



ANNUAL REPORT
of SSH Group and SSH for 2020

**Annual Report
of SSH Group and SSH for 2020**

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Introduction

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A large, semi-transparent graphic of a document or folder is positioned on the right side of the page. The letters "SDH" are printed in a large, white, sans-serif font on the document's surface. The background of the entire page is a blurred image of a modern office interior with glass partitions and a desk.

1 Key highlights for 2020

MANAGEMENT OF PORTFOLIOS OF RS AND SSH CAPITAL ASSETS



Expected ROE of total RS and SSH portfolios for 2020, as stated in Annual Asset Management Plan

5.9%



The total sum of dividends paid out from RS and SSH Portfolio in 2020 (for FY 2019)

EUR 85.9 million

(of which EUR 23.2 million of dividends paid to SSH)



*Estimated ROE of RS and SSH portfolios to be realised in 2020

4.3%



*Book value of RS and SSH capital assets as of 31 December 2020

EUR 9.9 billion

* Final data for 2020, based on audited consolidated statements, are expected in October 2021. The estimate does not take into account the extraordinary write-offs in HSE linked to TEŠ Project totalling EUR 243.5 million. Likewise, positive effects generated by NLB with the take-over of Komercijalna banka Beograd, amounting to EUR 128.4 million, are excluded. If the above-mentioned items were taken into account, ROE of the portfolio for 2020 would have amounted to 2.2%.

SSH IN FIGURES AS OF 31 DECEMBER 2020



EUR 737.4 million

of assets



EUR 640.5 million

of SSH equity



95%

of the SSH's total assets placed as equity investments (the portfolio is composed of 23 active capital assets owned by SSH)



EUR 26 million

of profit – SSH net operating result in 2020



58

no. of employees in SSH

2 Letter by the Management Board

Slovenian Sovereign Holding (SSH) again demonstrated efficiency and agility in managing the crisis even amidst the uncertain times of the coronavirus infectious disease. SSH functioned effectively and smoothly carried out all its ordinary activities from the very outbreak of the epidemic, just like before these difficult times. Measures taken by SSH for the health protection of all its employees were at the forefront of its activities, as well as measures for ensuring the continuity of business operations; the latter were focused on training its employees for working from home, which is why internal communication processes were enhanced and the skills for managing hybrid teams and office and remote workplace were developed. For the purpose of managing risks, which have arisen after the outbreak of the COVID-19 epidemic, SSH drew up a crisis risk register and reinforced asset managing activities in the most important portfolio companies as well as bolstered up activities for managing the Company's liquidity as a result of the increased risk posed to the pace of the SSH dividend income and its amount as had been planned for 2020. Despite the tightened conditions, SSH does not report any outstanding liabilities related to financing activities as it fully settled its liabilities related to the bond issued.

Moreover, one of key tasks for 2020 was also realised, i.e., the provision of the suitable sources of financing and the postponement of the implementation of ZSOS-C for two years which will enable that payment of liabilities arising from denationalisation will not be interrupted.

The 2020 output of the RS's and SSH's portfolios was significantly affected by the COVID-19 epidemic.

After the outbreak of the epidemic, SSH enhanced its asset management activities in the most important portfolio companies and monitored closely for a prolonged period all those companies, which represent the critical infrastructure of Slovenia, particularly companies from the Energy and Transport sectors. SSH was also regularly informed of the assessments about the impact of the COVID-19 epidemic on the portfolio companies' operations, especially on their revenues, and monitored measures undertaken, firstly, to protect employees' health and, secondly, to ensure sufficient liquidity. SSH regularly monitored intervention measures taken by the State and presented several initiatives to their proposers in connection with the asset management activities.

Profitable operations are expected to be achieved at the level of the total portfolio in 2020. The estimates about

the operations of companies from **the portfolio managed by SSH show that the portfolio ROE is expected to stand at 4.3%**, which is by 1.6 percentage point lower than planned by AAMP 2020. It must be pointed out that the result does not include a one-off impact of the impairment of assets held in HSE due to TEŠ. With the consideration of the said write-offs, ROE of the portfolio is estimated to amount 2.2% in 2020.

According to the latest IMAD's forecast on the economic growth in Slovenia, the portfolio output shows a relatively successful operation of companies from the portfolio managed by SSH under the current circumstances, irrespective of an estimated drop in the ROE indicator. A fall in the ROE value was also negatively affected by certain regulatory modifications, such as, for example, amendments to the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system. Otherwise, the effects of the COVID-19 crisis had a different impact on the operation of individual companies. The companies from the SSH's portfolio which were hit the most by the crisis include enterprises from the tourism and gaming industries, and companies from manufacturing and transport industry, whereas pharmaceutical and telecommunication industries were the least impacted by the COVID-19. The Energy sector smoothly achieved the results set in AAMP, despite negative effects due to changes in regulations and decreased business volume, and consequently, lower operating result than anticipated for some market activities. However, the consideration of the one-off impact of the impairment of assets held by HSE in TEŠ, would make the output of the Energy pillar a negative one.

RS and SSH received the total of EUR 85.9 million of dividend income in 2020 (for FY 2019). The lower value of dividend income, which was set at EUR 142.4 million in AAMP 2020, is the result of tighter business conditions. These were reflected in poorer performance results achieved by some companies in 2020 and in the worsening of their financial situation. But the main reason for lower dividend income lies in restrictions imposed on dividend payments paid by banks and insurance companies which were adopted by supervisory institutions in 2020.

The SSH's profit or loss before taxes amounted to EUR 26 million; EUR 39.9 million of profit was planned. The restrictions imposed by supervisory institutions resulted in the loss of EUR 19 million of the planned dividend income. The epidemic also affected the pace of dividend payments although it did not have any other major impact on the financial statements of the portfolio companies.



Dr Janez Žlak, President of the Management Board



Vanessa Grmek, MBA, Member of Management Board

Enhancing sustainable operation by amending the SSH Recommendations and Expectations, the Integrity Plan and the Code of Ethics

The Integrity Plan was supplemented with newly identified risks in 2020, and when revising the document, a special attention was placed on the definition of additional measures for managing risks having an element of corruptive, illegal and other unethical conduct. After having a wider discussion on the topics and after the adoption of additional proposals, which had been made by liable parties on the topics related to leading by example, zero tolerance towards corruption, observance of human rights in business, sustainable development, mutual relationships in the Company and operations with related enterprises, the amended SSH Code of Ethics and the revised Code of Ethics of SSH Supervisory Board were adopted.

Recommendations were adopted for adopting rules on other rights of members of a management body, for the observance of human rights in business and for sustainable operations. SSH has addressed these recommendations to all companies from its portfolio. The aim of these rules is to encourage SOEs for pursuing economic, social and environmental transformation of their business strategies and models which should lead to better competitiveness, lower risk levels and sustainable performance in the long term. At the SSH's initiatives, at General Meeting sessions companies disclosed earnings of members of management bodies of SOEs and of their subsidiaries, which were substantially higher, and their existing Remuneration Policy was presented to the General Meeting of some individual companies.

Continued efforts towards organizational development of the company

SSH wishes to be recognized as an exemplary, reliable and trustworthy financial institution. With the aim of increasing efficiency of operations, the internal reorganisation of SSH was carried out, and the digitalization of business and the optimisation of business processes were enhanced. An important part of these activities includes the completion of the project for the upgrade of analytical solutions for the portfolio companies' data management, envisaged for 2021. The foundations were set for developing new services and activities to be performed by SSH in order to ensure the highest possible level of the corporate safety when carrying out its business processes.

The Government's proposal on the National Demographic Fund Act (ZNDS) is currently being discussed in the legislative procedure; the said Act anticipates SSH to be transformed into the Demographic Fund and envisages all state assets to be managed by one institution only. In addition to tasks envisaged by the proposed Act, the Demographic Fund would exercise the powers, the authority, the rights and obligations held by SSH prior to its transformation. This is a great challenge for SSH in terms of its asset management, process and organisational transformation which will be executed in a professional, responsible and inclusive manner, provided that the said Act is implemented.

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. However, after Igor Kržan resigned from his position on 5 January 2021, the Supervisory Board has four members.

In 2020, the Supervisory Board included the following members: Karmen Dietner, President; Janez Vipotnik, Member; Duško Kos, Deputy President until the ordinary termination of the five-year term of office of the Supervisory Board, which took place on 16 July 2020; Damjan Belič, Member, until the ordinary termination of the five-year term of office of the Supervisory Board, which took place on 16 July 2020; Ivan Simič, MSc, Deputy President, and Božo Emeršič, who both took their office on 17 July 2020. In accordance with Article 273 of ZGD-1, SB appointed Igor Kržan as the President of the SSH Management Board to assume the position on 2 July 2020. The term of office of Igor Kržan in the position of the SB's Member was suspended from 2 July 2020 until the appointment of Dr Janez Žlak as the new President of the SSH Management Board for the full tenure, which took place on 7 October 2020.

Personnel decisions

In 2020, in accordance with its authority, SB made decisions on several staff-related changes in the SSH's Management Board.

Following the early termination of the term of office of Gabrijel Škof, the then President of the SSH Management Board, SB kicked off the recruitment process for the selection of a new President of the Management Board with the assistance of an international HR agency. 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, which is composed of all SB Members, to carry out the all the necessary procedures. During the selection procedure, the Nomination Committee took into account all recommendations submitted by the Commission for the Prevention of Corruption, as well as additional criteria which have to be satisfied by a candidate for assuming the position of the President of SSH Management Board, in addition to satisfying the formal statutory criteria. After recruitment procedures were completed, SB was informed on the Re-

port prepared by the Nomination Committee about activities carried out, and continued with the procedure to appoint the President of the Management Board.

At its regular session of 1 July 2020, SB and Gabrijel Škof signed an agreement on an early termination of Gabriel Škof's term of office, which took effect on the same day. In accordance with Article 273 of ZGD-1, SB filled up the vacancy in the Management Board by appointing Igor Kržan, otherwise 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 of the office of the President of the SSH Management Board, his position as the SB Member was suspended.

At its first extraordinary session on 30 September 2020, SB appointed Dr Janez Žlak to the position of the President of the SSH's Management Board for a four-year term of office. Dr Janez Žlak started his tenure on 7 October 2020.

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.

Owing to measures to contain the spread of COVID-19, because of the declared state of the epidemic, and due to the distress experienced by many enterprises, SSH failed to achieve the targeted goals and indicators, which were set in the SSH Performance Criteria for 2020 and adopted by the Government of the Republic of Slovenia; a detailed presentation is provided in the Chapter on Performance Criteria.

In addition to the personnel decisions presented above, the text below presents the most important decisions taken and topics discussed by SB within the scope of its powers as stipulated by the SSH's Articles of Association, and in line with SB's requirements.

After the epidemic of the new coronavirus disease was declared in 2020, acting firstly through the SB's Risk Committee, and then also through discussions at its regular sessions, SB encouraged the SSH Management Board to take fast and appropriate action both at the level of SSH

as well as in terms of SSH's relations to companies from the portfolio managed by SSH. SSH Supervisory Board was regularly informed on reports about the implementation of measures for preventing the spread of coronavirus in the Republic of Slovenia and assessed that SSH's response to the crisis was fast and efficient, that its employees were properly protected, and its internal processes were duly managed. The SSH Management Board regularly drew up reports presenting information on financial performance of companies from the portfolio managed by SSH. Because of the negative impact of the health crisis on the economy, SB followed even more closely and in more detail the performance results and the liquidity reports of companies from the portfolio managed by SSH. It placed a lot of attention to their Dividend Policy and to measures undertaken by companies to ensure cost optimisation and to the attainment of their annual plans.

SB also discussed several times issues concerning the liquidity of SSH which would arise owing to the implementation of ZSOS-C, pursuant to which, by 30 December 2020, SSH was supposed to transfer free of charge to RS all strategic and important assets in the ownership of SSH at the cut-off date of 20 December 2020, and as a result of which SSH would not be able to settle its statutory and ordinary liabilities. SSH thus encouraged the SSH Management Board to communicate regularly with the relevant stakeholders with the aim to postpone the implementation of ZSOS-C.

Similarly as in previous years, SB actively pursued activities in the area of tourism industry in 2020; as a matter of fact, 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 Plan and the Asset Management Plan.

SB commissioned an independent external review of the process for the sale of RS's capital assets held in Meta Ingenium, družba tveganega kapitala, d. o. o., in November 2020. After the reports were submitted, SB examined the actual and the legal circumstances surrounded with the sale. The findings showed that the running of the above-mentioned sale process lacked the greatest possible professional diligence necessary for ensuring the regularity of procedures and the protection of the greatest possible economic interest of RS. SB informed the Management Board on its findings. On the basis of these findings, the members, who held their position in the SSH Management Board at the time of the said sale, submitted their consensual resignation notice, in accordance with ethical standards, and left their positions at the SB's session held in January 2021. After examining the circumstances relating to the case, NS also discovered that several irregularities were made in the said process of sale by the

private majority shareholder of Meta Ingenium, i.e., Meta Ventures. These irregularities referred to the omission of the duty to provide information and inform SSH on other material circumstances important for the process of sale and necessary for Meta Ingenium's valuation. This is why SB supported the Management Board to take all the available legal remedies to protect the interests of RS.

SB also discussed the following documents: Annual Asset Management Plan for 2021, the Performance Criteria for SOEs and the Performance Criteria for SSH and played a constructive role in their adoption. SB endorsed the Audited Annual Report of SSH and SSH Group for 2019 and granted its consent to the SSH's Business and Financial Plan for 2020.

In 2020, SB also endorsed amendments to the SSH Integrity Plan; the said document makes an outstanding contribution to applying improvements in the SSH's integrity system.

Throughout the year, SB was regularly made aware of the SSH's financial statements and goals in regard to SSH reorganisation, job systematisation and improvements in the wage system. SB commissioned the internal audit review of HR-related risks with the aim to obtain independent insights to assist the Management Board in completing the reorganisation process.

Furthermore, SB's assignments regarding the following matters have to be pointed out: the monitoring of the implementation of public authorisations under individual laws, the overseeing of the implementation of the Ordinance on State Asset Management Strategy and 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; SB also dealt with quarterly reports on activities carried out by the Compliance Manager, and, in accordance with ZGD-1, granted consents to all documents prepared by the SSH's Internal Audit and to other documents, which are presented in this Report's Chapter on the work carried out by the Audit Committee. SB was regularly acquainted with the reports prepared by the Presidents of the Risk Committee, the Audit Committee and the Nomination Committee giving a presentation of their meetings.

SB regularly and continuously monitored circumstances which might have led to any conflict of interest, consistently avoiding 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 permanent committees were active in 2020:

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

Because of the epidemic, the work carried out by the **Risk Committee** in 2020 was more intensely focused on the significance of risks management system in SSH, on its improvements and on risk monitoring, as well as on ensuring awareness of the importance of this subject matter among all employees. Additional activities were carried out in SSH at the said Committee's initiative, which, among other matters, included the introduction of the Crisis Risk Register. The Risk Committee drew attention to the need to avoid the prolongation of deadlines for implementing measures and highlighted the HR-related risk, proposing its inclusion in the Risk Register, and thus demonstrated its concern for the normal operation of SSH. Meeting at two regular and one correspondence sessions in 2020, the Risk Committee was regularly acquainted 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 Master Risk Register. The Risk Committee was also informed of the activities planned by SSH in connection with risk management, was regularly familiarized with the reports on the work of the Committee responsible for handling irregularities in SOEs and followed the reporting activities by the Chief Compliance Officer, as well as drafted a proposal to SB to extend the term of office of an external member of the Risk Committee.

At its sessions, the **Audit Committee** discussed the following documents: SSH Business and Financial Plan for 2020; Internal Audit Work Programme for 2020; the Multi-Annual Internal Audit Activity Plan for 2020-2022; the Final Audit Plan relating to the Annual Financial Statements, attended the presentation of the draft Auditor's Report and monitored the quality of external auditor's activities as well as made an assessment on the work carried out by the audit firm in 2019 on the basis of criteria stipulated by the Audit Committee. The said Committee also discussed the Internal Audit Activity Report for 2019, considered proposals for amending internal corporate documents for SB on the operation of the Internal Audit, and reviewed findings of the internal assessment relating to the Internal Audit's operation. The Audit Committee also considered the Audited Annual Report of SSH and SSH Group for 2020 and the SSH and SSH Group Interim Report for 2020, discussed the Internal Audit Reports and Audit Reports prepared by the Internal Audit on audit as-

signments carried out in SOEs with 100% RS stake.

The Audit Committee performed its assignments in accordance with ZGD-1 provisions and recommendations about the audit committee's work; during its operation, it actively cooperated with the SSH Internal Audit Department, while having regular contacts with the SSH's independent auditor. The Audit Committee did not evaluate its work, which was performed in 2020, due to significant changes to its membership.

The **Nomination Committee** is composed of all the members of the SSH Supervisory Board. The President of the Nomination Committee is Ivan Simič, MSc. In addition to activities relating to the processes for filling up the vacancy in the Management Board, the Nomination Committee deals with the remuneration of the SSH Management Board. It has prepared a proposal for SB on the variable part of earnings to be received by the Management Board in 2021.

Work carried out by Supervisory Board

In 2020, SB met at nine regular and two extraordinary sessions, in addition to carrying out seven correspondence sessions. The membership attendance at session, which was almost always full, except for Igor Kržan, who assumed the position of the temporary President of the SSH Management Board. The membership attendance is presented in the Table included in the Corporate Governance Statement.

SB 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, enabling 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 observed Slovenian and international recommendations as well as good practice in corporate governance. The Corporate Governance Code for SOEs, which applied for SSH in 2020 as the reference Code, was adhered to when carrying out SB's activities.

The Supervisory Board did not evaluate its work, which was performed in 2020, due to significant changes to its membership.

The sum of EUR 13,405.20 was spent for the operation of SB and its committee in 2020, in addition to attendance fees and remuneration for performing the supervisory duties. The costs were incurred in the process for appointing the President of the Management Board, for supplementary training and for D&O insurance policy.

In 2020, the Management Board regularly attended the SB's sessions and prepared the necessary underlying material for decisions to be made by SB or reported on business developments to SB, thus ensuring the necessary basis for making sound decisions.

Review of SSH and SSH Group Annual Report

The Audit Committee considered the SSH and SSH Group Annual Report for 2020 and the Independent Auditor's Report to the SSH shareholder, which include the audit opinion with no reservations, at its regular session held on 20 April 2021 (the draft report was presented at the regular session held on 1 April 2021). 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 the said session and answered questions raised by the Audit Committee's members. After the in-depth consideration of the Annual Report, the Audit Committee proposed to SB to approve the Annual Report for SSH and SSH Group for 2020, to discuss the Auditor's Report for 2020 and to take a positive position on it.

By taking into account the Audit Committee's assessment and its proposals, SB reviewed and discussed the SSH Group and SSH Annual Report 2020 at its regular session of 21 April 2021. The SB also reviewed the Auditor's Report to the shareholder. Furthermore, at the said meeting, the Management Board presented to the SB individual sections from the SSH and SSH Group Annual Report for 2020. At its session of 21 April 2021, SB determined that the above-mentioned Report includes all components required, that it is drawn up in accordance with ZGD-1 and International Financial Reporting Standards, that the Report is clear and transparent, and that it presents the company's operations for the preceding year in a reliable manner and gives a true and fair view of the financial position, financial performance and cash flows of SSH/the Group as of 31 December 2020. On that basis, SB adopted the following resolutions:

- SB adopts the Audited Annual Report for SSH and SSH Group for 2020;
- SB has taken a positive position on the Auditor's Report for 2020 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 2020, on the basis of the approved Annual Report for SSH and SSH Group for 2020, and to take a positive position on the Auditor's Reports for 2020.

Position in regard to independent auditor's report

The Management Board presented to SB the Annual Report for SSH and SSH Group for 2020 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 21 April 2021.

The report by the audit firm BDO Revizija d. o. o. on SSH annual financial statements 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 as of 31 December 2020, in accordance with the International Financial Reporting Standards (IFRSs). Similarly, the audit opinion by the audit firm for the SSH Group holds no reservations - in all material aspects, the consolidated financial statements give a true and fair presentation of the financial position of the SSH Group as of 31 December 2020 as well as the Group's consolidated financial performance and consolidated cash flows as of 31 December 2020, in accordance with the International Financial Reporting Standards (IFRSs). SB has taken a positive position on the Auditor's Report for 2020 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 2020, including the accompanying Auditor's Report for 2020, SB hereby declares that no objections in regard to the said report have been made, and, pursuant to Article 282 of Companies Act, SB therefore endorses the Annual Report for SSH and SSH Group for 2020.



Karmen Dietner,
President of Supervisory Board

Bussiness Report

Responsible, prudent and efficient management
of state assets and satisfaction of all obligations
under various laws

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4 Review of Important Events and Projects Undertaken in 2020

Projects for digital transition and cyber security

Amidst the time of an extraordinary business situation caused by the coronavirus disease, the decisions made in the past years on the architecture and the content of the information technology system turned out to be the right ones. All challenges relating to the organisation of work under new conditions were manageable and business processes have been carried out without any problems. New conditions have fostered full digitalisation of all processes, even of the auxiliary ones. Thus, SSH was fully able to carry out all the processes in the new hybrid organisation of work.

One part of the processes is now carried out outside of the SSH's premises as a result of which the integration of the information technology department and the corporate safety was logical, especially considering the size of the organisation. Cyber security is part of the corporate safety and security department and is an incredibly important area of work under current and future conditions. The foundations were set for developing new services and activities which will be performed by SSH in order to ensure the highest possible level of the corporate safety, when carrying out its business processes.

Huge progress was made in data management. Solutions for transparent reporting were introduced, and for ensuring the quality of data. The necessary changes in providing data were implemented so that complex analysis of the portfolio and advanced and predictive analytics of the portfolio companies' operation will be enabled in the future.

Good cooperation between the area covering the information technology and other areas of SSH's operation is critical for SSH - the goal is to have a common understanding of the business process flow and an equal understanding of the content while setting priorities for the further development of the SSH's information system.

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

In 2020, SSH organised five training sessions for management and supervisory bodies of companies from the portfolio managed by SSH. The supplementary training sessions organised in January and in February were organised off-line (firstly, Review of key authorities and responsibilities of Audit Committees from the aspect of the Agency for Public Oversight of Auditing, acting in the capacity of the auditing regulator, and secondly, the Cyber security: an integrated management of cyber risks, change in awareness and in corporate safety and security). The following sessions were organized on-line on the web platform Zoom: (i) Strategic management of corporate culture; (ii) Sustainable business strategies of companies; and (iii) the Analyses of Balance Sheet and Finance. They were carried out in cooperation with the Centre of Business Excellence of the Faculty of Economics of the University of Ljubljana. All events were well attended.



International Fraud Awareness Week

At the signing ceremony in June 2020, SSH supported the common fight of 18 partners against corruption, fraud and financial crime. By signing the Cooperation Agreement, SSH publicly expressed its endorsement of the 2020 International Fraud Awareness Week initiative. Several events were organised from 16 November 2020 to 20 November 2020, there were conferences and round tables, and their aim was to raise awareness of the broader public on the issue that touches us all.



Project for strengthening the corporate governance in SSH and in companies under SSH management

SSH completed the project for strengthening the performance and governance of state-owned enterprises in the first quarter of 2020. The project was carried out in cooperation with EBRD, the European Commission's Directorate-General for Structural Reform Support (DG REFORM), and the consulting firm, Deloitte Slovenia. The project, which was concluded with a two-day workshop attended by members of management and supervisory bodies of companies from the SSH portfolio and representatives of ministries, gave to SSH the following important deliverables: a systematic review of corporate governance practices pursued by selected companies from the portfolio, presentation of international benchmarking and guidelines for the best practices in corporate governance, and recommendations for further development of the system of the SOE's corporate governance in Slovenia.

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

5 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. 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 2020.

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. As regards those aspects of asset management, which are not regulated by ZSDH-1, the provisions of ZGD-1 apply in the subsidiary manner, and principles and recommendations of the reference code, i.e., the Corporate Governance Code for SOEs adopted by SSH in accordance with ZSDH-1, by means of observing the "comply or explain" principle. SSSH 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 March 2019, SSH uses the Corporate Governance Code for SOEs as the reference corporate governance code (also available on SSH's web site 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 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 2020, 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 SSSH General Meeting Resolutions of 8 December 2014.
- SSH has not yet introduced the career development plan as this subject area is under development and is expected to be completed by the end of 2021 (Item 7.4 of the Corporate Governance Code for SOEs).
- The Supervisory Board has not formally developed 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 of Supervisory Board (Item 6.8.5 of the Corporate Governance Code).
- The Management and Supervisory Boards has not developed a diversity policy. As regards the composition of the Supervisory Board, special provisions of ZSDH-1, which stipulate the procedure for the selection and nomination of the Supervisory Board Members, hamper the adoption of the diversity policy for SSH (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 safety, 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 safety 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 BDO 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. The said service 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 and which are defined in ZGD-1 and ZSDH-1, in addition to adopting measures for measuring the 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.

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 remains 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 detailing his job description and so that all employees, the Management Board and the Supervisory Board Members take an active in detecting risk and in carrying out measures from 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 and to be pursued by all SOEs under SSH's management.

As regards corporate compliance, 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, who is in charge for establishing and implementing the compliance system, pursued activities to upgrade the Integrity Plan and to deal with topics highlighted by the Risk Commission and the Chief Compliance Officer's cabinet. 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 with commitments as regards the following subject matters: (i) leading by example, (ii) zero tolerance to corruption, (iii) observance of human rights in business, (iv) sustainable development, and (v) interpersonal relations in the company.

The revised version of the Corporate Governance Code for SOEs includes a recommendation to SOEs on the establishment of corporate integrity system. Key recommendations refer to the following areas: (i) the formation of the Chief Compliance Officer's position, (ii) the preparation of the Anti-Corruption Programme of an SOE, (iii) the identification of corruption risks and the definition of illegal and unethical conduct, (iv) the education and further training system for employees, (v) the formation of the system for reporting irregularities, (vi) the formation of mechanisms for suitable and efficient action, (vii) the traceability and keeping of the reports register and the protection of whistle-blowers, and (viii) the system for regular reporting to the management and supervisory bodies on reports of irregularities received and handled and actions taken.

VI. Diversity Policy - description

The Management and Supervisory Boards did not formulate nor adopt a diversity policy which is usually carried out in connection with the composition of the management and supervisory bodies of the Company. The part of the diversity policy which should regulate the composition of a supervisory body, is subject to special statutory provisions (ZSDH-1), by way of which the procedure for the selection and nomination of the Supervisory Board Members is stipulated (the only proposer of candidates for SSH's Supervisory Board Members is the Government RS and the body appointing them is the National Assembly of RS). SSH will formulate the diversity policy only if amendments to the legislation are adopted in the section which refers to the procedure for the selection and the nomination of the Supervisory Board Members. If the relevant amendments to the legislation are not passed, SSH will not formulate the diversity policy.

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 prohibi-

on of the disposal of SSH shares. Therefore, there is not even a theoretical option that ZPre-1 applies to SSH. Irrespective of the above stated, and because SSH is included on the Securities Market Agency's list of companies for which ZPre-1 applies, SSH has nevertheless disclosed the data as at the last day of the financial year and all the necessary explanatory notes, in accordance with Article 70, Paragraph 6 of ZGD-1. These data are presented below.

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 2020, 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 SSH Management Board consists of three members of which one holds the position 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 is recruited 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. The term of office of the Supervisory Board Members lasts for five years. 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 a SSH Supervisory Board Member are laid down in ZGD-1 and ZSDH-1. A 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 as regards the 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 own 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 as regards the issue or purchase of own shares.

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 without cause or their employment is terminated

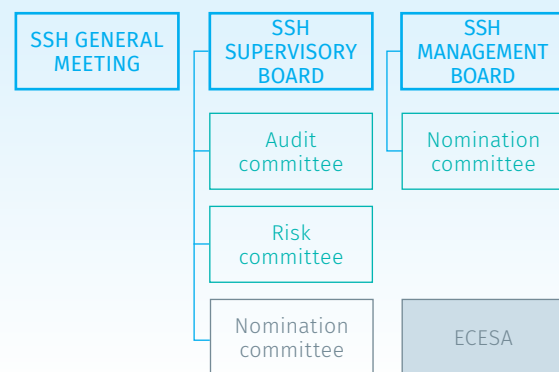
There are no such agreements concluded.

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 two bodies, i.e., 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 businesses. 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 superviso-

ry 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.

