employees in order to assure most effective management.

Foreign exchange risk

The Sava Group mainly does business in the Euro Zone. 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 exchange rates of Serbian dinar and Macedonian denar. To hedge against foreign exchange risks, we did not use any derivative financial instruments in 2013 as due to big differences between the interest rate for the above-mentioned currencies there were no suitable hedge instruments available in the market that would effectively eliminate risks in this connection. Considering the volume of doing business in foreign currency, the foreign exchange risk is low.

Overview of values on connection with foreign exchange risk *(€ in thousands)*

	31 Dec. 2013					31 Dec. 2012				
	Total in €	EUR	USD	CHF	Other currencies	Total in €	EUR	USD	CHF	Other currencies
Trade receivables	2,686	2,694	0	0	0	2,551	2,469	0	0	135
Insured bank loans	-201,442	-190,161	0	0	0	-220,479	-219,041	0	0	-1,437
Loans from associates	-43,869	-43,869	0	0	0	-87,807	-87,807	0	0	0
Bonds	-26,515	-26,515	0	0	0	-26,515	-26,515	0	0	0
Trade payables and other liabilities	-13,055	-14,628	0	0	-54	-18,418	-17,285	0	0	-1,134
Other received loans	-7,230	-7,230	0	0	0	-7,006	-6,906	0	0	-99
Gross exposure of balance sheet	-289,425	-279,644	0	0	-54	-357,673	-355,085	0	0	-2,535
Sales planned for the next year	1,874	1,874	0	0	0	67,038	67,038	0	0	0
Purchases planned for the next period	4,608	4,608	0	0	0	-31,389	-31,389	0	0	0
Gross exposure	6,482	6,482	0	0	0	35,649	35,649	0	0	0
Net exposure	-282,943	-273,162	0	0	-54	-322,024	-319,436	0	0	-2,535

Interest rate risk

The Sava Group makes use of various mechanisms for managing these types of risks, at which the parent company Sava d.d. is the main coordinator of these activities.

Before restructuring financial liabilities Sava d.d. had more than 50% of its credit portfolio tied to a reference interest rate EURIBOR. To hedge against interest rate risk in connection with the change of the reference interest rate EURIBOR, Sava d.d. had a derivative financial instrument for interest rate hedging with validity until April 2015.

Total nominal value of the instrument amounted to €6 million at the end of 2013. The net value of interest rate swaps as a difference between receivables and liabilities is negative and amounted to €2,034 thousand at the end of 2013 (at the end of 2012: negative €3,672 thousand).

As at 31 December 2013, 79% of the credit portfolio of the Sava Group was tied to the fixed interest rate. At the end of November 2014, the restructuring arrangements for financial liabilities of Sava d.d. expire, at which the exposure to the changed interest rate will grow again. Given the situation and the uncertain economic circumstances, the risk of changed market interest rate is high.

Interest rate risk management using interest rate swaps *(€ in thousands)*

31 Dec. 2013	Book value	Contracted cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Interest rate swaps							
Assets	0	0	0	0	0	0	0
Liabilities	-2,034	-2,034	-400	-800	-834	0	0
Total	**-2,034**	**-2,034**	**-400**	**-800**	**-834**	**0**	**0**

31 Dec. 2012	Book value	Contracted cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Interest rate swaps							
Assets	0	0	0	0	0	0	0
Liabilities	-3,672	-3,672	-400	-400	-1,600	-1,272	0
Total	**-3,672**	**-3,672**	**-400**	**-400**	**-1,600**	**-1,272**	**0**

Solvency risk

In 2013, the Sava Group focused on provision of adequate liquidity of all companies, regular settlement of financial liabilities and regulating the relations with the lending banks.

In 2013, the Sava Group realised important activities to minimise risks in connection with solvency arising from the implementation of milestones as set out in the long-term business strategy until 2014. The strategy is based on financial liabilities restructuring and defines the activities for divesting financial liabilities. Divesting of financial liabilities of the parent company, the major part of which was selling Rubber Manufacturing in 2013 and regular repayment of the principal in tourism business, enabled reducing debts of the Sava Group by €64.4 million compared to the end of 2012.

All Group companies carry out measures that aim at improving the operating business through cost rationalisations, performance of activities for strengthening the cash flows and other measures for increasing profit from operations.

Overview of values in connection with solvency risk *(€ in thousands)*

31 Dec. 2013	Book value	Contracted cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities	**292,126**	**-290,952**	**-16,851**	**-237,086**	**-9,341**	**-27,674**	**0**
Insured bank loans (excluding associates)	201,442	-208,382	-4,979	-172,183	-8,494	-22,726	0
Trade payables and other liabilities	13,055	-13,058	-9,849	-3,201	-7	0	0
Loans from associated companies	43,869	-34,669	-628	-28,260	-833	-4,948	0
Bonds	26,515	-27,540	-131	-27,409	0	0	0
Other financial liabilities	7,230	-7,288	-1,259	-6,029	0	0	0
Overdrafts on bank accounts	0	0	0	0	0	0	0
Liabilities from financial leasing	15	-15	-4	-4	-7	0	0
Derivative financial liabilities	**2,034**	**-2,034**	**-400**	**-800**	**-834**	**0**	**0**
Interest rate swaps used as risk hedging instruments	2,034	-2,034	-400	-800	-834	0	0
Total	**294,160**	**-292,986**	**-17,251**	**-237,886**	**-10,175**	**-27,674**	**0**

31 Dec. 2012	Book value	Contracted cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities	**360,225**	**-365,968**	**-296,799**	**-7,508**	**-49,258**	**-9,493**	**-2,911**
Insured bank loans (excluding associates)	220,479	-221,902	-194,829	-5,163	-10,562	-8,436	-2,911
Trade payables and other liabilities	18,418	-18,399	-18,399	0	0	0	0
Loans from associated companies	87,807	-88,451	-82,165	-1,192	-4,037	-1,057	0
Bonds	26,515	-30,196	-946	-962	-28,288	0	0
Other financial liabilities	7,006	-7,021	-459	-191	-6,371	0	0
Overdrafts on bank accounts	0	0	0	0	0	0	0
Liabilities from financial leasing	0	0	0	0	0	0	0
Derivative financial liabilities	**3,672**	**-3,672**	**-400**	**-400**	**-1,600**	**-1,272**	**0**
Interest rate swaps used as risk hedging instruments	3,672	-3,672	-400	-400	-1,600	-1,272	0
Total	**363,897**	**-369,640**	**-297,199**	**-7,908**	**-50,858**	**-10,765**	**-2,911**

Credit risk

This is reduced by using a standardised policy of monitoring the credit ability of our customers and other business partners. To decrease exposure to this risk we make use of the customer rating system to supervise bad payers and carry out on-going compensations. The measures for minimising the exposure to credit risk rely on our own customer rating and insurance estimates.

Trade receivables by territory (€ in thousands)

	Book value	
	31 Dec. 2013	31 Dec. 2012
Slovenia	2,130	1,908
Other EU countries	461	422
Other	95	221
Total	**2,686**	**2,551**

Balance and movement of value adjustments in trade receivables (€ in thousands)

	2013	2012
Initial balance	1,639	2,775
Increase of impairment	684	809
Decreases of impairment	-459	-1,945
Final balance	**1.864**	**1.639**

Age structure of trade receivables (€ in thousands)

	31 Dec. 2013			31 Dec. 2012		
	Gross receivables	Impairment	Net receivables	Gross receivables	Impairment	Net receivables
Not past due	1,845	0	1,845	1,781	102	1,679
Past due 0 - 30 days	290	0	290	579	201	378
Past due 31 - 120 days	554	0	554	458	0	458
Past due more than 120 days	1,862	1,864	-2	1,372	1,336	36
Total	**4,550**	**1,864**	**2,686**	**4,190**	**1,639**	**2,551**

SENSITIVITY ANALYSIS OF FINANCIAL RISK

Sensitivity to interest rate change

As at 31 December 2013, 79% of credit portfolio of the Sava Group was tied to the fixed interest rate as the majority of credit exposure referred to financing the parent company, which under the restructuring agreement agreed financing at fixed interest rate. At the end of November 2014, the restructuring arrangements for financial liabilities of Sava d.d. expire, at which the exposure to the changed interest rate will grow again. Given the situation and the uncertain economic circumstances, the risk of changed market interest rate is high.

Slightly more than 20% of loan liabilities of the Sava Group referred to the reference interest rate, with the majority at a 3-month and 6-month EURIBOR. Owing to the general economic situation in Europe, the reference exchange rate was preserved at low rate also in 2013, but it is expected to slightly grow in 2014.

	31 Dec. 2013	31 Dec. 2012	Highest value	Lowest value	Mean value	Daily standard deviation	Coefficient of variance
3-month EURIBOR	0.29 %	0.19 %	0.30 %	0.19 %	0.22 %	1.00 %	22.0 %
6-month EURIBOR	0.39 %	0.32 %	0.39 %	0.29 %	0.34 %	0.95 %	35.3 %

The sensitivity of credit portfolio to the changed interest rate is still high. Considering the indebtedness of the Sava Group at the end of 2013, the annual interest expense would change by €1,411 thousand if interest rate increased by 50 basis points.

Sensitivity to enhanced indebtedness

At the end 2013, the Sava Group had short- and long-term financial liabilities from hired loans and issued bonds totalling €278 million. Under the restructuring of financial liabilities, certain commitments were made in view of indebtedness volume, due to which the Group is not exposed to changes in indebtedness volume.

Sensitivity to exchange rate change

Sava Group companies have the majority of business tied to the domestic currency. For this reason, the company is not strongly exposed to exchange rate changes.

1.3.36 Fair values of financial instruments

Fair values of financial instruments (€ in thousands)

	31 Dec. 2013 Book value	31 Dec. 2012 Fair value	31 Dec. 2013 Book value	31 Dec. 2012 Fair value
Securities available for sale	31,426	31,426	36,582	36,582
Assets available for sale	0	0	102,937	102,937
Long-term receivables – financial leasing	0	0	0	0
Other long-term receivables	39	39	10	10
Short-term receivables	5,544	5,544	7,863	7,863
Derivative financial instruments – interest rate swaps	0	0	0	0
Granted loans	24,594	24,594	19,500	19,500
Cash and cash equivalents	1,239	1,239	551	551
Long-term loans at fixed interest rate	-16	-16	-6,194	-6,188
Issued bonds at fixed interest rate	-26,515	-5,303	-26,515	-22,538
Long-term loans at variable interest rate	-54,200	-54,200	-25,031	-25,031
Liabilities available for sale	0	0	33,197	33,197
Long-term operating liabilities	0	0	0	0
Short-term loans	-224,146	-224,146	-283,356	-283,356
Derivative financial instruments – interest rate swaps	-2,034	-2,034	-3,673	-3,673
Liabilities for dividends	-710	-710	-709	-709
Short-term operating liabilities	13,055	13,055	18,418	18,418

The hierarchy of fair value

Financial instruments valued at fair value are classified in three levels:

- Level 1: assets or liabilities at stock exchange price as at 31 December.
- Level 2: assets or liabilities that are not classified as Level 1, their value being determined directly or indirectly based on the market data.
- Level 3: assets or liabilities whose value cannot be acquired from the market data.

Classification of financial instruments with regard to the fair value computation (€ in thousands):

	31 Dec. 2013				31 Dec. 2012			
	Total	Level 1	Level 2	Level3	Total	Level 1	Level 2	Level3
Securities available for sale	31,426	3,604	23,999	3,823	36,582	4,683	25,874	6,025
Derivative financial instruments - assets	0	0	0	0	0	0	0	0
Derivative financial instruments - liabilities	-2,034	0	-2,034	0	-3,673	0	-3,673	0
Total	**29,392**	**3,604**	**21,965**	**3,823**	**32,909**	**4,683**	**22,201**	**6,025**

1.3.37. Contingent liabilities

As at 31 December 2013, contingent liabilities of Sava d.d. amounted to €194 thousand, in the year before they totalled €341 thousand. Denationalisation claims are explained under 1.3.40.

1.3.38. Related parties

Related parties include subsidiaries and associates, members of supervisory boards, management board of the parent company and Group's subsidiaries and their closer family members.

a) Relations with the associated companies

Business relations between Sava Group companies mainly refer to the provided services, which include rent of property and equipment, use of trademark, and services provided by the professional services.

Business among related parties is performed under the same conditions as valid in an ordinary arm's length transaction.

For loans of subsidiaries obtained from banks, which in the consolidated financial statements are shown as liabilities to banks, the guarantees were issued by Sava d.d., which as at 31 December 2013 amounted to €494 thousand, 3,610 shares of Gorenjska banka d.d. were pledged in the value of €2,123 thousand, as well as 251,566 shares of Merkur d.d. which show zero book value. For the loan, which Sava d.d. obtained with the bank, a guarantee by Sava Turizem d.d. totalling €5,000 thousand was issued, the loan balance as at 31 December 2013 stood at €3,501 thousand.

In accordance with IFRS 4, the issued guarantees are considered insurance contracts.

b) Relations with the associated companies

Gorenjska banka d.d., Kranj

	2013	2012
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)

	2013	2012
Balance of received loans as at 1 Jan.	41,063	38,564
Hiring new loans	0	7,242
Repayment of loans	-14,666	-4,743
Exchange rate differences	0	0
Final balance of loans received	26,397	41,063
Final balance of deposits made	1,872	3,012

Various interest rates are paid on loans obtained from Gorenjska banka d.d.: 6-month EURIBOR + 5.0% and the fixed interest rate 3.0%. The deposit bears interest of 0.2% to 3.25%

Overview of operating receivables and liabilities with Gorenjska banka, d.d. (€ in thousands)

	31 Dec. 2013	31 Dec. 2012
Long-term operating receivables to associates	0	0
Short-term operating receivables to associates	9	10
Total operating receivables	9	10
Long-term operating receivables to associates	0	0
Short-term operating receivables to associates	447	437
Total operating liabilities	447	437

Overview of financial revenues and expenses with Gorenjska banka d.d. (€ in thousands)

	2013	2012
Financial revenues from loans granted to associates	83	16
Financial revenues from operating receivables due from associates	0	0
Total financial revenues	83	16
Financial expenses from loans received from associates	908	2,214
Financial expenses from operating receivables due from associates	0	0
Total financial expenses	908	2,214

Abanka Vipa, d.d., Ljubljana

At the end of 2013, Abanka Vipa d.d. was no under the ownership of Sava d.d. Explanations in connection with transactions carried out in 2013 and in the previous year are stated below.

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 thousands)

	2013	2012
Balance of received loans as at 1 Jan.	51,794	53,360
Hiring new loans	14,978	15,544
Repayment of loans	-33,299	-17,110
Exchange rate differences	0	0
Final balance of loans received	33,473	51,794
Final balance of deposits made	0	0

Various interest rates are paid on loans obtained from Abanka Vipa d.d.: 3-month EURIBOR + 5.0%, 6-month EURIBOR + 5.0% and the fixed interest rate 3.0%.

