

ANNUAL REPORT  
OF SSH GROUP  
AND SSH FOR

2021



SLOVENSKI DRŽAVNI HOLDING, d. d.



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OF SSH GROUP  
AND SSH FOR

**2021**

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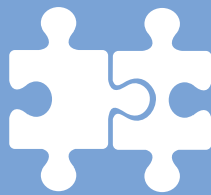
# Introduction

## 1 KEY HIGHLIGHTS FOR 2021

### SSH IN FIGURES AS AT 31 DECEMBER 2021



EUR **984.9** million  
of assets



**94.2%**  
of SSH's total assets placed  
as equity investments  
(the portfolio is composed  
of 23 active companies with  
capital assets owned by SSH)



EUR **913.4** million  
of SSH'S equity (share capital  
used to amount to EUR  
260,166,917.04)



EUR **45.1** million  
of profit – SSH net  
operating result in 2021



**54**  
No. of employees in SSH

## PERFORMANCE OF SSH'S CORE BUSINESS: MANAGEMENT OF PORTFOLIO OF RS AND SSH CAPITAL ASSETS



**4.2%**

Expected ROE of total RS and SSH portfolio for 2021, as stated in the Annual Asset Management Plan



**6.2%**

Estimated ROE of RS and SSH portfolio to have been realised in 2021\*



EUR **10.3** billion  
Book value of RS and SSH capital assets as of 31 December 2021\*



EUR **151.3** million  
The total sum of dividends paid out from RS and SSH portfolio in 2021 (for FY 2020) (of this figure, EUR 39.8 million of dividends paid to SSH)

\* The assessed value is based on currently known results and estimates for companies that have not yet been audited. The calculation does not include a one-off impact at HSE arising from the GE settlement and the impairment of assets held in TEŠ due to PV. Final data for 2021, based on audited consolidated statements, will be available in October 2022.

## 2 LETTER BY THE MANAGEMENT BOARD

The past year, which was still marked by the COVID-19 epidemic, required constant adaptation to the changing environment, both at Slovenian Sovereign Holding (SSH) and in our portfolio companies. Throughout the year, SSH was concerned about the health and safety of its employees, and took measures to limit the number of infections, thus enabling the company to successfully carry out its mission and realise all planned activities. It gave its employees an option to work in a hybrid working model. SSH is aware of the fact that motivated, skilled and satisfied employees are the most important contributors to the success of the Company. This is why, SSH adopted a policy to manage key and promising employees and defined the Company's succession planning within the scope of its HR Strategy. In addition, it undertook several activities to transfer knowledge and skills in key areas of SSH's operations to promising employees and strengthen mutual cooperation.

SSH exceeded its targets in 2021 for the management of RS and SSH capital assets. It actively monitored the impact of the epidemic in individual sectors and carried out a number of corporate governance activities. All companies in the SSH portfolio that manage critical infrastructure were able to ensure the continuity of their operations and provide uninterrupted services at all times. The epidemic had a significant impact on the operations of some companies, particularly in the tourism and gambling sectors. Transport companies, some manufacturing companies and energy companies have also not yet achieved their pre-epidemic results in 2021 due to the effects of the crisis. The total book value of the equity holdings managed by SSH amounted to

EUR 10.3 billion as of 31 December 2021. In 2021 (for FY 2020), dividend payments by the companies in the SSH's asset management portfolio totalled EUR 151.3 million, of which the Republic of Slovenia (RS) (and ZPIZ) received EUR 111.5 million while SSH received EUR 39.8 million. This is a total increase of 15% over the planned amount. The return on equity (ROE) of RS and SSH portfolio is currently estimated at 6.2%, which is 1.9 percentage points higher than the 2020 target and 2.0 percentage points higher than the 2021 target. The general recovery of the Slovenian economy, which exceeded expectations, contributed significantly to these results, while various anti-COVID measures also had a notable impact.

The SSH's operations in 2021 were thus successful. The pre-tax profit amounted to EUR 45.1 million. The most important income items, which totalled EUR 52.5 million, include dividend income, income from the management of assets held by RS, the revalued operating income and interest income. The most important expenses mainly include labour costs, costs of services and reserves arising from denationalisation.

The sum of EUR 23.5 million of denationalisation compensation was paid out. SSH continues to participate actively in the denationalisation proceedings, which for several years now mostly only include the most complex cases. SSH is fulfilling its obligations in this respect on an ongoing basis. On behalf and for the account of the Republic of Slovenia, SSH also pays compensation to beneficiaries under the two laws, ZSPOZ and ZIOOZP, and is regularly reimbursed from the budget for the funds paid.





Dr. Janez Žlak,  
**President of Management Board**



Janez Tomšič,  
**Member of Management Board**



Peter Drobež,  
**Member of Management Board**

Several projects have been implemented to strengthen sustainable business and corporate governance. Based on analyses of the remuneration arrangements and practices of selected European countries and a review of the remuneration arrangements and actual remuneration payments of the portfolio companies, SSH has formulated and adopted Recommendations on Remuneration Policy for Management Bodies. The one-year project ended in March 2022 with the publication of the document, which aims to regulate the remuneration of members of the management bodies of SOEs in a systematic and transparent manner. In addition it aims to address certain human resources risks, implement current trends and contribute to more sustainable corporate business through the remuneration system.

Two other important asset management instruments, namely the SSH Asset Management Policy and the SSH Corporate Governance Code, were also supplemented. Based on the analysis of compliance with the SSH Code and the SSH Recommendations and Expectations in portfolio companies, SSH is preparing amendments and additions to the SSH Code in 2022; if necessary, the SSH Recommendations and Expectations will also be amended and supplemented.

In cooperation with experts from the Centre of Business Excellence of the Faculty of Economics, the University of Ljubljana, and external corporate experts, SSH prepared a guide for supervisory boards of state-owned enterprises on governing corporate cul-

ture. The aim is to equip Supervisory Boards with key guidelines and tools to be considered and used when exercising their duties in terms of governing corporate culture. Recognising the role of corporate culture and its inclusion in corporate governance practices contributes to the effectiveness and efficiency of companies' operations.

In line with its competences, SSH has implemented the State's commitments as regards the transition to a low-carbon economy in the Annual Asset Management Plan 2022, where it has set out recommendations and concrete expectations for companies in relation to ESG factors. These endeavours will mark an important part of SSH's activities in 2022.

Pursuing organisational and technological development of the Company is a constant task for SSH. SSH wants to be recognised as an exemplary, reliable, efficient and trustworthy financial institution. In 2021, SSH therefore continued to implement advanced technological and business solutions in the areas of information technology and corporate security, among others. The maturity level which SSH has reached will allow us to move forward and implement new solutions in the areas of digitalisation of operations and data management.

SSH could not have achieved its goals without dedicated, professional and hard-working employees. We are pleased to acknowledge their commitment to the development of corporate governance, capital assets management and all other tasks carried out by SSH.

### 3 SUPERVISORY BOARD'S REPORT

The Supervisory Board of Slovenian Sovereign Holding 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, and until the appointment of Dr. Leon Cizelj came into effect on 22 September 2022, the Supervisory Board functioned with four members.

In 2021, the Supervisory Board included the following members: Karmen Dietner, President; (since 20 January 2022, she has held the position of the Board's Member); Ivan Simič, MSc., Deputy President in 2021 (since 21 January 2022 he has held the position of the Board's President); Božo Emeršič, MSc, MBA, Member in 2021 (since 21 January 2022 he has held the position of the Board's Deputy President), Janez Vipotnik, Member, Dr. Leon Cizelj, member since 22 September 2021.

#### Personnel decisions

At an extraordinary meeting of 5 January 2021, the Supervisory Board accepted the resignation of Boštjan Koler and Boris Medica as members of the Management Board with effect from 31 January 2021. In accordance with Article 256 of the Companies Act, the Supervisory Board immediately started preparing a proposal for the judicial appointment of Vanessa Grmek as a member of the SSH Management Board; she was appointed to the position of a Member of the Management Board as of 1 February 2021 by a court decision. She served as the Member of the Management Board until 23 April 2021, i.e. until the appointment of a new Member of the Management Board.

At the end of January 2021, following the resignation of two members of the Management Board, Boštjan Koler and Boris Medica, the Supervisory Board started to select international recruitment agencies in order to recruit a new member of the SSH Management Board. In implementing the selection procedure, the Supervisory Board followed the provisions of ZSDH-1 and the recommendations from the Corporate Governance Code for SOEs: it thus appointed the Supervisory Board's Nomination Committee to carry out the all the necessary procedures. The Nomination Committee was composed of all SB Members. During the selection procedure, the Nomination Committee took into account all recommendations submitted by the Commission for the Prevention of Corruption, and took into account additional criteria which have to be

satisfied by a candidate for assuming the position of the Member of SSH Management Board, in addition to satisfying the formal statutory criteria. After recruitment procedures were completed, SB was informed on the Report prepared by the Nomination Committee about activities carried out, and continued with the procedure to appoint the Member of the Management Board. Janez Tomšič took office on 23 April 2021 for a four-year term of office.

#### Most important topics discussed at SB sessions

Key tasks carried out by the Supervisory Board 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.

After a sharp fall in economic activity due to the outbreak of the COVID-19 crisis in 2020, the recovery in 2021 was faster than initially expected. SSH's portfolio companies also performed better than expected on average, and as a result, the key quantitative indicators referred in the SSH Criteria for measuring the performance of companies for 2021 were exceeded.

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

The Supervisory Board took note of the RS Court of Audit's Audit Report on the Efficiency of the Slovenian Sovereign Holding in managing capital assets in 2016 and 2017. It discussed the improvements which were already made in the processes from the issuance of the Working Report of July 2020 to the issuance of the Final Report in September 2021, as well as the Action Plan for the implementation of the recommendations discussed in the Final Report made by the Court of Audit of the Republic of Slovenia. On 17 January 2018, the Court of Audit of the Republic of Slovenia launched an audit review of the efficiency of SSH's operations in managing its capital assets by way of a decision to conduct an audit. The

first Working Audit Report was issued on 31 July 2020, the Draft Audit Report on 14 June 2021, the Proposed Audit Report on 22 July 2021 and the Final Audit Report on 29 September 2021. After receiving each version of the Audit Report, SSH responded to the document and provided additional evidence of process improvements already made during the review itself. As a result of the SSH's proactive approach to implementing the identified weaknesses throughout the years of the review, the number of corrective actions and recommendations was significantly reduced by the time of the Final Audit Report. Thus, no corrective action was proposed in the Final Audit Report and no Response Report was requested, which means that no significant irregularities or non-compliances were identified during the audit process and/or appropriate corrective actions had already been taken. The Final Audit Report has given recommendations in three areas of operations, most of which are already being implemented.

In 2021, the Supervisory Board continued to consider and scrutinise reports on the SSH's performance, monitored the progress and completion of the analytical centre renovation project, and discussed information on the management of the State's capital assets. In this respect, the Supervisory Board repeatedly called on the Management Board to exercise due diligence in accordance with its terms of reference, that professional, responsible and timely decisions are taken at the level of SSH and the Supervisory Boards of SOEs with regard to activities which are of the key interest for these companies and for their long-term value, as this is the only way to maintain the trust of stakeholders and to ensure that both the objectives of the companies and the results of the management of the SSH portfolio are achieved.

The Supervisory Board addressed the level of corporate governance at SSH on several occasions. Among other things, it took note of the Governing Corporate Culture - a Guide for Supervisory Boards of State-Owned Enterprises.

In addition, during substantive discussions, the Supervisory Board drew attention to the risks related to HSE and the predicted energy crisis, and on several occasions it took note of the staffing situation in the following two companies: Pošta Slovenije, d. o. o. and Gen-I, d. o. o.

The Supervisory Board was also kept informed on an ongoing basis about the process of the acquisition of shares in Sava d. d. and claims against Sava d. d., discussed the consolidation issues in the energy sector (GEN-I, d. o. o.) and, in this context, held an in-depth substantive discussion on the role of SSH in the management of state capital assets (with a focus on the energy sector).

In accordance with ZSDH-1, the Supervisory Board considered the Annual Asset Management Plan for 2022, the Criteria for Measuring the Performance of SOEs, the Criteria for Measuring the Performance of SSH and constructively assisted in their adoption, approved the audited Annual Report of SSH and SSH Group for 2020 and gave its consent to the SSH's Business and Financial Plan for 2022.

The Supervisory Board also regularly received information on the process of the adoption of the National Demographic Fund Act and, in particular, sought clarifications from the Management Board on the preparation and implementation of all procedures related to the transfer of assets, rights and obligations of BAMC to SSH as its legal successor.

Furthermore, Supervisory Board's assignments in regard to the following matters also have to be pointed out: the monitoring the implementation of public authorisations under individual laws, the overseeing of the implementation of the Ordinance on State Asset Management Strategy and of risk management. In accordance with SSH's Articles of Association and ZSDH-1, the Supervisory Board 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. The Supervisory Board also dealt with quarterly reports on activities carried out by the Chief Compliance and Integrity Officer, 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. The Supervisory Board took regular note of the reports prepared by the Presidents of the Risk Committee, the Audit Committee and the Nomination Committee about the course of meetings held by these Committees.

The Supervisory Board 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 Supervisory Board's Committees

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

Three Supervisory Board's permanent committees were active in 2021:

- Risk Committee;
- Audit Committee and
- Nomination Committee.

In 2021, the **Risk Committee** regularly monitored risk management process and dealt with the changes to the Risk Register, as well as made a significant contribution through its initiatives to the preparation of a review of the risks/challenges of the acquisition/transfer of the assets of KAD, DSU and BAMC to the Demographic Fund on the basis of the draft National Demographic Fund Act. The Risk Committee's recommendations encourage more effective risk management at the level of SSH. The Risk Committee was regularly updated on the ongoing work of the Risk Commission, which, under the guidance of the Management Board, identifies, analyses, classifies, quantifies and manages the risks held in the Master Risk Register, and monitored the reporting of the Chief Compliance and Integrity Officer. On the basis of the analysis, in which the position of the Chief Compliance and Integrity Officer and the functioning of the Internal Audit were compared, the Risk Committee decided to invite the Chief Compliance and Integrity Officer to its meeting once a year, or as appropriate, to review in more detail the Chief Compliance and Integrity Officer's Integrity Plan and its Annual Plan as well as the report prepared for the Commission for the Prevention of Corruption. The Risk Committee proposed to the Supervisory Board that the Chief Compliance and Integrity Officer should continue to report to the SSH Supervisory Board on a regular quarterly basis, in accordance with ZSDH-1. This proposal was accepted by the Supervisory Board.

As the Risk Committee met only for three regular and one correspondence meetings, it did not carry out a self-assessment of its performance in 2021.

In 2021, the Audit Committee managed the selection of a contractor to carry out the statutory audit of SSH/SSH Group for the financial years of 2021, 2022 and 2023 and made a proposal to the Supervisory Board, which was adopted by the Supervisory Board. At its meetings, the Audit Committee considered, inter alia, the following papers and topics:

- the SSH Business and Financial Plan for 2022,
- the Internal Audit Work Programme for 2022,
- the Multiannual Internal Audit Activity Plan for the 2022-2024 period,
- the Audit Plan for the audit of annual financial statements, the independence of the auditor, the presentation of the draft Auditor's Report and the Supplementary Auditor's Report,
- monitoring the quality of services performed in the process of the external audit,
- the Report on the implementation of internal audit activities in 2020,
- the proposals to the Supervisory Board on amendments to the internal acts on the functioning of Internal Audit,
- the results of the internal assessment test on the functioning of Internal Audit,
- the quarterly internal audit reports,
- the interim reports on the performance of SSH, and
- reports on the work carried out by the Committee responsible for handling irregularities in SOEs and reviewed the statistical overview on the reports achieved by the Chief Compliance and Integrity Officer.

The Audit Committee gave its assessment of the audit firm's work done in 2020 based on the Audit Committee's criteria and considered the Annual Report of SSH Group and SSH for 2020.

Based on the Audit Committee's initiative, a more frequent consideration of the paper "Implementation of SSH's Internal Audit Recommendations" was introduced, together with a modified approach. The Audit Committee was informed of the amendments to the Internal Act governing the valuation of capital assets.

In 2021, the Audit Committee also prepared a proposal to the Supervisory Board to extend the mandate of the external member of the Audit Committee.

The Audit Committee performed its duties in accordance with the provisions of ZGD-1 and

observed the recommendations about the audit committees' work. At all times it actively cooperated with the Company's Internal Audit department and had regular contact with the Company's independent auditor. The Audit Committee also carried out a self-assessment test of its performance for 2021, discussed the analysis of the self-assessment carried out and the President of the Audit Committee subsequently reported on the self-assessment results to the Supervisory Board.

The Audit Committee held six regular meetings and three correspondence meetings.

The **Nomination Committee** is composed of all of the members of the SSH Supervisory Board. The President of the Nominations Committee in 2021 was 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 system of the SSH Management Board. It has prepared a proposal for the Supervisory Board on the variable portion of earnings to be received by the Management Board in 2021.

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

In 2021, the Supervisory Board met at 7 regular and two extraordinary meetings, in addition to carrying out six correspondence sessions. The attendance of members at the Supervisory Board's meetings, which was almost always full, with the exception of Dr. Leon Cizelj, who started his term of office as a Member of the Supervisory Board in September 2021. The information on attendance is shown in the table presented in the Governance Statement.

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

During its operation, the Supervisory Board took into account Slovenian and international recommendations as well as good practice in corporate governance. When carrying out the Supervisory Board's activities, the Supervisory Board adhered to the Corporate Governance Code for SOEs, which applied for SSH in 2021 as the reference Code.

The Supervisory Board started a self-assessment test in 2021 and discussed the analysis of the self-assessment results at its regular meeting in March 2022.

The amount of EUR 14,000 was spent for the operation of the Supervisory Board and its committee in 2021, in addition to attendance fees and remuneration for holding the position. The costs were incurred in the process for appointing the Member of the Management Board, for supplementary training and for D&O insurance policy.

In 2021, the Management Board regularly attended the SB's sessions, prepared the necessary underlying material for decisions to be made by the Supervisory Board or reported information to the Supervisory Board, thus ensuring the necessary basis for the decision-making process.

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

The Audit Committee considered the SSH and SSH Group Annual Report for 2021 and the Independent Auditor's Report to the SSH shareholder, both of which include the Audit Opinion with no reservations, at its regular session held on 19 April 2022. 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 the SSH Supervisory Board to approve the Annual Report for SSH and SSH Group for 2021, to discuss the Auditor's Reports for 2021 and to take a positive position on it.

By taking into account the Audit Committee's assessment and its proposals, the Supervisory Board reviewed and discussed the SSH Group and SSH Annual Report 2021 at its regular session of 20 April 2022. The Supervisory Board also reviewed the Auditor's Reports to the sharehol-



der. Furthermore, at the said meeting, the Management Board presented to the Supervisory Board individual sections from the SSH and SSH Group Annual Report for 2021. At its session of 20 April 2022, the Supervisory Board determined that the above mentioned Report includes all components required, that it is drawn up in accordance with ZGD-1 and the International Financial Reporting Standards, that the Report is clear and transparent, presenting company's operations for the preceding year in a reliable manner and giving a true and fair view of the financial position, financial performance and cash flows of SSH/the Group as of 31 December 2021. On that basis, the Supervisory Board adopted the following resolutions:

- the Supervisory Board adopts the Audited Annual Report for SSH and SSH Group for 2021;
- the Supervisory Board has taken a positive position on the Auditor's Reports for 2021 prepared by the audit firm BDO revizija d. o. o.;
- the Supervisory Board 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 Board and Supervisory Board for FY 2021, on the basis of the approved SSH and SSH Group Annual Report for 2021 and a positive position taken on the Auditor's Report for 2021.

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

The Management Board presented to the Supervisory Board the Annual Report for SSH and SSH Group for 2021, 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 Supervisory Board session of 20 April 2022.

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 2021, 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 po-

sition of the SSH Group as of 31 December 2021 as well as the Group's consolidated financial performance and consolidated cash flows as of 31 December 2018, in accordance with the International Financial Reporting Standards (IFRSs). The Supervisory Board has taken a positive position on the Auditor's Report for 2021 which was 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 SSH and SSH Group Annual Report for 2021, including the accompanying Auditor's Report for 2021, the Supervisory Board 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 SSH and SSH Group Annual Report for 2021.



**Ivan Simič, MSc.**  
President of Supervisory Board

# **BUSSINESS REPORT**

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

## 4 REVIEW OF IMPORTANT CORPORATE EVENTS ORGANISED AND PROJECTS UNDERTAKEN IN 2021

### TRAINING PROGRAMMES FOR THE SUPERVISORY BOARD MEMBERS OF SOES AND FOR OTHER DECISION-MAKERS

SSH organises training sessions in order to improve and update the skills of the Supervisory Board's members and to improve the quality of their work carried out in the portfolio companies. In January 2021, SSH organised a training session entitled "Achieving higher productivity: the contribution of SOEs to Slovenia's key development challenges". At this educational meeting, the Action Plan for Higher Productivity Growth was presented; the Plan was prepared by experts from the Faculty of Economics at the University of Ljubljana, and supported by the Ministry of Economic Development and Technology, at the initiative of the Observatory of the Managers' Association, and in which a number of other experts participated. SSH also supported the two-day event entitled Strategic Debate on Raising Productivity which was held in April 2021; the debate deepened the understanding of the Action Plan, and invited all relevant portfolio companies to attend free of charge. In December 2021, SSH also organised a meeting on Successful Integration of ESG Factors and Effective Corporate Sustainability Management.

### INTERNATIONAL FRAUD AWARENESS WEEK

On 23 June 2021, that is, on the World Whistle-blowers' Day, for the third year in a row, a signing ceremony was held as part of the cooperation in the common fight against corruption and fraud; SSH also took part at the ceremony.

As many as 28 partners signed the International Fraud Awareness Week 2021 Cooperation Agreement; its signing means that the partners share the common goal, i.e. to promote the exchange of best practices and raise awareness among stakeholders with the aim of reducing the negative effects of fraud, corruption and other forms of economic crime in our local environment.

To this end, a number of events, conferences, lectures and roundtables were organised during the week of 15-19 November 2021, all with the aim of raising awareness among the general public on an issue that affects us all.

At the initiative of the Slovenian Directors' Association, SSH also supported the European Corporate Governance Conference 2021 and invited all portfolio companies to attend.





## PROJECTS FOR DIGITAL TRANSFORMATION AND CORPORATE SAFETY

As regards the information technology and corporate safety, SSH implemented and continued to implement advanced technological and business solutions which provide advanced control over the operations, while also enabling high availability of data and continuity of business operations. The progress was also made in the integration of existing solutions so as to ensure that the data is available to decision makers quickly and at the appropriate quality.

The level achieved allows for effective progress and the introduction of new solutions in the areas of digitalisation of operations and data management, which will continue to be of the main focus of the IT system

development. During these endeavours, as in the past, SSH will observe best practices and follow the principle of cost optimisation of its operations.

The significance of the compatibility of the IT system and corporate security goes without saying. Today, IT is essential for all aspects of corporate security, and its development is therefore also crucial. It is therefore carried out in line with recommendations and good practice in corporate security. SSH devoted considerable time to internal controls, which are the basis for securing the smoothness of the company's processes.

*An overview of projects relating to the corporate governance and sustainability business is provided in the Chapter that discusses the changes to the corporate governance instruments and in the Chapter on sustainability.*

## 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/en-gb/](http://www.sdh.si/en-gb/). 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 2021.

SSH is the umbrella manager of capital assets of the State. Some status-related issues and some aspects of SSH's governance are specific and 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 status-related issues and those governance aspects, which are not regulated by ZSDH-1, the provisions of ZGD-1 apply in the subsidiary manner. In addition, by observing the "comply or explain" principle, SSH follows the principles and recommendations of the reference code, that is the Corporate Governance Code for SOEs, which is adopted by SSH in accordance with ZSDH-1. SSH has also adopted the SSH Asset Management Policy to which it has to adhere to.

#### 1. 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 supplemented in September 2021, SSH uses the Corporate Governance Code for SOEs as the reference corporate governance code (also available on the SSH's web site <https://www.sdh.si/en-gb/>). The Code was last revised in March 2021.

The Corporate Governance Code for SOEs is the asset management document adopted by SSH in accordance with ZSDH-1 by way of which SSH, in the capacity of the central ownership entity, recommends to SOEs good practice in corporate governance and, partially, set expectations from them. The said Code is one of the most impor-

tant legal acts regarding the system of capital asset management with which SSH aims to increase the general level of quality of corporate governance pursued by SOEs.

#### In 2021, 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 service and attendance fees were not fully taken into account due to specific regime applied by ZSDH-1 and in accordance with SSH General Meeting Resolutions of 21 July 2017, which, in point 4, annulled in its entirety the point 1c of the Decision of the General Meeting of SSH of 4 December 2014. As a result of this Decision, the members and the President of the SSH SB are only entitled to an attendance fee and to remuneration for holding the position in the amount set out in the Resolution of 4 December 2014.
- SSH partially complies with the recommendations on employee development plans (point 7.4 of the Code of Corporate Governance for SOEs). In December 2020, SSH adopted the SSH Human Resources Strategy for the strategic period from 2021 to 2023 and, at the end of June 2021, the Key and Prospective Personnel Management Policy (Succession Planning). The Staff Development Plans are expected to be adopted in 2022.
- The Supervisory Board failed to formally develop an efficient and timely succession plan for the members of the Management Board owing to special statutory provisions (ZSDH-1) which stipulate the procedure for the selection and appointment of the SSH's Management Board (Item 6.1 of the Corporate Governance Code).
- The Supervisory Board was not in a position to prepare a competency 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 RS Parliament) (Item 6.5.1 of the Corporate Governance Code).

- As the procedure for appointing Supervisory Board member is specifically regulated by ZSDH-1 (the General Meeting does not elect the Supervisory Board members on the proposal of the Supervisory Board, but they are appointed by the RS Parliament), the Nomination Committee of the Supervisory Board does not carry out tasks connected with preparing a proposal of candidates to be potentially appointed as Supervisory Board members (point 6.9.5 of the Corporate Governance Code).
- As a result, the Management and Supervisory Boards did not develop a diversity policy. As regards the composition of the Supervisory Board, special statutory provisions (ZSDH-1) which stipulate the procedure for the selection and nomination of the Supervisory Board Members hamper the adoption of the SSH Diversity Policy (SSH's General Meeting does not elect members of the Supervisory Board on proposal by the Supervisory Board but they are appointed by the RS Parliament). Consequently, the Corporate Governance Statement does not include the report on the implementation of the Diversity Policy and on its results (Item 3.6 of the Corporate Governance Code).

## 2. 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 embedded in all aspects of SSH's business, including the implementation of internal controls over individual processes, which is why modern tools are used in the management of the SSH's information system to adequately monitor risks. The cooperation of all levels of organisation with the IT department is vital as it is important not only for the effective functioning of the internal control system but also for the optimisation of business processes at all levels. Two types of internal controls are carried out:

- firstly, operational or general controls to ensure that the information system is functioning. Operational control measures include the implementation of the following tasks:
  - monitoring the functioning of the IT system by monitoring the functioning of all key building blocks of the IT system through a monitoring system and a centralised log collection and evaluation system, which triggers appropriate action when certain events, which are predefined or as yet unknown, or anomalies are detected;
  - cyber-protection activities to monitor the functioning of security systems and to detect and respond to threats;
  - activities related to the physical and technical security to protect the assets of SSH's employees and the Company's equipment;
  - change management activities for both hardware and software (application);
  - activities related to the management of IT system credentials, remote access to the IT system, etc;
  - activities related to the monitoring of the performance of the building blocks of the

information system with the aim of ensuring a minimum level of predictive analytics in the provision of adequate resources for the operation of the information system;

- carrying out business partner management activities.
- secondly, software controls, which, depending on the software or business solution, are applied as appropriate to the execution of transactions, data exchange, etc. Both, the system/applicative and manual controls are applied, requiring the review and validation of data by the data content owners.

In view of the changed business environment, SSH is introducing new technologies that reduce or eliminate individual operational and cyber risks.

### 3. External and Internal Audit

In accordance with Article 57 of ZGD-1, SSH is obliged to have its financial statements audited. The audit review in SDH has been carried out by the audit firm DBO revizija d. o. o. since 2018. Prior to that, the audit review was carried out by the audit firm Deloitte revizija d. o. o. As regards the findings of the financial statements' audit, the external auditor reports its findings to the Management Board, the Audit Committee of the Supervisory Board and the Supervisory Board.

