

ANNUAL REPORT OF
SSH AND SSH GROUP
FOR

20
22



SLOVENSKI DRŽAVNI HOLDING, d. d.

**Annual Report of
SSH and SSH Group
for 2022**

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The background of the slide is a blurred photograph. On the left, there are green palm fronds. On the right, a white building with vertical architectural elements is visible. The overall color palette is light and airy, with a gradient from white to light blue.

INTRODUCTION

SSH IN FIGURES AS AT 31 DECEMBER 2022



€1.358 million

SSH assets



€1.191 million

SSH equity



€66 million

SSH net operating result in 2022



136

No. of SSH employees

OVERVIEW OF ASSET MANAGEMENT ACTIVITIES

– MANAGEMENT OF PORTFOLIO OF RS AND SSH CAPITAL ASSETS



2.8%

Estimated ROE of RS and SSH portfolio realised in 2022 (ROE would stand at 7.4% if the Energy Pillar were excluded from the calculation; ROE of the Energy Pillar was negative, and it amounted to -7.7 %).



€190.7 million

Total sum of dividends paid to RS (and ZPIZ) and SSH in 2022 (of this figure, EUR 60 million of dividend income was paid to SSH)

€11.2 billion

Book value of RS and SSH capital assets as at 31 December 2022*

– MANAGEMENT OF PORTFOLIO OF CLAIMS



€55.8 million

Inflows from claim management in 2022, calculated from the day of the merger with BAMC onwards (1 July 2022)

€225.2 million

Book (fair) value of claims (transferred from BAMC) as at 31 December 2022

– MANGEMENT OF PORTFOLIO OF TANGIBLE ASSETS



€6.5 million

Inflows from tangible assets management in 2022, calculated from the day of the merger with BAMC onwards (1 July 2022)

€106.2 million

Book value (at cost or realizable value) of tangible assets (transferred from BAMC) as at 31 December 2022 (estimated market value amounts to EUR 161.4 million)

*The assessed value is based on currently known results and estimates for companies that have not yet been audited. Final data for 2022, based on audited consolidated statements, will be available in October 2023.

LETTER BY THE MANAGEMENT BOARD

The past year was marked by numerous and complex risks in the business environment. The conditions in the global and especially European economy have significantly tightened in recent times. The war in Ukraine caused disruptions in the supply of energy, food, and raw materials, which, along with demand-side pressures, led to high inflation and rising financing costs. This has resulted in an increased uncertainty and deteriorating economic prospects, also impacting the operations of Slovenian Sovereign Holding (SSH), particularly energy companies under its management. To address these challenges, SSH strengthened its asset management activities in portfolio companies, especially those operating in the energy sector, where challenging market conditions, particularly in electricity trading, caused liquidity shortages for some companies. By injecting additional capital from the Republic of Slovenia into HSE, d.o.o., SSH ensured stability for the HSE Group, which faced a difficult financial situation due to a combination of negative factors, including historically low river levels and the suspension of operations at the TEŠ power plant due to coal excavation issues at Premogovnik Velenje.

In the autumn, uncertainties related to energy supply and prices gradually diminished. Regulatory measures resulted in lower energy prices, subsequently reducing costs in energy-intensive companies, and easing supply chain constraints. However, inflation surged towards the end of the year. The macroeconomic conditions continue to be uncertain in the current year.

SSH responded to the challenging conditions by adjusting asset management priorities and measures in the management and oversight of portfolio companies. These measures included reinforced risk management and efforts toward a green transition, adapting competencies for newly appointed members of management and supervisory bodies, among others.

Asset management

The return on equity (ROE) for the entire portfolio of capital assets under management considerably decreased in 2022

compared to 2021, primarily due to poor results from energy companies, and it amounted to 2.8%. Other asset management pillars showed better results than in the previous year, with ROE for companies excluding the Energy pillar (covering companies from the pillars of "Transport", "Finance", "Economy and Tourism") reaching 7.4%.

In 2022, dividend payments by the companies in the SSH's management portfolio totalled EUR 190.7 million, of which the Republic of Slovenia (and ZPIZ) received EUR 130.7 million and SSH EUR 60.0 million, a total increase of 4.3% over the planned amount (EUR 182.8).

The total book value of equity stakes in the portfolio managed by SSH amounted to EUR 11.2 billion at the end of 2022, which is an increase compared to the end of 2021 (EUR 10.3 billion).

Following the merger with BAMC, SSH gained two new activities: claim management and tangible assets management. The aim in managing these assets is to increase their value through appropriate management activities and achieve the proceeds planned. At the end of 2022, the fair value of financial claims acquired through the merger was EUR 225.2 million, while the book value of tangible assets, mostly consisting of real estate, was EUR 106.2 million, with an estimated market value of EUR 161.4 million.

Operations of SSH

The operations of SSH in 2022 were successful. The net operating income amounted to EUR 66 million, with the most significant revenue coming from dividends totalling EUR 60 million. The consolidated net operating income of the SSH Group, including the Sava Group of companies, amounted to EUR 128.4 million in 2022. Out of this figure, EUR 43.4 million is related to a one-time effect upon the first inclusion of the Sava Group in the consolidated financial statements.

SSH continues to actively engage in the denationalization process, focusing mainly on the most challenging cases in the recent years, and regularly satisfies its liabilities arising from

denationalisation. In 2022, EUR 889,000 in denationalization compensation was paid, with 182 denationalization claims still open at the end of the year.

Highlights of 2022

At the end of February 2022, SSH exercised its pre-emption right to purchase a 43.226% ownership stake in Sava, d. d. from York Global Finance Offshore BDH, Luxembourg. The pre-emption right was exercised jointly with KAD (Kapitalska družba), and SSH acquired York's ownership stake in Sava for EUR 32.01 million, becoming a 61.91% owner of Sava, d. d. The transaction was concluded in September 2022, and since then, Sava, d. d., or the Sava Group, has been included in the consolidated financial statements of the SSH Group.

In mid-2022, strong efforts were made to merge Bank Asset Management Company (BAMC) with SSH. The merger was successfully completed at the end of December. The fundamental guiding principle of the merger was to create a united organization which would bring together the best from both companies and enable the integration of teams, processes, culture, and values. The approach of SSH and former BAMC to this challenging task was considered successful. The teams of both companies had already integrated their working processes before the merger, contributing to a smooth and efficient transition. In 2023, we will continue to pay even more attention to establishing a unified culture which combines the common values of both former companies, respect our diverse backgrounds, and strengthen our shared goal. Additionally, we will focus on other process and development activities for more efficient operations, such as digitization, enhancing employee competencies, and adapting to the requirements of sustainable business practices.

Janez Tomšič

Member of SSH Management Board

Enhanced development of corporate governance

Good corporate governance practices are essential for effective and responsible management of companies, as they ensure that all significant decisions are made in a transparent and responsible manner, and in accordance with the best interests of the companies and all stakeholders. Improvements were made at both the level of SSH's own operations, mainly through changes in the SSH Asset Management Policy and other internal policies and regulations due to the merger with BAMC, and at the level of companies through amendments to the Corporate Governance Code, SSH Recommendations and Expectations, as well as the objectives of the Annual Asset Management Plan for 2022. Numerous recommendations and expectations also pertain to the sustainable business practices of companies. In 2023, SSH further reinforced its commitment to sustainable business by incorporating additional measures within a comprehensive overhaul its internal policies and regulations.

The year of 2022 was marked by considerable challenges, diligent efforts, and the initial triumphs of the unified SSH team. As we gaze ahead to 2023, SSH emerges stronger having realized its objectives and acquired valuable experience and insights along the way. This period has established a robust groundwork for more streamlined and effective asset management in the years to come.

All of this would not have been attainable without the commitment and proactive contributions of our dedicated employees, who stand as the pivotal stakeholders within any organization. They are instrumental to project success and management efficiency. SSH extends its appreciation and acknowledgement to its employees for their outstanding efforts and looks forward to achieving further collective accomplishments.

Žiga Debeljak, MSc

President of SSH Management Board

SUPERVISORY BOARD'S REPORT

The Supervisory Board of Slovenian Sovereign Holding is composed of five members, in accordance with Article 39 of ZSDH-1.

In 2022, the Supervisory Board included the following members: Karmen Dietner, President; (she held the position of the Board's Member from 20 January to 5 June 2022); Ivan Simič, MSc, Member (he held the position of the Board's President from 21 January to 5 June 2022); Franc (Franjo) Bobinac, MBA, Member since 17 November 2022; Suzana Bolčič Agostini, Member since 17 November 2022; Miro Medvešek, Member since 15 December 2022; Janez Vipotnik, Member until 14 December 2022; Božo Emeršič, MSc, MBA, Member until 22 June 2022, and Dr. Leon Cizelj, Member, until 22 June 2022.

Personnel decisions

After reaching an agreement on the early termination of Dr. Janez Žlak's mandate as the President of the SSH Management Board on 31 August 2022, during its regular meeting held on 28 June 2022, the Supervisory Board instructed the Nomination Committee to initiate all procedures for appointing a new President of the SSH Management Board in accordance with ZSDH-1.

Subsequently, during an extraordinary meeting held on 23 August 2022, the Supervisory Board approved the content of the agreement on the early termination of Peter Drobež's mandate as a member of SSH Management Board, effective from 31 August 2022.

The process of appointing the new President of the SSH Management Board was carried out in collaboration with an international human resources agency, in line with ZSDH-1. Following the provisions of ZSDH-1 and the recommendations from the Corporate Governance Code for SOEs, the Supervisory Board delegated the task to carry out all the necessary procedures associated with the selection process to the Supervisory Board's Nomination Committee. The Nomination Committee is 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, as well as additional criteria which have to be satisfied by a candidate for assuming the position of the President of SSH Management Board, besides the formal statutory requirements. After recruitment procedures were completed, Supervisory Board was presented with the Report prepared by the Nomination Committee about activities carried out and continued with the procedure to appoint the President of the Management Board. Žiga Debeljak, MSc, began his four-year term of office on 1 September 2022.

Most important topics discussed at Supervisory Board's meeting

Key tasks carried out by the SSH 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 SSH Business and Financial Plan.

The business operations of SSH in 2022 were influenced by the war in Ukraine, disruptions in supply chains, high and volatile prices of energy, raw materials, and food, as well as increasing interest rates and high inflation. Extremely uncertain conditions are also expected for 2023. The relatively favourable economic growth witnessed in 2021 and the first half of 2022 started cooling down in the latter half of 2022. The year of 2022 was particularly challenging for companies in the Energy pillar.

As regards key quantitative indicators measuring SSH's performance, the amount of dividends planned was exceeded, but ROE of the portfolio of capital assets under management fell significantly below the targets from the Annual Asset Management Plan for 2022 due to poor performance of energy companies.

In addition to the personnel decisions presented above, the text below presents the most important decisions taken and topics discussed by the SSH 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.

Throughout the year, the Supervisory Board carefully dealt with the reports on SSH's business operations, information on the management of state capital assets, and discussed several times the level of corporate governance within SSH.

The Supervisory Board granted its consent to the addendum to the SAVA Reprogramming Agreement, and approved the exercise of the pre-emption right to purchase a 43.226% ownership stake in Sava, d. d. from York Global Finance Offshore BDH (the transaction was successfully completed). The Supervisory Board was also informed about the strategic activities planned in the tourism sector.

Regarding the META project, which involved SSH's activities following the sale of the Republic of Slovenia's capital assets in META Ingenium, a venture capital company, the Supervisory Board agreed with the proposal of the Management Board to reach a settlement regarding an economic dispute and authorized the Management Board to proceed with it.

The Supervisory Board was also presented with a report on an independent review of the appointment process of the General Manager of Pošta Slovenije, d. o. o., and the key findings related to the conduct and decision-making of Pošta Slovenije's Supervisory Board concerning the appointment process.

The Supervisory Board also reviewed a meticulous legal and economic study on the potential models for consolidating the provision of services of general economic interest provided by a distribution operator, along with their associated implications. This study was considered an important step toward potential additional management activities by SSH in the reorganization of the public service provided by a distribution operator.

The Supervisory Board actively discussed the expected merger with BAMC, a process that was formally concluded on 30 December 2022, when SSH became the universal legal successor, inheriting BAMC's comprehensive assets, rights, and obligations. Throughout the merger process, the Supervisory Board received regular reports from the Management Board about the appointment of the project team and implemented activities which were necessary for a successful merger and conducted in-depth discussions to support effective integration planning of two distinct organizational cultures. The Supervisory Board approved the method of conducting the merger and accepted the SSH Supervisory Board's report on the review of the intended merger.

During 2022, the Management Board regularly provided the Supervisory Board with information on managerial activities related to increased risks in the economic environment due to geopolitical tensions and the war in Ukraine, which had an impact on the growth of energy prices. The escalated conditions in international energy markets significantly affected the domestic market and the operations of domestic energy companies. The Supervisory Board received comprehensive reports from the Management Board and held in-depth discussions on the reasons and consequences of the negative performance of HSE and the HSE Group, as well as on the need for a capital injection to cover the liquidity shortfall at the end of 2022 and the urgency of developing a new HSE development strategy. The Supervisory Board provided its approval for the capital increase in HSE, d.o.o., in the form of additional equity capital contributions from the Republic of Slovenia, subject to the amendment of the Annual Asset Management Plan for 2022. This measure aimed to ensure the financial stability of the company and the reliable supply of electricity to the Republic of Slovenia.

In accordance with ZGD-1, the Supervisory Board granted approvals to the policies and regulations and work plan of the SSH Internal Audit, as well as other internal SSH internal policies and regulations, and regularly received quarterly reports on the activities carried out by the Chief Compliance and Integrity Officer. It also considered reports from the Audit, Nomination, and Risk Committees, and followed their professional recommendations. Special attention was given to the implementation and realization of the resolutions adopted by the Supervisory Board.

The Supervisory Board approved the audited annual report of SSH and the SSH Group for 2021 and recommended to the General Meeting of SSH to appoint BDO Revizija, d.o.o., as the auditor for the 2022- 2024 period.

In accordance with the SSH Articles of Association and ZSDH-1, the Supervisory Board reviewed and provided approval for advisory contracts concluded with financial, legal, and other advisors, as well as appraisers of companies.

In accordance with ZSDH-1, the Supervisory Board reviewed and gave its consent to the Annual Asset Management Plan for 2022, including its amendments, and also approved the Draft Annual Asset Management Plan 2023. It granted its consent for changes and amendments to the Corporate Governance Code for SOEs, confirmed the draft changes and additions to the SSH Asset Management Policy, and was informed about changes in the Integrity Plan.

Supervisory Board's members regularly monitored circumstances which might have led to 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 2022:

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

The **Risk Committee** regularly monitored risk management process and dealt with the changes to the Risk Register in 2022. With its initiatives and proposals, it significantly contributed to the preparation of a risk review related to the merger of BAMC with SSH, which involved the transfer of assets and liabilities, as well as the taking-over of employees. The Risk Committee promotes more effective risk management within SSH through its recommendations. In 2022, it was regularly updated on the ongoing work of the Risk Commission, which, under the guidance of the SSH 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. The Committee also kept itself informed about the activities of the Three Lines of Risk Management Working Group.

As the Risk Committee held only three regular meetings, a self-assessment test of its functioning was not conducted in 2022.

The **Audit Committee** performed its assignments in accordance with the provisions of ZGD-1 and recommendations about the audit committee's work. During its operation, it actively cooperated with the SSH Internal Audit Department, while having regular contacts with the SSH's independent auditor.

In 2022, the Audit Committee managed the selection of a contractor to carry out the statutory audit of SSH/SSH Group for the 2022-2024 period. It approved the draft tender documentation for the selection of the auditor and formulated a selection proposal for the Supervisory Board, which was approved. The Audit Committee reviewed the draft auditing contract and the independence statement. It discussed the

annual reports of SSH and SSH Group for 2021, the report of the independent auditor, the additional report of the Audit Committee on the audit of SSH's financial statements, and provided an assessment of the audit firm's performance for 2021 based on the Audit Committee's criteria.

The Audit Committee discussed the semi-annual report of the Company and SSH Group for 2022, the reports of the Commission for Handling Irregularities in SOEs, and statistics of received reports. Additionally, it reviewed the reports of internal audit, including the report on the work of the SSH Internal Audit Department for 2021, the review of the implementation of recommendations by the Internal Audit Department, the report on the internal quality assessment test conducted by the internal audit in 2021, quarterly reports on the work of internal audit and reviewed the implementation of internal audit recommendations. It was also briefed on the process of external assessment of the internal audit activity of SSH and approved the criteria for selecting service providers, the implementation of internal audit recommendations and initiatives for SSH and companies under its management, as well as the report on the implementation of recommendations by the Court of Audit of the Republic of Slovenia in the audit of the Efficiency of SSH's Business Operations in Managing Capital Assets.

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

The Audit Committee also carried out a self-assessment test of its performance for 2022, and discussed the findings of the analysis of the conducted self-assessment test. The President of the Audit Committee subsequently reported on the self-assessment results to the Supervisory Board.

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

The **Nomination Committee** is composed of all of the members of the SSH Supervisory Board. In 2022, the President of the Nominations Committee was Božo Emeršič until the end of his mandate, after which Janez Vipotnik took over the position. 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. In 2022, the Nomination Committee prepared a proposal for the Supervisory Board regarding the variable compensation of the SSH Management Board for 2022.

Work carried out by SSH Supervisory Board

In 2022, the Supervisory Board held nine regular, four extraordinary, and ten correspondence meetings. The attendance of members at the meetings was almost always complete, considering the number of members of the Supervisory Board. Two members were prematurely dismissed from their positions, as indicated in the table included in the Governance Statement.

The SSH Supervisory Board is composed of members who complement each other in terms of their expertise and competences. Its composition is diverse in terms of education, work experience and personal characteristics, enabling effective exchange of opinions and standpoints during the SB's meetings. In line with the formal legal framework stipulated by the legislation, the SSH's Articles of Association and the Corporate Governance Code and by adhering to the principle of due care and diligence, the Supervisory Board exercised its authority, fulfilled its duties and responsibilities 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. The Corporate Governance Code for SOEs, which applied for SSH in 2022 as the reference Code, was adhered to when carrying out SB's activities.

Due to the replacement of the majority of members, the Supervisory Board did not conduct a self-assessment test of its work in 2022.

A total of EUR 21,041.74 was spent for the operation of SB and its committees in 2022, in addition to attendance fees and remuneration for performing the function. The costs were incurred in the process for appointing the Member and the President of the SSH Management Board, for supplementary training and for D&O insurance policy.

In 2022, the SSH Management Board regularly attended the Supervisory Board's meetings, prepared the necessary underlying material for its decision-making or reported information to the Supervisory Board, thus ensuring the necessary basis for making decisions.

Review of SSH and SSH Group Annual Report

During the audit process, the Audit Committee met with the auditor twice, once without the presence of the SSH Man-

agement Board. They discussed the audit plan, key risks, materiality, composition of the audit team, whether the audit process was in line with the schedule, and the auditor's independence. The Audit Committee discussed the SSH and SSH Group Annual Report for 2022 on 21 June 2023 and the Annual Report together with the Independent Auditor's Report to the SSH shareholder, which includes the audit opinion with no reservations, at the meeting held on 22 June 2023. 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 meeting and answered questions raised by the Audit Committee's members. The additional report to the Audit Committee was also discussed at the meeting. After the in-depth consideration of the Annual Report, the Audit Committee proposed the SSH Supervisory Board to approve the Annual Report of SSH and SSH Group for 2022, to discuss the Auditor's Reports for 2022 and to take a positive position on both of them. The Audit Committee also assessed the auditor's contribution to the financial reporting.

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 2022 at its regular meeting held on 22 June 2023. The Supervisory Board also reviewed the Auditor's Reports to the shareholder. Furthermore, at the said meeting, the Management Board presented to the Supervisory Board individual sections from the SSH and SSH Group Annual Report for 2022. At its session of 22 June 2023, the Supervisory Board determined that the above mentioned Report included all components required, that it was drawn up in accordance with ZGD-1 and the International Financial Reporting Standards, that the Report was 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 at 31 December 2022. On that basis, the Supervisory Board adopted the following resolutions:

- the Supervisory Board adopts the Audited Annual Report for SSH and SSH Group SDH for 2022;
- the Supervisory Board has taken a positive position on the Auditor's Reports for 2022 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 2022, on the basis of the approved SSH and SSH Group Annual Report for 2022, and a positive position taken on the Auditor's Reports for 2022.

Position in regard to the Independent Auditor's Report

The SSH Management Board presented to the SSH Supervisory Board the SSH and SSH Group Annual Report for 2022, 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's meeting of 22 June 2023.

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 at 31 December 2022, in accordance with the International Financial Reporting Standards (IFRSs). Similarly, the Audit Opinion by the audit firm for the SSH Group holds no reservations - in all material aspects, the consolidated financial statements give a true and fair presentation of the financial position of the SSH Group as at 31 December 2022 as well as of the consolidated financial performance and consolidated cash flows as at 31 December 2022, in accordance with the International Financial Reporting Standards (IFRSs). The Supervisory Board has taken a positive position on the Auditor's Report for 2022 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 2022, including the accompanying Auditor's Report for 2022, the hereby declares that no objections in regard to the said report have been made, and, pursuant to Article 282 of Companies Act, the Supervisory Board therefore endorses the SSH and SSH Group Annual Report for 2022.



Karmen Dietner

President of Supervisory Board



SLOVENSKI DRŽAVNI HOLDING, d.o.o.



The background of the page is a blurred office scene. On the left, there is a bar chart with several vertical bars of varying heights. In the center, a person is walking away from the camera. The overall color palette is light blue and white, with a darker blue gradient on the right side of the page.

BUSSINESS REPORT

Responsible, prudent and efficient management of RS and SSH assets, ensuring compliance with denationalisation and other obligations in accordance with a mandate.

1.1 HIGHLIGHTED CORPORATE PROJECTS AND EVENTS

The merger of the Bank Asset Management Company (hereinafter referred to as: "BAMC") with SSH was a key corporate project in 2022

BAMC was established with Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks¹ (hereinafter referred to as: "ZUKSB") for a specified period, initially until 31 December 2017. Later the deadline was ex-

tended by a legislative amendment until 31 December 2022. In accordance with Article 36, Paragraph 3 of ZUKSB, the assets, rights, and obligations of BAMC were to be transferred to SSH as its universal legal successor upon its termination. The legal succession was to be further regulated by the Government of the Republic of Slovenia through a secondary legislation, following a report to the National Assembly of the Republic of Slovenia.

REVIEW OF KEY ACTIVITIES IN THE PROCESS OF MERGING BAMC:

Activity/Measure	Responsible body	Date of Execution
Preparation of the report regarding the legal succession of BAMC	Government of the Republic of Slovenia	28 April 2022
Deliberation on the recommendations regarding the legal succession of BAMC in the Parliament	National Assembly of the Republic of Slovenia	12 September 2022
Conclusion of the Merger Agreement	The Management of BAMC and SSH	28 October 2022
Consultation of SSH Management Board with the Employees' Council of SSH regarding the intended merger	The Management of SSH	15 November 2022
Audited final report as at the day of the merger settlement	The Management of BAMC and the auditor	18 November 2022
Report of the SSH Supervisory Board on the review of the merger	SSH Supervisory Board	29 November 2022
Report of the BAMC Board of Directors on the review of the merger	BAMC Board of Directors	29 November 2022
Statement of SSH Management Board as per Article 590, Paragraph 2 of ZGD-1	SSH Management Board	9 December 2022
Statement of the BAMC management as per Article 590, Paragraph 2 of ZGD-1	BAMC Board of Directors	12 December 2022
SSH General Assembly to approve the merger	Government of the Republic of Slovenia	8 December 2022
BAMC General Assembly to approve the merger	Government of the Republic of Slovenia	8 December 2022
Adoption of the amended and revised SSH Articles of Association	Government of the Republic of Slovenia	8 December 2022
Registration of the merger in the Business Register	Court based on the notary's proposal	30 December 2022

• Legal due diligence conducted and business compliance ensured

During the phase of the pre-merger activities, the law firm Odvetniška družba Kavčič, Bračun, in partnerji, d.o.o., acted as legal advisor to BAMC and performed an adapted legal due diligence of BAMC's operations based on the questionnaire and scope of review prepared by SSH.

The law office Odvetniška pisarna Ulčar & partnerji, d.o.o., as legal advisor to SSH, participated in guiding the adapted legal

due diligence, provided additional questions and comments on the draft report during the review, and subsequently prepared a report on recommendations regarding the risks identified in the adapted due diligence of BAMC on 12 October 2022. The purpose of the due diligence was to identify risks and address them appropriately by implementing measures to manage them effectively.

• Contents of the Merger Agreement and some other characteristics of the merger

¹ Official Gazette of RS, Nos. [105/12](#), [63/13](#) – ZS-K, [23/14](#) – ZDIJZ-C, [104/15](#), [26/17](#) – ORZUKSB33, [27/17](#) – corr, and [174/20](#) – ZIPRS2122.

The main content of the Merger Agreement was the agreement on the merger between BAMC and SSH, whereby BAMC transferred all of its assets, along with all rights and obligations, to SSH, which accepted and took over these assets, rights, and obligations as stated in BAMC's final report as at the merger settlement date, effective upon registration of the merger in the Business Register. **The merger settlement date was 30 June 2022.**

The Merger Agreement stipulated that the acquiring company, SSH, as the universal legal successor of the acquired company, BAMC, shall be liable for the fulfilment of the acquired company's obligations (with its own assets and the assets of the acquired company).

