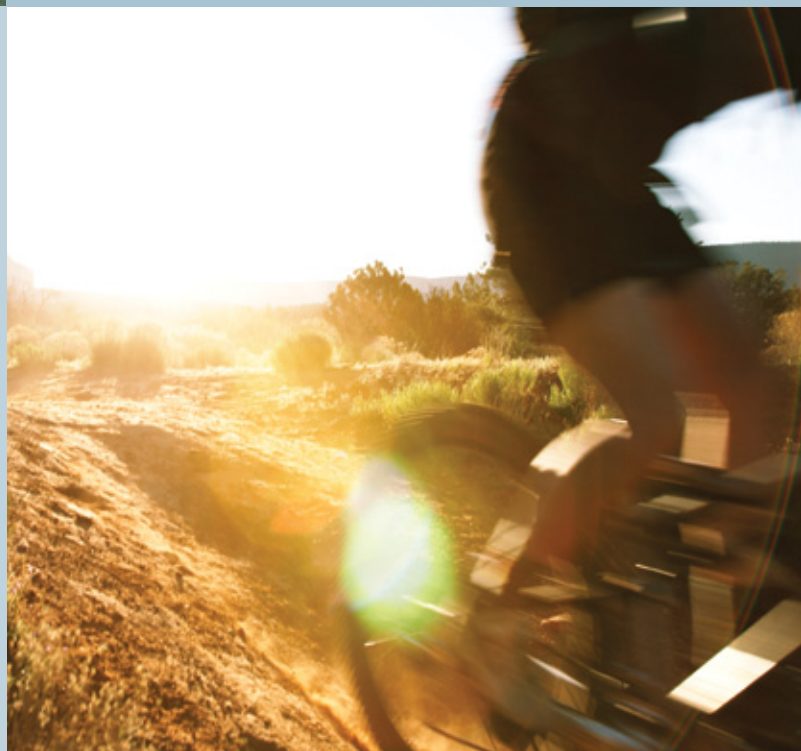




Business Report  
**2011**



***geoplín***

*People and environment-friendly energy.*

# Business Report 2011

***geoplín***

*Natural gas – the cleanest fossil fuel – lending  
a hand to attain a cleaner environment.*

## Contents

00	Statement by the Management Board	7
01	Profile of the Geoplin company	8
	Geoplin's core business	9
	Geoplin Group	9
	Subsidiary company - Plinovodi	9
	Company mission and values	9
	Company vision	10
	Ownership structure as at 31 December 2011	10
	Geoplin's organisational structure and management	10
	Internal structure	11
	Employees	11
02	Company operations in 2011	12
	Business environment in 2011	13
	Investments	14
	Natural gas trading	14
03	Socially responsible behaviour	16
	Environmental performance	17
	Corporate communications	17
	Sponsorship and charity	17
04	Financial statements – Geoplin	18
	Balance Sheet – Geoplin	19
	Income Statement – Geoplin	19
05	Financial statements – Geoplin Group	24
	Balance Sheet – Geoplin Group	25
	Income Statement – Geoplin Group	25

President of the Management Board,  
Boštjan Napast



Member of the Management Board,  
Alojz Stana, MBA

## Statement by the Management Board

The company Geoplin and Geoplin Group operated successfully in 2011, with both the parent company Geoplin and the subsidiary Plinovodi achieving key objectives. Geoplin exceeded its planned profit, despite the somewhat smaller scope of sales of natural gas compared to 2010, which can be considered a success in the light of the harsh economic conditions and simultaneous contraction of the Slovenian market. A total of 1003 Sm<sup>3</sup> of natural gas was sold, with the company generating EUR 380 million in net sales revenue and a net profit of EUR 14 million.

Business success was complemented by the transformation of the Geoplin Group pursuant to Directive 2009/73/EC (Third Energy Package), which was still in progress by the end of the year, as the subsidiary Plinovodi was undergoing the certification process as an independent transmission operator (ITO). The most important activities implemented prior to this comprised the complete separation of all functional business processes, the reallocation of business premises and ICT network groups of the Geoplin Group and staff redeployment.

The key activities of the company were focused on the core business, i.e. trade in natural gas, the optimisation of supply sources, and adaptation to market conditions, the conclusion of sales contracts and continuation of development projects. The market situation was predominantly influenced by the economic/financial crisis, increasing competition and customers, who due to lower consumption, increased pressure on the price of natural gas. The situation was further impeded by the increase in natural gas selling prices pursuant to long-term supply contracts and the increasing difference between the index price of natural gas and the spot price. The company was also successful with regard to foreign sales, which compensated for the shrinking sales in the Slovenian market. Despite the aforementioned factors, the company managed to maintain its market share and position as the leading supplier and will remain a key factor in the reliable supply of natural gas in Slovenia.

Geoplin has three main sources of supply, and if necessary, adds other incidental sources, which together with the established reserves of natural gas in storage and optimised leasing of transport facilities for transporting natural gas from delivery points to Slovenia, ensures the highest level of reliability for customers. Delivery of natural gas to customers was again carried out without interruption in 2011.

In the field of development projects in 2011, Geoplin was involved as a co-investor in the opening of the first automobile filling station for compressed natural gas in Ljubljana, and together with its partners, founded the company GGE to provide energy services.

Risks were regularly monitored and identified and managed in accordance with well-established risk management processes. Assessment of the environmental management system ISO 14001:2004 was successfully implemented. The certification proves the responsible performance of all business activities with regard to environmental standards and is confirmation of the Group's business excellence.

Alojz Stana, MBA  
Member of the Management Board

A stylized, handwritten signature in black ink, consisting of a few loops and a long horizontal stroke.

Boštjan Napast  
President of the Management Board

A stylized, handwritten signature in black ink, featuring a large, prominent 'B' and several loops.