Overview of operating receivables and liabilities with Abanka Vipa d.d. (€ in thousands)

	31 Dec. 2013	31 Dec. 2012
Long-term operating receivables to associates	0	0
Short-term operating receivables to associates	0	0
Total operating receivables	**0**	**0**
Long-term operating receivables to associates	0	0
Short-term operating receivables to associates	329	204
Total operating liabilities	**329**	**204**

Overview of financial revenues and expenses with Abanka Vipa d.d. (€ in thousands)

	2013	2012
Financial revenues from loans granted to associates	0	2
Financial revenues from operating receivables due from associates	0	0
Total financial revenues	**0**	**2**
Financial expenses from loans received from associates	1,310	2,610
Financial expenses from operating receivables due from associates	0	0
Total financial expenses	**1,310**	**2,610**

NFD HOLDING, d.d., Ljubljana

Overview of operating receivables and liabilities with NFD HOLDING, d.d. (€ in thousands)

	31 Dec. 2013	31 Dec. 2012
Long-term operating receivables to associates	0	0
Short-term operating receivables to associates	1,348	1,687
Total operating receivables	**1,348**	**1,687**
Long-term operating receivables to associates	0	0
Short-term operating receivables to associates	0	0
Total operating liabilities	**0**	**0**

Overview of financial revenues and expenses with NFD HOLDING d.d. (€ in thousands)

	2013	2012
Financial revenues from loans granted to associates	441	1,540
Financial revenues from operating receivables due from associates	0	4
Total financial revenues	**441**	**1,544**
Financial expenses from loans received from associates	0	0
Financial expenses from operating receivables due from associates	0	0
Total financial expenses	**0**	**0**

c) Relations with natural persons

Related natural persons own 138 shares in the parent company Sava d.d., which represents 0.007% of ownership.

Ownership of the Sava share as at 31 December 2013 (*€ in thousands*)

	No. of shares	Stake in capital
Management Board members of Sava d.d.	117	0.006 %
Closer family members of Sava d.d. Management Board members	0	0.000 %
Supervisory Board members	21	0.001 %
Managers in subsidiaries	0	0
Supervisory Board members in subsidiaries	0	0
Total	138	0.007 %

Gross remunerations in 2013 (*€ in thousands*)

	31 Dec. 2013	31 Dec. 2012
Management Board members and members of management in Group companies	963	2,172
Other employees with managerial work contracts in Group companies	7,017	10,791
Supervisory Board members in Group companies	**207**	**182**

The remunerations of the Management Board of Sava d.d. are disclosed in the financial part of the annual report of Sava d.d. under 2.5.7.in detail.

Receivables by companies due from related persons (*€ in thousands*)

	31 Dec. 2013	31 Dec. 2012
Due from Management Board members and members of management in Group companies	0	0
Due from other employees with managerial work contracts in Group companies	0	0
Due from Supervisory Board members in Group companies	0	0

At 31 December 2013, the Sava Group companies show liabilities to the related persons only from regular monthly salary for December 2013, paid in January 2014. The amount does not deviate from the usual interim monthly payments.

1.3.39. Disclosing business with auditors

(*€ in thousands*)

	2013	2012
Cost of auditing the annual report	93	116
Cost of other auditing services	36	4
Cost of tax consulting	0	0
Other non-auditing services	11	0
Total	140	120

1.3.40. Explanations in connection with denationalisation claims in Sava Turizem d.d.

a) Denationalisation claim Höhn - Šarič

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 separated out from the ownership restructuring of the company until the denationalisation procedure is finished, therefore Sava Turizem d.d. keeps this property under off-balance.

In 2012, the Administrative unit Gornja Radgona issued a denationalisation order for the nationalised company Zdravilišče Slatina Radenci, Hoehn in Comp., public trading company in Radenci, based on which the request for denationalisation of the nationalised company Kuranstalt Sauberbrun Radein Aktiengesellschaft with the share of 48%, owned by Wilhemina Hoehn Šarič was rejected. The party filing the denationalisation request filed an appeal through the proxy, which the competent Ministry rejected and confirmed the decision made by the first-instance administrative body. The parties filing the request appealed against the decision by the second-instance body, the issue is still pending at the administrative court. The first-instance administrative body has not yet decided on a 48% share of Dr Ante Šarič.

At the Novo mesto District Court a non-contentious proceedings on returning the seized assets in accordance with Article 145 ZIKS is in progress, at which the parties filing the request demand a 48% share of the assets claimed to be seized from Dr Ante Šarič. The District Court Novo mesto issued a decision, based on which it rejected a proposal for returning the seized assets. The denationalisation claimants appealed against the decision, the issue is still pending at the second-instance court.

Due to the complexity of legal and actual issues, the outcome of denationalisation procedure cannot be predicted in this phase, which is why any future liabilities of the company arising thereof cannot be estimated.

In years past, the company Sava Turizem d.d. entirely renovated one of its facilities, which is subject to a denationalisation procedure. This facility was excluded from the ownership restructuring until the completion of the denationalisation procedure. The company management estimates that once the procedure is complete, it will repurchase the remaining part of the property.

b) Denationalisation claim – Mayer

The subject of the denationalisation claim is land and a park around Hotel Savica in Bled measuring 8,084 sq m in total. 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 the company filed a complaint in court, the Higher Court rejected the claim by the denationalisation claimant who then appealed for a review, based on which the Supreme Court annulled the resolution and returned the matter to the Court of First Instance. In a repeated procedure, the court partly stopped the procedure and annulled the insurance on real estates, on which security was determined in 1992 and 2005, but later they were no longer subject of returning in kind.

A partial decision was issued in this matter, based on which the court partly granted the claim and returned a part of land under 753, 752/1 and 751/2 k.o. Želeče in kind, and partly it rejected the claim. The District Court in Radovljica issued an order in 2012 to suspend the security procedure, annul the acts carried out and it ordered cancellation of prohibition of disposal and encumbrance of the real property. Furthermore, the court suspended the procedure against all counter-parties, except for the RS, which it imposed with payment of damage and expenses of proceedings.

c) Denationalisation claim – Dermastja

The subject of the denationalisation claim is a one third stake in the old Park hotel. The temporary order was filed in after the term expiration, therefore a temporary order was not issued, and the administrative body decided that claimants were not entitled to returning ownership stake in kind. The claimant, and claimants who subsequently entered a dispute, filed in a complaint against the resolution concerning the privatisation at the Administrative Court, which rejected it. The complaint was then filed at the Supreme Court, which has not yet made a decision regarding this matter. The Management Board of the company estimates that the claimants will fail in their litigation procedure.

1.3.41 Events after the balance sheet date

The events that took place after the balance sheet date are described in the business part of the annual report. These events are not of such nature that they would require any adjustments in the consolidated financial statements.

1.4. Statement of Management Responsibility for the Sava Group

The Management Board confirms the consolidated financial statements of the Sava Group for the year ending on 31 December 2013.

The Management Board confirms that when drawing up the consolidated financial statements the corresponding accounting policies were consistently applied, and that the consolidated report gives a true and fair view of the company's assets and operating results for 2013.

The Management Board is responsible for the proper managing of its accounting procedures, establishing, operation and maintaining internal control in relation to the preparation and fair presentation of the financial statements, which do not contain any material misstatements originating from fraud or error, and for adopting suitable measures to secure assets and other funds. The Management Board confirms herewith that the financial statements and the notes have been produced on under the assumption of going concern for the companies within the Group and in compliance with the relevant legislation and International Financial Reporting Standards as adopted by the European Union.

Matej Narat
President of the Management Board

Aleš Aberšek
Member of the Management Board

Ljubljana, 18 March 2014

1.5. Independent's auditor report for the Sava Group

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 consolidated financial statements of the company SAVA, d.d and its subsidiaries (hereinafter: "the Group"), which comprise the statement of financial position as at 31 December 2013, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

a) Limitation of scope – investment in an associate

As at 31 December 2013, the Group discloses EUR 86,188 thousand of investments in associate Gorenjska banka, d.d. As disclosed in note *1.2. Structure of the Sava Group and data on subsidiaries and associates for 2013* to the consolidated financial statements, the Group did not disclose data on associate as required by the International Accounting Standard IAS 28 – *Investments in associates*. Since the data related to the equity of the associate was not available by the day of the consolidated financial statements authorisation, the Group did not use the equity method for the measurement of investment in Gorenjska banka d.d. in its consolidated financial statements. Instead the investment is carried at cost. As discussed in Note *2.4.4. Longterm financial investments* the management of the controlling company Sava, d.d. was unable to reliably measure the amount of potential impairment of the investment of Gorenjska banka d.d., due to current economic circumstances and high uncertainty of future developments in the bank's operations. Within the scope of the audit procedures, we were unable to satisfy ourselves as to the amount of potential effects arising from the measurement using an equity method and potential impairment of the investment in Gorenjska banka, d.d. as at 31 December 2013.

b) Limitation of scope - deferred tax assets

As at 31 December 2013, the controlling company of the Sava Group discloses EUR 10,874 thousand of deferred tax assets. As discussed in Note *1.3.15 Deferred tax asset*, due to current economic circumstances and high uncertainty of the Company's future operations, the management was unable to assess the planned future taxable profits, which would ensure utilisation of the discussed deferred tax assets in next periods, with sufficient probability. Due to this fact, we were unable to satisfy ourselves as to the adequacy of the disclosed amount of deferred tax assets as at 31 December 2013.

c) Comparative financial information

In the year ended 31 December 2012, the Group did not disclose discontinued operations separately from the continuing operations in its consolidated financial statements, as required by International Financial Reporting Standard, IFRS 5 – *Non-current assets held for sale and discontinued operations.;* accordingly, our opinion on financial statements for the year ended 31 December 2012 is modified.

Qualified Opinion

In our opinion, except for the potential effects of the matter referred to in the *Basis for Qualified Opinion* paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, 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

a) Going Concern

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 risk of change in fair value. The Group has recurring losses and as at 31 December 2013 its short-term liabilities exceeded its current assets. These conditions, along with other matters set forth in Note 1.3.5 and Note 10 of the business report indicate the existence of uncertainty which may raise doubt about the Company's ability to continue as a going concern. Management plans related to the discussed risk are disclosed in Note 1.3.5. and in the Note 10 of the business report. The consolidated financial statements do not include potential adjustments that would be necessary, if the Group does not continue as a going concern.

b) *Contingent Liabilities*

As discussed in Note 1.3.40. *Notes related to denationalization claims of Sava Turizem d.d.* 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 reliably estimate the future liabilities nor is it 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.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements:

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

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified Auditor

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

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

Ljubljana, 26 March 2014

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

annual report
Sava d.d.

2 Financial statements of Sava d.d.

with notes in accordance with Slovene Accounting Standards

2.1 Financial statements of Sava d.d. in accordance with Slovene Accounting Standards

Balance sheet of Sava d.d. as at 31 December 2013 (€ in thousands)

	Notes	31 Dec. 2013	31 Dec. 2012
SREDSTVA			
A. FIXED ASSETS		227,374	272,111
I. INTANGIBLE FIXED ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	2.4.1.	25	19
1. Long-term industrial property rights		25	19
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.	244	169
1. Land and buildings		0	0
a) Land		0	0
b) Buildings		0	0
2. Plant and machinery		159	82
3. Other equipment		85	87
4. Tangible fixed assets under construction		0	0
a) Tangible fixed assets under construction and manufacture		0	0
b) Advances for tangible fixed assets		0	0
III. INVESTMENT PROPERTY	2.4.3.	2,362	14,877
1. Leased to subsidiaries		0	10,280
2. Leased to other companies		1,858	4,242
3. Not leased		504	355
IV. LONG-TERM FINANCIAL INVESTMENTS	2.4.4.	213,869	236,367
1. Long-term financial investments except loans		210,492	233,208
a) Shares and stakes in Group companies		93,234	97,400
b) Shares and stakes in associates		85,915	99,301
c) Other shares and stakes		31,343	36,507
č) Other long-term financial investments		0	0
2. Long-term loans		3,377	3,159
a) Long-term loans to Group companies		3,377	3,159
b) Long-term loans to other entities		0	0
c) Long-term unpaid called-in capital		0	0

	Notes	31 Dec. 2013	31 Dec. 2012
V. LONG-TERM OPERATING RECEIVABLES	2.4.5.	0	10
1. Long-term operating receivables to Group companies		0	0
2. Long-term operating trade receivables		0	0
3. Long-term receivables to other entities		0	10
VI. DEFERRED TAX RECEIVABLES	2.4.6.	10,874	20,669
B. SHORT-TERM ASSETS		20,886	76,145
I. ASSETS (GROUPS FOR DISPOSAL) FOR SALE	2.4.7.	0	58,402
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.	16,010	13,136
1. Short-term financial investments except loans		0	0
a) Shares and stakes in Group companies		0	0
b) Other shares and stakes		0	0
c) Other short-term financial investments		0	0
2. Short-term loans		16,010	13,136
a) Short-term loans to Group companies		1,356	459
b) Short-term loans to other entities		14,654	12,677
c) Short-term unpaid called-in capital		0	0
IV. SHORT-TERM OPERATING RECEIVABLES	2.4.9.	4,649	4,604
1. Short-term operating liabilities to Group companies		3,207	321
2. Short-term trade receivables		60	59
3. Short-term operating receivables to other entities		1,382	4,224
V. CASH	2.4.10.	227	3
1. Cash on hand and accounts		227	3
2. Short-term deposits		0	0
a) Short-term deposits in subsidiaries		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	2.4.17.	57	20
ASSETS TOTAL		248,317	348,276

	Notes	31 Dec. 2013	31 Dec. 2012
LIABILITIES			
A. CAPITAL	2.4.11.	15,117	37,729
CALLED-UP CAPITAL		25,442	83,751
1. Share capital		25,442	83,751
2. Uncalled capital (as a deductible item)		0	0
II. CAPITAL RESERVES		0	0
III. REVENUE RESERVES		0	0
1. Legal reserves		0	0
2. Reserves for treasury shares and own business stakes		4,977	4,977
3. Treasury shares and own business shares (as a deductible item)		-4,977	-4,977
4. Statutory reserves		0	0
5. Other revenue reserves		0	0
IV. REVALUATION RESERVE		1,056	12,288
- From tangible fixed assets		0	0
- From intangible fixed assets		0	0
- From long-term financial investments		1,056	12,288
- From short-term financial investments		0	0
V. RETAINED NET PROFIT OR LOSS FROM PREVIOUS PERIODS		0	-9,274
VI.NET PROFIT OR LOSS FOR THE FINANCIAL YEAR		-11,381	-49,036
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	2.4.13.	117	122
1. Provisions for pensions and similar liabilities		117	122
2. Other provisions		0	0
3. Long-term accrued costs and deferred revenues		0	0

	Notes	31 Dec. 2013	31 Dec. 2012
C. LONG-TERM LIABILITIES	2.4.15.	231	38,361
I. LONG-TERM FINANCIAL LIABILITIES		15	37,078
1. Long-term financial liabilities to Group companies		0	0
2. Long-term financial liabilities to banks		0	4,540
3. Long-term financial liabilities arising from bonds		0	26,515
4. Other long-term financial liabilities		15	6,023
II. LONG-TERM OPERATING LIABILITIES		0	0
1. Long-term operating liabilities to Group 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		216	1,283
Č. SHORT-TERM LIABILITIES	2.4.16.	232,145	270,653
I. LIABILITIES INCLUDED IN GROUPS FOR DISPOSAL		0	0
II. SHORT-TERM FINANCIAL LIABILITIES		226,796	261,442
1. Short-term financial liabilities to Group companies		3,835	9,930
2. Short-term financial liabilities to banks		187,702	247,130
3. Short-term liabilities arising from bonds		26,515	0
4. Other short-term financial liabilities		8,744	4,382
III. SHORT-TERM OPERATING LIABILITIES		5,349	9,211
1. Short-term operating liabilities to Group companies		99	98
2. Short-term trade payables		137	444
3. Short-term bills payables		0	0
4. Short-term operating liabilities arising from advances		30	30
5. Other short-term operating liabilities		5,083	8,639
E. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES	2.4.17.	707	1,410
TOTAL LIABILITIES		248,317	348,276

The notes form an integral part of these financial statements.

