

DARS

Annual
Report
2014

Ljubljana, April 2015







I. Business Report

II. Financial Report

DARS



I. Business Report



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Acronyms and Abbreviations

ABC	Automatic non-cash toll collection
MW	Motorway
ARSO	Slovenian Environment Agency
DRD	Database of Road Data
TS	Toll station
DARS d.d.	Družba za avtoceste v Republiki Sloveniji d.d. (Motorway Company in the Republic of Slovenia)
NLP	National Location Plan
NSP	National Spatial Plan
SRA	Slovenian Roads Agency
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
ETS	Electronic Tolling System
PD	Preliminary Design
ITS	Intelligent Transportation Systems
Concession Agreement	A concession agreement for motorway management and maintenance in the Republic of Slovenia.
IBCP	International Border Crossing Point
MI	Ministry of Infrastructure
NMCP	National Motorway Construction Programme in the Republic of Slovenia
DBP	Design for Building Permit
TIC	Traffic Information Centre for Public Roads
AADT	Average Annual Daily Traffic
FTF	Free Traffic Flow
ED	Execution Design
R3	Motor vehicles having two or three axles whose maximum permissible weight exceeds 3,500 kg, and groups of motor vehicles having two or three axles whose maximum permissible weight exceeds 3,500 kg.
R4	Motor vehicles having more than three axles whose maximum permissible weight exceeds 3,500 kg, and groups of motor vehicles having more than three axles whose maximum permissible weight exceeds 3,500 kg.
RS	Republic of Slovenia
RCC	Regional Control Centre
SSH	Slovenian Sovereign Holding
TCMS	Traffic control and management system
SAS	Slovenian Accounting Standards 2006
MCRSA	Motorway Company in the Republic of Slovenia Act (ZDARS-UPB 1) (Official Gazette of the Republic of Slovenia, No. 20/2004)
MCRSA-1	Motorway Company in the Republic of Slovenia Act (Official Gazette of the Republic of Slovenia, No. 97/2010-ZDARS-1)
CA-1	Companies Act (Official Gazette of the Republic of Slovenia, Nos. 65/2009 – official consolidated text, 33/11, 91/11, 32/12, 57/12, 44/13 – CC dec. and 82/13)
PPA	Public Procurement Act
FBA	Fiscal Balance Act (Official Gazette of the Republic of Slovenia, No. 40/2012)

I.1. Letter from the Management

The Motorway Company in the Republic of Slovenia (DARS) has connected most of Slovenia with a motorway system. We manage over 600 kilometres of motorways and expressways, which is less than ten percent of the length of the entire national road network. Nearly half of all traffic in the country takes place on Slovenian motorways and expressways.

Constructing and managing the system and the traffic are important responsibilities for DARS. We responsibly connect professionalism, experience, knowledge, and goals with the expectations of users, their safety and the smooth traffic flow of the motorway system. Our common, clearly set path and goal, responsibility and, as a result, employee growth form an important link. Our goal is to establish a better

corporate governance system for capital assets of the state and Company business excellence in accordance with the Corporate Governance Code for Companies with Capital Assets of the State and the Recommendations and Expectations of the Slovenian Sovereign Holding as the manager of the Republic of Slovenia's capital assets and in compliance with the recently adopted DARS Code of Ethics representing a set of high moral, ethical, and work values that reflect the vision and mission of the Company in all areas of operation.

Thanks to our business excellence, the Company's operating results for 2014 show record profits. The net profit of the Company in 2014 amounted to €70.4 million, 49 percent more than in the same period of 2013. In the 2014 financial year,

the revenues of DARS amounted to €365.4 million, which is 12 percent more than in 2013. The Company was able to achieve such a favourable operating performance in 2014 thanks to the successfully implemented changes by the management and the employees in terms of obtaining additional revenues, cost reduction, and financial liability rescheduling. In addition to the record profits, the Company has significantly reduced its costs. The trend of revenue growth, improving net profit or loss and the decreasing expenses and costs of DARS, accompanied by the trend of revenue growth and decreasing costs and expenses per kilometre of motorways, which are included in the 2015 plans, are the results that indicate that we are on the right track. Compared to similar companies in neighbouring countries, DARS has managed to achieve the lowest



costs of material, services, and work per running kilometre of motorway.

Having successfully completed a financial consolidation in 2013, we were in 2014 able to launch and continue our efforts for a safe motorway system with smooth traffic flow and for projects with key significance for user safety. We have acquired a building permit for the first phase of the Draženci–Gruškovje motorway section, signed the contracts and began installing noise barriers, and we also did our best to continue carrying out the finishing works at the Markovec Tunnel after two of the construction companies involved went bankrupt. The cooperation agreements we signed with foreign operators are a major step towards greater traffic flow. With it, we as the motorway operators

have agreed to cooperate in the area of traffic management, the exchange of traffic information, and the resolution of emergencies.

DARS is responsibly establishing its financial stability through management of the debt, which is secured with a government guarantee. As an additional responsibility, the Company must also seek to reduce risks and achieve business excellence. Here at DARS, we know that in the 21st century the motorway network is just one of the possible modes of transportation, which is why we will direct our future efforts towards ensuring new road and roadside standards in an attempt to generate additional revenues for reconstruction and development, while, as a prime and clear demonstration of Slovenia's development, properly

positioning the country in the competitive struggle with its neighbouring countries, which means that, in a way, DARS will be the driver or initiator of the economic and infrastructural development of Slovenia.

The key challenges in the future lie in projects that are a strategic response to the challenges presented by the next decade. We will rise to the occasion with responsibility, focus, and environmental efficiency.

Implementing the strategy is inseparably linked to the Company's high culture and responsibility. The long-term is our objective. Trust is investing in the long-term. Earning the trust of users is our promise.

Franc Skok
Board Member

Matjaž Knez, MSc
Chairman of the
Management Board

Marjan Sisinger
Labour Manager/
Board Member

I.2. Report on the Work of the Supervisory Board for 2014

1. Composition of the Supervisory Board of DARS d.d.

In accordance with point 7.3.1 of the Articles of Association of DARS d.d., the Supervisory Board is comprised of six members. Two members of the Supervisory Board are employee representatives.

The Supervisory Board consisted of the following members in 2014:

- Dušan Hočevar, Member from 25 May 2012, Chairman from 7 June 2012 to 27 August 2014;
- Ivan Križnič, Member from 25 May 2012, Deputy Chairman from 7 June 2012 to 27 August 2014;
- Silva Savšek, MSc, Member from 25 May 2012 to 27 August 2014;
- Robert Čehovin, Member from 25 May 2012 to 27 August 2014;
- Vito Meško, Member and employee representative from 29 April 2004;
- Marjan Sisinger, Member and employee representative from 1 May 2012 to 6 May 2014;
- Rožle Podboršek, Member and employee representative from 28 May 2014;
- Robert Ličen, MSc, Member from 27 August 2014, Chairman from 9 September 2014;
- Andraž Lipolt, Member from 27 August 2014, Deputy Chairman from 9 September 2014;
- Gregor Lukan, Member from 27 August 2014;
- Gregor Osojnik, Member from 27 August 2014.

2. Activities of the Supervisory Board

Members of the Supervisory Board of DARS d.d. follow the Code of Ethics of the Slovenian Directors' Association and respect its principles.

In 2014, the Supervisory Board of DARS d.d. met at eleven regular, four correspondence, and one extraordinary sessions. Five regular sessions took place with the new members. The members regularly attended sessions, as proven by the fact that all members were present at all sessions.

The members are active at the sessions and participate in discussions in order to clarify any differing opinions and to reconcile them to an extent where they are professionally, legally, and strategically harmonised. The harmonised activity of the Supervisory Board is confirmed by the fact that almost all decisions adopted in 2014 were unanimous. The discussions show that the members of the Supervisory Board thoroughly prepared themselves for the sessions to facilitate active and professional participation in discussions on individual items of the agenda.

In accordance with point 7.3.7 of the Articles of Association of DARS d.d., the Supervisory Board of DARS d.d. granted consent to eleven transactions having individual values exceeding €2.5m – and €1.5m after 27 August 2014, when this point of the Articles of Association was amended. In accordance with a decision of the Supervisory Board in 2010, that the consent of the Supervisory Board has to again be obtained for the conclusion of annexes to contracts which the Supervisory Board had already approved, the Supervisory Board gave its consent eight times in 2014.

At its February session, the Supervisory Board approved the Business Plan of DARS d.d. for 2014.

At its March session, the Supervisory Board gave its prior consent to the investment programme for constructing the Draženci–IBCP Gruškovje motorway section.

At its April session, the Supervisory Board adopted a report on the results of examination of the Annual Report for 2013 and discussed the audited DARS d.d. Annual Report for 2013 that was produced in accordance with Articles 57 and 60 of the Companies Act. After approving the Annual Report for 2013, the Supervisory Board proposed to the meeting that the Management Board and the Supervisory Board be granted discharge. The Supervisory Board also adopted the decision to propose to the Company's Management Board that it should decide on the distributable profit and allot it entirely for other reserves from profit, pursuant to Articles 230 and 293 of the Companies Act. At the same session, the Supervisory Board acquainted itself with the Annual Plan of the Internal Auditing Department for 2014 and with the Report on the Work of the Internal Auditing Department for 2013.

At its June session, the Supervisory Board acquainted itself with the Report on Providing Assistance to the National Civil Protection Headquarters for Eliminating the Consequences of Glaze Ice.

At its August session, the Supervisory Board acquainted itself with the unaudited Semi-annual Report for January–June 2014.

The Supervisory Board did not perform a self-assessment in 2014 due to the membership changes in August. A self-assessment will be carried out in 2015.

The Supervisory Board regularly examined the analysis of business performance, financial reports, reports on the status of the ETS and FTF projects, and the operations of the new subsidiary company DELKOM.

2.1. Committees of the Supervisory Board of DARS d.d.

Audit Committee

In September 2014, the Supervisory Board appointed new members of the Audit Committee. The work of the Committee is coordinated by its President, Gregor Lukan. The President and his Deputy Gregor Osojnik and the Member Rožle Podboršek are all members of the Supervisory Board, while the fourth Committee Member, Andreja Cedilnik, is an expert member selected from the register of experts published by the Slovenian Audit Institute.

In 2014, the previous Audit Committee met at three regular, one correspondence, and two extraordinary sessions. The Committee appointed in September 2014 met at two regular sessions.

Supervisory Board Committee for Human Resource and Management Board Evaluation

In early September 2014, the Supervisory Board appointed new members to the HR Committee. Robert Ličen, MSc was appointed President of the Committee, while Andraž Lipolt and Vito Meško were appointed Deputy President and Member, respectively.

In 2014, the previous Committee met at two regular sessions. The Committee appointed in September did not hold any sessions in 2014.

2.2. Organisation of Work

In accordance with its Rules of Procedure, the Supervisory Board of DARS d.d. has a Secretary from among the company employees, who is responsible exclusively to the Chairman of the Supervisory Board for work performed for the Supervisory Board. The Secretary coordinates the work of the Supervisory Board and its committees, and ensures that the Company's professional services duly prepare the materials for the sessions of the Supervisory Board and its committees, and performs other tasks specified in the Rules of Procedure of the Supervisory Board.

The Supervisory Board generally meets at the DARS d.d. branch office in Ljubljana. Whenever a field inspection is required in order to deal with a certain issue in the field, the Supervisory Board conducts a field meeting.

This method of work ensures the optimal efficiency of the Supervisory Board's activities.

3. Approval of the Annual Report and Proposed Appropriation of Accumulated Profit for the Year 2014

The Supervisory Board of DARS d.d. discussed the Annual Report of DARS d.d. for the year 2014 within the legally prescribed period. It took note of the Auditor's Report and the submitted opinion of a certified auditor on the examination of financial statements for the 2014 financial year.

Pursuant to the provisions of Articles 64 and 230 of CA-1, on the basis of the audited financial statements of the Company and within the context of the comprehensive treatment of the Annual Report, as well as the proposal of the Management Board, the Supervisory Board of DARS d.d. established that net profit for the period from 1 January to 31 December 2014 amounted to €70,354,171. Profit brought forward equals €15,393,340. The established net profit would be allocated as follows:

- €3,517,709 in legal reserves;
- €16,709,116 in statutory reserves;
- €25,063,673 in other revenue reserves according to the decisions of the Management Board and the Supervisory Board of DARS d.d.

The accumulated profits as of 31 December 2014 amounted to €40,457,013.

The appropriation of accumulated profit will be decided by the General Meeting of the Company.

At its session on 21 April 2015, the Supervisory Board of DARS d.d. adopted a resolution approving the audited Annual Report of DARS d.d. for the year 2014, which, pursuant to Article 282 of CA-1, means that the Supervisory Board of DARS d.d. agrees with the audited report and thereby adopts the Annual Report of DARS d.d. for the year 2014.

The Supervisory Board of DARS d.d. has assessed that the Management Board of DARS d.d. and the Supervisory Board of DARS d.d. carried out their tasks efficiently and to the benefit of the Company in 2014, as is evident from the business results attained, and has proposed that the General Meeting issues a discharge to their members in accordance with the provisions of Article 293 of CA-1.

Robert Ličen, MSc
Chairman of the Supervisory Board



I.3. Information About the Company and Key Business Data

NAME	Družba za avtoceste v Republiki Sloveniji d.d. (Motorway Company in the Republic of Slovenia) DARS d. d.
REGISTERED OFFICE	Ulica XIV. divizije 4, 3000 Celje Tel.: +386 (0)3 426 40 71 Fax: +386 (0)3 426 40 71
BRANCH OFFICE	Dunajska 7, 1000 Ljubljana Tel.: +386 (0)1 300 99 00 Fax: +386 (0)1 300 99 01
WEBSITES	www.dars.si www.promet.si
YEAR OF ESTABLISHMENT	1993
REGISTER- ENTRY NUMBER	1/06158/00, District Court of Celje
FOUNDER	Republic of Slovenia
SHAREHOLDER	Republic of Slovenia
REGISTRATION NUMBER	5814251000
VAT NUMBER	SI92473717
SHARE CAPITAL	€2,319,866,345.16
SHARES ISSUED	55,592,292 no par value shares

DARS d.d. was established in 1993 under the MCRSA, and began to operate on 1 January 1994. It had the status of a publicly owned company in the form of a public limited company until 31 December 2003. Since 1 January 2004, it has had the status of a public limited company operating as a corporate entity. The sole founder and shareholder of DARS d.d. is the Republic of Slovenia, which in accordance with the Slovenian Sovereign Holding Act (SSHA-1/Official Gazette of the Republic of Slovenia, No. 25/2014), is represented by the Slovenian Sovereign Holding (SSH). DARS d.d. operates in compliance with both the Corporate Governance Code for Companies with Capital Assets of the State adopted by the SSH and the Recommendations and Expectations of the SSH as the manager of the Republic of Slovenia's capital assets adopted in December 2014, the aim of which is to establish an improved system of corporate governance for capital assets of the State and to achieve better company organisation, thereby improving company operations.

At the end of 2010, the MCRSA-1 entered into force, in accordance with which DARS d.d.:

- Performs special tasks in relation to spatial planning and integrating motorways in the environment as well as tasks in relation to acquiring real property for the requirements of motorway construction in the name of the Republic of Slovenia and for the State's account;
- Constructs motorways in its own name and for its own account;
- Manages and maintains motorway sections based on granted construction concessions.

By enforcing developmental documents, the State maintains the strategic supervision of the development of motorways by determining new sections and deadlines for the opening of newly built sections to traffic.

MCRSA-1 determines the status, tasks, and obligations of DARS d.d., and regulates real right relations in connection to motorways. Under this Act, DARS d.d. was transformed into a concessionaire who was awarded the right of superficies for the duration of the concession relating to land where it will build, and takes over all financial obligations related to the construction of new motorway sections. MCRSA-1 also stipulates that DARS d.d., in the name of the Republic of Slovenia and for its account, performs individual tasks in relation to spatial planning and integrating motorways in the environment, as well as tasks in relation to acquiring real property for the requirements of motorway construction. The Act also stipulates that DARS d.d. will continue

with the construction of motorways and expressways that were initiated prior to the entry into force of MCRSA-1, and that it will continue to manage and maintain the existing motorways and expressways in the Republic of Slovenia.

According to the FBA, which entered into force in 2012, the right of superficies established for the benefit of DARS d.d. is payable.

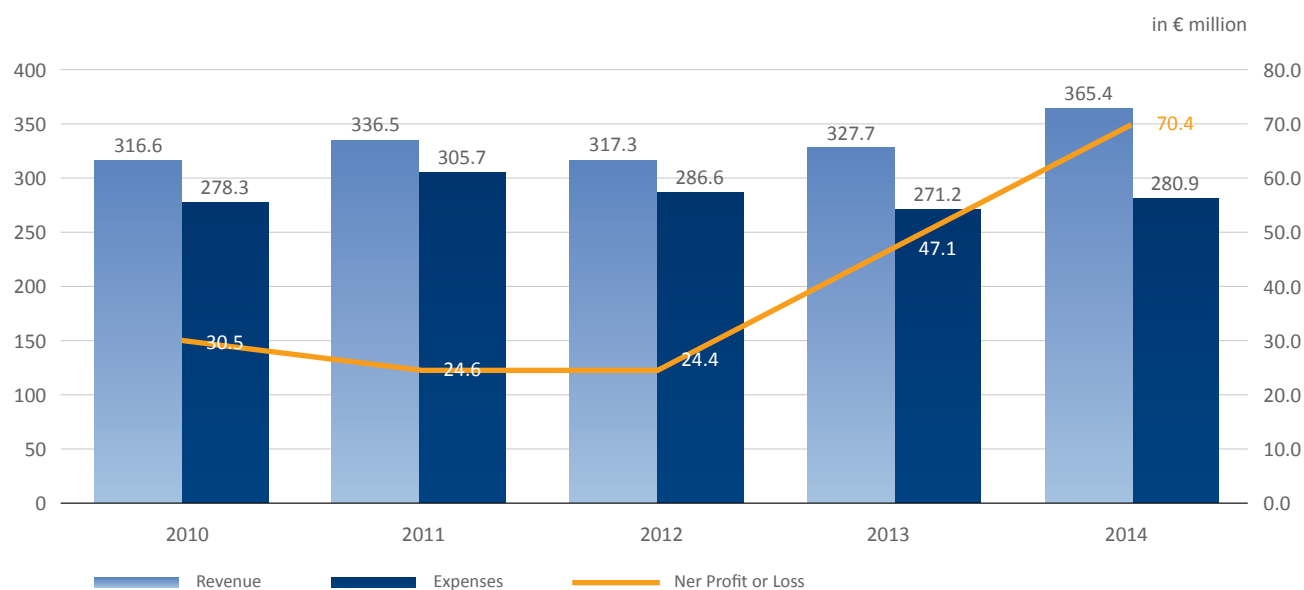
Table 1: Key Performance Data by Year

Key Performance Data by Year	2010	2011	2012	2013	2014	Index 2014/2013
Revenue	316,615,824	336,538,471	317,316,358	327,666,309	365,358,022	112
Expenses	278,327,509	305,730,681	286,629,433	271,187,458	280,937,651	104
Net sales revenue	301,412,873	310,772,380	305,817,390	315,640,478	354,455,753	112
Operating revenue	314,278,720	331,169,720	312,333,910	323,741,607	361,316,158	112
Operating expenses	205,792,943	228,906,759	216,782,091	220,741,765	222,867,533	101
Operating profit or loss	108,485,776	102,262,961	95,551,818	102,999,842	138,448,626	134
EBITDA	223,979,429	261,146,284	240,989,883	251,088,123	285,679,869	114
Net profit or loss for the accounting period	30,463,365	24,609,552	24,406,263	47,143,874	70,354,171	149
Share capital	2,319,866,345	2,319,866,345	2,319,866,345	2,319,866,345	2,319,866,345	100
Equity as of 31 December	2,402,580,775	2,411,382,960	2,425,789,223	2,472,933,097	2,531,278,379	102
Total value of assets as of 31 December	5,611,218,851	5,529,053,959	5,626,879,758	5,644,936,606	5,556,644,000	98
Balance of debt as of 31 December	2,998,506,697	2,931,830,772	2,828,280,071	2,795,662,158	2,633,687,915	94
Repayment of debt - principal	133,910,263	66,675,925	103,550,701	142,617,913	161,974,243	114
Payment of interest *	79,015,798	79,275,822	74,434,649	51,491,774	54,768,729	106
No. of employees	1,247	1,249	1,226	1,237	1,251	101
Operating margin	36.0%	32.9%	31.2%	32.6%	39.1%	120
EBITDA margin	74.3%	84.0%	78.8%	79.5%	80.6%	101
Net margin	10.1%	7.9%	8.0%	14.9%	19.8%	133
Return on equity (ROE)	2.5%	1.0%	1.0%	1.9%	2.8%	146

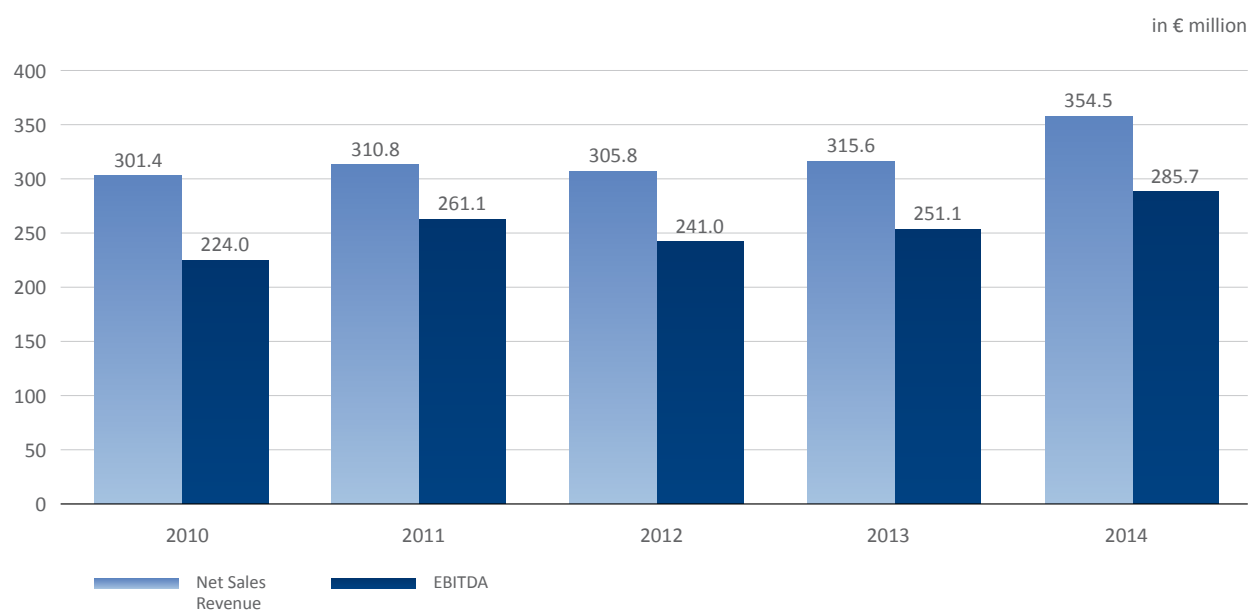
* The data refers to actual outflows for interest in the individual year.

The SSH expects DARS d.d. to realise a 3% return on equity rate in the period by 2017.

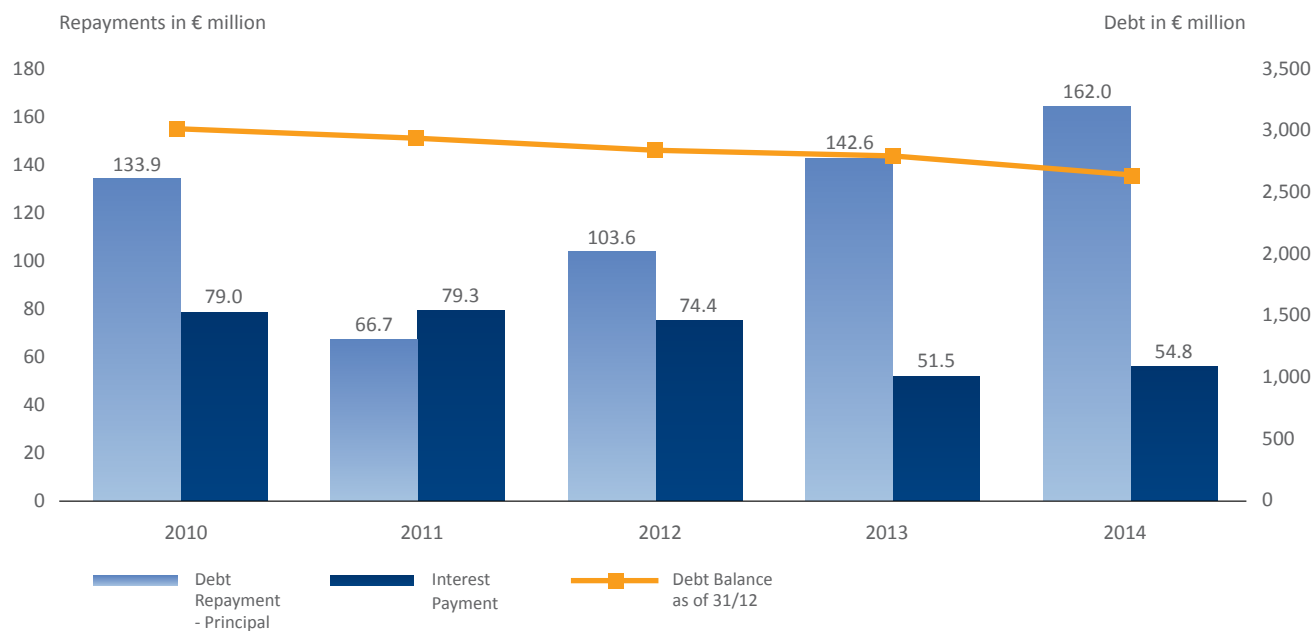
Graph 1: Movement in DARS d.d. total revenue, expenses, and net profit or loss for 2010–2014



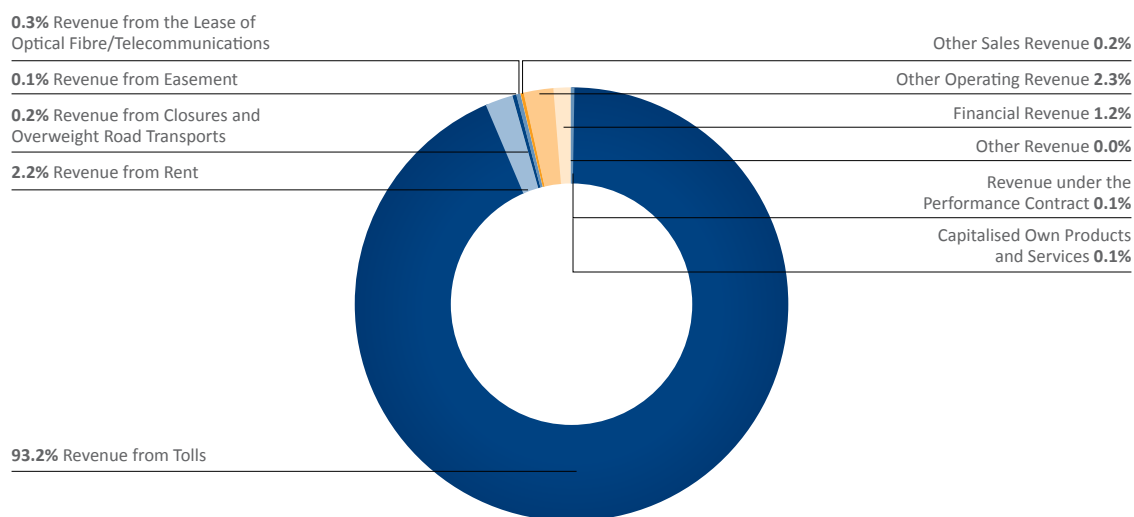
Graph 2: Movement in net sales revenue and operating cash flow (EBITDA) for 2010–2014



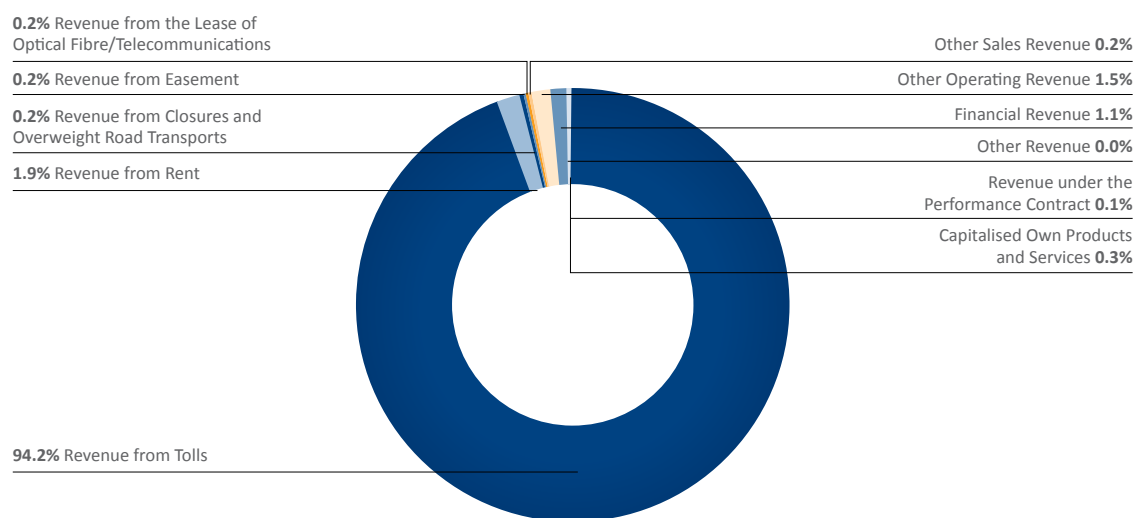
Graph 3: Debt balance (31 December), principal repayment, and interest payment in the 2010–2014 period



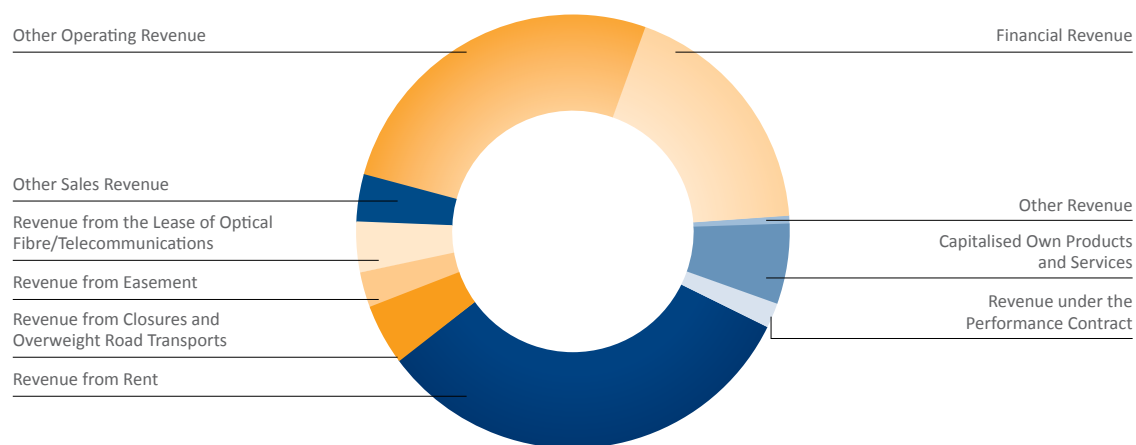
Graph 4: Structure of revenue of DARS d.d. in 2013



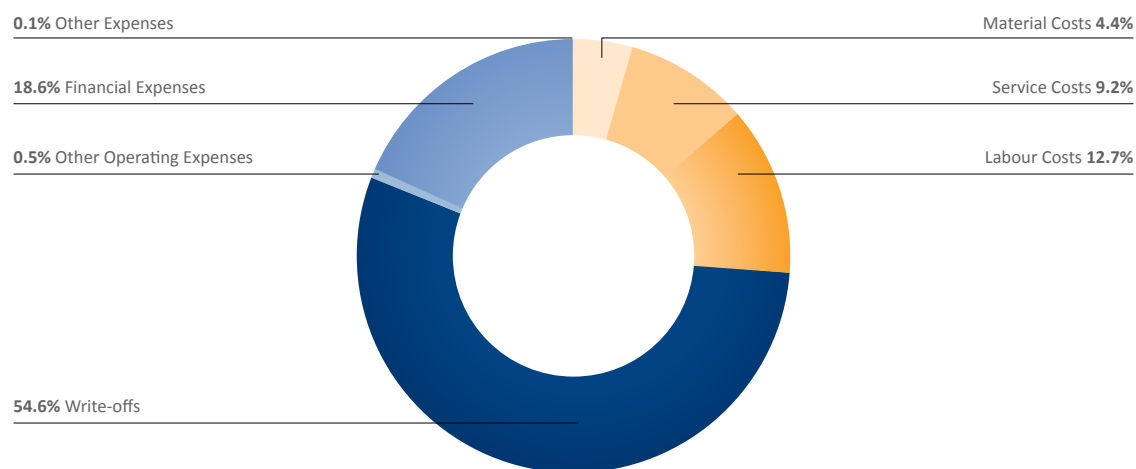
Graph 5: Structure of revenue of DARS d.d. in 2014



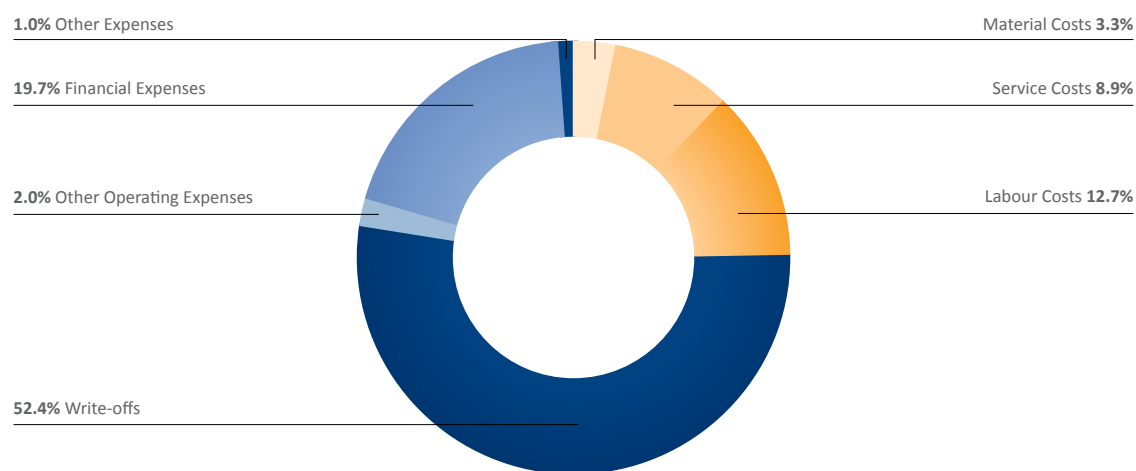
Graph 6: Structure of revenue of DARS d.d. without tolls in 2014



Graph 7: Structure of expenses of DARS d.d. in 2013



Graph 8: Structure of expenses of DARS d.d. in 2014



I.4. The Mission, Vision, Values, and Strategic Directions, Integrated Management System Policy



Mission

We ensure the socially responsible and efficient operation, maintenance, and construction of motorways and other infrastructure networks in the Republic of Slovenia, and provide the conditions for their safe use. Through the systematic development of new business ideas, we encourage the continued growth and development of DARS d.d. and its employees.