# 01

*Though an entire planet is available, man has always preferred to return home. Seeking new knowledge about the world from the threshold of his home. Sensing that the essence of growth lies in the awareness of the here and now.*

## Profile of the Geoplin company

### Geoplin's core business

The company is the largest supplier of natural gas in Slovenia and supplies the majority of major industrial users, distributors and other customers, most of whom are directly connected to the gas transmission network. The basic activities which the company has been performing since the middle of 1978 are the supply, trade and brokerage of natural gas on the market. To perform these activities, the company Geoplin renewed its license in 2011, which is entered with the Public Energy Agency of the Republic of Slovenia (No. 0762-20-054/003/11). The company also operates across borders, being involved in both natural gas supply and the provision of services. A reliable supply is ensured through adequate and diversified sources of supply, transport and storage capacities.

In 2011, Geoplin sold 1003 million Sm<sup>3</sup> of natural gas.

The business activities of the parent company Geoplin comprise:

- procurement of natural gas from producers,
- organisation of transport of natural gas to the Slovenian border,
- supply of natural gas to customers at home and abroad.

### Geoplin Group

The company Geoplin d. o. o. Ljubljana has three subsidiaries: Plinovodi d. o. o. (Geoplin plinovodi d. o. o. until 25 October 2011), Geocom d. o. o., in which Geoplin has a 100% ownership stake, and the company GGE d. o. o., established in 2011, in which it has a one third ownership stake. As separate legal entities, the subsidiaries prepare their own reports in accordance with the law. The companies Plinovodi d. o. o. and Geocom d. o. o. are included in the consolidated financial statements for 2011. All three companies together make up the Geoplin Group.

### Subsidiary company - Plinovodi

The subsidiary Plinovodi is responsible for managing, developing and increasing the capacity of the gas transmission network in Slovenia.

The gas network at the end of 2011 comprised 1060 km of pipeline, with a number of stations and other facilities owned and operated by the company Plinovodi, enabling the off-take of natural gas by connected users. The network passes through the territories of 92 municipalities, in which the majority of Slovenian industry and population are located.

The total value of Plinovodi's investment, which is located in an intense investment cycle in the ten-year development plan of construction of the gas pipeline network, amounted to EUR 75 million in 2011.

### Company mission and values

Geoplin's mission is to provide a long-term, reliable and competitive supply of natural gas.

Its core values are reliability and effectiveness and the maintenance of high-level professional business relationships. The company encourages the values of professionalism, initiative, good interpersonal skills, adaptability and responsiveness to the natural and social environments in its employees.

The company's ISO 14001:2004 environmental management system certificate is evidence that Geoplin responsibly performs all business activities in line with environmental standards, confirming its business excellence.

Geoplin follows the guidelines of the ISO 26000 standard on corporate responsibility, and observes the declarations and conventions of the United Nations and its founding members, particularly the International Labour Organization.

Company vision

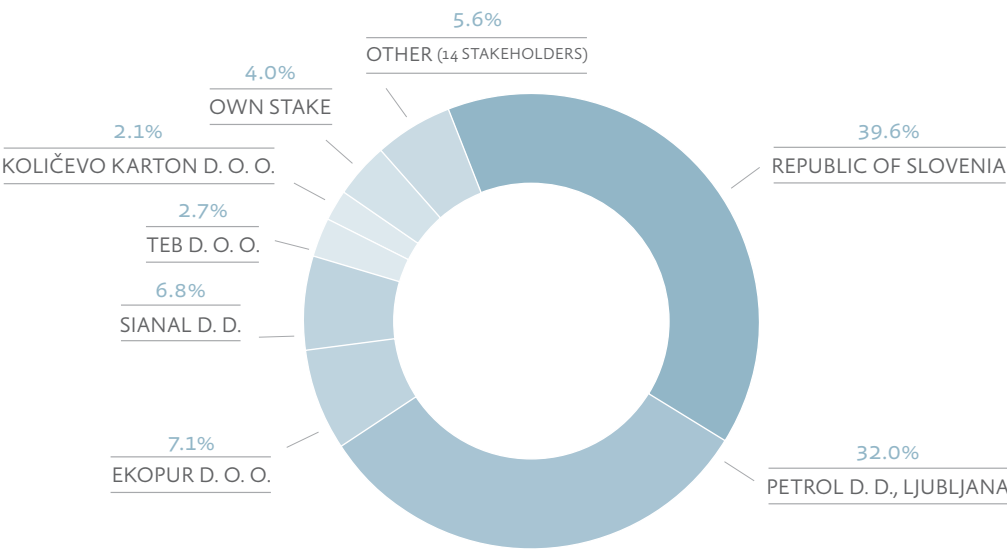
Geoplin strives to maintain its leading position as a natural gas supplier in Slovenia, while expanding its activities to other markets. The company will focus on its core business of trading in natural gas in Slovenia and abroad, optimise its procurement-sales portfolio and competitiveness, trade in the ‘spot’ market, continue development projects and seek new opportunities in the energy market and opportunities for the efficient use of energy and renewable energy sources.

In addition to focusing on its core business, the company will focus on providing a reliable and competitive supply of natural gas, which is the purest fossil fuel, and promote the use of this energy source. The reliability of the supply will be based on the purchase of sufficient and diversified sources of supply, sufficient transport facilities from foreign delivery points to the Slovenian border, sufficient storage capacities and the development of natural gas reserves in optimal quantities.

Ownership structure as at 31 December 2011

Geoplin, or namely its legal predecessor, was established in 1975 with the aim of implementing the programme to supply natural gas to Slovenia.