Income statement of Sava d.d. for the period January – December 2013 *(€ in thousands)*

	Notes	2013	2012
1. NET SALES REVENUES	2.4.18.	1,858	3,130
a) Revenues in domestic market		1,073	3,105
To Group companies		710	2,515
To associated companies		0	0
To others		363	590
b) Revenues in foreign market		785	25
To Group companies		27	25
To associated companies		0	0
To others		758	0
2. CHANGE IN THE VALUE OF INVENTORIES OF PRODUCTS AND WORK IN PROGRESS		0	0
3. CAPITALISED OWN PRODUCTS AND/OR SERVICES		0	0
4. OTHER OPERATING REVENUES (with operating revenues from revaluation adjustment)	2.4.19.	5,264	491
5. COST OF MERCHANDISE, MATERIALS AND SERVICES	2.4.21.	-3,455	-3,294
a) Cost of merchandise and material sold and cost of material used		-73	-74
b) Cost of services		-3,382	-3,220
6. LABOUR COST	2.4.22.	-1,699	-2,838
a) Salaries and wages		-1,373	-2,310
b) Social security cost		-254	-369
Social security cost		-104	-151
Pension insurance cost		-150	-218
c) Other labour cost		-72	-159
7. AMORTISATION AND DEPRECIATION EXPENSE, WRITE-OFFS	2.4.23.	-2,038	-297
a) Amortisation		-124	-261
b) Operating expenses from revaluation of intangible and tangible fixed assets		0	-1
c) Operating expenses from revaluation of current assets		-1,914	-35
8. OTHER OPERATING EXPENSES	2.4.24.	-85	-51
9. LOSS FROM OPERATIONS		-155	-2,859
10. OTHER FINANCIAL REVENUES FROM SHARES	2.4.25.	25,610	8,784
a) Financial revenues from shares in Group companies		24,302	7,900
b) Financial revenues from shares in associated companies		0	0
c) Financial revenues from shares in other entities		150	884
d) Financial revenues from other investments		1,158	0
11. FINANCIAL REVENUES FROM GRANTED LOANS	2.4.26.	1,277	2,010
a) Financial revenues from loans granted to Group companies		281	324
b) Financial revenues from loans granted to other entities		996	1,686
12. FINANCIAL REVENUES FROM OPERATING RECEIVABLES	2.4.27.	14	3
a) Financial revenues from operating receivables due from Group companies		13	0
b) Financial revenues from operating receivables due from other entities		1	3

	Notes	2013	2012
13. FINANCIAL EXPENSES FROM IMPAIRMENTS AND WRITE-OFFS IN FINANCIAL INVESTMENTS	2.4.28.	-19,730	-34,697
14. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	2.4.29.	-8,691	-17,893
a) Financial expenses from borrowings obtained from Group companies		-146	-593
b) Financial expenses from borrowings obtained from banks		-6,512	-14,596
c) Financial expenses from issued bonds		-1,280	-1,910
d) Financial expenses from other financial liabilities		-753	-794
15. FINANCIAL EXPENSES FROM OPERATING LIABILITIES		0	0
a) Financial expenses from operating liabilities to Group companies		0	0
b) Financial expenses from trade payables and bill payables		0	0
c) Financial expenses from other operating liabilities		0	0
16. OTHER REVENUES	2.4.30.	96	7
17. OTHER EXPENSES	2.4.30.	-7	-15
18. INCOME TAX		0	0
19. DEFERRED TAX	2.4.31.	-9,795	-4,376
20. NET PROFIT/LOSS FOR THE ACCOUNTING PERIOD		-11,381	-49,036

The notes form an integral part of these financial statements.

Statement of other comprehensive income of Sava d.d. for the period January – December 2013
(€ in thousands)

	2013	2012
Net loss for the period	-11,381	-49,036
Other comprehensive income:		
Items that might be recycled subsequently		
- Change in fair value of available-for-sale financial assets	-716	1,793
- Deferred tax on change in fair value of available-for-sale financial assets	54	-274
- Change in fair value of available-for-sale financial assets to be transferred in profit or loss	-11,583	-3,072
- Deferred tax on change in fair value of available-for-sale financial assets to be transferred in profit or loss	1,038	385
- Deferred tax	-25	279
Other comprehensive income for the period, net of deferred tax	-11,232	-889
Total comprehensive income for the period tax	-22,613	-49,925

Cash flow statement of Sava d.d. for the period January – December 2013 (*€ in thousands*)

	2013	2012
A.Cash flows from operating activities		
a) Net profit for the financial year	-11,381	-49,036
Pre-tax profit	-1,586	-44,660
Profit tax and other taxes not included in operating expenses	-9,795	-4,376
b) Adjustments for:	-3,566	41,798
Depreciation (+)	124	261
Operating revenues from revaluation in connection with items of investing and financing activities	-5,211	-260
Operating expenses from revaluation in connection with items of investing and financing activities	0	1
Financial revenues excluding financial revenues from operating receivables	-26,900	-10,794
Financial expenses excluding financial expenses from operating liabilities	28,421	52,590
c) Change in net current assets (and accruals, deferrals, provisions and deferred tax receivables and liabilities) of balance sheet items	24,592	2,646
Opening minus closing operating receivables	18,667	-1,709
Opening minus closing deferred costs and accrued revenues	-37	94
Opening minus closing deferred tax receivables	9,795	4,396
Opening minus closing assets (groups for disposal) for sale	0	0
Opening minus closing inventories	0	0
Closing minus opening operating liabilities	-1,487	1,198
Closing minus opening accrued costs and deferred revenues and provisions	-708	-35
Closing minus opening tax liabilities	-1,638	-1,299
č) Surplus in inflows from operating activities or surplus of outflows from operating activities (a+b+c)	9,645	-4,592
B. Cash flows from investing activities		
a) Inflows from investing activities	31,967	39,969
Revenues from received interests and shares in profit in relation to investing activities	1,424	9,260
Revenues from disposal of intangible fixed assets	0	141
Revenues from disposal of tangible fixed assets	11	84
Revenues from disposal of investment property	2,299	260
Revenues from disposal of long-term financial investments	2,781	10,457
Revenues from disposal of short-term financial investments	25,452	19,767
b) Outflows from investing activities	-32,325	-18,589
Expenses for purchase of intangible fixed assets	-8	-19
Expenses for purchase of tangible fixed assets	-130	-112
Expenses for purchase of investment property	0	0
Expenses for purchase of long-term financial investments	-4,210	-1,180
Expenses for purchase of short-term financial investments	-27,977	-17,278
c) Surplus in inflows from investing activities or surplus in outflows from investing activities (a+b)	-358	21,380

	2013	2012
C. Cash flows from financing activities		
a) Inflows from financing activities	7,204	24,583
Revenues from paid-in capital	0	0
Revenues from increase in long-term financial liabilities	0	23
Revenues from increase in short-term financial liabilities	7,203	24,559
b) Outflows from financing activities	-16,267	-41,368
Expenses for interests related to financing	-7,509	-20,525
Expenses for return of capital	0	0
Expenses for repayment of long-term financial liabilities	-1,269	0
Expenses for repayment of short-term financial liabilities	-7,490	-20,843
Expenses for payment of dividends and other shares in profit	0	0
c) Surplus in inflows from financing activities or surplus in expenses from financing activities (a+b)	-9,063	-16,785
D.Cash and cash equivalents at end of period	227	3
a) Net increase in cash and cash equivalents (sum of Ač, Bc and Cc)	224	3
b) Cash and cash equivalents at beginning of period	3	0

Statement of changes in equity of Sava d.d. for the period from 31 December 2012 to 31 December 2013 (€ in thousands)

	Called up capital I		Capital reserves II	Revenue reserves III					Revaluation reserve IV	Retained net profit/loss form previous periods V		Net profit/loss for the financial year VII		
	Share capital	Uncalled capital (as deductible item)	Capital reserves	Legal reserves	Reserve for treasury shares and own business stakes	Treasury shares and own business stakes (as deductible item)	Statutory reserves	Other revenue reserves	Revaluation reserves	Retained net profit	Retained net loss	Net profit for the financial year	Net loss for the financial year	Total capital
	I/1	I/2	II	III/1	III/2	III/3	III/4	III/5	IV	V/1	V/2	VI/1	VI/2	
A.1 Balance at 31 Dec. 2012	83,751	0	0	0	4,977	-4,977	0	0	12,288	0	-9,274	0	-49,036	37,729
a) Retroactive calculation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b) Retroactive adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
A.2 Initial balance at 1 Jan. 2013	83,751	0	0	0	4,977	-4,977	0	0	12,288	0	-9,274	0	-49,036	37,729
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	-11,232	0	0	0	-11,381	-22,613
a) Entry of net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	0	0	-11,381	-11,381
b) Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	0	0	-716	0	0	0	0	-716
c) Deferred tax from a change in fair value of available for-sale financial assets	0	0	0	0	0	0	0	0	54	0	0	0	0	54
č) Change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	0	0	0	0	0	-11,583	0	0	0	0	-11,583
d) Deferred tax from a change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	0	0	0	0	0	1,038	0	0	0	0	1,038
e) Other components of comprehensive income for the period	0	0	0	0	0	0	0	0	-25	0	0	0	0	-25
B.3. Changes within equity	-58,310	0	0	0	0	0	0	0	0	0	9,274	0	49,036	1
a) Allocation of the remaining net profit part for the comparative period to other capital components	0	0	0	0	0	0	0	0	0	0	-49,036	0	49,036	0
b) Settling a loss as a deductible capital component	-58,310	0	0	0	0	0	0	0	0	0	58,310	0	0	1
C. END BALANCE as at 31 Dec. 2013	25,442	0	0	0	4,977	-4,977	0	0	1,056	0	0	0	-11,381	15,117

Statement of changes in equity of Sava d.d. for the period from 31 December 2011 to 31 December 2012 (€ in thousands)

	Called up capital I		Capital reserves II	Revenue reserves III					Reva-uation reserve IV	Retained net profit/loss form previous periods V		Net profit/loss for the financial year VII		
	Share capital	Uncalled capital (as deductible item)	Capital reserves	Legal reserves	Reserve for treasury shares and own business stakes	Treasury shares and own business stakes (as deductible item)	Statutory reserves	Other revenue reserves	Revaluation reserves	Retained net profit	Retained net loss	Net profit for the financial year	Net loss for the financial year	Total capital
	I/1	I/2	II	III/1	III/2	III/3	III/4	III/5	IV	V/1	V/2	VI/1	VI/2	
A.1 Balance at 31 Dec. 2011	83,751	0	0	0	4,977	-4,977	0	0	13,177	0	0	0	-9,274	87,654
a) Retroactive calculation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b) Retroactive adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
A.2 Initial balance at 1 Jan. 2012	83,751	0	0	0	4,977	-4,977	0	0	13,177	0	0	0	-9,274	87,654
B.1. Changes in equity - transactions with owners	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B.2. Total comprehensive income for the period	0	0	0	0	0	0	0	0	-889	0	0	0	-49,036	-49,925
a) Entry of net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	0	0	-49,036	-49,036
b) Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	0	0	1,793	0	0	0	0	1,793
c) Deferred tax from a change in fair value of available for-sale financial assets	0	0	0	0	0	0	0	0	-274	0	0	0	0	-274
č) Change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	0	0	0	0	0	-3,072	0	0	0	0	-3,072
d) Deferred tax from a change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	0	0	0	0	0	385	0	0	0	0	385
e) Other components of comprehensive income for the period	0	0	0	0	0	0	0	0	279	0	0	0	0	279
B.3. Changes within equity	0	0	0	0	0	0	0	0	0	0	-9,274	0	9,274	0
a) Allocation of the remaining net profit part for the comparative period to other capital components	0	0	0	0	0	0	0	0	0	0	-9,274	0	9,274	0
C. END BALANCE at 31 Dec. 2012	83,751	0	0	0	4,977	-4,977	0	0	12,288	0	-9,274	0	-49,036	37,729

Calculation of the net loss for Sava d.d. as at 31 December 2013 (€ in thousands)

	2013	2012
NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD	-11,381	-49,036
Retained profit / loss as at 1 Jan.	-58,310	-9,274
Decrease due to payment of dividends/stakes	0	0
Decrease / reversal of capital reserves	0	0
Decrease /reversal of revenue reserves	0	0
Increase (additional allocation) of revenue reserves	0	0
Other changes	58,310	0
Accumulated loss as at 31 Dec. 2013	-11,381	-58,310

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, Dunajska cesta 152, 1000 Ljubljana, is the controlling company of the Sava Group. The financial statements of Sava d.d. have been drawn up for the period ending on 31 December 2013. 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 18 March 2014.

FUNCTIONAL CURRENCY

The financial statements are presented in Euro currency, which as of 1 January 2007 has been the functional currency of the company. The financial information is presented in euros, rounded to one thousand units. When adding together, minor differences can appear due to rounding up.

CHANGES IN ACCOUNTING POLICIES

In 2013, 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 euros 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 placed 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 placed in service for use.

Those parts of tangible fixed assets that have different useful lives are calculated as individual fixed assets.

SUBSEQUENT EXPENDITURES IN CONNECTION WITH TANGIBLE FIXED ASSETS

Subsequent expenditures in connection with a tangible fixed asset increase its cost value if the future economic benefits embodied in the assets are higher than originally estimated.

Repairs of or maintaining tangible fixed assets are intended for renewing or preserving the future economic benefits expected on the basis of the originally estimated level of asset efficiency. They are recognised as expenses when incurred.

INVESTMENT PROPERTY

Investment property is property which is held either to earn rental income or for capital appreciation or both. Investment property is not intended for the manufacture of products, supply of goods, providing services or for office purposes like tangible fixed assets. Investment property is also not intended for short-term sale.

A property which is built or developed to be used as an investment property in the future is dealt with as an investment property in construction and stated at cost until the completion date when it becomes an investment property.

In cases when a decision should be made as to whether a property is an investment property or an owner-occupied property, the property is classified as an investment property when more than 20% 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 in percentage:

	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

The useful lives of investment property equal those valid for property of the same kind which is kept as tangible fixed assets.

IMPAIRMENT OF INTANGIBLE ASSETS, TANGIBLE FIXED ASSETS AND INVESTMENT PROPERTY

At least once a year the company examines the remaining carrying amount of intangible assets, tangible assets and investment property in order to ascertain whether they are impaired. If they are impaired, the recoverable value of the asset is estimated.

Impairment of assets or cash-generating items is recognised when its carrying amount exceeds its recoverable value. A cash-generating unit is the smallest group of assets which generates financial 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 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 checked at least once a year whether indication for impairment exists. The impairment estimate is based on the examination of recoverable value, i.e. verifying the value in use (estimate of discounted cash flows) and fair value; the recoverable value is the higher of both.