Vision

That each year, DARS d.d. becomes a more successful and market-oriented learning company which develops and manages modern infrastructure networks, and operates for the benefit of all stakeholders.

Core Values

Responsibility

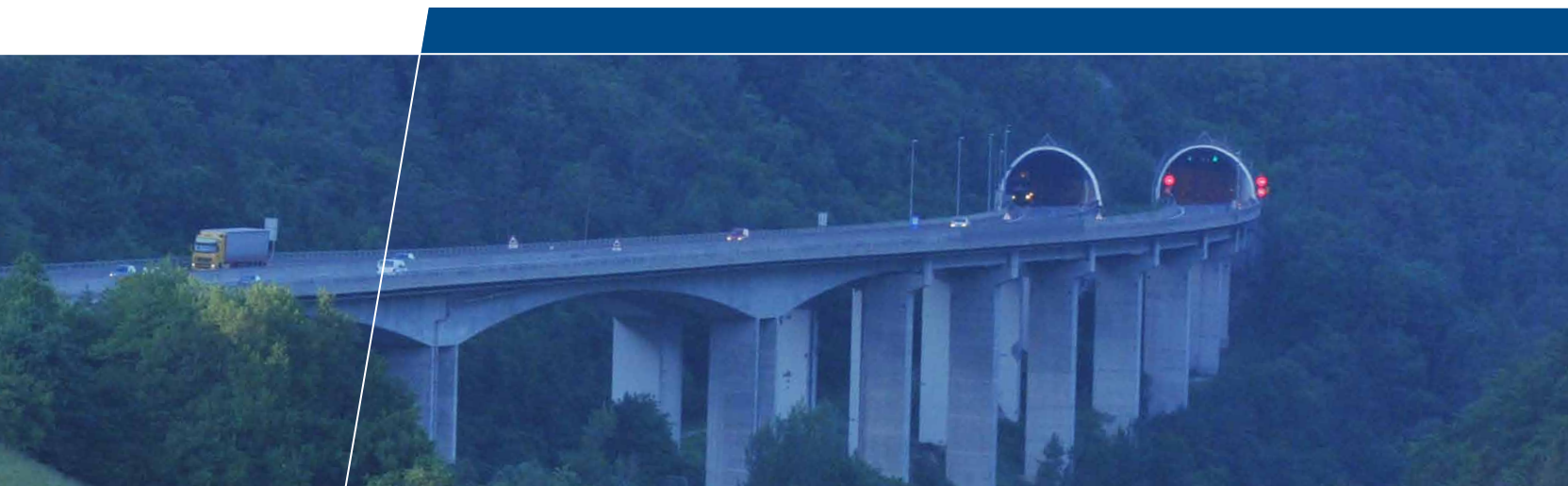
With a responsible attitude to ourselves and society, we fulfil all our assumed work commitments and endeavour to meet our objectives in terms of quality with our users in mind.

Cost-effectiveness

We act with the care and diligence of a good manager, and achieve our objectives in a high-quality, timely, and cost-effective manner.

Innovation

We promote and continually develop innovative approaches to our work; creative thought is our guide, because we know that this is the only way to develop innovative solutions with high added value for our customers, employees, the Company, and its owner.



Transparency

Our business and operations are transparent and equitable for all stakeholders and in accordance with the applicable regulations and our Code of Ethics.

Boldness

DARS employees possess a lot of boldness, responsibility, and courage. In the broader sense, these are also the mission and the guiding principles of DARS d.d. We do our best to help and to meet the needs and expectations of colleagues, users, and other stakeholders.

Traffic and Safety Concerns

We are constantly looking after the traffic safety of our users and the safety of our employees that conduct field work on the motorways. By investing in traffic control and management systems and prevention projects, which raise awareness about safe driving among users, as well as by cooperating with all intervention groups and regularly training field and control centre workers, we are able to achieve a high traffic-safety standard. We consistently and swiftly inform the Slovenian public about traffic conditions on all State roads and regularly conduct measures aimed at traffic management at the national and international level.

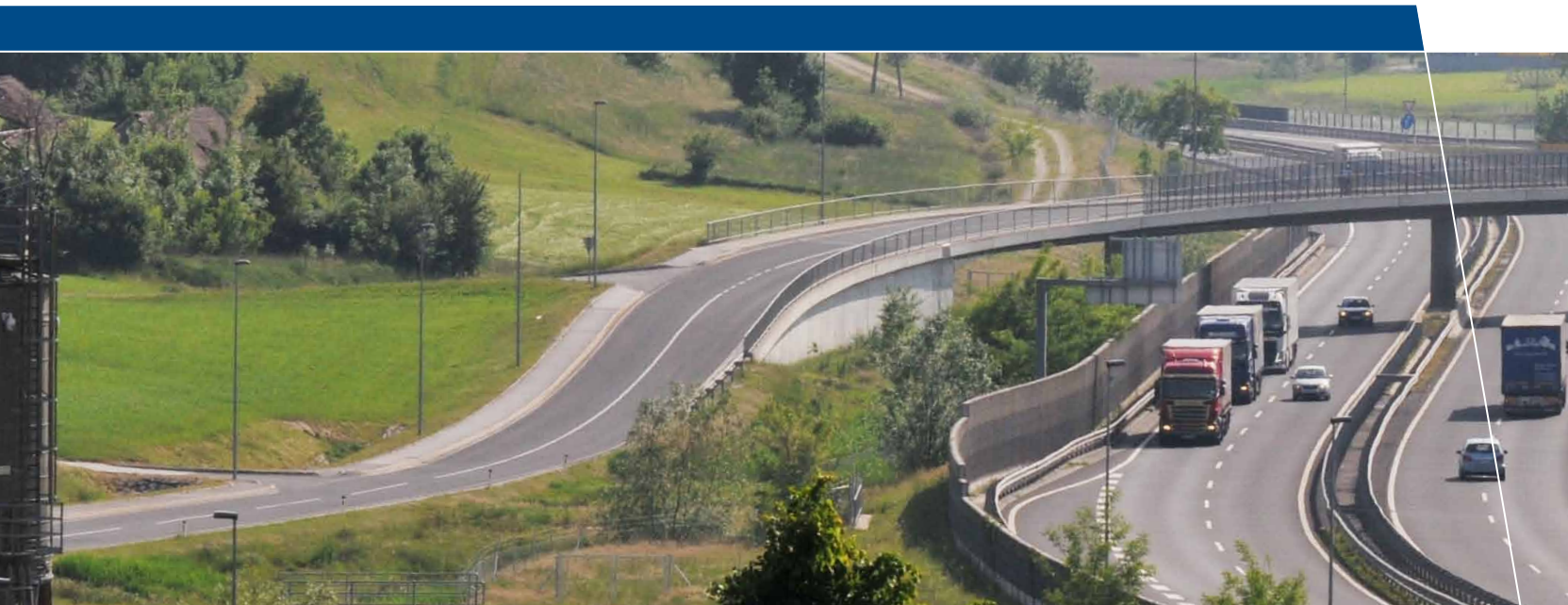
Strategic Directions of DARS d. d.

Strategic Partnerships with Stakeholders

The company systematically endeavours to develop strategic partnerships with all stakeholders to provide us with adequate conditions for optimum performance and long-term growth and development.

Effective Debt Management

The Company ensures stable and sustainable servicing of its obligations regarding debt.



Ensuring Traffic Flow and Safety on Motorway Networks

Through a professional approach, and based on objective analyses, we ensure a smooth flow of traffic and safety on motorways and other road infrastructure, and improve our organisational and operational excellence in a continuously measurable and financially viable way.

Systematic Development and Implementation of New Ideas

We strive to develop new, market-oriented programmes with high added value in a systematic and sustainable manner.

Effective Company Resource Management

We endeavour to manage all the resources of our business systems as efficiently as possible: staff; material; financial; and information.

Integrated Management System Policy

Through the professional and responsible performance of tasks, the management and all employees of the Company devote their best efforts to fulfilling the requirements and expectations of clients, the owner, employees, the environment, and society. Our business success is not left to chance, but is carefully planned, managed, and supervised. We are committed to the continuous improvement of business processes, with an emphasis on preventative action.

Our objective is to provide a high quality, ecological, and comprehensive service that is safe for employees. This goal is being achieved in the following ways:

- By making responsible decisions based on facts;
- By providing good conditions and relations both inside and outside of the Company;
- By encouraging employee innovation;
- Through consistent compliance with legislation, other mandatory requirements and development guidelines;



- Through the careful selection of qualified partners and other external contractors;
- By supporting the development of the profession and acquiring new knowledge;
- Through active communication with the public;
- Through the commitment to preventing health risks and injuries of employees;
- By committing ourselves to environmental protection and friendly mutual relations.

The Company management undertake to lead by example and pursue the set objectives to the best of their abilities.

Planning and Business Objectives at the Company and Process Level

The future strategic goal of DARS d.d. is to become a stable operator of the State motorway system, capable of using income generated from tolls and other revenue to ensure the sustained development of the Company, its long-term stable and socially responsible operation, and safe use of the motorway network. To ensure future successful business operations, growth, development, and the fulfilment of the objectives of DARS d.d., the Company adopted a Business Plan for 2014 that is founded on company activity indicators according to individual areas (i.e. KPIs) and on the optimisation of all operating costs as well as on the introduction of new projects and improvements in different areas. The monitoring and achieving of objectives will form the basis for preventive and corrective measures that are necessary due to the need to constantly adapt to changes in the business environment and to follow the goals set.

Projects and Improvements

In the coming years, we at DARS d.d. intend to carry out a large number of projects in individual work areas and thus follow the business plan, the strategic goals, and the Company's vision. On the basis of the adopted management system policy and the related strategic goals, we will determine measurable operative goals using key performance indicators (KPIs) that are identified in the Company's business plan. We develop the system in such a way as to make constant improvement and innovation a key characteristic of all employees at all organisation levels.

I.5. Business Activities of the Company

The 2014 financial year was for DARS d.d. a year of continued consolidation in various areas and of constant adaptation to the current situation at home and abroad. The long-term strategic goal of DARS d.d. is to become a stable operator capable of using income generated from tolls and other revenue to ensure the sustained development of the Company, its long-term stable and socially responsible operation, and safe use of the motorway network.

To ensure successful growth, development, and the fulfilment of the objectives of DARS d.d., the Company continued introducing changes in individual areas in order to become an active operator of the State motorway system that is competitive and comparable to similar companies in neighbouring countries. The objective-based management system implemented at the end of 2013 and the objectives adopted in the Business Plan for 2014 that were founded on company activity indicators according to individual areas (i.e. KPIs) and on the optimisation of all operating costs as well as on the introduction of new projects and improvements in different areas have already produced results. We can see that the objectives from the Business Plan for 2014 were not only achieved, but surpassed, and that 2014 was the year DARS d.d. achieved the best results of the past three-year period, i.e. between 2010 and 2014, which is clear from the performance indicators for the last three-year period in the Analysis of Business Performance. The business performance achieved is the result of the Company successfully implementing business activities in various areas, which are presented below in detail.

Tolling

The 2014 tolling revenue, which represents 94 percent of all revenue generated by the Company, amounted to €344.2 million, or 13 percent more than in 2013. The increase in tolling revenue in 2014 is connected to the successfully modified pricing policy in 2013 that stopped the negative effect of the changes in freight traffic structure, reduced the decrease in revenue due to discounts and increased revenue on account of the higher price of yearly vignettes and the introduction of a new toll class for vehicles that measure 1.3 m or more above the front axle.

The tolling of vehicles whose maximum permissible weight exceeds 3,500 kg (freight vehicles) is performed at 28 tolling stations. The Company generated €188.6 million from tolling freight vehicles in 2014, which is a 13 percent increase compared to 2013. Altering the structure of the vehicle fleet in favour of more eco-friendly vehicles and consequently increasing the number of driven kilometres in higher EURO emissions classes has a long-term negative influence on Company revenue when pricing policy does not change. Compared to 2013, the number of kilometres driven in EURO 0-II classes, which have the highest toll, decreased by 40% in 2014, while the number grew by a full 84% in the EURO V+ class, where the toll is the lowest. The number of driven kilometres by the heaviest freight vehicles (R4) in the EURO V emissions class is especially on the rise.

Since 1 July 2008, the tolling of vehicles with a maximum permissible weight of up to 3,500 kg (personal vehicles) has been carried out on the basis of payment with respect to the time of use of motorways, as proven by the purchase and installation of the appropriate vignette. The amended Decree on Toll Roads and Tolls that entered into force on 1 December 2013 changed the toll classes and some of the vignette prices. In 2014, the trend of slightly reduced sales of yearly vignettes continued; however, the sale of short-term vignettes for two-track vehicles increased. Revenue from vignette sales in 2014 equalled €155.6 million, or 12 percent more than in the year before. There are 1540 vignette points-of-sale in Slovenia and 1028 abroad.

In 2014, we successfully concluded negotiations with our contractual partners on lowering commissions on vignette sales, resulting in savings or reduced expenses for commissions of €364 thousand, which is a 5.5 percent decrease compared to the previous year. An important share of vignette sales is represented by sales at 37 of our own retail outlets, including sales at toll stations and border crossings, which is especially significant during holidays and summer vacations.

The Company once again successfully carried out toll supervision in 2014, issuing 49,666 fixed penalty notices, which is 19.5% percent more than in 2013. Unfortunately, our efforts to have these fixed penalty notices included in the revenue of DARS d.d. or that the State would at least compensate us for the costs of toll supervision from these penalties produced no results in 2014 also.

Electronic Tolling System

On the basis of the June 2012 decision of the Government of the RS and the subsequent reconciliations with the then Ministry of Infrastructure and Spatial Planning, we have prepared documentation and in early 2013 published a call for tenders for the establishment and operation of an electronic toll collection system in the free traffic flow (ETS-FTF), but the National Review Commission cancelled this call for tenders in full in early July of the same year. In early 2014, following the examination of the possibilities for obtaining financial resources to fund the project and the acquirement of additional analyses and professional bases to continue the project, we drew up a modified version of the tender documentation, but due to having to reconcile the further development of the toll collection system in the RS with the grantor of concession or its authorised institutions, we did not publish another call for tenders. In the final quarter of 2014, the procedures for modernising the toll collection system were being reconciled with the grantor of concession on the basis of the submitted documentation.

Maintenance

Due to the growth in personal and transit freight traffic, the work of maintenance staff is becoming an increasingly greater obstacle to road users. It is practically impossible to carry out maintenance works without congestion during daytime, particularly on the A1 motorway, where traffic is dense almost all day, and even more so if there is rain. Most maintenance works cannot be done at night due to various reasons. For better traffic flow and less congestion, closures were set up when traffic was lighter, including at night, mostly on weekend nights. Daily maintenance works are planned in the directions with the lightest traffic and outside peak traffic hours.

Extensive maintenance and reconstruction is necessary due to increased traffic loads. In 2014, we patched up approximately 50,000 square kilometres of roadways, nearly double the amount of 2013, and filled in over 51,000 metres of cracks in the asphalt.

To streamline Company operations and increase the capacity utilisation of special vehicles, improvement procedures were implemented that will have long-lasting effects on increasing other revenues of the Company and on the safety and organisation of motorways.

A great deal of attention is placed on the additional safety of road users and our staff. We have increased the number of crash absorbers and introduced additional danger signs for queues of stopped vehicles at reconstruction worksites and regular maintenance sites and for emergencies. The Regional Control Centre (RCC) collects information on the length and any changes in queues, while the Traffic Information Centre (TIC) regularly informs road users about the duration of congestion in order to provide a better user notification experience, thereby increasing traffic flow.

On the basis of the obligations from the Concession Agreement, our activities in 2014 included vital maintenance and operation tasks and projects aimed at ensuring traffic safety and the reliable functioning of devices, e.g. optimising the electromechanical maintenance and reducing the costs of maintaining road weather stations and video detection systems, renewing the LED indicator lamps and the worn-out tunnel lighting; having completed the overhaul of the surveillance and control system of the Karavanke Tunnel, we began restoring its ventilation system; we completed reconstruction works in the Trojane tunnels in accordance with the European Directive 2004/54/EC and revamped the electromechanical equipment in the Dekani and Kastelec tunnels.

Managing and Ensuring Traffic Safety

Newly introduced in 2013, the area of management combines the management of all types of DARS d.d. assets (road infrastructure, devices, and real estate) in order to increase additional revenues of the Company and manage traffic and traffic safety.

In light of this, 2014 saw further efforts being made towards the comprehensive management of roads using the PMS-DARS application (Pavement Management System), which we used to prepare the Road Reconstruction Plan for the Long-Term Period (from 2015 to 2029) and to design the graphical and statistical overview of the state of the roads so as to determine the volume of resources necessary for their reconstruction. With this, we had the bases needed to determine the volume of required reconstruction work for the upcoming planning periods. The monitoring of the condition of the facilities and tunnels was also optimised by laying the groundwork for geotechnical monitoring and by determining the methodology for monitoring the condition of the anti-noise facilities.

We took comprehensive steps to reduce electricity costs and electromechanical maintenance costs, resulting in a 1.3% reduction in electricity consumption compared to the previous period and 14% lower electricity costs compared to the previous year. We also have additional measures ready that will further decrease electricity costs in 2015.

As for investments in electromechanical equipment, we primarily focused on traffic safety, both in terms of meeting the requirements of the European Tunnel Safety Directive and increasing the overall road traffic safety. The electromechanical equipment of the Jasovnik, Trojane, Podmilj and Dekani tunnels was brought in line with this directive. We implemented the first two stages of restoring the ventilation system of the Karavanke Tunnel and drew up project documentation for redesigning the tunnel systems and the Kozina RCC. Investments in electromechanical equipment in 2014 were nearly four times bigger than before and amounted to €8.8 million.

We established ourselves as a major operator in the area of traffic management by signing with the neighbouring countries an agreement on cooperation in the management of international traffic flows, which has already produced results last winter, specifically it has increased coordination at the national level with relation to closures and in forcing freight vehicles off motorways in inclement weather.

Traffic Safety

For improved traffic flow, we began designing guidelines for managing closures so as to optimise coordination with all stakeholders, including works contractors, the police, and our control centres. Through professional measures at control centres and at the Traffic Information Centre, we provided users with more quality traffic information, minimising queues, and speeding up accident resolution. We implemented steps for increased traffic safety by way of adjusting the road signalisation on motorways and expressways as well as by examining dangerous sections, and began measuring speed at chosen sections to help improve the control of speed, particularly in tunnels, resulting in greater traffic safety.

In 2014, we successfully realised most of the objectives set out in the traffic safety plan, receiving positive feedback from users and the media. Compared to the year before, traffic safety is good (considering the number of incidents and the slight increase in traffic at certain sections). We believe that preventive campaigns can have a major positive impact on traffic safety. Naturally, we also need to be increasingly proactive to ensure that the message reaches the users. In 2014, there were fewer fatalities in the emergency niches of tunnels thanks to the installed safety barriers. We do find, however, that all the fatal accidents were caused by driver error.

In 2014, we prepared all the necessary organisational groundwork to establish the Main Control Centre (MCC) that will allow us to further increase traffic safety. We also began activities to manage wrong-way driving.

The following preventive campaigns will be continued in 2015: "REŠI ŽIVLJENJE" (SAVE A LIFE), "NISTE VARNI" (YOU ARE NOT SAFE), "VOZIMO PAMETNO" (DRIVE SMART) and "SIMBIOZA" (SYMBIOSIS), the campaign for informing users, older ones in particular.

Investments

In accordance with its business plan, in 2014, DARS d.d. organised and managed projects involving the construction and reconstruction of motorway sections.

Procedures for preparing eight national spatial plans and obtaining an environmental protection consent for two sections related to the development and construction of the third development axis were carried out in 2014 in the field of spatial planning and siting. In the processes of integrating motorways and expressways in the environment, the Company cooperated with the public and users within the scope of its jurisdiction, and strove to implement socially acceptable solutions.

As for project design in 2014, we completed the execution design for the Draženci–IBCP Gruškovje motorway. We obtained the building permit for the 1st phase of the motorway. We also completed and submitted for review the basic design for the Šmarje - Sap full junction.

Activities for the following investments were performed: the Jagodje–Lucija EW section, the Koseze–Kozarje MW section (widening into 6 lanes), the Brezovica slip road, wind protection at the Razdrto–Vipava (Rebernice) EW, the completion of the second tube of the Karavanke Tunnel, the Kozina motorway base in Bertoki, and the reorganisation of toll stations to establish ETS in free-flow traffic.

The construction of the Koper–Izola section and the Markovec Tunnel continued but was not completed in 2014, primarily due to the insolvency and the bankruptcy proceedings implemented against the contractors, which meant that additional public procurement procedures had to be carried out. Construction in the Markovec Tunnel was completed for the most part, including the electromechanical equipment, as well as construction works on the expressway route. In 2015, the remaining work on the expressway and the deviations and in the area of the Izola link road will be completed.

In 2014, we reconstructed more than 20.1 kilometres of carriageways, which is nearly twice that of the year before, implemented four partial reconstructions of bridging structures, and realised most of the planned smaller investment works.

Last year, we also signed the last of the contracts for carrying out work on the project 'Construction of noise barriers on five motorway sections in the RS'. Works at the Unec–Postojna section have been completed. At the Brezovica–Vrhnika, Dramlje–Celje and Celje–Arja vas sections, the works that began in the summer of the previous year continued throughout the entire construction season and will continue after the winter period break.

International Cooperation

DARS d.d. remains active in the international arena. In addition to collaboration within the framework of the European Association of Operators of Toll Road Infrastructures (ASECAP), which manages a total of over 46 thousand kilometres of toll roads, bridges, and tunnels in 21 countries, and the World Road Association (PIARC), which includes members from 142 countries, the Company is increasingly connective with operators from the neighbouring countries. With DARS d.d. attracting foreign operators with its know-how, it signed in 2014 three agreements on cooperation: the agreement on cooperation in traffic management and the exchange of traffic information among nine motorway operators from five countries (Austria, Italy, Hungary, Croatia, and Slovenia) and the agreements on cooperation between DARS d.d. and JP Putevi Serbia and between DARS d.d. and the Slovak motorway company Národná diaľničná spoločnosť, a.s. We conducted the first training for traffic controllers from the JP Autoceste FBiH.

We were also successful in acquiring European grants in 2014. We received €10.8 million from the EU Cohesion Fund for the construction of noise barriers at certain motorway sections and €456 thousand from the TEN-T Programme budget for the preparation of the execution design for the Draženci–IBCP Gruškovje motorway section.

Subsidiary Companies

The DELKOM d.o.o. subsidiary company began operations in 2014. In line with its strategy, the company is developing into a comprehensive electronic communications operator and has in this period generated revenue equalling €1.2 million and a pre-tax profit of €87 thousand.

In 2014, the company was securing new deals and building with its partners a network needed for the further marketing of its services. With the objective increasing revenue from extra activities as well as satisfaction of Slovenian motorway users, the company offered new services such as broadband access for end users and Wi-Fi at motorway rest stops. In Slovenia, the company signed and implemented several long-term lease contracts for optical fibres, capacities, and co-locations in the amount of €1.3 million. The company established itself as an international transit operator. It has already signed a contract with the Croatian ISPs METRONET and OT-OPTIMA for the lease of optical infrastructure. After obtaining the necessary consents from state authorities allowing it to connect with the Croatian ISPs at the Obrežje border crossing, the company will expand its services to include the neighbouring countries.

Debt Repayment

In 2014, the Company continued the period of major repayments of principals for loans that were taken out for extensive construction and reconstruction in the previous years. Debt management is defined as one of the Company's chief activities to achieve its objective of being able to independently repay or settle all of its financial liabilities that are 100% secured by a guarantee of the Republic of Slovenia. In 2014, the Company repaid the principal in the amount of €162 million and paid interest of €54.8 million. On 31 December 2014, the total debt of the Company equalled €2,633.7 million.

In 2014, the Company continued discussions with its lending banks on rescheduling arrangements for its liabilities. The maturity of two of its loans in the overall amount of €105 million was extended.

We continued discussions with the competent ministries on the Debt Restructuring Framework Act. The aim of the proposed act is to enable DARS d.d. to actively manage its existing debt, restructure its loan portfolio, as well as to ensure it can provide on time the necessary sources of funding to settle the matured liabilities arising from the existing debt. The issue at hand is primarily the management of maturity and the prices of sources. With the adoption of the Debt Restructuring Framework Act, the Republic of Slovenia would retain its mechanism of control over the borrowing of DARS d.d. but the Company would avoid having to wait each time for the National Assembly to complete the lengthy adoption procedure for individual guarantee acts in relation to debt restructuring.

ISO Standard, Environmental Management

In the area of sustainable development and environmental preservation and protection, we continued implementing the adopted ISO 14001 environmental management system that comprehensively regulates the environmental aspects of waste minimisation and rational use of energy, the active monitoring of our activities in terms of protecting the environment through to the adoption and implementation of environmental legislation, and the education of our employees to ensure more environmentally friendly operations. We successfully introduced and certified (in 2013 and 2014, respectively) the occupational health and safety system in compliance with the requirements of the OHSAS 18001:2007 standard, integrating it into our existing quality and environmental management systems, which was confirmed by an independent external accredited institution.

User Satisfaction and Communication

DARS d.d. concentrated on implementing measures to enhance the satisfaction of users of motorways and expressways in 2014 as well. On the basis of user satisfaction measurements carried out in April and May 2014, the average satisfaction of domestic drivers of personal vehicles remains stable (3.8), while the average satisfaction of domestic drivers of freight vehicles is higher (3.9) and even higher in foreign drivers of personal vehicles (4.3) and foreign drivers of freight vehicles (4.3).

DARS Code of Ethics

In compliance with OECD recommendations, SSH Recommendations and the Corporate Governance Code for Companies with Capital Assets of the State, DARS adopted the DARS Code of Ethics in which we defined the principles of ethics and the ethical rules of behaviour and conduct of the Company's management and all employees. The Code represents a set of high moral, ethical, and work values that reflect the vision and mission of the Company in all areas of operation. It is intended for all DARS employees and for raising awareness on implementing the Company's values and orientations as well as for raising employee awareness in terms of loyalty to the Company and the ethical principles on which their work is based in full. The Code defines effective and transparent mutual relations between colleagues, the attitude to the social and business environment, especially to motorway users, and the responsibility to business and to asset management and protection.

Conclusion

The Company was able to achieve such a favourable operating performance in 2014 thanks to the successfully implemented changes by the management and the employees in terms of obtaining additional revenues, cost reduction, and financial liability rescheduling. In addition to the record profits, the Company has significantly reduced its costs. The trend of revenue growth, improving net profit or loss and the decreasing expenses and costs of DARS, accompanied by the trend of revenue growth and decreasing costs and expenses per kilometre of motorways, which are included in the 2015 plans, are the results that indicate that we are on the right track.

The Business Plan for 2015 represents the foundation for all operations of the Company in 2015. In light of the Company's development and adaptation to changes, it is optimistic in terms of revenue and operating results, and rational where resource consumption for achieving the set objectives is concerned. In 2015, the Company will concentrate on recognising, measuring, and managing risks as these are becoming an important leverage for the Company's continued success and development in these turbulent times.

DARS d.d. is currently preparing a new strategy for the upcoming medium-term period, which will bring a change in the Company's role as it gradually transforms into an investor in services that would enable users to use the infrastructure in a safer, faster and more comfortable manner. It will be focused on stakeholders, for whom the infrastructure was built in the first place; on families and companies, and on the realisation that road use is linked to a fee for infrastructural quality as well as to payment for infrastructure-related services rendered. By employing an effective market approach to users, DARS d.d. will be able to ensure the resources necessary for further expansion of the infrastructure. DARS d.d. will have to ensure new road and roadside standards in an attempt to generate additional revenues for reconstruction and development, which will, as a prime and clear demonstration of Slovenia's development, properly position the country in the competitive struggle with its neighbouring countries, so, in a way, DARS d.d. will be the driver or initiator of the economic and infrastructural development of Slovenia.

I.6. Motorways and Expressways in the Republic of Slovenia and Traffic Loads

In 1994, under a special agreement, the Republic of Slovenia transferred to DARS d.d. the management and maintenance of all constructed motorways, and infrastructural facilities and devices on them. DARS d.d. thus received the 198.8 kilometres of two-lane and four-lane motorways and expressways, and 67.5 kilometres of link roads constructed thus far.

Through the implementation of the NMCP, the motorway network managed and maintained by DARS d.d. began to expand. By the end of 2014, DARS d.d. was responsible for the management of 607 km of motorways, 166 km of link roads, 22.3 km of turn-offs and 8.1 km of other connecting roads.