The Merger Agreement also provided that the Republic of Slovenia, as the sole shareholder of both companies involved in the merger, waives the application of Articles 582, 583, and Article 586, Paragraphs 1 and 2 of ZGD-1, as evidenced in a notarial record which is included in the minutes of the General Meeting.

On the basis of Article 589, Paragraph 2, indent one of ZGD-1, the acquiring company, SSH, was not required to provide shares for the merger to the shareholder of the acquired company, as the Republic of Slovenia owned 100% of the share capital of both the acquiring and acquired companies. Since there was no exchange of shares between the acquired and acquiring companies, there was no need to determine an exchange ratio and monetary payment in the Merger Agreement. The acquiring company, SSH, was not required to increase its share capital due to the merger.

- **SSH acquired new activities with the merger: claim management and tangible assets management**

Through the merger of BAMC with SSH, all assets, rights, and obligations of BAMC were transferred to SSH. SSH entered into all legal relationships (procedural, contractual, credit, employment, etc.) that existed at BAMC. As at 20 June 2022, the cut-off date for the merger, BAMC had claims in the total amount of EUR 277.7 million net or EUR 2,968,451,277.33 gross, with nine out of ten largest debtors (by gross amount of claims) being in bankruptcy. SSH also took over shares and interests in companies domestically and abroad, as well as numerous properties primarily in Slovenia but also abroad.

As at 30 December 2022, 82 employees were transferred to SSH from BAMC. Regarding the transfer of assets, liabilities, and employees from BAMC to SSH, SSH made changes in its internal organization by adding internal organizational units responsible for managing the newly acquired investments.

The net balance sheet assets of BAMC which were transferred to SSH amounted to EUR 363.4 million.

- **Crisis management activities in the energy sector:**

The situation in the energy sector became extremely critical in 2022. In the decade before the energy crisis, electricity prices averaged around EUR 50/MWh. However, in 2022, prices fluctuated significantly, even exceeding EUR 100/MWh on certain days and reaching as high as EUR 500/MWh or even EUR 1,000/MWh during peak times in August 2022. Given such volatility and absolute price levels of energy products, the requirements for financial collateral in the form of payment of funds to clearing banks (initial or variation margin) increased. In extreme cases, these collaterals exceeded ten times the total value of energy contracts. During this period, relevant European and domestic institutions, including SSH, took urgent intervention measures to ensure reliable supply, protect vulnerable consumers, and support the economy.

SSH actively participated in public consultations on intervention proposals and enhanced corporate governance reporting and oversight over companies through various measures.

Key activities included coordinating with all companies in the energy portfolio, implementing targeted measures, and participating in the preparation of the Act on the Guarantee of the Republic of Slovenia of Slovenia for the Obligations from Credits Taken Out to Ensure Liquidity on the Organized Electricity Markets and Emission Coupons and Obligations from the Purchase Additional Quantities of Natural Gas Outside the European Union Market (ZPKEEK).

Two key activities are emphasized and presented below: a subsequent payment of EUR 492 million to the share capital of HSE, d.o.o., and risk management activities regarding insufficient gas supply to the Republic of Slovenia.

- **Subsequent payment into the share capital of HSE, d. o. o.**

The HSE Group found itself in a challenging position due to several negative factors related to the energy crisis (historically low water levels, the shutdown of TEŠ due to the compression of one of the two excavation fields of Premogovnik Velenje, insufficient lignite supply, and reduced willingness of commercial banks to provide additional financing for short-term liquidity needs).

To prevent liquidity problems within the HSE Group and ensure its stable operation, SSH conducted all necessary activities to inject two tranches of required financial resources in the form of subsequent payments from the Republic of Slovenia to the share capital of HSE, totalling EUR 492 million.

The first tranche amounted to EUR 300 million, while the second tranche amounted to EUR 192 million. These subsequent payments to the share capital of HSE were made in December 2022.

Before making the decision on the subsequent payment to the share capital, SSH also conducted a private investor test to demonstrate the economic rationale of the financial investment from the perspective of a private investor and to prove that the capital injection does not constitute state aid.

SSH will monitor the future circumstances and operations of the HSE Group with the goal of returning the entire amount of subsequent payments to the share capital to the founder no later than by the end of 2024, or even earlier if the financial capabilities of the HSE Group allow for it. SSH will actively monitor the purpose of the received financial resources and the adequacy of cash flow management at the group level, ensuring the fastest possible repayment of funds based on the financial capabilities of the HSE Group.

- **Managing the Risk of insufficient gas supply to the Republic of Slovenia**

The Government of the Republic of Slovenia, through its Decision No. 47607-37/2022/2 of 6 October 2022, called upon SSH to promptly carry out all management activities which, taking into consideration the urgency for the continued stable operation of Geoplin d.o.o. (hereinafter referred to as; "Geoplin") and the strategic interest of the Republic of Slovenia in ensuring a stable supply of natural gas to household and business consumers, were required to modify or amend the Annual Asset Management Plan, in accordance with Article 30 of ZSDH-1.

In connection with the above-mentioned Decision, SSH carried out the following actions in 2022: (i) conducted multiple meetings with representatives of Geoplin, financial advisors, and Petrol to gather information about the condition of Geoplin and possibilities for future gas supply; (ii) arranged for Geoplin to conduct an independent due diligence of its business, financial, tax, and legal affairs and obtained final reports of the reviews; (iii) signed a contract for an independent valuation of Geoplin under various development scenarios and obtained the final valuation report of the company; (iv) established communication with the relevant ministry regarding strategic issues related to the operation of Geoplin; (v) engaged a legal advisor and collaborated with them on activities related to the prior notification of concentration to the Slovenian Competition Protection Agency; (vi) collaborat-

ed with the Ministry of Finance on activities related to obtaining a European Commission decision regarding the permitted state aid.

Acquisition of stake in Sava, d. d.

On 28 February 2022, SSH and KAD jointly exercised their pre-emption right to purchase the equity stake and receivables from York Global Finance Offshore BDH, Luxembourg. Specifically, SSH acquired a 43.226% stake in Sava owned by York, while KAD acquired York's receivables due by Sava. The total purchase price paid into the KDD escrow account upon the exercise of the pre-emption right amounted to EUR 38.0 million, of which SSH paid EUR 32.01 million for York's ownership interest in Sava and KAD paid EUR 5.99 million for York's receivables from Sava. The transaction was successfully completed on 15 September 2022. After the transaction was concluded, SSH became the holder of a 61.914% equity stake in Sava, and KAD became the holder of a 28.046% equity stake in Sava.

IT Projects and Digital Transformation

During the business year, the migration and optimization of information system services to new infrastructure equipment was successfully completed, which provided the foundation for the development of new information services and the merger of a new company according to the company's business plan. As a result, all activities planned proceeded smoothly, ensuring the availability of infrastructure resources.

IT played an important role in providing guidelines in various areas of the Company's operations and successfully integrated the new company while laying the foundations for optimizing the processes of the entire Company.

SSH continued its efforts in IT to ensure high availability, uninterrupted operations, and the digitalization of business processes.

In 2022, a new application called AS was introduced into production to efficiently and digitally execute activities related to capital assets management. In 2023, the AS application will be upgraded with new functionalities and will become the central data hub for all key management activities. It will connect databases with other software tools, enabling a fast and efficient display of various types of data necessary for quality asset management.

Educational and other events for portfolio companies and support for events by other organizers



As part of its activities aimed at updating knowledge and improving the quality of work of supervisory board members, SSH focused on two strategic themes, which were reinforced with educational meetings: corporate culture governance and sustainable business management. In cooperation with experts from the Centre of Business Excellence of the Faculty of Economics, the University of Ljubljana, SSH prepared a guide for supervisory boards of state-owned enterprises on governing corporate culture and organized a workshop on this topic. Two events were organised on the topic of sustainability: the first one was focused on the Company's carbon footprint and the other presented a comprehensive view of transitioning to a carbon-neutral company. All four events were well attended.

In 2022, SSH initiated the organization of meetings for compliance and integrity officers of SOEs.

The goal of these meetings is to exchange professional experiences, best practices, address common or important general topics, strengthen SSH's advisory role, and organize joint education events on compliance and integrity. The theme of the first meeting in September 2022 was related to discussions on provisions of ZSDH-1, the Corporate Governance Code, presentations on the organizational placement of compliance officers in companies, the content of their work, and the procedures for receiving and handling reports of suspected irregularities in light of the implementation of the European directive and the draft Reporting Persons Protection Act.

For the fourth consecutive year, SSH supported the International Fraud Awareness Week.



During the week, which was held in November, numerous events took place, and SSH invited all SOEs to participate, showing its support and the importance of such topics.

An overview of projects relating to 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.

1.2

CORPORATE GOVERNANCE STATEMENT

In accordance with the provision of Article 70, Paragraph 5 of ZGD-1 and the Recommendation 3.4.1 of the Corporate Governance Code for SOEs, Slovenian Sovereign Holding hereby provides the Corporate Governance Statement which forms an integral part of this Business Report. The said Statement is available on the Company's web site: www.sdh.si. The Corporate Governance Statement includes all the important aspects of the governance of SSH and SSH Group and refers to the period from 1 January to 31 December 2022.

SSH is the umbrella manager of capital assets of the State. On 30 December 2022, with the merger of BAMC, SSH also began managing tangible assets (real estate and movable property) and claims. Certain legal matters concerning SSH and specific aspects of its management are regulated by a special law, ZSDH-1, which mainly implemented the OECD Guidelines on Corporate Governance of State-Owned Enterprises into Slovenian legal order. As regards certain legal matters and aspects of asset management, which are not regulated by ZSDH-1, the provisions of ZGD-1 apply in the subsidiary manner. Additionally, 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 was adopted by SSH in accordance with ZSDH-1. SSH has also adopted the SSH Asset Management Policy to which it has to adhere to.

In accordance with Article 18, Paragraph 1 of ZSDH-1, SSH manages state capital assets in accordance with ZSDH-1, the law governing companies, and the governance instruments, considering the organizational status and internal policies and regulations of each company. Only a smaller portion of companies with assets managed by SSH form the SSH Group. SSH manages state capital assets which are part of the SSH Group in the same manner as other state capital assets. Therefore, there is no special legal regime for managing state capital assets in the SSH Group compared to other state capital assets.

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 December 2022, SSH uses the Corporate Governance Code for SOEs as the reference corporate governance code (also available on SSH's web site <http://www.sdh.si/>). The Code was last revised in June 2022.

The Corporate Governance Code for SOEs is the asset management document adopted by SSH in accordance with ZSDH-1 by way of which SSH, in the capacity of the central ownership entity, recommends to SOEs good practice in corporate governance and, partially, set expectations from them. The said Code is one of the most important legal instruments regarding the governance system of state capital assets through which SSH strives for the overall improvement of the quality of corporate governance pursued by SOEs.

In 2022, SSH deviated from the following recommendations referred to in the reference Code:

- Recommendations regarding remuneration for Supervisory Board members and members of Supervisory Board Committees for their services and attendance fees were not fully taken into account due to specific regime applied by ZSDH-1, and in accordance with SSH General Meeting Resolution of 21 July 2017.
- SSH has been gradually implementing the recommendations regarding the employee development plans (point 7.4), based on adopted internal policies and regulations. Following the guidelines of the SSH HR Strategy for the 2021-2023 strategic period, SSH started implementing the activities planned. It has also been implementing the provisions of the Asset Management Policy regarding key and talented employees. In 2022, SSH actively began preparing development plans for employees, with a timeline until the end of 2023 and a semi-annual review of employees' goal achievement. Due to the merger with BAMC, 2023 will bring new challenges and practices, which will also require adjustments to the current employee development plans.
- 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 (Recommendation 6.1 of the 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 ZSDH1 (SSH's General Meeting does not elect members of the Supervisory Board on proposal by the Supervisory Board but they are appointed by the Parliament) (Recommendation 6.5.1 of the Code).

- As the procedure for appointing Supervisory Board members is specifically regulated by ZSDH1 (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 (Recommendation 6.9.5 of the Code).
- As a result, the Management and Supervisory Boards did not develop and adopt a diversity policy. As regards the composition of the Supervisory Board, special statutory provisions (ZSDH1) 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 Parliament). Consequently, the Corporate Governance Statement does not include the report on the implementation of the Diversity Policy and on the results of its implementation (Recommendation 3.6 of the Code).

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 aligned with the SSH's development, organisational and statutory changes and 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 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 in 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;
- business partner management activities;
- software controls, which, depending on the software or business solution, are applied as appropriate to the execution of transactions, data exchange, etc. Both 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 which reduce or eliminate individual operational and cyber risks.

Internal control system and risk management system at the SSH Group level

As previously explained, SSH manages companies within the SSH Group in the same manner as other state capital assets, in accordance with ZSDH-1, governance documents on asset management, considering the legal organizational form and the Articles of Association of each company.

SSH requires all SOEs to adhere to the Corporate Governance Code of SOEs. A special chapter in the Code is dedicated to establishing and managing the internal control system and risk management system. Internal control and risk management systems are more developed in large companies and entities of public interest, where additional functions (audit committees, internal auditing, risk management coordinators, etc.) contribute to the establishment and development of these systems. Companies with more complex operations have well-developed business processes, regulated by internal policies and regulations, and their internal controls are also legally regulated. Internal controls systems in some companies may not be explicitly documented but are established in practice. Companies have both automatic and manual controls in place. Transparency in operations is an important focus within the SSH Group and SOEs in general. Companies comply with regulations and good corporate governance practices recommended by SSH in the Code and SSH Recommendations and Expectations. Internal controls are regularly adapted to legislation, standards, processes, organizational changes, external assessors' findings (such as the Court of Audit of the Republic of Slovenia), internal and external audit recommendations, and best practices. In one-person companies, SSH occasionally conducts reviews with its own internal audit service and issues recommendations for improving internal controls and implementing risk management measures from the perspective of SSH management.

SSH does not directly lead the group of companies as a joint concern, thus it does not directly intervene in their processes, internal control systems, and risk management systems. SSH aims to influence better corporate governance in companies through governance instruments on asset management and educational activities, with appropriate emphasis on internal control and risk management systems. The development and complexity of these systems largely depend on each company's size, business complexity, number of employees, and other factors which influence the required level of complexity to meet the standard of a diligent and fair business operator (*in Slovene: "standard vestnega in poštenega gospodarstvenika"*).

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. The same company was appointed by the SSH General Meeting to audit the financial statements for 2022, 2023 and 2024. 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 and designed to add value to and improve the functioning and performance of SSH. 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 March 2022 and reports directly to the SSH Management Board and the Audit Committee of the SSH Supervisory Board or the SSH Supervisory Board. The activities pursued by the Internal Audit is presented in the Chapter on Internal Audit activities.

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 measuring 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.

A shareholder - the Republic of Slovenia (represented by the Government of the Republic of Slovenia) - exercises its rights at the General Meeting. As a rule, the General Meeting is convened at least once a year and is held in accordance with applicable regulations. A holder of shares has a right to manage a company, the right to a dividend and the 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.

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 ZSDH-1 are further enhanced by rules and procedures defined in the Company's internal policies and regulations. The provisions of Chapter 6 of ZSDH-1 are further defined in internal policies and regulations concerning conflicts of interest, traceability of contacts, reporting on non-public contacts, unethical or illegal actions or influences, acceptance of gifts, restrictions on transactions with related parties, transactions by liable persons with securities of companies under SSH management, business compliance policy, handling reports of suspected irregularities, and the Code of Ethics. Special attention is given to the protection of personal data and the prevention of money laundering and terrorism financing.

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. The Integrity Plan includes all compliance and integrity risks identified at SSH. Permanent and one-time measures are defined for managing the risks identified. The Integrity Plan is updated on an ongoing basis, as necessary, depending on changes in the environment and deviations identified and taking into account the necessary changes in internal processes. Regular reviews of the Integrity Plan take place during the meetings of SSH bodies.

In 2022, the Company paid additional attention to business compliance by granting additional authority to the Chief Compliance and Integrity Officer, related to the prior review of

all documents for the decision-making process of the Company's Management Board and all significant contracts with business partners. Reporting to the management and supervisory bodies was enhanced. In the context of the merger with BAMC and other environmental changes, SSH's internal policies and regulations were also updated.

SSH also strives for ensuring compliance in companies within the SSH Group and overall in SOEs. For this purpose, the Code, as well as the SSH Recommendations and Expectations, regulate best practices in this area. In 2022, the SSH Chief Compliance and Integrity Officer organized a professional meeting with other corporate integrity officers from SOEs.

Diversity Policy - description

Throughout the major part of 2022, the Supervisory Board consisted of four men and one woman. However, as of November 2022, it is composed of three men and two women. 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 Supervisory Board of SSH 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 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.

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 that 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 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 non-certified form.

2. Restrictions regarding transfer of shares:

SSH shares are not freely transferable.

3. Qualified holding as stipulated by Zpre-1

As at 31 December 2022, the Republic of Slovenia was the holder of the qualified holding as stipulated by ZPre-1, with 180,788 shares or 100% of the share capital.

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

Slovenian Sovereign Holding has issued 180,788 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 in place at 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

There are no such agreements. 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

According to the new ZSDH-1, the SSH Management Board consists of a President and a maximum of two members. The SSH Management Board is appointed by the SSH Supervisory Board based on a public call for applications. The term of office for the Management Board members lasts for four years with an option of reappointment. The Supervisory Board assesses the fulfilment of the criteria required by ZGD-1 and ZSDH-1 in a prudent and responsible manner. Any breach of duties under ZSDH-1 or under any instruments of corporate governance is 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. All members of the SSH Supervisory Board are appointed by the National Assembly of the Republic of Slovenia upon the proposal of the Government of the Republic of Slovenia, and the

proposal cannot be altered. 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. The 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. The SSH Articles of Association are amended 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

There are no such agreements.

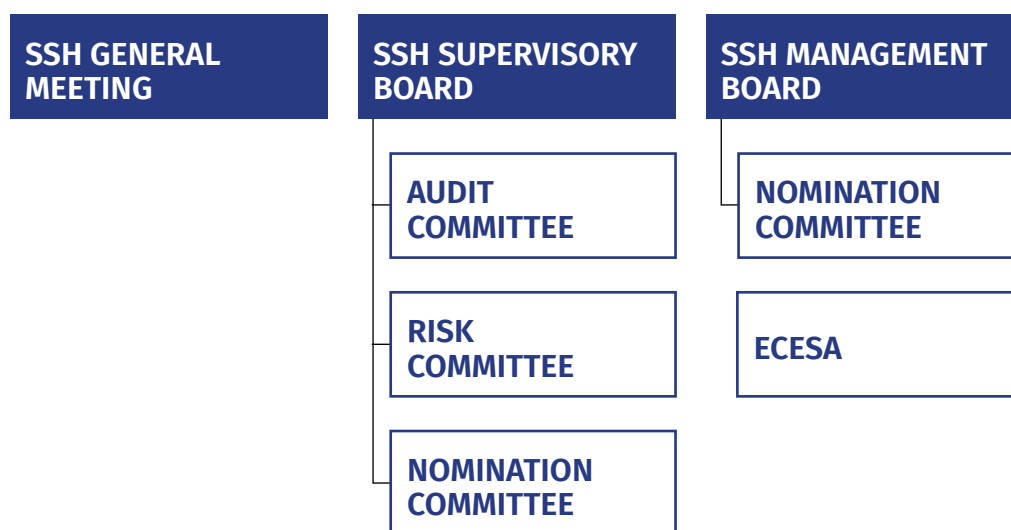
11. Agreements between SSH and its management or supervisory bodies or its employees subject to which a compensation is envisaged, if, due to a bid as stipulated by the act governing mergers and acquisitions, these persons are dismissed without a justified cause, or their employment is terminated:

There are no such agreements.

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. The Management Board runs SSH and organizes its work and operations, while the Supervisory Board oversees the running of SSH's business. The governance of SSH is based on statutory provisions, on the Articles of Association which is the fundamental legal document, internal policies and regulations and on good business practice. The composition of the management and supervisory bodies is such that the members have complementary skills and experience, thus ensuring heterogeneity of their composition.

FIGURE: THE COMPANY'S BODIES AND THEIR WORKING AND CONSULTATION BODIES



SSH 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 SSH Management Board is composed of the President and up to two members who are all appointed by the SSH Supervisory Board on the basis of a public call for applications. In 2022, the SSH Management Board operated with three members until 31 August 2022, and with two members from 1 September 2022 onwards. The Management Board mainly took its decisions at the Management Board meetings and, in addition to the formal Board meetings, exercised its powers and responsibilities in the day-to-day business operations and its powers and responsibilities vis-à-vis the General Meeting as laid down in ZGD-1 and ZSDH-1. The activities in respect of the Supervisory Board were carried out by the SSH 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 may represent the Company only 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 guarantees to third persons – regardless of the nominal amount of an individual transaction;
- for legal transactions in regard to obtaining or granting loans maturing within more than 365 calendar days – regardless of the nominal amount of an individual transaction;
- for the acquisition of capital assets with a cost exceeding EUR 1 (one) million and the disposal of capital assets with a carrying amount exceeding EUR 1 (one) million;
- for the adoption of the Criteria for Measuring the Effectiveness of State-Owned Enterprises;
- for the adoption of the Annual Asset Management Plan;
- for the adoption of the Asset Management Policy;
- for the adoption of the Corporate Governance Code for Companies with Capital Assets of the State;
- for concluding agreements on the provision of advisory services, such as agreements concluded with legal and financial advisors, agreements for carrying out due diligence of a company, agreements for company's valuations in the processes for the acquisition and disposition of capital assets, the value of which equals or exceeds EUR 40,000 excluding VAT 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 requirements 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 nomination procedures. These additional 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 IN 2022

Name and surname	Žiga Debeljak, MSc	Janez Tomšič	Dr Janez Žlak	Peter Drobež
Position (President, Member)	President of the Management Board	Member of SSH Management Board	President of the Management Board	Member of SSH Management Board
Area of work covered within the Management Board	President and Member of the SSH Management Board cover all areas together.	President and Member of the SSH Management Board cover all areas together.	Asset Management, Management Board's Office, Human Resources and General Affairs, Compliance and Integrity, Internal Audit, Allegations of Irregularities	Asset Management, Finance and Accounting, Management Board's Office, Compliance and Integrity, Internal Audit, Allegations of Irregularities
First appointment to the position	1 September 2022	23 April 2021	7 October 2020	1 April 2022
End of function / term-of-office			31 August 2022	31 August 2022
Gender	M	M	M	M
Citizenship	Slovenian	Slovenian	Slovenian	Slovenian
Year of birth	1971	1979	1965	1974
Qualification	University Degree in Computer Science (<i>univ. dipl. inž. računalništva</i>) and Master's in Business and Organisation (<i>mag. poslovedenja in organizacije</i>)	University Degree in Law (<i>univ. dipl. pravnik</i>)	PhD in Chemistry and Chemical Technology, Masters in Economics, Specialist in Mechanical Engineering, Expert in Energetics,	University Degree in Economy (<i>univ. dipl. ekonomist</i>)
Expert profile	Management and Organization of operations, Corporate Governance, Corporate Finance, and Business Informatics	Corporate Governance, Running Companies, Legal Affairs	Running and Organisation of Business	Corporate Governance, Process Management, Financial Management
Membership in supervisory bodies in companies not related to the company.	President of Supervisory Board of Telekom Slovenije, d. d., President of Supervisory Board of Gen energija, d. o. o..	President of Supervisory Board SID banka, d. d., President of Supervisory Board of KAD, d. d.	President of Supervisory Board of Petrol, d. d., Member of Supervisory Board of Plinovodi, d. o. o..	/

SSH 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 four-year tenure after having been selected from experts in corporate governance, HR management and experts in the functioning of bodies of supervision.

In 2022, 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 consultative 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 (Confederation of new Trade Unions of Slovenia Independence), Saška Kiara Kumer (Association of Free Trade Unions of Slovenia), Zdenko Lorber (Slovenian Union of Alternative Trade Unions of Slovenia), Albert Pavlič (Association of Workers Trade Unions of Slovenia – Solidarity), Jakob Počivavšek (Pergam Confederation of Trade Unions), Branimir Štrukelj (Confederation of Slovenian Public Sector Trade Unions) and Damjan Volf (Trade Unions Confederation 90 of Slovenia). On 17 January 2022, Miroslav Garb submitted his resignation statement as a member of the Economic-Social Expert Committee due to personal reasons. As at 2 February 2022, Evelin Vesenjsek was appointed as his replacement. Zdenko Lorber is the President of ECESA and Saška Kiara Kumer acts as 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 2022: 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 and in tables below.