With regard to the purpose of their acquisition the investments in debtor and proprietary securities are dealt with as available for sale. They are divided into investments in shares of listed companies, investments in shares and stakes of unlisted companies and investments in mutual funds. These financial instruments are recognised or reversed on the transaction day. The fair value of listed securities available for sale equals the bid price of these shares on the balance sheet date. The fair value of shares and stakes of companies which are not listed is ascertained by checking whether indication for impairment exists.

The fair value of securities available for sale is assessed at least every three months, the last evaluation was carried out on 31 December 2013. The change in fair value is recognised in capital as a revaluation reserve.

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

The fair value of an interest swap is the estimated amount that the company would receive or pay upon suspending the interest rate swap at the balance sheet date, considering thereby current interest rate and current borrowing power of swap participants.

RECEIVABLES

At their initial recognition, the receivables of all types are shown in the amounts that arise from the corresponding documents on condition that they will be paid. The original receivables can later be increased, or irrespective of payment or any other settlement, decreased by every amount, which is proven by an agreement.

The advances in the balance sheet are shown in relation with things they refer to.

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

The revaluation adjustments in receivables are formed as follows:

- a 100% adjustment in all sued receivables and receivables filed in a bankruptcy proceeding and obligatory enforcement proceeding; and
- 100% adjustment for receivables which according to the best professional judgement are doubtful and the outcome of law suit is uncertain 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 its operation. It is determined on the basis of the amounts invested by the owners, and the amounts 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 benefits discounted at the balance sheet date. There are no other retirement liabilities.

Provisions for the reorganisation include direct costs of reorganisation and refer to foreseen payments to employees in connection with the changed organisational structure of Sava d.d.

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

LIABILITIES

Liabilities are financial or operating, short-term or long-term.

All liabilities are initially recognised with the amounts arising from the corresponding documents about their appearance, which prove the receipt of cash or redemption of any operating liability.

Long-term liabilities are further increased by imputed interests or decreased by repaid amounts and any other settlements, agreed upon with a creditor. The book value of long-term liabilities equals their original value decreased by repayment of the principal and transfers under short-term liabilities until the need for a revaluation adjustment of long-term debts appears.

The book value of short-term liabilities equals their original value adjusted by their increases or decreases as agreed upon with the creditors until the need for their revaluation adjustment appears.

Short-term and long-term liabilities of all kinds are initially shown with the amounts which arise from the corresponding documents on condition that the creditors request their repayment. The liabilities are later increased with imputed yields (interests, other compensations), about which an agreement is made with the creditor. Liabilities are decreased by repaid amounts and any other settlements in agreement with the creditor.

When measuring long-term liabilities the company follows the policy that the interest rate being agreed upon does not considerably differ from the effective interest rate if the difference is not more than one percentage point.

SHORT-TERM ACCRUALS AND DEFERRALS

Short-term accruals and deferrals include receivables and other assets and liabilities that are anticipated to appear within a year and whose appearance is probable and their size reliably estimated. Receivables and liabilities relate to the known and not yet known legal entities or natural persons towards whom actual receivables and debts will then appear, while assets include products and services to their debit.

Deferred costs and accrued revenues include short-term accrued revenues and short-term deferred costs. Accrued costs and deferred revenues include short-term deferred revenues and short-term accrued cost.

RECOGNITION OF REVENUES

Revenues are recognised if the enhancement of economic benefits in the accounting period is connected with an increase in an asset or a decrease in a liability and such an increase could be reliably measured. Revenues are recognised when it is legitimate to expect they will result in earnings if these were not already implemented at their appearance.

Operating revenues

Revenues from services rendered are recognised in the income statement with regard to the level of the completeness of a transaction on the reporting date. The level of completeness is estimated with a survey of the work performed.

Revenues from rents from investment property are recognised in expenses on a straight line basis during the rent period.

Revenues from received subsidies or endowments are measured in amounts that are approved for this purpose.

Operating revenues from revaluation arise upon the disposal of tangible fixed assets, intangible fixed assets and investment property as surpluses of their selling value over their carrying amount.

Financial revenues

Financial revenues include interest revenues from investments, revenues from dividends, revenues from disposal of financial assets available for sale, foreign exchange gains and proceeds from hedging instruments when they are recognised in the income statement. Interest revenues are recognised as they arise by using an effective interest rate method. Revenues from dividends are recognised in the income statement in the period when the Shareholders' Meeting adopts a resolution about dividend payment.

Other revenues

Other revenues consist of extraordinary items; they appear in actually incurred amounts.

RECOGNITION OF EXPENSES

Expenses are recognised if a decrease in economic benefits in the accounting period is connected with a decrease in assets or an increase in liabilities and this decrease could be reliably measured.

Operating expenses

Operating expenses are recognised when the material is used and service provided, respectively, in the period, to which they relate.

Operating expenses from revaluation arise in connection with tangible fixed assets, intangible fixed assets and current assets due to their impairment.

Financial expenses

Financial expenses include expenses for interest, foreign exchange losses, and losses due to impairment in the value of financial assets and loss of risk hedging instruments, which are recognised in the income statement. In the income statement the expenses for borrowing are recognised according to the effective rate method except for those which are attributed to intangible and tangible fixed assets under construction and preparation, respectively.

Other expenses

Other expenses consist of extraordinary items; they appear in actually incurred amounts.

INCOME TAX AND DEFERRED TAX

Income tax on the profit or loss for the financial 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 reporting 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 relief 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 are calculated so as to divide profit or loss with the weighted number of ordinary shares in the business year.

The diluted net earnings per share equal the basic earnings per share as the company is not in possession of any preference shares or exchangeable bonds. There were no changes in the number of issued shares during the year.

Criteria of importance for disclosures

The company states the accounting policies at least for the assets and liabilities whose value exceeds 10% 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% of the balance sheet total. Lower amounts are disclosed when the company evaluates them of importance for a fair view of its business.

Drawing up a cash flow statement

The cash flow statement has been prepared in accordance with SAS 26 - variant II. It has been prepared by considering the data from the income statement for the period January-December 2013 (for the past period January-December 2012), the balance sheet data as at 31 December 2013 and 31 December 2012 (for the past period 31 December 2012 and 3 December 2011), and other required data. The cash flow statement excludes the values not connected with the revenues and expenses.

2.3 Financial risk management for Sava d.d

Sava d.d. is exposed to the following financial risks:

RISK OF A CHANGE IN THE FAIR VALUE OF ASSETS (PRICE RISK)

Risk of a change in the fair value is the risk that the company will suffer a loss of economic benefits due to a change of a financial asset value.

This risk is one of the critical risks Sava d.d. is exposed to as it is strongly connected with achieving the planned return and the implementation of the outlined strategy. In 2013, price fluctuations in financial investments continued due to the adverse economic situation, high uncertainty and new legal requirements.

Due to the amendment to the Banking Act (ZBan-1L) adopted in December 2013, the regulation entered in force in Slovenia that enables the Bank of Slovenia to carry out a bank recovery procedure if insolvency of a bank is identified. Hence, it follows that the Bank of Slovenia may introduce measures similar to a compulsory settlement procedure as carried out in the case of an insolvent corporation. The new regulation enables a compulsory cancellation of shares currently held by shareholders. For Sava d.d., it meant that a 23.83% equity holding or ownership of 1,715,814 shares of Abanka Vipa d.d. and a minor shareholding of NLB d.d. were cancelled. This extraordinary event strongly decreased the value of financial assets, the financial assets structure of the parent company Sava d.d. and the operating result for 2013.

Risk of fair value changes is reduced through diversifying the investment portfolio and active supervision over the operations of the companies, in which Sava d.d. holds a significant equity share. In accordance with the adopted long-term strategy and commitments as per master restructuring agreement, we have produced a plan for divesting certain investments in order to assure suitable solvency.

In these uncertain economic circumstances, the risk of changes in the fair value remains high.

INTEREST RATE RISK

This involves a risk that the value of financial instrument and costs of contracting debt will fluctuate due to changes in the market interest rates.

In July 2013, Sava d.d. made an agreement with lending banks on financial liabilities restructuring, which remains in force until the end of November

2014. Subsequently, the company made equivalent arrangements with other financial creditors, meaning that it has agreed on standardised conditions and a uniform interest rate, which upon signing the agreement became fixed, for all of its financial liabilities. Prior to financial liabilities restructuring, Sava d.d. had more than 50% of its credit portfolio bound to the reference interest rate EURIBOR, whereas financial instruments expiring in April 2015 were concluded in the past to hedge against interest rate risk.

Upon expiration of the restructuring arrangement the exposure to the interest rate change will grow again.

In these uncertain economic circumstances, the risk of changes in the market interest rate is high.

CREDIT RISK

This involves a risk that a customer engaged in a business relationship will not meet its obligations and will cause the company to make a financial loss. Credit risk is directly connected with commercial risk and presents a danger that trade receivables or receivables due from other business partners will be settled with delay or not at all.

Sava d.d. mainly sells its services to its subsidiaries where the risk of non-payment is low. Special attention is devoted to solvency of customers out of the Group with which Sava d.d. has established a business relationship. We regularly monitor open and outstanding receivables, the maturity structure of receivables and movement of average payment terms. We have an established customer rating system available for supervision over bad payers and carry out on-going compensations.

The major part of the increased credit risk of Sava d.d. arises from transactions made with NFD Holding d.d. in the past. Sava d.d. granted two short-term loans to NFD Holding d.d. As at 31 December 2013, the value of loans granted to NFD Holding d.d. including interest accruing amounted to €19,150 thousand. In April 2013, NFD Holding d.d. entered into the agreement on restructuring financial liabilities, which regulates also the loans relationship with Sava d.d. The loans are entirely secured with bills of exchange and securities. As at 31 December 2013, the estimated value of the pledged securities amounted to €9,117 thousand, representing 48% of granted short-term loans. Owing to insufficient security, we impaired the loans by additional €725 thousand in 2013 (impairment at the end of 2012 amounted to €9,309 thousand).

Considering the above-mentioned business events, we estimate credit risks for Sava d.d. as high.

SOLVENCY RISK

This involves a risk that a company will not be able to fulfil its financial liabilities in due time.

As the adverse economic situation continues, the circumstances in the money market remained fierce in 2013 too. The domestic banking system is in a recovery process, which is why availability of additional finance sources is less easily accessible, which is mirrored in deteriorated conditions for providing suitable solvency and on-going settlement of liabilities.

In 2013, Sava d.d. devoted much attention to assuring liquidity of the company, regular settlement of financial liabilities and arranging the relations with the lending banks. We implemented the vital activities set out in the long-term strategy until 2014 and assured that business was carried out in an undisturbed manner. This is based on restructuring of financial liabilities and defines the activities required for divesting of financial investments. The major part in this process had the sale of the Rubber Manufacturing division in January 2013, which enabled Sava d.d. to reduce its debt by €71.7 million. Financial liabilities restructuring took place in July 2013, with the validity period from February 2013 until November 2014. The agreement defines payment deferring for all loans' principals to all creditors as well as a reduced interest rate for financial liabilities arising from the hired loans and issued bonds.

Owing to difficult circumstances in money markets, and, above all, the expiration of restructuring arrangement, on the very same day of which the principals will mature for payment, and the provisions, which define for the major part of the interest accruing to be settled upon the expiration of a moratorium, the solvency risk at Sava d.d. remains very high.

FOREIGN CURRENCY RISK

This involves a risk of losing economic benefits due to the changes in the foreign currency exchange rates. Sava d.d. mainly does business in the Euro Zone, but it still has investments in the markets of Serbia, Macedonia, and Bosnia and Herzegovina, which is why it is exposed to the changes in the exchange rates of the Serbian dinar and Macedonian denar.

In 2013, we did not use any derivative financial instruments to hedge against foreign currency risk, since due to high interest rate differences there were no suitable hedge instruments available in the market that would successfully eliminate risks in this connection.

With regard to the share of foreign currency operations, this risk is considered low.

MANAGEMENT OF CAPITAL

An adequate capital structure assures investor, creditor and market trust as well as sustainable development of the Sava Group. In 2011, Sava d.d. revised its long-term business strategy, which rests upon financial restructuring of liabilities and divesting of financial investments. Owing to the planned and implemented activities the capital structure will improve, while investors and other partners' trust in the business and long-term development of the company will enhance.

Sava d.d. has no programme of granting stock options to its employees.

Regulatory bodies do not have any capital requirements towards the parent company or subsidiaries in the Sava Group.

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

In 2013, depreciation of intangible fixed assets amounted to €2 thousand.

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 intangible long-term assets	Goodwill of acquired company	Other long-term deferred costs and accrued revenues	Total
Balance as at 1 Jan. 2013	0	19	0	0	0	19
Increase, purchase	0	8	0	0	0	8
Decrease	0	0	0	0	0	0
Balance as at 31 Dec. 2013	0	27	0	0	0	27
VALUE ADJUSTMENT						
Balance as at 1 Jan. 2013	0	0	0	0	0	0
Decrease	0	0	0	0	0	0
Depreciation	0	-2	0	0	0	-2
Balance as at 31 Dec. 2013	0	-2	0	0	0	-2
CARRYING AMOUNT						
Balance as at 1 Jan. 2013	0	19	0	0	0	19
Balance as at 31 Dec. 2013	0	25	0	0	0	25

2.4.2 Tangible fixed assets

The value of tangible fixed assets, which totalled €244 thousand at the end of 2013, was not significantly different from the result at the end of 2012. Minimum investments were carried out using own finance sources, which is why the cost of borrowings did not increase the value of tangible fixed assets.

Tangible fixed assets included an asset under financial lease whose book value amounted to €18 thousand as at 31 December 2013.

In 2013, the depreciation of tangible fixed assets was accounted for in the value of €45 thousand.

Movement of tangible fixed assets (€ in thousands)

Cost value	Land	Buildings	Plant and machinery	Other equipment	Tangible fixed assets under construction and manufacture	Advances for tangible fixed assets	Total
Balance as at 1 Jan. 2013	0	0	141	88	0	0	229
Increase, purchase	0	0	112	18	0	0	130
Transfers	0	0	0	0	0	0	0
Decreases	0	0	-17	0	0	0	-17
Balance as at 31 Dec. 2013	0	0	236	106	0	0	342
VALUE ADJUSTMENT							
Balance as at 1 Jan. 2013	0	0	-59	-1	0	0	-60
Transfers	0	0	0	0	0	0	0
Decreases	0	0	7	0	0	0	7
Depreciation	0	0	-25	-20	0	0	-45
Balance as at 31 Dec. 2013	0	0	-77	-21	0	0	-98
CARRYING AMOUNT							
Balance as at 1 Jan. 2013	0	0	82	87	0	0	169
Balance as at 31 Dec. 2013	0	0	159	85	0	0	244

**The corrected initial balance of purchase cost and the initial balance of value adjustment totalling €32 thousand, which, however, did not affect the values stated in the financial statements of the company.*

2.4.3 Investment property

Investment property amounted to €2,362 thousand and was significantly lower than in the previous year. The hotel real property whose book value totalled €10,265 thousand was sold to a company of Tourism division, whereas land in Labore, Kranj, whose book value totalled €2,174 thousand was sold to a company outside of the Sava Group. A profit of €5,210 thousand was generated in this transaction.

On the real property BTC in Ljubljana whose total book value amounts to €1,466 thousand, a mortgage for a long-term syndicated loan is placed. As at 31 December 2013, the balance of unpaid loan portion amounted to €96,939 thousand.