Table 2: Length of the Network Managed and Maintained by DARS d.d. as of 31 December 2014

As at 31/12/2014 (in km)	Lenght of MV and EW (A)	Lenght of turn-offs	Lenght of link roads	Lenght of other roads	Closed system for vehicles over 3,500 kg	Open system for vehicles over 3,500 kg	Toll roads for vehicles over 3,500 kg	Non-toll roads for vehicles over 3,500 kg
A1 Šentilj–Dragučova–Maribor–Slivnica–Celje–Trojane–Ljubljana (Zadobrova–Malence–Kozarje)–Postojna–Razdrto–Divača–Črni Kal–Srmin	245.266	11.782	70.825	0.000	98.442	146.824	245.266	0.000
A2 Karavanke Tunnel–Lesce–Podtabor–Kranj–Ljubljana (Kozarje)–on the A1–Malence–Ivančna Gorica–Bič–Pluska–Trebnje–Hrastje–Novo mesto–Kronovo–Drnovo–Obrežje	175.472	4.929	48.224	2.180	9.514	140.241	149.755	25.717
A3 Divača (Gabrk)–Sežana East–Fernetiči	12.246	0.000	5.131	2.724	12.246	0.000	12.246	0.000
A4 Slivnica–Draženci in Gruškovje–Croatia	21.671	4.450	5.470	1.656	0.000	20.750	20.750	0.921
A5 Maribor (Dragučova)–Lenart–Senarska–Vučja vas–Murska Sobota–Dolga vas–Lendava–Pince	79.574	1.099	15.861	0.000	0.000	79.574	79.574	0.000
H2 Pesnica–Maribor (Tezno)	7.200	0.000	3.590	0.000	0.000	0.000	0.000	7.220
H3 Ljubljana (Zadobrova–Tomačevo–Koseze)	10.222	0.000	6.849	0.000	0.000	6.330	6.330	3.892
H4 Razdrto (Nanos)–Vipava–Ajdovščina–Selo–Šempeter–Vrtojba	42.127	0.000	4.837	1.545	19.213	22.914	42.117	0.000
H5 Škofije–Koper (Škocjan)–(Dragonja)	7.833	0.000	2.756	0.000	0.000	0.000	0.000	7.833
H6 Koper (Škocjan)–Koper (Žusterna)–(Lucija)	1.889	0.000	1.493	0.000	0.000	0.000	0.000	1.889
H7 MW A5 – Dolga vas	3.526	0.000	0.955	0.000	0.000	3.526	3.526	0.000
Total MW and EW	607.026	22.260	165.991	8.105	139.415	420.159	559.574	47.452

Slovenia has a vignette (toll sticker) tolling system for light vehicles, and an open and closed tolling system for heavy duty vehicles.

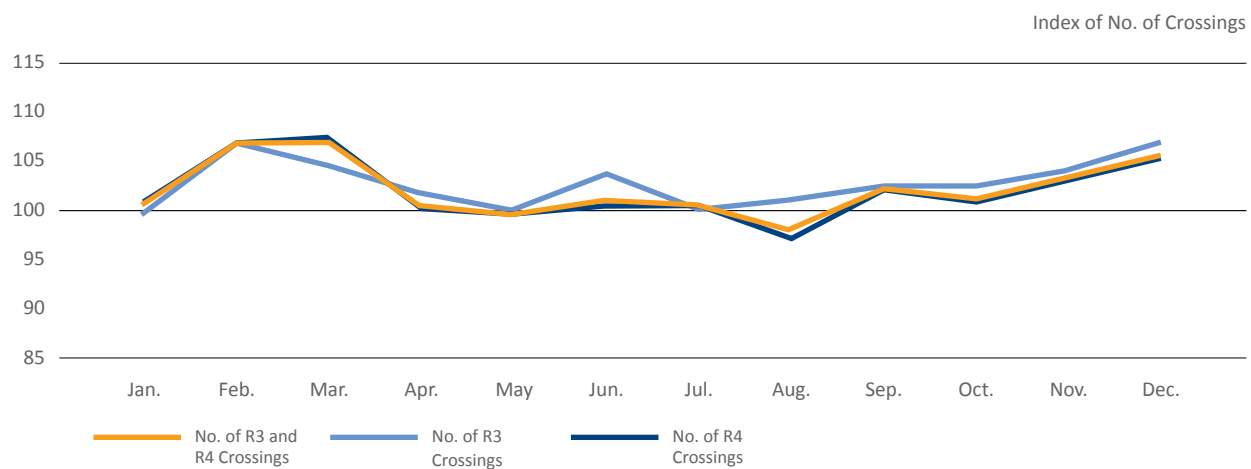
Heavy duty vehicles, whose maximum permissible weight exceeds 3,500 kg, are not tolled on a part of the Ljubljana bypass section, the Maribor bypass road, coastal roads, or the northern part of the Gorenjska section, because construction of the tolling stations has been suspended.

The implementation of the vignette tolling system in 2008 caused a major increase in the density of traffic consisting of vehicles whose maximum permissible weight does not exceed 3,500 kg. Starting with 2012, a decline in the growth of both personal and freight traffic was recorded. Traffic loads at individual motorway sections did not change much in 2014 compared to the year before. The Ljubljana Ring Road is a slight exception, as for example at the North (H3) and the West bypasses (A2), a growth trend in freight traffic was

detected, while at the East (A1) and the South bypasses (A1), there was less heavy goods traffic than in previous years. An upward trend in freight traffic can also be detected on the Dolenjska motorway (A2).

The total number of vehicle crossings from toll classes R3 and R4 increased by 2.14 percent on the Primorska leg, by 9 percent and by 6 percent on the Dolenjska and the Gorenjska legs; while on the Štajerska leg vehicle crossings from toll classes R3 and R4 decreased by one percent.

Graph 9: Index of the Number of Crossings in 2014/2013 for Toll Classes R3 and R4 at All Toll Stations



2014 saw further growth of the trend of using electronic media to pay toll compared to paying it manually. The share of people using the ABC system equalled 52% in 2013 and rose to 64% in 2014.

Graph 10: Collected Toll Index (for Toll Classes R3 and R4) in 2014/2013 by Motorway Sections

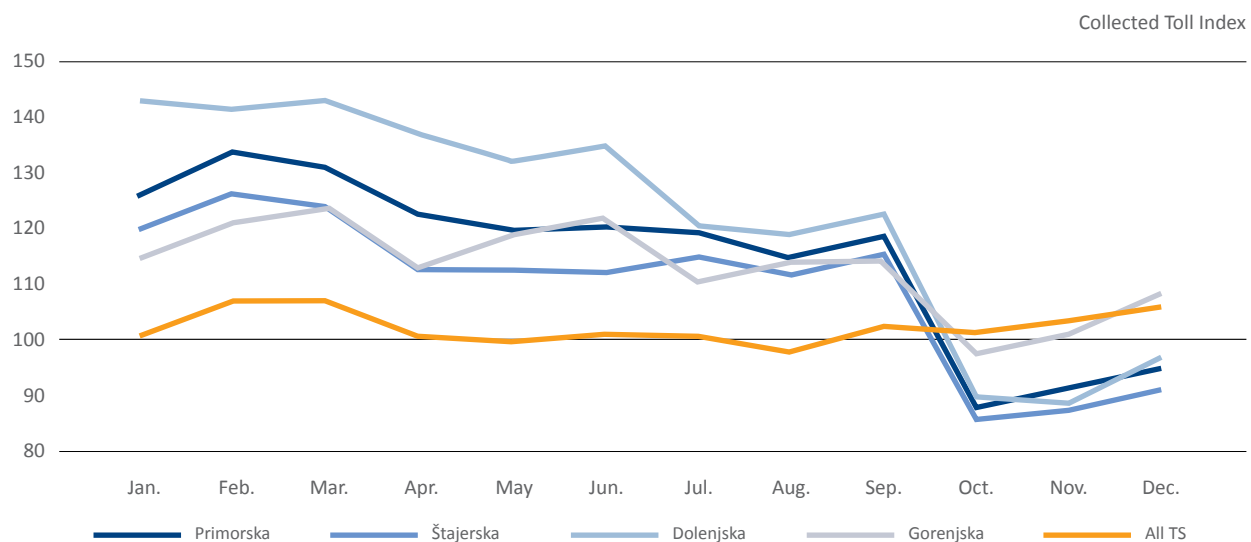
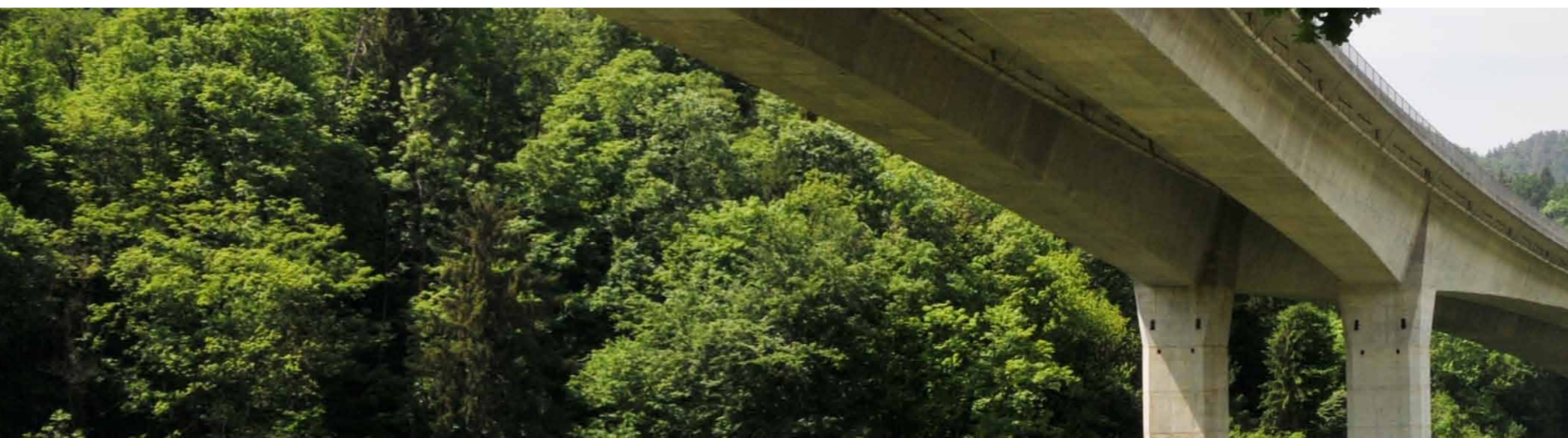


Figure 1: Motorway System in the Republic of Slovenia, December 2014





I.7. Key Business Events in the 2014 Financial Year



January

By expanding the Murska Sobota motorway service area, DARS d.d. enabled 194 new parking spaces for freight vehicles to serve their intended purpose.

February

With a consortium comprising Werkos d.o.o., Fracasso RI d.o.o., and Godina d.o.o., DARS d.d. concluded a contract on the construction of noise barriers on the Dramlje–Celje–Arja vas motorway section.

Having successfully passed the certification audit of its occupational health and safety system in January 2014, DARS was awarded a certificate according to the requirements of BS OHSAS 18001:2007 on 6 February 2014.

March

With a consortium comprising Iskra Sistemi d. d., Riko d. o. o., IMP d. d., Javna razsvetljava d. d., and Traffic Design d. o. o., DARS d.d. concluded a contract on the implementation of electrical equipment and machinery in the Markovec Tunnel on the Koper–Izola expressway.

April

At its regular session, the Supervisory Board of DARS d.d. approved the audited 2013 Annual Report of DARS d.d.

Pursuant to the provisions of the Ljubljana Stock Exchange Rules and the applicable law, DARS d.d. published the audited 2013 Annual Report of DARS d.d., of which the Corporate Governance Statement forms an integral part, as well as the Annual Document.

May

DARS d.d. filed a request to be issued a building permit for the motorway section of the Draženci–Gruškovje International Border Crossing Point with the Ministry of Infrastructure and Spatial Planning.



June

On 24 June 2014, DARS d.d. extended the maturity of KfW loans which were due in 2014.

August

DARS d.d. obtained the building permit for the Draženci–IBCP Gruškovje motorway section.

On 27 August 2014, at the 6th session of the DARS d.d. General Meeting, the owner was acquainted with:

- The audited Annual Report of DARS d.d. for 2013, including the receipts of the Management Board and the Supervisory Board, the report of the Supervisory Board on reviewing the Annual Report of DARS d.d. for 2013, and with the opinion of the Supervisory Board on the audit report;
- The appointment of Rožle Podboršek, a Member of the Supervisory Board, as an employee representative.

It decided on:

- The appointment of the authorised auditor for 2014, i.e. Deloitte revizija d.o.o.;
- The adoption of a clean copy of the DARS d.d. Articles of Association with amendments;
- Granting discharge to the Management Board and the Supervisory Board for the 2012 financial year;
- Adopting a decision on the allocation of accumulated profit for 2013 and on granting discharge to the Management Board and the Supervisory Board for the 2013 financial year;
- Recalling members of the Supervisory Board and appointing new members to the Supervisory Board (Robert Čehovin, Dušan Hočevar, Ivan Križnič, and Silva Savšek were recalled, and Robert Ličen, Gregor Lukan, Andraž Lipolt, and Gregor Osojnik were newly appointed).

Pursuant to Articles 112 and 113 of the Market in Financial Instruments Act, DARS d.d. published an unaudited semi-annual report for the first six months of 2014.

September

At its constitutive session, the Supervisory Board of DARS d.d. appointed Robert Ličen, MSc its Chairman and Andraž Lipolt its Deputy Chairman.

DARS d.d. signed a Memorandum on Cooperation with which we as the motorway operators agreed to cooperate in the area of traffic management, the exchange of traffic information and the resolution of emergencies.

I.8. Business Risks

DARS d.d. is aware of the severity of the consequences that might arise if various types of risks were to be realised. In the increasingly uncertain business environment, risk management represents a significant success factor, which is why the Company focuses a lot of attention on the timely detection of risks as well as the management thereof. The risk management process has become a strategic part of our business, so the Company is especially proud of its successful management of risk in 2014. Transforming the Company into an active operator of the country's motorway system has resulted in changes in the detected business risks to which the Company is exposed. Actively monitoring and managing new types of risks has enabled us to use our business processes to detect them on time to be able to take proper steps. DARS d.d. manages risks systematically, using a register of risks containing descriptions of each type of risk and evaluations of risk exposure scenarios as well as a list of the current preventative and corrective actions for each year.

In 2014, the following risk types were managed:

- The impact of external factors (macroeconomic position, public relations);
- Risks associated with legislation and regulations;
- Risks associated with investment projects and the fulfilment of contractual provisions;
- Risks associated with ensuring resources;
- IT support for business processes;
- Environmental protection;
- Occupational health and safety.

The Impact of External Factors

The Company concurrently monitors economic flows and actively adjusts its operations to new situations in the economic and political spheres. External risks related to legislation and regulations are managed by monitoring legislation and through consultations, as well as submitting proposals during the drafting of laws. The Company also participates in the preparation of price lists and prepares the recommended methodology to determine toll prices, changes in tolls and methods of toll payment. Potential loss due to the Company's negative public image is difficult to measure and is even harder to repair. Risks of clutters that could arise in connection with communication with various segments of the public were managed using appropriate communication strategies. Emphasis was placed on communication with the external and internal public.

Legislation and Regulation Risk

Legal security and the legality of business operations is the domain of the Company's Legal Service. It also participates in other areas where its cooperation is necessary; above all, it regularly monitors changes in legislation, is involved in preparing/reviewing contracts, participates in preparing internal acts, manages and coordinates disputes, and organises and performs land purchases.

Risks Associated with the Non-Fulfilment of Contractual Provisions in Implementing Investment Projects

The Company diligently monitors all information related to the operations of its business partners and prepares measures to prevent the impact of events detrimental to the Company's operations (modifications to contractual provisions, consensual terminations of contracts). Already during the contractor selection procedure within the public procurement, the Company carefully examines the envisaged construction deadlines of individual projects, payment conditions and guarantees; it carefully prepares time schedules for concluding individual phases of construction and ensures quality negotiations. It reviews the eligibility of any changes in investment projects and their impact on costs and schedules. The Company regularly supervises the costs of investments, both regular and those that arise due to subsequent changes made to a particular project. Supervision and monitoring are performed with the assistance of our contractual partners (engineers).



Risks Associated with Ensuring Resources

When purchasing goods and services as a company liable to the provisions of the Public Procurement Act, all purchasing procedures must be implemented in accordance with public procurement procedures. Timely planning, an analysis of competition in the market, careful drafting of tender documentation and an active role as custodians of contracts are key measures in managing various types of procurement risk (the risk of inadequate planning, risk of an inadequate supply of goods or services, risk of uneconomic procurement, risk of non-performance due to changed circumstances, risk of delays in the delivery or implementation of services).

IT Support for Business Processes

The risk of disruptions/errors is managed by regularly monitoring the state of the IT systems and promptly responding to any extraordinary events. The Company has set up a system of continuous operation of the IT system (duplicated essential parts of the IT equipment, the establishment of a secondary data centre) and introduced security measures aimed to protect and safeguard IT systems against unauthorised tampering and loss of data. Our methods of identifying potential threats include independent IT security inspections.

The risks that might be caused by disruptions in the functioning of the IT infrastructure are managed through regular maintenance and upgrades of software and hardware, and by implementing a clear development vision for the Company's IT system.

Employees

Employees represent one of the key factors ensuring the successful operations of a company. In terms of successfully managing work process risks that could be the result of the human factor, the Company ensures an adequate professional and economically rational degree of human resource required. In addition, it adequately invests in the expertise of the already employed workers and in the development of their competences and skills to ensure they perform their work effectively. Proper organisation enables a company to operate more efficiently and to successfully complete all its work processes. In addition to ensuring suitable

new members of staff required in work processes and providing continuous employee training and education for the purposes of work, the Company conducts annual checks of the organisational climate and levels of satisfaction among the employees; based on the results obtained through analyses, we implement measures aimed at improving the quality of the working environment and organisational climate, thus establishing the necessary and effective work communication and cooperation. In cooperation with the Occupational Health and Safety Service, we perform various activities related to promoting occupational health that have a positive influence on maintaining the vital energy of employees. This, in turn, affects their working capability and helps manage the rate of sick leaves.

Occupational Health and Safety

The risk of work-related accidents and injuries at DARS d.d. is very difficult to manage due to the specific nature of the field work. Over 500 maintenance technicians and 80 toll inspectors carry out work, regardless of the weather conditions, on the road and in moving traffic, where it is almost impossible to ensure complete safety. The workers' lives are often in the hands of the road users. In 2014, there were as many as 28 cases of drivers crashing into roadwork sites, with our workers suffering light injuries in three of those crashes. For this reason, the Company organises awareness campaigns for the workers and road users, in addition to purchasing special worksite protection equipment. The coordination of these campaigns is a concerted effort of several support services (Traffic Safety Service, Occupational Health and Safety Service, HR Management Service and Communication). Considering the record number of crashes into roadwork sites, we will have to intensify our efforts in the area of informing road users.

In the past year, we further reduced the risk to the safety and health of our workers at work by implementing the measures imposed on us by the acquired certificate in line with the BS OHSAS 18001 standard. Each accident, dangerous occurrence, and incident is analysed so that we can take steps based on the findings. These steps are communicated to the responsible persons and workers, and their implementation is monitored.

Environmental Risk

In accordance with its role as a motorway and expressway management and maintenance company, DARS d.d. has implemented an environmental management system that it uses to consistently implement its environmental protection policy at all levels of its activity. The common thread running through the environmental management system is the assessment and analysis of environmental influences and aspects defined within the environmental aspect registry.

In order to reduce environmental influences, we determined approximate and operational targets as well as programmes that will be used to reach these targets. Risks related to environmental protection, including the risk of inappropriate waste disposal, risk of environmental pollution, and risks associated with protecting impact areas are becoming more and more important. We are continuing the previously begun activities for environmental protection. The systematic management of these risks reflects the ecological awareness of employees. Accidents on motorways can have a negative impact on the environment; this is why it is important to reduce the risks that emerge through accidents, and react quickly and effectively when they do occur to minimise the negative consequences for the environment. The likelihood of emergencies is also reduced through preventive measures. Training and drills aimed at learning appropriate reactions ensure that the impacts of any extraordinary events on the environment are kept at a minimum. By implementing appropriate activities within the scope of motorway maintenance, such as cleaning of retention basins, implementing the Annual Programme of Operational Monitoring of rainwater (APOM), etc., collecting, sorting and controlled disposal of waste, implementing measures to reduce light pollution, and by constantly controlling carbon monoxide concentrations and visibility in tunnels, we significantly contributed to reducing negative impacts on the environment and controlling the risks emerging in the environment. A more detailed explanation of environmental management activities can be found in Chapter Environmental Management under noise, waste management, gas emissions, and the influence of grit materials on the environment.

I.9. Financial Risks

Financial risks are risks that may negatively influence the ability to generate financial revenue, control financial expenses, preserve the value of financial resources, and control financial liabilities.

By managing various types of financial risks, the Company endeavours to attain maximum stability of operations and reduce the exposure to individual types of risks to an acceptable level. Most importantly, it focuses on maximally stabilising the cash flow for the settlement of liabilities arising from loans for motorway construction.

Table 3: Types of Financial Risks

No.	Description of risk	Risk assessment		Degree of risk	Risk management (controls)
		Probability of risk occurrence	Consequences of risk occurrence		
1	2	3	4	5 = 3*4	6
1	Risk of changes in exchange rates	1	1	1	Use of natural protection by matching cash flow, regular monitoring of currency markets, hedging with appropriate financial instruments
2	Risk of changes in interest rates	3	3	9	Monitoring interest rate fluctuations, negotiations with credit institutions, hedging with appropriate financial instruments
3	Credit risk	2	3	6	Monitoring and regular analysis of the Company's credit portfolio
4	Credit risk of business partners	2	2	4	Monitoring exposure to individual partners
5	Liquidity risk	2	2	4	Planning needs for liquid funds, previously agreed loan facilities and overdrafts

Probability of risk occurrence: 1-small, 2-medium, 3-large
Consequences: 1-good, 2-mediocre, 3-bad

Risk of Changes in Exchange Rates

In 2014, exchange rate fluctuation risks were predominantly hedged by means of natural protection, i.e. by matching cash flow. This type of hedge is possible due to the small number of currencies used by DARS d.d. in its operations, as well as the fact that a large majority of its transactions are carried out in euros.

Risk of Changes in Interest Rates

At the end of 2014, the Company had 30 long-term loans that were partly or entirely linked to the reference interest rate EURIBOR (6-month or 3-month rate). In 2014, DARS d.d. contracted no new long-term loans.

Part of the variable interest rate of long-term loans is hedged through the use of adequate derivatives with which the variable interest rate was changed into a fixed interest rate. According to the state on 31 December 2014, 37.4 percent of the Company's loans were based on a fixed interest rate, and 61.2 percent on a variable interest rate, while 1.4 percent comprised interest-free debt. By using derivatives (IRS transactions), the Company hedged 44.7 percent of its credit portfolio against interest rate risks. If interest-free debt is also taken into account, a combined 46.0 percent of DARS d.d.'s credit portfolio is protected against interest rate risks, while 54.0 percent of it is exposed to the variable interest rate.

In 2014, the European Central Bank reduced its key interest rate to 0.05 percent. The value of the EURIBOR reference interest rate (6-month) decreased throughout the year, equalling 0.17 at year-end.

A simulation of the influence of interest rate changes on financial expenses in 2014, considering the debt of DARS d.d. and the interest rate structure on 31 December 2014, shows that an increase or decrease of EURIBOR by 1 percentage point would present an increase or decrease in financial expenses of approximately €14 million annually.

On 8 August 2014, a transaction involving the hedging of interest rate risk in the amount of €50 million was concluded with UniCredit Banka Slovenija, with a maturity of 10 years. The aim of this transaction was to insure a part of the KfW 267.5 loan.

On 7 October 2014, a transaction involving the hedging of interest rate risk in the amount of €50 million was concluded with SKB, with a maturity of 10 years. The aim of this transaction was to insure a part of the NLB 245 loan.

On 13 November 2014, a transaction involving the hedging of interest rate risk in the amount of €50 million was concluded with NLB, with a maturity of 10 years. The aim of this transaction was to insure a part of the KfW loan equalling €267.5 million and a part of the NLB I loan equalling €145 million.

DARS d.d. Credit Risk

Credit risk for DARS d.d. represents the possibility that the Company will not be able to settle obligations arising from loans. Its basic source of funds for the repayment of obligations arising from loans in accordance with MCRSA-1 includes revenue from toll collection, the amount of which also suffices to cover obligations arising from loans. However, the credit portfolio is very diligently monitored, since negative changes in financial markets can rapidly and significantly change the amount of annual obligations arising from loans. Therefore, it is important for DARS d.d. to enforce a tolling system in Slovenia that maximises revenue from tolls and enables the motorway operator to manage these revenues with the lowest possible costs. The risk is managed concurrently with the management of interest rate risk.

Credit Risk of Business Partners

The credit risk of business partners represents the possibility that receivables are only partially paid or not paid at all. DARS d.d. regularly monitors outstanding receivables from individual business partners and, if necessary, takes appropriate action. This risk exists in connection with the sale of vignettes through sales agents, the issuers of payment cards that can be used to pay toll at toll stations and the payment of tolls for vehicles over 3,500 kg using electronic media where payment is made for the previous month on the basis of an issued monthly invoice. The level of this risk and the nature of the Company's business operations currently do not require any limitation of maximum exposure to individual partners, the active management of receivables or credit rating calculations, but hedging instruments are required for a specific segment of users.

Liquidity Risk

In 2014, risks linked to solvency were reduced through effective liquidity management and the formation of a highly liquid investment portfolio. The Company assesses liquidity risk as moderate.

The Company has a deficit of working capital in the amount of €148,436,107. This is the result of larger short-term financial liabilities, which matured in 2015. The difference, which came about because of the high amount of short-term investments on the one hand and the increase in short-term financial obligations to banks on the other, is manageable by controlling liquidity risk.

I.10. Analysis of Business Performance

Revenue of DARS d. d.

Table 4: Overview of DARS d.d. Revenue

Type of revenue	2013 (in EUR)	2014 (in EUR)	2014/2013 Index	Structural share for 2014
Revenue under performance contracts	412,267	418,721	102	0.1%
Toll revenue	305,296,550	344,163,641	113	94.2%
– Vignettes	138,983,036	155,560,318	112	42.6%
– Freight traffic	166,313,513	188,603,323	113	51.6%
Revenue from leases	7,270,137	6,914,136	95	1.9%
Revenue from closure and overweight load transports	741,471	897,712	121	0.2%
Revenue from easements	291,588	578,738	198	0.2%
Revenues from lease of optical fibres/telecommunication lines	955,645	743,165	78	0.2%
Other sales revenue	672,821	739,639	110	0.2%
Other operating revenue	7,695,741	5,610,915	73	1.5%
Financial revenue	3,854,688	3,940,611	102	1.1%
Other revenue	70,014	101,252	145	0.0%
Capitalised own products and services	405,388	1,249,490	308	0.3%
Total revenue	327,666,309	365,358,022	112	100.0%

In the 2014 financial year, the revenues of DARS d.d. amounted to €365.4 million, which is 12 percentage points more than in 2013. The 2014 tolling revenue, which represents 94 percent of all revenues generated by the Company, was 13 percent higher than in 2013. Toll revenue from freight traffic increased due to the new pricing policy, which became effective on 1 October 2013, and due to an increased volume of freight vehicle traffic through toll stations. The two reasons behind the greater vignette sales revenue are the higher number of vignettes sold and the introduction of the new toll class (2B) on 1 January 2014.

Expenses of DARS d.d.

Table 5: Overview of DARS d.d. Expenses

Type of revenue	2013 (in EUR)	2014 (in EUR)	2014/2013 Index	Structural share for 2014
Cost of materials	11,896,765	9,363,390	79	3.3%
Cost of services	25,078,481	25,085,583	100	8.9%
Labour costs	34,310,284	35,658,179	104	12.7%
Write-offs	148,088,281	147,231,244	99	52.4%
Other operating expenses	1,367,954	5,529,137	404	2.0%
Financial expenses	50,308,752	55,236,102	110	19.7%
Other expenses	136,941	2,834,017	2,070	1.0%
Total expenses	271,187,458	280,937,651	104	100.0%

The expenses of DARS d.d. in 2014 amounted to €280.9 million and were up by four percent in comparison to 2013. The increased expenses are primarily the result of higher financial expenses, which represent 20 percent of all expenses. With a 52 percent share, write-offs represent the greater part of the expenses.

DARS d.d. Profit or Loss

The net profit of DARS d.d. for the period from 1 January to 31 December 2014 amounted to €70.4 million and was 49 percent higher in comparison to the net profit in 2013.

Table 6: Performance Indicators

		31/12/13	31/12/14
Financing ratios			
Equity financing ratio in %	Equity Liabilities	43.81	45.55
Long-term financing ratio in %	Equity + provisions + long-term liabilities Liabilities	92.38	93.54
Short-term financing ratio in %	Short-term liabilities (including short-term AEDR) Liabilities	7.62	6.46
Investment ratios			
Fixed asset investments ratio in %	Fixed assets (at carrying amount) Assets	95.78	96.11
Long-term investments ratio in %	Fixed assets + long-term inv. + long-term op. rec. Assets	95.78	96.11
Horizontal financial structure ratios			
Quick ratio in %	Liquid assets + short-term receivables Short-term liabilities	8.76	11.68
Current ratio in %	Current assets Short-term liabilities	54.33	58.63
Operating ratios			
Operating efficiency ratio in %	Operating revenue Operating expenses	146.66	162.12
Operating profit rate in %	Operating profit Operating revenue	31.82	38.32
Net profit margin in %	Net profit Revenue	14.39	19.26
Profitability ratio			
Net return on equity	Net profit for the period Average equity (without net profit for the period)	0.02	0.03

I.11. Investments in Motorway Development and Reconstruction

Investments in the Name and on Behalf of the RS

Spatial planning documents and real estate acquisition for motorway construction were implemented by DARS d.d. pursuant to Article 4 of MCRSA-1, and in the name and on behalf of the RS. The aforementioned tasks were realised in the amount of €21.6 million.

Table 7: Realised Value of Tasks Performed in the Name and on Behalf of the RS (in EUR)

Spatial planning documents and real estate acquisition	Realisation*
Spatial planning	1,472,994
Real estate acquisition	20,117,573
Total spatial planning documents and real estate acquisition	21,590,568

*Since these are tasks performed by DARS d.d. in the name and on behalf of the RS, the values are shown in gross amounts.

Investments in the Name of DARS d.d. and for its Account

In 2014, investment activities were performed in accordance with the ability to ensure financial sources. The value of motorway section construction and reconstruction in 2014 amounted to €75.5 million.

Table 8: Realised Value of Investments in the Name of DARS d.d. and for its Account

Motorway development	Realisation
New electronic tolling system	59,590
Project documentation	2,748,188
Construction of sections for which the project documentation was being created in 2014	1,385,250
Continuing construction	16,348,389
Completion works on motorways opened for traffic up to and including 2014	4,150,894
Other items	17,708,065
Motorway reconstruction (construction works)	22,463,509
Electro-mechanical works and ITS	8,778,907
Improving road safety	1,607,378
Non-toll connecting roads	261,083
Total development and motorway and connecting road reconstruction	75,511,253

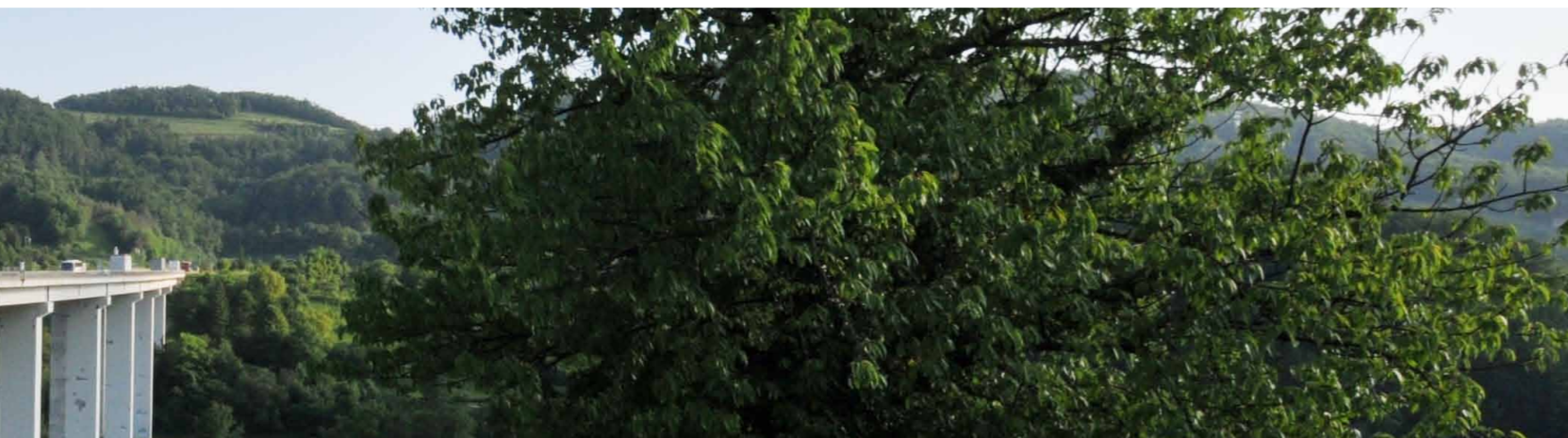
I.12. Company Research and Development Activities



In accordance with its vision of the future, DARS d.d. will become an increasingly market-oriented company which, in addition to developing and improving the existing business model, will systematically develop and implement new business ideas. These ideas are reflected in innovations created on the basis of employee proposals and in the projects and the improvements in various areas of work that are included in the business plan for the current year. The status of their realisation is reported at the extended management council.