MEMBERSHIP OF THE SSH SUPERVISORY BOARD AND SSH SUPERVISORY BOARD'S COMMITTEES IN 2022

Name and Surname	Karmen Dietner	Ivan Simič, MSc	Franjo Bobinac	Suzana Bolčič Agostini	Miro Medvešek	Janez Vipotnik	Božo Emeršič, MBA, MSc	Dr Leon Cizelj
Position (President, Deputy, Member)	Since 6 June 2022, she is once again performing the position of the President of the SSH Supervisor Board.	Since 6 June 2022, he has been performing the position of Member of SSH Supervisor Board	Member of Supervisory Board	Member of Supervisory Board	Member of the Supervisory Board	Since 28. 6. 2022, he held the position of Vice-President of Supervisory Board	22 June 2022 - he was dismissed from the position of Member of Supervisory Board.	22 June 2022 - he was dismissed from the position of the Member of SSH Supervisory Board
First appointment	19 December 2018; she became President of SSH Supervisory Board on 1 April 2019; between 21 January 2022 and 5 June 2022, she held the position of Member of SSH Supervisory Board	17 July 2020; between 21 January 2022 and 6 June 2022, he held the position of President of SSH Supervisory Board	17 November 2022	17 November 2022	15 December 2022	14 December 2017	17 July 2020; since 21 January 2021, he held the position of Vice-President of Supervisory Board	22 September 2021
End of function/ term-of-office	19 December 2023	17 July 2025	17 November 2027	17 November 2027	15 December 2027	14 December 2022	22 June 2022	22 June. 2022
Representative of shareholder/ employees	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	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1
Attendance at SB's meetings in regard to the total number of SB's meetings	23/23	23/23	4/23	4/23	1/23	22/23	13/23	13/23
Gender	F	M	M	F	M	M	M	M
Citizenship	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian
Year of birth	1968	1959	1958	1967	1964	1948	1966	1964
Qualification	University Degree in Economics (<i>univ. dipl. ekon.</i>)	University Degree in Law (<i>univ. dipl. pravnik.</i>) and Master's degree in Tax Law (<i>mag. davčnega prava</i>)	University Degree in Economics (<i>univ. dipl. ekon.</i>), MBA	University Degree in Economics (<i>univ. dipl. ekon.</i>), specialist in auditing	University Degree in Economics (<i>univ. dipl. ekon.</i>)	University Degree in Economics (<i>univ. dipl. ekon.</i>)	Master's degree in business and organisation (<i>mag. znanosti s področja poslovedenja in organizacije</i>), MBA	
Expert profile	Finance, Corporate Governance	Tax Law Corporate Law Corporate Governance	Management, Finance, Corporate Governance	Management, Corporate Governance, Auditing, Business Consulting	Banking, Insurance business, Financial markets, Management	finance, corporate governance, management of liabilities and assets	Corporate governance, Management Finance	
Independence under Article 23 of the Code (YES/NO)	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	YES, appointed in accordance with ZSDH-1	YES, appointed in accordance with ZSDH-1
Existence of conflict of interest in the financial year: YES/NO	NO	NO	NO	NO	NO	NO	NO	NO
Membership in supervisory bodies in other companies	-	-	Member of Supervisory Board of IEDC Bled, (President of the Slovenian Olympic Committee, the Honorary Consul of the Principality of Monaco in Slovenia, a Member of the Executive Committee of the European Trilateral Commission)	(Member of the Council of the Ljubljana University Medical Centre)	-	-	Member of Supervisory Board of Ilirika DZU, a.d., Belgrade	(Member of international Board of Directors of non-for-profit organizations)

Membership in the Audit Committee	President / member	Attendance at meetings of SB's Committees in regard to the total number of SB's meetings
Ivan Simič, MSc	President of Audit Committee:	8/8
Karmen Dietner	Member of Audit Committee:	8/8

Membership in Risk Committee	President / member	Attendance at meetings of SB's Committees in regard to the total number of SB's meetings
Janez Vipotnik	President of Risk Committee from 28.6.2022 until the regular termination of the of the SB member's term of office on 14.12.2022	3/3
Karmen Dietner	Member of Risk Committee from 28.6.2022	3/3
Božo Emeršič, MBA, MSc	Member of Risk Committee until 22.6.2022	2/3 (on account of early termination of the SB member's term of office)

Supervisory Board's Nomination Committee	President / member	Attendance at meetings of SB's Committees in regard to the total number of SB's meetings
Karmen Dietner	Member of Nomination Committee	12/12
Ivan Simič, MSc	Member of Nomination Committee	12/12
Franjo Bobinac	Member of Nomination Committee since 17 November 2022	0/12 (due to late start of SB member's term of office)
Suzana Bolčič Agostini	Member of Nomination Committee since 17 November 2022	0/12 (due to late start of SB member's term of office)
Miro Medvešek	Member of Nomination Committee since 15 December 2022	0/12 (due to late start of SB member's term of office)
Janez Vipotnik	President of Nomination Committee since 28 June 2022	12/12
Božo Emeršič, MBA, MSc	President of Nomination Committee until 22 June 2022	7/12 (due to early termination of SB member's term of office)
Dr Leon Cizelj	Member of Nomination Committee until 22 June 2022	7/12 (due to early termination of SB member's term of office)

External Members of Committees	Committee:	Attendance at sessions of SB's Committees in regard to the total number of SB's sessions	Gender	Citizenship	Qualification	Year of birth	Expert profile	Membership in supervisory bodies in companies not related to the company.
Darinka Virant	Audit Committee	7/7	F	Slovenian	University Degree in Economics (univ. dipl. ekon.)	1954	Expert in Financial, Accounting and Auditing Reporting	External Member of Audit Committees of Supervisory Boards of Eles, Talum, Elektro Celje and Mladinska knjiga
Darinka Virant	Risk Committee	3/3	F	Slovenian	University Degree in Economics (univ. dipl. ekon.)	1954	Expert in Financial, Accounting and Auditing Reporting	External Member of Audit Committees of Supervisory Boards of Eles, Talum, Elektro Celje and Mladinska knjiga

Ljubljana, 22 June 2023

Janez Tomšič

Member of SSH Management Board

Žiga Debeljak, MSc

President of SSH Management Board

1.3 PRESENTATION OF SSH GROUP AND SSH

1.3.1 Presentation of SSH Group

As at 31 December 2022, SSH was the controlling company which prepares the consolidated annual report for companies within its Group.

For this purpose, the companies are classified into four groups:

- subsidiaries (Sava, d. d., which has been included in the consolidation since 30 September 2022, PS ZA AVTO, d. o. o., Elektrooptika, d. o. o.),
- subsidiaries transferred from BAMC,
- associates;
- entities which are solely the subject of management and are owned by RS and/or SSH.

On the basis of analysis and criteria, adopted in accordance with the International Financial reporting Standards, i.e. IFRS, entities from the group number four are not controlled by but only managed by SSH, in accordance with the statutory basis arising from ZSDH-1. ZSDH-1, Article 36(a) also stipulates that subsidiary, in which the position of the controlling company has been acquired due to the acquisition of stakes or shares through the transfer of assets, rights, and obligations from BAMC to SSH in accordance with the law governing measures

to strengthen the stability of banks, shall not be included in the consolidated annual report. SSH does not form a joint concern with any company, as there are no unified management between structures or management agreements.

The Accounting Report (note 2.4.1) presents which subsidiaries were controlled by SSH and in which SSH exercised a significant influence (associates).

Presentation of consolidated company - Sava, d. d.

At the end of 2022, the Sava Group, which has become exclusively focused on tourism, consisted of five companies: the parent company Sava, d. d., the main subsidiary engaged in tourism activities, Sava Turizem, d. d., with seven destinations (Bled, Moravske Toplice, Ptuj, Radenci, Bernardin, and the resorts Salinera and San Simon under management), the dormant companies Sava Zdravstvo, d. o. o., and BLS Sinergije, d. o. o., and the associated company Zavod SEIC. The consolidated financial statements of the Sava Group include Sava, d. d., and Sava Turizem, d. d.

COMPANY DETAILS - SIGNIFICANT DATA



Corporate name:	Sava, družba za upravljanje in financiranje, d. d.
Registered office:	Ljubljana
Business address:	Dunajska cesta 152, 1000 Ljubljana
Telephone No.:	++386 4 206 5510
Web site and e-mail:	www.sava.si , info@sava.si
Activity code:	64,200 Holding company
VAT ID:	SI75105284
Registration No.:	5111358
Transaction Account:	SI56 3300 0000 9608 326, held by Addiko Bank SI56 0700 0000 0002 418, held by Gorenjska banka
Date of legal entity's establishment:	8 September 1989
Registered legal form:	public limited company registered at the Ljubljana District Court (court register decision no. 10024800)
Share capital:	EUR 29,082,968 The company's share capital is divided into 29,082,968 ordinary, freely transferable, and no-par value shares. The corresponding amount per share is 1 EUR.
SSH ownership stake as at 31 December 2022:	61.91%
Dividend limitations:	SSH has no limitations regarding dividend payments to which it is entitled as the controlling company.

The Sava Group is exclusively focused on tourism, following the strategy adopted for the 2019-2023 period. Sava, d. d., is the majority owner (95.47%) of Sava Turizem, d. d., which is the largest provider of tourist services in Slovenia, with capacities in the Alpine, thermal Pannonian, and Mediterranean regions of Slovenia.

1.3.2 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. With the merger of BAMC on 30 June 2022 and the registration in the Business Register on 30 December 2022, SSH acquired two new activities, specifically, managing tangible fixed assets management, and claim management.

SSH was established on 26 April 2014 by transforming SOD when the act entered into force regulating its establishment, status, tasks, asset management and some other relevant

matters (ZSDH-1). SSH continues to exercise all powers, responsibilities, rights and obligations which used to be held by SOD. SSH, as a liable party to proceedings, takes part in proceedings for determining compensation for nationalised assets and provides for regular settlement of liabilities arising from denationalised assets. In the capacity of the holder of public powers on behalf of and for the account of the Republic of Slovenia, SSH runs procedures for the issue of decisions on the compensation amount and settles liabilities under the following laws: ZSPOZ and ZIOOZP.

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

COMPANY DETAILS - SIGNIFICANT DATA



Corporate name:	Slovenian Sovereign Holding d. d.
Registered office:	Ljubljana
Business address:	Mala ulica 5, 1000 Ljubljana
Telephone No.:	+386 1 300 91 13
Web site and e-mail:	www.sdh.si , info@sdh.si
Activity code of core business:	K 64.990
VAT ID:	SI46130373
Registration No.:	5727847000
Transaction Accounts:	SI56 0291 3001 6492 958, held by NLB SI56 0451 5000 2472 262, held by Nova KBM SI56 2900 0005 1319 162, held by Unicredit Bank
Date of legal entity's establishment:	19 February 1993
Date of SSH's incorporation:	26 April 2014
Date of company transformation from SOD into SSH:	11 June 2014
Date of merger of BAMC with SSH:	30 December 2022
Registered legal form:	Public limited company registered at the Ljubljana District Court (court register decision no. 1/21883/00)
Share capital as of 31 December 2022:	EUR 301,765,982.30
No. of employees as of 31 December 2022:	136 (as at 29 December 2022: 52 employees)
Membership in other organisations:	Directors' Association of Slovenia, Association of Employers of Slovenia, Chamber of Commerce and Industry of Slovenia, CER
Management Board:	Žiga Debeljak, MSc, President of SSH Management Board, Janez Tomšič, Member of SS Management Board.
Members of Supervisory Board:	Karmen Dietner, President Franjo Bobinac, Deputy President Ivan Simič, MSc, Member, Suzana Bolčič Agostini, Member, Miro Medvešek, Member.
Members of the SB's Audit Committee:	Ivan Simič, MSc, President, Suzana Bolčič Agostini, Member, Darinka Virant, External Member.
Members of the SB's Risk Committee:	Miro Medvešek, President Franjo Bobinac, Member Darinka Virant, External Member.
Members of Nomination Committee:	Samo Roš, President, Urška Podpečan, Deputy President, Vlasta Lenardič, Member.
Members of ECESA:	Zdenko Lorber, President (Slovenian Union of Alternative Trade Unions of Slovenia), Saša Klara Kumer, Deputy President (Association of Free Trade Unions of Slovenia), Evelin Vesenjsek (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).

SSH VISION, MISSION, VALUES

Vision

Generating value for the owner from capital assets.

Mission

The Slovenian Sovereign Holding was established with the purpose of providing a concerted, transparent, and independent management of the State's capital assets.

SSH also exercises powers, rights, and obligations of SOD related to settling obligations to beneficiaries under various laws and manages assets, especially real estate and claims, transferred from BAMC.

SSH Values

The values underpinning the functioning of SSH are inter-linked, giving the basis for activities pursued by SSH:



INTEGRITY AND LEGALITY



TRUST AND RESPECT



ROLE MODEL LEADERSHIP, AUTONOMY



OBJECTIVITY AND IMPARTIALITY

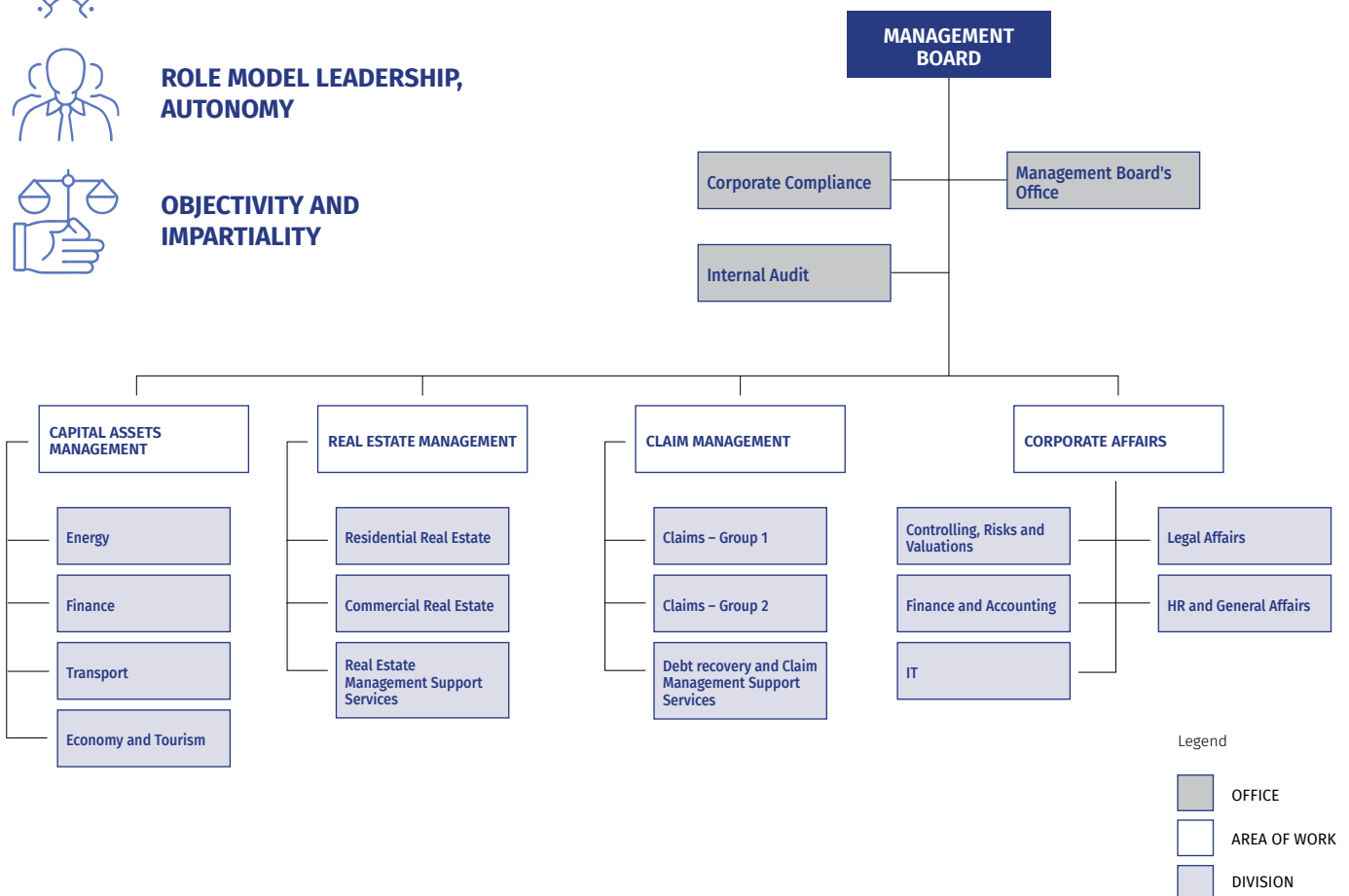
ORGANISATION OF SSH

The internal organisation of SDH 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 Management 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.

At the beginning of 2023, a new organizational structure was adopted, which corresponds to the fact that with the merger of BAMC SSH also acquired activities related to managing claims and tangible fixed assets.

FIGURE: SSH'S ORGANISATIONAL STRUCTURE AS AT 1 JANUARY 2023

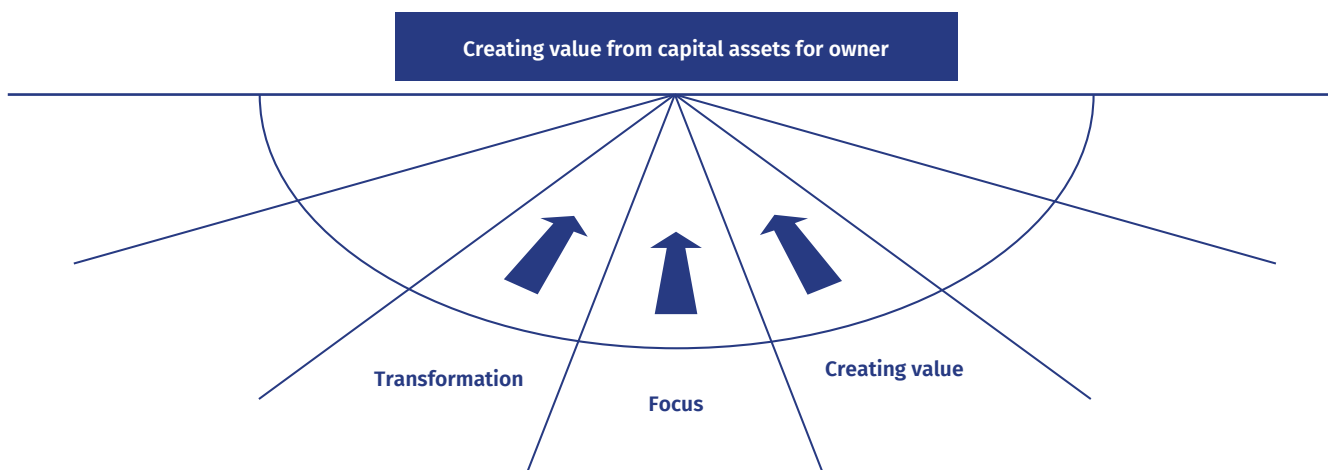


SSH STRATEGIC POLICIES AND GOALS

Strategic policies are guidelines selected for moving closer to the SSH vision in the next long-term period. They are the

foundation for defining the operations 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.

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 as follows:

- efficient, prudent, transparent and responsible management of capital assets, in accordance with the provisions of ZSDH-1;
- attaining strategic, economic and financial as well as other objectives 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 the performance of the portfolio companies;
- increasing their value of capital and their return on equity (ROE).

Key goals pursued by SSH in managing claims and tangible assets are as follows:

- increasing the value of claims through appropriate management activities and achieving proceeds planned;
- increasing the value of tangible fixed assets through appropriate management activities and achieving proceeds planned.

Other objectives pursued by SSH as an 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 adequate sources of future funding;
- the day-to-day fulfilment of the tasks entrusted to SSH by the public mandates;
- efficient implementation of all support functions inside the Company, cost management and process optimisation;
- Managing the Company's risks.

Goals and values of performance indicators in SSH's core business, i.e., asset management, in 2022

The remainder of the Chapter presents quantitative goals set for SSH for 2022 and an estimate regarding the values to be achieved. The achievement of the 2022 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 2022.

Financial indicator	Value achieved in 2021	Target value in 2022	Value achieved in 2022
ROE of state assets under management (RS and SSH) in %	6.1	5.0	2.8 (estimate)
			(excluding the Energy pillar, ROE amounts to 7.4%. ROE of the Energy pillar is -7.7%.)
Dividend income paid by companies with capital assets managed by SSH, in EUR million			
- RS	98.3	116.2	101.7
- ZPIZ	13.2	19.6	29.0
Total RS and ZPIZ	111.5	135.8	130.7
- SDH	39.8	47.0	60.0
Total RS and ZPIZ and SSH	151.3	182.8	190.7
Cost efficiency in % of the book value of all capital assets under management	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 key quantitative indicator - ROE - for the portfolio of capital assets under management was not achieved, primarily due to poor performance of companies in the energy sector, mainly attributed to the energy crisis and other negative fac-

tors. ROE of all other pillars of capital assets under management was exceeded. Similarly, the dividend income planned was also exceeded.

Summary of key tasks for 2023

1. Efficient implementation of ongoing tasks both in regard to asset management, claim management and tangible assets management as well as the attainment of economic and financial indicators of asset management for 2023.
2. Carrying out management activities envisaged in the Annual Asset Management Plan for 2023.
3. Projects to strengthen corporate governance and sustainable performance of companies with RS and SDH capital assets, as defined in the Annual Asset Management Plan for 2023.
4. The revision and update of SSH's overarching documents to improve the effectiveness of corporate governance activities, the adaptation of documents to the specifics of

managing new assets groups (claims, tangible assets), and the incorporation of regulatory and other innovations.

5. Further development of the IT support.
6. Other tasks related to the continued strengthening of SSH's role as the central manager of state capital assets.
7. Carrying out the activities to unify and reinforce the corporate culture following the merger with BAMC.

Key economic and financial indicators in 2023

SSH plans for ROE of the managed portfolio of capital assets to be 7.3% in 2023, which is significantly higher than ROE of 2.8% estimated for 2022. The reason for this increase is the higher ROE planned for the energy sector.

Financial indicator	Target value in 2023
ROE of the portfolio of capital assets of companies under SSH's management (CA of RS and SSH) in %	7.3
Dividend income paid by capital assets of companies under SSH's management in EUR million	
- RS	91.0
- ZPIZ	19.6
Total RS and ZPIZ	110.6
- SDH	49.0
Total RS and ZPIZ and SSH	159.6
Inflows arising from the claim management and tangible assets management in EUR million	
- capital assets	0.0
- claims	45.1
- tangible assets	28.4
Total	73.5
Cost efficiency in % of the value of capital assets of companies under management	up to 0.5

The SSH profit for 2023 is planned to amount to EUR 54.22 million. The projected consolidated business result for the SSH Group in 2023 is expected to be EUR 53.09 million.

1.4

OVERVIEW OF SELECTED MACROECONOMIC DATA AND OF SLOVENIAN CAPITAL MARKET

The Statistical Office of the Republic of Slovenia (SURS) recorded a modest 0.2% GDP growth in the fourth quarter of 2022 compared to the same period last year, resulting in a 5.4% GDP growth for 2022. Before the publication of the SURS data, the European Commission had estimated Slovenia's GDP growth for 2022 at 5.1%, while Bank of Slovenia had estimated it at 5.0%. Despite the provisional nature of the GDP data available at the time of reporting, it can already be stated that Slovenia's economic growth in 2022 significantly exceeded that of the Euro area (which was reported at 3.5%). The GDP growth in Slovenia once again surpassed the GDP growth of the Euro area. This is an encouraging trend, since the Slovenia's GDP experienced a milder decline in 2020 during the Corona virus pandemic compared to the GDP decline in the Euro area. Moreover, in 2021, during the recovery from the pandemic crisis, the Slovenia's GDP exhibited stronger growth compared to the expansion observed in the Euro area. Analysing the GDP movement in 2022, it can be observed that Slovenian economic activity slowed down in most sectors towards the end of the year. Some industries even experi-

enced lower activity in the last months of 2022. However, by the end of 2022 (in November and December), there was also some improvement in the economic climate, possibly due in part to reduced uncertainty regarding energy supplies. The economic climate at the end of 2022 was worse than at the end of 2021, mainly due to low confidence in manufacturing industries and among consumers. Temporary data showed a record number of employed individuals in 2022. However, it is worth noting that there is a shortage of labour force in many sectors, which is being addressed through the recruitment of foreign workers. The most significant uncertainties in preparing projections lie in the duration of the conflict in Ukraine, its impact on energy markets in the 2023/2024 season, the extent of inflationary pressures and embedded inflation expectations, and the actions of central banks in confronting inflationary pressures. This includes issues related to the use of monetary instruments to control inflation, which may hinder economic growth or have negative effects on the potential for economic growth.

TABLE: OVERVIEW OF MACROECONOMIC INDICATORS FOR THE REPUBLIC OF SLOVENIA*

	2022	Bank of Slovenia, December Forecast 2023	European Commission, May Forecast 2023
GDP, real growth in %	5.4	0.8	1.2
Registered survey-based unemployment rate in %	4.0	4.3	3.9
HICP Inflation rate, average of the year/average of the previous year in %	9.3	6.8	7.0
YoY Inflation rate, Dec/Dec, in %	10.3	(forecast, in line with HICP methodology)	(forecast, in line with HICP methodology)
Annual inflation rate (in%)	8.8		

*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. Data available until 16 May 2023 are included. Source: Statistical Office of the Republic of Slovenia, Bank of Slovenia, Forecast of Macroeconomic Developments in Slovenia, Bloomberg, European Commission – Spring 2023 Economic Forecast.

In its Spring 2023 Economic Forecast (published in May 2023), the European Commission estimates economic growth in Slovenia to stand at 1.2% in 2023 and at 2.2% in 2024. After two years of strong growth in Slovenia, economic growth is expected to stand only at 1.2% in 2023 due to weaker private consumption (after strong growth in 2022, a weak growth, ranging between 1.75% and 2%, is expected in the 2023-2024

period) and the impact of public investments. The European Commission expects private consumption to strengthen in the second half of 2023 onwards due to high employment levels and wage growth. As regards investments, a continuation of growth is expected in 2023, with support coming from public investments funded through the EU's Recovery and Resilience Facility and cohesion funds. Due to a short-

age of available workforce, the European Commission anticipates the companies to invest in technologies to increase productivity, despite the environment of rising interest rates. Exports are expected to accelerate in 2023, but the strong import levels will result in a neutral net export. The European Commission forecasts a certain decrease in the inflation rate for 2023 (compared to the high levels of 2022), but inflation will still remain very high (with an average inflation of 7% in 2023). Inflation is expected to start moderating in the second half of 2023, but the Commission warns that core inflation will remain high due to the effects of overall price and wage increases.