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



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 within the scope of Management Board 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 on 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 Companies with Capital Assets of the State;
- 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 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

<i>Name and surname</i>	Dr Janez Žlak	Boštjan Koler	Igor Kržan	Gabrijel Škof	Boris Medica
<i>Position held (President, Member)</i>	President of the Management Board	Member of the Management Board	President of the Management Board	President of the Management Board	Member of the Management Board
<i>Area of work covered within the Management Board</i>	asset management, Management Board's office, HR and general affairs, IT and corporate safety and security, controlling and risk management, financial management of SSH	asset management, legal affairs and denationalisation, financial management of SSH	disposal and acquisition of assets, PR	disposal and acquisition of assets, asset management, PR	asset management, controlling and risk management, financial management of SSH.
<i>First appointment to the position</i>	7 October 2020	1 December 2018	2 July 2020	1. October 2019	1 December 2019
<i>Conclusion of the position/term of office</i>	/	31 January 2021	6 October 2020	1. July 2020	31 January 2021
<i>Gender</i>	M	M	M	M	M
<i>Citizenship</i>	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian
<i>Year of birth</i>	1965	1961	1961	1960	1964
<i>Qualification</i>	PhD in chemistry and chemical technology, master's degree in economics, specialist in engineering, energetics expert,	university degree in law	university degree in economics, MBA	university degree in law	university degree in electrical engineering, MBA
<i>Expert profile</i>	running and organisation of business	running of companies and their governance	running of companies and their governance	asset management, running the company	asset management, restructuring, finance
<i>Membership in supervisory bodies in not affiliated companies</i>	President of the Supervisory Board of Eles, d. o. o.	President of the Supervisory Board of Telekom Slovenije, d. d. (membership from 3 November 2020 until 21 January 2021)	/	/	/

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 experts in corporate governance, HR management and experts in the functioning of bodies of supervision.

The membership of the Nomination Committee changed in 2020: Brigita Vončina, whose term of office expired on 5 April 2020, was replaced by Vlasta Lenardič, assuming her office on 6 April 2020.

The Nomination Committee is thus composed of the following members:

Samo Roš, the President of the Nomination Committee, an expert in corporate governance; Urška Podpečan, the Deputy President of the Nomination Committee, an expert in the functioning of Supervisory Boards; and Vlasta Lenardič, Member, an expert in HR Management.

ECESA is a seven-member consultative body of SSH Management Board, which gives opinions and makes initiatives in regard to economic and social affairs and adopts the opinions and initiatives on subject matters which result or may result in issues concerning the labour law,

the legal form of organisation or have a social impact on SSH's employees or on 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 (Konfederacija novih sindikatov Slovenije Neodvisnost), Saška Kiara Kumer (Zveza svobodnik sindikatov Slovenije), Zdenko Lorber (Slovenska zveza sindikatov Alternativa), Albert Pavlič (Zveza delavskih sindikatov Slovenije Solidarnost), Jakob Počivavšek (Konfederacija sindikatov Pergam), Branimir Štrukelj (Konfederacija sindikatov javnega sektorja Slovenije) and Damjan Volf (Konfederacija sindikatov 90 Slovenije). 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 2020: (i) the Audit Committee, (ii) the Risk Committee and (iii) 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.

Membership of the Supervisory Board and Supervisory Board's Committees in 2020:

<i>Name and surname</i>	Karmen Dietner	Ivan Simič, MSc	Božo Emeršič, MSc, MBA
<i>Position held (President, Deputy, member)</i>	President of Supervisory Board	Deputy President of Supervisory Board	Member of Supervisory Board
<i>First appointment to the position</i>	19 December 2018, She assumed the position of the SB President on 1 April 2019	17 July 2020	17 July 2020
<i>Conclusion of the position/ term of office</i>	19 December 2023	17 July 2025	17 July 2025
<i>Representative of capital/ employees</i>	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1
<i>Attendance at SB's session in regard to the total number of SB's session</i>	18/19 (on account of self-exclusion on one session)	9/19 (on account of appointment in July 2020)	9/19 (on account of appointment in July 2020)
<i>Gender</i>	F	M	M
<i>Citizenship</i>	Slovenian	Slovenian	Slovenian
<i>Qualification</i>	1968	1959	1966
<i>Qualification</i>	university degree in economics (BA in Economics)	university degree in law (LL.B.) and master's degree in taxation law	master's degree in business and organisation, MBA
<i>Expert profile</i>	finance, corporate governance	tax law corporate law corporate governance	corporate governance management finance
<i>Independence under Article 23 of the Code (YES/NO)</i>	YES, appointed in accordance with ZSDH-1	YES, appointed in accordance with ZSDH-1	YES, appointed in accordance with ZSDH-1
<i>Existence of conflict of interest in the financial year YES/NO</i>	NO	NO	NO
<i>Membership in supervisory bodies in other companies</i>	/	/	<ul style="list-style-type: none"> • Member of the Supervisory Board of Ilirika DZU, a.d., Belgrade, • non-executive director - Member of the Board of Directors (Mac.: Odbor na direktori) of Ilirika Fund Management, A D, Skopje, North Macedonia

* Igor Kržan assumed the position of the President of the SSH Management Board on 2 July 2020, and his position of the SB Member was suspended until 7 October 2020.

Janez Vipotnik	Igor Kržan	Duško Kos	Damjan Belič
Member of Supervisory Board	Member of Supervisory Board until 31 March 2019, President	Deputy President of Supervisory Board	Member of Supervisory Board until 23 January 2019, President
14 December 2017	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	17 July 2015	17 July 2015
14 December 2022	5 January 2021 (resignation from the position)	17 July 2020	17 July 2020
appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1
19/19	14/19 (on account of suspended position of the SB Member)	10/19 (on account of regular termination of the term of office in July 2020)	10/19 (on account of regular termination of the term of office in July 2020)
M	M	M	M
Slovenian	Slovenian	Slovenian	Slovenian
1948	1961	1960	1968
university degree in economics	university degree in economics, MBA	university degree in sociology	university degree in law (LL.B), MBA
finance, corporate governance, management of liabilities and assets	finance, corporate governance, management of liabilities and assets	corporate governance, liabilities and asset management	corporation law, corporate governance, asset management, insolvency law
YES, appointed in accordance with ZSDH-1	YES, appointed in accordance with ZSDH-1	YES, appointed in accordance with ZSDH-1	YES, appointed in accordance with ZSDH-1
NO	NO	NO	NO
/	/	Member of the Supervisory Board of Talum, d. d., and Member of the Supervisory Board of Mladinska knjiga založba, d.d., until 5 June 2020	President of the Supervisory Board of Thermana d.d., Laško, until 25 February 2020

Membership in the Audit Committee

<i>Name and surname</i>	Duško Kos	Damjan Belič	Ivan Simič, MSc	Karmen Dietner
<i>President/member</i>	President of Audit Committee	Member of Audit Committee	President of Audit Committee	Member of Audit Committee
<i>Attendance at sessions of SB's Committees in regard to the total number of Committee's sessions</i>	5/7 (on account of regular termination of the term of office in July 2020)	4/7 (on account of regular termination of the term of office in July 2020)	2/7 (on account of appointment in July 2020)	2/7 (on account of subsequent appointment for the Member of the Audit Committee on 26 August 2020)

Membership in Risk Committee

<i>Name and surname</i>	Janez Vipotnik	Igor Kržan	Božo Emeršič, MSc, MBA
<i>President /member</i>	President of Risk Committee	Member of Risk Committee until 2 July 2020	Member of Risk Committee from 26 August 2020
<i>Attendance at sessions of SB's Committees in regard to the total number of Committee's sessions</i>	3/3	1/3 (on account of suspended membership in SB)	2/3 (on account of subsequent appointment for the Member of the Audit Committee on 26 August 2020)

Supervisory Board's Nomination Committee

<i>Name and surname</i>	Duško Kos	Damjan Belič	Ivan Simič, MSc	Karmen Dietner
<i>President /member</i>	President of Nomination Committee until 16 July 2020	Member of Nomination Committee until 16 July 2020	President of Nomination Committee from 26 August 2020	Member of Nomination Committee
<i>Attendance at sessions of SB's Committees in regard to the total number of SB's sessions</i>	1/7 (on account of regular termination of the term of office in July 2020)	1/7 (on account of regular termination of the term of office in July 2020)	6/7 (on account of subsequent appointment for the President of the Nomination Committee on 26 August 2020)	7/7

<i>Name and surname</i>	Janez Vipotnik	Božo Emeršič, MSc, MBA	Igor Kržan
<i>President /member</i>	Member of Nomination Committee	Member of Nomination Committee	Member of Nomination Committee until 2 July 2010 and from 7 October 2020 until 5 January 2021
<i>Attendance at sessions of SB's Committees in regard to the total number of SB's sessions</i>	7/7	6/7 (on account of appointment in July 2020)	1/7 (on account of suspended position of the SB Member)

External Members of Committees:

<i>Name and surname</i>	Darinka Virant	Darinka Virant
<i>Committee</i>	Audit Committee	Risk Committee
<i>Attendance of Committee's sessions in proportion to the total number of sessions</i>	7/7	2/3 (on account of self-exclusion on one session)
<i>Gender</i>	F	F
<i>Citizenship</i>	Slovenian	Slovenian
<i>Qualification</i>	Bachelor of Science in Economics	Bachelor of Science in Economics
<i>Year of birth:</i>	1954	1954
<i>Expert profile</i>	expert in financial, accounting and auditing reporting	expert in financial, accounting and auditing reporting
<i>Membership in supervisory bodies in not affiliated companies</i>	external member of Audit Committees of Supervisory Boards of Eles, Talum, Elektro Celje and Mladinska knjiga	external member of Audit Committees of Supervisory Boards of Eles, Talum, Elektro Celje and Mladinska knjiga

Ljubljana, 15 April 2021



Vanessa Grmek, MBA,
Member of the Management Board



Dr. Janez Žlak,
President of the Management Board

6 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 the subject of management and are owned by RS and/or SSH.

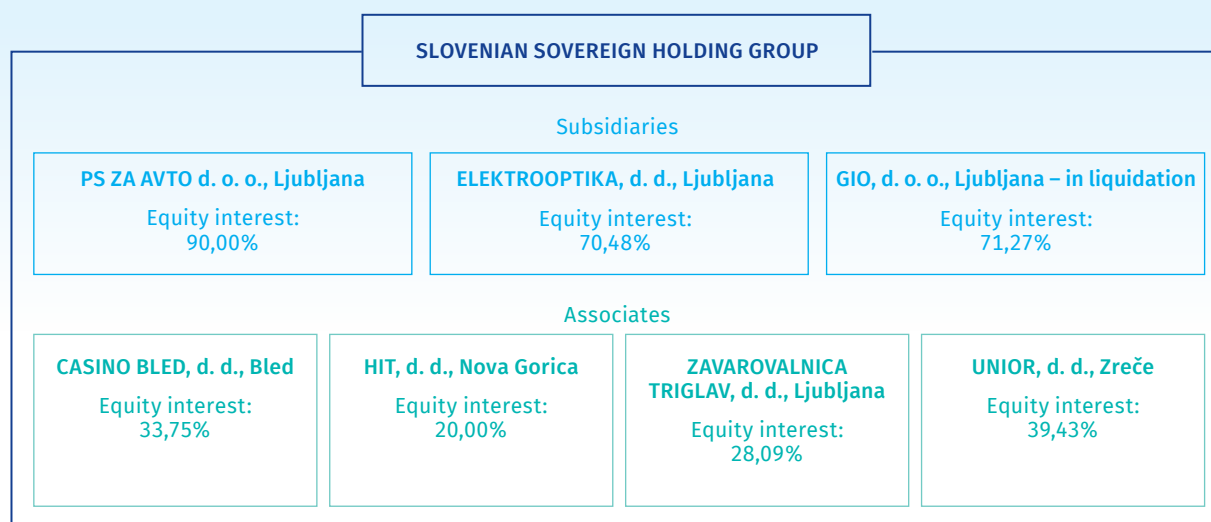
On the basis of analysis and measures adopted in accordance with International Financial reporting Standards, i.e. IFRS 10, entities from the third group are not controlled by but only managed by SSH, in accordance with the statutory basis arising from ZSDH-1. On the basis of the

analysis and measures, SSH carries out the consolidation process at least once a year. The remaining part of this Chapter presents all subsidiaries and associated 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 as associates.

PS za avto d. o. o., Elektrooptika d. d. and GIO, d. o. o., Ljubljana – in liquidation, are not considered a significant company for the Group therefore their operation has not been included in the consolidated financial statements of SSH Group.

Equity holdings of the controlling company in subsidiaries as at 31 December 2020*



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

6.2 Presentation of SSH

SSH is the umbrella manager of capital assets of the State. 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 related 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.

<i>Corporate name:</i>	Slovenian Sovereign Holding
<i>Registered office:</i>	Ljubljana
<i>Business address:</i>	Mala ulica 5, 1000 Ljubljana
<i>Telephone No.:</i>	01 300 91 13
<i>Web site and e-mail:</i>	www.sdh.si , info@sdh.si
<i>Activity code:</i>	K 64.990
<i>VAT ID:</i>	SI46130373
<i>Registration No.:</i>	5727847
<i>Transaction Account:</i>	SI56 0291 3001 6492 958 held by NLB
<i>Date of legal entity's establishment:</i>	19 February 1993
<i>Date of SSH's incorporation:</i>	26 April 2014
<i>Date of company transformation from SOD into SSH:</i>	11 June 2014
<i>Registered legal form:</i>	Public limited company registered before Ljubljana District Court, under the Reg. Entry No. 1/21883/00
<i>Share capital:</i>	EUR 260,166,917.04
<i>No. of employees as of 31 December 2020:</i>	58
<i>Membership in other organisations:</i>	Directors' Association of Slovenia, Association of Employers of Slovenia, Chamber of Commerce and Industry of Slovenia

Management Board: Dr Janez Žlak, President of Management Board (since 7 October 2020),
Vanessa Grmek, Member of Management Board (since 1 February 2021).

In 2020, SSH MB also included the following members:

Boštjan Koler, Member of Management Board (since 1 December 2018 until 31 January 2021),

Gabrijel Škof, President of the Management Board (from 1 October 2019 to 1 July 2020),

Igor Kržan, President of Management Board (from 2 July 2020 until 6 October 2020).

Members of Supervisory Board: Karmen Dietner, President
Ivan Simič, MSc, Deputy President (Member since 17 July 2020, Deputy President since 26 August 2020),
Janez Vipotnik, Member,
Igor Kržan, Member (until 5 January 2021), *
Božo Emeršič, MSc, MBA, Member (since 17 July 2020).

In 2020, the SSH Supervisory Board also included the following members:

Duško Kos, Deputy President (until 17 July 2020),

Damjan Belič, Member (until 17 July 2020).

Members of the SB's Audit Committee: Ivan Simič, MSc, President,
Karmen Dietner, Member,
Darinka Virant, External Member.

In 2020, the Audit Committee also included the following members:

Duško Kos, President (until 17 July 2020),

Damjan Belič, Member (until 17 July 2020).

Members of SB's Risk Committee: Janez Vipotnik, President,
Božo Emeršič, MSc, MBA, Member,
Darinka Virant, External Member.

In 2020, the Risk Committee also included the following members:

Igor Kržan and Karmen Dietner.

Members of Nomination Committee: Samo Roš, President,
Urška Podpečan, Deputy President,
Vlasta Lenardič, Member (since 6 April 2020).

In 2020, the Nomination Committee also included the following members:

Brigita Vončina, Member (until 5 April 2020).

Members of ECESA: 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 (Neodvisnost, 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).

* Term of office was suspended from 2 July 2020 to 6 October 2020.

6.3 SSH Vision, Mission, and Values

Vision

Generating value from capital assets for the owner.

Mission

Since RS and SSH are important owners of capital assets held 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 the Republic of Slovenia and SSH.

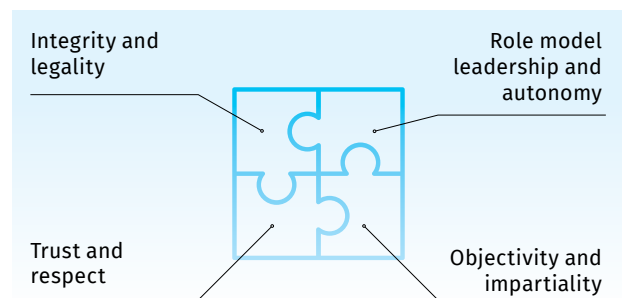
SSH also takes part in denationalisation proceedings and provides for a reliable and full settlement of all statutory liabilities due to beneficiaries.

The SSH mission in regard to the disposition of 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 of SOEs.

SSH Values

The values which from the foundation of SSH operations are inter-related, giving the basis for activities pursued by SSH:

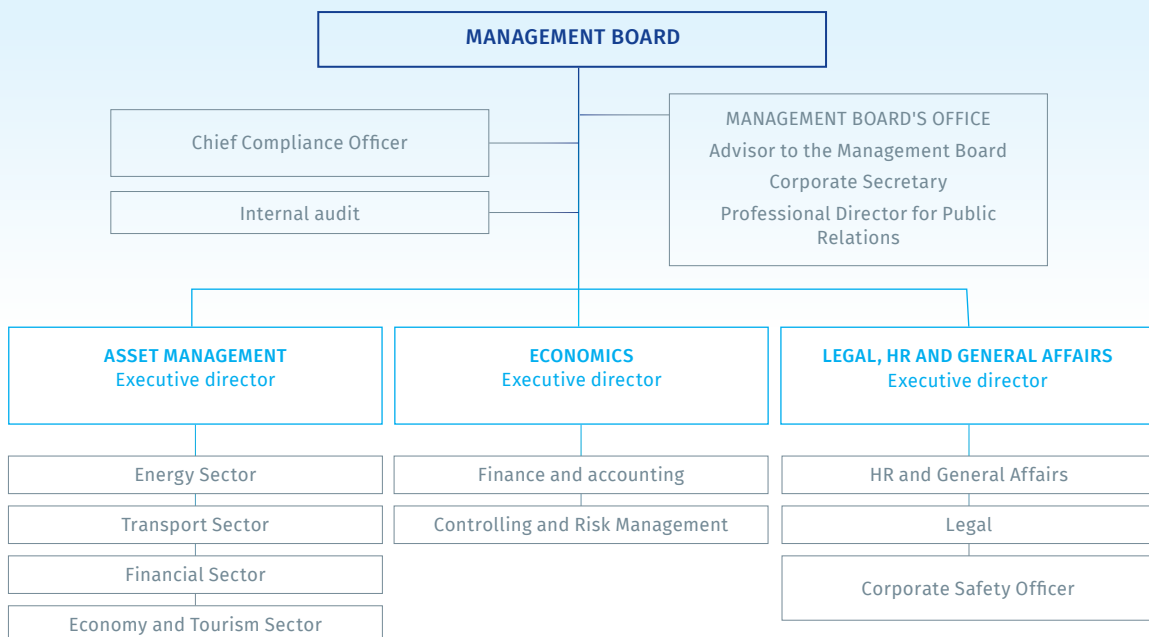


6.4 SSH Organisational Structure

SSH is run by the management Board. During few periods of 2020, some departments were run by executive directors and some organisational units by professional directors, as is clear from the SSH's organisational

structure presented below. Other professional jobs were established for carrying out special positions with special authority and responsibility.

Figure: SSH's organisational structure as at 31 December 2020

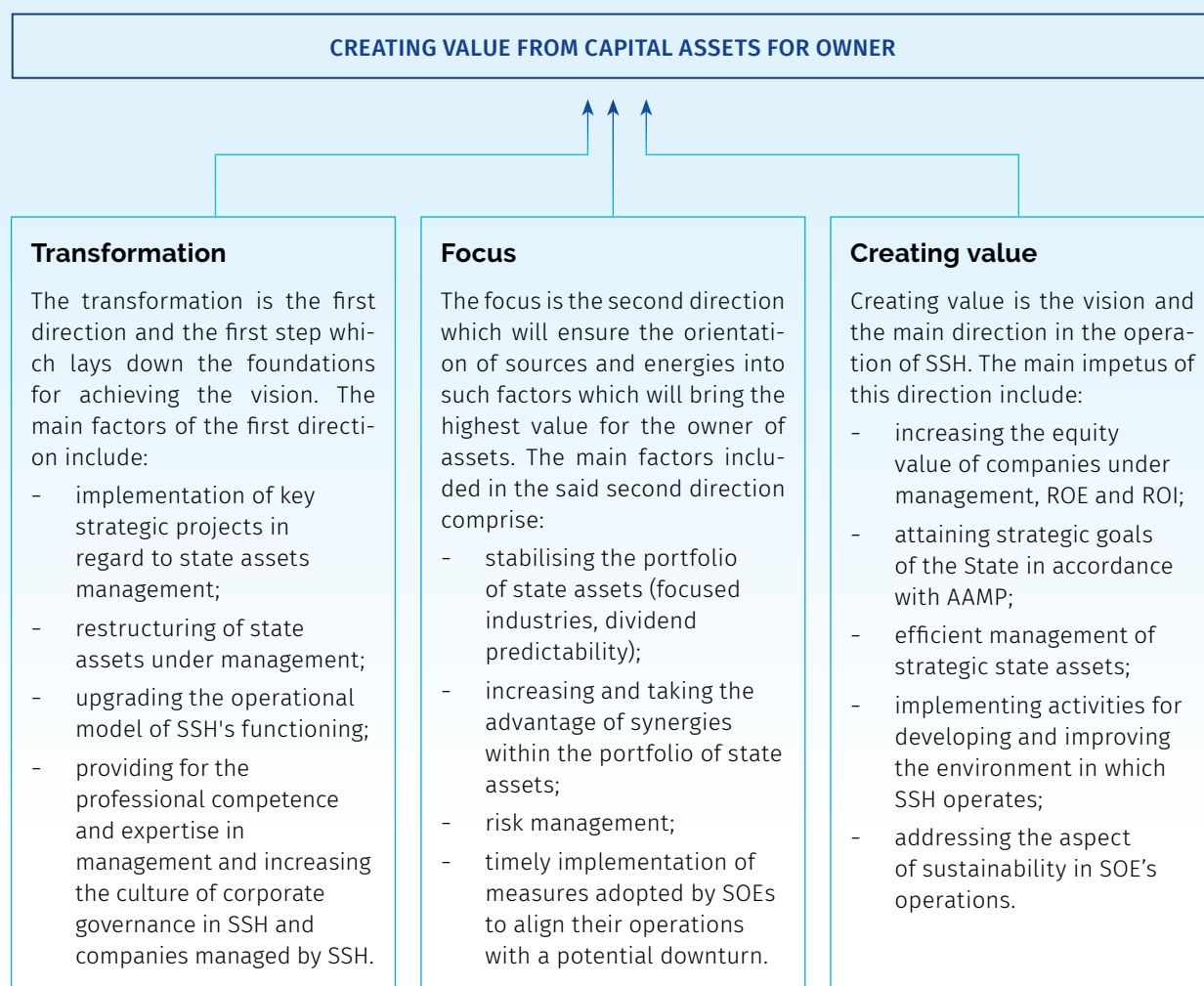


6.5 SSH Strategic Policies and Goals

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 assets and perform other tasks.

Figure: SSH's Vision and strategic policies



6.5.1 Goals

SSH's objectives related to management of 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 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 their 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 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 2019 and estimates for 2020

The remainder of the Chapter presents quantitative goals set for SSH for 2020 and an estimate regarding the values to be achieved. It will be possible to present the achievement of the targeted ROE for 2020 with regard to RS and SSH assets under management on the basis of the audited financial statements of 2020 of all portfolio companies.

Key goals in asset management set for 2020 were not achieved. ROE of RS portfolio is below the target value. The economy of 2020 was marked by the outburst of the COVID-19 epidemic which has changed the way business is done and had an impact on global macroeconomic conditions. It is assessed that ROE of the portfolio amo-

unted to 4.3% in 2020, which is by 1.6 percentage points lower than anticipated by AAMP 2020.

In 2020, RS and SSH received the total of EUR 85.9 million of dividend income. The lower sum of dividend income, as compared to the target value, which was set at EUR 142.4 million in AAMP 2020, is the result of the COVID-19 epidemic and tighter business conditions. These have been reflected in poorer performance results achieved by some companies in 2020 and in the worsening of their financial situation. The lower amount of dividend pay-outs is also the result of restrictions adopted for 2020 by regulatory institutions in connection with their payment by banks and insurance companies.

Financial indicator:	Achieved value in 2019	Target value in 2020	Achieved value in 2020
ROE of state assets managed (RS and SSH) in %	6.9	5.9	4.3 (estimate)
Attaining the annual plan for RS dividend income	EUR 212.8 million	EUR 102.9 million	EUR 62.7 million
Attaining the annual plan for SSH dividend income	EUR 40.1 million	EUR 39.5 million	EUR 23.2 million
Cost efficiency*	below 0.5% from the value of capital assets under management	up to 0.5% from the value of capital assets under management	below 0.5% from the value of capital assets under management

* 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 state assets held by RS and managed by SSH.

Summary of key tasks for 2021

1. Efficient implementation of permanent tasks both in regard to asset management as well as denationalisation and attainment of economic and financial ratios in asset management for 2021.
2. Carrying out activities in connection with the implementation of the Tourism Strategy.
3. Sustainable business of SOEs.
4. Improvements in SSH's internal organisation and business processes.
5. 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.

7 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 declined by 5.5% in 2020, however, a positive GDP growth is forecasted for 2021, according to the latest estimates by the Bank of Slovenia and IMAD. Similar as in other developed countries of the world, in 2020, the GDP growth in Slovenia was negative owing to the contraction in the economic activity caused by the COVID-19 epidemic. The crisis has negatively affected the prices which is reflected in deflation. The economic growth in Slovenia was negative in 2020 both as a result of the COVID-19 epidemic and mitigation measures, which were adopted to contain the spread of infections (a temporary lockdown of one part of the economy, etc.), and due to similar measures adopted by the Slovenia's largest trading partners, which affected the volume of export. In 2020, household spending rates were lower as a result of the mitigation measures adopted, although it has to be highlighted, that the disposable household income remained at the same level as in 2019, due to the supporting measures adopted by the Government of RS.

Macroeconomic data and estimates are provided on the basis of information available up to April 2021. Because of the crisis, numerous institutions change their forecasts rather often, include new facts and new data about the current situation in their models, and formulate new hypothesis (for example, the delivery of COVID-19 vaccine, the speed of the vaccine roll-out, the success in containing COVID-19 infections, changes in economic activity). The performance of the national response system (the success in containing infections, the impact of the new coronavirus disease, and similar indicators) are still unknown at the time of drawing up this Report.

Table: Overview of macroeconomic indicators for Republic of Slovenia

	2020	Bank of Slovenia, forecast	IMAD, forecast
		2021	2021
GDP, real growth, in %	-5.5*	3.1	4.6
Registered unemployment rate, in %	5	5.6	5.0
YoY Inflation rate, Dec/Dec, in %	-1.1	0.9 (forecast, in line with HICP methodology)	1.1
Annual inflation rate (in %)	-0.1		0.8

* the data available at the time of drawing up this report; not a final data
Source: Bank of Slovenia, Macro-economic projections for Slovenia, December 2020; IMAD, Spring Forecast of Economic Trends 2020

The Bank of Slovenia expects GDP to decline by 7.6% in 2020 according to its baseline projection from December 2020 (a mild scenario forecasts a decline in GDP by 7.3%, whereas a severe scenario anticipates GDP to decline by 8.0%). The baseline scenario forecasts the GDP growth to stand at 3.1% in 2021. Given the uncertainty surrounding the ongoing evolution of the epidemic, the Bank of Slovenia has also drawn up a mild scenario, according to which the GDP growth of 7.1% is projected for 2021, while its severe scenario forecasts a further decline in GDP by 1.5%. IMAD's projections from December 2020 envisage a 6.6% decline for 2020. According to its Spring Forecast of Economic Activity, IMAD expects a 4.6% growth in economic activity for 2021. IMAD sees the greatest risk to its forecast of future economic movements in epidemiological situation in Slovenia and abroad and in the uncertainty associated with the course of the epidemic (a potential new wave of infections, new mitigation measures, etc.).

Slovenian capital market

SBITOP, the Slovenian stock market index, recorded growth in the first two months of 2020, only to be followed by a sharp fall in its value owing to the fear and the uncertainty brought about by the first wave of the COVID-19 epidemic. After achieving the local low (the value of the index only stood at 685.52 points as of 23 March 2020), when the value fell to the value of 2016, the index recorded a relatively sharp bounce upward, although the loss for the fall generated in February and March 2020 could not be compensated for. In November and December, SBITOP index gained in value and closed 2020 at 900.37 points, which is 2.8% less than the closing value of SBITOP in 2019. Similar negative returns were generated to investors by other European stock exchanges in 2020.

The most frequently traded shares in 2020 included Krka shares, which generated EUR 176 million of LJSE turnover, excluding block trades, followed by trades with NLB shares (EUR 46.9 million of turnover, excluding block trades) and Petrol shares (ERU 44.4 million, excluding block trades). The above-mentioned companies and the bank have a significant weight contributing to the ROE of the portfolio of assets managed by SSH, as well as in terms of the volume of dividend income collected by SSH in the process of capital asset management. At the end of 2020, the trading included 64 securities, and 7 new bonds and 1 new commercial paper were listed in the trading in 2020. The commercial paper was issued by GEN-I, d. o. o., which is part of GEN energija Group, d. o. o., while 2 bonds were issued by SIJ, d. d. SIJ, d. d. and GEN energija, d. o. o., are capital assets managed by SSH. The total

equity market capitalisation stood at EUR 40.9 billion in 2020 (EUR 33 billion represents bonds). The total share market capitalisation stood at EUR 6.9 billion in 2020.