In 2014, DARS d.d. continued implementing the introduction of the road management project for the roads it manages. In addition to the current work with the PMS – DARS expert system (PMS: Pavement Management System), which is performed using the dTIMS_CT software tool (Deighton's Total Infrastructure Management System with Concurrent Transformation), we continued our activities to prepare the launch of the pilot project for implementing the Bridge Management System (BMS).

I.13. Integrated Management System



The integrated management system includes the quality aspect, in accordance with the requirements of the ISO 9001 standard, the environmental management aspect according to the requirements of ISO 14001 and the occupational health and safety aspect according to the BS OHSAS 18001 standard. Together, these aspects form a unified management system, which is described in the Rules of Procedure for the Management System and related documents.

Continuous improvements using the PDCA approach (plan-do-check-act) form the basis for the integrated management system and the requirements of the standards. This approach is the driving force for the progress and optimisation of business processes in all areas of the Company's operation.

In early 2013, Company management confirmed the project for implementing the occupational health and safety system, integrating its requirements into our existing quality and environmental management systems. In December 2013, an independent external institution, the Slovenian Institute of Quality and Metrology, successfully carried out the first stage of the certification audit followed by the second stage in January 2014 according to the requirements of BS OHSAS 18001.

In order to preserve the credibility of our quality, environmental and occupational health and safety management systems, we performed an internal audit of the successfulness and effectiveness of our quality, environmental and occupational health and safety management systems together with a group of 45 competent internal auditors and 22 auditing groups.





I.14. Internal Audit



The internal audit is performed independently and autonomously, applying necessary professional care and following professional regulations. The internal auditors take into account the valid State legislation and the internal acts of DARS d.d. They perform their tasks – planning, internal auditing, reporting, and consulting – independently, autonomously, and impartially. Internal auditing is carried out in accordance with International Standards for the Professional Practice of Internal Auditing, the Code of Internal Auditing Principles, the Code of Ethics, and the Code of Professional Ethics for Internal Auditors. Internal auditors constantly improve their knowledge and methodology in compliance with international standards of professional practice of internal auditing.

Internal Auditing provides objective assurances and advice to the Management Board of DARS d.d. with the aim of creating added value and improving operational efficiency and performance. Internal Auditing assists the Company in accomplishing its objectives by stimulating the well-considered management of different types of risks, meaning that it evaluates the system of internal controls in a systematic and organised manner and provides recommendations for proper risk management. Internal Auditing operates with the authorisation of the Management Board, to which it is directly responsible. The Annual Plan of Internal Auditing is approved by the Management Board, and it is also presented to the Audit Committee of the Supervisory Board. Internal Auditing reports to the management and the Audit Committee of the Supervisory Board on its findings and recommendations for improving the effectiveness of the internal controls for managing risk.

Internal Auditing operations are based on the Basic Charter on the Operation of the Internal Auditing Department and the Rules on the Operation of the Internal Auditing Department. The work of Internal Auditing is performed in compliance with the Annual Plan, which is based on the annual risk analysis and includes all recognised and assessed types of risks and the opinion of the Management Board.

Ten regular audits were planned for 2014. We performed seven regular internal audits, five extraordinary internal audits, the coordination of an agreed transaction with external contractors, and actively participated in the arrangement of the custody of contracts; we also became actively involved in the electronic invoice liquidation project. The Department also allotted a lot of its time to consulting, finishing 17 consulting business transactions. A total of 51 recommendations were issued and adopted on the basis of the audits performed. In addition to regular and extraordinary auditing reviews, Internal Auditing in 2014 monitored the implementation of recommendations from past audits, notifying the management as appropriate.

I.15. Social Responsibility



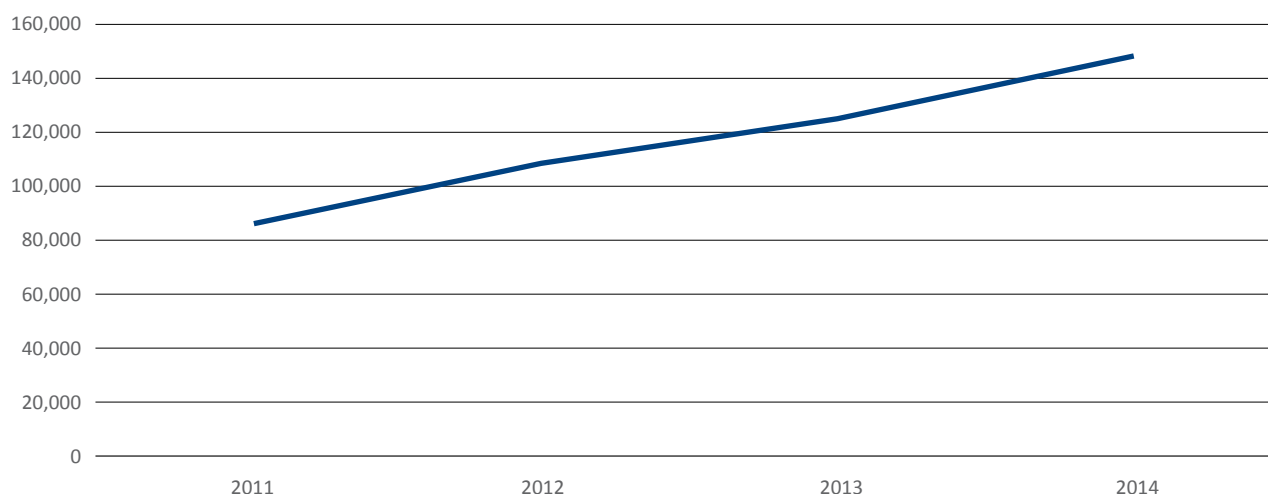
I.15.1 Traffic and Safety Concerns

Traffic safety concerns regarding motorways and expressways are addressed through the coordinated action of everyone involved (DARS, Slovenian Traffic Safety Agency, police, Administration of the Republic of Slovenia for Civil Protection and Disaster Relief, media, etc.) in compliance with the annual traffic safety plan. Furthermore, we specifically address traffic safety of our field workers, where we note a large number of crashes into our maintenance technicians, causing injuries. We will further improve traffic safety through various technologies, such as variable message signs, additional surveillance cameras, counters, weather stations, and by upgrading the Kažipot system. Besides using preventative campaigns and technologies, we will boost safety through continuous training of all employees and partners (AMZS, police, fire brigade).

In 2014, we prepared the professional groundwork for establishing the DARS Main Control Centre, with which we will ensure the conditions for optimum traffic management and manage road traffic safety in a centralised manner in 2015.

We are constantly looking after the traffic safety of our users and the safety of our employees that conduct field work on the motorways. By investing in traffic control and management systems and prevention projects, which raise awareness about safe driving among users, as well as by cooperating with all intervention groups and regularly training field and control centre workers, we are able to achieve a high traffic-safety standard. We consistently and swiftly inform the Slovenian public about traffic conditions on all State roads through the TIC (Traffic Information Centre) and regularly conduct measures aimed at traffic management at the national and international level.

Graph 11: Calls Received by the Traffic Information Centre (TIC)



Traffic Safety on Motorways and Expressways

Table 9: Fatalities on Motorways

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Length in km	303.3	307.1	336.8	417.7	471.6	489.4	521.5	657.6	726.5	761.7	763.5	772.9	772.9	772.9
Fatalities	20	22	23	24	26	30	33	11	22	18	19	18	16	16

We find that all the fatal accidents were caused by driver error. Accordingly, we will continue carrying out preventative campaigns and informing users, older ones in particular.

We will continue our efforts to establish the Main Control Centre, secure an expert for processing traffic data and execute the Traffic Manager pilot project on the busiest motorway sections.

Road Tunnel Safety

There were a total of 51 accidents and incidents in tunnels longer than 500 metres in 2014, where emergency services were needed along with a temporary closure of the whole tunnel or a part of it. The most common primary causes for the events were category I or II accidents (33%), followed by vehicle breakdowns (27%) and wrong-way driving (20%). Concerning wrong-way driving, we need to point out that we documented all tunnels with instances of wrong-way driving, even though they were part of the same event (Tro-

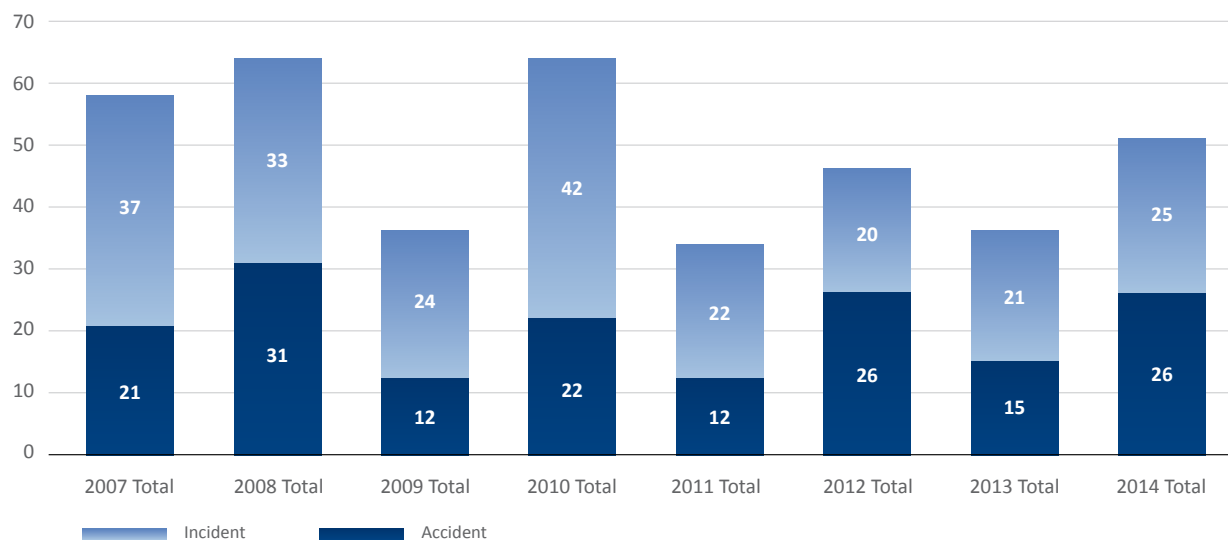
jane tunnels on 11 January 2014). In two cases, the wrong-way driving ended in a light traffic accident with property damage. There were also two crashes of vehicles into structures – tunnel emergency niches, which were fatal for both drivers and in one case also for the passenger; both were caused by the drivers' improper driving. In one of these two cases, the vehicle caught fire afterwards. This was the only case of a fire in the tunnels in 2014. As for heavy traffic accidents, five people were severely injured, one of them being the driver who, due to improper driving, crashed his vehicle into a structure (the tunnel emergency niche) that was equipped with a crash absorber. We also documented other individual events, such as a person walking in a tunnel, reduced visibility and lost cargo.

We find that:

- The number of events is still relatively small and at a level comparable to the recent years;
- These events were caused by the actions of users, which is something DARS d.d. has almost no direct influence on;
- The number of events did not increase and installing crash absorbers in tunnel emergency niches has already prevented a fatal outcome in one case and most likely acted as a deterrent, preventing more intentional crashes with the most severe consequences that we witnessed since 2010.

In addition to the indicated accidents, we had to preventatively close down some tunnels due to technical malfunctioning of their systems, accidents on the route and due to strong Bora winds (the Kastelec Tunnel was closed for three nights). The total duration of these closures was 39 hours and 58 minutes, of which 30 hours and 11 minutes (76%) was due to the Bora.

Graph 12: Accidents and Incidents in Tunnels Longer than 500 m between 2007 and 2014



I.15.2 Environmental Management

Noise

The Noise Action Programme for the First Phase Major Roads and Major Railways requires that operators of road and railway infrastructure implement measures to limit excessive environmental noise loads. Within the framework of the Environmental and Road Infrastructure Development Action Programme, DARS initiated the Construction of Noise Barriers on Five Motorway Sections in the Republic of Slovenia project, which is financed with cohesion funds in the amount of 85%. By implementing anti-noise measures, the operator will be able to prevent excessive noise pollution of the environment by traffic.

In 2014, we continued constructing noise barriers on the motorway sections Malence–Šmarje - Sap, Brezovica–Vrhnika, Urec–Postojna, Dramlje–Celje and Celje–Arja vas, with passive anti-noise protection being installed at certain motorway sections.

As part of the project entitled "Implementation of Operational Monitoring of Noise Pollution for the Network of Roads Operated by DARS d.d.", we performed measurements of noise at 91 sites near motorways, made an inventory list of anti-noise protection devices and determined noise emission values for 327,000 buildings on motorway influence areas. On the basis of where the measured noise levels were over 65 dB during night time, we determined 14 locations for implementing protection against excessive noise pollution.

Waste Management

As part of its environmental protection policy in 2014, DARS d.d. focused on controlled waste management, as dictated by the valid legislation. All activities were aimed at proper waste management with consistent separation of waste already at its source. With this in mind, the Company purchased additional separate waste collection containers and reorganised some of its sites to allow for the separate collection of waste. Contractual waste carriers are obtained through public procurement. In 2014, we hired contractual waste carriers for waste oils, waste plastics, waste from de-sanding areas, scrap iron and aluminium and waste materials from accidents – absorption agents and absorbent papers. We continued concluding contracts for performing the local public utility service of municipal waste disposal. We signed contracts with three public corporations or concession operators (JKP, Javno komunalno podjetje d.o.o., Slovenske Konjice, Komunala Kranj, javno podjetje d.o.o., and Saubermacher Komunala Murska Sobota d.o.o.).

Waste can be divided into two groups: non-hazardous and hazardous waste. Among non-hazardous waste collected in 2014, the majority was collected during road cleaning; waste also came from de-sanding, from septic-tank water, from water used for cleaning tunnels, and from waste asphalt and waste plastics. The majority of hazardous waste consisted of waste oils, water containing oil, sludge, waste paints and varnishes, and absorbent papers (used to clean up roads after accidents). This does not include municipal waste, which is treated differently. The large amount of waste incited the Company to target its efforts at reducing the amount of waste. One of the major steps undertaken was the construction of drip trays for waste sand from de-sanding areas. In 2014, seven drip trays were installed at the following locations: MWB Ljubljana, MWB Hrušica, MWB Slovenske Konjice, MWB Maribor, MWB Murska Sobota, MWB Postojna, and MWB Kozina.

In relation managing waste, we kept records on waste management as prescribed by the ministry and prepared a report at the beginning of the year on waste management for the year before last.

Protection of Waters

Rainwater can be removed from motorways using two methods: with dispersed water drainage and controlled water drainage using retention basins. In 2014, we thus performed the regular annual cleaning of all of the most burdened separators of oils (motorway bases and branches) and the basic maintenance of retention basins (grass cutting, repairing damaged parts and cleaning de-sanding areas).

Concerning the operation of retention basins in terms of protecting the natural environment, we performed the Annual Programme of Operational Monitoring (APOM) for waste water from rainfall, which measures the pollutant load of the drainage water from the retention basins. Measurements have shown that the parameters of the drainage water from the retention basins are within the limits prescribed by the Regulation and, as such, can be discharged into nature without further treatment. In Q1 2014, we drew up a report on conducting the APOM in 2013 and later on prepared recommendations for conducting the APOM in 2015. These were then sent to the Ministry of the Environment and Spatial Planning for confirmation. We also conducted the controlled collection of tunnel waste water from washing that was handed over to waste disposal contractors as a specific kind of waste and then driven to waste-water treatment plants.

Gas Emissions

Tunnels longer than 500 metres are equipped with ventilation systems, where the automatic control of these systems enables us to monitor the gas emissions and visibility in the tunnels. Measurements are monitored by the control centres in charge of controlling traffic in individual tunnels.

CC Hrušica monitors parameters in the Karavanke Tunnel, the RCC in the Golovec and Šentvid tunnels, CC Kozina in the Kastelec, Dekani, Podnanos and Barnica tunnels and in the Rebernice II cut-and-cover and CC Vransko and Slovenske Konjice in the Cenkova, Golo rebro, Pletovarje, Ločica, Jasovnik, Trojane and Podmilj tunnels.

In 2014, there were no particularities during the operation of these tunnels as far as the measurement of gas emissions is concerned; the maximum permissible concentration of CO particles in the air (200 ppm) was never exceeded and visibility was never reduced to less than 0.014 m⁻¹ of the light extinction coefficient.

We reduce the number of traffic congestions by optimising traffic flow, thereby minimising gas emissions. This is achieved by forcing freight vehicles off motorways on time, through road diversions, additional variable message signs and coordination of all closures, as well as through the coordinated operation of control centres.

Environmental Impacts of Road Gritting

To prevent slippery roads and ensure safe road conditions in winter, roads are gritted using various gritting materials. These materials have a minimum impact on the ground, quality of surface and groundwater, flora, fauna, humans and animals, facilities (road lanes, bridges, viaducts and buildings), and on vehicles. In 2014, the effect of spreading salt on the environment was also monitored during the implementation of the Annual Programme of Operational Monitoring (APOM) of rainwater from retention basins. Analyses of the individual samples taken showed no excess presence of salting elements; in each analysis, the salting elements were within the prescribed limits. The APOM Final Report for 2014 will be prepared by the end of March 2015 and submitted for review and confirmation to the Ministry of the Environment and Spatial Planning.

I.15.3 Human Resource Management

Employees in DARS d.d.

Table 10: Key Data on DARS d.d. Employees for 2013 and 2014

	2013	2014
Status of employees in DARS d.d.		
Number of employees in DARS d.d.	1237	1251
Demographic data on employees		
Average age of employees	44.8 years	44.3 years
Percentage of women employed	25.6%	25.7%
Employee education structure		
Percentage of employees with a maximum 4th level education	41.8%	41.6%
Percentage of employees with 5th level education	33.5%	33.3%
Percentage of employees with 6th level education	15.7%	15.8%
Percentage of employees with 7th level education or higher	9.1%	9.4%
Social security of DARS d.d. employees		
Number of solidarity benefits granted	53	51
Number of employees with disability status	42	38
Number of procedures introduced for recognising disabilities	8	13
Number registered in collective accident insurance	120	84
Number registered in voluntary pension insurance	37	43
Degree of sick leave	4.9%	4.5%
Employee development – education and training		
Number of conducted internal educational courses	1492	2279
Number of referrals to external education and training programmes	128	95
Number of pedagogical hours per employee within the scope of internal education and training	10.3	12.3
Number of pedagogical hours per employee within the scope of external education and training	1.2	0.9
Number of concluded and valid part-time studies contracts	5	4

Employment

In order to achieve the set business objectives for 2014 without any interruptions to its business operations, the Company had to employ new people in accordance with the adopted business plan for 2014. The Company announced 24 internal job postings and 52 external job openings, newly employing 47 people. In 2014, 33 employees left DARS d.d., 13 of which retired. In the second half of the year, regular promotions of employees were carried out, with 326 employees being promoted (their promotions enter into force in 2015).

Besides regular employees, students were also included in the work process, performing 8.6 percent of all working hours in 2014. This share is so high primarily because of student work in the area of toll collection.

Concern for Employee Social Security

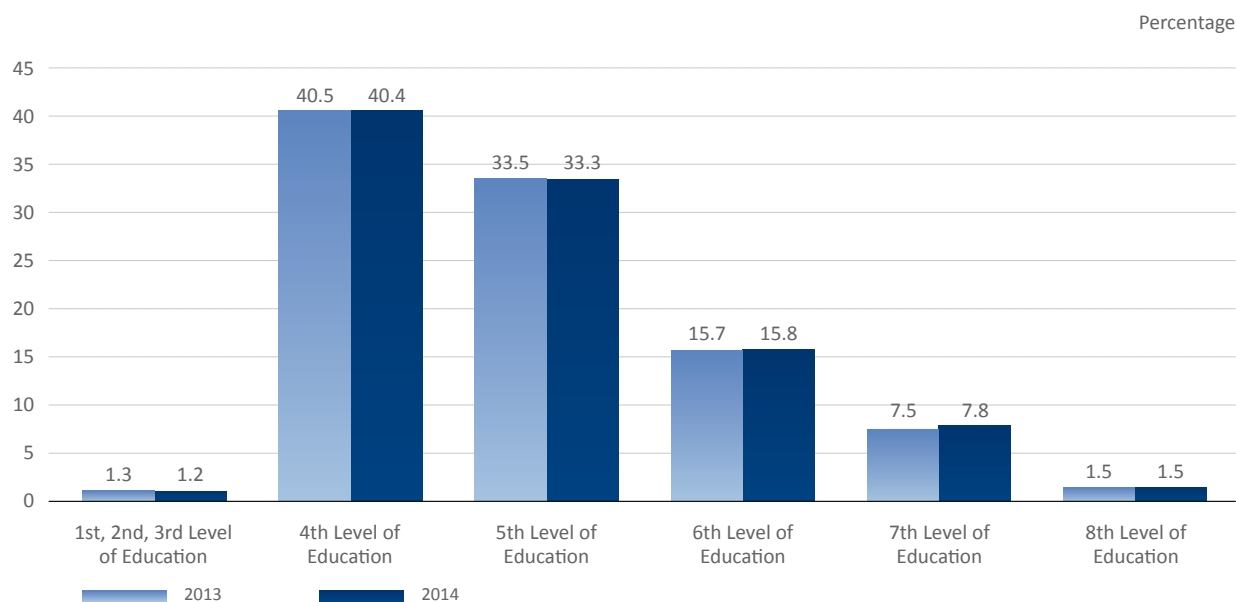
In 2014, DARS d.d. continued its previous efforts to maintain a high level of social security and assistance to employees and paid 51 solidarity benefits to employees on the basis of an agreement on the criteria and the payment of solidarity benefits. Due to changes in their ability to work and decisions of the disability committee, five employees were provided other suitable work.

Extensive activities for promoting health at work were organised; in 2014, they were focused on stress management for staff at all levels. A total of 25 workshops for employees and executives were held and free professional and anonymous counselling and assistance for employees in mental distress was provided. Some of these activities were funded through a tender of the Health Insurance Institute for co-funding projects for promoting health at work.

HR Development

DARS d.d. reached several important milestones in education in 2014, strengthening internal education and internal transfer of knowledge, thereby reducing the costs and scope of external education required. In this field, DARS d.d. is systematically developing its professional potential in order to be able to transfer its know-how even beyond the DARS framework as a marketable service. The general level of education has been rising for several years and 2014 is no exception to this, considering the increased number of employees with higher levels of education compared to the year before.

Graph 13: Comparative Overview of Employee Educational Structure for 2013 and 2014 in %



OSNOVNI CERTIFIKAT



In the middle of the year, having joined the KoC LOGINS project as a partner, DARS d.d. obtained European funds for training employees in maintenance and toll supervision.

After the reorganisation and systematisation of jobs in 2013, the Company carried out intensive activities in 2014 for the establishment of a competence model and activities related to the implementation of measures to obtain the full Family Friendly Company certificate, as well as its annual interviews.

DARS d.d. obtained the basic Family Friendly Company certificate in 2011. In 2014, the Company actively worked towards implementing the adopted measures for enabling its employees to balance their work and family life more easily. Since only a satisfied employee can be motivated to pursue the common objectives and be creative in realising them, the Company organised various activities to connect employees and their families to the Company, as well as various other activities for increasing employee satisfaction.

In May 2014, as for the past several years, DARS d.d. organised an expert consultation with social partners and the police entitled "Road as a Working Environment" to connect other national organisations that play an important role in road traffic safety; the emphasis of the consultation was on the various risks involved in working on the road. At the end of the year, the Company held the DARS Celebration Ceremony where employees received awards and commendations for outstanding work achievements or work anniversaries.

Occupational Health and Safety

In 2014, there were 32 workplace accidents with worker injuries in the Company, which is more than in the year before (30) and less than in 2012 (37). 29 maintenance technicians were injured along with two toll collectors and a courier.

The large number of maintenance technicians injured is primarily the result of the circumstances in which they had to work to eliminate the consequences of glaze ice during last winter. As many as nine injuries occurred due to slips and falls on icy surfaces and due to being hit by tree branches. The workers were qualified for logging trees, but logging half-fallen, broken, and iced-over trees is an extremely risky proposition that even professional loggers from a logging company were no match for.

The injuries at work were the least severe of recent years. For the first time in the past six years, there were no fatalities, disabilities, or workers with changed abilities for work due to work accidents in 2014. An injured worker was absent from work for 14.7 days on average. In 2014, only two workers were absent due to a work accident for more than 30 days.

There were as many as 29 vehicular collisions with motorway worksites in 2014. Three DARS workers were injured in these collisions, fortunately only lightly.

We carried out the key tasks prescribed by the Occupational Health and Safety Act and the Fire Protection Act. A colleague from the Occupational Health and Safety Service assumed in full the duties of a consultant for the transport of dangerous goods that DARS d.d. must ensure in order to transport large quantities of dangerous goods (paints and solvents used in making road markings).

Activities for ensuring occupational health and safety were and will be oriented primarily in the following areas:

- Ensuring greater safety for workers doing road works to improve traffic flow and road user safety;
- Observing requirements for worker safety as early as at the project design stage (when preparing project documentation for building reconstruction and construction) and in preparing tender documentation for purchasing work equipment;

- Carrying out inspections of work equipment;
- Training and acquainting workers with the implementation of preventative measures for their safety at work;
- Implementing internal control;
- Analysing the circumstances of accidents, dangerous occurrences and incidents at work;
- Adopting measures for greater worker safety with an emphasis on making adjustments for technical progress and best practices, which we exchange with motorway operators from the neighbouring countries.

I.15.4 User Satisfaction and Communication

Satisfaction of Motorway and Expressway Users in Slovenia

In April and May 2014, we measured user satisfaction, with 1512 users (n = 1,512) evaluating 32 factors. The most important satisfaction factors are the intelligibility of road signalisation, while the factors linked to rest stops are the least important. In 2014, the survey included for the first time ever freight vehicle drivers and foreign personal and freight vehicle drivers.

Measurements of satisfaction have shown that the average satisfaction of domestic drivers of personal vehicles remains stable (3.8), while the average satisfaction of domestic drivers of freight vehicles is higher (3.9), and even higher in foreign drivers of personal vehicles (4.3) and foreign drivers of freight vehicles (4.3).

Communication with Media

DARS d.d. ensures the media receives comprehensive and up-to-date access to information. All media representatives are entitled to have access to DARS communications at the Media Centre on the website (www.dars.si) where general or financial news can be accessed separately via the Press Releases section, and which includes a video and photo gallery, presentations of the activities in maintenance and tolling, and various publications and instructions released by the Company. This year we also introduced the section "Clarifications", where we publish interviews, clarifications, corrections of incorrect information that we published and the like.

In 2014, we actively communicated on social networks (Twitter, Facebook and YouTube). We mainly use these services to inform people about traffic and different campaigns (media campaigns included) to increase traffic safety awareness. We also added a "Did You Know" section to our website. This section presents, in layman's terms, various interesting facts regarding the motorways and expressways that we operate. The section is regularly updated.

The Company generally replies to most media queries in 24 hours or as soon as possible. In 2014, we issued 762 written statements and replies to questions from journalists and many more answers were provided over the telephone or directly.

Communications with Motorway and Expressway Users

Users most often contact the Company with concrete questions, proposals, comments, complaints, and even praise relating to the use of motorways and expressways. Questions most frequently refer to reconstruction and maintenance works, traffic safety, and toll collection or vignettes. Persons residing in the vicinity of motorways are most interested in measures to reduce or eliminate the negative impacts of motorway traffic on the environment.

We generally reply to most user queries within 24 hours (last year, we received 1,959 such queries).

Information on Public Road Conditions

By notifying users, we ensure added safety and a smoother flow of traffic on the motorways. The Traffic Information Centre (TIC) provides complete, quality, and up-to-date notifications to users regarding driving conditions on motorways and expressways. TIC operators also tune into various media outlets several times a day with live reports. Users can also obtain information via the toll-free telephone number, website, Twitter, text messages, or direct telephone conversations with operators.

Communications with Experts and Professionals

The professional and business public include all external participants and institutions affiliated with the Company or which influence its operations. Special attention is given to content regarding traffic safety, education and preventative actions on the roads the Company manages.

As part of our winter service, we actively informed motorway users about safe driving in winter conditions, organised awareness campaigns on proper positioning on the motorway in cases of congestion, vehicle breakdown, and stopping in the emergency lane and on how to drive in fog.

We published a table of English tenses to be used as a teaching tool in the 6th grade of primary school. The table was distributed to all primary school pupils in Slovenia.

In 2014, several international memorandums of cooperation were signed at the initiative of DARS d.d. Their topics are the exchange of experience, knowledge, and best practices in the area of logistics, cooperation in traffic management, and the improvement of services for users.

Communication with Employees

We pay special attention to the mutual exchange of information among employees, who represent one of the most important segments of our public. Communication with employees is carried out in a variety of ways.

The internal newsletter "Avtoceste" (Motorways) is published periodically along with the monthly bulletin "Preglednik" (Examiner), which informs employees of current events within, and in connection to, the Company, while individual pieces of news are communicated via email and the intranet site that contains a number of useful documents, forms, acts, photo documentation, and clippings.

The Code of Ethics represents a selection of the Company's objectives and values and sets high moral standards of operation for all employees.

Communication with the Environment

The Company is well aware of the responsibility it has to people and the environment in which it operates. Through awareness and preventative campaigns in the areas of traffic and traffic safety and environmental protection, it takes an active part in current social events, co-creating them to the best of its abilities.

To the greatest extent possible, the Company contributes to humanitarian projects and projects connected to preventative action in traffic through sponsorships and other forms of cooperative support, and via professional associations whose activities are associated with road construction and maintenance.

Sponsorship and donor programmes are clearly published on the Company's website.

I.16. Anticipated Company Development

The regulation of the method for guaranteeing financial sources for the payment of obligations from debt and the continuing implementation of activities pursuant to MCRSA-1 are of the utmost importance for the future development of the Company. The arrangement of the toll-collection system is also very important, as tolls have become an even more important budgetary item for the Company since MCRSA-1 and the FBA came into force.

In accordance with its vision of the future, DARS d.d. will become an increasingly market-oriented company which, in addition to developing and improving the existing business model, will systematically develop and implement new business ideas. The main purpose of the activities will be to obtain additional toll and particularly non-toll revenue, and thus diversification of its revenue portfolio.

The Company will use a professional approach, based on objective analysis to ensure the traffic flow capacity and safety on motorways and other road infrastructure in a financially viable way to improve its organisation going forward. The Company will intensively deal with the effective management of its human, material, financial, and information resources.

DARS d.d. is in the process of adopting a new strategy for the next medium-term period. The modification is based on its changed role. DARS d.d. is becoming exclusively an operator of the motorway network and its associated infrastructure, gradually losing its role as investor in new motorways. Instead, the Company will invest in services allowing road users to use the infrastructure more safely, quickly, and comfortably. This means it will be more focused on the stakeholders for whom the infrastructure was built in the first place; on families and companies, and on the realisation that road use is linked to a fee for infrastructural quality as well as to payment for infrastructure-related services rendered. By employing an effective market approach to users, DARS d.d. will have to ensure the resources necessary for further expansion of the infrastructure, which is similar to its current situation, where it is able to repay loans to ensure financing for past construction work through payments for use made by road users today.