The Internal Audit is an independent and unbiased function within SSH, providing assurances and advisory services. It is designed to add value to SSH and improve its functioning and performance. It helps the Company to achieve its objectives by systematically and methodically assessing the effectiveness of risk management, the implementation of internal control business processes and corporate governance. The Internal Audit performs its tasks on the basis of the Internal Audit Charter of January 2021 and reports directly to the Management Board of SSH and the Audit Committee of the Supervisory Board or the SSH Supervisory Board. The activities pursued by the Internal Audit is presented in the Chapter on Internal Audit activities.

### 4. Data regarding SSH General Meeting, its key responsibilities and presentation of shareholder rights and the method of exercising them

In accordance with ZSDH-1, the function of the

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

A shareholder exercises the rights at the General Meeting. As a rule, the General Meeting is convened once a year and is held 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 the payment of the residual value of the assets in the event of liquidation. The Republic of Slovenia waives its right to dividend, as long as the Republic of Slovenia is the sole shareholder of SSH.

### 5. Compliance and corporate integrity system

The SSH's compliance and integrity system is set up in accordance with the provisions of ZSDH-1, the provisions of which are further enhanced by rules and procedures defined in the Company's internal corporate documents.

SSH ensures compliance with the provisions of ZSDH-1, which specify measures to strengthen integrity and accountability and to limit the risks of corruption, conflicts of interest and insider dealing in the management of the State's assets. To this end, SSH has prepared the Integrity Plan, which includes all identified compliance and integrity risks in SSH. Based on the perceived risks, ongoing and one-off actions are identified to address them. The Integrity Plan is updated on an ongoing basis, as necessary, depending on changes in the environment and taking into account identified deviations and necessary changes in internal processes.

The Integrity Plan is administered by the Chief Compliance and Integrity Officer, who reports quarterly to the Management Board and the Supervisory Board on the implementation of the Integrity Plan and on all activities carried out in the area of compliance and integrity. Ongoing issues in the area of compliance and integrity are discussed at meetings of the Company's internal commissions.

## 6. Diversity Policy - description

In 2021, the Supervisory Board was composed of four men and one woman. The Management and Supervisory Boards did not formulate nor adopt a diversity policy which is usually carried out with regard to the composition of the management and supervisory bodies of the Company. In fact, as regards the composition of the Supervisory Board, the adoption of the Diversity Policy is subject to specific legal provisions (Articles 39 and 40 of ZSDH-1), which provide for the composition and a specific procedure for the selection and appointment of the Supervisory Board of the Company (the sole proposer of candidates for the SSH Supervisory Board is the Government of the Republic of Slovenia, and the appointing authority is the National Assembly of the Republic of Slovenia). SSH will only establish the diversity policy only if amendments to the legislation are adopted in the section which relates to the procedure for the selection and the nomination of the Supervisory Board Members.

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

In accordance with the provision of Article 33, Paragraph 1 of ZSDH-1, the Republic of Slovenia is the sole shareholder of SSH, and such provision implicitly includes a prohibition of the disposal of SSH shares. Therefore, there is not even a theoretical option that ZPre-1 applies to SSH. As SSH is included on the Securities Market Agency's list of companies to which ZPre-1 applies, notwithstanding the foregoing, in accordance with Article 70, Paragraph 6 of ZGD-1, SSH provides the following information and all the necessary explanatory notes as at the last day of the financial year.

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 a non-certified form.
2. Restrictions regarding transfer of shares:  
SSH shares are not freely transferable.
3. Qualified holding as stipulated by Zpre-1  
As of 31 December 2021, the Republic of

Slovenia was the holder of the qualified holding as stipulated by the Takeovers Act, with 155,866 shares or 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. Restrictions on voting rights

There are no restrictions on voting rights.

### 7. Agreements between shareholders which may result in a restriction on the transfer of shares or voting rights

No such agreements exist. 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.

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

The Management Board of SSH consists of three members of which one holds the 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 in cooperation with an international recruitment agency. The term of office for the Management Board members lasts for four years with a reappointment option. The Supervisory Board assesses the fulfilment of the criteria required by ZGD-1 and ZSDH-1 in a prudent and responsible manner. Any breach of duties under ZSDH-1 or of any instruments of governance constitutes a severe violation of obligations assumed by a Management Board Member. The provisions of ZGD-1 apply for the dismissal of a Management Board Member. The

Supervisory Board of SSH is composed of five members, whose term of office is 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 composition of the SSH Supervisory Board is not subject to the provisions of the law governing the participation of employees in management. Detailed criteria regarding a SSH Supervisory Board Member are laid down in ZGD-1 and ZSDH-1. A SSH Supervisory Board Member may be dismissed 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 set out in ZSDH-1.

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

**9. 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 authorisations granted to the Management Board in regard to the issue or purchase of own shares.

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

No such agreements exist.

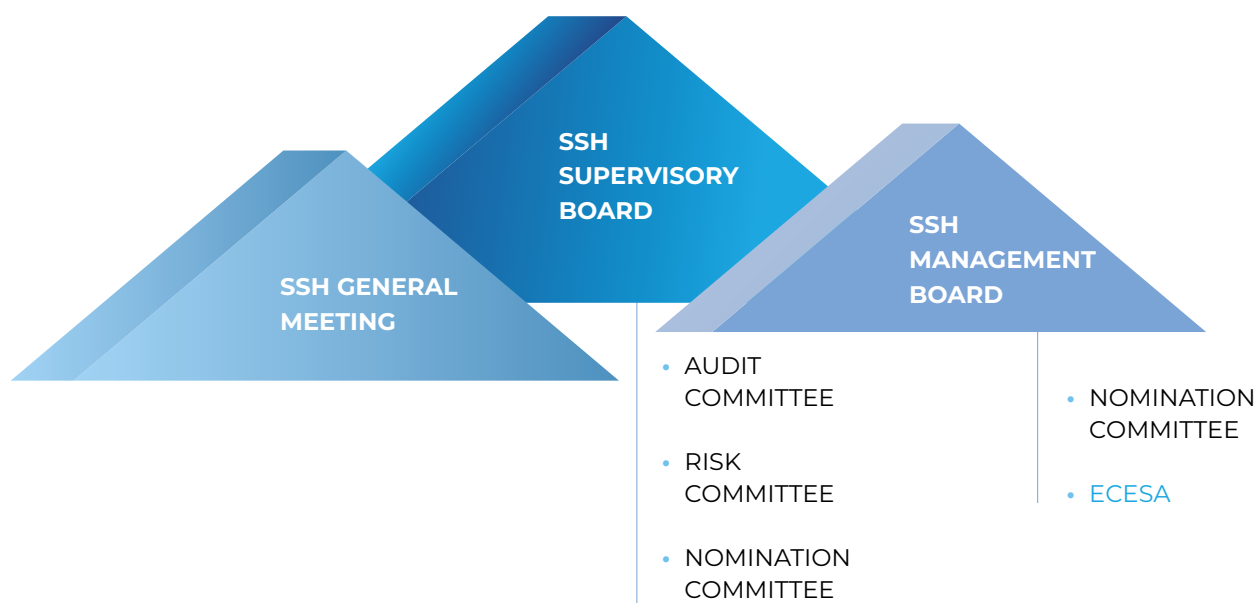
**11. Agreements between SSH and its management or supervision bodies or its employees subject to which a compensation is envisaged, if, due to a bid as stipulated by the act governing mergers and acquisitions, these persons are dismissed without a justified cause or their employment is terminated:**

No such agreements exist.

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

In accordance with ZGD-1 and ZSDH-1, SSH is an entity with a two-tier system of governance with two separate bodies, i.e. the Management Board and the Supervisory Board, that govern the Company. The Management Board runs SSH and organizes its work and operations, while the Supervisory Board oversees the running of SSH's businesses. The governance of SSH is based on legal provisions, the Articles of Association as the fundamental legal act, internal legal documents and good business practice. The composition of the management and supervisory bodies is such that the members have complementary skills and experience, thus ensuring heterogeneous nature of their 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.

By law, the Board consists of a President and two Members, but in 2021, the SSH Management Board operated with only two members. The Management Board took its decisions mainly at the Management Board meetings and, in addition to the formal Board meetings, exercised its powers and responsibilities in the day-to-day business and its powers and responsibilities vis-à-vis 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 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.

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 guar-

antees to third persons – regardless of the nominal amount of an individual transaction;

- for legal transactions in regard to obtaining or granting loans maturing within more than 365 calendar days – regardless of the nominal amount of an individual transaction;
- for acquiring and disposing of investments which exceed the book value of EUR 5 million as recorded in the share register;
- for the adoption of the Criteria for Measuring the Effectiveness of State-Owned Enterprises;
- for the adoption of the Annual Asset Management Plan;
- for the adoption of the Asset Management Policy;
- for the adoption of the Corporate Governance Code for SOEs;
- for concluding agreements on the provision of advisory-services, such as agreements concluded with legal and financial advisors, agreements for carrying out due diligence of a company, agreements for company's valuations in processes for the disposition of capital assets, the value of which exceeds EUR 10.000 per contractor.

The SSH Management Board is appointed by the SSH Supervisory Board on the basis of Article 46 of ZSDH-1, which also sets out the criteria and conditions for the appointment to the position. In addition to the statutory criteria and conditions, and on the basis of the recommendation prepared by the Commission for the Prevention of Corruption, the Nomination Committee of the Supervisory Board has developed additional criteria which it takes into account in the recruitment procedures; these criteria mainly relate to the experience of the candidates, the assessment made by the Nomination Committee after an interview with the candidate is carried out, and the vision for the position which is provided by the candidates.

## The membership of the SSH Management Board

<i>Name and surname</i>	<b>Dr. Janez Žlak</b>	<b>Janez Tomšič</b>	<b>Vanessa Grmek</b>	<b>Boštjan Koler</b>	<b>Boris Medica</b>
<b>Position held (President, Member)</b>	President of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board
<b>Area of work covered within the Management Board</b>	Asset Management, Management Board's Office, Human Resources and General Affairs, Compliance and Integrity, Internal Audit, Allegations of Irregularities	Asset Management, Legal Affairs, IT, Finance and Accounting, Controlling and Risk Management, Compliance and Integrity, Internal Audit, Allegations of Irregularities	Asset Management, Legal Affairs and Denationalisation, Compliance and Integrity, Internal Audit, Allegations of Irregularities	Asset Management, Legal Affairs and Denationalisation, Financial Management of SSH	Asset Management, Controlling and Reporting, Financial Management of SSH
<b>First appointment to the position</b>	7 October 2020	23 April 2021	Appointed by way of a court decision 1 February 2021	1 December 2018	1 December 2019
<b>Conclusion of the position/term of office</b>	/	/	22 April 2021	31 January 2021	31 January 2021
<b>Gender</b>	M	M	F	M	M
<b>Citizenship</b>	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian
<b>Year of birth</b>	1965	1979	1975	1961	1964
<b>Qualification</b>	PhD in chemistry and Chemical Technology, Masters in Economics, Specialist in Mechanical Engineering, Expert in Energetics	University Degree in Law (univ. dipl. pravnik)	University Degree in Law (univ. dipl. pravnica), MBA	University Degree in Law (univ. dipl. pravnik)	University Degree in Electrical Engineering (univ. dipl. inž. elektrotehnik), MBA
<b>Expert profile</b>	Running and Organisation of Business	Corporate Governance, Running Companies, Legal Affairs	Corporate Governance, Asset Management, Restructuring, Leadership	Running of companies and their governance	Asset Management, Restructuring, Finance
<b>Membership in supervisory bodies in companies not related to the company.</b>	President of the Supervisory Board of Petrol, d. d., Member of the Supervisory Board of Plinovodi, d. o. o.	Deputy President of Supervisory Board of SID banka, d. d., President of Supervisory Board of KAD, d. d.	Member of the Board of Directors of Sava, d. d.	President of the Supervisory Board of Telekom Slovenije, d. d. (Member 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, carries out 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.

In, 2021, the SSH Nomination Committee was 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.

**Expert Committee for Economic and Social Affairs (ECESA)** is a seven-member consultation body of the 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 from the portfolio managed by SSH.

ECESA is composed of 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 svobodnih 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 2021: the Audit Committee, the Risk Committee and the Nomination Committee. More details on the membership and work carried out by the Supervisory Board are given in the Supervisory Board's report (Chapter 3) and in tables below.

## Membership of the Supervisory Board and Supervisory Board's Committees in 2021:

<i>Name and surname</i>	<b>Ivan Simič, MSc.</b>	<b>Božo Emeršič, MSc., MBA</b>	<b>Karmen Dietner</b>	<b>Janez Vipotnik</b>	<b>Dr. Leon Cizelj</b>	<b>Igor Kržan</b>
<b>Position held (President, Deputy, Member)</b>	Deputy President of the Supervisory Board (President of the Supervisory Board since 21 January 2022)	Member (Deputy President of the Supervisory Board since 21 January 2022)	President of Supervisory Board (Member of the Supervisory Board since 21 January 2022)	Member of Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board until 31 March 2019, President of the Supervisory Board
<b>First appointment to the position</b>	17 July 2020	17 July 2020	19 December 2018	14 December 2017	22 September 2021	21 April 2017 – appointment by judicial decision 20 June 2017 – regular appointment in accordance with ZSDH-1, term of office suspended
<b>Conclusion of the position/term of office</b>	17 July 2025	17 July 2025	19 December 2023	14 December 2022	22 September 2026	5 January 2021 (resignation from the position)
<b>Representative of capital/employees</b>	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1
<b>Attendance at SB's session in regard to the total number of SB's session</b>	14/15	14/15	15/15	15/15	4/15	1/15 (on account of suspended position of the SB Member)
<b>Gender</b>	M	M	F	M	M	M
<b>Citizenship</b>	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian
<b>Year of birth</b>	1959	1966	1968	1948	1964	1961
<b>Qualification</b>	University Degree in Law (univ. dipl. pravnik), and Master degree in Tax Law (mag. davčnega prava)	Master degree in business and organisation, MBA	University Degree in Economics (univ. dipl. ekon.)	University Degree in Economics (univ. dipl. ekon.)	PhD in Physical Sciences, M.Sc. in Nuclear Engineering, University Degree in Mechanical Engineering (univ. dipl. ing. strojništva)	University Degree in Economics, MBA
<b>Expert profile</b>	Tax Law Corporate Law Corporate Governance	Corporate Governance Management Finance	Finance, Corporate Governance	Finance, Corporate Governance, Liabilities and Asset Management	Corporate Governance	Finance, Corporate Governance, Liabilities and Asset Management
<b>Independence under Article 23 of the Code (YES/NO)</b>	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	YES, appointed in accordance with ZSDH-1	YES appointed in accordance with ZSDH-1
<b>Existence of conflict of interest in the financial year: YES/NO</b>	NO	NO	NO	NO	NO	NO
<b>Membership in supervisory bodies in other companies</b>	–	Member of the Supervisory Board of Ilirika DZU, a.d., Belgrade	–	–	–	–

### Membership in the Audit Committee

	Ivan Simič, MSc.	Karmen Dietner
<i>President /member</i>	President of Audit Committee	Member of Audit Committee
<i>Attendance at sessions of SB's Committees in regard to the total number of SB's sessions</i>	9/9	9/9

### Membership in Risk Committee

	Janez Vipotnik	Božo Emeršič, MSc., MBA
<i>President /member</i>	President of Risk Committee	Member of Risk Committee
<i>Attendance at sessions of SB's Committees in regard to the total number of SB's sessions</i>	4/4	4/4

### Supervisory Board's Nomination Committee

	Ivan Simič, MSc.	Karmen Dietner	Janez Vipotnik	Božo Emeršič, MSc., MBA	Dr. Leon Cizelj	Igor Kržan
<i>President / member</i>	President of Nomination Committee	Member of Nomination Committee	Member of Nomination Committee	Member of Nomination Committee		Member of Nomination Committee until 5. 1. 2021
<i>Attendance at sessions of SB's Committees in regard to the total number of SB's sessions</i>	8/8	9/9	9/9	9/9	1/9 (due to the late start of a SSH SB member's term of office)	0/9

### External Members of Committees

	Darinka Virant	Darinka Virant
<i>Committee</i>	Audit Committee	Risk Committee
<i>Attendance at sessions of SB's Committees in regard to the total number of SB's sessions</i>	8/9 (on account of self-exclusion on one session)	4/4
<i>Gender</i>	F	F
<i>Citizenship</i>	Slovenian	Slovenian
<i>Qualification</i>	University Degree in Economics (univ. dipl. ekon.)	University Degree in Economics (univ. dipl. ekon.)
<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 companies not related to the company.</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

Done in Ljubljana, 13 April 2022



**Janez Tomšič,**  
Member of Management Board



**Peter Drobež,**  
Member of Management Board



**Dr. Janez Žlak,**  
President of Management Board

## 6 PRESENTATION OF SSH GROUP AND SSH

### 6.1 Presentation of SSH Group

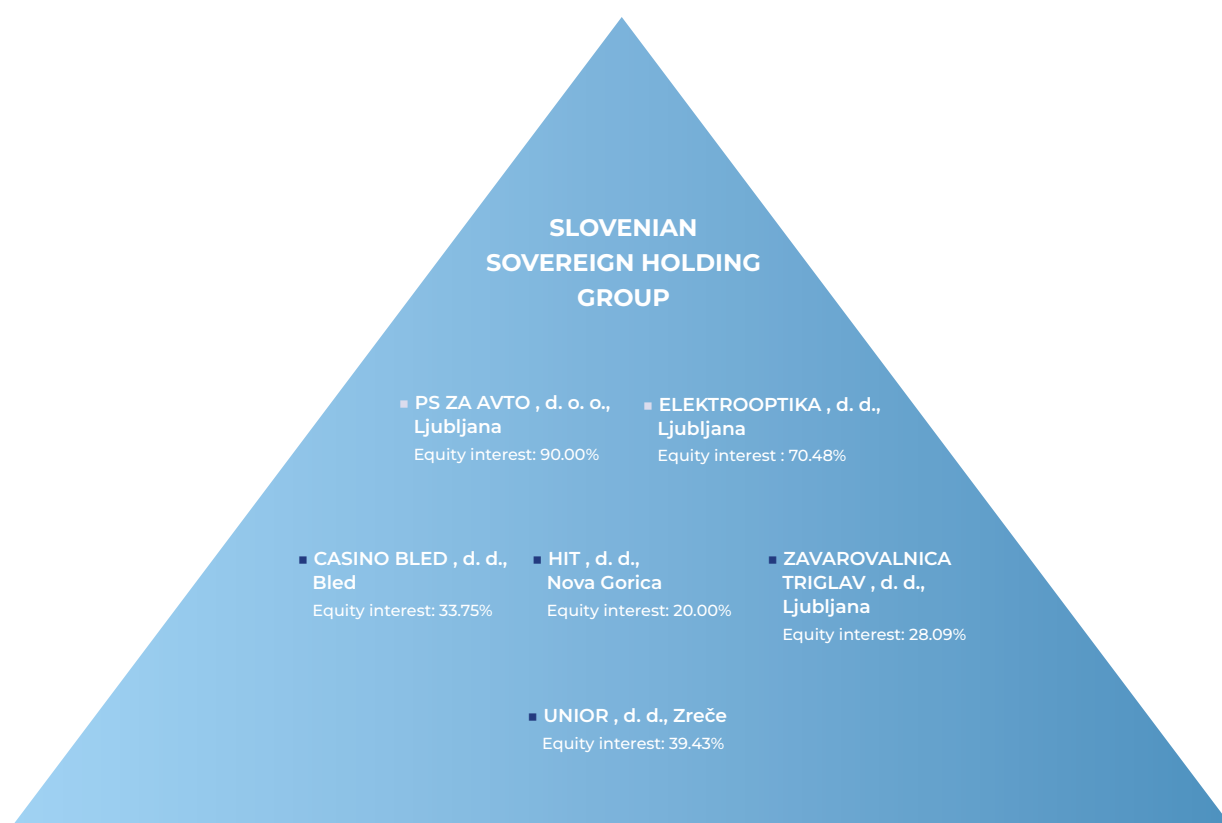
As of 31 December 2021, SSH was the controlling company which prepares the consolidated annual report for companies within its Group. For the purpose of consolidation, these companies are categorized into three groups:

- subsidiaries;
- associates;
- entities which are exclusively subject to governance and are owned by RS and/or SSH.

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

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

#### Equity holdings of the controlling company in subsidiaries as at 31 December 2021



Legend: ◻ Subsidiaries ◼ Associates

**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.

PS za avto, d. o. o., and Elektrooptika, d. d., are not considered a significant company for the SSH Group

therefore they have not been included in the consolidated financial statements of the SSH Group.

## 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 matters 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 Articles of Association.

### Company details - significant data



SDH SLOVENSKI DRŽAVNI HOLDING, d. d.

<b>Corporate name:</b>	Slovenian Sovereign Holding
<b>Registered office:</b>	Ljubljana
<b>Business address:</b>	Maša ulica 5, 1000 Ljubljana
<b>Telephone No.:</b>	+386 1 300 91 13
<b>Web site and e-mail:</b>	<a href="https://www.sdh.si/en-gb/">https://www.sdh.si/en-gb/</a> ; <a href="mailto:info@sdh.si">info@sdh.si</a>
<b>Activity code:</b>	K 64.990
<b>VAT ID:</b>	SI46130373
<b>Registration No.:</b>	5727847000
<b>Transaction Account:</b>	SI56 0291 3001 6492 958, held by NLB and SI56 0400 1004 8714 068, held by NKBM
<b>Date of legal entity's establishment:</b>	19 February 1993
<b>Date of SSH's incorporation:</b>	26 April 2014
<b>Date of company transformation from SOD into SSH:</b>	11 June 2014
<b>Registered legal form:</b>	Public limited company registered before Ljubljana District Court, under the Reg. Entry No. 1/21883/00
<b>Share capital as of 31 December 2021:</b>	EUR 260,166,917.04 (since 17 March 2022 it amounts to EUR 301,765,982.30)
<b>No. of employees of 31 December 2021:</b>	54
<b>Membership in other organisations:</b>	Directors' Association of Slovenia, Association of Employers of Slovenia, Chamber of Commerce and Industry of Slovenia, as well as CER (since March 2022)
<b>Management Board:</b>	Dr. Janez Žlak, President of Management Board (since 7 October 2020), Janez Tomšič, Member of Management Board (since 23 April 2021), Peter Drobež, Member of Management Board (since 23 April 2021). <b>In 2021, the Management Board also included the following members:</b> Vanessa Grmek, Member of Management (from 1 February 2021 to 22 April 2021), Boštjan Koler Member (until 31 January 2021), Boris Medica, Member (until 31 January 2021).
<b>Members of Supervisory Board:</b>	Ivan Simič, Msc., Deputy President (President since 21 January 2022), Božo Emeršič, Msc., MBA, Member (Deputy President, since 21 January 2022), Karmen Dietner, President (Member, since 21 January 2022), Janez Vipotnik, Member Dr. Leon Cizelj, Member (since 22 September 2021) <b>In 2021, the Supervisory Board also included the following member:</b> Igor Kržan, Member (until 5 January 2021).
<b>Members of the SB's Audit Committee:</b>	Karmen Dietner, Member (President, since 21 January 2022), Ivan Simič, Msc., President (Member, since 20 January 2022), Darinka Virant, External Member.
<b>Members of SB's Risk Committee:</b>	Janez Vipotnik, President, Božo Emeršič, MSc., Member, Darinka Virant, External Member.
<b>Members of Nomination Committee:</b>	Samo Roš, President, Urška Podpečan, Deputy President, Vlasta Lenardič, Member.
<b>Members of ECESA:</b>	Zdenko Lorber, President (the Slovenian Union of Alternative Trade Unions of Slovenia), Saša Klara Kumer, Deputy President (the Association of Free Trade Unions of Slovenia), Miroslav Garb (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)

\* Miroslav Garb resigned as a member of ESSO on 17 January 2022. The new member is Evelin Vesenjok.

### 6.3. SSH Vision, mission, and values

#### Vision

Generating value for the owner from capital assets.

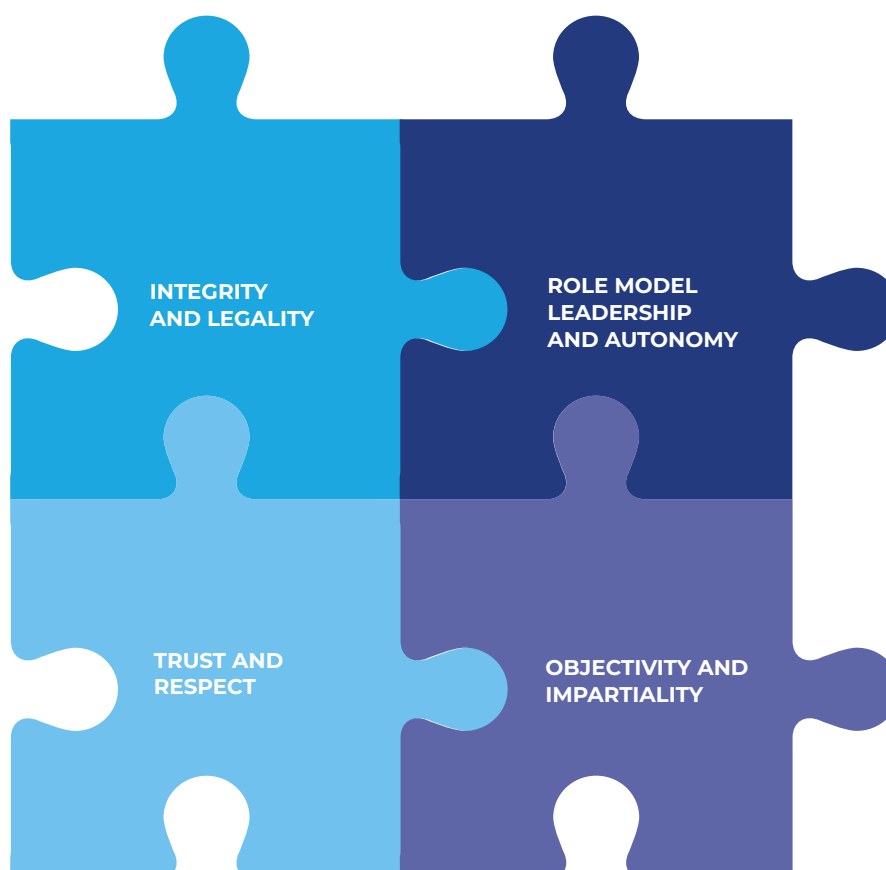
#### Mission

Since RS and SSH are important owners of capital assets held in economic entities in Slovenia, 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 to maximise 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:



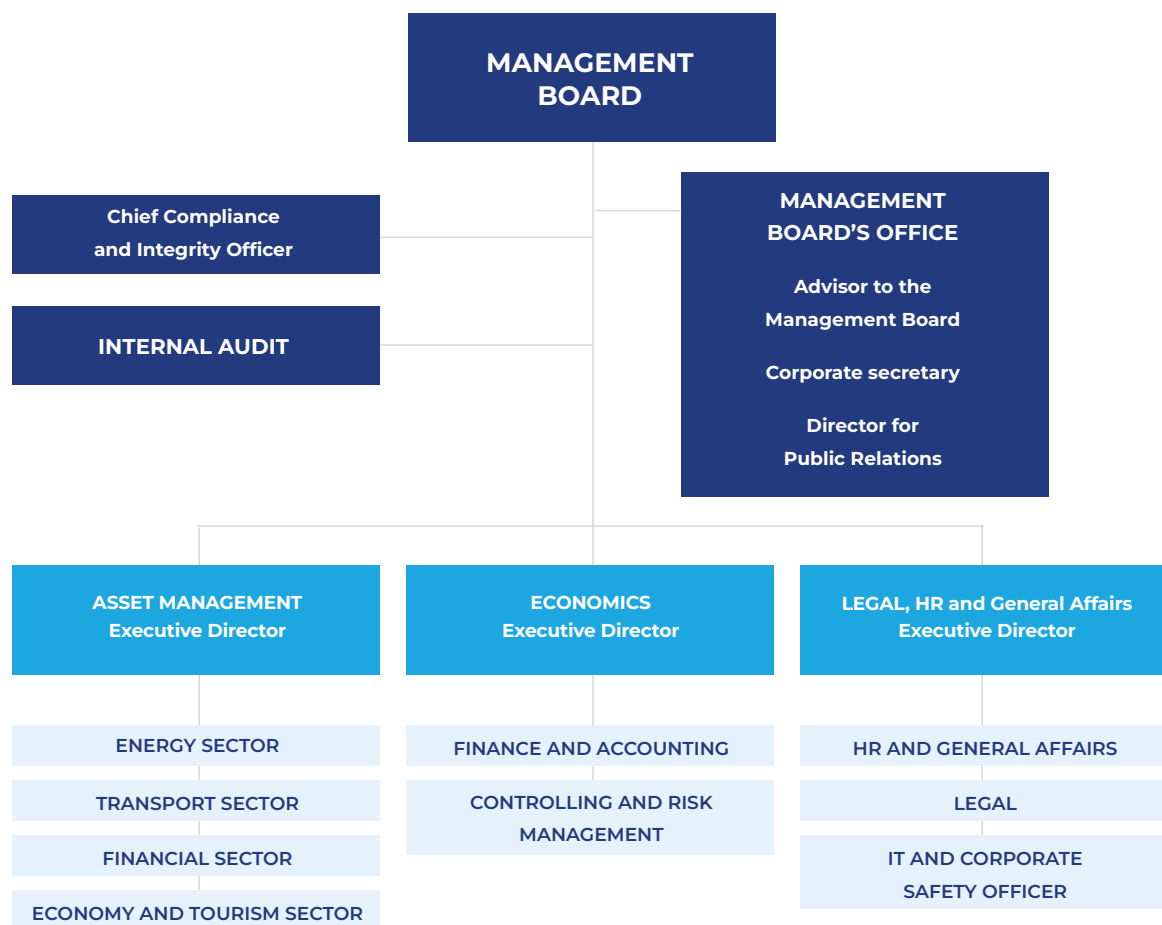
## 6.4 SSH Organisational structure

The internal organisation of SSH is set out in the company's organisation chart and is divided into the Management Board, business areas, organisational units and posts.