It is estimated that the fair value of investment property does not deviate significantly from the book values.

Revenues of €440 thousand and expenses of €199 thousand were made in leasing out investment property. Expenses of €105 thousand were recognised on the investment property not leased out.

In 2013, depreciation of investment property was accounted for in the value of €77 thousand.

Movement of investment property (€ in thousands)

Cost value	Land-investment property	Buildings-investment property	Total
Balance as at 1 Jan. 2013	6,791	13,361	20,152
Decrease due to sale	-5,607	-8,833	-14,440
Balance as at 31 Dec. 2013	1,184	4,528	5,712
VALUE ADJUSTMENT			
Balance as at 1 Jan. 2013	0	-5,275	-5,275
Decrease due to sale	0	2,002	2,002
Depreciation	0	-77	-77
Balance as at 31 Dec. 2013	0	-3,350	-3,350
CARRYING AMOUNT			
Balance as at 1 Jan. 2013	6,791	8,086	14,877
Balance as at 31 Dec. 2013	1,184	1,178	2,362

2.4.4 Long-term financial investments

Long-term financial investments amounting to €213,869 thousand represented 86% of the balance sheet total. In comparison with the previous year their value reduced by €22,498 thousand, partly due to impairments and partly due to selling the stakes in companies.

a) Shares and stakes in Sava Group companies

Shares and stakes in Sava Group companies totalled €93,234 thousand and were down by €4,166 thousand compared to the end of the previous year. The following changes took place in 2013:

- Impairments of financial investments in the companies of Real Estate totalling €4,008 thousand:
- Total share of Sava TMC d.o.o. in the value of €157 thousand was sold (Sava Turizem d.d. was the buyer).

The entire ownership stake of Sava Turizem d.d. was pledged for the obtained loans of Sava d.d., its book value amounting to €88,960 thousand. The entire ownership stake in the company Sava Nepremičnine d.o.o. was pledged for the obtained loans of Sava TMC d.o.o., the book value of which amounted to €3,907 thousand.

Disclosures in connection with the composition of the Sava Group, share in capital, amount of capital and operating result of the subsidiaries are presented in the financial part of the annual report of the Sava Group.

b) Shares and stakes in the associated companies

The value of shares and stakes in the associated companies totalled €85,915 thousand and was by €13,386 thousand lower than at the end of the previous year. The decrease was due to:

- Cashing in the pledged shares of Gorenjska banka d.d. amounting to €3,557 thousand.
- The ultimate impairment and cancellation of ownership in Abanka Vipa d.d. amounting to €9,609 thousand.
- Impairment of financial investment in NFD Holding d.d. amounting to €220 thousand.
- The value of a 44.07% stake in Gorenjska banka d.d., Kranj amounts to €85,886 thousand. Due to cashing in 6,050 pledged shares of Gorenjska banka d.d. the ownership share in 2013 reduced from 45.90% to 44.07%, with the value of investment decreasing by €3,557 thousand. As at 31 December 2013, the book value of financial investment in Gorenjska banka d.d. amounted to €588 for a share.
- 139,480 shares of Gorenjska banka d.d. were pledged for the loans obtained by Sava d.d., for the issued bonds and the loan of a subsidiariy. The book value of pledged shares amounted to €82,017 thousand.

Introductory explanations to the evaluation of financial investment in Gorenjska banka d.d.

Besides divesting of financial investments, restructuring financial liabilities and reducing indebtedness, the core of the restructuring strategy of Sava d.d. for the period 2012-2014 envisaged also the activities for a capital tie-up between domestic banks, in which Sava d.d. had financial investments. At that time both financial investments in banks represented a significant portion of the parent company' assets and in the light of implementing the business strategy, we invested much effort in the project of a capital tie-up between Gorenjska banka d.d. and Abanka Vipa d.d. after finishing the sale of Real Estate and Rubber Manufacturing. The then analyses and estimates showed positive effects of a merged bank's operations and, consequently, a positive impact on the equity capital value. Based on this, a state including both investments would be achieved that despite adverse economic circumstances would enhance the possibility for selling a part or total ownership stake of the merged bank or for admittance of strategic investor.

At the end of 2013, the process of examining soundness of the Slovene banking system was in progress in eight Slovene banks where due diligence procedures for verification of assets quality and stress tests were carried out. A due diligence was carried out in both Abanka Vipa d.d. and Gorenjska banka d.d. In the light of results from stress tests and measures for stabilisation of domestic banking system, the three biggest Slovene banks (NLB, Nova KBM and Abanka Vipa) obtained aid from the state in the form of capital increase, at which all shareholders of the mentioned banks lost their ownership stakes, including Sava d.d. in Abanka Vipa d.d. The remaining banks that otherwise fulfilled capital requirements set by the Bank of Slovenia, however, stress tests showed a potential deficit in available capital until 2015, the Bank of Slovenia imposed with a task to introduce a set of activities to cover this deficit until the end of June 2014.

Despite the results from due diligence and stress tests Gorenjska banka d.d. preserves adequate capital structure and fulfils the requests by the domestic banking system regulator, the Bank of Slovenia. The bank will endeavour to meet the requirements as regards the capital structure until the end of 2014 as requested from the Bank of Slovenia after due diligence. For this purpose, it will introduce a range of activities that aim at increasing revenues, improving collection of credits, cashing in collateral for bad credits, selling receivables, transferring investments to group companies, increasing capital, seeking new investors and similar.

In the given moment, the activities to be carried out in order to improve operations and assure capital adequacy are strongly affected by uncertain and unpredictable economic circumstances. The present and future bank's operation is also influenced by the recovery and required consolidation of the Slovene banking system. Hence, it follows that highly uncertain situation could have a significant impact on the future business of the bank and thereby, the value of equity capital.

For the time being, it is not possible to evaluate the equity capital of Gorenjska banka d.d., in which Sava d.d. has a 44.07% equity holding, reliably enough, as in addition to the abovementioned we are also facing the uncertainty brought about by the undefined implementation level of stress test both in terms of amount and dynamics.

Notwithstanding the uncertainties described above, we tried to evaluate the book value of financial investment in Gorenjska banka d.d. on the basis of the Evaluation report of a 44.07% equity holding in Gorenjska banka d.d. as at 31 December 2013 that was prepared by a certified evaluator of companies licenced from the Slovene Audit Institute.

In the financial statements of the Sava Group, the book value of financial investment in equity holding of Gorenjska banka d.d. as at 31 December 2013 was shown in the same book value as recognised in the separate financial statements of Sava d.d.

that amounted to €588 for a share. However, this might not include all potentially significant effects of previously presented uncertainties. In the Sava Group, a net impairment of investment was carried out amounting to €22.0 million.

At Sava d.d., we are confident that Gorenjska banka d.d. will assure a suitable growth in business either on separate basis or in the light of consolidation of the Slovene banking sector, thereby providing a potential for strengthening the capital structure, which will influence the future value of its share.

Information about the evaluation of a 44.07% equity holding of Gorenjska banka d.d. for financial reporting purpose as at 31 December 2013

An evaluation report for a 44.07% equity holding of Gorenjska banka d.d. as at 31 December 2013 was produced for financial reporting purpose. A certified company evaluator licensed with the Slovene Audit Institute carried out the evaluation.

When computing the equity holding value of Gorenjska banka d.d., the value in use was estimated using the method of the current value of expected free cash flow and based on the evaluated fair value decreased by selling costs and using the method of market comparisons. The following assumptions were considered: unchanged operations and going concern; business projections were produced based on the past performance results, the 2014 business plans, publicly announced platform for action and policies of the company, explanations given by the company's management board, analyses of macroeconomic environment and the industry. As of 2013, an amount of profit is retained in the company every year that ensures preserving Tier 1 at the level of 11.5%. As per the evaluation date, capital was adapted by a surplus capital amount, minority owner discount at 5%, shortage of marketability at 5%, required return on capital at 14.29%, and growth in normalised cash flow at 2%.

The final resolution on recoverable amount evaluation was made based on the value in use in the range from €549 to €602 for a share, with the mean value at €585 for a share.

As at 31 December 2013, Sava d.d. held 146,060 shares of Gorenjska banka d.d., valued at €588 for a share. The stated value lies within the evaluated range.

- In 2013, the announced share capital increases of Abanka Vipa d.d. failed. Based on the decision by the Bank of Slovenia on introducing urgent measures, which was adopted on 17 December 2013, total bank's qualifying liabilities including the share capital of Abanka Vipa d.d. expired on 18 December 2013. On the same day, the corresponding entries were made in the court's register; consequently, the existent shares were cancelled from the Central Securities Depository. As at 31 December 2013, Sava d.d. thus no longer held this bank's shares, based on which the investment totalling €9,609 thousand was ultimately impaired in the income statement. Total loss of Sava d.d. arising from the financial investment in Abanka Vipa d.d. amounted to €130,529 thousand.
- The value of a 24.65% stake in NFD Holding d.d., Ljubljana, ascertained by using the stock exchange price as at 31 December 2013, amounted to €29 thousand. In comparison with the end of the previous year, the ownership stake did not change, whereas the value of investment decreased by €220 thousand in 2013 resulting from further drops in stock exchange prices. The impairment of investment was included in the income statement.
- The equity holding in Maksima Invest d.d. – under receivership, Ljubljana, was cancelled, the value of investment was entirely impaired already in the previous year. Total value of loss made by Sava d.d. with the financial investment in Maksima Invest amounted to €7,626 thousand.

Disclosures in connection with the composition of the Sava Group, share in capital, amount of capital and operating result of the subsidiaries are presented in the financial part of the annual report of the Sava Group.

c) Other shares and stakes

Other shares and stakes totalling €31,343 thousand were by €5,164 thousand lower than in the previous year. Other shares and stakes included listed securities available for sale totalling €3,521 thousand, unlisted securities available for sale totalling €3,823 thousand, and investments in a mutual fund totalling €23,999 thousand.

As at 31 December 2013, securities available for sale were valued at fair value; the net negative effect from revaluation amounted to €4,681 thousand, €3,964 thousand of which were impairments in the income statement, while net increase in the value of financial investments totalling €717 thousand was shown in equity revaluation adjustments.

The value of investment in NFD 1, mutual fund, amounted to €23,999 thousand; the fair value was ascertained by using the stock exchange on the last accounting day.

Despite a 23.35% ownership stake, the investment in NFD 1, mutual fund, is considered as available for sale and not as an associated company. NFD 1, mutual fund, is managed by the management company, in which Sava d.d. has no ownership stake. The Supervisory Board of the company solely supervises the fund operation. Furthermore, NFD 1 restructured from a closed mutual fund to an open mutual fund in 2011, after which Sava d.d. became the owner of a certain number of mutual fund coupons and has no influence on managing the fund whatsoever.

The total - 23.35% - share in NFD 1, mutual fund, was pledged for the loans obtained by Sava d.d. The book value of pledged shares amounted to €23,999 thousand.

The value of **other shares and stakes** amounted to €7,344 thousand, and included 1,468,221 shares of Hoteli Bernardin d.d., 13,500 shares of Kompas Bled d.d, 4,987 shares of Pokojninska Družba A d.d., 9,874 shares of Jubmes Banka d.d., and 4,766 shares of Helios pledged for the loans obtained by Sava d.d. The book value of the pledged shares amounted to €6,099 thousand.

Call option contract

Sava d.d. had a forward sale contract for 26,748 shares of NLB d.d. with Factor Banka d.d. concluded with maturity date as at 15 January 2013. The contract was secured with 6,050 shares of Gorenjska banka d.d. Upon its maturity, Sava d.d. did not exercise its right for buying the shares of NLB d.d., whereas the seller exercised its rights from the collateral.

The shares of Gorenjska banka d.d. placed as collateral were not sufficient for closing total liabilities arising from the call option contract. As at 31 December 2013, liabilities amounted to €1,561 thousand and fall due for payment at the end of November 2014; they are insured by entering a land debt on the real estate Perovo owned by Sava Nepremičnine d.o.o.

Types of securities available for sale
(€ in thousands)

	31 Dec. 2013	31 Dec. 2012
Shares of listed companies	3,521	4,683
Shares of unlisted companies	3,823	5,950
Mutual funds	23,999	25,874
Total	**31,343**	**36,507**

d) Long-term loans to Group companies

Long-term loans to Sava Group companies totalling €3,377 thousand were partly insured with bills of exchange and party with pledged real property and equipment. Interest rates on long-term loans to Group companies amounted to 3.0% and a 3-month EURIBOR +1%.

Movement of long-term financial investments (€ in thousands)

	Long-term financial investments, excluding loans					Long-term loans				
	Stocks and shares in Group companies	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	Long-term loans to other entities	Long-term unpaid called-in capital	Total long-term loans	Total long-term investments
GROSS VALUE										
Balance as at 1 Jan. 2013	110,106	251,300	116,416	0	477,821	4,537	0	0	4,537	482,358
Purchase, increase	0	0	142	0	142	4,068	0	0	4,068	4,210
Share capital increase with cash contributions	0	0	0	0	0	0	0	0	0	0
Share capital increase with non-cash contributions	0	0	0	0	0	0	0	0	0	0
Increase due to acquisitions	0	0	0	0	0	0	0	0	0	0
Decrease	-3,909	-3,558	-1,510	0	-8,977	-999	0	0	-999	-9,975
Transfers	-15	0	15	0	0	-4,229	0	0	-4,229	-4,229
Write-off	-797	-138,155	-2,366	0	-141,318	0	0	0	0	-141,318
Revaluation	0	0	-717	0	-717	0	0	0	0	-717
Balance as at 31 Dec. 2013	105,385	109,587	111,980	0	326,952	3,377	0	0	3,377	330,329
VALUE ADJUSTMENT										
Balance as at 1 Jan. 2013	-12,705	-151,998	-79,909	0	-244,613	-1,378	0	0	-1,378	-245,991
Purchase, increase	0	0	0	0	0	0	0	0	0	0
Share capital increase with non-cash contributions	0	0	0	0	0	0	0	0	0	0
Increase due to acquisitions	0	0	0	0	0	0	0	0	0	0
Decrease	3,752	0	885	0	4,637	0	0	0	0	4,637
Transfers	15	0	-15	0	0	1,378	0	0	1,378	1,378
Write-off	797	138,155	2,366	0	141,318	0	0	0	0	141,318
Revaluation	-4,009	-9,829	-3,964	0	-17,802	0	0	0	0	-17,802
Balance as at 31 Dec. 2013	-12,150	-23,672	-80,637	0	-116,460	0	0	0	0	-116,460
NET VALUE										
Balance as at 1 Jan. 2013	97,400	99,301	36,507	0	233,208	3,159	0	0	3,159	236,367
Balance as at 31 Dec. 2013	93,234	85,915	31,343	0	210,492	3,377	0	0	3,377	213,869

2.4.5 Long-term operating receivables

Movement of long-term operating receivables (€ in thousands)

	2013	2012
Balance as at 1 Jan.	10	63
Newly formed receivables	0	0
Repayment of receivables	-10	-37
Impairment of receivables	0	-16
Balance as at 31 Dec.	0	10

2.4.6 Deferred tax receivables

Deferred tax receivables referred to revaluation of financial investments into securities available for sale to fair value and were formed to the amount of €10,874 thousand as at 31 December 2013. In comparison with the same period last year they were reduced by half, the decrease being mainly due to losing of ownership in Abanka Vipa d.d. When calculating deferred tax receivables, a 17% tax rate was used.