In the 21st century, the motorway network is just one of the possible modes of transportation. There is an important task ahead of DARS d.d.: to ensure that users understand the benefits of using this infrastructure and therefore remain its users. It will have to ensure new road and roadside standards in an attempt to generate additional revenues for reconstruction and development, which will, as a prime and clear demonstration of Slovenia's development, properly position the country in the competitive struggle with its neighbouring countries.

I.17. Events after the Balance Sheet Date



January 2015

In order to finance the construction of the motorway sections under the National Motorway Construction Programme in the Republic of Slovenia, DARS d.d. has concluded a loan agreement on the basis of a “Schuld-schein” promissory note for €37.78 million with the pension company VBV Vorsorgekasse AG, Austria, for a period of 15 years.

February 2015

We signed a contract on completing the works on the Koper–Izola expressway route.

We held the opening of tenders within the public procurement for the construction of phase 1 of the Draženci–IBCP Gruškovje motorway section (set 1) and phase 2B – initial construction work (set 2).

I.18. Corporate Governance Statement of DARS d. d.

In accordance with the fifth paragraph of Article 70 of CA-1, the Articles of Association of DARS d.d. adopted on 27 August 2014 and the provisions of the Corporate Governance Code for Joint Stock Companies, the Corporate Governance Code for Capital Assets of the Republic of Slovenia, and the Corporate Governance Code for Companies with Capital Assets of the State, the Company hereby presents, as part of the Business Report, the following Corporate Governance Statement of DARS d.d.

1. Reference to the Corporate Governance Code

DARS d.d. hereby informs its shareholders and the public that it carries out its operations in accordance with the regulations and legislation applicable to the Company which also regulate the majority of issues set forth in the Corporate Governance Code for Joint Stock Companies adopted on 8 December 2009 by Ljubljanska borza, d.d., Ljubljana, the Slovenian Directors' Association and the Manager Association; since 15 May 2013, this also applies to the Corporate Governance Code for Capital Assets of the Republic of Slovenia adopted by the Slovenian Compensation Company, and the Corporate Governance Code for Companies with Capital Assets of the State adopted by the Slovenian Sovereign Holding on 19 December 2014, and mainly recommends principles, procedures, and criteria for the conduct of members and management and supervisory bodies of companies with capital assets of the Republic of Slovenia.

The Code draws its content mainly from the Corporate Governance Code for Companies with Capital Assets of the State, which was adopted by the Capital Assets Management Agency of the Republic of Slovenia on 13 January 2011. The latter Code became null and void when the aforementioned institution was abolished and the Management of Assets Owned by the Republic of Slovenia Act (Official Gazette of the Republic of Slovenia, No. 38/2010 et seq.) was annulled. A large part of the AUKN Code was transposed into the Corporate Governance Code for Capital Assets of the Republic of Slovenia adopted in May 2013 by the Slovenian Compensation Company and was used until the adoption of the SSH Code.

The Company hereby declares that the corporate governance codes that apply to it are publicly available on the website of Ljubljanska borza d.d. http://www.ljse.si/media/Attachments/Izdajatelji/Kodeks_vel-javen_08122009_koncna_verzija.pdf and on the websites http://www.sdh.si/doc/Pravni_akti/1_Kodeks_upravljanja_kapitalskih_nalozb_RS.pdf and <http://www.sdh.si/doc/Upravljanje/KODEKS%20SDH%20-%20sprejet.pdf> of the Slovenian Sovereign Holding.

2. Deviations of the Company from the Provisions of the Code

The Company declares that it observes the provisions of the Code, except for certain deviations stemming from its special status, as its sole shareholder is the Republic of Slovenia.

After the Slovenian Sovereign Holding Act came into force, the Republic of Slovenia, as the sole stockholder, exercises its rights through the Slovenian Sovereign Holding, which in turn exercises its voting rights at the General Meeting, by appearing before courts and other authorities and by assembling the General Meeting.

DARS d.d. does not observe the provisions of the Code in settling those issues that are regulated for the Company by applicable law or are settled by the Company in a different manner in conformity with the provisions of the Articles of Association or acts of the Company. The Company also does not observe the provisions of the Code in cases when non-mandatory conduct is not prescribed in its acts, or when certain types of conduct are not prescribed as a legal obligation.

3. The Functioning of the Company's General Meeting and its Key Competences, Description of Shareholder Rights and the Manner of Exercising Such Rights

The Company has the status of a public limited company functioning as a commercial company under CA-1.

The functioning of the General Meeting and its key competences, as well as the rights of shareholders and the manner of exercising such rights, are defined in more detail in the Articles of Association of DARS d.d.

The sole founder and shareholder of DARS d.d. is the Republic of Slovenia. Following the entry into force of the Slovenian Sovereign Holding Act, it exercises its rights through the Slovenian Sovereign Holding. The Republic of Slovenia exercises its shareholder's rights, as defined in CA-1 and the Articles of Association, at general meetings.

General meetings are convened by the Management Board of DARS d.d. using its own initiative, at the request of the Supervisory Board or the Company's shareholder.

A General Meeting must be convened in legally-defined cases, however no less than once per year.

4. The Composition and Activities of the Company's Managerial and Supervisory bodies and their Committees

4.1 Management Board

The composition and activities of the Management Board are defined in more detail in the Articles of Association of DARS d.d.; it may have a maximum of five members. A person can be appointed to the position of board member if they fulfil the conditions of Article 255 of CA-1 and point 7.2.2 of the Articles of Association of DARS d.d. The Supervisory Board appoints all board members for a maximum period of five (5) years. All board members are employed by the Company.

The DARS d.d. Management Board is composed of the following members: Chairman Matjaž Knez, MSc, Franc Skok and the Labour Manager/Board Member Marjan Sisinger (as of 9 May 2014). As of 9 January 2015, Tine Svoljšak is no longer a Board Member.

The Management Board manages the Company in the Company's best interests, independently and at its own responsibility. At the same time, it must act as a diligent and honest manager and protect the business secrets of the Company. In realising its tasks, the Management Board adopts measures and carries out the procedures defined by law and the Articles of Association of the Company.

If the Management Board has more than two members, the Company is jointly represented by the Chairman of the Management Board and a member of the Management Board.

The Management Board adopts resolutions within the scope of its competences with a majority vote of all members of the Board. Each member of the Management Board is entitled to one vote. In the case of a tied vote, the vote of the Chairman of the Management Board is decisive. The Labour Manager participates in decision-making whenever the Management Board decides on staff and social issues.

The Management Board adopts rules of procedure on its work, to which the Supervisory Board grants consent.

4.2 Company Supervisory Board

In accordance with point 7.3.1 of the Articles of Association of DARS d.d., the Supervisory Board consists of six members. Two members of the Supervisory Board are employee representatives.

The Supervisory Board adopts the Rules of Procedure on its work in accordance with the Articles of Association of DARS d.d. The Supervisory Board appoints the Chairman and Deputy Chairman.

The Supervisory Board must be convened at least once every quarter. The Supervisory Board constitutes a quorum if at least two thirds of the members are present at a meeting, including the Chairman or Deputy Chairman of the Supervisory Board.

In accordance with the Articles of Association of DARS d.d., the Supervisory Board supervises the management of transactions; appoints and discharges the Management Board; convenes general meetings; reviews and examines the ledgers and documentation of the Company, its cash in hand, securities and inventory of goods and other items; grants the Management Board prior consent for transactions exceeding a value of €1.5 million (exclusive of VAT); acquaints itself with the establishment and/or termination of subsidiaries; performs other activities defined in the CA-1 and other legal regulations; examines the annual report with the proposed distribution of net profit for the reporting period; submits proposals to the General Meeting for the distribution of accumulated profit; submits proposals to the General Meeting for the appointment of the auditor; appoints the Audit Committee of the Supervisory Board; acquaints itself with the decision of the Management Board on the purchase and divestment of stakes or shares in other companies; and grants consent regarding the planning documents of the Company.

The Supervisory Board is required to examine the annual report, the auditor's report, and the proposed appropriation of accumulated profit submitted by the Management Board. It must compile a written report on the results of its examination for the General Meeting.

The more detailed composition and activities of the Supervisory Board of the Company and its committees in 2014 are presented in the Report of the Supervisory Board.

Decisions related to the General Meeting, Management Board, and Supervisory Board and Company securities are summarised in compliance with the Articles of Association adopted by the General Meeting on 27 August 2014.

Ljubljana, 21 April 2015

Supervisory Board of DARS d.d.

Robert Ličen, MSc
Chairman of the
Supervisory Board



Management Board of DARS d.d.

Matjaž Knez, MSc
Chairman of the
Management Board



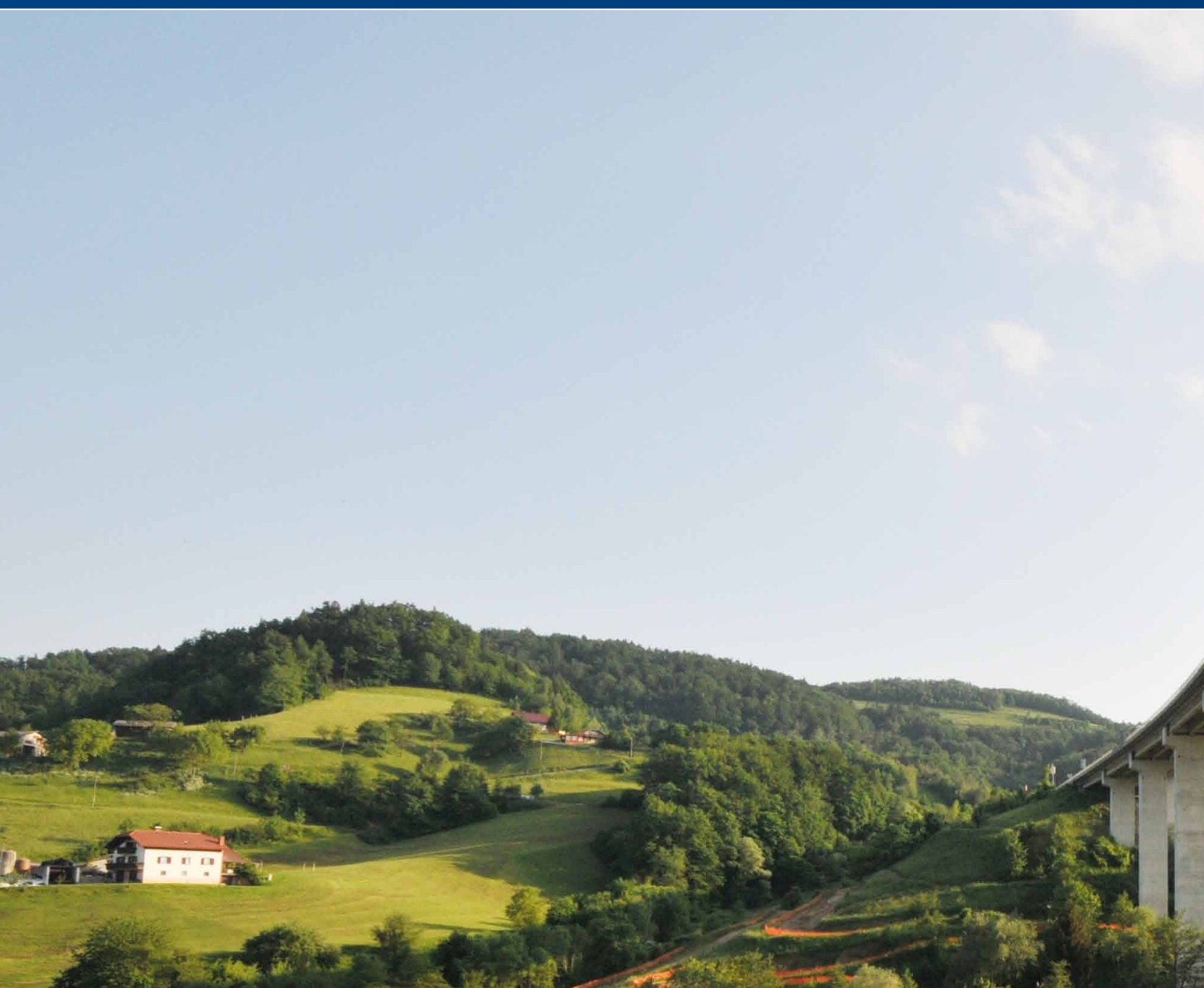
Franc Skok
Board Member



Marjan Sisinger
Labour Manager/
Board Member



DARS



II. Financial Report



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Statement of Management Responsibility

Pursuant to Article 60a of the Companies Act, the Management Board of DARS d.d. certifies herewith that the Annual Report 2014 of DARS d.d., Celje, including the Corporate Governance Statement, has been prepared and published in compliance with the Companies Act, Financial Instruments Market Act, Slovenian Motorway Company Act and Slovenian Accounting Standards.

The members of the DARS d.d. Management Board, which is comprised of Matjaž Knez, MSc, Chairman, Franc Skok, Member, and Marjan Sisinger, Labour Manager/Member, in compliance with Article 110 of the Financial Instruments Market Act hereby state that, to the best of their knowledge:

- The financial report for the company DARS d.d., Celje for 2014 is prepared in compliance with the Slovenian Accounting Standards and provides a true and fair presentation of the assets and liabilities, financial situation and profit or loss for the company DARS d.d., Celje;
- The Business Report of DARS d.d., Celje for 2014 includes a fair presentation of the development and results of the operations of the Company, as well as its financial position, including the description of key risks to which DARS d.d., Celje, is exposed.

Celje, 14 April 2015

Matjaž Knez, Msc
Chairman of the
Management Board



Franc Skok
Board Member



Marjan Sisinger
Labour Manager/
Board Member



II.1. Financial Statements of DARS d. d.

Balance Sheet as of 31 December 2014

In EUR (without cents)	Notes	31/12/2014	31/12/2013
ASSETS		5,556,644,000	5,644,936,606
A. LONG-TERM ASSETS		5,346,290,495	5,411,306,452
I. Intangible assets and long-term active accrual	II.4.1.1	181,553,176	185,481,259
1. Long-term property rights		181,553,176	185,481,259
II. Tangible fixed assets	II.4.1.2	5,158,962,482	5,221,090,224
1. Land and buildings		4,923,930,480	5,035,717,485
a) Land		31,827,375	31,827,375
b) Buildings		4,892,103,105	5,003,890,110
3. Other machines and equipment		18,176,288	18,693,359
4. Tangible fixed assets under acquisition		216,855,714	166,679,380
a) Tangible fixed assets in construction and manufacture		216,855,714	166,679,380
IV. Long-term financial investments	II.4.1.3	200,964	200,964
1. Long-term financial investments, excluding loans		200,964	200,964
a) Shares and stakes in Group companies		200,000	200,000
c) Other long-term financial investments		964	964
V. Long-term operating receivables	II.4.1.4	30,754	30,754
2. Long-term operating receivables from customers		30,754	30,754
VI. Deferred tax assets	II.4.1.5	5,543,119	4,503,250
B. CURRENT ASSETS		209,279,428	232,552,327
I. Assets (disposal groups) available for sale	II.4.1.6	184,615	184,691
II. Inventories		3,391,068	2,746,616
1. Material	II.4.1.7	3,386,309	2,741,513
3. Products and merchandise		4,759	5,103
III. Short-term financial assets	II.4.1.8	163,790,817	191,957,813
2. Short-term loans		163,790,817	191,957,813
b) Short-term loans to others		163,790,817	191,957,813
IV. Short-term operating receivables	II.4.1.9	40,318,472	36,463,994
1. Short-term operating receivables from Group companies		231,084	32,992
2. Short-term operating receivables from customers		11,731,666	12,725,925
3. Short-term operating receivables from others		28,355,722	23,705,077
V. Cash	II.4.1.10	1,594,457	1,199,214
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE	II.4.1.11	1,074,076	1,077,827

In EUR (without cents)	Notes	31/12/2014	31/12/2013
LIABILITIES	Notes	5,556,644,000	5,644,936,606
A. EQUITY	II.4.1.12	2,531,278,379	2,472,933,097
I. Called-up capital		2,319,866,345	2,319,866,345
1. Share capital		2,319,866,345	2,319,866,345
II. Capital reserves		26,428,084	26,428,084
III. Revenue reserves		149,535,825	104,245,327
1. Legal reserves		9,815,960	6,298,252
4. Statutory reserves		16,709,116	0
5. Other profit reserves		123,010,749	97,947,076
IV. Surplus from revaluation		-5,008,889	0
V. Retained net profit or loss		15,393,340	0
VI. Net profit or loss for the financial year		25,063,673	22,393,340
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	II.4.1.13	115,574,821	101,745,549
1. Provisions for pensions and similar liabilities		2,472,266	2,177,870
2. Other provisions		24,484,479	19,487,425
3. Long-term passive accrual		88,618,076	80,080,255
C. NON-CURRENT LIABILITIES		2,551,001,189	2,640,259,745
I. Long-term financial liabilities	II.4.1.14	2,405,209,677	2,478,687,915
2. Long-term financial liabilities to banks	II.4.1.15	2,212,995,577	2,283,288,860
3. Long-term financial liabilities from bonds	II.4.1.16	160,364,547	160,364,547
4. Other long-term financial liabilities	II.4.1.17	31,849,553	35,034,508
II. Long-term operating liabilities	II.4.1.18	145,791,512	161,571,831
5. Other long-term operating liabilities		145,791,512	161,571,831
D. SHORT-TERM LIABILITIES		335,094,087	409,462,651
II. Short-term financial liabilities	II.4.1.19	250,220,064	332,956,650
2. Short-term financial liabilities to banks		233,401,832	321,441,473
3. Short-term financial liabilities from bonds		3,416,071	3,416,071
4. Other short-term financial liabilities		13,402,161	8,099,106
III. Short-term operating liabilities	II.4.1.20	84,874,023	76,506,001
1. Short-term operating liabilities to Group companies		2,733	0
2. Short-term operating liabilities to suppliers		45,551,943	42,755,278
4. Short-term operating liabilities from advances		5,833	37,916
5. Other short-term operating liabilities		39,313,515	33,712,807
E. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES	II.4.1.21	23,695,524	20,535,564

The accounting guidelines and explanatory notes are a constituent part of the Financial Statements and should be read in connection thereto.

Income Statement for the Period from 1 January to 31 December 2014

In EUR (without cents)	Notes	1/1 to 31/12/2014	1/1 to 31/12/2013
1. Net sales revenue	II.4.2.1	354,455,753	315,640,478
Toll revenue		344,163,641	305,296,550
Revenue from rest stop leases		6,914,136	7,270,137
Revenue from closure and overweight load transports		897,712	741,471
Revenue from easements for base stations and others		578,738	291,588
Revenue from performance contracts		418,721	412,267
Revenues from lease of optical fibres		743,165	955,645
Other sales revenue		739,639	672,821
3. Capitalised own products and services	II.4.2.2	1,249,490	405,388
4. Other operating revenue	II.4.2.3	5,610,915	7,695,741
5. Costs of goods, materials, and services	II.4.2.4	-34,448,973	-36,975,246
a) Purchase value of goods and material sold, and costs of material used		-9,363,390	-11,896,765
b) Cost of services		-25,085,583	-25,078,481
6. Labour costs	II.4.2.5	-35,658,179	-34,310,284
a) Cost of salaries and wages		-26,222,694	-25,226,863
b) Social security and pension insurance costs		-5,156,447	-4,874,417
c) Other labour costs		-4,279,037	-4,209,004
7. Write-offs	II.4.2.6	-147,231,244	-148,088,281
a) Depreciation/amortisation		-146,885,064	-147,713,076
b) Operating expenses from revaluation of intangible assets and tangible fixed assets		-26,560	-151,219
c) Operating expenses from revaluation of operating current assets		-319,620	-223,986
8. Other operating expenses	II.4.2.7	-5,529,137	-1,367,954
10. Financial revenue from loans granted	II.4.2.8	3,843,022	3,595,999
b) Financial revenue from loans to others		3,843,022	3,595,999
11. Financial revenue from operating receivables	II.4.2.9	97,589	258,689
a) Financial revenues from operating receivables due from Group companies		88	0
b) Financial revenue from operating receivables due from others		97,501	258,689
13. Financial expenses from financial liabilities		-54,220,221	-50,278,047
b) Financial expenses from loans received from banks	II.4.2.10	-44,787,525	-41,307,041
c) Financial expenses from issued bonds	II.4.2.11	-7,339,724	-7,335,463
d) Financial expenses from other financial liabilities	II.4.2.12	-2,092,972	-1,635,543
14. Financial expenses from operating liabilities	II.4.2.13	-1,015,880	-30,705
b) Financial expenses from liabilities to suppliers		-1,012,904	-18,455
c) Financial expenses from other operating liabilities		-2,977	-12,250
15. Other revenue	II.4.2.14	101,252	70,014
16. Other expenses	II.4.2.15	-2,834,017	-136,941
17. Tax on profit	II.4.2.16	-14,102,365	-9,568,374
18. Deferred taxes		36,166	233,396
19. Net profit or loss for the accounting period		70,354,171	47,143,874

The accounting guidelines and explanatory notes are a constituent part of the Financial Statements and should be read in connection thereto.

Statement of Other Comprehensive Income for the period from 1 January to 31 December 2014

In EUR (without cents)	2014	2013
19. Net profit or loss for the financial year	70,354,171	47,143,874
Other comprehensive income that may be transferred to the income statement in the future		
23. Other components of comprehensive income		
– Changes in the revaluation surplus of derivative financial instruments	–5,904,137	0
Deferred tax	1,003,703	0
Changes in the revaluation surplus of derivative financial instruments (net amount)	–4,900,434	0
– Changes in the revaluation surplus for actuarial deficits and surpluses	–108,455	0
Other comprehensive income for the financial year after tax	–5,008,889	0
24 Total comprehensive income for the financial year after tax	65,345,282	47,143,874

The accounting guidelines and explanatory notes are a constituent part of the Financial Statements and should be read in connection thereto.

Cash Flow Statement for the Period from 1 January to 31 December 2014

In EUR (without cents)		2014	2013
A. Operating cash flow			
a)	Income statement items		
	Operating revenues (except from revaluation) and financial revenues from operating receivables	360,057,024	323,640,272
	Operating expenses excluding amortisation and depreciation (except from revaluation) and financial expenses from operating liabilities	-78,556,316	-72,639,727
	Corporate income tax and other taxes not included in operating expenses	-20,375,860	-6,395,599
		261,124,848	244,604,946
b)	Changes in net current assets (and accruals, provisions, and deferred tax receivables and liabilities) in operating balance sheet items		
	Opening less closing operating receivables	-3,854,478	-3,690,693
	Opening less closing deferred costs and accrued revenues	3,751	8,805
	Opening less closing deferred tax assets	-1,039,869	-233,396
	Opening less closing assets (disposal groups) available for sale	76	24,132
	Opening less closing inventories	-644,452	-320,938
	Closing less opening operating debts	-650,224	-624,031
	Closing less opening accrued costs and deferred revenues and provisions	16,880,778	7,735,742
		10,695,581	2,899,619
c)	Net operating proceeds or net operating expenses (a + b)	271,820,429	247,504,565
B. Cash flows from investment activities			
a)	Receipts from investment activities		
	Inflows from interest received and shares in profit received relating to investment activities	696,384	1,755,759
	Receipts from disposal of tangible fixed assets	208,486	24,650
	Receipts from disposal of short-term financial investments	3,146,638	1,840,240
		4,051,508	3,620,648
b)	Disbursements from investing activities		
	Disbursements for the acquisition of intangible assets	-480,475	-632,985
	Disbursements for the acquisition of tangible fixed assets	-80,375,324	-41,928,750
	Disbursements for the acquisition of long-term financial investments	0	-200,000
	Disbursements for the acquisition of short-term financial investments	28,166,996	-123,122,104
		-52,688,803	-165,883,839
c)	Net proceeds from investment activities or net expenses from investment activities (a + b)	-48,637,295	-162,263,191
C. Cash flows from financing activities			
a)	Receipts from financing activities		
	Receipts from increase in long-term financial liabilities	0	110,000,000
		0	110,000,000
b)	Disbursements from financing activities		
	Interest paid on financing activities	-53,668,929	-50,494,582
	Disbursements for repayment of long-term financial liabilities	-161,974,243	-142,617,913
	Disbursements for repayment of short-term financial liabilities	-144,718	-1,971,872
	Disbursements for payment of dividends and other shares in profit	-7,000,000	0
		-222,787,891	-195,084,367
c)	Net finance proceeds or net expenses in financing (a + b)	-222,787,891	-85,084,367
D. Closing balance of cash			
x)	Net cash for the period (sum total of Ac, Bc, and Cc)	395,243	157,008
y)	Opening balance of cash	1,199,214	1,042,206

The accounting guidelines and explanatory notes are a constituent part of the Financial Statements and should be read in connection thereto.

Statement of Changes in Equity for the Period from 1 January to 31 December 2014

In EUR (without cents)	I. Called-up capital	II. Capital reserves	
	1. Share capital		
A.1 Balance as of 31/12/2013	2,319,866,345	26,428,084	
B.1 Changes in equity capital – transactions with owners			
g) Dividend payment			
B.2 Total comprehensive income for the reporting period			
a) Entry of net profit or loss for the reporting period			
d) Other elements of comprehensive income for the reporting period			
B.3 Changes in capital			
a) Allocation of the remainder of net profit of the comparable reporting period to other components of equity			
b) Allocation of a part of net profit of the reporting period to other components of equity under a decision of management and supervisory bodies			
D. Balance as of 31/12/2014	2,319,866,345	26,428,084	
Accumulated Profit as of 31/12/2014			

Statement of Changes in Equity for the Period from 1 January to 31 December 2013

In EUR (without cents)	I. Called-up capital	II. Capital reserves	
	1. Share capital		
A.1 Balance as of 31/12/2012	2,319,866,345	26,428,084	
B.2 Total comprehensive income for the reporting period			
a) Entry of net profit or loss for the reporting period			
B.3 Changes in capital			
a) Allocation of the remainder of net profit of the comparable reporting period to other components of equity			
b) Allocation of a part of net profit of the reporting period to other components of equity under a decision of management and supervisory bodies			
D. Balance as of 31/12/2013	2,319,866,345	26,428,084	

The accounting guidelines and explanatory notes are a constituent part of the Financial Statements and should be read in connection thereto.

	III. Revenue reserves			IV. Revaluation surplus	V. Retained net profit or loss	VI. Net profit or loss for the financial year	Total equity
	1. Legal reserves	4. Statutory reserves	5. Other profit reserves		1. Retained net profit	1. Net profit for the financial year	
	6,298,252	0	97,947,076	0	0	22,393,340	2,472,933,097
					-7,000,000		-7,000,000
						70,354,171	70,354,171
					-5,008,889		-5,008,889
			0		22,393,340	-22,393,340	0
	3,517,709	16,709,116	25,063,673			-45,290,498	0
	9,815,960	16,709,116	123,010,749	-5,008,889	15,393,340	25,063,673	2,531,278,379
					15,393,340	25,063,673	40,457,013

	III. Revenue reserves			IV. Revaluation surplus	V. Retained net profit or loss	VI. Net profit or loss for the financial year	Total equity
	1. Legal reserves	4. Statutory reserves	5. Other profit reserves		1. Retained net profit	1. Net profit for the financial year	
	3,941,058	0	64,475,500	0	0	11,078,236	2,425,789,223
						47,143,874	47,143,874
			11,078,236			-11,078,236	0
	2,357,194		22,393,340			-24,750,534	0
	6,298,252	0	97,947,076	0	0	22,393,340	2,472,933,097

Statement of Accumulated Profit and Proposal Regarding its Appropriation

In 2014, the determined accumulated profit consists of the following elements:

In EUR (without cents)	31/12/2014	31/12/2013
A. Net profit or loss for the financial year	70,354,171	47,143,874
B. Profit brought forward	15,393,340	0
C. Increase in revenue reserves		
– Legal reserves	3,517,709	2,357,194
– Statutory reserves	16,709,116	0
– Other profit reserves	25,063,673	22,393,340
Accumulated Profit	40,457,013	22,393,340

Net profit of DARS d.d. for 2014 will be allocated to legal and statutory reserves and to other profit reserves at the recommendation of the Management Board and in accordance with the Articles of Association of DARS d.d. and Article 230 of CA-1. The accumulated profit of DARS d.d. as of 31 December 2014 amounted to €40,457,013. The General Meeting of DARS d.d. will decide on the allocation of accumulated profit in accordance with CA-1.

II.2. Reporting Company

DARS d.d. is a registered legal entity with its registered office in Slovenia. The address of the registered office of the Company is Ulica XIV. divizije 4, 3000 Celje. The Company compiles the financial statements and reports defined in the first paragraph of Article 60 of CA-1 in accordance with the Slovenian Accounting Standards (SAS). The Management Board of the Company confirmed the financial statements on 27 March 2015.

II.3. Important Accounting Policies

Basis for the Preparation of the Financial Statements

The financial statements of DARS d.d., together with notes and disclosures of the most important categories, have been prepared in accordance with the accounting and reporting requirements of the Slovenian Accounting Standards (SAS) and in accordance with the provisions of CA-1 and MCRSA-1.

When preparing the financial statements, we took into account two essential accounting assumptions: the creation of trade events and the going concern.

The financial statements are compiled in euros. Foreign currency-denominated items have been converted into euros using the reference exchange rate of the European Central Bank, applicable on the last day of the accounting period.

The comparable information is in accordance with the disclosures referring to the current reporting period.

Management must, in the compilation of the financial statements, give an assessment, appraisal and opinions that impact the use of the accounting policies and disclosed value of assets, liabilities, revenues and expenses. Actual results may deviate from these assessments. The assessments and aforementioned pre-suppositions must be evaluated on an ongoing basis. Amendments to accounting assessments are recognised for the period in which the assessment is amended and for all future years for which the amendment applies.

These financial statements are compiled as separate financial statements of the Company intended for general requirements. The financial statements were compiled for the reporting period that started on 1 January 2014 and ended on 31 December 2014, i.e. in accordance with the Slovenian Accounting Standards 2006.

The obligatory financial statements are compiled for the requirements of fulfilling legal demands. In the compilation of the financial statements, the Company must guarantee an independent audit of the financial statements. The audit is limited to the audit of obligatory financial statements for general requirements, where the legal requirement for the audit of obligatory financial statements is fulfilled. The audit considers obligatory financial statements as a whole and does not provide an assurance on individual items, accounts or trades. Audited financial statements are not intended for the use of any party for the requirements of making decisions in relation to the ownership, financing, or any other specific trades, referring to the company. Therefore, the users of obligatory financial statements may not rely exclusively on the financial statements and are obliged to implement other appropriate procedures prior to making any decisions.

Intangible Assets and Long-Term Deferred Costs and Accrued Revenues

Intangible assets are investments in the acquired industrial property rights (licences, software) and the right of superficies.

Intangible assets are initially recognised at purchase value. The purchase price comprises of any costs incurred during purchase and in preparing them for their intended use. After initial recognition, intangible assets are presented at purchase value less the amortised value adjustment.

The Company independently determines annual amortisation rates based on the useful life of an individual long-term intangible asset with a finite useful life.

Intangible assets are presented in the balance sheet as a collective item at their carrying amount, which is the amount at which an asset is recognised after deducting any accumulated amortisation from its cost.

The right of superficies was established pursuant to MCRSA-1 for the benefit of DARS d.d. on land owned by the Republic of Slovenia, where motorways are considered as buildings that had been constructed or the construction of which had commenced prior to the enforcement of MCRSA-1. The right of superficies is established for a 50-year period (from 4 December 2010 to 4 December 2060) free of charge. The Fiscal Balance Act made the right of superficies payable, therefore an annual compensation is paid for it in accordance with the annual implementation contract for the performance of contracts pursuant to Article 4 of MCRSA-1.

The right of superficies is one of the material rights and as such is categorised under intangible fixed assets and is initially recognised at purchase value. The right of superficies has a definite useful life and is amortised during this period, i.e. the period for which it had been established. The useful life of the right of superficies is the period during which the Company has a legal right to utilise it. The Company uses the straight-line amortisation method.

Impairments of assets or cash-generating units are recognised whenever their book values exceed their replacement value. Impairments are disclosed in the income statement. If the Company operates with an adequate profit and within the scope of business plans, no need for impairment exists.