Of the selected shares, only Krka and Pozavarovalnica Sava awarded their investors with a positive increase in share price in 2020, in spite of the unfavourable macroeconomic conditions. During the epidemic, Krka managed to offer to the market the right medicines and continued its growth strategy, which was recognised by its shareholders and reflected in the increase of the Krka share price, while Pozavarovalnica Sava managed to grow by merger and acquisition activities and by expanding its business. In case of Pozavarovalnica Sava, the positive return for investors was minimum in 2020, yet it was still

higher than the return of European insurance companies included in the STOXX Europe 600 Insurance Index (-13.5% return in 2020). The COVID-19 epidemic negatively affected the entire economy; this is indirectly reflected in falls in the value of SBITOP Index and other selected shares, as presented in the overview graph of their movements in 2020.

The Slovenian stock market showed a certain degree of maturity in 2020, as falls and increases in share prices were similar to constituents of German and American indices, and although the SBITOP closed 2020 with a negative return, it is important that negative values were lower than those from more restless trading floors.

Figure: Cumulative return from blue chip shares traded on Ljubljana Stock Exchange, representing an important share of SSH capital investments, in 2020, in %

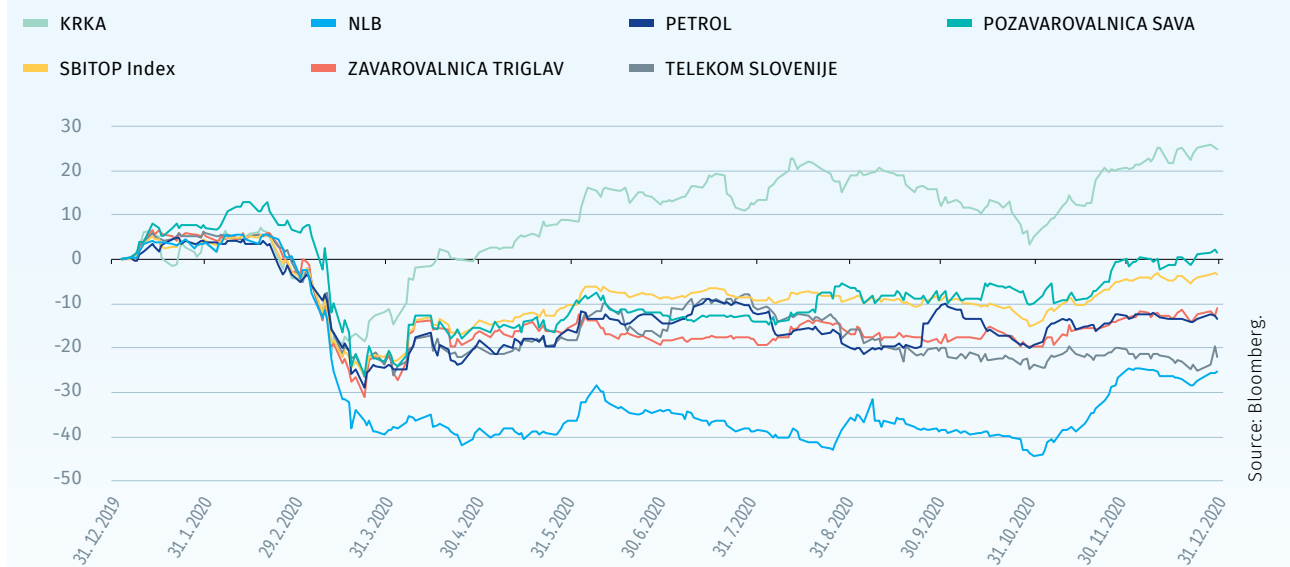
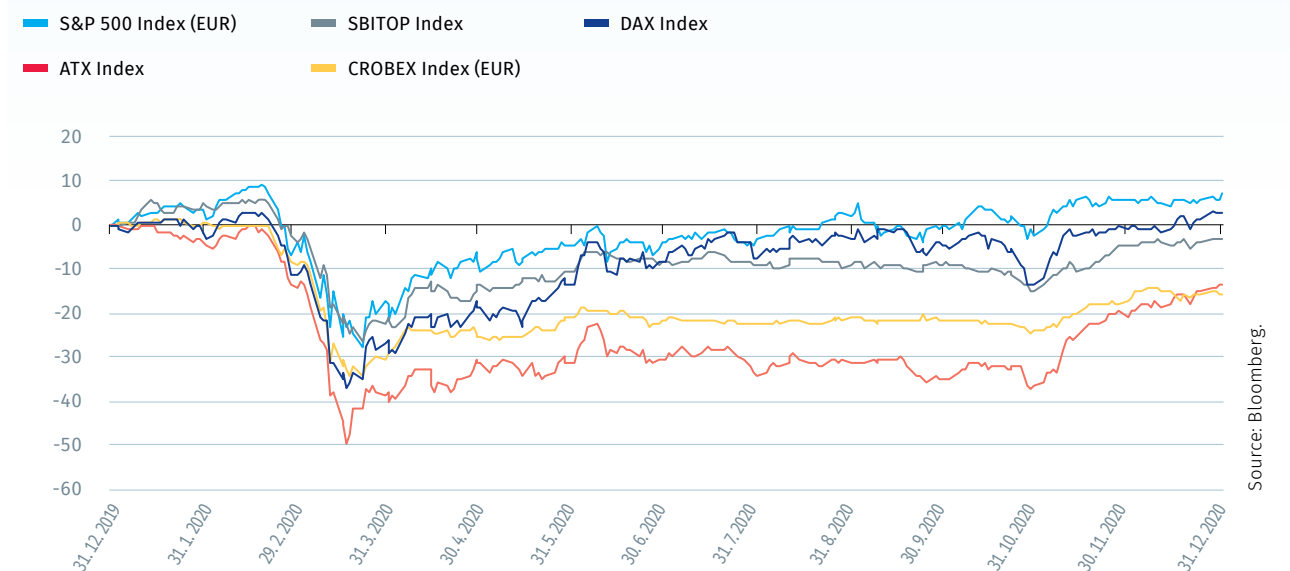


Figure: Cumulative return from top regional and global share indices and SBITOP in 2020 in %



7.2 Management of SSH and RS Capital Assets in 2020 and their Disposal

The most important activity pursued by SSH is the management of SSH and RS assets: SSH exercises the rights of a shareholder and acquires and disposes of capital investments. The overview of state assets under management is shown in the Table presented below.

7.2.1 Active management of RS and SSH assets

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



CRITERIA

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



MONITORING

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



ANNUAL PLAN

AAMP –Annual Asset Management Plan:
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 suitable Supervisory Board
members

* 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 assets, include: the selection of suitable Supervisory Board members; 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 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, which is submitted by SSH to the RS National Assembly every year not later than by the end of October. For more information see the Chapter on core business activities and developments in 2020 as regards the asset management activity.

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

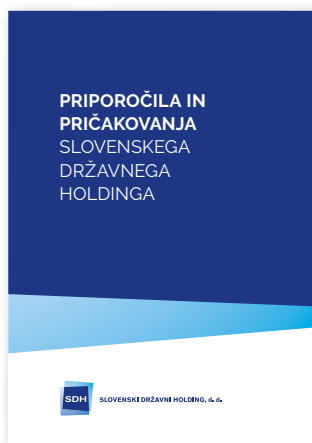
SSH manages state assets in accordance with ZSDH-1, ZGD-1, other acts and regulations, Articles of Association and other legal documents related to asset management, taking into consideration the legal form of an individual company and in line with good practice in corporate governance. When pursuing 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.

The systemic nature of corporate governance pursued by SSH is shown in SSH documents which represent the foundation of corporate governance system and are the main condition for ensuring transparency in corporate governance. These documents are the State Assets Management Strategy, the Annual Asset Management Plan (AAMP); the Criteria for Measuring Effectiveness of SOEs, the Corporate Governance Code for SOEs, the SSH Recommendations and Expectations, the SSH Asset Management Policy and the SSH Premises for Voting at General Meetings. In 2020, 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 set.

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

7.2.3 Legal documents on asset management revised in 2020: amendments to SSH Recommendations and Expectations



In August 2020, acting in accordance with Article 32, Paragraph 4 of ZSDH-1, the SSH Management Board supplemented the SSH Recommendations and Expectations with Recommendation No. 9. The said Recommendation recommends to SOEs to **adopt the Rules on Other Rights**, according to which other rights should be observed by supervisory bodies when

concluding agreements with members of management bodies for performing the duty of running the company and organising its operations. The said recommendation defines certain terms which refer to such rights. It is the duty of the supervisory body to inform the General Meeting of a company of such rules on other rights and explain the grounds for formulating an individual rule.

The goal of SSH Recommendations on Other Rights is, firstly, to better unify the regulation of other rights among SOEs, particularly with respect to the rights which may incur additional costs for a company, and, secondly, to provide guidance on the highest permissible amounts. It is highly important that any doubts on the correct application of ZPPOGD are clarified, and that all SOEs interpret the provisions of ZPPOGD in the same manner. The Recommendations on Other Rights will contribute to higher transparency in this field as they will be publicly published. In addition, they will act in a preventive manner as they should prevent or at least minimise any potential future mistakes or excesses.

In July 2020, two recommendations were adopted, i.e., the **Recommendation on Sustainable Business of SOEs** and the Recommendation on **Observance of Human Rights**.

SSH aims to encourage SOEs for pursuing economic, social and environmental transformation of their business strategies and models which should lead to better competitiveness, lower risk levels and sustainable performance in the long term. SOEs should incorporate all three aspects of sustainable operation (economic, social and environmental) into their business strategy and/or into their business model by way of defining actual measures which will be implemented in the pursuit of the sustainable operation by the controlling company at the level of the Group of affiliated companies. In this process, goals, which will be pursued in connection with individual aspects of sustainable business and individual measures, should be determined in a quantitative and/or qualitative manner, and a specified time frame for their achievement should be defined.

SSH has also adopted recommendations on human rights which introduce higher standards as regards observance of human rights in business and represent an important and significant part of sustainable business operations.

In 2020, the amendments to the **Platform of SSH for Voting on AGMs for 2020** were also adopted. The main change to the previous year premise for voting refers to the Remuneration Policy for management bodies of companies from the SSH's portfolio and the notification on earnings received by members of the management and supervisory bodies. SSH has specified which elements should be included in the Remuneration Policy and which data on earnings should be disclosed to the General Meeting. Such amendments to the Platform of SSH for Voting on AGMs pursued the goal of having SOEs adopt the Remuneration Policy, either by a supervisory board, which informs the general meeting of its adoption, or by the general meeting itself. The same applies to the disclosure of earnings received by members of the management and the supervisory bodies, which should also include earnings received by members of the management body of the three largest affiliates, in case of a group. The said disclosure should be presented at least with elements stipulated in the Appendix No. 6 to the Code.

7.2.4 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 2020, 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 the following:

- regularly monitored the operations of companies under its management and their implementation of the Annual Assets Management Plan 2020;
- during the state of the declared epidemic, SSH closely and constantly monitored the SOEs' ongoing

operations and measures adopted by companies for ensuring their liquidity:

- 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 2020 which was adopted with the consent granted by RS Government on 6 February 2020, 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 in its own behalf and on behalf of the Republic of Slovenia and passed founder's resolutions in companies managed by SSH; in 2020, the total of 115 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, the applications for the extension of agenda, filling counterproposals, lodging applications for a court-appointed nomination of members of a supervisory body, lodging applications for special 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;
- acquired and disposed of individual capital investments in accordance with the applicable legislation and other relevant legal documents;
- submitted its comments and proposals on the amendments to the legislation on corporate governance;
- continuously strived for raising the quality of corporate governance in the companies under SSH management, including its 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.

7.2.5 Monitoring operations of SOEs

As the manager of capital assets held by RS and SSH, SSH carries out regular periodic meetings with members of the management and supervisory bodies of SOEs, in

accordance with provisions of applicable regulations. Topics discussed at such meetings mainly refer to operational results and business plans, 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), strategic goals and their realisation, aspects of potential optimisation of operations and restructuring measures, adherence to 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.



7.2.6 Main activities and events in 2020 relating to asset management in 2020, presented by individual companies and industries

The pandemic of a new coronavirus disease which hit Slovenia and the world in 2020, had various effects on operations of portfolio companies managed by SSH. The companies which were hit the most by the crisis include enterprises from the tourism industry, manufacturing (automotive and iron industry) and transport industry. The least impact of the COVID-19 crisis was experienced by the pharmaceutical industry and telecommunications.

Regular asset management activities pursued in 2020 included special consideration dedicated to companies, which have been severely hit by the effects of the COVID-19 epidemic, and to companies which deal with activities connected with the critical infrastructure of the Republic of Slovenia.

The remaining part of the Chapter presents the most important activities and events in 2020 by individual companies and industries.

Pillar No. 1: ECONOMY AND TOURISM

Slovenian Tourism Strategy

SSH obtained the necessary legal basis for implementing activities in the area of tourism. 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 (hereinafter referred to as: "AAMP Tourism"). The document envisages many activities to be carried out in connection with tourism companies, including acquisitions and consolidations of equity stakes in companies and the establishment of the Slovenian Tourism Holding (hereinafter referred to as: "STH"). The planned activities are envisaged to be carried out in the period from three to four years. The planned activities were postponed due to the epidemic, which was declared on 19 March 2020, and because of its negative impacts on the tourism industry. As a result, SSH assessed that, prior to making any potential acquisition of tourism companies, the changed conditions of business in tourism industry needed to be re-examined and profoundly analysed as well as a short-term and long-term impacts of the epidemic on the tourism industry as such and on individual state-owned tourism companies separately should be evaluated. In 2020, SSH pursued activities to obtain a positive decision by the Competition Protection Agency (CPA) in connection with the acquisition of 20.87% shareholding in Terme Olimia, d. d. (the process for its acquisition was carried out in 2019). CPA issued a positive decision regarding the concentration at the end of 2020.

Sava, d. d.

SSH is a shareholder and an important creditor of Sava. In 2020, two annexes to the Loan Reprogramming Agree-

ment were concluded in 2020 by and between Sava and its creditors, by way of which the maturity of creditors' receivables due by Sava was prolonged. The final maturity date for receivables due by Sava to SSH is now set for 30 June 2021. In addition, SSH carried out activities envisaged under the Loan Reprogramming Agreement (the issue of consents, etc.) and negotiated other matters with creditors for which consensual creditors' decision has to be made in accordance with the Creditor Side Agreement (CSA). CSA was entered into by and between the creditors, who are also acting as the three largest shareholders of Sava. For the purpose of regulating relations between Sava, SSH and York in an integrated manner, an annex to CSA was concluded in 2020, by way of which CSA was transformed into a Shareholders' Agreement, in which some other amendments were included.

Sij, d. d. (Sij)

In 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 relating to other important topics, which are connected with the corporate governance of Sij. In accordance with the said agreement, SSH was informed of the five-year strategy of the Sij Group in 2020. Special attention was dedicated to monitoring the operations of the Group, as Sij belongs to companies which have been severely hit by the consequences of the epidemic.

Hit, d. d.

Hit submitted to the responsible ministries its proposal to reduce the gaming tax, on the basis of its assessment of the impacts of the COVID-19 epidemic. SSH examined their proposal and sent a letter to the responsible ministries, supporting the measure proposed by Hit as the measure was viewed as having a substantial impact on reduction of risks surrounding the ongoing operation of the company and its potential capital inadequacy.

Pillar No. 2: TRANSPORT SECTOR

DARS, d. d.

A special auditor was appointed by the DARS' General Meeting of 28 January 2020 at the SSH's proposal. The purpose of the said appointment was to verify the procedures and the actions taken by the DARS' Supervisory Board in connection with the dismissal of the President and a Member of the Management Board in 2016. The findings of the special audit, which were presented at the General Meeting of 23 June 2020, showed that the Supervisory Board Members made their decisions on the basis of relevant information and that the suitable procedure was carried out, which is why, a potential litigation against the SB members was not considered reasonable, and treated as likely unsuccessful.

SSH made an extensive historical review of DARS' operations, focusing on its revenues and expenditures in the

period from 2015 to 2019, and on this basis drew up some conclusions, both in terms of operations and areas of its improvements as well as in terms of asset management activities.

Slovenske železnice, d. o. o.

The SSH Management Board, acting in the capacity of the founder and the sole shareholder of Slovenske železnice, gave its consent to the project of Strategic Partnership in Rail Freight Transport and Logistics, which includes the following parties: SŽ - Tovorni promet, d. o. o., and Fersped, d. o. o., on one hand, and EP Logistics international, a. s., on the other hand. The Strategic Partnership Agreement was thus concluded by and between Slovenske železnice and EP Logistic International, a.s. During the year, the said project was regularly monitored by SSH from the aspect of asset management activities. SSH will continue to monitor procedures for establishing a new joint venture company as well as the impact of the said company's operation on the business results of Slovenske železnice Group.

Pošta Slovenije, d. o. o.

In January 2020, the SSH Management Board gave its consent to the Strategic Development Programme of Pošta Slovenije Group from 2020 to 2025. In connection with the said Programme, SSH expressed its expectation for the programme to be supplemented, when the audited data on the operation of Intereuropa were made available, and when it is known, what their impact on the strategic development programme is. For this purpose and owing to the impact of the COVID-19 epidemic and the resulting changes in key activities pursued by Pošta Slovenije Group, SSH granted its consent to the updated projections from the strategic development programme in January 2021.

During 2020, SSH was informed on a monthly basis of activities connected with the integration of Intereuropa with Pošta Slovenije Group and its impact on individual performance indicators of Pošta Slovenije and Pošta Slovenije Group.

The year of 2020 was a very dynamic year for Pošta Slovenije in terms of proposals for amending legislation, and saw a very active social dialogue being developed, all of which was monitored by SSH from the aspect of its asset management activities and within its authority.

Javno podjetje Kopraska pristaniška pilotaža, d. o. o.

On the basis of the endorsed supplement to the Annual Asset Management Plan 2020, which envisaged the establishment of a new company for performing the service of general economic interest of maritime pilotage, SSH established Javno podjetje Kopraska pristaniška pilotaža, d. o. o. (KOPP) on 20 February 2020. The company, which performs its services exclusively on the territory of the Koper cargo port, started to perform its activities on 10 May 2020.

Pillar No. 3: ENERGY SECTOR

As regards the Energy sector, SSH carried out many asset management activities connected with the adoption of the founder's resolution, submitted proposals for amendments to the sectoral legislation to the respective authorities, as well as actively participated in a dialogue between the companies from the energy industry and the responsible ministries. Among other matters, SSH submitted key comments and proposals for supplementing the National Energy and Climate Plan (NECP), which were largely taken into account. NECP is a strategic document which has an impact on the development and operation of all companies with state capital assets operating in the energy sector. SSH monitored the preparatory activities for the 10-year plan to develop the electricity distribution network. The plan was prepared by electricity distribution and submitted to SODO which then drew up an integrated document and harmonised it with the sectoral ministry.

Skupina GEN

SSH received the Development plan of GEN-I and the GEN Group for 2020-2024 and Outlook to 2030 on 15 April 2020. The key objectives of the said Development Plan were included in the AAMP 2021 as expectations towards the company. Four years ago, GEN submitted its application to the responsible authorities to initiate a preliminary procedure to extend the permit for the operation of the Krško Nuclear Power Plant (NEK) for 20 years (from 2023 to 2043). During this period, the Slovenian Environment Agency (ARSO) had decided that the environmental impact assessment and the environmental permit would not need to be obtained for extending the operational licence, but such decision changed in line with the ruling of the Administrative Court of the Republic of Slovenia. ARSO thus issued a decision that the environmental impact assessment had to be carried out and the operational licence had to be obtained to extend the 20-year operating licence of the nuclear plant. The application for the issue of the energy permit for NEK2 was filled with the Ministry of Infrastructure on 31 January 2020. SSH regularly monitored all the above-mentioned activities. The Council of the Energy Agency adopted the Act on using guarantees of origin registry and the method of the forwarding data of electricity production on 21 December 2020.

Petrol, d. d.

A special audit of over EUR 1 million worth of business transactions, which were concluded in the period from 1 January 2015 to 24 October 2019, was carried out in 2020, in accordance with the Petrol's General Meeting Resolution of 12 December 2019. The audit review included transactions in connection with long-term financial investments, transactions connected with the disposal of long-term financial investments, transactions which involved some other types of investments, and transactions which referred to the sponsorship agreements. The special audit review was carried out by the audit firm BDO Revizija, d. o. o. SSH informed Petrol about the Report to Shareholders on Special Audit of Petrol's Transactions at the General Meeting held on 28 December 2020.

The Petrol's shareholders tasked the Petrol's Management Board to, by acting within its statutory powers and authority vested in it by the Petrol's Articles of Association, (i) carry out further activities in connection with the Report's finding, (ii) draw up a report on activities performed, and (ii) submit the report to the General Meeting for its review at the next regular session, however, not later than by 30 April 2021.

Holding Slovenske elektrarne, d. o. o. (HSE)

In accordance with AAMP 2020, SSH closely monitored the continuation of activities pursued for the restructuring of Premogovnik Velenje (PV), the rationalisation of operations in HSE Group, including the financial debt reduction and the management of the company's liquidity. SSH reviewed the Development Plan of HSE in August 2020 but refused to grant its consent due to changes in material assumptions which would influence future operations of HSE Group (projections for electricity prices and emission coupon prices). The said Development Plan will be amended in the beginning of 2021. Acting in the capacity of its founder, SSH granted its consent to the HSE's proposal to dissolve two companies, i.e., TET NM and ELPROM, to inject further capital in Šoštanj Thermal Power Plant (TEŠ), in the form of a transfer of financial receivables totalling EUR 149.6 million, and agreed with additional capital increase in PV, in the form of a transfer of financial receivables totalling EUR 46.2 million. Prior to issuing its consent to capital increases in TEŠ and PV, SSH checked the liquidity of TEŠ and PV Group, acquainted itself with the position taken by the HSE's Supervisory Board, and examined the estimate of the HSE's operations for 2020 and HSE Group's Business Plan for 2021. Capital increases were also in line with the test assignment carried out by a private investor in June 2019, which was prepared for HSE by KS Finance.

Electricity distribution companies (EDC)

SSH prepared an appeal against audit disclosures in the Proposed Audit Report on the effectiveness of implementing corrective measures for regulating the performance of public utility services of the distribution system operator in the period from 25 November 2014 to 30 June 2019. SSH submitted its objection to the Court of Audit of the Republic of Slovenia on 30 June 2020. SSH also drew up a Report for the Ministry of Infrastructure, the document was a part of the Response Report to the Audit Report of the Court of Audit of 3 November 2020 and submitted it to the said Ministry on 2 December 2020.

Pursuant to the Directive 2009/72/EC, according to AAMP 2020, and in line with the requirements by the Court of Audit (Audit Report of 3 November 2020), in 2020, SSH actively monitored processes for the ownership, legal and functional unbundling of networks from activities of electricity generation and supply. In regard to subsidiary electricity distribution companies, which deal with electricity trading, activities for the sale of shareholdings in E3, ECE and Energija plus were carried out in 2020. SSH was active in monitoring the processes for the sale of shareholdings and for the mergers of companies.

Pillar No. 4: FINANCIAL SECTOR

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

In June 2020, acting on behalf of and for the account of RS, SSH successfully closed the sale of a 100-percent equity stake of Abanka, d. d. In February 2020, the Republic of Slovenia received proceeds from the sale in the amount of EUR 444.242 million and transferred its ownership of Abanka to Nova KBM. SSH also carried out other activities in connection with the sale of capital investments of lower value and activities in connection with the acquisition of capital investments. Activities pursued by SSH in connection with processes for the disposition of capital investments and their acquisition are described in the next chapter.

7.2.7 Disposition of capital investments in 2019 and their acquisition

SSH runs the processes for the disposition and acquisition of capital assets held by RS and SSH on the basis of the valid State Assets Management Strategy and Annual Assets Management Plans for individual years. The sale processes are run in line with 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 state assets, for the communication on disposition and acquisition of state assets, for the course of a process for the sale of state assets, the method for running the sale processes and the method for hiring financial institutions and other advisors engaged in the sale processes.

SSH strives for the sale processes to 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 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 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.

7.2.7.1 Activities in connection with the sale of capital investments

SSH runs the processes for the disposition and acquisition of capital assets held by RS and SSH in line with the Annual Assets Management Plans for individual years, to which a consent is granted by the Government of the Republic of Slovenia.

In 2020, on the basis of the Sale and Purchase Agreement, concluded by and between SSH and Nova KBM on 20 June 2019, the process for the sale of a 100% RS's shareholding in Abanka was completed. On 5 February 2020, the Republic of Slovenia received proceeds from the sale in the amount of EUR 444.242 million and transferred its ownership of Abanka to its buyer.

Throughout 2020, in addition to the above-mentioned activities, SSH pursued activities in connection with the sale of some other capital assets of lower value. SSH published invitations to submit tenders for (i) the purchase of 49% shareholding held by RS in Meta Ingenium, družba tveganege kapitala, d. o. o. (hereinafter referred to as: "Meta Ingenium"); (ii) the purchase of 0.09% shareholding held by RS in Regionalni center za razvoj, d. o. o. (hereinafter referred to as: "RCR"), (iii) and two invitations for the purchase of shares of Cetis, grafične in dokumentacijske storitve, d. d., Celje (hereinafter referred to as: Cetis), which are owned by SSH and KAD, and which represent the total of 15.279% shareholding of Cetis. On the basis of the above-mentioned public invitations to submit tenders, the process for the sale of shareholding in Meta Ingenium was completed by 31 December 2021, whereas the process for the sale of Cetis shares closed without a transaction, while the process for the sale of shareholding in RCR is still in progress at the time of drawing up this report.

Acting on behalf of and for the account of RS, SSH required a cash compensation for 503 shares of Hram Holding, d. d., which were removed from the regulated securities market of Ljubljana Stock Exchange in November 2020, on the basis of the Hram Holding's General Meeting Resolution. RS received the proceeds from these shares' sale in January 2020. The year of 2020 also saw the execution of some of the preparatory activities for the sale of a 1.73-percentage shareholding of SSH in Intereuropa, d. d.

On 11 March 2020, SSH and KAD, and Casion Square, d. d., and Eurotas, d. d., concluded an Annex to the Agreement to regulate mutual relations. The said Annex regulates the extension of agreements concluded in the past years and refers to the option of purchasing shares in Casiono Portorož, d. d., owned by SSH and KAD, under a condition precedent, which is to be fulfilled if the provisions of the Gambling Act are satisfied. The agreement is valid up to 12 March 2027.

7.2.7.2 Activities in connection with the acquisition of capital assets

On 20 February 2020, SSH established a new company for performing the service of general economic interest of maritime pilotage, i.e., KOPP d. o. o., which, acting as the sole provider of such service, started its business operation and the performance of its services on the territory of the Koper cargo port on 10 May 2020.

Acting in accordance with AAMP Tourism, SSH run the activities for the acquisition of selected companies from the tourism industry in the first half of 2020. Because of the outbreak of the COVID-19 epidemic and changed business conditions in tourism sector, transactions were not continued in 2020.

In July 2019, acting on behalf of and for the account of RS, SSH concluded the Sale and Purchase Agreement with Nova KBM for the purchase of 147.309 shares of Terme Olimia, representing 20.871% shareholding of the said company. This transaction was not completed in 2020 since the Slovenian Competition Protection Agency's decision approving the concentration and thus satisfying the condition precedent in connection with the purchase of these shares, was received only at the end of 2020. The activities for the payment of the purchase price and for the transfer of shares to RS were carried out in March 2021, after the said Agency's decision became final. After the completed transfer of the above-mentioned shares, RS and its affiliates (within the meaning of the Takeover Act) exceeded the additional takeover threshold; as a result, SSH, acting on behalf of and for the account of RS, and in accordance with the takeover legislation, published a bid for the takeover of the remaining shares. These activities were carried out in accordance with the Tourism Strategy and were envisaged in AAMPs 2019 and 2020 and in the AAMP 2021 for Terme Olimia.

In accordance with the Government's Decision of 11 June 2020, SSH kicked off activities for the paid transfer of Selection and Testing Centre Ptuj (Semenarna Ljubljana, d. o. o.) to RS. The transfer process was not completed in 2020 and SSH will continue to pursue these activities in 2021.

RS received a small amount of shares of various companies and majority shareholding in Entry, d. o. o. (50%), Dekorus, d. o. o. (100%) and Velta plast, d. o. o. (100%), on the basis of the law, regulating inheritance.

