



ANNUAL REPORT  
OF SSH GROUP AND SSH  
FOR 2019



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# INTRODUCTION

# 1 KEY HIGHLIGHTS FOR 2019

## MANAGEMENT OF PORTFOLIOS OF RS AND SSH CAPITAL ASSETS



Expected ROE of both RS and SSH portfolios for 2019, as stated in Annual Asset Management Plan

6.2%



**\*Estimated ROE of RS and SSH portfolios to be realised in 2019**

**6.8%**



In 2018, ROE of RS and SSH portfolios amounted to

6.2%



**The total sum of dividends paid out from RS and SSH Portfolio in 2019 (for FY 2018)**

€ **252.9** million  
(of this figure, EUR 40.1 million of dividends for SSH)



**The value of Share Purchase and Sale Agreements concluded for the sale of RS and SSH capital assets in 2019**

€ **554.1** million



**\*Book value of RS and SSH capital assets as of 31 December 2019**

€ **10.3** billion

\*Final data for 2019, based on audited consolidated statements, are expected to be released in October 2020.

## DENATIONALISATION AND COMPENSATION PAYMENTS

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Settled liabilities arising  
from denationalisation  
in 2019 (SZ-1 included)

€ **5.4** million

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Paid compensations on behalf of  
and for the account of the Republic  
of Slovenia under the following laws:  
ZPOZ, ZVVJTO and ZIOOZP

€ **53.3** million

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## SSH IN FIGURES AS OF 31 DECEMBER 2019

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**Capital Assets**

€ **815.9** million

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**SSH's total assets placed as equity investments**

(the portfolio is composed of capital assets  
owned by SSH and placed in 24 active companies)

**86%**

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**SSH's equity**

€ **611.6** million

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**Net profit or loss in 2019 (loss)**

€ **-16.6** million

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*SSH strives to raise the quality of corporate governance pursued by enterprises.*

# LETTER BY MANAGEMENT BOARD

The centralisation of state-assets management, as established by ZSDH-1, shows a good track record presenting measurable results for the owner and, on the aggregate level, the operation of companies with capital assets owned by RS and SSH has improved significantly in recent years. Such a governance system, which has been recognised as successful by international institutions (OECD, European Commission), must be improved regularly, it must be given future financial support and suitable sources of long-term financing must be ensured which will enable SSH to maintain a stable and independent operation and implementation of its statutorily-stipulated tasks. This is of particular importance as, on the basis of the applicable provisions of ZSOS-C, SSH is obliged to transfer free of charge a great part of its capital assets held in top performers to the Republic of Slovenia at the end of 2020. Until now, dividend income received by these companies was used by SSH to finance the important part of its operations and to settle all of its statutory obligations which will not cease to exist with the enforcement of the key provisions of ZSOS-C. Activities for setting up a long-term optimal capital structure of SSH and for ensuring suitable sources of finances are thus some of SSH's key priorities in 2020; considering the forthcoming liabilities arising from denationalisation, the viability of enforcing key provisions of ZSOS-C at the end of 2020 should be reconsidered.

**Sound performance of companies from the RS and SSH portfolio, favourable economic climate and active governance have contributed to a successful performance of RS and SSH portfolio in 2019, exceeding targeted values.**

The first estimates in regard to performance of portfolio companies under SSH 's management for 2019 show that the return of equity (ROE) of the portfolio of companies owned by RS and SSH **will amount to a high 6.8%, and will exceed the target value of 6.2% that was set in the Annual Asset Management Plan 2019 (AAMP)**. The above mentioned target, which has been set at the same level as in 2018, will be exceeded in spite of significant

changes to the structure of the portfolio under SSH management. The fact is that following the sale of banks, in the SSH portfolio, the proportion of the Financial Pillar, as well as the proportion of important and portfolio asset, has significantly decreased for the benefit of a higher proportion of strategic assets which, as a rule, achieve lower ROE figures due to their strategic nature and their objective to attain the strategic goals of the state (the SSH portfolio of assets holds 77.3% of strategic assets as of 31 December 2019).

Dividend income paid out by companies from the RS and SSH portfolio in 2019 (for FY 2018) **amounted to EUR 252.9 million; this amount exceeds the sum planned in AAMP which stands at EUR 242.6 million.**

**The most important sale processes of past years were closed successfully.**

In February 2020, the last important process for the sale of RS capital assets closed successfully. Following the conclusion of the Sale and Purchase Agreement to sell a 100% RS's shareholding of Abanka by and between SSH, acting on behalf of and for the account of RS, and Nova KBM, which took place in June 2019, all conditions precedent from this Agreement were satisfied in February 2020. RS received proceeds from the sale in the amount of EUR 444.2 million and transferred its 100% ownership of Abanka to the buyer; the sale process, in which several bidders had competed, was thus successfully closed.

In June 2019, SSH successfully closed the sale of a 10-percent equity stake minus 1 share of NLB. RS received EUR 109.5 million from this sale process which was run as an accelerated bookbuild process. Following the completion of the privatisation process, the Republic of Slovenia remains the largest individual shareholder of NLB, holding a 25-percentage equity interest and one share.

Since 2013, SSH has successfully closed 10 processes of sale of important SOEs. Together with other smaller

stakes, the total contractual value of proceeds from sale amounted to EUR 1,657.5 million for RS and SSH. There are no significant processes for the sale of capital assets envisaged for 2020.

### **Corporate governance activities were very intense in 2019, particularly in the tourism industry.**

Among numerous other activities, SSH prepared the Investment Paper for capital assets in Istrabenz Turizem, in accordance with the Strategy for Sustainable Growth of Slovenian Tourism for 2017-2020 and, the Plan for Consolidation, Governance and Restructuring of State-Owned Tourism Companies, to which the Government of RS granted its consent in the beginning of February 2020. The main goals that SSH wishes to achieve by realising the plan for the consolidation and restructuring of state-owned tourism companies are firstly, to increase the value and ROE of state-owned tourism companies, and secondly, to further develop tourism activities, in accordance with the above mentioned Strategy.

### **Analysis of SSH operations**

Profit or loss before taxes amounted to EUR 2.2 million; profit or loss of EUR 37.9 million was planned. Without the unusual and unexpected expenditure for the formation of provisions for denationalisation in the amount of EUR 37 million, profit or loss before taxes for 2019 would have amounted to EUR 39.3 million, which would have exceeded the planned amount. Deferred taxes have an additional negative impact on profit. As a result of the free-of-charge transfer of strategic and important assets to RS, by virtue of taking into account the provisions of ZSOS-C, no capital gains, which would otherwise have been realised by the sale of services in the market, will be generated which is why deferred tax liabilities and deferred tax assets will be reversed in the part that refers to the transfer of assets. Considering all of the above stated, the estimated net profit or loss for 2019 is negative: the loss will amount to EUR 16.6 million.

### **Settlement of liabilities due to denationalisation beneficiaries and due to beneficiaries in accordance with other laws**

SSH continues to actively participate in denationalisation proceedings, dealing with the most complex cases in recent years, and regularly satisfies its liabilities arising from denationalisation. On behalf of and for the account of the Republic of Slovenia, SSH also settles liabilities under ZPOZ, and ZIOOZP; funds paid are regularly repaid to SSH from the RS's budget.

The most important source of funds to cover the SSH denationalisation liabilities in 2019 was the pay-out of dividends of companies owned by SSH. In June 2020, SSH will repay the SOS3 bond, i.e., EUR 100 million for the principal and EUR 2.5 million for interest.

### **Enhancing sustainable operation by amending the Corporate Governance Code, the Integrity Plan, and the Code of Ethics.**

The social aspect of the sustainable development will be one of the important priorities of SSH's operation in the future. In 2019, the Corporate Governance Code, addressed to the portfolio companies, was supplemented. New recommendations refer to the diversity policy, the succession policy, the adoption of the annual plan of work, and the quality of external reporting; in addition, the revised Code includes the supplemented chapter on corporate integrity and it regulates anew some relations between shareholders and stakeholders.

In 2019, SSH prudently implemented all permanent and one-off measures in regard to risks having an element of corruptive, illegal, and other unethical conduct as defined in the Integrity Plan. As a result of changes in the environment, identification of additional risks, and on the basis of experience obtained when handling individual cases and with regular monitoring of developments as regards compliance and integrity, the Plan was amended and suitably updated. Likewise, the Code of Ethics of SSH was amended with commitments in regard to leading by example, zero tolerance to corruption, observance of human rights in business, sustainable development, and interpersonal relations in the company. Improvements in the good practice in corporate governance are expected in 2020 with

the amendments to SSH Recommendations and Expectations.

**Continued efforts towards organizational development of the company and improved quality of management processes**

SSH wishes to be recognized as an exemplary, reliable, and trustworthy financial institution. The year into which we have entered will also be dedicated to raising the quality of internal organizational and management processes. With this purpose in mind, the organisational structure will be reshaped, together with the wage system and the integrated HR management. SSH will continue to increase the level of digitalisation and optimisation of business processes which includes the upgrade of analytical solutions for portfolio companies' data management which will enable better implementation of management processes in certain aspects, and, consequently, it will result in more efficient achievement of SSH's corporate goals.

Strategic projects to which SSH will dedicate special attention in 2020 will be carried out in the Transport and Energy Pillars which mainly contain strategic state assets. One of SSH's key strategic projects will entail carrying out activities to implement the Tourism Strategy. SSH's regular management activities will include proactive monitoring of the implementation of companies' strategies, verification of business models and encouragement of activities to improve performance and competitiveness which will enable companies to have the necessary resilience and operate successfully during the economic slowdown. At the time of drawing up this Report, some industries have been greatly affected by the spread of COVID-19 in Slovenia and abroad. This includes manufacturing (global supply chains), transport and logistics and tourism, in particular. This will significantly affect companies under SSH governance, and, in spite of awareness that a lot is still unknown, SSH has invited them to assess the damage caused and to identify other more relevant negative impacts on their business operations, which in turn will be reflected in the portfolio performance.

Boris Medica, **Member of the Management Board**



Boštjan Koler, **Member of the Management Board**



Gabrijel Škof, **President of the Management Board**





# 3 SUPERVISORY BOARD'S REPORT

The Supervisory Board of Slovenian Sovereign Holding ("SB") is composed of five members, in accordance with Article 39 of ZSDH-1. In accordance with Article 273 of ZGD-1, SB appointed Igor Kržan to the position of the President of the SSH Management Board, who assumed his duties on 1 April 2019. The position of Igor Kržan as the SB Member was suspended from 1 April 2019 until 1 October 2019 when Gabrijel Škof was appointed the President of the SSH Management Board for a full four-year term of office. Since 1 October 2019, SB operates in a five-member configuration: Karmen Dietner, President, Duško Kos, Deputy President, Damjan Belič, Igor Kržan and Janez Vipotnik, Members.

## Personnel decisions

In 2019, in accordance with its authority, SB made decisions on several changes of members in the SSH's Management Board.

In April 2019, after the early termination of the term of office of Lidija Glavina, who held the position of the President of the SSH Management Board at that time, SB selected an international HR agency to assist SB in the recruitment process with the aim to fill the vacancy of the President of the SSH Management Board. SB continued to cooperate with the international agency in the process for recruiting a new Member of the SSH Management Board after Andrej Božič resigned and his tenure terminated early, i.e., on 1 December 2019. In implementing the selection procedure, NS followed the provisions of ZSDH-1 and the recommendations from the Corporate Governance Code for SOEs: it thus appointed the SB's Nomination Committee to carry out all the necessary recruitment procedures. The Nomination Committee was composed of all SB Members. On the basis of recommendations submitted by the Commission for the Prevention of Corruption, the Nomination Committee adopted additional criteria to be satisfied by a candidate assuming the positions of the President and/or a Member of SSH Management Board, in addition to formal statutory criteria. After the procedures were completed, SB was informed on the Report prepared by the Nomination Committee about activities carried out and continued with the

activities for appointing the President and a Member of the SSH Management Board.

At the extraordinary session of 27 March 2019, SB and Lidija Glavina signed the agreement to terminate early Mrs. Glavina's term of office, with effect on 1 April 2019. In accordance with Article 273 of ZGD-1, SB filled up the vacancy in the Management Board by appointing Igor Kržan, an SB Member, to the position of the President of the Management Board for no longer than a year; during Mr. Kržan's temporary tenure, his position of the SB Member was suspended and his position of the President of the Risk Committee was terminated. Instead, Janez Vipotnik was appointed the President of the Risk Committee, effective on 1 April 2019, and Karmen Dietner was appointed a Member of this Committee.

At the extraordinary session held on 21 August 2019, SB appointed Gabrijel Škof to the position of President of the SSH's Management for a four year term of office, starting on 1 October 2019. SB was informed of the resignation notice by Andrej Božič on the same session. At its regular session on 18 September 2019, SB appointed Boris Medica to the position of a SSH's Management Board Member for a four year term of office, starting on 1 December 2019

## Most important topics discussed at SB sessions

Key tasks carried out by SB include monitoring the attainment of goals and the performance of asset management activities envisaged by the State Assets Management Strategy, by each Annual Asset Management Plan and by the adopted SSH Business and Financial Plan.

SSH surpassed the target indicators stated in the 2019 Performance Criteria for SSH, which were adopted by the Government of the Republic of Slovenia; detailed presentation is provided in the Chapter on Performance Criteria.

The text below presents the most important decisions taken by SB and topics discussed at the SB's sessions within the scope of the SB's powers stipulated by the SSH's Articles of Association.

In 2019, SB monitored two large processes for the sale of state capital assets and following a detailed discussion granted its consent to the sale of Abanka and to the sale of the remaining 10% of the remaining RS's stake in NLB minus 1 share. The activities in both sale processes were intensified at the end of the second quarter of 2019, requiring a prudent and fast action by SB; SB granted several consents to Advisory Service Agreements which were concluded with financial and legal advisers and with providers of due diligence reviews and company valuation services. In the SB's opinion, the work carried out by the SSH Management Board and by SSH's expert services had a positive impact to the purchase prices attained in the mentioned sale processes.

In 2019, SSH actively pursued activities in the area of tourism industry, as, in accordance with the Strategy for Sustainable Growth of Slovenian Tourism for 2017-2020, SSH was tasked to implement the restructuring of state-owned tourism companies, which included the preparation of the Asset Investment Plans and the Asset Management Plans. On 17 July 2019, SB endorsed the Investment Paper for Istrabenz Turizem, the amended Annual Asset Management Plan for Terme Olimia and granted its consent to the purchase of the block of shares in Terme Olimia; it also endorsed the AAMP for Tourism industry - the Plan for the consolidation, management and restructuring of state-owned tourism companies. SB monitored the implementation of the Financial Restructuring Plan for Sava. Since the Government of the Republic of Slovenia failed to discuss the 2019 AAMP for Tourism industry by the end of the year, SB endorsed this plan within the scope of the Special Section of the Annual Asset Management Plan 2020.

The Supervisory Board dealt with the following documents: Annual Asset Management Plan 2020, Performance Criteria for SOEs, Performance Criteria for SSH, and played a constructive role in their adoption. The Supervisory Board endorsed the Audited Annual Report of SSH and SSH Group for 2018 and granted its consent to the SSH's Business and Financial Plan for 2019.

In 2019, SB endorsed amendments to the SSH Integrity Plan, which includes recommendations of the Commission for the Prevention of Corruption and has an important impact on implementing integrity rules in practice and granted its consent to

the revised Corporate Governance Code for SOEs. On a quarterly basis, SB dealt with the following: it discussed the information on the status and on important activities pursued in the management of RS and SSH capital assets; it regularly monitored the performance results of RS and SSH portfolio; was briefed about the progress of the companies' attainment of goals according to the Annual Asset Management Plan; and was acquainted about the course of General Meetings of companies which had been held. In this regard, SB warned the SSH Management Board about the importance of a timely identification of activities in companies which may lead to a deteriorated operation and may have an impact on a broader social environment in case of strategic assets. SB required from the Management Board to submit reports on measures planned in connection with alleged irregularities in case of individual companies with state capital assets.

Throughout the year, SB was regularly acquainted with SSH's financial statements, and activities pursued, and goals achieved in regard to SSH reorganisation, job systematisation and wage system.

Furthermore, SB's assignments in regard to the following matters have to be pointed out: monitoring SSH's implementation of public authority under individual laws; overseeing SSH's implementation of the Ordinance on State Asset Management Strategy, and SSH's handling of risk management. In accordance with SSH's Articles of Association and ZSDH-1, SB discussed proposals given by the Management Board, granted consents to Advisory Service Agreements concluded with financial, legal and other advisors, with providers of due diligence reviews and with providers of business valuation of companies; in addition, SB dealt with quarterly reports on activities carried out by the Chief Compliance Officer, and, in accordance with ZGD-1, granted consents to all documents prepared by the SSH's Internal Audit and to other documents presented in this Report's Chapter on the work carried out by the Audit Committee. The Supervisory Board was regularly acquainted with reports prepared by the Presidents of the Risk Committee, the Audit Committee and the Nomination Committee.

The Supervisory Board was informed of the SSH's corporate documents which had been adopted, and

regularly monitored circumstances which might have led to conflict of interest, whereby SB consistently avoided any incidence of conflict of interest.

### **Work carried out by SB's Committees**

More detailed information on the composition of all SB's Committees is presented in tables included in the Corporate Governance Statement.

Three SB's standing committees were active in 2019:

- Risk Committee,
- Audit Committee, and
- Nomination Committee.

#### **Risk Committee**

In spite of changes in the Committee's composition, i.e. the President and some Members of this Committee changed, the work carried out by the Risk Committee in 2019 was intensely focused on the following: the importance of risk management for SSH, improvements in the risk system and risk monitoring. At an initiative given by the Risk Committee, additional activities were carried out within SSH, which, among other matters, included the establishment of the Risk Commission and its regular functioning, and the establishment of the task force "Three Defence Lines". The Risk Committee met at three sessions in 2019, during which its members were regularly acquainted with the minutes of the meetings and with the work carried out by the Risk Commission: presided over by the President of the Management Board, this Commission is tasked to identify, analyse, classify, quantify, and manage risks registered in the Risk Register. The Risk Committee was made familiar with the updated corporate documents which refer to risk management, and activities planned in SSH to manage risks were regularly presented to the Committee. The Risk Committee was also informed of the progress of the project which aims to calculate the risk profile of the selected SOEs. It separately considered risks which SSH is exposed to when satisfying its statutory obligations, and in that regard duly raised the attention of this issue from the SB. The Risk Committee was regularly familiarized with the reports on the work of the Committee responsible for handling irregularities in SOEs.

#### **Audit Committee**

At its sessions, the Audit Committee dealt with the following matters: SSH Business and Financial Plan

for 2019, Internal Audit Work Programme for 2019, the Multi-Annual Internal Audit Activity Plan for 2019-2022, the Final Audit Plan relating to Annual Financial Statements, the presentation of the Draft Audit Report, and the Internal Audit Activity Report for 2018. It discussed proposals for amending internal corporate documents on the operation of the Internal Audit for SB and considered findings about the internal assessment on the functioning of the SSH's Internal Audit. The Audit Committee thoroughly reviewed the Audited Annual Report of SSH and SSH Group for 2019, and the SSH and SSH Group Interim Report for 2019. It discussed the Audit Reports prepared by the Internal Audit, and Audit Reports prepared by the Internal Audit on audit reviews which were carried out in fully-owned state enterprises.

The Audit Committee performed its assignments in accordance with the provisions of ZGD-1 and in line with the recommendations for audit committee's work. It actively cooperated with the SSH Internal Audit Department, while it also had regular contacts with the SSH's independent auditor. In order to assess its work and to improve its future activities, the Audit Committee carried out a separate self-evaluation process which was based on a questionnaire. This questionnaire was divided into sections, and the results of self-evaluation were then included in recommendations which advised Audit Committees how to carry out their work. The Secretary of the Audit Committee made an analysis on results obtained from the filled-in questionnaires and compared the results with the findings from the Audit Committee's self-evaluation process of the preceding year to draw up a summary proposal for improvements. The Audit Committee then discussed its cooperation with the Risk Committee and examined the possibilities of cooperation with the Internal Audit: the members of the Audit Committee proposed some improvements in this regard and adopted some relevant improvement measures. The comparison of the Audit Committee's self-evaluation results showed that the functioning of the Audit Committee was assessed as good, however, further improvements to its operation will be made by way of proposing amendments to the Audit Committee's Rules of Procedures which have to be endorsed by the SSH's SB.

#### **Nomination Committee**

The Nomination Committee is composed of all of

the members of the SSH Supervisory Board. The President of the Nomination Committee is Duško Kos. In addition to activities relating to the processes for filling up the vacancy in the Management Board, the Nomination Committee is tasked to deal with the remuneration policy for the SSH Management Board: in this regard, it has prepared a proposal for SB on the variable part of the remuneration for the Management Board for 2020.

#### **WORK CARRIED OUT BY SUPERVISORY BOARD**

In 2019, SB met at eight regular and five extraordinary sessions, and, in addition, it carried out nine correspondence sessions. The membership attendance at sessions, which was almost always full, with the exception of Igor Kržan, who assumed the position of the temporary President of the SSH Management Board, is presented in the Table included in the Corporate Governance Statement.

The Supervisory Board is composed of members who complement each other in terms of their expertise and competences; the membership varies in regard to education, work experience and personal characteristics, which enables efficient exchange of opinions and standpoints at the SB's sessions. In line with the formal legal framework stipulated by the legislation, the SSH's Articles of Association and the Corporate Governance Code, and by adhering to the principle of due care and diligence, SB exercised its authority, fulfilled its duties and responsibilities in a prudent and fair manner.

During its operation, SB took into account Slovenian and international recommendations as well as good practice in corporate governance. The Corporate Governance Code for SOEs, which applied for SSH in 2019 as the reference Code, was adhered to when carrying out SB's activities. For evaluating the work carried out and to adopt improvements for future work, the SB Members regularly conduct an annual self-assessment review after the completion of the financial year.

All SB Members who held the position of a SB Member in 2019 took part in the said process. The results of the self-assessment are an important indication of the SB's work. In this process, SB Members used the self-assessment matrix which has been designed by the Slovenian Directors' Association and adapted to special characteristics of SSH. The analysis of the

self-assessment review highlighted areas of work which have been assessed lower and as a result, SB will focus on measures to improve them. By adopting improvement measures for areas under the SB influence, SB's work and functioning will be made more efficient. On the basis of results obtained in the self-assessment process and considering recommendations given by the SSH's Internal Audit, the Supervisory Board will adopt proposals for improving the Supervisory Board's Rules of Procedure.

The amount of EUR 26,646.64 was spent for the operation of SB and its committees in 2019, in addition to attendance fees and remuneration for performing the supervisory duties. The costs were incurred in the process for appointing the President and the Member of the Management Board, for services incurred in the preparation of a legal opinion, and for D&O insurance policy.

In 2019, the Management Board regularly attended the SB's sessions and prepared the necessary underlying material for decisions to be made by SB or reported information to SB, with which it ensured that the necessary basis for making decisions was given.

#### **REVIEW OF ANNUAL REPORT FOR SSH AND SSH GROUP**

The Audit Committee considered the SSH and SSH Group Annual Report for 2019 and the Independent Auditor's Report to the SSH shareholder, which includes the audit opinion with no reservations, at its regular session held on 25 March 2020 (presentation of the draft report) and on its regular session held on 20 April and 21 April 2020. With the aim to give a detailed presentation of the findings made by the independent auditors, the representatives of the independent auditor BDO revizija, d. o. o. were invited to attend this session at which they answered questions raised by the Audit Committee's members. After in-depth consideration of the Annual Report at its regular sessions, the Audit Committee proposed to SB to approve the Annual Report for SSH and SSH Group for 2019, to discuss the Auditor's Reports for 2019 and to take a positive position in their regard.

By taking into account the Audit Committee's assessment and its proposals, SB reviewed and discussed the SSH Group and SSH Annual Report



2019 at its session of 22 April 2020, after having been previously acquainted with its draft at the correspondence session of 25 March 2020. The Supervisory Board also reviewed the Auditor's Reports to the shareholder. Furthermore, at the said meeting, the Management Board presented to the SB individual sections from the Annual Report for SSH and SSH Group for 2019. At its session of 22 April 2020, SB concluded the following: the above mentioned Report includes all components require; it is drawn up in accordance with ZGD-1 and International Financial Reporting Standards; the Report is clear and transparent, presenting company's operations for the preceding year in a reliable manner and giving a true and fair view of the financial position, financial performance and cash flows of SSH/the Group as of 31 December 2019. On that basis, SB adopted the following resolutions:

- SB adopts the Audited Annual Report for SSH and SSH Group for 2019;
- SB has taken a positive position on the Auditor's Reports for 2019 prepared by the audit firm BDO revizija d. o. o.;
- SB proposes to the SSH General Meeting, i.e. the Government of RS, to adopt the Resolution granting the discharge from liability to the SSH Management and Supervisory Boards for FY 2019, on the basis of the approved Annual Report for SSH and SSH Group for 2019, and to take a positive position on the Auditor's Reports for 2019.

#### **POSITION IN REGARD TO INDEPENDENT AUDITOR'S REPORT**

The Management Board presented to SB the Annual Report for SSH and SSH Group for 2019 together with the report on the audit review of consolidated annual financial statements developed in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union, at the SB's session of 22 April 2020.

The report by the audit firm BDO revizija, d. o. o. on annual financial statements of SSH and SSH Group includes the audit opinion with no reservations - in all material aspects, financial statements give a true and fair view of the financial position, financial performance and cash flows of SSH and SSH Group as of 31 December 2019, in accordance with the International Financial Reporting Standards (IFRSs). The Supervisory Board has taken a positive position on the Auditor's Reports for 2019 prepared by the audit firm BDO revizija d. o. o.

#### **ENDORSEMENT OF AUDITED ANNUAL REPORT**

On the basis of the final review of the Audited Annual Report for SSH and SSH Group for 2019, including the accompanying Auditor's Report for 2019, SB hereby declares that no objections in regard to the said report have been made, and, pursuant to Article 282 of Companies Act, SB endorses the Annual Report for SSH and SSH Group for 2019.



Karmen Dietner,  
President of the Supervisory Board

# BUSSINESS REPORT

*Responsible, prudent and efficient management of state assets and satisfaction of all obligations under various laws. SSH pursues responsible, prudent and effective management of state assets, and ensures that all obligations under various laws are satisfied.*

# 4 REVIEW OF IMPORTANT EVENTS AND PROJECTS UNDERTAKEN IN 2019

## **Project for improving corporate governance in SSH and in companies under SSH management**

In 2019, SSH continued to pursue activities undertaken within the project which is officially entitled *Strengthening the performance and governance of State Owned Enterprises*. The project is carried out under the auspices of EC and with technical assistance rendered by EBRD and in cooperation with Deloitte. The goals of the project are to (further) improve corporate governance both in SSH and in state-owned companies and to advance techniques in planning, measuring, and monitoring of their performance. A report was prepared in the first half of 2019, and it included recommendations and guidelines for improving corporate governance in SSH, in which regard a whole-day workshop was organised. At the end of 2019, draft recommendations, and guidelines for improving corporate governance of state-owned companies were released; they included tools and techniques for planning, measuring, and monitoring of their performance. Final reports were prepared in February 2020 and workshops organized in this regard were attended by representatives of SSH, ministries and state-owned companies.

## **Business processes optimisation and digital transformation project**

In line with its Work Plan, the IT department continued its activities with regard to operational functioning of the IT system in place, providing smooth operation in accordance with the business requirements of the Company as a whole and continued with business process digitalisation (one of important processes is paperless operation). The business process optimisation project and information system renovation project has reduced the operational risk and enable SSH to fully satisfy all statutory requirements in regard to the management of personal data of persons taking part in the process.

## **Analytical Centre renovation and further optimisation of asset management**

The project for the renovation of the Analytical Centre is of key importance for further optimisation of asset management and of SSH. Within the scope of this project, asset management is set to be optimised and digitalised, data warehouse will be upgraded and advance tools for data management will be introduced.

## **Information security**

Changes are being introduced to ensure even more appropriate level of corporate security which includes information safety for the entire Company.





### SSH Annual Conference for Management and Supervisory Boards of SOEs and for other stakeholders

For the third year in a row, SSH organised an annual conference with the aim to present to the stakeholders the performance results of capital assets in the RS and SSH portfolio for 2018, as well as the SSH's goals and expectations from SOEs for 2019 and 2020. The main topic of the conference was Governing Corporate Culture: achieving efficiency and creating performance. Including the corporate culture on the Supervisory Boards' agenda assists in ensuring that the corporate culture supports business strategy and is therefore of key importance for achieving strategic goals. Management Boards and Supervisory Boards are the guardians of the company's mission, of its values and corporate culture.

### Training programmes for SB members of SOEs: knowledge for professional and responsible work

In 2019, SSH organised five training sessions for management and supervisory bodies of companies



in partial or majority ownership of RS and SSH, at which topics discussed covered topics described below.

In cooperation with the Commission for the Prevention of Corruption, sessions were organised to discuss two topics, i.e. Lobbying and influences on processes, and Reporting to the Commission for the Prevention of Corruption on financial situation. Another topic discussed at training session was dedicated to risk management in relation to compliance activities, frauds, and corruption while one session focused on discussing expectations supervisory bodies have from internal auditors. Two training sessions were organised to consider two business topics, firstly, lean organisation as the foundation of a profitable operation and secondly, valuation of financial investments for members of supervisory bodies.

### Respect for human rights in business operations

On 31 May 2019, SSH signed the Commitment to observe Human Rights in Business within the framework of the Slovenian Forum on responsible business operations and human rights in economy, organised by the Ministry of Foreign Affairs together with the Chamber of Commerce and Industry of Slovenia and the Ministry of Economic Development and Technology. By signing this Commitment, SSH wishes to be the first among the equals, i.e. portfolio companies, and intends to improve its operation in this regard. SSH also intends to encourage other portfolio companies which have not yet signed the said Commitment to do so since state-owned companies should set an example to other enterprises.

Other projects which refer to several areas of asset management are presented in individual Chapters.





# SSH CORPORATE GOVERNANCE

## 5.1 Corporate Governance Statement

In accordance with the provision of Article 70, Paragraph 5 of ZGD-1 and the Recommendation 3.4.1 of the Corporate Governance Code for SOEs, Slovenian Sovereign Holding hereby provides the Corporate Governance Statement which forms an integral part of this Business Report; the said Statement is available on the Company's web site: [www.sdh.si](http://www.sdh.si). The Corporate Governance Statement includes all of the important aspects of the company's governance and refers to the period from 1 January to 31 December 2019.

SSH is the umbrella manager of state capital assets whose governance is specific, and its fundamental principles are regulated in a special bill, that is ZSDH-1. By way of its adoption, the most part of the OECD Guidelines for Corporate Governance of State-Owned Enterprises have been transposed into the Slovenian legal order. In regard to those aspects of asset management which are not regulated by ZSDH-1, the provisions of ZGD-1 apply in the subsidiary manner, in addition to, following the "comply or explain" principle, principles and recommendations of the reference code, that is the Corporate Governance Code for SOEs adopted by SSH in accordance with ZSDH-1. SSH has also adopted the SSH Asset Management Policy to which it has to adhere to.

### **I. Reference Corporate Governance Codes - Statement of Compliance with Reference Code**

In accordance with ZSDH-1 and the SSH Asset Management Policy, adopted on 19 December 2014 and last revised in July 2019, SSH uses the Corporate Governance Code for SOEs, Issue May 2017 as the reference code (available on SSH's web site <http://www.sdh.si/>). The Code was revised in November 2019, and it entered into force on 1 January 2020.

The Corporate Governance Code for SOEs is the asset management document adopted by SSH in accordance with ZSDH-1 by way of which SSH in the capacity of the central ownership entity

recommends to SOEs good practice in corporate governance and, partially, set expectations from them. The said Code is one of the most important legal documents regarding the system of state-owned asset management with which SSH aims to increase the general level of quality of corporate governance pursued by SOEs.

### **In 2019, SSH deviated from the following recommendations referred to in the reference Code:**

- Recommendations regarding remuneration for Supervisory Board members and members of Supervisory Board Committees for their services and attendance fees were not fully taken into account due to specific regime applied by ZSDH-1 and in accordance with SSH General Meeting Resolutions of 8 December 2014.
- The career development plan has not yet been introduced as this subject area is under development and is expected to be completed by the end of 2020 (Item 7.4 of the Corporate Governance Code for SOEs).
- For 2019, SSH did not publish its financial plan, but it published the financial plan for 2020 on its web site [www.sdh.si](http://www.sdh.si/), in accordance with the Corporate Governance Code for SOEs (Item 8.5 of the Corporate Governance Code).
- The Supervisory Board failed to formally develop an efficient and timely succession plan for the members of the Management Board owing to special statutory provisions (ZSDH-1) which stipulate the procedure for the selection and appointment of the SSH's Management Board (Item 6.1 of the Corporate Governance Code).
- The Supervisory Board was not able to prepare a competence profile for Supervisory Board members from the aspect of the Supervisory Board's optimum size and composition due to the fact that the procedure for appointing Supervisory Board members is specifically regulated by ZSDH-1 (SSH's General Meeting does not elect

members of the Supervisory Board on proposal by the Supervisory Board but they are appointed by the Parliament) (Item 6.4.1 of the Corporate Governance Code).

- Since the procedure for appointing Supervisory Board members is specifically regulated by ZSDH-1 (SSH's General Meeting does not elect members of the Supervisory Board on proposal by the Supervisory Board but they are appointed by the Parliament), the Supervisory Board's Nomination Committee does not carry out tasks connected with preparing the proposal for candidates for Supervisory Board's positions (Item 6.8.5 of the Corporate Governance Code).
- The Management and Supervisory Boards did not develop a diversity policy. With regard to the composition of the Supervisory Board, special provisions of (ZSDH-1) determining the procedure for the selection and nomination of the Supervisory Board Members hamper the adoption of the diversity policy (SSH's General Meeting does not elect members of the Supervisory Board on proposal by the Supervisory Board but they are appointed by the Parliament). Consequently, the Corporate Governance Statement does not include the report on the implementation of diversity policy and on the results of its implementation (Item 3.6 of the Corporate Governance Code).

## ***II. Description of main characteristics embedded in the internal control systems and risk management in connection with financial reporting and information technology***

SSH has in place the internal control and risk management systems which are adapted to the SSH's development, to organisational and statutory changes and to good practice. Internal control system and risk management system include:

- a clear organisational structure with precisely defined powers and authorisations at all levels;
- mechanisms for prompt internal control and for preventing procedural errors which include suitable security, administration and accounting procedures;
- the system for identifying, evaluating and measuring as well as managing and monitoring risks,
- the system for assuring operational compliance with statutory requirements and high ethical standards.

The characteristics and the functioning of the risk management system are presented in detail in the Chapter on risk management.

Internal controls in connection with financial reporting are policies and procedures implemented by SSH in accordance with statutory regulations, relevant standards and the Rules on Accounting and Good Business Practice. The said Rules contribute to efficient management of risks connected with financial reporting and other areas of financial accounting. Internal controls provide for reliability and compliance of financial reporting with applicable laws and regulations.

Accounting controls are based on the principles of true presentation, responsibility, control of transactions, compliance of books of accounts with the true state of business, in addition to the principles of professionalism and independence,

The Information technology is an important factor when introducing the necessary systems and procedures for an effective and efficient internal control system. The cooperation of all levels of organisation with the IT department is vital as it is not only significant for efficient functioning of the internal control system but also for the optimisation of business processes at all levels.

SSH has recently profoundly renewed its information technology infrastructure and has introduced additional security systems to diminish or fully remove individual operational and cyber risks.

## ***III. External and Internal Audit***

In accordance with ZGD-1, SSH is obliged to have its financial statements audited. The audit review has been carried out by the audit firm DBO revizija, d. o. o. since 2018. Prior to that, the audit review has been carried out by the audit firm Deloitte revizija, d. o. o. The Internal Audit is an independent and unbiased function within SSH, providing assurances and advisory services. It assists SSH in achieving its goals by systematically and methodically assessing the effectiveness of business processes related to control procedures, and of company's governance. It reports directly to the SSH Management Board and to the SSH Supervisory Board's Audit Committee or to SSH Supervisory Board. The activities pursued by the Internal Audit is presented in the Chapter on Internal Audit activities.

#### **IV. Data regarding SSH General Meeting, its key responsibilities and presentation of shareholder rights and the method of their exercising**

In accordance with ZSDH-1, the function of the SSH's General Meeting is exercised by the RS Government. The General Meeting makes decisions on key issues pertaining to SSH which are defined in ZGD-1 and ZSDH-1, in addition to adopting measures for measuring performance of SOEs. A special feature of the SSH organisation is that the members of the SSH Supervisory Board are not appointed by the General Meeting but they are appointed or dismissed by the National Assembly of the Republic of Slovenia (the Parliament).

A shareholder exercises the rights at the General Meeting. The General Meeting is convened and organised in accordance with applicable regulations. A holder of shares has the right to manage a company, a right to a dividend and a right to receive the corresponding value of assets remaining after the liquidation of a company. The Republic of Slovenia has withheld from its right to dividend, as long as the Republic of Slovenia is the sole shareholder of SSH.

#### **V. Compliance and corporate integrity system**

SSH is the only company in RS whose foundations for setting up the compliance and corporate integrity system are laid down by a special act (ZSDH-1). In SSH, statutory provisions are improved by means of having a detailed definition of procedures and measures stated in the corporate documents, by having appointed a Chief Compliance Officer and by providing his job description and by means of employees, the Management Board and the Supervisory Board Members, SSH takes an active role in risk detection and in carrying out measures referred to in the Integrity Plan.

By having defined priority goals, which among other goals include SSH's commitment for transparent operation and ethical conduct in accordance with the highest expectations and standards, the foundations have been laid and policies have been set for all SOEs under SSH's governance.

As regards compliance and integrity, SSH acted in accordance with the provisions of ZSDH-1 and provisions of internal corporate documents

which define in detail procedures to be followed in individual areas. The Chief Compliance Officer, in charge for establishing and implementing the compliance system, pursued activities to upgrade Integrity Plan and to deal with topics highlighted by the Risk and Compliance Committee. Operational implementation of measures and exchange of information was carried out by means of regular communication with employees. The Chief Compliance Officer regularly reported to the SSH Management Board and to the SSH Supervisory Board on the implementation of the Integrity Plan. SSH started to revise the Code of Ethics of SSH which was amended with commitments in regard to leading by example, zero tolerance to corruption, observance of human rights in business, sustainable development, and interpersonal relations in the company.

The revised version of the Corporate Governance Code for SOEs includes recommendations for SOEs to establish a corporate integrity system. Key recommendations of the revised Code advise the following activities: the appointment of the Chief Compliance Officer position, the preparation of the Anti-Corruption Programme of an SOE, identification of risks linked with corruption and unethical conduct, education and training to be organized on this subject for employees, and the establishment of the system to detect irregularities - this system should include mechanisms for suitable and efficient response, for tracking and for registering reports of irregularities; it is also recommended that whistle-blowers system is ensured and the system is established for regular reporting to the management and supervisory bodies on reports of irregularities received and handled.

#### **VI. Diversity Policy description**

The Management and Supervisory Boards did not formulate nor adopt a diversity policy which is usually carried out with regard to the composition of the management and supervisory bodies of the Company. With regard to the composition of the Supervisory Board, special provisions of (ZSDH-1) determining the procedure for the selection and nomination of the Supervisory Board Members hamper the adoption of the diversity policy (the only proposer of candidates for SSH's Supervisory Board Members is the Government of RS and the body appointing them is the National Assembly of RS).

## **VII. Reporting in accordance with Article 70, Paragraph 6 of ZGD-1**

In accordance with the provision of Article 33, Paragraph 1 of ZSDH-1, the Republic of Slovenia is the sole shareholder of SSH, and such provision implicitly includes a prohibition of the disposal of SSH shares. Therefore, there is not even a theoretical option that ZPre-1 applies to SSH. As SSH is included on a list of companies held by the Securities Market Agency, for which ZPre-1 applies, irrespective of the above stated, in accordance with Article 70, Paragraph 6 of ZGD-1, SSH hereby states data as at the last day of the financial year and all necessary explanatory notes:

### **1. The structure of the SSH's share capital**

All SSH shares are ordinary, no-par value shares which grant their holders the right to participate in the management of the Company, the right to dividends and the right to the corresponding part of assets remaining after the liquidation of a company. All shares are one class shares and are issued in non-certified form.

### **2. Restrictions regarding transfer of shares**

SSH shares are not freely transferable.

### **3. Qualified holding as stipulated by Takeovers Act**

As of 31 December 2019, the holder of the qualified holding as stipulated by the Takeovers Act was the Republic of Slovenia, comprising 155,866 shares, that is 100% of the share capital.

### **4. Explanatory notes regarding the holder of securities with special controlling rights**

Slovenian Sovereign Holding has issued 155,866 ordinary, registered, no-par value shares of the same class with the same rights which means that the holder has no special controlling rights arising from the ownership of shares.

### **5. Employee Share Scheme**

There are no Employee Share Schemes established in SSH.

### **6. Agreements which could result in a restriction on the transfer of securities or voting rights**

There are no such agreements concluded. However, ZSDH-1 explicitly stipulates that RS is the sole shareholder of SSH which means that shares are not transferable without amendments being made to the legislation.

## **7. SSH's Rules on the appointment and replacement of members of Management and Supervisory Bodies and on amendments to Articles of Association**

The Management Board of SSH consists of three members of which one holds the function of the President of the Management Board. The Management Board is appointed by the Supervisory Board upon an international invitation to apply for the position, or in cooperation with an international recruitment agency. The term of office for the Management Board members lasts for four years with an option of reappointment. The Supervisory Board assesses the fulfilment of the criteria required by ZGD-1 and ZSDH-1 in a prudent and responsible manner. Any violation of duties pursuant to ZSDH-1 or of any management-related documents is a severe violation of duties assumed by a Management Board Member. The provisions of ZGD-1 apply for the dismissal of a Management Board Member.

The SSH Supervisory Board consists of five members who are all elected by the National Assembly of the Republic of Slovenia upon the proposal given by the Government of the Republic of Slovenia. The National Assembly of the Republic of Slovenia grants its consent to the proposal given by the Government of the Republic of Slovenia which cannot be modified. The provisions of the act regulating employee participation in management do not apply to the SSH Supervisory Board. Detailed criteria regarding an SSH Supervisory Board Member are laid down in ZGD-1 and ZSDH-1. An SSH Supervisory Board Member may be recalled by the National Assembly of the Republic of Slovenia upon the proposal by the Government of the Republic of Slovenia on the account of reasons stipulated in ZSDH-1.

There are no special rules stipulated by ZSDH-1 in regard to amendments to Articles of Association. Any potential amendments of the Articles of Association are pursued in accordance with ZGD-1.

## **8. Authorisations to the management, particularly authorisations to issue or purchase treasury shares**

Authorisations conferred on the Management Board Members are defined in the remaining part of this Chapter. However, there are no special authorisations granted to the Management Board in regard to the issue or purchase of own shares.





Figure: The Company's bodies and their working and consultation bodies

**9. Major agreements which take effect, are changed or cancelled following a change in control over the Company resulting from a public take-over bid**

There are no such agreements concluded.

**10. Agreements between SSH and its management or supervision bodies or its employees subject to which a compensation is envisaged, if, due to a bid as stipulated by the act governing mergers and acquisitions, these persons are dismissed on no justified grounds or their employment is terminated**

There are no such agreements concluded.

**VIII. Data on composition and functioning of supervision and management bodies and their committees**

In accordance with ZGD-1 and ZSDH-1, a two-tier management system has been introduced in SSH, comprising the Management and Supervisory Boards. The Management Board runs SSH and organizes its work and operation, while the Supervisory Board oversees the running of SSH's business. The management of SSH is based on statutory provisions, on the Articles of Association, which is the fundamental legal document, internal legal documents and on the established and generally accepted good business practice. Formally speaking,

SSH does not pursue a diversity policy to be applied in connection with the presence in management and supervisory bodies as regards gender, age and education, however, regardless of the above stated, management and supervisory bodies are organized in a manner that the complementarity in knowledge, skills and experience of the board members is achieved, while also providing for the board's heterogeneous composition.

**Management Board**

The SSH Management Board organises and runs the operation of Slovenian Sovereign Holding; it is responsible for all management decisions taken in accordance with ZSDH-1. The adoption and implementation of all decisions is carried out in an independent manner, with the Board acting under their own responsibility. The Management Board represents the Slovenian Sovereign Holding. In line with the law, the Management Board is composed of the President of the Management Board and two members of Management Board. The Management Board made its decisions mainly at the Management Board's sessions, and, in addition to formal board sessions, it exercised its powers and duties which are necessary for the daily operation of SSH, together with powers and responsibilities held in respect of the General Meeting, as laid down in ZGD-1 and ZSDH-1. Activities in respect of the Supervisory

Board were carried out by the Management Board in accordance with the provisions of the law, the Articles of Association, and the Rules of Procedure of the SSH Supervisory Board.

The Management Board is responsible for all decisions within its powers which includes sustainable development.

The President of the SSH Management Board represents SSH individually and without any restrictions, while members of the SSH Management Board represent the Company jointly with the President. In accordance with ZSDH-1, the obligation for obtaining the consent by the Management Board for some business transactions cannot be determined by the Supervisory Board unless stipulated in the law or in the SSH Articles of Association.