Tangible Fixed Assets

Property, plant and equipment include land plots, buildings, equipment, and property, plant, and equipment in the course of construction. Such assets are presented in the balance sheet as a collective item, by type of asset at their carrying amount, which is the amount at which an asset is recognised after deducting any accumulated depreciation from its cost. Fixed assets that can no longer be used because they are defective, obsolete or similar are permanently withdrawn from use.

A tangible fixed asset is, on initial recognition, measured according to its cost. This comprises its purchase price, import duties, and non-refundable purchase taxes, as well as any directly attributable costs of bringing them into working condition.

Subsequent expenses associated with tangible fixed assets increase their cost, if they increase the future economic benefits generated by such assets in excess of the originally assessed ones or result in an extension of the useful lives of such assets. A motorway section is activated on the day when it is opened to traffic and the costs which arise after this date and which are connected with the construction of the motorway section increase its purchase value once per year, i.e. as the balance on 31 December of the current year.

The cost of fixed assets comprises the borrowing costs connected with the acquisition of property, plant and equipment until it is purposed for use. Borrowing costs include:

- Interest;
- Other company costs connected with borrowing financial assets.

Borrowing costs that can be directly ascribed to the purchase, construction or manufacture of a fixed asset can be capitalised as part of the purchase value of this asset. Other borrowing costs are recognised as an expense in the period when they emerge.

Costs directly connected with borrowing and intended for financing motorway construction, increase the purchase value of motorways as long as the motorway sections for which the loans were taken are under construction (until they can be used). The Company ceases to capitalise borrowing costs when motorway sections are open to traffic.

The purchase value of an asset produced by the Company includes the costs of material, the direct labour costs, and other costs that can be directly attributed to the goal of preparing the asset for use.

Repairs or maintenance of tangible fixed assets is intended for restoring or maintaining the future economic benefits expected from the originally estimated level of asset performance. Expenses are recognised as expenses when incurred.

The cost model is applied for the valuation of tangible fixed assets.

The Company divides a major cost of a tangible fixed asset into significant parts in accordance with SAS 1 and SAS 13. If the parts have different useful lives and/or usage patterns, which are relevant in relation to the entire cost of the tangible fixed asset, each part is considered separately.

If the cost of the tangible fixed asset is significant, then it can be divided into parts. If the parts have different useful lives and/or usage patterns which are relevant in relation to the entire cost of the tangible fixed asset, each part is considered separately.

The difference between the net proceeds on disposal and the carrying amount of an item of company-owned tangible fixed asset disposed of shall be recognised as operating revenue from revaluation if the first exceeds the latter, or as operating expenses from revaluation if the latter exceeds the first.

The Company annually verifies the carrying amount of tangible fixed assets in order to ascertain whether there are any signs of impairment. Should such signs exist, the recoverable amount of the asset is assessed. The recoverable amount is considered as the net sales value or its value in use, whichever is greater. The impairment of an asset is recognised when its carrying amount exceeds the recoverable amount. Impairments are disclosed in the income statement.

If a tangible fixed asset is sold, it is re-categorised under non-short-term assets for sale.

Depreciation and Amortisation

The carrying amount of tangible fixed assets, and intangible assets, is decreased by depreciation or amortisation. The basis for the assessment of the depreciation of tangible fixed assets, and the amortisation of intangible assets, is the complete cost of fixed assets. Following activation, all subsequent investments that increase the future benefits of the fixed asset or enable a longer fixed asset service period (e.g. investment maintenance, reconstruction of roads and facilities) are included in the basis.

The Company independently determines annual amortisation rates with regards to the useful life of an individual tangible fixed asset and intangible long-term asset.

The useful life depends on:

- The expected physical use;
- The expected technical ageing;
- The expected economic ageing;
- The expected legal or other use restrictions.

The useful life of an individual asset is the shortest useful life of one of the mentioned factors.

A tangible fixed asset starts to be amortised on the first day of the month following its availability for use. Tangible fixed assets – motorways – begin use on the day the motorway opens for road users whereby it is not necessary that the investment be concluded or all deficiencies remedied.

The carrying amount of an intangible asset with a finite useful life decreases with amortisation. Amortisation starts when an intangible asset is available for use.

Amortisation of a tangible or intangible fixed asset is calculated for each asset separately, using the straight line method. Land, substructures of motorways, and assets under acquisition are not depreciated.

The Company divides the cost of a major tangible fixed asset into significant parts in accordance with SAS 1 and SAS 13. If the parts have different useful lives and/or usage patterns, which are relevant in relation to the entire cost of the tangible asset, each part is considered separately.

The Amortisation Rate for Tangible Fixed Assets and Intangible Assets

Fixed asset	Key components	Amortisation rate in 2014
Land	Land used for motorway maintenance bases, business and residential buildings, rest stops and surplus alongside motorways	0%
Motorway substructures	Construction works (preparatory works, ground works), landscaping costs, archaeological excavation costs, costs of building demolition, etc.	0%
Motorway superstructures	a) Superstructure (road surface of the motorway route, buffer, etc.)	3%
	b) Project costs, costs of motorway construction financing, costs of motorway construction supervision and costs of services necessary for the construction of individual motorway sections, plus other costs	3%
	c) Drainage facilities (sewerage, oil collectors, retention basins, water protection facilities)	6%
	d) Fences (safety fences and crash barriers, anti-noise protection)	6%
	e) Traffic signalisation and traffic equipment (vertical and horizontal signalisation, road illumination, emergency call system, CVP, cable ducts, etc.)	6%
	f) Traffic control and management system – electromechanical equipment	8%
	g) Traffic control and management system – building-construction works	6%
Motorway facilities (viaducts, bridges, tunnels, overpasses, underpasses, retaining walls, etc.)	a) Construction elements	3%
	b) Tunnel equipment and electromechanical installations	6%
Road infrastructure – other operators	State or municipal roads that are not motorways and were built by DARS d.d. in accordance with NMCP.	0%
Buildings	Motorway maintenance bases, toll stations with cabins and overhangs, other constructed facilities alongside motorways (sanitary facilities at rest stops, etc.), the administration building in Celje, holiday facilities and apartments	3%
Equipment	Equipment (office furniture, workshop equipment, maintenance equipment, office supplies, etc.)	20%
Equipment and ABS-system devices		20%
Personal vehicles		20%
Machinery		20%
Small tools		20%
Computers and computer equipment		50%
Software		50%

The annual amortisation and depreciation of tangible fixed assets and intangible assets of the Company represent an operating expense.

Amortisation and depreciation needs to be accounted, even if the asset is no longer in use or has been removed from use, until it is fully amortised.

The costs of amortisation of assets acquired by donations are compensated as business revenue and according to an appropriate decrease in long-term deferred revenue.

Such assets are presented in the balance sheet as a collective item, by type of asset, at their carrying amount, which is the amount at which an asset is recognised after deducting any accumulated depreciation from its cost.

Non-Current Assets Available for Sale

Non-current assets available for sale:

- Tangible fixed assets,
- Investment property valued at cost model,
- Other non-current assets.

It is reasonably anticipated for the carrying amount of non-current assets available for sale that it will be settled mostly due to the sale in the following 12 months (after the date of the balance sheet) and not by further use. The amortisation of an asset is terminated when it is determined as a non-current asset available for sale. Such a non-current asset available for sale is assessed at the carrying amount and at fair value, decreased by the costs of sale.

Long-Term Financial Investments

Long-term financial investments are investments that the Company plans to own for a period longer than one year and which it does not intend to trade. Long-term financial investments are held by the Company to earn returns and thus increase its financial revenue.

Long-term financial investments are initially recognised at cost, i.e. the amount of money or its equivalents invested.

In the financial statements, long-term financial investments into subsidiaries are evaluated at cost less impairment.

Deferred Tax Assets

Deferred tax receivables are recognised for the amounts of profit tax that will be returned in future periods. Deferred tax receivables are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Insignificant amounts of deferred tax assets are not recognised.

Deferred tax is charged or credited directly to equity, if it relates to items that are credited or charged directly to equity in the same or some other period.

Inventories

The quantity unit of material inventories are valued at purchase price after initial recognition, and the cost comprises the purchase price including all discounts, import duties, and direct purchase costs. The purchase price is reduced by any discounts received.

The Company implements write-offs of inventories if the sale thereof is completely terminated or if they are unmarketable.

If the carrying amount exceeds the historical cost of an item of inventories, a revaluation of inventories is carried out at the year-end.

Short-Term Financial Investments

A short-term financial investment is a financial investment owned by the Company for less than one year, or an investment purposed for trading.

Derivative financial instruments can be one of the short-term financial investments owned by the Company in order to be insured against risks.

Short-term financial investments are initially recognised at cost, i.e. the amount of money invested. A revaluation of short-term financial investments to fair value is carried out during and at the end of the financial year with the established difference posted under financial revenue or financial expenses. Foreign currency-denominated short-term financial investments are converted into the national currency on the date they are incurred using the reference exchange rate of the European Central Bank.

Short-Term Operating Receivables

Short-term operating receivables comprise short-term trade receivables due from domestic and foreign customers, trade receivables from operations in foreign markets, interest receivable on short-term sight deposits and financial investments, advances receivable, input VAT receivable, short-term receivables in connection to European funds, and other receivables.

Short-term operating receivables are initially recognised at the amounts indicated in relevant documents provided their collection can be assumed. Interest is calculated in accordance with the contract on the maturity dates of the short-term receivables and on the balance sheet date. Foreign currency-denominated receivables are converted into the national currency using the reference exchange rate of the European Central Bank.

At the balance sheet date, the adequacy of the recorded amount of individual receivables is reassessed by the Company on the basis of objective evidence of their recoverability. Allowances are set up for doubtful receivables that we believe will not be settled by their due date or in their full amount. Value adjustments of receivables are reported to the benefit of special correction accounts of receivables and charged to operating expenses from revaluation.

The Company performs a complete write-off of receivables for which all actions were taken with due diligence to achieve the repayments of receivables or for which it has established that further legal procedures are not economically justified or where a bankruptcy procedure or compulsory settlement have been executed. In order for the Company to perform a write-off, it needs to obtain adequate documentary evidence: the rejection of the confirmation of balance of the receivables; the court decision; the decision on compulsory settlement; the decision on bankruptcy proceedings, and others.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash in banks, cash in transit, and call deposits. Cash in transit is cash transferred from the register to an adequate bank account and not entered as a credit on the same day.

Domestic and foreign currency denominated cash is presented separately. Cash and cash equivalents expressed in the domestic currency are disclosed at their nominal values. Cash denominated in a foreign currency is converted into the national currency using the reference exchange rate of the European Central Bank applicable on the date of receipt. The balance of cash denominated in a foreign currency is converted into the national currency on the last day of the financial year using the reference exchange rate of the European Central Bank. Exchange rate differences arising due to the conversion increase either financial revenue or financial expenses.

Equity

Capital is the Company's liability to its owners that prior to the Company ceasing to operate matures into payment. The Company's capital comprises of called-up capital, capital reserves, reserves from profit (legal reserves, statutory reserves and other reserves from profit), fair value reserves, and undistributed net profit for the financial year.

Capital reserves of the Company comprise the value of real assets transferred by the Republic of Slovenia to the Company upon its transformation for the purpose of motorway operation and maintenance, and the general capital revaluation adjustment, which was transferred to capital reserves on 1 January 2006 as well as a surplus of assets which represents the difference between the in-kind contribution of the Republic of Slovenia and the value of newly-issued shares of the Company.

Legal reserves are set up in accordance with the Companies Act. The Company must form legal reserves in the amount of legal and capital reserves defined in points 1 through 3 of Article 64 of CA-1 which must amount to at least 10 percent of the Company's share capital. If the total of the legal and capital reserves defined in points 1 through 3 of Article 64 of the Companies Act do not attain a 10 percent share of the Company's share capital in the financial year, five percent of the net profit must be allocated to legal reserves, reduced by the amount used for covering losses from previous periods in the balance sheet.

The Company forms statutory reserves of up to 25 percent of its share capital. Statutory reserves are formed by using 25 percent of the net profit remaining after settling any losses brought forward, forming legal reserves and forming reserves for own shares to form statutory reserves until these reach 25 percent of the share capital. These reserves are not distributable.

Pursuant to the third paragraph of Article 230 of CA-1, managing and supervisory bodies may at the adoption of the annual report form other reserves from profit from the amount of net profit remaining after the utilisation of net profit for the purposes as defined in the first paragraph of Article 230 of CA-1, however, they may not utilise for this purpose more than one half of the net profit amount, which remains after the utilisation of the profit for the purposes defined in the first paragraph of the indicated Article.

Other revenue reserves comprise non-nominal capital and are increased annually through the appropriation of net profit.

Capital components and changes in equity are disclosed in the Statement of Changes in Equity.

Provisions and Long-Term Accrued Costs and Deferred Revenues

Provisions are created for present obligations that arise from binding past events and are expected to be settled in a period that cannot be determined with certainty, but a reliable estimate can be made of the amount of obligations. Long-term provisions are set up for accrued costs or expenses and are decreased by the amounts of costs or expenses for which they were formed in accordance with the plan.

In compliance with the law, the collective agreement, and the internal rules, the Company is obligated to pay jubilee benefits and retirement severance to employees for which it forms long-term provisions equalling the amount of the estimated future payments for jubilee benefits and severances, discounted at the date of the balance sheet.

The Company forms long-term provisions due to long-term costs calculated in advance for severance pay due to redundancy of employees working at toll stations which would arise at the introduction of the new tolling system (explained under II.4.1.13), and long-term costs calculated in advance for payments at retirement to employees who are not included in the collective voluntary supplementary pension insurance plan in accordance with the agreement between the unions and the Company.

Long-term provisions for long-term accrued costs are also set up with regards to the possible unfavourable outcome of lawsuits related to motorway construction, reconstruction, operation, and maintenance, as well as labour disputes. Provisions for lawsuits are formed on the basis of an estimate as to the likely outcome of these disputes at the time when the likelihood of a negative outcome for the Company exceeds 50 percent.

Long-term accrued costs and deferred revenue comprise deferred revenue expected to cover estimated expenses in a period of more than one year.

Long-term deferred revenue also includes earmarked State financial support for the acquisition of fixed assets. This support is earmarked to cover amortisation charges of fixed assets thus acquired and are utilised by transferring to operating revenue.

Government grants are recognised in financial statements as deferred revenue once they are received, or when acceptable assurance exists that the company will receive the grants and fulfil relevant requirements. Deferred revenue received for covering costs is consistently recognised as revenue in periods when the costs arise, and which the revenue should compensate. Asset-related deferred revenues are recognised in the income statement among other operating revenues in the period of useful life of a particular asset.

Long-term deferred revenue is formed for assets received from realised guarantees for the rectification of defects, performance guarantees, and tender bonds. Realised guarantees are used for covering the costs of realisation purpose or in the case of the realisation of performance guarantees, also for the purpose of the guarantee for the rectification of defects during the warranty period.

Long-term deferred revenues have also been shown in the amount co-financed by users of the ABC system, namely third and fourth toll class vehicles. Deferred revenues relate to warranties granted on the sale of electronic tags. At the end of each accounting period, long-term deferred revenues are restated to the present value of expenditure required to settle the liability. The warranty granted on an ABC system tag is one year from the date of its acceptance. Its useful life is seven years. If an electronic tag is purchased, used, and then returned undamaged within its useful life, the user is entitled to the refund of the proportionate share of the co-financed amount taking into account the undepreciated amount of the electronic tag. The annual amortisation rate is 14.29%. The claim of refund of a proportionate share of the co-financed amount taking into account the undepreciated amount of the electronic tag, and the return of the unused net credit actually paid are possible only on the basis of a written claim with the obligatory statement of the identification number (ID) and the return of the electronic tag and receipt of purchase (or payment of the co-financed amount).

Long-Term Financial Liabilities to Banks

Long-term financial liabilities to banks also include long-term loans taken out for the acquisition of fixed assets.

Long-term financial liabilities which will mature within a year of the balance sheet date are shown as short-term financial liabilities.

Long-term financial liabilities are initially recognised at the amounts indicated in relevant documents evidencing the receipt of cash. Foreign currency-denominated debts are converted into the national currency on the date they are incurred using the reference exchange rate of the European Central Bank.

On the basis of foreign loans granted, long-term financial liabilities denominated in a foreign currency are restated on the last day of the financial year using the reference exchange rate of the European Central Bank.

The payment of interest from long-term loans taken out for the purchase of fixed assets increase the acquisition value of fixed assets until the fixed asset for which the loan was taken out is acquired. Following the fixed asset being commissioned, the payment of interest on loans represents a financial expense.

The Company incurs debt in its name and for its account. The liabilities arising from loans taken out are secured by a guarantee of the Republic of Slovenia.

Long-Term Liabilities from Bonds

Long-term financial investments incurred from issued bonds are initially recognised at cost indicated in relevant documents proving the receipt of funds.

The payment of coupons from issued bonds increase the acquisition value of fixed assets until the fixed asset for which the loan was taken out is acquired. Following the fixed asset being commissioned, the payment of coupons from issued bonds represents a financial expense.

The Company incurs debt in its name and for its account. The liabilities arising from the issued bonds are secured by a guarantee of the Republic of Slovenia.

Long-Term Operating Liabilities

Long-term operating liabilities include the liability for the right of superficies compensation. Based on the annual implementation contract on the execution of contracts on the basis of Article 4 of MCRSA-1, the short-term part of a long-term liability is transferred to short-term liabilities.

Long-term operating liabilities are recorded in the amount of co-financing of motorway construction by local communities and public utility companies for the purposes of such co-financing parties and following the construction of such buildings, are transferred by DARS d.d. to individual co-financing parties.

Short-Term Financial Liabilities

Short-term financial liabilities for loans for the acquisition of tangible fixed assets comprise:

- The short-term portion of long-term liabilities maturing in the following year;
- Weighted interest on 31 December 2014 and accounted interest on 31 December 2014 for loans and bonds issued for motorway construction and reconstruction and weighted interest for derivative financial instruments that were concluded to insure bank loans against changing interest rate risks;
- Liabilities from derivative financial instruments.

The Company uses derivative financial instruments for protecting cash flow against exposure to interest rate risks.

Since it implemented hedging against risk, the Company keeps official documents on the relationship of hedging against risk, the purpose of the Company's risk management, the strategy underpinning the project of hedging against risk and on the methods used in assessing the effectiveness of the relationship of hedging against risk. The Company assesses hedging against risk using the conventional method and at its implementation when highly successful hedging against risk is expected in achieving offset changes in fair value or cash flows that are attributed to a hedged risk, and when the actual performance of each hedged item is from 80 to 125 percent. In hedging against risks arising from cash flows, the expected transaction being hedged must be very likely, as well as exposed to cash flow changes that can have a decisive impact on the profit or loss.

Derivative financial instruments are initially recognised at fair value, while the costs arising from the transaction are recognised in the profit or loss upon their occurrence. Following initial recognition, derivative financial instruments are measured at fair value, with the associated changes being evaluated as described below.

Hedging the Cash Flow against Risk

When a derivative financial instrument is set as a hedge against risk in case of exposure to changeable cash flows that can be attributed to individual risks associated with a recognised asset, liability or a very likely expected transaction that can impact the profit or loss, the successful part of changes in the fair value of a derivative financial instrument is recognised within other comprehensive income for the period and disclosed under reserves for hedging against risk or the equity item. The unsuccessful part of changes in the fair value of a derivative financial instrument is recognised directly within the profit or loss.

The amount recognised in equity is transferred to the profit or loss for the same period in which the item hedged against risk influences the profit or loss. It is expected that the Company will stop hedge accounting if the hedging instrument no longer meets the criteria for hedge accounting, if the hedging instrument is sold, cancelled, or exhausted, or if the Company revokes the designation. If the anticipated transaction can no longer be expected, the amount under other comprehensive income must be recognised directly within the profit or loss.

Short-Term Operating Liabilities

Short-term operating liabilities include short-term liabilities to suppliers, construction contractors (including contractually retained amounts) and third parties; liabilities arising from purchase prices and indemnifications in the acquisition of land; liabilities to employees and liabilities to state institutions for taxes and contributions. A special type of short-term operating debt is the liability to buyers for acquired advance payments and also for received short-term securities.

Short-term operating liabilities are initially recognised at amounts indicated in relevant documents provided that creditors require their settlement. Foreign currency-denominated liabilities are converted into the national currency at the date they are incurred using the applicable reference exchange rate of the European Central Bank.

Short-Term Accrued and Deferred Items

Accruals and prepaid expenditure include short-term accrued revenues and short-term deferred costs that have been incurred but not yet charged against an entity's activities and they do not yet affect its profit or loss. Deferred costs and accrued revenue comprise deferred costs of commission to vignette sales agents and deferred costs of vignette printing, which are recognised in the amount equal to the proportionate share of each allowed amount of revenue from the sold vignettes.

Accrued expenses and deferred revenues comprise accrued costs and short-term deferred revenues.

Accrued costs are costs that affect the Company's profit or loss for the period. The payment obligation is envisaged in the next accounting period. The Company also recognises costs associated with rewards for business performance of the Management Board and executives as accrued costs.

Short-term deferred revenue arises when services to be rendered in the future have already been invoiced or even paid. Short-term deferred revenue was formed for revenue from tolls collected in the form of top-ups on electronic toll media (ABC tags, DARS cards, and DARS Transporter cards) invoiced and paid in 2014 but not used in the same year. Revenues will be deferred until the service users make toll crossings. Short-term deferred revenue also included revenue from annual vignettes charged in 2014, which will be valid in 2015, and from one-track half-year vignettes, which will be partly or entirely valid in 2015 (a half-year vignette is valid six months from the date of purchase, and the annual vignette for 2015 is valid from 1 December 2014 until 31 January 2016).

Revenue

Revenue is recognised if increases in economic benefits during the accounting period are associated with an increase in assets or decrease in liabilities, provided the increases can be reliably measured. Revenue is recognised when it can be reliably expected that cash receipts will flow from them to the entity, unless such receipts were realised on the incurrence of revenue. Revenue is divided into operating, financial and other revenue.

Operating revenue comprises:

- Tolls collected;
- Rentals paid by various service providers to use motorway service areas;
- Revenue from motorway closures and extraordinary freight transports;
- Revenue from easements for the installation of facilities and devices of public importance alongside motorways;
- Revenue from telecommunications;
- Revenue pursuant to performance contracts;
- Other operating revenue;
- Capitalised own products and services.

Capitalised own products and services apply to capitalised own services rendered on motorways (various investments and investments in increasing motorway traffic safety). The purchase value of an asset produced by the Company includes the costs of material, the direct labour costs, and other costs that can be directly attributed to the goal of preparing the asset for use.

Financial revenue comprises interest revenue and foreign exchange gains. Financial revenue is recognised unless there is justified doubt as to its amount and collectability. Interest is recognised on a time proportion basis, taking into account the outstanding principal amount and the applicable interest rate.

Other revenue comprises unusual items increasing profit or loss for the period (damages received, remuneration for the employment of disabled persons above the quota, etc.).

Expenses

Expenses are recognised if the decrease in economic benefits in the accounting period is connected with a decrease in assets or an increase in debt and if this decrease can be reliably measured. Expenses are classified as operating expenses, financial expenses and other expenses.

Operating expenses are recognised once the materials are consumed or the service is rendered, for the period to which they relate. The Company's operating expenses include expenses associated with motorway construction, reconstruction, management, and maintenance and consist of the following:

- Costs of materials and cost of goods sold;
- Costs of services;
- Labour costs;
- Write-offs (disclosures connected to calculated amortisation are shown among disclosures of intangible assets and tangible fixed assets);
- Other operating expenses.

Financial expenses comprise interest expenses from received loans and issued bonds, expenses from derivatives used to insure against financial risks, foreign exchange losses, default interest and impairment of financial investments. Financial expenses are recognised when accrued, regardless of related payments.

Other expenses comprise unusual items that decrease the profit or loss for the period. Other operating expenses comprise of:

- Payment of court-ordered indemnifications,
- Reimbursement of auditing costs,
- Other cash penalties.

Corporate Income Tax and Deferred Tax

Corporate income tax is calculated in accordance with the Corporate Income Tax Act. Corporate income tax is payable on the taxable profit generated during the tax period and for 2014 comprised 17 percent.

Deferred tax is intended to cover temporary differences arising between the tax base of an asset and liability and its carrying amount using the balance sheet liability method in accordance with the valid tax rates at the time.

Cash Flow Statement

The Cash Flow Statement was prepared using the indirect method (Version II) on the basis of data from the Balance Sheets as of 31 December 2013 and 31 December 2014, Income Statement for 2014, and additional information required for adjustment of inflows and outflows.

The Cash Flow Statement comprises cash flow from operating, investing and financing activities.

II.4. Notes to Financial Statements

II.4.1 Explanatory Notes to the Balance Sheet

II.4.1.1 Intangible Assets and Long-Term Deferred Costs and Accrued Revenues

The Company's intangible assets comprise of computer software and the right of superficies.

Overview of Intangible Asset Movement in 2014

In EUR (without cents)	Intangible fixed assets under construction	Software	Right of superficies	Total
Purchase value				
Balance as of 31/12/2013	15,600	7,411,631	190,810,787	198,238,018
Purchases	480,475	0	0	480,475
Activation	-473,005	473,005	0	0
Balance as of 31/12/2014	23,070	7,884,636	190,810,787	198,718,493
Revaluation				
Balance as of 31/12/2013	0	6,538,225	6,218,534	12,756,759
Depreciation/amortisation	0	481,064	3,927,495	4,408,559
Balance as of 31/12/2014	0	7,019,289	10,146,029	17,165,318
Present value				
Balance as of 31/12/2013	15,600	873,406	184,592,253	185,481,259
Balance as of 31/12/2014	23,070	865,347	180,664,758	181,553,175

Overview of Intangible Asset Movement in 2013

In EUR (without cents)	Intangible fixed assets under construction	Software	Right of superficies	Total
Purchase value				
Balance as of 31/12/2012	0	6,794,246	190,810,787	197,605,033
Purchases	632,985	0	0	632,985
Activation	-617,385	617,385	0	0
Balance as of 31/12/2013	15,600	7,411,631	190,810,787	198,238,018
Revaluation				
Balance as of 31/12/2012	0	5,915,510	2,291,039	8,206,549
Depreciation/amortisation	0	622,715	3,927,495	4,550,210
Balance as of 31/12/2013	0	6,538,225	6,218,534	12,756,759
Present value				
Balance as of 31/12/2012	0	878,736	188,519,748	189,398,484
Balance as of 31/12/2013	15,600	873,406	184,592,253	185,481,259

Major additions to intangible assets in 2014:

- Upgrade of the DARS d.d. Project Information System in the amount of €72,275;
- Upgrade of the software for the toll collection system in the amount of €136,598;
- Upgrade of software for the supervision and sale of vignettes in the amount of €23,346;
- Upgrade of the system support software for the TIS infrastructure in the amount of €3,500;
- Upgrade of the software for the road database in the amount of €45,130;
- Upgrade of the system for electronic management and archiving of documents in the amount of €104,913;
- Upgrade of information support for KAŽIPOT II for informing and monitoring the traffic situation in the amount of €42,295;
- Upgrade of the NAVISION software in the amount of €41,649;
- Upgrade of the GIS application in the amount of €3,300.

As of 31 December 2014, no intangible assets were pledged as security for liabilities and no signs of impairment were observed for intangible assets predominantly comprising newly-acquired intangible assets.

The right of superficies was established pursuant to MCRSA-1 for the benefit of DARS d.d. on land owned by the Republic of Slovenia, where motorways are considered as buildings that had been constructed or the construction of which had commenced prior to the enforcement of MCRSA-1. The right of superficies is established for a 50-year period (from 4 December 2010 to 4 December 2060) free of charge. The Fiscal Balance Act made the right of superficies payable, therefore an annual compensation is paid for it in accordance with the annual implementation contract for the performance of contracts pursuant to Article 4 of MCRSA-1.

The right of superficies has a definite useful life and is amortised during this period for which it had been established. The useful life of the right of superficies is the period during which the Company has a legal right to utilise it.

II.4.1.2 Tangible Fixed Assets

Tangible fixed assets comprise land, buildings, and equipment as well as tangible fixed assets being constructed or manufactured.

Land applies to the land used for motorway maintenance bases, business and residential buildings, rest stops and surplus alongside motorways.

Buildings comprise motorways (substructure, superstructure, buildings, road infrastructure – other operators) and other facilities (motorway bases, toll stations, business premises in Celje, vacation accommodation units and apartments).

The Slovenian Accounting Standards do not specifically determine which costs represent the purchase value of the motorway substructure, therefore the Company adopted this determination itself. The categorisation of costs representing the purchase value of the motorway substructure and superstructure is presented in the amortisation rate table.

Equipment refers to movable equipment intended for management, maintenance and toll collection activities.

The Company divides a major cost of tangible fixed assets into the significant parts of such tangible fixed assets in accordance with SAS 1 and SAS 13. If the parts have different useful lives and/or usage patterns, which are relevant in relation to the entire cost of the tangible asset, each part is considered separately.

Major acquisitions and activation of tangible fixed assets in 2014 comprised:

- Investments into motorways and other buildings in the amount of €25,282,661;
- Purchase of machinery, devices, and connectors in the amount of €2,293,333;
- Purchase of work, cargo, and trailer vehicles in the amount of €2,039,159;
- Upgrade of the toll collection system in the amount of €41,133,
- Purchase of office furniture and other office supplies in the amount of €82,318;
- Purchase of computer equipment in the amount of €218,977;
- Purchase of personal and combined vehicles in the amount of €233,935.

No tangible fixed assets of DARS d.d. were pledged as security for liabilities as of 31 December 2014. Loans and bonds issued for the financing of tangible fixed assets belonging to DARS d.d. are secured by a guarantee of the Republic of Slovenia.

Movement of Tangible Fixed Assets in 2014

In EUR (without cents)	Land	Motorways (substructures, superstructures, facilities, road infrastructure – other operators)	Buildings (bases, TS, administration building in Celje, holiday units, apart- ments, etc.)	Equipment and small tools	Tangible fixed assets under construction	Total
Purchase value						
Balance as of 31/12/2013	31,827,375	5,332,406,179	75,604,146	115,328,952	166,679,380	5,721,846,032
Purchases in 2014	0	0	0	0	80,392,265	80,392,265
Transfer between items	0	0	0	0	0	0
Activation	0	24,784,577	498,084	4,912,920	–30,195,582	0
Eliminations in 2014 (divestments, write-offs)	0	0	0	–2,964,717	–20,350	–2,985,067
Balance as of 31/12/2014	31,827,375	5,357,190,756	76,102,230	117,277,156	216,855,714	5,799,253,231
Revaluation						
Balance as of 31/12/2013	0	396,720,804	7,399,412	96,635,593	0	500,755,809
Transfer between items	0	0	0	0	0	0
Amortisation in 2014	0	134,783,695	2,285,971	5,406,839	0	142,476,505
Eliminations in 2014 (divestments, write-offs)	0	0	0	–2,941,565	0	–2,941,565
Balance as of 31/12/2014	0	531,504,499	9,685,383	99,100,868	0	640,290,750
Present value						
Balance as of 31/12/2013	31,827,375	4,935,685,375	68,204,734	18,693,359	166,679,380	5,221,090,223
Balance as of 31/12/2014	31,827,375	4,825,686,257	66,416,848	18,176,288	216,855,714	5,158,962,481

Movement of Tangible Fixed Assets in 2013

In EUR (without cents)	Land	Motorways (substructures, superstructures, facilities, road infrastructure – other operators)	Buildings (bases, TS, administration building in Celje, holiday units, apart- ments, etc.)	Equipment and small tools	Tangible fixed assets under construction	Total
Purchase value						
Balance as of 31/12/2012	31,849,769	5,312,404,958	72,723,887	99,209,831	164,406,077	5,680,594,522
Purchases in 2013	0	0	0	0	41,926,346	41,926,346
Transfer between items	0	–15,748,134	0	15,748,134	0	0
Activation	0	35,751,395	3,149,760	751,888	–39,653,043	0
Eliminations in 2013 (divestments, write-offs)	–22,394	–2,040	–269,501	–380,901	0	–674,837
Balance as of 31/12/2013	31,827,375	5,332,406,179	75,604,146	115,328,952	166,679,380	5,721,846,032
Revaluation						
Balance as of 31/12/2012	0	264,947,761	5,313,748	87,857,455	0	358,118,964
Transfer between items	0	–1,889,154	0	1,889,154	0	0
Amortisation in 2013	0	133,662,197	2,231,793	7,268,875	0	143,162,866
Eliminations in 2013 (divestments, write-offs)	0	0	–146,130	–379,891	0	–526,021
Balance as of 31/12/2013	0	396,720,804	7,399,412	96,635,593	0	500,755,809
Present value						
Balance as of 31/12/2012	31,849,769	5,047,457,197	67,410,149	11,352,376	164,406,077	5,322,475,559
Balance as of 31/12/2013	31,827,375	4,935,685,375	68,204,734	18,693,359	166,679,380	5,221,090,224

II.4.1.3 Long-Term Financial Investments

Among the long-term financial investments of DARS d.d., we include a 0.04% stake in Slovenska cestna podjetja d.o.o. in the amount of €964, the value of which did not change in 2013, as well as a 100% stake in the subsidiary company DELKOM d.o.o., founded in 2013, in the amount of €200,000.