7.2.8 Composition and Performance Results of the SSH Portfolio of Assets

7.2.8.1 List of RS and SSH capital assets managed by SSH

Table: List of active companies in which RS's and SSH's equity interest exceeds 5% and for which the Annual Asset Management Plan is drawn up; as of 31 December 2020*

Lfd. No.	Asset	% RS	% SSH	% Total	Pillar
1	A. L. P. Peca, d. o. o.	9.09		9.09	Tourism and economy
2	Adria, d. o. o.		11.74	11.74	Tourism and economy
3	Bodočnost Maribor, d. o. o.	77.52		77.52	Tourism and economy
4	Casino Bled, d. d.		33.75	33.75	Tourism and economy
5	Casino Portorož, d. d.		9.46	9.46	Tourism and economy
6	Cetis, d. d., Celje		7.47	7.47	Tourism and economy
7	Cinkarna Celje, d. d.		11.50	11.50	Tourism and economy
8	CSS, d. o. o.	97.96		97.96	Tourism and economy
9	D.S.U., d. o. o.	100.00		100.00	Financial sector
10	DARS, d. d.	100.00		100.00	Transport
11	DTK Murka, družba tveganega kapitala, d. o. o.	49.00		49.00	Financial sector
12	EGS-RI, d. o. o.	100.00		100.00	Energy sector
13	Elektro Celje, d. d.	79.50		79.50	Energy sector
14	Elektro Gorenjska, d. d.	79.48	0.31	79.79	Energy sector
15	Elektro Ljubljana, d. d.	79.50	0.30	79.80	Energy sector
16	Elektro Maribor, d. d.	79.86		79.86	Energy sector
17	Elektro Primorska, d. d.	79.68		79.68	Energy sector
18	Elektrooptika, d. d.	0.01	70.48	70.49	Tourism and economy
19	GEN energija, d. o. o.	100.00		100.00	Energy sector
20	Geoplin, d. o. o.	25.01		25.01	Energy sector
21	HIT, d. d., Nova Gorica		20.00	20.00	Tourism and economy
22	HSE, d. o. o.	100.00		100.00	Energy sector
23	INFRA, d. o. o.	100.00		100.00	Energy sector
24	KOPP, d. o. o.	100.00		100.00	Transport
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

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

* The list does not include assets acquired in the SSH's ownership pursuant to the Inheritance Act.

** ZPIZ owns 34.47% ownership interest, while RS holds a 0.01% shareholding.

7.2.8.2 Proportion of largest assets and pillars in SSH portfolio of assets

The portfolio of RS and SSH assets is divided in four pillars, of which the pillars of Transport and of Energy sector comprise nearly 73% of the portfolio's book-value (see graph below). After the recent sale of banks, the proportion of the Financial pillar decreased, while the proportion of Tourism and Economy sectors remained below 10% at the end of 2020, similar as in previous years. As of 31 December 2020, the total book value of assets under SSH management amounted to EUR 9.9 billion.¹

SSH's asset management portfolio is becoming increasingly more concentrated. At the end of 2020, the twenty largest companies with assets under SSH management, measured at the book-keeping value, represented more than 97% of the total portfolio, and the remaining companies only a solid 3%. The three largest companies (Dars, HSE and GEN energija), if put together, represent almost one half (47.7%) of the entire SSH's portfolio.

Graph: The proportion of pillars in the total SSH portfolio of capital assets under management (total assets owned by RS and SSH) as of 31 December 2020

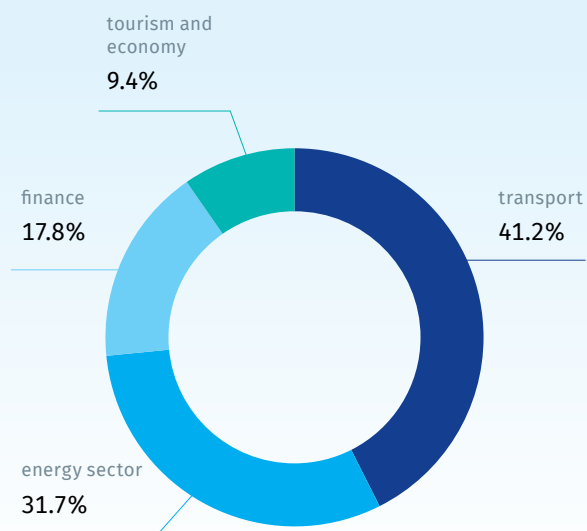


Table: The share of 5 largest companies in individual pillar (using the balance sheet book value as the relevant criterion) in regard to the total of the SSH portfolio of capital assets under SSH's management as of 31 December 2020

Asset	Share in total portfolio
ENERGY SECTOR	
GEN Energija, d. o. o.	9.2%
Holding slovenske elektrarne, d. o. o.	9.1%
Elektro Ljubljana, d. d.	2.7%
Elektro Maribor, d. d.	2.4%
Petrol, d. d.	2.0%
FINANCIAL SECTOR	
Zavarovalnica Triglav, d. d.	5.5%
NLB, d. d.	5.3%
SID – Slovenska izvozna in razvojna banka, d. d.	4.8%
Pozavarovalnica Sava, d. d.	1.5%
D.S.U., d. o. o.	0.7%
TOURISM AND ECONOMY	
Telekom Slovenije, d. d.	4.0%
Krka, d. d.	2.9%
SIJ – Slovenska industrija jekla, d. d.	1.0%
Unior, d. d.	0.7%
Cinkarna Celje, d. d.	0.2%
TRANSPORT	
Družba za avtoceste v Republiki Sloveniji, d. d.	29.4%
Slovenske železnice d. o. o.	5.5%
Pošta Slovenije, d. o. o.	3.3%
Luka Koper, d. d.	2.8%
Kontrola zračnega prometa Slovenije, d. o. o.	0.1%
Total	92.9%

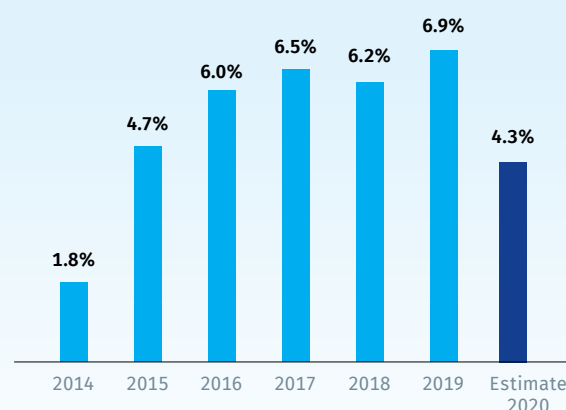
¹ The above-mentioned data and the calculations in the remainder of the text are based on estimates and data for FY 2020 available at the time of drawing up this report.

7.2.8.3 Return of equity (ROE) of the portfolio of assets under SSH management in 2016 – 2020

The return on equity (ROE)² of the total portfolio of assets under SSH management had been increasing up to 2017, and after a slight fall in 2018, it hit a record-high value in 2019. Owing to the effect of the COVID-19 crisis, the ROE of 2020 was lower than in the preceding year and amounted to 4.3%. The effects of the COVID-19 crisis had a different impact on the operation of individual companies. The companies from the SSH's portfolio which were hit the most by the crisis include enterprises from the tourism industry, manufacturing, and transport industry. Some other sectors were less severely affected so far, while the least impact of the COVID-19 crisis was experienced by the pharmaceutical industry and telecommunications.

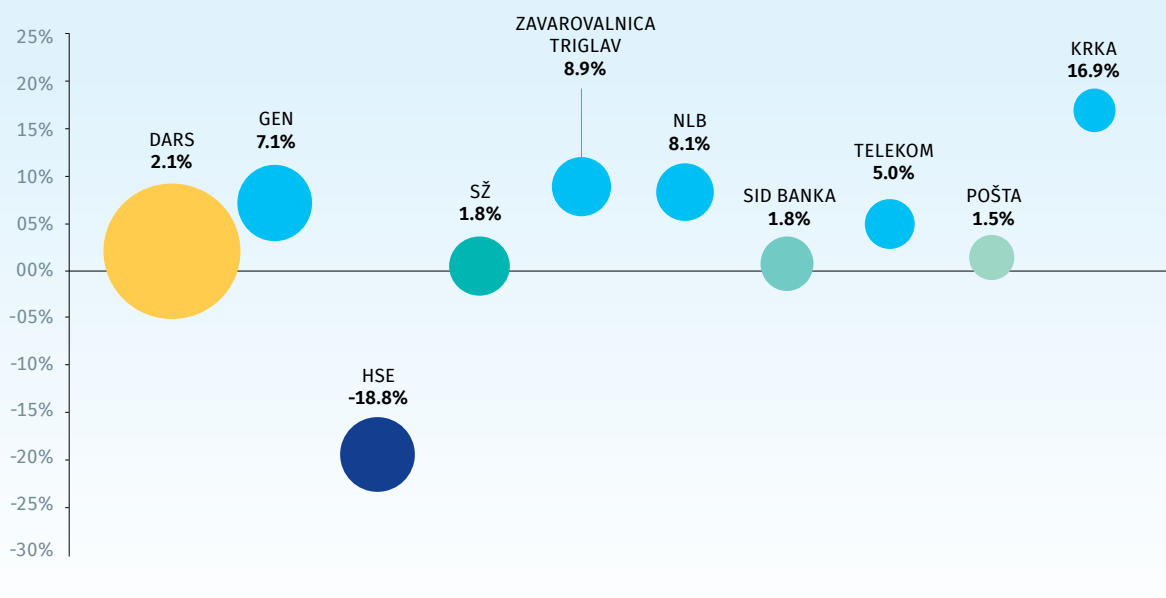
Larger companies which recorded growth in ROE in 2020 include GEN, Krka, Telekom and Plinhold, whereas lower ROE values were achieved by all remaining large companies. The current operational result of HSE was favourable, but due to a one-off impact of the impairment of assets held in TEŠ and PV, its final result was negative.

Graph: ROE for portfolio of assets managed by SSH in 2014-2020 period*



* The data for 2020 does not take into account the impairment of assets in HSE, neither the effects of the take-over of Komercijalna banka Beograd by NLB; otherwise, ROE would amount to 2.2%.

Graph: ROE of Top 10 assets in the portfolio of SSH in 2020. 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.



² The book-value of equity in this calculation and in calculation referred to in item 7.2.8.5 represents the total of the proportional part of portfolio companies' equity (as disclosed in their Financial Statements), with regard to the percentage of RS's and/or SSH's shareholding.

Table: Return on equity (ROE) for 2020 (an estimate) for the SSH portfolio of assets, by the criteria of assets classification as stated in the Asset Management Strategy, by pillars and by quotation on the Stock Exchange

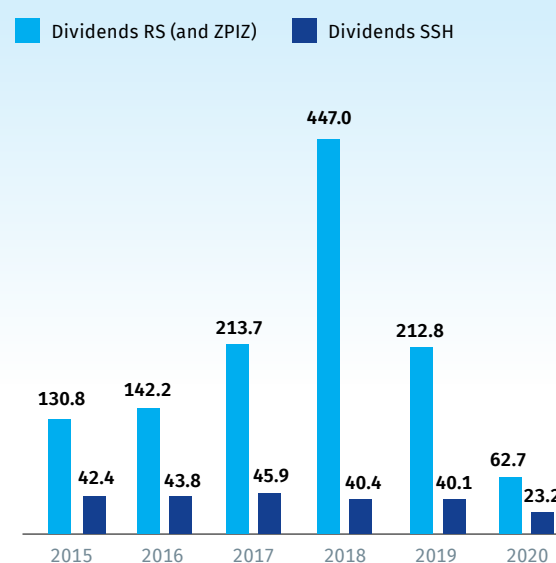
2020 (estimate)*	BOOK VALUE OF RS AND SSH STAKES AS OF 31 Dec 2020	PROPORTION OF THE PORTFOLIO	RETURN ON EQUITY (ROE)
Classification			
STRATEGIC ASSETS	8,022,673,377	80.8%	3.7%
IMPORTANT ASSETS	1,383,282,216	13.9%	8.7%
PORTFOLIO ASSETS	523,397,655	5.3%	3.5%
PORTFOLIO	9,929,353,248	100.0%	4.3%
Pillar			
TRANSPORT	4,086,182,421	41.2%	2.0%
ENERGY SECTOR	3,147,038,749	31.7%	5.3%
FINANCIAL SECTOR	1,766,515,267	17.8%	6.9%
TOURISM AND ECONOMY	929,616,810	9.4%	6.0%
PORTFOLIO	9,929,353,248	100.0%	4.3%
Quotation at the Stock Exchange			
NON-LISTED	8,003,426,596	80.6%	3.2%
LISTED	1,925,926,651	19.4%	9.0%
PORTFOLIO:	9,929,353,248	100.0%	4.3%

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. In 2020 (for FY 2019), the dividends paid out by companies in the SSH portfolio amounted to the total of EUR 85.9 million, of which EUR 62.7 million was received by RS, and 23.2 million by SSH.

The volume of the dividend income is lower than planned by AAMP 2020, which was forecasted to amount to the total of EUR 142.4 million. This is the result of the effects of the COVID-19 epidemic and the tightened business conditions, which were reflected in worse business results recorded by some companies in 2020 and in their worsened financial position. The main reason for lower dividend income is mainly the result of restrictions on dividend pay-outs by banks and insurance companies which were imposed by supervisory institutions in 2020.

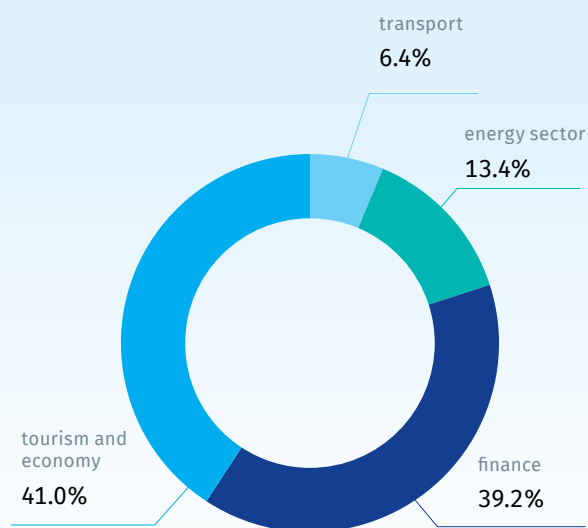
Graph: Dividend pay-outs in EUR for assets owned by RS and SSH, presented separately by years (for previous financial years)



7.2.8.5 Capital assets owned by SSH

As of 31 December 2020, the portfolio of assets owned by SSH amounted to EUR 794.9 million, measured at the book-value of equity holdings. The portfolio of assets owned by SSH continues to be highly concentrated - the total of assets from the Tourism and Economy Pillars and Financial Sector Pillar represents more than four fifth of the entire portfolio, with two largest capital investments, i.e., equity stakes in Zavarovalnica Triglav and Krka, together amounting to more than one half of the portfolio of assets (50.1%).

Graph: The proportion of pillars in the SSH portfolio (assets owned by SSH) as of 31 December 2020



Owing to the portfolio structure, which, as opposed to the portfolio of assets owned by RS, includes less strategic assets, return on equity (ROE) of the said portfolio is correspondingly higher and has amounted to 8.3% in 2020, despite the effects of the COVID-19 crisis.

Graph: ROE for portfolio of assets owned by SSH in 2014-2020 period

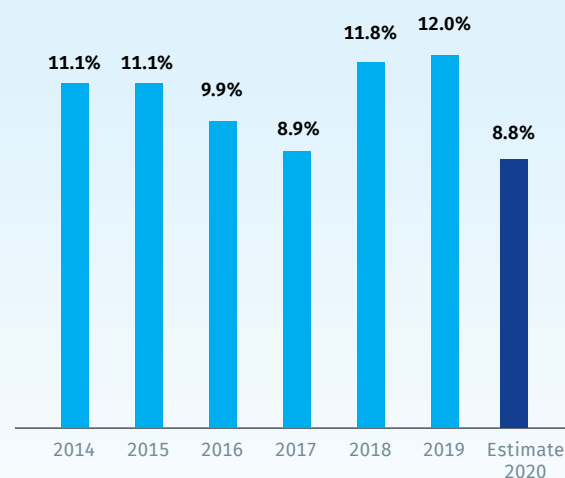
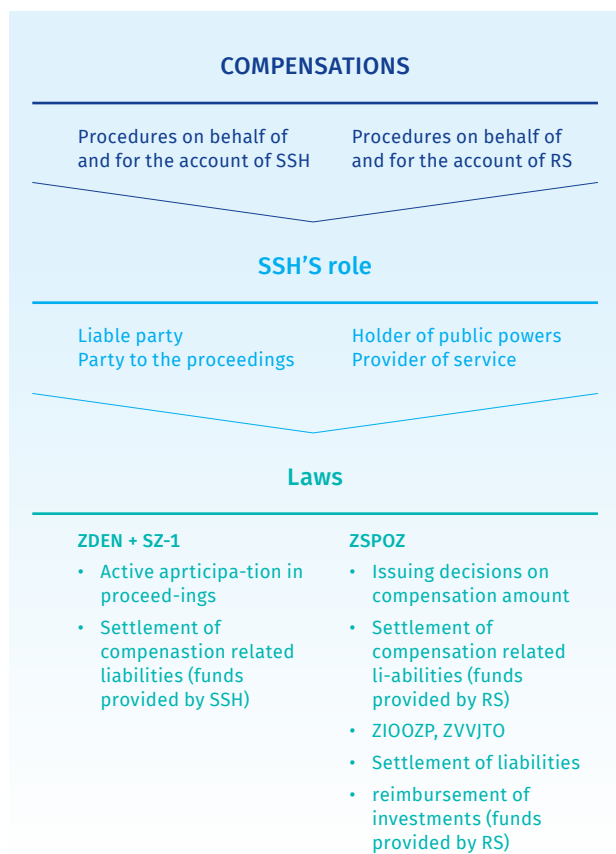


Table: Selected data on the portfolio of assets owned by SSH in 2018-2020 period

Companies directly owned by RS (excl. companies in bankruptcy or liquidation) – in EUR	2018	2019	2020 (estimate)
Sum of shareholdings' book-value (EUR million)	694.8	755.1	794.9
Portfolio ROE	11.8%	12.0%	8.8%
Dividend income (for previous FY) (in million EUR)	40.4	40.1	23.2
Dividends-to-equity ratio	6.0%	5.8%	3.1%

* 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. The book-value of equity represents the sum of the proportional share of capital of portfolio companies' equity (as disclosed in their Financial Statements), with regard to the percentage of SSH's shareholding.

7.3 Denationalisation and Compensation Settlement under Various Bills



7.3.1 SSH's role in denationalisation processes

In addition to duties stipulated by ZSDH-1, SSH exercised all powers, responsibilities, rights and obligations in accordance with ZSOS and ZDen as well as other regulations regulating denationalisation of assets. SSH takes part in proceedings before administrative and judiciary bodies and in procedures for determining compensation amount in line with Article 73 of ZDen, according to which the compensation may be determined in accordance with law of damages. SSH assumes two roles in denationalisation proceedings, i.e., it may be a party to the proceedings or a party liable to pay compensation in bonds. SSH gets involved in proceedings when the nationalised property 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. Proceedings are conducted before administrative and judicial bodies, in which regard at the first instance, responsible ministries are engaged in the proceedings which include the restitution of assets classified as cultural heritage and natural heritage. SSH also takes part in the mediation procedure in which claims lodged by agricultural communities are handled by responsible courts.

7.3.2 Denationalisation procedures at the level of the Republic of Slovenia

The Ministry of Justice draws up statistical reports in accordance with the recommendations of the Republic of Slovenia and monitors the denationalisation process on their basis. The data provided directly by the administrative unit show that 99.7% of cases conducted before the administrative bodies were complete and final as of 31 December 2020. The total number of unsettled cases amounts to 117 out of 39,714 cases lodged. As many as 99.6% of cases were completed before local courts. Seven of the total of 2,904 cases having been lodged are still unsettled. This figure refers only to cases handled under Article 5 of Zden and does not include data on claims filed and pending under the provision of Article 73 of ZDen, and for claims lodged by the re-established agricultural communities. In both cases, claims may still be lodged before the competent courts since the lodging of these cases is not limited with the term of preclusion referred to in Article 64 of ZDen.

7.3.3 Denationalisation procedures at the level of SSH

SSH diligently examines all material received from the respective body handling proceedings, and consistently determines the appropriate compensation amount in accordance with the law and the implementing regulations. 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 relevant discipline. SSH takes its position regarding all facts, which will have an impact on the decision, in its first replies to the submitted claim. The required supporting documents and evidence are obtained from various records when required by the needs of the procedure. SSH inspects the data of the land surveying discipline, 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 on-site inspection is conducted. SSH take an active part in denationalisation procedures by participating 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 and in the first-in-

stance decision on the compensation amount. However, in some cases, a renewed examination by the second instance body or by further instances is necessary when governing bodies and parties involved take different views on the subject-matter in question.

As of 31 December 2020, the total of 222 claims were registered as outstanding, which refer to 158 cases dealt with by the SSH. The denationalisation process has not yet been concluded, and new cases conducted by administrative, or a judicial body are still being received, or continued claims are registered. This is the result of the provisions of ZDen, since the law stipulated the restitution of nationalised property in kind as the primary form of denationalisation, and only in the second phase a compensation may be claimed for. SSH received seven new claims and three supplementary claims in 2020. When SSH's involvement was necessary to make an accurate and full factual and legal context of the case, SSH participated at the 54 hearings or provided a written position on their subject-matter. SSH made a decisive contribution to the resolution of claims by entering into settlement agreements when all statutory conditions were met. From the initiation of its functioning in 2007 and up to 31 December 2020, the Settlement Committee met at 128 sessions, and concluded 79 settlement agreements. In 2020, it organised two meetings during which it rejected two proposals for out-of-court settlement because statutory requirements were not satisfied.

Table: The number of records received and sent

	Total by 31 December 2020	From 1 January until 31 December 2020
New claims and continued claims received	22,544	10
Reports on the established actual and legal state of affairs regarding the case	22,702	43
First-instance decisions received determining compensation in bonds	20,545	33
Appeals lodged in regard to decisions with time of preclusion	6,049	12

In the reporting period, SSH received 38 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. Twenty-four appraisal reports relating to construction and mechanical engineering and agricultural issues were examined and SSH's position in regard to appeals, lawsuits, judicial reviews and other important applications relating to procedure was taken in slightly less than 900 applications. Legal remedies were utilised 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. Objections mainly referred to the questionable legal foundation of the claim and the eligibility for denationalisation, the timely lodging of claims, an incorrectly determined compensation amount, and erroneous application of substantive provisions.

7.3.4 Decisions made and issues raised in denationalisation procedures

In 2020, SSH continued to deal with denationalisation issues relating to larger nationalised companies and their assets, apartments and office buildings, industrial facilities, real estate, and immovable properties. 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 are still being handled that 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.

SSH received some important decisions adopted by the highest decision-making bodies which have reinforced the case law in regard to the following issues: (i) the legal basis for nationalisation, (ii) the legal succession and the eligibility for denationalisation, (iii) the issue relating to the reciprocity of foreign citizens; (iv) the status of a building site and the existence of legal barriers for in-kind compensation, (v) the issues relating to substitute agricultural land, (vi) the possibility to use extraordinary legal remedies, and several others.

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

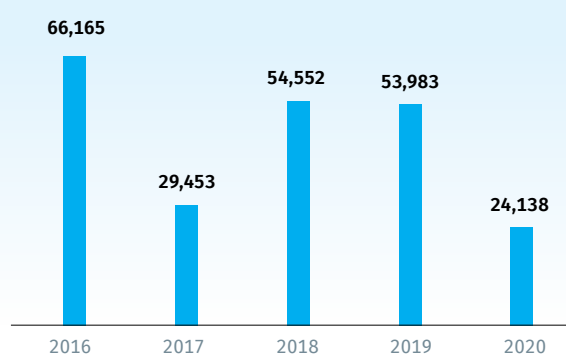
7.3.5 Implementation of denationalisation-related decisions and settlement of liabilities

Slovenian Sovereign Holding settles liabilities due to beneficiaries under Zden, Cooperative Acts and other regulations governing the denationalisation of property on the basis of decisions, issued in administrative in judiciary proceedings. SSH also implements decisions issued by the Ministry of the Environment and Spatial Planning in connection with the decisions being made under the provisions of Article 173, Paragraph 3 of the Housing Act (SZ-1) under which a beneficiary is compensated for an empty dwelling. The decisions are implemented by means of paying

the total value of the SOS2E bond. ZDen and implementing regulations governing the implementation of denationalisation-related decisions has not been modified, therefore, it still applies that SSH settles the compensation liability in bonds, in which case the compensation payment does not entail a reposting to be made, but only the payment of the total value arising from these securities.

For settling liabilities due to beneficiaries under ZDen and under other regulations governing the denationalisation of property, SSH transferred 17,480,734 bonds to 28,081 holders and paid out the total of EUR 1.7 billion, since the initiation of performing its duties under ZDen and until 31 December 2019. Sixty-nine beneficiaries were paid compensation in the amount of EUR 2.4 million in the reporting period. The amount of EUR 53.000 was paid to tenants, who used to rent denationalised apartments, for their substitute repurchases.

Graph: The number of paid-out SOS2E bonds



7.3.6 Compensations to victims of war and post-war violence

Article 16, Paragraph 1 of the Payment of Compensation to the Victims of War and Post-war Aggression Act ("ZSPOZ") has vested in 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. Eligible beneficiaries have been defined by special regulations. 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 both laws, but the total sum to be received by an individual beneficiary under ZSPOZ should not exceed the statutory amount (EUR 8,345). Considering 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 240 decisions on compensation amount, which were based mainly on ZPkri.

The compensation was not determined for a great number of beneficiaries since they had received the highest possible compensation ruled in previous decisions.

SSH paid EUR 1.3 million to beneficiaries, who are eligible for compensation under ZSPOZ, in the period from 1 January 2020 to 31 December 2020.

7.3.7 Settlement of liabilities arising from compensation for confiscated property pursuant to the abrogation of the property confiscation 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 the total value of the RS21 bond. Considering the interpretation of Article 3, Paragraph 5 of Z100ZP, 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 value equivalent to 12,118 RS21 bonds was paid out to beneficiaries or their legal successors, totalling EUR 747.000.

7.3.8. Settlement of liabilities under the Return of Investments in the Public Telecommunications Network Act.

Pursuant to Article 3 of the Reimbursement of Investments in Public Telecommunications Network Act ("ZVVJTO"), Slovenian Sovereign Holding reimburses payments for investments into the public telecommunication network. The above-mentioned obligation is carried out on behalf of the Republic of Slovenia and for its account - the Republic of Slovenia is a party liable to carry out the payment. The settlement of liabilities pursuant to the enforceable instruments which are submitted directly by the State Attorneys of the Republic of Slovenia, is carried out by SSH within 60 days following their receipt.

Beneficiaries, who are eligible for compensation under ZVVJTO, were paid EUR 149.000 in the period from 1 January 2020 to 31 December 2020.

8 Analysis of SSH Operations and Liquidity

8.1 Cash Flows and Financial Debt

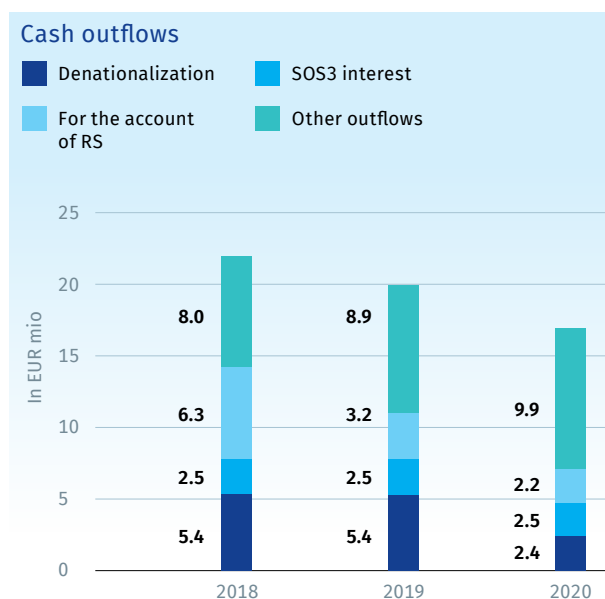
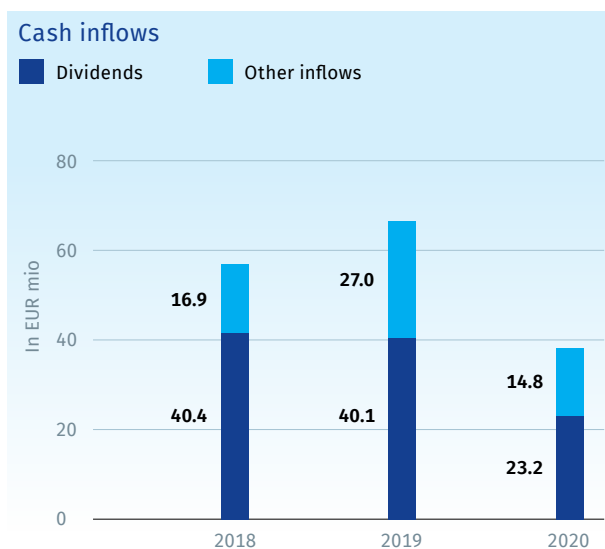
The most important items recorded in the Statement of Cash Flows which have an impact on the financial position and on the financial performance of SSH and SSH Group include dividends classified under income, on one hand, and the payment of compensations to denationalisation beneficiaries, the payment of operating costs, and expenses for investing activities, all classified under outflows, on the other. The highest expense registered in the reporting period referred to the payment of liabilities arising from the overdue SOS3 bond, which amounted to EUR 102.5 million, interest expense included. A significant expense items include payments imposed under the three laws (ZSPOZ, ZIOOZP and ZVVJTO), which are carried out by SSH on behalf of and for the account of RS. These expenses do not have an impact on the financial position of SSH since they are repaid to SSH by RS.

The graph below shows the share of the selected categories in the statement of cash flows. The income from overdue deposits and the expenses for new deposits, current debt in the amount of EUR 13 million, and the amount of EUR 100 million for the repayment of the principal of the SOS3 bond have been excluded from this presentation of cash flows.