The Company is managed by the Management Board, the number of members of the Manage-

ment Board is set out in ZSDH-1 and the Company's Articles of Association. The Company's business areas are divided into asset management, business economics and legal affairs, human resources and general affairs; these areas are further divided into organisational units headed by Expert Directors.

*Figure: SSH's organisational structure as of 31 December 2021*



Outside of the above mentioned business areas, these posts are separately organised: the Chief Compliance and Integrity Officer, the Internal Audit Organisational Unit and the Management

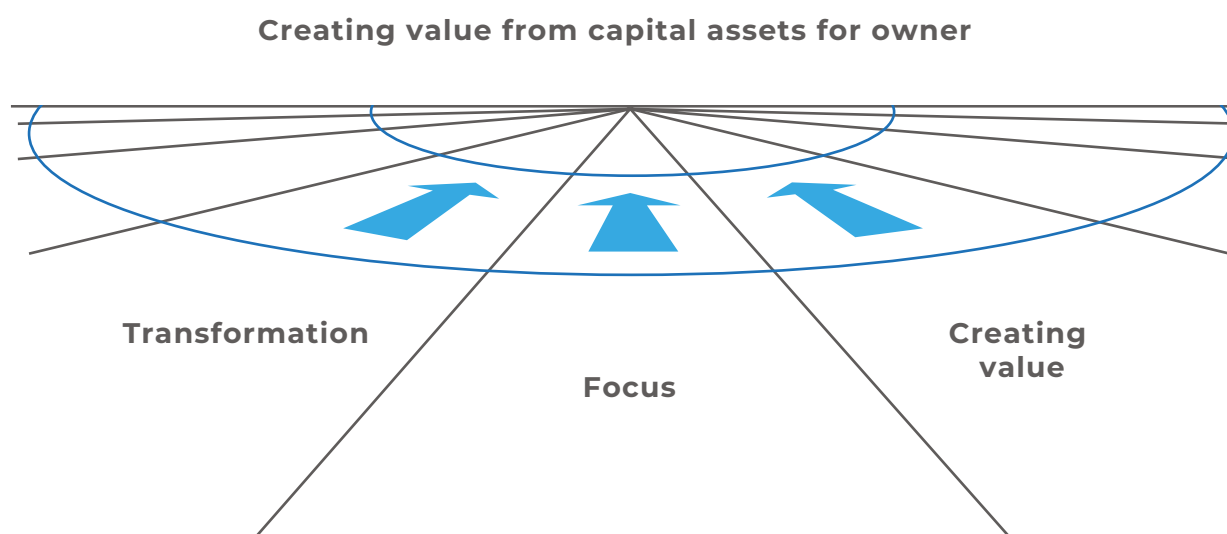
Board's Office, within which the posts of the Adviser to the Management Board, the Corporate Secretary and the Expert Director for Public Relations are categorised.

## 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 de-

fining the operation of SSH as an integrated organisation with a duty to manage capital assets and perform other tasks.

Figure: SSH Vision and strategic policies



### Transformation

The transformation is the first direction and the first step which lays down the foundations for achieving the vision. The main factors of the first direction include:

- implementation of key strategic projects in regard to state assets management;
- restructuring of state assets under management;
- upgrading the operational model of SSH's functioning;
- providing for the professional competence and expertise in management and increasing the culture of corporate governance in SSH and companies managed by SSH.

### Focus

The focus is the second direction which will ensure the orientation of sources and energies into such factors which will bring the highest value for the owner of assets. The main factors included in the said second direction comprise:

- stabilising the portfolio of state assets (focused

industries, dividend predictability);

- increasing and taking the advantage of synergies within the portfolio of state assets;
- risk management;
- timely implementation of measures adopted by SOEs to align their operations with a potential downturn.

### Creating value

Creating value is the vision and the main direction in the operation of SSH. The main impetus of this direction include:

- increasing the equity value of companies under management, ROE and ROI;
- attaining strategic goals of the State in accordance with AAMP;
- efficient management of strategic state assets;
- implementing activities for developing and improving the environment in which SSH operates;
- addressing the aspect of sustainability in SOE's operations.



## 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 the SSH management is effective, profitable, 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 performance indicators in SSH's core business, i.e. asset management, in 2020 and estimates for 2021

The remainder of the Chapter presents quantitative goals set for SSH for 2021 and an estimate regarding the values to be achieved. The achievement of the 2021 ROE target with regard to RS and SSH assets under management can only be reliably presented on the basis of the audited financial statements of all portfolio companies for 2021.

Financial indicator	Achieved value in 2020	Target value in 2021	Achieved value in 2021
<b>ROE of state assets managed (RS and SSH) in %</b>	4.3	4.2	6.2 (estimate)
<b>Attaining the annual plan for RS dividend income*</b>	EUR 62.7 million	EUR 63.5 million (EUR 95.8 million)	EUR 111.5 million
<b>Attaining the annual plan for SSH dividend income*</b>	EUR 23.2 million	EUR 20.4 million (EUR 35.7 million)	EUR 39.8 million
<b>Cost efficiency**</b>	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

\* The amounts in brackets present dividends, the payment of which was subject to the approval of the regulators of the financial companies (dividends of NLB, Zavarovalnica Triglav and Save Re).

\*\* Cost efficiency is calculated as a ratio 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.

The overall quantitative targets in asset management were exceeded in 2021. The return on equity (ROE) of the portfolio is above the planned value as it is currently estimated at 6.2%, which is 1.9 percent

points and 2.0 percentage points higher than the values achieved in 2020 and 2021, respectively. For more information on dividends received from the RS and SSH portfolio, [see Chapter 7](#).

### Summary of key tasks for 2022

1. Efficient implementation of ongoing tasks both in regard to asset management as well as denationalisation and attainment of economic and financial indicators in asset management for 2022.
2. Carrying out activities in connection with the implementation of the Tourism Strategy.
3. Projects to strengthen corporate governance and sustainable performance of SOEs, as defined in the Annual Asset Management Plan 2022.
4. 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.
5. Carrying out all the necessary activities to take over the assets and rights and obligations of BAMC in accordance with ZUKS-B and gradual integration with the SSH's processes.

## 7 SSH CORE BUSINESS ACTIVITIES

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

According to the Statistical Office of the Republic of Slovenia (SURS), GDP is estimated to have grown by 8.1% in real terms in 2021, and a positive GDP growth is also expected for 2022, according to the latest estimates by the Bank of Slovenia and the European Commission. After reviewing the data on GDP contractions in 2020 for RS and the euro area as well as the provisional data or estimates on GDP developments in 2021, it can be noted that the Slovenian economy experienced a smaller contraction in economic activity during the corona virus crisis than the euro area, and that during the recovery or upward rebound, the growth in economic activity in the RS was higher than in the euro area. Economic growth is also the result of an appropriate support environment for the economy and people during the crisis, caused by the coronavirus disease COVID-19, and the improved economic and social situation at home and abroad (easing of restrictive epidemiological measures). In the third

quarter of 2021, Slovenia's GDP already exceeded the pre-crisis level of the third quarter of 2019. In 2021, the main contributors to GDP growth were household final consumption and gross investment. Labour market conditions were also encouraging. At the end of 2021 and at the beginning of 2022, it is important to note the energy crisis (inflation generator), which, combined with shortages of components (due to bottlenecks in supply chains) and labour, is holding back export growth.

The biggest uncertainties in future projections are the duration and extent of inflationary pressures resulting from the EU energy crisis, the war in Ukraine, the timing and extent of the tightening of central banks' monetary policies, the extent of the damage to economies caused by delays in supply chains, the new COVID-19 variants. The duration of the war in Ukraine and the impact of sanctions against Russia and Belarus are the unknown pa-

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

		Bank of Slovenia, December Forecast	European Commission, Winter Forecast
	2021	2022	2022
<b>GDP, real growth in %</b>	8.1	4.0	3.8
<b>Registered unemployment rate, Q4 of 2021, in %</b>	4.7	4.2	4.5
<b>YoY Inflation rate, Dec/Dec, in %</b>	4.9	3.8	3.7
<b>Annual inflation rate (in %)</b>	1.9	(forecast, in line with HICP methodology)	(forecast, in line with HICP methodology)

\*Some of the data in the table are subject to change in line with the timing of publications by SURS, European Commission and Bank of Slovenia publications. Data available until 10 April 2022 are included. Source: Statistical Office of the Republic of Slovenia; Bank of Slovenia, Macroeconomic Projections for Slovenia; European Commission, Winter 2022 Economic Forecast.

rameters in the modelling of GDP forecasts. In its Winter 2022 Economic Forecast (published in February 2022), the European Commission estimates economic growth in Slovenia to stand at 3.8% in 2022 and at 3.6% in 2023. Economic growth is expected to be driven by strong consumption, stemming from high employment and income growth. The European Commission estimates that investment growth will remain strong, and will be supported by public investment, boosted by the EU's Recovery and Resil-

ience Mechanism. Exports are also expected to grow, but again at a lower rate than imports, thus turning net exports negative. As regards inflation, the European Commission expects stronger inflationary pressures in the first half of 2022, with inflation estimated to moderate in the second half of 2022, bringing average inflation to 3.7% in 2022. For 2023, the European Commission projects inflation in the Republic of Slovenia to stand at 2.1%, based on the assumption of a decline in energy prices in 2023.

### Slovenian capital market

The SBITOP Index rewarded investors with an exceptionally high annualised return of 39.81% in 2021, and it is worth noting that the Index rose almost throughout 2021, with no major local downward revisions in individual months. SBITOP thus ended 2021 at 1258.80 points. The growth of share prices in the SBITOP index in 2021 is significantly higher than the returns on European equity markets.

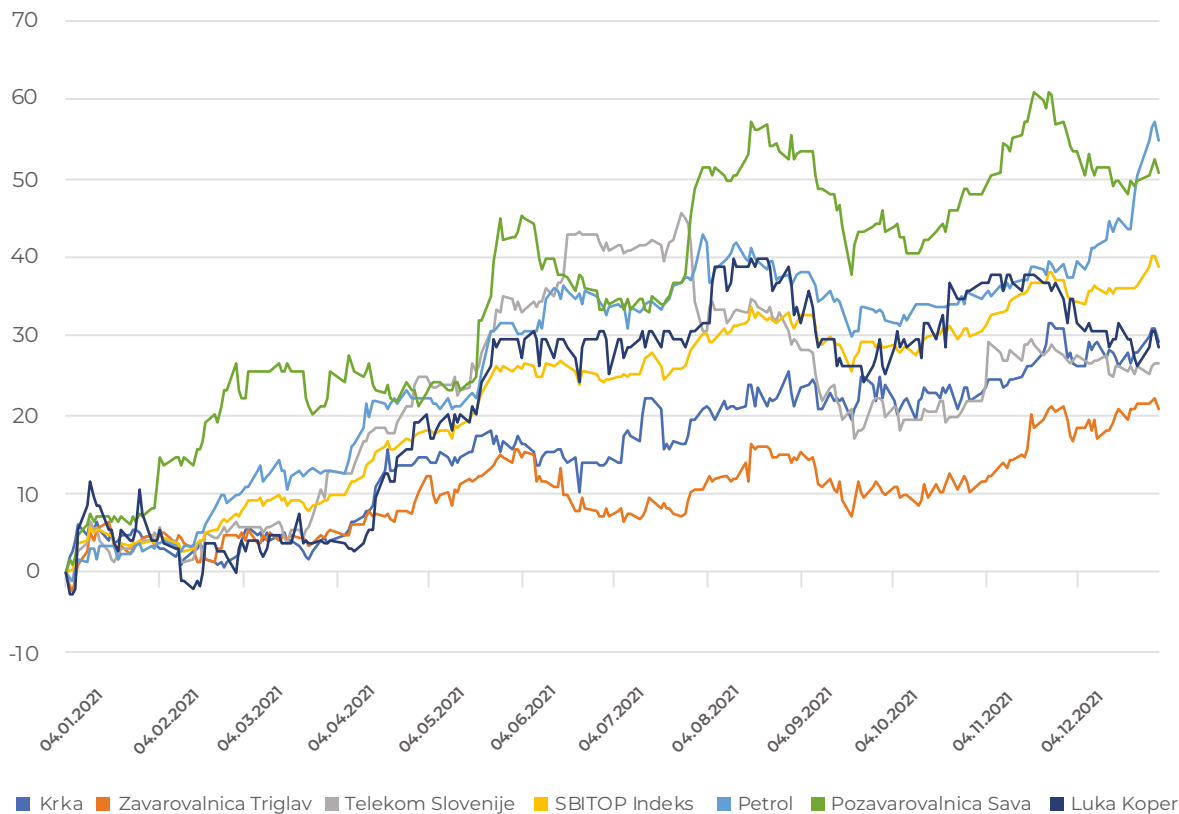
In 2021, the Ljubljana Stock Exchange recorded a total turnover of EUR 379.9 million, the majority of which was made with securities without block trades. It was again Krka (KRKG) shares that were the most traded ones in 2021 (EUR 148.1 million turnover) and Krka also recorded the largest market capitalisation among listed shares at the end of 2021, amounting to EUR 3.9 billion. The runner-up in 2021 was NLB (NLBR) with a turnover of EUR 50.4 million, followed by Petrol shares (PETG) with a turnover of EUR 26.7 million. NLB and Petrol also ranked second and third in terms of market capitalisation. These companies and the bank have a significant weight both in the

contribution to the ROE of the portfolio of capital assets managed by SSH and in the volume of dividends collected by SSH in the process of its management of capital assets.

In the context of SSH's management of capital assets, it is worth mentioning that in 2021, two commercial papers were listed on the Ljubljana Stock Exchange, namely from the issuers SIJ (8th issue) and GEN-I (10th issue). Moreover, Cinkarna Celje's shares were moved from the Standard Market to the Prime Market, which indirectly confirms that the said company meets the higher standards of the Ljubljana Stock Exchange with regard to the information provided to the interested public groups.

The year 2021 was a very successful year for investors on the Ljubljana Stock Exchange (as measured by the growth of the SBITOP Index), with 22 shares recording a price increase in 2021, four shares declining and one share showing no change in price. The favourable price performance (measured by the return generated in 2021) of selected shares in the SSH portfolio and the performance of the SBITOP Index in 2021 are also illustrated in the Figure below.

Figure: Cumulative return from blue chip shares traded on Ljubljana Stock Exchange, representing an important share of SSH equity investments, in 2021, in %

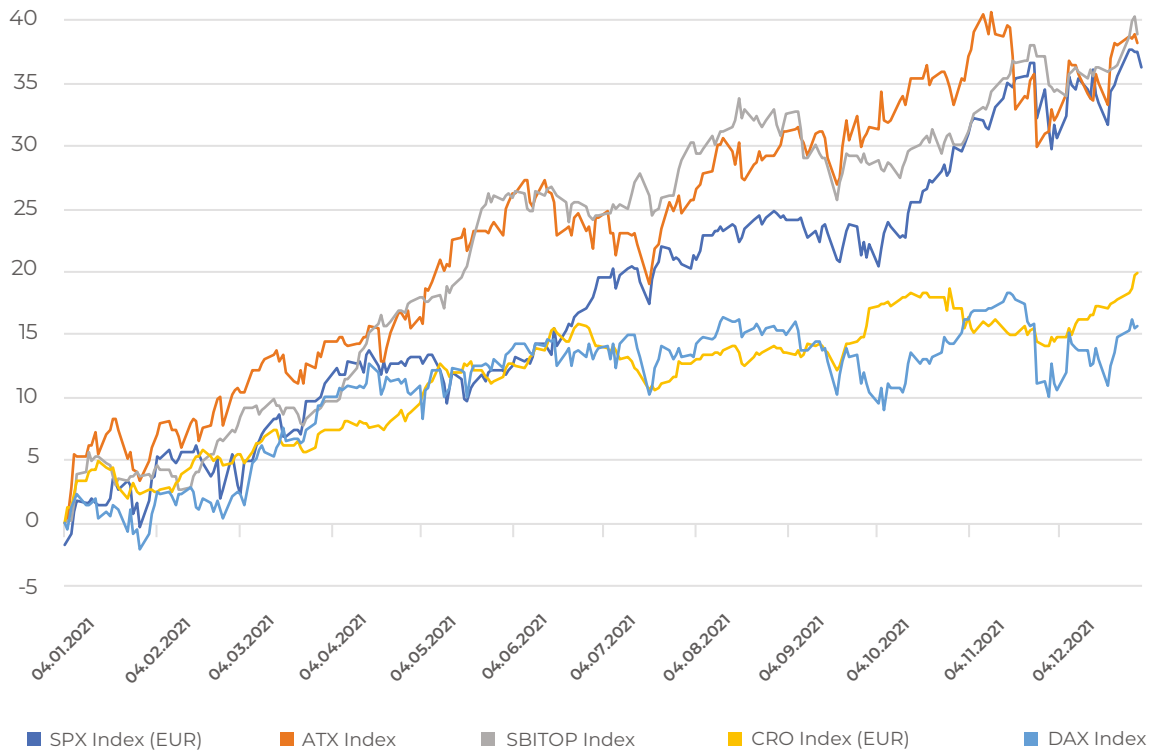


Source: Bloomberg.

In 2021, the Slovenian stock market delivered investors the highest return among the selected benchmark equity indices after converting returns into euro currency. In 2021, equity markets

around the world rewarded investors with above-average returns. The chart below shows the positive returns of selected equity indices in 2021.

**Figure:** Cumulative return from top regional and global share indices and SBITOP in 2021 (in %).



Source: Bloomberg.

One of the most important tasks pursued by SSH is to provide for the development of a corporate governance system for SOEs and its maintenance, based on SSH documents (or their content), which are also publicly disclosed and ensure the predictability and transparency of the system. These documents are: the State Assets Management Strategy, the Annual Asset Management Plan (AAMP); Criteria for Measuring Effectiveness of SOEs, SSH Corporate Governance Code for SOEs, SSH Recommendations and Expectations, SSH Asset Management Policy and Platform of SSH for Voting at AGMs. In 2021, 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 that had been set.

### 7.2.1 Asset management legal documents revised in 2021

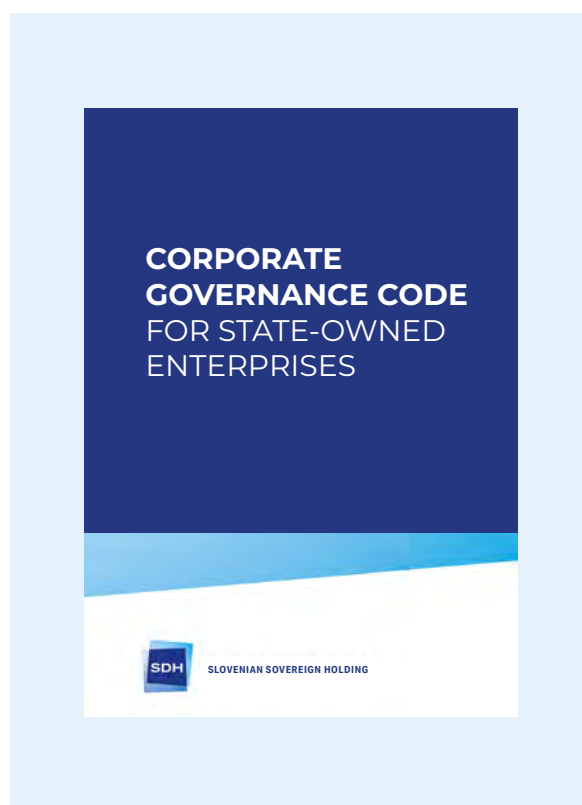
On 17 March 2021, SSH adopted a partially revised **Code of Corporate Governance for SOEs**. The main reason for the revision of the Code was to align its principles and recommendations with the amendment to the Companies Act (ZGD-1K). In addition, the revised Code regulates anew the recommendations on additional remuneration for specific tasks of a member or members of the Supervisory Board.

In September 2021, SSH adopted amendments and additions to the **SSH Asset Management Policy**. The amendment of this Code took into account the recommendations of the Court of Audit regarding better regulation of the nomina-

tion procedures for members of the Supervisory Boards and the recommendations of the Commission for the Prevention of Corruption regarding the recruitment channels. Furthermore, the amendments to the Code also refer to the improvement and transparency of the procedures for the disposal of capital assets and increased transparency and risk mitigation measures in the processes for the sale of capital assets.

In 2021, SSH also adopted Recommendations for the regulation of remuneration for members of supervisory boards of companies which, as public interest entities (PIEs), have established supervisory boards and audit committees following the entry into force of the amendment to ZGD-1K, solely as a result of the amended legislation. For such cases, the SSH Recommendations, following a uniform systemic approach, allow for a downward adjustment of remuneration for members of supervisory boards and audit committees if the level of complexity and responsibility of the tasks in the specific company is lower than the usual level of complexity and responsibility in a typical company of a certain size.

In March 2021, SSH adopted the Platform of SSH for Voting at AGMs 2021. SSH announced that it would support the extension of the Articles of Association of public limited liability companies with provisions that will provide the basis for the implementation of the so-called electronic General Meetings. As a general rule, SSH will also take into account the diversity policies adopted



by companies when voting on candidates for the Supervisory Board. The document is also amended in the section relating to the alignment with the new provisions of Article 294a and 294b of ZGD-1. A text has also been added, which states that SSH will strive to ensure that companies inform the General Meeting of the reasons for the proposal to distribute the balance sheet profit.

### 7.3 Management of capital assets in 2021

SSH manages assets in accordance with ZSDH-1, ZGD-1, other acts and regulations, Articles of Association and other legal documents related to asset management, mentioned in the previous Chapter. When managing state assets, SSH observes good corporate governance practices and respects the principles of due diligence, accountability, independence, transparency and cost-effectiveness, the content of which is defined in the ZSDH-1.

**The essential elements of active management of capital assets, which were implemented in 2021, are as follows**

- **the defined criteria for measuring the performance of companies:** strategic and economic

as well as financial objectives of the companies under management, which are defined on the basis of the knowledge of the companies' business and sectors, and taking into critical account the development plans and the orientation of the individual companies;

- **regular monitoring of the performance of the companies under management:** through quarterly or monthly reports of the companies under management and periodic meetings with members of the management and supervisory bodies of the publicly invested companies;
- **Annual Asset Management Plan for 2021 (AAMP 2021):** on 23 December 2020, the Government of the Republic of Slovenia gave its consent to the AAMP 2021, which defines the detailed ob-

jectives to be achieved by the asset manager in the management of individual assets: these, however, must move within the framework of the objectives set out in the Strategy. It also includes a specific roadmap for achieving the asset management objectives and sets out the expected cash flows generated from the management of state capital assets.

- **attending and voting at General Meetings of companies, adopting founder's resolutions in companies under management by SSH, exercising other rights of a shareholder or a member:** submitting requests to convene General Meetings, expanding the agendas of General Meetings, preparing counter-proposals, preparing requests for judicial appointment of members of the Supervisory Board, requests for special audits, ensuring proper substantive and legal review of individual activities and decisions in the capacity of the manager of capital assets, etc.;
- **Implementing good corporate governance practices:** continuous efforts to improve the quality of corporate governance of companies under the management of SSH;
- **taking the necessary steps to ensure appropriate procedures for timely accreditation, nomination and selection of candidates for Supervisory Boards.**



### 7.3.1 Disposal and acquisition of capital assets held by SSH

SSH runs the processes for the disposition and acquisition of capital assets on the basis of the valid State Assets Management Strategy and Annual Assets Management Plans for an individual year. In addition to other matters, the SSH 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.

In 2021, SSH concluded two contracts for the sale of its capital assets and received a total purchase consideration of EUR 918 642,70.

On 27 September 2021, an agreement was concluded with Pošta Slovenije, d.o.o. for the sale of the 4.73% ownership interest in Intereuropa, d.d., owned by SSH and KAD. On 12 October 2021, SDH, which used to own 1,73% of the shareholding, received a purchase price of EUR 0,69 million for that shareholding. The Intereuropa shares, held by SSH, were transferred to the new owner on 14 October 2021.

In addition, on 29 October 2021, an agreement was concluded for the sale of SSH's 9,74% shareholding in Varnostni Sistemi, d.o.o., which was bought by the company itself and the purchase price of EUR 0,23 million was paid to SSH on 26 November 2021.

More detailed information on the management of RS and SDH capital assets, the performance results of the management, including information on the processes for their disposal and acquisition, will be presented in the Annual Report on the Management of Capital Assets of RS and SSH. SSH will submit the 2021 Annual Report to the National Assembly of the RS no later than in October.

### 7.3.2 Results of the portfolio managed by SDH

As the core business of SSH is the management of the State's capital assets, SSH's objectives are also to a large extent linked to the results achieved in asset management. Key performance results in the area of asset management are presented in this Chapter.



In addition to its own equity investments (as detailed in the accounting section of this Report), SSH has a number of capital assets under management which are otherwise owned by RS. In total, there were 62 active companies under management as at 31 December 2021 (69 as at 31 December 2020), of which RS had a direct shareholding in 41 companies, SSH in 10 companies, and both RS and SSH had direct shareholdings in 11 active companies. This portfolio includes 11 smaller companies which RS acquired on the basis of the law governing inheritance.

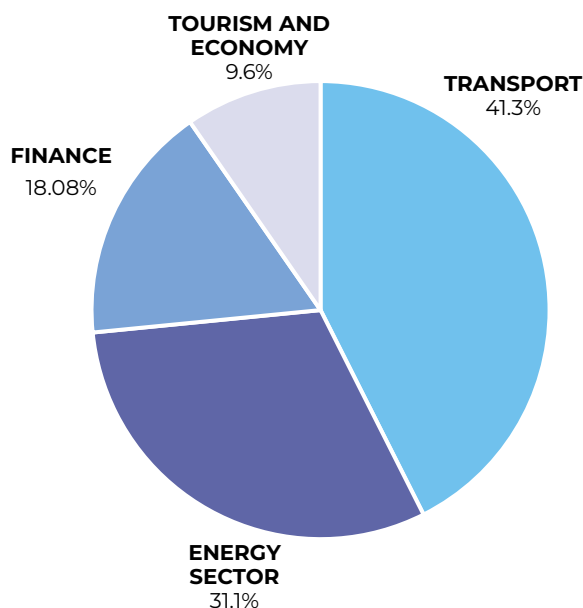
By value, the largest investments held by SSH are Krka, Zavarovalnica Triglav, Petrol, Pozavarovalnica Sava and Luka Koper, while the largest investments held by RS are DARS, GEN energija, HSE, Slovenske železnice, Zavarovalnica Triglav and NLB.