Slovenian capital market

The SBITOP index ended 2022 with a negative return of -16.89%, mainly driven by the war in Ukraine and the associated energy crisis, as well as the beginning of a significant tightening of monetary policies by major central banks (ECB, FED, BOE), which substantially raised benchmark interest rates in 2022. The concerns about a potential recession due to the energy crisis in Europe also had a negative effect on stock prices. The losses incurred in the beginning of 2022 (at the onset of the war in Ukraine) were not fully recovered by the end of 2022, as the SBITOP index closed at a value of 1046.13 points.

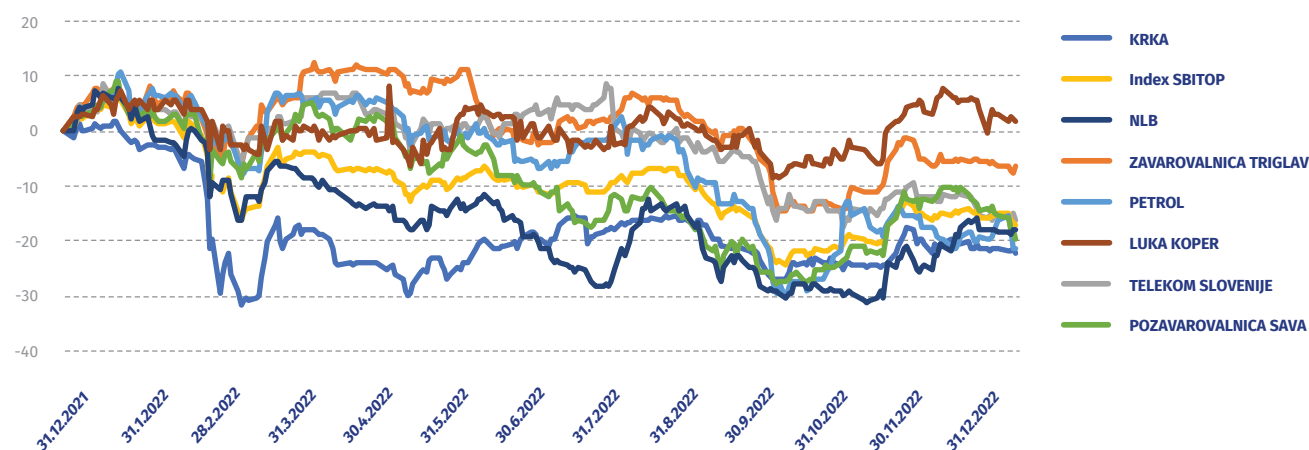
In 2022, the Ljubljana Stock Exchange recorded a total turnover of EUR 430.9 million, the majority of which was made with securities without block trades (EUR 386.6 million). It was again Krka (KRKG) shares that were the most traded ones in 2022 (EUR 171.7 million turnover) and Krka also recorded

the largest turnover among listed shares at the end of 2022, amounting to EUR 3.0 billion. The runner-up in 2022 was NLB (NLBR) with a turnover of EUR 75.1 million, followed by Petrol shares (PETG) with EUR of 39.5 million EUR in turnover. NLB and Petrol also ranked second and third in terms of turnover. These two 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 2022, 18 shares saw a decline in their prices, while seven experienced an increase. The shares of companies which experienced the greatest decline in price and are owned and managed by SSH also include Krka. The reason for that lies in the fact that Russia and Ukraine are significant export markets of the Krka Group (investors feared the future of Krka's operations in Russia, and the EUR/RUB exchange rate saw significant fluctuations). Similarly, according to the criteria of the significant losses in prices, the Petrol's share was one of the most negatively affected shares of the Ljubljana Stock Exchange in 2022, which is not surprising considering the negative impacts of the war in Ukraine and the energy crisis in Europe on the Petrol's business. The winner among shares which recorded an increase in price in 2022 is the Cetus share, which experienced a strong growth in its price in the second half of the year.

The price performance (measured by the return generated in 2022) of selected shares in the SSH portfolio and the performance of the SBITOP Index in 2022 (measured by the return generated in 2022) are illustrated in the Figure below.

FIGURE: THE RETURN FROM BLUE CHIP SHARES TRADED ON LJUBLJANA STOCK EXCHANGE, REPRESENTING AN IMPORTANT SHARE OF SSH EQUITY INVESTMENTS AND THE PERFORMANCE OF THE SBITOP INDEX, IN 2022, IN %

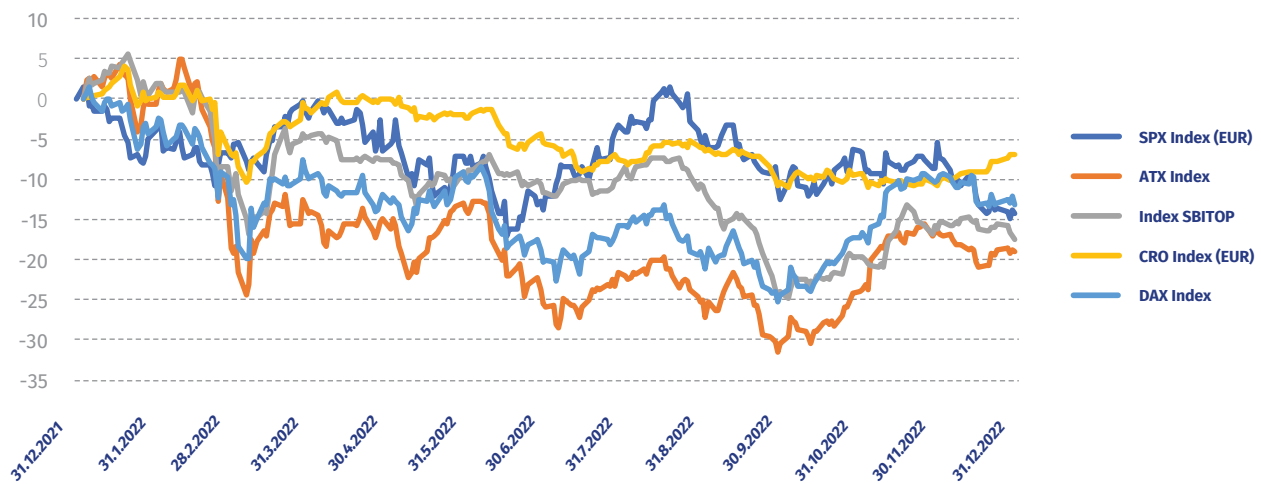


Source: Bloomberg

In 2022, the Slovenian stock market recorded a mostly negative return compared to the selected benchmark equity indices after converting returns into the Euro currency. Among the indices under consideration, the Austrian ATX index stood out with a comparatively greater negative return. This outcome is explicable due to the strong linkage of Austrian enterprises with Eastern Europe, an area profoundly affected by the Ukrainian conflict in 2022. Broadly speaking, global

stock markets presented unfavourable returns to investors throughout 2022. This outcome aligns with the performance of the MSCI All Country World Index, which registered a -14.74% return after conversion to Euros. This trend is not surprising given the prevalence of adverse information which influenced stock trading dynamics. The chart below shows the negative returns of selected equity indices in 2022 (after conversion to Euros).

FIGURE: RETURNS OF TOP REGIONAL AND GLOBAL STOCK INDICES AND SBITOP IN 2022 (%).



Source: Bloomberg.

1.5

SSH CORE BUSINESS ACTIVITIES

After the merger with BAMC, the core business activities of Slovenian Sovereign Holding (SSH) are as follow:



MANAGEMENT OF STATE CAPITAL ASSETS

Acquiring and disposing of capital assets in accordance with the Annual Asset Management Plan, as well as exercising shareholder or partner or founder rights.



MANAGEMENT OF CLAIMS

Acquiring and disposing of SSH claims and other forms of their management, including the engagement in restructuring of companies.



MANAGEMENT OF TANGIBLE ASSET

Disposing of real estate and movable property owned by SSH and other forms of their management.



DENATIONALISATION AND SETTLEMENT OF LIABILITIES

Participation in procedures under the Denationalization Act (ZDen) to determine compensation for expropriated property and settling liabilities on behalf of and for the account of SSH. Settlement of liabilities under the following Acts: ZSPOZ, ZIOOZP and ZV-VJTO on behalf of and for the account of the Republic of Slovenia.

1.5.1 Management of Capital Assets

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 2022, 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 are determined 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:** on the basis of quarterly or monthly reports of the companies under management and by conducting periodic meetings with members of the management and supervisory bodies of SOEs;
- **Annual Asset Management Plan for 2022 (AAMP 2022):** On 13 January 2021, the Government of the Republic of Slove-

nia granted its approval to the Annual Asset Management Plan for 2022 (AAMP 2022). This plan outlines detailed objectives for SSH in the management of capital assets in individual companies, specific plans to achieve management goals, and the expected cash flows from managing state capital assets;

- **attending and voting at General Meetings of companies, adopting founder's resolutions in companies under the SSH management, exercising other rights of a shareholder or a member:** submitting requests to convene General Meetings, expanding the agendas of General Meetings, preparing counter-proposals for the General Meeting, ensuring proper substantive and legal review of individual activities and decisions in the capacity of the manager of capital assets;
- **implementing best practices of corporate governance:** a continuous effort to enhance the quality of corporate governance within companies under SSH management, updating policies and regulations related to the management of state capital assets, and organizing educational events for members of management and supervisory bodies of SOEs;
- **taking the necessary steps to ensure appropriate procedures for timely accreditation, nomination and selection of candidates for Supervisory Boards.**

Disposal and acquisition of capital assets held by SSH in 2022

Disposition

DTK MURKA

On 20 May 2022, an advertisement was published in the national newspaper Delo and on the SSH website advertising a public call for bids to purchase a 49% stake in DTK Murka, a company owned by the Republic of Slovenia. On the basis of bids, SSH initiated negotiations and on 21 December 2022, on behalf of the Republic of Slovenia, entered into a contract with UD2, Ltd., as the buyer for the sale of a 49% ownership stake in a venture capital company **DTK Murka, družba tveganega kapitala, d. o. o. – in liquidation**. The buyer paid the purchase price within the contractually agreed-upon period, and as all other contractual conditions for the transfer of the Republic of Slovenia's stake to the buyer were also fulfilled, a request for the registration of changes in shareholders was submitted to the Business Register on 30 December 2022.

CETIS

On 13 August 2022, SSH and KAD published an advertisement in the newspaper Delo and on the SSH website advertising a public call for bids to purchase **15.40% of the shares in Cetis**. The sales process was not concluded in 2022. Following the assessment of the acquisition value due to the uncertainties and rapidly changing market conditions, SSH and KAD decided to halt the sales process on 28 February 2023.

Meta Ingenium

SSH reached an out-of-court settlement in an economic dispute arising from the sales process of a minority stake of the Republic of Slovenia in the venture capital company META Ingenium, d. o. o., which was finalized on 25 July 2022. An additional purchase price of EUR 2.09 million was agreed upon, while the remaining conditions of the sales agreement enabling further payments due to the sale of BIA Separations remain valid.

Acquisition

SAVA

The acquisition of a stake in Sava, d. d., is presented in section 1.1. Highlighted Corporate Projects and Events.

More detailed information on the management of RS and SSH capital assets, the performance of the management activities, processes for the disposal and acquisition of capital assets will be presented in the Annual Report on the Management of Capital Assets of RS and SSH for 2022 which will be submitted by SSH to the National Assembly of the RS no later than by the end of October 2023.

Results of the portfolio of capital assets managed by SSH

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, SSH has a number of capital assets under management which are otherwise owned by RS. In total, there were 88 active companies with assets under SSH management as at 31 December 2022 (62 as at 31 December 2021), of which RS had a direct shareholding in 40 companies, SSH in 34 companies, and both RS and SSH had direct shareholdings in 14 active companies. In addition, there are assets in 26 companies in liquidation or undergoing bankruptcy proceedings. By value, the most significant capital assets owned by SSH are held in the following companies: Krka, Zavarovalnica Triglav, Petrol, Pozavarovalnica Sava, Cinkarna Celje and Luka Koper, while the most significant capital assets owned by RS are held in DARS, GEN energija, HSE, Slovenske železnice, NLB and Zavarovalnica Triglav.

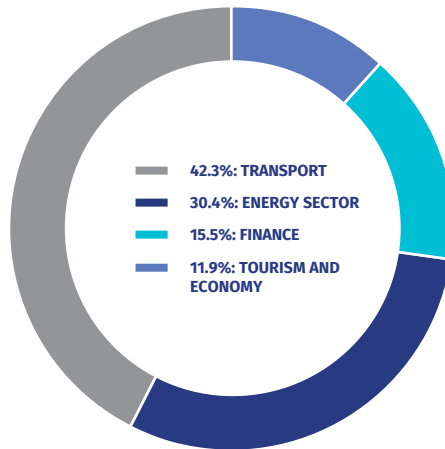
In accordance with the Act amending ZSDH-1 (ZSDH-1A), two companies with state capital assets were added to the portfolio of capital assets managed by SSH. They are as follows: Slovenski državni gozdovi (State Forestry company) and DRI. In accordance with Article 36, Paragraph 3 of the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks, all equity investments of BAMC were transferred to the SSH's portfolio on 30 December 2022, i.e. the date of BAMC's discontinuance. These companies are listed below. The total of 43 companies were transferred, of which 33 had not previously been under SSH management (of these companies, 24 are active and nine are in bankruptcy or liquidation). In terms of book value, these investments are relatively small, collectively representing around 3 percent of the value of capital assets under management (measured by the book value of individual company's capital).

Structure of the SSH portfolio of capital assets 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 73 percent the portfolio's book-value (see Graph below). As at 31 December 2022, the total book value of shareholdings pertaining to assets under SSH's management amounted to EUR 11.2 billion (as at 31 December 2021, it amounted to EUR 10.3 billion). SSH's portfolio is highly concentrated, with the top 20 companies with capital assets, measured by the book value of equity holdings, representing almost 95% of the total portfolio at the end of 2022.

2 ZPIZ is a direct holder of 34.47% of share capital of Zavarovalnica Triglav. The shareholder's rights arising from these shares are exercised by SSH on behalf of and for the account of ZPIZ.
3 The above mentioned data and the calculations presented below are based on estimates and data for FY 2022 available at the time of drawing up this report.

GRAPH: THE PROPORTION OF PILLARS IN THE TOTAL SSH PORTFOLIO OF CAPITAL ASSETS UNDER MANAGEMENT (TOTAL ASSETS OWNED BY RS AND SSH) AS AT 31 DECEMBER 2022

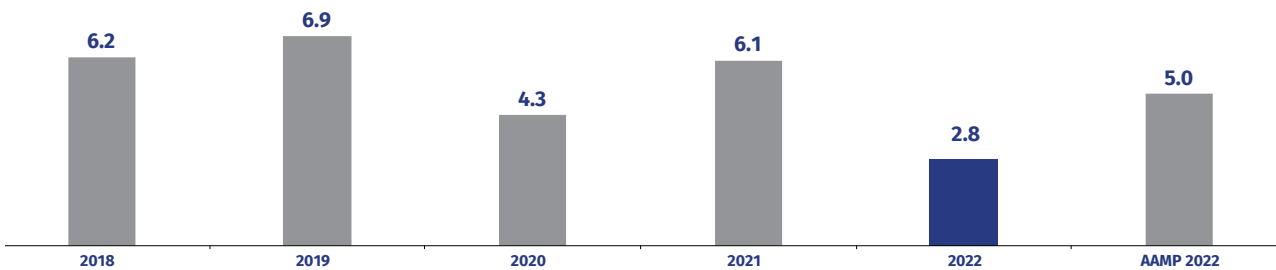


Return of equity (ROE) of the portfolio of assets under SSH management in 2018–2022 period

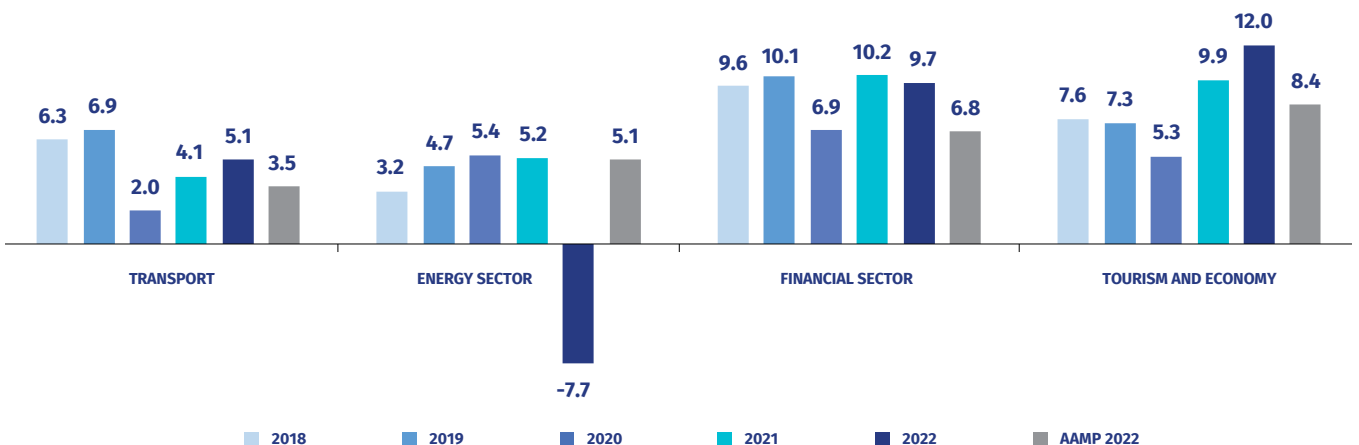
The return of equity (ROE) for the total portfolio of capital assets under SSH management decreased significantly in 2022 compared to 2021, primarily due to poor results from energy

companies. Other management pillars achieved better performance results than in the previous year. By excluding the Energy Pillar, the ROE amounted to 7.4% in 2022.

GRAPH: ROE FOR PORTFOLIO OF CAPITAL ASSETS MANAGED BY SSH IN 2018-2022 PERIOD



GRAPH: ROE FOR PORTFOLIO OF CAPITAL ASSETS MANAGED BY SSH IN 2018-2022 PERIOD BY PILLARS

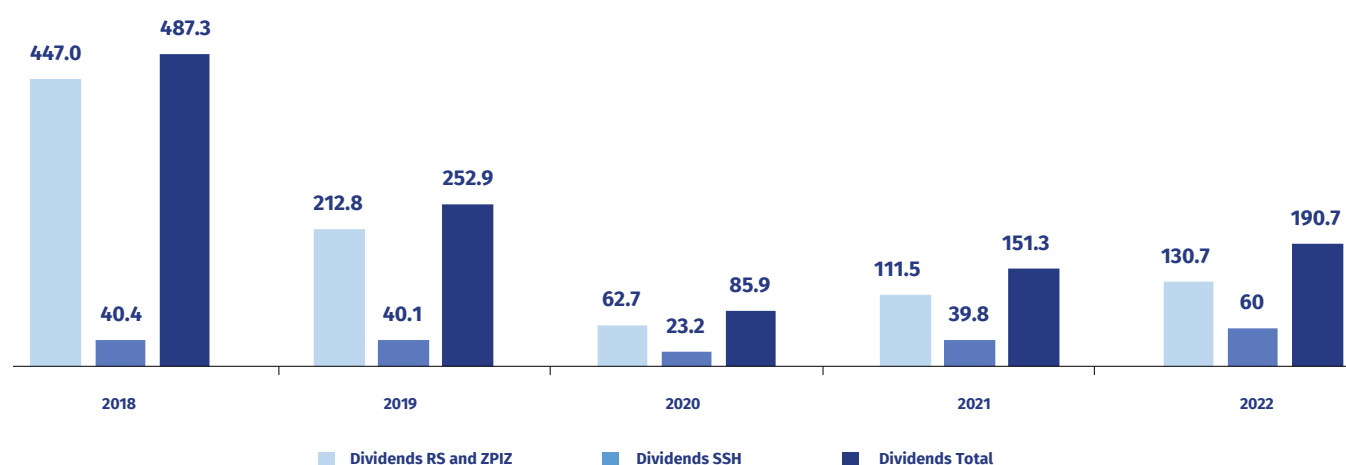


Dividends

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 2022 (for FY 2021), the dividend in-

come paid out by companies in the SSH portfolio amounted to the total of EUR 190.7 million, of which EUR 130.7 million was received by RS, and **60 million by SSH. The largest dividend payers in 2022 for SSH were Zavarovalnica Triglav, Krka, Petrol, Pozavarovalnica Sava and Cinkarna Celje**, while for RS Zavarovalnica Triglav (ZPIZ), NLB, Telekom, Krka and SIJ.

GRAPH: DIVIDEND PAY-OUTS IN EUR MILLION FOR CAPITAL ASSETS OWNED BY RS AND SSH, SEPARATELY BY YEARS (FOR PREVIOUS FINANCIAL YEAR)



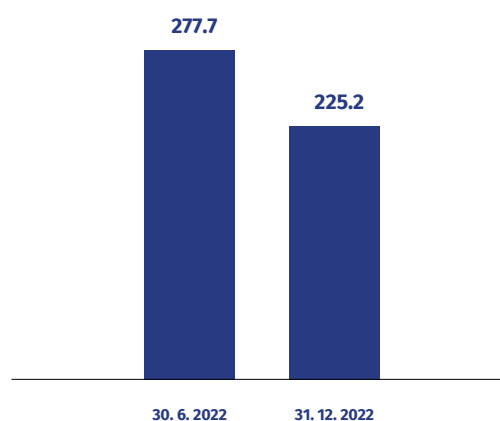
1.5.2 Management of Claims

The primary objective in the management of claims is to maximise the value to SSH, whereby, in case when SSH is both a creditor and an owner of the debtor (SSH has an ownership interest in the debtor), the aim is to maximise the combined value of claims held by the debtor and the creditor. The claim management also includes the management of selected capital assets for which the primary objective is to repay the SSH's claims.

The claim management process initiates first with a situation analysis; this includes an assessment of (i) the potential for long-term repayment of claims through the debtor's cash flows, (ii) the potential for divestment of the debtor's assets, (iii) the potential for a legal framework that would allow for a maximum repayment of claims, (iv) the debtor's readiness to seek a satisfactory solution, and (v) any other circumstances that may affect repayment of the claims. Based on the analysis of the situation, the appropriate strategy is then selected which has been assessed as delivering the highest value for the creditor, either:

- the restructuring of claims,
- the recovery (the realisation) of collateral,
- sale of a claim,
- full or partial repayment of claims of debtor/guarantor.

GRAPH: ROE OF PORTFOLIO OF CAPITAL ASSETS MANAGED BY SSH IN THE 2018-2022 PERIOD (IN %)



Restructuring of debtors

The aim of restructuring a company is to ensure the long-term efficiency of the debtor's operations, its liquidity and competitiveness and to maximise the repayment of debts through cash flows from operations and the divestment of unnecessary assets. Where possible, SSH seeks to reduce the

debtor's indebtedness to a sustainable level with the aim of enabling the existing claims of SSH against the debtor to be refinanced by a commercial bank. Financial restructuring of the debtor can run concurrently with operational restructuring, which SSH can actively implement, especially in companies where it holds a dominant or majority ownership stake.

SSH implements financial restructuring measures in collaboration with other financial creditors. Financial restructuring measures makes it possible for debtors to extend the repayment period, reduce the interest rate, partially deleverage (mainly through the identification and sale of non-essential assets of the company), improving the capital structure and providing additional liquidity. SSH may convert its claims into equity investments, take on other claims and ownership stakes, or increase capital of individual debtors, particularly where it already holds ownership stakes.

Managing claims with collateral recovery strategy

Where a debtor is a loss-making entity and where even financial and operational restructuring measures would not ensure the generation of the future value which is higher than the value obtainable through the recovery and realisation of collateral, SSH, acting as a fair and diligent business operator, opts for realising pledged assets and foreclosing on the debtor's free assets. This strategy is also applied to companies which are already subject to insolvency proceedings, or on assets, for which enforcement proceedings have been confirmed. On the other hand, the realisation of collateral can also be carried out by agreement with the debtor, without initiating enforcement or insolvency proceedings.

Performance results of claim management

In the second half of 2022, BAMC (now SSH) generated EUR 55.8 million in cash inflows from claim management. The largest inflow come from the sale of claims from Alpina, d. o. o., and Merkur nepremičnine, d. d. In the second half of 2022, there were 15 cases closed with a total amount of EUR 0.3 million, on the basis of the refinancing loans by commercial banks, regular or different forms of repayment, and full settlement of contracted debt.

Even in cases where no repayments were expected as of 30 June 2022 (cases without tangible collateral), payments totalling EUR 0.6 million were realized through a multitude of activities in the second half of 2022. These relate to 35 cases (distribution of general bankruptcy estates, payments based on agreements, successfully completed enforcement and other judicial proceedings).

ALPINA

In May 2022, BAMC sold its ownership stake and claims against ALPINA, d. o. o.. All conditions precedent for the sale to be realized were met in September 2022, at which point the full purchase price was received.

MERKUR NEPREMIČNINE

In June 2022, BAMC sold its ownership stake and claims against Merkur nepremičnine, d. o. o.. After fulfilling all conditions precedent, the purchase price for the claims and ownership stake was received in November 2022.

PAPIRUS GROUP

By the end of 2022, the claims of BAMC against all three companies in the Papirus Group would become due for payment, but the companies were unable to pay. As a result, the liabilities of the group's companies were restructured for a two-year period. The contractual provisions are agreed upon in a manner that encourages the companies to seek refinancing from commercial banks as soon as possible.