Similarly as in previous years, SSH settled all of its statutory and contractual obligations on a regular and timely basis in 2020. It maintained its current liquidity by planning cash flows and keeping a permanent liquidity reserve.

The cash flow statement projected for 2020 anticipated that liabilities relating to payments for financing activities (bonds) would be settled from SSH's own funds (income generated from investing activities, i.e., deposits overdue in May and June, income relating to receivables due by Sava in April, dividend income to be received in June, cash relating to the withdrawn call deposit).

As a result of concluding an Annex to extend the maturity of receivables due by Sava from April to October 2020, and owing to the postponement of the dividend payouts as a result of the coronavirus disease, the SSH's financial situation changed dramatically. A framework short-term loan agreement was concluded in June 2020, amounting to EUR 15 million, which could have been disbursed by the end of 2020; its terms and conditions matched the current SSH's financial situation at the time and the anticipated cash flows. In fact, due to the COVID-19 epidemic and its consequences, dividend income could not be planned with certainty, neither were outflows for settling denationalisation compensations (for example, cash outflows for settling denationalisation compensations amounted to only 16% of the planned outflows). The actual disbursement of the said loan



amounted to EUR 13 million, and the debt was paid off with dividend income in July.

Thus, after liabilities relating to the SOS3 bond were settled in June 2020 and when the loan was repaid in July 2020, SSH did not report any liabilities relating to financing activities.

At the end of 2020, SSH reported EUR 8.3 million of assets invested in call deposit; these assets are partially allocated for settling denationalisation compensations and partially for current operating costs. obveznosti iz financiranja.

8.2 Statement of Financial Position

The provisions of ZSOS-C, which were adopted in 2017, led to significant changes in the asset structure of the Statement of the Financial Position of 31 December 2019. The proportion of strategic and important assets (EUR 638 million - the value as of 31 December 2019) which should have been transferred free of charge to RS, were reported under current assets. However, in November 2020, by adopting ZIPRS 2122, the time period for a free of charge transfer was prolonged for additional two years. As a result, all capital investments, with the exception of the Intereuropa shares, which were classified as non-current assets held for sale, were reported as non-current assets. The COVID-19 epidemic was also reflected in the market value of capital investments. The lowest value of the total portfolio of capital investments was reached at the end of March 2020. Afterwards, their quotation prices slowly turned upwards and compared to the preceding year, the total value of marketable capital investments was higher by a poor one per cent as at 30 December 2020. As a matter of fact, such outcome is the result of a strong growth recorded by Krka shares, which represented 40% of all marketable investments at the end of 2020 (while, as of 31 December 2019, they represented 32%). The liability amount, which is due in 2021, is reported under current liabilities (EUR 17.6 million for denationalisation compensations).

in EUR 1,000	31 December 2020	31 December 2019
ASSETS	737,382	815,913
Non-current assets	702,766	61,889
Property, plant and equipment	1,582	1,215
Financial investments	700,723	59,700
Deferred tax assets	461	974
Current assets	34,616	754,024
Financial investments	22,978	740,186
Cash and cash equivalents	8,957	12,108
Trade and other payables	2,681	1,730
EQUITY AND LIABILITIES	737,382	815,913
Equity	640,461	611,580
Called-up Equity	260,167	260,167
Fair value reserve	484,974	482,076
Retained loss	-104,680	-130,663
Non-current liabilities	58,751	62,914
Provisions	58,697	62,914
Other liabilities	54	0
Current liabilities	38,170	141,419
Financial liabilities	0	99,962
Trade and other liabilities	38,170	41,457

8.3 Income Statement and Statement of Other Comprehensive Income

in EUR 1,000	Realised in 2020	Planned for 2020
Operating income	9,068	7,965
Operating expenses excluding denationalisation-related reserves	7,949	8,896
Reserves for denationalisation	0	0
Operating profit/(loss)	1,119	-931
Financial income	27,002	42,335
Financial expenses	1,489	1,461
Profit before taxes	26,632	39,943
Income tax	-139	0
Deferred taxes	-512	-184
Net profit/(loss) for the period	25,981	39,759

The planned profit was not realised mainly due to the lack of dividend income payable by Zavarovalnica Triglav and Pozavarovalnica Sava, totalling EUR 19.2 million, which is the result of recommendations issued by regulators in connection with the consequences of the COVID-19 epidemic. Realised income did exceed the planned income, partially due to higher income allocated for settling denationalisation compensations, partly due to the reversal of provisions, and partially due to revalued operating income. Realised costs of services were lower than planned by 4%, again, due to the epidemic, as a result of which it was not possible to carry out all the planned activities. Likewise, realised labour costs were lower than planned (87%), which is again the result of the epidemic, because of which some employees were furloughed, receiving 80-per cent salary but no reimbursement of expenses for meals during work and of expenses for travel to and from work. Additionally, the Management Board waived a part of their earnings and some absences were refunded. Moreover, the reorganisation of SSH was carried out, as a result of which the employment of a great part of employees was terminated. The hiring, which was planned, was not fully realised.

8.4 Postponement of transfer of assets under ZSOS-C

The free-of-charge transfer of strategic and important assets to RS, which was enacted with the provisions of Article 19(a) of ZSOS-C in autumn 2017 and postponed to December 2022 by means of the adoption of ZIPRS 2122, will reduce the value of assets and increased the retained loss, thus decreasing equity due to increased loss and the reversal of revaluation surplus. In addition, due to the free-of-charge transfer of assets, SSH will lose dividend income which is the only source of funds for settling liabilities due to denationalisation beneficiaries.

The extended deadline for the free-of-charge transfer of strategic and important assets for two years, as stipulated by Article 82 of ZIPRS 2122, thus has a positive impact on the operational results of SSH, in particular on its Income Statement and is positively reflected in its current liquidity. However, the risk pertaining to the pay-out of dividends by both insurance companies remains.

It needs to be highlighted, 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 to be provided for from the budget, in accordance with ZSOS-C.

9 Organisational Development of SSH

9.1 Compliance and Corporate Integrity

The underlying measures for the strengthening of integrity and responsibility and accountability and for limiting risks regarding corruption, conflicts of interest and the abuse of proprietary information in the management of assets are defined by ZSDH-1. SSH has further detailed statutory requirements and upgraded them in its internal legal documents, which thoroughly specify internal procedures and commitments in relation to the SSH's operational compliance and corporate integrity system.

All identified risks, as well as one-off and permanent measures for their management, are described in detail in the Integrity Plan, which is the SSH's core document governing the operational compliance and corporate integrity system in SSH. The Integrity Plan is also an integral part of an integrated risk management system and is included in the SSH's Master Risk Register, in addition to the Basic Risk Register and the Crisis Risk Register, which was drawn up during the coronavirus epidemic.

A person responsible for the Integrity Plan is the Chief Compliance Officer who is also tasked with the preparation and constant monitoring and supplementing of the said Plan by identifying new potential risks and defining permanent and one-off measures for managing risks. The Chief Compliance Officer reports to the SSH Supervisory Board on the Integrity Plan's implementation and on the activities carried out on a quarterly basis. The internal reporting and discussions are carried out at regular sessions held by the Risk and Compliance Committee and at the Cabinet meetings held by the Chief Compliance Officer.

Risks identified in the SSH's Integrity Plan cover the following areas of work:

- 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.

Measures for enhancing operational compliance and corporate integrity were implemented in a smooth manner in 2020. It can be pointed out that more important activities included an integrated revision of all internal documents and their upgrading in accordance with changes in the environment, the upgrading of internal processes and their alignment with organisational changes implemented in SSH.

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 (internal rules and regulations), 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 investigation institutions



Committee for handling irregularities in portfolio companies

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 42 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 companies with state capital assets;
- 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-six reports referred to the suspicions of irregularities in the functioning of SOEs, which fall under the SSH's corporate governance. Eleven reports referred to the opinion expressed by reporting persons which, however, failed to include any elements of suspicion concerning alleged irregularities. Four reports referred to the authorities vested in other institutions and were submitted to them for their handling, while one report concerned an alleged irregularity in 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

In terms of organisation, the SSH's internal audit functions as an independent department. The basis for its functioning is the Internal Audit Charter. The year of 2020 was particularly important for the functioning of SSH's Internal audit, and a busy one. Despite limitations in its operation due to the coronavirus crisis, the majority of planned goals were achieved in 2020.

The Internal Audit carried out five audit reviews with advisory services and two audit reviews in SOEs under SSH governance. Reviews referred both to issues concerning operational compliance and performance. The most important audit reviews referred to the asset management processes, to the security of operations, business continuity and to HR management. The purpose of including companies, included in the portfolio managed by SSH, into the scope of activities carried out by the SSH's Internal Audit is to reinforce the SSH's review and oversight over their operation; this is an important step forward in ensuring good quality management of state assets.

On the basis of audit reviews carried out, the Internal Audit Service gave to the SSH Management Board and to the SSH Supervisory Board/the Audit Committee of the SSH Supervisory Board an impartial assurance on the suitability and efficiency of the system for managing business risks. The Internal Audit was of the opinion that the internal control system in SSH was established and adequate, however, recommendations and initiatives for its improvement were made in the audit reviews. On the

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

- the internal control system for preventing cases of significant fraud has been established in audited areas;
- 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 is implemented, and values are enforced within SSH;
- the communication and provision of information among employees and other bodies, up to the external supervisory bodies, is adequately organised.

In addition to regular activities in connection with the internal audit function, the Internal Audit Service cooperated with the national supervisory and investigation institutions (for example, the Court of Audit of RS).

9.3 Key risks in 2020

Sound knowledge and good understanding of risks enables every 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 during its operation.

9.3.1 Key risks in 2020

Specific business conditions, which occurred as a result of the new coronavirus disease in 2020, were reflected in the functioning of SSH.

The most important risks included risk, which were associated with the following factors: the decreasing value of assets owned by SSH; lower dividend income than planned; the impact of amendments in legislation on the SSH's operations (regulatory risk); HR risks; operational risks, which were necessary for the alignment of work processes to ensure preventive health protection (employee safety and their functioning in the light of the COVID-19 outbreak and its impact on the SSH's functioning; SSH's assets and technical security; the protection of documents, of data and of information in connection with the newly established home-working mode as a result of the emergency situation); risks relating to cyber security, and risks from the outside business environment with a potentially negative impact on SSH's operations. These risks are followed by risks which have affected capital assets from the portfolio managed by SSH as negative effects resulting from severely tightened conditions for operations of portfolio companies and,

consequently, the recession, and negative deviations in SOEs' performance results compared to expectations/ goals set in the SSH's Business and Financial Plan and in the Annual Asset Management Plan

An **important strategic risk** was identified in connection with the announcement regarding the adoption of new legislation concerning the formation of the National Demographic Fund. In preparation for the changed circumstances occurring as a result of the new legislation, the identified risks represent a significant challenge for all SSH's employees. These are realistic risks stemming from the merger of various companies which entails the merger of various business processes, cultures, people and jobs. SSH is aware of the significance of these risks and challenges associated with the formation of the Demographic Fund, which is why all measures and activities will be implemented to identify and manage risks during the process of merging companies and forming the Demographic Fund.

Key risks identified in SSH in 2020 included **HR risks**, particularly in the light of the business process reorganisation and the reduction in the number of employees. In addition, for some time, SSH had been operating under conditions influenced by frequent changes in the membership of bodies of management and supervision which was reflected in the SSH's operation in 2020.

The area of work relating to **information technology** was marked by risks in the inability to manage IT services and equipment in case an infectious disease broke out among employees from this area of work, as well as risks connected with the failure of the information system and the failure of services provided by contractors, risks associated with the inability of operating in emergency as well as risks relating to cyber security.

In response to the new circumstances, which occurred in the internal and in the external business environment, SSH prepared the Crisis Risk Register in April 2020 to integrate, in a systematic manner, all newly identified risks which SSH was exposed to when working under emergency conditions. Suitable measures were accepted to ensure the normal functioning of the institution.

9.3.2 Risk management system

Risk management in SSH is based on a centralised and integrated system which functions at the level of SSH as a whole. All risks, which SSH is exposed to during its operation, are described in the Master Risk Register in a systemic manner. The said Register is composed of the following parts:

- the Basic Risk Register;
- the Crisis Risk Register;
- the Integrity Plan, which especially regulates the method for handling corruption risks, and illegal as well as unethical actions.

A special Security Risk Register is being prepared within the scope of the Master Risk Register to systematically describe security risks, which SSH is exposed to during its operations.

The **Basic Risk Register** describes all risks, which SSH is exposed to under normal conditions of operation. The following key risks are highlighted:

1. **strategic risks**, which encompass risks which SSH is exposed to in case of statutory changes that can have a negative impact on the scope of SSH's future operation and on its subject-matter;
2. **risks associated with asset management**, which cover risks that occur due to the unforeseen conditions in the market, which result in significant deterioration in operating conditions, or which even render the operation impossible and this situation consequently negatively affects the asset management performance. In such case, the value of capital investments can decrease, the dividend pay-out is fully or partially disabled, and in some cases, the viability of companies is jeopardized;
3. **HR risks** are associated with the shortage of key personnel; these risks have an impact on the SSH's preparedness, or the lack of it, to address the unexpected departures of employees, and may entail the absence of succession planning;
4. **project risks**, which stem from unclear definition of authority and responsibility of persons, who cooperate in project groups, and from the non-centralised overview over projects and the status of their implementation as a result of which projects may be delayed, project goals missed and planned costs exceeded, and similar;
5. **risks associated with personal data protection**, which are connected with the processing of personal data by outsourced data processors, with the possibility of personal data having been disclosed, and with the unsuitable software used for safekeeping data bases storing personal data;
6. **security risks**, which stem from inappropriate protection of premises and equipment;
7. **financial risks**, within the scope of which the most significant risk is associated with liquidity risk as a result of which SSH is unable to settle its statutory or other obligations on a certain day or in a certain period;
8. **IT risks** are associated with the failure of the information system, or the loss of services provided by contractors, or the with the inability to operate when emergency arises as a result of lacking plans and poor working procedures for ensuring business continuity, and include risks pertaining to cyber security.

The **Crisis Risk Register** includes a systematic description of all risks which SSH is exposed to when operating in emergency. The content of the Crisis Risk Register is focused on the following risks:

1. **employee safety and their functioning** in case of an outbreak of a new virus causing a contagious disease; measures have been adopted for preventive operation in case of a prolonged epidemic, as well as measures in case an individual employee gets infected, and measures to address poorer effectiveness connected with the work-from-home mode of operation, as well as measures to tackle worsened psychological condition of an individual employee;
2. **safety of property**, in case business premises are infected and offices are inadequately protected;
3. **safekeeping of documents**, of data and of pieces of information, in which regard measures have been adopted to manage risks associated with the work-from-home mode of operation that has been introduced (unauthorised access to business documents/data, loss of documents/data, computer hacking and misuse of IT systems and misappropriation of data as a result of access rights which have been established anew to enable work from home, hacking of and misuse of remote communication devices and systems);
4. risks connected with **financial management**, of which the liquidity risk is the most critical one. For managing these risks, several measures have been adopted, which are implemented in a regular manner;
5. risks associated with **asset management** and which identify issues and the possibility for declaring insolvency (and consequently a bankruptcy) of individual companies with assets owned and managed by SSH as a result of emergency;
6. risks associated with **information security** and the inability to manage IT services and equipment in the event of employees from the IT Department get infected with a contagious disease;
7. risks of changes in the **external business environment**, which stem from a negative and an adverse impact of the COVID-19 epidemic on the Slovenian economy in the long term, risks which stem from the impacts of the statutory changes on the SSH's operation, and risks which arise due to disruptions in the critical infrastructure as well as risks which are associated with the possibility of the Government's strategic projects being put on hold or even to an end.

Integrity Plan

SSH has adopted numerous measures for managing risks exposed to during its operation, implementing them in a regular manner. Risks and the implementation of measures for their mitigation are consistently monitored and dealt with in detail within the scope of regular meetings, at events and at regular sessions of the Risk Commission and at the Cabinet's meetings of the Chief Compliance Officer. By strictly observing the legislation, documents and provisions of internal legal documents and by having established various risk-mitigation mechanisms, SSH

has succeeded in having its risks properly identified, handled, and managed.

More detailed explanations are provided in the Chapter on compliance and corporate integrity.

9.3.3 Decision-making bodies

Decision-making bodies, which are involved in the risk management process, include the SSH Management Board, the Risk Commission (hereinafter referred to as: "the Commission") and the SB's Risk Committee (hereinafter referred to as: "the Committee").

The Commission is composed of the Management Board Members and risk owners. The said Commission meets at regular sessions which are organised together with the Cabinet of the Chief Compliance Officer. Risks recorded in the Master Risk Register are discussed at these sessions, and the suitability of adopted measures is reviewed and their implementation within the set deadlines is verified; in addition, new measures are adopted, persons responsible for implementing measures are appointed, the suitability of the Risk Matrix is examined and updated in line with business events, and new risks are identified and properly addressed.

The risk management process is monitored by the Committee, which is a consultation body of the Supervisory Board. The Supervisory Board's Risk Committee is tasked to provide expert opinions on the risk management system established within SSH and to propose its improvements by submitting their proposals to the SSH Supervisory Board.

9.3.4 Risk assessment

In SSH, risk exposure is assessed by applying uniform risk assessment criteria, by considering the importance of their potential consequences on the SSH's operations, and according to the likelihood against the event's occurrence.

In terms of risk levels, which weight the risk acceptance, only risks levels assessed as low can be accepted and they are monitored every six months, whereas risks assessed as posing medium or high risks are regularly discussed at the Commission's meetings.

9.3.5 Further development

The development pursued in risk management in 2021 will be primarily focused on upgrading the process of systematic monitoring of key risks in SOEs from the portfolio of companies managed by SSH. Considering the significance of risks associated with corporate safety and security, a special register of key safety risks will be prepared, which will include the definition of measures and will form an integral part of the Master Risk Register. Any other significant improvements of the SSH's risk management system will be subject to changes in the external environment.

9.4 Risks in Operations of Portfolio Companies

Portfolio companies, which are included in the portfolio of assets under SSH management, are exposed to risks of various types: these are carefully monitored by SSH, acting in the capacity of their asset manager.

SSH makes efforts to suitably manage risks in companies with SSH and RS corporate asset by having in place various documents and protocols (i.e., Corporate Governance Code for SOEs, SSH Recommendations and Expectations) and by means of organising events (i.e. training sessions). In fact, risk exposure can jeopardise business performance of SOEs and can have an impact on all risks set by SSH in the AAMP (an impact on the value of ROE attained by an individual company, on the ability to pay out dividends, and similar).

Risks in companies are regularly monitored by following current operations and developments in the market. When analysing performance results of SOEs, under their pillar of asset management, asset managers analyse financial risks, operational risks, and various business risks. By closely monitoring current information on SOEs included in the portfolio of assets under SSH's management, and by making its own estimates, SSH identifies in due time any likelihood of goal non-attainment and of the resulting potential loss of dividend income. Special attention is dedicated to regulatory risks as decisions by individual regulators can have a direct impact on asset-management activities, such as the execution of take-overs, restrictions imposed on dividend pay-out (as for example in regard to financial institutions in 2020), and similar events. Regulators' decisions can also affect the economics of operations of individual portfolio companies and on their capacity for pursuing investing activities. The fact is that the SSH's portfolio of assets includes several companies for which the volume of income in a certain segment of their business operations is regulated.

In 2020, with the outbreak of the epidemic, SSH adopted special measures for monitoring and managing risks in SOEs. SSH also closely monitored measures connected with the anti-corona legislative packages (PKP legislation) and their impact on the operations of companies. New risks were identified which were associated with the consequences of the COVID-19 epidemic.

9.5 Respect of Human Rights in Operations

Together with some other large companies from the SSH's portfolio of companies, SSH signed the Commitment to Observe Human Rights in Business on the basis of the National Action Plan of the Republic of Slovenia on Business and Human Rights (adopted by the Government of the Republic of Slovenia in November 2018; hereinafter referred to as: "NAP"). Signing the said Commitment was the first step towards pursuing business human rights due diligence in the SSH's daily business practice. One of the most important measure, which is required by acceding to NAP and which should be highlighted, refer to the appointment of a special business human rights custodian (February 2020) who represents SSH and cooperates with the Working Group on the Implementation of the NAP on Business Human Rights established by the Ministry of Foreign Affairs of RS.

In the beginning of 2020, SSH draw up an internal action plan for implementing the main elements of its commitment to observe business human rights with the aim to introduce human rights due diligence as the SSH's continuous internal process. The said plan of activities included the review of and the amendments to SSH's internal legal documents and the amendments to the SSH Expectations and Recommendations. SSH thus recommends to portfolio companies to implement relevant principles from NAP on Business Human Rights in their business practice and to accede to the Commitment to Observe Human Rights in Business, to prepare an action plan for the implementation of individual commitments according to their subject-matter and to define time periods for their execution.

9.6 Personal Data Protection

Processes on personal data protection are defined in the Data Protection Protocol describing processes and measures for the protection of personal data which also includes a detailed description of all filling systems and detailed guidance on the use of personal data.

The said Protocol was supplemented in 2020 and a data base on participants of meetings organised during the epidemic was added, in accordance with the Ordinance on the temporary restriction of the gathering of people in the Republic of Slovenia. All other activities were carried out in a smooth manner.

9.7 Measures for Money Laundering Prevention

With the Act Amending the Prevention of Money Laundering and Terrorism Financing Act from November 2016, SSH has become a liable party to implement a customer due diligence. This process is carried out in connection with contractual parties involved in the processes for the disposition of corporate state 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. 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 (ZDIJZ). In 2020, SSH received ten (10) 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 (90%), while the remaining 10% were private individuals.

Nine requests (90%) were denied due to the existence of exemptions referred to in Article 6, Paragraph 1 of the ZDIJZ, while one request (10%) was complied with and applicant was granted the access to inspect the requested documents.



10 Sustainable Development of SSH

SSH's green vision will consider it a success when SOEs will attain financial performance expected by their owner while simultaneously implementing all three aspects and goals of sustainable business. The ultimate objective of state-owned companies being managed by SSH is effective, profitable, economical operation, creation of value, and in many cases, efficient management of individual assignments in public interest. This must be achieved in a sustainable manner, by taking into account economic, environmental and social aspects.

Contributing to the realisation of Agenda 2030 goals

The world leaders adopted the 2030 Agenda for Sustainable Development with 17 sustainable development goals at the United Nations summit in 2015. Slovenia is fully committed to all 17 goals of the 2030 Agenda, which is considered to be the most comprehensive development action plan thus far. SSH examined all goals and selected 5 which SSH wishes to pursue in accordance with its mission and strategic guidelines. These 5 goals have been classified in view of the following questions:

- whether, considering its activities, SSH can have an impact on a goal and contribute to its achievement;
- whether a goal is an integral element of SSH's sustainability.



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, observing one part of international guidelines on this topic, and recommendations regarding non-financial reporting referred to in the Corporate Governance Code.

ASSET MANAGEMENT

1. Value creation (increasing the value of equity in SOEs, increasing ROE and attaining the strategic goals of RS, in accordance with AAMP)
2. Expectations regarding SOEs' sustainability through AAMP, Performance Criteria and Recommendations
3. Proposing and appointing good quality members of Supervisory Boards
4. Open communication and dialogue with stakeholders
5. Continuous improvement of the corporate governance culture
6. Continuous improvement of the professional work of the members of Supervisory Boards of SOEs, focusing on sustainability requirements
7. Continuous improvement of standards for observing human rights in business
8. Continuous improvement of corporate integrity standards at the level of SOEs and at the level of SSH
9. Continuous improvement of the Diversity Policy's results

SSH

1. Encouraging working environment for employees
2. Encouraging business and family life balance
3. Education and supplementary training of employees (priority areas: digitalisation, corporate governance, asset management, sustainability)
4. Encouraging employees' health at workplace
5. Ensuring suitable carbon footprint management and maintaining low levels of energy consumption
6. Continuing the digitalisation project and pursuing paperless processes
7. Prudence in procurement of goods and waste reduction and waste separation.

10.1 More Important Activities for Sustainable Development

As regards sustainable development, SSH was very active in 2020 as it designed an internal framework for its activities to be pursued in this field, adopted recommenda-

tions for SOEs and drafted other important documents and carried out activities which are presented below, together with the accompanying commentary.

Content	Activities in 2020	Commentary
Sustainability governance	The preparation of an internal mini-strategy on SSH's sustainability and preparation of recommendations for SOEs' sustainable development.	Implemented in 2020.
	Inclusion of sustainability related topics in interviews with candidates nominated as candidates for Supervisory Boards of SOEs (an integral part of a standardised questionnaire).	
	Internal Report on sustainable operation of TOP 20 portfolio companies.	
HR management and organisation	The introduction of the renewed wage system and the establishment of the remuneration system within SSH.	Rules on new wage system was adopted in March 2020 and it will enter into force in 2021.
	SSH's HR Strategy for 2021-2023.	The HR Strategy was adopted at the end of 2020, the envisaged activities will be implemented in the period from 2021 to 2023.
	Promotion of health and safety at work and at work from home.	The measures planned for promoting health at work were implemented on a smaller scale than planned in 2020 as a result of the coronavirus epidemic.
Further development of the good practice in corporate governance	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 SSH Recommendations and Expectations were extended to include three new recommendations, specifically, on sustainable business of SOEs, on the observance of human rights in business, and on rules of other rights for members of a management body. Likewise, samples of rules for electronic and virtual General Meetings convened under ZGD-1 and ZIUOPDVE were drawn up.
Corporate integrity	Implementation of training sessions for members of supervisory bodies of SOEs.	The organisation of five training sessions for members of supervisory bodies of the portfolio companies SSH appealed to all SOEs to take part in free training sessions organised within the scope of the International Fraud Awareness Week. More about this activity is presented in the section which describes events and projects undertaken in 2020.
	Integrity Plan.	Regular identification of new risks in regard to corruption, unlawful and unethical conduct and the adoption of recurrent and one-off measures.
	The Code of Ethics of SSH and the Code of Ethics of SSH Supervisory Board.	SSH revised the Code of Ethics of SSH and the Code of Ethics of SSH Supervisory Board; both were amended with commitments in regard to leading by example, zero tolerance to corruption, observance of human rights in business, sustainable development, interpersonal relations in the company (this was prepared for SSH) and operations between related companies.

The Materiality Matrix is one of the tools for managing stakeholders' relations which was last updated for reporting purposes in 2018; during this exercise, by means of a questionnaire, the materiality of key topics for the largest companies under SSH governance was verified

and is not repeated in this report. Only key topics are presented below, and this is followed by a review of SSH's stakeholders and a report on their inclusion in the SSH's activities.

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

STAKEHOLDER'S INTEREST	
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 and hiring
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)



CORPORATE GOVERNANCE
ECONOMIC PERFORMANCE



EMPLOYEES



ENVIRONMENT

10.2 Review of Stakeholders and Presentation of their Inclusion in SSH's Activities and Cooperation

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 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 in SSH's activities and cooperation with them and key topics for cooperation and interest.



Stakeholder	Methods of Cooperation
Companies from the RS and SSH portfolios; members of Supervisory and Management Boards	Regular periodic and other meetings, written communication, invitations to annual events and training sessions organised by SSH.
National Assembly of RS, Government of RS, sectoral ministries	Quarterly asset management reports, Annual Report - Management of Capital Assets of RS and SSH, the cooperation in regard to the carrying out of sectoral policies, the participation of three decision-makers at the sessions of SSH's SB (Article 41 of ZSDH-1). The cooperation must be traceable (Article 7 of ZSDH-1). The Government of the Republic of Slovenia acts as the General Meeting of SSH.
Employees	Interpersonal contacts and virtual cooperation, electronic mails, participation in the governance (Employees' Council), Intranet portal, employee meetings, directors' meeting and sectoral meetings (multiple-person events were organised on a video platform).
The media	Press releases, press conferences, * interviews, statements for the interested media, answers to questions raised by journalists, personal contacts with journalists, invitations to events.
Beneficiaries for compensations under various bills	Procedures before administrative, judicial and other bodies, implementation of public powers.
Social partners	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).
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), The criteria for the selection of suppliers of goods and providers of services differ in regard to the type of a supplier and provider. 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. Calls to tender, meetings.
Other state asset managers	Regular meetings, electronic mail, cooperation in the management of state assets, invitations to meetings.
Potential investors	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.
Regulators and supervisory institutions	Electronic mail, submission of applications, meetings, reporting.