**Structure of the SSH portfolio by management pillar**

The portfolio of RS and SSH assets is divided in four pillars, of which the pillars of Transport and of Energy Sector comprise more than 72% of the portfolio's book-value (see Graph below). After the recent sale of banks, the proportion of the Financial pillar decreased, and, similarly as before, the proportion of Tourism and Economy sectors remained below 10% at the end of 2021. As of 31 December 2021, the total book value of shareholdings pertaining to assets under SSH's management amounted to EUR 9.9 billion (as of 31 December 2020, it amounted to EUR 9.9 billion).<sup>1</sup>

SSH's management portfolio is highly concentrated, with the top 20 assets, measured by the book value of equity holdings, representing more than 97% of the total portfolio at the end of 2021, and the remaining investments representing only a meagre 3%.

*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 2021*

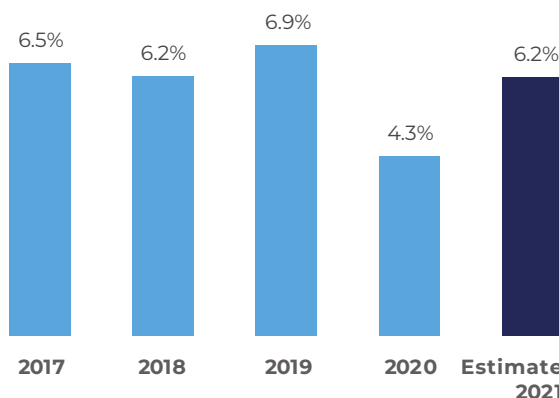


**Return of equity (ROE) of the portfolio of assets under SSH management in 2017–2021 period**

The return on equity (ROE) of the total portfolio managed by SSH increased significantly in 2021, after a fall in 2020 due to the COVID-19 crisis.

In 2021, also thanks to the various anti-COVID measures, economic activity recovered better than expected, which is reflected in significantly better results as achieved in the previous year.

*Graph: ROE for portfolio of assets managed by SSH in 2017-2021 period*



<sup>1</sup> The above mentioned data and the calculations presented in the remainder of the text are based on estimates and data for FY 2021 available at the time of drawing up this report.



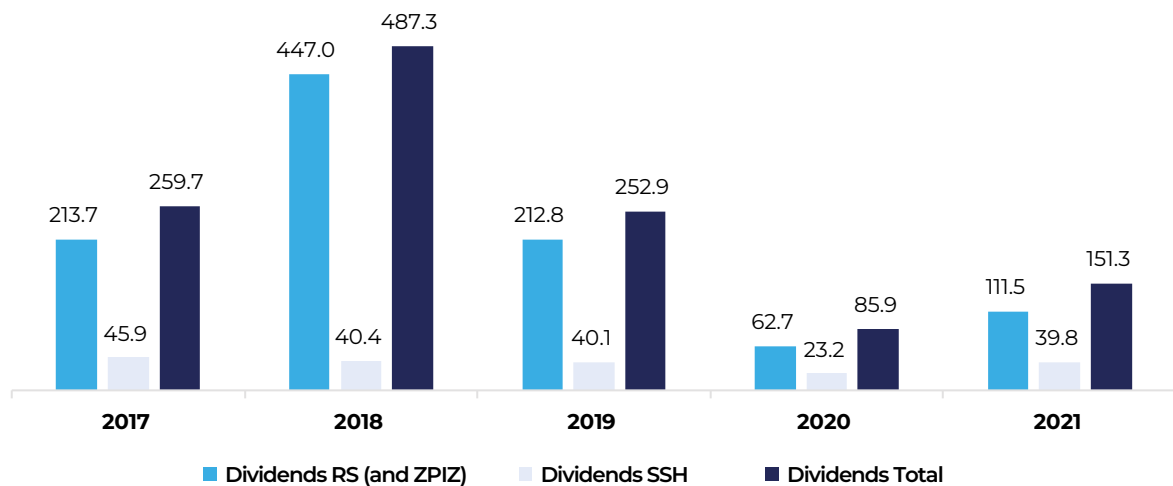
## Dividends

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 2021 (for FY 2020), the dividend income paid out by companies in the SSH portfolio amounted to the total of EUR 151.3 million, of which EUR 111.5 million was received by RS, and 39.8 million by SSH. The largest

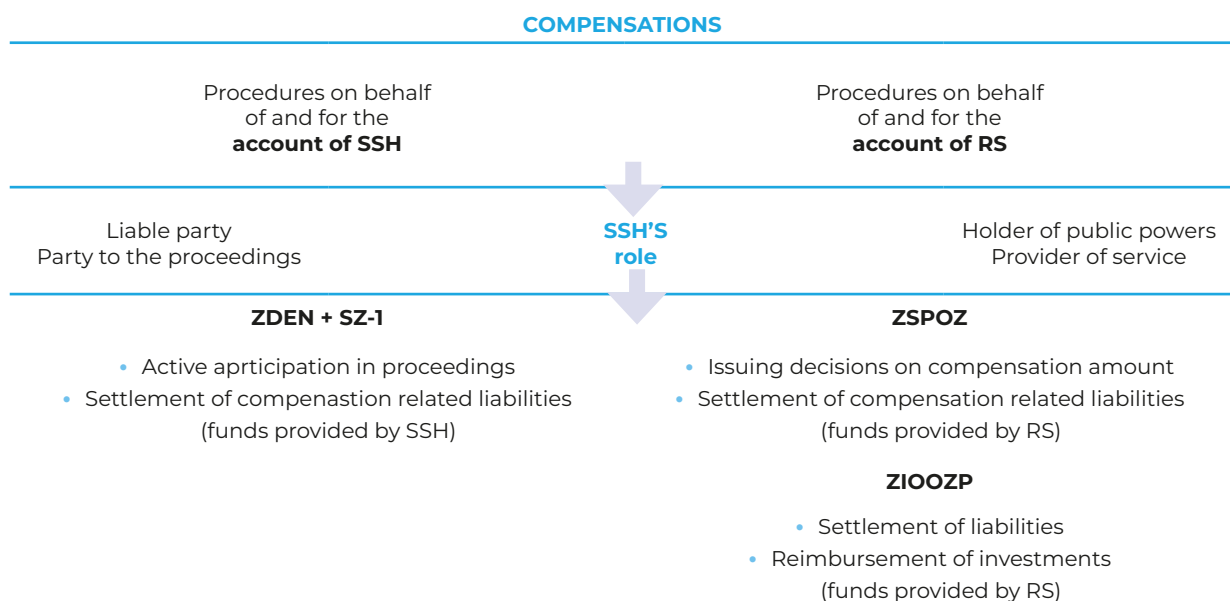
dividend payers in 2021 for SDH were Krka, Zavarovalnica Triglav, Petrol, Pozavarovalnica Sava and Cinkarna Celje, while for RS were NLB, Telekom, Zavarovalnica Triglav (ZPIZ), GEN energija and Krka.

Dividends were much higher than in 2020, when the COVID-19 crisis had a very significant impact on the payout. The main reason for lower dividend income was mainly the result of restrictions imposed by supervisory institutions upon dividend pay-outs by banks and insurance companies in 2020.

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



## 7.4 Denationalisation and settlement of compensation under various bills



#### 7.4.1 SSH's role in denationalisation processes

In denationalisation proceedings, SSH exercises all the powers, competences, rights and obligations imposed on it by the rules governing the restitution of nationalised property. It acts in two capacities, namely as a party to the proceedings and as the party liable to pay compensation where the nationalised property cannot be returned in kind or where the beneficiary refuses to return the nationalised undertaking under Articles 34 and 37 ZDen. SSH takes part in proceedings before administrative and judicial 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 general rules on compensation. The proceedings are conducted by administrative and judicial bodies, and responsible ministries are engaged in the proceedings at first instance which include the restitution of assets which belong to cultural heritage and natural heritage. SSH is also involved in alternative dispute resolution procedures, in which the competent courts deal primarily with claims for compensation by agricultural communities.

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

The Ministry of Justice regularly prepares statistical reports on the basis of which SSH monitors the denationalisation process. The data obtained directly from the administrative units show that 99.7% of the cases registered with the administrative bodies as of 31 December 2021 have been definitively closed. Out of a total of 39,714 cases filed, 111 are pending, and 99.9% of the cases handled by the district courts have been closed. Four cases are pending out of a total of 2904 filed, whereby this data refers only to cases handled under Article 5 of Zden and it does not include data on claims filed and pending under the provision of Article 73 of ZDen and for claims lodged by re-established agricultural communities. In both cases, claims may still be lodged before the competent courts since their lodging is not limited with the preclusion period referred to in Article 64 of ZDen.

#### 7.4.3 Denationalisation procedures at the level of SSH

SSH carefully checks all requests submitted by administrative and judicial authorities. The amount of compensation is carefully determined and must comply with the law and reg-

ulations. Construction, mechanical and art valuations are verified with the help of experts and valuers of the relevant profession, while the following calculations are carried out by SSH itself: the calculations of the value of agricultural and building land, the valuation of movable property, purchase prices and compensation given at the time of nationalisation. In its responses to the submitted claims, SSH comprehensively addresses the facts relevant for the correct and lawful determination of compensation. Depending on the needs of the procedure, certain documents and evidence are obtained from a wide variety of records, geodetic data, electronic land registry and aerial photographs of the state of the land. SSH is also active in denationalisation proceedings by attending oral hearings, preparing settlement proposals and organising meetings with the parties to the proceedings. The effective functioning of SSH's legal positions and its enforcement is reflected in the conclusion of the special declaratory proceedings or in the decision on the amount of compensation at first instance, which is acceptable to both parties. In individual cases, the divergent views of the administering authorities and the parties to the proceedings make it necessary to reassess the case at the second instance and subsequent decision-making stages.

As of 31 December 2020, SSH had documented a total of 207 pending claims in 157 cases. The restitution of nationalised assets is still pending. SSH therefore received one new case with a claim for compensation in 2021. The administrative authorities and the courts have convened 45 oral hearings and trials, which SSH attended or made written submissions on the claims, depending on the factual and legal situation of the case. In the reporting period, SSH received 17 decisions of rejections by way of which claims were rejected at the first and at the higher instances since statutory conditions for the determination of compensation failed to be satisfied. It reviewed 23 building, engineering and agricultural appraisals, and took a position on appeals, actions, revisions by applicants and other key documents in the process in just under 800 submissions. SSH utilised legal remedies against decisions on compensation amounts only when justified reasons were given, specifically, either due to an incompletely or incorrectly determined statement of affairs, or due to mistaken application of the substantive law.

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

	Total by 31 December 2021	From 1 January until 31 December 2021
<i>New claims and continued claims received</i>	22,545	1
<i>Reports received on the factual and legal state of affairs of the case</i>	22,739	37
<i>First-instance decisions received determining compensation in bonds</i>	20,578	33
<i>Appeals filed in regard to decisions with preclusion period</i>	6059	10

SSH's work has been instrumental in resolving claims through settlements. From its inception in 2007 until 31 December 2021, the Settlement Commission held 130 meetings and concluded 80 settlements. It met twice in 2021 and accepted the parties' settlement proposals in both cases.

#### 7.4.4 Decisions made and issues raised in denationalisation procedures

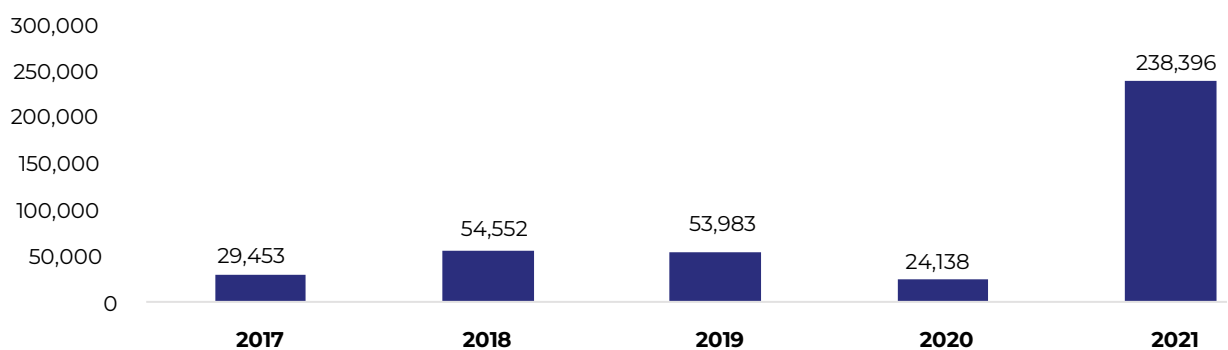
Also in 2021, SSH dealt with the denationalisation of land, residential and commercial buildings, industrial buildings and movable property, as well as major nationalised companies or equity stakes in companies. The proceedings concern claims by natural and legal persons, cooperatives, churches and claimants who have returned the nationalised and acquired real estate in kind to the beneficiaries. New procedures are still being initiated for the denationalisation of property that was nationalized from the previous owners who were members of the agricultural communities of the time.

SSH received some important decisions adopted by the highest decision-making bodies which have further strengthened its position on the following issues: (i) the legal basis for nationalisation, (ii) the legal succession and the entitlement to 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 remain to be resolved. These are generally large cases, with very high compensation claims and complex legal and factual issues.**

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

Slovenian Sovereign Holding pays compensation under Zden, Cooperative Acts other regulations governing the denationalisation of property on the basis of decisions, issued in administrative in judicial proceedings. It also implements decisions issued by the Ministry of the Environment and Spatial Planning in relation to decisions made under the provisions of Article 173, Paragraph 3 of the Housing Act (SZ-1) under which a beneficiary is compensated for a vacated dwelling. The decisions are implemented by paying the full value of the SOS2E bond. The regulations governing the implementation of denationalisation decisions have not been amended, and it is therefore still the case that the compensation is paid by SSH in bonds, whereby the payment of the compensation no longer constitutes a transfer, but merely the payment of the full value of the security.

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

SSH has re-credited 17,719,130 bonds to 28,121 holders or paid out a total of €1.7 billion to settle legal obligations from the start of the exercise of its respective duties until 31 December 2021. In 2021, compensation of €23.5 million was paid to 40 beneficiaries. Among the large volume of cases, one claim was closed and paid this year, representing just under 83% of this year's denationalisation payments. No compensation was paid by SSH to the tenants of the denationalised dwellings in connection with the replacement purchase.

#### **7.4.6 Settlement of liabilities arising from compensations to victims of war and post-war violence and from compensation for confiscated property pursuant to the abrogation of the property confiscation penalty**

SSH, acting on behalf of RS, manages the procedures for issuing decisions on the amount of compensation as a public mandate and carries out the administrative and technical operations related to their execution. On the basis of the relevant legal documents and criteria determined by ZSPOZ, SSH calculates the compensation amount and issues a decision on the amount of compensation to the beneficiaries established by other laws. Beneficiaries may therefore receive compensation either under ZZVN or under ZPkri or under a combination of both laws, but the total amount to be received by an individual beneficiary under ZSPOZ should not exceed the statutory amount (EUR 8,345). In light of the above stated, SSH also issues decisions determining that, although the beneficiary has been granted a status under ZZVN or ZPkri, he or she is not entitled to compensation. In the reported period, SSH thus issued 72 de-

isions on compensation amount, which were based on ZPkri. A certain number of beneficiaries were not granted compensation as they had already received the maximum amount of compensation.

From 1 January to 31 December 2021, SDH paid out EUR 1.1 million to beneficiaries under the ZSPOZ.

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

Slovenian Sovereign Holding enforces final decisions on compensation for the confiscated property by paying out the relevant compensation amount and no longer by transferring the total value of the RS21 bond. Considering the interpretation of Article 3, Paragraph 5 of ZIOOZP, a compensation amount is determined so that interest is calculated from the day when the decision on the abrogation of the confiscation of property penalty and the determination of compensation for the confiscated property becomes final until the issue of bonds. The enforcement of a decision may be requested by a beneficiary or his/her legal successor demonstrating such status by way of a final decree of distribution or any other valid legal title.

As regards the reporting period, the compensation equivalent to 6076 RS21 bonds, which amounted to EUR 375 thousand, was paid out to beneficiaries or their legal successors.

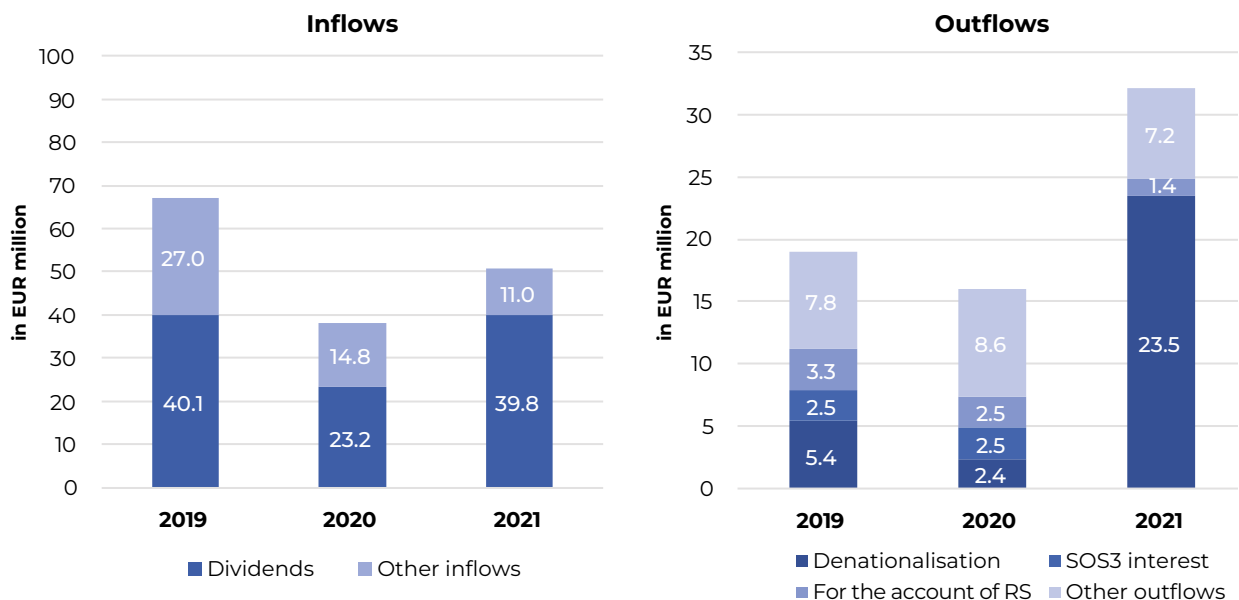
## 8 ANALYSIS OF SSH OPERATIONS AND LIQUIDITY

### 8.1 Cash flows and financial debt

On the cash flow side, the most important items are dividends received and the management fee for capital assets owned by RS. The most important outflows are payments of compensation to denationalisation beneficiaries and settlement of operating expenses. Major expense items include payments imposed under the three laws (ZSPOZ, ZIOOZP and ZVVJTO), which are settled 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 following figure, which excludes inflows from maturing deposits and outflows for new deposits from the cash flow, shows the share of the selected categories in the cash flow.



As in all years of its operations, the Company met all its legal and contractual obligations on time in 2021. Its current liquidity was ensured through cash flow planning and by keeping a permanent liquidity reserve.

In 2021, SSH covered all liabilities incurred from its own resources and did not incur any debt. The importance of the liquidity buffer was demon-

strated as a single claim by a beneficiary exceeded EUR 20 million. As a consequence, actual outflows to the denationalisation beneficiaries exceeded the planned outflows by 25%. At the end of 2021, SSH reported EUR 10.2 million of assets invested in call deposit and EUR 17.0 million in deposits; these assets are partially earmarked for settling denationalisation compensations and partially for day-to-day operations.

## 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 as of 31 December 2021. The proportion of strategic and important assets (EUR 861.9 million - the value as of 31 December 2021) which will be transferred to RS free of charge on this basis are shown as current assets. Due to the positive

developments on the capital markets, the value of financial investments increased by EUR 222.2 million compared to 31 December 2020, which in turn increases the value of capital. The amount of the liability for compensation to the denationalisation beneficiaries, which is expected to be settled in 2022, is shown under current liabilities (EUR 13.4 million).

	31 December 2021	31 December 2020
<b>ASSETS</b>	<b>984,870</b>	<b>737,382</b>
<b>Non-current assets</b>	<b>68,253</b>	<b>702,766</b>
Property, plant and equipment	1,513	1,582
Financial investments	66,266	700,723
Deferred tax assets	474	461
<b>Current assets</b>	<b>916,617</b>	<b>34,616</b>
Financial investments	901,304	22,978
Cash and cash equivalents	10,344	8,957
Trade and other payables	4,969	2,681
<b>EQUITY AND LIABILITIES</b>	<b>984,870</b>	<b>737,382</b>
<b>Equity</b>	<b>913,370</b>	<b>640,461</b>
Called-up Equity	260,167	260,167
Fair value reserve	723,827	484,974
Retained net profit or loss	-70,624	-104,680
<b>Non-current liabilities</b>	<b>39,411</b>	<b>58,751</b>
Provisions	39,399	58,697
Other liabilities	12	54
<b>Current liabilities</b>	<b>32,089</b>	<b>38,170</b>
Financial liabilities	0	0
Trade and other payables	32,089	38,170

## 8.3 Income Statement and Statement of Other Comprehensive Income

The planned profit was exceeded mainly due to the payment of dividends by Zavarovalnica Triglav and Pozavarovalnica Sava, totalling EUR 13.4 million. This amount was not included in the planned income due to the uncertainties in the preparation of the 2021 Business and Financial Plan. This decision was based on the recommendations by the regulators in relation to the consequences of the COVID-19 epidemic, which

were quite strict. Dividend income exceeded the planned amount by EUR 19.3 million. Realised operating income exceeded the plan in the revalued income segment because certain liabilities (EUR 3.08 million) were written off by the Company. After all legal tests having been made, these liabilities qualified for elimination. These are liabilities from individual coupons of the SOS2E bond. The planned income also included

reimbursements of external contractors' costs that would have been incurred in the projects for the acquisition, disposal or management of RS capital assets, but which were not realised in 2021, partly due to the epidemic of COVID-19 and partly due to other objective circumstances. As a consequence, the cost of services did not reach

the planned level. Each year, the SSH expert services make an estimation of the most likely level of compensation to be paid to the denationalisation beneficiaries, because the closer the procedure is to the final decision, the better the estimate of compensation. On this basis, additional provisions of EUR 1.4 million were made in 2021.

	Realised in 2021	Planned for 2021
Operating income	10,248	8,199
Operating expenses excluding denationalisation-related reserves	5,947	8,628
Reserves for denationalisation	1,410	0
<b>Operating profit/(loss)</b>	<b>2,891</b>	<b>-429</b>
Financial income	42,302	21,343
Finance expenses	84	25
Profit or loss before taxes	45,109	20,889
Income tax	0	0
Deferred taxes	13	0
<b>Net profit/loss for the period</b>	<b>45,122</b>	<b>20,889</b>

## 8.4 Transfer of capital assets under ZSOS-C and the way forward

The free-of-charge transfer of strategic and important assets was enacted by the provisions of Article 19a of ZSOS-C in autumn 2017 and postponed to December 2022 with the adoption of ZIP-RS2122. The transfer will result in a significant decrease in the value of capital assets and fair value reserves and an increase in the loss carried forward. In addition, due to the free-of-charge transfer of assets, SSH will lose dividend income, which is in fact, the most important source for the settlement of the liabilities due to denationalisation beneficiaries. The extension of the deadline for the free-of-charge transfer of strategic and important assets by two years has had a positive effect on SSH's business, with dividend income improving the operating result and consequently the value of capital, and on the other hand improving its short-term liquidity. It is worth pointing out that, as a result of the transfer of strategic and important assets to RS, denationalisation beneficiaries will not be affected, as ZSOS-C

provides that in the event that the income, which is generated by asset management and from the disposition of assets, as referred to in Article 26, Paragraph 1 of ZSDH-1, and with regard to the remaining capital assets owned by SSH, does not suffice for settling the denationalisation liabilities, funds for settling liabilities are provided for from the budget.

SSH estimates that after the free-of-charge transfer of capital assets to the owner, under the assumption there is no change in the value of capital assets remaining in SSH's ownership, the value of capital will stand around EUR 140 million at the end of 2022.

Pursuant to Article 36 of ZUKSB, the assets and the rights and obligations of BAMC will be transferred to SSH on 31 December 2022, which will have a significant impact on both the volume of business and the value of assets and capital.



## 9 ORGANISATIONAL DEVELOPMENT OF SSH

### 9.1 Compliance and corporate integrity

In 2021, particular attention was paid to the area of compliance. The SSH Compliance Policy was developed as an additional internal instrument, building on existing procedures. It includes more detailed guidelines and provisions on the following: compliance with the provisions of the law and internal corporate legal documents, responsibilities of the Company's bodies, organisational units and individuals, identification of key areas within the Company for ensuring compliance and a comprehensive risk management system, procedures related to the preparation and updating of the Integrity Plan, the manner of reporting by the Chief Compliance and Integrity Officer to the Company's competent bodies and the manner of ensuring continuous improvement of the compliance system.

The Company's Integrity Plan, which constitutes an overarching instrument in the area of business compliance and integrity, was updated during the year to reflect newly identified risks and the measures taken to manage them. As the Integrity Plan is also an integral part of the Company's Master Risk Register, which also includes the Basic Risk Register, the Security Risk Register and the Crisis Risk Register prepared for the situation during the epidemic of the COVID-19 disease, all the Company's perceived risks were reviewed in 2021 and placed in the relevant registers. The responsible organizational units, which are key actors in the overall risk management system, worked effectively together during the year.

Among the major activities carried out in 2021, the following can be highlighted:

- preparation of the Compliance Policy;
- regular review and updating of the Integrity Plan;
- updating the Company's internal rules and procedures on the handling of whistleblowing, incorporating the provisions of the European Whistleblowing Directive;
- the preparation of an analysis on the implementation of the provisions of the Corporate Governance Code in the area of compliance, ethics and integrity in SOEs;
- the formal preparation and implementation of the Chief Compliance and Integrity Officer's annual work plan;
- performing the advisory role of the Chief Compliance and Integrity Officer and drafting opinions in highlighted cases;
- conducting internal training on compliance and integrity;
- the preparation of the Corporate Security Policy and the Security Risk Register to complement the overall risk management system;
- regular reviews by the Chief Compliance and Integrity Officer of amended and new internal instruments and contracts with a value of more than EUR 10 000 (compliance reviews);
- responsiveness to requests from competent institutions and authorities, cooperation with competent institutions and regular reporting, in line with statutory requirements;
- the treatment of suspected irregularities within the Company and in SOEs;
- regular reporting by members of company's bodies and employees and the maintenance of all registers provided for in ZSDH-1.

The Chief Compliance and Integrity Officer received a total of 48 reports under the system for handling reports of suspected irregularities. In accordance with internal processes, reports were categorised into the following categories:

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

Thirty-two of the reports concerned suspicions of irregularities in the operation of SOEs which fall under the SSH's corporate governance. Ten reports were expressions of opinion by whistleblowers or other matters where no elements of suspected irregularities were detected. Four reports referred to the authority vested in other institutions and were submitted to them for their further consideration, while two report concerned an alleged irregularity in SSH and were dealt with in accordance with internal procedures. The Whistleblower Protection Programme was not activated, as the content of the reports and the anonymity of the whistleblowers in each case made it unnecessary to do so.

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 the information rece-

ived and gathered, the views of the Committee were formulated and, where necessary, measures were prepared and implemented under the responsibility of SSH.

**SSH's main operational compliance and integrity tools**



Conduct of business in compliance with applicable legislation, codes of reference and the provisions of the internal acts of SSH



Ongoing consideration of the identified risks and actions in the Integrity Plan within SSH and quarterly reporting on the implementation of the Integrity Plan and the activities of the Chief Compliance and Integrity Officer to the Management Board and the Supervisory Board



Preparation of the SSH Compliance Policy and the Chief Compliance and Integrity Officer's Annual Work Plan, amendments to internal instruments in the areas of whistleblowing, personal data protection and corporate security



Advisory services and organisation of training courses for employees and for the portfolio companies



Cooperation with supervisory bodies and investigation institutions

Handling reports of suspected irregularities in SSH and SOEs.

**9.2 Internal Audit**

In terms of organisation, the SSH's internal audit functions as an independent department. It is responsible for exercising continuous and comprehensive oversight of the legality, regularity and timeliness of SDH's operations. The basis for its functioning is the Internal Audit Charter. The scope and schedule of Internal Audit's activities are defined in the annual work plan of the Inter-

nal Audit department, which is adopted by the Management Board of the Company with the consent of the SSH Supervisory Board.