The Company does not compile a consolidated annual report because this is not important for a true and fair view of its financial status, income statement, cash flows, and changes in equity. In 2014, DELKOM d.o.o. generated a net profit of €71,248 and therefore has €553,687 of assets. The carrying amount of DELKOM's equity is €281,521. The value of DELKOM's assets in DARS's assets is 0.01 percent.

II.4.1.4 Other Long-Term Operating Receivables

Other long-term operating receivables in the amount of €30,754 refer to the transfer of the confirmed share of receivables to long-term liabilities due to the confirmation of the compulsory settlement of T-2 d.o.o.

II.4.1.5 Deferred Tax Assets

Movement of Deferred Tax Assets in 2014

In EUR (without cents)	31/12/2014	Changes in 2014	31/12/2013
Provisions for severance pay and jubilee benefits	244,512	1,732	242,780
Provisions for redundancies	47,668	9,457	38,210
Provisions for civil claims	1,441,028	-12,216	1,453,244
Provisions for electronic tags	16,429	-6,501	22,930
Cash flow hedging related to interest swaps	1,003,703	1,003,703	0
Revaluation of receivables	2,710,890	-6,495	2,717,385
Fixed assets	78,889	50,189	28,700
Total	5,543,119	1,039,869	4,503,250

Deferred tax assets are recognised for the amounts of profit tax that will be returned in future periods and which are directly recognised in capital.

II.4.1.6 Assets Held for Sale

Short-term assets include tangible fixed assets in the amount of €184,615 that are available for sale. These assets refer solely to real estate.

II.4.1.7 Material Inventory

Material inventories include inventories of material, spare parts, small tools, and packaging. In comparison with the balance as at 31 December 2013, the material inventories increased by 24%. Inventories of materials with an 86% share represent the major share in the structure of inventories, whereas inventories of gritting materials account for 48% and inventories of vignettes for 2015 for 9% of the total inventories of materials.

In EUR (without cents)	31/12/2014	Share	31/12/2013	Index
Material	2,899,994	86%	2,379,785	122
Spare parts	175,591	5%	157,920	111
Small tools and packaging	310,724	9%	203,808	152
Total	3,386,309	100%	2,741,513	124

The sale of vignettes for 2014 for personal and motor vehicles concluded on 30 November 2014. In accordance with SAS 4.41, the inventory of vignettes for 2014 was written-off and charged against the revaluation from operating expenses in the amount of €126,826 which represents the purchase value of vignettes.

During the annual material stocktaking and the stocktaking of small tools, the Company discovered deficits amounting to €12,237 and surpluses amounting to €163,082.

No inventories of DARS d.d. were pledged as security for liabilities as of 31 December 2014. The carrying amount of inventories does not exceed their recoverable value. The inventories of the Company represent current inventories.

The inventories did not show signs of impairment, therefore no impairment was implemented.

II.4.1.8 Short-Term Financial Investments in Others

As of 31 December 2014, short-term financial investments in others equalled €163,790,817, which includes:

- Short-term deposits with banks in the amount of €153,600,000, with an average maturity of 147 days and average 0.81% weighted interest rate;
- Two short-term overnight deposits with two banks in the amount of €10,190,817, with interest rates of 0.35% and 0.30%.

Short-term financial investments are not exposed to credit risk or there is only a minimum risk that the counterparty would not fulfil its obligations, since the Company invests its liquidity surpluses of assets in bank deposits in the Republic of Slovenia.

II.4.1.9 Short-Term Operating Receivables

In EUR (without cents)	31/12/2014	Share	31/12/2013	Index
Short-term trade receivables:	11,962,750	30%	12,758,917	94
– toll receivables	11,376,475	28%	11,554,833	98
– receivables from the use of motorway service areas	206,789	1%	326,109	63
– receivables from motorway closures	370,192	1%	339,686	109
– short-term receivables from the subsidiary company DELKOM d.o.o.	231,084	1%	32,992	700
– other short-term receivables	1,267,375	3%	2,033,499	62
– revaluation of short-term operating trade receivables	–1,489,165	–4%	–1,528,202	0
Short-term operating receivables due from others:	28,355,722	70%	23,705,077	120
– for advances given for current assets	120,781	0%	12,387	975
– short-term receivables from operations for foreign accounts	37,694,860	93%	36,386,668	104
– short-term receivables adjustment for foreign accounts	–14,434,530	–36%	–14,434,530	100
– short-term receivables from financial revenue	365,198	1%	222,173	164
– value adjustment of short-term receivables from financial revenue	–22,718	0%	–21,887	104
– input VAT receivables	403,975	1%	768,077	53
– other short-term receivables due from state institutions	3,820,943	9%	152,299	2,509
– other short-term receivables	407,214	1%	619,889	66
Total	40,318,472	100%	36,463,994	111

The majority share of short-term operating receivables represent receivables from the Republic of Slovenia totalling €20,358,412, which are related to operations for foreign accounts for transactions from Article 4 of MCRSA-1 equalling €19,556,694, fees from performance contracts in the amount of €801,718 and receivables due from domestic commission agents and foreign sales agents in the amount of €18,098,083. Twenty-four percent of all short-term operating receivables represent trade receivables for tolls while the remainder comprises other short-term receivables.

DARS d. d. performs business operations on behalf of, and for the account of the State on the basis of Article 4 of MCRSA-1. These transactions are recorded in accounting ledgers as transactions for foreign accounts.

This refers to tasks connected to spatial planning and the siting of motorways and the acquisition of real estate required for the construction of motorways which the Company performs in accordance with performance contracts. DARS d.d. records receivables due from the Republic of Slovenia for implemented transactions. The funds for such transactions are guaranteed from the budget of the Republic of Slovenia in accordance with Article 10 of MCRSA-1.

Breakdown of Short-Term Operating Receivables by Maturity

In EUR (without cents)	Undue	Up to 60 days	Over 60 days	Total
Short-term operating receivables trading for third party accounts	20,224,359	3,035,970	14,434,530	37,694,860
Formed adjustments of value of receivables from operations for foreign accounts	0	0	-14,434,530	-14,434,530
Short-term operating receivables from customers	11,631,080	169,402	1,651,433	13,451,915
Formed adjustments of value of trade receivables	0	0	-1,489,165	-1,489,165

No receivables of DARS d.d. were pledged as security for liabilities as of 31 December 2014. Short-term operating receivables of the Company are not secured and represent the Company's current receivables.

In 2014, the Company formed an adjustment of value of short-term operating receivables in the amount of €145,295.

On 31 December 2014, the Company had a formed adjustment of value of short-term receivables from the Republic of Slovenia in the following amounts:

- €14,434,530 from receivables from the Republic of Slovenia and linked to operations for foreign accounts described in Article 4 of MCRSA-1 and conducted in 2010;
- €801,718 from receivables for compensation according to the performance contract for 2010.

As of 31 December 2014, the Company still believes that it is entitled to those receivables, but because the State did not acknowledge these receivables and based on their maturity, the Company nevertheless made, as a precaution, an adjustment to the value of the total amount of receivables in 2011.

II.4.1.10 Cash

In EUR (without cents)	31/12/2014	Share	31/12/2013	Index
Cash in banks	611,182	38%	371,214	165
Cash in hand	1,730	0%	1,807	96
Cash in toll booths	350,750	22%	348,540	101
Cash in transit	630,796	40%	477,653	132
Total cash and cash equivalents	1,594,457	100%	1,199,214	133

The item "cash in transit" comprises tolls not yet put into the Company's transaction account. Upon taking the annual inventory of cash in transit from collected tolls on 30 November 2014, the Company reconciled the balance in the books of account with the actual balance.

II.4.1.11 Short-Term Deferred Costs and Accrued Revenues

Deferred costs and accrued revenue amounting to €1,074,076 comprises short-term deferred costs that will be charged against profit or loss in future accounting periods as well as short-term accrued revenues.

Short-term deferred costs in the total amount of €678,876 include short-term deferred costs of commission fees to sales agents based on the value of vignettes sold in the amount of €322,679 and short-term deferred costs for the lease of Microsoft licensed software in the amount of €233,699.

Short-term accrued revenues in the amount of €108,361 relate to, among other things, revenues arising from tasks performed under Article 4 of MCRSA-1 in September, October, November, and December 2014, which could not be charged to the Republic of Slovenia.

II.4.1.12 Equity

The movement in equity is shown in the Statement of Changes in Equity for the period from 1 January 2014 to 31 December 2014 in which the reasons for changes in equity items are evident.

Equity reflects owner financing of the Company and represents the Company's liabilities to its owners. It is determined by both the amounts invested in the Company by owners and by the amounts generated during the Company's operation.

The Company's share capital amounts to €2,319,866,345 and is distributed to 55,592,292 ordinary registered shares owned by the Republic of Slovenia. The book value of a share on 31 December 2014 was €45.53. It is calculated as a ratio between the total value of capital and the number of shares.

The shares give the owner the full right to participate in the management of the Company, the right to a profit share (dividend), and the right to an adequate part of the remainder of assets upon liquidation or bankruptcy of the Company.

Legal reserves in the amount of €3,517,709 were formed in accordance with CA-1, statutory reserves in the amount of €16,709,116, and on the basis of the Company's management's decision other reserves from profit were formed in the amount of €25,063,673.

The revaluation surplus of €5,008,889 refers to:

- The revaluation surplus for actuarial deficits and surpluses;
Actuarial deficits and surpluses include changes in the present value of liabilities to employees due to changes in actuarial assumptions. At the end of 2014, revaluation surplus was €108,455.
- The revaluation surplus for derivative financial instruments.
The revaluation surplus for derivative financial instruments includes changes in the value of derivative financial instruments used as cash flow protection that are shown in the statement of comprehensive income; at the end of 2014, these equalled €4,900,434. Derivative financial instruments are disclosed in detail under the guidelines and explanatory notes on short-term financial liabilities.

Net Profit or Loss Restated using the Consumer Price Index

In EUR (without cents)	Growth in %	Amount of equity	Effect of restatement	Decreased profit or loss
Capital – all items except profit in the current year	0.20%	2,460,924,208	4,921,848	65,432,323

II.4.1.13 Provisions and Long-Term Accrued Costs and Deferred Revenues

Provisions for jubilee benefits and retirement severances are formed in compliance with the law, the collective agreement, and the internal rules that bind the Company to pay its employees jubilee benefits and severances upon their retirement. These provisions are formed on the basis of an actuarial calculation made by a certified actuary. At the conclusion of each financial year, the amount of these provisions is examined to see whether they need to be increased or decreased. The actuarial calculation of 31 December 2014 was performed for each employee so that it took into account the costs of retirement benefits and the cost of all expected jubilee premiums until retirement. The actuarial calculation took into account the following assumptions:

- The nominal long-term interest rate is evaluated at 2.15 percent in accordance with the IAS 19 standard considering the average maturity in the Company, i.e. 16.7 years;
- The expected long-term growth of jubilee premiums and non-taxable amounts in the calculation of the amount of the expected long-term inflation, which amounts to two percent annually;
- Employee fluctuation, which depends mostly on their age;
- The expected employee mortality rate in accordance with the mortality rate for Slovenia for the 2000–2002 period, determined by sex;
- Future long-term nominal increase of wages – two percent annually.

The Company joined the collective voluntary supplementary pension insurance scheme in 2006. In accordance with an agreement concluded with trade unions, all of the Company's employees were entitled to join this scheme, except those being of retirement age on 31 December 2006, i.e. 50 years (women) and 55 years (men). The employer will pay to these employees a lump sum equal to the interest-free premiums it would have to pay on their behalf had they been included in the pension scheme. The Company formed long-term provisions for this reason.

In previous years, the Company set up long-term provisions for long-term accrued costs related to employment relationships that would arise upon the transition to electronic toll collection in the free-flow traffic system. The electronic toll collection system, where motorway users pay fees for the use of motorways according to the distance travelled, is the final vision and objective of the toll collection system in the Republic of Slovenia. The Government of the Republic of Slovenia adopted the Action Plan for the Introduction of ETS in FTF on 26 November 2009. In June 2012, the Ministry of Infrastructure and Spatial Planning engaged DARS d.d. to implement all necessary activities on the basis of which Slovenia would transition in the upcoming years to ETS in FTF for vehicles with a maximum permissible weight over 3,500 kg. A reassessment of the required long-term provisions for restructuring the toll division was carried out on 31 December 2014 and based on the Restructuring Plan, the Company adopted a resolution on the reconciliation of long-term provisions formed for severance payments for redundant employees with an assessment of envisaged costs.

Long-term deferred revenues have also been shown in the amount co-financed by users of the ABC system, namely third and fourth toll class vehicles. Deferred revenues relate to warranties granted on the sale of electronic tags. At the end of each accounting period, long-term deferred revenues are restated to the present value of expenditure required to settle the liability. The warranty granted on an ABC system tag is one year from the date of its acceptance. Its useful life is 7 years. If an electronic tag is purchased, used, and then returned undamaged within its useful life, the user is entitled to the refund of the proportionate share of the co-financed amount taking into account the undepreciated amount of the electronic tag. The annual amortisation rate is 14.29%. The claim of refund of a proportionate share of the co-financed amount taking into account the undepreciated amount of the electronic tag, and the return of the unused net credit actually paid are only possible on the basis of a written claim with the obligatory statement of the identification number (ID) and the return of the electronic tag and receipt of purchase (or payment of the co-financed amount).

The Company formed long-term deferred revenue in 2014 for EU funds received for the preparation of spatial and project documentation and motorway construction or tasks related to them (improving traffic safety – construction of traffic control and management systems). These funds were received within the EU Cohesion Fund, TEMPO-CONNECT projects, TEN T projects, and the EasyWay programme.

In 2014, the Company formed long-term deferred revenues for assets received from realised guarantees for the rectification of defects, performance guarantees and tender bonds. Realised guarantees are used for covering the costs of realisation or in the case of the realisation of performance guarantees also for the guarantee for the rectification of defects during the warranty period.

Movement of Provisions and Long-Term Accrued Costs and Deferred Revenue in 2014

In EUR (without cents)	Balance as of 31/12/2013	Implementa- tion in 2014	Reversal in 2014	Additional crea- tion in 2014	Balance as of 31/12/2014
Provisions for retirement benefits	1,405,121	42,246	0	289,403	1,652,278
Provisions for employee jubilee premiums	707,013	95,221	0	140,826	752,618
Provisions for voluntary supplementary pension insurance	65,736	7,172	86	8,892	67,370
Provisions for claims related to motorway operation and maintenance	13,320	0	2,732	466	11,054
Provisions for employment-related claims	15,000	15,000	0	203,791	203,791
Provisions for claims related to construction and reconstruction	19,037,029	31,094	272,566	5,002,925	23,736,294
Provisions for severance pay related to toll-system change	422,077	0	0	111,264	533,341
Amortisation of holiday facilities and apartments	186,649	7,424	0	0	179,225
Equipment – free acquisition	796	808	0	666	654
Return of ETC tags	269,765	3,295	73,185	0	193,285
Lease of optical fibres	441,616	49,695	0	0	391,921
Cashed-in guarantees	12,984,166	3,526,545	0	313,102	9,770,724
State subsidies received	66,197,263	2,541,621	0	14,426,625	78,082,267
Total	101,745,551	6,320,120	348,569	20,497,960	115,574,823

Provisions, and non-current accrued costs and deferred revenues are formed for the following purposes:

- Based on an actuarial calculation, provisions were set up on 31 December 2014 for jubilee premiums in the amount of €752,618 along with provisions for retirement severances in the amount of €1,652,278.
- On 31 December 2014, provisions in the amount of €67,370 for retirement benefits to employees not included in the pension scheme of collective supplementary pension insurance under the agreement between the trade unions and the Company.
- The Company presented provisions in the amount of €11,054 on the account of long-term costs calculated in advance due to expected losses from indemnification claims for lawsuits connected with the management and maintenance of motorways, €23,736,294 for lawsuits in connection with claims relating to construction and reconstruction, and €203,791 for claims arising from employment relationships.
- In 2005–2007, provisions were formed and charged against long-term accrued costs for the purchase of insurance during this period and severance pay for employees who would become redundant following the implementation of electronic toll collection in the free-flow traffic system. The Government of the Republic of Slovenia adopted the Action Plan for the Introduction of ETS in FTF on 26 November 2009. In June 2012, the Ministry of Infrastructure and Spatial Planning engaged DARS d.d. to implement all necessary activities on the basis of which it would transition in the upcoming years to ETS in FTF for vehicles with a maximum permissible weight over 3,500 kg. A reassessment of the required long-term provisions for anticipated costs of restructuring the toll division was carried out on 31 December 2014 and based on the Restructuring Plan, the Company formed provisions for severances for redundant employees in the amount of €533,341.

- In previous years, long-term accrued costs and deferred revenue were set up from grant funds in the amount of the acquisition values of holiday facilities and apartments that serve to cover the costs of depreciation of the holiday facilities with furnishings and apartments throughout their service lives. In 2014, the denoted provisions decreased by the costs of amortisation in the amount of €7,424.
- On 31 December 2014, long-term deferred revenues in the amount of €193,285 (the buyers of ETC tags are entitled to return them within seven years from the date of purchase) were formed for the settlement of contingent liabilities arising from the return of purchase money upon a possible return.
- The Company also shows long-term deferred revenue from advance payments for optic fibre leases by users in the amount of €391,921 among long-term accrued costs and deferred revenue.
- The Company formed long-term accrued costs and deferred revenues in the amount of 9,770,724 for assets acquired with the realisation of performance guarantees, guarantees for the rectification of defects and tender bonds.

On 31 December 2014, the Company presented long-term accrued costs and deferred revenues for acquired state grants for the purchase of tangible fixed assets in the total amount of €78,082,267. The increase in 2014 is associated with the funds received from the EU Cohesion Fund for the project entitled Construction of Noise Barriers on Individual Motorway Sections in the amount of €13,715,181 and the TEN-T funds received for the project entitled Completion of the Execution Design (ED) for the Draženci–IBCP Gruškovje Motorway Section equalling €711,444. The amount of the long-term deferred revenues is reduced by the amount of depreciation of fixed assets and by the amount of any other types of costs for which funds have been received.

II.4.1.14 Long-Term Financial Liabilities

The Company obtains loans on the international and domestic financial markets for its operational needs. The aim of the loans is to finance motorway construction and reconstruction. All loans are secured by means of a guarantee of the Republic of Slovenia. In 2014, the Company launched a new borrowing procedure for €37.78 million, completing it in January 2015.

The interest rates and manner of calculating interest for received loans are contractually defined and represent a business secret. The weighted annual interest rate for the total loan amount of DARS d.d. amounted to 1.91 percent on 31 December 2014. The interest rate for the total debt of DARS d.d. on 31 December 2014 amounted from 0.21 to 5.05 percent.

Long-term financial liabilities refer in their total amount to motorway construction and reconstruction.

In EUR (without cents)	31/12/2014	Share
Long-term loans acquired from domestic banks	891,121,328	37%
Long-term loans acquired from foreign banks	1,321,874,249	55%
Long-term loans acquired from foreign entities	31,849,553	1%
Long-term bonds issued	160,364,547	7%
Total	2,405,209,677	100%

Long-term financial liabilities by maturity

In EUR (without cents)	31/12/2014	Share
Long-term financial liabilities with a maturity of up to 5 years	1,075,645,783	45%
Long-term financial liabilities with a maturity longer than 5 years	1,329,563,894	55%
Total	2,405,209,677	100%

Movement of long-term financial liabilities in 2014

Long-term financial liabilities	Balance as of 31/12/2013	Increase in 2014	Decrease in 2014	Balance as of 31/12/2014
European Investment Bank	854,164,553	0	65,707,716	788,456,838
Nova Ljubljanska banka	394,062,500	0	26,466,346	367,596,154
Kreditanstalt für Wiederaufbau	242,421,875	105,000,000	37,718,750	309,703,125
Consortium of Slovenian banks	300,356,505	0	32,018,064	268,338,440
Depfa Bank	184,523,810	0	23,809,524	160,714,286
UniCredit Banka Slovenija	108,689,201	0	17,735,837	90,953,363
Kommunalkredit	70,000,000	0	7,000,000	63,000,000
Hypo Alpe Adria Bank	52,737,083	0	4,170,379	48,566,704
Avtovie Venete S.p.A.	35,034,508	0	3,184,955	31,849,553
Banka Koper	16,333,333	50,000,000	10,666,667	55,666,667
Sberbank Slovenija	60,000,000	0	0	60,000,000
Bonds	160,364,547	0	0	160,364,547
Total	2,478,687,915	155,000,000	228,478,238	2,405,209,677

In 2014, the maturity of the loans totalling €155m was extended (the BIIS 50 million loan (transfer to Banka Koper), the KfW 50 million loan and the KfW 55 million loan) with an amortising loan repayment until 2020 and 2019. At the end of 2013, the long-term liabilities therefore did not include the indicated amount.

II.4.1.15 Long-Term Financial Liabilities to Banks

Long-term share of the principal amount of bank borrowings by lenders

Lender	In EUR (without cents)	
	Balance as of 31/12/2014	Share
Consortium of Slovenian banks	268,338,440	12%
Hypo Alpe Adria Bank	48,566,704	2%
UniCredit Banka Slovenija	90,953,363	4%
Banka Koper	55,666,667	3%
NLB	367,596,154	17%
Sberbank Slovenija	60,000,000	3%
European Investment Bank	788,456,838	36%
Kreditanstalt für Wiederaufbau	309,703,125	14%
Depfa Bank	160,714,286	7%
Kommunalkredit Austria AG	63,000,000	3%
Total	2,212,995,577	100%

a) Loans from the Consortium of Slovenian Banks

DARS d.d. obtained seven loans from the Consortium of Slovenian Banks in the period from 1996 to 2004. These loans were paid off in 2014 in the total amount of €31,793,980.

Long-term liabilities to the Consortium of Slovenian Banks and maturity dates

Type	Repayment period	In EUR (without cents)
I	from 2002 to 2016	24,456,810
II	from 2004 to 2019	39,588,126
III	from 2007 to 2019	63,785,687
IV	from 2008 to 2020	31,686,299
V	from 2007 to 2020	36,326,486
VI	from 2009 to 2021	29,004,845
VII	from 2012 to 2024	43,490,187
Total		268,338,440

b) Loans from Hypo Alpe Adria Bank

The Company took out three loans from Hypo Alpe Adria Bank, in 2003, 2004, and 2005. These loans were paid off in 2014 in the total amount of €4,170,379. In 2014, the Company began paying off the principal of the Hypo Alpe Adria III loan worth €2,086,463.

Long-term liabilities to Hypo Alpe Adria Bank and maturity dates

Type	Repayment period	In EUR (without cents)
I	from 2011 to 2023	21,242,569
II	from 2012 to 2024	10,632,431
III	from 2014 to 2023	16,691,704
Total		48,566,704

c) Loans from UniCredit Banka Slovenija

The Company took out three loans from UniCredit Banka Slovenija, in 2005, 2006, and 2009. The loan from 2006 was intended for refinancing and the early repayment of loans from the bank Kreditanstalt für Wiederaufbau. The loans from UniCredit Banka Slovenija were paid off in 2014 in the total amount of €8,335,837.

Long-term liabilities to UniCredit Banka Slovenija and maturity dates

Type	Repayment period	In EUR (without cents)
I	from 2011 to 2023	13,353,363
II	from 2007 to 2021	40,000,000
III	from 2015 to 2019	37,600,000
Total		90,953,363

d) Loan from Banka Koper

The Company took out a loan with Banka Koper in 2006 that was intended for the refinancing and early repayment of loans taken out with the bank Kreditanstalt für Wiederaufbau. On 1 January 2014, the receivable of the BIIS bank for a €50m loan, whose maturity was extended to 2020, was assigned to Banka Koper.

The loan from Banka Koper was paid off in 2014 in the amount of €2,333,333.

Long-term liability to Banka Koper and maturity dates

Type	Repayment period	In EUR (without cents)
I	from 2007 to 2021	14,000,000
II	from 2015 to 2020	41,666,667
Total		55,666,667

e) Loans from NLB

In 2007, 2008, and 2013, DARS d.d. raised three loans with NLB, which were completely drawn-up for financing motorway construction.

The loans from NLB were paid off in 2014 in the amount of €15,312,500.

Long-term liabilities to NLB and maturity dates

Type	Repayment period	In EUR (without cents)
I	from 2012 to 2027	183,750,000
II	from 2015 to 2027	133,846,154
III	from 2016 to 2023	50,000,000
Total		367,596,154

f) Loan from Sberbank

DARS d.d. took out a loan with Sberbank in 2013 for €60 million, which it used for financing motorway construction.

Long-term liability to Sberbank and maturity dates

Type	Repayment period	In EUR (without cents)
I	from 2016 to 2022	60,000,000
Total		60,000,000

g) Loans from the European Investment Bank (EIB)

The loans from the European Investment Bank were taken out during the period from 1994 to 2006 with €53,673,313 of the amount repaid in 2013. In 2014, the last instalment of the principal of the EIB A loan matured. The remainder of the loans are due between 2015 and 2037.

Long-term liabilities to the European Investment Bank and maturity dates

Type	Repayment period	In EUR (without cents)
B, C	from 2000 to 2015, 2016	2,028,000
II	from 2003 to 2018	21,666,667
III	from 2004 to 2019	40,833,333
IV	from 2005 to 2019	42,666,666
V	from 2007 to 2027	69,000,000
VI	from 2012 to 2029	84,920,000
VII	from 2014 to 2037	239,772,727
VIII	from 2015 to 2033	287,569,444
Total		788,456,838

h) Loans from Kreditanstalt für Wiederaufbau (KfW)

The first loan from Kreditanstalt für Wiederaufbau was taken out in 1997. DARS d.d. took out an additional three loans from Kreditanstalt für Wiederaufbau in 2008 and 2009, which were also earmarked for financing motorway construction. In 2014, the last instalment of the principal of the first Kreditanstalt für Wiederaufbau (KfW I) loan in the amount of €2,641,672 matured. In 2014, the maturity of the loans totalling €105m was extended (the KfW 50 loan and the KfW 55 loan) with an amortising loan repayment until 2019. The KfW 267.5 loan was paid off in 2014 in the amount of €16,718,750.

Long-term liabilities to Kreditanstalt für Wiederaufbau and maturity dates

Type	Repayment period	In EUR (without cents)
II	from 2013 to 2029	225,703,125
III	from 2014 to 2019	44,000,000
IV	from 2014 to 2019	40,000,000
Total		309,703,125

i) Loans from Pfandbriefsbank (DEPFA)

In 2006, DARS d.d. obtained two loans from Depfa Bank totalling €225,000,000. These loans were repaid in 2014 in the amount of €23,809,523.

Long-term liabilities to Depfa Bank and maturity dates

Type	Repayment period	In EUR (without cents)
I	from 2014 to 2024	60,714,286
II	from 2013 to 2021	100,000,000
Total		160,714,286

j) Loan from Kommunalkredit Austria AG (Kommunalkredit)

In 2010, DARS d.d. obtained a loan from Kommunalkredit Austria AG in the amount of €70,000,000. The loan was obtained at a fixed interest rate. The principal of this loan was not due for payment in 2014.

Long-term liability to Kommunalkredit and maturity dates

Type	Repayment period	In EUR (without cents)
I	from 2015 to 2020	63,000,000
Total		63,000,000

II.4.1.16 Long-Term Financial Liabilities from Bonds

DARS d.d. issued three series of bonds in 2004 and 2005 for the financing of motorway construction and reconstruction. The liabilities arising from the issued bonds are secured by means of a guarantee of the Republic of Slovenia.

Issue	Maturity	Size of issue in EUR (without cents)
DRS1	2024	56,042,047
DRS2	2025	61,758,920
DRS3	2020	42,563,580
Total		160,364,547

a) DARS 1st Issue Bonds (DRS1)

In 2004, the bonds of first issue, designated DRS1, were issued in the aggregate nominal amount of €56,042,047. The principal is due in its total amount in 2024. The annual coupon rate is 5.1 percent. The bonds are traded on the Ljubljana Stock Exchange.

b) DARS 2nd Issue Bonds (DRS2)

In 2005, the bonds of second issue, designated DRS2, were issued in the aggregate nominal amount of €61,758,920. The principal is due in its total amount in 2025. The annual coupon rate is 4.5 percent. The bonds are traded on the Ljubljana Stock Exchange.

c) DARS 3rd Issue Bonds (DRS3)

In 2005, the bonds of third issue, designated DRS3, were issued in the aggregate nominal amount of €42,563,580. The principal is due in its total amount in 2020. The annual coupon rate is 4 percent. The bonds are traded on the Ljubljana Stock Exchange.

II.4.1.17 Other Long-Term Financial Liabilities

Loan from Autovie Venete (AVV)

The loan from Autovie Venete was obtained on the basis of a memorandum of consent between the Government of the Republic of Slovenia and the Government of the Republic of Italy for the construction of motorway facilities required for connecting the Slovenian motorway network with the Italian network. The loan was obtained in 2000. In 2014, the loan from Autovie Venete was paid off in the amount of €3,184,955.

Long-term liability to AVV and maturity dates

Type	Repayment period	In EUR (without cents)
I	from 2011 to 2025	31,849,553
Total		31,849,553

II.4.1.18 Long-Term Operating Liabilities

Long-term operating liabilities include the liability for the right of superficies compensation in the amount of €141,763,711. Based on the annual implementation contract (on the execution of contracts on the basis of Article 4 of MCRSA-1 for 2015), the short-term part of the long-term liability is transferred to short-term liabilities.

The right of superficies was established pursuant to MCRSA-1 for the benefit of DARS d.d. on land owned by the Republic of Slovenia, where motorways are considered as buildings that had been constructed or the construction of which had commenced prior to the enforcement of MCRSA-1. The right of superficies is established for a 50-year period (from 4 December 2010 to 4 December 2060) free of charge. Compensation is paid for the right of superficies in accordance with the Fiscal Balance Act.

The value of compensation for the right of superficies was determined on the basis of the authorised real property appraiser's opinion provided on 7 June 2012, i.e. in the amount of €190,810,787 without VAT.

On 31 December 2014, the Company paid €23,120,730 compensation for the right of superficies more than the compensation value of the right of superficies as an intangible fixed asset.

Long-term operating liabilities include liabilities in the amount of €4,027,802 from the co-financing of accompanying infrastructure (predominantly municipal) constructed within the scope of the motorway infrastructure which does not include motorways and which the Company, following their construction, must hand over to the co-financers.

II.4.1.19 Short-Term Financial Liabilities

Short-term financial liabilities totalling €250,220,064 represent the short-term portion of long-term financial liabilities maturing in the following year and interest due from bank loans, bonds issued and liabilities from derivative financial instruments.