Ownership structure as at 31 December 2011



Its ownership structure changed in 2011, due to certain transfers of business stakes. The company’s ownership on 31 December 2011 comprised 20 members. Share capital remained unchanged, and on 31 December 2011 amounted to EUR 30,829,619.98.

Geoplin’s organisational structure and management

The management bodies of Geoplin did not change in 2011, with only the Articles of Association of the company and compositions of the Supervisory and Management Boards being modified.

Up to and including 22 June 2011, the Supervisory Board consisted of eight shareholder representatives (Janez Kopač – Chairman, Iztok Bajda – Deputy Chairman, Hrvoje Drašković, Jože Funda, Zoran Gračner, Janez Grošelj, Klemen Grošelj and Darinka Mravljak) and four employee representatives (Boris Tertnik, Uroš Tušar, Jolanda Zevnik and Katarina Žgajnar).

On the basis of a General Meeting decision and entry of the amendment to the Articles of Association, the following newly appointed members assumed their mandates on 1 July 2011: Matjaž Novak – Chairman, Iztok Bajda – Deputy Chairman, Janez Grošelj and Tomaž Orešič as shareholder representatives, and Boris Tertnik and Katarina Žgajnar as employee representatives.

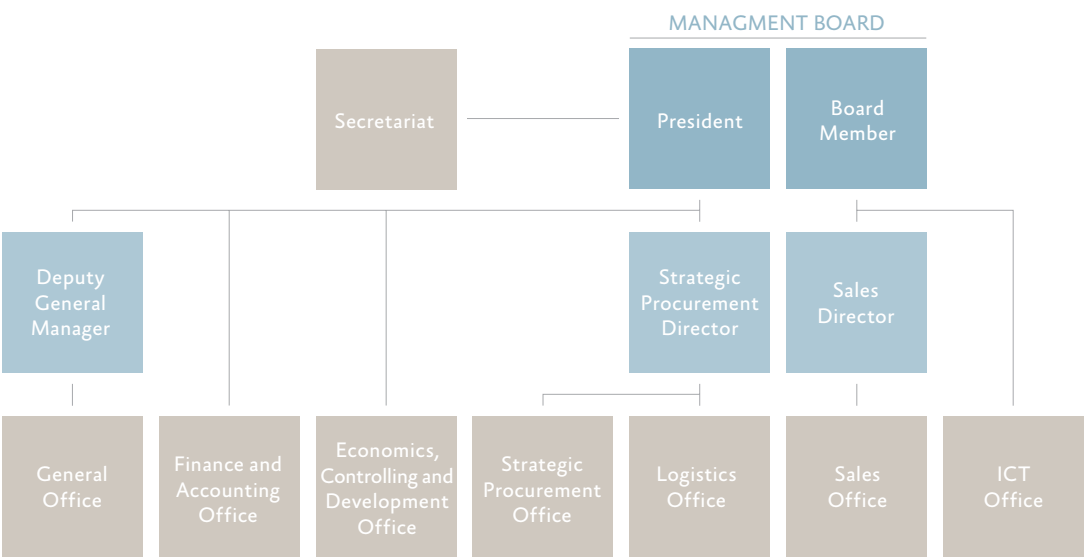
The Supervisory Board met at a total of nine regular sessions and one extraordinary session in 2011, seven of them under the new composition.

The company has been managed and represented by a two-member Management Board since 1 September 2011 – the President of the Management Board Boštjan Napast and the Member of the Management Board Alojz Stana. The company was represented by the General Manager Alojz Stana until 31 August 2011.

Internal structure

The internal structure of Geoplin is tailored to the requirements of business processes, whereas the changes introduced in 2011 are aimed at implementing the requirements of the Third Energy Package, which called for the complete functional division of processes between the parent company and subsidiary - the system operator. The internal organisation was aligned with the new Rules on the work of management.

Internal organisational structure of Geoplin



Employees

The company had 29 employees at the end of 2011. Six new employees were hired in 2011, while nine employees left the company, five of whom were relocated to the subsidiary due to the mandatory functional separation of the parent company and subsidiary.

The employee educational structure reflects the specific and highly professional knowledge required for the company’s core business. Ninety-three per cent of the employees have at least a college education.

The company encourages and provides professional training to its employees in order to upgrade and improve its business processes. A total of 1280 hours in employee training and additional qualification was implemented in 2011, with 94% of the employees (30 employees) undergoing training.

Geoplin has been participating in the Regional Scholarship Scheme of the Ljubljana urban region since 2008, and thus contributes to educating young professionals in the energy field, thereby ensuring the required staff in the future.



*The human battle against an untameable nature.  
A game pitting the unpredictable against the rational.  
A battle against time. The search for balance. Respect  
for your opponent. This is the only way to the top.*



## Company operations in 2011

### Business environment in 2011

The year 2011 was marked by the global financial-economic crisis and related uncertainties. Reduced expectations for Slovenia regarding projected rates of economic growth and inflation arose during the year.