The Management Board is obliged to obtain the Supervisory Board's consent for the following transactions:

- for legal transactions in regard to approving short-term loans to entities not having the authorisation of the Bank of Slovenia for pursuing banking activities – regardless of the nominal amount of an individual transaction;
- for legal transactions in regard to issuing guarantees to third persons – regardless of the nominal amount of an individual transaction;
- for legal transactions in regard to obtaining or granting loans maturing within more than 365 calendar days – regardless of the nominal amount of an individual transaction;

- for acquiring and disposing of investments which exceed the book value of EUR 5 million as recorded in the share register;
- for the adoption of the Criteria for Measuring the Effectiveness of State-Owned Enterprises,
- for the adoption of the Annual Asset Management Plan;
- for the adoption of the Asset Management Policy;
- for the adoption of the Corporate Governance Code for SOEs;
- for concluding agreements on the provision of advisory-services, such as agreements concluded with legal and financial advisors, agreements for carrying out due diligence of a company, agreements for company's valuations in processes for the disposition of state capital assets, the value of which exceeds EUR 5000 per contractor.

The SSH Management Board is appointed by the SSH Supervisory Board in accordance with Article 46 of ZSDH-1, which also stipulated conditions and criteria for their appointment.

## The membership of the SSH Management Board 19

Name and surname	Position held (President, Member)	Area of work covered within the Management Board	First appointment to the position	Conclusion of the position/ term of office	Gender	Citizenship	Year of birth:	Qualification	Expert profile	Membership in supervisory bodies in not affiliated companies
<b>**Lidija Glavina</b>	President of the Management Board	disposition of and acquisition of equity holdings, management and the SSH's support functions	15 July 2016-22 February 2017, Lidia Glavina was engaged as the Interim President of the SSH Management Board; 23 February 2017 Lidija Glavina was appointed for the full term of office	31 March 2019	F	Slovenian, Italian	1969	the <i>Dottore Magistrale</i> degree obtained in the Republic of Italy; the degree is comparable to the second level of higher education in the Republic of Slovenia.	finance, running of companies and their governance, sale of companies	President of the Supervisory Board of Telekom Slovenije, d. d. beginning and end of the term of office 27 April 2017-30 August 2019
<b>Boštjan Koler</b>	Member of the Management Board	asset management, controlling and reporting, financial management of SSH, legal affairs and denationalisation	1 December 2018	/	M	Slovenian	1961	University degree in Law (LL.B.)	running of companies and their governance	/
<b>*Andrej Božič</b>	Member of the Management Board	asset management, controlling and reporting, financial management of SSH	21 January 2019	1 December 2019	M	Slovenian	1960	univ. dipl. ekon., specializacija marketing in finance – Cleveland State University, ZDA	running of companies and their governance, restructuring	Mladinska knjiga Založba Board of Directors of Managers' Association of Slovenia
<b>Igor Kržan</b>	President of the Management Board	disposition of and acquisition of equity holdings	1 April 2019	30 September 2019	M	Slovenian	1961	university degree in economics, MBA	running of companies and their governance	/
<b>Gabrijel Škof</b>	President of the Management Board	disposition of and acquisition of equity holdings, asset management	1 October 2019	/	M	Slovenian	1960	University degree in Law (LL.B.)	asset management, running the company	/
<b>Boris Medica</b>	Member of the Management Board	asset management, controlling and reporting, financial management of SSH	1 December 2019	/	M	Slovenian	1964	university degree in electrical engineering, MBA	asset management, restructuring, finance	

\*Andrej Božič resigned from the position of a Management Board Member on 1 December 2019.

\*\* On 1 April 2019, Igor Kržan was appointed the Interim President of the SSH Management Board holding the position until 1 October 2019 when Gabrijel Škof was appointed the new President of the SSH Management Board.

## Management Board's Consultation Bodies

The **Nomination Committee** is a consultation body of the SSH Management Board, which, pursuant to ZSDH-1 and SSH Asset Management Policy, implements procedures for recruiting candidates for members of Supervisory Bodies of SOEs, and procedures for their evaluation and their accreditation. The Nomination Committee is composed of three members who are appointed by the SSH Management Board for the 4 year tenure after having been selected from among experts in corporate governance, HR management and experts in the functioning of bodies of supervision.

The membership of the Nomination Committee was changed in 2019 since the term of office of two members terminated at the end of March.

Up until 31 March 2019, the SSH Nomination Committee was composed of the following members:

- Luka Gaberščik, President
- Jagoda Vitez, Member, Deputy President, and
- Brigita Vončina, Member,

On 1 April 2019, two new members were appointed:

- Samo Roš, President, and
- Urška Podpečan, Deputy President.

The term of office of Brigita Vončina, Member, terminates on 5 April 2020. On 6 April 2020, Vlasta Lenardič was appointed the member of the Nomination Committee for a 4-year term of office.

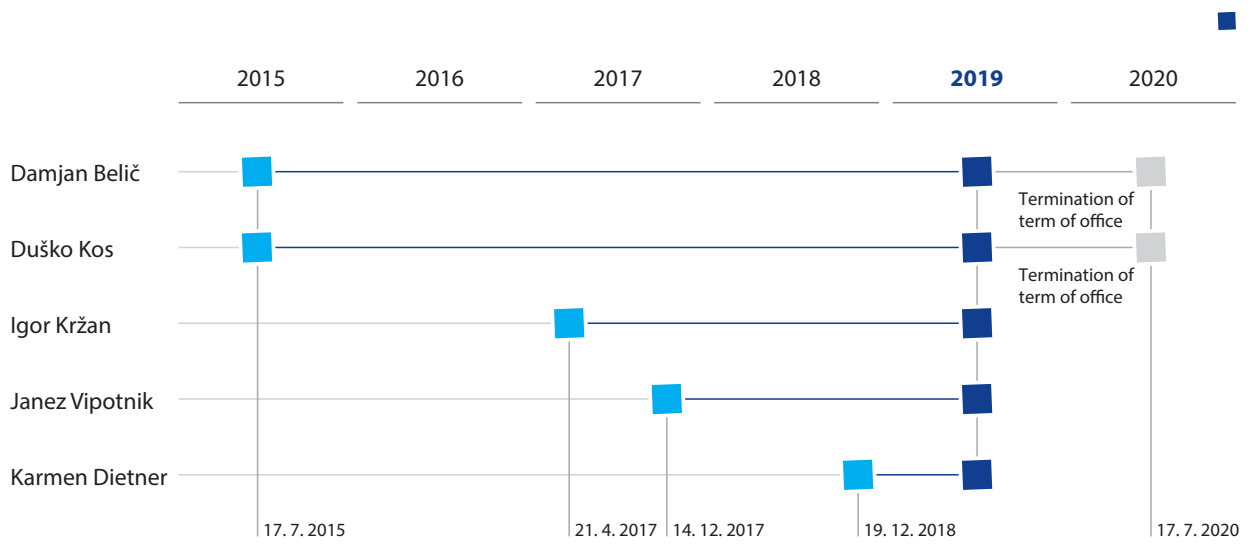
**The Expert Committee for Economic and Social Affairs** (ECESA) is the SSH Management Board's consultation body composed of seven members that provide opinions and give initiatives related to the economic and social affairs. ECESA adopts opinions and initiatives that are related to affairs which result or may result in issues concerning labour law, the SSH's Articles of Association or have or may have social impacts for SSH employees or for companies managed by SSH.

ECESA is composed of seven representatives of Slovenia's representative trade unions and confederations who are members of the Economic and Social Council. In 2019, the following representatives were appointed for the new five-year term of office: Miroslav Garb (Confederation of new Trade Unions of Slovenia Independence), Saška Kiara Kumer (Association of Free Trade Unions of Slovenia), Zdenko Lorber (Slovenian Union of Alternative Trade Unions of Slovenia), Albert Pavlič (Association of Workers Trade Unions of Slovenia - Solidarity), Jakob Počivavšek (Pergam Confederation of Trade Unions), Branimir Štrukelj (Confederation of Slovenian Public Sector Trade Unions) and Damjan Volf (Trade Unions Confederation 90 of Slovenia). Zdenko Lorber was elected the President of ECESA and Saška Kiara Kumer its Vice-President.

## Supervisory Board

In accordance with ZSDH-1, the SSH Supervisory Board is appointed as a five-member body. There were three committees operating within the SSH Supervisory Board in 2019: the Audit Committee, the Risk Committee and the Nomination Committee. More details on the membership and work carried out by the Supervisory Board are given in the Supervisory Board's Report (Chapter 3) and in tables below.

**Review of terms of office of Supervisory Board members exercising their membership in 2019:**



\*The position of Igor Kržan in the capacity of SB Member was suspended from 1 April 2019 until 30 September 2019

## Membership of the Supervisory Board and Supervisory Board's Committees in 2019:

Name and surname	Position held (President, Deputy, Member)	First appointment to the position	Conclusion of the position/ term of office	Representative of capital/ employees	Attendance at SB's sessions in regard to the total number of SB's sessions	Gender	Citizenship	Year of birth:	Qualification	Expert profile	Independence under Article 23 of the Code (YES/NO)	Existence of conflict of interest in the financial year YES/NO	Membership in supervisory bodies in other companies
<b>Karmen Dietner</b>	President of Supervisory Board	19 December 2018; she assumed the position of the SB President on 1 April 2019	19 December 2023	appointed in accordance with ZSDH-1	22/22	F	Slovenian	1968	university degree in economics (BA in Economics)	finance, corporate governance	YES appointed in accordance with ZSDH-1	NO	–
<b>Duško Kos</b>	Deputy President of Supervisory Board	17 July 2015	17 July 2020	appointed in accordance with ZSDH-1	22/22	M	Slovenian	1960	University degree in sociology	corporate governance, liabilities and asset management	YES appointed in accordance with ZSDH-1	NO	Member of the Supervisory Board of Talum, d. d. and Member of the Supervisory Board of Mladinska knjiga založba, d.d.
<b>Damjan Belič</b>	Member of Supervisory Board until 23 January 2019, President	17 July 2015	17 July 2020	appointed in accordance with ZSDH-1	21/22	M	Slovenian	1968	university degree in law (LL.B), MBA	corporation law, corporate governance, asset management, insolvency law	YES, appointed in accordance with ZSDH-1	NO	President of Supervisory Board of Thermana d.d., Laško
<b>Igor Kržan</b>	Member of Supervisory Board until 31 March 2019, President	21 April 2017 – appointment by judicial decision; 20 June 2017 - regular appointment in accordance with ZSDH-1, term of office suspended between 1 April and 30 September 2019	20 June 2022	appointed in accordance with ZSDH-1	9/22 (on account of suspension of position of the SB Member)	M	Slovenian	1961	university degree in Economics (BA in Econ), MBA	finance, corporate governance, management of liabilities and assets	YES appointed in accordance with ZSDH-1	NO	–
<b>Janez Vipotnik</b>	Member of Supervisory Board	14 December 2017	14 December 2022	appointed in accordance with ZSDH-1	22/22	M	Slovenian	1948	Bachelor of Science in Economics	finance, corporate governance, management of liabilities and assets	YES appointed in accordance with ZSDH-1	NO	–

\* On 23 January 2019, Igor Kržan was appointed the President of the Supervisory Board, while Damjan Belič was appointed the Member of the Supervisory Board. On 1 April 2019, Karmen Dietner was appointed the President of the Supervisory Board as the Igor Kržan's position of the President of the Supervisory Board had been suspended.

Membership in the Audit Committee	President /member	Attendance at sessions of SB's Committees in regard to the total number of SB's sessions
<b>Duško Kos</b>	President of Audit Committee:	7/7
<b>Damjan Belič</b>	Members of Audit Committee:	7/7
Membership in Risk Committee	President /member	Attendance at sessions of SB's Committees in regard to the total number of SB's sessions
<b>Igor Kržan</b>	President of Risk Committee until 1 April 2019 and Member of Risk Committee from 1 October 2019	1/3 (on account of the suspension of the position of the SB Member)
<b>Janez Vipotnik</b>	Member of Risk Committee until 1 April 2019 and Member of Risk Committee from 1 April 2019	3/3
<b>Karmen Dietner</b>	Member of Risk Committee from 1 April 2019 until 30 September 2019	2/3 (on account of the subsequent assumption of office)
Supervisory Board's Nomination Committee	President /member	Attendance at sessions of SB's Committees in regard to the total number of SB's sessions
<b>Duško Kos</b>	President of Nomination Committee	14/14
<b>Damjan Belič</b>	Member of Nomination Committee from	13/14
<b>Igor Kržan</b>	Member of Nomination Committee from 1 April 2010 and from 1 October 2019	3/14 (on account of the suspension of the position of the SB Member)
<b>Karmen Dietner</b>	Member of Nomination Committee	14/14
<b>Janez Vipotnik</b>	Member of Nomination Committee	14/14

External Members of Committees								
Name and surname	Committee	Attendance of Committee's sessions in proportion to the total number of sessions	Gender	Citizenship	Qualification	Year of birth:	Expert profile	Membership in supervisory bodies in not affiliated companies
<b>Darinka Virant</b>	Audit Committee	6/7	F	Slovenian	Bachelor of Science in Economics	1954	expert in financial, accounting and auditing reporting	external member of Audit Committees of Supervisory Boards of Eles, Talum, Elektro Celje and Mladinska knjiga
<b>Darinka Virant</b>	Risk Committee from 12 July 2017	3/3	F	Slovenian	Bachelor of Science in Economics	1954	expert in financial, accounting and auditing reporting	external member of Audit Committees of Supervisory Boards of Eles, Talum, Elektro Celje and Mladinska knjiga

Ljubljana, April 2020

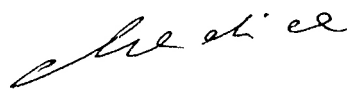
Boštjan Koler,  
Member of the Management Board



Gabrijel Škof,  
President of the Management Board



Boris Medica,  
Member of the Management Board



# PRESENTATION OF SSH GROUP AND SSH

## 6.1 Presentation of SSH Group

On 31 December 2019, SSH is the controlling company drawing up the consolidated annual report for companies within its Group. For the purpose of consolidation, these companies are categorized into three groups:

- subsidiaries;
- associates;
- entities which are solely managed by and are owned by RS and/or SSH.

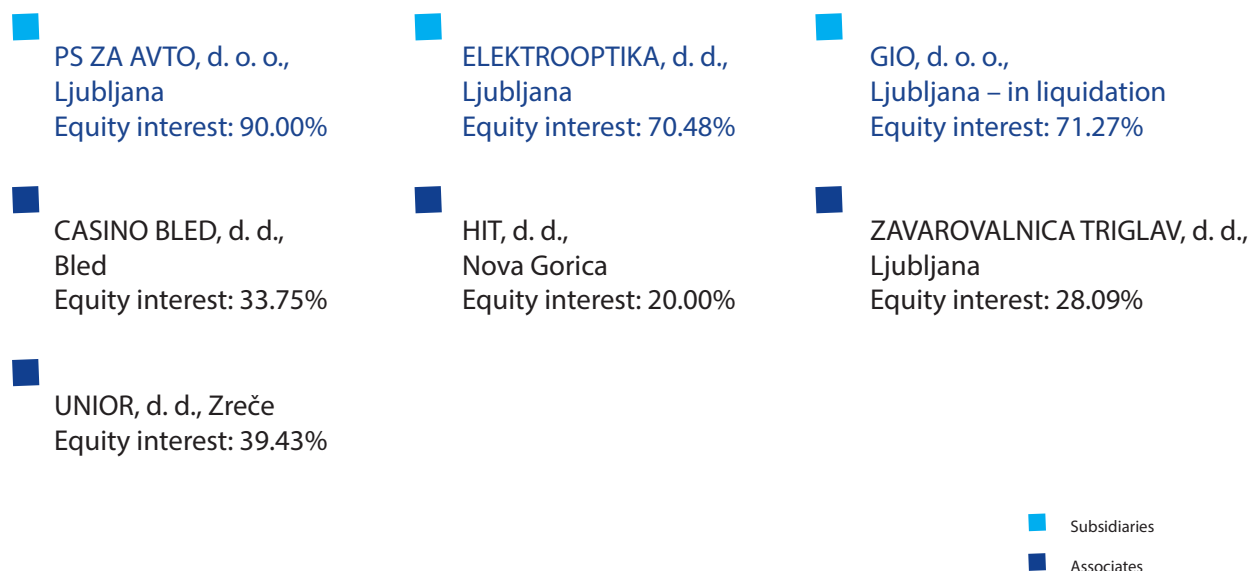
On the basis of analysis and measures adopted in accordance with the International Financial Reporting Standards, i.e. IFRS 10, entities from the

third group are not controlled by but only managed by SSH, in accordance with the statutory basis arising from ZSDH-1. On the basis of the analysis and measures, SSH carries out the consolidation process at least once a year. The remaining part of this Chapter presents all subsidiaries and associates while entities with a minor SSH shareholding or being only managed by SSH are stated in the Chapter on Governance.

The scheme below shows which subsidiaries were controlled by SSH and which, by SSH exercising a significant influence, are considered to be **associates**.

### Equity holdings of the controlling company in subsidiaries as of 31 December 2019

## Slovenian Sovereign Holding Group



Note: In accordance with Article 85 of ZSDH-1, the management of state asset held by ZPIZ (equity interest: 34.47%) in Zavarovalnica Triglav, d. d., has been transferred to SSH.

PS za avto d. o. o., Elektrooptika, d. d. and GIO, d. o. o., Ljubljana – in liquidation, are not considered significant companies for the Group

therefore their operation has not been included in the consolidated financial statements of SSH Group.



## 6.2 Presentation of SSH

SSH is the central ownership entity managing state capital assets. Its comprehensive and diversified portfolio includes various sectors, specifically: energy industry, manufacturing, insurance businesses, banks, traffic, transport and infrastructure, general economic sector, and tourism as well as other branches of industry. The management of state capital assets is SSH's core business.

SSH was established on 26 April 2014 by transforming SOD when the Act entered into force regulating its establishment, status, tasks, asset management and some other relevant matters (ZSDH-1). SSH continues to exercise all powers, responsibilities, rights, and obligations which used to be held by SOD. SSH as a

liable party to proceedings takes part in proceedings for determining compensation for nationalised assets and provides for regular settlement of liabilities arising from denationalised assets. In the capacity of the holder of public powers on behalf of and for the account of the Republic of Slovenia, SSH runs procedures for the issue of decisions on the compensation amount and settles liabilities under the following laws: ZSPOZ and ZIOOZP.

The sole founder and shareholder of SSH is the Republic of Slovenia. SSH operates as a public limited company with rights, liabilities and obligations stipulated by ZGD-1, ZSDH-1, ZSOS and other bills and the SSH Articles of Association.

### Company details - significant data



SLOVENSKI DRŽAVNI HOLDING, d. d.

Corporate name:	Slovenski državni holding, d. d.
Registered office:	Ljubljana
Business address:	Mala ulica 5, 1000 Ljubljana
Telephone No.:	++386 1 300 91 13
Web site and e-mail:	www.sdh.si, info@sdh.si
Activity code:	64.990
VAT ID:	SI 46130373
Registration No.:	5727847
Transaction Account:	SI56 0291 3001 6492 958 held by NLB
Date of legal entity's establishment:	19 February 1993
Date of SSH's incorporation:	26 April 2014
Date of company transformation from SOD into SSH:	11 June 2014
Registered legal form:	Public limited company registered before Ljubljana District Court, under the Reg. Entry No. 1/21883/00
Share capital:	EUR 260,166,917.04
No. of employees as of 31 December 2019:	68
Membership in other organisations:	Directors' Association of Slovenia, Association of Employers of Slovenia, Chamber of Commerce and Industry of Slovenia

<b>Management Board:</b>	<p>Gabrijel Škof, President of Management Board (from 1 October 2019)  Boštjan Koler, Member of Management Board (from 1 December 2018)  Boris Medica, Member of Management Board (from 1 December 2019)</p> <p><b>In 2019, SSH MB also included the following members:</b>  Lidia Glavina, President of Management Board (until 31 March 2019)  Igor Kržan, President of Management Board (from 1 April until 30 September 2019)  Andrej Božič, Member of Management Board (from 21 January until 1 December 2019)</p>
<b>Members of Supervisory Board:</b>	<p>Karmen Dietner, President (Member from 19 December 2018 to 31 March 2019; President since 1 April 2019)  Duško Kos, Deputy President,  Damjan Belič, Member (President until 22 January 2019; Member since 23 January 2019)  Janez Vipotnik, Member (from 14 December 2017)  Igor Kržan, Member (from 24 April 2017 until 22 January 2019; President from 23 January until 31 March 2019; from 1 April until 30 September 2019 his position was suspended)</p>
<b>Members of the SB's Audit Committee:</b>	<p>Duško Kos, President;  Damjan Belič, Member  Darinka Virant, External Member</p>
<b>Members of SB's Risk Committee:</b>	<p>Janez Vipotnik, President (Member from 3 May 2018 until 31 March 2019, President since 1 April 2019)  Karmen Dietner (President from 23 January until 31 March 2019, Member since 1 April 2019)  Darinka Virant, External Member  Igor Kržan ( Member from 12 July 2017 ; President from 3 May 2018 until 23 January 2019)</p>
<b>Members of Nomination Committee:</b>	<p>Samo Roš, President (from 1 April 2019)  Urška Podpečan, Deputy President (from 1 April 2019)  Vlasta Lenardič, Member (from 6 April 2020)</p> <p><b>In 2019, the Nomination Committee also included the following members:</b>  Luka Gaberščik, President, (until 31 March 2019)  Brigita Vončina, Member (from 5 April 2016 until 5 April 2020)  Jagoda Vitez, Deputy President (until 31 March 2019)</p>
<b>Members of ECESA:</b>	<p><b>Members until 18 December 2019:</b>  Lidia Jerkič, President,  Zdenko Lorber, Deputy President,  Members: Miroslav Garb, MSc. Branimir Štrukelj, Franc Zupanc, Nevija Pečar and Jakob Počivavšek.</p> <p><b>Members after 18 December 2019:</b>  Zdenko Lorber, President (the Slovenian Union of Alternative Trade Unions of Slovenia)  Saša Klara Kumer, Deputy President (the Association of Free Trade Unions of Slovenia)  Miroslav Garb (the Confederation of new Trade Unions of Slovenia Independence)  Albert Pavlič (Association of Workers Trade Unions of Slovenia – Solidarity)  Jakob Počivavšek (Pergam Confederation of Trade Unions)  Branimir Štrukelj (Confederation of Slovenian Public Sector Trade Unions)  Damjan Volf (Trade Unions Confederation 90 of Slovenia)</p>
Contact person for the Annual Report content and for sustainable reporting	pr@sdh.si

## 6.3 SSH Vision, mission, and values

### Vision

Generating value from capital investments for the owner.

### Mission

Since RS and SSH are important owners of capital assets in economic entities in Slovenia, therefore, the main duty of SSH is a responsible, professional, and active management of these assets. Among other matters, active governance means focusing on creating value for owners, that is, for the Republic of Slovenia and SSH.

SSH also takes part in denationalisation proceedings and provides for a reliable and full settlement of all statutory liabilities due to beneficiaries.

The SSH mission in regard to the disposition of state capital assets is to manage all processes in a transparent, effective and internationally comparable manner that provides for equal treatment of all investors and strives for maximising the economic impact of the sales of shares in SOEs.

### SSH Values

The values, which represent the foundation of SSH operations, are inter-related, and they provide the basis for activities pursued by SSH:



## 6.4 SSH Organisational structure

In 2019, the organisational structure of SSH did not undergo any changes, however, in Q4, activities for improving the current organisational structure were put in place to align the structure with the leadership style, decision-making method, responsibilities held, priorities which are carried out in areas of work and the wage system. The proposals for amendments to the Organizational Structure Policy and Rules on

Job Position Systematisation were prepared; their adoption is planned for the first half of 2020.

Changes in the wage system, the employee promotion policy and in the career development system are expected to be implemented by the end of 2020.

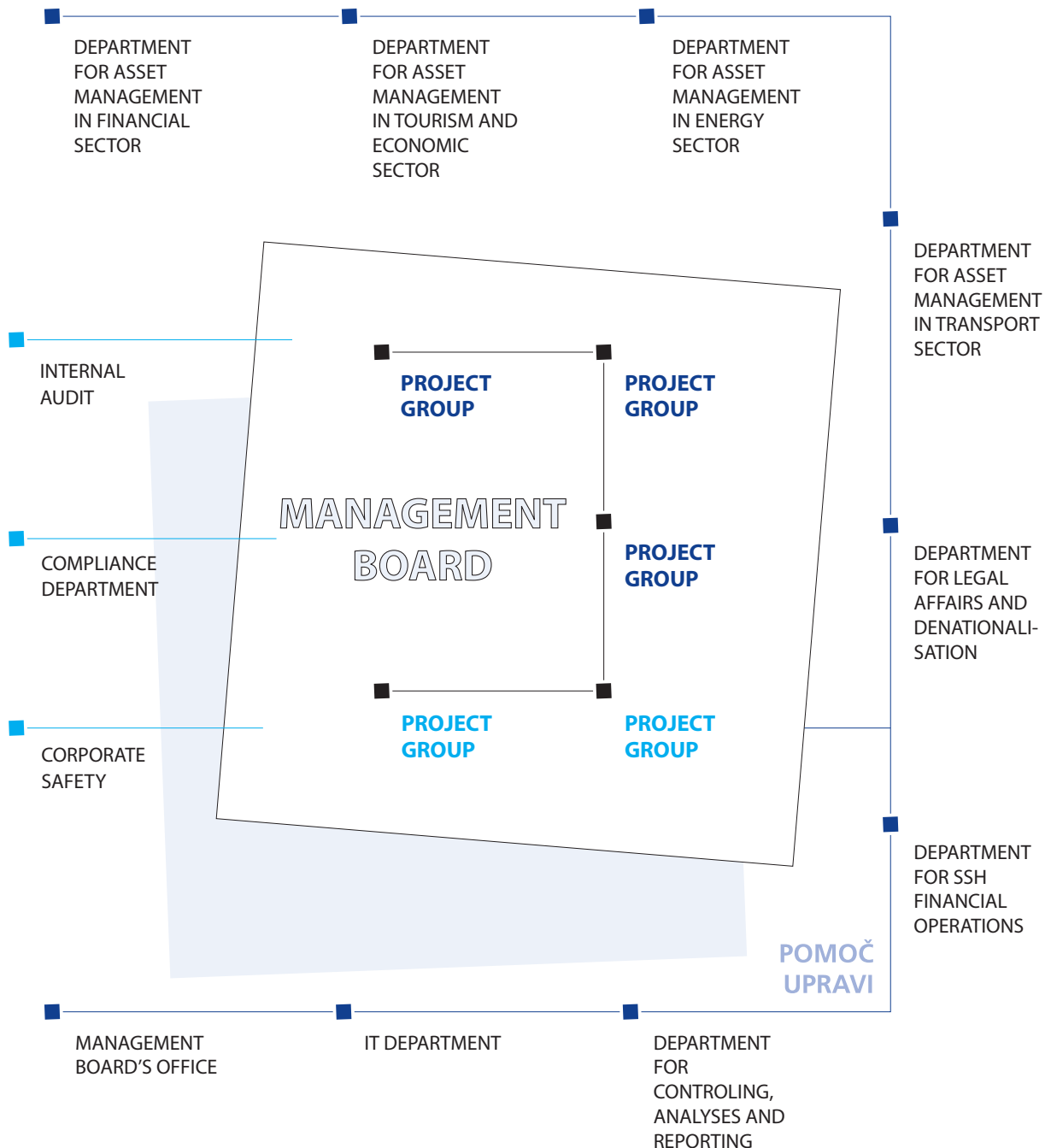


Figure: Organisational Structure of Slovenian Sovereign Holding as of 31 December 2019

Organisational units, which are divided into departments by functions and into special business functions, are clearly presented in the Organisational Structure shown above. The Corporate Security

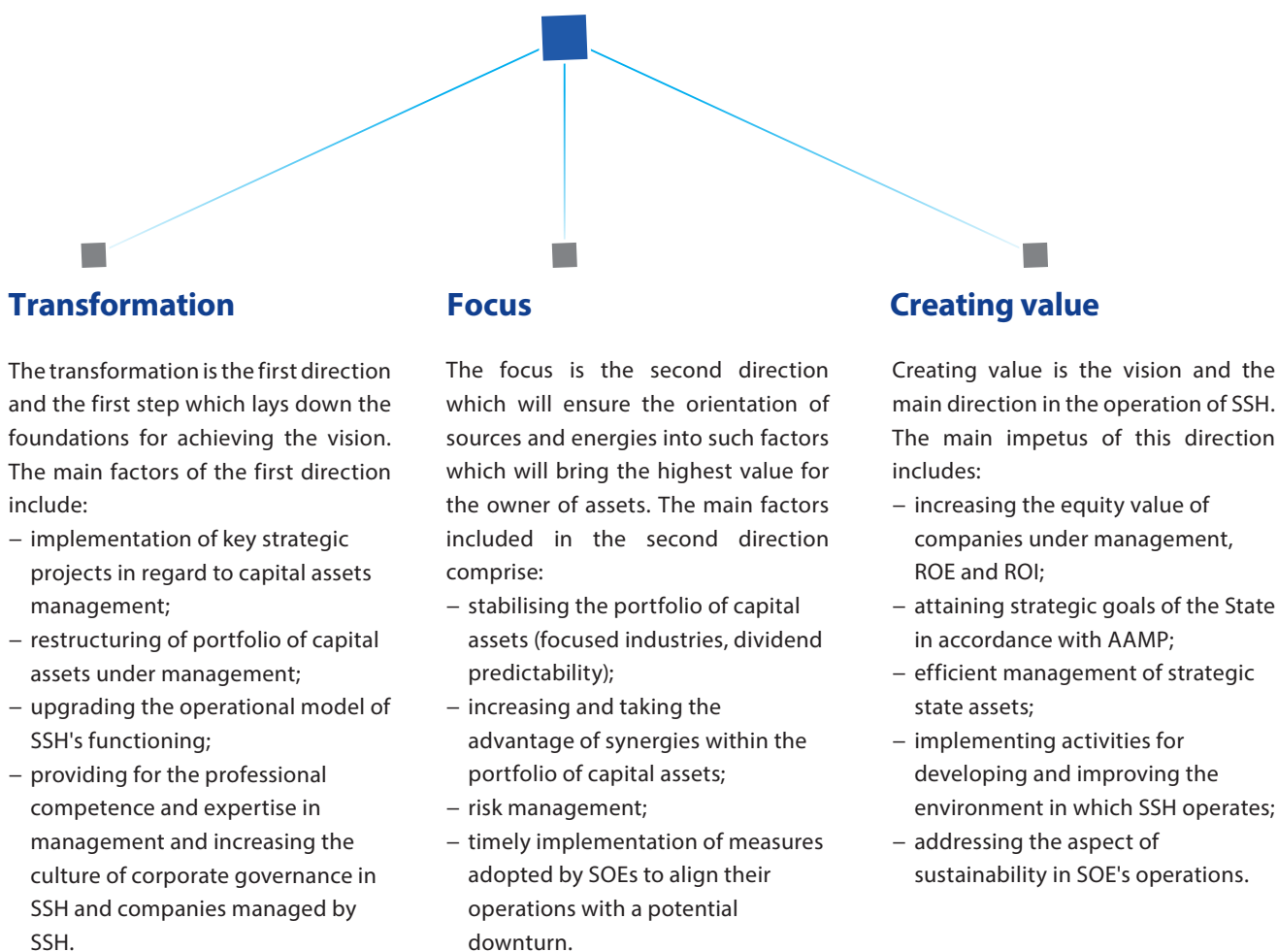
Unit was not yet established in 2019, but important activities were in place to increase the security of corporate governance.

## 6.5 SSH Strategic policies and goals

Strategic policies are directions selected for coming close to the SSH vision in the next long-term period. They are the foundation for defining the operation

of SSH as an integrated organisation with a duty to manage capital investments and perform other tasks.

### Creating value from capital assets for owner



## 6.5.1 Goals

### SSH's objectives related to management of capital assets owned by RS and SSH

The ultimate objective of state-owned companies under SSH management is efficient and effective, profitable, and economical operation, creation of value, and efficient management of services of general economic interest. This must be achieved by means of a balanced, stable, and sustainable development of enterprises from the economic, social, and environmental aspects.

### Key goals pursued by SSH within corporate governance of SOEs are.

- efficient, diligent, transparent and responsible management of state capital assets, in accordance with the provisions of ZSDH-1;
- attaining strategic, economic and financial as well as other goals of companies as defined in the State Assets Management Strategy, in every Annual Asset Management Plan, and ultimately, the goals which are set for SSH by the RS Government on an annual basis;
- continuous improvement of operations in portfolio companies;
- increasing portfolio companies' value of capital and their return on equity.

### Other goals pursued by SSH as economic entity are:

- providing for sufficient liquidity to repay all matured statutory and contractual liabilities due by SSH, including optimum management of capital assets in accordance with mid-term and long-term needs for funding,
- ensuring suitable sources of financing for the future;
- timely implementation of tasks under public powers;
- efficient implementation of all support functions inside the Company, cost management and process optimisation;
- risk management.

### Goals and values of key indicators in asset management in 2018 and estimates for 2019

The remainder of the Chapter presents quantitative goals set for SSH for 2019 and an estimate regarding the value achieved. As regards RS and SSH capital assets under management, it will only be possible to present the achievement of the targeted ROE for 2019 when the audited financial statements of 2019 for all portfolio companies are prepared.

Financial indicator:	Achieved value in 2018	Target value in 2019	Achieved value in 2019
<b>ROE of capital assets managed (RS and SSH) in%</b>	6.2%	6.2%	*6.8%
<b>Attaining the annual plan for RS dividend income**</b>	EUR 447.0 million,	EUR 203.3 million,	EUR 212.8 million,
<b>Attaining the annual plan for SSH dividend income</b>	EUR 40.4 million,	EUR 39.3 million,	EUR 40.1 million,
	below 0.5%	up to 0.5%	below 0.5%
	from the value of	from the value of	from the value of
	capital assets under	capital assets under	capital assets under
	management	management	management
<b>Cost efficiency***</b>			

\*The estimate of the value of ROE to be achieved in 2019 has been calculated on the basis of a 100-percentage shareholding held by RS in NLB. When determining the target value for 2019, capital investment in Abanka was not taken into consideration on the assumption that the sale of Abanka will be closed in 2019 when, on the other hand, the sale was closed in the beginning of 2020. According to current estimates, if the sale of RS stake in Abanka had been realised in 2019, the ROE of the portfolio for 2019 would have amounted to 6.6%; this is more than the target value.

\*\* The said amount includes the dividend sum paid out by Zavarovalnica Triglav for a shareholding held by ZPIZ.

\*\*\* Cost efficiency is calculated as a ration between the sum of the management commission received by SSH from RS for an individual year, and the total value of capital assets held by RS and managed by SSH.

Key goals in asset management set for 2019 were achieved. Even without considering the effect of the Abanka's sale, ROE of the portfolio would have been higher than the value targeted; dividend income has similarly surpassed the targeted value.

Every year, the Government of the Republic of Slovenia adopts Criteria for measuring SSH performance which are observed by SSH as Alternative Performance Criteria in accordance with ESMA Guidelines (the table presents some key quantitative goals). Additional criteria were not formulated.

### Summary of key tasks for 2020

1. Efficient implementation of permanent tasks both in regard to asset management as well as to denationalisation and attainment of economic and financial ratios in asset management for 2020.
2. Carrying out activities in connection with the implementation of the Tourism Strategy.
3. Improving reporting activities by companies under SSH management to SSH.
4. Activities in regard to sustainable development (the preparation of recommendations).
5. Improvements in SSH's internal organisation and business processes.
6. Other tasks in connection with the aim to enhance the role of SSH as the central ownership entity, endeavours for establishing long-term optimal capital structure of SSH and ensuring suitable sources of financing.

# SSH CORE BUSINESS ACTIVITIES

## 7.1 Overview of selected macroeconomic data and of Slovenian capital market

The Statistical Office of the Republic of Slovenia (SURS) estimates that the real GDP growth rate amounted to 2.4% in 2019, however, a negative GDP growth is forecasted for 2020, according to the latest estimates by the Bank of Slovenia and IMAD. Similar as in other developed countries of the world, in 2019, the GDP growth in Slovenia was lower to the growth rate recorded in 2018 (4.1%). The inflation rate (an average value), measured with the consumer price index (CPI), amounted to 1.6%, whereas when applying the quotient for December 2019/December 2018, it stood at 1.8%. The economic growth in Slovenia slowed down in 2019 as a result of the obvious signs of the cooling economic activity in Slovenia's trade partners which led to the stagnation in exports. In 2019, household consumption continued its solid growth as a result of the increase in disposable

household income and favourable conditions in the labour market which was still recording growth although it was less intensive than in 2018.

Macroeconomic data and estimates are provided on the basis of information available up until the end of March 2020. Owing to the COVID-19 crisis, forecasts differ substantially, or current forecasts made by individual institutions have not been published yet or have not been aligned with the effects of the coronavirus crisis. As a matter of fact, at the time of drawing up this report, the analysts were not able to fully assess the length and severity of the current crisis which makes it difficult to predict the impact of the Great Lockdown, which the whole world has been put in, on the future economic activity.

**Table:** Overview of macroeconomic indicators for Republic of Slovenia

	Forecast - Bank of Slovenia	
	2019	2020
GDP, real growth in%	2.4	between -6 to -16%
Registered unemployment rate in%	4.0	between 6 to 8.5%
Inflation rate YoY Dec/Dec in%	1.8	
Annual inflation rate (in%)	1.6	approximately -1% YoY

Source: Bank of Slovenia, Assessing the impact of the COVID-19 outbreak on the Slovenian economic outlook, March 2020.

The Bank of Slovenia carried out three projection exercises, under assumption that no fiscal and monetary policy measures to mitigate the extent of economic damage and to curtail the shocks are adopted. The third scenario by the Bank of Slovenia, which is the most pessimistic one, and it envisages a two-week lockdown, forecasts a 16% GDP decline for RS in 2020. An outlook regarding GDP movement was also prepared by IMAD, which published its projections in the Spring Forecast of Economic Trends 2020: the publication presented events prior

to the epidemic but was then cancelled as a result of the enhanced measures which were undertaken to contain the spread of the coronavirus. In the second half of May 2020, IMAD published new projections, forecasting the fall in GDP in 2020 to possibly stand at between 6% to 8%, assuming that extraordinary circumstances and difficulties in the operation of production and service sectors are to last for two months. On 27 March 2020, Julius Baer Bank provided their assessment which estimates that GDP fall in RS is to amount to 5% in 2020 while a 6% growth in GDP



is projected for 2021; no estimate for GDP movement in 2022 was given.

Providing forecasts in the times of such uncertainty, i.e. it is not known how long the lockdown is going to last, is a very difficult task which is why it makes sense to take projections with certain reservations due to the fact that the actual data regarding forecasts for 2021 and 2022 are missing and since conditions in the economy and in the society in general are changing rapidly, actually, on a week-by-week basis (situation as of March 2020).

In 2019, the GDP growth rate in the Euro area stood at only 1.2% which is significantly lower than the economic growth rate recorded in 2018 (1.9%). Likewise, the growth rate fell in the USA: the 2.3% rate recorded in 2019 is lower than the rate achieved in 2018 (2.9%). According to the OECD data, the global economy grew by 2.9% in 2019.

The COVID-19 crisis turned upside down all the previously made forecasts about the growth rate in 2020 and 2021. The OECD March Report thus included the analysts' projection of 1.5% global economic growth, as a matter of fact, according to their pessimistic scenario. In the second half of March 2020, all forecasts became irrelevant; OECD presented new estimates which pointed to the fact that the recession of 2020 might be far worse than the recession caused by the financial crisis of 2008. The depth of the decline in economic activity will depend on the lockdown imposed by individual economies and on the damage incurred (for example, the increase in the number of unemployed persons, the decrease in the purchasing power). OECD estimates that, due to the temporary lockdown, on average, economies are about to lose 2 percentage points in GDP growth per month, measured on an annual basis. If the global lockdown of economy (the closure of economic enterprises, the prohibition of public gatherings, the work-from-home model of work, and similar measures) lasted for 3 months, the global economic growth rate would be by 4 to 6 percentage points lower than it would be otherwise recorded. As a result of the lockdown, caused by the COVID-19 Pandemic, individual economies will record up to 33% fall in economic activity on a short-term (quarterly) basis.

On 27 March 2020, Julius Baer (a private financial institution) gave their estimate of the GDP movements on a global scale, in which they foresee a 2.3% fall in

the global GDP in 2020 followed by a 7.3% increase in 2021. Wells Fargo (a private financial institution), on the other hand, is less optimistic: on 26 March 2020, they presented their forecast in which they projected a 2.6% fall in the global GDP in 2020 and predicted only a 2.7% increase in 2021.

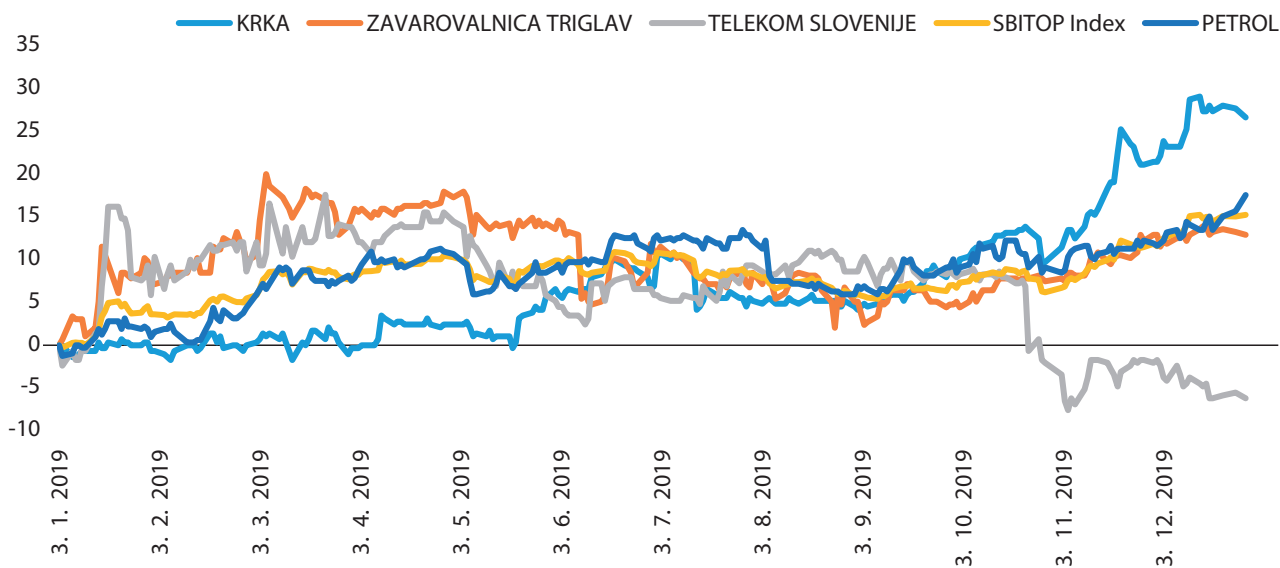
Likewise, as regards the Euro area, projections of private financial institutions for 2020 and 2021 differ in regard to the depth of the GDP decline, the intensity of the recovery and the cumulative movements of GDP. The forecasts about the movements in GDP growth rate in the Euro area in 2020 are as follows: Nomura: -7.9%; Goldman Sachs: -9.0%; Julius Baer: -7.0%; Bank of America: -7.6%; Fitch Solutions: -1.3%. The German government estimates that the fall in the German GDP (the largest economy in the Euro area) will be higher than 5%. The forecasts regarding the movements in GDP in the Euro area in 2021 are as follows: Nomura: +6.0%; Goldman Sachs: +7.8%; Julius Baer: +5.7%; Bank of America: +8.3%; Fitch Solutions: +1.4%.

As regards the USA, private financial institutions provide various forecasts about the depth of the GDP decline in 2020 and the intensity of the economic recovery in 2021 as well as about the cumulative movement in GDP in 2020 and 2021 taken together. The forecasts regarding the movements in GDP in the USA in 2020 are as follows: Nomura: -9.0%; Goldman Sachs: -6.2%; Julius Baer: -4.0%; Bank of America: -6.0%; Fitch Solutions: -0.6%. And the forecasts regarding the movements in GDP in the USA in 2021 are as follows: Nomura: +3.2%; Goldman Sachs: +5.5%; Julius Baer: +5.0%; Bank of America: +6.1%; Barclays: +0.9%.

### Slovenian capital market

In 2019, SBITOP, the Slovenian stock market index, grew by 15%, which reflected a relatively favourable economic conditions at home and abroad, and closed the year at 926.10 points. The positive trend of the SBITOP index continued up to the first half of February 2020; in the second half of February it recorded a significant fall in its value and closed the February trading at 907 points: It has thus neutralised the positive growth trend of the first weeks of 2020. In March 2020, SBITOP recorded additional decline in value due to the shocks caused in capital markets all over the world by COVID-19 and closed the trading at 733.15 points which represents a more than 20% decline.