Areas of Cooperation and interest covered	Activities in 2020
<p>Monitoring business performance of a company and of the attainment of economic and strategic indicators set, monitoring of companies' operations and harmonisation of goals planned, supplementary training and implementation of cases of good practice.</p> <p>Stable, professional, predictable and transparent governance.</p>	<p>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 portfolios has been established (Supervisory Boards and Management Boards); the system is explained in detail in a Chapter on active management of capital assets of RS and SSH.</p>
<p>The effectiveness in the attainment of economic and strategic goals from the Asset Management Strategy and Annual Asset Management Plan, the amount of dividend income paid out to the RS's budget.</p>	<p>The participation of SSH's representatives at the meetings of the Committee on Finance and Monetary Policy, regular quarterly and annual reporting to the Government of RS and the Parliament, regular cooperation with sectoral ministries.</p>
<p>The flow of information, supplementary training and education, relations between employees and chief executives, diversity and equal opportunities, health and safety at work and at work from home, measures for a family friendly enterprise status - balancing business and family life during coronavirus crisis (quarantine, work from home, home schooling and caring of children staying at home due to the coronavirus), etc.</p>	<p>These activities are presented in more detail in the remainder of this Chapter.</p>
<p>Up-to-date, integrated and transparent information on significant events concerning SSH's operations and in the management of RS and SSH assets</p>	<p>SSH published 26 press releases, 12 communiqués on SSH SB's sessions, 6 communiqués for SOEs and other announcements regarding public invitation to tender and invitations to submit offers for purchasing shareholdings, and similar announcements. SSH received 354 journalists' questions and some live statements were also delivered. In 2020, 1193 articles in the media included the SSH keyword (the most of them in the printed media, a poor quarter in the internet media, one fifth of news was published by SPA, and the rest by the radio and television).</p>
<p>Consistent adherence to regulations for the determination of compensations, fair and effective payment of compensations under various bills.</p>	<p>See Chapter 7 for a more detailed presentation.</p>
<p>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).</p>	<p>One regular session was organised which discussed 6 complex subject matters included on the agenda.</p>
<p>The observance of the Public Procurement Act, of 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, the observance of the Decree on Green Public Procurement and ZDIJZ (the publication of essential components of the awarded contract).</p>	<p>In 2020, in addition to the procedures for the selection of suppliers in accordance with ZJN-3, another 264 contracts under simplified procurement procedures were concluded; specifically, in relation to goods and services for general affairs, 81 contracts were awarded in the total value of EUR 139K (mostly for IT-related needs, such as the procurement of computer equipment and software, various support applications), office supplies and material for representation purposes. For the provision of services for general affairs, 183 contracts were awarded, totalling EUR 553K, mostly referring to advisory services, maintenance services, provision of training and other services. All above mentioned figures include contracts for goods and services with the value of an individual contract from EUR 0 to EUR 19,999, or from EUR 0 to EUR 19,999 pursuant to ZIUZEOP.</p>
<p>The participation in the implementation of the Plan for Consolidation, Governance and Restructuring of state-owned tourism companies, the cooperation in the management of capital assets held both by SSH and other state assets managers.</p>	<p>Regular participation in the above-mentioned areas of work.</p>
<p>Transparent, equal and competition-based conduct in sale processes, in accordance with applicable regulations and comparable international practice.</p>	<p>Several publications of invitation for submitting bids on the SSH's web site.</p>
<p>The adherence to the legislation and the compliance with regulations and good practice in corporate governance, transparency of operations.</p>	<p>Occasional cooperation in accordance with the law.</p>

10.2.1 HR Management

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

		
Number of employees	39	19
Number of middle managers	9	8

At the end of 2020, SSH employed 58 persons. Of the total of 39 women, 9 women occupied senior positions, and of the total of 19 men, 8 men were employed at the executive level. The average age of employees is 48, while the average years of service per employee is approximately 22 years. The majority of employees come from the Osrednjeslovenska region.

Considering the nature of work carried out in SSH, mostly highly qualified staff is employed. Out of 58 employees, 38 employees had VII level of education, while 8 employees had VIII and VIII/2 level of education. The educational structure of SSH's employees is shown in the graph below.

New employments in 2020

The Management Board of SSH consisted of three members throughout 2020, the term of office was terminated to two Presidents of the Management Board. On 2 July 2020, Gabrijel Škof submitted his resignation and was temporarily replaced by Igor Kržan, who at that time held the position of the Member of the Supervisory Board. After being actively involved in the process for recruiting a new Member of the Management Board, the SSH Supervisory Board appointed a new President of SSH Management Board, i.e., Dr Janez Žlak, on 7 October 2020.

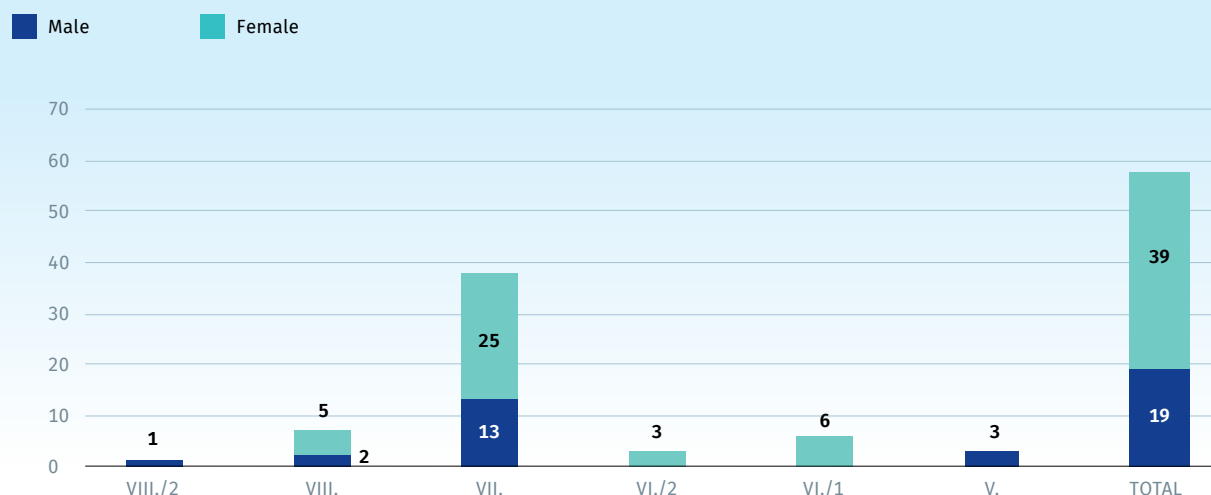
In spite of having published several recruitment notices for jobs in SSH, no new employees were employed in 2020.

HR management and reorganisation of SSH in 2020

A wide-ranging reorganisation of SSH was carried out in 2020. As a result of the reorganisation and due to the business and working process rationalization, a reduced volume of work connected with denationalisation processes, the digitalisation of business processes, completed projects and outsourcing of services, there was no longer any need for a larger number of employees and SSH had to downsize.

Significant changes were introduced in the wage policy system. The modified Rules on Wages, Other Earnings and Performance Remuneration, together with Competence Assessment Model have brought important improvements for and in SSH (for example, the elimination of wage imbalances, a greater focus is put on a variable pay), and will also result in the introduction of the Employee Promotion System and the Employee Career Development Plan. The new organisation model ensures better transparency and higher efficiency of the SSH's functioning and provides for a clearer delineation of responsibilities between various areas of work and organisational units.

Graph: SSH's employees as of 31 December 2020, by gender and by educational structure



On the basis of results of the organisational climate survey, assessing the climate, the culture and the employee's job satisfaction, some measures were proposed to improve the management of human resources, for example: to introduce the HR system, to develop leadership skills, to improve cooperation between departments and to ensure better provision of information. The results of the said survey were an encouragement for SSH to carry out the 360-degree assessment of senior personnel and to organize a career guidance interviews with them. The results of this assessment have provided SSH important guidelines for the development of personnel holding leadership roles and of their organisation and leadership skills. The HR Strategy for 2021-2023 period was adopted at the end of December 2020. One of key strategic aspects of introducing the HR system is the succession planning which will be highly important for SSH to continue to run smoothly also in the future.

Owing to the wide-ranging reorganisation and due to a longer-lasting remote work, the planned annual personal interviews with employees were not carried out in full. Only interviews with employees on higher-level positions were carried out.

SSH also received a feedback on the planning of its future work after having analysed questions from the employee survey.

Recruitment method

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

SSH enables its employees an optimal working environment, gives them possibilities for personal and professional development and organizes their supplementary training, ensures their social security and make its employees benefit from family friendly measures and campaigns which promote healthy lifestyle.

Training of employees in 2020

SSH regularly sends its employees to different training sessions according to the needs of working processes. Fewer than usual training sessions were organised in 2020, some were cancelled due to extraordinary circumstances, and most of them were organised online. All employees received recorded lectures discussing the following topics: stress management, healthy diet and physical activity, management of business and family life during the coronavirus crisis, and safe work from home. Employees also took part in specialized training sessions organised by SSH for the members of Supervisory Boards of the SSH's portfolio companies.

Training sessions, mainly for personnel on executive-level positions, key employees and potential successors,

will be organised in 2021 and in 2020 and 2023, in accordance with the plans set in the SSH's HR Strategy.

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

Working environment in SSH is safe and organised, work involved is mostly office work and as such not dangerous. Business premises, which were renovated in 2019 and 2020, were found to be designed in a more functional and efficient manner, ensuring better energy efficiency, office security and creating a pleasant work environment for employees. As work health and safety is considered SSH's top priority, employees completed the training on safety at work and fire protection also in 2020, and the majority of them performed the periodical medical examination. The cooperation with advisors for safety and health at work and experts from the field of occupational medicine has always been very good. During the COVID-19 epidemic, SSH also took care and ensured safe working conditions for its employees; the majority of employees could work from home, while only few employees worked occasionally at the SSH's headquarters. No coronavirus transmission was registered in the SSH's business premises. During the epidemic, SSH cancelled meetings which were planned to be held with external invitees and, by using technical means, moved its working activities to the virtual environment to the greatest extent possible. A crisis management group was formed to regularly meet, adopt suitable measures and notify accordingly the SSH's employees.

The well-being of employees is greatly supported with the activities undertaken by the Health Promotion Group and the Family Friendly Company Group. In cooperation with the Management Board, both groups are responsible for implementing measures in their field and in raising awareness among the employees.

Using Intranet, the Health Promotion Group raises awareness of employees on the impact of a healthy diet and physical activity on health and well-being, the Family Friendly Company Group selects measures to ensure the employees they can balance easier their business and family life.

In 2020, reconciling business and family life was quite a challenge because childcare responsibilities and distance learning of school children had to be provided at home. The measure still attracting the greatest attention included additional days of leave for parents preparing their children for the kindergarten, for escorting their 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' Information Day. Every year, employees' children take part in the gift-giving programme organised during the Christmas time.

As a result of the measures connected with the COVID-19 epidemic, SSH amended the Safety Statement.



Social security

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

Internal communication

Open and regular communication among employees is essential for maintaining good relations and for achieving good performance results. Internal communication process in 2020 was mainly organised through video-conferencing facilities for the sectoral Cabinet's meetings and the executive meetings, occasional video-meetings for employees were held, and constantly, information was shared through e-mails and via internal SSH's portal which was renewed in the beginning of 2021. The 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 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.

SSH regularly informed employees on all measures which were adopted to contain the spread of the COVID-19 infections.

The Management Board and the Employees' Council meet at meetings, when necessary, and employees are informed of the most important pieces of information.

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, 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.

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

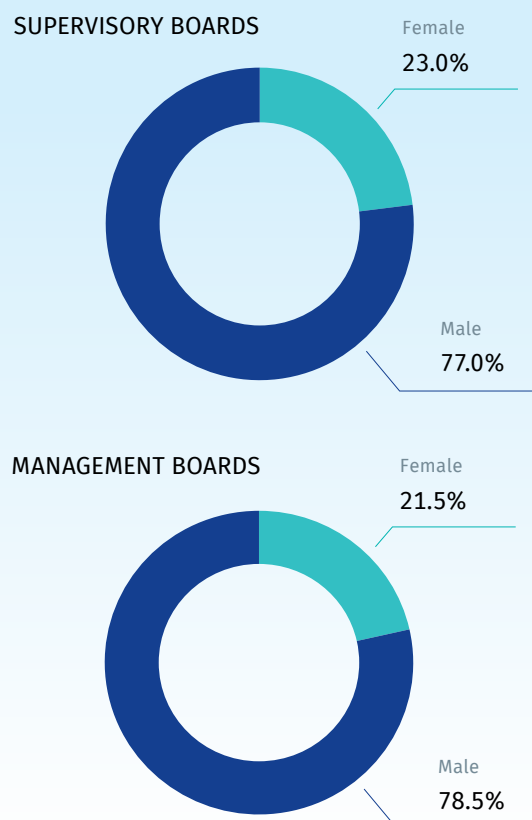
At the end of 2020, there were 428 potential candidates for members of supervisory bodies of SOEs registered at the Nomination Committee's Portal. The share of women registered at the Portal amounted to 18% which is a decline compared to the preceding year when it stood at 23%.

The age groups which are the best represented among the candidates registered at the Nomination Committee's Portal are the 41-50 age group (36%) and the 51-60 age group (35%). 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 and SSH by gender

In 2020, the composition of Supervisory and Management Boards by gender was similar as in 2020, i.e., mostly imbalanced. Men continue to strongly prevail in Supervisory and Management Boards, which was also shown in 2020. As regards the relation between men and women in the gender presence, the upward trend in favour of women was registered until 2020, however, it turned in favour of men in 2020, specifically, by 1.9 percentage point in case of Supervisory Boards, and by 0.7 percentage point for Management Boards.

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 2020 (excluding companies in bankruptcy and in liquidation)



10.4 Responsibility towards Environment

SSH 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.

In 2019 and 2020, SSH renovated its business premises so from April 2020 onwards, the cost for rental lease was fully abolished; in addition, the energy efficiency of premises was improved as more efficient lighting equipment was installed and some windows were replaced. Together with the reduced space for business premises, a modern air conditioning system which was also installed in the renovated premises has contributed significantly to energy cost savings. This was reflected in lower actual costs recorded in 2020 as compared to 2019.

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;
- continued pursuit of paper-less operation with tools for digitalisation,
- In public procurement procedures relating to the purchase of goods or to the provision of services for which the Decree on Green Public Procurement applies, the compliance with the said Decree is required in the tender documentation.
- Because of the coronavirus epidemic, a high proportion of employees worked from home for which virtual meeting platforms were used. No travel to and from work was necessary and as a result, the carbon footprint was lowered,
- collection of electronics waste and toner cartridges for their handover to authorised waste collectors.

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

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

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.

Accounting Report



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11 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 2020 and results of performance and of cash flows for 2020.

The Management Board confirms that applicable accounting policies and 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 familiar with any circumstances that may give rise to any potential material liability arising thereunder.

The President and the Member 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 confirm it hereby with our signatures.

Ljubljana, 15 April 2021



Vanessa Grmek, MBA

Member of the Management Board



Dr. Janez Žlak,

President of the Management Board

12 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 2020, 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 2020, 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, 537/2014 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 31.12.2020 the Company, in the separate financial statements, accounts for 51.808 thousand EUR of financial investments, and the Group in its consolidated financial statements accounts for 51.822 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, the discount rates and the probability of individual predicted

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.l.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.

scenarios. Our audit team included valuation experts 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 537/2014 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 3 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 15. April 2021.

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, 15. April 2021

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

13 Financial Statements of Slovenian Sovereign Holding and SSH Group

13.1 Statement of Financial Position of SSH and SSH Group

in EUR 1.000	Note	SSH		SSH Group	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
ASSETS					
Non-current assets - total		702,766	274,564	702,780	274,599
Intangible assets		211	144	211	144
Property, plant and equipment	15.1.1	1,280	1,071	1,280	1,071
The right to use leased assets		91	0	91	0
Financial investments in subsidiaries	15.1.2	3,692	3,692	3,692	3,692
Financial investments in associates	15.1.2	207,211	233,696	207,225	233,731
Other financial investments	15.1.2	489,820	34,987	489,820	34,987
Deferred tax assets	15.1.17	461	974	461	974
Current assets - total		34,616	541,349	34,616	541,349
Non-current assets held for sale	15.1.3	551	3,882	551	3,882
Financial investments for distribution to owners	15.1.2	0	425,321	0	425,321
Other financial investments	15.1.2	22,427	98,308	22,427	98,308
Trade receivables	15.1.4	2,604	1,680	2,604	1,680
Other current assets		77	50	77	50
Cash and cash equivalents	15.1.5	8,957	12,108	8,957	12,108
Assets - total		737,382	815,913	737,396	815,948
EQUITY AND LIABILITIES					
Equity - total	15.1.6	640,461	611,580	640,475	611,615
Called-up Equity		260,167	260,167	260,167	260,167
Fair value reserve		484,974	482,076	256,153	227,969
Retained (loss)/profit		-104,680	-114,045	123,481	125,583
Net loss for the period		0	-16,618	674	-2,104

in EUR 1,000	Note	SSH		SSH Group	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Non-current liabilities - total		58,751	62,914	58,751	62,914
Provisions and non-current deferred revenues	15.1.7	58,697	62,914	58,697	62,914
Finance lease payables		54	0	54	0
Current liabilities		38,170	141,419	38,170	141,419
Liabilities included in a disposal group		0	3,615	0	3,615
Financial liabilities	15.1.8	0	99,962	0	99,962
Finance lease payables		38	0	38	0
Operating liabilities	15.1.9	20,144	23,329	20,144	23,329
Income tax liabilities	15.1.17	139	0	139	0
Other liabilities	15.1.10	17,849	14,513	17,849	14,513
Liabilities - total		96,921	204,333	96,921	204,333
Liabilities and equity - total		737,382	815,913	737,396	815,948

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 1,000	Note	SSH Group		SSH Group	
		1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Income from contracts with customers	15.1.11	6,904	4,225	6,904	4,225
Other operating income	15.1.11	2,164	3,887	2,164	3,887
Operating income		9,068	8,112	9,068	8,112
Costs of goods, materials and services	15.1.12	3,399	1,784	3,399	1,784
Labour costs	15.1.13	4,244	4,551	4,244	4,551
Depreciation and amortisation	15.1.14	240	253	240	253
Non-current provisions		0	37,026	0	37,026
Write-offs		2	136	2	136
Other operating expenses		64	160	64	160
Operating profit/(loss)		1,119	-35,798	1,119	-35,798
Financial income	15.1.15	27,002	41,319	27,002	25,122
Finance expense	15.1.15	1,489	3,277	1,489	3,277
Proportion of profit/loss from investments measured at equity method	15.1.16	0	0	-25,307	30,711
Profit before taxes		26,632	2,244	1,325	16,758
Income tax	15.1.17	-139	0	-139	0
Deferred taxes	15.1.17	-512	-18,862	-512	-18,862
Net profit or loss for the period		25,981	-16,618	674	-2,104
Basic and adjusted earnings per share - in EUR	15.1.18	166.69	-106.62	4.32	-13.50

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 1,000	Note	SSH Group		SSH Group	
		1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Net profit/(loss) for the period		25,981	-16,618	674	-2,104
Changes in fair value reserve (financial investments)	15.1.6	2,899	91,906	29,384	72,614
Proportional share of other comprehensive income of associates		0	0	-2,346	-401
Recalculation of post-employment benefits	15.1.7	1	10	1	10
Effects of deferred taxes		0	37,766	0	37,766
Total other comprehensive income not to be recognized in Income Statement in the future		2,900	129,682	27,039	109,989
Proportional share of other comprehensive income of associates		0	0	1,147	5,148
Total other comprehensive income not to be recognized in Income Statement in the future		0	0	1,147	5,148
Other comprehensive income after tax		2,900	129,682	28,186	115,137
Total comprehensive income after tax		28,881	113,064	28,860	113,033

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 1.000	SSH Group		SSH Group	
	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Cash flows from operating activities				
Cash receipts from operating activities	12,283	13,513	12,283	13,513
<i>Receipts from operating activities</i>	9,807	9,964	9,807	9,964
<i>Receipts from the Republic of Slovenia (on behalf of and for the account of)</i>	2,476	3,549	2,476	3,549
Cash payments relating to operating activities	-13,462	-16,471	-13,462	-16,471
<i>Payments to suppliers for goods and services</i>	-3,274	-2,186	-3,274	-2,186
<i>Payments to and behalf of employees</i>	-4,350	-4,362	-4,350	-4,362
<i>Payments of taxes and duties of all kinds</i>	-815	-998	-815	-998
<i>Payments pursuant to ZDen and SZ</i>	-2,246	-5,438	-2,246	-5,438
<i>Payments on behalf the Republic of Slovenia (on behalf of and for the account of)</i>	-2,525	-3,261	-2,525	-3,261
<i>Other cash payments relating to operating activities</i>	-252	-226	-252	-226
Net cash flow from operating activities	-1,179	-2,958	-1,179	-2,958
Cash flow from investing activities				
Cash receipts from investing activities	117,566	75,473	117,566	75,473
<i>Interest received</i>	205	521	205	521
<i>Dividends received</i>	23,218	40,106	23,218	40,106
<i>Proceeds from the sale of property, plant and equipment</i>	26	15	26	15
<i>Proceeds from the sale of non-current financial investments</i>	3,927	13,001	3,927	13,001
<i>Proceeds from the sale of current financial investments</i>	90,190	21,830	90,190	21,830
Cash payments relating to investing activities	-17,028	-65,258	-17,028	-65,258
<i>Payments to acquire intangible assets</i>	-143	-92	-143	-92
<i>Payments to acquire property, plant and equipment</i>	-591	-388	-591	-388
<i>Payments to acquire non-current financial investments</i>	0	-33,542	0	-33,542
<i>Payments to acquire current financial investments</i>	-16,294	-31,236	-16,294	-31,236
Net cash flow from investing activities	100,538	10,215	100,538	10,215

in EUR 1,000	SSH Group		SSH Group	
	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Cash flow from financing activities				
Proceeds from financing activities	13,000	0	13,000	0
<i>Proceeds from increase in current financial liabilities</i>	13,000	0	13,000	0
Cash outflows from financing activities	-115,510	-2,501	-115,510	-2,501
<i>Interest payments relating to financing activities</i>	-2,510	-2,501	-2,510	-2,501
<i>Repayment of non-current financial liabilities</i>	-100,000	0	-100,000	0
<i>Repayment of current financial liabilities</i>	-13,000	0	-13,000	0
Net cash flows from financing activities	-102,510	-2,501	-102,510	-2,501
Cash at the end of the period	8,957	12,108	8,957	12,108
Net cash inflow/(outflow) during the period	-3,151	4,756	-3,151	4,756
Cash at beginning of period	12,108	7,352	12,108	7,352

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 1,000	Called-up equity	Fair value reserve	Retained profit/ loss	Net profit/loss	Total
Opening balance as of 1 Jan 2019	260,167	353,888	-115,539	0	498,516
Total comprehensive income for the period	0	129,682	0	-16,618	113,064
Net loss for the period	0	0	0	-16,618	-16,618
Other comprehensive income	0	129,682	0	0	129,682
Transactions with owners	0	-1,494	1,494	0	0
Transfers due to sale of financial investments	0	-1,494	1,494	0	0
Closing balance as of 31 Dec 2019	260,167	482,076	-114,045	-16,618	611,580

in EUR 1,000	Called-up equity	Fair value reserve	Retained profit/ loss	Net profit/loss	Total
Total comprehensive income for the period	0	2,900	0	25,981	28,881
Net profit for the period	0	0	0	25,981	25,981
Other comprehensive income	0	2,900	0	0	2,900
Transactions with owners	0	-2	9,365	-9,363	0
Transfers to retained losses and to cover loss	0	-2	9,365	-9,363	0
Closing balance as of 31 Dec 2020	260,167	484,974	-104,680	0	640,461

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 1,000	Share capital	Fair value reserve	Retained profit/ loss	Net profit/loss	Total
Opening balance as of 1 Jan 2019	260,167	114,326	124,089	0	498,582
Total comprehensive income for the period	0	115,137	0	-2,104	113,033
Net profit/(loss) for the period	0	0	0	-2,104	-2,104
Other comprehensive income	0	115,137	0	0	115,137
Transactions with owners	0	-1,494	1,494	0	0
Transfers due to sale of financial investments	0	-1,494	1,494	0	0
Closing balance as of 31 Dec 2019	260,167	227,969	125,583	-2,104	611,615
Total comprehensive income for the period	0	28,186	0	674	28,860
Net profit for the reporting period	0	0	0	674	674
Other comprehensive income	0	28,186	0	0	28,186
Transactions with owners	0	-2	-2,102	2,104	0
Transfer to retained profits/losses	0	-2	-2,102	2,104	0
Balance as of 31 Dec 2020	260,167	256,153	123,481	674	640,475

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 joint stock company registered before the Ljubljana District Court by way of a 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 obliged to undergo a regular annual audit.

In line with the Standard Classification of Activities, the Company's activity is categorised in the following class: K 64.990 - *Other financial service activities, except insurance and pension funding n.e.c.*. The Company's activity is presented in detail in the Business Report, Chapter 7.

The Company's share capital in the amount of EUR 260,166,917.04 is divided into non-par value shares not listed on the 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 the registered seat in the Republic of Slovenia, at the address: Mala ulica 5, Ljubljana.

As of 31 December 2020, and 2019, 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 of 31 December 2019, and 2019, 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 2020 and 2019, 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- SSH has received a proportional share of the liquidation assets of GIO, however, the liquidation proceedings are not yet complete. 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 be-

ing 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 2020, the average number of employees employed with the Company was 60.40, calculated from the number of hours worked. As of 31 December 2018, there were 58 employees employed.

The Financial Statements for the financial year of 2019 were approved for the publication by the SSH Management Board on 15 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 2020, 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 in the remainder of the text.

- 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 non-discontinued amount measured in consideration of the applicable tax rate.

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:

- Amendments to IAS 1 - "Presentation of Financial Statements" and IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition "material" (effective for annual periods beginning on or after 1 January 2020). The amendments clarify the materiality guidance and how to apply it. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.
- Amendments to IFRS 9 - "Financial Instruments", IAS 39 - "Financial Instruments: Recognition and Measurement" and IFRS 7 - "Financial Instruments: Disclosure" - Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020). Amendments represent the temporary exception from specific hedge accounting requirements and, allow for the hedge accounting to

continue in the period of uncertainty before an existing interest rate benchmark is replaced with an alternative reference rate.

- Amendments of references to the conceptual framework in IFRS, which are effective for annual periods beginning on or after 1 January 2020. The conceptual framework sets out the fundamental concepts for financial reporting, ensures that the Standards are conceptually consistent and assists companies in developing accounting policies and helps stakeholders to better understand and interpret the Standards.
- Amendments to IFRS 3 – “Business Combinations” (effective for annual periods beginning on or after 1 January 2020). The amended Standard clarifies the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition (or disposal).
- Amendments to IFRS 16 – “Leases” (effective for annual periods beginning on 1 January 2020, with a permitted retrospective application), The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. However, certain criteria have to be met. These are: a) revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease before the change; b) any reduction in lease payments affects only payment originally due on or before 30 June 2021; and c) there is no substantive change to the other terms and conditions of the lease. A lessee that chose to apply the practical expedient introduced by the 2020 amendments has to apply the extension consistently to similar rent concessions. The practical expedient does not apply to lessors.

The adoption of other new standards and amendments of existing standards and notes did not have any significant impact on the financial statement of SSH and SSH Group.

b) b) Standards and amendments to existing standards issued by the IASB and adopted by the EU not yet effective

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

- Amendments to IFRS 4 – “Insurance Contracts”, effective in EU for annual periods beginning on 1 January 2020,
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2, for annual periods beginning on 1 January 2021.

Amendments address issues arising from the implementation of IBOR reform (Interest Rate Benchmark Reform) and include to the replacement of an interest rate benchmark with an alternative benchmark interest rate. For financial instruments measured at amortised cost, as a practical expedient, the amendments require an entity to apply IFRS 9: B5.4.5, such that the change in the basis for determining the contractual cash flows is applied prospectively by revising the effective interest rate. Consequently, changes would not result in an immediate recognition of a gain or loss. This practical expedient applies if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e., the basis immediately preceding the change). IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform (for example, where lease payments are indexed to an IBOR rate).

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 on SSH/SSH Group 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:

- Amendments to IAS 1 – “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current” (deferral of the effective date of amendments to IAS1). These amendments clarify that liabilities are classified either as current or non-current, depending solely on the entity's right to defer settlement at the end of the reporting period. The right must be unconditional. The said amendments also clarify that the transfer to entity's own equity instruments is considered as a settlement of liability, but only where the conversion option matches the definition of an equity instrument. According to IASB, these amendments are effective for periods beginning on or after 1 January 2023.
- Amendments to IFRS 3 – ‘Business Combinations’ – Reference to the 2018 Conceptual Framework added new exceptions to the recognition and measurement principle under IFRS 3 with the intention to ensure that the new reference does not change provisions on which assets and liabilities are classified

as business combinations. According to IASB, these amendments are effective for periods beginning on or after 1 January 2022.