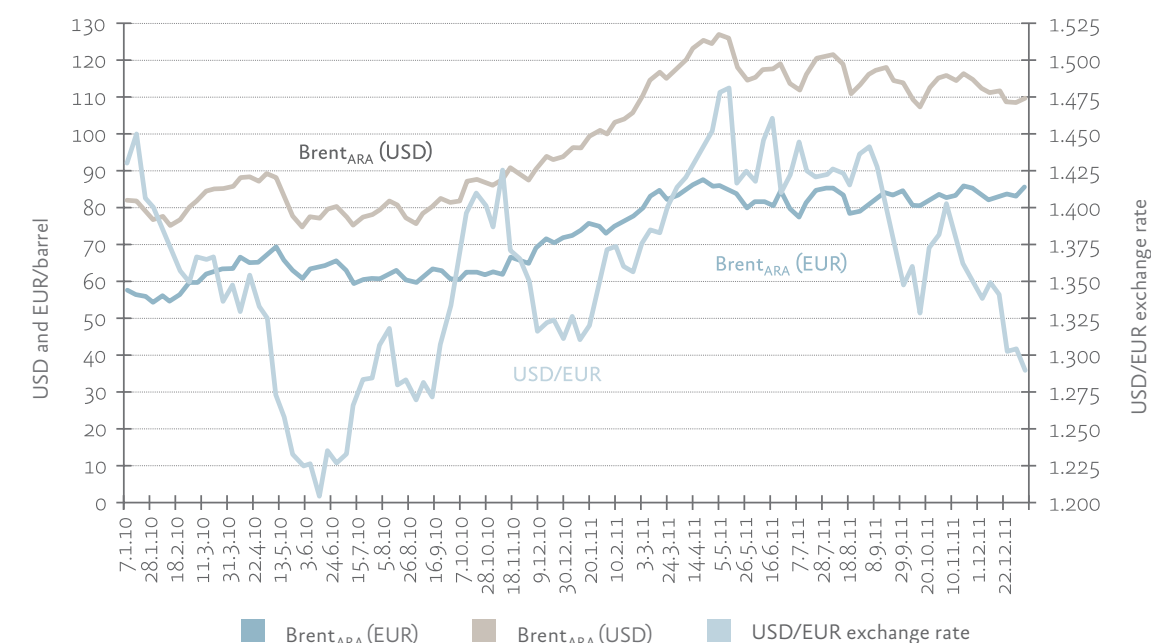
Sales in Slovenia have been declining for several years due to reduced economic activity. The 16% reduction in sales in Slovenia in 2011 compared to sales in 2010 was also the result of higher temperatures during the heating season months and the closure of a factory producing methanol, which in the past, was the largest industrial customer in Slovenia. Despite the adverse conditions, Geoplin retained the same market share in 2011 as in 2010. The market situation was complicated because the markets in the region still face excess supply quantities of natural gas at prices that are lower than the prices specified in long-term supply contracts. Competition and the fact that customers were utilising smaller quantities of natural gas escalated the situation. The company's sales activities were aimed at ensuring higher competitiveness and the extension of contracts.

The external business environment was also significantly influenced by the amendment of the national energy legislation, which has not yet fully incorporated the Third Energy Package.

Changes in the prices of oil and oil derivatives on world markets and changes in the U.S. dollar and euro exchange rate significantly affect Geoplin's operations, since the purchasing and selling prices of natural gas are dependent on them. The price of Brent<sub>ARA</sub> oil rose until the middle of May 2011. It declined somewhat at that time, stabilising at a weekly level of average prices between USD 110 and 120 a barrel. The average price of Brent<sub>ARA</sub> oil amounted to USD 114 per barrel (EUR 82 per barrel) in 2011, being a 37% (30% in euros) increase over the average price in 2010. The average exchange rate between the U.S. dollar and euro in 2011 was 5% higher than in 2010.

### Average weekly prices of Brent<sub>ARA</sub> oil in EUR and USD and the USD/EUR exchange rate in 2010 and 2011

Source: Platts Oilgram Report; Bank of Slovenia; own calculations.



Brent<sub>ARA</sub>: North Sea Brent, quotation ARA.



Investments

Expenditures to increase the value of property, plant and equipment and purchase intangible and tangible assets totalled EUR 0.49 million in 2011. The bulk of these expenditures include investments related to the Third Energy Package, which called for the establishment of an autonomous system of information and communication technologies, adaptation of commercial buildings for the provision of space for servers, archives and the restriction of access. Some of the funds were used to replace obsolete fixed assets and purchase office equipment.

Towards the end of 2011, an automobile public filling station for compressed natural gas was built and commissioned in Ljubljana in which Geoplin participated within the scope of a collaborative project. The company GGE was established in July 2011 to provide energy services and is already providing energy services and contractual reductions in energy costs. The company submitted a programme to provide energy savings to end customers to the Eco Fund which was approved in 2012.

Natural gas trading

Geoplin operates in a competitive and fully open market, where customers are free to choose their natural gas supplier and independently regulate access to the gas transmission network in Slovenia via the system operator, the company Plinovodi.

Marketing activities at Geoplin in 2011 were aimed at achieving the planned sales volume of natural gas, and since the company faces a shrinking sales market in Slovenia, it is intensifying sales abroad. The price of natural gas in line with the long-term contracts increased throughout 2011, as did the difference between this price - which is linked to the oil index - and the spot market price. Due to the poor liquidity of buyers and low lending activity of banks, payment discipline did not improve and intensive management of claims was required. Nevertheless, the company managed to retain its market share and position as the premier supplier and will remain a key factor in the reliable supply of natural gas in Slovenia.

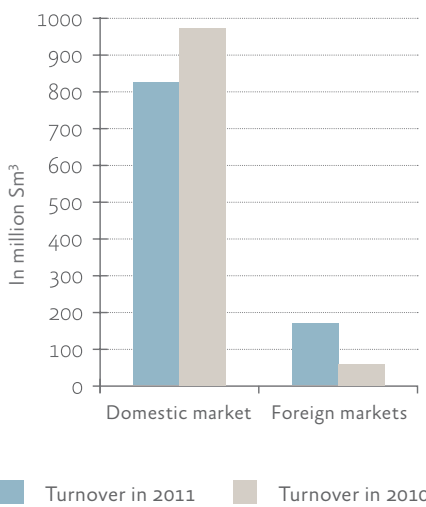
Given the situation the company operated successfully in 2011, selling 1003 million Sm<sup>3</sup> of natural gas, 83% of this amount in Slovenia and the rest abroad. Total realised physical sales were 11% lower than in 2010 due to decreased sales volumes in Slovenia, whereas sales to foreign markets were 25% higher.