FORI GROUP

At the end of 2022, BAMC entered into a debt restructuring agreement with Fori, d.o.o., within which Fori sold its technical textile division, and the proceeds of this sale were distributed to financial creditors. Additional collateral was established in the new joint company when the new agreement was concluded.

MARIBORSKA LIVARNA MARIBOR

In the second half of 2022, BAMC approved a loan to Mariborska livarna Maribor. After an unsuccessful process of sale, BAMC continued to negotiate with the best bidder to explore alternative forms of selling claims and ownership stake. The negotiations continue into 2023, and discussions are in the final phase. Given the company's deteriorating liquidity situation due to globally changed circumstances, it is crucial for the company to acquire a strategic owner soon.

ISTRABENZ HOLDING

Following the conversion of claims into capital and a change of legal organizational status, the company continued to divest assets and concluded the sale of a 95.20% stake in the company by the end of 2022.

BETI

At the end of 2022, BAMC sold claims against Beti, d. d. to a strategic buyer from the industry, which will create better conditions for the company's future operations.

NAFTA – PETROCHEM

Nafta – Petrochem, d. o. o. has been in bankruptcy proceedings since September 2014. The main asset of the bankruptcy debtor was the Industrial Complex TRIMLINI, which had remained unsuccessfully realized during the bankruptcy for a long time. After successfully selling the Industrial Complex TRIMLINI and a 51% ownership stake in Industrijske storitve, d. o. o. in 2021, BAMC received the

purchase price by the end of 2022.

CG INVEST GROUP

In the second half of 2022, apartments in Romania owned by SEI Holding, which was in bankruptcy proceedings, were sold, and BAMC had a mortgage registered as security for claims against CG Invest. BAMC received a significant inflow from the transaction.

1.5.3 Management of Tangible Asset

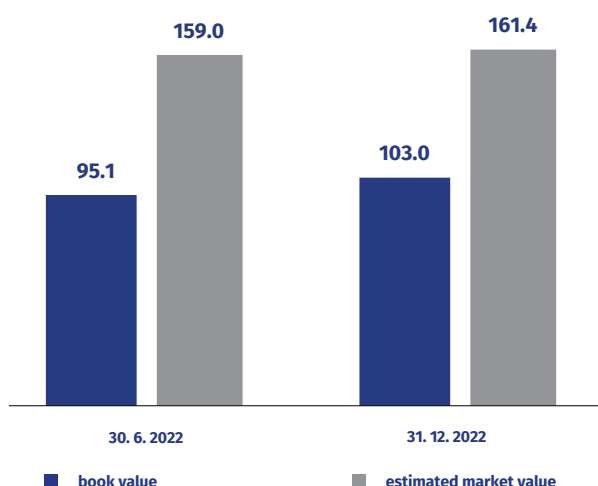
The tangible assets of SSH primarily consists of real estate, along with movable assets such as artworks and other miscellaneous property. The real property was transferred to SSH through the merger with BAMC at the end of 2022.

The management of tangible assets also includes the management of selected capital assets, predominantly composed of real estate assets.

Portfolio of tangible assets

At the end of 2022, SSH owned 202 real estate units with a total book value of EUR 103 million. A smaller portion of the tangible assets portfolio consists of two aircraft, artworks, and various equipment (within business premises). The majority of the owned real estate assets comprises land and residential buildings, followed by commercial and industrial real estate.

THE BOOK VALUE AND THE ESTIMATED MARKET VALUE OF OWNED REAL ESTATE (IN EUR MILLION)

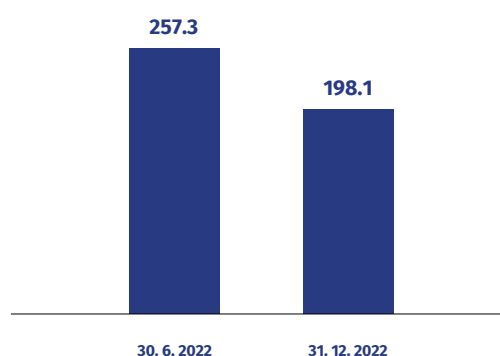
**Acquisition of real estate (conversion of claims into real estate)**

Real estate comprises the highest value of collateral for claims which were transferred to BAMC and subsequently to SSH through the merger. As the quality of the transferred claims was poor (making enforcement the most rational strategy for most debtor companies), a majority of these collateral assets (real estate) are also subject to realization by bankruptcy administrators and debtors in the market. In these cases, BAMC (now SSH) recouped itself with the received purchase price, reduced by the costs of the sales processes. From a standpoint of optimizing its investment value, BAMC (now SSH) could also choose to take ownership of real estate with the intention to sell it later on.

Management of real estate pledged as loan collateral

SSH actively facilitates the sales processes of claims which are secured by real estate. For each individual property, SSH determines an acceptable sale price and approves any sale at or near the acceptable price determined.

ESTIMATED VALUE OF COLLATERAL REAL ESTATE (IN EUR MILLION)



Note: The figure only shows real estate properties that have been fully acquired by BAMC. The difference between the value presented in the figure and the amount in the financial statements (EUR 106.2 million) represents real estate in the handover process, advances, and minor values relating to equipment. The book value of real estate relates to the purchase price or the net realizable value if lower than the purchase price.

Takeover of real estate

When an appropriate (acceptable) sale price cannot be achieved in the process of collateral recovery (tangible assets), SSH decides to participate as a buyer in the collateral realization processes (tangible assets) and repurchases tangible assets through offsetting the claim it has against the debtor. The primary criterion SSH follows when deciding whether to take a direct ownership of pledged assets or not is an assessment of whether direct ownership and management of tangible assets, which sometimes requires property development and/or repairs, will ultimately yield a higher return from tangible assets than the sale price determined by the bankruptcy administrator or the company (debtor) in the tangible asset realization process. When making its own assessment on the subject matter, SSH includes management costs in the estimated value of tangible assets. Similarly, SSH decides to take over tangible assets even when, during bankruptcy proceedings, there is no market interest for them or they cannot be sold at all, while assessing whether the tangible asset is burdened by potential liabilities, such as environmental contamination, and the like. In special circumstances, SSH decides to purchase even unpledged land to gain access to its real estate, consolidate ownership, and the like.

FIGURE: COMMERCIAL, PRODUCTION, AND WAREHOUSE SPACE LIKOZARJEVA IN LJUBLJANA



After 1 July 2022, BAMC (now SSH) took over 15 properties with a total book value of EUR 9.6 million. The largest properties acquired are a 11,500 m² commercial, production, and warehouse space Likozarjeva in Ljubljana and a more than 80,000 m² buildable land in Vrtojba.

FIGURE: PLOT OF LAND IN VRTOJBA



Management of owned real estate

As part of the management of tangible assets, a number of measures have been implemented to ensure that these assets are properly maintained and that (at a minimum) their value is preserved. For assets which are provided in the form of buildings, which require a manager by law, some of these measures are carried out by an external property manager. In addition, in some cases, legal and technical defects need to be rectified for example, obtaining missing documentation and permits, carrying out regularisation procedures, resolving disputes with neighbours and former subcontractors.

In accordance with the ZVKSES, in case of some properties (new apartments and single-apartment buildings), which have already been sold by BAMC (or are to be sold by SSH), SSH has to remedy any claims arising from the contractual relations for a period of two years after the conclusion of the purchase contract or ten years after the transfer of the common parts of the building to the property manager (claims relating to the soundness of the construction).

In some cases, investments will also be needed as part of the property management, for example, finishing works, purchasing a missing part of a property, developing spatial plans and developing complete projects assets, or even carrying out construction works. All immovable and movable property is cared for in accordance with the principle of due diligence: buildings, which have been taken over, are adequately insured, damaged buildings are rehabilitated to prevent any further damage, and additional security is provided over some assets.

Sale of real estate

After 1 July 2022, the activities of the merged BAMC were directed towards the successful merger with SSH, which is also evident in the realized sale of real estate. Following the realization of EUR 30.2 million in inflows in the first half of 2022, only EUR 5.9 million in inflows were realised with the sale on the market of 68 individual parts of real estate in the second half of 2022.

The most significant sale realized is approximately the sale of a 50% co-ownership stake of a 50,000 m² plot of land in Vikrče, Medvode, with a sale price exceeding EUR 1 million. The sale was realized in conjunction with the sale of claims against the pledgor's remaining 50% co-ownership stake in the plot of land.

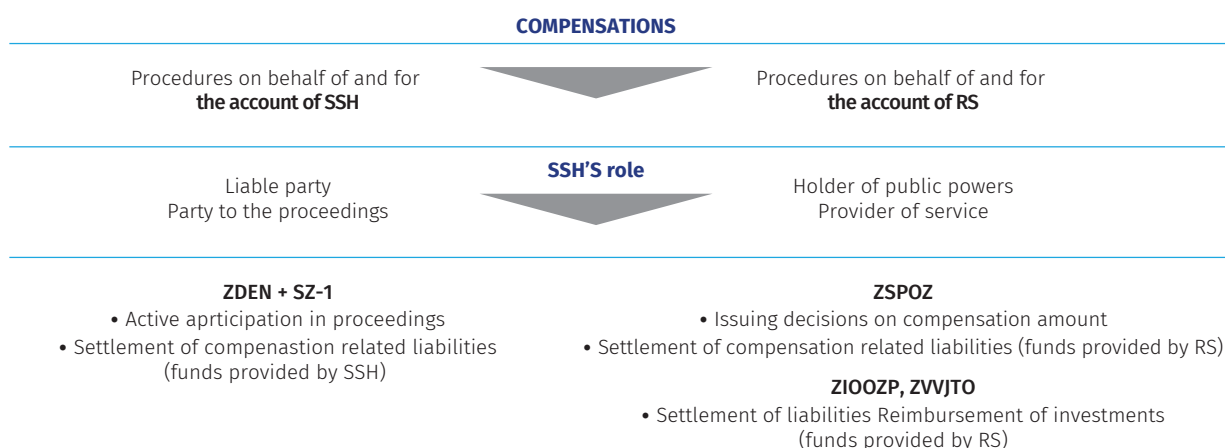
FIGURE: VIKRČE PLOT OF LAND



Many activities were undertaken in the last months of 2022 to sign addendum to lease agreements which had expired. In the second half of 2022, among other achievements, EUR 0.6 million in inflows was realized from property leasing.

All sales processes were executed directly by employees of BAMC (now SSH), except for certain units in Kopraska vrata, which were sold with the assistance of a real estate agency. This agency was selected through a public tender to facilitate the sale of this property since the initiation of the sales process in 2019 when 164 apartments and a significant number of commercial spaces were available.

1.5.4 Denationalisation and Settlement of Compensation under Various Bills



SSH's role in processes

SSH acts in two capacities in denationalization proceedings: as a party to the proceedings and as the party liable to pay compensation, exercising all powers, competences, rights and obligations imposed on it by the rules governing the restitution of nationalised property. It takes an active 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. It takes part in mediation proceedings, primarily addressing compensation claims of reconstituted agrarian communities.

In 2022, same as before, SSH dealt with denationalization of land, residential and commercial buildings, industrial facilities, movable assets, and larger nationalized companies or equity stakes in companies owned by individuals, legal entities, cooperatives, and churches. New lawsuits relating to the denationalization of property which used to be nationalized by former agrarian communities were filed against SSH. Matters concerning the basis of nationalization, legal succession of claimants, entitlement to denationalization, reciprocity of foreign citizens, and the status of building land remain to be controversial.

Only the most complex denationalization cases remain unresolved. These are generally large cases, with very high compensation amounts and complex legal and factual issues.

Denationalisation procedures at the level of the Republic of Slovenia

The Ministry of Justice monitors the denationalization process and prepares semi-annual statistical reports which indicate that 99.7% of cases before administrative authorities were conclusively resolved. Out of a total of 39,715 cases filed, 100 are pending, and 99.9% of the cases handled by the district courts were closed. Four cases are pending out of a total of 2904 cases 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 reconstituted 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.

Denationalisation procedures at the level of SSH

SSH comprehensively addresses the facts relevant to the accurate and lawful determination of compensation in denationalization matters. It carefully determines the compensation amount, which must comply with the law and subordinate regulations. SSH verifies construction, mechanical and art valuations with the help of experts and valuers of the relevant profession, while it reviews the calculations of the value of nationalised agricultural and building land and the valuation of movable property. It obtains documents from various records and checks geodetic and land registry data. SSH takes an active part in denationalisation proceedings by taking part in oral hearings, preparing settlement proposals and when required, organises reconciliatory meetings with participants in the procedures. SSH's effective operation is reflected in the conclusive phase of special determination procedures, specifically in decisions which are acceptable to both parties. The reassessment of cases at subsequent levels of decision-making is necessary only when there are differing legal positions between parties and authorities leading the proceedings.

As at 31 December 2022, SSH had documented a total of 182 pending claims in 133 administrative and judicial cases. The restitution of nationalized property is not yet completed, as SSH received two new cases with compensation claims in 2022. The administrative authorities and the courts convened 50 oral hearings and trials, in which SSH either participated or made written submissions on the claims. In the reporting period, SSH received 14 decisions of rejections by way of which claims were finally rejected at the first and at the higher instances. It reviewed 21 building, engineering and agricultural appraisals, and took a position on appeals, actions, revisions by applicants and other significant documents in the process in just under 700 submissions. SSH utilised legal remedies against decisions on compensation amounts 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 Dec 2022	From 1 Jan to 31 Dec 2022
New claims and continued claims received	22,547	2
Reports received on the factual and legal state of affairs of the case	22,753	14
First-instance decisions received determining compensation in bonds	20,604	26
Appeals filed in regard to decisions with preclusion period	6,070	11

When resolving claims, SSH also suggests reaching a settlement agreement when such action is feasible based on the factual and legal context of the case. From its inception in 2007 until 31 December 2022, the Settlement Commission held 135 meetings and concluded 81 settlements. In 2022, it convened four times and accepted two settlement proposals submitted by the parties.

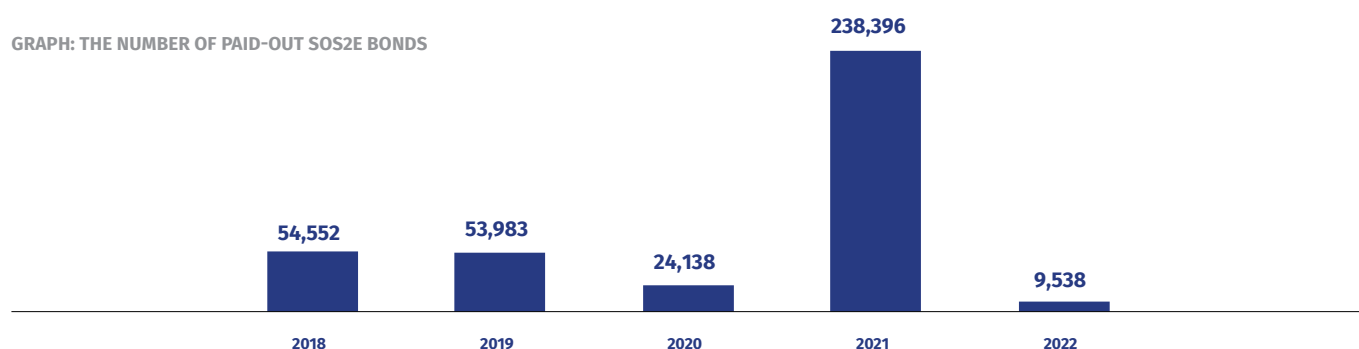
Implementation of denationalisation-related decisions and settlement of liabilities

On the basis of a complete claim by an eligible person, SSH pays compensation in accordance with the Denationalisation Act (Zden), the Cooperatives Act (ZZad) and other regulations

governing the denationalisation of property. It executes decisions issued in administrative and judicial proceedings, as well as decisions issued by the Ministry of Environment and Spatial Planning concerning alternative apartment purchases. The decisions are implemented by paying the full value of the SOS2E bond, including all matured coupons.

Since the commencement of carrying out its duties until 31 December 2022, SSH has re-registered 17,728,668 bonds to 28,179 holders, amounting to a total of EUR 1.7 billion. In 2022, the compensation of EUR 889 thousand was disbursed to 58 beneficiaries. The amount of EUR 11 thousand was paid to tenants renting denationalised apartments for their alternative repurchases.

GRAPH: THE NUMBER OF PAID-OUT SOS2E BONDS



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 has been granted a statutory public authority for conducting proceedings related to issuing compensation decisions. On behalf and for the account of the Republic, SSH also handles all administrative and technical matters associated with their execution. On the basis of the relevant policies and regulations and criteria determined by ZSPOZ, SSH calculates the compensation amount and issues a decision on

the amount of compensation to the beneficiaries designated by ZZVN or ZPkri. The total amount received by an individual beneficiary under ZSPOZ cannot exceed the legally established limit of EUR 8,345. Hence, SSH also issues determinative decisions wherein it concludes that certain beneficiaries are not entitled to compensation despite being recognized as eligible.

In the reported period, SSH issued 18 decisions on compensation amount, which were based on ZPkri. Some beneficiaries were not granted compensation as they had already received the maximum possible compensation amount. From 1 Janu-

ary to 31 December 2022, SSH disbursed EUR 411 thousand to beneficiaries under the ZSPOZ.

On the basis of the Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to Abrogation of the Penalty of Confiscation of Property (ZIOOZP), on behalf of and for the account of the Republic of Slovenia, SSH calculates and accrues the compensation specified in the enforcement title according to the criteria of this law. Fi-

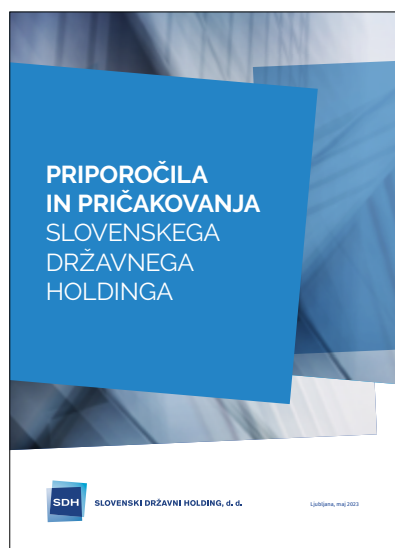
nal decisions on compensation amount for the confiscated property are implemented by paying out the total value of the RS21 bond.

As regards the reporting period, the compensation in the equivalent of 12127 RS21 bonds, which amounted to EUR 748 thousand, was paid out to beneficiaries or their legal successors.

1.5.5 Developing Corporate Governance Practices and Changes to Key Corporate Governance Instruments

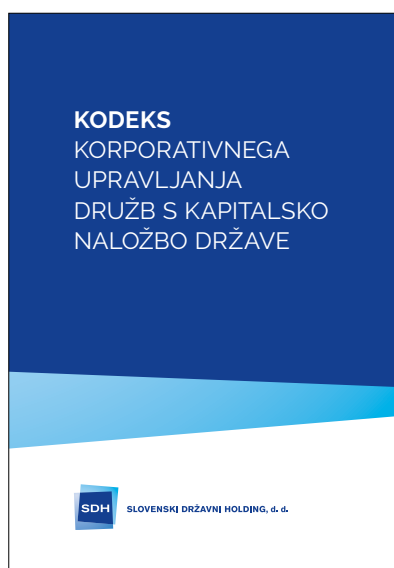
One of the most important tasks pursued by SSH is to contribute to the development of the corporate governance system of SOEs, which is based on corporate governance instruments - they are publicly disclosed and ensure the predictability and transparency of the system, as well as overseeing the functioning of the corporate governance system. The corporate governance instruments include 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 2022, by means of assuming an active asset management approach, SSH worked on implementing the best practices in corporate governance in order to achieve its asset management objectives.

Corporate governance instruments revised in 2022



SSH Recommendations and Expectations were updated twice in 2022, first in March and then in June. The most significant update was made to Chapter 9 entitled “Remuneration Policy for Management Bodies” which now comprises 61 distinct recommendations (from point 9.1 to 9.61). This extensive update aims to establish a unified framework and guidelines for forming management body remuneration policies and basic principles for contracting with management body members. The purpose is to promote rewarding long-term company success and advance corporate governance practices at the system level, particularly focusing on sustainable business and motivating management to align with the commitments of a low-carbon economy. A new Chapter 10 was introduced, which focuses on recommendations relating to the obligation of companies to establish remuneration policies for supervisory boards. Taking into consideration ECESA’s proposals, the SSH Recommendations and Expectations were also revised in Chapter 8, which discusses the sustainability aspects of operations. A specific point, i.e. 8.3, was added, which requires SOEs to respect labour legislation and valid collective agreements, engage in respectful social dialogue with representative unions and employee representatives in the Employees’ Councils, and provide timely information to them as required by law or other company commitments.

In March 2022, SSH adopted and published the “**Platform of SSH for Voting at AGMs**” where its stance on voting at general meetings of SOEs is presented and the exercise of other SSH’s management entitlements in the context of state capital assets for 2022 is determined in advance. The document particularly emphasizes gender diversity expectations in appointments to supervisory boards, which are further elaborated in the Annual Asset Management Plan for 2022.



In June, SSH made notable changes and additions to the **SSH Corporate Governance Code for SOEs**. The most important substantive amendments which were added to the Code, include in particular the amendment referred to in 6.1.1, which recommends to the supervisory board (and its Nomination Committee, if it has one) to draw up a competency profile for the executive management members before the selection process begins. The supervisory board should pay a particular attention to the provisions of the Integrity and Prevention of Corruption Act regarding the incompatibility of individual positions and to the political impartiality of the management candidates. A new point, 6.5a, was added to the Code. This point explicitly expects that all basic legal requirements (ZGD-1, ZSDH-1) must be met by a supervisory board member throughout their mandate, and not just during their candidacy (later, in November 2022, the duty to meet these requirements for the entire duration of the mandate was also legally stipulated with the new seventh paragraph of Article 21 of the amended ZSDH-1). The Code also introduced a legal basis which expressly allows the supervisory board to establish a special committee for IT systems when necessary for effective control of the system reliability and performance.

By the end of 2022, it was necessary to conduct a more comprehensive revision of the **SSH Asset Management Policy** and regulate certain issues differently than before due to the takeover of assets from BAMC, especially the portfolios of real estate and claims, and in light of the amendments to ZSDH-1 (ZSDH-1A). In the amended Act, the definition of investments is significantly expanded, so that in addition to capital assets it also encompasses claims and tangible assets (real estate and movable property), as a result of merger with BAMC. Consequently, this act also specifies SSH's goals and objectives related to managing these two types of assets.

Their management will be either portfolio-oriented (aiming to maximize the value or profit) or aligned with non-commercial objectives safeguarded by general societal interests when managing state capital assets (especially on the basis of the State Assets Management Strategy) as deemed appropriate by SSH. Hence, new chapters were added to the Asset Management Policy which govern the disposition of claims, real estate, takeover of real estate, and disposition of movable property (primarily valuable artworks and two airplanes). The revised SSH Asset Management Policy came into effect on 1 January 2023.

In addition to the aforementioned documents, SSH published a manual for supervisory boards of state-owned companies titled **"Governing Corporate Culture"** in February 2022. A detailed report on the said manual was presented in the Annual Report for 2021.

1.6 ANALYSIS OF SSH OPERATIONS AND LI- QUIDITY

1.6.1 Cash Flows and Financial Debt

In the cash flow, the most important items on the inflow side include dividends received, the fee for managing capital assets held by RS and inflows arising from claims and the sale of real estate. Noteworthy outflows consist of compensation payments to denationalization beneficiaries, settlement of operational costs, expenses for real estate acquisitions, advance payments for corporate income tax, and VAT liabilities and local municipal fees relating for the use of building land (*in Slovene: NUSZ*). Major outflow items include payments imposed under the three laws (ZSPOZ, ZI-OOZP and ZVVJTO), which are settled by SSH on behalf of and for the account of the republic of Slovenia (RS). These expenses do not have an impact on the financial position of SSH since they are repaid to SSH by RS.

Financial and operating liabilities of Sava, d. d., including principal, interest, and fees, which amount to EUR 62,729 thousand, are due on 30 June 2023 in accordance with Annex No. 6 to the SAVA Reprogramming Agreement.

Sava Turizem, d. d., has taken long-term loans from commercial banks, with the final maturity at the end of 2036. The company is repaying its liabilities according to the amortization schedules. The value of the assets of the Sava Group which has been provided as collateral for financial liabilities significantly exceeds the amount of its financial liabilities.

in EUR '000

	SSH 2022	SSH 2021	SSH Group 2022	SSH Group 2021
Cash flows from operating activities				
Cash receipts from operating activities	81,337	9,363	111,876	9,363
Cash payments relating to operating activities	-34,268	-32,084	-62,135	-32,084
NET CASH FLOW FROM OPERATING ACTIVITIES	47,069	-22,721	49,742	-22,721
Cash flow from investing activities				
Cash receipts from investing activities	159,089	71,670	161,139	71,670
Cash payments relating to investing activities	-124,585	-47,561	-141,300	-47,561
NET CASH FLOW FROM INVESTING ACTIVITIES	34,504	24,109	19,839	24,109
Cash flows from financing activities				
Cash receipts from investing activities	41,599	0	42,409	0
Cash payments from investing activities	-133,634	-1	-135,853	-1
Net cash flows from financing activities	-92,035	-1	-93,444	-1
BAMC cash balance as at takeover date	29,775	0	29,775	0
SAVA cash balance as at takeover date	0	0	34,698	0
CASH AT END OF PERIOD	29,657	10,344	50,954	10,344
Net cash inflow/(outflow) during the period	-10,462	1,387	-23,863	1,387
Cash at beginning of period	10,344	8,957	10,344	8,957

1.6.2 Statement of Financial Position

On its session of 25 October 2022, the National Assembly of the Republic of Slovenia adopted ZSDH-1, which, among other matters, removed the obligation for the free-of-charge transfer of strategic and important assets from SSH to the Republic of Slovenia. This transfer was required on the basis of the provisions of ZSOS-C, which were adopted in 2017, and the transfer deadline was later extended with the adoption of ZIPRS2122 to 31 December 2022. Taking into account the legislation in force at that time, the stakes in strategic and important assets (EUR 626.9 million as at 31 December 2021), which would have been subject to a free-of-charge transfer, were reported as current assets in the Statement of Financial Position as at 31 December 2021. The investment in Zavarovalnica Triglav (EUR 235 million) was reclassified to non-current assets in 2022. As at 31 December 2022, all investments in shares and stakes are presented as non-current assets in the Statement of Financial Position. Due to the negative developments on the capital markets, the value of financial investments decreased by EUR 132.3 million compared to 31 December 2021, or EUR 137.7 million by taking into account the change in value of assets acquired.