**Figure:** Cumulative return from blue chip shares traded on Ljubljana Stock Exchange, representing an important proportion of SSH capital assets, in 2019, in%

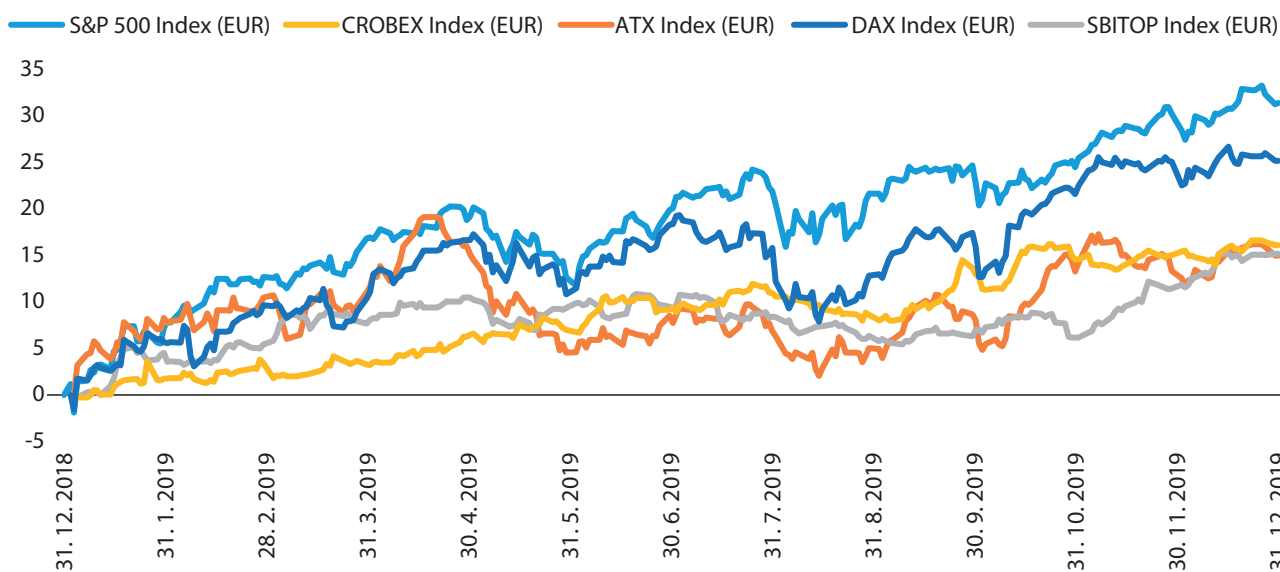


Source: Bloomberg.

In 2019, foreign stock market indices awarded investors with above average returns and the growth in their value continued up to the second half of February 2020 when reports on potential damages caused by COVID-19 in China and on the spill over of negative effects on the economies of the remaining regions caused concerns among investors. An exceptional deterioration in circumstances caused by the spread of the virus from China to Europe and

the USA (health aspect) and a partial shutdown of economies in numerous countries contributed to cause concerns about a pending global recession which resulted in plummeting values of indices in global capital markets. The decline in the value of the global stock-market indices thus amounted to more than 20% in 1Q20 and global stocks entered a bear market.

**Figure:** Cumulative return from top regional and global share indices and SBITOP in 2019 (all returns in EUR currency).



Source: Bloomberg

## 7.2 Management of SSH and RS capital assets in 2019

The most important activity pursued by SSH is the management of SSH and RS capital assets: SSH exercises the rights of a shareholder and acquires and disposes of capital investments. The overview

of capital assets under management is shown in the Table presented below.

### 7.2.1 Active management of RS and SSH capital assets

The scheme below shows all key elements of active management of RS and SSH capital assets.



#### CRITERIA

Criteria for Measuring Performance of SOEs:  
strategic goals, economic and financial goals



#### MONITORING

Monitoring of SOEs' operations:  
quarterly or monthly\* financial reports, periodic meetings with Supervisory Boards and/or Management Boards of SOEs, and business planning meetings



#### ANNUAL PLAN

AAMP – Annual Asset Management Plan:  
quantified strategic and financial goals for all large SOEs and SSH expectations from SOEs



#### GENERAL MEETINGS

Active preparation for Annual General Meetings of Shareholders and exercise of all other shareholder's rights: shareholder rights, property rights



#### GOOD PRACTICE

Implementation of good corporate governance practice: Corporate Governance Code for SOEs, SSH Recommendations and Expectations



#### SUPERVISORY BOARD MEMBERS

Members of Supervisory Boards:  
the selection of Supervisory Board members with expertise, qualification, responsibility, and strong ethical and business integrity

\* Monthly reporting for SOEs was introduced in 2018.

Key factors for effective management of capital assets which is shown in increased total return on equity from RS and SSH capital assets, include: the selection of independent, professional, responsible members of supervisory bodies with strong ethical and business integrity; prudent monitoring and oversight over the operating performance of SOEs on the basis of goals and performance criteria determined in advance; the implementation of good corporate governance practice and timely and suitable action-taking in cases of deviations from expected results.

The summary of results related to the management of RS and SSH portfolio is presented in the remaining part of the Chapter. The activities related to asset management is presented in detail in the Annual Report - Management of Capital Assets of RS and SSH in 2016 , which is submitted by SSH to the RS National Assembly each year by the end of the month October. For more information see the Chapter on Core Business Activities and Developments in 2019, Asset Management activity.

## 7.2.2 Legal basis and corporate documents on asset management and development of corporate governance

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***SSH manages state assets in accordance with ZSDH-1, ZGD-1, other acts and regulations, Articles of Association, and other asset management documents, taking into consideration the legal form of an individual company, and in line with good practice in corporate governance. When pursuing its asset management activity, SSH abides to the limits in corporate governance and to powers held by management and supervisory bodies of companies under management, as stipulated by Article 20 of ZSDH-1.***

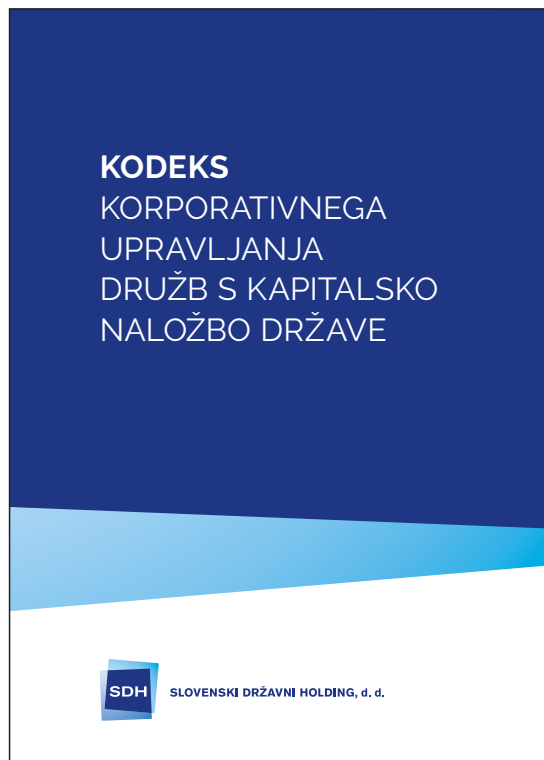
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The systemic nature of corporate governance pursued by SSH is shown in adopted documents which represent the foundation of corporate governance and are the main condition for ensuring transparency in corporate governance: the State Assets Management Strategy; the Annual Asset Management Plan (AAMP); Criteria for Measuring Effectiveness of SOEs; Corporate Governance Code for SOEs; SSH Recommendations and Expectations; SSH Asset Management Policy and SSH Premises for Voting at General Meetings. In 2019, by means of assuming an active asset management approach,

SSH provided for the enforcement of good practice in corporate governance in order to attain the asset management goals which has been set.

The key document for corporate governance is the State Assets Management Strategy by way of which state capital assets are classified into strategic, important and portfolio assets. The classification of state capital assets in an individual group of assets has an impact on goals to be attained in asset management and the minimum state shareholding in an individual enterprise.

## 7.2.3 Asset management documents revised in 2019: amendments to the Corporate Governance Code for State-Owned Enterprises and to other corporate asset-management related documents



On 19 November 2019, the SSH Management Board adopted a revised **Corporate Governance Code for SOEs**, in accordance with Article 32 of ZSDH-1; the SSH Supervisory Board granted its consent to the Code on 27. November 2019. The amended Code is partially linked to amendments in the Slovenian legislation, and partially it follows the trends in corporate governance, and the international practice. Among other things, the renewed Code introduces a recommendation in regard to the succession planning policy for senior management positions in companies in order to train and grow its internal staff, particularly in cases of unforeseen events which dictate changes in staffing. The aforementioned recommendation aims to encourage companies to introduce a talent screening and selection system by way of which talented employees are selected and trained for leadership positions after the expiry of the term of office of the current leadership staff, either on occasion of a regular termination or in case of unforeseen circumstances which would require faster changes in the staffing composition of the leading bodies of companies. Secondly, the

Code's amendments which refer to the diversity policy, reflect the statutory changes of the amended Companies Act (ZGD-1J); the new recommendation does include a detail content of the diversity policy, it requires a report to be made on the implementation of the diversity policy and to be included as an integral part of the Governance Statement. Thirdly, some more important amendments refer to the communication between SSH as the central ownership entity and an SOE, in which regard various forms of the organisational structure and the shareholder structure of an SOE is taken into account.

Further on, a new recommendation was added advising responsible reporting and gradual development in the quality of external reporting in which regard SOEs may use the established international reporting practices at their own discretion. The principles of good quality reporting have been defined in a more detailed manner. As regards corporate integrity, some new recommendations have been added: they refer to the appointment of the Compliance Officer and they define his/her duties; they also refer to the identification of risks in regard to corruption, illegal conduct or unethical action; and they advise the drawing up of the integrity plan or anti-corruption programme.

In addition, the **SSH Asset Management Policy** has been amended and improved. Among other things, the said Policy was supplemented with a new provision which defines the method of conducting internal procedures in SSH in case when the General Meeting of an SOE decides on the appropriation of distributable profit in a manner that non-cash assets are distributed to owners in the form of shares which are held by an individual SOE in another SOE. In 2019, the amendments to the **Platform of SSH for Voting on AGMs for 2020** were adopted. The main change to the previous year premise for voting was that the platform for voting is also used in the decision-making processes conducted by SSH by means of the Founder's Resolutions, when acting in the capacity of the founder of a one-person companies fully owned by the State.

## 7.2.4 Highlights from the analysis of the Corporate Governance Code for SOEs

In January 2020, SSH submitted to companies under its governance a questionnaire consisting of 19 questions which referred to the adherence to the Code and nine questions in connection with the adherence to the Recommendations and Expectations. SSH received answers from 84 companies, of which 33 of them are controlling companies and 51 are controlled companies. The Code and Recommendations and Expectations are addressed to SOEs under the "comply or explain" principle. SOEs are thus expected to formally adopt and apply the Code of Corporate Governance for SOEs, and other Slovenian or foreign Codes may equally be applied. In the questionnaires received, SOEs were supposed to state which principles and recommendations they fully adhere to, and, in case of partial adherence or complete lack of it, they should have stated their reasons for deviating from the Code.

The analysis of the answers to questions from the questionnaires showed that the great majority of SOEs adhere to key recommendations of the Code, especially those which refer to the fundamental principles of corporate governance (the diversity policy, the Governance Statement, the authority and the duties of the supervisory bodies, avoidance of the conflict of interest, to name a few); reasons for

not adhering to the Code's recommendations, on the other hand, mainly lie in the legal organisational form of an SOE (there is no Supervisory Board) or they are connected with provisions in their incorporation documents (for example in small or micro companies or in case of controlled companies). More significant deviations may also be identified in regard to the recommendations advising the introduction of the corporate integrity system, the risk reporting to SSH (especially in those companies in which SSH is not the sole shareholder), the establishment of internal audit department and recommendation in regard to public announcements on conclusion of service contracts.

On the basis of the analysis made and in line with the findings formulated during periodic meetings held with SOEs, SSH will assess whether individual recommendations from the Code and Recommendations need to be supplemented or amended. As regards potential new recommendations which have been proposed to cover the remuneration of the Management Boards, the engagement of external consultants and the succession policy for leadership positions in companies, SOEs are of the opinion that these subject matters are sufficiently covered by the current legislation, codes and good practice in corporate governance.

## 7.2.5 Active Preparation for Annual General Meetings and exercise of all other shareholder's rights

In accordance with ZSDH-1 and other key documents related to corporate governance, in 2019, in addition to carrying out other tasks, SSH exercised shareholder's rights on its own behalf and on behalf of the Republic of Slovenia, particularly:

- regularly monitored the operations of companies under its governance and their implementation of the Annual Assets Management Plan 2019,
- on the basis of the understanding of the companies' operations and industries in which they operate, including a critical consideration of their development plans stated in the Annual Assets Management Plan 2019, which was adopted with the consent granted by RS Government

on 10 January 2019, SSH defined in detail its goals in managing individual capital assets and measures and policies for their attainment, and defined expected cash flows from the state asset management activity;

- took part at the General Meetings and voted on its own behalf and on behalf of the Republic of Slovenia and passed founder's resolutions in companies managed by SSH; in 2019, the total of 118 General Meetings of Shareholders were held, at which founder's resolutions were adopted;
- provided for the exercise of other rights of a shareholder such as the submission of the request for the convocation of General Meetings,

- extensions of agenda, lodging applications for a special audit review, an extraordinary audit review and lodging compensation claims and similar tasks in accordance with the shareholder's corporate rights;
- provided for suitable content-related and legal evaluation of individual activities and decisions taken in the capacity of asset manager,
- carried out all necessary activities for relevant and timely procedure regarding the accreditation, nomination, and selection of candidates for members of Supervisory Boards with the aim to appoint professional, heterogeneous and independent Supervisory Boards;
- ensured that the remuneration systems for the Supervisory Board members of SOEs satisfied the long-term interests of a company and attract

- and promote qualified experts to run for the membership in SOEs Supervisory Boards;
- acquired and disposed of individual capital investments in accordance with the applicable legislation and other relevant legal documents.
- continuously strived for raising the quality of corporate governance in the companies under SSH governance, including attempts expressed in its communication with companies to raise the compliance of their operations with the Corporate Governance Code for SOEs and with the SSH Recommendations and Expectations.

In its operation and management of capital assets, SSH cooperated with other important stakeholders (for example, KAD), responsible ministries and other bodies and institutions.

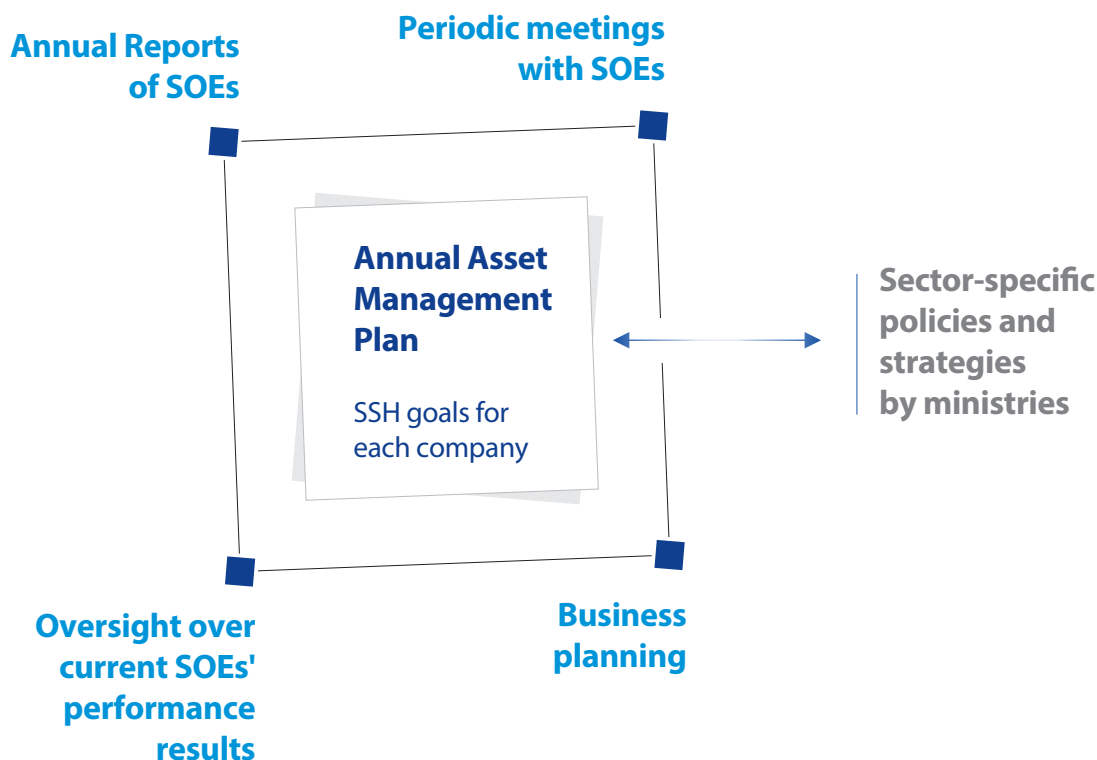
## 7.2.6 Monitoring operations of SOEs

As the manager of capital assets held by RS and SSH, in accordance with provisions of applicable regulations, SSH carries out regular periodic meetings with members of the management and supervisory bodies of SOEs. Topics discussed at such meetings mainly refer to operational results and business plans, to challenges in the market, strategic outlooks on the company's development, expectations by SSH in regard to key financial and business goals (for example, ROE value and dividend amount), aspects of potential optimisation of operations and restructuring measures, observance of SSH expectations and recommendations and other important activities connected with the operation of an individual company. **The content and particularly the scope of information**

**received at such meetings depends on the legal organisational form of an individual company and the equity holding of RS and SSH in such company.** The intensity of SSH's monitoring of the activities pursued by individual companies is, among other things, also dependent on the circumstances surrounding the operation of each and every individual company (for example, if a company is carrying out important projects, or if conditions in which a company operates have dramatically changed, or if a company is in distress).

The process of SSH's monitoring over the operation of SOEs is presented below, in addition to the presentation of the process for developing the Annual Asset Management Plan.





## 7.2.7 Main activities and events in 2019 in regard to asset management by individual companies and industries

The remaining part of the Chapter presents the most important activities undertaken in asset management and events taking place in 2019 by individual companies and industries.

– Completion of privatisation processes in banks and other processes for disposing capital investments and for their acquisition

Throughout 2019, on behalf of and for the account of RS, SSH intensively pursued activities in connection with the sale of 10% shareholding minus 1 share in Nova Ljubljanska banka, d. d., and a 100% stake in Abanka, and successfully satisfied commitments given by RS to the European Commission during the state aid provided in 2013 and 2014. SSH also carried out some other activities in connection with the sale of capital investments of lower value and activities in connection with the acquisition of capital investments (for example in Petrol). All activities carried out by SSH in connection with the processes for the disposition and acquisition of capital investments were carried out in accordance with the provisions of the State

Assets Management Strategy and Annual Asset Management Plans and are presented in detail in the Chapter on acquisition and disposition of capital investments in 2019.

– Slovenian Tourism Strategy

In 2019, SSH actively pursued activities in the area of tourism industry, as, in accordance with the Strategy for Sustainable Growth of Slovenian Tourism for 2017-2020, SSH was tasked to implement the restructuring of state-owned hotel operators, which included the preparation of the Asset Investment Plan and the Asset Management Plan.

On the basis of the Government Decision of 14 February 2019, SSH has prepared the Investment Paper for capital assets held in Istrabenz Turizem which shows long-term synergies in the case of merging this company with other companies operating in tourism industry as well as economic benefits of a special vehicle company to which Istrabenz Turizem would be transferred. The

Investment Paper was prepared by taking into consideration an in-depth financial analysis of state-owned tourism companies; this document was endorsed by the RS Government, in the capacity of the SSH's General Meeting, on 30 May 2019.

In accordance with the Tourism Strategy and the amended AAMP 20, which was endorsed by the Government of RS on 20 June 2019, on behalf of and for the account of RS, SSH entered into the Agreement for Sale and Purchase of 147,309 Shares in Terme Olimia. The acquisition process was completed at the time of drawing up this report. More information about this particular process is available in the chapter on the disposition and acquisition of capital investments.

In 2019, SSH also prepared the Plan for the consolidation, management and restructuring of state-owned tourism companies, as envisaged by the Tourism Strategy. The Tourism Strategy also stipulates that the aforementioned document is adopted as one section of the Annual Asset Management Plan, in accordance with Article 30 of ZSDH-1. The Supervisory Board endorsed the said Plan on 17 July 2019, but the Government of RS failed to deal with it by the end of 2019 which is why the document was included in the Special Section of AAMP 2020 to which the government consent was granted on 6 February 2020.

– Sava, d. d. (Sava)

In 2019, acting as a creditor and shareholder of Sava, SSH actively monitored the implementation of Sava's financial restructuring and oversaw the development of this company within the scope of the Tourism and Economy Pillar. In 2019, SSH took part in the process for Sava's share capital increase with the amount of EUR 543,378.00. The share capital increase, which was carried out on the basis of the General Meeting Resolution adopted in December 2018, was intended for the take-over of Hoteli Bernardin, d. d. As regards claims due to SSH by Sava, a contract to reprogramme claims was concluded by and between the debtors and Sava on 15 November 2019. By virtue of this contract, the value of claims due by Sava as of the cut-off date of 31 October 2019 was consolidated and the postponement of the maturity date of collateralised claims was agreed, extending the repayment period to 30 April 2020.

– HSE Group, d. o. o. (HSE) and electricity distribution companies - vertical integration

In line with the AAMP 2019, as regards the management of capital assets held in HSE Group, SSH dedicated special attention to the full control of electricity generation as well as of the marketing function and the final sale of electricity on the retail market. A similar vertical integration was successfully completed with the concentration of GEN energija, GEN-I and Elektro energija so it is logical from the commercial and economical point of view for other market players to pursue the vertical integration strategy. In 2019, the Slovenian Competition Protection Agency (CPA) completed a two-year process to appraise the compatibility of the concentration of HSE, ECE, d. o. o. (ECE) and E3, d.o.o. (E3) with competition rules. On 29 November 2019, CPA issued the Decision by way of which it appraised the intended acquisition of joint control by the undertakings Elektro Primorska, d. d., Elektro Celje, d. d., Elektro Gorenjska, d. d. and HSE, d. o. o. over ECE and E3 as being compatible with competition rules under condition that remedies are satisfied, also stating that CPA does not oppose it. After two years following the notification, the issue of the Decision by CPA enabled the concentration of the electricity generation with the sale of electricity which aims for the reliable and competitive supply of electricity and preservation of domestic electricity generation. In the said procedure, HSE committed to implement remedies which will ensure access to electricity to the interested market participants in a transparent and non-discriminatory manner. Owing to the slow pace of procedures undertaken by CPA, in the second half of 2019, Elektro Primorska, d. d., kicked off a parallel process for the sale of its controlled company E3.

– DARS, d. d. (DARS)

At the General Meeting of DARS, held in March 2019, SSH supported the proposal to decrease the share capital of DARS in the amount of EUR 235,724,995.56. The reason for supporting the proposal was the transfer of assets not managed by DARS (non-toll roads) from DARS to RS. The basis for this transfer was the decision adopted by the Government of RS on 4 March 2019 by way of which RS concluded an agreement on the transfer of the above mentioned assets.

In 2019, in cooperation with other stakeholders, SSH checked the possibility of financing large infrastructure projects, specifically the Third Development Axis, in a manner which will not jeopardize the financial stability of DARS. The Ministry of Infrastructure and the Ministry of Finance were informed of the report.

- Slovenske železnice, d. o. o. (Slovenske železnice)  
In May 2019, the SSH Management Board, in the capacity of the founder and the sole shareholder of Slovenske železnice, granted its consent for the conclusion of the agreement for the purchase of the rolling stock for the rail passenger transport. The option clause was activated in accordance with the Agreement for the purchase of rolling stock for rail passenger transport which was concluded on 17 April 2018 by and between SŽ-Potniški promet, d. o. o., and Stadler Consortium.

In line with the instruction by the Court of Audit, the organisation of Slovenske železnice Group was assessed. Within the scope of this assessment, the following conclusion was adopted: considering the fact that Slovenske železnice changed its legal organisational status several times, it is possible to conclude that after examining several concepts of organisation, the organisation of Slovenske železnice as a group is optimal under current circumstances. The Court of Audit and the Ministry of Infrastructure were informed of the findings made during this assessment. Considering the findings of the assessment, it was proposed to the Ministry to re-examine the possibility to amend the legislation regulating the development and investments in public railway infrastructure, and the ownership of station buildings and the integrated public passenger transport.

- Pošta Slovenije, d. o. o. (Pošta Slovenije)  
In 2019, SSH thoroughly monitored the procedure for the purchase of the majority shareholding in

Intereuropa, d. d. (Intereuropa) by Pošta Slovenije: in February, April and in August, in the capacity of the founder and the sole shareholder of Pošta Slovenije, SSH made decisions in connection with the submission of the binding bid, in connection with the content of the Share and Purchase Agreement, and in connection with the take-over of subsidiary companies abroad owned by the target company. Pošta Slovenije concluded the agreement for the purchase of 72.13-per cent shareholding in Intereuropa in May 2019, and closed the transaction on 13 November 2019, when all conditions precedent were satisfied. In December 2019, the take-over bid was published. In January 2020, Pošta Slovenije became the holder of 80.89% of all issued shares in Intereuropa.

- Activities in connection with the establishment of a public undertaking

In May 2019, in accordance with the Resolution by the company bodies, SSH became involved in activities, which had been started and were coordinated by the Ministry of Infrastructure, which aimed to establish a new company performing the service of general economic interest (marine pilotage). In the final phase of the said activities, which were undertaken in cooperation with the Ministry of Infrastructure, SSH prepared a proposal to supplement the Annual Asset Management Plan 2020; the Government of RS granted its consent to AAMP 2020 on 6 February 2020.

- SIJ, d. d. (Sij)  
On 6 September 2019, the majority shareholder of Sij, i.e. Dilon, d. o. o., and RS/SSH concluded the Shareholders' Agreement which regulates the governance of the company, the coordination and consultation activities between the shareholders in regard to affairs which are important for both shareholders and other important topics connected with the corporate governance of Sij.

## 7.2.8 Composition and performance results of the SSH portfolio of capital assets

### 7.2.8.1 List of RS and SSH capital assets managed by SSH

**Table:** List of RS and SSH capital assets in companies governed by SSH as of 31 December 2019

Lfd. No.	Asset	% RS	% SSH	% Total	Pillar
1.	Abanka, d. d.*	100.00		100.00	Financial sector
2.	Adria, d. o. o.		11.74	11.74	Tourism and economy
3.	A. L. P. Peca, d. o. o.	9.09		9.09	Tourism and economy
4.	Bodočnost, Maribor d. o. o.	77.52		77.52	Tourism and economy
5.	Casino Bled, d. d.		33.75	33.75	Tourism and economy
6.	Casino Portorož, d. d.		9.46	9.46	Tourism and economy
7.	Cetis, d. d., Celje		7.47	7.47	Tourism and economy
8.	Cinkarna Celje, d. d.		11.50	11.50	Tourism and economy
9.	CSS, d. o. o.	97.96		97.96	Tourism and economy
10.	D.S.U., d. o. o.	100.00		100.00	Financial sector
11.	DARS, d. d.	100.00		100.00	Transport
12.	DTK Murka, družba tveganega kapitala, d. o. o.	49.00		49.00	Financial sector
13.	EGS-RI, d. o. o.	100.00		100.00	Energy sector
14.	Elektro Celje, d. d.	79.50		79.50	Energy sector
15.	Elektro Gorenjska, d. d.	79.48	0.31	79.79	Energy sector
16.	Elektro Ljubljana, d. d.	79.50	0.30	79.80	Energy sector
17.	Elektro Maribor, d. d.	79.86		79.86	Energy sector
18.	Elektro Primorska, d. d.**	79.68		79.68	Energy sector
19.	Elektrooptika, d. d.	0.01	70.48	70.49	Tourism and economy
20.	GEN energija, d. o. o.	100.00		100.00	Energy sector
21.	Geoplin, d. o. o.	25.01		25.01	Energy sector
22.	HIT, d. d., Nova Gorica		20.00	20.00	Tourism and economy
23.	HSE, d. o. o.	100.00		100.00	Energy sector
24.	INFRA, d. o. o.	100.00		100.00	Energy sector
25.	Koto, d. o. o.	66.23		66.23	Tourism and economy
26.	Krka, d. d.	7.21	9.00	16.21	Tourism and economy
27.	KZPS, d. o. o.	100.00		100.00	Transport
28.	Loterija Slovenije, d. d.		15.00	15.00	Tourism and economy
29.	Luka Koper, d. d.	51.00	11.13	62.13	Transport
30.	Meta Ingenium, družba tveganega kapitala, d. o. o.	49.00		49.00	Financial sector
31.	Nafta Lendava, d. o. o.	100.00		100.00	Energy sector

Lfd. No.	Asset	% RS	% SSH	% Total	Pillar
32.	NLB, d. d.	25.00		25.00	Financial sector
33.	Petrol, d. d., Ljubljana	10.82	12.68	23.50	Energy sector
34.	Plinhold, d. o. o.	60.10	0.05	60.15	Energy sector
35.	Pomgrad – vodnogospodarsko podjetje, d. d.	25.01		25.01	Tourism and economy
36.	Pošta Slovenije, d. o. o.	100.00		100.00	Transport
37.	Prvi sklad, družba tveganega kapitala, d. o. o.	48.90		48.90	Financial sector
38.	PS za avto, d. o. o., Ljubljana		90.00	90.00	Tourism and economy
39.	RŽV, d. o. o.	100.00		100.00	Energy sector
40.	Sava Re, d. d.	13.89	17.68	31.57	Financial sector
41.	Sava, d. d.		18.69	18.69	Tourism and economy
42.	SID – banka, d. d., Ljubljana	99.41		99.41	Financial sector
43.	SIJ, d. d.	25.00		25.00	Tourism and economy
44.	STH Ventures, družba tveganega kapitala, d. o. o.	49.00		49.00	Financial sector
45.	Studentenheim Korotan GmbH	100.00		100.00	Tourism and economy
46.	SŽ, d. o. o.	100.00		100.00	Transport
47.	Telekom Slovenije, d. d.	62.54	4.25	66.80	Tourism and economy
48.	Terme Olimia, d. d.		4.01	4.01	Tourism and economy
49.	Unior, d. d.		39.43	39.43	Tourism and economy
50.	Uradni list Republike Slovenije, d. o. o.	100.00		100.00	Tourism and economy
51.	Varnost sistemi, d. o. o.		9.74	9.74	Tourism and economy
52.	VGP, d. d., Kranj	25.00		25.00	Tourism and economy
53.	VGP Drava, d. o. o., Ptuj	25.00		25.00	Tourism and economy
54.	VGP Novo mesto, d. d.	25.00		25.00	Tourism and economy
55.	Zavarovalnica Triglav, d. d., Ljubljana ***	34.48	28.09	62.57	Financial sector

Note: \*On 20 June 2019, the Sale and Purchase Agreement for the sale of a 100% RS's shareholding in Abanka was concluded by and between SSH, acting on behalf of and for the account of RS, and Nova KBM. The transaction was closed on 5 February 2020

\*\* RS shareholding is calculated on the basis of 18,783,898 no-par value ordinary shares, as stated in the Articles of Association of 3 December 2019.

\*\*\* ZPIZ owns 34.47% ownership interest while RS holds a 0.01% equity holding.

## Companies in bankruptcy or liquidation

Lfd. No.	Asset	% RS	% SSH	% Total	Pillar
1	Aero, d. d. – in bankruptcy		1.44	1.44	Tourism and economy
2	Casino Maribor, d. d. – in bankruptcy		22.83	22.83	Tourism and economy
3	Družba za spodbujanje razvoja TNP, d. d. – in bankruptcy	51.05		51.05	Tourism and economy
4	GIO, d. o. o., Ljubljana - in liquidation		71.27	71.27	Tourism and economy
5	GLIN IPP, d. o. o. – in bankruptcy	16.06		16.06	Tourism and economy
6	Gradis skupina G, d. d. – in bankruptcy		1.36	1.36	Tourism and economy
7	KOMPAS RAC, d. d. Ljubljana - in liquidation	0.01		0.01	Tourism and economy
8	Lipica Turizem, d. o. o. – in bankruptcy	100.00		100.00	Tourism and economy
9	Maksima Holding, d. d. – in bankruptcy	0.01		0.01	Tourism and economy
10	Maksima Invest, d. d. – in bankruptcy	0.00		0.00	Tourism and economy
11	Mura, d. d. – in bankruptcy		12.23	12.23	Tourism and economy
12	NFD holding, d. d. – in bankruptcy	0.00		0.00	Tourism and economy
13	Novoles, d. d. – in bankruptcy		16.69	16.69	Tourism and economy
14	Peko, d. d. – in bankruptcy	61.16		61.16	Tourism and economy
15	Polzela, d. o. o. – in bankruptcy	71.43	28.57	100.00	Tourism and economy
16	Rimske terme, d. o. o. – in bankruptcy	3.83	13.55	17.38	Tourism and economy
17	RRA Celje, d. o. o. – in bankruptcy	5.89		5.89	Tourism and economy
18	RTH, Rudnik Trbovlje-Hrastnik, d. o. o. – in liquidation,	100.00		100.00	Energy sector
19	Rudnik Kanižarica v zapiranju, d. o. o., Črnomelj – in liquidation	100.00		100.00	Energy sector
20	Rudnik Senovo v zapiranju, d. o. o. – in bankruptcy	100.00		100.00	Energy sector
21	Svea, d. d., Zagorje ob Savi – in bankruptcy		15.57	15.57	Tourism and economy
22	TAM Maribor, d. d. – in bankruptcy	10.85		10.85	Tourism and economy
23	Univerzale, d. d. – in bankruptcy		8.53	8.53	Tourism and economy
24	Vegrad, d. d. – in bankruptcy		29.00	29.00	Tourism and economy

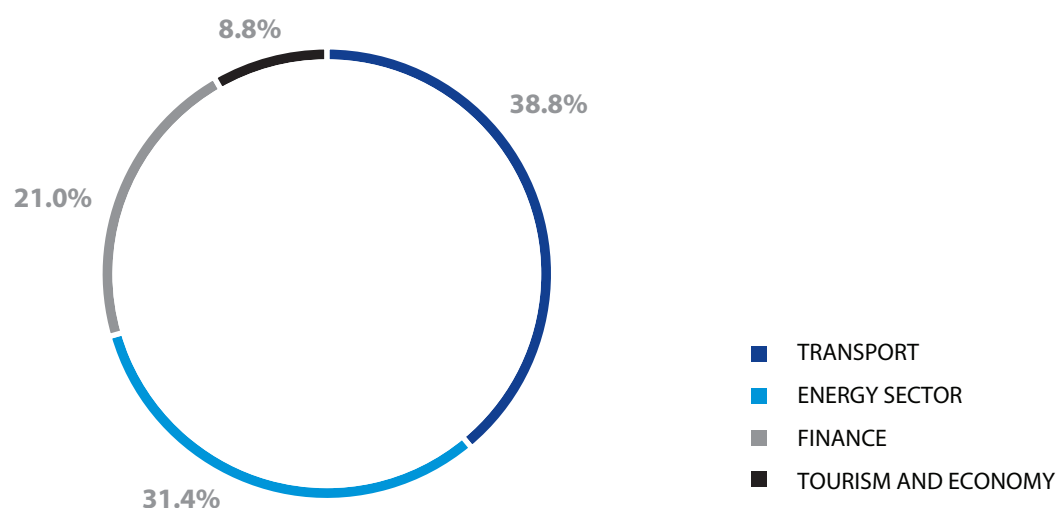
Note: Equity interest has been rounded up to two decimal places - when the shareholding of 0.00% is referred to, this means that there the ownership stake held by the Republic of Slovenia and/or SSH does not exceed 0.005%.

### 7.2.8.2 Proportion of largest companies with capital assets and pillars in SSH portfolio of assets

The portfolio of RS and SSH capital assets is divided into four pillars: each of the Transport and Energy sector Pillars comprise more than 30% of the SSH's portfolio and, taken together, more than 70% (see graph below). After the partial sale of NLB in 2018, the proportion of the Financial Pillar decreased, and, at the end of 2019, the proportion of Tourism and Economy remained below 10%. As of 31 December 2019, the total book value of capital assets under SSH management amounted to EUR 10.3 billion.<sup>1</sup>

SSH's asset management portfolio is becoming increasingly more concentrated. At the end of 2019, the twenty largest companies with capital assets under SSH management, measured at the book-keeping value, represented more than 96% of the total portfolio, and the remaining 40 companies only a solid 4% (as of 31 December 2019, SSH managed capital assets in 60 companies, excluding companies in liquidation or in bankruptcy). The three largest companies (Dars, HSE and GEN energija), if put together, represent almost one half (46.7%) of the entire SSH's portfolio.

**Graph:** The proportion of pillars in the total SSH portfolio of capital assets under management (total capital assets owned by RS and SSH) as of 31 December 2019



<sup>1</sup> The above mentioned data and the calculations in the remainder of the text are based on estimates and data for FY 2019 available at the time of drawing up this report.



**Table:** The share of 5 largest companies in individual pillar (using the balance sheet book value as the relevant criterion) in regard to the total of the SSH portfolio of capital assets under management as of 31 December 2019

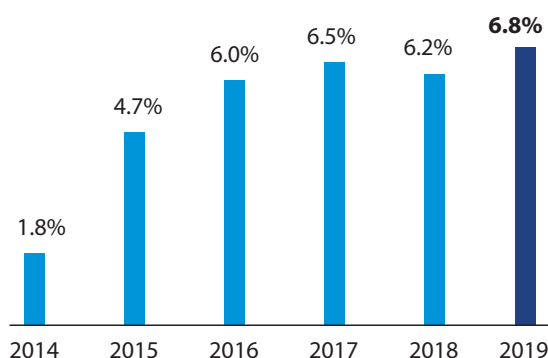
Asset	share in % Share in total portfolio
<b>ENERGY SECTOR</b>	
HOLDING SLOVENSKE ELEKTRARNE, D. O. O.	10.4%
GEN ENERGIJA, D. O. O.	8.4%
ELEKTRO LJUBLJANA, D. D.	2.6%
ELEKTRO MARIBOR, D. D.	2.3%
ELEKTRO CELJE, D. D.	1.8%
<b>FINANCIAL SECTOR</b>	
ABANKA, D. D.	5.6%
ZAVAROVALNICA TRIGLAV, D. D., LJUBLJANA	4.8%
SID – SLOVENSKA IZVOZNA IN RAZVOJNA BANKA, D. D., LJUBLJANA	4.5%
NLB, D. D.	4.2%
POZAVAROVALNICA SAVA, D. D., LJUBLJANA	1.2%
<b>TOURISM AND ECONOMY</b>	
TELEKOM SLOVENIJE, D. D.	3.8%
KRKA, D. D.	2.6%
SIJ – SLOVENSKA INDUSTRIJA JEKLA, D. D.	1.0%
CINKARNA CELJE, D. D.	0.2%
HIT, D. D., NOVA GORICA	0.1%
<b>TRANSPORT</b>	
DRUŽBA ZA AVTOCESTE V REPUBLIKI SLOVENIJI, D. D.	27.9%
SLOVENSKE ŽELEZNICE, D. O. O.	5.3%
POŠTA SLOVENIJE, D. O. O.	2.8%
LUKA KOPER, D. D.	2.5%
KONTROLA ZRAČNEGA PROMETA SLOVENIJE, D. O. O.	0.2%
<b>Total</b>	<b>92.3%</b>

### 7.2.8.3 Return on equity (ROE) of the portfolio of capital assets under SSH management in 2016-2019 period

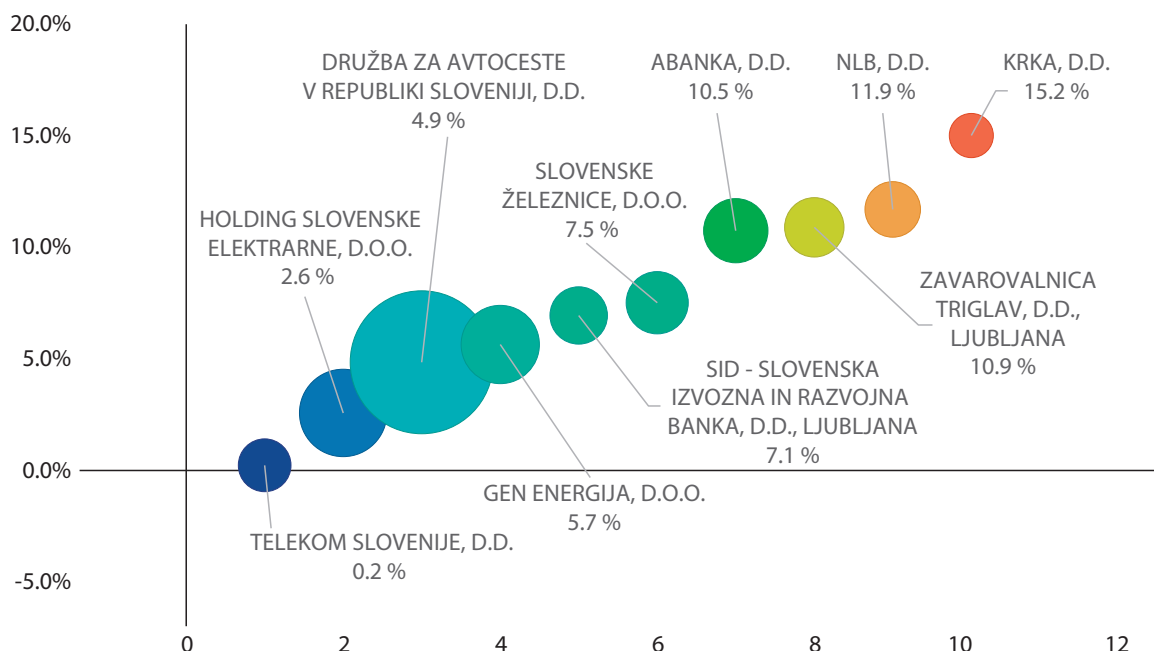
The return on equity (ROE) of the total portfolio of capital assets under SSH management has been increasing up to 2017, and after a slight fall in 2018, it hit record-high value in 2019. In addition to companies which constantly record high values of the ROE indicator (Petrol, Krka, banks, insurance companies), the growth in ROE in HSE (2.6%, in 2018 -1,1%) and in Pošta Slovenije (25.2%, in 2018, 4.6%) contributed positively to the record value of ROE achieved in 2019.

Large companies which have recorded a significant growth in ROE include SID banka (7.1%), SIJ – Slovenska industrija jekla (10.9%), HIT (13.6%) and Gen energija (5.7%), whereas the performance of DARS, Luka Koper, Telekom Slovenije, Cinkarna Celje and of the majority of electricity distribution companies deteriorated when compared to 2018.

**Graph:** ROE for portfolio of capital assets managed by SSH in 2014-2019 period



**Graph:** ROE of Top 10 companies in the portfolio of SSH in 2019. The size of the circle represents the size of the company in the portfolio (book-value of the equity stake held by RS and/or SSH) and its weight in the calculation of the ROE of the total portfolio.



Due to the high proportion of strategic assets which has been increasing on account of their vertical integration (in 2019, the proportion of strategic assets increased by 1.4 percentage points, raising to 77.3%), ROE of strategic assets, amounting to 6.1%

in 2019, has a significant impact on the ROE of the total portfolio. The largest SOEs classified as strategic assets (Dars, HSE, GEN energija, Slovenske železnice and Zavarovalnica Triglav), if put together, represent 56.8% of the entire SSH's portfolio.

**Table:** Return on equity (ROE) for 2019 by the criteria of capital assets classification as stated in the State Assets Management Strategy, by pillars and by quotation on the Stock Exchange

2019 (estimate)	BOOK VALUE OF RS AND SSH STAKES AS OF 31 DEC 2019	PROPORTION OF THE PORFOLIO	RETURN ON EQUITY (ROE)*
<b>Classification</b>			
STRATEGIC	7,950,919,581	77.3%	6.1%
IMPORTANT	1,231,241,258	12.0%	12.2%
PORTFOLIO	1,098,194,919	10.7%	6.3%
<b>PORTFOLIO</b>	<b>10,280,355,759</b>	<b>100.0%</b>	<b>6.8%</b>
<b>Pillar</b>			
TRANSPORT	3,984,905,204	38.8%	6.9%
ENERGY SECTOR	3,230,214,647	31.4%	4.6%
FINANCE	2,162,424,437	21.0%	10.1%
TOURISM AND ECONOMY	902,811,470	8.8%	6.7%
<b>PORTFOLIO</b>	<b>10,280,355,759</b>	<b>100.0%</b>	<b>6.8%</b>
<b>Quotation at the Stock Exchange</b>			
NON-LISTED	8,457,385,838	82.3%	6.3%
LISTED	1,822,969,920	17.7%	9.2%
<b>PORTFOLIO</b>	<b>10,280,355,759</b>	<b>100.0%</b>	<b>6.8%</b>

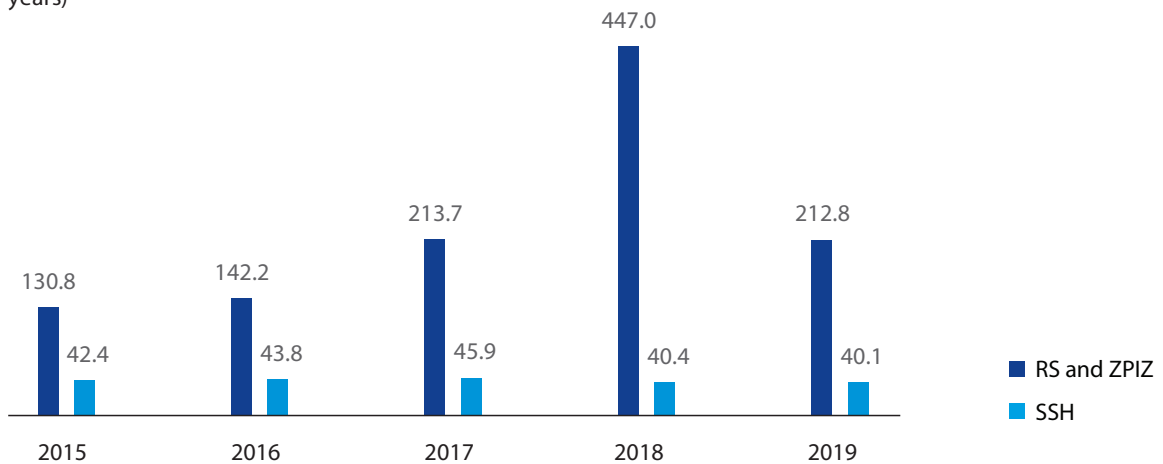
\*Note: The calculation of ROE for individual pillars takes into account the relevant weights of an individual company within the scope of an individual classification and not within the portfolio as a whole.