The supply of natural gas to customers was reliable and uninterrupted. Geoplin also provided its customers with services within the scope of its balance group with its system operator and in line with the standards of reliable delivery.

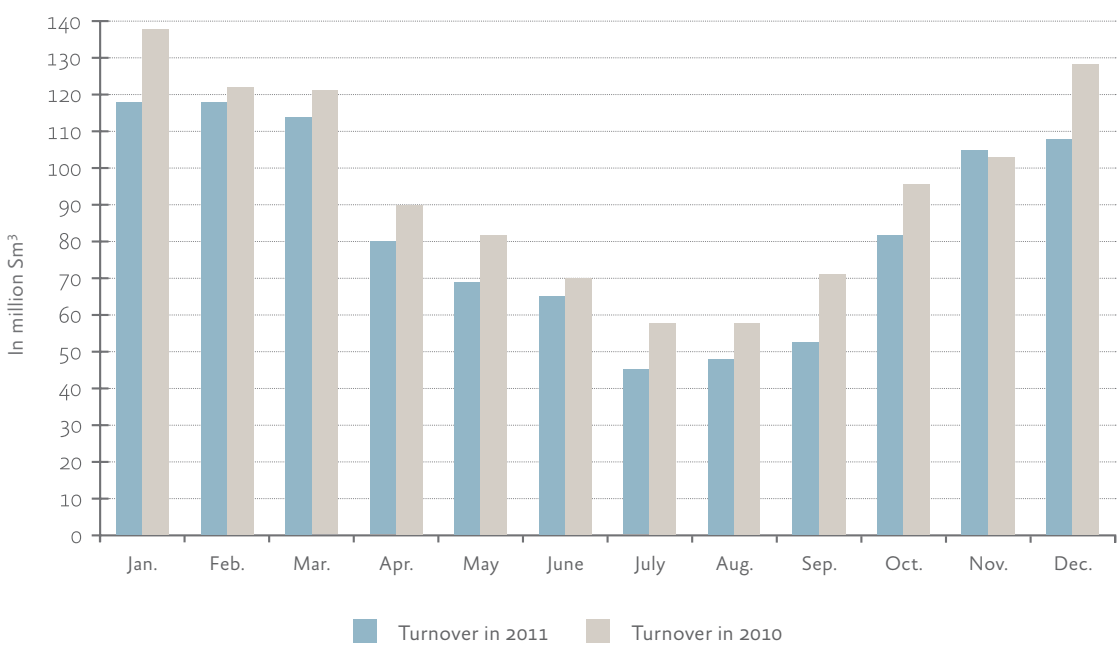
Geoplin has three main sources of supply, and if necessary adds other incidental sources which, together with the established reserves of natural gas and optimised leasing of transport facilities for transporting natural gas from delivery points to Slovenia ensures the highest level of reliability for customers.

The company also generated revenue from the marketing of transmission capacity for the transport of natural gas via Slovenia in 2011. Transmission lines from Austria to Croatia and from Italy to Croatia were active.

Structure of natural gas sales



Total sales of natural gas by month





*Quiet and mute seems the ice as we look at it from the urban hub. It carries within it the imprint of an ancient world and promises great insight. The same applies in business. Power is not always important when setting out on a new path. Only the feeling of a new relationship counts.*



## Socially responsible behaviour

Through the careful implementation of its activities, and despite the tough economic conditions, Geoplin also actively contributed to a better quality of life for its customers and supported various social activities in 2011. The company has defined its commitment to creating benefits for the wider environment by providing an environmental natural gas supply and its responsible attitude to the natural and social environments in its mission.

### Environmental performance

Due to the integration of the company's core business with natural resources and the environment, the company is well aware that environmental management is a continuous process in which it is necessary to constantly adapt to new regulatory requirements and changes in the environment. Geoplin has had the certificate of quality environment management ISO 14001:2004 since 2003, which is reassessed and revalidated each year. The environmental management inspection was again successfully implemented in 2011.

### Corporate communications

Within the context of corporate communications, in 2011 the company again acquainted the general public and its users of the benefits of natural gas as an environmentally friendly energy source and participated in strategic energy debates. As a key supplier of natural gas to Slovenia the company also actively participates in the drafting of legislation and national strategic plans in the energy sector.

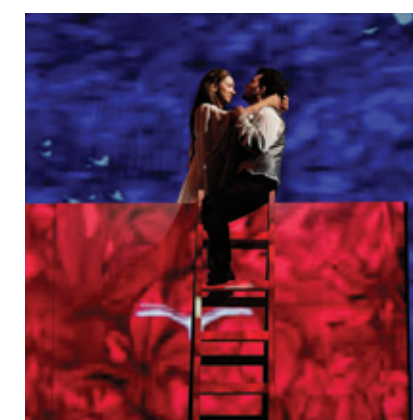
### Sponsorship and charity

The overall operation of the company in the areas of sustainable development and social responsibility comprised the satisfaction of needs of the wider social environment, where Geoplin acts as a sponsor and donor. Action is oriented towards strengthening the positive perception of Geoplin as a company which is a supporter and promoter of the development of Slovenian sport, culture, science, health and humanitarian activities. The company is aware that continuity in this area is particularly important in times of economic crisis.



#### Sponsorship in sport

- Ski Association of Slovenia
- Primož Kozmus Agency
- ACH Volley volleyball club
- Slovenian Rowing Federation
- Handball Club Celje
- Basketball Association Geoplin Slovan



#### Sponsorship in the field of culture

- SNG Maribor
- Ljubljana Festival
- Lent Festival



*Consistency of movement. A calm mind. Only this counts when setting out in an environment which by nature is given to others. But there is enough room for all who understand the essence of co-existence.*



## Financial statements - Geoplin

The financial statements of the company for the fiscal year 2011 have been prepared in accordance with the Slovenian Accounting Standards, the Companies Act and the Rules on company accounting.