Despite the constraints on its operations due to the COVID-19 crisis, in 2021 the Internal Audit implemented all the mandatory tasks and most of the planned objectives set out in the 2021 Annual Work Plan.

*Table: Number of planned and actual transactions carried out by the Internal Audit department in 2021*

IA engagements in 2021	Planned engagements	Executed engagements
<i>Regular audit reviews</i>	8	7
<i>Extraordinary audit reviews</i>	0	1
<i>Audit reviews of companies under management</i>	1	1
<i>Formal advisory services</i>	0	4

The audit reviews in SSH covered both compliance and performance of the Company. The most significant audits at SSH concerned the proces-

ses for the management and disposal of capital assets, business security, business continuity and the archiving of physical and electronic business

records. The skills of the internal auditors enabled most of the planned internal audits to be carried out; external experts were also hired for the IT and business security audits (co-sourcing).

All audits carried out were performed in accordance with the Hierarchy of Internal Audit Rules. In 2021, SSH also had one external audit performed by an external service provider. The purpose of including companies, which fall under the SSH's governance, into the scope of activities carried out by the SSH's Internal Audit is to reinforce the review and oversight by SSH over their operation;

this is an important step forward in ensuring good quality management of state assets.

Internal Audit considers that SSH has a sound and effective risk management system in place in most of its areas of activity. No fraud risks were detected in the audits carried out. In areas where some weaknesses were identified, recommendations were made to establish an even more effective system of internal controls and adequate risk management. The Company is taking a very proactive approach to remedy the weaknesses identified. In 2021, 80% of all open audit recommendations have been implemented.

**Table:** Overview of Internal Audit recommendations issued and implemented in 2021

Recommendations pending	Recommendations pending as of 31 December 2020	Recommendations issued in 2021	All recommendations issued in 2021	Recommendations abandoned/not implemented in 2021	Pending recommendations as of 31 December 2021
<i>All recommendations pending</i>	33	69	82	7	13

Note: A recommendation may be abandoned if the deficiency has been corrected by other means (1) or no longer poses a risk to the Company due to changed circumstances; a recommendation is not implemented if it is not implemented within up to two extensions or if the total extension period exceeds one year (6; implementation is then monitored in the Risk Register).

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

- all important risks have been identified and assessed and appropriate risk response measures have been selected;
- the system of internal controls to prevent fraud in the audited areas is in place;
- the company is operating in compliance with external and internal regulations and contracts in the areas audited, or has actively started to prepare the necessary documents, and the reliability and integrity of business information is ensured;

- IT risks are largely identified and managed, the performance of existing applications is ensured, and it is important to continue to closely monitor application upgrades;
- the agreed corporate policies and objectives are followed in the management of the organisation, appropriate ethics and business values are enforced in the Company, and the organisation's governance, communication and communication of information are adequately organised.

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

### 9.3 Risk management

Sound knowledge and good understanding of risks enables each company to take a timely and proper response action in an increasingly dynamic economic environment. SSH dedicates special attention to the risks to which it is exposed

during its operation. It aims to establish a culture of risk awareness in order to better understand risks and obtain good quality information for decision-making processes to be pursued at all levels of its functioning.

### 9.3.1 Key risks in 2021

In 2021, the most important risks were the following risks:

1. risks related to the impact of changes in legislation on SSH's business (regulatory risk);
2. risks related to the lack of business continuity planning in the event of an emergency;
3. HR risks related to staff planning, development and retention;
4. risks that have had a negative impact on capital assets in SSH's management portfolio, such as the negative effects of a significant deterioration in the operating conditions of the companies under management or of the recession, and negative deviations of the companies' operating results from the expectations/targets set out in the Company's Business and Financial Plan or Annual Asset Management Plan;
5. risks related to the security and performance of employees in the context of the re-emergence of a worsening epidemic picture related to COVID-19 and its impact on the SSH's operations, to asset and technical security, and to the protection of documents, data and information during the work-from-home situation for employees as a result of the emergence of the COVID-19 situation;
6. IT risks related to IT system downtime, outsourcing outages, business failure in emergency situations and cybersecurity; and
7. risks from the external business environment with a potential negative impact on SSH's business.

The significant strategic risk related to the announcement of the adoption of the legislation governing the creation of the National Demographic Fund is compounded by the fact that, under the existing legislation, SSH will take over the assets, rights and obligations of the Bank Asset Management Company (BAMC) by the end of 2022. In preparation for the changed circumstances occurring as a result of the new and existing legislation, the identified issues represent significant opportunities and challenges for all SSH's employees. These are the risks that arise in the process of merging different companies, which also involves the merging of different business processes and jobs. SSH is aware of the importance of these risks, which will arise in the event of the implementation of the announced mergers and will therefore take all measures and activities to ensure that the risks in the process of merging companies and creating the Demographic Fund are identified and managed as best as possible.

### 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. Risk management is of concern for every SSH's employee whose actions and decisions expose him/her to risks on a daily basis in the course of their work.

All the risks to which SSH is exposed in the course of its business are described in the Master Risk Register in a systematic manner. The said Register was extended with the Security Risk Register in February 2021.

*Figure: SSH Master Risk Register*



The **Basic Risk Register** lists all risks which SSH is exposed to in normal course of business. The following key risks are highlighted:

1. **strategic risks**, which encompass risks to which SSH is exposed in case of statutory changes that may have a negative impact on the scope of SSH's future business and on its subject-matter;
2. **risks associated with asset management**, in which case unforeseen market conditions may significantly deteriorate business conditions or even make business operations unviable and adversely affect the results of operations;
3. **HR risks** related to staff planning, development and retention;
4. **project risks**, which arise from unclear definition of the responsibilities and accountabilities of the persons participating in project teams and from the lack of centralised oversight of projects and their statuses, which may lead to delays, failure to meet project objectives, cost overruns, etc;
5. **risks associated with personal data protection**, which are connected with the processing of personal data by outsourced data processors, the possibility of personal data having been disclosed, and with the inadequate software used for the management of personal data bases;
6. **risks related to the protection of documents**, data and information in the case of teleworking;
7. **financial risks**, the most prominent of which is the liquidity risk as a result of which SSH would not be able to meet its legal other obligations during a given period or on a given day;
8. **IT risks** are associated with the IT system failure and failure of outsourced services, business failure during an emergency situation in the event of incompletely defined business continuity plans and procedures, and cyber-security.

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

1. **employee safety and their way of work** in case of an outbreak of a new virus causing a contagious disease, measures to take preventive action in the event of an epidemic and pandemic of a longer duration, as well as measures in the event of an individual employee becoming infected, and measures to address poorer effectiveness connected with the work-from-home mode of operation, and measures to tackle worsened psychological condition of an individual employee;
2. **security of assets**, in the event of contamination of premises and inadequate security of premises;
3. **security of documents, data and information**, with measures in place to manage the risks arising from the homeworking system of operation for staff (unauthorised access to corporate documents/data, loss of documents/data, hacking and misuse of systems and theft of data due to newly established homeworking rights, hacking and misuse of remote communication systems);
4. risks related to **financial management**, hereby the liquidity risks is the most critical one. For managing this risk, several measures have been adopted, which are implemented in a regular manner;
5. **risks arising from asset management and** which identify issues and the possibility of declaring insolvency (and ultimately bankruptcy) of individual companies with assets owned and managed by SSH, as a result of the occurrence of an emergency situation;
6. **information security risks** related to IT system failure, failure of outsourced services and cyber-security;
7. **risks of changes in the external business environment**, which stem from a negative, long-term an adverse impact of the COVID-19 epidemic on the Slovenian economy, risks which stem from the impacts of the statutory changes on the SSH's operation, and risks which arise due to disruptions in the functioning of critical infrastructure as well as risks which are associated with the possibility of the Government's strategic projects being put on hold or to an end.

The **Security Risk Register** includes a systematic description of all risks which SSH is exposed to in the course of its business operations and relates to the following areas:

1. **employees and risks to employees** (work accidents, poisonings, traffic accidents, serious illnesses, latent or open dissatisfaction, lack of loyalty, the possibility of employee strikes, threats, pressure, extortion of employees by third parties, violence at work (physical, psychological, sexual violence, etc.), lack of a security culture);
2. **property and technical security** (theft/alienation, destruction/damage to fixed assets and small inventory, fraud, embezzlement, robberies, poor and inadequate performance of the security service);
3. **data protection** (intrusion and misuse of information systems, protection of personal data, theft of data/information, materials);
4. **information security** (failure to identify trade secrets (levels of confidentiality of materials), economic espionage, information security and use of company equipment and assets);
5. **protection of documentation** (archiving, data/information retention).

### 9.3.3 Decision-making bodies

The **Risk Commission** (hereinafter referred to as "the Commission") is composed of the **Management Board Members** and the risk owners. It meets at regular sessions which take place in conjunction with the meetings of the Compliance and Integrity 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

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

SSH has adopted numerous measures for managing risks exposed to during its operation, which are implemented 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, events and regular sessions of the Risk Commission and at meetings of the Chief Compliance and Integrity 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, addressed and managed.

Risk Matrix is examined and updated according to business events, and new risks are identified and properly addressed.

The risk management process is also monitored by the **Risk Committee of the Supervisory Board** (hereinafter referred to as: "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

SSH assesses its risk exposure on the basis of uniform risk assessment criteria, in terms of the significance of the potential consequences or impact on SSH's business. Consequences are assessed in the following manner: as less significant (1) from EUR 0 to EUR 50 000; significant (2) from EUR 50 000 to EUR 100 000 and very significant (3) above EUR 100 000; while the probability of an event occurring is assessed as follows: low probability (1); once every 10 years to once every 3 years; medium probability (2) once every 2 to 3 years; and high probability (3) once a year or more frequently.

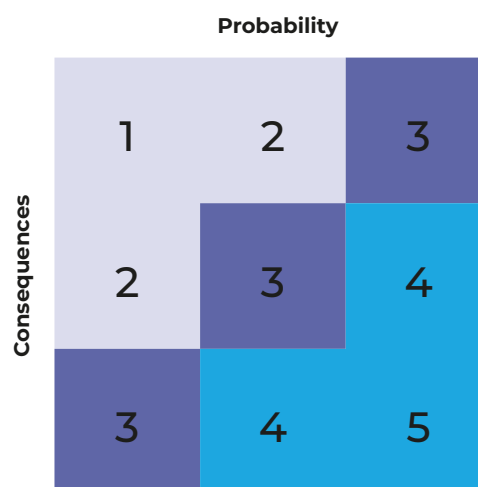
In terms of risk tolerance levels, only risks levels assessed as low can be accepted and they are monitored every six months, whereas risks assessed as posing medium or high risks are regularly discussed at the Commission's meetings.

A quantified (weighted) risk matrix is used to assess risks in internal areas of SSH's business, and a qualitative (descriptive) risk assessment approach to assess risks in external areas of SSH's business over which SSH has no direct influence (e.g., portfolio risks, critical infrastructure risks, etc.).

### 9.3.5 Further development

Developments in the area of risk management in 2022 will focus on upgrading the systematic monitoring of key risks in SOEs under SSH's governance. A five-step risk assessment methodology

Figure: Risk Assessment Matrix



**Risk assessment:**

- **ratings 4 and 5:** high risk (impact on SSH's assets above EUR 100,000),
- **rating 3:** medium risk (impact on SSH's assets between EUR 50,000 and EUR 100,000),
- **ratings 1 and 2:** low risk (impact on SSH's assets up to EUR 50,000).

will be implemented for risks in SSH, including inherent risks.

Any other significant improvements of the SSH's risk management system will be subject to changes in the external environment.

## 9.4 Respect of human rights in business

On the basis of the National Action Plan for Respect of Human Rights in Business (Government of the Republic of Slovenia, November 2018; hereafter NAP), SSH has signed a commitment to respect human rights in business, together with some of its major portfolio companies. Signing the said Commitment was the first step towards pursuing human rights due diligence in the SSH's daily business practice. One of the most important measures, which is required by acceding to NAP

and which should be highlighted, refer to appointment of a special Human Rights Officer (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.

SSH already implemented some activities under the Action Plan (listed in the 2020 report), however, in 2021, did not carry out the due diligence.



## 9.5 Personal data protection

The Personal Data Protection Officer carried out a comprehensive review of all provisions of the Rules on Procedures and Measures for the Protection of Personal Data as well as of the descriptions of personal data bases. In addition, in cooperation with the persons responsible for data bases, he drafted a proposal for amendments to the internal procedures. In the light of the findings of the review, some of the procedures and descriptions of individual personal data bases were updated to take account of changes in the environment or necessary changes in the operational implementation of the collection or processing of personal data.

All activities in the area of personal data protection were implemented on an ongoing basis. The Company did not record any incidents nor received any requests from individuals within the scope of their rights under the applicable legislation.

## 9.6 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.

## 9.7 Access to information of public nature

SSH is a liable party under the Public Information Access Act. In 2021, SSH received four (4) requests to access information of a public nature, which referred to various areas of SSH's operation. Three were submitted by journalists and one by a legal entity.

Two requests were denied due to the existence of exemptions under Article 6, Paragraph 1 of the Public Information Access Act (ZDIJZ), while two requests were complied with, and applicants were granted the access to inspect the requested documents. One of the rejected requests is pending before the Administrative Court of the Republic of Slovenia.

## 10 SUSTAINABLE BUSINESS 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 SOEs from the portfolio 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, social and environmental aspects.

### Contribution to the 2030 Agenda

Of all the 2030 Agenda objectives, which were examined, SSH has identified five objectives with the wish to pursue their attainment in accordance with SSH's mission and strategic guidelines. These five objectives have been classified in view of the following questions:

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



Based on these objectives, the main lines of action have been divided into activities pursued in SSH's core business, and activities at the level of SSH itself, SSH's employees and other partners.

### 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. A supportive working environment for employees;
2. Promoting work-life balance;
3. Education and training for employees (priority areas: digitisation, corporate governance, sustainable business);
4. Promoting health at work;
5. Managing carbon footprints properly and keeping energy consumption low;
6. Continuing digitisation and paperless business;
7. Careful purchasing and reducing and separating waste.

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

## 10.1 Key Sustainability Activities in 2021

In 2021, SSH continued the activities outlined in its internal documents. It has focused mainly on the governance aspect and will also undertake an inter-

nal transformation in 2022 through participation in the Green Star project pursued by CER.

Subject matter	Activities in 2021	Commentary
<b>HR management and organisation</b>	SSH HR Strategy for 2021-2023.	The salary system has been adapted, a key personnel and succession system has been established and will be developed progressively.
	Training of managers	Training for managers (B-1) started at the end of 2021 and will continue in 2022.
	Hybrid working, occupational safety and health and health promotion.	Adoption of the hybrid working guidelines. Strengthening occupational safety and health regardless of the location of work.
	Staff training and development	Increased and diversified trainings and competency development of employees.  A survey on the organisational climate was also carried out. Two workshops on sustainable business were organised for employees.
<b>Further development of the good practice in corporate governance</b>	Continuous follow-up of the development of good corporate governance practice and implementation of changes in the governance instruments	The Corporate Governance Code and the SSH Asset Management Policy were updated. More about this activity is presented in the section on <a href="#">governance instruments</a> .  Three indicators (carbon footprint, gender diversity and future skills) have been added to the AAMP and will be monitored by SSH at portfolio level in the future. Qualitative targets and expectations for companies in the area of climate change governance have been included. <b>The most important are the measurement of carbon footprints under Scopes 1 and 2 of the GHG Protocol and the preparation of decarbonisation plans.</b>
	Governing Corporate Culture - a Guide Handbook for Supervisory Board Members of SOEs	SSH led the project to develop the Guide in 2021 and finalised it in early 2022 and shared it with all portfolio companies.
	Implementation of training sessions for members of supervisory bodies	Topics: increasing productivity (more training) and sustainable business. SSH invited companies to participate in the events of the International Fraud Awareness Week and the European Corporate Conference. More about this activity is presented in the section which describes <a href="#">events and projects</a> .
<b>Corporate compliance and business integrity</b>	Integrity Plan Compliance Policy	Regular identification of new risks in regard to corruption, unlawful and unethical conduct and the adoption of recurrent and one-off measures. The adoption of the SSH Compliance Policy. More about this activity is presented in <a href="#">Chapter 9</a> .

The Materiality Matrix is one of the stakeholder relationship management tools that also represents the key challenges of society. It was last updated for reporting purposes for 2018; during this exercise, the

materiality of key topics for the largest companies under SSH governance was verified by means of a questionnaire which is why it has not been repeated in this Report.

## 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, the executive and legislative authorities, and the social partnership associations, to name just three of the largest groups. SSH strives for professional and two-way communication with them, in whi-

ch regard their interest and needs are identified and monitored and included in a variety of 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.

Stakeholders	Methods of Cooperation	Areas of Cooperation and interest covered	Activities in 2021
<b>Companies from the RS and SSH portfolios; members of Supervisory and Management Boards</b>	Regular periodic and other meetings, written communication, invitations to annual events and training sessions organised by SSH.	Monitoring business performance of a company and of the attainment of economic and strategic indicators set, monitoring of companies' operations and harmonisation of goals planned, supplementary training and implementation of cases of good practice, stable, professional; predictable and transparent governance.	SOEs are SSH's key stakeholder and for that purpose a standardised system of cooperation and for relations with companies from the RS and SSH portfolio has been established (Supervisory Boards and Management Boards); the system is explained in detail in <a href="#">Annual Report on management of capital assets of RS and SSH</a> . SSH organised a total of 71 periodic meetings with portfolio companies in 2021.
<b>National Assembly of RS, Government of RS, sectoral ministries</b>	Quarterly asset management reports, Annual Report - Management of Capital Assets of RS and SSH, the cooperation in regard to the carrying out of sectoral policies, the participation of three decision-makers at the sessions of SSH's Supervisory Board (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.	The effectiveness in the attainment of economic and strategic goals from the Asset Management Strategy and Annual Asset Management Plan, the amount of dividends paid out to the RS's budget.	The participation of SSH's representatives at the meetings of the Committee on Finance, and occasionally of the Commission for Public Finance Control, regular quarterly and annual reporting to the Government of RS and the Parliament, regular cooperation with sectoral ministries.
<b>Employees</b>	Face-to-face and virtual cooperation, e-mail, participation in governance (Employees' Council), Intranet portal, employee meetings, directors' meeting and sectoral meetings.	Information flow, training and education and other activities in the framework of the HR strategy, employee-management relations, diversity and equal opportunities, health and safety at work and at home and health promotion, measures in the framework of the full Family Friendly Company certification system - reconciliation of work and family life during the coronavirus crisis, transition to hybrid working.	<b>These activities are presented in more detail in the remainder of this Chapter.</b>
<b>The media</b>	Press releases, press conferences, interviews, statements to interested media, answers to journalists' questions, personal contacts with journalists, occasional invitations to events.	Up-to-date, comprehensive and transparent information on major developments in the business of SSH and in the management of RS and SSH capital assets.	SSH published 19 press releases, 13 press releases from the SSH Supervisory Board's meetings, 4 press releases for SOEs; SSH received 372 press questions and made live statements. Media coverage of the SSH was exceptionally strong in 2021.
<b>Beneficiaries for compensations under various bills</b>	Procedures before administrative, judicial and other bodies, implementation of public powers.	Consistent adherence to regulations for the determination of compensations, fair and effective payment of compensations under various bills.	<b>See Chapter 7 for a more detailed presentation.</b>
<b>Social partners</b>	Sessions of the Expert Committee for Economic and Social Affairs which is a consultation body of the SSH's Management Board (representatives of trade union associations).	Providing opinions and giving initiatives in regard to economic and social affairs (consequences for employees in companies managed by SSH in the fields of labour law, legal form of organisation and social security).	One regular session was organised which discussed six complex subject matters included on the agenda.
<b>Business partners</b>	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.	Adherence to the provisions of the Public Procurement Act, 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, compliance with the Decree on green public procurement and ZDIJ (publication of the essential elements of a contract).	In 2021, in addition to the procedures for the selection of suppliers under ZJN-3, a total of 274 contracts of record with a total value of € 1,77 million were awarded in the general field of operations. Of these, 98 contracts of record totalling EUR 0.13 million were awarded for the purchase of goods in the general field, mainly in the IT field (purchase of computer and software equipment, implementation of various support applications), purchase of office and representation supplies, and 176 contracts of record totalling EUR 1.65 million were awarded for the provision of services in the general field, mainly for consultancy services, maintenance services, 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.
<b>Other state asset managers</b>	Regular meetings, electronic mail, cooperation in the management of state assets, invitations to meetings.	Participation in the consolidation and restructuring of State-owned tourism companies, participation in the management of joint capital assets.	Regular participation in the above-mentioned areas of work.
<b>Potential investors</b>	Publicly published Requests for Proposal for the purchase of capital assets, announcement and submission of information on SSH's activities in connection with the processes for the sale of capital assets.	Transparent, equal and competition-based conduct of sale processes in accordance with applicable regulations and comparable international practice.	Publications of invitation for submitting bids on the SSH's web site.
<b>Regulators and supervisory institutions</b>	Electronic mail, submission of applications, meetings, reporting.	The adherence to the legislation and the compliance with regulations and good practice in corporate governance, transparency of operations.	Occasional cooperation in accordance with the law.

## 10.2.1 Our employees

*Employees are SSH's key asset which is why responsibility towards employees is an important part of our efforts to achieve sustainable business performance. SSH is aware that motivated, qualified and satisfied employees contribute to successful performance.*

### Key Information about employees

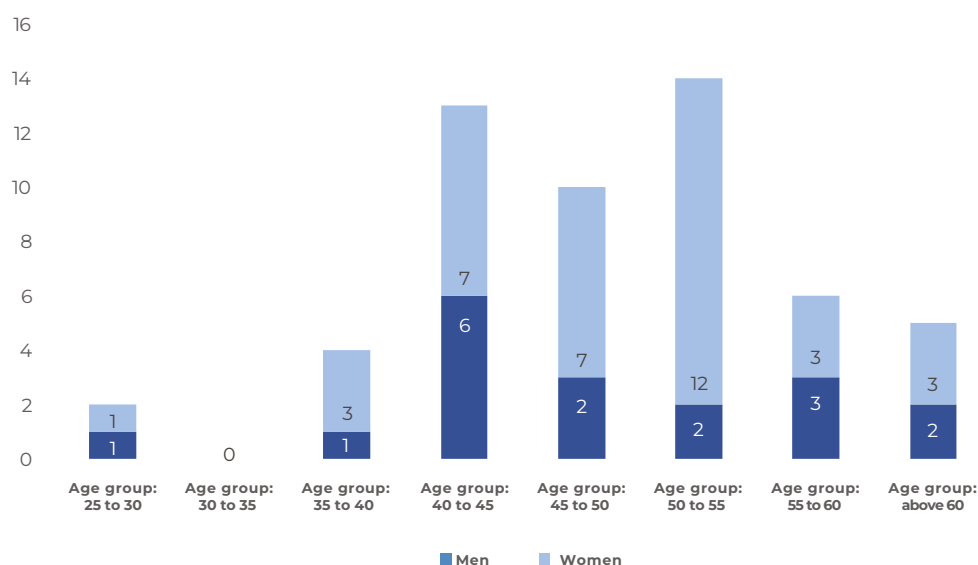
At the end of 2021, SSH employed 54 persons. Of the total of 36 women, 8 women occupied ma-

nagerial positions, and of the total of 18 men, 8 men were employed at the managerial positions (B-1 position). The average age of employees is 47, while the average years of service per employee is approximately 23 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 54 employees, 34 employees had VII level of education, while 8 employees had VIII and VIII/2 level of education.**

	2021	2020	Index 2021/20
Number of employees	54	58	93
Average age of employees	47	48	98
% of women	66.7	67.2	99
% of women at B-1 level	50	64.3	78

Graph: SSH's employees as of 31 December 2021, by age structure



### New employments in 2021

SSH conducts recruitment processes in a transparent manner, following the principle of equal opportunities.

In addition to the Member of the Management Board, the Company recruited four new employ-

ees this year, one of whom took up a managerial position and one of whom is a temporary employee. In addition to the two members of the Management Board, six employees left the Company, one of whom retired. The staff-related changes in the Management Board are explained in the Supervisory Board's Report.

## Management and treatment of employees

**Employees are provided with a stimulating working environment, opportunities for personal and professional development, social security, assistance in reconciling work and private life with family-friendly company measures and encouragement for a healthy lifestyle.**

There were no major changes in the organisation of work during the year - the posts of Executive Directors of the business areas were abolished and the company's organisational by-laws were amended accordingly.

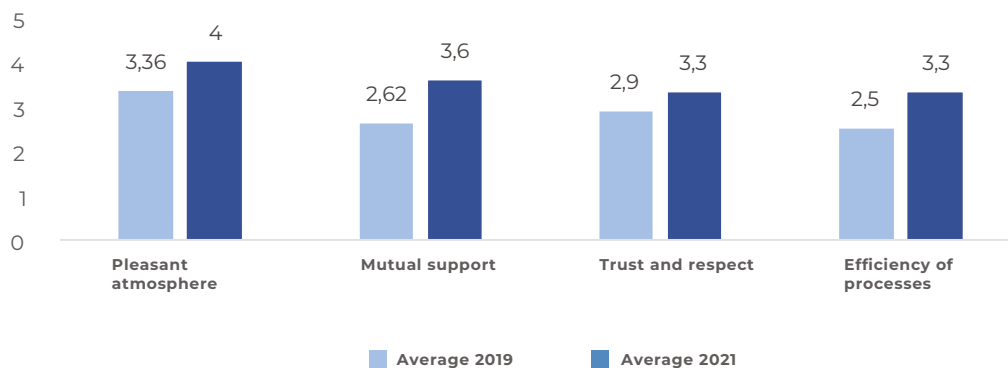
Based on the HR Strategy in force, the Company has started to set up a Key Personnel and Succession System and adopted a Key and Prospective Personnel and Succession Management Policy (Succession Planning) at mid-year. As part of the HR development system, annual development interviews were held with all employees and a training plan for employees and a management skills development programme for managers were prepared. The annual development interviews were also the basis for setting performance tar-

gets and performance appraisals. In parallel, a HR application was being set up to manage HR documentation in a comprehensive and transparent manner which will support staff management and development in the future. At the end of the year, with the agreement of the Employees' Council, a revised Regulation on salaries, other remuneration and performance awards was adopted, laying the basis for an even more effective performance appraisal system. One step towards better employee participation was taken by organising a teambuilding event in the autumn, which was combined with a fire drill in the context of occupational safety and health.

## Organisational climate and employee satisfaction

A survey on the organisational climate at SSH was conducted at the end of 2021, which, compared to the results of a similar survey in 2019, showed an overall improvement in climate, satisfaction, loyalty and engagement. The main findings of the survey are shown in the graph. The survey provided employees with a number of interesting suggestions for improvement, which will be considered and, if possible, implemented.

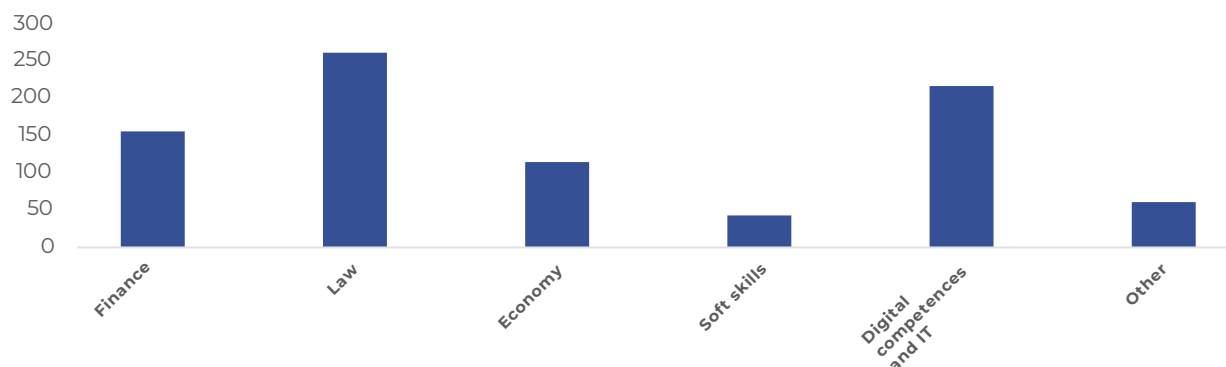
Figure: Organisational climate 2019-2021



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

The Health Promotion Group was more active in 2021 than in the previous year. Group members worked to maintain their well-being through healthy breakfasts, fruit boxes, healthy drinks, virtual exercises and other activities. The measures under the full Family Friendly Company certification system make it easier for employees to better balance work and family life.