### 7.2.8.4 Dividends

When formulating proposals for General Meeting Resolutions and when devising the voting positions in connection with dividend pay-out, SSH continued to advocate the aim of striking the balance between dividend-income and development needs of companies. As expected, the record volume achieved in 2018, when RS, ZPIZ and SSH received

as much as EUR 487.3 million EUR, was not repeated. In 2019 (for FY 2018), the dividend income paid out by companies in the SSH portfolio amounted to the total of EUR 252.9 million, of which EUR 193.2 million was received by RS, EUR 19.6 million by ZPIZ, and 40.1 million by SSH.

Graph: Dividend pay-outs in EUR for capital assets owned by RS and SSH separately by years (for previous financial years)

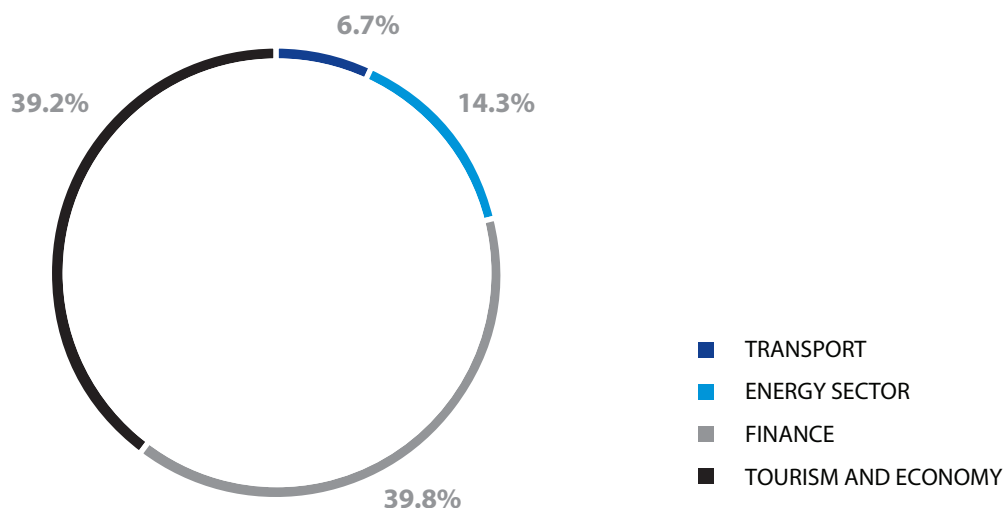


### 7.2.8.5 Capital assets managed by SSH

As of 31 December 2019, the portfolio of capital assets owned by SSH amounted to EUR 729.8 million, measured at the book-value of equity holdings. The portfolio of capital assets owned by SSH continues to be highly concentrated - the total of assets from the Tourism and Economy Pillar and Financial Sector

Pillar represents more than four fifth of the entire portfolio, with two largest capital assets, i.e. equity stakes in Zavarovalnica Triglav and Krka, together amounting to more than one half of the portfolio of assets (51.0%).

Graph: The proportion of pillars in the SSH portfolio (capital assets owned by SSH) as of 31 December 2019



**Table:** Selected data on the portfolio of capital assets owned by SSH in 2017-2019 period

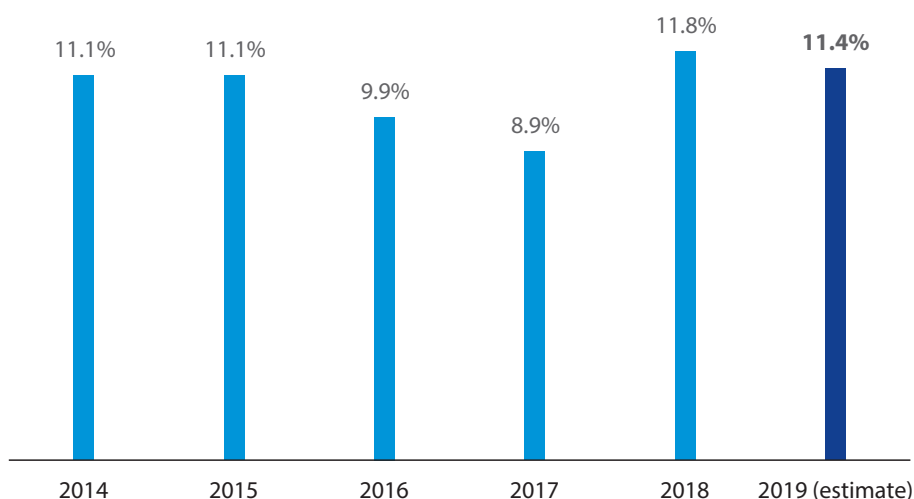
Companies directly owned by RS (excl. companies in bankruptcy or liquidation) – in EUR	2017	2018	2019 (estimate)
Sum of shareholdings' book-value (EUR million)	675.6	694.8	729.8
Portfolio ROE	8.9%	11.8%	11.4%
Dividend income (for previous FY) (in million EUR)	45.9	40.4	40.1
Dividend-to-equity ratio	5.6%	6.0%	5.8%

\*Dividend-to-equity ratio = dividend income received in a year (for previous financial year)/shareholder's equity as of the last day of the year

Since the portfolio structure, which, as opposed to the portfolio of capital assets owned by RS, includes less strategic assets, return on equity (ROE) of the

said portfolio is correspondingly higher and has moved between 9% and 12% in the last three years.

**Graph:** ROE for portfolio of capital assets owned by SSH in 2014-2019 period



## 7.3 Disposition of capital investments in 2019 and their acquisition

SSH runs the processes for the disposition and acquisition of RS's and SSH's capital assets on the basis of the valid State Assets Management Strategy and Annual Assets Management Plans for individual years. The sale processes are run on the basis of the SSH Asset Management Policy, which includes principles, procedures and criteria applied by SSH in carrying out its duties and activities as stipulated by ZSDH-1. In addition to other matters, the Asset Management Policy determines the methods for the sale of capital assets, for the communication on disposition and acquisition of shares, for the course of a process for the sale of state capital assets, the method for running the sale processes and the method for hiring financial institutions and other advisors engaged in sale processes.

SSH strives for the sale processes to be run in an efficient, transparent and competitive manner following the principle of equal treatment of participants and in line with international market practice. For this purpose and with the aim of increasing its credibility with investors, SSH leads sales processes regarding the largest companies with capital assets in cooperation with renowned international financial and legal advisors qualified in financial advisory services.

**The fundamental objective pursued by SSH in the sales of shareholdings is the attainment of the highest proceeds from the sale. In regard to the sale of capital assets owned by RS and/or SSH, within the scope of its statutory limitations, SSH strives to also pursue other goals important from the aspect of providing a stable economic**

**growth. These are: the rise in the quality and capacity of public services, further development of companies, new investment opportunities, entering new markets, ensuring competitiveness, and similar goals.**

Processes for the sale of companies co-owned by the Republic of Slovenia and having a dispersed shareholder structure, are, as a rule, conducted on the basis of Agreements on the Joint Sale of Shares. In case of sales of sizeable capital investments, sale processes are conducted in cooperation with relevant financial and legal advisors. In these cases, sales documentation is developed about an individual company (a teaser and an Information Memorandum) and submitted to investors who have demonstrated their interest in the sale and have concluded a Non-Disclosure Agreement (NDA). In accordance with internal rules for individual companies, SSH obtains a Financial and Legal Due Diligence Report and, prior to the conclusion of the Purchase and Sale Agreements, the appraisals of the company value are produced by an independent certified appraiser of company value for large SOEs, whereas, in case of small SOEs subject to sale, an internal value assessment is made.

An effective implementation of a sale process requires an active cooperation of a company whose large equity stakes are the subject to the sale. With the aim of defining in detail the method of cooperation with an individual company subject to the sale process, the vendors strive to conclude a special agreement on mutual relations in the sale process with a company in question.

### 7.3.1 Activities in connection with the sale of capital assets

In 2019, the majority of activities carried out by SSH in connection with the sale of state capital assets referred to the sale of 100-percentage stake of RS in Abanka, d. d. (Abanka), which, by the end of 2019, was not yet completed, and to the sale of a 10-percentage stake of RS in Nova Ljubljanska banka, d. d. (NLB).

In the process conducted by the European Commission in which the State aid provided by RS to banking sector was assessed, RS committed itself to carry out the process for the sale of Abanka. The said process began in 2018, when the preparatory activities were conducted which included the selection of the financial and legal adviser and the financial, tax, IT and legal due diligence reviews of

Abanka. In the last quarter of 2018, the invitation to submit an expression of interest was published, marking the official launch of the process of the sale of Abanka. In 2019, the second phase of the sale process started. Investors who had been invited to take part in the next phase of the sales process on the basis of their non-binding offers, carried out due diligence reviews of Abanka and submitted their bidding offers. Their offers were improved in the next phase of the sale process. On 20 June 2019, within the scope of a two-phase sale process, SSH signed the Agreement for the Sale and Purchase of Shares in Abanka (a 100-percentage equity interest) with Nova KBM, d. d. (NKBM). For the sale of Abanka, RS received EUR 511 million; specifically, EUR 66.7 million of dividend payouts for FY 2018 (paid out in May 2019), and proceeds from sales in the amount of EUR 444.2 million. The transaction was closed in February 2020.

After the first phase of the sale of Nova Ljubljanska Banka was successfully completed in November 2018 by the listing of the NLB Shares on the Ljubljana Stock Exchange and on the London Stock Exchange, the second phase of the sale of the remaining 10 per cent of the Republic of Slovenia's stake in the NLB's share capital minus 1 Share was successfully completed in June 2019. The second phase was implemented by way of an accelerated bookbuild process (ABB). After the completion of the sale process, the Republic of Slovenia remains to be the largest shareholder of NLB, owning the 25 per cent stake plus one Share. Gross proceeds raised from the sale of NLB shares in the ABB process amounted to EUR 109,5 million. Shares subject to sale were attributed with dividends for 2018 in the total amount of EUR 123.8 million. With the said Sale, some of the commitments given by the Republic of Slovenia to the European Commission (EC) upon the approval of the State Aid given in 2013 have ceased to apply; this will have a positive impact on the further growth and the development of the NLB Group.

In 2019, other activities relating to the sale of some other capital investments were carried out in the reporting period; however, they have not been always closed with an exit from the company on sale.

In the last quarter of 2018, SSH and KAD received an offer for the sale and purchase of shares in Cetis, d. d. (Cetis). They rejected the offer as the bidding price was too low. The process for the sale of Cetis was put to a halt in January 2019.

Within the scope of the published take-over bid for the purchase of shares in Gorenjska banka, d. d. (GB), SSH carried out all the necessary processes for RS to accept the take-over bid. The proceeds from the sale of the 0.310-percentage shareholding held by RS in GB amounted to EUR 357.9 thousand.

In March 2019, Hemiak Investments Limited published a take-over bid for the shares of Perutnina Ptuj, d. d. (Perutnina Ptuj). Considering the fact, that these shares are classified as important assets in the State Assets Management Strategy, SSH, acting on behalf of and for the account of RS, did not accept the said take-over bid (0.0019% shareholding). In the next phase, the Offeror squeezed out the minority shareholders who refused to accept the takeover bid; from this process, RS received the proceeds from sale in the amount of EUR 5.2 thousand.

In June 2019, the invitations to submit an expression of interest for the purchase of 48.9% shareholding held by RS in Prvi sklad, družba tvegane kapitala, d. o. o., received no response by potential investors.

In September 2019, SSH published an advertisement for a public tender for the purchase of minority capital investments received by RS pursuant to the law regulating inheritance. In December 2019, on the basis of this advertisement, SSH signed a contract for the purchase and sale of 217 shares in PUP Velenje, which resulted in the proceeds from sale amounting to EUR 1.3 thousand. The above mentioned advertisement also produced an offer to purchase 205 shares in KD Group which, however, was not accepted as the offering price was too low. Instead, SSH triggered the option clause and, in accordance with the provisions of the Legal Successors of Authorized Investment Companies Act (ZPNPID), sold the shares for the purchase price of EUR 17.8 thousand to the issuer of shares, who acted in the capacity of the offeror.

In 2019, the process for the squeeze-out of minority shareholders took place in Telemach Pobrežje, d. d., on account of which RS received monetary compensation for five shares of this company in the amount of EUR 200.

Up until the end of 2019, nine companies were sold out of 15 companies envisaged for the sale on the basis of the Parliament's Decision of 2013.



## 7.3.2 Activities in connection with the acquisition of capital investments

In 2019, SSH carried out activities in connection with the acquisition of capital investments on behalf of and for the account of RS. This year saw the completion of the process for the acquisition of shares in Sava, d. d.: SSH acquired Sava shares in its own name and for its own account within the process for the share capital increase, as decided by the shareholders in 2018.

In 2019, SSH acquired 655,000 Sava Re shares, and increased its shareholding in Sava Re from 10.09% to 13.89%. These shares were acquired on the basis of the General Meeting Resolution of Abanka which paid one part of its dividends in the form of in-kind contributions, in particular case, by transferring 655,000 Sava Re shares to RS.

In accordance with the Tourism Strategy and the amended AAMP 20, which was endorsed by the Government of RS on 20 June 2019, on behalf of and for the account of RS, SSH took part in the process for the acquisition of 147,309 Shares in Terme Olimia. The Sale and Purchase Agreement was signed with Nova KBM on 18 July 2019. At the time of drawing up this Report, the process for obtaining a consent to be granted by the Slovenian Competition Protection Agency is underway; such consent is a condition precedent under the above mentioned SPA. Following the completed transfer of shares, RS and its affiliates (within the meaning of the Takeover Act) will hold the total of 77.6% shares in Terme Olimia, which will provide them with the additional takeover threshold; as a result, SSH, acting on behalf of and for the account of RS, intends to publish a take-over bid after the CPA's consent is granted. These activities are carried out in accordance with the Slovenian Tourism Strategy.

Acting as a buyer on behalf of and for the account of RS, in accordance with Article 10(a) of the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks, SSH enforced the pre-emption right to purchase 15,000 shares in Petrol which used to be owned by BAMC. The payment of the proceeds from the sale and the registration of the transferred ownership of shares was carried out on 23 December 2019. Following the closure of this transaction, RS owns 225,699 Petrol shares, which represents a 10.82% stake in Petrol.

In September 2019, SSH signed the Agreement on Cooperation in Submitting Takeover Bids for Intereuropa Shares which regulated issues connected with the submission of a takeover bid, since, in accordance with the provisions of the takeover law, it is considered that SSH and Pošta Slovenije acted in concert.

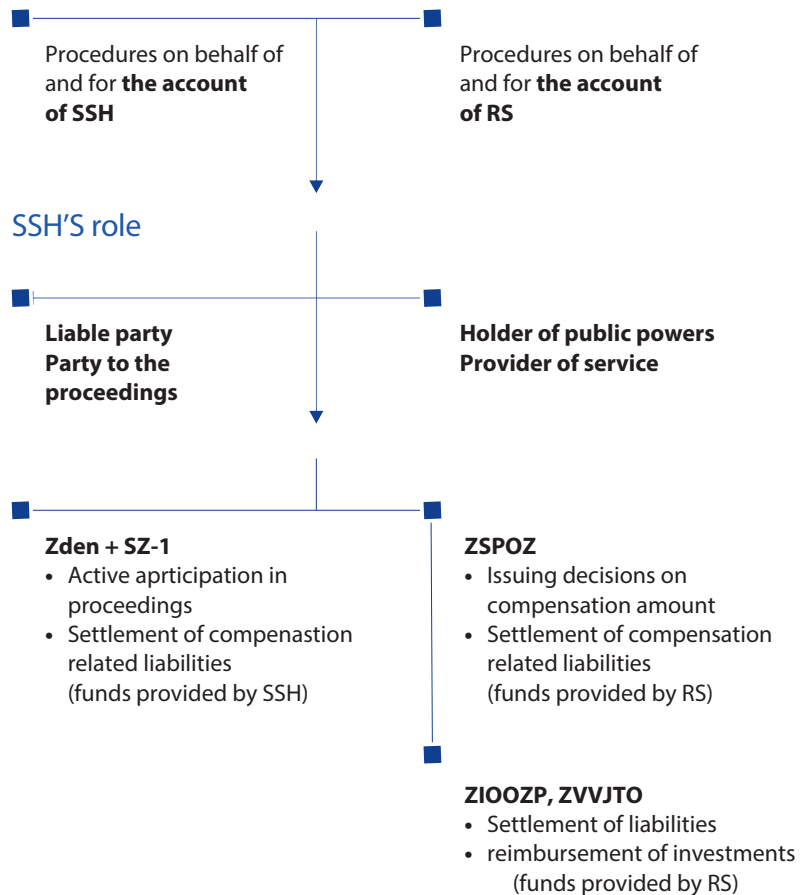
In 2019, the proportion of ownership interest of RS in the three electricity distribution companies increased, specifically, on the basis of the reduction in the share capital by withdrawing shares. The RS's stake has thus increased as follows: in Elektro Maribor, d. d., it has increased from 79.50% to 79.86%, in Elektro Gorenjska, d. d., from 79.42% to 79.48%; and in Elektro Primorska, d. d., from 79.50% to 79.68%.

RS became an owner of 0.09% shareholding in RCR, d. o. o., as a result of the implementation of the decision to liquidate Rudnik Zagorje v zapiranju, d.o.o.

Since the enforcement of the Act Amending Implementation of the Republic of Slovenia's Budget (2018 and 2019) Act, SSH has been authorised to manage RS's assets acquired by inheritance. In 2019, RS thus received the following shares: (i) 65 shares in M1, d. d., (ii) 45 shares in KS Naložbe, d. d., (iii) 10 shares in Petrol, d. d., (iv) 187 shares in Elektro Maribor, d. d., (v) 217 shares in PUP Velenje, d. d., (vi) 26 shares in Perutnina Ptuj, d. d., (vii) 44 shares in KD Group, d. d., and (viii) 0,35% equity stake in Kompas Kapital, d. o. o.

## 7.4 Denationalisation and settlement of compensation under various bills

### COMPENSATIONS



### 7.4.1 SSH's role in denationalisation processes

In denationalisation proceedings, SSH assumes two roles, that is: it may be a party to the proceedings and a party liable to pay compensation in bonds. SSH is engaged in these proceedings, when the nationalised assets cannot be returned in kind, and in cases when a beneficiary refuses the restitution of a nationalised company to be implemented under Articles 34 and 37 of ZDen, choosing instead the option to receive a compensation. In accordance with ZDen and other regulations regulating denationalisation, proceedings are conducted before

administrative and judicial bodies, in which regard at the first instance, responsible ministries are engaged in the proceedings when they include the restitution of assets which belong to cultural heritage and natural heritage. A special type of proceedings are proceedings conducted pursuant to the provision of Article 73 in which compensation is determined on the basis of regulations on damages. SSH also takes part in the mediation procedure in which claims lodged by agricultural communities are handled by responsible courts.

## 7.4.2 Denationalisation procedures at the level of the Republic of Slovenia

The Ministry of Justice, which monitors the implementation of the denationalisation in accordance with the guidelines by the Government of RS, recorded that 99.7% of cases (i.e., 134 cases out of 39,714 cases lodged) before the administrative bodies were complete and final as of 31 December 2019. Local courts settled 99.6% of cases (8 cases out of 9,904 cases lodged), in which regard this data

refers only to cases handled under Article 5 of Zden and it does not include data on filed and pending claims under the provision of Article 73 of ZDen and for claims lodged by re-established agricultural communities. Claims lodged under ZPVAS may continue to be filed before responsible courts in the future.

## 7.4.3 Denationalisation procedures at the level of SSH

SSH diligently examines all material received, which most often includes claims for compensation of damages, the scope and the amount to be compensated, and consistently determines the appropriate compensation amount in accordance with the law and the implementing regulations. When required, individual pieces of evidence and supporting documents are obtained from various archives and other sources, SSH inspects the data provided by the Surveying and Mapping Authority, verifies the data in the Electronic Land Register, examines aerial photo images and checks data bases of other sub-systems in order to determine the content of the claim in a more precise detail. When it is not possible to establish the current state of immovable property in any other way, an inspection of immovable property is conducted. In its first replies to the claims, which have been submitted, SSH takes its position regarding all facts which will have an impact on the decision. The value calculations of the nationalised agricultural and building plots of land, the valuation of movable property, purchase prices, compensation granted upon nationalisation, are reviewed internally whereas valuation reports in regard to construction and mechanical engineering and arts are produced with the assistance of experts and appraisers of a certain discipline. SSH takes an active part in denationalisation procedures by taking part in the scheduled oral proceedings and hearings and when required, organises meetings with participants in the procedures. Efficient conduct and

enforcement of legal assertions are constructively reflected in the conclusion of the special fact-finding procedure which is presented in a report on the established actual and legal state of affairs regarding an individual case.

As of 31 December 2019, the total of 225 claims was registered and outstanding in 173 cases dealt with by the SSH. Regardless of more than 20-year long denationalisation process, new cases are still recorded in which an administrative or a judicial body invites SSH as a party to the proceedings, or continued claims are registered: these are new claims that are made in the existing administrative cases. Eight such claims were lodged in the period of reporting. When SSH's involvement is necessary to make an accurate and full factual and legal context of the case, SSH either participated at the 80 hearings or provided a written position and thus contributed significantly to the resolution of cases in out-of-court settlements, when all statutory conditions were satisfied. From the initiation of its functioning in 2007 and up to 31 December 2019, the Settlement Committee met at 126 sessions, and concluded 79 settlement agreements. In 2019, it organised six meetings during which it rejected three proposals for out-of-court settlement on the ground of the lack of statutory requirements, two such proposals are in the process of being examined, and one out-of-court settlement was executed and the compensation paid in the beginning of 2019.

**Table:** The number of records received and sent

	Total by 31 Dec 2019	From 1 January until 31 Dec 2019
New claims and continued claims received	22,534	8
Reports on the established actual and legal state of affairs regarding the case	22,659	38
First-instance decisions received determining compensation in bonds	20,512	45
Appeals lodged in regard to decisions with time of preclusion	6037	21

In the reporting period, SSH received 18 decisions of rejections by way of which claims were rejected at the first and at the higher instances since statutory conditions failed to be satisfied. Forty-nine construction and mechanical engineering appraisal reports were examined and SSH's position in regard to appeals, lawsuits and judicial reviews was made. As a rule, SSH lodged applications for legal remedies against decisions on compensation amounts only

when justified reasons were given, specifically, either due to an incompletely or incorrectly determined statement of affairs, or due to mistaken application of the substantive law. Legal remedies and pleas mainly referred to the questionable legal foundation of the claim and the eligibility for denationalisation, the timeline of the lodging of claims, an incorrectly determined compensation amount, and erroneous application of substantive provisions.

## 7.4.4 Decisions made and issues raised in denationalisation procedures

In 2019, companies, capital investments, properties and immovable properties continued to be the subject of denationalisation procedures under which relevant compensation was determined. Procedures handled claims lodged by private individuals and companies, by cooperatives, churches, and claimants by way of which nationalised property had been restituted to denationalisation beneficiaries in kind.

Claims which are still being handled refer to the denationalisation of property that used to belong to owners - members of agricultural communities, and which are dealt with in accordance with ZPVAS and in accordance with Agricultural Communities Act which was adopted in 2015 (agricultural communities with a registered seat in another country).

***Only the most complex denationalisation cases are still being handled. For the most part, these are cases which are either extraordinarily complex or include a claim for a high compensation amount, involving complex legal and other issues.***

SSH has received some important decisions adopted by the highest decision-making bodies which have reinforced the case law in regard to the following issues: the legal basis for nationalisation, the legal succession of banks, the status of the common good and the existence of legal barriers for in-kind

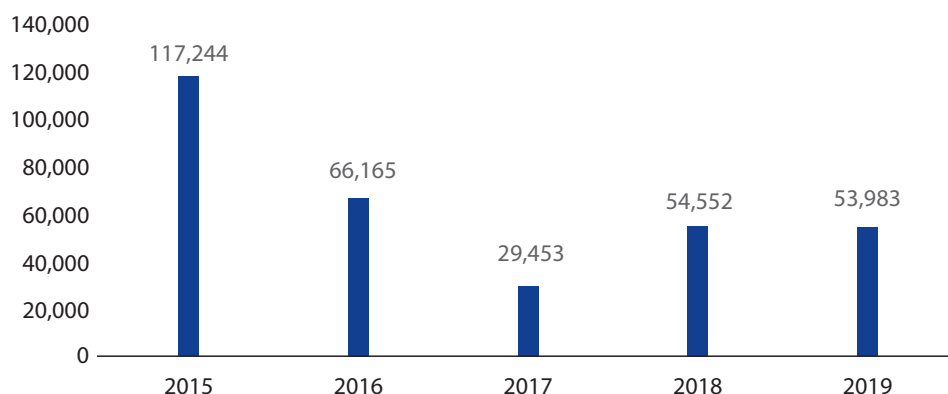
compensation, the communication about substitute agricultural land as a form denationalisation, the possibility to use extraordinary legal remedies, the ownership position of local communities, and several others.

## 7.4.5 Implementation of denationalisation-related decisions and settlement of liabilities

SSH settles its statutory obligations on the basis of denationalisation-related decisions pursuant to the provision of the first indent of Article 59 of ZDen. It also implements decisions issued by the Ministry of the Environment and Spatial Planning in relation to the decision-making under the provisions of Article 173, Paragraph 3 of the Housing Act (SZ-1) under which a beneficiary is compensated for a dwelling that had to be emptied. The decisions are

implemented by means of paying the total value of the SOS2E bond. The implementing regulation regulating the implementation of denationalisation-related decisions has not been modified, neither has been ZDen, and therefore, it still applies that for SSH to implement such decisions, a full application is needed which is not followed by a transfer of bonds but with the fulfilment of the entire liability arising from these bonds.

**Graph:** The number of paid-out SOS2E bonds



For settling liabilities due to beneficiaries under ZDen and under other regulations governing the denationalisation of property, SSH transferred 17,456,596 bonds to 28,012 holders and paid out the total of EUR 1.7 billion, since SSH started performing its duties under ZDen and until 31 December 2019.

Three hundred twenty-two beneficiaries were paid compensation in the amount of EUR 5.1 million in the reporting period. The amount of EUR 0.3 million was paid to tenants renting denationalised apartments for their substitute repurchases.

## 7.4.6 Compensations to victims of war and post-war violence

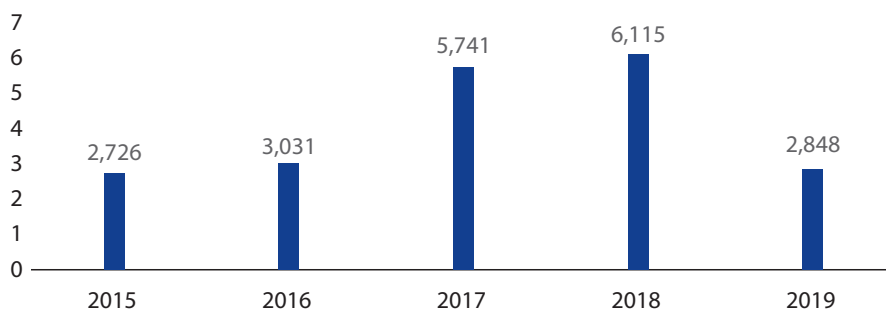
Pursuant to Article 16, Paragraph 1 of ZSPOZ, the Payment of Compensation to the Victims of War and Post-war Aggression Act ("ZSPOZ") has imposed on SSH public powers to run procedures for issuing decisions on compensation amounts and for performing administrative and technical activities in relation to their implementation. On the basis of the relevant documents and criteria determined by ZSPOZ, SSH calculates the compensation amount and issues a decision on the compensation amount. Beneficiaries are determined under ZPKri, and only a negligent amount of compensations is determined to beneficiaries - victims of war and post-war

aggression on the basis of ZZVN. Following the adoption of the Act amending ZSPOZ, beneficiaries, who have been issued and served the decision after 7 April 2009, are paid the compensation amount only in cash. A beneficiary may receive compensation either under ZZVN or under ZPKri or under the combination of both laws, but the total sum to be received by an individual beneficiary under ZSPOZ should not exceed the statutory amount. In light of the above stated, SSH also issues decisions determining that an eligible person is not eligible to a compensation in spite of holding a status which has been acknowledged under ZZVN or ZPKri.

In the reported period, SSH thus issued 431 decisions on compensation amount. Decisions issued under ZPkri prevailed. The compensation was not

determined for a great number of beneficiaries since they had received the highest possible compensation ruled in previous decisions.

**Graph:** Payments under ZSPOZ in mio EUR



### 7.4.7 Settlement of liabilities arising from compensation for confiscated property pursuant to the abrogation of the confiscation of property penalty

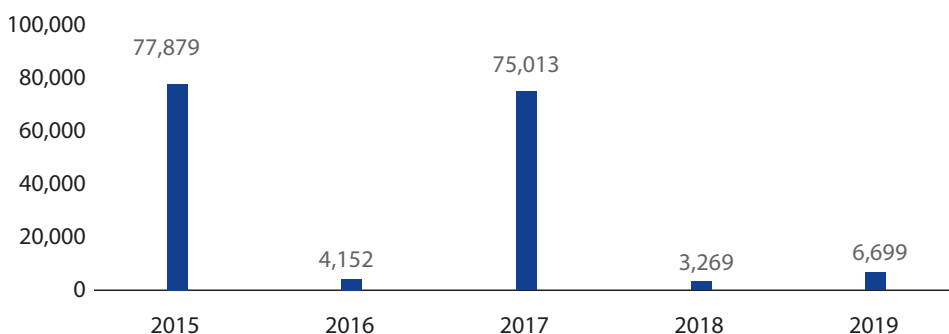
With ZSPOZ, SSH's duties which originally referred to the settlement of liabilities under regulations governing denationalisation expanded to the issue, servicing and payment and calculation of interests for bonds issued by the Republic of Slovenia on 1 February 2001 for the purpose of paying compensation under the said act.

Slovenian Sovereign Holding enforces final decisions on compensation for the confiscated property by paying out the relevant compensation amount and no longer by transferring the total value of the RS21 bond. Considering the interpretation of Article 3, Paragraph 5 of ZIOOZP, a compensation

amount is determined so that interest is calculated from the day when the decision on the abrogation of the confiscation of property penalty and the determination of compensation for the confiscated property becomes final until the issue of bonds. The enforcement of a decision may be requested by a beneficiary or his/her legal successor demonstrating such status by way of a final decree of distribution or any other valid legal title.

As regards the reporting period, the compensation in the equivalent value of 6,699 RS21 bonds was paid out to beneficiaries or their legal successors, totalling EUR 0.413 milion.

**Graph:** The volume of paid-out RS21 bonds



# ANALYSIS OF SSH OPERATIONS AND LIQUIDITY

## 8.1 Statement of Financial Position

The provisions of ZSOS-C have led to significant changes in the asset structure. The proportion of strategic and important assets (EUR 638 million - the value as of 31 December 2019) which will be transferred free of charge to RS, are reported under current assets. Debt investments maturing in 2020 (EUR 76 million) have been transferred to current assets. Fair value reserves which refer to strategic and important assets will not be subject to taxation which is why deferred tax liabilities will be reversed; in turn, this has a positive impact on other comprehensive income and consequently

on the value of equity. In 2019, SSH increased its value in deposits by EUR 46 million, and as a result of positive movements in capital markets, the value of financial investments increased by almost EUR 92 million, which consequently led to the increase in the value of equity. Due to new denationalisation claims, reserves for denationalisation-related liabilities increased by EUR 37 million. The liability amount maturing in 2020 is reported under current liabilities (EUR 100 million for SOS3 bond and EUR 14.4 million for denationalisation compensations).

in EUR '000	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>	<b>815,913</b>	<b>692,305</b>
<b>Non-current assets</b>	<b>61,889</b>	<b>641,357</b>
Property, plant and equipment	1,215	863
Financial investments	59,700	640,494
Deferred tax assets	974	0
<b>Current assets</b>	<b>754,024</b>	<b>50,948</b>
Financial investments	740,186	40,275
Cash and cash equivalents	12,108	7,352
Trade and other receivables	1,730	3,321
<b>EQUITY AND LIABILITIES</b>	<b>815,913</b>	<b>692,305</b>
<b>Equity</b>	<b>611,580</b>	<b>498,516</b>
Called-up equity	260,167	260,167
Fair value reserve	482,076	353,888
Retained loss	-130,663	-115,539
<b>Non-current liabilities</b>	<b>62,914</b>	<b>163,703</b>
Provisions	62,914	45,887
Financial liabilities	0	99,886
Deferred tax liabilities	0	17,930
<b>Current liabilities</b>	<b>141,419</b>	<b>30,086</b>
Financial liabilities	99,962	0
Trade and other liabilities	41,457	30,086



## Income statement

in EUR '000	Realised in 2019	Planned for 2019
Operating income	8,112	8,804
Operating expenses excluding denationalisation-related provisions	6,884	10,933
Provisions for denationalisation	37,026	0
<b>Operating loss</b>	<b>-35,798</b>	<b>-2,129</b>
Financial income	41,319	42,575
Financial expense	3,277	2,576
Profit before taxes	2,244	37,870
Income tax	0	0
Deferred taxes	-18,862	-491
<b>Net profit or loss for the period</b>	<b>-16,618</b>	<b>37,379</b>

The SSH's Income Statement 2019 was significantly affected by the unexpected formation of provisions for denationalisation-related compensations in the amount of EUR 37 million and the reversal of deferred tax assets in the amount of EUR 18.9 million; as

regards other items, SSH's operation was as planned. The deferred tax asset was reversed in parallel with the reversal of the deferred tax liability, since, according to the current data, no significant taxable bases are to be expected in the future.

## Impact of unusual/unexpected categories to net profit or loss

in EUR '000	Turn-over	Plan
Profit before taxes — regular operation	39,270	37,870
Provisions for denationalisation	-37,026	0
Reversal of deferred tax assets	-18,862	-491
<b>Net profit or loss for the period</b>	<b>-16,618</b>	<b>37,379</b>

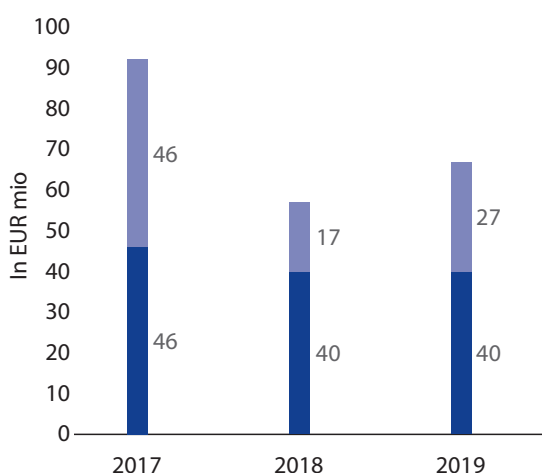
## 8.2 Cash flows, structure of liquid investments portfolio and financial debt

The most important items recorded in the Cash Flow Statement which have an impact on the financial position and on the financial performance of SSH and SSH Group include dividends classified under income (proceeds from operating activities), and payment of compensations to denationalisation beneficiaries and of interest for SOS3 bonds classified under expenses. A significant expense item includes payments imposed under the denationalisation

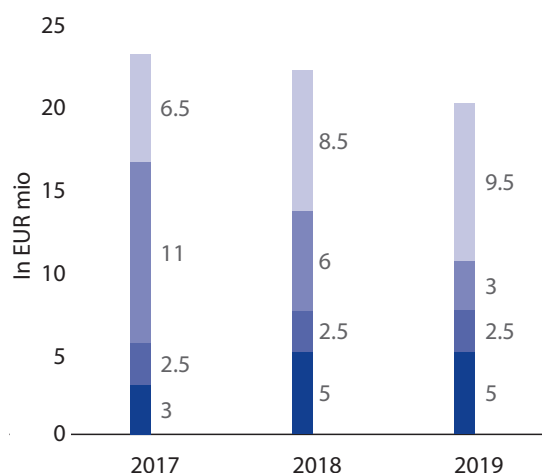
legislation and other laws (ZSPOZ, ZIOOZP and ZVVJTO), which are carried out by SSH on behalf of and for the account of RS. These monetary assets are repaid by RS.

The graphs below show the proportion of selected items; the inflows from deposits and the outflows for new deposits have been excluded.

### Cash inflows



### Cash outflows



- Dividends
- Denationalization
- For the account of RS
- Other inflows
- SOS3 interest
- Other outflows

In 2019, SSH settled all of its statutory and contractual obligations on a regular and timely basis. It maintained its current liquidity by planning cash flows and keeping a permanent liquidity reserve.

As of 31 December 2019, SSH's financial debt amounted to EUR 100 million arising from SOS3 bond which will mature on 24 June 2020. It is assessed that 2020 will be closed without having any financial debt.

**Table:** The structure of the SSH's liquid investment portfolio by investment type

Investment type	Balance as at 31 Dec 2019		Balance as at 31 Dec 2018	
	in EUR '000	%	in EUR '000	%
<b>Debt investments–total</b>	<b>87,931</b>	<b>100</b>	<b>40,761</b>	<b>98</b>
Deposits	73,900	84	31,500	76
Call deposits	12,050	14	7,280	17
Bonds	1,981	2	1,981	5
<b>Equity investments–total</b>	<b>0</b>	<b>0</b>	<b>899</b>	<b>2</b>
Mutual Funds	0	0	899	2
<b>Total investment portfolio</b>	<b>87,931</b>	<b>100</b>	<b>41,660</b>	<b>100</b>

## 8.3 Future outlook

The transfer of strategic and important assets owned by SSH to RS has an important impact on the financial position of SSH. In 2021, the dividend income will drop from EUR 40 million to EUR 1-2 million, and, together with the contribution paid by RS for asset management, it will not be sufficient to cover the costs of SSH operation and to settle statutory liabilities. Considering the future denationalisation-related liabilities, SSH will have to point out the viability of enforcing ZSOS-C in 2020, when negotiating with RS. However, it needs to be highlighted, that ZSOS-C stipulates that in case income generated by asset management and from the disposition of assets, as referred to in Article 26, Paragraph 1 of ZSDH-1, does not suffice for settling the denationalisation liabilities, funds for settling liabilities are provided for

from the budget. In addition to the above mentioned provision, the Constitutional Court Decision No U-I-140/94 of 14 Decembre 1995 stipulates that the Republic of Slovenia is obliged to provide additional funds for SSH when SSH's sources of funds do not suffice for the regular settlement of the SSH's liabilities under the Denationalisation Act, the Cooperatives Act and other regulations governing the restitution of property. It has to be acknowledged that denationalisation-related payments must be carried out which is why SSH has to have sufficient liquid funds. In addition, SSH will have to agree with RS about such compensation for asset management which will ensure smooth operation of SSH and its independent functioning after 2020.

# ORGANISATIONAL DEVELOPMENT OF SSH

## 9.1 Compliance and corporate integrity

The Integrity Plan, as an overarching instrument for corporate compliance and integrity, dedicates special attention to risks in the following areas:

- pressures and requests;
- conflict of interest;
- abuses;
- recruitment procedures;
- procurement of goods and services;
- operational functioning of a Chief Compliance Officer;
- conclusion of contracts for advisory services;
- uneconomical practices in handling public funds;
- prevention of money laundering and terrorist financing;

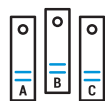
- protection of data and of inside information;
- operations in accordance with applicable regulations and general legal documents of the company;
- ethics and integrity.

Within the scope of each of the above mentioned categories with specific types of risks, individual important risks were identified and suitably quantified. Permanent and additional measures for managing risks were defined and key persons responsible for their implementation were appointed (organisational units or individual employees). In case of newly defined one-off measures, deadlines for their execution were set.

### SSH's main integrity tools



Ongoing review of risks and measures from the Integrity Plan within SSH and quarterly reporting on the implementation of the said plan to the Supervisory Board



Corporate documents, register of gifts and traceability of communication with state bodies



Advisory services and training sessions for employees and for the portfolio companies



Cooperation with supervisory bodies and investigative institutions



Committee for handling irregularities in portfolio companies

Measures for enhancing corporate integrity and responsibilities and for minimising corruption-associated risks, conflict of interest and abuse of inside information in managing capital assets were implemented in a smooth manner in 2019.

A special attention was placed on organising training sessions for representatives of the management and for members of supervisory bodies of SOEs. Topics presented and discussed at such sessions included the following: presentation of lobbying practices, reporting about financial situation to the Commission for the Prevention of Corruption, and risk management in regard to compliance, fraud, and corruption.

Within the scope of the system established for addressing suspicions of irregularities, which also includes the protection of whistle blowers, the Chief Compliance Officer received 43 such reports. In accordance with internal processes, reports were categorised into the following categories:

- alleged irregularities by employees, members of

- bodies and working bodies of SSH;
- alleged irregularities by SOEs;
- violations whose handling falls under the responsibility of other bodies or institutions (the referral of such reports for their handling);
- inappropriate conduct under Article 57 of ZSDH-1;
- expression of opinion by persons reporting non-ethical or illegal conduct;
- other issues not classified as reports.

Twenty-seven reports referred to suspicions of irregularities in the functioning of SOEs which fall under the SSH's corporate governance. The Chief Compliance Officer personally handled reports linked to the functioning of SSH. All reports on alleged irregularities in SOEs were dealt with by a special four-member internal Committee, in cooperation with a relevant asset manager. On the basis of additional information received and on the basis of answers clarifying the content of reports, the opinion of the Committee was formulated and, when needed, measures which fall under the authority of SSH, were implemented.

## 9.2 Internal Audit

The year of 2019 was particularly important for the functioning of SSH's Internal Audit: in addition to internal audit activities carried out in SSH on the basis of adopted legal documents (i.e. Protocol for enforcing the right for reviewing operations in individual companies under the governance of SSH), internal audit reviews were also carried out in SOEs. The purpose of including companies, which fall under the asset management of SSH, into the scope of activities carried out by the SSH's Internal Audit is to reinforce the review and oversight by SSH over their operation; this is an important step forward in ensuring good quality management of capital assets.

Similarly, as in previous years, the SSH's Internal Audit functioned as an independent department in 2019. The basis for its functioning is the Internal Audit Charter which has been approved by the SSH Management Board and SSH Supervisory Board. Within SSH, the Internal Audit carried out the reviews over the SSH operations as regards their lawfulness and accuracy, and provided to the Management Board and to the Supervisory Board/ the Audit Committee of the SSH Supervisory Board impartial assurances regarding the efficiency of risk management rated with an assessment

whether key risks are suitably managed.

The majority of goals set for 2019 were achieved as planned. The Internal Audit carried out seven audit reviews and rendered advisory services (regular/extraordinary) and four audit reviews in SOEs under SSH governance. The most important audit reviews referred to the asset management processes and to the security and to the payment of compensations. The Internal Audit is of the opinion that the internal control system in SSH is established and adequate, however, there are possibilities for its improvements which are referred to in recommendations issued during audit reviews.

On the basis of reviews carried out, the Internal Audit Service has assessed that:

- the establishment of the internal control system for preventing significant frauds in reviewed areas is established and operational;
- important risks have been identified and quantified and the relevant response measures have been selected;
- IT risks are mostly managed;
- as regards the management of organisation, SSH's

strategic policies and operational goals are pursued, the relevant ethical conduct and values are enforced within SSH, the management of organisation is efficient and organised, the communication and provision of information among employees and wider, from the Management Board to the Supervisory Board and other providers of

assurances, is adequately organised

In addition to regular activities in connection with the internal audit function, the Internal Audit cooperated with the national supervisory and investigation institutions, such as the Court of Audit of RS, the Police, and the Commission for the Prevention of Corruption.

## 9.3. Risk management

Risk management in SSH is based on a centralised and integrated system which functions at the level of SSH as a whole. Since sound knowledge and good understanding of risks enables each company to take a timely and proper response action in an increasingly dynamic economic environment, SSH dedicates special attention to risks to which SSH is exposed

to. It aims to establish a culture of risk awareness in order to better understand risks and obtain good quality information for decision-making processes to be pursued at all levels of its functioning. Risk management is of concern for every SSH's employee whose actions and decisions expose him/her to risks on a daily basis when performing their duties.

### 9.3.1 Organisation of risk management process

In SSH, the area of work which deals with risk management is regulated by the Rules on Risk Management.

The Master Risk Register is a tool which assists SSH in risk management; this is a comprehensive register of risks at the level of SSH as a whole. It is divided into two sections: the SSH Risk Register and the Integrity Plan. The department formally responsible for the Master Risk Register is the Financial Management Department; as far as its substance is consider, the Financial Department is in charge for the SSH Risk Register, and the Chief Compliance Officer is responsible for the Integrity Plan.