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### Balance Sheet - Geoplin

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The balance sheet total as at 31 December 2011 comprised EUR 285.1 million and was five per cent higher than at the beginning of the year.

The composition of assets decreased slightly in terms of the share of long-term assets, whose value remained the same as in the beginning of the year. Among current assets, natural gas reserves, current trade receivables and cash increased, while short-term financial investments decreased.

Equity financing at the end of the year amounted to 81 per cent. Capital increased by almost half a per cent since the beginning of the year. Although net profit for the period increased capital, capital was reduced due to profit allocation and the increased impairment of long-term financial investments and derivative instruments. All long-term liabilities arose from operating activities. Only short-term operating liabilities whose value compared to that at the beginning of the year had risen by a good twenty per cent are shown under current liabilities.

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### Income Statement - Geoplin

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Net profit of EUR 14.0 million was attained in 2011, being less than four per cent of net sales revenue. Ninety-three per cent of the result was achieved from operating activities in the current year, while the remaining seven per cent resulted from financing.

Net sales revenue amounting to EUR 380.1 million was generated in 2011. This revenue was more than seven per cent higher than the revenue achieved in the previous year. Net sales revenue in both the domestic and foreign markets increased.

Operating expenses were six per cent higher due to the higher purchase prices of natural gas than those of the previous year.



## Balance Sheet of Geoplin as at 31 December 2011

	Balance in EUR 31 Dec. 2011	Balance in EUR 31 Dec. 2010
<b>Assets</b>	<b>285,125,017</b>	<b>271,196,403</b>
<b>A LONG-TERM ASSETS</b>	<b>155,405,306</b>	<b>155,396,943</b>
I. Intangible assets and long-term deferred expenses and accrued revenue	268,558	146,489
1. Long-term property rights	268,558	146,489
II. Property, plant and equipment	2,179,599	2,042,199
1. Land and buildings	1,590,990	1,598,813
a) Land	1,001,033	1,001,033
b) Buildings	589,957	597,780
3. Other plant and equipment	528,857	414,594
4. Property, plant and equipment in acquisition	59,752	28,792
a) Property, plant and equipment under construction or in production	59,752	28,792
III. Investment property	1,564,110	1,597,368
IV. Long-term financial investments	150,664,584	151,442,880
1. Long-term financial investments, excluding loans	111,663,475	113,084,226
a) Shares and participating interests in group companies	107,127,820	107,127,820
b) Shares and participating interests in affiliates	200,000	
c) Other shares and participating interests	4,335,655	5,956,406
2. Long-term loans	39,001,109	38,358,654
a) Long-term loans to group companies	25,037,556	25,037,556
b) Long-term loans to others	13,963,553	13,321,098
VI. Deferred tax assets	728,455	168,007
<b>B CURRENT ASSETS</b>	<b>128,045,037</b>	<b>115,447,288</b>
II. Inventories	37,047,479	29,273,552
3. Products and merchandise	37,047,479	29,273,552
III. Current financial investments	25,354,108	31,718,253
2. Short-term loans	25,354,108	31,718,253
a) Short-term loans to group companies		10,000
b) Short-term loans to others	25,354,108	31,708,253
IV. Current operating receivables	60,077,217	53,945,413
1. Current operating receivables from group companies	2,132,124	2,194,164
2. Current trade receivables	56,949,683	49,788,672
3. Current operating receivables from others	995,410	1,962,577
V. Cash and cash equivalents	5,566,233	510,070
<b>C CURRENT DEFERRED EXPENSES AND ACCRUED REVENUE</b>	<b>1,674,674</b>	<b>352,172</b>

	Balance in EUR 31 Dec. 2011	Balance in EUR 31 Dec. 2010
<b>Equity and liabilities</b>	<b>285,125,017</b>	<b>271,196,403</b>
<b>A EQUITY</b>	<b>229,752,611</b>	<b>228,840,001</b>
I. Called-up capital	30,829,620	30,829,620
1. Initial capital	30,829,620	30,829,620
II. Capital surplus	78,097,630	78,097,630
III. Revenue reserves	105,842,318	100,030,249
2. Reserves for treasury shares	8,159,575	8,159,575
3. Treasury shares (as a deduction item)	-4,869,459	-4,869,459
5. Other revenue reserves	102,552,202	96,740,133
IV. Revaluation surplus	956,288	1,570,434
V. Retained earnings		463,121
VI. Net profit or loss for the financial year	14,026,755	17,848,947
<b>B PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUE</b>	<b>47,462</b>	<b>56,520</b>
3. Long-term accrued expenses and deferred revenues	47,462	56,520
<b>C LONG-TERM LIABILITIES</b>	<b>3,718,613</b>	
II. Long-term operating liabilities	3,718,613	
5. Other long-term operating liabilities	3,718,613	
<b>Č SHORT-TERM LIABILITIES</b>	<b>51,256,707</b>	<b>41,874,125</b>
III. Short-term operating liabilities	51,256,707	41,874,125
1. Short-term operating liabilities to group companies	1,471,627	1,317,401
2. Short-term trade payables	39,821,882	31,037,556
4. Short-term operating liabilities based on advances	9,035	3,291
5. Other short-term operating liabilities	9,954,163	9,515,877
<b>D SHORT-TERM ACCRUED EXPENSES AND DEFERRED REVENUE</b>	<b>349,624</b>	<b>425,757</b>
Off-balance sheet items	4,800,157	5,855,144