- Amendments to IAS 16 – “Property, plant and equipment” - Proceeds before Intended Use, which have introduced new guidance. Proceeds from selling items before the related item of property, plant and equipment (PPE) is available for use can no longer be deducted from the cost of PPE, and should be recognised in profit or loss, together with the costs of producing those items. Entities will therefore need to distinguish between (a) costs associated with producing and selling items before the item of PPE is available for use; and (b) costs associated with making the item of PPE available for its intended use. According to IASB, these amendments are effective for periods beginning on or after 1 January 2022.
- Amendments to IAS 37 – “Provisions, Contingent Liabilities and Contingent Assets” The changes refer to the interpretation that when an entity assesses onerous contract, the cost of fulfilling a contract comprises the costs that relate directly to the contract. According to IASB, these amendments are effective for periods beginning on or after 1 January 2022.
- Annual improvements – 2018-2020 cycle, which will enter into force on 1 January 2022 Annual Improvements contain the following amendments to IFRSs: IFRS 1 – First-time Adoption of International Financial Reporting Standards, which simplifies the adoption of IFRS for a subsidiary as a first-time adopter; IFRS 9 – Financial Instruments, clarifies which fees an entity includes when it applies the ‘10 per cent’ test for derecognition of financial liabilities; the amendment to Illustrative Example 13 accompanying IFRS 16 –Leases; and IAS 41 – Agriculture, where the amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset, by way of with the fair value is made equal with the definition referred to in IFRS 13.
- Amendments to IFRS 17 – “Insurance Contracts”, which are effective for periods beginning on or after 1 January 2023.
- “Disclosure of accounting policies (Amendments to IAS 1 – “Presentation of Financial Statements” and IFRS Practice Statement 2 – Making Materiality Judgements”), effective for annual periods beginning on or after 1 January 2023. The amendments replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies.
- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates; the amendments are effective

for periods beginning on or after 1 January 2023. The amendments introduced a new definition for accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

SSH expects that the introduction of these new standards, and the amendments to the existing standards should not have any significant impact on the SSH's and SSH Groups financial statement in the transition period.

14.2.5 Amendments of accounting policies

No amendments to the underlying accounting policies were adopted in 2020.

14.2.6 Currency reporting

a) Functional and presentation currency

All financial information in financial statements of SSH/SSH Group is presented in the Euro (EUR) which is the functional and presentation currency of SSH/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 of the value information 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 promised 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 eligible 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 instrument measured at fair value through other comprehensive income (FVTOCI) or through profit or loss (FVTPL) and to changes in fair value of financial assets through profit and loss (FVTPL). Income from the participation in profits are recognised as income from financing activities when 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 operation 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 suitable 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 depreciation 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.

Property, plant and equipment

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

The depreciation of intangible assets 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 equipment: 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 by applying 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 Cash Flow Statement, 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 short-term 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 and 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 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 must not be subsequently transferred to the profit or loss, however, they may be transferred to retained earnings or loss. 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 its contractual rights to them, have already exercised these rights, or they have expired or have been assigned to another party.

Impairment of financial assets

The requirements of IFRS 9 relating to the impairment of financial assets apply for debt instruments measured at fair value through profit or loss (FVTPL)/other comprehensive income (FVTOCI). As at 1 January 2020 or rather as of 31 December 2020, 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 39 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 with an 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 impairment amount 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 due 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/SSH Group did not hold any derivative financial instruments in 2020 and 2019.

Assets held for sale or disposal

Assets or disposal group 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 distribution, the assets or disposal group is 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 distribution and subsequent gains or losses on re-measurement are recognised in the Income Statement.

Assets for distribution to owners

In accordance with ZSOS-C, it was envisaged that important and strategic assets were to be transferred to RS in December 2020, and as a result, as of 31 December 2019, they were reported in the Statement of Financial Position as a separate item "Financial assets for distribution to owners" in the value of EUR 637,996,000, in accordance with IFRS 5. The deadline for the transfer of assets to the owner was extended for two more years, in accordance with ZIPRS 2122. As criteria of IFRS 5 for reporting these assets as current assets were no longer met, these assets were reclassified as non-current assets as of 31 December 2020; specifically, assets in the associated company Zavarovalnica Triglav, d. d., as financial assets in associates, and other important and strategic assets as other financial assets. In accordance with IAS 28.21, a comparative data on financial investments in associates for 2019 was corrected in connection with the reclassification of investment in associate as non-current assets.

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

Provisions 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 referring to various legal issues. It is difficult to make a reliable assessment in respect 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 for 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 the 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. Other items in financial statements are measured at cost value or at amortised value.

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 the yield-based method and partially on the 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 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 2020 and 2019 as they are not material and 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 power 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 removed 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 for accurate information for the purposes of consolidation and financial reporting of the Group, the accounting policies of the 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 property, plant and equipment in 2020 for SSH/SSH Group

in EUR 1,000	Land	Buildings	Investments in Progress	Equipment and spare parts	Small tools	Total
Cost						
<i>Cost value as of 1 Jan 2020</i>	140	1,990	7	698	18	2,853
Additions – new purchases	0	276	7	97	3	383
Disposals	0	-267	-14	-112	0	-393
<i>Cost as at 31 Dec 2020</i>	140	1,999	0	683	21	2,843
Depreciation and impairments						
<i>Accumulated depreciation and impairments as at 1 Jan 2020</i>	0	1,334	0	434	14	1,782
Depreciation for current year	0	41	0	89	2	132
Disposals	0	-267	0	-84	0	-351
<i>Accumulated depreciation and impairments as at 31 Dec 2020</i>	0	1,108	0	439	16	1,563
Net book value as at 1 Jan 2020	140	656	7	264	4	1,071
Net book value as at 31 Dec 2020	140	891	0	244	5	1,280

Movements in property, plant and equipment in 2019 for SSH/SSH Group

in EUR 1,000	Land	Buildings	Investments in Progress	Equipment and spare parts	Small tools	Total
Cost						
Cost as at 1 Jan 2019	140	2,005	15	760	19	2,939
Additions – new purchases	0	435	0	218	4	657
Disposals	0	-450	-8	-280	-5	-743
Cost as at 31 Dec 2019	140	1,990	7	698	18	2,853
Depreciation and impairments						
Accumulated depreciation and impairments as at 1 Jan 2019	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
Accumulated depreciation and impairments as at 31 Dec 2019	0	1,334	0	434	14	1,782
Net book value as at 1 Jan 2019	140	359	15	177	0	691
Net book value as at 31 Dec 2019	140	656	7	264	4	1,071

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.

15.1.2 Financial investments

Investments in the shares of companies in which SSH/SSH Group holds at least 20% ownership interest as at 31 Dec 2020 and 31 Dec 2019

Company	Registered office	Core business/notes	Core business/notes
Subsidiaries:			
PS za avto, d. o. o.	Šmarska 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
Associates:			
Unior, d. d.	Šmarska 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, investment in GIO is classified as non-current assets held for sale. SSH is not liable without limitation for any liabilities in any company in which it holds an equity interest.

Financial investments in subsidiaries

Overview of the value of non-current investments in subsidiaries in the financial statements of SSH/SSH Group

	Voting rights and ownership 31 Dec 2020 in %	Voting rights and ownership 31 Dec 2019 in %	SSH		SSH Group	
			31 Dec 20 in EUR 1,000	31 Dec 19 in EUR 1,000	31 Dec 20 in EUR 1,000	31 Dec 19 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	3,692	3,692	3,692
Total			3,692	3,692	3,692	3,692

* 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 of subsidiaries for 2020 and 2019 (excluding data for GIO which has been classified as non-current assets held for sale)

in EUR 1,000	PS ZA AVTO, d. d.		Elektrooptika, d. d.	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Current assets	2,762	2,542	1	1
Non-current assets	3,448	3,708	0	0
Current liabilities	48	60	102	97
Non-current liabilities	1,222	1,222	0	0
Equity	4,940	4,968	-101	-96
	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Sales revenue	278	259	0	0
Net profit or loss	36	57	-5	-7
Other comprehensive income	0	0	0	0
Total comprehensive income	36	57	0	0
SSH ownership interest (in %)	90.00	90.00	70.48	70.48

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 were not included in the consolidation.

Financial investments in associates

Overview of the value of investments in associates in the financial statements of SSH/SSH Group

	Voting rights and ownership 31 Dec 2020 in %	Voting rights and ownership 31 Dec 2019 in %	SSH		SSH Group	
			31 Dec 20 in EUR 1,000	31 Dec 19 in EUR 1,000	31 Dec 20 in EUR 1,000	31 Dec 19 in EUR 1,000
Casino Bled d. d.	33.75	33.75	61	61	75	96
Hit, d. d.	20.00	20.00	5,927	5,852	5,927	5,852
Unior, d. d.	39.43	39.43	9,624	15,108	9,624	15,108
Zavarovalnica Triglav, d. d.	28.09	28.09	191,599	212,675	191,599	212,675
Total			207,211	233,696	207,225	233,731

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

Data from the Statements of Financial Position and Income Statements of associates for 2020 and 2019

in EUR 1,000	Casino Bled, d. d.		Skupina Hit		Skupina Unior		Skupina Zavarovalnica Triglav	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Current assets	464	199	18,253	37,466	134,729	146,427	291,380	267,689
Non-current assets	49	1,097	107,943	120,176	206,673	228,412	3,848,061	3,649,586
Current liabilities	239	616	53,216	36,116	78,533	103,552	151,522	152,127
Non-current liabilities	51	394	25,225	63,076	100,017	98,390	3,117,767	2,973,196
Equity	223	286	47,755	58,461	162,852	172,897	870,152	791,952
	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Sales revenue	365	1,817	78,711	157,219	210,240	255,995	1,066,755	1,027,629
Net profit or loss	-65	-45	-10,614	7,623	-2,196	10,433	73,665	83,864
Other comprehensive income	0	0	-92	-643	-6,770	-96	4,584	18,004
Total comprehensive income	-65	-45	-10,706	6,980	-8,966	10,337	78,249	101,868
SSH ownership interest (in %)	33.75	33.75	20.00	20.00	39.43	39.43	28.09	28.09

Note: Data in regard to Zavarovalnica Triglav, d. d., are taken from audited annual financial statements, whereas data for remaining companies have not been audited yet.

Financial investments to be distributed to owners

in EUR 1.000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Financial assets measured at fair value through other comprehensive income (FVTOCI)	0	425,321	0	425,321
Total	0	425,321	0	425,321

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 1.000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Financial assets measured at fair value through other comprehensive income (FVTOCI)	489,820	34,987	489,820	34,987
Total	489,820	34,987	489,820	34,987

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

in EUR 1.000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Financial assets measured at fair value through profit or loss (FVTPL)	22,427	24,408	22,427	24,408
Financial assets measured at amortised cost	0	73,900	0	73,900
Total	22,427	98,308	22,427	98,308

As at the reporting date, there was a prohibition on the disposal of shares in Casino Bled and in Casino Portorož.

Movement in non-current financial investments of SSH

in EUR 1.000	1 Jan 2020	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2020
Non-current financial investments in subsidiaries	3,692	0	0	0	0	3,692
Non-current financial investments in associates	233,696	0	0	0	-26,485	207,211
Financial assets measured at fair value through other comprehensive income (FVTOCI) - other	34,987	0	459,056	0	-4,223	489,820
Total	272,375	0	459,056	0	-30,708	700,723

in EUR 1.000	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	0	0	19,292	233,696
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
Total	640,494	33,543	-492,480	-899	91,717	272,375

Movement in non-current financial investments of SSH Group

in EUR 1.000	1 Jan 2020	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2020
Non-current financial investments in subsidiaries	3,692	0	0	0	0	3,692
Non-current financial investments in associates	233,731	0	0	0	-26,506	207,225
Financial assets measured at fair value through other comprehensive income (FVTOCI)	34,987	0	459,056	0	-4,223	489,820
Total	272,410	0	459,056	0	-30,729	700,737

in EUR 1.000	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	214,471	0	0	0	19,260	233,731
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
Total	640,561	33,543	-492,480	-899	91,685	272,410

Movement in current financial investments of SSH/SSH Group to be distributed to owners

in EUR 1.000	1 Jan 2020	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2020
Financial assets measured at fair value through other comprehensive income (FVTOCI)	425,321	0	-459,056	0	33,735	0
Total	425,321	0	-459,056	0	33,735	0

Strategic and important assets, which will be transferred to RS in 2022 instead of in 2020, were reported under non-current assets.

in EUR 1.000	1 Jan 2019	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2019
Financial assets measured at fair value through other comprehensive income (FVTOCI)	0	0	425,321	0	0	425,321
Total	0	0	425,321	0	0	425,321

Movement in other current financial investments of SSH/SSH Group

in EUR 1.000	1 Jan 2020	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2020
Purchased receivables due from Sava, d. d.	22,427	0	0	0	0	22,427
Financial assets measured at fair value through profit or loss (FVTPL)	1,981	0	0	-1,981	0	0
Loans made to related parties	0	3	0	0	-3	0
Loans to banks	73,900	0	0	-73,900	0	0
Total	98,308	3	0	-75,881	-3	22,427

in EUR 1.000	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
Total	34,372	9,406	66,481	-11,320	-631	98,308

Fair value levels of financial instruments

Classification of financial instruments according to fair value hierarchy as at 31 December 2020

in EUR 1,000	SSH			SSH Group		
	1 level	2 level	3 level	1 level	2 level	3 level
Investments in subsidiaries	0	0	3,692	0	0	3,692
Investments in associates	201,223	0	5,988	201,223	0	6,002
Other non-current financial assets	470,119	0	19,701	470,119	0	19,701
Investments in listed shares	470,119	0	0	470,119	0	0
Non-listed shares and stakes	0	0	19,701	0	0	19,701
Other current financial assets	551	0	33,931	551	0	33,931
Purchased receivables	0	0	22,427	0	0	22,427
Non-current assets held for sale	551	0	0	551	0	0
Deposits at commercial banks	0	0	8,900	0	0	8,900
Current trade receivables	0	0	2,604	0	0	2,604
Finance lease payables	0	0	91	0	0	91
Liabilities included in disposal group	0	0	0	0	0	0
Current operating liabilities	0	0	38,170	0	0	38,170

Classification of financial instruments according to fair value hierarchy as at 31 December 2019

in EUR 1,000	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
Investments in listed shares	33,813	0	0	33,813	0	0
Non-listed shares and stakes	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
Investments in listed shares	405,122	0	0	405,122	0	0
Non-listed shares and stakes	0	0	20,199	0	0	20,199
Purchased receivables	0	0	22,427	0	0	22,427
Non-current assets held for sale	679	0	3,203	679	0	3,203
Deposits at commercial banks	0	0	73,900	0	0	73,900
Investments in listed bonds	1,981	0	0	1,981	0	0
Current trade receivables	0	0	1,680	0	0	1,680
Liabilities included in disposal group	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

Valuing important investments for which market prices are not available

All estimates of the value of investments, which are presented below, were made by accredited business valuers for financial reporting purposes. The estimates were made at fair value as defined in IFRS 13, which corresponds to market value in accordance with International Valuation Standards (IVS). Valuation reports were prepared in accordance with the Hierarchy of Valuation Rules (Official Gazette RS, No. 106/10). The valuation date for all investments is 31 December 2020.

An asset-based approach was used for estimating the fair value of SSH's investment in **Sava, d. d.** (hereinafter referred to as: "Sava"), on the assumption of a regular liquidation, in other words, assuming a gradual sale of assets, without any forced sales. The net asset value method is based on unaudited financial statements as at 31 December 2020. The fair value of assets was estimated by subtracting liabilities, which were adjusted to their estimated value, taking into account the liquidation costs, and the difference obtained in the calculation represents the shareholder's equity. The majority of Sava, d. d.' assets comprises financial investments in Sava Turizem, d. d., (hereinafter referred to as: "Sava Turizem"). A standalone estimate of the value of Sava Turizem was made using the discounted cash flow method (DCF-method) and comparative quoted company analysis. Considering the current status of Sava's ownership, the non-controlling discount was not applied in the valuation of SSH's investment, neither was a marketability discount, as it had already been taken into account in the Sava Turizem's estimate. Sava's value estimate was determined by taking into account various scenarios relating to the Sava Turizem's operations based on various reopening dates, and the most probable value for financial reporting purposes was determined in accordance with the methods applied and by considering the reliability of individual method. The most probable value of Sava Turizem was estimated using the discounted cash flow method on the assumption that Sava Turizem reopens in July 2021.

The fair value of SSH's 20% shareholding in **Hit, d. d.** (hereinafter referred to as: "Hit") was appraised using the discounted cash flow method (DCF-method) on a going concern assumption. The valuation was based on the analysis of Hit's past operation, using estimated accounting data for 2020 and on Hit and Hit Group's three-year business plan. The financial analysis of Hit was performed by focusing on the most significant items and elements used for the preparation of projections and for the definition of free cash flow. Two scenarios with projections about future operation were prepared on the basis of the envisaged reopening dates, for which a weight relating to their likelihood was determined in the

ratio of 70: 30; the final value is based on the weighted average of both scenarios. A discount rate of 8.89% was used in the calculation. A minority interest discount of 10% was used for estimating the value of SSH's investment in Hit, as well as the marketability discount of 15%. The valuers also examined the possibility of using the comparative company analysis method with the market valuation multiples, but this method was not used in the calculation due to a limited availability of comparable data. Regardless, the MVIC/EBITDA multiple for comparable companies was compared with the Hit's multiple, just to confirm results obtained using the DCF method. It was assessed that the present value of the expected free cash flow method was the most reliable one in this case as it enabled us to take into account the characteristics and the potential of the company being valued. In addition, the method also focuses on the value of free cash flows which is of key importance for an investor.

The fair value of SSH's 15% shareholding in **Loterija Slovenije, d. d.** (hereinafter referred to as: "Loterija") was valued using the discounted cash flow method (DCF-method) on a going concern assumption. The valuation was based on publicly available data for past periods; an estimate of Loterija's 2020 performance was obtained as well as other data, and the explanations from the company being valued and SSH were given. The financial analysis of Loterija was performed by focusing on the most significant items and elements used for the preparation of projections and for the determination of free cash flow. Financial projections were made on the basis of an analysis of Loterija's past performance and expected future performance while taking into account the findings obtained from the analysis of the company, the analysis of the macroeconomic environment and trends, as well as the industry analysis, the SWOT analysis and the analysis of comparable companies. A discount rate of 8.28% was used in the calculation. The marketability discount of 15% was used for estimating the value of SSH's investment in Loterija, as well as the minority interest discount of 10%. Comparable company analysis was used to check the valuation obtained. Because of a lack of comparable companies and due to the partial incommensurability of the comparable companies and the company subject to valuation (in terms of size, applicable legislation, different markets, nature of services performed), it was assessed that this method was not reliable enough and was therefore not used to determine the value, but it was used to validate the estimate of the value determined using the DCF method. The valuer considers the DFC method to be the most reliable, as it made it possible to take into account as far as possible the characteristics and potential of the company being valued.

The fair value of SSH's 11.74% shareholding in **Adria, d. o. o.** (hereinafter referred to as: "Adria") was appraised by using the discounted cash flow method (DCF-method) on a going concern assumption. The valuation was based on audited financial statements for past periods and the following additional information was also obtained: Adria's estimated 2020 performance, a three-year business plan and accompanying data, as well as explanations from the appraised company and SSH. The financial analysis of Adria was performed by focusing on the most significant items and elements used for the preparation of projections and for the determination of free cash flow. Comparable company analysis was used to verify the valuation obtained using another method. Owing to an insufficient set of guideline companies, it was considered that this method is not reliable enough and was therefore only used as a verification method. The valuer considers the DFC method to be the most reliable, as it made it possible to take into account as far as possible the characteristics and potential of the company being valued. A discount rate of 8.21% was used in the calculation. The minority interest discount of 15% was used for estimating the value of SSH's investment in Adria and the marketability discount of 15%.

The fair value of SSH's 4.01% minority shareholding in **Terme Olimia, d. d.** (hereinafter referred to as: "Terme Olimia") was appraised by using the discounted cash flow method (DCF-method) on a going concern assumption. The valuation was based on public data as well as on non-public data, provided by the management of Terme Olimia. Financial projections were made on the basis of an analysis of Terme Olimia's past performance, of its potential (taking into account the company's strengths, weaknesses, opportunities and threats) and the analysis of the industry in which Terme Olimia operates. When using the DFC method to estimate the fair value, it was considered that a hotel has a limited economic life and as it was assessed that, for the purposes of business valuation, it is most beneficial for an owner to use the hotel until the end of its economic life and then liquidate it. Considering the changes in current trends in architecture, hotel guests' expectations regarding comfort and the provision of additional services, it is reasonable to build a new hotel at the end of the current hotel's economic life. Business plans were prepared for 2021 - 2050 period, with the year of 2050 marking the envisaged liquidation of Terme Olimia. Six scenarios of Terme Olimia's future operations were prepared, including two scenarios with different margins, and three different scenarios in relation to its 2021 performance in respect of reopening dates and envisaged recovery in future years. A discount rate of 9.4% was used in the calculation of the present value of free cash flows. When appraising equity of the parent company, a discount for lack of liquidity of 5% was applied for a 100% shareholding, since

the subject of the valuation was a minority shareholding of 4.01%; the marketability discount of 15% was applied to equity. Considering the size of the shareholding being valued, a minority interest discount of 20.0% was also taken into consideration.

When using the discounted free cash flows method, business projections were used which took into account the material uncertainty, since the impacts of COVID-19 are still impossible to assess but it is expected that it will have a significant impact on the value of businesses operating in the tourism and gaming industries.

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, which were not secured, were converted into capital. The purchased receivables, which were secured (a lien registered against units in mutual funds, shares in banks and enterprises), were supposed to be settled by means of a gradual sale of asset by November 2019. The total of EUR 19.7 million, including interest, was received from the settlement of receivables. A contract to reschedule the debts was concluded between SSH, KAD and York, under which the due date for final repayment was extended for five months, specifically from November 2019 to 30 April 2020; by means of an annex No. 1, the due date for final repayment was postponed to 30 October 2020, and by means of an annex No. 2 to 30 June 2020. Until 31 August 2020, the interest rate amounted to 1% per annum, but with the conclusion of the annex no. 2 to the contract to reschedule the debts, an interest rate of 8% per annum was agreed. No payments were received in 2020 and the value of the receivable increased by the accrued interest.

15.1.3 Non-current assets held for sale and liabilities included in a disposal group

Capital assets in Intereuropa were classified in the group of non-current assets held for sale in the preceding year. The COVID-19 epidemic delayed the procedure, however, its conclusion is expected for 2021.

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 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Receivables due from customers	680	1,046	680	1,046
Impairment of receivables due from customers	-2	-285	-2	-285
Interest receivable	1,313	193	1,313	193
Impairment of interest receivable	-20	-20	-20	-20
Receivables due from the Republic of Slovenia pursuant to ZSPOZ, ZIOOZP, ZVJTO	131	429	131	429
Receivables due from state institutions	150	302	150	302
Other receivables	2,350	2,018	2,350	2,018
Adjustments of other receivables	-1,998	-2,003	-1,998	-2,003
Total	2,604	1,680	2,604	1,680

The disclosed value of current operating receivables reflects their fair value.

Movements in bad debt provision

in EUR 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Bad debt provision as at 1 Jan	2,308	2,313	2,308	2,313
Written-off receivables for the year	289	6	289	6
Adjustments made for the year through PL	1	1	1	1
Bad debt provision as at 31 Dec	2,020	2,308	2,020	2,308

15.1.5 Cash and cash equivalents

in EUR 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Credit balances at commercial banks	57	58	57	58
Cash equivalents	8,900	12,050	8,900	12,050
Total	8,957	12,108	8,957	12,108

Cash equivalents include call deposits held with BKS Bank, AG.

15.1.6 Equity

Equity of SSH

Determination of accumulated profit/loss of SSH for 2020

in EUR 1,000	
Retained earnings (31 Dec 2019)	-130,663
Transfer from fair value reserves - actuarial gains	2
Net profit or loss for 2020	25,981
Accumulated loss for 2020	-104,680

Determination of accumulated profit/loss of SSH for 2019

in EUR 1,000	
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
Accumulated loss for 2019	-130,663

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 1.000	SSH	
	31 Dec 2020	31 Dec 2019
Revaluation of investments in shares of domestic listed companies	260,940	260,940
Revaluation of investments in shares of domestic non-listed companies	8.831	10.428
Revaluation of investments in shares of insurance companies	191,138	210,692
Actuarial gains/losses	15	16
Net deferred tax liabilities	0	0
Total	484,974	482,076

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 positive amounts of fair value reserve in the balance

in EUR 1.000	SSH	
	31 Dec 2020	31 Dec 2019
Krka, d. d.	246,599	192,912
Zavarovalnica Triglav, d. d.	152,344	173,420
Petrol, d. d.	56,457	69,682
Sava Re, d. d.	38,794	37,272
Cinkarna Celje d. d.	13,054	13,934
Sava, d. d.	7,442	11,527
Total	514,690	498,747

Movement of fair value reserve for 2020

in EUR 1.000	Balance as of 1 Jan 2020	Reversal of tax liabilities for strateg. and import. assets	Transfer from reserve to retained earnings	Added during FY	Balance as of 31 Dec 2020
Domestic listed companies	260,940	0	0	24,050	284,990
Domestic non-listed companies	10,428	0	0	-1,597	8,831
Domestic listed insurance companies	210,692	0	0	-19,554	191,138
Actuarial gains/losses	16	0	0	-1	15
Total by investment type	482,076	0	0	2,898	484,974
Deferred tax liability	-1,484	0	0	101	-1,383
Deferred tax assets	1,484	0	0	-101	1,383
Total	482,076	0	0	2,898	484,974

Movement of fair value reserve for 2019

in EUR 1.000	Balance as of 1 Jan 2020	Reversal of tax liabilities for strateg. and import. assets	Transfer from reserve to retained earnings	Added during FY	Balance as of 31 Dec 2020
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
Total	353,888	-49,883	1,343	79,648	482,076

Disclosure in regard to deferred tax liabilities is provided in Note 15.1.17.

The book value per SSH share is calculated as a ratio between the total capital and the number of the SSH's shares:

- as at 31 December 2020 $640,474,972/155,866 = \text{EUR } 4,109.14,$
- as at 31 December 2019 $611,579,816/155,866 = \text{EUR } 3,923.75.$

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 at 31 December 2020 $640,474,972/155,866 = \text{EUR } 4,109.14,$
- as at 31 December 2019 $611,615,178/155,866 = \text{EUR } 3,923.98.$

15.1.7 Provisions and non-current accrued costs and deferred revenues

in EUR 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Provisions for denationalisation	58,021	62,340	58,021	62,340
Provisions for jubilee premiums	51	53	51	53
Provisions for post-employment benefits	308	285	308	285
Other provisions	36	6	36	6
Non-current deferred revenues	281	230	281	230
Total	58,697	62,914	58,697	62,914

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 exceeds 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 5% (in 2019 = 2.9%);
- 2.0% wage growth in the company (in 2019 = 1%);
- discount rate of 1.3% in the value of an average rate of return on RS sovereign bonds (in 2019 = 1.6%).

Provisions for post-employment benefits

in EUR 1,000	SSH		SSH Group	
	2020	2019	2020	2019
Balance as at 1 January	285	260	285	260
Current service costs	21	24	21	24
Past service costs	0	7	0	7
Net interest	4	4	4	4
Paid-out post-employment benefits	0	0	0	0
Actuarial gains	-2	-10	-2	-10
Balance as at 31 Dec	308	285	308	285

Sensitivity analysis for post-employment benefits and jubilee premiums (long-service awards) for 2020

	Discount rate		Salary growth	
	percentage point		percentage point	
Change in				
Change by	0.5	-0.5	0.5	-0.5
Impact on balance of provisions in EUR 1,000	-20	22	19	-18

Sensitivity analysis for post-employment benefits and jubilee premiums (long-service awards) for 2019

	Discount rate		Salary growth	
	percentage point		percentage point	
Change in				
Change by	0.5	-0.5	0.5	-0.5
Impact on balance of provisions in EUR 1,000	-18	19	17	-16

Movements in provisions of SSH/SSH Group

in EUR 1,000	Balance as at 1 Jan 2020	Newly formed provisions	Use	Transfer to current items	Reversal	Balance as at 31 Dec 2020
Provisions for denationalisation	62,340	0	893	3,227	199	58,021
Provisions for jubilee premiums	53	5	4	0	3	51
Provisions for severance payments	285	25	0	0	2	308
Other provisions	6	30	0	0	0	36
Non-current deferred revenues	230	53	2	0	0	281
Total	62,914	113	899	3,227	204	58,697

Part of the provisions for denationalisation, which are expected to be settled in 2021, has been transferred to other current liabilities.

in EUR 1,000	Balance as at 1 Jan 2019	Newly formed provisions	Use	Transfer to current items	Reversal	Balance as at 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
Total	45,887	37,105	4,952	14,407	719	62,914

15.1.8 Current financial liabilities

in EUR 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Principal of SOS3 bond	0	99,962	0	99,962
Total	0	99,962	0	99,962

No liability falls due within a period of five years after the reporting date

Movement in current financial liabilities of SSH/SSH Group

in EUR 1,000	Balance as of 1 Jan 2020	Acquisitions	Repayments	Transfer from long-term loan	Balance as of 31 Dec 2020
Bank loans	0	13,000	13,000	0	0
SOS3 bond	99,962	38	100,000	0	0
Total	99,962	13,038	113,000	0	0

in EUR 1,000	Balance as of 1 Jan 2019	Acquisitions	Repayments	Transfer from/to long-term loans	Balance as of 31 Dec 2019
SOS3 bond	0	0	0	99,962	99,962
Total	0	0	0	99,962	99,962

15.1.9 Current operating liabilities

in EUR 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Trade payables	180	448	180	448
Liabilities due to denationalisation beneficiaries	19,399	20,836	19,399	20,836
Interest for SOS3 bond	0	1,308	0	1,308
Liabilities due to employees	220	322	220	322
Liabilities due to state institutions	332	400	332	400
Other operating liabilities	13	15	13	15
Total	20,144	23,329	20,144	23,329

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 are no overdue and outstanding liabilities.