The SSH Risk Register discusses all risks present at the level of SSH and SSH's operational risks, while the Integrity Plan includes risks which are connected with corruption and unlawful and unethical actions. Both documents are regularly supplemented with newly identified risks and with measures designed for their handling.

In order to deal with SSH risks which are recorded in the Master Risk Register in a suitable and efficient manner, to take timely actions when implementing measures and to monitor SSH's exposure to risks in a manner which corresponds to the management of a



Figure: Organisation of the risk management system in SSH

certain risk, regular joint meetings were organized by the Risk and Compliance Committee.

Decision-making bodies, which are involved in the process for an integrated risk management, include the SSH Management Board, the Risk and Compliance Committee and the SB's Risk Committee.

The Risk and Compliance Committee is composed of the Management Board Members, of managers, of the Chief Compliance Officer, of the Internal Auditor and of a person responsible for risk management. The President of the said Commission is the President of the SSH Management Board.

The Risk and Compliance Committee's meetings are usually organised once a month. In 2019, eight regular meetings were organised.

The Supervisory Board's Risk Committee is a consultation body of the Supervisory Board tasked to provide expert opinions on the risk management system established within SSH and to propose its improvements by submitting such proposals to the SSH Supervisory Board. At its sessions, the Risk Committee formulated its expert opinions and proposals; it thus advised to decrease or to align the level of risks in case of risks for which measures have already been taken and for whose oversight a person has been permanently engaged; it proposed realistic deadlines for carrying out the undertaken measures, and it suggested to complete the project for quantifying SSH's risks. In 2019, the Risk Committee met at three sessions.

### 9.3.2 Key risks

According to the results obtained from the risk assessment exercise which was carried out in 2019, the most important risks pertaining to SSH's operations remain to be the following: the regulatory risk, HR risks, risks related to the personal data protection and the risk of cyber-attack on the SSH's IT system.

**Regulatory risk** is associated with the legislative changes and their potentially negative consequences for the scope and subject-matter of the SSH's operations. For managing this risk, several measures have been taken by SSH which are implemented on a regular basis: for example, regular monitoring of regulations and the case law and preparation of

The risk exposure is assessed with the qualitative risk assessment method, which means that risks are assessed in terms of the importance of their potential consequences for SSH or their influence on the SSH's operations and in terms of the probability for the occurrence of an event. Risks are assessed by applying uniform risk assessment criteria.

With the aim to improve internal cooperation and to enhance the circulation of information between expert services in SSH, to reinforce the corporate culture and the awareness on the importance of risk management and to include such mindset in the day-to-day working processes, the representatives of expert services in SSH regularly write special reports. These reports present the overview of the current status of risks recorded in the SSH Risk Register, and of risks in connection with corruption, and unlawful and unethical conduct, and include the following topics: the performance results (ROE) of the largest companies under SSH's governance, the developments in sales processes, key changes in legislation, the status of lawsuits and the course of judicial proceedings in which SSH is involved. In addition, these reports also provide information on the financial statement (balance sheet and income statement), and give an overview of macroeconomic situation and associated risks (risks in the international arena, in the USA, in the Euro area and in Slovenia) and highlight industry-specific risks. These reports are regularly discussed at the monthly missions of the Risk and Compliance Committee's.

timely business projections, communication and cooperation with supervisory bodies, participation in expert associations, weekly provision of information on RS Government's decisions, weekly monitoring of changes to legislation and notifications to employees on statutory modifications.

**HR risks** may be shown in the following instances: the shortage of key personnel, lack of SSH's preparedness to address the unexpected departures of key personnel, the absence of succession planning, the fluctuation of employees, the inappropriate and unprofessional staffing for business process, and on similar occasions. For measuring the above stated

risks, measures have been taken by SSH which are implemented on a regular basis: for example, the implementation of annual employee interviews and the assessment of executive officers, clear recruitment criteria and processes, monitoring of the changes to legislation and training personnel on HR and employment issues, observing the content of internal legal documents, and similar measures. The adoption of the HR Strategy and the Employee Development Plan is envisaged to be adopted in 2020.

***Risks associated with personal data protection***

may arise when the processing of personal data is carried out by outsourced data processors; they may be shown in violations of statutory provisions regulating the personal data protection; they may occur when disclosing personal data or by means of inappropriate software used for keeping databases with personal data of the recipients of compensations. SSH manages this risk by means of numerous measures which are implemented on a regular basis; for example, by having in place relevant contracts concluded with contractors, by putting in place internal administration of contracts and their archiving, business solutions are provided with audit

trails, all software programmes have been copied to the newest platforms, archive files are archived in accordance with the applicable legislation. The access to personal data is limited, as well as their number, the audit trail of access to personal data is ensured and the operation runs in accordance with internal rules.

All entry and communication points of SSH's information system, which include business data or personal data of employees and of persons whose personal data are being processed, must be protected with the highest security standards. The risk of cyber-attack on the SSH's IT system arises when guidelines for safe usage of SSH's business devices and equipment are not observed. In connection with information security, SSH has adopted numerous measures which are implemented on a regular basis; for example; regular backup of data and server settings, introduction of additional data centre, regular monitoring of the functioning of the information system with relevant control system, preventive maintenance of hardware and software, implementation of internal control system, communication with employees, introduction of protection against malware and computer viruses.

### 9.3.3 Goals for 2020

In 2020, SSH will continue to proactively upgrade and improve the established risk management system. Within the scope of these activities, SSH will quantify risks and align the system with all identified changes in the internal and external business environment.

SSH's efforts will be dedicated to establish and use new software for managing risks which will enable a more thorough processing of data and production of various analysis and data output; endeavours will also be focused on seeking for new possibilities in the added value obtained from the upgrading of the SSH's risk management system in the future.

At the joint monthly meetings between the Risk Commission and the Cabinet Office of the Chief Compliance Officer, SSH will continue to implement the established system for monitoring risks, strive to identify new risks and potential incidents and develop measures for their efficient management and seek to find a set of even more efficient measures

to mitigate/manage risks. After the Coronavirus Epidemic was declared, the persons responsible prepared the Crisis Risk Register and included a set of new risks, and measures for managing them, together with qualitative assessment of their hazard and deadlines for implementing relevant measures. During 2020, the aforementioned Register will be integrated and unified with the existing general Risk Register.

SSH will continue to strive for a proactive development of risk management in SSH and will dedicate the necessary sources for spreading and enhancing the culture and the consciousness of employees on the significance of risk management and on the importance of the inclusion of such mindset in day-to-day business processes which are deployed by all employees at all levels of operation and decision-making. A great focus will be placed on training sessions organised for employees in regard to risk management.



## 9.4 Risks in operation of companies from the portfolio of state asset management

Companies which are included in the portfolio of capital assets under SSH management are exposed to risks of various types: these are carefully monitored by SSH in the capacity of asset manager.

By means of the Corporate Governance Code for SOEs, SSH Recommendations and Expectations, by means of organising training sessions for members of supervisory bodies of SOEs, and by means of other measures, SSH strives for suitable risk management in companies with SSH and RS capital assets. Suitable risk management in SOEs is in the SSH interest as, in the capacity of the asset manager, SSH pursues the goal of attaining suitable financial and performance results and risk management is one of important aspects for achieving proper performance results (ROE indicator, the amount of dividend pay-outs, for example). In fact, improperly handling of risk management in SOEs might jeopardize goals set by SSH in the AAMP for capital assets (unmanaged risks are reflected in the performance results of an individual company which affects the value of ROE attained by an individual company and by the asset portfolio managed by SSH, and consequently, it affects the pay out of dividends).

Risks in companies are regularly monitored on the basis of analysis of results of current operations and developments in the markets. Companies report to SSH on their key risks and on their management within the scope of regular periodic meetings with members of the management and supervisory bodies.

In 2019, regular working meetings were introduced in SSH to discuss risks within SSH and risks in SOEs. With the aim of ensuring better cooperation and better flow of information in regard to monitoring risk management in SSH and in SOEs, a standing working group was appointed.

In March 2020, as a result of the crisis connected with the outbreak of COVID-19, SSH adopted relevant measures for monitoring and managing risk both internally as well as in SOEs. The relevant reporting system, which included all stakeholders, was established.

## 9.5 Respect of human rights

Equal opportunities for everybody are fundamental for SSH's operation. SSH fosters its respect for human rights by formulating standards of good practice which are included in the Corporate Governance Code for SOEs and are addressed to companies under SSH governance. Important elements of respect for human rights were included in the amended SSH's Code of Ethics in the beginning of January 2020.

SSH signed the Commitment to observe Human Rights in Business at the public event organised by the Chamber of Commerce and Industry on 31 May 2019. This document was used as a basis to prepare an action plan for implementing the main elements of the commitment to observe human rights in business at the level of SSH.

More important elements to be highlighted are as follows: appointing the Human Rights Officer, the review of internal legal documents of SSH and their amendments, the amendment of SSH Recommendations and Expectations and a comprehensive regulation of this subject matter, the amendments to the Risk Register, the formulation of a special contractual clause, the raising of awareness of employees and other stakeholders. The implementation of all measures is envisaged to be completed not later than by 30 June 2021.

## 9.6 Personal data protection

In 2019, SSH improved internal processes in regard to the personal data protection and supplemented the Rules on processes and measures for personal data protection. A new data base for carrying out video surveillance in SSH's premises was designed.

Key activities include the following:

- the establishment of a record of processor under contract with the authorised person and relevant amendment of contracts;

- supplementing the Risk Register with newly identified risks in regard to personal data protection and designing relevant measures;
- publication of instructions and forms for enforcing rights of individuals on the SSH's web site;
- preparing internal instructions for databases administrators and for personal data processors.

## 9.7 Measures for money laundering prevention

With the Act Amending the Prevention of Money Laundering and Terrorism Financing Act of November 2016, SSH has become a liable party to implement a customer due diligence (CDD). This process is carried out in connection with contractual parties involved in the processes for the disposition of state capital assets. For this purpose and in accordance with the law and internal policies, following the principle "know your customer" (KYC), SSH implements measures which are stipulated by the law to prevent abuses of the financial system for money laundering and terrorism financing. Considering the risk of such abuses, SSH treats each person in the capacity of a buyer or a seller of capital assets individually and thoroughly examines its purpose for concluding a

transaction and the legal nature of the transaction. Procedures implemented by SSH within the scope of the customer due diligence review mainly refer to obtaining information on the identity of a legal entity or an individual with whom the transaction is to be concluded, and its legal representatives and authorised persons. In case of a contracting party who is not a natural person, SSH also carries out the process for determining his/her beneficial owners. For legal representatives, authorised persons and for beneficial owners, SSH also carries out the process for determining their potential political exposure, as stipulated by the law. Information and data obtained from the customer due diligence review are kept in accordance with ZPPDFT-1.

## 9.8 Access to information of public nature

SSH is a liable party under the Public Information Access Act. In 2019, SSH received eight requests to access information of a public nature, which referred to various areas of SSH's operation. The majority of persons requiring information were journalist (62.5%), while other persons included companies, private individuals, and a Member of the Parliament.

Three requests (37.5%) were denied due to the existence of exemptions under Article 6, Paragraph 1 of the Public Information Access Act (ZDIJZ), while

three requests (37.5%) were complied with and applicants were granted the access to inspect the requested documents. One request was partially complied with, but it was denied the access to one part of the requested documents. One request was referred to another person liable to provide access to public information because SSH did not have the requested documentation at its disposal.

# 10 SUSTAINABLE DEVELOPMENT OF SSH

SSH's endeavours for sustainability are founded in the strategic direction which aims at the creation of value; it is applied by increasing the value of equity in companies under SSH governance, by increasing ROE, by means of active and effective and efficient governance of enterprises and by virtue of cooperation with stakeholders in the environment in which companies operate, and last but not least, by implementing activities for developing and improving the environment in which SSH operates in order to pursue sustainability in social and economic and environmental aspects.

## Elements of reporting

SSH is not a person liable to provide a statement on non-financial reporting, nevertheless, as a case of good practice it draws up a Statement on Sustainable Development, taking into account one part of international guidelines in this regard and recommendations regarding non-financial reporting referred to in the Corporate Governance Code. The Materiality Matrix is one of the tools for managing stakeholders relations which was last updated for reporting purposes for 2018; during this exercise, by means of a questionnaire, the materiality of key topics for the largest companies under SSH

governance was verified which is why it has not been repeated for the purpose of this report. Key topics were defined on the basis of key guidelines provided in the asset management documents whereby our past experience in collaboration with stakeholders was taken into account. Together with the Materiality Matrix, key topics will be re-examined in 2021.

## Key guidelines for socially responsible conduct and for the attainment of goals

The remaining part of the document presents key topics and goals for 2019, together with the accompanying commentary.

In accordance with its authority and responsibilities, SSH wishes to contribute to the sustainable development of the broader social environment by addressing the above mentioned topics. SSH has an impact on an important part of enterprises from Slovenian economy since, by means of its operation and by setting their goals and expectations for them, SSH has an influence on the quality of their governance which may be expressed in different ways. The remaining part of the document presents key activities undertaken in 2019.

Subject matter	Activities in 2019	Commentary
<b>Sustainability governance</b>	The formulation of recommendations for SSH's sustainable development.	The final document is expected to be ready in 2020.
<b>Human rights</b>	The preparation of an action plan for implementing the main elements of the Commitment to observe Human Rights in Business.	The Action Plan was adopted in the beginning of March 2020. All activities are envisaged to be implemented until June 2021.
<b>HR management and organisation</b>	The establishment of the wage system and the remuneration system within SSH.	The regulation of the wage system, the employee promotion and career development system will continue in 2020.
	Promotion of health and safety at work.	The introduction of new measures to promote health and safety at work.

	The organisation of annual interviews with employees and the planning of training and education for employees and the realisation of the training policy.	On the basis of annual employee development interviews, training courses for employees to address the needs of working processes were organised throughout the year.
	Carrying out workshops for the middle management for more efficient leadership.	The goal was postponed to 2020. In March 2020, the 360-degree review of managers was carried out.
<b>Further development of the good practice in corporate governance</b>	On the basis of findings from a survey questionnaire, activities were implemented for encouraging SOEs to enforce all provisions of Corporate Governance Codes and SSH Recommendations.	In January 2020, for the purpose of analysing adherence to selected elements of corporate governance, a questionnaire was sent to SOEs.  SSH's permanent assignment.
	Continuous monitoring of the development of good practice in corporate governance and implantation of amendments to the Code, SSH Recommendations and SSH Asset Management Policy (constant practice).	The amendments to the Code of Corporate Governance were adopted in November 2019 and entered into force on 1 January 2020.  Throughout 2019, the European project was carried out for enhancing corporate governance at the level of SSH and at the level of companies under SSH's governance. More about this activity is presented in the section presenting projects undertaken in 2019.
<b>Corporate integrity</b>	Implementation of training sessions for members of supervisory bodies of SOEs.	Topics presented and discussed at such sessions included the following: presentation of lobbying practices, reporting about financial situation to the Commission for the Prevention of Corruption, and risk management in regard to compliance, fraud, and corruption.
	Integrity Plan.	Permanent assignment Regular identification of new risks in regard to corruption, unlawful and unethical conduct, and the adoption of recurrent and one-off measures.
	SSH Code of Ethics.	SSH started to revise the SSH Code of Ethics which was amended with commitments in regard to leading by example, zero tolerance to corruption, observance of human rights in business, sustainable development and interpersonal relations in the company.

The remainder of this Chapter presents the identification of key topics followed by an overview of SSH's stakeholders and their inclusion in SSH's activities.

## Stakeholder's interest

CORPORATE GOVERNANCE AND ECONOMIC PERFORMANCE

EMPLOYEES

ENVIRONMENT

- 1. Economic performance and achievement of economic and strategic indicators
- 2. Transparent operation
- 3. Inclusion and cooperation with stakeholders
- 4. Risk management
- 5. Ethics and integrity
- 6. Operational compliance
- 7. Development and the improvement of the environment in which SSH operates aiming at sustainable operations
- 8. Recruitment
- 9. Relations between employees and executives
- 10. Health and safety at work
- 11. Supplementary training and education
- 12. Diversity and equal opportunities
- 13. Prevention of discrimination
- 14. Responsibility towards the environment (materials, waste, waste water)

Scheme: identification of key topics and interests in connection with SSH's stakeholders.

## 10.1 Overview of stakeholders and their inclusion in SSH activities

SSH has many stakeholders who represent an important part of the Slovenian economy, political system, and social partnership, if only the three largest groups should be pointed out. SSH strives for professional and a two-way communication with them, in which regard their interest and needs are identified and monitored and included in various ways.

The table below presents the most important SSH's stakeholders, the method of their inclusion and cooperation with them and key topics for cooperation and interest to be covered.

Stakeholder	Methods of Cooperation	Areas of Cooperation and interest covered
<b>Companies from the RS and SSH portfolios; members of Supervisory and Management Boards</b>	regular periodic and other meetings, written communication, invitations to annual events and training sessions organised by SSH	monitoring business performance of a company and of the attainment of economic and strategic indicators set, monitoring of company's operations and alignment of goals planned, supplementary training and implementation of cases of good practice; stable, professional, predictable, and transparent governance
<b>National Assembly of RS, Government of RS, sectoral ministries</b>	quarterly asset management reports, Annual Report - Management of Capital Assets of RS and SSH, cooperation in regard to the carrying out of sectoral policies, participation of three decision-makers at the sessions of SSH's SB (ZSDH-1)	effectiveness in the attainment of economic and strategic goals from the Asset Management Strategy and Annual Asset Management Plan, the value of dividends paid out to the RS's budget
<b>Employees</b>	interpersonal contacts, electronic mails, participation in the governance (Employees' Council), Intranet portal, employee meetings, directors' meeting, and sectoral meetings	flow of information, supplementary training and education, relations between employees and chief executives, diversity and equal opportunities, health and safety at work, measures for a family friendly enterprise
<b>the Media</b>	press releases, press conferences, interviews answers to questions raised by journalists, personal contacts with journalists, invitations to events	up-to-date, integrated, and transparent information on significant events in SSH's operations and in the management of RS and SSH capital assets
<b>Beneficiaries for compensations under various bills</b>	procedures before administrative, judicial and other bodies, implementation of public powers	consistent adherence to regulations for the determination of compensations, fair and effective payment of compensations under various bills
<b>Investors into SOS3 bond (until June 2020)</b>	annual, interim reports and SEOnet announcements	relevant, up-to-date and timely pieces of information in connection with SSH's operations
<b>Social partners</b>	sessions of the Expert Committee for Economic and Social Affairs which is a consultation body of the SSH's Management Board (representatives of trade union associations)	providing opinions and giving initiatives in regard to economic and social affairs (consequences for employees in companies managed by SSH in the fields of labour law, legal form of organisation and social security)
<b>Business partners</b>	calls to tender, meetings	adherence to the Public Procurement Rules, internal policies on procurement of goods and services and relevant provisions in regard to prevention of corruption, protection of trade secrets, avoidance of conflicts of interest, etc., clear selection criteria, regular settlement of liabilities
<b>Other state asset managers</b>	regular meetings, electronic mail, cooperation in the management of capital assets, invitations to meetings	participation in the implementation of the Plan for Consolidation, Governance and Restructuring of state-owned tourism companies
<b>Potential investors</b>	publicly published Requests for Proposal for the purchase of capital assets, announcement and submission of information on SSH's activities in connection with the processes for the sale of capital assets	transparent, equal and competition based conduct of sale processes in accordance with applicable regulations and comparable international practice
<b>Regulators and supervisory institutions</b>	electronic mail, submission of applications, meetings, reporting	adherence to legislation and compliance with regulations and good practice in corporate governance, transparency of operations

## 10.2 Detailed overview of cooperation with stakeholders in 2019

The remaining part of the document describes relations with stakeholders in the reporting period.

### 10.2.1 Relations with portfolio companies

SOEs are SSH's strategic stakeholder and for that purpose a standardised system of cooperation and for relations with companies from the RS and SSH portfolio has been established (Supervisory Boards

and Management Boards); the system is explained in detail in the Chapter on active management of capital assets of RS and SSH.

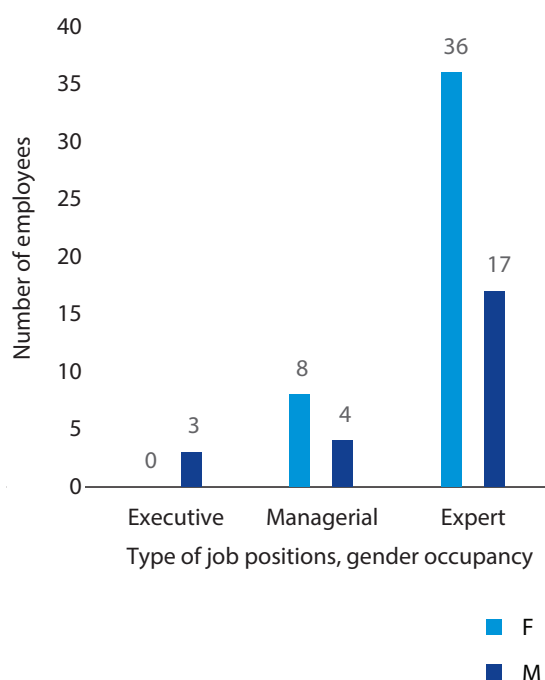
### 10.2.2 Relations with employees

Employees are human capital of key importance for SSH which is why responsibility towards employees is important in the endeavours for achieving sustainability. SSH is aware that motivated, qualified, and satisfied employees contribute to successful performance.

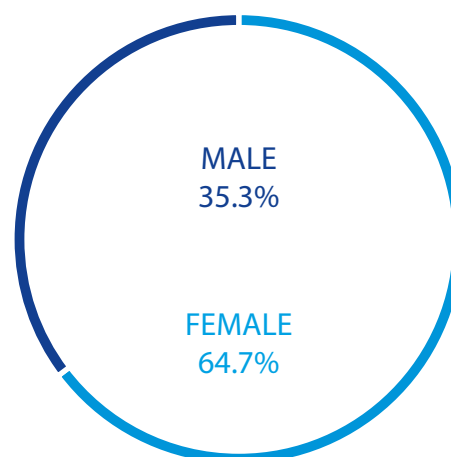
#### SSH's employees in numbers and by educational structure in 2019

At the end of 2019, there were 44 women and 24 men employed in SSH, the total of 68 employees. Women occupy eight out of the total of twelve leadership job positions (see graphs below). The average age of employees is 48, the average years of service per employee is 22 years. The majority of employees come from the Osrednjeslovenska (the Central Slovenia) region.

**Graph:** Occupancy of job positions by the type of workplace and gender



**Graph:** Graphic representation of SSH's employees by gender in%

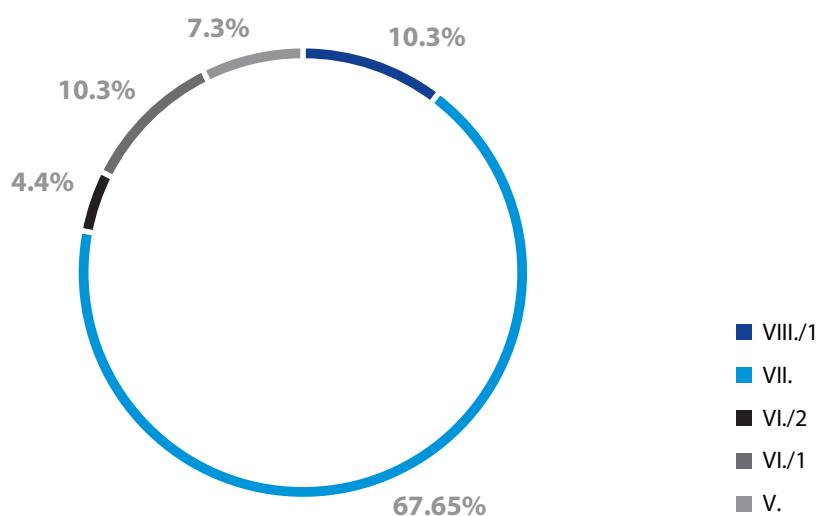


## Educational structure

Considering the nature of work carried out in SSH, mostly high qualified staff is employed. Out of 68 employees, 53 employees hold VII. or VIII. levels of education. The educational structure is shown in the table and the graph below.

**Table:** Educational structure of SSH's employees as of 31 December 2019

Education level:	No. of employees as of 31 Dec 2019
Secondary education (V)	5
Higher education, first-tier diploma (VI/1)	7
University education (VII/2)	3
University degree (VII)	41
2nd Bologna cycle (VII)	5
Master of Science (VIII)	7
<b>Total</b>	<b>68</b>



## Recruitment in 2019

In 2019, two new members of the Management Board were appointed under procedure stipulated by ZSDH-1. The President of the Management Board was engaged on 1 October 2019, and the Member of the Management Board on 1 December 2019. In 2019, SSH recruited one asset manager for transport and the director for controlling, analysis and reporting.

## Internal communication

Open and regular communication among employees is essential for maintaining good relations and for achieving good performance results. Internal communication is done on a personal level, it is employed at sectoral meetings and at meetings of the senior executives, occasionally at meetings with employees and constantly through e-mails and SSH internal portal; this portal provides all important pieces of information which refer to SSH or to SSH employees, internal corporate documents, training



sessions and material, measures in connection with the workplace mobbing prevention, safety at work, health promotion, a family friendly company and current topics handled by the Employees' Council which is as an important connecting link between employees and the Management Board. The Management Board and the Employees' Council meet at meetings, when necessary, and the summary of such meetings is posted on Intranet.

### HR management

In 2019, the annual employee development interviews were carried out with all employees on the basis of which the Annual Employee Training Plan and the HR Plan were prepared, taking into account the needs of work processes. The results of the employee development interviews showed that the majority of employees is satisfied with their work, which is facilitated by training sessions to which they are referred to. They are similarly satisfied with measures for health and safety at work and measures for health promotion and with measures for balancing private and professional life taken within the scope of the Family Friendly Company Certificate programme. Proposals submitted by employees in regard to improvements at their job post, for health promotion

and for a family friendly company were dealt with by responsible persons.

At the end of 2019, at an initiative by the Employees' Council, the Management Board measured the organisational climate, corporate culture, and employee satisfaction. The percentage of employees involved was satisfactory as 77% of all employees took part in the exercise. The following advantages in the organisational climate, corporate culture and employee satisfaction were highlighted: employee motivation, corporate loyalty, the balance between the professional and family life, and professionalism, the content and the conditions of work were pointed out as key advantages of SSH. With their answers in the survey questionnaire, the employees showed that the most improvement opportunities for SSH lie in the career development and promotion and in wages and remuneration system.

In the last quarter of 2019, SSH started to actively reform the wage and remuneration system.

### Recruitment method

SSH runs its recruitment processes according to the principle of equal opportunities, transparency, and indiscrimination.

---

***SSH enables its employees an optimal working environment, possibilities for personal and professional development and supplementary training, social security; employees benefit from measures for family friendly enterprise and campaigns which promote healthy lifestyle.***

---

### Supplementary training for employees in 2019

In light of the nature of work carried out by employees in SSH, SSH regularly refers its employees to professional development training courses. In this regard, the interest, and the needs for professional development in individual areas of work are taken into account so that most of training sessions are organised for a closed group of SSH employees. Employees are also invited to take part in specialized training sessions organised for members of Supervisory Boards of companies under SSH governance and other representatives of companies under direct or indirect state ownership.

### Concerns for health and safety at work and promotion of health at work

Working environment in the Company is safe and organised, work involved is mostly office work and as such not dangerous. Regardless, concerns for health at work is considered SSH's priority which is why employees regularly receive training in regard to safety at work and fire protection and perform periodical medical examinations. The cooperation with advisors for safety and health at work and experts from the field of occupational medicine has always been particularly good.



Activities undertaken by the Health Promotion Group and the Family Friendly Company Group contribute greatly to the well-being of employees. In cooperation with the Management Board, both groups are responsible for implementing measures in their field:

the **Health Promotion Group** regularly informs employees on the influence of diet and physical exercises for health and well-being (measures include training sessions, training, physical exercises, provision of local food products for healthy joint breakfasts - suppliers holding the certificates for bio and eco food production are selected for this purpose, the provision of seasonal fruit and vegetable (supplied by local producers) and organisation of mountaineering tours outside business hours). All of the above mentioned activities have been well accepted by the employees who not only take part in events but also participate in their organisation.

The **Group for Family Friendly Company** applies selected family friendly measures to enable better balancing of family and professional life. The measure still attracting the greatest attention are additional days of leave for parents preparing their children for kindergarten, for escorting children of the first and the second classes of the elementary school on the first school day and for escorting ninth graders to secondary schools' Info Days. For the last three years, with the Santa Claus, SSH has given presents to the employees' children and organised a Christmas performance for them.

#### Social security

SSH provides to all its employees a premium for additional pension insurance which is provided by the Pension Fund MKPR, managed by Modra zavarovalnica.

## 10.2.3 Relations with state authorities: National Assembly of RS, Government of RS, sectoral ministries

The activities carried out by SSH are closely connected with decisions made by state authorities and policies and industry development strategies by sectoral ministries and other state bodies operating in sectors in which an individual company from the SSH/RS portfolios operates. The Article 7 of ZSDH-1 stipulates that communication between SSH, state bodies and other entities of public law must be traceable. This is why SSH has prepared Instructions on Traceability of Communication between SSH and State Bodies and other Entities of Public Law.

In 2019, the representatives of SSH responded to the invitation by the Commission of Public Finance Control and the Committee on Finance and Monetary Policy of the National Assembly of RS several times, and they explained some SSH's decisions and standpoints.

For the National Assembly of the Republic of Slovenia, SSH prepares the annual report on the management of state capital assets every year and reports quarterly to the Government of the Republic of Slovenia and the Commission for Public Finance Control. The parliamentary body responsible for finance was given a detailed oral presentation of the report on the management of state capital assets.

The Government of the Republic of Slovenia acts as the General Meeting of SSH.

In accordance with Article 41 of ZSDH-1, the SSH Supervisory Board's sessions may also be attended by the ministers responsible for finance and the economy and the President of the parliamentary Commission for Public Finance Control, however, without having the right to make decisions. For each SB's session, invitations, all material, and minutes are submitted to these bodies.

## 10.2.4 Media relations

SSH strives for proactive and transparent cooperation with the media. Throughout 2018, SSH carried out several important projects which were presented to

the public, specifically, the sale of shares in Gorenjska banka, the conclusion of privatisation processes in NLB and Abanka, and other asset management

activities pursued in large companies. For the third year in a row, SSH organised the annual conference at which its performance results in asset management for the past year were presented and the outlook for the future was given. SSH responded to media publications about changes in the Management Board of Petrol and proactively provided information on several changes in the SSH Management Board. It regularly informed the public about the functioning

of the Supervisory Board (by publishing information about SB's sessions on SSH's web site). Print media reported the most on developments in SSH (49%), the total number of news was 12,612. SSH received 423 questions from journalists and replied to the most of them within the same day. The SSH Management Board also responded to the invitation by the TV and radio stations and gave their statements on occasion of some important events.

## 10.2.5 Investor relations – bond purchasers

SSH provides for the transparency of its operation which is ensured by publishing information which are important for bond investors. From June 2016 onwards, SOS3 bond issued by SSH has been listed on the Ljubljana Stock Exchange; it matures in

March 2020. Bond investors may follow all important announcements issued by SSH through SEOnet and via notifications published on the Company's website [www.sdh.si](http://www.sdh.si).

## 10.2.6 Relations with social partners

ECESA is a consultative body of SSH Management Board, which passes opinions and makes initiatives in regard to affairs which result or may result in issues concerning the labour law, the legal form of organisation or have a social impacts for companies managed by SSH. More detailed information is provided in the Corporate Governance Statement (Chapter 5).

In 2019, ECESA convened two regular sessions: due to the expiration of the five-year term of office of the ECESA's members, the second session of ECESA

was held in the presence of new ECESA's members of whose appointment the SSH Management Board was notified on 4 December 2020. At their sessions, members dealt with the following documents: the Report on Capital Asset Management, the Report on the sale of SOEs, and discussed current issues in the companies governed by SSH whereby they drew attention to employees' rights. The cooperation between the SSH Management Board and ECESA was constructive and the SSH Management Board was present at both ECESA's sessions.

## 10.2.7 Relations with business partners

SSH has established a clear and transparent manner for selecting business partners (financial advisors, legal advisors and other suppliers of goods and services), observing in this regard the provisions of the applicable law and internal corporate documents, such as the SSH Asset Management Policy which in Chapter 16 regulates the procedures for the selection of financial and other advisors in the processes for sale, acquisition or another type of transfer of capital assets, in addition to the internal Rules on Award of Public Contracts, regulating simplified procurement procedures. SSH respects business agreements and settles its liabilities in due time. It also takes into

account the provisions of the Decree on Green Public Procurement for all transactions for which public publication is necessary in accordance with the Public Information Access Act; the key elements of the transaction are published on SSH's web site.

### Procurement of goods and services

The criteria for the selection of suppliers of goods and providers of services differ in regard to the type of a supplier and provider. In procurement processes, SSH adheres to the following principles: the principles of economy, efficiency and effectiveness, the principle

of ensuring competition among the bidders, the principle of transparency, the principle of equal treatment and the principle of proportionality. The most important criterion for the selection is the price. When several criteria are given for the selection of the most favourable supplier or provider, these criteria must be clearly defined in advance and the relative weight is attributed to them.

In 2019, in addition to the procedures for the selection of suppliers of goods and providers of services which were run in accordance with ZJN-3, another 348 contracts under simplified procurement procedures were concluded (in the value of from EUR 0 to EUR 19,999 per an individual order); specifically, in relation to goods and services for general affairs, 186 contracts were awarded in the total value of EUR 132K (mostly for IT-related needs, such as the procurement of computer equipment and software, various support applications), office supplies and material for representation. For the provision of services for general affairs, 162 contracts were awarded (in the value of from EUR 0 to EUR 19,999 per an individual order, and for the rendering of

social and other special services up to the threshold of EUR 750K), totalling EUR 490K, mostly referring to advisory services, maintenance services, provision of training and other services.

Additionally, EUR 199K was allocated for financial advisory services rendered in the processes for the purchase and sale of companies, including expenses for company appraisals, financial and legal due diligence of companies involved in the processes for the sale and acquisition of companies (the largest proportion of these costs represent costs incurred by advisors in the processes for the sale of Abanka). The majority of suppliers and providers come from Slovenia, and broadly speaking, from the European Union.

#### Sponsorships and donations

No Sponsorship or Donation Agreements were concluded by SSH in 2019. In accordance with ZSDH-1, SSH is subject to explicit prohibition of concluding Sponsorship and Donation Agreements.

## 10.3 Diversity and profiles of candidates and SB and MB members of SOEs by gender

Ensuring the diversity of membership of supervisory bodies is important to improve the quality of decision-making system, for example, in regard to strategies and risks, as it enables wider spectre of perspectives, opinions, experience, perceptions and values. The goal of the Diversity Policy is to achieve better efficiency of a Supervisory Board and the Management as a whole.

In November 2019, within the scope of the project for the revision of the Code, SSH amended provisions in regard to diversity policy, mostly with the aim to adhere to the Act amending the Companies Act (ZGD-J): the new recommendation provides a detailed description of the content of the diversity policy, it requires a report to be made on the implementation of the diversity policy and requires such report to be included as an integral part of the Governance Statement.

In November 2019, SSH gave its support to an initiative by the Slovenian Directors' Association for voluntarily pursuit of targeted gender diversity in the leadership bodies for listed companies by 2026 with the following structure: 40% in case of members of supervisory bodies and the total of 33% for members of supervisory and management bodies in favour of the lower represented gender in publicly traded companies and in SOEs. SSH desires to follow the practice of those countries which have achieved progress without any statutory regulation in this field, and to contribute to the changes in this area. SSH will continue to advocate heterogeneous composition of supervisory bodies and to increase gender diversity in this regard.

### 10.3.1 Basic analysis of candidates from SSH Nomination Committee's Portal

At the end of 2019, there were 357 potential candidates for members of supervisory bodies of SOEs registered at the Nomination Committee's Portal.

The analysis showed that the share of women (23%) who have registered by expressing their interest for the candidacy in the membership of supervisory boards of enterprises governed by SSH

is comparable to the share of actually appointed and active supervisory board members in SOEs (25%). The age groups which are the best represented among the candidates registered at the Nomination Committee's Portal are the 51-60 age group and the 41-50 age group. The age group of over 61 years is less represented and the lowest share is attributed to the age group of candidates under 40 years of age.

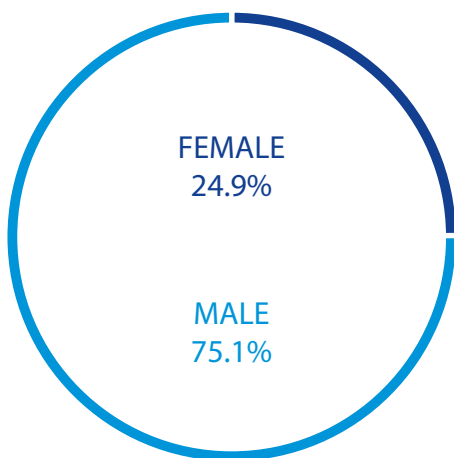
### 10.3.2 The diversified composition of Supervisory and Management Boards of companies owned by the Republic of Slovenia by gender

In 2019, the composition of Supervisory and Management Boards by gender was similar as in 2018: still imbalanced but the trend is improving, as compared to previous years. Men continue to prevail as members of supervisory and management bodies, although in 2019, the diversity of their composition in terms of gender turned in favour of women. Despite of the imbalance between men and women in supervisory and management bodies, the care for their heterogeneous composition, which includes

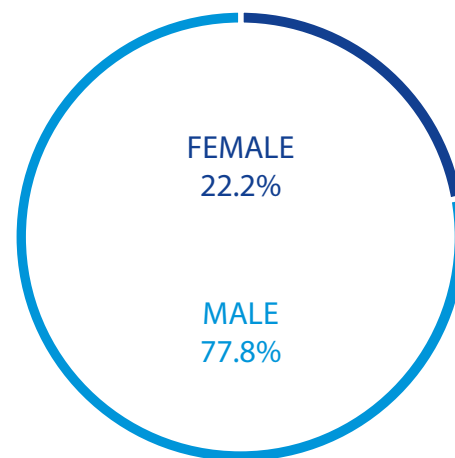
the consideration of the provisions of the Corporate Governance Code for SOEs and the promotion of the diversity policy in companies under management, has resulted in an increase in the number of women present in Supervisory Boards, specifically, from 19.5% in 2016 to 24.9% in 2019, and in Management Boards, from 9.7% in 2016 to 22.2% in 2019.

**Figure:** The composition of Supervisory Boards and Management Boards of companies directly owned by the Republic of Slovenia and SSH by gender as of 31 December 2019 (excluding companies in bankruptcy and in liquidation)

#### SUPERVISORY BOARDS



#### MANAGEMENT BOARDS



## 10.4 Responsibility towards environment

SSH belongs to a less intensive environmental polluters and is of the opinion that it does not have a major impact on the environment, considering the nature of its activities. However, the indirect impact on the environment is considered, in terms of relations to suppliers in the supply chain as regards the material purchased by SSH; this is why more attention is dedicated to verifying suppliers from the aspect of their impact on the environment.

In 2019 and 2020, SSH renovated its business premises so that from April 2020 the cost for rental lease of business premises will be abolished; in addition, the energy efficiency of premises will be improved as more efficient lighting equipment will be installed and some windows will be replaced. Together with the reduced space for business premises, a modern air conditioning system which was also installed in the renovated premises will contribute to significant energy cost savings.

SSH considers the protection of the natural environment with additional measures:

- organised collection and sorting of all waste types under the established system;
- full phase out of plastic products for single use;
- gradual introduction of paper-less operation with tools for digitalisation;
- in public procurement procedures relating to the purchase of goods or provision of services for which the Decree on Green Public Procurement applies, the compliance with the said Decree is required in the tender documentation;
- teleconferencing and thus reduction in carbon footprint as a result of reduction in unnecessary travel of employees,
- collection of electronics waste and toner cartridges for their handover to authorised waste collectors.

Considering the nature of its activities, SSH does not measure the quantity of wastewater, and it currently does not measure carbon footprint.

Sustainability and care for the environment was added to the revised SSH Code of Ethics.

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***In decision-making processes, SSH takes account of the impact on the environment, pays attention to waste sorting, efficient use of energy and means for work and supports projects and activities which contribute to the sustainable development.***

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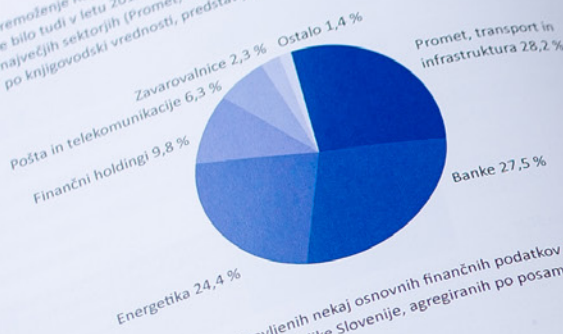
### ***EVENTS AFTER BALANCE SHEET DATE***

Significant events after balance sheet date are presented in detail under item 15.6 of the Accounting Report of this Annual Report.



Graf 4:  
Deleži posameznih  
panog v portfelju  
RS, merjeno s  
književodskimi  
vrednostmi lastniških  
deležev, na dan  
31. 12. 2015

Premoženje Republike Slovenije v obliki kapitalskih deležev v gospodarskih družbah je bilo tudi v letu 2015 dokaj koncentrirano, podobno kot v letih prej. Deleži v treh največjih sektorjih (Promet, transport in infrastruktura, Banke ter Energetika), merjeno po književodski vrednosti, predstavljajo 4/5 celotnega portfelja.



V nadaljevanju je predstavljen nekaj osnovnih finančnih podatkov družb v neposrednem lastništvu Republike Slovenije, agregiranih po posameznih sektorjih (brez družb v stečaju ali v likvidaciji).

Tabela 9: Pregled agregiranih finančnih podatkov družb z neposrednim lastništvom RS, po panogah, v letu 2015 (v EUR)

Panoge (brez družb v stečaju ali v likvidaciji)	Sredstva	Lastniški kapital	Čisti poslovni izid	KV delež
Promet, transport in infrastruktura	6.632.029.273	3.204.577.373	110.702.769	
Banke	24.597.350.000	3.163.866.000	165.718.000	
Energetika	5.179.979.352	3.045.628.962	71.006.282	
Finančni holdingi	1.565.830.693	1.008.390.855		
Pošta in telekomunikacije	1.636.889.326	962.681.173		
Zavarovalnice	5.100.737.860	990.446.178		
Proizvodni sektor	3.160.507.309	1.828.672.441		
Družbe tvegane kapitala	31.622.466	31.119.801		
Gospodanske javne službe	43.879.710	26.629.912		
Turizem	9.805.641	7.159.139		
Invalidična podjetja	4.352.565	1.991.607		
Šolski inštitut	23.203.393	7.536.821		
RAA (predviden prenos na SRAG)	3.853.790	1.841.567		
Prehranska industrija	203.430.356	96.467.361		
<b>SKUPAJ</b>	<b>48.233.371.754</b>	<b>14.375.009.130</b>		

Upoštevajoč skupen neto dobiček (izgubo), ki so ga ust...  
njihov skupen povprečni lastniški kapital v letu 2015, so...  
kapitala izkazale družbe iz proizvodnega sektorja (Kraja...  
družbe iz turistične panoge in družbe tvegane kapitala...



# ACCOUNTING REPORT



SSH GROUP AND SSH  
FOR YEAR ENDED 31 DECEMBER 2019



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# STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board is responsible for the preparation of the Annual Report so that it provides a true and accurate account of the financial position of Slovenian Sovereign Holding - Company and SSH Group as of 31 December 2019, and of performance results and of cash flows for 2019.

The Management Board confirms that applicable accounting policies and prudent accounting estimates have been consistently applied in the preparation of separate and consolidated financial statements of SSH and the SSH Group. The Management Board further confirms that Financial Statements and Interpretations have been prepared under the assumption of the going concern and are in line with applicable legislation and the International Financial Reporting Standards as adopted by the EU.

The Management Board is responsible for adequate and orderly accounting and the adoption of

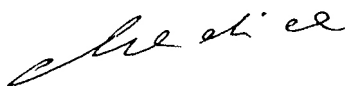
appropriate measures for safeguarding property and other assets as well as for the prevention and detection of frauds and other irregularities and illegalities.

At any time, tax authorities may verify the operation of SSH within five years from the tax calculation date which may consequently result in additional tax liability, default interest and penalty being imposed pursuant to the Corporate Income Tax Act, or arising from any other taxes and levies. The Management is not aware of any circumstances that may give rise to any potential material liability arising thereunder.

The President and the Members of the Management Board of Slovenian Sovereign Holding hereby declare that we are familiar with the content of all integral parts of the Annual Report and we hereby confirm it with our signatures.