**Figure:** Training hours by area

### Education and training of employees in 2021

Staff training in 2021 was more extensive and successful than in the previous year. This is partly attributable to the annual development discussions and training plans, and partly to the adjustment to the epidemic situation, which brought training to a wider range of employees through virtual delivery. A number of training sessions were organised to share in-house knowledge and experience, while some training sessions were "tailor-made" for groups of employees in specialised areas of work for which no suitable training could be found on the market (e.g., transport, energy, tourism). Employees attended also other specialized training sessions organised by SSH for the members of Member Supervisory Boards of the SSH's portfolio companies.

In 2021, the Company also adopted a Strategy for the Effective Management of Older Employees under the ASI 2021 project, in which case SSH successfully competed in a call for tender for reimbursement of funds. The project involves 14 employees over 50 years of age, who participate in various training activities from 1 October 2021 to 30 June 2022 to strengthen digital competences, attend motivational trainings in the field of personal and career development and acquire soft competences.

### Occupational safety and health and health promotion at work

The Company's work is office-based and therefore does not present any major risks. The offices have been completely renovated, made more functional, safer and more energy efficient. During the declared epidemic, most employees worked from home, and the hybrid working guidelines adopted in autumn 2021 formalised the possibility of

limited home working even after the situation returns to normal.

The Company has successfully managed all measures to control the spread of the coronavirus, an no intra-company transmissions were recorded in 2021. The Safety Risk Assessment Statement was updated, and focused on coronavirus spread control, on safe working conditions in the workplace (both at the headquarters and when working at home). SSH further defined in detail the measures to prevent the spread of coronavirus through a revision of the Safety Risk Assessment Statement. The company's business processes (virtual meetings, trainings, adjusting the number of staff in the offices, etc.) have also been adapted in line with the measures. The Crisis Management Team took and adapted the appropriate measures on an ongoing basis and kept employees informed. The Company regularly cooperates with occupational health and safety consultants and occupational health experts and carries out trainings and periodic health checks in accordance with the risk assessment.

### Absenteeism

Absenteeism did not exceed 3% in the last three years, and the percentage of days lost per employee even slightly decreased during the epidemic, which can also be attributed to internal measures, adequate health care and limited contact due to the epidemic measures.

### Social security

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

### Internal communication

Open and regular communication among employees is essential for maintaining good relations, satisfaction and for achieving good performance results. Internal communication tools in 2021 included videoconferencing at the sectoral and management meetings, occasional video meetings with employees, and continuous e-mails and the use of the company's internal portal, which was redesigned at the beginning of 2021. The portal provides all important pieces of information which refer to SSH or its 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.

### Cooperation between employees and chief executives

The way in which employees' rights are exercised is regulated in more detail in the Employee Participation in Management Agreement, which was signed between the Employees Council and the Management Board in December 2021. The agreement regulates the rights and modalities of employee participation in the management of the company and is an important document for future cooperation. The Management Board and the Employees' Council meet at meetings, when necessary, and employees are informed of the most important pieces of information with the year-end report.

### Interrelationships within SSH

Interpersonal relations are governed by the SSH Code of Ethics, which promotes a healthy organisational culture based on the shared values of the Company. At SSH, areas of undesirable conduct are regulated in the Rules on the Prevention of Mobbing and Other Forms of Harassment and Bullying at the Workplace, and in the Rules on the Prohibition of Working Under the Influence of Alcohol, Drugs and Other Illegal Substances. Internal resolution mechanisms are defined in cases of breaches of the Code or the Regulations (Regulations on the establishment of disciplinary liability).

## 10.3 Responsibility towards environment

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***SSH also considers the environmental impact of our decisions, strengthens the digitalisation of our business, ensures waste segregation, rational use of energy and labour resources, supports projects and manages activities that contribute to sustainable business.***

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SSH does not have a major impact on the environment, considering the nature of its activities. It has further significantly increased its cost and energy efficiency from April 2020, eliminating rental costs through the refurbishment of the owner-occupied premises and increasing energy efficiency by installing more efficient lighting and replacing some windows, as well as installing more modern air conditioning for ventilation and heating.

SSH is also working to protect the natural environment through the following measures:

- organised collection and sorting of all waste types under the established system and raising awareness;
- 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;
- arranging and implementing hybrid working, even in non-epidemic situations, and using videoconferencing platforms for training and staff meetings;

- Collecting electronics waste and toner cartridges for their handover to authorised waste collectors.

SSH does not measure the amount of waste water and other waste by activity and had not measured its carbon footprint until 2021.

## 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**

## 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 consolidated financial position of Slovenian Sovereign Holding - Company and SSH Group as at 31 December 2021 and results of performance and of cash flows for 2021.

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

Done in Ljubljana, 13 April 2022



Janez Tomšič,  
**Member of Management Board**



Peter Drobež,  
**Member of Management Board**



Dr. Janez Žlak,  
**President of Management Board**

## 12 INDEPENDENT AUDITOR'S REPORT



Tel: +386 1 53 00 920  
 Fax: +386 1 53 00 921  
 info@bdo.si  
 www.bdo.si

Cesta v Mestni log 1  
 SI-1000 Ljubljana  
 Slovenija

**INDEPENDENT AUDITOR'S REPORT**  
**To the shareholder of Slovenian Sovereign Holding**  
*(Translation of the original report in Slovene language - for information purposes only)*

### REPORT ON THE AUDIT OF SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

#### **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 2021, 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 2021, 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.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

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

##### Key Audit Matter

As at 31.12.2021 the Company, in the separate financial statements, accounts for 57.085 thousand EUR of financial investments, and the Group in its consolidated financial statements accounts for 51.808 thousand EUR of financial investments (investments in shares and shareholdings and purchased receivables) for which no fair values, resulting from quoted

##### 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 scenarios. Our audit team included valuation experts who assisted us in performing the relevant audit procedures regarding material

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, vl.št. 1/26892/00, osnovni kapital: 9.736,66 EUR, matična št.: 5913691, ID št. za DDV: SI94637920.



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.

Disclosures regarding the measurement of fair value of financial investments for which market prices are not readily available are presented in note 15.1.2.

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 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 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.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### **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 8 August 2019 for the financial years 2021, 2022 and 2023. The Chairman of the Supervisory



Board signed the engagement letter on 31 August 2021. Total uninterrupted engagement period for the statutory auditor has lasted for 4 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 19. April 2022.

*Prohibited 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.

*Non- audit Services*

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, 19. April 2022

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 '000					
		SSH		SSH Group	
	Note	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
<b>ASSETS</b>					
<b>Non-current assets - total</b>		<b>68,253</b>	<b>702,766</b>	<b>68,198</b>	<b>702,780</b>
Intangible assets		223	211	223	211
Property, plant and equipment	15.11	1,254	1,280	1,254	1,280
The right to use leased assets		36	91	36	91
Financial investments in subsidiaries	15.1.2	3,692	3,692	3,692	3,692
Financial investments in associates	15.1.2	20,166	207,211	20,111	207,225
Financial investments measured at fair value through other comprehensive income (FVTOCI)	15.1.2	42,408	489,820	42,408	489,820
Deferred tax assets	15.1.16	474	461	474	461
<b>Current assets - total</b>		<b>916,617</b>	<b>34,616</b>	<b>916,617</b>	<b>34,616</b>
Non-current assets held for sale		0	551	0	551
Financial investments to be distributed to owner	15.1.2	861,877	0	861,877	0
Other financial investments	15.1.2	39,427	22,427	39,427	22,427
Trade receivables	15.1.3	4,703	2,604	4,703	2,604
Income Tax receivables		127	0	127	0
Other current assets		139	77	139	77
Cash and cash equivalents	15.1.4	10,344	8,957	10,344	8,957
<b>Assets - total</b>		<b>984,870</b>	<b>737,382</b>	<b>984,815</b>	<b>737,396</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity - total</b>	15.1.5	<b>913,370</b>	<b>640,461</b>	<b>913,315</b>	<b>640,475</b>
Called-up Equity		260,167	260,167	260,167	260,167
Fair value reserve		723,827	484,974	444,605	256,153
Retained net profit or loss		-70,624	-104,680	113,090	123,481
Net profit or loss for the period		0	0	95,453	674
<b>Non-current liabilities - total</b>		<b>39,411</b>	<b>58,751</b>	<b>39,411</b>	<b>58,751</b>
Provisions and non-current deferred revenues	15.1.6	39,399	58,697	39,399	58,697
Finance lease payables		12	54	12	54
<b>Current liabilities</b>		<b>32,089</b>	<b>38,170</b>	<b>32,089</b>	<b>38,170</b>
Finance lease payables		27	38	27	38
Operating liabilities	15.1.8	18,498	20,144	18,498	20,144
Income Tax Liabilities	15.1.16	0	139	0	139
Other liabilities	15.1.9	13,564	17,849	13,564	17,849
<b>Liabilities - total</b>		<b>71,500</b>	<b>96,921</b>	<b>71,500</b>	<b>96,921</b>
<b>Liabilities and equity - total</b>		<b>984,870</b>	<b>737,382</b>	<b>984,815</b>	<b>737,396</b>

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

## 13.2 Income Statement of SSH and SSH Group

in EUR '000					
		SSH		SSH Group	
	Note	2021	2020	2021	2020
Income from contracts with customers	15.1.10	5,102	6,904	5,102	6,904
Other operating income	15.1.10	5,146	2,247	5,146	2,247
<b>Operating income</b>		<b>10,248</b>	<b>9,151</b>	<b>10,248</b>	<b>9,151</b>
Costs of materials and services	15.1.11	1,674	3,399	1,674	3,399
Labour costs	15.1.12	3,988	4,327	3,988	4,327
Depreciation and amortisation	15.1.13	236	240	236	240
Non-current provisions	15.1.7	1,410	0	1,410	0
Write-offs		0	2	0	2
Other operating expenses		49	64	49	64
<b>Operating profit/(loss)</b>		<b>2,891</b>	<b>1,119</b>	<b>2,891</b>	<b>1,119</b>
Financial income	15.1.14	42,302	27,002	31,444	27,002
Finance expense	15.1.14	84	1,489	84	1,489
Proportion of profit/loss from investments measured at equity method	15.1.15	0	0	61,189	-25,307
<b>Profit or loss before taxes</b>		<b>45,109</b>	<b>26,632</b>	<b>95,440</b>	<b>1,325</b>
Income tax	15.1.16	0	-139	0	-139
Deferred taxes	15.1.16	13	-512	13	-512
<b>Net profit or loss for the period</b>		<b>45,122</b>	<b>25,981</b>	<b>95,453</b>	<b>674</b>
<b>Basic and adjusted earnings per share - in EUR</b>	15.1.17	<b>289.49</b>	<b>166.69</b>	<b>612.40</b>	<b>4.32</b>

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

### 13.3 Statement of Other Comprehensive Income of SSH and SSH Group

in EUR '000					
		SSH		SSH Group	
	Note	2021	2020	2021	2020
<b>Net profit/(loss) for the period</b>		<b>45,122</b>	<b>25,981</b>	<b>95,453</b>	<b>674</b>
Changes in fair value reserve (financial investments)	15.1.5	227,788	2,899	179,804	29,384
Proportional share of other comprehensive income of associates		0	0	-554	-2,346
Recalculation of post-employment benefits	15.1.6	-1	1	-1	1
<b>Total other comprehensive income not to be recognized in Income Statement in the future</b>		<b>227,787</b>	<b>2,900</b>	<b>179,249</b>	<b>27,039</b>
Proportional share of other comprehensive income of associates		0	0	-1,862	1,147
<b>Total other comprehensive income to be recognized in Income Statement in the future</b>		<b>0</b>	<b>0</b>	<b>-1,862</b>	<b>1,147</b>
<b>Other comprehensive income after tax - total</b>		<b>227,787</b>	<b>2,900</b>	<b>177,387</b>	<b>28,186</b>
<b>Total comprehensive income after tax</b>		<b>272,909</b>	<b>28,881</b>	<b>272,840</b>	<b>28,860</b>

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

## 13.4 Statement of Cash Flows of SSH and SSH Group

	in EUR '000			
	SSH		SSH Group	
	2021	2020	2021	2020
<b>Cash flows from operating activities</b>				
<i>Cash receipts from operating activities</i>	9,363	12,283	9,363	12,283
Receipts from operating activities	7,502	9,807	7,502	9,807
Receipts from Republic of Slovenia (on behalf of and for the account of)	1,861	2,476	1,861	2,476
<i>Cash payments relating to operating activities</i>	-32,084	-13,462	-32,084	-13,462
Payments to suppliers for goods and services	-1,685	-3,274	-1,685	-3,274
Payments to and on behalf of employees	-3,895	-4,350	-3,895	-4,350
Payments of taxes and duties of all kinds	-1,326	-815	-1,326	-815
Payments pursuant to ZDen and SZ	-23,525	-2,246	-23,525	-2,246
Payments on behalf the Republic of Slovenia (on behalf of and for the account of)	-1,445	-2,525	-1,445	-2,525
Other cash payments relating to operating activities	-208	-252	-208	-252
<b>Net cash flow from operating activities</b>	<b>-22,721</b>	<b>-1,179</b>	<b>-22,721</b>	<b>-1,179</b>
<b>Cash flow from investing activities</b>				
<i>Cash receipts from investing activities</i>	71,670	117,566	71,670	117,566
Interest received -deposits	0	205	0	205
Dividends received	39,753	23,218	39,753	23,218
Proceeds from the sale of property, plant and equipment	1	26	1	26
Proceeds from the sale of non-current financial investments	1,687	3,927	1,687	3,927
Proceeds from the sale of current financial investments	30,229	90,190	30,229	90,190
<i>Cash payments relating to investing activities</i>	-47,561	-17,028	-47,561	-17,028
Payments for fees/negative interest	-68	0	-68	0
Payments to acquire intangible assets	-110	-143	-110	-143
Payments to acquire property, plant and equipment	-151	-591	-151	-591
Payments to acquire non-current financial investments	-5,000	0	-5,000	0
Payments to acquire current financial investments	-42,232	-16,294	-42,232	-16,294
<b>Net cash flow from investing activities</b>	<b>24,109</b>	<b>100,538</b>	<b>24,109</b>	<b>100,538</b>
<b>Cash flow from financing activities</b>				
<i>Cash receipts from investing activities</i>	0	13,000	0	13,000
Proceeds from increase in current financial liabilities	0	13,000	0	13,000
<i>Cash payments for investing activities</i>	-1	-115,510	-1	-115,510
Interest payments relating to financing activities	-1	-2,510	-1	-2,510
Repayment of non-current financial liabilities	0	-100,000	0	-100,000
Repayment of current financial liabilities	0	-13,000	0	-13,000
<b>Net cash flows from financing activities</b>	<b>-1</b>	<b>-102,510</b>	<b>-1</b>	<b>-102,510</b>
<b>Cash at the end of the period</b>	<b>10,344</b>	<b>8,957</b>	<b>10,344</b>	<b>8,957</b>
<i>Net cash inflow/(outflow) during the period</i>	1,387	-3,151	1,387	-3,151
<i>Cash at beginning of period</i>	8,957	12,108	8,957	12,108

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

## 13.5 Statement of Changes in Equity

### 13.5.1 Statement of Changes in Equity of SSH

in EUR '000

	Called-up equity	Fair value reserve	Retained profit/loss	Net profit/loss	Total
<b>Opening balance as at 1 Jan 2020</b>	<b>260,167</b>	<b>482,076</b>	<b>-114,045</b>	<b>-16,618</b>	<b>611,580</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>2,900</b>	<b>0</b>	<b>25,981</b>	<b>28,881</b>
Net profit for the period	0	0	0	25,981	25,981
Other comprehensive income	0	2,900	0	0	2,900
<b>Transactions with owners</b>	<b>0</b>	<b>-2</b>	<b>9,365</b>	<b>-9,363</b>	<b>0</b>
Transfer to retained profit/loss	0	-2	9,365	-9,363	0
<b>Closing balance as of 31 Dec 2020</b>	<b>260,167</b>	<b>484,974</b>	<b>-104,680</b>	<b>0</b>	<b>640,461</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>227,787</b>	<b>0</b>	<b>45,122</b>	<b>272,909</b>
Net profit for the period	0	0	0	45,122	45,122
Other comprehensive income	0	227,787	0	0	227,787
<b>Transactions with owners</b>	<b>0</b>	<b>11,066</b>	<b>34,056</b>	<b>-45,122</b>	<b>0</b>
Transfers to retained losses and to cover loss	0	0	45,122	-45,122	0
Transfers due to sale of financial investments	0	11,066	-11,066	0	0
<b>Closing balance as at 31 Dec 2021</b>	<b>260,167</b>	<b>723,827</b>	<b>-70,624</b>	<b>0</b>	<b>913,370</b>

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



## 13.5.2 Statement of Changes in Equity of SSH Group

in EUR '000

	Called-up equity	Fair value reserve	Retained profit/loss	Net profit/loss	Total
<b>Opening balance as at 1 Jan 2020</b>	<b>260,167</b>	<b>227,969</b>	<b>125,583</b>	<b>-2,104</b>	<b>611,615</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>28,186</b>	<b>0</b>	<b>674</b>	<b>28,860</b>
Net profit for the period	0	0	0	674	674
Other comprehensive income	0	28,186	0	0	28,186
<b>Transactions with owners</b>	<b>0</b>	<b>-2</b>	<b>-2,102</b>	<b>2,104</b>	<b>0</b>
Transfers due to sale of financial investments	0	-2	-2,102	2,104	0
<b>Closing balance as at 31 Dec 2020</b>	<b>260,167</b>	<b>256,153</b>	<b>123,481</b>	<b>674</b>	<b>640,475</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>177,387</b>	<b>0</b>	<b>95,453</b>	<b>272,840</b>
Net profit for the reporting period	0	0	0	95,453	95,453
Other comprehensive income	0	177,387	0	0	177,387
<b>Transactions with owners</b>	<b>0</b>	<b>11,065</b>	<b>-10,391</b>	<b>-674</b>	<b>0</b>
Transfer to retained profit/loss	0	-1	675	-674	0
Transfers due to sale of financial investments	0	11,066	-11,066	0	0
<b>Balance as at 31 Dec 2021</b>	<b>260,167</b>	<b>444,605</b>	<b>113,090</b>	<b>95,453</b>	<b>913,315</b>

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

## 14 BASIS FOR PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 14.1 Reporting Company

The reporting company – Slovenian Sovereign Holding, is a 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 as of 31 December 2021, 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, 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 the liquidation procedure had been completed, SDH had two subsidiaries on 31 December 2021: Elektrooptika, d. d., and PS ZA AVTO, d. o. o.

As of 31 December 2021 and 2020, 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 2021 and 2020, 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. Elektrooptika, d. d., Ljubljana, does not generate any revenue. The said company would also not have had a material impact on presentation of fair and true financial statements for the Group; therefore, it has not been included in the consolidated financial statements.

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

During the financial year, SSH employed an average of 54.66 full-time equivalent employees or FTEs (2020: 60.40 FTEs), calculated as the total working hours for which employees received a salary or remuneration divided by number of possible working hours for the year. As of 31 December 2021, there were 54 employees employed (31 December 2020: 58).

The Financial Statements for the financial year of 2021 were approved for the publication by the SSH Management Board on 13 April 2022.

## 14.2 Basis for 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 2021, 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 ("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 factors reasonable 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 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;
- adjustments of the value of receivables;
- the estimate regarding the value of provisions and of contingent liabilities;
- estimating the fair value of assets;
- the estimate of the possibility for applying 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 **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** – Reference Interest Rate Reform - Phase 2. The amendments define matters arising from the implementation of the Reference Interest Rate Reform (IBOR Reform) and include the replacement of one measure (benchmark) by another. For financial instruments measured at amortised cost, the amendments require entities, as a practical expedient, to account for the change in the basis for determining contractual cash flows as a result of the IBOR Reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. Consequently, changes would not result in an immediate recognition of a gain or loss. This practical expedient applies only to such a change and only to the extent that it is necessary as a direct consequence of the IBOR reform and the new basis is economically equivalent to the previous basis. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications should be 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).
- Extension of amendments to lease terms related to COVID-19 (Amendments to **IFRS – 16 Leases**), effective for periods beginning on or after 1 June 2020, with retrospective application permitted. The Amendment, which was first adopted in May 2020, 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 as otherwise defined in IFRS 16. However, in doing so, certain criteria have to be met. These are: a) the revised consideration for the lease remains substantially the same as, or less than, the consideration for the lease before

the modification; b) any reduction in lease payments affects only payment originally due on or before 30 June 2021; and c) there are no other substantive change to the other terms and conditions of the lease. In March 2021, the OMB extended the duration of the amendment from 30 June 2021 to 30 June 2022. This amendment is effective for reporting periods beginning on or after 1 April 2021. A lessee has the option to elect to apply this practical expedient and apply it consistently to all leases with similar characteristics and in similar circumstances. This practical expedient does not apply to lessors.

- Amendments to **IFRS 4** – Insurance Contracts - Temporary Exemption from IFRS 9, effective in the EU from 1 January 2021.

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

##### 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.

For the reporting period starting on 1 January 2022, the following amendments shall enter into force:

- Onerous Contracts - Costs of Fulfilling a Contract (Amendments to IAS 37);
- Property, plant and equipment: revenue before intended use (Amendment to IAS 16);
- Annual Improvements to IFRSs 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- Reference to the Conceptual Framework (Amendments to IFRS 3).

For the reporting period starting on 1 January 2023, the following amendments shall enter into force:

- IFRS 17 – Insurance Contracts.

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:

- Disclosure of accounting policies (Amendments to IAS 1 and IFRS 2 Statement of Practice);
- Definition of accounting estimates (amendments to IAS 8);
- Deferred tax relating to assets and liabilities arising from a single transaction (Amendments to IAS 12);
- Amendments to IFRS 17 – Insurance Contracts, First-time Adoption of IFRS 17 and IFRS 9 – Comparative Information.

In January 2020, IASB issued amendments to IAS 1 that clarify the criteria used to determine whether liabilities are classified as current or non-current. The amendments specify that the classification of a liability as current or non-current is based on whether, at the end of the reporting period, an entity has the right to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services or equity instruments, unless the obligation to transfer the equity instruments arises from a conversion option that is a separate component of a compound financial instrument. The amendments were initially effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was delayed to annual reporting periods beginning on or after 1 January 2023.

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 statements in the transition period.

## 14.2.5 Amendments of accounting policies

No amendments to the underlying accounting policies were adopted in 2021 and 2020. In 2021, the accounting for government grants and sickness absence allowances was changed so that income received to cover costs is recognised as other operating income and is not netted against the costs it is intended to compensate. Other operating income and labour costs in the 2020 comparatives have also been adjusted accordingly.

## 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 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 In-

come 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 for their operation but it does not control them.

Investments in associates are recognised at fair value through other comprehensive income (FVTOCI) in separate 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 business results and major events and measures fair value at an annual basis. All changes in fair value are recognised in Other Comprehensive Income Statement.

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 carrying amount 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 life ranges from 3 to 10 years.

### **Tangible fixed assets**

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

The depreciation of intangible assets is calculated at the straight line method by taking into account the useful life of the assets. The estimated useful life is as follows:

- 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 of 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 an irrevocable election to measure these investments at fair value through other comprehensive income (FVTOCI). This election is made for each investment separately. The fair value of listed investments is measured using the closing quote on the reporting date. The fair value of non-listed 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 profit 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 them 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 2021 or rather as of 31 December 2021, 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 and operating liabilities.

Operating liabilities are liabilities due to suppliers for assets acquired or services rendered, and liabilities due to employees, government, 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.

**Derived financial instruments**

SSH/SSH Group did not hold any derivative financial instruments in 2021 and 2020.

**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 also classified 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 disposal and subsequent gains or losses on re-measurement are recognised in profit or loss.

**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 accordance with IFRS 5.

The deadline for the transfer of assets to the owner was extended for two more years, 31 December 2022, in accordance with ZIPRS2122. 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 the 2021 Financial Statements, strategic and important assets are again reported under 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 value 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 to be classified as a party liable to pay compensation, such claims are classified as contingent liabilities.

#### ***Provisions for retirement benefits and jubilee awards***

In accordance with statutory requirements and internal legal documents, SSH/SSH Group is liable to pay jubilee awards 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 the 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 case of any significant changes relating to employees.

#### ***Deferred tax expense***

Deferred taxes are directly associated with the basic accounting principle of comparing revenues 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 tax bases 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 is to 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 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, the 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 2021 and 2020 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 influence over their operations 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 15.1.5), all notes refer simultaneously to SSH and SSH Group.

#### 15.1.1 Property, plant and equipment

Movements in property, plant and equipment in 2021

	in EUR '000					
	SSH and SSH Group					
	Land	Buildings	Investments in Progress	Equipment and spare parts	Small tools	Total
<b>Cost</b>						
<i>Cost value as at 1 Jan 2021</i>	140	1,999	0	683	21	2,843
Additions – new purchases	0	0	0	89	0	89
Disposals	0	0	0	-85	0	-85
<i>Cost as at 31 Dec 2021</i>	140	1,999	0	687	21	2,847
<b>Depreciation and impairment</b>						
<i>Accumulated depreciation and impairments as at 1 Jan 2021</i>	0	1,108	0	439	16	1,563
Depreciation for current year	0	47	0	65	2	114
Disposals	0	0	0	-84	0	-84
<i>Accumulated depreciation and impairments as at 31 Dec 2021</i>	0	1,155	0	420	18	1,593
Current value as at 1 Jan 2021	140	891	0	244	5	1,280
<b>Current value as at 31 Dec 2021</b>	<b>140</b>	<b>844</b>	<b>0</b>	<b>267</b>	<b>3</b>	<b>1,254</b>

Movements in property, plant and equipment in 2020

in EUR '000

SSH and SSH Group						
in EUR '000	Land	Buildings	Investments in Progress	Equipment and spare parts	Small tools	Total
<b>Cost</b>						
<i>Cost value as at 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
<b>Impairment</b>						
<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
Current value as at 1 Jan 2020	140	656	7	264	4	1,071
<b>Current value as at 31 Dec 2020</b>	<b>140</b>	<b>891</b>	<b>0</b>	<b>244</b>	<b>5</b>	<b>1,280</b>

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

## 15.1.2 Financial investments

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

*Investments in the shares of companies in which SSH/SSH Group holds at least 20% ownership interest as at 31 Dec 2021 and 31 Dec 2020*

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

\*The liquidation proceedings of GIO were completed on 24 June 2021.

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

	in EUR '000					
	Voting rights and ownership		SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	in %	in %				
Elektrooptika, d. d.	70.48	70.48	0	0	0	0
Gio, d. o. o., Ljubljana—in liquid.*	-	71.27	-	0	-	0
PS ZA AVTO, d. o. o.	90.00	90.00	3,692	3,692	3,692	3,692
<b>Total</b>			<b>3,692</b>	<b>3,692</b>	<b>3,692</b>	<b>3,692</b>

\* The liquidation proceedings of GIO were completed on 24 June 2021; the investment in GIO was reported under non-current assets held for sale in the 2020 Financial Statements.



Data from the Statements of Financial Position and Income Statements of subsidiaries for 2021 and 2020

in EUR '000				
	PS ZA AVTO, d. o. o.		Elektrooptika, d. d.	
As at	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Current assets	3,178	2,762	2	1
Non-current assets	3,447	3,448	0	0
Current liabilities	45	48	108	102
Non-current liabilities	1,193	1,222	0	0
Equity	5,387	4,940	-106	-101
Year	2021	2020	2021	2020
Sales revenue	302	278	0	0
Net profit or loss	-85	36	-4	-5
Other comprehensive income	0	0	0	0
Total comprehensive income	-85	36	-4	-5
<b>SSH ownership interest (in %)</b>	<b>90.00</b>	<b>90.00</b>	<b>70.48</b>	<b>70.48</b>

The table does not include data for GIO as its liquidation proceedings were completed in 2021; the investment in GIO was reported under non-current assets held for sale in the 2020 Financial Statements.

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.

### Financial investments in associates

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

in EUR '000						
	Voting rights and ownership		SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	in %	in %				
Casino Bled, d. d.	33.75	33.75	61	61	6	75
Hit, d. d.	20.00	20.00	8,243	5,927	8,243	5,927
Unior, d. d.	39.43	39.43	11,862	9,624	11,862	9,624
Zavarovalnica Triglav, d. d.,	28.09	28.09	235,029	191,599	235,029	191,599
<b>Total</b>			<b>255,195</b>	<b>207,211</b>	<b>255,140</b>	<b>207,225</b>
Non-current financial investments			20,166	207,211	20,111	207,225
Current financial investments			235,029	0	235,029	0
<b>Total</b>			<b>255,195</b>	<b>207,211</b>	<b>255,140</b>	<b>207,225</b>

Note: Investment in Zavarovalnica Triglav shares is classified as the financial investment to be distributed to owner as at 31 December 2021.