Short-term financial liabilities to banks in the total amount of €233,401,832 represent:

- a. A part of the principal of the short-term bank loans for purchasing tangible fixed assets, which mature in 2015;

Lender	In EUR (without cents)	
	31/12/2014	31/12/2013
European Investment Bank A, B, C	4,161,200	6,021,999
European Investment Bank II	8,666,667	8,666,667
European Investment Bank III	11,666,667	11,666,667
European Investment Bank IV	10,666,667	10,666,667
European Investment Bank V	6,000,000	6,000,000
European Investment Bank VI	6,270,000	6,270,000
European Investment Bank VII	6,818,182	3,409,091
European Investment Bank VIII	11,458,333	972,222
Kreditanstalt für Wiederaufbau I	0	2,641,672
Kreditanstalt für Wiederaufbau 267.5	16,718,750	16,718,750
Kreditanstalt für Wiederaufbau 55	11,000,000	55,000,000
Kreditanstalt für Wiederaufbau 50	10,000,000	50,000,000
Kommunalkredit	7,000,000	0
Pfandbriefsbank (DEPFA) I	7,142,857	7,142,857
Pfandbriefsbank (DEPFA) II	16,666,667	16,666,667
IntesaSanpaolo (BIIS) – Banka Koper II	8,333,333	50,000,000
Banka Koper I	2,333,333	2,333,333
Consortium of banks I	24,127,749	24,127,749
Consortium of banks II	672,254	448,169
Consortium of banks III	700,942	700,942
Consortium of banks IV	344,416	344,416
Consortium of banks V	397,011	397,011
Consortium of banks VI	659,201	659,201
Consortium of banks VII	5,116,492	5,116,492
Hypo Alpe Adria I	833,042	833,042
Hypo Alpe Adria II	1,250,874	1,250,874
Hypo Alpe Adria III	2,086,463	2,086,463
Unicredit bank I	1,669,170	1,669,170
Unicredit bank II	6,666,667	6,666,667
Unicredit bank III	9,400,000	0
Nova Ljubljanska banka I	15,312,500	15,312,500
Nova Ljubljanska banka II	11,153,846	0
Total principals	225,293,283	313,789,288

b. On 31 December 2014, interest accrued from long-term bank loans equalled €8,108,549. Short-term financial liabilities for interest are related to interest accrued up to 31 December 2014 and to interest calculated up to 31 December 2014. Interest rates and the interest calculation method for concluded transactions are contractually determined and on 31 December 2014 amounted between 0.21 and 5.05 percent annually.

Short-term financial liabilities from bonds equalling €3,416,071 are related to interest accrued up to 31 December 2014.

Other short-term financial liabilities in the amount of €13,402,161 refer to:

In EUR (without cents)	31/12/2014	31/12/2013
Short-term portion of the Autovie Venete loan principal	3,184,955	3,184,955
Interest payable on derivative financial instruments	99,336	4,409
Liabilities from derivative financial instruments	10,117,869	4,909,741
Total	13,402,160	8,099,105

In previous years, the Company, in accordance with its active risk management policy in the financial area, decided to decrease its exposure to the risk of changed interest rates on the market to protect itself against interest rate risk. On 31 December 2013, 60% of the Company's portfolio value was exposed to a variable interest rate while 39% was exposed to a fixed interest rate. Interest-free loans make up the remaining percentage. In 2014, the Company concluded three transactions to protect itself against interest rate risks totalling €150 million, thereby reducing its exposure to a variable interest rate to 54%. Its exposure to a fixed interest rate is therefore 45% while the remaining percentage is an interest-free loan.

Liabilities from derivative financial instruments in the amount of €10,117,869 refer to liabilities arising from the valuation of derivative financial instruments on 31 December 2014.

Detailed description of derivative financial instruments, concluded as of 31 December 2014:

Interest Risk Insurance in the Amount of €40 Million

In 2007, DARS d.d. concluded interest risk insurance in the amount of €40,000,000 with three-year maturity. With this transaction, DARS d.d. partially insured the loan contracted with UniCredit Banka Slovenija. The loan was secured for a period of three years with a fixed interest rate and the option of extension for a further seven years. In 2010, the extension option was implemented for another seven years.

Interest Risk Insurance in the Total Amount of €150 Million

In the second half of 2014, DARS d.d. concluded three interest risk insurance transactions in the total amount of €150,000,000 with ten-year maturity. With the individual €50 million transactions, DARS d.d. partially insured the loans contracted with KfW (the KfW 267.5 loan) and with NLB (the €245 million and the €145 million loans). The loans were insured for ten years and with a fixed interest rate.

II.4.1.20 Short-Term Operating Liabilities

In EUR (without cents)	31/12/2014	Share in %	31/12/2013	Index
Short-term liabilities to suppliers	45,554,676	54%	42,755,278	107
Short-term receivables for advances	5,833	0%	37,916	15
Short-term liabilities to employees	3,524,811	4%	3,354,088	105
Short-term liabilities to the State	30,937,766	36%	29,211,938	106
– corporate income tax liability	8,095,747	10%	2,174,800	372
– VAT liability	6,236,092	7%	6,184,772	101
– liabilities for contributions of the payer	350,295	0%	338,285	104
– short-term liability for the right of superficies	15,780,319	19%	19,846,511	80
– other liabilities to the State	475,314	1%	667,571	71
Short-term liabilities to others	4,850,938	6%	1,146,781	423
Total	84,874,023	100%	76,506,001	111

The largest share (54 percent) are liabilities to suppliers. These liabilities comprise unpaid liabilities for performed and charged works in the construction of motorways, performed by local and foreign suppliers (including contractually retained amounts), liabilities from indemnifications in the acquisition of land for transactions for the benefit and for the account of the Republic of Slovenia, operating liabilities from the management and maintenance of motorways and other short-term operating liabilities.

Contractually retained funds represents funds retained as a performance guarantee and until the fulfilment of all contractual obligations by the contractor (work acceptance, remedying of all deficiencies and hand-over of guarantees for the remedy of defects during the warranty period) are retained in the amount of a maximum of five percent of the contractual value. The funds retained pursuant to contracts concluded with contractors belong to the said contractors and are remitted once they fulfil their contractual obligations and furnish the investor with the required documents. As of 31 December 2014, liabilities on the basis of retained funds amounted to €29,023,694 and represented a 64 percent share of total trade payables.

Short-term operating liabilities also include the short-term part of the long-term liability for the compensation for the right of superficies, which for 2015 amounts to €15,780,319 in accordance with the annual implementation contract for the performance of contracts on the basis of Article 4 of MCRSA-1.

Overview of short-term operating liabilities by maturity

In EUR (without cents)	Undue	Up to 60 days	Over 60 days	Total
Short-term operating liabilities to suppliers (current liabilities)	16,396,536	124,255	7,458	16,528,249
Short-term operating liabilities to suppliers (retained amounts)	29,023,694	0	0	29,023,694

Liabilities to suppliers as of 31 December 2014

In EUR (without cents)	31/12/2014	Share
SCT, d.d., Ljubljana, Slovenia – in bankruptcy	9,761,620	21%
ALPINE BAU GMBH, Salzburg – Celje subsidiary	3,434,063	8%
ASFINAG	2,992,358	7%
Werkos d.o.o. subsidiary in the Republic of Slovenia	2,777,856	6%
NGR d.d. – in bankruptcy	1,956,020	4%
CPM, d.d. – in bankruptcy	1,413,414	3%
CPG, d.d.	1,348,116	3%
CPK d.d.	1,324,500	3%
CGP, d.d.	1,254,754	3%
CP Ljubljana, d.d. – in bankruptcy	1,196,055	3%
Other suppliers	18,095,919	40%
Total	45,554,676	100%

The Company's liabilities to employees predominantly represent calculated December salaries and compensation for salaries and reimbursement of costs to employees in connection to work, paid out in January 2015.

II.4.1.21 Short-Term Accrued Costs and Deferred Revenues

In EUR (without cents)	31/12/2014	Share	31/12/2013	Index
Short-term accrued costs	492,136	2%	343,934	143
Short-term deferred revenues	23,203,388	98%	20,191,630	115
Total	23,695,524	100%	20,535,564	115

The Company's liabilities comprise costs or expenses calculated in advance, and these refer mostly to expenses for the auditing of financial statements for 2014 calculated in advance in the amount of €17,606 and the costs for the implementation of the actuarial calculation of provisions for jubilee premiums and severance pay on 31 December 2014 in the amount of €495; expenses for the variable income of the Management Board calculated in advance in the amount of €234,165 and the variable part of the salaries paid to employees according to individual contracts in the amount of €239,871.

Short-term deferred revenue arises when services to be rendered in the future have already been invoiced or even paid. Short-term deferred revenue was formed for revenue from tolls collected in the form of top-ups on electronic toll media (ABC tags, DARS cards, and DARS Transporter cards) invoiced and paid in 2014 but not used in the same year. These will be recognised as deferred revenue until they have actually been used by road users. Short-term deferred revenue also included revenue from annual vignettes charged in 2014, which will be valid in 2015, and from one-track half-year vignettes, which will be partly or entirely valid in 2015 (a half-year vignette is valid six months from the date of purchase, and the annual vignette for 2015 is valid from 1 December 2014 until 31 January 2016).

Short-term deferred revenue comprises:

- Revenue from annual vignettes charged which will be valid in 2015, and from half-year vignettes, which will be partly or entirely valid in 2015 in the total amount of €12,797,358 (a half-year vignette is valid six months from the date of purchase and the annual vignette for 2015 is valid from 1 December 2014 until 31 January 2016);
- Revenue from the credit on electronic prepaid toll media (DARS cards, ABC tags), which was charged and paid in 2014 but not used in the same year, in the amount of €10,342,636. These will be recognised as deferred revenue until they have actually been used by road users.
- Other short-term deferred revenue in the amount of €63,395.

Off-Balance-Sheet Items

The Company recorded a total of €129,420,419 in off-balance-sheet items. The amount of €128,403,368 refers to potential cash or receivables from obtained guarantees or other security instruments, e.g. performance guarantees or guarantees for the rectification of defects within the warranty period.

€274,283 represents contingent liabilities towards municipalities based on unjustified calculations and collection of fees for the use of building land, together with default interest.

The value of inventories of vignettes for the use of toll roads in the Republic of Austria that are sold by DARS d.d. amounts to €742,768.

II.4.2 Notes to the Income Statement

II.4.2.1 Net Sales Revenue

In EUR (without cents)	2014	Share	2013	2014/2013 Index
Toll revenue	344,163,641	97%	305,296,550	113
– revenue from vignette sales	155,560,318	44%	138,983,036	112
– revenue from freight traffic tolls	188,603,323	53%	166,313,513	113
Revenue from rest stop leases	6,914,136	2%	6,798,574	102
Revenue from closure and overweight load transports	897,712	0%	741,471	121
Revenue from easements for base stations and others	578,738	0%	763,150	76
Revenues from lease of optical fibres	743,165	0%	955,645	78
Revenue from performance contracts	418,721	0%	412,267	102
Other sales revenue	739,639	0%	672,821	110
Total net sales revenue	354,455,753	100%	315,640,479	112

Revenue from tolls in 2014 amounted to €344,163,641 and represented 97 percent of total sales revenue, which is three percent higher than in 2013. Revenue from the tolling of vehicles with a maximum weight under 3.5 tonnes (vignette system) amounted to €155,560,318 and represented 45 percent of the revenue, while revenue from the tolling of vehicles with a maximum weight exceeding 3.5 tonnes amounted to €188,603,323 or 55 percent.

Revenue from tolls is followed by revenue from leases for rest stops, which amounted to €6,914,136 in 2014.

Revenue is earned from the leasing of land alongside motorways for the provision of catering services and the construction of petrol service stations. Revenue from leases increased by two percent compared to 2013.

Sales revenues also include revenues from road closures and overweight road transports in the amount of €897,712, revenues from optical fibre leases in the amount of €743,165, and revenues from easements in the amount of €578,738.

Revenue from performance contracts in 2014 amounted to €418,721. This revenue refers to the implementation of tasks performed by DARS d.d. under the annual implementation contract for the Republic of Slovenia pursuant to Article 4 of MCRSA-1. These tasks include spatial planning and integrating motorways in the environment, as well as the acquisition of real property for necessary motorway construction.

Other sales revenue in the amount of €739,639 includes revenue from the commission from the sale of Austrian vignettes, revenue from the sale of ETC tags, revenue from towing, snow ploughing and clearing road accidents, revenue from rentals for holiday facilities and apartments, revenue from the sale of waste material and other sales revenue.

Net sales revenue was earned entirely in the domestic market.

II.4.2.2 Capitalised Own Products and Services

In 2014, the Company capitalised its own investment services in relation to motorways, which it did not charge to external contractors who provide motorway reconstruction services. In 2014, revenues arising from capitalised own services amounted to €1,249,490.

II.4.2.3 Other Operating Revenue

In EUR (without cents)	2014	Share	2013	Index
Revenue from the reversal of long-term provisions	525,481	9%	2,248,871	23
Revenues from insurance benefits	2,232,461	40%	2,451,679	91
Other operating revenue	2,852,973	51%	2,995,190	95
Total other operating revenue	5,610,915	100%	7,695,740	73

The revenue from the reversal of long-term provisions in the amount of €525,481 also includes the reversal of provisions for lawsuits, the reversal of business performance calculated in advance for 2013, which was not paid, the reversal of provisions for unused annual leave in 2013 and the reversal of long-term deferred revenue for electronic tag sales.

Revenue from insurance benefits includes revenue from received insurance benefits for the repair of damage on motorway sections and facilities along motorways. In 2014, this revenue amounted to €2,232,461.

The most important revenue items among other operating revenue, which totalled €2,852,973, were granted EU funds (Cohesion Fund, TEN-T, EasyWay programme, Tip project, HOME project) in the amount of €2,003,949 and other operating revenue from funds received from municipal co-financing in the amount of €534,605, which is transferred to revenue upon the receipt of the funds from long-term accrued costs and deferred revenue, in accordance with the ensuing costs (amortisation calculation). €208,000 of other operating revenue refers to operating revenue for revaluation created by the sale of real property and equipment.

II.4.2.4 Costs and Operating Expenses

Overview of costs

In EUR (without cents)	2014	Share	2013	Index
Cost of materials	9,363,390	4%	11,896,765	79
Cost of services	25,085,583	11%	25,078,481	100
Labour costs	35,658,179	16%	34,310,284	104
Depreciation/amortisation	146,885,064	66%	147,713,076	99
Operating expenses for revaluation of intangible long-term assets and tangible fixed assets	26,560	0%	151,219	18
Operating expenses from revaluation of operating current assets	319,620	0%	223,986	143
Other operating expenses	5,529,137	2%	1,367,954	404
Total operating expenses	222,867,533	100%	220,741,765	101

Breakdown of costs of materials

In EUR (without cents)	2014	Share	2013	Index
Cost of materials	3,375,705	36%	5,602,757	60
Energy costs	4,227,125	45%	4,956,330	85
Costs of spare parts	497,407	5%	497,772	100
Write-offs of small tools	1,096,009	12%	602,196	182
Other costs of materials	167,144	2%	237,711	70
Total	9,363,390	100%	11,896,765	79

The cost of materials represents a four percent share of all operating expenses and is lower by 21 percent in comparison with 2013.

Breakdown of costs of services

In EUR (without cents)	2014	Share	2013	Index
Costs of the supervising engineer	627,200	3%	386,648	162
Costs of maintaining fixed assets	5,951,137	24%	6,445,789	92
Rents	1,012,230	4%	1,046,671	97
Cost of payment transactions and insurance premiums	2,568,894	10%	2,598,819	99
Commissions for sold vignettes	6,270,916	25%	6,631,700	95
Costs of other services	8,655,207	35%	7,968,854	109
Total	25,085,583	100%	25,078,481	100

The costs of services represent an 11 percent share of all the operating expenses. Other services in 2014 included commissions for sold vignettes (25 percent share), the cost of maintenance of fixed assets (24 percent share), and the cost of payment transactions and insurance premiums (10 percent share).

II.4.2.5 Labour Costs

Labour costs represent a 16 percent share in total operating expenses of DARS d.d. In 2014, they were four percent higher than in 2013.

Type of labour costs	2014	Share	2013	Index
Cost of salaries and wages	26,222,694	74%	25,226,863	104
Social security and pension insurance costs	5,156,447	14%	4,874,417	106
Other labour costs	4,279,037	12%	4,209,004	102
Total	35,658,179	100%	34,310,284	104

Labour costs include the cost of supplementary pension insurance premiums in the amount of €808,175.

As of 31 December 2014, there were 1,251 workers employed by the Company. The average staff count in 2014 was 1,200 (computed on the basis of working hours).

In 2014, wages and salaries were paid in line with the General Collective Agreement for Economic Activities and the Corporate Collective Agreement of DARS d.d., while the salaries of the Management Board of DARS d.d. were also paid in accordance with the Act Regulating the Incomes of Managers of Companies owned by the Republic of Slovenia and Municipalities (ZPPOGD – Official Gazette of the Republic of Slovenia, No. 21/2010).

The average salary at DARS d.d. in 2014 (in euros)

Average gross salary	2014	2013
DARS d.d.	1,797	1,742
Republic of Slovenia	1,540	1,523

The number of employees and the employee educational structure as of 31 December 2014 are presented in the Business Report of the Annual Report, under the chapter Human Resource Management (Section I.15.3).

The total gross earnings of the members of the Management Board of DARS d.d. in 2014 amounted to €399,408. The table below presents the earnings of the members of the Management Board of DARS d.d. by individual members.

In EUR (without cents)	Matjaž Knez Chairman of the Management Board	Tine Svoljšak Member of the Management Board	Franc Skok Member of the Management Board	Marjan Sisinger Member of the Mana- gement Board/Labour Manager as of 9/5/2014	Total
Gross salary	103,980	93,474	93,979	52,539	343,972
Payment of variable income for 2013	9,927	8,955	8,982	0	27,863
Benefits	4,992	6,616	7,005	4,242	22,855
Reimbursement of costs	1,175	869	1,074	757	3,875
Supplementary pension insurance	0	0	456	387	843
TOTAL	120,074	109,914	111,495	57,925	399,408

The gross earnings of staff employed under employment contracts not subject to the Tariff Section of the Collective Agreement amounted to €802,609 in 2014.

The earnings of the Supervisory Board members in 2014 are shown below.

In EUR (without cents)	Remunera- tion for being a member of the Su- pervisory Board	Supervi- sory Board meeting fees	Remunera- tion for being a member of the Audit Committee	Audit Committee meeting fees	Remunera- tion for being a member of the HR Committee	HR Com- mittee meeting fees	Travel expenses	Benefits	Total
Dušan Hočevar	12,738	2,805	0	0	2,123	440	227	146	18,479
Ivan Križnič	8,492	2,805	0	0	3,184	440	1,264	146	16,331
Silva Savšek	8,492	2,805	3,184	1,276	0	0	169	146	16,071
Robert Čehovin	8,492	2,805	2,123	1,276	0	0	808	146	15,649
Vito Meško	13,000	4,180	0	0	3,169	440	0	180	20,968
Marjan Sisinger	4,613	1,760	0	0	0	0	0	81	6,453
Robert Ličen, MSc	6,467	1,375	0	0	1,503	0	129	34	9,507
Andraž Lipolt	4,508	1,375	0	0	1,002	0	107	34	7,026
Gregor Osojnik	4,508	1,375	1,002	440	0	0	200	34	7,559
Gregor Lukan	4,508	1,375	1,503	440	0	0	135	34	7,995
Rožle Podboršek	7,688	2,420	1,002	440	0	0	0	87	11,637
Silva Jamnik	0	0	0	2,320	0	0	687	0	3,007
Total	83,504	25,080	8,814	6,192	10,980	1,320	3,726	1,067	140,684

Other earnings of the Supervisory Board members were not recorded.

The claims of employees under labour disputes contested by the Management Board of DARS d.d. are disclosed in the notes to long-term provisions.

II.4.2.6 Write-Offs

In EUR (without cents)	2014	Share	2013	Index
Amortisation of intangible long-term assets	4,408,559	3%	4,550,210	97
Amortisation of tangible fixed assets	142,476,505	97%	143,162,866	99
Operating expenses for revaluation of intangible and tangible fixed assets	26,560	0%	151,219	18
Operating expenses from revaluation of operating current assets	319,620	0%	223,986	143
Total	147,231,244	100%	148,088,281	99

The amortisation of intangible fixed assets in 2014, which includes the amortisation of software and the right of superficies, amounted to €4,408,559. The right of superficies was established pursuant to MCRSA-1 for the benefit of DARS d.d. on land owned by the Republic of Slovenia, where motorways are considered as buildings that had been constructed or the construction of which had commenced prior to the enforcement of MCRSA-1. The right of superficies was established for the period of 50 years.

Operating expenses from revaluation of current assets comprise mostly of the adjustments of the value of trade receivables in the amount of €146,126, write-offs of receivables in the amount of €45,689, and the revaluation of inventories of vignettes for 2014, the sales of which ended on 30 November 2014, i.e. in the amount of €126,826.

II.4.2.7 Other Operating Expenses

The costs of forming long-term provisions in the amount of €5,327,338 are also shown among other operating expenses equalling €5,529,137. The costs of forming long-term provisions in 2014 comprise:

- Long-term accrued costs of contingent losses on claims for damages related to motorway construction and reconstruction in the amount of €5,002,925, and for lawsuits related to motorway management and maintenance in the amount of €466, as well as for lawsuits related to labour disputes in the amount of €203,791,
- Provisions formed for severance pay for redundant employees due to the changed toll system in the amount of €111,264,
- Provisions in the amount of €8,892 formed for retirement benefits to employees who are not included in the pension scheme of collective voluntary supplementary pension insurance, based on an agreement between the trade unions and the Company.

II.4.2.8 Financial Revenue from Loans to Others

Financial revenue from loans to others in the amount of €3,843,022 includes revenue from short-term surplus liquid funds deposited with banks and investments in securities, and revenue from revaluation of financial investments held for sale.

II.4.2.9 Financial Revenue from Operating Receivables Due from Others

Financial revenue from operating receivables due from others in the amount of €97,589 refers to financial revenue from operating receivables and includes calculated default interest and positive exchange rate differences.

II.4.2.10 Financial Expenses from Loans Received from Banks

Financial expenses in the amount of €44,787,525 represent interest calculated for long-term loans. The average weighted interest rate of long-term loans as of 31 December 2014 was 1.69 percent.

II.4.2.11 Financial Expenses from Issued Bonds

Financial expenses in the amount of €7,339,724 represent interest calculated for long-term securities issued. The average weighted interest rate of long-term securities as of 31 December 2014 was 4.35 percent.

II.4.2.12 Financial Expenses from Other Financial Liabilities

Financial expenses from other financial liabilities in the amount of €2,092,972 include, among other things, negative interest on derivative financial instruments (97 percent), which represent the difference between the variable interest rate of an insured loan and the fixed interest rate on the derivative instrument.

II.4.2.13 Financial Expenses from Operating Liabilities

Financial expenses from operating liabilities in the amount of €1,015,880 include, among other things, charged default interest arising from late-settled liabilities.

II.4.2.14 Other Revenue

Other revenue in the amount of €101,252 represents revenue from indemnities received under court decisions, revenue from invoiced contract penalties, revenue from bonuses for exceeding the quota of disabled employees and fees obtained by DARS d.d. within the scope of implementing supervision of violations of toll collection and similar.

II.4.2.15 Other Expenses

Other expenses in the amount of €2,834,017 primarily comprise the payment of damages arising from court decisions, reimbursed costs in audit procedures according to the Public Procurement Act, donations given and similar.

II.4.2.16 Corporate Income Tax

Corporate income tax is calculated in accordance with the Corporate Income Tax Act (ZDDPO-2). Corporate income tax is payable on the taxable profit generated during the tax period and for 2014 comprised 17 percent.

In EUR (without cents)	2014	2013
1 Revenue	365,358,022	327,666,309
2 Expenses	280,937,651	271,187,458
3 Total profit (1 – 2)	84,420,370	56,478,851
4 Decrease in revenue	117,364	120,068
5 Increase in revenue	0	0
6 Decrease in expenses for forming provisions and revaluation of receivables	376,662	325,492
7 Decrease in expenses, other non-deductible expenses	1,459,095	1,420,573
8 Increase in deductible expenses	196,744	33,505
9 Difference between revenues and expenses recognised for tax purposes (1 – 2 – 4 + 5 + 6 + 7 – 8)	85,942,019	58,071,343
10 Tax base (9)	85,942,019	58,071,343
11 Change in tax base due to a change in accounting policies and error correction	–131,276	–134,705
12 Increase in tax base by the amount of tax relief used	3,361.82	0
13 Tax relief for investments	1,658,412	534,039
14 Relief for employment of disabled persons	301,308	296,042
15 Relief for implementation of the practical part of professional training	0	0
16 Tax relief for supplementary pension insurance	808,175	804,596
17 Tax relief for donations	91,120	17,410
18 Tax base (10 + 11 + 12 – 13 – 14 – 15 – 16 – 17)	82,955,090	56,284,551
19 Corporate income tax	14,102,365	9,568,374

Net profit for the period is the amount of total profit determined in the income statement decreased by the income tax liability in the accounting period and decreased by deferred taxes.

In EUR (without cents)	2014	2013
Operating profit	138,448,626	102,999,842
Profit from financing activities	–51,295,490	–46,454,064
Profit from extraordinary activities	–2,732,765	–66,927
TOTAL PROFIT	84,420,370	56,478,851
Tax on profit	–14,102,365	–9,568,374
Deferred taxes	36,166	233,396
Net profit or loss for the accounting period	70,354,171	47,143,873

Deferred tax receivables are the amounts of income tax recoverable in future periods. The effective tax rate for 2014 calculated as a quotient of total paid tax and total profit for 2014 amounted to 16.70 percent.

II.5. Operating and Financial Risks

Operating and financial risks are presented in the business part of the Annual Report under chapters I.8 and I.9.

II.6. Events after the Balance Sheet Date

Events which emerged after the balance sheet date did not impact the financial statements of DARS d.d. for 2014.

II.7. Annual Report Audit for 2014

The contractual price of the audit of the 2014 Annual Report of DARS d.d. amounted to €22,007 (exclusive of VAT). The audit was carried out by the audit firm Deloitte revizija d.o.o., Ljubljana. The audit firm did not perform any other services for DARS d.d. in 2014.

II.8. Auditor's Report



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INDEPENDENT AUDITOR'S REPORT **to the owners of the company Družba za avtoceste v Republiki Sloveniji d.d.**

Report on the Financial Statements

We have audited the accompanying financial statements of the company Družba za avtoceste v Republiki Sloveniji d.d. (hereinafter: the 'Company'), which comprise the balance sheet as at 31 December 2014, 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 Slovene Accounting Standard and for such internal control as management determines is necessary to enable the preparation of 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. Except as discussed in the following paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Ime Deloitte se nanaša na Deloitte Touche Tohmatsu Limited, pravno osebo, ustanovljeno v skladu z zakonodajo Združenega kraljestva Velike Britanije in Severne Irske (v izvirniku »UK private company limited by guarantee«), in mrežo njenih članic, od katerih je vsaka ločena in samostojna pravna oseba. Podroben opis pravne organiziranosti združenja Deloitte Touche Tohmatsu Limited in njenih družb članic je na voljo na www.deloitte.com/si/nasa-druzba.

Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

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 in relation to which we have expressed a qualified opinion.

DELOITTE REVIZIJA d.o.o.

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Yuri Sidorovich
Certified Auditor
President of the Board

Ljubljana, 14 April 2014

*For signature please refer to the
original Slovenian version.*

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

Annex 1: Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities

In accordance with the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act (ZPFOLERD, Official Gazette of the Republic of Slovenia, No. 33/2011) DARS d.d. discloses items regarding transactions it performs on behalf and for the account of the Republic of Slovenia pursuant to Article 4 of MCRSA-1 separately from transactions performed in its name and for its account, namely motorway construction and reconstruction, operation, and management thereof and toll collection.

Pursuant to Article 4 of MCRSA-1 and the Performance Contract, DARS d.d. performs tasks related to the spatial planning and arrangement of motorways in space and acquisition of real estate for the needs of motorway construction. These transactions are managed as transactions for foreign accounts. DARS d.d. records receivables towards the Republic of Slovenia for services performed. The funds for such transactions are guaranteed from the budget of the Republic of Slovenia in accordance with Article 10 of MCRSA-1. In 2012, the Republic of Slovenia and DARS d. d. concluded the Agreement on the Performance of Contracts on the basis of Article 4 of MCRSA-1 and on its basis an annual implementation contract for 2014, which regulated mutual relations in 2014. The implementation contract for 2014 defined the contents and the planned value of performed works, the Company's compensation for performed tasks and the dynamics of calculating and paying for services included in the contract.

On the basis of the annual implementation contract for 2014, DARS d.d. is entitled to compensation which is harmonised with the actual implemented number of hours. The costs of the performed tasks arising in relation to third parties are charged in full to the Republic of Slovenia with DARS d.d. re-invoicing the Republic of Slovenia for such costs.

DARS d.d. shows fees from the Performance Contract which the Republic of Slovenia recognises to DARS d.d. for implemented orders as revenue from the costs of activities for the spatial planning and arrangement of motorways in space and acquisition of real estate required for the needs of motorway construction. Under costs of activities for the spatial planning and arrangement of motorways in space and the acquisition of real estate required for the needs of motorway construction, the Company shows the costs of the Spatial Planning Department, Legal Service, Finance and Accounting Service, Investments Division (general), Controlling and International Relations that are related to activities for the spatial planning and arrangement of motorways in space and the acquisition of real estate required for motorway construction.

In 2014, the Company posted a profit of €4,096 from operations connected to the activities defined in Article 4 of MCRSA-1.

The Company implements the construction and reconstruction of motorways that it operates and manages, maintains and implements toll collection within the scope of concession activities that the Company performs in its name and for its account. Under revenue from concession activities, the Company includes all revenue except revenue under performance contracts, while costs include all costs except costs of the Spatial Planning Department, Legal Service, Finance and Accounting Service, Investments Division (general), Controlling and International Relations that are related to activities for the spatial planning and arrangement of motorways in space and the acquisition of real estate required for motorway construction.

Individual items are explained in detail in the Notes to the Financial Statements.

The Company does not prepare a separate balance sheet due to the negligible significance of individual items. Tangible fixed assets and the associated amortisation costs are allocated among activities in accordance to the aforementioned division.

Income Statement by Activities for the Period from 1 January to 31 December 2014

In EUR (without cents)	Performance Contract	Concession Agreement	Total
1. Net sales revenue	418,721	354,037,031	354,455,753
Toll revenue	0	344,163,641	344,163,641
Revenue from rest stop leases	0	6,914,136	6,914,136
Revenue from closure and overweight load transports	0	897,712	897,712
Revenue from easements for base stations and others	0	578,738	578,738
Revenue from performance contracts	418,721	0	418,721
Revenues from lease of optical fibres	0	743,165	743,165
Other sales revenue	0	739,639	739,639
3. Capitalised own products and services	0	1,249,490	1,249,490
4. Other operating revenue	0	5,610,915	5,610,915
5. Costs of goods, materials, and services	-39,895	-34,409,078	-34,448,973
a) Purchase value of goods and material sold, and costs of material used	-5,360	-9,358,029	-9,363,390
b) Cost of services	-34,535	-25,051,049	-25,085,583
6. Labour costs	-373,540	-35,284,639	-35,658,179
a) Cost of salaries and wages	-296,970	-25,925,724	-26,222,694
b) Social security and pension insurance costs	-57,018	-5,099,430	-5,156,447
c) Other labour costs	-19,552	-4,259,485	-4,279,037
7. Write-offs	-410	-147,230,834	-147,231,244
a) Depreciation/amortisation	-410	-146,884,654	-146,885,064
b) Operating expenses from revaluation of intangible assets and tangible fixed assets	0	-26,560	-26,560
c) Operating expenses from revaluation of operating current assets	0	-319,620	-319,620
8. Other operating expenses	-781	-5,528,357	-5,529,137
10. Financial revenue from loans granted	0	3,843,022	3,843,022
b) Financial revenue from loans to others	0	3,843,022	3,843,022
11. Financial revenue from operating receivables	0	97,589	97,589
a) Financial revenues from operating receivables due from Group companies	0	88	88
b) Financial revenue from operating receivables due from others	0	97,501	97,501
13. Financial expenses from financial liabilities	0	-54,220,221	-54,220,221
b) Financial expenses from loans received from banks	0	-44,787,525	-44,787,525
c) Financial expenses from issued bonds	0	-7,339,724	-7,339,724
d) Financial expenses from other financial liabilities	0	-2,092,972	-2,092,972
14. Financial expenses from operating liabilities	0	-1,015,880	-1,015,880
b) Financial expenses from liabilities to suppliers	0	-1,012,904	-1,012,904
c) Financial expenses from other operating liabilities	0	-2,977	-2,977
15. Other revenue	0	101,252	101,252
16. Other expenses	0	-2,834,017	-2,834,017
17. Tax on profit	0	-14,102,365	-14,102,365
18. Deferred taxes	0	36,166	36,166
19. Net profit or loss for the accounting period	4,096	70,350,075	70,354,171

DARS

2014