## Income Statement of Geoplin for the 2011 financial year

	in EUR 2011	in EUR 2010
1. Net sales revenue	380,055,789	353,823,793
2. Historical cost of goods sold	355,530,839	334,521,730
<b>3. GROSS SALES</b>	<b>24,524,950</b>	<b>19,302,063</b>
4. Marketing and sales and administrative costs	6,213,061	6,750,608
a) Marketing and sales and administrative costs	5,561,869	6,004,936
b) Revaluation of operating expenses associated with intangible assets, and property, plant and equipment	81	43,530
c) Revaluation of operating expenses associated with current assets	651,111	702,142
6. Other operating revenue (including revalued operating revenue)	1,932,018	7,007,057
7. Financial revenue from participating interests	247,643	185,933
a) Financial revenue from participating interests in group companies	37,493	31,802
c) Financial revenue from participating interests in other companies	210,150	154,131
8. Financial revenue from loans granted	2,205,356	1,926,056
a) Financial revenue from loans to group companies	632,188	482,498
b) Financial revenue from loans to others	1,573,168	1,443,558
9. Financial revenue from operating receivables	350,277	454,662
b) Financial revenue from operating receivables from others	350,277	454,662
10. Financial expenses from impairment and write-off of financial investments	1,205,198	
11. Financial expenses from financial liabilities		6,668
č) Financial expenses from other financial liabilities		6,668
12. Financial expenses from operating liabilities	4,060,803	304,780
b) Financial expenses from trade payables and bills of exchange liabilities	4,060,803	304,780
13. Other revenue	3,454	1,806
14. Other expenses	376	157
15. Income tax	3,863,117	3,567,606
16. Deferred taxes	-105,612	398,811
<b>17. NET PROFIT OR LOSS FOR THE PERIOD</b>	<b>14,026,755</b>	<b>17,848,947</b>
18. Retained profit/loss		463,121
19. Reduction (release) of capital reserves		
20. Reduction (release) of profit reserves		
21. Increase (additional formation) of profit reserves		
<b>22. ACCUMULATED PROFIT OR LOSS</b>	<b>14,026,755</b>	<b>18,312,068</b>



This is a translation of the original report in Slovene language

## INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the owners of Geoplin d.o.o., Ljubljana

The accompanying summary financial statements, which comprise the summary balance sheet as at 31 December, 2011, the summary income statement and related notes are derived from the audited financial statements of Geoplin d.o.o., Ljubljana for the year ended December 31, 2011. We expressed an unmodified audit opinion on those financial statements in our auditors' report dated March 7, 2012. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by Slovenian Accounting Standards and by the Slovenian Companies Act. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Geoplin d.o.o., Ljubljana.

### Management's responsibility for the summary financial statements

Management is responsible for the preparation of a summary of the audited financial statements.

### Auditors' responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

### Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Geoplin d.o.o. Ljubljana for the year ended December 31, 2011 are consistent, in all material respects, with those financial statements.

Ljubljana, March 22, 2012

**ERNST & YOUNG**  
Revizija, poslovno  
svetovanje d.o.o., Ljubljana

Janez Uranič  
Director  
Ernst & Young d.o.o.  
Dunajska 111, Ljubljana

Janez Hostnik  
Certified Auditor

*There are no easy paths. But there are those upon which we set out as the first. According to our conscience. With our knowledge.*



## Financial statements - Geoplin Group

The financial statements of the Geoplin Group for the fiscal year 2011 have been prepared in accordance with the Slovenian Accounting Standards, the Companies Act and the Rules on company accounting.

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### Balance Sheet - Geoplin Group

The balance sheet total as at 31 December 2011 comprised EUR 432 million and was 17 percent higher than at the beginning of the year. The subsidiary company Plinovodi was responsible for the majority of the increase in the balance sheet total.

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### Income Statement - Geoplin Group

The Geoplin Group attained a positive net profit of EUR 18.9 million in 2011, representing the total net profit of the parent company and subsidiaries Geocom and Plinovodi. Nearly three quarters of the Group's net profit was generated by the parent company.



## Balance Sheet of the Geoplin Group as at 31 December 2011

	Balance in EUR 31 Dec. 2011	Balance in EUR 31 Dec. 2010
<b>Assets</b>	<b>432,165,457</b>	<b>370,388,834</b>
<b>A LONG-TERM ASSETS</b>	<b>287,973,275</b>	<b>226,383,263</b>
I. Intangible assets and long-term deferred expenses and accrued revenue	27,161,972	22,199,855
1. Long-term property rights	25,192,872	22,179,483
2. Goodwill	9,260	20,372
3. Other long-term deferred expenses and accrued revenue	1,959,840	
II. Property, plant and equipment	240,982,839	184,339,415
1. Land and buildings	145,414,881	114,995,647
a) Land	7,200,040	6,001,527
b) Buildings	138,214,841	108,994,120
3. Other plant and equipment	37,971,612	35,867,390
4. Property, plant and equipment in acquisition	57,596,346	33,476,378
a) Property, plant and equipment under construction or in production	57,596,346	33,476,378
IV. Long-term financial investments	18,499,208	19,277,503
1. Long-term financial investments, excluding loans	4,535,655	5,956,406
b) Shares and participating interests in affiliates	200,000	
c) Other shares and participating interests	4,335,655	5,956,406
2. Long-term loans	13,963,553	13,321,097
b) Long-term loans to others	13,963,553	13,321,097
VI. Deferred tax assets	1,329,256	566,490
<b>B CURRENT ASSETS</b>	<b>142,412,971</b>	<b>143,609,630</b>
II. Inventories	39,084,063	31,281,154
1. Materials	1,180,468	1,148,045
3. Products and merchandise	37,903,595	30,133,109
III. Current financial investments	33,124,108	53,598,253
2. Short-term loans	33,124,108	53,598,253
b) Short-term loans to others	33,124,108	53,598,253
IV. Current operating receivables	63,895,436	57,759,770
2. Current trade receivables from customers	62,019,946	54,773,886
3. Current operating receivables from others	1,875,490	2,985,884
V. Cash and cash equivalents	6,309,364	970,453
<b>C CURRENT DEFERRED EXPENSES AND ACCRUED REVENUE</b>	<b>1,779,211</b>	<b>395,941</b>