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 2021 and 2020 (excluding data for Zavalnica Triglav which is classified as financial investments to be distributed to owner)

in EUR '000						
As at	Casino Bled, d. d.		HIT Group		Unior Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Current assets	331	464	33,735	18,253	152,173	134,729
Non-current assets	30	49	97,367	107,943	213,404	206,673
Current liabilities	307	239	60,969	53,216	97,507	78,533
Non-current liabilities	40	51	24,736	25,225	91,747	100,017
Equity	14	223	45,397	47,755	176,323	162,852
Year	2021	2020	2021	2020	2021	2020
Sales revenue	576	365	83,848	78,711	239,699	210,240
Net profit or loss	-197	-65	-2,039	-10,614	11,091	-2,196
Other comprehensive income	0	0	-289	-92	3,728	-6,770
Total comprehensive income	-197	-65	-2,328	-10,706	14,819	-8,966
<b>SSH ownership interest (in %)</b>	<b>33.75</b>	<b>33.75</b>	<b>20.00</b>	<b>20.00</b>	<b>39.43</b>	<b>39.43</b>

Note: Non-audited data are presented.

### Financial investments to be distributed to owners

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

The amendments to the Slovenian Compensation Fund Act were published in the Official Gazette No. 55/17. Pursuant to these amendments, SSH is obliged to transfer to the ownership of the Republic of Slovenia, by 31 December 2020, all capital assets owned by SSH on 20 December 2020 and which are classified as strategic and important

assets in accordance with the State Assets Management Strategy, adopted on the basis of the law regulating the management of RS's capital assets. Capital assets are classified in accordance with the Ordinance On State-Owned Capital Assets Management Strategy which was adopted by the National Assembly on 13 July 2015. In accordance with amendments to ZSOS, capital assets in the value of EUR 200 million were transferred by SSH to RS in December 2017. The Article 81 of ZIPRS2122 extended the deadline for the transfer of strategic and important assets to the Republic of Slovenia by two years, i.e., to December 2022.

in EUR '000				
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Financial investments in associates	235,029	0	235,029	0
Financial assets measured at fair value through other comprehensive income (FVTOCI)	626,848	0	626,848	0
<b>Total</b>	<b>861,877</b>	<b>0</b>	<b>861,877</b>	<b>0</b>
Non-current financial investments	0	0	0	0
Current financial investments	861,877	0	861,877	0
<b>Total</b>	<b>861,877</b>	<b>0</b>	<b>861,877</b>	<b>0</b>

**Other financial investments**

	in EUR '000			
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Financial investments measured at fair value through other comprehensive income (FVTOCI)	42,408	489,820	42,408	489,820
Financial assets, measured at fair value through profit or loss (FVTPL)	22,427	22,427	22,427	22,427
Financial assets measured at amortised cost	17,000	0	17,000	0
<b>Total</b>	<b>81,835</b>	<b>512,247</b>	<b>81,835</b>	<b>512,247</b>
Non-current financial investments	42,408	489,820	42,408	489,820
Current financial investments	39,427	22,427	39,427	22,427
<b>Total</b>	<b>81,835</b>	<b>512,247</b>	<b>81,835</b>	<b>512,247</b>

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

**Financial assets, measured at fair value through profit or loss - purchased receivables**

In 2016, during the financial restructuring process 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 value was EUR 34.5 million. The subject of this purchase were 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 me-

ans of a gradual sale of asset by November 2019. SSH received the total of EUR 19.7 million, including interest, from the settlement of receivables. The Sava Reprogramming Agreement was concluded between SSH, KAD and York, under which the due date for final repayment of liabilities arising from compulsory settlement proceedings was extended for five months, specifically from November 2019 to 30 April 2020; several annexes were subsequently concluded to the above mentioned agreement: the Annex No. 1, postponing the due date for final repayment to 30 October 2020; the Annex No. 2 extended it to 30 June 2021, and the Annex No. 3 to 30 September 2021, and Annex No. 4 to 30 June 2022. 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 2021 and the value of the receivable increased by the accrued interest.

**Movement in financial investments**

in EUR '000					
SSH					
	1 Jan 2021	Acquisitions	Disposals	Revaluations	31 Dec 2021
Investments in subsidiaries	3,692	0	0	0	3,692
Investments in associates	207,211	0	0	47,984	255,195
Financial assets measured at fair value through other comprehensive income (FVTOCI)	489,820	0	-230	179,666	669,256
Financial assets measured at fair value through profit or loss (FVTPL)	22,427	0	0	0	22,427
Loans made to related parties	0	3	0	-3	0
Financial assets measured at amortised cost	0	19,139	-2,139	0	17,000
<b>Total</b>	<b>723,150</b>	<b>19,142</b>	<b>-2,369</b>	<b>227,647</b>	<b>967,570</b>

in EUR '000					
SSH					
	1 Jan 2020	Acquisitions	Disposals	Revaluations	31 Dec 2020
Investments in subsidiaries	3,692	0	0	0	3,692
Investments in associates	233,696	0	0	-26,485	207,211
Financial assets measured at fair value through other comprehensive income (FVTOCI)	460,308	0	0	29,512	489,820
Financial assets measured at fair value through profit or loss (FVTPL)	24,408	0	-1,981	0	22,427
Loans made to related parties	0	3	0	-3	0
Financial assets measured at amortised cost	73,900	0	-73,900	0	0
<b>Total</b>	<b>796,004</b>	<b>3</b>	<b>-75,881</b>	<b>3,024</b>	<b>723,150</b>

Strategic and important assets, which will be transferred to RS in 2022 were reported under current assets.

in EUR '000

SSH Group					
	1 Jan 2021	Acquisitions	Disposals	Revaluations	31 Dec 2021
Investments in subsidiaries	3,692	0	0	0	3,692
Investments in associates	207,225	0	0	47,915	255,140
Financial assets measured at fair value through other comprehensive income (FVTOCI)	489,820	0	-230	179,666	669,256
Financial assets measured at fair value through profit or loss (FVTPL)	22,427	0	0	0	22,427
Loans made to related parties	0	3	0	-3	0
Financial assets measured at amortised cost	0	19,139	-2,139	0	17,000
<b>Total</b>	<b>723,164</b>	<b>19,142</b>	<b>-2,369</b>	<b>227,578</b>	<b>967,515</b>

in EUR '000

SSH Group					
	1 Jan 2020	Acquisitions	Disposals	Revaluations	31 Dec 2020
Investments in subsidiaries	3,692	0	0	0	3,692
Investments in associates	233,731	0	0	-26,506	207,225
Financial assets measured at fair value through other comprehensive income (FVTOCI)	460,308	0	0	29,512	489,820
Financial assets measured at fair value through profit or loss (FVTPL)	24,408	0	0	-1,981	22,427
Loans made to related parties	0	3	0	-3	0
Financial assets measured at amortised cost	73,900	0	-73,900	0	0
<b>Total</b>	<b>796,039</b>	<b>3</b>	<b>-73,900</b>	<b>1,022</b>	<b>723,164</b>

## Fair value levels of financial instruments

Classification of financial instruments according to fair value hierarchy as at 31 December 2021

	in EUR '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	11,862	0	8,304	11,862	0	8,249
Other non-current financial assets	41,199	0	1,209	41,199	0	1,209
<i>Investments in listed shares</i>	41,199	0	0	41,199	0	0
<i>Non-listed shares and stakes</i>	0	0	1,209	0	0	1,209
Other current financial assets	840,425	0	75,910	840,425	0	75,910
<i>Investments in listed shares</i>	840,425	0	0	840,425	0	0
<i>Non-listed shares and stakes</i>	0	0	21,453	0	0	21,453
<i>Purchased receivables</i>	0	0	22,427	0	0	22,427
<i>Deposits to commercial banks</i>	0	0	27,200	0	0	27,200
<i>Current operating receivables</i>	0	0	4,830	0	0	4,830
Finance lease payables	0	0	39	0	0	39
Current operating liabilities	0	0	32,089	0	0	32,089

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

	in EUR '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
<i>Investments in listed shares</i>	470,119	0	0	470,119	0	0
<i>Non-listed shares and stakes</i>	0	0	19,701	0	0	19,701
Other current financial assets	551	0	33,931	551	0	33,931
<i>Purchased receivables</i>	0	0	22,427	0	0	22,427
<i>Non-current assets held for sale</i>	551	0	0	551	0	0
<i>Deposits to commercial banks</i>	0	0	8,900	0	0	8,900
<i>Current operating receivables</i>	0	0	2,604	0	0	2,604
Finance lease payables	0	0	91	0	0	91
Current operating liabilities	0	0	38,170	0	0	38,170

**Valuing important investments for which market prices are not available as at 31 December 2021**

All estimates of the value of investments, which are presented below, were made by accredited, certified value appraisers for financial reporting purposes. The estimates were made on the basis of the fair value as defined in IFRS 13, which matches the market value under the 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 assets is 31 December 2021. The use of different valuation methodologies or different valuation assumptions may result in different fair values SSH / SSH Group is aware of this fact, but at the same time considers the values as appropriate.

The fair value of SSH's 18.69% shareholding in **Sava, d. d.**, was appraised by using the net asset value method (NAV) on a going concern assumption, which is the most appropriate method for valuing a going concern whose value depends on the value of its assets (financial holdings). The net asset value method is based on unaudited financial statements as at 31 Dec 2021. The valuer estimated the fair value of the assets and adjusted the liabilities to their estimated values; the difference calculated represents the value for 100% equity, and deductions for lack of marketability of 8,4% and for control of 17,33% were applied to calculate the SSH's share. The majority of Sava's assets comprises financial investments in Sava Turizem, d. d., (hereinafter referred to as: "Sava Turizem"). The fair value of Sava's 95% shareholding in Sava Turizem was estimated on the basis of the discounted cash flow method (DCF method). Based on the analyses of the Sava Turizem's past performance, its capacity, risks, market and development opportunities and its strategy, the valuer prepared its own projection of future performance from the perspective of the majority owner, who may have an impact on Sava Turizem's business decisions. To verify the valuation, the valuer also calculated the value based on the projections prepared by the company's management for the period 2022-2025. The discount rate (WACC) used in the calculation was 10,70%, taking into account the growth in the residual value (g) of 2%. Discounting for lack of control and lack of marketability was not applied in view of the size of the share being valued. The comparable listed company method was used as a control method.

The fair value of SSH's 20% shareholding in **Hit, d. d.**, which represents 33,33% of the issued ordinary Hit shares, was appraised using the discounted cash flow method (DCF-method) on a going concern assumption. Based on an analysis of the past performance of the HIT Group, a review of the management's plan for 2022 and an analysis of Hit's capacities, risks and development capabilities, the valuer has prepared its own projection of the future performance of the Hit Group from the perspective of the majority owner, who may have an impact on Hit's business decisions. The discount rate (WACC) used in the calculation was 10,72%, taking into account the growth in the residual value (g) of 2%. A discount for lack of control of 5,78% and a discount for lack of marketability of 31,21% were applied. In the calculation, the valuer assumed that the preference participating shares and the ordinary shares are on an equal footing, given that in the event of a successful business performance, all the shares participate in the payment of dividends in the same amount. Due to circumstances related to COVID-19, the dividend for 2019 and 2020 was not paid and therefore the preference shares will acquire voting rights until all outstanding dividends have been paid. The business projections assume that the dividend arrears will be paid to the preference shares in 2024.

The fair value of SSH's 15% shareholding in **Loterija Slovenije, d. d.**, was appraised using the discounted cash flow method (DCF-method) on a going concern assumption. Based on an analysis of the past performance of Loterija Slovenije and of the management's plan for 2022 as well as an analysis of the company's capacities, risks and market and development opportunities, the valuer has prepared its own projections of the company's future performance from the perspective of the majority owner, who may have an impact on the Loterija Slovenije's business decisions. The discount rate (WACC) used in the calculation was 10,12%, taking into account the long-term growth rate value (g) of 2%. A discount for lack of control of 8,66% and a discount for lack of marketability of 14,79% were applied.

The fair value of SSH's 11.74% shareholding in **Adria, d. o. o.**, was appraised using the discounted cash flow method (DCF-method) on a going concern assumption. Based on an analysis of the company's past performance, a review of the management's plan for 2022 and 2023, and taking into account an analysis of the company's capaci-



ties, risks and market and development opportunities, the valuer has made its own projection of the future performance of the business from the perspective of the majority owner, who may have an impact on the Adria's business decisions. The discount rate (WACC) used in the calculation was 10,95%, taking into account the growth rate value (g) of 2%. A discount for lack of control of 8,66% and a discount for lack of marketability of 31,21% were applied.

The fair value of SSH's 4.01% shareholding in **Terme Olimia, d. d.** (hereinafter Terme Olimia), was appraised using the discounted cash flow method (DCF-method) on a going concern assumption. Based on an analysis of the company's past performance, a review of the management's plan for 2022, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer has made its own projection of the future performance of the business from the perspective of the majority owner, who may have an impact on the Terme Olimia's business decisions. The discount rate (WACC) used in the calculation was 10,88%, taking into account the long-term growth rate value (g) of 2%. A discount for lack of control of 5,78% and a discount for lack of marketability of 4,93% were applied.

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

***Valuing important investments for which market prices are not available as at 31 December 2020***

All estimates of the value of investments, which are presented below, were made by accredited, certified 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 the 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 assets 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, the liquidation costs taking into account the liquidation costs, and the difference obtained in the calculation represented the shareholder's equity. The majority of Sava's 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 the marketability discount as it was already 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 with relation to 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, under an assumption that Sava Turizem reopens in July 2021.

The 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 a 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 an option 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 avail-

ability 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 appraised by 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 on 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, an estimate relating to Adria's operations for 2020 was obtained as well as a three-year business plan and other data, and the explanations by the appraised company and SSH were given. The financial analysis of Adria was performed by focusing on significant items and on elements used for the preparation of projections and for the definition 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 operation, 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 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 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, the discount for lack of liquidity of 5% was applied for a 100% shareholding, since the subject of the valuation was the 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 are connected with the material uncertainty since the impacts of COVID-19 are still impossible to be assessed but it is expected that they will have a significant impact on the value of businesses operating in tourism and gaming industry.

### 15.1.3 Current Trade Receivables

	in EUR '000			
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Receivables due from customers	726	680	726	680
Impairment of receivables due from customers	-3	-2	-3	-2
Interest receivable	3,120	1,313	3,120	1,313
Impairment of interest receivable	-15	-20	-15	-20
Receivables due from the Republic of Slovenia pursuant to ZSPOZ, ZIOOZP, ZVVJTO	61	131	61	131
Receivables due from state institutions	812	150	812	150
Other receivables	1,999	2,350	1,999	2,350
Adjustments of other receivables	-1,997	-1,998	-1,997	-1,998
<b>Total</b>	<b>4,703</b>	<b>2,604</b>	<b>4,703</b>	<b>2,604</b>

SSH has no overdue, unimpaired receivables.

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

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.

#### *Movements in bad debt provision*

	in EUR '000			
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Bad debt provision as at 1 Jan	2,020	2,308	2,020	2,308
Collected receivables for which adjustment was made	5	0	5	0
Written-off receivables for the year	1	289	1	289
Adjustments made for the year	1	1	1	1
<b>Bad debt provision as at 31 Dec</b>	<b>2,015</b>	<b>2,020</b>	<b>2,015</b>	<b>2,020</b>

## 15.1.4 Cash and cash equivalents

in EUR '000

	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Credit balances at commercial banks	144	57	144	57
Cash equivalents	10,200	8,900	10,200	8,900
<b>Total</b>	<b>10,344</b>	<b>8,957</b>	<b>10,344</b>	<b>8,957</b>

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

## 15.1.5 Equity

## Equity of SSH

Determination of accumulated profit/loss of SSH

in EUR '000

	SSH	
	2021	2020
Retained earnings (31 Dec ....)	-104,680	-130,663
Transfer from fair value reserves - actuarial gains	2	2
Transfer from fair value reserves (sale of financial investments)	-11,068	0
Net profit or loss for the period	45,122	25,981
<b>Accumulated loss as at 31 Dec</b>	<b>-70,624</b>	<b>-104,680</b>

The accumulated loss has been disclosed in accordance with Article 66 of ZGD-1.

The equity of the Company includes the called-up capital, fair value reserves arising from financial

investments revaluation and retained losses. The sole shareholder of SSH is the Republic of Slovenia. The share capital of SSH amounts to EUR 260,166,917.04 and is divided into 155,866 non-par value shares.

Fair value reserve balance

in EUR '000

	SSH	
	31 Dec 2021	31 Dec 2020
Revaluation of investments in shares of domestic listed companies	446,431	284,990
Revaluation of investments in shares of domestic non-listed companies	14,205	8,831
Revaluation of investments in shares of insurance companies	263,179	191,138
Actuarial gains/losses	12	15
<b>Total</b>	<b>723,827</b>	<b>484,974</b>

Increases by individual groups of investments include impairments of equity instruments held by SSH/SSH Group at the date of transition to IFRS 9 which had been accounted for through profit or

loss in the previous periods. At the transition date these losses were reclassified as fair value reserves (Unior, d. d., Luka Koper, d. d., Intereuropa, d. d., Telekom, d. d., Hit, d. d., etc.)

*Significant positive amounts of fair value reserve in the balance*

	in EUR '000	
	SSH	
	31 Dec 2021	31 Dec 2020
Krka, d. d.	325,066	246,599
Zavarovalnica Triglav, d. d.,	195,773	152,344
Petrol, d. d.	104,863	56,457
Sava Re, d. d.	67,406	38,794
Cinkarna Celje, d. d.	20,580	13,054
<b>Total</b>	<b>713,688</b>	<b>507,248</b>

*Movement of fair value reserve for 2021*

	in EUR '000			
	SSH			
	Balance as at 1 Jan 2021	Transfer from reserve to retained earnings	Added during FY	Balance as at 31 Dec 2021
Domestic listed companies	284,990	11,202	150,239	446,431
Domestic non-listed companies	8,831	-134	5,508	14,205
Domestic listed insurance companies	191,138	0	72,041	263,179
Actuarial gains/losses	15	-2	-1	12
Total by investment type	484,974	11,066	227,787	723,827
Deferred tax liability	-1,383	-323	-1,214	-2,274
Deferred tax assets	1,383	323	1,214	2,274
<b>Total</b>	<b>484,974</b>	<b>11,066</b>	<b>227,787</b>	<b>723,827</b>

## Movement of fair value reserve for 2020

in EUR '000

	SSH			
	Balance as at 1 Jan 2020	Transfer from reserve to retained earnings	Added during FY	Balance as at 31 Dec 2020
Domestic listed companies	260,940	0	24,050	284,990
Domestic non-listed companies	10,428	0	-1,597	8,831
Domestic listed insurance companies	210,692	0	-19,554	191,138
Actuarial gains/losses	16	0	-1	15
Total by investment type	482,076	0	2,898	484,974
Deferred tax liability	-1,484	0	101	-1,383
Deferred tax assets	1,484	0	-101	1,383
<b>Total</b>	<b>482,076</b>	<b>0</b>	<b>2,898</b>	<b>484,974</b>

Disclosure in regard to deferred tax liabilities is provided in Note 15.1.16.

**Book value of SSH/SSH Group share**

in EUR

	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Value of equity	913,369,944	640,461,495	913,315,209	640,474,972
Number of shares	155,866	155,856	155,866	155,856
<b>Book value per share</b>	<b>5,860</b>	<b>4,109</b>	<b>5,860</b>	<b>4,109</b>

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

### 15.1.6 Provisions and non-current accrued costs and deferred revenues

	in EUR '000			
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Provisions for denationalisation	38,669	58,021	38,669	58,021
Provisions for jubilee premiums	56	51	56	51
Provisions for post-employment benefits	318	308	318	308
Other provisions	36	36	36	36
Non-current deferred revenues	320	281	320	281
<b>Total</b>	<b>39,399</b>	<b>58,697</b>	<b>39,399</b>	<b>58,697</b>

The applicable legislation, past experience and above all the 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 a year. The denationalisation claims are in different phases; the closer the claim is to its conclusion, the more reliable the estimates tend to be:

- 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 undergoing the 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 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 in ZPIZ-2;
- the modified 2007 Slovenian mortality rate tables were chosen (modified because mortality increases with age; for 2020, the modified 2000-2002 Slovenian mortality tables were used);
- jubilee premiums are granted to employees for the total length of their service;
- staff turnover 5% (in 2020 = 5%);
- the 3.0% wage growth in the company (in 2020 = 2.0%);
- discount rate of 0.8 % in the value of an average rate of return on RS sovereign bonds (in 2020 = 1.3%).



## Provisions for post-employment benefits

	in EUR '000			
	SSH		SSH Group	
	2021	2020	2021	2020
Balance as at 1 January	308	285	308	285
Current service cost	17	21	17	21
Past service cost	-1	0	-1	0
Net interest	2	4	2	4
Paid-out post-employment benefits	-8	0	-8	0
Reversal	-1	0	-1	0
Actuarial gains/losses	1	-2	1	-2
<b>Balance as at 31 Dec</b>	<b>318</b>	<b>308</b>	<b>318</b>	<b>308</b>

## Sensitivity analysis for post-employment benefits and jubilee premiums (long-service awards) for 2021

	in EUR '000			
	SSH and SSH Group			
	Discount rate		Salary growth	
Change in	percentage point		percentage point	
Change by	0.5	-0.5	0.5	-0.5
<b>Impact on balance of provisions in EUR '000</b>	<b>-20</b>	<b>21</b>	<b>19</b>	<b>-21</b>

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

	in EUR '000			
	SSH and SSH Group			
	Discount rate		Salary growth	
Change in	percentage point		percentage point	
Change by	0.5	-0.5	0.5	-0.5
<b>Impact on balance of provisions in EUR '000</b>	<b>-20</b>	<b>22</b>	<b>19</b>	<b>-18</b>

*Movements in provisions of SSH/SSH Group*

in EUR '000

SSH and SSH Group						
	Balance as at 1 Jan 2021	Newly formed provisions	Use	Transfer to current items	Reversal	Balance as at 31 Dec 2021
Provisions for denationalisation	58,021	1,410	23,524	-2,762	0	38,669
<i>Provisions for jubilee premiums</i>	51	9	3	0	1	56
Provisions for severance payments	308	20	8	0	2	318
Other provisions	36	0	0	0	0	36
<i>Non-current deferred revenues</i>	281	39	0	0	0	320
<b>Total</b>	<b>58,697</b>	<b>1,478</b>	<b>23,535</b>	<b>-2,762</b>	<b>3</b>	<b>39,399</b>

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

in EUR '000

SSH and SSH Group						
	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
<i>Provisions for jubilee premiums</i>	53	5	4	0	3	51
Provisions for severance payments	285	25	0	0	2	308
Other provisions	6	30	0	0	0	36
<i>Non-current deferred revenues</i>	230	53	2	0	0	281
<b>Total</b>	<b>62,914</b>	<b>113</b>	<b>899</b>	<b>3,227</b>	<b>204</b>	<b>58,697</b>

### 15.1.7 Financial liabilities

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

*Movement in current financial liabilities*

in EUR '000				
SSH and SSH Group				
	Balance as at 1 Jan 2020	Acquisitions	Repayments	Balance as at 31 Dec 2020
Loans granted by banks	0	13,000	13,000	0
SOS3 bond	99,962	38	100,000	0
<b>Total</b>	<b>99,962</b>	<b>13,038</b>	<b>113,000</b>	<b>0</b>

### 15.1.8 Current operating liabilities

in EUR '000				
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Trade payables	221	180	221	180
Liabilities due to denationalisation beneficiaries	17,640	19,399	17,640	19,399
Liabilities due to employees	248	220	248	220
Liabilities due to state institutions	375	332	375	332
Other operating liabilities	14	13	14	13
<b>Total</b>	<b>18,498</b>	<b>20,144</b>	<b>18,498</b>	<b>20,144</b>

All liabilities due for compensation to denationalisation beneficiaries on the basis of SOS2E bonds (not fully paid yet) and on the basis of final decisions are reported under current operating liabilities. The amount of the matured and outstanding debt is not material for SSH. The reason for the non-payment lies with beneficiaries who fail to submit the necessary 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.

### 15.1.9 Other liabilities

	in EUR '000			
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Current provisions for denationalisation	13,432	17,634	13,432	17,634
Other liabilities	132	215	132	215
<b>Total</b>	<b>13,564</b>	<b>17,849</b>	<b>13,564</b>	<b>17,849</b>

### 15.1.10 Operating income

	in EUR '000			
	SSH		SSH Group	
	2021	2020	2021	2020
Income from contracts with customers	5,102	6,904	5,102	6,904
<i>Net sales revenues</i>	5,102	6,904	5,102	6,904
Income from disbursement and reversal on non-current provisions - denationalisation	0	199	0	199
Income from disbursement and reversal of other non-current provisions	3	3	3	3
Income connected with denationalisation	1,881	1,747	1,881	1,747
Revalued operating income	3,262	298	3,262	298
<i>Other operating income</i>	5,146	2,247	5,146	2,247
<b>Total</b>	<b>10,248</b>	<b>9,151</b>	<b>10,248</b>	<b>9,151</b>

Income from contracts with customers includes fees for the management of capital assets owned by RS, and in accordance with contracts, the reimbursement of costs incurred in the sale of state-owned assets, 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.

In 2021, the Company wrote off the SOS2E bond's outstanding coupon liabilities, amounting to EUR 3.08 million, which is recorded under revaluation income.

In 2021, the operating income amounted to 19.5% of all income that was generated by SSH (in 2020: 25.1%). All sales revenues are generated in the domestic market.

## 15.1.11 Costs of goods, materials and services

	in EUR '000			
	SSH		SSH Group	
	2021	2020	2021	2020
Cost of material	58	63	58	63
Cost of services	1,615	3,336	1,615	3,336
<b>Total</b>	<b>1,673</b>	<b>3,399</b>	<b>1,673</b>	<b>3,399</b>

The contractual amount for the auditing of the financial statements of SSH and the SSH Group for 2021 amounted to EUR 21,900, excluding VAT.

No other services were carried out for SSH by the auditor in 2021.

## 15.1.12 Labour cost

Labour costs include wages and salaries paid to employees, compensation payable to employees for the time when absent from work, in accordance with the law, collective agreement or an employment agreement, and bonuses and rewards paid to employees, as well as taxes charged on the aforementioned items. They also

include reimbursement for travel expenses paid to employees and costs of meals, holiday allowances, any 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 labour-law related lawsuits.

	in EUR '000			
	SSH		SSH Group	
	2021	2020	2021	2020
Salaries and wages	3,153	3,306	3,153	3,306
Retirement insurance costs	282	299	282	299
Costs of voluntary supplementary pension insurance	101	93	101	93
Social security contributions	225	235	225	235
Annual leave allowance, reimbursements and other earnings	202	368	202	368
Provisions for jubilee premiums	8	5	8	5
Provisions for retirement benefits	17	21	17	21
<b>Total</b>	<b>3,988</b>	<b>4,327</b>	<b>3,988</b>	<b>4,327</b>

**15.1.13 Depreciation and amortisation**

	in EUR '000			
	SSH		SSH Group	
	2021	2020	2021	2020
Amortisation of intangible assets	92	96	92	96
Depreciation of buildings	47	41	47	41
Depreciation of equipment and spare parts	67	91	67	91
Depreciation of assets in use	30	12	30	12
<b>Total</b>	<b>236</b>	<b>240</b>	<b>236</b>	<b>240</b>

**15.1.14 Net profit or loss**

	in EUR '000			
	SSH		SSH Group	
	2021	2020	2021	2020
Financial income from equity investments and other financial instruments	42,302	26,916	31,444	26,916
Financial income from loans receivable	0	86	0	86
<i>Total financial income</i>	<i>42,302</i>	<i>27,002</i>	<i>31,444</i>	<i>27,002</i>
Financial expenses for the write-offs and impairments of financial investments	3	3	3	3
Financial expenses for interest on deposits with banks	75	0	75	0
Financial expenses relating to financial liabilities	6	1,486	6	1,486
<i>Total financial expenses</i>	<i>84</i>	<i>1,489</i>	<i>9</i>	<i>1,489</i>
<i>Impact of revaluation of associated financial investments measured under equity method</i>	<i>0</i>	<i>0</i>	<i>61,189</i>	<i>-25,307</i>
<b>Net profit or loss</b>	<b>42,218</b>	<b>25,513</b>	<b>92,624</b>	<b>206</b>

The interest rates for long-term deposit was negative and amounted to -0,25% per annum, whereas the interest rate for call deposit moved from to 0.0% to -0.5%.