Ljubljana, 16 April 2020

Boris Medica,  
Member of Management Board



Boštjan Koler,  
Member of Management Board



Gabrijel Škof,  
President of Management Board



# INDEPENDENT AUDITOR'S REPORT



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## INDEPENDENT AUDITOR'S REPORT To the shareholder of Slovenian Sovereign Holding

*(Translation of the original report in Slovene language - for information purposes only)*

### Opinion

We have audited the separate financial statements of Slovene Sovereign Holding (SSH or Company) and the consolidated financial statements of SSH group (SSH Group), which comprise the statement of financial position and the consolidated statement of financial position as at 31 December 2019, the income statement and the consolidated income statement, statement of other comprehensive income and the consolidated statement of other comprehensive income, statement of changes in equity and the consolidated statement of changes in equity, and the statement of cash flows and consolidated statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of SSH and SSH Group as at 31 December 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and Council on specific requirements regarding statutory audit of public-interest entities ( Regulation (EU) No, 537/2017 of the European Parliament and Council). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate and consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of financial investments, for which market prices are not readily available

#### Key Audit Matter

As at 31.12.2019 the Company, in the separate financial statements, accounts for 56.608 thousand EUR of financial investments, and the Group in its consolidated financial statements accounts for 56.643 thousand EUR of financial

#### Our response

Our audit procedures included an assessment of the adequacy of the methods used in evaluating the fair values of each financial investment, the suitability of the assumptions used, the input data and the discount rates. Our audit team included valuation experts

BDO Revizija d.o.o., slovenska družba z omejeno odgovornostjo, je članica BDO International Limited, britanske družbe "limited by guarantee" in je del mednarodne BDO mreže med seboj neodvisnih družb članic.  
Okrožno sodišče v Ljubljani, v št. 1/26892/00, osnovni kapital: 9.736,66 EUR, matična št.: 5913691, ID št. za DDV: SI94637920.



investments (investments in shares and shareholdings and purchased receivables) for which no fair values, resulting from quoted market prices are available. The fair value of these investments has been established by using various valuation models.

As the assessment of fair values of investments is linked to material subjective judgments, we determined this matter as a key audit matter.

who assisted us in performing the relevant audit procedures regarding material investments.

We also assessed the adequacy of disclosures in the note 15.1.2.

#### **Other Information**

Management is responsible for the other information. The other information comprises the Business Report included in the Company's Annual Report but does not include the separate and consolidated financial statements and our auditor's report thereon.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read other information and, in doing so, assess whether the other information is materially inconsistent with the separate and consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appear to be materially misstated. If, on the basis of the work done, we conclude that there is a material misstatement of other information, we must report such circumstances. Based on the procedures performed, we report that:

- the other information is in all material respect consistent with audited separate and consolidated financial statements;
- the other information is prepared in compliance with applicable law or regulations;
- based on the knowledge and understanding of the Company and its environment, obtained in the audit, we have not identified any material misstatement of other information.

#### **Responsibilities of Management, Audit Committee and Supervisory Board for the Separate and Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee and the Supervisory Board are responsible for overseeing the Company's financial reporting process for preparing the separate and consolidated financial statements and for the confirmation of the Annual Report.



### ***Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and Regulation (EU) No. 537/2014 of the European Parliament and Council will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

With the Supervisory Board and the Audit Committee we communicate the planned scope and timing of the audit and significant findings from the audit, including any significant deficiencies in internal control we have identified during our audit.

We also provide the Supervisory Board and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the separate and



consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other reporting obligations as required by EU Regulation No. No 537/2017 of the European Parliament and of the Council**

In compliance with Article 10 (2) of EU Regulation No. 537/2014 of the European Parliament and the Council, we provide the following information in our Independent Auditor's report, which are required in addition to the requirements of International Standards on Auditing:

*Appointment of the Auditor and the Period of Engagement*

We were appointed as the statutory auditor of the Company by the shareholders at the General Shareholders' Meeting held on 31 July 2018 for the financial years 2018, 2019 and 2020. The Chairman of the Supervisory Board signed the engagement letter on 8 August 2018 and the Annex 1 to the engagement letter for the audit of the years 2019 and 2020 on 17 July 2019. Total uninterrupted engagement period for the statutory auditor has lasted for 2 years. The audit partner responsible for the audit is Mateja Vrankar.

*Consistence with the Additional Report to the Audit Committee*

Our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 21 April 2020.

*Non-audit Services*

We confirm that we have not performed any prohibited non-audit services referred to in Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council and we remain independent from the Company in conducting our audit.

In addition to the statutory audit services and services disclosed in the annual report, no other services were provided by us to the Company.

Ljubljana, 21. April 2020

BDO Revizija d.o.o.  
Cesta v Mestni log 1, Ljubljana

*(signature on the original issued  
in Slovene language)*

Mateja Vrankar, certified auditor  
Managing partner



# FINANCIAL STATEMENTS OF SLOVENIAN SOVEREIGN HOLDING COMPANY AND SSH GROUP

## 13.1 STATEMENT OF FINANCIAL POSITION OF SSH AND SSH GROUP

in EUR '000	Note	SSH		SSH Group	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>					
<b>Non-current assets - total</b>		<b>61,889</b>	<b>641,357</b>	61,924	<b>641,424</b>
Intangible assets		144	172	144	172
Property, plant and equipment	15.1.1	1,071	691	1,071	691
Financial investments in subsidiaries	15.1.2	3,692	3,757	3,692	3,757
Financial investments in associates	15.1.2	21,021	214,404	21,056	214,471
Other financial investments	15.1.2	34,987	422,333	34,987	422,333
Deferred tax assets	15.1.18	974	0	974	0
<b>Current assets - total</b>		<b>754,024</b>	<b>50,948</b>	<b>754,024</b>	<b>50,948</b>
Non-current assets held for sale	15.1.3	3,882	5,903	3,882	5,903
Financial investments to be distributed to owner	15.1.2	637,996	0	637,996	0
Other financial investments	15.1.2	98,308	34,372	98,308	34,372
Trade receivables	15.1.4	1,680	2,399	1,680	2,399
Assets from contracts with customers		0	891	0	891
Other current assets		50	31	50	31
Cash and cash equivalents	15.1.5	12,108	7,352	12,108	7,352
<b>Assets - total</b>		<b>815,913</b>	<b>692,305</b>	<b>815,948</b>	<b>692,372</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity - total</b>	15.1.6	<b>611,580</b>	<b>498,516</b>	<b>611,615</b>	<b>498,583</b>
Called-up equity		260,167	260,167	260,167	260,167
Fair value reserve		482,076	353,888	227,969	114,326
Retained (loss)/profit		-114,045	-115,539	125,583	124,090
Net loss for the period		-16,618	0	-2,104	0
<b>Non-current liabilities - total</b>		<b>62,914</b>	<b>163,703</b>	<b>62,914</b>	<b>163,703</b>
Provisions and non-current deferred revenue	15.1.7	62,914	45,887	62,914	45,887
Financial liabilities	15.1.8	0	99,886	0	99,886
Deferred tax liabilities	15.1.18	0	17,930	0	17,930

<b>Current liabilities</b>		<b>141,419</b>	<b>30,086</b>	<b>141,419</b>	<b>30,086</b>
Liabilities included in a disposal group	15.1.3	3,615	2,070	3,615	2,070
Financial liabilities	15.1.9	99,962	0	99,962	0
Operating liabilities	15.1.10	23,329	27,325	23,329	27,325
Other liabilities	15.1.11	14,513	691	14,513	691
<b>Liabilities - total</b>		<b>204,333</b>	<b>193,789</b>	<b>204,333</b>	<b>193,789</b>
<b>Liabilities and equity - total</b>		<b>815,913</b>	<b>692,305</b>	<b>815,948</b>	<b>692,372</b>

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

## 13.2 INCOME STATEMENT OF SSH AND SSH GROUP

in EUR '000		SSH		SSH Group	
	Note	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Income from contracts with customers	15.1.12	4,225	10,002	4,225	10,002
Other operating income	15.1.12	3,887	3,514	3,887	3,514
<b>Operating income</b>		<b>8,112</b>	<b>13,516</b>	<b>8,112</b>	<b>13,516</b>
Costs of goods, materials and services	15.1.13	1,784	7,535	1,784	7,535
Labour costs	15.1.14	4,551	4,105	4,551	4,105
Depreciation and amortisation	15.1.15	253	234	253	234
Non-current provisions	15.1.7	37,026	0	37,026	0
Write-offs		136	288	136	288
Other operating expenses		160	48	160	48
<b>Operating (loss)/profit</b>		<b>-35,798</b>	<b>1,306</b>	<b>-35,798</b>	<b>1,306</b>
Financial income	15.1.16	41,319	46,192	25,122	29,994
Financial expense	15.1.16	3,277	2,625	3,277	2,625
Proportion of profit/loss from investments measured at equity method	15.1.17	0	0	30,711	32,273
<b>Profit before taxes</b>		<b>2,244</b>	<b>44,873</b>	<b>16,758</b>	<b>60,948</b>
Deferred taxes	15.1.18	-18,862	-1,815	-18,862	-1,815
<b>Net profit or loss for the period</b>		<b>-16,618</b>	<b>43,058</b>	<b>-2,104</b>	<b>59,133</b>
<b>Basic and adjusted earnings per share - in EUR</b>	15.1.19	<b>-106.62</b>	<b>276.24</b>	<b>-13.50</b>	<b>379.38</b>

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

## 13.3 STATEMENT OF OTHER COMPREHENSIVE INCOME OF SSH AND SSH GROUP

in EUR '000	Note	SSH		SSH Group	
		1 Jan-31 Dec 2019	1 Jan-31 Dec 2018	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
<b>Net profit/(loss) for the period</b>		<b>-16,618</b>	<b>43,058</b>	<b>-2,104</b>	<b>59,133</b>
Changes in fair value reserve (financial investments)	15.1.6	91,906	-20,239	72,614	-26,001
Proportional share of other comprehensive income of associates		0	0	-401	-865
Recalculation of post-employment benefits	15.1.7	10	24	10	24
Effects of deferred taxes		37,766	3,201	37,766	3,201
<b>Total other comprehensive income not to be recognized in Income Statement in the future</b>		<b>129,682</b>	<b>-17,014</b>	<b>109,989</b>	<b>-23,641</b>
Proportional share of other comprehensive income of associates		0	0	5,148	-8,042
<b>Total other comprehensive income not to be recognized in Income Statement in the future</b>		<b>0</b>	<b>0</b>	<b>5,148</b>	<b>-8,042</b>
<b>Other comprehensive income after tax - total</b>		<b>129,682</b>	<b>-17,014</b>	<b>115,137</b>	<b>-31,683</b>
<b>Total comprehensive income after tax</b>		<b>113,064</b>	<b>26,044</b>	<b>113,033</b>	<b>27,450</b>

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

## 13.4 STATEMENT OF CASH FLOWS OF SSH AND SSH GROUP

in EUR '000	SSH		SSH Group	
	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
<b>Cash flows from operating activities</b>				
<i>Cash receipts from operating activities</i>	<i>13.513</i>	<i>13.810</i>	<i>13.513</i>	<i>13.810</i>
Receipts from operating activities	9.964	6.520	9.964	6.520
Receipts from the Republic of Slovenia (on behalf of and for the account of)	3.549	7.290	3.549	7.290
<i>Cash payments relating to operating activities</i>	<i>-16.471</i>	<i>-19.179</i>	<i>-16.471</i>	<i>-19.179</i>
Payments to suppliers for goods and services	-2.186	-2.705	-2.186	-2.705
Payments to and behalf of employees	-4.362	-4.088	-4.362	-4.088
Payments of taxes and duties of all kinds	-998	-695	-998	-695
Payments pursuant to ZDen and SZ	-5.438	-5.076	-5.438	-5.076

Payments on behalf the Republic of Slovenia (on behalf of and for the account of)	-3.261	-6.359	-3.261	-6.359
Other cash payments relating to operating activities	-226	-256	-226	-256
<b>Net cash flows from operating activities</b>	<b>-2.958</b>	<b>-5.369</b>	<b>-2.958</b>	<b>-5.369</b>
<b>Cash flows from investing activities</b>				
<i>Cash receipts from investing activities</i>	<i>75.473</i>	<i>64.806</i>	<i>75.473</i>	<i>64.806</i>
Interest received	521	531	521	531
Dividends received	40.106	40.371	40.106	40.371
Proceeds from the sale of property, plant and equipment	15	19	15	19
Proceeds from the sale of non-current financial investments	13.001	2.497	13.001	2.497
Proceeds from the sale of current financial investments	21.830	21.388	21.830	21.388
<i>Cash payments relating to investing activities</i>	<i>-65.258</i>	<i>-52.928</i>	<i>-65.258</i>	<i>-52.928</i>
Payments to acquire intangible assets	-92	-89	-92	-89
Payments to acquire property, plant and equipment	-388	-138	-388	-138
Payments to acquire non-current financial investments	-33.542	-31.500	-33.542	-31.500
Payments to acquire current financial investments	-31.236	-21.201	-31.236	-21.201
<b>Net cash flows from investing activities</b>	<b>10.215</b>	<b>11.878</b>	<b>10.215</b>	<b>11.878</b>
<b>Cash flows from financing activities</b>				
<i>Proceeds from financing activities</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Proceeds from increase in current financial liabilities	0	0	0	0
<i>Cash outflows from financing activities</i>	<i>-2.501</i>	<i>-7.559</i>	<i>-2.501</i>	<i>-7.559</i>
Interest payments relating to financing activities	-2.501	-2.559	-2.501	-2.559
Repayment of non-current financial liabilities	0	-5.000	0	-5.000
Repayment of current financial liabilities	0	0	0	0
<b>Net cash flows from financing activities</b>	<b>-2.501</b>	<b>-7.559</b>	<b>-2.501</b>	<b>-7.559</b>
<b>Cash at end of the period</b>	<b>12.108</b>	<b>7.352</b>	<b>12.108</b>	<b>7.352</b>
<i>Net cash inflow/(outflow) during the period</i>	<i>4.756</i>	<i>-1.050</i>	<i>4.756</i>	<i>-1.050</i>
<i>Cash at beginning of period</i>	<i>7.352</i>	<i>8.402</i>	<i>7.352</i>	<i>8.402</i>

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

## 13.5 STATEMENT OF CHANGES IN EQUITY

### 13.5.1 Statement of changes in equity of SSH

in EUR 000	Called-up equity	Fair value reserve	Retained profit/loss	Net profit/loss	Total
<b>Closing balance as of 31 Dec 2017</b>	<b>260,167</b>	<b>428,204</b>	<b>-215,899</b>	<b>0</b>	<b>472,472</b>
Effect of transition to IFRS 9	0	-57,083	57,083	0	0
<b>Opening balance as of 1 Jan 2018</b>	<b>260,167</b>	<b>371,121</b>	<b>-158,816</b>	<b>0</b>	<b>472,472</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>-17.014</b>	<b>0</b>	<b>43.058</b>	<b>26.044</b>
Net profit for the period	0	0	0	43.058	43.058
Other comprehensive income	0	-17.014	0	0	-17.014
<b>Transactions with owners</b>	<b>0</b>	<b>-219</b>	<b>43.277</b>	<b>-43.058</b>	<b>0</b>
Allocation of profit for the period to cover loss brought forward	0	0	43.058	-43.058	0
Transfers due to sale of financial investments	0	-219	219	0	0
<b>Closing balance as of 31 Dec 2018</b>	<b>260.167</b>	<b>353.888</b>	<b>-115.539</b>	<b>0</b>	<b>498.516</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>129.682</b>	<b>0</b>	<b>-16.618</b>	<b>113.064</b>
Net loss for the period	0	0	0	-16.618	-16.618
Other comprehensive income	0	129.682	0	0	129.682
<b>Transactions with owners</b>	<b>0</b>	<b>-1.494</b>	<b>1.494</b>	<b>0</b>	<b>0</b>
Transfers due to sale of financial investments	0	-1.494	1.494	0	0
<b>Closing balance as of 31 Dec 2019</b>	<b>260.167</b>	<b>482.076</b>	<b>-114.045</b>	<b>-16.618</b>	<b>611.580</b>

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

## 13.5.2 Statement of changes in equity of SSH Group

in EUR 000	Share capital	Fair value reserve	Retained profit/loss	Net profit/loss	Total
<b>Closing balance as of 31 Dec 2017</b>	<b>260.167</b>	<b>203.311</b>	<b>7.654</b>	<b>0</b>	<b>471.132</b>
Effect of transition to IFRS 9	0	-57.083	57.083	0	0
<b>Opening balance as of 1 Jan 2018</b>	<b>260.167</b>	<b>146.228</b>	<b>64.737</b>	<b>0</b>	<b>471.132</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>-31.683</b>	<b>0</b>	<b>59.133</b>	<b>27.450</b>
Net profit/(loss) for the period	0	0	0	59.133	59.133
Other comprehensive income	0	-31.683	0	0	-31.683
<b>Transactions with owners</b>	<b>0</b>	<b>-219</b>	<b>59.352</b>	<b>-59.133</b>	<b>0</b>
Allocation of profit for the period to cover loss brought forward	0	0	59.133	-59.133	0
Transfers due to sale of financial investments	0	-219	219	0	0
<b>Closing balance as of 31 Dec 2018</b>	<b>260.167</b>	<b>114.326</b>	<b>124.089</b>	<b>0</b>	<b>498.582</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>115.137</b>	<b>0</b>	<b>-2.104</b>	<b>113.033</b>
Net profit for the reporting period	0	0	0	-2.104	-2.104
Other comprehensive income	0	115.137	0	0	115.137
<b>Transactions with owners</b>	<b>0</b>	<b>-1.494</b>	<b>1.494</b>	<b>0</b>	<b>0</b>
Transfers due to sale of financial investments	0	-1.494	1.494	0	0
<b>Balance as of 31 Dec 2019</b>	<b>260.167</b>	<b>227.969</b>	<b>125.583</b>	<b>-2.104</b>	<b>611.615</b>

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

# 14 BASIS FOR PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

## 14.1 REPORTING COMPANY

The reporting company – Slovenian Sovereign Holding, is a Slovene public limited liability company registered at the Ljubljana District Court under Decision Srg. No. 199304616, holding the Registration Entry No. 1/21883/00. Considering the provisions of Articles 55 and 56 of ZGD-1, the Company is classified as a large company subject to a regular annual audit.

In line with the Standard Classification of Activities, the Company's activity is categorised as: K 64.990 - Other financial service activities, excluding insurance and pension funds. The Company's activity is presented in detail in the Business Report, Chapter 7.

The Company's share capital of EUR 260,166,917.04 is divided into non-par value shares not listed on a regulated stock exchange market. The sole shareholder of SSH is the Republic of Slovenia.

The Company is a controlling company of Slovenian Sovereign Holding Group with its registered office at the address: Mala ulica 5, Ljubljana, Republic of Slovenia.

As at 31 December 2019 and 2018, there were three subsidiaries in the SSH portfolio: Elektrooptika, d. d., GIO, d. o. o., Ljubljana – in liquidation, and PS ZA AVTO, d. o. o.

As at 31 December 2019 and 2018, the portfolio of associated companies consisted of the following enterprises: Casino Bled, d. d., Hit, d. d., Unior, d. d. and Zavarovalnica Triglav, d. d.

SSH has prepared consolidated financial statements for the year ended 31 December 2019 and 2018, in which associated entities are reported using the equity method.

The inclusion of a subsidiary, PS ZA AVTO, d. o. o., into the consolidated financial statements would not have had a material impact on the presentation of fair and true financial statements for the Group; therefore, the company was not included in the consolidation. Two companies Elektrooptika, d. d., Ljubljana and GIO, d. o. o., Ljubljana – in liquidation, have been liquidated. These two companies would also not have had a material impact on presentation of fair and true financial statements for the Group; therefore, they have not been included in the consolidated financial statements.

On the basis of the provisions of IFRS 10 it was examined whether any of capital assets owned by RS and being part of the portfolio of companies solely managed by SSH pursuant to ZSDH-1 should be included in the consolidated financial statements. Since SSH itself receives no economic benefits, and only RS is eligible to receive dividends, and due to the fact that SSH is paid a contractually-determined fee which is not equal to the arm's length fee, as well as considering the fact that the Strategy and the Annual Asset Management Plan are approved by the RS Government, it has been concluded that conditions have not been satisfied for including capital assets not owned by SSH into the consolidation.

In 2019, the average number of employees employed with the Company was 65.51, calculated from the number of hours worked. As of 31 December 2019, there were 68 employees employed.

The Financial Statements for the financial year of 2019 were approved for the publication by the SSH Management Board on 16 April 2020.



## 14.2 BASIS OF PREPARATION

### 14.2.1 Statement of Compliance

The Accounting Report presents the accounting data for Slovenian Sovereign Holding and for the Slovenian Sovereign Holding Group in parallel. For the purpose of providing clear and unambiguous data, the term „SSH“ is used for Slovenian Sovereign Holding in the remainder of the text while data relating to Slovenian Sovereign Holding Group are disclosed under the term „the Group“.

For the year ending on 31 December 2019, the consolidated financial statements have been prepared, in addition to separate financial statements. The consolidated financial statements for the controlling company and the financial statements for the Group have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (hereinafter: „IFRS“) and Interpretations issued by the International Accounting Standards Board („IASB“) and adopted by the EU. Slovenian legislation (ZGD-1) and the SSH's internal legal documents have been taken into account in the preparation of the financial statements.

### 14.2.2 Basis of measurement

These Financial Statements were prepared under the going concern assumption.

The historical cost basis was used as the basis for measurement in these financial statements, except for the following items the measurement of which is presented in detail below.

- investments in subsidiaries - acquisition cost or lower recoverable value,
- investments in associates - fair value through other comprehensive income in separate financial statements and the reported value measured under equity method in the consolidated financial statements,
- financial investments - fair value through other comprehensive income,

- financial investments - fair value through profit or loss,
- loans given and received - at amortised cost,
- operating receivables and liabilities - at amortised cost,
- provisions for retirement benefits and jubilee premiums - at present value of assessed deferred payments on the basis of actuarial calculation,
- other provisions - at present value of assessed deferred payments,
- deferred tax assets and liabilities - at the non-discounted amount measured at the applicable tax rate.

The impairment of all assets is regularly reviewed and recorded, when necessary.

### 14.2.3 Use of estimates and judgements

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and other reasonable factors in the circumstances and are the basis for determining

the carrying amount of assets and liabilities that do not result directly from other sources. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates, judgements and assumptions are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates and assumptions are presented in the following judgements:

- income from contracts with customers: the relationship of a principal or an agent,
- the estimate of the expected useful life of intangible and tangible fixed assets,
- impairment of receivables,
- estimation of the value of provisions and of contingent liabilities,
- estimating the fair value of assets,
- estimating the likelihood of utilising deferred tax assets.

The estimates and related assumptions and uncertainties are disclosed in the Notes to individual line items in financial statements.

Regardless of the fact that the management carefully examines all factors which might affect such assumptions and estimates, it is possible that actual consequences of business events may be different from the estimates. Estimates are subject to subjective judgement and a degree of uncertainty.

## 14.2.4 Adoption of new and revised accounting Standards

### a) Initial application of new amendments to existing Standards applicable in the current reporting period

The following new Standards, amendments to existing Standards and Interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU apply to the current reporting period;

- IFRS 16 – “Leases” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 9 – “Financial Instruments” – Prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 19 – “Employee Benefits” – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 – “Investments in associates” – Long term interests and associates and joint ventures (effective for annual periods beginning on or after 1 January 2019),
- Amendments to various standards “Annual Improvements cycle 2015-2017”, resulting from the Annual Improvements process of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) with the aim of eliminating inconsistencies and textual interpretations (amendments effective for annual periods beginning on or after 1 January 2019),
- IFRIC 23 — “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019).

The adoption of the new Standard IFRS 16 - „Leases“ and amendments of existing Standards and Interpretations should not have any significant impact on the financial statement of SSH and SSH Group.

### b) Amendments to existing Standards issued by the IASB and adopted by the EU not yet effective

As of the day of approval of these financial statements, the following Standards, amendments to existing Standard which have been adopted by the EU but are not yet effective, are:

- Amendments to IAS 1 – „Presentation of Financial Statements“ and IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors “ – the Definition of „Material“, which was adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 9 – “Financial Instruments”, IAS 39 – “Financial Instruments: Recognition and Measurement” and IFRS 7 – “Financial Instruments: Disclosure” – Interest Rate Benchmark Reform, which was adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- Amendments of references to the conceptual framework in IFRS which were adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The Company has not elected for early application of these Standards.

It is not expected that new Standards or amendments to existing Standards issued by the IASB and not yet effective will have any material impact to financial statements.

c) New Standards and amendments to existing Standards issued by the IASB and yet to be adopted by the EU

Currently IFRS as adopted by the EU do not differ significantly from Standards adopted by IASB with the exception of the following new Standards and amendments to the existing Standards which, as of 16 April 2020, had not yet been adopted by the EU (the effective dates stated below apply for IFRS as adopted by IASB):

- IFRS 17 – “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IAS 3 – “Business Combinations”
  - Definition of a Business; the amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and for acquisitions of assets or groups of assets on or after the beginning of such period.

SSH/SSH Group considers that the introduction of these new Standards, and the amendments to the existing Standards should not have any significant impact on the Company’s financial statement in the transition period.

d) Short presentation of new Standards/amendments to new Standards/Interpretations

- IFRS 14 — “Regulatory Deferral Accounts” was issued by IASB on 30 January 2014. The objective of the standard is to permit a first-time adopter of International Reporting Standards to continue to account for regulatory deferral account balances in accordance with its previous GAAP.
- IFRS 16 — “Leases” was published by IASB on 13 January 2016. In accordance with IFRS 16, a lessee recognises a right-of-use asset and a lease liability. A right-of-use asset is measured similarly to other non-financial assets and is depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Similarly as in IAS 17, which was replaced by IFRS 16, lessors shall classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating

lease. A lessor recognises finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis, or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

- IFRS 17 — “Insurance Contracts” was published by IASB on 18 May 2017. The new Standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. The goal of the standard is to ensure consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts and related interpretations.
- Amendments to IFRS 3 – “Business Combinations” – “Definition of a business” were published by IASB on 22 October 2018. Amendments were introduced to improve the definition of a business. The amended definition focuses on goods and services provided to customers as being the purpose of a business, whereas the previous definition highlighted the provision of a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. In addition to the changes in the wording, IASB has also provided additional guidance in applying the definition.
- Amendments to IFRS 9 – “Financial Instruments” – Prepayment features with negative compensation which were published by IASB on 12 October 2017. The existing requirements of IFRS 9 with regard to the early termination of a contract are modified so that measurement at amortised cost (at fair value through other comprehensive income (FVTOCI), depending on the business model) is also enabled in case of negative compensations. According to the amendments, the signing of the prepayment amount is insignificant – considering the prevailing interest rate at the time of termination, the payment may also be exercised for the benefit of a contracting party which executes the early payment. Both, in the case of a penalty for early termination and in the case of an award for early termination, the calculation of the compensation must be the same. Amendments also include interpretations in relation to accounting for changes in financial liability which do not result in the recognition reversal. In this case, the book-value is adjusted to the result recognised in comprehensive income. Effective interest rate shall not be recalculated.

- Amendments to IFRS 9 –“Financial Instruments”, IAS 39 - “Financial Instruments: Recognition and Measurement” and IFRS 7 – “Financial Instruments: Disclosure” –Interest Rate Benchmark Reform, which were published by IASB on 26 September 2019. The Amendments to interest rate benchmark reform are as follows:
  - specific hedge accounting requirements have been modified so that entities can apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of the uncertainties of the interest rate benchmark reform;
  - the amendments apply to all hedging relationships that are directly affected by the interest rate benchmark reform;
  - the amendments are not intended to provide relief from any other consequences arising from the interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting requirements for reasons other than those specified by the amended Standards, then discontinuation of hedge accounting is still required);
  - the amendments entail a special disclosure requirement on how amendments to the reform affect hedging relationships between entities.
- Amendments to IFRS 10 - “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sales or contributions of assets between an investor and its associate/ joint venture, which was published by IASB on 11 September 2014. The amendments relate to the inconsistency between the requirements of IAS 28 “Investments in Associates and Joint Ventures”, on the one hand, and IFRS 10 “Consolidated Financial Statements”, on the other, and clarify that the amount of gain or loss recognized on a merger or on a joint venture transaction depends on whether the assets sold or contributed constitute a business entity.
- Amendments to IAS 1 - “Presentation of Financial Statements” and IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors ” – the Definition of “Material”, which were published on 31 October 2018. The amendments clarify the definition of “material” and how to align the term in the guidance as regards the definition.
- Amendments to IAS 19 –“Employee Benefits” – Plan Amendment, Curtailment or Settlement, which were published by IASB on 7 February 2018. Amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
- Amendments to IAS 28 –‘Investments in associates’ – Long term Interests in Associates and Joint Ventures, which were published by IASB on 12 October 2017. They are intended to clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venue that form part of the net investment in the associate or joint venture but to which the equity method is not applied. In addition, Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.
- Amendments to various standards to enhance the quality of IFRS, i.e., Annual Improvements to IFRS Standards 2015-2017 cycle, which were published by IASB on 12 December 2017. Amendments, resulting from the annual improvements project, bring forth amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 with a primary objective to eliminate inconsistencies and clarify wording. Amendments include the following clarifications: (i) when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business (IFRS 3); (ii) when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business (IFRS 11); (iii) all income tax consequences of dividends are accounted for in the same manner (IAS 12); (iv) when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowings made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally IAS 23).
- Amendments to References to the Conceptual Framework in IFRS Standards which were published by IASB on 29 March 2018. In the revised Conceptual Framework for Financial Reporting in 2018, IASB updated references to the Conceptual Framework in IFRS standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. The amendments are intended to support the transition to the revised Conceptual Framework for businesses which, by applying this framework, develop their accounting

- policies when no IFRS standard is used for certain transactions.
- IFRIC 23 — “Uncertainty over Income Tax Treatments”, which was published by IASB on 7 June 2017. It is probable that there is uncertainty over income tax treatments in relation to certain transactions or in certain circumstances, and, whether the tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity. IAS 12 — “Income Taxes” prescribes how to account for current and deferred taxes and not the

method for reflecting the effects of uncertainty. IFRIC 23 supplements the requirements of IAS 12 with provisions as to how to reflect the effect of uncertainty in determining the related accounting tax position.

SSSH considers that the introduction of these new Standards, the amendments to the existing Standards and of new Interpretations should not have any significant impact on the Company’s financial statement in the transition period.

## 14.2.5 Amendments to accounting policies

IFRS 16, which had replaced the IAS 17 – „Leases“, entered into force on 1 January 2019. By enforcing IFRS 16, the distinction between finance and operating leases for lessees has been removed. All leased assets will be recorded on the balance sheet as property, plant and equipment, or as right-of-use assets in connection with lease liabilities. Leased assets are depreciated over the lease term and financing costs increase financial expenses. Two possible exemptions are available as regards recognition: (i) in case of leases of low value assets, and (ii) in case of leases with a maximum term of twelve months or less. As regards lessors, in comparison to treatment

under IAS 17, no significant changes have been made. Rent expense is recognised by SH/SSH Group in case of short-term leases and in case of leases of low value assets.

As of 1 January 2019, SSSH/SSH Group had a commercial lease agreement which expired on 31 March 2020. Since at the end of 2019, the rental agreement was short-term and the total amount of rents insignificant, no right-to-use asset arising from the agreement was recognised by the Company/SSSH, and the rents paid in 2019 were reported as rental expense.

## 14.2.6 Currency reporting

### a) Functional and presentation currency

All financial information in financial statements of SSSH/SSH Group is presented in the Euro (EUR) which is the functional and presentation currency of SSSH/SSH Group. All accounting information, with the exception of earnings for the members of the Management Board, Supervisory Board and the Supervisory board’s Committees, presented in the Euro, has been rounded to the nearest thousand. The rounding may result in some insignificant differences in sums and tables.

### b) Transactions and balances

Transactions presented in foreign currencies are converted into the Euro at the European Central Bank’s reference exchange rate at the transaction date. The gain or losses incurred in these transactions and in the reconversion of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange differences arising from investments in equity financial investments classified in the group measured at fair value through other comprehensive income (FVTOCI) are recognized directly in the Statement of Other Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are retranslated to the functional currency at the exchange rate at the date when the fair value was measured and the exchange rate differences are recognised in the Income Statement.

## 14.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR SSH AND SSH GROUP

### Operating income

Income from contracts with customers refers to services which are recognised upon the transfer of a promised good or service to a customer in the amount which reflects the consideration for which SSH/SSH Group expects to be entitled in exchange for transferring promised goods or services to a customer. Income from contracts with customers is recognised at the fair value of the consideration received, reduced by any potential discount. Income is measured when the benefits of services rendered have been passed on to the customer. Income is recognised in the reporting period during which services are rendered.

Other operating income mainly relates to income which relate to denationalisation and are recognised when SSH/SSH Group is entitled to receive a fee.

### Financial income and expense

Financial income relates to the following: income from participation in profits, interest income, income from the sale of debt financial instruments measured at fair value through other comprehensive income (FVTOCI) or through profit or loss (FVTPL) and to changes in the fair value of financial assets through profit and loss (FVTPL). Income from the participation in profits are recognised as income from financing activities when the AGMs of these companies pass a resolution on the profit distribution and its pay-out. Interest income is recognised as it accrues unless there is a doubt about its collection.

Since on the transition to IFRS 9 SSH/SSH Group elected to measure investments in equity instruments through other comprehensive income, capital gains or losses are never recognised in the Income Statement. An exception is applied to subsidiaries which are exempt from the application of IFRS 9; any potential profits or losses will be recognised in the Income Statement upon their sale. SSH's share in the profit or loss of associates is recognised in the Consolidated Income Statement as financial income or expenses. Similarly, upon the disposal of an investment in an associated company, SSH's corresponding share of the company's reserves created through other

comprehensive income and subsequently transferred to profit or loss are also recognised in the Consolidated Income Statement as financial income or expenses.

Financial expenses comprise borrowing costs, changes in the fair value of financial assets at fair value through profit or loss and losses arising on the impairment of financial assets. Borrowing costs are recognised using the effective interest rate method.

### Investments in subsidiaries

A consolidated subsidiary is a company in which the controlling company has a controlling interest or a controlling influence by other means, and which is included in the Group for which the consolidated financial statements are prepared.

When the value of a subsidiary has no material impact on the true and fair presentation of the Group's financial position and performance, the subsidiary is not included in the consolidated financial statements.

Investments in subsidiaries are measured at historical acquisition cost reduced by any potential impairments. An impairment loss is measured as the difference between the carrying amount of an asset and its recoverable value.

### Investments in associates

Associates are companies in which SSH holds from 20% to 50% of voting rights, or it has a significant influence over their operations without controlling them.

Investments in associates are recognised at fair value through other comprehensive income (FVTOCI) in the standalone financial statements. The quoted market price at the date of the Statement of Financial Position is used, while the remaining investments are valued using an appropriate valuation model. SSH regularly monitors the business performance and major events and measures their fair value at an annual basis. All changes in fair value are recognised in Other Comprehensive Income.



With regard to the SSH Group, financial investments in associates are recognised using the equity method from the date when the investment becomes an associate, in accordance with IAS 28. In accordance with the equity method the investment is recognised at cost in the Statement of Financial Position and subsequently adjusted to reflect SSH's share of post-acquisition changes to the capital of the associated company. The amount obtained from the distribution of net profit of a company in which the SSH has a significant influence reduces the book value of the financial investment. In the event of an impairment to an investment in an associate, the impairment is measured as the difference between its carrying amount and its recoverable value.

#### Intangible assets

Intangible assets include investments in computer software and other intangible assets. When computer software forms an integral part of the associated computer hardware, it is considered a tangible fixed asset. Intangible assets are recognised as such only when it is likely that future economic benefits will be generated for SSH/SSH Group and when its cost can be reliably measured.

The historic cost model is used and intangible assets are thus recognised at cost less accumulated amortisation and impairment losses.

The estimated useful life for all significant assets (an asset whose individual at cost value exceeds 10% of the value of all intangible fixed assets) is reviewed at least at the end of each financial year. When the estimated useful life of an intangible asset significantly differs from the previous estimate, the amortisation period is modified accordingly.

The amortisation of intangible assets is calculated using the straight line method by taking into account the useful life of the assets. The estimated useful lives range from 3 to 10 years.

#### Tangible fixed assets

Tangible fixed assets include property, plant and small tools. Tangible fixed assets are recognised at cost less depreciation and accumulated impairment losses.

The depreciation is calculated using the straight line method by taking into account the useful life of the

assets. The following estimated useful lives are used for different types of tangible fixed assets:

- buildings and parts of buildings: from 10 to 33 years
- computer hardware: from 2 to 5 years
- motor vehicles: 8 years
- other equipment : from 3 to 5 years.

Land is not depreciated since it is presumed to have an unlimited useful economic life. Similarly, assets in construction are not depreciated until they are ready to be used. If the book value of assets exceeds their estimated recoverable value, they must be impaired to the estimated recoverable value in accordance with IAS 36. Gains and losses incurred upon the disposal of land, buildings and equipment are determined according to their carrying amount and they affect the Company's operating results.

Subsequent costs associated with property, plant and equipment increase their acquisition cost when future economic benefits are expected from these assets. Costs of all other repairs and maintenance services are included in the Income Statement for the period in which they are incurred. Property, plant and equipment with a useful economic life exceeding one year and with individual acquisition cost of less than EUR 500 are expensed, except for printers, facsimile machines, desktop calculators and similar equipment.

The residual value of significant assets (an asset whose individual at cost value exceeds 10% of the value of all tangible fixed assets) and their estimated useful life are reviewed and, when necessary, amended during the preparation of financial statements.

#### Financial assets

Financial assets include cash and cash equivalents, loans receivable and financial investments (excluding investments in subsidiaries and associates).

When a financial asset is first recognised, it is classified using the business model for managing financial assets, and on the basis of characteristics of contractual cash flows of assets. It is classified into one of the groups below:

- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income (FVTOCI),
- financial assets measured at fair value through profit or loss (FVTPL).

Cash and cash equivalents are initially recognized in the amount stated in relevant records. With respect to the Statement of Cash Flows, cash and cash equivalents comprise cash in hand, cash at bank, deposits and certificates of deposit held with banks (with a maturity of no more than 90 days from the transaction execution date) and other investments in money market instruments. When a bank account overdraft contract has been signed, bank overdrafts are recognised as current financial liabilities in the Statement of Financial Position.

Financial assets measured at amortised cost are financial assets held by SSH/SSH Group within the scope of the business model for collecting the contractual cash flows and when cash flows represent solely the payments of principal and interest on the principal amount outstanding. This group includes loans (with the exception of loans impaired at acquisition which are classified into the group measured at fair value through profit or loss (FVTPL) and receivables. Initially, they are recognised at fair value increased by direct transaction costs and subsequently they are measured at amortised cost applying the method of effective interest rate written down for impairment losses.

Financial assets measured at fair value through other comprehensive income (FVTOCI) represent investments in equity instruments, i.e. shares of other companies. Upon initial recognition of investments as equity instruments not held for trading, SSH/SSH Group makes an irrevocable election to measure these investments at fair value through other comprehensive income (FVTOCI). This election is made for each investment separately. The fair value of listed investments is measured using the closing quote on the reporting date. The fair value of non-quoted investments is measured by applying the estimate model. Gains and losses arising from the changed fair value are recognized in the Statement of Other Comprehensive Income and are presented in equity as fair value reserves in the net amount after the associated deferred tax assets or liabilities are calculated. Amounts presented in other comprehensive income may not be subsequently transferred to the profit or loss, however, they may be transferred to retained earnings or losses. Dividends arising from equity instruments are recognised as financial income in the Income Statement when the right to their pay-out is established.

Financial assets at fair value through profit or loss are those investments which are held for trading and those investments which, on the basis of the business model, are not classified in another group of financial instruments. Gains and losses are recognised as financial income in the Income Statement as financial income or financial expense.

Trade receivables arising from financial, legal and other relations are guaranteed rights to claim from an entity the payment of debt, the supply of goods or the provision of services. Trade receivables are not considered to include non-current financial investments or current financial investments but only those relating to financial income derived thereunder.

Receivables are recognised in the accounting records and the Statement of Financial Position as assets when it is probable that the future economic benefits associated with will accrue to the company and their cost can be reliably measured. Recognised receivables are derecognised as assets in the accounting records and in the Statement of Financial Position when SSH/SSH Group no longer controls the contractual rights to them, have already exercised these rights, or they have expired or been assigned to another party.

#### Impairment of financial assets

The requirements of IFRS 9 relating to the impairment of financial assets apply to debt instruments measured at fair value through profit or loss (FVTPL)/ other comprehensive income (FVTOCI). As at 1 January 2019 or 31 December 2019, SSH/SSH Group held no debt instruments measured at fair value through other comprehensive income (FVTOCI). Impairment losses are not recognised in respect of financial instruments measured at fair value through other comprehensive income (FVTOCI).

In contrast to IAS 39 which recognised only the accumulated losses, IFRS 9 is based on the premise of providing for expected losses which in addition to historical and present data takes into account future-oriented information when making an impairment estimate.

Receivables are initially recognised in the amounts stated in relevant documents on the assumption that they will be paid. SSH/SSH Group estimates on



the basis of prior experience the likelihood in the following twelve months of expected credit losses associated with the non-payment of receivables. Trade receivables are also impaired when it is expected that the full amount of outstanding receivables will not be collected. The amount of the impairment is the difference between the carrying amount and the current value of the expected estimated cash flows discounted at the effective interest rate. Impairments are recognized in the statement of financial position.

#### Financial liabilities

Financial liabilities include loans, debt securities issued and operating liabilities.

Operating liabilities include liabilities due to suppliers for assets acquired or services received as well as liabilities to employees, government, SSH's owners, etc. Liabilities are recognized in the accounting records when it is probable that due to their settlement the factors enabling economic benefits will decrease, and when the settlement amount can be reliably measured.

Financial liabilities are recognised when incurred at fair value without any transaction costs arising thereunder. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method. Any difference between proceeds (excluding transaction costs) and liabilities is recognised in profit and loss throughout the lifetime of the financial liability. Interest received is calculated in accordance with contracts; as a result, financial interest expenses are increased. A portion of non-current liabilities which are overdue or which are due within twelve months after the reporting date is recognised as current liabilities.

#### Derivative financial instruments

SSH/the Group did not hold any derivative financial instruments in 2018 and 2019.

#### Assets held for sale or disposal

Assets or disposal groups comprising assets and liabilities, which are expected to be recovered primarily through sale or disposal, are classified as held for sale or disposal. When this criterion is met, financial investments in subsidiaries or associates are

reclassified into the category of assets/disposal group held for sale. Immediately before the classification as held for sale or disposal, the assets or disposal group are remeasured. Accordingly, the long-term asset or disposal group is recognized at book value or fair value less transaction costs, whichever is lower. Impairment losses on initial classification as held for sale or disposal and subsequent gains or losses on remeasurement are recognised in the income statement.

#### Assets for distribution to owners

Assets which in 2020, in accordance with statutory provisions, have to be transferred to RS, which is SSH's sole owner, are reported as a separate item in the Statement of Financial Position at their carrying amount or fair value, whichever is lower, in accordance with IFRS 5.

#### Impairment of non-financial assets

At each reporting date, the carrying amount of assets is reviewed with the aim of determining whether there are any indications of impairment of assets. Assets with indefinite useful economic lives which are not amortised or depreciated are tested for impairment on an annual basis. Assets subject to amortisation or depreciation are checked for impairment whenever the events or circumstances present indicators of impairment. An impairment loss is recognized in the amount by which the carrying amount of an asset exceeds its recoverable value. The recoverable value is the estimated amount which is expected to be recovered during the future use of an asset; it also includes its value on disposal. The recoverable value is the higher of the fair value of the asset less selling costs and its value in use.

For the purpose of identifying impairments, assets are divided into smaller units identified as generating cash flows independently of other units (cash-generating units).

#### Provisions

RProvisions are recognised, if, as a result of past events, SSH/SSH Group has a present legal obligation that can be reliably estimated and it is highly probable that it will have to be settled in the future and at the same time it is possible to reliably estimate this liability. Amounts recognised as provisions are the

best possible estimate of an expenditure necessary to be settled on the Statement of Financial Position date in order to meet the present obligations. Provisions may not be created in order to offset future operating losses.

When estimating which claims arising from denationalisation proceedings are to be included among provisions and which are to be included among contingent liabilities, decisions of administrative bodies and courts and the current case law for similar cases were taken into account, together with SSH's own assessment. Contingent liabilities include some claims relating to various legal issues. It is difficult to make a reliable assessment in respect of all of these cases, however, it can be expected that the Company will not be liable to pay a compensation. In cases when, by examining all facts, it is considered that there is a small likelihood that SSH will be liable to pay compensation, such claims are classified as contingent liabilities.

#### Provisions for retirement benefits and jubilee premiums

In accordance with statutory requirements and internal legal documents, SSH/SSH Group is liable to pay jubilee premiums and retirement benefits to its employees. Non-current provisions are formed for this purpose. This liability is calculated by an actuary who takes into account various factors. The calculation is discounted to present value. The actuarial calculation is based on assumptions and estimates (discount rate, estimated employee turnover, estimated mortality, estimated salary inflation) which are valid when the calculation is made but which are likely to be modified in the future. The actuarial calculation is usually prepared every second year and earlier in the event of any significant changes relating to employees.

#### Deferred taxes

Deferred taxes are directly associated with the basic accounting principle of matching income and expenses in the Income Statement. Deferred taxes are recognised in full using the liability method on the basis of the temporary differences between the taxable profit of assets and liabilities and the carrying amounts. Deferred taxes are calculated using statutory tax rates for the period in which it is expected to be applied when the deferred tax asset is realized or deferred tax liability is settled.

A deferred tax asset is recognised when it is probable that taxable income will be generated in the future to allow for the utilization of deferred tax asset. Tax assets and tax liabilities are recognised net (mutually offset) in the Statement of Financial Position since deferred taxes (both assets and liabilities) relate to the same tax authority.