	Balance in EUR 31 Dec. 2011	Balance in EUR 31 Dec. 2010
<b>Equity and liabilities</b>	<b>432,165,457</b>	<b>370,388,834</b>
<b>A EQUITY</b>	<b>288,495,644</b>	<b>282,823,273</b>
I. Called-up capital	30,829,620	30,829,620
1. Initial capital	30,829,620	30,829,620
II. Capital surplus	78,097,630	78,097,630
III. Revenue reserves	159,743,410	146,798,678
1. Legal reserves	1,944,223	1,942,213
2. Reserves for treasury shares	8,159,575	8,159,575
3. Treasury shares (as a deduction item)	-4,987,946	-4,987,946
5. Other revenue reserves	154,627,558	141,684,836
IV. Revaluation surplus	956,288	1,570,434
V. Retained earnings	108,480	738,966
VI. Net profit or loss for the financial year	18,760,216	24,787,945
<b>B PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUE</b>	<b>30,551,679</b>	<b>14,282,563</b>
1. Provisions for loyalty bonuses and severance pay	722,404	539,040
2. Other provisions	246,625	67,413
3. Long-term accrued expenses and deferred revenues	29,582,650	13,676,110
<b>C LONG-TERM LIABILITIES</b>	<b>52,745,389</b>	<b>20,002,328</b>
I. Long-term financial liabilities	49,024,390	20,000,000
2. Long-term financial liabilities to banks	49,024,390	20,000,000
II. Long-term operating liabilities	3,720,999	2,328
4. Long-term operating liabilities based on advances	2,385	2,328
5. Other long-term operating liabilities	3,718,613	
<b>Č SHORT-TERM LIABILITIES</b>	<b>59,358,793</b>	<b>52,252,000</b>
II. Short-term financial liabilities	975,610	
2. Short-term financial liabilities to banks	975,610	
III. Short-term operating liabilities	58,383,183	52,252,000
2. Short-term trade payables	47,488,039	41,579,274
4. Short-term operating liabilities based on advances	19,336	35,623
5. Other short-term operating liabilities	10,875,808	10,637,103
<b>D SHORT-TERM ACCRUED EXPENSES AND DEFERRED REVENUE</b>	<b>1,013,952</b>	<b>1,028,670</b>
Off-balance sheet items	39,599,980	32,264,429



## Income Statement of the Geoplin Group for the 2011 financial year

	in EUR 2011	in EUR 2010
1. Net sales revenue	401,148,126	376,010,654
2. Historical cost of goods sold	344,269,835	324,588,761
<b>3. GROSS SALES</b>	<b>56,878,291</b>	<b>51,421,893</b>
4. Marketing and sales and administrative costs	32,916,913	30,003,815
a) Marketing and sales and administrative costs	31,089,720	28,635,157
b) Revaluation of operating expenses associated with intangible assets and property, plant and equipment	35,172	56,820
c) Revaluation of operating expenses associated with current assets	1,792,021	1,311,838
6. Other operating revenue (including revalued operating revenue)	2,968,847	7,148,373
7. Financial revenue from participating interests	210,150	154,131
c) Financial revenue from participating interests in other companies	210,150	154,131
8. Financial revenue from loans granted	1,695,692	1,598,958
b) Financial revenue from loans to others	1,695,692	1,598,958
9. Financial revenue from operating receivables	384,438	495,657
b) Financial revenue from operating receivables from others	384,438	495,657
10. Financial expenses from impairment and write-off of financial investments	1,205,199	
11. Financial expenses from financial liabilities	261,690	15,847
č) Financial expenses from other financial liabilities	261,690	15,847
12. Financial expenses from operating liabilities	4,061,688	307,347
b) Financial expenses from trade payables and bills of exchange liabilities	4,061,688	307,347
13. Other revenue	32,099	12,664
14. Other expenses	376	335
15. Income tax	5,269,355	5,455,857
16. Deferred taxes	-307,930	258,557
<b>17. NET PROFIT OR LOSS FOR THE PERIOD</b>	<b>18,762,226</b>	<b>24,789,918</b>
18. Retained profit/loss	108,480	738,966
19. Reduction (release) of capital reserves		
20. Reduction (release) of profit reserves		
21. Increase (additional formation) of profit reserves	-2,010	-1,973
<b>22. ACCUMULATED PROFIT OR LOSS</b>	<b>18,868,696</b>	<b>25,526,911</b>



This is a translation of the original report in Slovene language

### INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the owners of Geoplin d.o.o., Ljubljana

The accompanying summary consolidated financial statements, which comprise the summary consolidated balance sheet as at December 31, 2011, the summary consolidated income statement and related notes are derived from the audited consolidated financial statements of Group Geoplin, Ljubljana for the year ended 31 December, 2011. We expressed an unmodified audit opinion on those consolidated financial statements in our auditors' report dated March 7, 2012. Those consolidated financial statements, and the summary consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by Slovenian Accounting Standards and by the Slovenian Companies Act. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Group Geoplin, Ljubljana.

#### Management's responsibility for the summary financial statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements.

#### Auditors' responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

#### Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Group Geoplin, Ljubljana for the year ended December 31, 2011 are consistent, in all material respects, with those consolidated financial statements.

Ljubljana, March 22, 2012

  
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