Movement of deferred tax receivables (€ in thousands)

	2013	2012
Balance as at 1 Jan.	20,669	25,065
Decrease in receivables due to sale of securities - in other comprehensive income	0	-19
Decrease in receivables due to sale of securities - through profit or loss	-9,753	-516
Increase in receivables due to impairment of securities - through profit or loss	0	2,819
Decrease in receivables by provisions for severance pay - through profit or loss	-9	-25
Other changes - in other comprehensive income	0	-1
Other changes - through profit or loss	-33	-6,654
Balance as at 31 Dec.	**10,874**	**20,669**

In spite of certain additional impairments of financial liabilities available for sale, Sava d.d. did not form any new or cancelled the remaining deferred tax receivables in 2013. This is the result of extremely difficult and uncertain domestic economic situation that strongly affects the achieved conditions for selling financial investments, which is why we are not able to determine them precisely enough in terms of value and time.

Deferred tax receivables arising from tax losses were not accounted for, as it is estimated that in near future no such revenues would be generated that in addition to the deferred receivables from impairments of financial liabilities would also cover for deferred taxes arising from tax losses. The amount of not accounted for deferred tax receivables arising from tax loss using a 17% tax rate amounted to €39,840 thousand as at 31 December 2013.

2.4.7 Assets for sale

The value of assets for sale amounted to €58,402 thousand at the end of **2012**. These assets referred to the financial investment in Savatech d.o.o. totalling €56,608 thousand and the financial investment in Savapro d.o.o. totalling €1,794 thousand. The sale of Rubber Manufacturing with the Foreign Trade Network was finalised on **8 January 2013**.

2.4.8 Short-term financial investments

The value of **short-term financial investments** totalling €16,010 thousand was by €2,874 thousand higher compared to the previous year.

SHORT-TERM LOANS

Short-term loans of €16,010 thousand included:

- Short-term loans to Group companies amounting to €1,356 thousand are not insured.
- Short-term deposits to banks totalling €6,882 thousand.
- Loans to other entities – NFD Holding, d.d., - in total gross amount of €17,806 thousand, with a formed value adjustment as at 31 December 2013 amounting to €10,034 thousand, the net value of receivable was recognised at €7,772 thousand.

Compared to the end of the previous year, the balance of loans granted to NFD Holding d.d. was decreased by €4,698 thousand, €3,973 thousand of which were repayment of loans and €725 thousand additional impairments based on the suitability estimate of received collaterals for these two loans.

Granted loans are insured with bills of exchanges and securities, which included 9,154,192 shares of Hoteli Bernardin d.d., 346,243 shares of NFD 1, 647,318 shares of Istrabenz d.d., 166,484 shares of Melamin d.d., 56,839 shares of Finetol d.d., 5,806 shares of Krka d.d., 893 shares of Petrol d.d. and 32,936 shares of Sava d.d. With all the mentioned shares Sava d.d. is partly the first-entered lien-holder and partly the second-entered lien-holder. The estimated value of securities received in pledge amounts to €9,116 thousand.

A 2.70% interest rate applies to these loans.

2.4.9 Short-term operating receivables

Short-term operating receivables by maturity (€ in thousands)

	Total 31 Dec. 2013	Due	Not due
IV) Short-term operating receivables	4,649	59	4,590
1. Short-term receivables due from Group companies	3,207	7	3,200
2. Short-term trade receivables	60	22	38
3. Short-term operating liabilities to other entities	1,382	30	1,352

Short-term operating receivables of €4,649 thousand equalled the balance stated at the end of the previous year; they mainly referred to the interest arising from the granted loans.

Valuation allowance in trade receivables for services

As at 31 December 2013, the balance of valuation allowance in trade receivables amounted to €160 thousand and with regard to the previous year, it was higher by €22 thousand. Value adjustments in trade receivables were formed anew and amounted to €68 thousand. In connection with closing court proceedings and selling the associated company Ensa BH d.o.o., Srbac, value adjustments were decreased by €47 thousand.

Movement of value adjustments in trade receivables for services (€ in thousands)

	2013	2012
Balance as at 1 Jan.	138	428
Increase in value adjustment	68	19
Decrease in value adjustment	-47	-309
Balance as at 31 Dec.	160	138

The age structure of receivables is shown in chapter 2.5.3 – Financial instruments – financial risks.

2.4.10 Cash and cash equivalents

Cash totalling €227 thousand referred to the assets on business account.

2.4.11 Capital

The value of capital of Sava d.d. which totalled €15,117 thousand (€37,729 thousand at the end of 2012) was by €22,612 thousand or by 60% lower than at the end of the previous year. The loss made in 2013 represented 45% of share capital. In the liabilities structure, capital had a 6% share.

Changes in capital

In 2013, the following changes took place:

- A loss in the accounting period totalled €11,381 thousand.
- Revaluation reserve decreased by €11,232 thousand.

At the 19th Shareholders' Meeting of Sava d.d. a decision on a simplified share capital decrease amounting to €58,310 thousand was adopted, which covered the accumulated loss as at 31 December 2012.

Reserves for own shares within other revenue reserves

As at at 31 December 2013, reserves for own shares amounted to €4,977 thousand, the number of own shares totalled 30,541, representing 1.52% of total issue of shares. No changes occurred in 2013 with regard to the end of 2012.

Sava d.d. received another 32,936 Sava shares as security, representing 1.64% of totally issued shares.

Revaluation reserve from long-term financial investments

As 31 December 2013, revaluation reserve from long-term financial investments amounted to €1,056 thousand (at the end of 2012: €12,288 thousand).

The revaluation reserve structure was as follows:

- Positive revaluation reserve from securities available for sale amounted to €1,056 thousand (2012: €1,805 thousand).
- There was no negative revaluation reserve from securities available for sale.

2.4.12 Paid dividends, weighted average number of shares and net loss per share

Paid dividends

	2013	2012
Dividend per ordinary share in the year *(€)*	0.00	0.00
Total amount of dividends to the debit of retained profit *(€ in thousands)*	0	0

The share capital is divided in 2,006,987 ordinary personal no-par value shares, which all have voting rights and are freely transferable. All shares have been paid in full. The company has no bonds for conversion to shares.

Weighted average number of shares

	2013	2012
No. of all shares as at 1 Jan.	2,006,987	2,006,987
Own shares	-30,541	-30,541
Weighted average number of shares as at 31 Dec.	**1,995,423**	**1,995,423**

Net loss attributable to shares

	2013	2012
Net loss for the financial year *(€ in thousands)*	-11,381	-49,036
Weighted average number of shares	1,995,423	1,995,423
Basic net loss per share *(in €)*	-5.70	-24.57

The diluted net loss per share equalled 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 totalling €117 thousand entirely referred to the provisions for severance pay and jubilee benefits.

The actuarial calculation as per 31 December 2012 was made considering the following assumptions: retirement amounts, jubilee benefits, and their growth in accordance with the provisions from the collective and individual employment contracts. No increase in wages is expected for 2013, employee fluctuation is considered, while the chosen discount interest rate amounts to 4.70 % p.a. and represents a yield of ten-year corporate bonds with a high rating in the Euro Zone increased by the local risk margin. As at 31 December 2013, a recalculation was made considering a lower number of employees.

2.4.14 Restructuring of financial liabilities

On 23 July 2013, a Master Restructuring Agreement was entered into by Sava d.d., Nova Ljubljanska banka d.d. as the organiser and collateral agent of banks' consortium, and other lending banks, thereby effectively finalising the process of regulating of the existent financial liabilities of Sava d.d.

Major data:

- Amount: €187.7 million
- Interest rate: 3 %

Movement of provisions and long-term accrued costs and deferred revenues (€ in thousands)

	Provisions for retirement amounts and similar obligations	Other provisions	Long-term accrued costs and deferred revenues	Total
Balance as at 1 Jan. 2013	122	0	0	122
Newly formed provisions	0	0	0	0
Cancellation of provisions	-4	0	0	-4
Use of provisions	-1	0	0	-1
Balance as at 31 Dec. 2013	**117**	**0**	**0**	**117**

- Date of restructuring taking effect: 28 February 2013
- Final date: 30 November 2014
- Interests of 1% p.a. fall due for payment quarterly; the difference of 2% p.a. falls due for payment on the final date

2.4.15 Long-term liabilities

As at 31 December 2013, the company showed long-term liabilities of €231 thousand (2012: €38,362 thousand), which mainly referred to deferred tax liabilities.

The explanation about the value of assets of Sava d.d., placed as collateral for the obtained long- and short-term loans is given in chapter 2.5.2.

LONG-TERM FINANCIAL LIABILITIES

In 2013, long-term financial liabilities were almost entirely transferred under short-term liabilities and were by €37,063 thousand lower than at the end of the previous year.

Movement of long-term financial liabilities
(€ in thousands)

	2013	2012
Balance as at 1 Jan.	37,078	42,296
Hiring new loans in the year	0	23
Issue of bonds	0	0
Transfer from short-term portion during the year	0	6,000
Foreign exchange differences	0	0
Loan repayments in the year	-8	-25
Transfer to a short-term portion at period end	-37,055	-11,216
Balance as at 31 Dec.	**15**	**37,078**

Movement of long-term loans received outside of the Group (€ in thousands)

	31 Dec. 2013	31 Dec. 2012
From 1 to 2 years	8	8,272
From 2 to 5 years	7	2,291
Total	**15**	**10,563**

DEFERRED TAX LIABILITIES

Deferred tax liabilities totalling €216 thousand were formed in connection with evaluating financial investments at fair value; they were accounted for at a 17% tax rate.

Movement of deferred tax liability
(€ in thousands)

	2013	2012
Balance as at 1 Jan.	1,283	1,694
Increase in liabilities due to revaluation of securities to fair value - in other comprehensive income	11	216
Decrease in liabilities due to revaluation of securities to fair value - in other comprehensive income	-65	-63
Decrease in liabilities due to sale of securities- in other comprehensive income	-1,038	-282
Other changes - in other comprehensive income	25	-281
Balance as at 31 Dec.	**216**	**1,283**

2.4.16 Short-term liabilities

Short-term liabilities totalling €232,145 thousand were by €38,508 thousand lower than in the previous year; in the finance sources structure they had a 93% share.

The explanation about the value of assets of Sava d.d., put as collateral for the obtained long- and short-term loans is given in chapter 2.5.2.

SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities to Group companies totalling €3,835 thousand were due to the management of financial sources in the Sava Group. Liabilities have not matured yet and are secured with securities pledge. The interest rate for short-term loans obtained from the Group companies amounts to 3.0%.

Short-term financial liabilities to banks amounting to €187,702 thousand were by €59,428 thousand lower than at the end of the previous year. The net decrease is composed of an increase due to transfer from long-term loans totalling €10,540 thousand and repayment of bank loans totalling €69,968 thousand. Short-term loans are hired with banks in Slovenia and abroad at a 3% interest rate. Short-term financial liabilities to banks have not matured yet and are secured.

Short-term liabilities arising from bonds

Liabilities arising from bonds were stated at €26,515 thousand. Total nominal value of the bonds issue amounted to €26,500 thousand, during the issue procedure in 2009 another €15 thousand were paid in based on the placed binding bids. Liabilities arising from bonds fall due for payment in 2014, which is why they were transferred from short-term to long-term liabilities at the end of the accounting period.

Additional explanations in connection with the issue of bonds:

- Type of bond: ordinary bond nominated in €o, nominal, issued in non-materialised form entered in the Central Securities Depository at KDD d.d. Ljubljana.
- Bonds listing: in the bonds market of the Ljubljana Stock Exchange under the designation SA03.
- Denomination structure: total issue includes 26,500 denominations at €1,000.00 each.
- Interest rate: under the Master Restructuring Agreement made with all creditors, the interest rate amounts to 3% p.a. and is fixed. The interests of 1% p.a. (payable interest) are settled quarterly in arrears, the interest of 2% p.a. (deferred interest) falls due for payment together with the principal on 30 November 2014.
- Payment of the principal and maturity date: nominal value of the principal falls entirely due in a single amount upon maturity of bonds at 30 November 2014.
- Collateral: bonds are secured with 34,287 shares of Gorenjska banka d.d. The book value of the pledged shares amounts to €20,161 thousand.

Other short-term financial liabilities totalling €8,744 thousand included:

- The loan of €6,000 thousand obtained from A Pokojninska družba d.d., the interest rate amounting to 3.0%. The obtained loan is secured by placing a mortgage on the real property of Grand Hotel Toplice with the Panorama restaurant and the hotel building Savica.
- Liabilities from hedging against interest rate risk totalling €2,034 thousand.
- Liabilities for unpaid dividends totalling €709 thousand.

Overview of loans outside of the Group, either at fixed and variable interest rate
(€ in thousands)

	Fixed interest rate	Variable interest rate	Total
Long-term loans	15	0	15
Short-term loans	193,702	0	193,702
Total	**193,717**	**0**	**193,717**

SHORT-TERM OPERATING LIABILITIES

Total short-term liabilities recognised at €5,349 thousand mainly referred to interest liabilities for bank loans and to the sellers of securities arising from the call option contract; the latter are secured by placing a land debt on the real property Perovo owned by Sava Nepremičnine d.o.o.

2.4.17. Short-term accrued costs and deferred revenues

Short-term **accrued revenues and deferred costs** totalling €57 thousand mainly referred to the accrued interest on deposit.

Short-term **accrued costs and deferred revenues** totalling €707 thousand referred to short-term accrued revenues in connection with reorganising Sava d.d., deferred interest on loans and other accrued costs.

2.4.18. Net sales revenues

Sava d.d. made net sales revenues amounting to €1,858 thousand (2012: €3,130 thousand), 40% of which referred to sales within the Sava Group. Revenues were made in leasing out real property and providing other services. Net sales revenues generated in 2013 were 41% down on the previous year, which was due to selling real property to the subsidiaries and discontinued charging for the Sava trademark to the companies of the Sava Group.

41% of net sales revenues were made in Slovenia, the remaining amount was due to selling the Sava trademark to The Goodyear Tire & Rubber Company, Akron.

Overview of net sales revenues
(€ in thousands)

	2013	2012
Net sales revenues from services	1,432	1,777
Net sales revenues from rents	426	1,353
Total net sales revenues	1,858	3,130

2.4.19. Other operating revenues (with operating revenues from revaluation)

Other operating revenues with operating revenues from revaluation totalling €5,264 thousand (2012: €491 thousand) were mainly generated in the sale of real property to a company of the Tourism division.

2.4.20. Cost by functional group

Total operating expenses amounting to €7,277 thousand (2012: €6,480 thousand) referred to general overheads.

2.4.21. Cost of goods, material and services

Cost of goods, materials and services had a 47% share in the operating expenses structure. They amounted to €3,455 thousand and compared to the same period last year, when they amounted to €3,294 thousand, they increased by 5%.

Overview of cost of goods, materials and service by type of cost (€ in thousands)

	2013	2012
Purchase value of sold goods	0	0
Cost of material	73	73
Cost of transportation services	7	27
Cost of maintenance services	79	74
Cost of rents	243	433
Refunds to employees	12	19
Cost of payment transactions, bank services and insurance premiums	295	253
Cost of intellectual and personal services	2,049	1,480
Cost of fairs, advertising and office allowances	112	216
Cost of other services	585	719
Total net sales revenues	3,455	3,294

2.4.22. Labour cost

Labour cost of €1,699 thousand (2012: €2,838 thousand) had a 23% share in the operating expenses structure. Compared to the same period last year they were down by 40% because of downsizing.