#### Equity

SSH's total equity is its liability due to its sole owner, the Republic of Slovenia, that falls due for payment on the dissolution of SSH. The total equity consists of called-up capital, capital reserves, profit reserves, fair value reserves, retained earnings and the undistributed profit for the current year.

The fair value reserve relates to changes in fair value of financial investments measured at fair value through other comprehensive income (FVTOCI) and actuarial gains/losses or losses arising from provisions for retirement bonus payments.

The profit remaining after covering losses and creating statutory reserves is allocated to other reserves in accordance with ZSOS, ZSDH-1, the Company's Articles of Association, and ZGD-1.

#### Fair value measurement

In accordance with SSH/SSH Group's accounting policies, there is a requirement to determine the fair value of financial and non-financial assets and liabilities in a number of cases. The fair value is the amount that would be received on selling an asset or paid to transfer a liability in an orderly length transaction between market participants at the measurement date. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset to its fullest and in its best use or by selling it to another market participant that would use the asset to its fullest and in its best use.

SSH/SSH Group has applied fair value for financial assets measured at fair value through other comprehensive income (FVTOCI) and for financial assets measured at fair value through profit or loss (FVTPL). Investments in associates measured at fair value are reported in the standalone financial statements of SSH. Other items in financial statements are measured at cost or at amortised cost.

When measuring the fair value of financial instruments, the following 3-level fair value hierarchy is taken into account:

- the first level includes quoted prices (unadjusted) in active markets for identical assets or liabilities; this level includes listed shares and bonds;
- the second level includes the values which are not equal to quoted prices but can be also acquired directly or indirectly from the market (for example values which have been derived from quoted prices in an active market); for example UCITS units of mutual funds;
- the third level includes input data for an asset or liability not based on market data; this level represents non-marketable shares, bonds and receivables. Valuations are based on a yield-based method and partially on an asset-based method. The methods used by SSH are the discounted cash flow method, comparable company analysis, the comparable purchases-and-sales method and the adjusted book values method.

Quoted prices are used as a basis for determining the fair value of financial instruments; if a financial instrument is not listed on the regulated market, inputs from the second and third levels are used by SSH/SSH Group to evaluate the fair value of a financial instrument.

The fair value of investments in associates is measured in accordance with the above mentioned 3-level fair value hierarchy.

#### Consolidation

Subsidiaries have not been included in financial statements for 2019 and 2018 as they are not material would not have had a material impact on the presentation of the financial position and performance of the Group. If the Group had had subsidiaries with a material impact, the following policies would have been used in the preparation of the consolidated financial statements.

Subsidiaries in which the Group holds a direct or indirect equity interest exceeding one half of the voting rights or having an influence over their operations in any another manner are subject to consolidation. They are included in the Group's financial statements from the date of the acquisition of a controlling interest by the Group. Consolidation no longer applies when the Group loses its controlling

interest. All transactions, receivables and liabilities between the Group companies are eliminated for the purpose of the preparation of consolidated financial statements. Any impairment of the subsidiaries recognised in the individual financial statements of the controlling company should also be reversed. In order to provide accurate information for the purposes of consolidation and financial reporting of the Group, the accounting policies of subsidiaries should be aligned with those of the controlling company.

Takeovers of companies within the Group are accounted for using the acquisition method. The acquisition value of takeovers is measured at fair value of the assets acquired, the equity instruments and liabilities assumed as at the transaction date, including costs directly attributable to the takeover. The assets, liabilities and contingent liabilities acquired are initially recorded at fair value as at the takeover date notwithstanding the size of the minority shareholding. The excess of the acquisition value over the fair value of the Group's share of the net assets of the acquired company, which cannot be attributed to individual assets or liabilities of the acquired company, is recognised as goodwill and an impairment test is performed. If the acquisition value is lower than the fair value of the acquired company's net assets, the difference is recognized as financial income in the Statement of Comprehensive Income.

After the loss of control, assets and liabilities of the respective subsidiary are derecognised and gains or losses are recognised in the Income Statement of the Group. When the Group retains any interest in the former subsidiary, this interest is measured at fair value on the date of loss of control. Subsequently, the interest is accounted for as investment in an associate (using the equity method) or as financial asset at fair value through other comprehensive income (FVTOCI) or through profit or loss (FVTPL), depending on the business model. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions.

Transactions with minority owners are treated in the same way as transactions with third parties. The profits and losses of the minority owners are shown in the Statement of Comprehensive Income.

# 15

## NOTES AND DISCLOSURES

### 15.1 NOTES TO FINANCIAL STATEMENTS

With the exception of notes in connection with financial investments (Note 15.1.2) and Equity (Note

15.1.6), all notes refer simultaneously to SSH and SSH Group.

#### 15.1.1 Property, plant and equipment

##### Movements in tangible fixed assets in 2019 for SSH/SSH Group

in EUR '000	Land	Buildings	Investments in progress	Equipment and spare parts	Small tools	Total
<b>Cost</b>						
<i>Cost as at 1 Jan 2019</i>	140	2.005	15	760	19	2.939
Additions – new purchases	0	435	0	218	4	657
Disposals	0	-450	-8	-280	-5	-743
<i>Cost as at 31 Dec 2019</i>	140	1.990	7	698	18	2.853
<b>Depreciation and impairments</b>						
<i>Accumulated depreciation and impairments as at 1 Jan 2019</i>	0	1.646	0	583	19	2.248
Depreciation for current year	0	20	0	113	0	133
Disposals	0	-332	0	-262	-5	-599
<i>Accumulated depreciation and impairments as at 31 Dec 2019</i>	0	1.334	0	434	14	1.782
Net book value as at 1 Jan 2019	140	359	15	177	0	691
<b>Net book value as at 31 Dec 2019</b>	<b>140</b>	<b>656</b>	<b>7</b>	<b>264</b>	<b>4</b>	<b>1.071</b>

## Movements in property, plant and equipment in 2018 for SSH/SSH Group

in EUR '000	Land	Buildings	Investments in progress	Equipment and spare parts	Small tools	Total
<b>Cost</b>						
Cost as at Jan 2018	140	1.940	0	712	19	2.811
Additions – new purchases	0	96	15	89	0	200
Disposals	0	-31	0	-41	0	-72
Cost as at 31 Dec 2018	140	2.005	15	760	19	2.939
<b>Depreciation and impairments</b>						
Accumulated depreciation and impairments as at 1 Jan 2018	0	1.660	0	510	19	2.189
Depreciation for current year	0	13	0	96	0	109
Disposals	0	-27	0	-23	0	-50
Accumulated depreciation and impairments as at 31 Dec 2018	0	1.646	0	583	19	2.248
Net book value as of 1 Jan 2018	140	280	0	202	0	622
<b>Net book value as of 31 Dec 2018</b>	<b>140</b>	<b>359</b>	<b>15</b>	<b>177</b>	<b>0</b>	<b>691</b>

Property, plant and equipment are not encumbered with any mortgages, pledges or any other encumbrances. It has been assessed that there are no factors giving grounds for any impairments of tangible fixed assets to be carried out. SSH business premises are currently being renovated, and as at 31

December 2019, the contractual value of construction works which had not yet been carried out amounted to EUR 221K (excluding VAT), while the contractual value of new equipment stood at EUR 39K (excluding VAT).

## 15.1.2 Financial investments

### Investments in the shares of companies in which SSH/SSH Group holds at least 20% ownership interest as of 31 Dec 2019 and 31 Dec 2018

Company	Registered office		Core business/notes
<b>Subsidiaries:</b>			
PS za avto, d. o. o.	Tržaška cesta 133	1000 Ljubljana	Rental activities
GIO, d. o. o. Ljubljana—in liquid.*	Dunajska 160	1000 Ljubljana	In liquidation
Elektrooptika, d. d.	Mala ulica 5	1000 Ljubljana	Consulting services
<b>Associates:</b>			
Unior, d. d.	Kovaška cesta 10	3214 Zreče	Forging
Casino Bled, d. d.	Cesta svobode 15	4260 Bled	Organisation of gaming activities
Zavarovalnica Triglav, d. d.,	Miklošičeva 19	1000 Ljubljana	Insurance business
Hit, d. d.	Delpinova 7A	5000 NOVA GORICA	Organisation of gaming activities

In the Statement of Financial Position, the investment in GIO is classified as a non-current assets held for sale. Investment in Zavarovalnica Triglav is classified as financial investments to be distributed to owners

since it is going to be transferred to the direct ownership of RS by the end of 2020.

SSH is not liable without limitation for any liabilities in any company in which it holds an equity interest..

#### *Financial investments in subsidiaries*

	Voting rights and ownership	Voting rights and ownership	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	in %	in %	in EUR 1,000	in EUR 1,000	in EUR 1,000	in EUR 1,000
Elektrooptika, d. d.	70.48	70.48	0	0	0	0
Gio, d. o. o., Ljubljana—in liquid.*	71.27	71.27	0	0	0	0
PS ZA AVTO, d. o. o.	90.00	90.00	3,692	3,757	3,692	3,757
<b>Total</b>			<b>3,692</b>	<b>3,757</b>	<b>3,692</b>	<b>3,757</b>

\* The investment in GIO is reported under non-current assets held for sale; in the beginning of 2020, SSH/SSH Group received a proportional share of the liquidation estate.

#### **Data from the Statements of Financial Position and Income Statements for subsidiaries for 2019 and 2018 (excluding data for GIO which has been classified as non-current assets held for sale)**

in EUR '000	PS ZA AVTO, d. o. o.		Elektrooptika, d. d.	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Current assets	2,542	3,004	1	0
Non-current assets	3,708	2,805	0	0
Current liabilities	60	35	97	89
Non-current liabilities	1,222	1,222	0	0
Equity	4,968	4,552	-96	-89
	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Sales revenue	259	121	0	0
Net profit or loss	57	4,225	-7	1
Other comprehensive income	0	0	0	0
Total comprehensive income	57	4,225	0	1
<b>SSH ownership interest (in %)</b>	<b>90.00</b>	<b>70.48</b>	<b>70.48</b>	<b>70,48</b>

None of subsidiaries is listed in the regulated market. An impairment test is performed every year. There were no transactions carried out between the parent company and a subsidiary which should have been excluded during consolidation. The inclusion of the

above mentioned subsidiaries into the consolidated financial statements is not material to presenting true and fair financial statements for the Group, therefore these companies have not been included in the consolidation.

*Financial investments in associates*

**Overview of non-current investments in associates in the financial statements of SSH/SSH Group**

	Voting rights and ownership	Voting rights and ownership	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	in %	in %	in EUR 1,000	in EUR 1,000	in EUR 1,000	in EUR 1,000
Casino Bled d. d.	33.75	33.75	61	61	96	128
Hit, d. d.	20.00	20.00	5,852	3,146	5,852	3,146
Unior, d. d.	39.43	39.43	15,108	17,682	15,108	17,682
Zavarovalnica Triglav, d. d.	—	28.09	—	193,515	—	193,515
<b>Total</b>			<b>21,021</b>	<b>214,404</b>	<b>21,056</b>	<b>214,471</b>

**Overview of current financial investments in associates in the financial statements of SSH/SSH Group; classified under current financial investments to be distributed to owners**

	Voting rights and ownership	Voting rights and ownership	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	in %	in %	in EUR 1,000	in EUR 1,000	in EUR 1,000	in EUR 1,000
Zavarovalnica Triglav, d. d.	28.09	—	212,675	0	212,675	0
<b>Total</b>			<b>212,675</b>	<b>0</b>	<b>212,675</b>	<b>0</b>

The ownership percentage is equal to the percentage of voting power in all associates.

**Data from the Statements of Financial Position and Income Statements for associates for 2019 and 2018 (excluding data for Zavarovalnica Triglav which has been classified as financial investments to be distributed to owner)**

in EUR '000	Unior Group		Casino Bled d. d.		HIT Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Current assets	146,427	145,236	199	303	37,466	26,545
Non-current assets	228,412	225,158	1,097	1,143	120,176	132,225
Current liabilities	103,552	90,985	616	795	36,110	35,732
Non-current liabilities	98,390	112,963	394	320	63,076	70,404
Equity	172,897	166,446	286	331	58,456	52,634
	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Sales revenue	255,995	246,453	1,817	1,902	157,219	152,452
Net profit or loss	10,433	12,155	-45	47	7,618	3,307
Other comprehensive income	-96	-2,144	0	0	-643	-341
Total comprehensive income	10,337	10,011	-45	47	6,975	2,966
<b>SSH ownership interest (in %)</b>	<b>39.43</b>	<b>39.43</b>	<b>33.75</b>	<b>33.75</b>	<b>20.00</b>	<b>20.00</b>

Note: Data in regard to Unior, d. d., are taken from the audited annual financial statements

Financial investments to be distributed to owners

Financial investments to be distributed to owners include strategic and important assets as defined by ZSOS-C.

Amendments to the Slovenian Compensation Act were published in Official Gazette No. 55/17; pursuant to these amendments, by 31 December 2020, SSH is obliged to transfer to RS all capital assets which are owned by SSH on 20 December 2020 and

which are classified as strategic and important assets in accordance with the State Assets Management Strategy, adopted on the basis of the law regulating the management of RS's capital assets. Capital assets are classified in accordance with the Ordinance On State-Owned Capital Assets Management Strategy which was adopted by the National Assembly on 13 July 2015. In accordance with amendments to ZSOS, capital assets in the value of EUR 200 million were already transferred by SSH to RS in December 2017.

**Financial investments to be distributed to owners by groups of assets**

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Financial investments in associates	212,675	0	212,675	0
Financial assets measured at fair value through other comprehensive income (FVTOCI)	425,321	0	425,321	0
<b>Total</b>	<b>637,996</b>	<b>0</b>	<b>637,996</b>	<b>0</b>



### Other financial investments

SSH/SSH Group regularly monitors performance results and major events related to each company in which it holds its financial investment.

#### Overview of other non-current financial assets (excluding investments in subsidiaries and associates)

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Financial assets measured at fair value through other comprehensive income (FVTOCI)	34,987	388,852	34,987	388,852
Financial assets measured at fair value through profit or loss (FVTPL)	0	1,981	0	1,981
Financial assets measured at amortised cost	0	31,500	0	31,500
<b>Total</b>	<b>34,987</b>	<b>422,333</b>	<b>34,987</b>	<b>422,333</b>

#### Overview of other current financial assets (excluding investments in subsidiaries and associates and investments to be distributed to owners)

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Financial assets measured at fair value through profit or loss (FVTPL)	24,408	34,372	24,408	34,372
Financial assets measured at amortised cost	73,900	0	73,900	0
<b>Total</b>	<b>98,308</b>	<b>34,372</b>	<b>98,308</b>	<b>34,372</b>

As at the reporting date, there was a prohibition on the disposal of shares in Casino Bled and in Casino Portorož; shares in Intereuropa were (temporarily) transferred to a fiduciary account. In December 2019, Pošta Slovenija, acting in cooperation with SSH, published its takeover bid for the purchase of shares in Intereuropa, at the price of EUR 1.45 per share. Prior to that, SSH signed an agreement which regulates all issues in connection with the takeover bid. On this basis and by taking into account provisions of Zpre-1, SSH was obliged to deposit Intereuropa shares with KDD, on a special fiduciary account, for the duration

of the take-over bid (as a person related to the offeror, SSH was not allowed to accept the take-over bid).

The long-term portfolio of SSH/SSH Group used to include a bond which matures in 2020; as a result, it was transferred to current financial investments; its fair value amounts to EUR 2 million, and the interest rate is 5.95% p.a.

The interest rate for long-term deposit ranged between 0.01 and 0.51%.

*Movement in non-current financial investments of SSH Group*

in EUR '000	1 Jan 2019	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2019
Non-current financial investments in subsidiaries	3,757	0	0	0	-65	3,692
Non-current financial investments in associates	214,404	0	-212,675	0	19,292	21,021
Financial assets measured at fair value through other comprehensive income (FVTOCI)	388,852	543	-425,999	-899	72,490	34,987
Financial assets measured at fair value through profit or loss (FVTPL)	1,981	0	-1,981	0	0	0
Financial assets measured at amortised cost	31,500	33,000	-64,500	0	0	0
<b>Total</b>	<b>640,494</b>	<b>33,543</b>	<b>-705,155</b>	<b>-899</b>	<b>91,717</b>	<b>59,700</b>

in EUR '000	1 Jan 2018	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2018
Non-current financial investments in subsidiaries	3,203	0	-3,203	0	3,757	3,757
Non-current financial investments in associates	214,956	0	-5,997	0	5,445	214,404
Financial assets measured at fair value through other comprehensive income (FVTOCI)	411,488	0	3,297	-50	-25,883	388,852
Financial assets measured at fair value through profit or loss (FVTPL)	36,837	0	-34,372	-1,236	752	1,981
Financial assets measured at amortised cost	0	31,500	0	0	0	31,500
<b>Total</b>	<b>666,484</b>	<b>31,500</b>	<b>-40,275</b>	<b>-1,286</b>	<b>-15,929</b>	<b>640,494</b>

*Movement in non-current financial investments of SSH Group*

in EUR '000	1 Jan 2019	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2019
Non-current financial investments in subsidiaries	3,757	0		0	-65	3,692
Non-current financial investments in associates	214,471	0	-212,675	0	19,260	21,056
Financial assets measured at fair value through other comprehensive income (FVTOCI)	388,852	543	-425,999	-899	72,490	34,987
Financial assets measured at fair value through profit or loss (FVTPL)	1,981	0	-1,981	0	0	0
Financial assets measured at amortised cost	31,500	33,000	-64,500	0	0	0
<b>Total</b>	<b>640,561</b>	<b>33,543</b>	<b>-705,155</b>	<b>-899</b>	<b>91,685</b>	<b>59,735</b>

in EUR '000	1 Jan 2018	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2018
Non-current financial investments in subsidiaries	3,203	0	-3,203	0	3,757	3,757
Non-current financial investments in associates	213,616	0	-5,133	0	5,988	214,471
Financial assets measured at fair value through other comprehensive income (FVTOCI)	411,488	0	3,268	-50	-25,854	388,852
Financial assets measured at fair value through profit or loss (FVTPL)	36,837	0	-34,372	-1,236	752	1,981
Financial assets measured at amortised cost	0	31,500	0	0	0	31,500
<b>Total</b>	<b>665,144</b>	<b>31,500</b>	<b>-39,440</b>	<b>-1,286</b>	<b>-15,357</b>	<b>640,561</b>

*Movement in current financial investments of SSH/SSH Group*

in EUR '000	1 Jan 2019	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2019
Purchased receivables due from Sava d. d.	34,372	0	0	-11,320	-625	22,427
Financial assets measured at fair value through profit or loss (FVTPL)	0	0	1,981	0	0	1,981
Loans made to related parties	0	6	0	0	-6	0
Loans to banks	0	9,400	64,500	0	0	73,900
<b>Total</b>	<b>34,372</b>	<b>9,406</b>	<b>66,481</b>	<b>-11,320</b>	<b>-631</b>	<b>98,308</b>

in EUR '000	1 Jan 2018	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2018
Purchased receivables due from Sava d. d.	0	0	34,372	0	0	34,372
Loans made to related parties	38	10	0	-48	0	0
Loans to banks	0	21,201	0	-21,201	0	0
<b>Total</b>	<b>38</b>	<b>21,211</b>	<b>34,372</b>	<b>-21,249</b>	<b>0</b>	<b>34,372</b>

*Fair value levels of financial instruments*

**Classification of financial instruments according to fair value hierarchy as at 31 December 2019**

in EUR '000	SSH			SSH Group		
	1 level	2 level	3 level	1 level	2 level	3 level
Non-current financial investments in subsidiaries	0	0	3,692	0	0	3,692
Non-current financial investments in associates	15,108	0	5,913	15,108	0	5,948
Other non-current financial assets	33,813	0	1,174	33,813	0	1,174
<i>Investments in listed shares</i>	33,813	0	0	33,813	0	0
<i>Non-listed shares and stakes</i>	0	0	1,174	0	0	1,174
Financial investments in associates	212,675	0	0	212,675	0	0
Other current financial assets	407,782	0	121,409	407,782	0	121,409
<i>Investments in listed shares</i>	405,122	0	0	405,122	0	0
<i>Non-listed shares and stakes</i>	0	0	20,199	0	0	20,199
<i>Purchased receivables</i>	0	0	22,427	0	0	22,427
<i>Non-current assets held for sale</i>	679	0	3,203	679	0	3,203
<i>Deposits at commercial banks</i>	0	0	73,900	0	0	73,900
<i>Investments in listed bonds</i>	1,981	0	0	1,981	0	0
<i>Current trade receivables</i>	0	0	1,680	0	0	1,680
Liabilities held for sale	0	0	3,615	0	0	3,615
Current financial liabilities	0	0	99,962	0	0	99,962
Current operating liabilities	0	0	37,842	0	0	37,842

## Classification of financial instruments according to fair value hierarchy as of 31 December 2018

in EUR '000	SSH			SSH Group		
	1 level	2 level	3 level	1 level	2 level	3 level
Investments in subsidiaries	0	0	3,757	0	0	3,757
Investments in associates	211,197	0	3,207	211,197	0	3,274
Other non-current financial assets	377,207	899	12,727	377,207	899	12,727
<i>Investments in listed shares</i>	375,226	0	0	375,226	0	0
<i>Mutual Funds</i>	0	899	0	0	899	0
<i>Investments in listed bonds</i>	1,981	0	0	1,981	0	0
<i>Non-listed shares</i>	0	0	12,727	0	0	12,727
Other current financial assets	0	0	74,174	0	0	74,174
<i>Purchased receivables</i>	0	0	34,372	0	0	34,372
<i>Non-current assets held for sale</i>	0	0	5,903	0	0	5,903
<i>Deposits to commercial banks</i>	0	0	31,500	0	0	31,500
<i>Current operating receivables</i>	0	0	2,399	0	0	2,399
Non-current financial liabilities	0	0	99,886	0	0	99,886
Liabilities held for sale	0	0	2,700	0	0	2,700
Current operating liabilities	0	0	28,016	0	0	28,016

### Estimating important investments for which market prices are not available

**Sava d.d.** was valued using an asset-based approach (the adjusted book approach) on a going concern assumption. The majority of Sava, d. d.'s assets comprises assets in Sava Turizem, d. d. and Hoteli Bernardin, d. d. Sava Turizem, d. d. was valued using the discounted cash flow method (DCF-method) with estimated free cash flow discounted using a discount rate of 9.61% and normalised cash flow growth estimated at 2%. Hoteli Bernardin, d. d. was also valued using the discounted cash flow method (DCF-method), with estimated free cash flow discounted using a discount rate of 9.79% and normalised cash flow growth estimated at 2%.

The fair value of ordinary shares issued by **HIT, d. d.** was appraised using an income-based approach – the discounted cash flow method (DCF-method). Estimated free cash flow was discounted using a discount rate of 8.88% and the residual growth of normalised cash flow was estimated at 1%.

The fair value of ordinary shares issued by **Loterija, d. d.** was appraised using the income-based approach

– the discounted cash flow method (DCF-method). Estimated free cash flow was discounted using a discount rate of 9.26% and the residual growth of normalised cash flow was estimated at 0%.

**PS za Avto, d. o. o.** was valued using an asset-based approach (the adjusted book value approach) on a going concern assumption. The basis for the measurement was the valuation of real estate owned by PS ZA AVTO as at 30 June 2019 made by a certified real-estate appraiser.

The fair value of ordinary shares issued by **Adria turistično podjetje, d. o. o.** was valued using an income-based approach – the discounted cash flow method (DCF). Estimated free cash flow was discounted using a discount rate of 9.00% and the residual growth of normalised cash flow was estimated at 1%.

The fair value of ordinary shares issued by **Terme Olimia, d. d.** was valued using an income-based approach – the discounted cash flow method (DCF). The estimated free cash flow was discounted using a discount factor of 9.2%.

Business projections were used in the discounted cash flow valuation methods. These forecasts entail a significant degree of uncertainty, as they were based on expectations as at the end of 2019 and did not take into account the impact of the COVID-19 pandemic, which occurred later. The impact of COVID-19 is still impossible to assess but it is expected that it will have a significant impact on businesses operating in tourism and gaming industry.

#### Purchased receivables

In 2016, during the financial restructuring procedure and on the basis of the Agreement on Compensated Transfer of Receivables and Bonds of Sava, d. d., SSH acquired from BAMC Sava's receivables, whose nominal value amounted to EUR 61.2 million, while their transaction was EUR 34.5 million. The receivables purchased related to loans that Sava had

been unable to repay to its creditors and which were transferred to BAMC. The purchased receivables were secured by means of a lien registered against financial instruments (units in mutual funds, shares in banks and enterprises) with an interest rate of 1% per annum. In 2019 the receivable was reduced by EUR 11.3 million by part settlement from the sales proceeds of the pledged assets. Financial income of EUR 1 million has been recognised in respect of these receivables (EUR 0.6 million from the reversal of accrued expenses and EUR 0.4 million in interest income), while financial expenses of EUR 0.6 million have also been incurred due to the realisation of collateralised assets at lower values than those recognized in the Court Decision on Forced Settlement. A contract to reschedule the debts was concluded between SSH, KAD and York, under which the due date for final repayment was extended to 30 April 2020.

### 15.1.3 Non-current assets held for sale and liabilities included in a disposal group

Two capital assets were classified in the group of non-current assets held for sale. The disposal of shares in Intereuropa is planned for 2020. As regards GIO, d. o. o., Ljubljana - in liquidation, the liquidation proceedings are coming to an end, and in February 2020, SSH received its share of the liquidation estate.

SSH's liability to GIO is included in the liabilities included in a disposal group; it will be offset against the partial payment from the liquidation estate.

## 15.1.4 Current trade receivables

SSH has no overdue, unimpaired receivables.

There are no material receivables due from related

entities, except for receivables due from the Republic of Slovenia which is considered a related party in accordance with IAS 24.

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Receivables due from customers	1,046	1,028	1,046	1,028
Impairment of receivables due from customers	-285	-283	-285	-283
Receivables due from the Republic of Slovenia pursuant to ZSPOZ, ZIOOZP, ZVVJTO	429	717	429	717
Receivables due from state institutions	302	775	302	775
Other receivables	2,211	2,192	2,211	2,192
Adjustments of other receivables	-2,023	-2,030	-2,023	-2,030
<b>Total</b>	<b>1,680</b>	<b>2,399</b>	<b>1,680</b>	<b>2,399</b>

The disclosed value of current trade receivables reflects their fair value.

### Movements in bad debt provision

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Bad debt provision as at 1 Jan	2,313	2,024	2,313	2,024
Collected receivables for which adjustment was made	0	151	0	151
Written-off receivables for the year	6	2	6	2
Adjustments made for the year through PL	1	283	1	283
Other adjustments for the year	0	159	0	159
<b>Bad debt provision as at 31 Dec</b>	<b>2,308</b>	<b>2,313</b>	<b>2,308</b>	<b>2,313</b>

## 15.1.5 Cash and cash equivalents

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Cash in hand	0	0	0	0
Credit balances at commercial banks	58	72	58	72
Cash equivalents	12,050	7,280	12,050	7,280
<b>Total</b>	<b>12,108</b>	<b>7,352</b>	<b>12,108</b>	<b>7,352</b>

Cash equivalents include call deposits held with BKS Bank, AG.

Interest rates ranged from:  
 – for deposits from 0.01% to 0.10%, and  
 – for call deposits from 0.000% to 0.001%.

## 15.1.6 Equity

### *Equity of SSH*

#### Determination of accumulated profit/loss of SSH for 2019

in EUR '000	
Retained earnings (31 Dec 2018)	-115,539
Transfer from fair value reserves (compliant with IFRS 9)	1,494
Net profit or loss for 2019	-16,618
<b>Accumulated loss for 2019</b>	<b>-130,663</b>

#### Determination of accumulated profit/loss of SSH for 2018

in EUR '000	
Retained earnings (31 Dec 2017)	-215,899
The impact of the transition to IFRS 9 - transfer of impairments to fair value reserves	53,270
The impact of the transition to IFRS 9 - reclassification of financial investments into group measured at FVTPL	3,813
Transfer from fair value reserves (compliant with IFRS 9)	219
Net profit or loss for 2018	43,058
<b>Accumulated loss for 2018</b>	<b>-115,539</b>

The accumulated loss has been disclosed in accordance with Article 66 of ZGD-1.

The equity of the Company includes the called-up capital, fair value reserves arising from financial

investments revaluation and retained losses. The sole shareholder of SSH is the Republic of Slovenia. The share capital of SSH amounts to EUR 260,166,917.04 and is divided into 155,866 non-par value shares.

#### Fair value reserve balance

in EUR '000	SSH	
	31 Dec 2019	31 Dec 2018
Revaluation of investments in shares of domestic listed companies	260,940	207,344
Revaluation of investments in shares of domestic non-listed companies	10,428	842
Revaluation of investments in shares of insurance companies	210,692	183,313
Revaluation of other investments	0	149
Actuarial gains/losses	16	6
Net deferred tax liabilities	0	-37,766
<b>Total</b>	<b>482,076</b>	<b>353,888</b>



Increases by individual groups of investments include impairments of equity instruments held by SSH/SSH Group at the date of transition to IFRS 9 which had been accounted for through profit or loss in the previous periods. At the transition date these losses were reclassified as fair value reserves (Unior d. d., Luka Koper, d. d., Intereuropa, d. d., Telekom, d. d., Hit, d. d., etc.)

Significant amounts of fair value reserve in the balance as of 31 December 2019:

– Krka, d. d.,	EUR 192.9 million,
– Zavarovalnica Triglav, d. d.,	EUR 173.4 million,
– Petrol, d. d.,	EUR 69.7 million,
– Pozavarovalnica Sava, d. d.,	EUR 37.3 million,
– Cinkarna Celje, d. d.,	EUR 13.9 million,
– Sava, d. d.,	EUR 11.5 million,
– Luka Koper, d. d.,	EUR 10.6 million.

#### Movement of fair value reserve for 2019

in EUR '000	Balance as of 1 Jan 2019	Reversal of tax liabilities for strateg. and import. assets	Transfer from reserve to retained earnings	Added during FY	Balance as of 31 Dec 2019
Domestic listed companies	207,344	0	0	53,596	260,940
Domestic non-listed companies	842	0	1,228	10,814	10,428
Domestic listed insurance companies	183,313	0	0	27,379	210,692
Other investments	149	0	265	116	0
Actuarial gains/losses	6	0	0	10	16
Total by investment type	391,654	0	1,493	91,915	482,076
Deferred tax liability	-37,766	-49,883	-150	-13,751	-1,484
Deferred tax assets	0	0	0	1,484	1,484
<b>Total</b>	<b>353,888</b>	<b>-49,883</b>	<b>1,343</b>	<b>79,648</b>	<b>482,076</b>

#### Movement of fair value reserve for 2018

in EUR '000	Balance as of 1 Jan 2018	Transfer from retained earnings to fair value reserves	Transfer to retained earnings	Added during FY	Balance as of 31 Dec 2018
Domestic listed companies	284,996	-50,585	0	-27,067	207,344
Domestic non-listed companies	11,825	-10,299	50	-634	842
Domestic listed insurance companies	175,893	0	0	7,420	183,313
Other investments	4,104	-15	3,813	-127	149
Actuarial gains/losses	-18	0	0	24	6
Total by investment type	476,800	-60,899	3,863	-20,384	391,654
Deferred tax liability	-48,596	-8,353	-9	2,468	-37,766
<b>Total</b>	<b>428,204</b>	<b>-69,252</b>	<b>3,854</b>	<b>-17,916</b>	<b>353,888</b>

Disclosures in respect of deferred tax liabilities are provided in Note 15.1.18.

The book value per SSH share is calculated as a ratio between the total capital and the number of the SSH's shares:

– as of 31 December 2019	611,579,816/155,866 = EUR 3,923.75
– as of 31 December 2018	498,515,594/155,866 = EUR 3,198.36

### Equity of SSH Group

The book value per SSH Group share is calculated as by dividing total capital by the number of SSH's shares:

- as of 31 December 2019  $611,615,178/155,866 = \text{EUR } 3,923.98$
- as of 31 December 2018  $498,582,157/155,866 = \text{EUR } 3,198.79$

## 15.1.7 Provisions and non-current accrued costs and deferred revenues

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Provisions for denationalisation	62,340	44,644	62,340	44,644
Provisions for jubilee premiums	53	41	53	41
Provisions for post-employment benefits	285	260	285	260
Other provisions	6	93	6	93
Non-current deferred revenues	230	849	230	849
<b>Total</b>	<b>62,914</b>	<b>45,887</b>	<b>62,914</b>	<b>45,887</b>

The applicable legislation, past experience and, above all case law are taken into account when assessing whether conditions have been met in order to create non-current provisions for denationalisation claims lodged under ZDen. Provisions were assessed by examining each denationalisation claim. The current practice shows that the amount of such claims usually significantly exceed the amount of approved compensation which is taken into account when forming the estimation. Provisions are reviewed at least once yearly. The denationalisation claims are in different phases; the closer the claim is to its conclusion, the more reliable the estimates tend to be. The following phases can be distinguished:

- potential final decisions with the compensation amount having already been determined - SSH agrees with the claim, however, legal remedies lodged by claimants are considered possible;
- claims with issued decisions but legal remedies have been lodged and the procedure has been renewed;
- claims still in process and waiting for a decision.

Provisions have been formed for jubilee premiums (long-service awards) and retirement benefits paid to employees. The following assumptions have been taken into account in the last calculation:

- upon their retirement, employees are entitled to a severance pay equal to their two average salaries, or two average salaries at national level, whichever is more favourable for the employee;
- jubilee premiums are paid out in the threshold amount stipulated in the Decree on tax treatment of reimbursement of costs and of other income arising from employment;
- minimum requirements for obtaining old-age pension have been taken into account, as stipulated by ZPIZ-2;
- the Slovenian mortality rates tables from 2000-2002 were applied;
- jubilee premiums are granted to employees for the total length of their service;
- staff turnover 2.9% (5% in 2018);
- 1.0% wage growth in the company (0.5% in 2018);
- discount rate of 1.6% in the value of an average rate of return on RS sovereign bonds (1.6% in 2018).

## Liabilities for retirement benefits

in EUR '000	SSH		SSH Group	
	2019	2018	2019	2018
Balance as at 1 January	260	259	260	259
Current service cost	24	19	24	19
Past service cost	7	0	7	0
Net interest	4	4	4	4
Paid-out post-employment benefits	0	0	0	0
Actuarial gains	-10	-22	-10	-22
<b>Balance as at 31 Dec</b>	<b>285</b>	<b>260</b>	<b>285</b>	<b>260</b>

## Sensitivity analysis 2019

	Discount rate		Salary growth	
Change in	percentage point		percentage point	
Change by	0.5	-0.5	0.5	-0.5
<b>Impact on balance of liabilities in EUR '000</b>	<b>17</b>	<b>-16</b>	<b>17</b>	<b>-16</b>

## Sensitivity analysis 2018

	Discount rate		Salary increases	
Change in	percentage point		percentage point	
Change by	0.5	-0.5	0.5	-0.5
<b>Impact on balance of liabilities in EUR '000</b>	<b>15</b>	<b>-16</b>	<b>16</b>	<b>-15</b>

## Movements in provisions of SSH/SSH Group

in EUR '000	Balance as of 1 Jan 2019	Newly formed provisions	Use	Transfer to current items	Reversal	Balance as of 31 Dec 2019
Provisions for denationalisation	44,644	37,026	4,923	14,407	0	62,340
Provisions for jubilee premiums	41	16	4	0	0	53
Provisions for severance payments	260	35	0	0	10	285
Other provisions	93	0	22	0	65	6
Non-current deferred revenues	849	28	3	0	644	230
<b>Total</b>	<b>45,887</b>	<b>37,105</b>	<b>4,952</b>	<b>14,407</b>	<b>719</b>	<b>62,914</b>

Part of the provisions for denationalisation which are expected to be settled in 2020 has been transferred to other current liabilities.

in EUR '000	Balance as of 1 Jan 2018	Newly formed provisions	Use	Transfer to current items	Reversal	Balance as of 31 Dec 2018
Provisions for denationalisation	48,192	0	2,982	0	566	44,644
Provisions for jubilee premiums	48	5	4	0	8	41
Provisions for severance payments	259	24	0	0	23	260
Other provisions	457	0	0	0	364	93
Non-current deferred revenues	1,505	99	3	0	752	849
<b>Total</b>	<b>50,461</b>	<b>128</b>	<b>2,989</b>	<b>0</b>	<b>1,713</b>	<b>45,887</b>

### 15.1.8 Non-current financial liabilities

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Principal of SOS3 bond	0	99,886	0	99,886
<b>Total</b>	<b>0</b>	<b>99,886</b>	<b>0</b>	<b>99,886</b>

The SSH/SSH Group's non-current financial liabilities include long-term debt securities issued. The SOS3 bonds was issued by SSH in 2015 repayable in a single tranche in five years with a 2.5% interest rate.

Since the SOS3 bond matures in 2020 it has been transferred to current liabilities.

No liability falls due within a period of five years after the reporting date.

#### *Movement in non-current financial liabilities of SSH/SSH Group*

in EUR '000	Balance as of 1 Jan 2019	Acquisitions	Repayments	Transfer from/to long-term loans	Balance as of 31 Dec 2019
SOS3 bond	99,886	76	0	-99,962	0
<b>Total</b>	<b>99,886</b>	<b>76</b>	<b>0</b>	<b>-99,962</b>	<b>0</b>

in EUR '000	Balance as of 1 Jan 2018	Acquisitions	Repayments	Transfer from/to long-term loans	Balance as of 31 Dec 2018
Bank loans	4,997	3	5,000	0	0
SOS3 bond	99,810	76	0	0	99,886
<b>Total</b>	<b>104,807</b>	<b>79</b>	<b>5,000</b>	<b>0</b>	<b>99,886</b>

## 15.1.9 Current financial liabilities

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Principal of SOS3 bond	99,962	0	99,962	0
<b>Total</b>	<b>99,962</b>	<b>0</b>	<b>99,962</b>	<b>0</b>

In the reporting year, the liabilities payable to denationalisation beneficiaries were reclassified from financial to operating liabilities.

### *Movement in current financial liabilities of SSH/SSH Group*

in EUR '000	Balance as of	Acquisitions	Repayments	Transfer from/to long-term loans	Balance as of
	1 Jan 2019				31 Dec 2019
SOS3 bond	0	0	0	99,962	99,962
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>99,962</b>	<b>99,962</b>

In 2018 SSH/SSH Group reported no current financial liabilities.

## 15.1.10 Current operating liabilities

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Trade payables	448	3,819	448	3,819
Liabilities due to denationalisation beneficiaries	20,836	21,553	20,836	21,553
Interest for SOS3 bond	1,308	1,308	1,308	1,308
Liabilities due to employees	322	218	322	218
Liabilities due to state institutions	400	413	400	413
Other operating liabilities	15	14	15	14
<b>Total</b>	<b>23,329</b>	<b>27,325</b>	<b>23,329</b>	<b>27,325</b>

All liabilities due for compensation to denationalisation beneficiaries on the basis of SOS2E bonds (not fully paid yet) and on the basis of final decisions are reported under current operating liabilities. The amount of the overdue and outstanding debt is not material for SSH. The reason for the non-payment is the failure of beneficiaries to supply the required payment details.

At the end of the reporting period, except for wages and salaries payables, there are no payables outstanding associated with related undertakings. There were no overdue outstanding liabilities.

## 15.1.11 Other liabilities

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Current provisions for ZDen	14,407	0	14,407	0
Other liabilities	106	691	106	691
<b>Total</b>	<b>14,513</b>	<b>691</b>	<b>14,513</b>	<b>691</b>

## 15.1.12 Operating income

in EUR '000	SSH		SSH Group	
	Jan -Dec 2019	Jan -Dec 2018	Jan -Dec 2019	Jan -Dec 2018
Income from contracts with customers	4,225	10,002	4,225	10,002
<i>Net sales revenues</i>	<i>4,225</i>	<i>10,002</i>	<i>4,225</i>	<i>10,002</i>
Income from disbursement and reversal of non-current provisions - denationalisation	0	566	0	566
Income from disbursement and reversal of other non-current provisions	65	372	65	372
Income connected with denationalisation	1,841	1,807	1,841	1,807
Revalued operating income	1,981	769	1,981	769
<i>Other operating income</i>	<i>3,887</i>	<i>3,514</i>	<i>3,887</i>	<i>3,514</i>
<b>Total</b>	<b>8,112</b>	<b>13,516</b>	<b>8,112</b>	<b>13,516</b>

Income from contracts with customers includes fees for the management of capital assets owned by RS, and in accordance with contracts, the reimbursement of costs incurred in the sale of state-owned assets (NLB, d.d., Abanka, d. d. and other small-value sale processes), and fees for the implementation of three laws (i.e., ZSPOZ, ZIOOZP and ZVVJTO).

Material income allocated for denationalisation includes:

- proceeds from the sale and management of agricultural land and forests, paid by the Farmland and Forest Fund of the Republic of Slovenia;
- proceeds from the companies' ownership transformation procedures – paid in cash or in

shares, transferred to SSH/SSH Group partly from D.S.U., d. o. o., and partly from the budget of the Republic of Slovenia.

Revaluation operating income includes income received from the collection of previously impaired receivables. The largest single amount (EUR 1.6 million) within this item includes the repayment of the Probanka bond following a favourable judgement in a court case.

In 2019, the operating income amounted to 16.4% of all income that was generated by SSH. All sales revenue is generated in the domestic market.

## 15.1.13 Costs of goods, materials and services

in EUR '000	SSH		SSH Group	
	Jan -Dec 2019	Jan -Dec 2018	Jan -Dec 2019	Jan -Dec 2018
Cost of material	81	68	81	68
Cost of services	1,703	7,467	1,703	7,467
<b>Total</b>	<b>1,784</b>	<b>7,535</b>	<b>1,784</b>	<b>7,535</b>

EUR 0.3 million of the costs of services relates to expenses associated with the sale of state-owned capital assets; in 2018 amounted to EUR 6.3 million.

The contractual amount for the auditing of the financial statements of SSH and the SSH Group for 2019 amounted to EUR 17,250, excluding VAT. No other services were carried out for SSH by the auditor in 2019.

## 15.1.14 Labour costs

Labour costs include wages and salaries paid to employees, compensation payable to employees when absent from work, in accordance with the law, collective bargaining agreements or an employment contracts, and bonuses and rewards paid to employees, as well as employer's taxes and contributions on the aforementioned items. They

also include reimbursement for travel expenses paid to employees and costs of meals, holiday allowances, severance payments paid upon the termination of the employment relationship and costs of provisions for jubilee premiums and retirement benefits, as well as provisions for potential employment law related lawsuits.

in EUR '000	SSH		SSH Group	
	Jan -Dec 2019	Jan -Dec 2018	Jan -Dec 2019	Jan -Dec 2018
Salaries and wages	3,546	3,160	3,546	3,160
Retirement insurance costs	321	284	321	284
Costs of voluntary supplementary pension insurance	87	86	87	86
Social security costs	258	233	258	233
Annual leave allowance, reimbursements and other earnings	293	317	293	317
Provisions for jubilee premiums	15	5	15	5
Provisions for retirement benefits	31	20	31	20
<b>Total</b>	<b>4,551</b>	<b>4,105</b>	<b>4,551</b>	<b>4,105</b>

## 15.1.15 Depreciation and amortisation

in EUR '000	SSH		SSH Group	
	Jan -Dec 2019	Jan -Dec 2018	Jan -Dec 2019	Jan -Dec 2018
Amortisation of intangible assets	120	125	120	125
Depreciation of buildings	20	13	20	13
Depreciation of equipment and spare parts	113	96	113	96
<b>Total</b>	<b>253</b>	<b>234</b>	<b>253</b>	<b>234</b>

## 15.1.16 Net profit or loss

in EUR '000	SSH		SSH Group	
	Jan -Dec 2019	Jan -Dec 2018	Jan -Dec 2019	Jan -Dec 2018
Financial income from equity investments and other financial instruments	41,159	46,138	24,962	29,940
Financial income from loans receivable	160	54	160	54
<i>Total financial income</i>	<i>41,319</i>	<i>46,192</i>	<i>25,122</i>	<i>29,994</i>
Financial expenses from the write-off and impairment of financial investments	696	1	696	1
Financial expenses relating to financial liabilities	2,581	2,624	2,581	2,624
<i>Total financial expenses</i>	<i>3,277</i>	<i>2,625</i>	<i>3,277</i>	<i>2,625</i>
<i>Impact of revaluation of associated financial investments measured under the equity method</i>	<i>0</i>	<i>0</i>	<i>30,711</i>	<i>32,273</i>
<b>Net profit or loss</b>	<b>38,042</b>	<b>43,567</b>	<b>52,556</b>	<b>59,642</b>

### Financial income from equity investments and other financial instruments

in EUR '000	SSH		SSH Group	
	Jan -Dec 2019	Jan -Dec 2018	Jan -Dec 2019	Jan -Dec 2018
Dividends (domestic and foreign enterprises)	21,243	21,965	21,013	21,734
Dividends - insurance companies	18,859	18,402	2,892	2,435
Dividends - mutual funds	1	5	1	5
Proceeds from sale of equity investments in enterprises	0	7	0	7
Income from valuation of financial investments at fair value	0	3,757	0	3,757
Income from purchased receivables	952	1,898	952	1,898
Bond interest income	104	104	104	104
<b>Total</b>	<b>41,159</b>	<b>46,138</b>	<b>24,962</b>	<b>29,940</b>



## Financial expenses relating to financial liabilities

in EUR '000	SSH		SSH Group	
	Jan -Dec 2019	Jan -Dec 2018	Jan -Dec 2019	Jan -Dec 2018
Interest expense on SOS3 bond	2,576	2,576	2,576	2,576
Interest expense on bank loans	0	42	0	42
Expenses from actuarial calculations	5	6	5	6
<b>Total</b>	<b>2,581</b>	<b>2,624</b>	<b>2,581</b>	<b>2,624</b>

## Overview of financial income and expenses generated by SSH in respect of subsidiaries and associates

in EUR '000	SSH	
	Jan -Dec 2019	Jan -Dec 2018
Financial income relating to subsidiaries	0	3,757
Financial income relating to associates	16,302	17,307
Financial expense relating to subsidiaries	71	1
Financial expense relating to associates	0	0
<b>Net profit or loss</b>	<b>16,231</b>	<b>21,063</b>

Financial income and expenses relating to subsidiaries and associates are also disclosed in this section. All amounts stated in the above table

are included in tables where financial income and expenses are disclosed.