When the obligation to transfer capital assets to the Republic of Slovenia was removed, a deferred tax liability of EUR 57.3 million was once again created. The Company values equity investments at fair value through other comprehensive income (FVTOCI); the tax liability will arise on the day of disposal/sale of individual investment.

The Company's balance sheet total increased by EUR 544.8 million as at 1 July 2022 (cut-off date) due to the merger with BAMC.

- Financial assets – EUR 410 million,
- Inventories of real estate – EUR 100.3 million,
- Cash and cash equivalents – EUR 29.8 million,
- Receivables and other – EUR 9.7 million,
- Equity – EUR 363.5 million,
- Financial liabilities – EUR 162.7 million,
- Provisions – EUR 6.2 million,
- Trade and other payables – EUR 12.4 million.

During the second half of 2022, BAMC managed to repay EUR 62.7 million of a loan from its own funds, and an additional EUR 70 million was provided by SSH (the acquiring company), so that the financial debt amounted to only EUR 30 million at the end of the year. The loan was granted for a period of two years with quarterly repayments. SSH settled all liabilities arising from the loan in the first quarter of 2023.

Previously, SSH primarily accounted for liabilities towards denationalization beneficiaries in the non-current provisions. With the merger, the range of non-current provisions expanded to include guarantees for apartments sold, unsettled legal disputes, and warranties and collateral given. One share of the liability for compensation to the denationalisation beneficiaries, which is expected to be settled in 2023, is disclosed under current liabilities (EUR 8.5 million).

The equity of SSH increased not only due to the merger with BAMC but also through a capital increase by the owner amounting to EUR 41.6 million. Thus, at the end of 2022, the Company did not report an uncovered loss but rather a retained net profit of EUR 189.9 million.

Due to the nature of BAMC's operations, the merger increased the volume of trade receivables as part of operating liabilities.

As before, the most significant items among the assets are financial investments, while among the liabilities, provisions for compensation to denationalization beneficiaries.

The main difference between SSH and the SSH Group relates to the acquisition of the subsidiary Sava, d. d., which has been included in the consolidated financial statements since 20 September 2022. The predominant portion of the difference in the Statement of Financial Position includes real estate and equipment from the tourism sector, along with financial liabilities and non-current provisions. The Sava Group is exclusively focused on tourism and is the largest tourism company in Slovenia. It has accommodation facilities in various tourist destinations in Slovenia, including Bled, Moravske Toplice, Ptuj, Portorož, and Radenci. Its key products include vacations, events, conferences, wellness, healthcare, thermal parks, camping, and golf. A more detailed presentation of the impact of the acquisition is provided in the Accounting Report, in section 3.6.2.

in EUR '000

	SSH 31. Dec 2022	SSH 31. Dec 2021	SSH Group 31. Dec 2022	SSH Group 31. Dec 2021
ASSETS	1,358,429	984,870	1,586,161	984,815
Non-current assets	948,182	68,253	1,150,674	68,198
Property, plant and equipment	2,062	1,513	265,048	1,513
Financial investments	946,120	66,266	885,600	66,211
Operating receivables	0	0	26	0
Deferred tax assets	0	474	0	474
Current assets	410,247	916,617	435,487	916,617
Assets held for sale	0	0	1,400	0
Inventories of real estate and equipment	106,177	0	106,927	0
Financial investments to be distributed to owner	0	861,877	0	861,877
Other financial investments	261,978	39,427	263,551	39,427
Cash and cash equivalents	29,657	10,344	50,954	10,344
Assets from contracts with customers	25	0	25	0
Trade and other payables	12,410	4,969	12,630	4,969
EQUITY AND LIABILITIES	1,358,429	984,870	1,586,161	984,815
Equity	1,191,257	913,370	1,282,408	913,315
Called-up equity	301,766	260,167	301,766	260,167
Capital reserve	112,287	0	112,287	0
Other revenue reserves	0	0	66,003	0
Fair value reserve	521,324	723,827	201,846	444,605
Retained net profit or loss	189,877	-70,624	469,059	113,090
Net profit of loss for the period	66,003	0	62,909	95,453
Minority interest	0	0	68,538	0
Non-current liabilities	119,355	39,411	189,511	39,411
Provisions	49,147	39,399	62,384	39,399
Financial liabilities	15,044	12	64,285	12
Deferred tax liabilities	55,164	0	62,842	0
Current liabilities	47,817	32,089	114,242	32,089
Financial liabilities	15,233	27	49,992	27
Trade and other payables	32,584	32,062	64,250	32,062

1.6.3 Income Statement and Statement of other Comprehensive Income

The Income Statement of SSH covers the full-year operations of SSH and the income and expenses incurred by BAMC in the second half of the year, making the categories not directly comparable.

SSH did not prepare a business and financial plan which would include BAMC's income and expenses, as legislative decisions were only made in late autumn. The comparison between the projected profit of SSH and the realized profit is favourable, as the plan was exceeded by over EUR 17 million. Out of this figure, EUR 14 million is the contribution of higher dividends; this figure was not included in the planned income due to the uncertainties when preparing the 2022 business and financial plan. The realized operating income exceeded the projected figures in the revalued income segment, partly

due to higher revenues from the Farmland and Forest Fund of the Republic of Slovenia and partly due to reduced liabilities arising from compensations for denationalization. Each year, the expert services estimate 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, provisions of EUR 0.9 million were eliminated in 2022.

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 2022. As a consequence, the costs of services did not reach the planned level.

in EUR '000

	SSH	SSH	SSH Group	SSH Group
	Realised in 2022	Realised in 2021	Realised in 2022	Realised in 2021
Operating income	18,711	10,248	42,157	10,248
Cost of goods sold	3,277	0	3,312	0
Operating expenses excluding denationalisation-related reserves	15,575	5,947	39,677	5,947
Reserves for denationalisation	0	1,410	0	1,410
OPERATING PROFIT/(LOSS)	-141	2,891	-832	2,891
Financial income	83,638	42,302	102,992	31,444
Financial expenses	17,347	84	18,514	84
Share of profit/loss from investments measured at equity method			45,129	61,189
PROFIT OR LOSS BEFORE TAXES	66,150	45,109	128,775	95,440
Income tax	-1,144	0	-1,143	0
Deferred tax	997	13	760	13
NET PROFIT/(LOSS) FOR THE PERIOD	66,003	45,122	128,392	95,453
Profit/(loss) attributable to minority interest	0	0	-520	0
Earnings attributable to the owners of the controlling company	0	0	128,912	0

1.7

ORGANISATIONAL DEVELOPMENT OF SSH**1.7.1 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 ZSDH-1 are further enhanced by rules and procedures defined in the Company's internal policies and regulations. The provisions of Chapter 6 of ZSDH-1 are further defined in internal policies and regulations concerning conflicts of interest, traceability of contacts, reporting on non-public contacts, unethical or illegal actions or influences, acceptance of gifts, restrictions on transactions with related parties, transactions by liable persons with securities of companies under SSH management, business compliance policy, handling reports of suspected irregularities, and the Code of Ethics. Special attention is dedicated to the protection of personal data and the prevention of money laundering and terrorism financing.

All perceived risks in corporate compliance and integrity system (hereinafter referred to as: "CIS") are incorporated in the Integrity Plan, which is publicly disclosed and also contains a set of ongoing and one-time measures for risk management. A regular review of the Integrity Plan was conducted by the company's bodies in 2022, as part of comprehensive reporting by the Chief Compliance and Integrity Officer to the management and supervisory bodies.

In 2022, the Company paid additional attention to business compliance by granting additional authority to the Chief Compliance and Integrity Officer with regard to a preliminary review of all documents, which are required for making decisions by the Company's executive management, and all significant contracts with business partners. At the beginning of the year, the European Institute of Compliance and Ethics conducted an independent external review of the SSH compliance and integrity system. In accordance with recommendations and changes in the environment, as well as amendments to ZSDH-1, internal processes of the CIS were reasonably improved.

As part of the merger project with BAMC, the Compliance and Integrity Department was established, which assumed new responsibilities: monitoring developments of legislation and

regulations, preventing money laundering and financing of terrorism, providing advisory services to liable parties within SSH, as well as to management and supervisory bodies of SOEs, conducting operational reviews and preparing opinions for decision-making bodies of the Company.

Handling reports on alleged irregularities

The Chief Compliance and Integrity Officer received a total of 51 reports filed in 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 in SOEs;
- violations whose handling falls under the responsibility of other bodies or institutions (such reports were referred to them for their handling);
- inappropriate conduct under Article 57 of ZSDH-1;
- expression of opinion by persons reporting non-ethical or illegal conduct;
- other issues not classified as reports.

Twenty-seven reports referred to suspicions of irregularities in the functioning of SOEs which are included in the SSH's portfolio of assets. Eleven reports were expressions of opinion by whistle-blowers, or they included other matters where no elements of suspected irregularities were identified. One report referred to the authority vested in other institutions and was submitted to them for their further consideration, one report concerned an alleged irregularity in SSH and was dealt with in accordance with internal procedures, and one report concerned a suspicion of unethical or illegal conduct or influence within an SOE and was referred for review to the Commission for the Prevention of Corruption. The Whistle-blower 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 in-

formation received 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 SSH internal policies and regulations



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



A comprehensive update of internal regulations and processes relating to the CIS, in accordance with amendments to ZSDH-1, other applicable legislation, changes in the environment, and the BAMC merger project



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

Cooperation with supervisory bodies and investigative institutions



Handling reports of suspected irregularities in SSH and SOEs.

Personal data protection

The Company updated the provisions of its internal policy on personal data protection, i.e. the Rules on Personal Data Protection Procedures and Measures, and included those new personal databases in the data registry whose processing began in 2022. At the beginning of 2023, those personal databases, whose data controller used to be BAMC until the end of 2022, were added to the data registry.

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.

Money Laundering

Internal policies and regulations and the workflow of the process in the area of money laundering and prevention of terrorism financing were updated in 2022 due to the merger with BAMC. In 2023, an increased volume of customer reviews is expected, especially by customers with which SSH enters into business relationships, and other activities associated with money laundering and the prevention of terrorism financing are expected to increase due to activities connected to the management of claims and real estate taken over from BAMC.

1.7.2 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 operation is the Internal Audit Charter. The scope and schedule of Internal Audit's activities are defined in the annual work plan of the, which is adopted by the Management Board of the Company with the consent of the SSH Supervisory Board.

In 2022 the Internal Audit completed all mandatory tasks and the majority of tasks outlined in the 2022 Annual Work Plan. The audit reviews in SSH covered both reviews of compliance and performance of the Company. Significant audit reviews at SSH were focused on the processes of appointing members to supervisory boards of portfolio companies, personal data

processing, and fraud management. Internal Audit assessed that an effective and robust risk management system had been established across all operational areas reviewed.

A substantial share of Internal Audit's tasks in 2022 also included reviews of strategic companies in the portfolio managed by SSH. The purpose of including portfolio companies within the scope of Internal Audit activities is to enhance the scrutiny of their operations and their oversight. Through these operational audit reviews, SSH aims to mitigate risks significant to SSH or the Republic of Slovenia, risks that could impact SSH's and/or the Republic of Slovenia's objectives concerning the ownership of specific capital assets. Additional goal is to positively influence the compliance and efficiency of the business operations of the companies under review.

TABLE: NUMBER OF PLANNED AND REALISED ENGAGEMENTS CARRIED OUT BY THE INTERNAL AUDIT DEPARTMENT IN 2022

Internal audit engagements in 2022	Planned engagements	Executed engagements
Regular audit reviews	5	4
Extraordinary audit reviews	0	0
Audit reviews of companies under management	4	3
Formal advisory services	2	2

The expertise of the internal auditors facilitated the implementation of the scheduled internal audit reviews, and when required, internal expert opinions on the areas under review were also obtained during the execution of tasks. All audits carried out were performed in accordance with the Hierarchy of Internal Audit Rules.

In areas where some shortcomings were identified, recommendations were made to establish an even more effective system of internal controls and adequate risk management. Both SSH and the companies under review proactively initiated the processes for correcting the shortcomings identified.

TABLE: OVERVIEW OF THE INTERNAL AUDIT'S RECOMMENDATIONS AND INITIATIVES ISSUED AND IMPLEMENTED IN 2022

Internal Audit's Recommendations/Initiatives	Pending as at 1 Jan 2022	Newly issued in 2022	Implemented in 2022	Abandoned/not implemented	Still pending as at 31 Dec 2022
Recommendations and initiatives for SSH	13	20	22	0	11
Recommendations and initiatives for portfolio companies	20	30	32	2	16

Because of the activities associated with the merger of BAMC, the internal audit also conducted several advisory engagements in 2022 in this regard. Apart from the merger itself, the most extensive activities were focused on organizing the area of archiving business documentation.

The assessment of the Internal Audit with regard to the areas reviewed is as follows:

- the significant risks were identified and evaluated, and appropriate responses to risks were selected. An internal control system for fraud prevention was established;
- IT risks were largely identified, and active risk management related to the BAMC merger was initiated;
- the Company operated in accordance with internal and

- external regulations in the areas being reviewed, ensuring the reliability and integrity of business information;
- the Company's organizational management adhered to adopted directions and business objectives, the appropriate organizational management was established;
- the Company upheld suitable ethics and business values, and communication and dissemination of information, both among employees and to external oversight bodies, were well-organized.

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 the Republic of Slovenia, the Ministry of the Interior).

1.7.3 Risk Management

In 2022, risk management activities within SSH were focused on developing this area of work, enhancing information flow across different operational areas, and fostering better collaboration among specialized areas within SSH, solidifying a culture and awareness among employees regarding the importance of risk management and the significance of integrating such mindset into the daily work processes of all employees.

Activities were carried out during joint meetings of the Risk Committee and the Chief Compliance and Integrity Officer's, in meetings with risk managers, and in regular joint meetings of the Three Level of Risk Management Working Group.

Risk management system

The risk management process in SSH is based on a centralised and integrated system which functions at SSH as a whole. Risk management is the responsibility of every SSH's employee whose actions and decisions expose them daily to risks within the scope of their job responsibilities.

The area of work of risk management is governed by the SSH Rules on Risk Management, and the coordination of the risk management process takes place within the Controlling and Risk Management Department. The bodies involved in the process include the SSH Management Board, the joint Risk

FIGURE: SCHEME OF THE RISK MANAGEMENT SYSTEM IN SSH



Committee, the members of the cabinet of the Chief Compliance and Integrity Officer, and the Risk Commission of the Supervisory Board as an advisory body to the Supervisory Board. Joint sessions of the Risk Committee and cabinet meetings of the Chief Compliance and Integrity Officer typically take place every month. The President of the said Committee is the President of the SSH Management Board. All documenta-

tion related to risk management (reports, analyses, risk registers, internal documents, etc.) is discussed by the bodies involved in the risk management process during their respective meetings.

All risks, which SSH is exposed to during its operation, are described in the Master Risk Register in a systematic manner.

FIGURE: SSH MASTER RISK REGISTER



The said Register is composed of the following parts:

In the Basic Risk Register, the SSH risk model is conceptually linked to a set of four risk categories:

- I. Company-level risks;
- II. Operational risks;
- III. Business security risks;
- IV. Risks in business environment.

The **Risk Register** details all risks which SSH is exposed to in its operations. The following key risks are highlighted:

1. **strategic risks** include risks to which SSH is exposed in case of statutory changes that could have negative consequences on the scope and nature of SSH's operations in the future;
2. **financial risks**, among which liquidity risk is the most pronounced and as a result of which SSH may not be able to meet its legal or other obligations during specific periods or on certain days;
3. **risks associated with the merger of BAMC with SSH**, in which case HR risks, IT risks, accounting and financial risks, risks associated with the transfer of investments, real estate, and claims, harmonization of investment da-

tabases, legal risks, general affairs risks, and others are the most prominent;

4. **risks associated with the digitization of business processes** are connected to the introduction of e-documentation and the transition to paperless operations (e-filing, e-Meč, e-Sessions, Špica, travel orders, HR program, NC portal, Poštar, etc.), along with the potential for data system breaches at SSH;
5. **risks associated with asset management**, in which case unforeseen market conditions may significantly deteriorate business conditions or even hinder business operations and adversely affect the business results;
6. **HR risks** are associated with staff planning, development and retention;
7. **project risks**, which arise from an unclear definition of the responsibilities and accountabilities of the persons participating in project teams and from the lack of centralised oversight over projects and their project statuses. This could lead to delays, failure to meet project objectives, cost overruns, and other issues;
8. **risks associated with personal data protection** 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;

9. **risks associated with the safekeeping of documents, of data and of pieces of information** in which regard measures have been adopted to manage risks arising from the established work-from-home mode of operation (unauthorised access to business documents/data, loss of documents/data, computer hacking and misuse of IT systems and misappropriation of data as a result of access rights which have been granted anew to enable work from home, hacking of and misuse of remote communication devices and systems);
10. **IT risks** are associated with the IT system outages and external service provider outages, inability to operate under extraordinary circumstances due to incompletely defined business continuity plans and procedures, and cyber security;
11. **employee safety and mode of operation** in which regard measures have been adopted to take preventive action in the event of an epidemic of a longer duration, as well as measures in the case of individual infections and measures to address poorer effectiveness connected with the work-from-home mode of operation, and measures to tackle worsened psychological conditions of an individual;
12. **safety of property**, in case when business premises are infected, and offices are inadequately protected;
13. **risks stemming from changes in the external business environment** due to geopolitical risks, the negative and long-term detrimental impact of exceptional circumstances on the Slovenian economy, and disruptions in critical infrastructure operations.

The [Security Risk Register](#) contains the risk model of SSH and is conceptually linked to five risk groups to which SSH is exposed to in its operations. They refer to

1. **employees and hazards 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, 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 of data/information retention).

In accordance with ZSDH-1, a specific approach is defined for addressing corruption risks, unlawful and unethical conduct, as detailed in the [Compliance and Integrity Plan](#) which is presented in detail in the section on corporate compliance and integrity.

Risk assessment

SSH evaluates its risk exposure using a five-level matrix based on unified criteria for assessing risks with regard to the importance of potential consequences or impacts on SSH operations and their likelihood of occurrence.

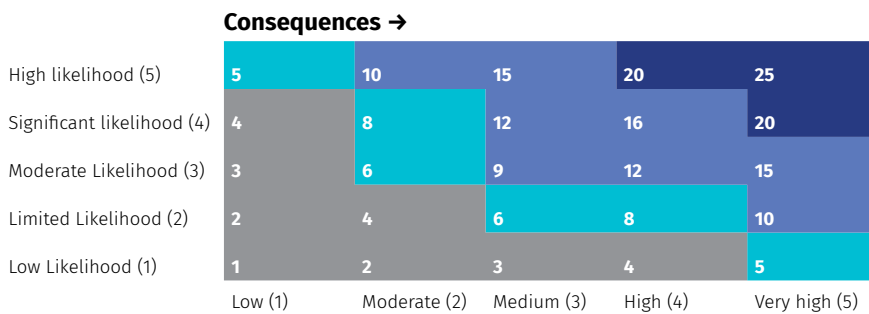
Significance of potential consequences:

- **Low (1)** – up to EUR 10 thousand (no consequences/no impact);
- **Moderate (2)** – up to EUR 100 thousand (partial impact),
- **Medium (3)** – up to EUR 1 million (medium impact),
- **High (4)** – up to EUR 10 million (high impact), and
- **Very high (5)** – more than EUR 10 million (very high impact).

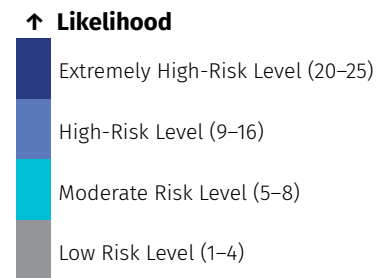
Likelihood of Event Occurrence:

- **Low Likelihood (1)** – once or twice every 10 years to once every 20 years,
- **Limited Likelihood (2)** – once or twice every 5 years to once every 10 years,
- **Moderate Likelihood (3)** – once or twice every year to once every 5 years,
- **Significant Likelihood (4)** – once or twice every month to once every year, and
- **High Likelihood (5)** – once or twice a day to once or twice a month.

FIGURE: RISK QUANTITATIVE ASSESSMENT MATRIX



LEVELS OF RISKS (LIKELIHOOD X CONSEQUENCES):

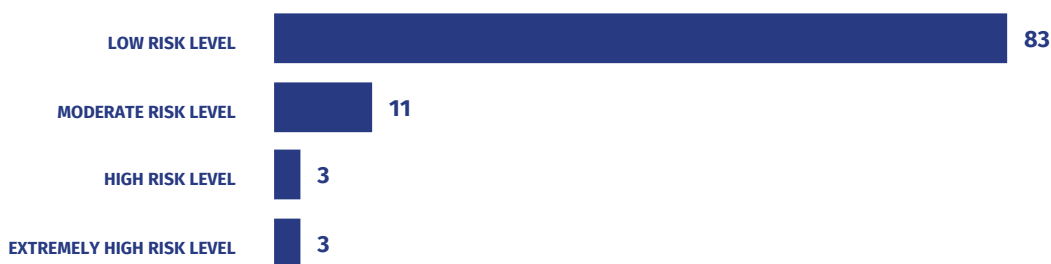


According to the levels of risk acceptability, SSH is prepared to accept only risks which have been assessed as low. These risks are monitored on a semi-annual basis at the Risk Commission’s meetings. For risks assessed as moderate, high, and extremely high, specific measures have been identified, and additional measures proposed can be added, if necessary. Implementation of these measures is continuously monitored. Such risks are prioritized for discussion at the regular Risk Commission’s meetings. These risks can be addressed and monitored more frequently, not just during regular meetings if such a decision is made by the members of the Risk Commission.

Risks assessed as moderate, high, and extremely high are managed by means of:

- risk reduction (strengthening internal controls, implementing effective risk reduction measures, assigning responsible parties and deadlines for implementing measures);
- risk avoidance (contracting with verified external contractors);
- risk transfer (insurance coverage with an insurance company).

FIGURE: RISKS AS AT 31 DECEMBER 2022 IN %



Key risks in 2022

In 2022, SSH faced the risk of negative impacts resulting from highly tightened business conditions or a recession, the risk of negative deviations in business results of portfolio companies with regard to expectations and goals set in the Business and Financial Plan of the company or the Annual Asset Management Plan, and negative, long-term detrimental effects of exceptional circumstances on the Slovenian economy, along with geopolitical risks falling into the business environment risk category. SSH closely monitors the performance of companies in its portfolio, holds periodic meetings with company

representatives, articulates its expectations, monitors their execution, prepares internal analyses of the condition of companies with capital assets and sensitivity analyses, and implements a wide range of other measures. However, SSH cannot fully manage these risks through its own actions as risks can also emanate from the external business environment and may be the result of the worsening of the economic conditions. Unfavourable market conditions can significantly worsen business conditions or even render business operations impossible, negatively impacting business outcomes.

At the end of 2022, SSH acquired assets, rights, and obligations from BAMC. During the process of merging different companies, significant risks emerged, which presented opportunities and challenges for all SSH employees. Such processes involve the amalgamation of diverse business processes, cultures, people, and job roles. Acknowledging the importance of these risks, challenges, and opportunities, SSH prepared a range of measures and activities to ensure that risks in the merging process were recognized and managed to the fullest extent possible. The implementation of measures was actively monitored by a project team through regular weekly meetings. The merger was conducted in accordance with the established time line and concluded within the stipulated time frame.

Within the scope of the business process digitalization, SSH is exposed to risks associated with the transfer to paperless operations. To manage these risks, SSH enters into contracts with verified providers, ensures regular monitoring, upgrading, and updating of system status, promptly responds to emergencies or system outages, provides digital competency training to employees, and implements other measures to effectively recognize and manage these risks.

1.7.4 Corporate Security

In the realm of corporate security, procedures and systems have been introduced for safeguarding people, confidential information, assets, and company resources. This has been accomplished by developing an appropriate range of policies, regulations, and guidelines tailored to a specific subject matter, as well as establishing a platform for the further advancement of solutions which ensure all aspects and services of corporate security.

The security measures introduced include physical and informational, or cyber security measures, such as:

- risk assessment;

To address HR risks, SSH plans its workforce needs, nurtures their development through regular training, and focuses on their retention. Thus, it has a prepared staffing plan for a designated period, in which key positions are identified and departures are planned.

With the rising global cyber risks, SSH has undertaken numerous measures and activities in this domain, introducing various safeguards and firewalls against malicious intrusions, computer viruses, and other information system damages.