Labour cost include the accounted from premiums for additional pension insurance totalling €23 thousand.

As at 31 December 2013, Sava d.d. employed 20 associates (31 employees as at 31 December 2012). While the average number of employees based on working hours amounted to 26.36 employees in 2013 (32.36 employees in 2012).

Sava d.d. made a service providing agreement with Sava Medical in storitve d.o.o., based on which the Guarantee, Maintenance and Disability Fund of the Republic of Slovenia issued a decision that approves Sava d.d. of announcing alternative supplementation of the quota from the period August - December 2013. As defined by the provisions, Sava d.d. reported on the implementation of alternative supplementation of the quota to the Fund.

2.4.23 Amortisation, depreciation expenses and write-offs

Amortisation and depreciation expenses, write-offs totalled €2,038 thousand (2012: €297 thousand) were significantly higher than in the same period last year. Write-offs were higher due to impairments of operating receivables, whereas the accounted for depreciation was lower due to selling the real property to the subsidiaries.

Depreciation and operating expenses from revaluation included the following items:

- Depreciation of intangible fixed assets: €2 thousand.
- Depreciation of tangible fixed assets: €45 thousand.
- Depreciation of investment property: €77 thousand.
- Operating expenses from revaluation (impairments of operating receivables: €1,914 thousand).

2.4.24 Other operating expenses

Other operating expenses totalling €85 thousand (in 2012: €5 thousand) and mainly referred to taxes and contributions in connection with the real property.

2.4.25 Financial revenues from stakes

Financial revenues from stakes totalled €25,610 thousand and compared to the same period last year when they amounted to €8,784 thousand they were three times higher.

FINANCIAL REVENUES FROM STAKES IN GROUP COMPANIES

Financial revenues from stakes in Group companies totalling €24,302 thousand referred to the profit made in the sale of the subsidiary Savatech d.o.o.

FINANCIAL REVENUES FROM STAKES IN OTHER COMPANIES

49% of financial revenues from stakes in other companies stated in the amount of €150 thousand (2012: €884 thousand) referred to securities available for sale and 51% were dividends received from other companies.

FINANCIAL REVENUES FROM OTHER INVESTMENTS

Financial revenues from other investments totalling €1,158 thousand (in 2012 there were none) referred to the profit made in cashing in the collateral in connection with call option.

2.4.26 Financial revenues from granted loans

Financial revenues from loans granted to Group companies amounting to €281 thousand (2012: €324 thousand) and financial revenues from loans granted to other entities in the amount of €996 thousand (2012: 1,686 thousand) were by 36% down on the same period last year. In terms of their substance, they mainly referred to interest from granted loans and deposits, foreign exchange differences and cancellation of the accounted for default interest.

In total financial revenues from granted loans, €444 thousand were generated in relation to the associated companies (2012: €1,524 thousand).

2.4.27 Financial revenues from operating receivables

Financial revenues from operating receivables totalling €14 thousand (2012: €3 thousand) were interests charged to customers.

2.4.28 Financial expenses from impairments and write-offs of financial investments

Financial expenses from impairments and write-offs of financial investments amounting to €19,730 thousand were significantly lower than in the same period last year when they amounted to €34,697 thousand.

The impairments referred to the following financial investments:

- Impairment of investments in the associated companies in the amount of €9,829 thousand (2012: €25,707 thousand).
- Impairments of investments and loans in the subsidiaries totalling €4,407 thousand (2012: €2,833 thousand).
- Impairments of long-term securities available for sale amounting to €3,964 thousand (2012: €2,409 thousand).
- Loss made in the sale of long-term securities available for sale amounting to €795 thousand (2012: €242 thousand)
- Impairment of a loan granted to a subsidiary amounting to €725 thousand (2012: €2,622 thousand)
- Impairment of a loan to other entities totalling €10 thousand (no such impairments in 2012).

2.4.29 Financial expenses from financial liabilities

Financial expenses from financial liabilities totalling €8,691 thousand (2012: €17,893 thousand) were 51% lower than in the same period last year. The difference is mainly due to reducing the interest rate on loans and bonds as agreed under the Master Restructuring Agreement for financial liabilities in 2013.

75% or €6,512 thousand of financial expenses referred to interests paid on bank loans, 15% of financial expenses from financial liabilities or €1,280 thousand was interest for the issued bonds, the remaining 10% or €899 thousand was interest on the loans obtained from Group companies and interests on the loans granted from other companies, and other financial expenses. Financial expenses totalling €1,514 thousand referred to the associated companies.

2.4.30 Other revenues and other expenses

Other revenues amounted to €96 thousand (2012: €7 thousand) and were mainly due to receiving compensation and crediting of deductible VAT tax.

Other expenses amounted to €7 thousand (2012: €15 thousand) and referred to payment of compensations and exchange rate differences.

2.4.31. Deferred tax receivables and liabilities

Overview of deferred tax receivables and liabilities for 2013 *(€ in thousands)*

31 Dec. 2013	Receivables	Liabilities	Net
Financial investments	10,874	216	10,658
Total	**10,874**	**216**	**10,658**

Overview of deferred tax receivables and liabilities for 2012 *(€ in thousands)*

31 Dec. 2013	Receivables	Liabilities	Net
Financial investments	20,627	1,283	19,344
Operating receivables	22	0	22
Provisions	20	0	20
Total	**20,669**	**1,283**	**19,386**

2.4.32 Shares in profit

The Shareholders' Meeting did not approve any shares in the profit to non-shareholders.

2.4.33 Corporate income tax

For 2013, Sava d.d. had no corporate income tax payable.

The expenses, which are not deductible for tax purposes included revaluation of long-term financial investments, revaluation of receivables and loans and other expenses, which are not deductible under the Corporate Income Tax Act.

In 2013, Sava d.d. did not use tax reliefs as tax loss was recognised.

As at 31 December 2013, Sava d.d. stated the unused tax loss totalling €234,354 thousand and a sum of €41 thousand under other unused tax reliefs.

The net value of deferred taxes totalling €9,795 thousand, which aggravated the operating result for the period, was mainly due to cancellation of tax receivables in connection with the sale and cancellation of securities. Deferred tax receivables from tax losses were not accounted for.

Comparison between the actual and the computed tax rate (€ in thousands)

	2013 Tax rate	2013 Amount	2012 Tax rate	2012 Amount
Pre-tax profit		-1,586		-44,660
Tax on profit applying the official rate	17%	-270	18%	-8,039
Effect by tax rates in other countries		0		0
Amounts having a negative impact on tax base		22,283		34,420
- Amount from revenue increase to the level of tax-deductible revenues		1		1
- Amount from expense decrease to the level of tax-deductible expenses		21,670		33,994
- Amount of expense for which tax was withheld		0		0
- Any other amounts having impact on tax base increase		612		425
Effect of increase in tax rate on special profits		0		0
Amounts having positive effect on tax base		159,117		13,978
- Amount from revenue decrease to the level of tax-deductible revenues		12,272		8,309
- Amount from expense increase to the level of tax-deductible expenses		146,845		5,669
- Any other amounts having impact on tax base decrease (e.g. amount of revenues for which tax was already withheld)		0		0
Changed tax base due to transition to a new accounting method resulting from changes of accounting policy		0		70
Tax reliefs				
- Used, having effect on tax liability decrease		0		0
- Remaining, to be used in the following years		18		10
Tax loss				
- Used, having effect on tax liability decrease		0		0
- Originating from the current year – to be used in the following years		138,420		24,288
Adjustments for previous years		0		0
TAX ASSESSED FOR THE CURRENT YEAR	0.0%	0	0.0%	0
Increase/decrease of deferred tax		9,795		4,376
TAX IN THE INCOME STATEMENT	-617.6%	9,795	-9.8%	4,376

2.5. Other disclosures

2.5.1 Contingent assets, contingent liabilities and mortgages

The item **mortgages** totalling €1,466 thousand showed the book value of investment property, pledged for the obtained syndicated loan.

72% of the **issued guarantees and sureties** amounting to €688 thousand referred to the loans obtained by the companies in the Sava Group.

Interest rate swaps totalling €6,000 thousand represented contracting value of the security made for the portfolio of obtained loans.

The **pledge of securities** amounting to €204,982 thousand - a detailed explanation under 2.5.2.

The **pledge on other assets** totalling €21,538 thousand represented the balance of a receivable due from NFD Holding, balance of receivables on business account with Gorenjska banka and the balance of receivables on deposit account with NLB.

Overview of the off-balance sheet items *(€ in thousands)*

	31 Dec. 2013	Structure 31 Dec. 2013	31 Dec. 2012	Structure 31 Dec. 2013	Index 2013/2012
Mortgages	1,466	0.6%	7,799	2.6%	19
Issued guarantees	688	0.3%	5,663	1.9%	12
Interest rate swaps	6,000	2.6%	10,000	3.4%	60
Call option contracts	0	0.0%	7,184	2.4%	0
Pledged securities	204,982	87.3%	267,589	89.7%	77
Other – pledged assets	21,538	9.2%	0	0.0%	-
Total	**234,674**	**100.0%**	**298,235**	**100.0%**	**79**

2.5.2. Pledged assets for the obtained long-term and short-term loans of Sava d.d. as at 31 December 2013

As at 31 December 2013, Sava d.d. showed financial liabilities from the obtained loans out of the Sava Group totalling €220,217 thousand. For these loans, own assets and the assets of the subsidiaries were pledged totalling €235,762 thousand. For the loans of subsidiaries, Sava d.d. pledged further assets totalling €6,030 thousand.

For liabilities of Sava d.d., totalling €1,561 thousand, which originated from the call option contract for shares, a land debt was created in the form of a notarial protocol on the assets owned by Sava Nepremičnine d.o.o. whose book value amounted to €1,414 thousand.

Breakdown of financial liabilities of Sava d.d. arising from the loans obtained outside of the Sava Group *(€ in thousands)*

	Long-term financial liabilities	Short-term financial liabilities	Total financial liabilities
- To the associated banks (GB)	0	25,974	25,974
- To other banks	0	161,728	161,728
- To other partners	0	6,000	6,000
- From issued bonds	0	26,515	26,515
Total	**0**	**220,217**	**220,217**

Pledged assets of Sava Turizem d.d., Ljubljana, for the loans obtained by Sava d.d. *(€ in thousands)*

Type of asset	Book value of pledge
Mortgages on the real property owned by Sava Turizem d.d.	
- Family hotel Savica with the related land	4,794
Mortgages on the real property owned by Sava TMC d.o.o.	
- Grand Hotel Toplice and Panorama Restaurant	9,012
TOTAL VALUE OF PLEDGED ASSETS	13,806

Breakdown of pledged assets of Sava d.d. by type of assets for the loans obtained by Sava d.d. *(€ in thousands)*

Type of asset	Book value of pledge
Pledged assets:	
- Pledged shares of companies owned by Sava d.d.	201,075
- Pledged stakes in companies owned by Sava d.d.	3,907
- Pledged real property owned by Sava d.d.	1,466
- Pledged assets – business account (GB) and escrow account (NLB)	2,388
- Pledged assets – receivables NFD	19,150
TOTAL VALUE OF PLEDGED ASSETS OF SAVA D.D.	227,986
TOTAL PLEDGED ASSETS OF SAVA D.D.	248,317
Balance sheet total of Sava d.d. as at 31 Dec. 2013	91.8%

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 un-pledged shares	Book value of pledge - € in thousands
Pledged shares					
- NFD1, share subfund – NF1N	37,498,152	37,498,152	0	0	23,999
- Shares of Gorenjska banka - GBKR	146,060	135,870	3,610	6,580	82,017
- Shares of Hoteli Bernardin - HBPN	1,468,221	1,468,221	0	0	2,320
- Shares of Sava Turizem - SHBR	39,308,317	39,308,317	0	0	88,960
- Shares of Kompas Hoteli Bled d.d. - KHIR	13,500	13,500	0	0	115
- Shares of Helios d.d., Domžale – HDOG	4,766	4,766	0	0	2,378
- Shares of Merkur - MER	251,566	0	251,566	0	0
- Shares of Pokojninska družba A - PDAR	4,987	4,987	0	0	594
- Shares of Jubmes banka - JBMN	13,638	9,874	0	3,764	692
Total value of pledged shares					201,075

Breakdown by type of pledged stakes

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 un-pledged shares	Book value of pledge - € in thousands
Pledged stakes					
- Sava Nepremičnine d.o.o.	100.0%	0.0%	100%	0.0%	3,907
Total value of pledged stakes					3,907

Mortgages on the real property owned by Sava d.d. *(€ in thousands)*

Book value of pledge	Types of assets
Mortgages on real property	
- Real property BTC, Ljubljana	1,466
TOTAL VALUE OF PLEDGED REAL PROPERTY	1,466

Loan debt for other liabilities of Sava d.d. created on the real property owned by Sava Nepremičnine d.o.o. *(€ in thousands)*

Book value of pledge	Types of assets
Land debt on the real property owned by Sava Nepremičnine d.o.o.	
- Land Perovo	1,414
TOTAL VALUE OF PLEDGED REAL PROPERTY	1,414

2.5.3 Financial instruments – financial risks

FOREIGN EXCHANGE RISK

Sava d.d. does business in euro currency only.

INTEREST RATE RISK

Prior to restructuring its financial liabilities, Sava d.d. had more than 50% of its credit portfolio tied to the reference interest rate EURIBOR. In accordance with hedging against interest rate risk arising from the expected future change in the EURIBOR interest risk, Sava d.d. has – from the period financed at EURIBOR interest rate – a derivative financial instrument for hedging against interest rate risk with the validity until April 2015. Total nominal value of transaction amounted to €6 million at the end of 2013. Total value of interest rate swaps as a difference between the receivables and liabilities is negative and totalled €2,034 thousand at the end of 2013 (at the end of 2012: negative €3,672 thousand). The average interest rate for the loan hired by Sava d.d. stood at 3% as at 31 December 2013.