## 15.1.17 Participation in profit/loss in associates

### Impact by associates on the financial result of SSH Group

in EUR '000	SSH Group	
	Jan -Dec 2019	Jan -Dec 2018
Share of profit of associates	27,443	30,042
Reversal of impairments	8,091	10,439
Shares of losses of associates	31	15
Impairment	4,792	8,193
<b>Net profit or loss</b>	<b>30,711</b>	<b>32,273</b>

### Impact by associates on financial position of SSH Group in 2019

in EUR '000	ZT Group	Unior Group	HIT Group	Casino Bled.	Total
Value of investment as of 31 Dec 2018	193,515	17,682	3,146	128	214,471
Allocation of share of profit or loss	23,529	2,401	1,513	-31	27,412
Dividends received	-15,966	0	-231	0	-16,197
Allocation of share of changes of fair value reserve	5,050	-183	-120	0	4,747
Reversal of previous impairment	6,547	0	1,544	0	8,091
Impairments to fair value	0	-4,792	0	0	-4,792
Value of investment under equity method as of 31 Dec 2019	212,675	15,108	5,852	97	233,732
<b>Fair value in SSH' s financial statements</b>	<b>212,675</b>	<b>15,108</b>	<b>5,852</b>	<b>61</b>	<b>233,696</b>

### Impact by associates on financial position of SSH Group in 2018

in EUR '000	ZT Group	Unior Group	HIT Group	Casino Bled d. d.	Sava Group	Total
Value of investment as of 31 Dec 2017	184,574	15,602	10,201	143	3,096	213,616
Allocation of share of profit or loss	22,604	3,606	614	-15	2,456	29,265
Dividends received	-15,966	0	-231	0	0	-16,197
Allocation of share of changes of fair value reserve	-8,136	-705	-66	0	0	-8,907
Reversal of previous impairment	10,439	0	-7,372	0	0	3,067
Impairment to fair value	0	-821	0	0	0	-821
Proceeds generated by eliminating associate	0	0	0	0	761	0
Value of investment under equity method as of 31 Dec 2018	193,515	17,682	3,146	128	0	214,471
<b>Fair value in SSH' s financial statements</b>	<b>193,515</b>	<b>17,682</b>	<b>3,146</b>	<b>61</b>	<b>0</b>	<b>214,404</b>

## 15.1.18 Taxes

### Calculation of the effective tax rate

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Profit before tax	2,245	44,873	16,758	60,948
Calculated tax (applicable rate = 19%)	426	8,526	3,184	11,580
Effect of non-taxable income	-7,619	-8,402	-7,619	-8,402
Effect of tax non-deductible expenses	207	-424	207	-424
Tax relief	0	-83	0	-83
Other adjustments in tax base	383	383	-8,977	-2,671
Current year loss for which no deferred tax asset has been recognised	-6,602	0	0	0
Reversal of deferred tax assets due to changes in taxable profits	32,067	1,815	32,067	1,815
<b>Income taxes</b>	<b>18,862</b>	<b>1,815</b>	<b>18,862</b>	<b>1,815</b>
<b>Effective tax rate</b>	<b>840%</b>	<b>4%</b>	<b>113%</b>	<b>3%</b>

### Deferred tax assets and tax liabilities

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Deferred tax assets	2,458	19,836	2,458	19,836
Deferred tax liabilities	1,484	37,766	1,484	37,766
<b>Net deferred tax assets/tax liabilities</b>	<b>974</b>	<b>-17,930</b>	<b>974</b>	<b>-17,930</b>

According to the planned free-of charge transfer of important and strategic assets to RS to be carried out in line with provisions of ZSOS-C, SSH obtained an opinion from the Financial Administration of RS in which it was stated that the transfer of associated fair value reserves to retained earnings would not be taxed. As a result, SSH/SSH Group reversed its associated deferred tax liability at the end of 2019.

Deferred tax assets arise as a result of the impairment of financial investments, of provisions for retirement

benefits and jubilee premiums, investment reliefs and unutilised tax losses. Deferred tax assets which relate to unutilised tax losses have mostly been reversed since no significant taxable profits are expected in the future. Estimated future tax liabilities for corporate income tax were used to determine the expected amount for the utilisation of deferred tax assets. Only part of the deferred tax assets is recognised in the financial statements of SSH/SSH Group.

## Unrecognised deferred tax assets

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Unutilised tax losses	179,118	173,118	179,118	173,118
Impairment of receivables	540	538	540	538
Impairment of financial investments in subsidiaries	254	385	254	385
Measurement of financial investments - fair value through other comprehensive income	3,271	0	3,271	0
<b>Total unrecognised deferred tax assets</b>	<b>183,183</b>	<b>174,041</b>	<b>183,183</b>	<b>174,041</b>

Unutilised tax losses may be transferred to future periods without any restrictions.

## Movement in tax losses

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Opening balance of unutilised tax losses	911,146	911,365	911,146	911,365
Increase in the period	34,749	0	34,749	0
Utilised in the period	0	-219	0	-219
<b>Closing balance of unutilised tax losses</b>	<b>945,895</b>	<b>911,146</b>	<b>945,895</b>	<b>911,146</b>

## Movement in deferred tax assets for SSH and SSH Group for 2019

in EUR '000	Financial investments	Adjustments of receivables	Provisions	Investment relief	Tax loss	Total
Balance as at 1 Jan 2019	386	538	29	0	18,883	19,836
Use in 2019	0	0	-1	0	0	-1
Recognised in the year	0	1	5	51	0	57
Eliminations	-97	-539	0	0	-18,282	-18,918
<i>Total changes in Income Statement</i>	<i>-97</i>	<i>-538</i>	<i>4</i>	<i>51</i>	<i>-18,282</i>	<i>-18,862</i>
<i>Total changes in Statement of Financial Position</i>	<i>1,484</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,484</i>
<b>Balance as at 31 Dec 2019</b>	<b>1,773</b>	<b>0</b>	<b>33</b>	<b>51</b>	<b>601</b>	<b>2,458</b>

### Movement in deferred tax assets for SSH and SSH Group for 2018

in EUR '000	Financial investments	Adjustments of receivables	Provisions	Investment relief	Tax loss	Total
Balance as of 1 Jan 2018	9,334	613	17	0	19,316	29,280
Use in 2018	-1,319	-75	-20	0	0	-1,414
Recognised in the year	0	0	32	0	0	32
Eliminations	0	0	0	0	-433	-433
<i>Total changes in Income Statement</i>	<i>-1,319</i>	<i>-75</i>	<i>12</i>	<i>0</i>	<i>-433</i>	<i>-1,815</i>
<i>Total changes in Statement of Financial Position</i>	<i>-7,629</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Balance as at 31 Dec 2018</b>	<b>386</b>	<b>538</b>	<b>29</b>	<b>0</b>	<b>18,883</b>	<b>19,836</b>

### Movement in deferred tax liabilities

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Balance of deferred tax liabilities as of 1 Jan	37,766	48,596	37,766	48,596
Transfer from deferred tax assets (IFRS 9)	0	-7,629	0	-7,629
Change due to reclassification of investments (IFRS 9)	0	-724	0	-724
Utilisation	-150	-9	-150	-9
Change due to the transfer of capital assets to RS	-49,883	0	-49,883	0
Change due to revised taxable profit	13,751	-2,468	13,751	-2,468
<b>Balance as at 31 Dec</b>	<b>1,484</b>	<b>37,766</b>	<b>1,484</b>	<b>37,766</b>

The change in deferred tax liabilities was accounted for through other comprehensive income.

Deferred tax liabilities arise from the revaluation of financial investments at fair value through other comprehensive income (FVTOCI). When recognising

deferred tax liabilities or deferred tax assets, the provisions of the applicable Corporate Income Tax Act are taken into account, on the basis of which and subject to the fulfilment of certain conditions, half of the capital gain is excluded from the taxable profit.

## 15.1.19 Net earnings per share

in EUR	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Loss/profit of majority owners	-16,618	43,058	-2,104	59,133
Number of issued shares	155,866	155,866	155,866	155,866
Weighted number of shares	155,866	155,866	155,866	155,866
<b>Net loss/profit per share</b>	<b>-106.62</b>	<b>276.25</b>	<b>-13.50</b>	<b>379.38</b>

Basic earnings per share is calculated so that owner's net income is divided by weighted average number of ordinary shares. SSH /SSH Group have no dilutive

potential ordinary shares, which is why basic earnings per share is equal to diluted earnings per share.

## 15.1.20 Dividends per share

In compliance with its rules and regulations, the controlling company does not pay out any dividends.

## 15.1.21 Note to the Statement of Cash Flows

The Statement of Cash Flows shows changes in the balance of monies in a particular financial year, using the direct method. The data were obtained from the books of account of SSH/SSH Group and from other accounting records such as original documents on receipts and expenditure and account balance slips provided by commercial banks. The data for the preceding year were prepared by using the same methodology.

The amounts paid for SOS2E bond interest and principal were disclosed in the first part of the Statement of Cash Flows (cash flows from operating activities), since SSH/SSH Group's core business is the settling of denationalisation liabilities. Proceeds, with the exception of proceeds from financial investments sold for covering these outflows, were recognised as operating income. Similarly, the first part of the Statement of Cash Flows includes cash flows arising from the payment of liability due by the Republic of Slovenia for tasks which are implemented on its behalf by SSH (ZSPOZ, ZIOOZP and ZVVJTO).

### Cash flows in 2019 based on the implementation of the following acts: ZSPOZ, ZIOOZP and ZVVJTO

in EUR '000	ZIOOZP	ZSPOZ	ZVVJTO	Total
Payments to beneficiaries	413	2,848	0	3,261
Received from the Republic of Slovenia	442	3,107	0	3,549
<b>Net financial impact</b>	<b>29</b>	<b>259</b>	<b>0</b>	<b>288</b>

## Cash flows in 2018 based on the implementation of the following acts: ZSPOZ, ZIOOZP and ZVVJTO

in EUR '000	ZIOOZP	ZSPOZ	ZVVJTO	Total
Payments to beneficiaries	202	6,139	18	6,359
Received from the Republic of Slovenia	441	6,831	18	7,290
<b>Net financial impact</b>	<b>239</b>	<b>692</b>	<b>0</b>	<b>931</b>

The most important source of funds to cover SSH liabilities in 2019 were dividends of companies owned by SSH, in addition to the repayment of costs for the management of capital assets owned by RS.

## 15.2 FINANCIAL RISK MANAGEMENT OF SSH/SSH GROUP

The financial risks are continuously monitored and assessed by SSH/SSH Group with the aim to provide for a long-term liquidity and to avoid excessive exposure to individual risks. SSH/SSH Group is exposed to the following risks: credit risk, interest

rate risk, and particularly market and liquidity risk. Considering the fact that all financial instruments are linked to the Euro, the currency risk is negligible for SSH/SSH Group.

### 15.2.1 Credit risk

Financial investments in banks or other issuers of securities create risks that might arise due to the borrowers' default in settling their liabilities, which means that upon maturity, funds invested are not repaid in full or in part. For the purpose of managing credit risks, the financial position of issuers and their capacity to generate sufficient repayment funds are assessed. In regard to investments in debt securities, restrictions have been set by SSH/SSH Group for individual issuers and banks; these are renewed on an annual basis by taking into account their balance sheet data. Ratings of internationally renowned credit agencies are used in the analysis of individual securities.

SSH/the Group invested financial assets in financial institutions and banks; any potential failure to meet contractual obligations would result in decreased liquidity. It is however considered that there are no risks associated with a failure of fulfilling contractual obligations.

Operating receivables mainly refer to the Republic of Slovenia and their credit risk is considered low. All overdue operating receivables have been revised; in the Statement of Financial Position, under item Operating receivables as of 31 December 2019 and as of 31 December 2018, there are no overdue receivables.

## Balance of overdue and not yet due trade receivables

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Trade receivables - status	3,988	4,712	3,988	4,712
Impairments of receivables	-2,308	-2,313	-2,308	-2,313
Overdue receivables	2,308	2,313	2,308	2,313
<b>Receivables not yet due</b>	<b>1,680</b>	<b>2,399</b>	<b>1,680</b>	<b>2,399</b>

Receivables due by Sava, d. d., arising from the purchase of its liabilities for bank loans, is collateralised with pledges on shares of Sava Turizem and Hoteli Bernardin.

The highest potential exposure to credit risk is the carrying amount of financial assets.

## Total maximum exposure to credit risk

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Other non-current financial investments	34,987	422,333	34,987	422,333
Financial investments to be distributed to owners	637,996	0	637,996	0
Other current financial investments	98,308	34,372	98,308	34,372
Operating receivables	1,680	2,399	1,680	2,399
Assets from contracts with customers	0	891	0	891
Cash and cash equivalents	12,108	7,352	12,108	7,352
<b>Total</b>	<b>785,079</b>	<b>467,347</b>	<b>785,079</b>	<b>467,347</b>

## 15.2.2 Interest rate volatility risk

Interest rate risk is the risk that the value of interest sensitive assets will change due to a change in market interest rates, as well as the risk that financially sensitive assets and financially sensitive liabilities will mature on different dates and in different amounts. A fixed interest rate was agreed for when investing assets.

A fixed interest rate is also applied to all debt held as at 31 December 2019. Changes in the market interest rates do not affect SSH/SSH Group's liabilities in relation to bonds issued.



### 15.2.3 Liquidity risks

Special attention was dedicated to managing liquidity risk. As before, all liabilities were regularly settled. A thorough planning of cash flows enabled a timely forecasting in regard to potential deficits or surpluses and their optimum management.

In accordance with the provisions of the Act on financial operations, insolvency proceedings and compulsory dissolution, particularly in regard to the short-term and long-term financial capacity and solvency of the Company/Group, SSH/SSH Group is considered solvent and not at risk of insolvency. The value of assets exceeds the value of liabilities, and the solvency is not at risk.

Unless it is proven otherwise, a debtor shall be considered continuously insolvent, if he is delayed for more than two months in meeting one or more liabilities in a total amount exceeding 20 per cent of the amount of his liabilities shown in the annual report for the last business year before such liabilities became due.

It is considered and evidence to the contrary shall not be allowed, that a legal entity shall be considered continuously insolvent, if it is delayed for more than three months in paying salaries to its employees in the amount of up to a minimum wage, or in paying taxes and social contributions which have to be calculated or paid simultaneously with the payment of salaries.

Unless it is proven otherwise, a debtor shall be considered insolvent, if the value of his assets is smaller than the sum of his liabilities (over indebtedness), or if the loss for the current year together with the losses brought forward amounts to one half of the share capital, and such loss cannot be deducted from profit brought forward or from reserves.

The Slovenian Sovereign Holding settles all its liabilities in due time. All salaries to employees were paid in accordance with employment contracts.

Taxes and benefits were regularly settled on the day of the salary pay-out.

As of 31 December 2019, balance sheet loss exceeded half of the share capital but a simplified decrease in share capital will be proposed by SSH to the General Meeting to cover the loss. Under an assumption that all dividends planned will be realised, neither liquidity issues nor capital adequacy issues are to be expected. In spite of the fact, that cash flows are planned as thoroughly as possible, there is a small degree of probability that an unpredictable liability may arise. SSH has an option of selling individual investments in case of any unforeseen events. In addition, the Constitutional Court Decision No U-I-140/94 of 14 December 1995 stipulates that the Republic of Slovenia is obliged to provide additional funds for SSH when the Company's sources of funds do not suffice for the regular settlement of the Company's liabilities under the Denationalisation Act, the Cooperatives Act and other regulations governing the denationalisation of property. A similar provision from Article 19(a) of ZSOS stipulates that in case income generated from asset management and, as referred to in the first sentence of Article 26 of ZSDH-1, from the disposition of remaining assets which are owned by the legal successor of the fund (the transfer of strategic and important assets to RS), does not suffice for settling the denationalisation liabilities, funds for settling liabilities are provided for from the budget.

It has thus been considered that short-term and long-term solvency is provided for.

All liquid financial investments, with the exception of strategic and important assets which are to be distributed to owners, are considered liquid assets.

## Liquidity ratios

in EUR '000	31 Dec 2019		31 Dec 2018		in %
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	
<i>Quick ratio</i>					
Liquid assets	110,416	41,724	78.08	138.68	
Current liabilities	141,419	30,086			
<i>Current ratio</i>					
Current assets*	116,029	50,948	82.05	169.34	
Current liabilities	141,419	30,086			

\*Current assets do not include the value of equity holdings to be transferred to RS (EUR 638 million)

## Maturity of SSH/SSH Group liabilities according to contractual cash flows as of 31 December 2019

in EUR '000	Carrying amount of liabilities	Contractual cash flows Liability	Contractual cash flows			
			Up to 6 months	From 6 to 12 months	1-5 years	More than 5 years
Financial liabilities	99,962	102,500	102,500	0	0	0
Operating liabilities	23,329	23,329	23,329	0	0	0
Other liabilities	14,513	14,513	7,320	7,193	0	0
<b>Total liabilities</b>	<b>137,804</b>	<b>140,342</b>	<b>133,149</b>	<b>7,193</b>	<b>0</b>	<b>0</b>

## Maturity of SSH/SSH Group liabilities according to contractual cash flows as of 31 December 2018

in EUR '000	Carrying amount of liabilities	Contractual cash flows Liability	Contractual cash flows			
			Up to 6 months	From 6 to 12 months	1-5 years	More than 5 years
Financial liabilities	112,937	116,743	14,243	0	102,500	0
Operating liabilities	14,274	14,274	14,274	0	0	0
Other liabilities	691	691	691	0	0	0
<b>Total liabilities</b>	<b>127,902</b>	<b>131,708</b>	<b>29,899</b>	<b>0</b>	<b>102,500</b>	<b>0</b>

## 15.2.4 Market risk

### Domestic marketable shares held by SSH

Company	31 Dec 2019		31 Dec 2018	
	Value in EUR '000	Structure in %	Value in EUR '000	Structure in %
Krka, d. d.	215,931	32.35	170,503	29.08
Zavarovalnica Triglav, d. d.,	212,675	31.87	193,515	33.00
Petrol, d. d.	99,193	14.86	82,000	13.98
Pozavarovalnica Sava, d. d.	54,790	8.21	46,571	7.94
Luka Koper, d. d.	35,208	5.28	40,504	6.91
Other listed investments	49,600	7.43	53,329	9.09
<b>Total</b>	<b>667,397</b>	<b>100</b>	<b>586,422</b>	<b>100</b>

### Classification of domestic marketable investments to strategic and important assets as compared to portfolio assets

Type of equity investment	31 Dec 2019		31 Dec 2018	
	Value in EUR '000	Structure in %	Value in EUR '000	Structure in %
Strategic and important assets	617,797	92.57	533,094	90.91
Portfolio assets	49,600	7.43	53,328	9.09
<b>Total</b>	<b>667,397</b>	<b>100</b>	<b>586,422</b>	<b>100</b>

### Liquidity of the most important investments of the Company/Group in quoted shares

Turnover capitalisation*	in 2019	in 2018
Krka, d. d.	4.34%	4.57%
Luka Koper, d. d.	2.11%	4.51%
Petrol, d. d.	3.18%	5.79%
Pozavarovalnica Sava, d. d.	3.62%	3.51%
Telekom Slovenije, d. d.	2.74%	5.35%
Zavarovalnica Triglav, d. d.,	4.43%	6.38%
Prime market	3.54%	5.11%
Standard market	5.72%	12.64%

\*Note: Yearly turnover/average market capitalisation on 31 December, 30 June, 31 December of the previous year

Source: Monthly and Annual Statistics LJSE, 2019 and 2018

**Sensitivity analysis of equity investments against changes in market prices by investments as of 31 December 2019**

in EUR '000	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
	31 Dec 2019	15%	20%	-15%	-20%
Krka, d. d.	215,931	32,390	43,186	-32,390	-43,186
Zavarovalnica Triglav, d. d.,	212,675	31,901	42,535	-31,901	-42,535
Petrol, d. d.	99,193	14,879	19,839	-14,879	-19,839
Sava Re, d. d.	54,790	8,219	10,958	-8,219	-10,958
Luka Koper, d. d.	35,208	5,281	7,042	-5,281	-7,042
Other marketable domestic shares	49,600	7,440	9,920	-7,440	-9,920
Other investments (non-marketable)	34,181	5,127	6,836	-5,127	-6,836
<b>Total</b>	<b>701,578</b>	<b>105,237</b>	<b>140,316</b>	<b>-105,237</b>	<b>-140,316</b>

**Sensitivity analysis of equity investments against changes in market prices by investments as of 31 December 2018**

in EUR '000	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
	31 Dec 2018	15%	20%	-15%	-20%
Krka, d. d.	170,503	25,575	34,101	-25,575	-34,101
Zavarovalnica Triglav, d. d.,	193,515	29,027	38,703	-29,027	-38,703
Petrol, d. d.	82,000	12,300	16,400	-12,300	-16,400
Sava Re, d. d.	46,571	6,986	9,314	-6,986	-9,314
Luka Koper d. d.	40,504	6,076	8,101	-6,076	-8,101
Other marketable domestic shares	53,329	7,999	10,666	-7,999	-10,666
Other investments (non-marketable)	25,595	3,839	5,119	-3,839	-5,119
Mutual Funds	899	135	180	-135	-180
<b>Total</b>	<b>612,916</b>	<b>91,937</b>	<b>122,583</b>	<b>-91,937</b>	<b>-122,583</b>

**Sensitivity analysis of equity investments against changes in market prices (strategic and important assets as compared to portfolio assets) as of 31 December 2019**

in EUR '000	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
	31 Dec 2019	15%	20%	-15%	-20%
Strategic and important assets	637,996	95,699	127,599	-95,699	-127,599
Portfolio assets	63,582	9,537	12,716	-9,537	-12,716
<b>Total</b>	<b>701,578</b>	<b>105,237</b>	<b>140,316</b>	<b>-105,237</b>	<b>-140,316</b>

**Sensitivity analysis of equity investments against changes in market prices (strategic and important assets as compared to portfolio assets) as of 31 December 2018**

in EUR '000	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
	31 Dec 2018	15%	20%	-15%	-20%
Strategic and important assets	544,851	81,728	108,970	-81,728	-108,970
Portfolio assets	68,065	10,210	13,613	-10,210	-13,613
<b>Total</b>	<b>612,916</b>	<b>91,937</b>	<b>122,583</b>	<b>-91,937</b>	<b>-122,583</b>

## 15.2.5 Managing capital adequacy

In 2019 and in 2018, there were no changes to equity management. The main purpose of equity management is ensuring the capital adequacy and the financial stability of a company with the primary objective to provide for a high return on equity. In accordance with the dividend policy of the sole shareholder, no dividends are paid out.

For controlling its capital structure, financial leverage ratio is applied by SSH showing net debt against equity. Net debt includes principal for SOS3 bonds, liabilities to denationalisation beneficiaries and other operating liabilities reduced by cash and cash equivalents.

in EUR '000	SSH		SSH Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
<i>Current liabilities</i>	137,804	28,016	137,804	28,016
<i>Non-current financial liabilities</i>	0	99,886	0	99,886
<i>Cash and cash equivalents</i>	12,108	7,352	12,108	7,352
<b>Net indebtedness</b>	<b>125,696</b>	<b>120,550</b>	<b>125,696</b>	<b>120,550</b>
Equity	611,580	498,516	611,615	498,583
<b>Financial leverage ratio in %</b>	<b>20.55</b>	<b>24.18</b>	<b>20.55</b>	<b>24.18</b>

Relatively low indebtedness level is reported for the Company for 2019. Financial liabilities relate to the

long-term debt securities of SOS3 in the sum of EUR 100 million.

## 15.3 TRANSACTIONS WITH RELATED ENTITIES

In addition to the Republic of Slovenia, considered as 100% owner, the following entities are considered to be related entities, in accordance with IAS 24:

- subsidiaries and associates;
- management personnel and members of Supervisory Board and Audit Committee;
- companies related to the state.

In 2019, no transactions were concluded by SSH which might result in harmful consequences for the operation of related parties.

### 15.3.1 Subsidiaries and associates

As at 31 December 2019, SSH held a 20% or higher ownership interest in the following companies: Casino Bled, d. d., Elektrooptika, d. d., GIO, d. o. o., Ljubljana – in liquidation, Hit Nova Gorica, d. d., and PS za avto, d. o. o., Unior, d. d. and Zavarovalnica Triglav, d. d. The majority of the above mentioned shares were obtained pursuant to the Ownership Transformation of Companies Act and other laws passed with the aim of settling denationalisation compensations to beneficiaries and compensations to victims of war- and post-war violence, and pursuant to ZSDH-1. There were no significant business transactions taking place between SSH and the above mentioned companies.

In 2019, no mandatory instruction in the capacity of a controlling company was given by the Management Board of the Company. Neither was there any legal transaction concluded by and between the controlling company and related parties, as a result of any mandatory instruction.

The Company hereby declares that the controlling company has not used its influence by forcing its related entities to carry out any legal transaction which is a detriment to them or to do anything which is to their detriment. In addition to capital-related connections, business cooperation with associates mainly refers to insurance transactions

### 15.3.2 Management and members of Supervisory Board and Audit Committee

#### Remuneration of Management Board members in 2019:

V EUR	Lidija	Boštjan	Andrej	Igor	Gabrijel	Medica
	Glavina	Koler	Božič	Kržan	Škof	Boris
	1 Jan-31 March 2019	1 Jan-31 Dec 2019	21 Jan - 30 Nov 2019	1 April- 30 Sept 2019	1 Oct-31 Dec 2019	1 Dec-31 Dec 2019
Fixed earning (gross)	43.899	118.529	102.639	65.849	21.950	0
Variable income (gross)	0	0	0	0	0	0
Fringe benefits	1.632	5.272	403	1.207	565	0
Holiday pay	250	1.000	862	0	250	83
Reimbursement of costs (meals, transportation cost)	416	1.349	1.298	2.242	251	0
Reimbursement of business travel costs	2.587	27	1.350	41	9	0
Voluntary suppl. pension insurance	0	2.819	0	0	470	0

## Remuneration of Management Board members in 2018:

V EUR	Lidija Glavina 1 Jan - 31 Dec 18	Drobne Popovič Nada 1 Jan - 11 June 18	Andrej Bertoncelj 3 May - 12 Sept 18	Vanessa Grmek 21 sept - 30 Nov 18	Boštjan Koler 1 Dec - 31 Dec 18
Fixed earning (gross)	131.698	62.377	42.602	22.718	0
Variable income (gross)	0	0	0	0	0
Fringe benefits	3.361	2.470	842	0	0
Net income (salary plus benefits)	61.755	30.578	22.076	11.529	0
Holiday pay (gross)	843	351	281	0	70
Reimbursement of costs (meals, transportation cost)	3.736	661	692	369	0
Reimbursement of business travel costs	20.008	30	343	1.241	0
Voluntary suppl. pension insurance	0	1.280	0	517	0

In 2019 and in 2018, no loans were granted neither to the management, members of the Supervisory Board nor to members of its Commission or employees.

In 2019, labour costs for employees who are employed on the basis of individual employment contract amounted to EUR 99K.

Salaries paid to the members of Management Board are paid in accordance with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (ZPPOGD, by way of which the Company is considered a large company), although the said Act is not binding for SSH. Members of the Management Board using company cars for private purposes do not receive any payments reimbursing their commuting costs.

Lidija Glavina, in her capacity of a Members of the Management Board, represented the interest of capital contributors by participating in Supervisory Boards of Telekom, d. d., until 30 August 2019.

On 4 December 2014, the Government of the Republic of Slovenia, acting as the General Meeting of SSH, determined the type and amount of income paid to SSH Supervisory Board Members; the said resolution was supplemented on 21 July 2017. On the basis of the above mentioned Resolution, Supervisory Board Members are eligible to receive a fee in the gross amount of EUR 275 for their attendance of the session; the fee for their attendance at sessions held by Supervisory Board Committees amounts to EUR 220 gross. The attendance fee for a meeting

by correspondence amounts to 80% of the regular attendance fee.

In addition to attendance fees, members of the Supervisory Board also receive a payment for holding their position, in the gross amount of EUR 1,200 per month for an individual member. The President of the Supervisory Board is eligible to receive the extra monies in the amount of 30% of the basic payment for holding the position, while for the Vice President this extra payment amounts to 10% of the basic payment. The members of the Supervisory Board's commission receive the additional payment for holding the position which amounts to 25% of the basic payment for holding the position of the Supervisory Board member. In addition, upon a proposal by the Minister of Finance, the Government of the Republic of Slovenia acting as the General Meeting of the Company may determine additional payment for a Member of Supervisory Board who has special knowledge and experience that have been obtained from holding such positions abroad and who has a proven record of successful business performance.

Members of the Supervisory Board and its commissions are also entitled to receive reimbursement of costs associated with their execution of the Supervisory Board member position, specifically, in the form of daily allowances, travel expenses and accommodation costs. Daily allowances and travel expenses are paid in accordance with regulations regulating this topic in the business sector.

### Earnings of Members of the Supervisory Board in 2019:

in EUR	Compensation for holding the position (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Belič, Damjan	15,027	5,500	58	0	20,585
Dietner, Karmen	16,583	5,225	58	0	21,866
Kos, Duško	15,840	5,775	58	190	21,863
Kržan, Igor	8,025	2,750	17	274	11,066
Vipotnik, Janez	14,400	6,215	58	4,780	25,453
<b>Total</b>	<b>69,875</b>	<b>25,465</b>	<b>249</b>	<b>5,244</b>	<b>100,833</b>

### Earnings of Members of the Supervisory Board in 2018:

in EUR	Compensation for holding the position (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Belič, Damjan	18,720	5,775	33	0	24,528
Bertoncelj, Andrej	6,077	2,585	33	384	9,079
Kos, Duško	15,840	5,995	33	209	22,077
Kržan, Igor	14,400	5,995	33	662	21,090
Vipotnik, Janez	13,897	5,720	33	2,767	22,417
<b>Total</b>	<b>68,934</b>	<b>26,070</b>	<b>165</b>	<b>4,022</b>	<b>99,191</b>

### Earnings of Members of the Supervisory Board's Nomination Committee in 2019:

in EUR	Compensation for holding the position (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Belič, Damjan	3,600	2,860	0	0	6,460
Dietner, Karmen	3,426	3,080	0	0	6,506
Kos, Duško	3,600	3,080	0	62	6,742
Kržan, Igor	1,800	660	0	178	2,638
Vipotnik, Janez	3,600	2,112	0	0	5,712
<b>Total</b>	<b>16,026</b>	<b>11,792</b>	<b>0</b>	<b>240</b>	<b>28,058</b>



#### Earnings of Members of the Supervisory Board's Nomination Committee in 2018:

in EUR	Compensation for holding the position (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Belič, Damjan	1,934	2,596	0	0	4,530
Bertoncelj, Andrej	1,074	1,100	0	56	2,230
Kos, Duško	1,934	2,596	0	138	4,668
Kržan, Igor	1,934	2,596	0	633	5,163
Vipotnik, Janez	1,847	2,596	0	330	4,773
<b>Total</b>	<b>8,723</b>	<b>11,484</b>	<b>0</b>	<b>1,157</b>	<b>21,364</b>

#### Earnings of Members of the Supervisory Board's Audit Committee in 2019:

in EUR	Compensation for holding the position (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Belič, Damjan	3,600	1,672	0	0	5,272
Kos, Duško	3,600	1,672	0	0	5,272
Virant, Darinka	5,400	1,452	0	64	6,916
<b>Total</b>	<b>12,600</b>	<b>4,796</b>	<b>0</b>	<b>64</b>	<b>17,460</b>

#### Earnings of Members of the Supervisory Board's Audit Committee in 2018:

in EUR	Compensation for holding the position (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Belič, Damjan	3,600	1,892	0	0	5,492
Kos, Duško	3,600	1,892	0	43	5,535
Virant, Darinka	4,331	1,892	0	151	6,374
<b>Total</b>	<b>11,531</b>	<b>5,676</b>	<b>0</b>	<b>194</b>	<b>17,401</b>

#### Earnings of Members of the Supervisory Board's Risk Committee in 2019:

in EUR	Compensation for holding the position (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Dietner, Karmen	3,087	440	0	0	3,527
Kržan, Igor	523	220	0	0	743
Vipotnik, Janez	3,600	660	0	0	4,260
Virant, Darinka	3,600	660	0	65	4,325
<b>Total</b>	<b>10,810</b>	<b>1,980</b>	<b>0</b>	<b>65</b>	<b>12,855</b>

### Earnings of Members of the Supervisory Board's Risk Committee in 2018:

in EUR	Compensation for holding the position (gross)	Attendance fee (gross)	Fringe benefit	Travel expenses (gross)	Total
Bertoncelj, Andrej	1,519	220	0	0	1,739
Kržan, Igor	3,600	440	0	0	4,040
Vipotnik, Janez	2,081	220	0	0	2,301
Virant, Darinka	3,600	220	0	0	3,820
<b>Total</b>	<b>10,800</b>	<b>1,100</b>	<b>0</b>	<b>0</b>	<b>11,900</b>

The composition of the Risk Committee changed during the year; the members regularly attended the Committee's sessions.

### Earnings of Members of the Nomination Committee in 2019:

in EUR	Compensation for holding the position (gross)	Attendance fee (gross)	Fringe benefit	Travel expenses (gross)	Total
Gaberščik, Luka	6,000	0	0	0	6,000
Podpečan, Urška	12,000	0	0	0	12,000
Roš, Samo	12,000	0	0	0	12,000
Vitez, Jagoda	6,000	0	0	0	6,000
Vončina, Brigita	18,000	0	0	41	18,041
<b>Total</b>	<b>54,000</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>54,041</b>

### Earnings of Members of the Nomination Committee in 2018:

in EUR	Compensation for holding the position (gross)	Attendance fee (gross)	Fringe benefit	Travel expenses (gross)	Total
Gaberščik, Luka	18,000	0	0	0	18,000
Vitez, Jagoda	18,000	0	0	0	18,000
Vončina, Brigita	18,000	0	0	51	18,051
<b>Total</b>	<b>54,000</b>	<b>0</b>	<b>0</b>	<b>51</b>	<b>54,051</b>

### Other costs associated with the Supervisory Board and its Committees

in EUR	SSH	
	Jan -Dec 2019	Jan -Dec 2018
Costs in connection with the selection of a Management Board Member (advertisement, HR agency)	26,647	12,630
Other (insurance premiums)	250	167
<b>Total</b>	<b>26,897</b>	<b>12,797</b>

### 15.3.3 Transactions with the Government of the Republic of Slovenia, state authorities and enterprises controlled by the Government or in which its significant influence is exercised

Companies that are related to the state include all companies in which the Republic of Slovenia

exercises a significant influence.

in EUR '000	Receivables			Income
	31 Dec 2019	31 Dec 2018	Jan -Dec 2019	Jan -Dec 2018
Ministry of Finance	1,243	1,589	4,193	10,227
Ministry of Economic Development and Technology	283	283	0	232
Farmland and Forest Fund of RS	118	59	1,251	893
D. S. U.	14	569	322	656
<b>Total</b>	<b>1,658</b>	<b>2,500</b>	<b>5,766</b>	<b>12,008</b>

SSH also transacts with other companies, authorities, bodies and agencies in which the Republic of Slovenia is a majority or a minority shareholder. All transactions with the above mentioned entities

are concluded at arm's length, just like with other entities. Since no significant amounts are involved, these pieces of data are not disclosed.

## 15.4 OPERATING SEGMENTS

The SSH Group carries out various tasks which usually do not entail the generation of significant income. The main activity leading to the Company's establishment was the determination and the payment of compensation arising from denationalisation (ZDen). For this purpose, SSH had received a portion of a previously socially-owned property, in the form of shares registered as income upon its receipt. These assets are sold subject to the financial needs and depending on the situation in capital markets. Upon the disposal of financial investments recognised at fair value through other comprehensive income, the difference between the acquisition value and the selling price of an individual financial investment is transferred from fair value reserve to retained profit or loss.

SSH carries out the following tasks on behalf of and for the account of the Republic of Slovenia: the payment of compensation to beneficiaries for confiscated property pursuant to the abrogation of the penalty of confiscation of property (ZIOOZP), the payment of

compensations to war and post-war violence victims (ZSPOZ), and reimburses investments made into the public telecommunications network (ZVVJTO).

Upon the abolition of the Capital Assets Management Agency of the Republic of Slovenia, SSH/SSH Group has taken over its duties as well as employees. One portion of costs incurred with the management of capital assets are reimbursed to SSH/SSH Group by the Ministry of Finance. In accordance with the agreement, SSH should be reimbursed for all costs incurred in the processes for the sale of capital assets owned by the Republic of Slovenia.

It is considered that requirements for reporting on operating segments as laid down by IFRS 8 have not been met. As a result, the Segment Reporting was not developed. SSH/SSH Group does not sell its services/goods/material to outside customers, the subsidiaries are not consolidated by SSH/SSH Group since they have no material impact for the presentation of financial position and performance.

## 15.5 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In addition to future liabilities for which provisions have been recognized by SSH/SSH Group due to the fact that conditions have been met for their recognition, SSH/SSH Group has also formed contingent liabilities arising from denationalisation in the amount of EUR 38.7 million. Administrative units and ministries are known to have additional

requests for compensation according to ZDen that have not yet been communicated to SSH. The value of these liabilities has therefore been determined by means of an assessment.

SSH does not hold any contingent assets.

## 15.6 EVENTS AFTER THE BALANCE SHEET DATE

Following the reporting date of the Statement of Financial Position, there were no developments that might affect the financial position, profit or loss and other comprehensive income of SSH/SSH Group for the year that ended on 31 December 2019.

On 6 February 2020, the Government of the Republic of Slovenia granted its consent to the Annual Asset Management Plan 2020 which includes the Plan for Consolidation, Governance and Restructuring of State-owned Tourism Companies, in accordance with the Tourism Strategy.

On 12 March 2020, Slovenia declared coronavirus epidemic as a result of the spread of infections with Covid-19. With the aim to curtail the epidemic, strict measures were imposed, restricting social contacts and movement of people, which have had a negative impact on the economic activity in RS and abroad. Although the Government of RS has already adopted several measures which aim to mitigate the negative economic effects, the latest macroeconomic outlooks for 2020 foresee a substantial fall in GDP in RS, but the actual drop will mostly depend on the duration of the epidemic.

As regards SSH, current situation is reflected in a dramatic fall in the market value of assets (the value

of marketable financial investments decreased by EUR 126,9 million in the first three months of 2020) and due to an increased risk in achieving the planned dynamics and the amount of income received by SSH from dividend pay-outs in 2020, this tightens the liquidity situation of SSH. Owing to the state of emergency, some General Meetings of companies will be held later than planned, and companies in which operations have been affected by the coronavirus epidemic will align the amount of dividend pay-out to the new situation. The amount of dividend pay-out, which are especially important for SSH's liquidity, will be greatly influenced by the position taken by the insurance regulatory authority: in fact, the Insurance Supervision Agency expects from insurance firms not to pay out dividends until 1 October 2020. This is why SSH started to pursue activities for obtaining additional sources of funding in order not to jeopardize the payments due to bond holders. Prior to the declaration of the epidemic, efficient management of crisis was a priority task for SSH. Measures for health protection of all employees were especially important, together with measures for business continuity and for training the employees for working from home and deploying internal communication activities. From the start of the epidemic, SSH has functioned efficiently and has carried out all of its regular activities. For efficient risk management, the Crisis Risk Register has been adopted.

Ljubljana, 16 April 2020

Boris Medica,  
Member of Management Board



Boštjan Koler,  
Member of Management Board



Gabrijel Škof,  
President of Management Board



# LIST OF ACRONYMS AND GLOSSARY OF TERMS

- ABB** – An accelerated bookbuild process, a form of offering in the equity capital markets
- ATVP** – Securities Market Agency
- AVK** – Slovenian Competition Protection Agency
- BDP** – Gross domestic product
- BDO** – BDO revizija, d. o. o.
- CPI** – Consumer price index
- d. d. (PLC)** – public limited company; in SSH's asset management documents, the term "stock corporation" is also used and it means a company whose share capital is divided into shares and has issued equity securities for these shares, in accordance with ZGD-1.
- d.o.o. (Ltd. )** – Limited liability company is a company that, under the provisions of ZGD-1, is not able to issue equity securities for its share capital.
- D. S. U.** – Družba za svetovanje in upravljanje
- DARS** – Motorway Company of the Republic of Slovenia
- VAT** – Value added tax
- FFE** – Family-friendly enterprise
- Company** – Slovenian Sovereign holding
- BAMC** – Bad Asset Management Company
- EBRD** – European Bank for Reconstruction and Development
- ECB** – European Central Bank
- EDC** – electricity distribution company
- ECESA** – Expert Committee for Economic and Social Affairs
- EU** – European Union
- EUR** – Euro currency
- FED** – American Central Bank
- GEN** – GEN Group, d. o. o.
- GDR** – Global Depositary Receipts
- GZS** – Chamber of Commerce and Industry of Slovenia
- HICP** – Harmonised Index of Consumer Prices
- HSE** – Holding slovenske elektrarne
- IMF** – International Monetary Fund
- IPO** – Initial public offering of shares
- KAD** – Kapitalska družba pokojninskega in invalidskega zavarovanja d. d. (Pension Fund Management)
- KK** – Nomination Committee
- CA** – capital asset (Translator's note: *Capital assets* refer to equity holdings managed by SSH where the SSH or the Republic of Slovenia's ownership interest is at least 5%).
- Code** – Corporate Governance Code for SOEs
- Commission** – Commission for handling alleged irregularities in SOEs
- CPC** – Commission for the Prevention of Corruption
- AAMP** – Annual Asset Management Plan for capital assets of RS and SSH
- MoF** – Ministry of Finance
- MEDT** – Ministry of Economic Development and Technology
- BUPF** – Blue umbrella pension fund managed by Modra zavarovalnica
- IFRS** – International Financial Reporting Standards
- MOI** – Ministry of Infrastructure
- NLB** – Nova ljubljanska banka
- SB** – Supervisory Board

**SSH SB** – Supervisory Board of Slovenian Sovereign Holding

**OECD** – Organisation for Economic Cooperation and Development

**Policy** – Asset Management Policy of SSH

**KK Portal** – Nomination Committee

**Preclusion period** – it determines a period of time - time bar - during which a procedural action must take place; when this period expires and the action has not taken place, then the issue preclusion occurs after which a party cannot perform this action any more as the right to do so has been lost

**ROA** – return on assets

**ROE** – return on equity

**RS** – Republic of Slovenia

**RS21** – symbol of a bond issued by the Republic of Slovenia for the payment of compensation for confiscated property pursuant to the abrogation of the penalty of confiscation of property

**RS39** – symbol of a bond issued by the Republic of Slovenia for the payment of compensation for victims of war and post-war violence

**SSH** – Slovenian Sovereign Holding

**SEO net** – Slovenian regulated market – Ljubljana Stock Exchange

**SSH Group** – Slovenian Sovereign Holding Group

**SOD** – Slovenska odškodninska družba, d. d.

**SOE** – State Owned Enterprise: in accordance with Article 2 of ZSDH-1, an enterprise referred to as a SOE is a company in which the only shareholder or one of the shareholders are SSH and/or the Republic of Slovenia, regardless of legal organizational form of the SOE and regardless of the proportion of shares held by the State and/or SSH in SOE's share capital

**SOS2E** – the symbol of a bond issued by Slovenian Sovereign Holding for the settlement of liabilities due to beneficiaries in denationalisation proceedings

**Strategy** – State Assets Management Strategy

**SZ, SZ-1** – Housing Act of the Republic of Slovenia

**Zden** – Denationalisation Act

**ZDIJZ** – Public Information Access Act

**ZGD-1** – Companies Act

**ZIOOZP** – Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property

**ZPIZ** – Zavod za pokojninsko in invalidsko zavarovanje or, in English, Pension and Disability Insurance Institute of Slovenia.

**Zpkri, Zpkri-1** – Redressing of Injustices Act

**ZN-3** – Public Procurement Act

**ZSDH-1** – Slovenian Sovereign Holding Act

**ZSOS-1** – Slovenian Compensation Fund Act

**ZSPOZ** – Act on Payment of Compensation to Victims of War and Post-War Violence

**ZPPDFT-1** – prevention of Money Laundering and Terrorist Financing

**ZPNPID** – Legal Successors of Authorized Investment Companies Act

**ZPVAS** – Act on the re-establishment of agricultural communities and the return of their property and rights

**ZPre-1** – Takeovers Act

**ZSPOZ** – Act on Payment of Compensation to Victims of War and Post-War Violence

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