Operational risks encompass a wide spectrum of company operations. SSH has adopted numerous measures which are regularly carried out in order to manage risks to which it is exposed to during its operation. These risks are record in the Basic Risk Register and in the Security Risk Register. 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 cabinet meetings of the Chief Compliance and Integrity Officer. By strictly adhering to legislation, documents adopted and provisions of valid internal policies and regulations and through various risk-mitigation mechanisms, SSH has succeeded in having its risks properly identified, addressed and managed.

- employee security awareness;
- implementation of suitable security infrastructure;
- collaboration with the leading companies to ensure cyber security;
- regular monitoring and action-taking;
- encryption of business content;
- advanced management of credentials and access control;
- correlation of corporate security events or incidents;
- unification of physical and technical security oversight.

1.7.5 Access to Information of Public Nature

SSH is a liable party under the Public Information Access Act. In 2022, SSH received five requests to access information of a public nature, which referred to various aspects of its operations. Three were submitted by journalists and two by natural persons.

One request was rejected due to an exception stipulated in Article 6, Paragraph 1 of the Public Information Access Act. One request was dismissed, two were granted, allowing the applicants access to the requested documents. One request was partially granted (only the part referring to a document not held by SSH was rejected).

1.8 SUSTAINABLE BUSINESS OF SSH



The main purpose of SSH is for SOEs to achieve the financial success expected by the owner while simultaneously implement-

ing all three aspects of sustainable business: responsible attitude towards the society and the natural environment along with responsible governance.

1.8.1 Statement of Non-Financial Information

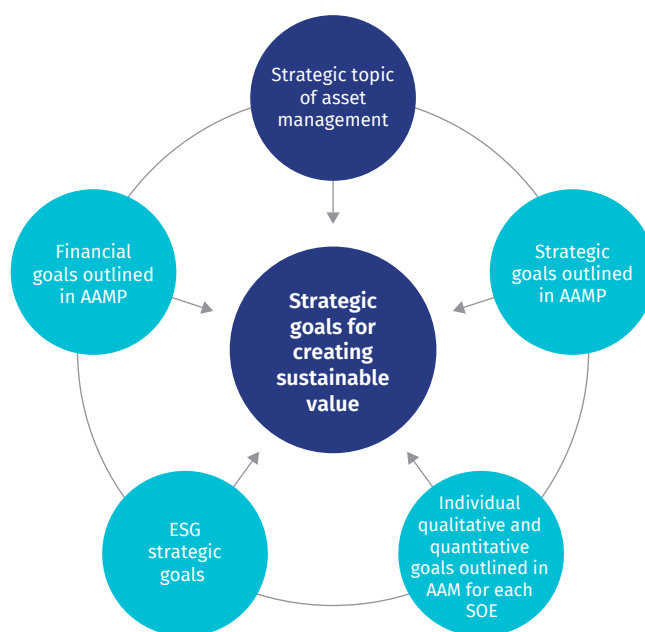
In accordance with the provisions of Article 70.c of the Companies Act (ZGD-1) and Recommendation 8 of the Code of Corporate Governance for SOEs, SSH's Business Report incorporates a statement of non-financial information. SSH is obliged to prepare a statement of non-financial information at the group level.

The requirements of the Statement of Non-Financial Information are included in the Company's and SSH Group's Business Report. The following areas are specifically highlighted:

- the description of the business model, or the value creation model, is presented in Chapter 1.3; the presentation of the SSDH Group and the Company is provided in Chapter 1.5.; SSH's activities and in the remainder segments of this statement (outline of the main elements contributing to the sustainable value creation of companies in the portfolio under SSH's management);
- information, policies, and policy outcomes in the fields of environmental, social, and personnel matters, respect for human rights, and matters related to the fight against corruption and bribery are presented in Chapter 1.8 - Sustainable Business of SSH;
- the main risks associated with the aforementioned areas are listed in Chapter 1.7.3. - Risk management system.

SSH does not currently monitor key non-financial indicators at the Company and Group levels; however, specific key indicators in this area are determined by SSH in portfolio companies under its management within the expectations outlined in each AAMP and when setting strategic objectives for strategic companies.

The following is an outline of the main elements contributing to the sustainable value creation of companies in the SSH's portfolio:



As mentioned in point 1.2 of this Report, i.e. Corporate Governance Statement, SSH's subsidiaries are not managed as a joint concern; they are managed in the same way as other SOEs. Therefore, detailed information about the non-financial performance of the subsidiary Sava, d. d., is not included in this Report, but it can be found in the company's and Sava Group's Annual Report for 2022, which is published on the following website (www.sava.si).

4Contribution to the 2030 Agenda

SSH has analysed and examined 17 goals of the 2030 Agenda, of which five goals have been selected to be pursued by in accordance with its mission and strategic directions. They are presented in order of significance and categorized based on the following characteristics:

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

These five goals are grouped in two pillars, i.e. Asset Management and SSH as an undertaking.

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)
- 222 Expectations regarding SOEs' sustainability through AAMP, Performance Criteria, the Code and Recommendations
- 3 Selection of suitable and competent members of supervisory boards
- 4 Open communication and dialogue with stakeholders
- 5 Continuous improvement of the corporate governance culture
- 6 Ongoing enhancement of expertise among members of supervisory boards
- 777 Continual improvement of standards in all strategic management areas highlighted in AAMP
- 8 Enhancing gender diversity outcomes in management and supervisory bodies.

SSH



- 1 Supportive working environment for employees
- 2 Promoting work-life balance
- 3 Education and training for employees (priority areas: digitisation, asset management, sustainable business, sector-specific governance topic)
- 4 Promoting health at work
- 5 Carbon footprint reduction and maintaining low energy consumption
- 6 Continued digitisation and paperless operation
- 7 Careful procurement and waste reduction and segregation

E – Environment, S – Social, G – Governance

1.8.2 Key Sustainability Activities



In 2022, SSH carried out an external assessment of its sustainable business and climate action and obtained the Green Star CER certificate.

The issue of the certificate is based on the ESG assessment in areas of sustainable business and climate action, which is rooted in international frameworks, sustainability reporting standards, and the European legislation.

SSH decided to take part in the assessment test and become certified in this domain with the aim of undergoing a comprehensive external examination and evaluation of its sustainability, and to identify avenues for its improvement. SSH received three out of five stars. The prerequisite for further progress is to create an action plan and take into account the two new activities acquired by SSH.

Selected topics and a summary of key sustainability activities carried out in 2022 is presented below.

Subject matter	Activities in 2022	Commentary
HR management and organisation	SSH HR Strategy for 2021-2023	The performance appraisal system was upgraded, a system for assessing key and prospective personnel was established, and career plans for employees were prepared.
	Training of managers	Training for executive managers (B-1 level)
	Hybrid working, occupational safety and health and health promotion.	Enhanced focus on the sustainable aspect of remote work by introducing more remote workdays for employees located in distant places. Strengthening occupational safety and health regardless of the location of work. Additional health promotion activities (online lectures, exercises).
	Staff training and development	Increased scope and diversity of professional education and competency development for various employee groups (based on areas, for senior employees).
	Enhancing organizational culture	Promoting respect for the company's values and principles, raising awareness about their significance through workshops and team-building activities.
Further development of the good practice in corporate governance	Continuous follow-up of the development of good corporate governance practice and implementation of changes in the governance instruments.	New recommendations regarding compensation policies for management bodies were adopted, along with changes and additions to the Code of Corporate Governance for SOEs. In 2022, SSH completed a project to create a corporate culture manual and distributed it to all portfolio companies. In 2022, SSH initiated the project for aligning instruments of governance for single-person companies managed by SSH, a project ongoing into 2023. More information is available in the section on the development of corporate governance practices.
	Implementation of training sessions for members of supervisory bodies of the portfolio companies	The Annual Asset Management Plan for 2022 incorporated significant recommendations and expectations regarding climate action for portfolio companies, as well as expectations concerning gender diversity in the management and supervisory bodies and education programme.
		The topics of educational meetings in 2022 included strategic assessment, and governance of corporate culture, carbon footprint, and a comprehensive approach to transitioning to a carbon-neutral company. More about this activity is presented in the section which describes events and projects .
Corporate Compliance and Business Integrity	Integrity Plan Code of Ethics Addressing alleged irregularities Education and training	Regular identification of new risks in regard to corruption, unlawful and unethical conduct and the adoption of recurrent and one-off measures. Supplementing the Code of Ethics, adopting additional commitments regarding ethical standards. Addressing all alleged irregularities, taking actions within the scope of the SSH's authority. Conducting internal training for employees.

1.8.3 Review of Stakeholders and their Engagement

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 which regard their

interest and needs are identified and monitored and included in a variety of ways.

The table below illustrates the most important SSH's stakeholders, the method of their engagement and key areas of cooperation and interest.

Stakeholder	Methods of Cooperation	Areas of Cooperation and interest covered	Activities in 2022
Companies from the RS and SSH portfolios; members of Supervisory and Management Boards	Regular periodic and other meetings, written communication, invitations to SSH events.	Monitoring business performance of a company and of the attainment of set economic and strategic indicators, 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 relations with companies from the RS and SSH portfolio has been established (supervisory boards and management boards); the system is explained in detail in Annual Report on Management of Capital Assets of RS and SSH . SSH organised a total of 69 periodic meetings with portfolio companies in 2022.
National Assembly of RS, Government of RS, sectoral ministries	Quarterly asset management reports, Annual Report - Management of Capital Assets of RS and SSH, the cooperation regarding the implementation of sectoral policies, the participation of three representatives of 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, occasionally at the meetings 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.
Employees	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 Family Friendly Company certification, reconciliation of work and family life during the coronavirus crisis, transition to hybrid working.	These activities are presented in more detail in the remainder of this Chapter.
The media	Press releases, statements to interested media, answers to journalists' questions, personal contacts with journalists, occasional invitations to events, and if necessary, other forms of communication.	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 21 press releases, 13 press releases from the SSH Supervisory Board's meetings, and one announcement to SOEs; it received 171 distinct journalist inquiries with multiple questions.
Beneficiaries for compensations under various bills	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.	See section on denationalisation for a more detailed presentation.
Social partners	Sessions of the Expert Committee for Economic and Social Affairs which is a consultation body of the SSH's Management Board (representatives of trade union associations).	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).	Two regular meetings were organised which were publicly reported by SSH.

Stakeholder	Methods of Cooperation	Areas of Cooperation and interest covered	Activities in 2022
Business partners	<p>SSH has established a clear and transparent system for selecting business partners (financial advisors, legal advisors and other suppliers of goods and services),</p> <p>The criteria for the selection of suppliers of goods and providers of services differ in regard to the type of the supplier and the 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.</p> <p>Calls to tender, meetings.</p>	<p>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, 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).</p>	<p>In 2022, in addition to the procedures for the selection of tenderers under ZJN-3, a total of 334 contracts of record with a total value of EUR 0.945 million were concluded. All orders were placed in the general field of business. Out of these, 113 contracts of record for the procurement of goods in the general field were awarded, with a total value of EUR 0.15 million, predominantly involving IT-related procurement (computer and software equipment), office supplies, representation materials, and payment for electricity. For the execution of services in the general field of business, 221 contracts of record were concluded, totalling EUR 0.794 million. These primarily pertain to consulting services, upgrade services, maintenance and license procurement in the IT sector, training implementation, and others.</p> <p>In the merged BAMC, a total of 340 contracts of record were concluded, amounting to EUR 1,244,092, covering the purchase of goods, services, and construction (maintenance works, renovations, repairs, preparatory works on properties owned by the merged BAMC).</p> <p>All figures mentioned above include contracts for goods and services and construction, each contract award ranging in the value from EUR 0 to EUR 39,999, excluding VAT, in accordance with Article 21 of the Public Procurement Act (ZJN-3).</p>
Other state asset managers	<p>Regular meetings, electronic mail, cooperation in the management of state capital assets, invitations to meetings.</p>	<p>Participation in the consolidation and restructuring of state-owned tourism companies, participation in the management of joint capital assets.</p>	<p>Regular participation in the above-mentioned areas of work.</p>
Potential investors	<p>Publicly posted Requests for Proposal for the purchase of capital assets and other assets under management, announcement and submission of information on SSH's activities in connection with the processes for the sale of capital assets.</p>	<p>Transparent, equal and competition-based conduct of sale processes in accordance with applicable regulations and comparable international practice.</p>	<p>Publications of invitation for submitting bids on the SSH and through e-auctions platform (in Slovene: e-dražbe).</p>
Regulators and supervisory institutions	<p>Electronic mail, submission of applications, meetings, reporting.</p>	<p>The adherence to the legislation and the compliance with regulations and good practice in corporate governance, transparency of operations.</p>	<p>Occasional cooperation in accordance with the law.</p>

Key information about employees

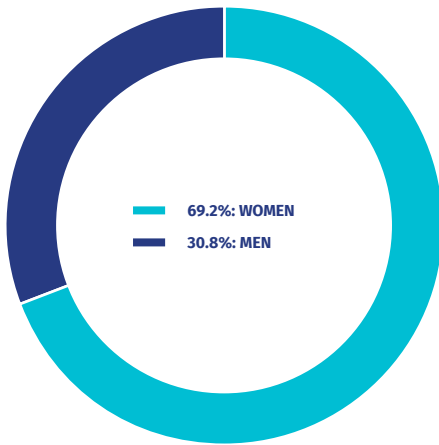
The employees of SSH demonstrate their willingness to progress through their work, their proactive approach to the im-

plementation of tasks, their creativity, and personal professional development, thereby contributing to the successful functioning of the Company.

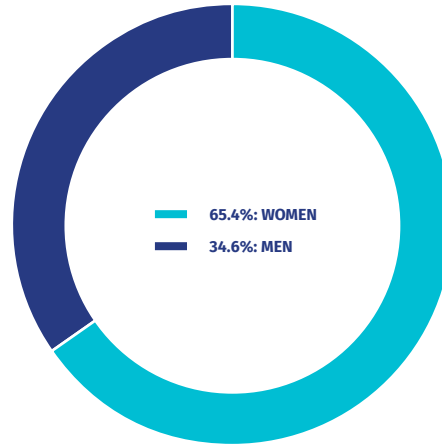
BASIC DATA ON EMPLOYEES IN SSH AS AT 29 DECEMBER 2022 AND AFTER THE MERGER WITH BAMC AS AT 31 DECEMBER 2022

	Number of employees in SSH as at 29 December 2022	Number of employees in SSH after the merger with BAMC as at 31 December 2022
Women	36	89
Men	16	47
TOTAL NUMBER OF EMPLOYEES	52	136

GENDER STRUCTURE OF SSH EMPLOYEES AS AT 29 DECEMBER 2022 IN %



GENDER STRUCTURE OF SSH EMPLOYEES AFTER THE MERGER WITH BAMC AS AT 31 DECEMBER 2022 IN %

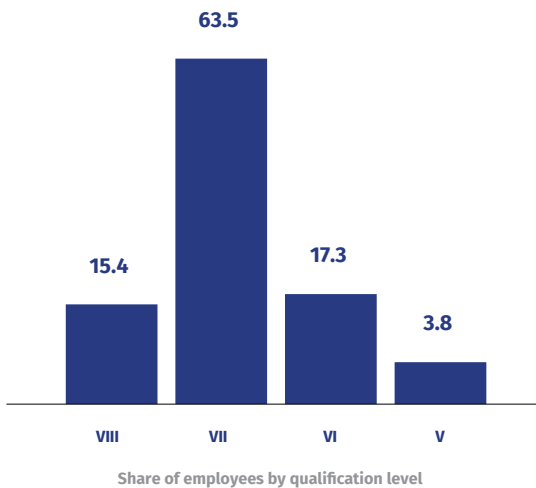


Educational structure

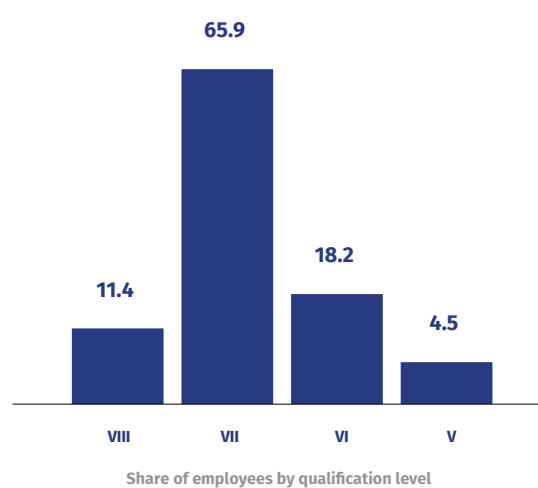
Due to the nature of its work, SSH predominantly employs highly specialized staff. The distribution of educational levels

among SSH employees as at December 29, 2022, and after the merger with BAMC employees with SSH as at 31 December 2022, is presented in the graphs below.

QUALIFICATION STRUCTURE OF SSH EMPLOYEES AS AT 29 DECEMBER 2022 IN %



QUALIFICATION STRUCTURE OF SSH EMPLOYEES AFTER THE MERGER WITH BAMC AS AT 31 DECEMBER 2022 IN %



Development activities and care for employees

In addition to providing a supportive and health-friendly work environment, SSH provides its employees additional social security schemes and assistance in balancing their professional and personal lives.

The Company implements employees' development plans gradually, in line with the adopted policies. On the basis of the guidelines of the SSH Human Resources (HR) Strategy for

the 2021–2023 strategic period, the Company planned activities throughout the year, also adhering to the provisions of the Key and Prospective HR Management Policy. In 2022, the focus of such developmental activities was placed on creating development plans for employees. These plans were based on annual development discussions, with a time line extending to the end of 2023, and half-yearly reviews to assess the achievement of the set employees' goals. The focus of the employee development in the past year also included acquiring new experiences and skills within/outside specific

areas of the Company's work (individual organizational units) and fostering more intensive intergenerational collaboration.

A significant number of executive staff participated in a series of workshops which focused on the development of leadership skill. The executive staff from BAMC took an active part in these workshop in the final quarter of 2022. This initiative established a strong foundation for successful collaboration within SSH. Greater attention was also given to training aimed at older employees (above 50 years) who participated in the ASI 2021 project - Support to Companies in Developing Strategies for Effective Management of Older Employees and Strengthening their Competencies. This project took place from September 2021 to the end of June 2022 and was prepared by the Public Scholarship, Development, Disability, and Maintenance Fund of the Republic of Slovenia.

In contrast to previous years (marked by the pandemic), professional training for employees proceeded smoothly, it was mainly conducted in-person at the providers' locations. This format encouraged increased collaboration and networking among employees. In addition to individual training participation, several group-based training sessions were organized for employees based on their work areas (energy, transportation, tourism, sustainability, human resources, etc.).



In the second half of 2022, SSH undertook active preparatory activities aiming at the merger with BAMC. Due to staffing shortages at BAMC, SSH provided all HR services to BAMC on a contractual basis starting from August. This arrangement proved beneficial as it enabled timely familiarization with BAMC's HR systems, understanding of its employees, and organizational culture. This significantly contributed to the smoother transition of BAMC employees to SSH.

The merger of BAMC with SSH presents a significant challenge in the HR area, mainly due to the increased number of employees (as indicated in the employee count table). Further activities will primarily focus on aligning both systems (new

organizational regulations, job classification, compensation, training, etc.), as far as it is possible according to the regulatory provisions of the acquired employees' rights, or in agreement with them.

The year of 2023 will also bring challenges in terms of updating employees' development plans and preparing development plans for new team members. However, the primary task is to merge the different systems to the fullest extent possible, all with the goal of providing a unified treatment of employees of the merged company and the establishment of a unified organizational culture.

New employments in 2022

SSH's employment processes are conducted in a transparent manner and following the principle of equal opportunity.

In 2022, SSH announced multiple job vacancies, and by 29 December 2022, two individuals were hired. This includes the new President and a member of the Management Board, as well as a position in controlling and risk management department. This included the employment of two Management Board members as well as three other employees. The staff-related changes in the Management Board are explained in the Supervisory Board's Report.

Organizational Climate within the Company, interpersonal relationships, and plans for further integration



The organizational climate is jointly created by the executive officers and employees. The Company conducts a survey on organizational climate and employee satisfaction at the end of each calendar year. Due to intense merger activities, this survey was postponed to the first half of 2023, ensuring comparable data with the year-end 2023 survey results. This will also facilitate the consideration and potential adoption of additional measures. The Company recognizes that suitable working conditions and interpersonal relationships contribute to more successful work and business operations. This is supported by health-promoting measures such as group sports activities, occasional healthy breakfasts, and encouragement of a healthy lifestyle. Similarly, measures within the

scope of the “Family-Friendly Company” certification are also in place. These measures often assist employees in achieving a better balance between their professional and personal lives, such as additional days of special leave in various circumstances. Enhanced interpersonal collaboration was fostered through informal events, helping to build cooperation and strengthen relationships even before the formal merger, and particularly during the second half of 2022.

The Company’s interpersonal relationships are governed by the SSH Code of Ethics, which promotes a healthy organisational culture based on the shared values. Additional guidelines for preventing unwanted behaviours 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, as well as by various other provisions in internal policies and regulations. The Rules on Determining Disciplinary Liability defines mechanisms for internal resolution in cases of violations of ethical provisions outlined in internal regulations. Many of these policies and other regulations were reviewed and adapted as necessary due to the merger of BAMC with SSH in the latter months of 2022.

Workplace health and safety and health promotion

The work at the Company is predominantly office-based and does not pose significant health risks to employees. In 2023, a comprehensive assessment of the workplace will also be conducted at other locations where the Company operates. The hybrid work approach established over the past two years had proven successful and continued in 2022. A survey on the adequacy of hybrid work indicated that employees universally adhere to safe and healthy work practices, even while working remotely. So established hybrid work approach will persist in the future and will also apply to transferred BAMC employees after the merger.

Low absenteeism levels

Similar to the previous year, absenteeism did not exceed 3%. This positive trend is attributed to safety measures, health care, good interpersonal relationships, and the option for re-

mote work, which allows employees to distance themselves from work processes in case of suspected infections.

Contributions to employee 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. In the following year, SSH will continue to provide to its employees the premium for additional pension insurance, which is provided by the Pension Fund MKPR, managed by Modra zavarovalnica. This will also apply to the transferred employees, who also had premiums being provided by the same supplementary pension insurance provider before the merger.

Internal communication and collaboration with employees

Open and regular communication among employees is fundamental to fostering a positive organizational climate, maintaining good relationships, and achieving positive business outcomes. Internal communication occurs through hybrid methods, involving in-person or video conferencing, email, and the internal SSH portal. The portal aggregates essential aspects of the Company’s operations, including current information, professional materials, and all applicable internal policies. It also includes measures related to preventing bullying, workplace safety, health promotion, and family-friendly policies. The portal serves as a hub for the current issues addressed by the Employees’ Council, which plays a crucial role in connecting employees and management. The Collaboration Agreement between employees and management, concluded in 2022, regulates the rights and modalities of employee participation in the management of the Company. This document will also have significant implications for future collaboration.

The Management Board and the Employees’ Council meet at meetings, when necessary, and employees are informed of the Council’s final annual report. Additionally, all-employee assemblies are convened upon proposals from the Employees’ Council or the SSH Management Board. Employees of the acquired company are represented by a representative trade union within the employer, which continues its operations within SSH. The Collective Agreement for BAMC employees from 2019 also applies to transferred employees.

1.8.4 Responsibility Towards Environment

- SSH does not have a major impact on the environment, considering the nature of its activities. The protection of the environment is ensured through implementing the following measures:
- well-organised collection and segregation of all waste types under the established system as well as awareness raising campaigns;
- full phase out of the use of single-use plastic products;
- continued introduction of paperless operations through digitalization tools;
- 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 tender documentation requires compliance with the mentioned regulation;
- arranging and implementing hybrid working mode, even in non-epidemic situations, and using video conferencing platforms for training and staff meetings,
- collecting electronic waste and toner cartridges for their handover to authorised waste collectors,
- prudent management of properties to reduce energy consumption and limit heating to a minimum, maintenance of the unoccupied buildings;
- diligent and regular maintenance of heating systems;
- proper disposal of hazardous waste from SSH's properties by registered companies under supervision of a safety engineer;
- active monitoring of buildings for fire safety and machinery control in installations, and immediate response to any damages;
- strict adherence to current PURES requirements in all investment maintenance works.

SSH does not measure the amount of wastewater and other waste by activity and had not measured its carbon footprint until 2022.

When making decisions, SSH takes into account the environmental impact. Moreover, SSH enhances the digitalization of its business, promotes waste separation, practices energy and resource efficiency and supports sustainable project as well as carries out activities which contribute to sustainable business.



**ACCOUNTING
REPORT OF SSH**

2.1

STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board is responsible for the preparation of the separate Accounting Report so that it provides a true and accurate account of the financial position of SSH as at 31 December 2022 as well as of the SSH's financial performance and cash flows for 2022, in accordance with the provisions of ZSDH-1 and ZGD-1.

The Management Board confirms that appropriate accounting policies and prudent accounting estimates have been consistently applied in the preparation of the separate financial statements of SSH (hereinafter also referred to as: the "Company"). The Board further confirms that the separate financial statements and interpretations have been prepared under an assumption of the going concern and are compliant with applicable legislation and International Financial Reporting Standards as adopted by the EU (IFRS), with the exception of the inclusion of subsidiaries in the consolidated financial statements. Article 36(a) of ZSDH-1 stipulates that subsidiaries, in which the position of the controlling company has been obtained through an acquisition of stakes or shares through the transfer of assets, rights, and obligations from BAMC to SSH in accordance with the law governing measures to strengthen the stability of banks, are not included in the consolidated annual report.