Interest rate management at Sava d.d. using a financial instrument (€ in thousands)

31 Dec. 2013	Book value	Contracted cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Interest rate swaps							
Assets	0	0	0	0	0	0	0
Liabilities	-2,034	-2,034	-400	-800	-834	0	0
Total	-2,034	-2,034	-400	-800	-834	0	0
31 Dec. 2012							
Interest rate swaps							
Assets	0	0	0	0	0	0	0
Liabilities	-3,672	-3,672	-400	-400	-1,600	-1,272	0
Total	-3,672	-3,672	-400	-400	-1,600	-1,272	0

SOLVENCY RISK

Overview of solvency risk (€ in thousands)

31 Dec. 2013	Book value	Contracted cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities	**230,126**	**-240,401**	**-3,926**	**-236,468**	**-7**	**0**	**0**
Secured bank loans (excluding associated companies)	161,728	-168,668	-733	-167,936	0	0	0
Loans from Group companies	3,835	-4,006	-19	-3,987	0	0	0
Trade payables and other liabilities	5,349	-5,349	-2,089	-3,260	0	0	0
Borrowings from associated companies	25,974	-28,055	-211	-27,844	0	0	0
Bonds	26,515	-27,540	-131	-27,409	0	0	0
Other financial liabilities	6,710	-6,768	-739	-6,029	0	0	0
Overdrafts on bank accounts	0	0	0	0	0	0	0
Liabilities from financial lease	15	-15	-4	-4	-7	0	0
Derivative financial liabilities	**2,034**	**-2,034**	**-400**	**-800**	**-834**	**0**	**0**
Interest rate swaps for hedging against risk	2,034	-2,034	-400	-800	-834	0	0
Total	232,160	-242,435	-4,326	-237,268	-841	0	0
31 Dec. 2012							
Non-derivative financial liabilities	**304,059**	**-309,741**	**-267,454**	**-2,884**	**-37,066**	**-2,337**	**0**
Secured bank loans (excluding associated companies)	171,311	-172,536	-166,060	-1,731	-2,407	-2,337	0
Loans from Group companies	9,930	-10,046	-10,046	0	0	0	0
Trade payables and other liabilities	9,211	-9,211	-9,211	0	0	0	0
Borrowings from associated companies	80,359	-81,003	-81,003	0	0	0	0
Bonds	26,515	-30,196	-946	-962	-28,288	0	0
Other financial liabilities	6,733	-6,749	-187	-191	-6,371	0	0
Overdrafts on bank accounts	0	0	0	0	0	0	0
Liabilities from financial lease	0	0	0	0	0	0	0
Derivative financial liabilities	**3,672**	**-3,672**	**-400**	**-400**	**-1,600**	**-1,272**	**0**
Interest rate swaps for hedging against risk	3,672	-3,672	-400	-400	-1,600	-1,272	0
Total	307,731	-313,413	-267,854	-3,284	-38,666	-3,609	0

CREDIT RISK

Overview of trade receivables by territory *(€ in thousands)*

	Book value	
	31 Dec. 2013	31 Dec. 2012
Slovenia	1,848	355
Other EU countries	0	0
Other	1,419	25
Total	**3,267**	**380**

Overview of balance and movement of value adjustment in trade receivables *(€ in thousands)*

	2013	2012
Balance as at 1 Jan.	138	428
Increased value adjustment	68	19
Decreased value adjustment	-47	-309
Balance as at 31 Dec.	**160**	**138**

Maturity of trade receivables *(€ in thousands)*

	31 Dec. 2013			31 Dec. 2012		
	Gross receivables	Impairment	Net receivables	Gross receivables	Impairment	Net receivables
Not past due	3,238	0	3,238	322	0	322
Past due 0 - 30 days	19	0	19	31	0	31
Past due 31 - 120 days	9	0	9	19	0	19
Past due more than 120 days	160	160	0	146	138	8
Total	**3,427**	**160**	**3,267**	**518**	**138**	**380**

SENSITIVITY ANALYSIS TO FINANCIAL RISKS

- **Sensitivity analysis to the interest rate change**

  Currently, Sava d.d. is not sensitive to the change of the reference interest rate as at the end of 2013 it had its total credit portfolio tied to a uniform fixed interest rate of 3% p.a., based on the Master Restructuring Agreement made with all creditors of the company with validity until the end of November 2014. The average interest rate in 2013 decreased by 2.24 percentage points compared to the average 2012 interest rate.

  The credit portfolio is still strongly sensitive to the interest rate change. If the interest rate changed by 50 basis points, the annual interest expense would increase by €1,136 thousand taking into account the indebtedness of Sava d.d. at the end of 2013.

- **Sensitivity analysis to the increased indebtedness**

  At the end of 2013, Sava d.d. had short-term financial liabilities from loans and bonds totalling €224.0 million. By restructuring financial liabilities in July 2013, it assumed certain commitments in terms of restricted increase in the volume of indebtedness. For this reason, the company is not exposed to changes in connection with indebtedness increase.

- **Sensitivity analysis to the changes of foreign currency value**

  Sava d.d. has the majority of inflows and outflows balanced, and the major part of assets is tied to the domestic currency. For this reason, the company is not strongly exposed to the changes of the value of foreign currencies.

2.5.4 Estimating fair values

SECURITIES AVAILABLE FOR SALE

The fair value of listed securities available for sale equals the announced standard bid market price at the balance sheet date. The fair value of shares and stakes of unlisted companies equals the cost value less any impairment based on checking for any indications of impairment.

GRANTED AND OBTAINED LOANS

The fair value is estimated as a discounted value of the expected cash flows from the principal and interests, 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 made 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 Dec. 2013		31 Dec. 2012	
	Book value	Fair value	Book value	Fair value
Securities available for sale	31,343	31,343	36,507	36,507
Long-term receivables	0	0	10	10
Short-term receivables	4,649	4,649	4,604	4,604
Granted loans	19,387	19,387	16,295	16,295
Cash and cash equivalents	227	227	3	3
Long-term loans	15	15	10,563	10,563
Issued bonds	26,515	5,303	26,515	22,538
Short-term loans	226,796	226,796	261,442	261,442
Short-term operating liabilities	5,349	5,349	9,211	9,211

2.5.5 Hierarchy of fair values

In terms of hierarchy, financial instruments valued at fair value are classified in three levels:

- Level 1: assets or liabilities at stock exchange price on the last day of accounting period.
- Level 2: assets or liabilities, which are not classified as level 1; their value is defined directly or indirectly based on the market data.
- Level 3: assets or liabilities whose value cannot be obtained from the market data.

Hierarchy of financial instruments considering their fair value (€ in thousands)

	31 Dec. 2013				31 Dec. 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Value of securities available for sale	**31,343**	3,521	23,999	3,823	**36,507**	4,683	25,874	5,950
Derivative financial instruments – assets	**0**	0	0	0	**0**	0	0	0
Derivative financial instruments – liabilities	**-2,034**	0	-2,034	0	**-3,673**	0	-3,673	0
Total	**29,309**	**3,521**	**21,965**	**3,823**	**32,834**	**4,683**	**22,201**	**5,950**

2.5.6. Converting capital by means of living

(€ in thousands)

	Capital	% growth	Calculated effect	Operating result less calculation effect
CAPITAL - calculation for cost of living	25,442	0.70%	178	-11,559

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 use of brand name, and services provided by the professional services.
- Financial operations in connection with managing granted and obtained loans.

Transactions among the Sava Group companies are performed under the same conditions as valid in an ordinary arm's length transaction. As at 31 December 2013, the capital of subsidiaries, operating income and net operating result of subsidiaries for 2013 are disclosed in the Notes to the Financial Statements of the Sava Group.

RELATIONS WITH THE ASSOCIATED COMPANIES

As at 31 December 2013, Gorenjska banka d.d. and NFD Holding 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 Dec. 2013	31 Dec. 2012
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)*

	2013	2012
Balance of received loans as at 1 Jan.	35,537	33,038
Hiring new loans	0	2,942
Repayment of loans	-9,563	-443
Revaluation of foreign currency loans	0	0
Balance of received loans at period end	**25,974**	**35,537**
Balance of deposits at period end	**0**	**196**

Other transactions with Gorenjska banka d.d.

- Operating receivables due from Gorenjska banka d.d. as at 31 December 2013 none (none in 2012 too).
- The balance of short-term operating liabilities from interests to Gorenjska banka d.d. amounted to €444 thousand as at 31 December 2013 (€411 thousand at 31 December 2012).
- In doing business with Gorenjska banka d.d. in 2013, no financial revenues from operating receivables were generated (none in 2012 too). Financial expenses from payment transaction fees amounted to €17 thousand (in 2012: €24 thousand).
- In doing business with Gorenjska banka d.d. in 2013, interest revenues from deposits were generated in the amount of €46 thousand (2012: €1 thousand). Interest expenses totalled €909 thousand (in 2012: €1,903 thousand).

NFD Holding d.d., Ljubljana

As at 31 December 2013, the balance of the receivable arising from the granted loans due from NFD Holding d.d. amounted to €17,806 thousand (2012: €21,780 thousand). As at 31 December 2013, operating receivables from the accounted interest on loans amounted to €1,343 thousand (2012: €1,683 thousand). In 2013, interest revenues amounted to €441 thousand (2012: €1,540 thousand), and no financial revenues from operating receivables were generated (2012: €4 thousand). Cost of consulting amounted to €24 thousand (none in 2012).

ABANKA VIPA d.d., Ljubljana

Based on a decision adopted by the Bank of Slovenia on introducing urgent measures dated 17 December 2013, total qualifying liabilities inclusive of share capital of Abanka d.d. expired on 18 December 2013. On the very same day, corresponding entries were made in the court register, and, as a consequence, the existing shares were erased from the central registry of dematerialised securities run by the KDD d.d. Prior to this change, Sava d.d. held 1,715,841 ABKN shares representing 23.8311% of total issue of Abanka shares. After cancellation of the ABKN shares, Sava d.d. no longer holds any Abanka shares. Sava d.d. and Abanka Vipa did business in 2013, however, as at 31 December 2013, total liabilities were transferred under liabilities to other banks.

MAKSIMA INVEST d.d.- under receivership, Ljubljana

As Maksima Invest d.d. is under receivership, the ownership expired. No business was made with Maksima Invest d.d. in 2013.

RELATIONS WITH NATURAL PERSONS

Related natural persons owned 138 Sava shares, representing 0.007% of ownership.

Ownership of the Sava share

	31 Dec. 2013		31 Dec. 2012	
	Number	Shareholding	Number	Shareholding
Sava d.d. Management Board members	117	0.006%	246	0.012%
Closer family members of Sava d.d. Management Board members	0	0.000%	0	0.000%
Sava d.d. Supervisory Board members	21	0.001%	21	0.001%
Directors of subsidiaries	0	0.000%	180	0.009%
Supervisory Board members of subsidiaries	0	0.000%	0	0.000%

The name list of the Management Board and Supervisory Board members who own Sava shares is disclosed in the business part of the annual report, chapter – The Sava share and ownership structure.

Data about the group of persons – Management Board

In 2013, gross remuneration of the Management Board members amounted to €526 thousand; the amount was composed of gross salaries, insurance premiums, expense refunds and other remunerations, and remunerations arising from carrying out tasks in the subsidiaries. In 2013, their net remunerations amounted to €231 thousand or 44% of gross remuneration.

Remunerations overview of Management Board members of Sava d.d. in 2013 (€ in thousands)

	Gross amount from salaries	Gross amount from bonuses	Gross amount from rewards	Gross amount from expense refunds	Gross amount from insurance premiums	Gross amount from other payments	Gross amount from carrying out tasks in subsidiaries	Total gross remunerations	Total net remunerations
Matej Narat, President of the Management Board	179	0	0	0.94	8	5	17	210	93
Andrej Andoljšek, Member of the Management Board	167	0	0	1	8	4	13	193	87
Miha Resman, Member of the Management Board	113	0	0	0.56	6	3	0	123	51
Total	459	0	0	2.71	22	12	30	526	231

Data about the group of persons – other employees with individual contracts of employment

Ten employees (16 at the end of 2012) had individual contracts of employment in 2013, their gross remunerations amounting to €1,006 thousand in 2013. The remunerations include gross salaries and other remunerations, of which travel expenses refunds amounted to €11 thousand.

As at 31 December 2013, 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 2013, the gross remunerations of the Supervisory Board members amounted to €130 thousand; the amount included attendance fees and rewards.

Remunerations overview of Supervisory Board members of Sava d.d. in 2013 *(€ in thousands)*

		Attendance fees	Payments for carrying out the function	Total
Aleš Skok	Chairman of the Supervisory Board	3	17	20
Miran Kraševec	Deputy Chairman of the Supervisory Board	3	14	17
Roman Ambrož	member- shareholder representative	2	12	14
Robert Ličen, MSc	member- shareholder representative	3	12	15
Miro Medveščček	member- shareholder representative	1	6	7
Rok Ponikvar	member- shareholder representative	3	12	15
Aleš Abersek	member- employee representative	2	12	14
Lučka Pogačnik	member- employee representative	0	12	12
Gregor Rovanšek	member- employee representative	3	12	15
Janko Gedrih	audit commission member	1	0	1
Total		21	109	130

2.5.8. Disclosure of business with the selected auditor

According to the contract made with Deloitte d.o.o. the contractual value of auditing the separate and consolidated financial statements of Sava d.d. and the Sava Group for 2013 amounts to €43 thousand.

2.5.9. Influence by events after the balance sheet date on financial statement of Sava d.d.

Important events that appeared after the balance sheet date are disclosed in the business part of the annual report. The nature of these events does not affect the balance of assets and liabilities shown in the financial statements of Sava d.d. for 2013 or the going-concern presumption.

2.6. Statement of Management Responsibility for Sava d.d.

The Management Board of Sava d.d., Ljubljana, confirms the financial statements of the company Sava d.d. for the period ending on 31 December 2013, which have been prepared in accordance with Slovene Accounting Standards.

The Management Board confirms that when drawing up the financial statements the corresponding accounting policies were consistently applied, the accounting estimates were elaborated according to the principle of prudence and good management, and the report gives a true and fair view of the company's assets and business results in 2013.

The Management Board is responsible for the proper managing of its accounting procedures, establishing, operation and maintaining internal control in relation to the preparation and fair presentation of the financial statements, which do not contain any material misstatements originating from fraud or error, and for adopting suitable measures for securing assets and other funds. The Management Board confirms herewith that the financial statements and the notes have been produced on under the assumption of going concern and in compliance with the relevant legislation and Slovene Accounting Standards.

Matej Narat
President of the Management Board

Aleš Aberšek
Member of the Management Board

Ljubljana, 18 March 2014

2.7. Independent's auditor report to the owners of Sava d.d.

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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 unconsolidated financial statements of the company SAVA d.d. (hereinafter: the "Company"), which comprise the balance sheet as at 31 December 2013, 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 qualified audit opinion.

Basis for Qualified Opinion

a) Limitation of scope – investment in an associate

As discussed in Note *2.4.4. Longterm financial investments*, management was unable to reliably measure the amount of impairment, if any, of investment in shares of Gorenjska banka d.d. due to current unstable economic conditions and high uncertainty of future developments of the bank's operations. The investment is carried at cost and amounts to EUR 85,886 thousand. Within the scope of the audit procedures, we were unable to satisfy ourselves as to the potential impairment in value of the investment in Gorenjska banka d.d. as at 31 December 2013.

b) Limitation of scope - deferred tax assets

As at 31 December 2013, the Company reports EUR 10,874 thousand of deferred tax assets. As discussed in Note *2.4.6 Deferred tax assets*, due to current unstable economic conditions and high uncertainty of the Company's future operations, the management was unable to reliably estimate future taxable profits, which would ensure utilisation of the deferred tax assets in future periods. Due to this fact, we were unable to satisfy ourselves as to the amount of deferred tax assets reported in the balance sheet as at 31 December 2013.

Qualified Opinion

In our opinion, except for the potential effects of the matters referred to in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the company SAVA, d.d. as at 31 December 2013, and its financial performance for the year then ended in accordance with Slovene Accounting Standards.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note *2.3 Financial risk management for the company Sava d.d.* to the unconsolidated financial statements, the Company is exposed to high credit risk, high solvency risk and risk of change in fair values of assets. The Company has recurring losses and as at 31 December 2013 its short-term liabilities exceeded its current assets. These conditions, along with other matters as set forth in Note 2.3 and Note 10 of the business report, indicate the existence of uncertainty which may raise doubt about the Company's ability to continue as a going concern. The unconsolidated financial statements do not include potential adjustments that may be required in the future if the Company is unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements:

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on

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