15.1.10 Other liabilities

in EUR 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Current provisions for ZDen	17,634	14,407	17,634	14,407
Other liabilities	215	106	215	106
Total	17,849	14,513	17,849	14,513

15.1.11 Operating income

in EUR 1,000	SSH		SSH Group	
	Jan - Dec 2020	Jan - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Income from contracts with customers	6,904	4,225	6,904	4,225
Net sales revenues	6,904	4,225	6,904	4,225
Income from disbursement and reversal of non-current provisions - denationalisation	199	0	199	0
Income from disbursement and reversal of other non-current provisions	3	65	3	65
Income connected with denationalisation	1,747	1,841	1,747	1,841
Revalued operating income	215	1,981	215	1,981
Other operating income	2,164	3,887	2,164	3,887
Total	9,068	8,112	9,068	8,112

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 by means of 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.

In 2020, the operating income amounted to 25.1% of all income that was generated by SSH. All sales revenues are generated in the domestic market.

15.1.12 Costs of goods, materials and services

in EUR 1,000	SSH		SSH Group	
	Jan - Dec 2020	Jan - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Cost of material	63	81	63	81
Cost of services	3,336	1,703	3,336	1,703
Total	3,399	1,784	3,399	1,784

EUR 2.1 million of the costs of services relates to the expenses associated with the sale of state-owned capital assets; in 2019 amounted to EUR 0.3 million.

The contractual amount for the auditing of the financial statements of SSH and the SSH Group for 2020 amounted to EUR 17,250, excluding VAT. No other services were carried out for SSH by the auditor in 2020.

15.1.13 Labour cost

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 1,000	SSH		SSH Group	
	Jan - Dec 2020	Jan - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Salaries and wages	3,235	3,546	3,235	3,546
Retirement insurance costs	292	321	292	321
Costs of voluntary supplementary pension insurance	93	87	93	87
Social security contributions	230	258	230	258
Annual leave allowance, reimbursements and other earnings	368	293	368	293
Provisions for jubilee premiums	5	15	5	15
Provisions for retirement benefits	21	31	21	31
Total	4,244	4,551	4,244	4,551

15.1.14 Depreciation and amortisation

in EUR 1,000	SSH		SSH Group	
	Jan - Dec 2020	Jan - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Amortisation of intangible assets	96	120	96	120
Depreciation of buildings	41	20	41	20
Depreciation of equipment and spare parts	91	113	91	113
Depreciation of assets in use	12	0	12	0
Total	240	253	240	253

15.1.15 Net profit or loss

in EUR 1,000	SSH		SSH Group	
	Jan - Dec 2020	Jan - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Financial income from equity investments and other financial instruments	26,916	41,159	26,916	24,962
Financial income from loans receivable	86	160	86	160
Total financial income	27,002	41,319	27,002	25,122
Financial expenses for the write-offs and impairment of financial investments	3	696	3	696
Financial expenses relating to financial liabilities	1,486	2,581	1,486	2,581
Total financial expenses	1,489	3,277	1,489	3,277
Impact of revaluation of associated financial investments measured under equity method	0	0	-25,307	30,711
Net profit or loss	25,513	38,042	206	52,556

The interest rate for bond overdue in 2020 was 5.95% per annum. The interest rates for long-term deposit moved between 0.01% and 0.51%, whereas the interest rate for call deposit amounted to 0%.

Financial income from equity investments and other financial instruments

in EUR 1,000	SSH		SSH Group	
	Jan - Dec 2020	Jan - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Dividends and income similar to dividends - enterprises	23,635	21,243	23,635	21,013
Dividends - insurance companies	0	18,859	0	2,892
Proceeds from reversal of impairments in subsidiaries	2,043	0	2,043	0
Income from purchased receivables	1,216	952	1,216	952
Bond interest income	22	104	22	104
Total	26,916	41,159	26,916	24,962

Financial expenses relating to financial liabilities

in EUR 1,000	SSH		SSH Group	
	Jan - Dec 2020	Jan - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Interest expense on SOS3 bond	1,230	2,576	1,230	2,576
Interest expense on bank loans	18	0	18	0
Expenses from actuarial calculations	4	5	4	5
Other finance expenses	232	0	232	0
Lease interest expenses	2	0	2	0
Total	1,486	2,581	1,486	2,581

Overview of financial income and expenses generated by SSH with subsidiaries and associates

in EUR 1,000	SSH	
	Jan - Dec 2020	Jan - Dec 2019
Financial income relating to subsidiaries	2,501	0
Financial income relating to associates	23	16,302
Financial expense relating to subsidiaries	3	71
Financial expense relating to associates	231	0
Net profit or loss	2,290	16,231

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.

15.1.16 Participation in profit/loss in associates

Impact by associates on the financial result of SSH Group

in EUR 1,000	SSH Group	
	Jan - Dec 2020	Jan - Dec 2019
Share of profit of associates	20,647	27,443
Reversal of impairments	2,216	8,091
Share of losses of associates	4,017	31
Impairment	44,153	4,792
Net profit or loss	-25,307	30,711

Impact by associates on financial position of SSH Group in 2020

in EUR 1,000	ZT Group	Unior Group	HIT Group	Casino Bled	Total
Value of investment as of 31 Dec 2019	212,675	15,108	5,852	97	233,732
Allocation of share of profit or loss	20,647	-1,872	-2,123	-22	16,630
Dividends received	0	0	0	0	0
Allocation of share of other comprehensive income	1,299	-2,481	-18	0	-1,200
Reversal of previous impairment	0	0	2,216	0	2,216
Impairments to fair value	-43,022	-1,131	0	0	-44,153
Value of investment under equity method as at 31 Dec 2020	191,599	9,624	5,927	75	207,225
Fair value in SSH' s financial statements	191,599	9,624	5,927	61	207,211

Impact by associates on financial position of SSH Group in 2019

in EUR 1,000	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 other comprehensive income	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 at 31 Dec 2019	212,675	15,108	5,852	97	233,732
Fair value in SSH' s financial statements	212,675	15,108	5,852	61	233,696

15.1.17 Taxes

Calculation of the effective tax rate

in EUR 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Profit before tax	26,632	2,245	1,325	16,758
Calculated tax (applicable rate = 19%)	5,060	426	252	3,184
Effect of non-taxable income	-4,893	-7,619	-4,893	-7,619
Effect of non-deductible expenses	-17	207	-17	207
Tax relief	-236	0	-236	0
Other adjustments in taxable profit	225	383	5,033	-8,977
Current year loss for which no deferred tax asset has been recognised	0	-6,602	0	0
Reversal of deferred tax assets due to changes in taxable profits	512	32,067	512	32,067
Income taxes	651	18,862	651	18,862
Effective tax rate	2%	840%	49%	113%

Deferred tax assets and tax liabilities

in EUR 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Deferred tax assets	1,844	2,458	1,844	2,458
Deferred tax liabilities	1,383	1,484	1,383	1,484
Net deferred tax assets/tax liabilities	461	974	461	974

According to the planned free-of charge transfer of important and strategic assets to RS, which is 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 deferred tax liability at the end of 2019.

Deferred tax assets arise 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 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Unutilised tax losses	179,451	179,118	179,451	179,118
Impairment of receivables	526	540	526	540
Impairment of financial investments in subsidiaries	391	254	391	254
Investment relief	6	0	6	0
Measurement of financial investments - fair value through other comprehensive income	4,510	3,271	4,510	3,271
Total unrecognised deferred tax assets	184,884	183,183	184,884	183,183

Unutilised tax losses may be transferred to future periods without any restrictions.

Movement in tax losses

in EUR 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening balance of unutilised tax losses	945,895	911,146	945,895	911,146
Increase in the period	0	34,749	0	34,749
Utilised in the period	987	0	987	0
Closing balance of unutilised tax losses	944,908	945,895	944,908	945,895

Movement in deferred tax assets for SSH and SSH Group for 2020

in EUR 1,000	Financial investments	Adjustments of receivables	Provisions	Investment relief	Tax loss	Total
Balance as at 1 Jan 2020	1,773	0	33	51	601	2,458
Use in 2020	0		-1	-31	0	-32
Recognised in the year	34	0	3	14	0	51
Eliminations	0	0	0	-13	-519	-532
Total changes in Income Statement	34	0	2	-30	-519	-513
Total changes in Statement of Financial Position	-101	0	0	0	0	-101
Balance as at 31 Dec 2020	1,706	0	35	21	82	1,844

Movement in deferred tax assets for SSH and SSH Group for 2019

in EUR 1.000	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
Total changes in Income Statement	-97	-538	4	51	-18,282	-18,862
Total changes in Statement of Financial Position	1,484	0	0	0	0	1,484
Balance as of 31 Dec 2019	1,773	0	33	51	601	2,458

Movement in deferred tax liabilities

in EUR 1.000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Balance of deferred tax liabilities as at 1 Jan	1,484	37,766	1,484	37,766
Transfer from deferred tax assets (IFRS 9)	0	0	0	0
Change due to reclassification of investments (IFRS 9)	0	0	0	0
Utilisation	0	-150	0	-150
Change due to the transfer of capital assets to RS	0	-49,883	0	-49,883
Change due to revised taxable profit	-101	13,751	-101	13,751
Balance as at 31 Dec	1,383	1,484	1,383	1,484

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.

15.1.18 Net earnings per share

in EUR 1.000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Profit/loss of majority owners	25,981,000	-16,618,000	674,000	-2,104,000
Number of issued shares	155,866	155,866	155,866	155,866
Weighted number of shares	155,866	155,866	155,866	155,866
Net profit/loss per share	166.69	-106.62	4.32	-13.50

Basic earnings per share is calculated so that owner's net income is divided by weighted average number of ordinary shares. SSSH /SSH Group have no dilutive potential ordinary shares, which is why basic earnings per share is equal to diluted earnings per share.

15.1.19 Dividends per share

In compliance with its rules and regulations, the controlling company does not pay out any dividends.

15.1.20 Note to the Cash Flow Statement

The cash flow statement 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 proceeds. 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 which are executed on its behalf by SSH (ZSPOZ, ZIOOZP and ZVVJTO).

Cash flows in 2020 based on the implementation of the following acts:
ZSPOZ, ZIOOZP and ZVVJTO

in EUR 1.000	ZIOOZP	ZSPOZ	ZVVJTO	Total
Payments to beneficiaries	747	1,282	18	2,047
Received from the Republic of Slovenia	747	1,580	18	2,345
Net financial impact	0	298	0	298

Cash flows in 2019 based on the implementation of the following acts:
ZSPOZ, ZIOOZP and ZVVJTO

in EUR 1.000	ZIOOZP	ZSPOZ	ZVVJTO	Skupaj
Payments to beneficiaries	413	2,848	0	3,261
Received from the Republic of Slovenia	442	3,107	0	3,549
Net financial impact	29	259	0	288

The most important source of funds to cover SSH liabilities in 2020 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 and monitors the following risks: credit risk, interest rate risk, and particularly market and liquidity risk. All financial instruments are linked to the Euro, that is why 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 funds for repayment are assessed. In regard to investments in debt securities, restrictions and limits have been set by SSH/SSH Group for individual issuers

and banks, which, by taking into account their balance sheet data, 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. Since June 2020, when liabilities arising from SOS3 bond were settled, SSH/SSH Group has not reported any large excess funds. It is 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 has been assessed as low. All overdue operating receivables have been revised; in the Statement of Financial Position, under item Operating receivables as at 31 December 2020 and as at 31 December 2019, there are no overdue receivables.

Balance of overdue and not yet due trade receivables

in EUR 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Trade receivables - status	4,624	3,988	4,624	3,988
Impairment of receivables	-2,020	-2,308	-2,020	-2,308
Overdue receivables	2,020	2,308	2,020	2,308
Receivables not yet due	2,604	1,680	2,604	1,680

Receivables due by Sava, d. d., arising from the purchase of its liabilities arising from bank loans, is collateralised with pledges on shares of Sava Turizem, d. d.

The highest potential exposure to credit risk is the carrying amount of financial assets.

Total maximum exposure to credit risk

in EUR 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Other non-current financial investments	701,274	276,257	701,288	276,292
Financial investments to be distributed to owners	0	425,321	0	425,321
Other current financial investments	22,427	98,308	22,427	98,308
Operating receivables	2,604	1,680	2,604	1,680
Cash and cash equivalents	8,957	12,108	8,957	12,108
Total	735,262	813,674	735,276	813,709

5.2.2 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.

As at 31 December 2020, SSH/SSH Group had no interest-bearing debt, with the exception of a lease debt.

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, it was assessed that SSH/SSH Group is considered solvent and is not at risk of solvency. 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 the 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 at 31 December 2020, balance sheet loss exceeded half of the share capital but ZGD-1 does not stipulate to cover the loss by decreasing the share capital. Considering ZFPPIPP, the problem would arise if SSH/SSH Group would be over indebted. However, in terms of the substance, covering the loss has no impact on capital adequacy as it does not increase the working capital. Assuming that all dividends planned will be realised, including at least half of the expected dividends to be paid by insurance companies, neither liquidity issues nor capital adequacy issues are to be expected in 2021 and 2022. 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 some shares in case any such unforeseen events occur. In addition, the Constitutional Court Decision No U-I-140/94 of 14 Decembre1995 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. In terms of substance, a similar provision is referred to in ZSOS-C which stipulates that in case income, which is generated by managing remaining capital assets owned by the legal successor of the fund referred to in Article 26, Paragraph 1 of ZSDH-1 (following the transfer of strategic and important assets), 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 1,000		in %	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Quick ratio				
Liquid assets	8,957	87,989		
Current liabilities	38,170	141,419	23.47	62.22
Current ratio				
Current assets*	34,616	116,029		
Current liabilities	38,170	141,419	90.69	82.05

* Current assets of 2019 do not include the value of equity holdings to be transferred to RS.

Maturity of SSH/SSH Group liabilities according to contractual cash flows as at 31 December 2020

in EUR 1,000	Book value of liabilities	Contractual cash flows				
		Liability	up to 6 months	from 6 to 12 months	from 1 to 5 years	more than 5 years
Finance lease payables	92	92	19	19	54	0
Operating liabilities	20,283	20,283	20,283	0	0	0
Other liabilities	17,849	17,849	8,405	9,444	0	0
Total liabilities	38,224	38,224	28,707	9,463	54	0

Maturity of SSH/SSH Group liabilities according to contractual cash flows as at 31 December 2019

in EUR 1,000	Book value of liabilities	Contractual cash flows				
		Liability	up to 6 months	from 6 to 12 months	from 1 to 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
Total liabilities	137,804	140,342	133,149	7,193	0	0

15.2.4 Market risk

Domestic marketable shares held by SSH

Company	31 Dec 2020		31 Dec 2019	
	Value in EUR 1,000	Structure in %	Value in EUR 1,000	Structure in %
Krka, d. d.	269,619	40.13	215,931	32.35
Zavarovalnica Triglav, d. d.	191,599	28.52	212,675	31.87
Petrol, d. d.	85,968	12.79	99,193	14.86
Pozavarovalnica Sava, d. d.	56,312	8.38	54,790	8.21
Luka Koper, d. d.	28,665	4.27	35,208	5.28
Other listed investments	39,730	5.91	49,600	7.43
Total	671,893	100	667,397	100

Classification of domestic marketable investments to strategic and important and portfolio

Type of equity investment	31 Dec 2020		31 Dec 2019	
	Value in EUR 1,000	Structure in %	Value in EUR 1,000	Structure in %
Strategic and important assets	632,162	94.09	617,797	92.57
Portfolio assets	39,731	5.91	49,600	7.43
Total	671,893	100	667,397	100

Liquidity of the most important investments of the Company/Group in quoted shares

Turnover capitalisation*	in 2020	in 2019
Krka, d. d.	6.51%	4.34%
Luka Koper, d. d.	3.12%	2.11%
Petrol, d. d.	6.26%	3.18%
Pozavarovalnica Sava, d. d.	9.55%	3.62%
Telekom Slovenije, d. d.	5.01%	2.74%
Zavarovalnica Triglav, d. d.	4.83%	4.43%
Prime market	5.80%	3.54%
Standard market	3.32%	5.72%

* Note: Yearly turnover/average market capitalisation on 31 December, 30 June, 31 December of the previous year.

Source: Source: Monthly and Annual Statistics LJSE, 2020 and 2019.

Sensitivity analysis of equity investments against changes in market prices as at 31 December 2020

in EUR 1,000	Value 31 Dec 2020	Change in market prices 15%	Change in market prices 20%	Change in market prices -15%	Change in market prices -20%
Krka, d. d.	269,619	40,443	53,924	-40,443	-53,924
Zavarovalnica Triglav, d. d.	191,599	28,740	38,320	-28,740	-38,320
Petrol, d. d.	85,968	12,895	17,194	-12,895	-17,194
Sava Re, d. d.	56,312	8,447	11,262	-8,447	-11,262
Luka Koper, d. d.	28,665	4,300	5,733	-4,300	-5,733
Other marketable domestic shares	39,730	5,960	7,946	-5,960	-7,946
Total	671,893	100,784	134,379	-100,784	-134,379

Sensitivity analysis of equity investments against changes in market prices as at 31 December 2019

in EUR 1,000	Value 31 Dec 2020	Change in market prices 15%	Change in market prices 20%	Change in market prices -15%	Change in market prices -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
Total	667,397	100,110	133,479	-100,110	-133,479

Sensitivity analysis of equity investments against changes in market prices (strategic and important assets as compared to portfolio assets) as at 31 December 2020

in EUR 1,000	Value 31 Dec 2020	Change in market prices 15%	Change in market prices 20%	Change in market prices -15%	Change in market prices -20%
Strategic and important assets	632,162	94,824	126,432	-94,824	-126,432
Portfolio assets	39,731	5,960	7,946	-5,960	-7,946
Total	671,893	100,784	134,379	-100,784	-134,379

Sensitivity analysis of equity investments against changes in market prices (strategic and important assets as compared to portfolio assets) as at 31 December 2019

in EUR 1,000	Value 31 Dec 2020	Change in market prices	Change in market prices	Change in market prices	Change in market prices
		15%	20%	-15%	-20%
Strategic and important assets	617,797	92,670	123,559	-92,670	-123,559
Portfolio assets	49,600	7,440	9,920	-7,440	-9,920
Total	667,397	100,110	133,479	-100,110	-133,479

15.2.5 Managing capital adequacy

In 2020 and in 2019, there were no changes to the 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 issued principal for SOS3 bond, liabilities to denationalisation beneficiaries and other operating liabilities reduced by cash and cash equivalents.

in EUR 1,000	SSH		SSH Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Current liabilities	38,170	137,804	38,170	137,804
Non-current financial liabilities	54	0	54	0
Cash and cash equivalents	8,957	12,108	8,957	12,108
Net indebtedness	29,267	125,696	29,267	125,696
Equity	640,461	611,580	640,475	611,615
Financial leverage ratio in %	4.57	20.55	4.57	20.55

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 2020, 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 2020, 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 and shareholdings were obtained pursuant to the Ownership Transformation of Companies Act and other laws passed with the aim of settling denationalisation compensation to beneficiaries and compensation 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 2020, 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

In 2020 and in 2019, no loans were granted neither to the management, members of the Supervisory Board nor to members of its Commission or employees.

In 2020, with the exception of Management Board Members, no employees were employed on the basis of individual employment contract.

ZSDH-1 stipulates that provisions of 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 SSH is considered a large company) do not apply to salaries payable to the members of Management Board. Members of the Management Board using company cars for private purposes do not receive any payments reimbursing their commuting costs.

Boštjan Koler, in his capacity of a Members of the Management Board, represented the interest of capital contributors by participating in Supervisory Boards of Telekom, d. d., since 3 November 2020. Dr Janez Žlak, in his capacity of the President of the Management Board, is a member of the Supervisory Board of Eles Ljubljana.

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, and 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 session 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.

The composition of the Risk Committee changed during the year; the members regularly attended the Committee's sessions

Earnings of Management Board members in 2020

in EUR	Janez Žlak 7 Oct-31 Dec 2020	Gabrijel Škof 1 Jan-1 July 2020	Boris Medica 1 Jan-31 Dec 2020	Igor Kržan 2 July-6 Oct 2020	Boštjan Koler 1 Jan-31 Dec 2020	Lidija Glavina in Management Board until 31 March 2019	Andrej Božič in Management Board until 30 Nov 2019
Fixed earning (gross)	19,954	74,009	115,565	34,443	115,565	0	0
Variable income (gross)	0	6,859	2,058	13,719	24,693	6,859	21,383
Fringe benefits	1,387	1,979	6,366	901	5,277	0	0
Holiday pay	281	600	1,200	0	1,200	0	0
Reimbursement of costs (meals, transportation cost, use of own assets)	466	812	1,561	1,461	1,383	0	0
Reimbursement of business travel costs	47	13	201	0	22	0	0
Voluntary suppl. pension insurance	470	1,660	2,819	0	2,819	0	0

Earnings of Management Board members in 2019

in EUR	Lidija Glavina 1 Jan-31 March 2019	Boštjan Koler 1 Jan-31 Dec 2019	Andrej Božič 21 Jan-30 Nov 2019	Igor Kržan 1 April-30 Sept 2019	Gabrijel Škof 1 Oct-31 Dec 2019	Boris Medica 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

Earnings of Members of the Supervisory Board in 2020

in EUR	Compensation for holding the position (gross)	Attendance fee (gross)	Fringe benefit	Travel expenses (gross)	Total
Belič, Damjan	7,939	2,321	0	0	10,260
Dietner, Karmen	16,329	4,477	113	0	20,919
Emeršič, Božo	5,381	2,310	113	79	7,883
Kos, Duško	8,733	2,321	0	92	11,147
Kržan, Igor	9,526	3,366	0	274	13,167
Simič, Ivan	5,764	2,310	113	0	8,187
Vipotnik, Janez	13,320	4,648	113	1,453	19,534
Total	66,993	21,753	452	1,899	91,096

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
Total	69,875	25,465	249	5,244	100,833

Earnings of Members of the Supervisory Board's Audit Committee in 2020

in EUR	Compensation for holding the position (gross)	Attendance fee (gross)	Fringe benefit	Travel expenses (gross)	Total
Belič, Damjan	1,985	924	0	0	2,909
Dietner, Karmen	958	220	0	0	1,178
Kos, Duško	1,985	968	0	0	2,953
Simič, Ivan	958	220	0	0	1,178
Virant, Darinka	4,995	1,188	0	47	6,230
Total	10,881	3,520	0	47	14,448

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
Total	12,600	4,796	0	64	17,460

Earnings of Members of the Supervisory Board's Nomination Committee in 2020

in EUR	Compensation for holding the position (gross)	Attendance fee (gross)	Fringe benefit	Travel expenses (gross)	Total
Belič, Damjan	1,985	176	0	0	2,161
Dietner, Karmen	3,330	1,408	0	0	4,738
Emeršič, Božo	1,345	1,232	0	39	2,617
Kos, Duško	1,985	176	0	0	2,161
Kržan, Igor	2,382	176	0	0	2,558
Simič, Ivan	1,345	1,232	0	0	2,577
Vipotnik, Janez	3,330	1,408	0	0	4,738
Total	15,702	5,808	0	39	21,549

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
Total	16,026	11,792	0	240	28,058

Earnings of Members of the Supervisory Board's Risk Committee in 2020

in EUR	Compensation for holding the position (gross)	Attendance fee (gross)	Fringe benefit	Travel expenses (gross)	Total
Dietner, Karmen	600	0	0	0	600
Emeršič, Božo	958	396	0	0	1,354
Kržan, Igor	2,227	154	0	0	2,381
Vipotnik, Janez	3,330	550	0	0	3,880
Virant, Darinka	3,330	374	0	19	3,723
Total	10,445	1,474	0	19	11,938

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
Total	10,810	1,980	0	65	12,855

Earnings of Members of the Nomination Committee in 2020

in EUR	Compensation for holding the position (gross)	Attendance fee (gross)	Fringe benefit	Travel expenses (gross)	Total
Lenardič, Vlasta	11,750	0	0	0	11,750
Podpečan, Urška	18,000	0	0	139	18,139
Roš, Samo	18,000	0	0	0	18,000
Vončina, Brigita	6,250	0	0	0	6,250
Total	54,000	0	0	139	54,139

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
Total	54,000	0	0	41	54,041

Other costs associated with the Supervisory Board and its Committees

In EUR	SSH	
	Jan - Dec 2020	Jan - Dec 2019
Costs in connection with the selection of a Management Board Member (advertisement, HR agency)	12,514	26,647
Costs for supplementary training	439	0
Other (insurance premiums)	452	250
Total	13,405	26,897

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 1,000	Receivables		Income	
	31 Dec 2020	31 Dec 2019	Jan -Dec 2020	Jan -Dec 2019
Ministry of Finance	622	1,243	6,746	4,193
Ministry of Economic Development and Technology	0	283	0	0
Farmland and Forest Fund of RS	84	118	1,348	1,251
D. S. U.	6	14	216	322
Total	712	1,658	8,310	5,766

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 reserves 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 in 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 of 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 are irrelevant for the presentation.

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 37.8 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 Statements 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 2020. Other significant events are presented below.

Changes in the membership of the SSH Management Board and SSH Supervisory Board in 2021

Owing to the findings of the external review examining the process for the sale of RS's capital assets in Meta Ingenium, d. o.o., which was commissioned by the SSH Supervisory Board, the members, who held their position in the SSH Management Board at the time of the said sale, submitted their Consensual Resignation Notice in accordance with ethical standards, and left their positions at the SB's session held on 5 January 2021. Igor Kržan, the SB Member, resigned from his position on 5 January 2021, while both members of the Management Board, Boris Medica and Boštjan Koler resigned on 31 January 2021.

On the basis of a proposal for appointing a Member by way of a Court Decision, Vanessa Grmek, Advisor to the Management Board, was appointed a SSH Management Board Member on 1 February 2021. Her term of office will last until the positions in the Management Board are filled up by way of a regular procedure.

Ljubljana, 15 April 2021



Vanessa Grmek, MBA

Member of the Management Board



Dr Janez Žlak,

President of the Management Board

LIST OF ACRONYMS AND GLOSSARY OF TERMS

ARSO	Slovenian Environment Agency	Commission	Commission for handling alleged irregularities in SOEs
ATVP	Securities Market Agency	KOPP	Koprska pristaniška pilotaža, d. o. o.
AVK	Slovenian Competition Protection Agency	CPC	Commission for the Prevention of Corruption
BDP	gross domestic product	AAMP	Annual Asset Management Plan for capital assets of RS and SSH
BDO	BDO Revizija, d. o. o.	MoF	Ministry of Finance
CSA	Creditor Side Agreement	MEDT	Ministry of Economic Development and Technology.
d. d. (PLC)	public limited company	BUPF	Blue umbrella pension fund managed by Modra zavarovalnica
d. o. o. (Ltd.)	Limited liability company	IFRS	International Financial Reporting Standards
D. S. U.	Družba za svetovanje in upravljanje	MOI	Ministry of Infrastructure
DARS	Motorway Company of the Republic of Slovenia	NLB	Nova ljubljanska banka, d. d.
DDV	value added tax	NAP	National Action Plan
FFE	family-friendly enterprise	NECP	National Energy and Climate Plan
Družba	Slovenian Sovereign holding, d. d.	SB	Supervisory Board
BAMC	Bad Asset Management Company	SSH SB	Supervisory Board of Slovenian Sovereign Holding
EBRD	European Bank for Reconstruction and Development	OECD	Organisation for Economic Cooperation and Development
EDP	energy permit	Policy	Asset Management Policy of SSH
EDC	electricity distribution company	Portal KK	Nomination Committee web application
ECESA	Expert Committee for Economic and Social Affairs	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
EU	European Union	ROA	return on assets
EUR	Euro currency	ROE	return on equity
GEN	GEN energija Group, d. o. o.	RS	Republic of Slovenia
HICP	Harmonised Index of Consumer Prices		
HSE	Holding slovenske elektrarne		
NEK	Krško Nuclear Power Plant		
KAD	Kapitalska družba pokojninskega in invalidskega zavarovanja d. d. (Pension Fund Management)		
KK	Nomination Committee		
KN	capital asset		
Code	Corporate Governance Code for SOEs		

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
STH	Slovenian Tourism Holding
SEOnet	Ljubljana Stock Exchange electronic information dissemination system
SSH Group	Slovenian Sovereign Holding Group
SOD	Slovenska odškodninska družba, d. d.
SOE	State Owned Enterprise
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
TEŠ	Šoštanj Thermal Power Plant
IMAD	Institute of Macroeconomic Analysis and Development
USA	United States of America
ZDen	Denationalisation Act
ZDIJZ	Public Information Access Act
ZGD, ZGD-1	Companies Act
ZIPRS	Implementation of the Republic of Slovenia Budget for 2020 and 2021 Act
ZIUOPDVE	Act Determining the Intervention Measures to Mitigate the Consequences of the Second Wave of COVID-19 Epidemic
ZIUZEOP	Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy

ZVVJTO	Return of Investments in the Public Telecommunications Network 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
ZJN-3	Public Procurement Act
ZSDH-1	Slovenian Sovereign Holding Act
ZSOS-C	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
ZZVN	Victims of War Aggression Act



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