*Financial income from equity investments and other financial instruments*

in EUR '000

	SSH		SSH Group	
	2021	2020	2021	2020
Dividends and income similar to dividends - enterprises	26,308	23,635	26,308	23,635
Dividends - insurance companies	13,445	0	2,587	0
Proceeds from reversal of impairments in subsidiaries	0	2,043	0	2,043
Income from purchased receivables	1,819	1,216	1,819	1,216
Proceeds from reversal of impairments of other investments, including interest	730	0	730	0
Bond interest income	0	22	0	22
<b>Total</b>	<b>42,302</b>	<b>26,916</b>	<b>31,444</b>	<b>26,916</b>

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

in EUR '000

	SSH	
	2021	2020
Financial income relating to subsidiaries	22	2,501
Financial income relating to associates	10,857	23
Financial expense relating to subsidiaries	3	3
Financial expense relating to associates	0	231
<b>Net profit or loss</b>	<b>10,876</b>	<b>2,290</b>

Financial income and expenses relating to subsidiaries and associates are additionally disclosed in this section. All amounts stated in the above

table are included in tables where financial income and expenses are disclosed.



### 15.1.15 Participation in profit/loss in associates

Impact by associates on the financial result of SSH Group

	in EUR '000	
	SSH Group	
	2021	2020
Share of profit of associates	34,911	20,647
Reversal of impairment	28,578	2,216
Share of losses of associates	-483	-4,017
Impairment	-1,817	-44,153
<b>Net profit or loss</b>	<b>61,189</b>	<b>-25,307</b>

Impact by associates on financial position of SSH Group in 2021

	in EUR '000				
	ZT Group	Unior Group	HIT Group	Casino Bled	Total
Value of investment as at 31 Dec 2020	191,599	9,624	5,927	75	207,225
Allocation of share of profit or loss	31,673	3,237	-415	-68	34,427
Dividends received	-10,857	0	0	0	-10,857
Allocation of share of other comprehensive income	-3,175	818	-58	-1	-2,416
Reversal of previous impairment	25,789	0	2,789	0	28,578
Impairments to fair value	0	-1,817	0	0	-1,817
Value of investment under equity method as at 31 Dec 2021	235,029	11,862	8,243	6	255,140
<b>Fair value in SSH's financial statements</b>	<b>235,029</b>	<b>11,862</b>	<b>8,243</b>	<b>61</b>	<b>255,195</b>

Impact by associates on financial position of SSH Group in 2020

	in EUR '000				
	ZT Group	Unior Group	HIT Group	Casino Bled	Total
Value of investment as at 31 Dec 2020	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 2021	191,599	9,624	5,927	75	207,225
<b>Fair value in SSH's financial statements</b>	<b>191,599</b>	<b>9,624</b>	<b>5,927</b>	<b>61</b>	<b>207,211</b>

## 15.1.16 Taxes

Calculation of the effective tax rate

in EUR '000

	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Profit before tax	45,109	26,632	95,440	1,325
Calculated tax (applicable rate = 19%)	8,571	5,060	18,134	252
Effect of non-taxable income	-7,645	-4,893	-7,645	-4,893
Effects non-deductible expenses	39	-17	39	-17
Tax relief	0	-236	0	-236
Other adjustments in taxable profit	-1,737	225	-11,300	5,033
Current year loss for which no deferred tax asset has been recognised	772	0	772	0
Reversal of deferred tax assets due to changes in taxable profits	-13	512	-13	512
Income taxes	-13	651	-13	651
<b>Effective tax rate</b>	<b>0 %</b>	<b>2 %</b>	<b>0 %</b>	<b>49 %</b>

Deferred tax assets and tax liabilities

in EUR '000

	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Deferred tax assets	2,748	1,844	2,748	1,844
Deferred tax liabilities	2,274	1,383	2,274	1,383
<b>Net deferred tax assets/tax liabilities</b>	<b>474</b>	<b>461</b>	<b>474</b>	<b>461</b>

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

Deferred tax assets are a result of impairment of financial investments, of provisions for retirement benefits and jubilee premiums, investment reliefs and unutilised tax losses. Estimated future tax liabilities for corporate income tax were used to determine the expected amount for the utilisation of deferred tax assets. Only part of the deferred tax assets is recognised in the financial statements of SSH/SSH Group.

## Unrecognised deferred tax assets

	in EUR '000			
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Unutilised tax losses	179,906	179,451	179,906	179,451
Impairment of receivables	436	526	436	526
Impairment of financial investments in subsidiaries	207	391	207	391
Investment relief	0	6	0	6
Measurement of financial investments - fair value through other comprehensive income	401	4,510	401	4,510
<b>Total unrecognised deferred tax assets</b>	<b>180,950</b>	<b>184,884</b>	<b>180,950</b>	<b>184,884</b>

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

## Movement in tax losses

	in EUR '000			
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening balance of unutilised tax losses	944,908	945,895	944,908	945,895
Increase in the period	4,062	0	4,062	0
Utilised in the period	0	987	0	987
<b>Closing balance of unutilised tax losses</b>	<b>948,970</b>	<b>944,908</b>	<b>948,970</b>	<b>944,908</b>

## Movement in deferred tax for 2021

	in EUR '000					
	SSH and SSH Group					
	Financial investments	Adjustments of receivables	Provisions	Investment relief	Tax loss	Total
Balance as at 1 Jan 2021	1,706	0	35	21	82	1,844
Use in 2021	-323	0	-1	0	0	-324
Recognised in the year	0	0	2	18	317	337
Eliminations	0	0	0	0	0	0
<i>Total changes in Income Statement</i>	-323	0	1	18	317	13
<i>Total changes in Statement of Financial Position</i>	891	0	0	0	0	891
<b>Balance as at 31 Dec 2021</b>	<b>2,274</b>	<b>0</b>	<b>36</b>	<b>39</b>	<b>399</b>	<b>2,748</b>

## Movement in deferred tax for 2020

in EUR '000						
SSH and SSH Group						
	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
Utilisation in 2020	0	0	-1	-31	0	-32
Recognised in the year	34	0	3	14	0	51
Eliminations	0	0	0	-13	-519	-532
<i>Total changes in Income Statement</i>	34	0	2	-30	-519	-513
<i>Total changes in Statement of Financial Position</i>	-101	0	0	0	0	-101
<b>Balance as at 31 Dec 2020</b>	<b>1,706</b>	<b>0</b>	<b>35</b>	<b>21</b>	<b>82</b>	<b>1,844</b>

## Movement in deferred tax liabilities

in EUR '000				
	SSH		SSH Group	
	2021	2020	2021	2020
Balance of deferred tax liabilities as at 1 Jan	1,383	1,484	1,383	1,484
Utilization	0	0	0	0
Change due to revised taxable profit	891	-101	1,365	-101
<b>Balance as at 31 Dec</b>	<b>2,274</b>	<b>1,383</b>	<b>2,748</b>	<b>1,383</b>

The change in deferred tax liabilities was accounted for through other comprehensive income.

Deferred tax liabilities include the revaluation of financial investments at fair value through other comprehensive income (FVTOCI). When recognising de-

ferred 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.

## 15.1.17 Net earnings per share

in EUR				
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Profit/loss of majority owners	45,121,809	25,980,611	95,453,014	673,833
Number of issued shares	155,866	155,866	155,866	155,866
Weighted number of shares	155,866	155,866	155,866	155,866
<b>Net profit/loss per share</b>	<b>289.49</b>	<b>166.69</b>	<b>612.40</b>	<b>4.32</b>

Basic earnings per share is calculated so that owner's net income is divided by weighted average number of ordinary shares. SSH /SSH Group

have no dilutive potential ordinary shares, which is why basic earnings per share is equal to diluted earnings per share.

### 15.1.18 Dividends per share

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

### 15.1.19 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).

The most important source of funds to cover SSH liabilities in 2021 were dividends of companies owned by SSH, in addition to the repayment of costs for the management of capital assets owned by RS.

*Cash flows in 2021 based on the implementation of the following acts: ZSPOZ, ZIOOZP and ZVVJTO*

in EUR '000				
SSH and SSH Group				
	ZIOOZP	ZSPOZ	ZVVJTO	Total
Payments to beneficiaries	375	1,071	0	1,446
Received from the Republic of Slovenia	374	1,141	0	1,515
<b>Net financial impact</b>	<b>-1</b>	<b>70</b>	<b>0</b>	<b>69</b>

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

in EUR '000				
SSH and SSH Group				
	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
<b>Net financial impact</b>	<b>0</b>	<b>298</b>	<b>0</b>	<b>298</b>

## 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 in relation to individual issuers and banks, which, by taking into account their balance sheet data, are renewed on an annual basis. Ratings of internationally renowned credit agencies are used in the analysis of individual securities.

SSH/SSH Group invested financial assets in financial institutions and banks; any potential failure to meet contractual obligations would result in decreased liquidity. It is assessed, 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 2021 and as at 31 December 2020, there are no overdue receivables.

*Balance of overdue and not yet due trade receivables*

	in EUR '000			
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Trade receivables - status	6,718	4,624	6,718	4,624
Impairment of receivables	-2,015	-2,020	-2,015	-2,020
Overdue receivables	2,015	2,020	2,015	2,020
<b>Receivables not yet due</b>	<b>4,703</b>	<b>2,604</b>	<b>4,703</b>	<b>2,604</b>

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 '000			
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Other non-current financial investments	66,266	701,274	66,211	701,288
Financial investments to be distributed to owners	861,877	0	861,877	0
Other current financial investments	39,427	22,427	39,427	22,427
Operating receivables	4,703	2,604	4,703	2,604
Cash and cash equivalents	10,344	8,957	10,344	8,957
<b>Total</b>	<b>982,617</b>	<b>735,262</b>	<b>982,562</b>	<b>735,276</b>

### 15.2.2 Interest rate volatility risk

Interest rate risk is the risk that the value of interest sensitive assets will change due to a change in market interest rates, as well as the risk that financially sensitive assets and financially sensitive liabilities will mature on different dates and in different amounts. A fixed interest rate was agreed for when investing assets, but it was negative.

As at 31 December 2021, SSH/SSH Group has 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 remains solvent and is not at risk of insolvency. The value of assets exceeds the value of liabilities, and the solvency is not at risk.

Unless it is proven otherwise, a debtor shall be considered continuously insolvent, if he is delayed for more than two months in meeting one or more liabilities in a total amount exceeding 20 per cent of the amount of his liabilities shown in the annual report for the last business year before such liabilities became due.

It is considered and evidence to the contrary shall not be allowed, that a legal entity shall be considered continuously insolvent, if it is delayed for more than three months in paying salaries to its employees in the amount of up to 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.

The ZGD-1 does not impose an obligation to cover losses by reducing the share capital. A problem would arise from the point of view of ZFPPIPP if SSH/SSH Group were 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. Under an assumption that all dividends planned will be realised, neither liquidity issues nor capital adequacy issues are to be expected in 2022 and 2023. 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 December 1995 stipulates that the Republic of Slovenia is obliged to provide additional funds for SSH when the Company's sources of funds do not suffice for the regular settlement of the Company's liabilities under the Denationalisation Act, the Cooperatives Act and other regulations governing the denationalisation of property. 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 assessed that short-term and long-term solvency is provided for.

All liquid financial investments, with the exception of strategic and important assets which are to be distributed to owners, are considered liquid assets.

#### Liquidity ratios

	in EUR '000		in %	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
<b>SSH and SSH Group</b>				
<i>Quick ratio</i>				
Liquid assets	10,344	8,957		
Current liabilities	32,089	38,170	32.24	23.47
<i>Current ratio</i>				
Current assets*	54,740	34,616		
Current liabilities	32,089	38,170	170.59	90.69

\* Current assets of as at 31 December 2021 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 2021

	in EUR '000					
	Book value of liabilities	Liability	up to 6 months	from 6 to 12 months	from 1 to 5 years	more than 5 years
Finance lease payables	39	39	14	13	12	0
Operating liabilities	18,498	18,498	18,498	0	0	0
Other liabilities	13,564	13,564	5,422	8,142	0	0
<b>Total liabilities</b>	<b>32,101</b>	<b>32,101</b>	<b>23,934</b>	<b>8,155</b>	<b>12</b>	<b>0</b>

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

	in EUR '000					
	Book value of liabilities	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
<b>Total liabilities</b>	<b>38,224</b>	<b>38,224</b>	<b>28,707</b>	<b>9,463</b>	<b>54</b>	<b>0</b>

## 15.2.4 Market risk

Domestic marketable shares held by SSH

Company	in EUR '000		in %	
	Value	Structure	Value	Structure
	31 Dec 2021		31 Dec 2020	
Krka, d. d.	348,085	38.96	269,619	40.13
Zavarovalnica Triglav, d. d.	235,029	26.30	191,599	28.52
Petrol, d. d.	134,374	15.04	85,968	12.79
Pozavarovalnica Sava, d. d.	84,924	9.50	56,312	8.38
Luka Koper, d. d.	38,012	4.25	28,665	4.27
Other listed investments	53,061	5.94	39,730	5.91
<b>Total</b>	<b>893,485</b>	<b>100</b>	<b>671,893</b>	<b>100</b>

Classification of domestic marketable investments to strategic and important and portfolio

Type of equity investment	in EUR '000		in %	
	Value	Structure	Value	Structure
	31 Dec 2021		31 Dec 2020	
Strategic and important assets	840,424	94.06	632,162	94.09
Portfolio assets	53,061	5.94	39,731	5.91
<b>Total</b>	<b>893,485</b>	<b>100</b>	<b>671,893</b>	<b>100</b>

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

Turnover capitalisation*	in 2021	in 2020
Krka, d. d.	4.60%	6.51%
Luka Koper, d. d.	4.39%	3.12%
Petrol, d. d.	2.9 %	6.26%
Pozavarovalnica Sava, d. d.	5.64%	9.55%
Telekom Slovenije, d. d.	3.30%	5.01%
Zavarovalnica Triglav, d. d.	2.60%	4.83%
Prime market	4.00%	5.80%
Standard market	1.54%	3.32%

\* Note: Yearly turnover / average market capitalisation on 31 December, 30 June, 31 December of previous year  
Source: Monthly and Annual Statistics LJSE, 2021 and 2020

Sensitivity analysis of equity investments against changes in market prices as at 31 December 2021

	in EUR '000				
	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
	31 Dec 2021	15%	20%	-15%	-20%
Krka, d. d.	348,085	52,213	69,617	-52,213	-69,617
Zavarovalnica Triglav, d. d.	235,029	35,254	47,006	-35,254	-47,006
Petrol, d. d.	134,374	20,156	26,875	-20,156	-26,875
Sava Re, d. d.	84,924	12,739	16,985	-12,739	-16,985
Luka Koper, d. d.	38,012	5,702	7,602	-5,702	-7,602
Other marketable domestic shares	53,061	7,959	10,612	-7,959	-10,612
<b>Total</b>	<b>893,485</b>	<b>134,023</b>	<b>178,697</b>	<b>-134,023</b>	<b>-178,697</b>

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

	in EUR '000				
	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
	31 Dec 2020	15%	20%	-15%	-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
<b>Total</b>	<b>671,893</b>	<b>100,784</b>	<b>134,379</b>	<b>-100,784</b>	<b>-134,379</b>

Sensitivity analysis of equity investments against changes in market prices (strategic and important assets as compared to portfolio assets) as at 31 December 2021

	in EUR '000				
	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
in EUR '000	31 Dec 2021	15%	20%	-15%	-20%
Strategic and important assets	840,424	126,064	168,085	-126,064	-168,085
Portfolio assets	53,061	7,959	10,612	-7,959	-10,612
<b>Total</b>	<b>893,485</b>	<b>134,023</b>	<b>178,697</b>	<b>-134,023</b>	<b>-178,697</b>

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 '000					
	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
in EUR '000	31 Dec 2020	15%	20%	-15%	-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
<b>Total</b>	<b>671,893</b>	<b>100,784</b>	<b>134,379</b>	<b>-100,784</b>	<b>-134,379</b>

### 15.2.5 Managing capital adequacy

In 2021 and in 2020, 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 liabilities to denationalisation beneficiaries and other operating liabilities reduced by cash and cash equivalents.

in EUR '000				
	SSH		SSH Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Current liabilities	32,089	38,170	32,089	38,170
Non-current financial liabilities	12	54	12	54
Cash and cash equivalents	10,344	8,957	10,344	8,957
<b>Net indebtedness</b>	<b>21,757</b>	<b>29,267</b>	<b>21,757</b>	<b>29,267</b>
Equity	913,370	640,461	913,315	640,475
<b>Financial leverage ratio in %</b>	<b>2.38</b>	<b>4.57</b>	<b>2.38</b>	<b>4.57</b>

The transfer of strategic and important assets to RS will result in a decrease in the value of equity of EUR 861.9 million, taking into account the fair values of the assets at 31 December 2021. The Republic of Slovenia already increased the share ca-

pital of SDH by EUR 41.6 million in February 2022. Based on the expected result in 2022, SSH estimates that the value of equity, with unchanged values of portfolio equity investments, will amount to approx. EUR 140 million at the end of 2022.

### 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 2021, 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 2021, SSH held a 20% or higher ownership interest in the following companies: Casino Bled, d. d., Elektrooptika, d. d., Hit Nova Gorica, d. d., 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 2021, 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 a small-scale insurance transactions.

#### 15.3.2 Management and members of Supervisory Board and Audit Committee

Earnings of Management Board members, in 2021:

	in EUR				
	Dr. Janez Žlak	Boštjan Koler	Boris Medica	Vanessa Grmek	Janez Tomšič
	1 Jan- 31 Dec	1 Jan- 31 Jan	1 Jan- 31 Jan	1 Feb- 22 Apr	23 Apr- 31 Dec
Fixed earning (gross)	131,549	19,755	19,755	26,938	71,611
Variable income (gross)	0	0	0	0	0
Fringe benefits	11,364	1,387	928	320	7,029
Holiday pay	1,200	100	100	273	827
Reimbursement of costs (meals, transportation cost, use of own assets)	1,342	192	166	463	783
Reimbursement of business travel costs	117	0	0	0	106
Voluntary suppl. pension insurance	2,819	470	470	641	1,644

Earnings of Management Board members, in 2020:

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

In 2021 and in 2020, no loans were granted neither to the management, members of the Supervisory Board nor to members of its Commission or employees.

In 2021, 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 paid 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.

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 the execution of 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 the performance of the function, 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 the performance of services which amounts to 25% of the basic payment for the performance of services 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 carrying out such functions 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 function, 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 Members of the Supervisory Board in 2021:

in EUR

	Compensation for holding the position (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	18,720	3,520	246	0	22,486
Leon Cizelj	2,760	825	0	22	3,607
Božo Emeršič	14,400	3,245	246	706	18,598
Igor Kržan	1,394	275	0	0	1,669
Ivan Simič	15,840	3,245	246	0	19,331
Janez Vipotnik	14,400	3,520	725	2,748	21,394
<b>Total</b>	<b>67,514</b>	<b>14,630</b>	<b>1,464</b>	<b>3,477</b>	<b>87,084</b>

## Earnings of Members of the Supervisory Board in 2020:

in EUR

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

## Earnings of Members of the Supervisory Board's Audit Committee in 2021:

in EUR

	Compensation for the execution of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	3,600	1,848	0	0	5,448
Ivan Simič	3,600	1,848	0	0	5,448
Darinka Virant	5,400	1,672	0	13	7,085
<b>Total</b>	<b>12,600</b>	<b>5,368</b>	<b>0</b>	<b>13</b>	<b>17,981</b>

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

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

## Earnings of Members of the Supervisory Board's Nomination Committee in 2021:

					in EUR
	Compensation for the execution of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	3,600	1,672	0	0	5,272
Leon Cizelj	690	0	0	0	690
Božo Emeršič	3,600	1,672	0	0	5,272
Igor Kržan	348	0	0	0	348
Ivan Simič	3,600	1,672	0	0	5,272
Janez Vipotnik	3,600	1,672	0	0	5,272
<b>Total</b>	<b>15,438</b>	<b>6,688</b>	<b>0</b>	<b>0</b>	<b>22,126</b>

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

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



Earnings of Members of the Supervisory Board's Risk Committee in 2021:

	in EUR				
	Compensation for the execution of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Božo Emeršič	3,600	836	0	0	4,436
Janez Vipotnik	3,600	836	0	0	4,436
Darinka Virant	3,600	836	0	0	4,436
<b>Total</b>	<b>10,800</b>	<b>2,508</b>	<b>0</b>	<b>0</b>	<b>13,308</b>

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

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

Earnings of Members of the Nomination Committee in 2021:

	in EUR				
in EUR	Compensation for holding the position (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Vlasta Lenardič	18,000	0	0	0	18,000
Urška Podpečan	18,000	0	0	0	18,000
Samo Roš	18,000	0	0	0	18,000
<b>Total</b>	<b>54,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54,000</b>

Earnings of Members of the Nomination Committee in 2020:

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

Other costs associated with the Supervisory Board and its Committees

	in EUR '000	
	SSH	
	2021	2020
Costs in connection with the selection of a Management Board Member (advertisement, HR agency)	12,773	12,514
Costs for supplementary training	510	439
Other (insurance premiums)	985	452
<b>Total</b>	<b>14,268</b>	<b>13,405</b>

### 15.3.3 Transactions with the Government of the Republic of Slovenia, state authorities and enterprises controlled by the Government or in which its significant influence is exercised

Companies that are related to the state include all companies in which the Republic of Slovenia exercises a significant influence.

	in EUR '000			
	Receivables		Income	
	31 Dec 2021	31 Dec 2020	2021	2020
Ministry of Finance	647	622	5,299	6,746
Farmland and Forest Fund of RS	466	84	1,456	1,348
D. S. U.	148	6	214	216
<b>Total</b>	<b>1,261</b>	<b>712</b>	<b>6,969</b>	<b>8,310</b>

SSH also transacts with other companies, authorities, bodies and agencies in which the Republic of Slovenia is a majority or a minority shareholder. All transactions with the above mentioned

entities are concluded at arm's length, just like with other entities. Since no significant amounts are involved, these pieces of data are not disclosed.

## 15.4 Operating Segments

The SSH Group carries out various tasks which usually do not entail the generation of significant revenues. 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 and shareholding registered as revenues 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 prepared. 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 36.5 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 2021. Other significant events are presented below.

SSH is closely following the latest developments in Ukraine. Their impact cannot yet be predicted with certainty, but at this point in time we estimate that they will not have a negative impact on SSH's planned dividend income, which represents the largest share of the company's revenue. So far, the direct impact is felt in the volatility of the value of listed companies. In particular, the market value of Krka is affected, while the share values of SSH's other major listed investments, after falling at the start of the crisis in Ukraine, recovered to their end-2021 values by the end of March 2022.

The Government of the Republic of Slovenia decided to increase the share capital of SSH, which

amounts to EUR 260,166,917.04, by a nominal amount of EUR 41,599,065.26. After the increase, the share capital amounts to EUR 301,765,982.30. The amount was paid up on 24 February 2022 and the share capital increase was registered in the Court Register on 17 March 2022.

The SSH Supervisory Board gave its consent to the exercise of the pre-emption right for the purchase of 43.226% of the equity investment in Sava, d. d., from York Global Finance Offshore BDH (Luxembourg). SSH and KAD jointly exercised their pre-emption rights. The total purchase price amounted to EUR 38,000,000 of which SDH paid EUR 32,010,989.99 for York's equity stake in Sava. Following the completion of the transaction, SSH will hold a 61.914 percent ownership interest in Sava.

At its regular meeting of 22 March 2022, the Supervisory Board completed the Management Board and appointed Peter Drobež as the third member of the SSH Management Board. He assumed office on 1 April 2022.

Ljubljana, 13 April 2022



Janez Tomšič,  
**Member of Management Board**



Peter Drobež,  
**Member of Management Board**



Dr. Janez Žlak,  
**President of Management Board**

## LIST OF ACRONYMS AND GLOSSARY OF TERMS

**AAMP** – Annual Asset Management Plan for capital assets of RS and SSH

**ASI 2021** – Call for proposals to support companies in developing strategies to effectively manage and empower older workers and strengthen their competences, 2021

**ATVP** – Securities Market Agency

**BAMC** – Bad Asset Management Company

**BUPF** – Blue umbrella pension fund managed by Modra zavarovalnica

**CA** – capital asset

**Code** – Corporate Governance Code for SOEs

**Commission** – Commission for handling alleged irregularities in SOEs

**Company** – Slovenian Sovereign holding, d. d.

**COVID-19** – the coronavirus is named SARS-CoV-2 and the disease caused by the virus is called COVID-19

d. d. (PLC) – public limited company

d.o.o. (Ltd.) – Limited liability company

**CPC** – Commission for the Prevention of Corruption

**DSU** – Družba za svetovanje in upravljanje, d. o. o.

**DZ** – National Assembly of the Republic of Slovenia, the Parliament

**ESG** – Environmental, social and governance factors of sustainable business

**ECESA** – Expert Committee for Economic and Social Affairs

**EU** – European Union

**EUR** – Euro currency

**GDP** – gross domestic product

**GEN** – GEN energija Group, d. o. o.

**HICP** – Harmonised Index of Consumer Prices

**HSE** – Holding Slovenske elektrarne, d. o. o.

**IMAD** – Institute of Macroeconomic Analysis and Development

**IT** – Information technology

**KAD** – Kapitalska družba pokojninskega in invalidskega zavarovanja d. d. (Pension Fund Management)

**NLB** – Nova Ljubljanska banka, d. d.

**NAP** – e National Action Plan of the Republic of Slovenia on Business and Human Right

**SB** – Supervisory Board

**SSH SB** – Supervisory Board of Slovenian Sovereign Holding

**OECD** – Organisation for Economic Cooperation and Development

**Policy** – Asset Management Policy of SSH

**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

**PV** – Premogovnik Velenje, d. o. o.

**ROE** – return on equity

**RS** – Republic of Slovenia

**RS21** – symbol of a bond issued by the Republic of Slovenia for the payment of compensation for confiscated property pursuant to the abrogation of the penalty of confiscation of property

**SBITOP** – Slovenian Blue-Chip Index, a benchmark index, which tracks the performance of the most liquid shares on the Ljubljana Stock Exchange

**SSH** – Slovenian Sovereign Holding

**SSH Group** – Slovenian Sovereign Holding Group

**SOD** – Slovenska odškodninska družba, d. d.

**SOS2E** – the symbol of a bond issued by Slovenian Sovereign Holding for the settlement of liabilities due to beneficiaries in denationalisation proceedings

**STOXX Europe 600** – benchmark index of European equities from 17 countries, created by STOXX Ltd.

Strategy – State Assets Management Strategy

**SURS** – Statistical Office of the Republic of Slovenia

**SZ, SZ-1** – Housing Act of the Republic of Slovenia

**TEŠ** – Termoelektrarna Šoštanj, d. o. o.

**VAT** – value added tax

**Zden** – Denationalisation Act

**ZDIJZ** – Public Information Access Act

**ZGD-1, ZGD-1** – Companies Act

**ZIPRS** – Implementation of the Republic of Slovenia Budget Act

**ZIUZEOP** – Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy

**ZVVJTO** – Reimbursement of Investments in 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

**ZIPRS2122** – Act Amending Implementation of the Republic of Slovenia's Budget (2021 and 2022) Act

**ZNS** – Slovenian Directors' Association

**ZPIZ** – Zavod za pokojninsko in invalidsko zavarovanje or, in English, Pension and Disability Insurance Institute of Slovenia.

**Zpkri, Zpkri-1** – Redressing of Injustices Act

**ZN-3** – Public Procurement Act

**ZSDH-1** – Slovenian Sovereign Holding Act

**ZSOS-1** – Slovenian Compensation Fund Act

**ZSPOZ** – Act on Payment of Compensation to Victims of War and Post-War Violence

**ZPPDFT-1** – prevention of Money Laundering and Terrorist Financing

**ZPre-1** – Takeovers Act

**ZUKSB** – Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks

**ZSPOZ** – Act on Payment of Compensation to Victims of War and Post-War Violence