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 fraud as well as other irregularities and illegalities.

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

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

Ljubljana, 22 June 2023

Janez Tomšič

Member of the Management Board

Žiga Debeljak, MSc

President of the Management Board

2.2

INDEPENDENT AUDITOR'S REPORT



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Slovenija

INDEPENDENT AUDITOR'S REPORT
To the shareholder of SDH, d.d.
(Translation from the original in Slovene language)

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of the company SDH, d.d. (hereinafter »the Company«) which comprise the separate statement of financial position as at 31 December 2022, the separate income statement, the separate statement of other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and the summary of significant accounting policies, and other explanatory information.

In our opinion the accompanying separate financial statements have been prepared, in all material respects, in accordance with the accounting requirements of the Slovenian Sovereign Holding Act (ZSDH-1).

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 of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (hereinafter the »Regulation«). Our responsibilities under those rules are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IEASBA Code.

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

Emphasis of Matter - Basis of Accounting

We draw attention to note 2.4.2 *Basis of preparation of the separate financial statements*, which describes the basis of accounting. The Act Amending the Slovenian Sovereign Holding Act (ZSDH-1A, Official Journal of the Republic of Slovenia No. 140/22 of 4 November 2022) exempts the Company from consolidating entities over which it has control and that were acquired in terms of the assets and liabilities transfer from BAMC to SSH in accordance with the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks. The ZSDH -1A requires the Company to comply with International Financial Reporting Standards (IFRS) and non-inclusion of all subsidiaries in the consolidated financial statements constitutes a departure from IFRS. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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 all our obligations described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements*, including those related to these matters. Therefore, the audit comprised the performance of the procedures designed to respond to our assessment of the risks of material misstatement in the separate financial statements. The results of our audit procedures, including the procedures performed in relation to the matters stated hereinafter, serve as the basis for issuing our audit opinion about the accompanying separate financial statements.



Valuation of inventories of property

As at 31.12.2022, the inventories in the separate financial statements amount to EUR 106,177 thousand, of which the inventories of property amount to EUR 103,008 thousand (acquired through the merger of BAMC and amounting to EUR 95,075 thousand at that time).

The accounting policies for inventories are disclosed in the separate financial statements in section 2.5. Summary of significant accounting policies under Inventories and disclosures in section 2.7.2.4 Inventories of real estate and equipment.

Description of the key audit matter

Inventories of property are valued at the lower of cost or net realisable value. Land and office premises represent the largest proportion of the inventories of property.

When measuring the net realisable value, management uses significant judgement in the areas of:

- the choice of valuation methods depending on the type of property (market comparisons or yield-based),
- the use of key assumptions, notably market rents, comparable transactions and the market prices realised in them, investment costs and a discount for illiquidity and time to sale.

As the determination of the net realisable value of property inventories involves significant subjective judgements and therefore required our additional attention, we have identified this matter as a key audit matter.

Our audit approach

Our audit procedures in this area included, among others:

- reviewing the Company's methodology for determining the net realisable value of inventories,
- gaining an understanding of the control environment and key internal controls in the area of determining the net realisable value of inventories of property,
- verification of ownership by comparison with land registers on a selected sample of properties,
- verification of the determination of net realisable value, with the assistance of an external property valuation expert, engaged by us, by means of an assessment on a selected sample of properties:
 - whether appropriate methods, and techniques are used to determine net realisable value for the selected sample of properties,
 - whether the assumptions used were fit for purpose,
 - whether the assumptions are reasonable, depending on the model used,
 - mathematical accuracy of the estimates.
- reviewing the adequacy and completeness of the disclosures in the Company's financial statements relating to inventories of property in the light of the requirements of the relevant accounting standards.

Valuation of financial assets at fair value through profit or loss acquired through the merger of BAMC - Loans

As at 31.12.2022, financial assets at fair value through profit or loss in the separate financial statements amount to EUR 247,604 thousand (31.12.2021: EUR 22,427 thousand), of which loans arising from the merger of BAMC amount to EUR 225,177 thousand.

The accounting policies for financial assets at fair value through profit or loss are disclosed in the separate financial statements in section 2.5. Summary of the significant accounting policies under Financial Assets and Fair Value Measurement; disclosures are provided in section 2.7.2.6 Financial Assets measured at Fair Value through Profit or Loss - Loans.



Description of the key audit matter

Of the loans resulting from the merger of BAMC, EUR 225,030 thousand, or 99%, relate to individually valued loans. Their fair value is based on a binominal option pricing model with two possible scenarios of future expected cash flows: from restructuring or from recovery.

Management exercises significant judgement in measuring the fair value of these individually valued loans in the following areas:

- estimates of the likelihood of a single scenario (restructuring : recovery),
- the use of assumptions in the process of estimating risk parameters,
- estimating future expected cash flows from operating activities or from collaterals and their time component,
- setting the discount rate.

Complex models and significant management judgements are used in determining the fair value of loans.

For these reasons, we considered the measurement of the fair value of loans valued individually to be a key audit matter.

Our audit approach

Our audit procedures in this area, which also included our business valuation experts and an external property valuation expert, engaged by us, included, among others:

- reviewing the Company's methodology for determining the fair value of loans,
- gaining an understanding of the control environment and key internal controls in the area of determining the fair value of loans,
- on a selected sample of loans, we tested the inputs used to measure fair value, focusing on:
 - criteria for setting risk parameters,
 - assumptions for determining the likelihood of a particular scenario materialising,
 - assessing the design of expectations about future cash flows from operating activities,
 - assessing the value of collateral with assistance of our business and property valuation experts and estimating the period to realisation of collateral,
- assessing the discount rates used with assistance of our business valuation experts,
- reviewing the adequacy and completeness of the fair value disclosures in Company's financial statements in the light of the requirements of the relevant accounting standards.

Other Information

Management is responsible for the other information. Other information comprises the information included in the Annual Report other than the separate financial statements and the auditor's report thereon. Other information was obtained before the date of the auditor's report, with the exception of the Supervisory Board report, which will be available after that date.

Our opinion on the separate 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 financial statements, our responsibility is to read other information and, in doing so, assess whether the other information is materially inconsistent with the separate financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears 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 financial statements;
- the other information is prepared in compliance with applicable law or regulation;
- based on the knowledge and understanding of the Company obtained in the audit, we have not identified any material misstatement of other information.

Responsibilities of the Management and the Supervisory Board for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with ZSDH-1, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the separate financial statements of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing 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 is responsible for overseeing the Company's financial reporting process and the approval of the audited annual report.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 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 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 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 internal controls of the Company.
- 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 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 separate and financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board and the Audit Committee, among other matters, the planned scope and timing of the audit and significant findings from the audit, including 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 to 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 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 of 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 Government of the Republic of Slovenia on 8 December 2022 for the financial years 2022 - 2024. The Chairman of the Supervisory Board signed the engagement letter on 23 December 2022. We have been performing the statutory audit of separate financial statements for the fifth year without interruption. Engagement partner responsible for the audit on behalf of BDO Revizija d.o.o. is Mateja Vrankar, certified auditor.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on 22 June 2023.

Non-audit Services

We confirm that we have not performed any prohibited services referred to in the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council. We declare that we ensure our independence from the Company.

In addition to the statutory audit services and services disclosed in the annual report, we have not provided any other services to the Company.

Ljubljana, 22 June 2023

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

(Signature on the original Independent Auditor's Report in Slovene language)

Mateja Vrankar, certified auditor
Managing partner

2.3

SEPARATE FINANCIAL STATEMENTS OF SSH

2.3.1 Separate statement of financial position of SSH

	Note	31 Dec 2022	31 Dec 2021
ASSETS			
NON-CURRENT ASSETS		948,182	68,253
Intangible assets		605	223
Property, plant and equipment	2. 7. 1.	1,445	1,254
The right to use leased assets		12	36
Investments in subsidiaries	2. 7. 2. 1.	129,515	3,692
Investments in associates	2. 7. 2. 2.	299,337	20,166
Financial assets measured at fair value through other comprehensive income (FVTOCI)	2. 7. 2. 3.	517,268	42,408
Deferred tax assets	2. 7. 2. 22.	0	474
CURRENT ASSETS		410,247	916,617
Inventory of real estate and equipment	2. 7. 2. 4.	106,177	0
Financial investments to be distributed to owner		0	861,877
Financial assets measured at fair value through profit or loss FVTPL)	2. 7. 2. 6.	247,604	22,427
Financial assets measured at amortised cost	2. 7. 2. 8.	14,374	17,000
Assets from contracts with customers		25	0
Trade receivables	2. 7. 2. 9.	11,013	4,703
Income Tax receivables		1,168	127
Other current assets		229	139
Cash and cash equivalents	2. 7. 2. 10.	29,657	10,344
TOTAL ASSETS		1,358,429	984,870
EQUITY AND LIABILITIES			
EQUITY	2. 7. 2. 11.	1,191,257	913,370
Called-up equity		301,766	260,167
Capital reserve		112,287	0
Other revenue reserves		66,003	0
Fair value reserve		521,324	723,827
Retained net profit or loss		189,877	-70,624

	Note	31 Dec 2022	31 Dec 2021
NON-CURRENT LIABILITIES		119,355	39,411
Provisions and non-current deferred revenues	2. 7. 2. 12.	49,147	39,399
Financial liabilities	2. 7. 2. 13.	15,039	0
Finance lease payables		5	12
Deferred tax liabilities	2. 7. 2. 22.	55,164	0
CURRENT LIABILITIES		47,817	32,089
Financial liabilities	2. 7. 2. 13.	15,223	0
Finance lease payables		10	27
Liabilities from contracts with customers		172	0
Operating liabilities	2. 7. 2. 14.	20,710	18,498
Other liabilities	2. 7. 2. 15.	11,702	13,564
LIABILITIES		167,172	71,500
LIABILITIES AND EQUITY - TOTAL		1,358,429	984,870

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

2.3.2 Separate income statement of SSH

in EUR '000

	Note	2022	2021
Income from contracts with customers	2. 7. 2. 16.	12,137	5,102
Other operating income	2. 7. 2. 16.	6,574	5,146
Operating income		18,711	10,248
Cost of goods sold	2. 7. 2. 17.	3,277	0
Costs of materials and services	2. 7. 2. 17.	4,939	1,674
Labour costs	2. 7. 2. 18.	7,816	3,988
Depreciation and amortisation	2. 7. 2. 19.	463	236
Non-current provisions		598	1,410
Write-offs and impairments	2. 7. 2. 20.	1,193	0
Other operating expenses		566	49
Operating profit/(loss)		-141	2,891
Financial income	2. 7. 2. 21.	83,638	42,302
Finance expense	2. 7. 2. 21.	17,347	84
Profit or loss before taxes		66,150	45,109
Income tax	2. 7. 2. 22.	-1,144	0
Deferred taxes	2. 7. 2. 22.	997	13
NET PROFIT/(LOSS) FOR THE PERIOD		66,003	45,122

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

2.3.3 Separate statement of other comprehensive income of SSH

in EUR '000

	2022	2021
Net profit/(loss) for the period	66,003	45,122
Change in fair value reserve (financial investments)	-193,365	227,788
Recalculation of post-employment benefits	121	-1
Total other comprehensive income not to be recognized in Income Statement in the future	-193,244	227,787
Other comprehensive income after tax - total	-193,244	227,787
TOTAL COMPREHENSIVE INCOME AFTER TAX	-127,241	272,909

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

2.3.4 Separate statement of cash flows of SSH

in EUR '000

	2022	2021
Cash flows from operating activities		
Cash receipts from operating activities	81,337	9,363
Receipts from operating activities	80,787	7,502
Receipts from Republic of Slovenia (sales on consignment)	550	1,861
Cash payments relating to operating activities	-34,268	-32,084
Payments to suppliers for goods and services	-19,690	-1,685
Payments to and on behalf of employees	-6,920	-3,895
Payments of taxes and duties of all kinds	-4,930	-1,326
Payments pursuant to ZDen and SZ	-914	-23,525
Payments on behalf the Republic of Slovenia (sales on consignment)	-1,159	-1,445
Other cash payments relating to operating activities	-655	-208
Net cash flow from operating activities	47,069	-22,721
Cash flow from investing activities		
Cash receipts from investing activities	159,089	71,670
Interest received - deposits	141	0
Dividends received	59,975	39,753
Proceeds from the sale of property, plant and equipment	3	1
Proceeds from the sale of non-current financial investments	170	1,687
Proceeds from the sale of current financial investments	96,112	30,229
Net proceeds from the acquisition of a subsidiary	2,688	0
Cash payments relating to investing activities	-124,585	-47,561
Payments for fees/negative interest	-132	-68
Payments to acquire intangible assets	-200	-110
Payments to acquire property, plant and equipment	-297	-151
Payments to acquire non-current financial investments	-42,156	-5,000
Payments to acquire current financial investments	-81,800	-42,232
Net cash flow from investing activities	34,504	24,109
Cash flows from financing activities		
Cash receipts from investing activities	41,599	0
Cash proceeds from paid-in capital	41,599	0
Cash payments from investing activities	-133,634	-1
Interest payments relating to financing activities	-1,316	-1
Repayment of non-current financial liabilities	-132,318	0
Net cash flows from financing activities	-92,035	-1

in EUR '000

	2022	2021
BAMC cash balance as at cut-off date	29,775	0
Cash at end of period	29,657	10,344
Net cash inflow/(outflow) during the period	-10,462	1,387
Cash at beginning of period	10,344	8,957

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

2.3.5 Separate statement of changes in equity of SSH

	Called-up equity	Capital reserve	Other revenue reserves	Fair value reserve	Retained profit/loss	Net profit/loss	Total
Opening balance as at 1 Jan 2021	260,167	0	0	484,974	-104,680	0	640,461
Total comprehensive income for the period	0	0	0	227,787	0	45,122	272,909
Net profit for the period	0	0	0	0	0	45,122	45,122
Other comprehensive income	0	0	0	227,787	0	0	227,787
Transactions with owners	0	0	0	11,066	34,056	-45,122	0
Transfer to retained profit/loss	0	0	0	0	45,122	-45,122	0
Transfers due to sale of financial investments	0	0	0	11,066	-11,066	0	0
Closing balance as at 31 Dec 2021	260,167	0	0	723,827	-70,624	0	913,370
Merger with BAMC 30 June 2022	0	112,287	0	0	251,177	0	363,464
Total comprehensive income for the period	0	0	0	-193,179	0	66,003	-127,176
Net profit for the period	0	0	0	0	0	66,003	66,003
Other comprehensive income	0	0	0	-193,179	0	0	-193,179
Transactions with owners	41,599	0	66,003	-9,324	9,324	-66,003	41,599
Share capital increase	41,599	0	0	0	0	0	41,599
Transfer to other revenue reserves	0	0	66,003	0	0	-66,003	0
Transfers due to reclassification of financial investments	0	0	0	-9,324	9,324	0	0
CLOSING BALANCE AS AT 31 DEC 2022	301,766	112,287	66,003	521,324	189,877	0	1,191,257

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

The financial statements for FY 2022 were approved for the publication by the SSH Management Board on 22 June 2023.

2.4

NOTES TO SEPARATE FINANCIAL STATEMENTS

2.4.1 Reporting company

The reporting company – Slovenian Sovereign Holding (hereinafter also referred to as: the “Company”) – is a joint stock company registered at the Ljubljana District Court (court register decision 199304616, registration entry no. 1/21883/00). In accordance with the provisions of Articles 55 and 56 of ZGD-1 (the Slovenian Companies’ Act), the Company is classified as a large company required to undergo a regular annual audit.

In line with the Standard Classification of Activities, the Company's activity is categorised as: K 64.990 - *Other financial service activities, except insurance and pension funding*. The Company's activity is presented in detail in the Business Report, Chapter 1. 5.

The Company's share capital as at 31 December 2022 amounted to EUR 301,765,982.30. On 24 February 2022, funds in the amount of EUR 41,599,065.26 were paid in to increase the share capital, and the increase of the share capital was registe-

red in the Business Register on 17 March 2022. The Company's share capital is divided into 180,788 non- par value shares not listed on the regulated stock exchange market. The sole shareholder of SSH is the Republic of Slovenia.

Slovenian Sovereign Holding is a controlling company of Slovenian Sovereign Holding Group, with its company office registered in the Republic of Slovenia, at the address: Mala ulica 5, Ljubljana. As explained in note 2. 6 Business Combinations, the merger of BAMC with SSH took place in 2022. Also, in 2022, the majority stake in Sava, d. d. was acquired, as SSH exercised its pre-emptive right to purchase 12,571,257 shares (43.226% equity stake), thereby increasing its existing ownership stake to 61.91%. Further details about the acquisition are provided in note 2. 6 Business Combinations.

THE LIST OF ASSOCIATED COMPANIES OF SSH AS AT 31 DECEMBER 2022 IS AS FOLLOWS:

Company	Registered office		Equity Stake in %	Core business/notes
Terra Mediterranea, Croatia	Budmanijeva 3	10000 ZAGREB, CRO	42.85	Economy
Unior, d. d.	Kovaška cesta 10	3214 Zreče, SLO	39.43	Metal forging, pressing, stamping and rolling; powder metallurgy
Casino Bled, d. d.	Cesta svobode 15	4260 Bled, SLO	33.75	Casinos
Salomon, d. o. o.	Vevška cesta 52	1260 Ljubljana Polje, SLO	30.59	Temporary employment agency activities
Zavarovalnica Triglav, d. d.	Miklošičeva 19	1000 Ljubljana, SLO	28.09	Non-life insurance
Hit, d. d.	Delpinova 7A	5000 Nova Gorica, SLO	28.54	Casinos
Cinkarna Celje, d. d.	Kidričeva 26	3000 Celje, SLO	24.44	Manufacture of dyes and pigments

THE LIST OF ASSOCIATED COMPANIES OF SSH AS AT 31 DECEMBER 2021 IS AS FOLLOWS:

Company	Registered office		interests	Core business/notes
Associates:			in %	
Unior, d. d.	Tržaška cesta 10	3214 Zreče, SLO	39.43	Metal forging, pressing, stamping and rolling; powder metallurgy
Casino Bled, d. d.	Cesta svobode 15	4260 Bled, SLO	33.75	Casinos
Zavarovalnica Triglav, d. d.	Miklošičeva 19	1000 Ljubljana, SLO	28.09	Non-life insurance
Hit, d. d.	Delpinova 7A	5000 Nova Gorica, SLO	20.00	Casinos

THE LIST OF DIRECT AND INDIRECT COMPANIES OF SSH AS AT 31 DECEMBER 2022 IS AS FOLLOWS:

Company	Registered office		interests	Core business/notes
Subsidiaries:			in %	
PS za avto, d. o. o.	Kovaška cesta 133	1000 Ljubljana, SLO	90.00	Business administration
Elektrooptika, d. d.	Mala ulica 5	1000 Ljubljana, SLO	70.48	Business and management consultancy activities
Argolina d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00	Management of construction projects
Autotehna Croatia, d. o. o., in liquid.	Murini 7/D,	51000 Rijeka, CRO	100.00	Wholesale of household electrical appliances
Avtotehna Beograd, d. o. o., in liquid.	2/25 Lazarevičeva	11000 Beograd, SRB	100.00	Manufacture and wholesale of office machinery and equipment of office machinery and equipment (except computers and peripheral equipment)
Avtotehna Zagreb d. o. o.	Nova cesta 109	10000 Zagreb, CRO	100.00	Sale of motor vehicles
BR89, d. o. o.	Breznikova cesta 89	1230 Domžale, SLO	100.00	Pig farming
Ihan, d. o. o. Beograd	Milutina Milankovića 108	11000 Beograd, SRB	100.00*	Pig farming
DUP, d. o. o. Sarajevo	Ul. Vrazova broj 3	71000 Sarajevo, BiH	100.00	Real estate
DUTB Crna Gora, d. o. o.	Ul. Slobode 74/II	81000 Podgorica, MNE	100.00	Real estate
Factor projekt, d. o. o. Hrvaška	Šetalište Svetog Bernardina bb Krk	51500 Krk, CRO	100.00	Real estate
Farme Ihan - KPM, d. o. o.	Korenova cesta 9	1241 Kamnik, SLO	100.00	Pig farming
Go- KO, d. o. o.	Mlaka pri Kočevju 37	1332 Stara cerkev, SLO	100.00*	Livestock farming
Farme Ihan - MPR, d. o. o.	Cesta Leona Dobrotinška 15	3230 Šentjur, SLO	100.00*	Processing of pork
VOA, d. o. o.	Željne 80	1330 Kočevje, SLO	100.00*	Pig farming
Meso Kamnik, d. d.	Korenova cesta 9	1241 Kamnik, SLO	91.08*	Meat processing
Fundus d. o. o. Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00	Real estate
Hyundai auto Beograd, d. o. o.	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00	Sale of motor vehicles
Illuria Holdings Limited	ARCH. MAKARIOU III, 195	3030 Limassol, CYP	100.00	In liquidation
Istrabenz turizem, d. d.	Obala 33	6320 Portorož, SLO	100.00	Hotels and tourism
Istrabenz, d. o. o.	Obala 33	6320 Portorož, SLO	100.00	Business and management consultancy activities

Company	Registered office		interests in %	Core business/notes
Subsidiaries:				
MLM, d. d.	Oreško nabrežje 9	2000 Maribor, SLO	100.00	Foundry, machine tools
MLM Alutec, d. o. o. Bugojno	Armije BiH 171	70230 Bugojno, BiH	99.97*	Foundry, machine tools
PROLeasing Rijeka, d. o. o. - in liquidation	Prolaz Marije Krucifikse Kozulić 2	51000 Rijeka, CRO	100.00	Leasing
PY&CA, d. o. o. Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00	Real estate
Sklad turističnih naložb, d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00	Holding company (in tourism sector)
Thermana, d. d.	Zdraviliška cesta 6	3270 Laško, SLO	100.00	Hotels and tourism
MK Založba, d. d.	Slovenska cesta 29	1000 Ljubljana, SLO	83.47	Publishing
MK trgovina, d. o. o.	Slovenska cesta 29	1000 Ljubljana, SLO	100.00*	Publishing
Grafika Soča, d. o. o.	Sedejeva 4	5000 Nova Gorica, SLO	100.00*	Publishing
CZ-Z, d. o. o.	Slovenska cesta 29	1000 Ljubljana, SLO	100.00*	Publishing
Mozaik knjiga, d. o. o.	Karlovačka cesta 24a	10020 Zagreb, CRO	100.00*	Publishing
Mladinska knjiga društvo sa ograničenim odgovornošću za izdavačko delatnost i trgovinu Beograd	Omladinskih brigada 102	11070 Beograd, SRB	100.00*	Publishing
Mladinska knjiga, d. o. o., Sarajevo	Kemal begova 12	71000 Sarajevo, BiH	100.00*	Publishing
DS Projekt, d. o. o.	Ulica bratov Rozmanov 1	1000 Ljubljana, SLO	74.00	Buying and selling of own real estate
Sava, d. d.	Dunajska cesta 152	1000 Ljubljana, SLO	61.91	Holding company
Bramir, d. o. o. Mostar	Ulica Dr. Ante Starčevića 62	88000 Mostar, BiH	100.00*	Holding company
Sava Turizem, d. d.	Dunajska cesta 152	1000 Ljubljana, SLO	95.47*	Holding company
Poslovni sistem Domina, d. o. o, Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	55.52	Real estate

* share of the parent company in the subsidiary company

The ownership percentage is equal to the percentage of voting power in all the companies mentioned above.

THE LIST OF DIRECT AND INDIRECT COMPANIES OF SSH AS AT 31 DECEMBER 2021 IS AS FOLLOWS:

Company	Registered office	interests	Core business/ notes	
Subsidiaries:		in %		
Elektrooptika, d. d.	Mala ulica 5	1000 Ljubljana, SLO	100.00	Business and management consultancy activities
PS za avto, d. o. o.	Tržaška cesta 133	1000 Ljubljana, SLO	100.00	Business administration

2.4.2 Basis for preparation of separate financial statements

2.4.2.1 Basis for preparation of separate financial statements

The separate financial statements of the controlling company have been prepared in accordance with the requirements of ZSDH-1. The Company follows the International Financial Reporting Standards, as adopted by the European Union (hereinafter referred to as: "IFRS") and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the EU, with the exception of the inclusion of subsidiaries in the consolidated financial statements. Article 36(a) of ZSDH-1 stipulates that subsidiaries, in which the position of the controlling company has been obtained through the transfer shareholdings, assets, rights, and obligations from BAMC to SSH in accordance with the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks, shall not be included in the consolidated annual report. The financial statements have been prepared in accordance with Slovenian legislation (ZGD-1) and the SSH's internal policies and regulations.

For the year ending on 31 December 2021, in addition to separate financial statements, the consolidated financial statements have been prepared. They are presented in Chapter 3 of the Annual Report.

2.4.2.2 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 notes.

- investments in subsidiaries - acquisition cost or lower recoverable value,
- investments in associates - at fair value through other comprehensive income (FVTOCI),
- other financial investments - fair value prior through other comprehensive income,

- loans - fair value through profit or loss,
- inventory of property or property held for resale - the lower of cost or net realizable value,
- 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 an actuarial calculation,
- other provisions - at present value of the assessed deferred payments,
- deferred tax assets and liabilities - non-discounted, measured using the applicable tax rate,

2.4.2.3 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 for assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and other factors which are considered reasonable in the circumstances and are the basis for determining the carrying amount of assets and liabilities. 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 involved in the following judgements:

- income from contracts with customers: the relationship of a principal or agent;
- estimates of the expected useful lives of intangible and tangible fixed assets;
- adjustments to the value of receivables;
- estimates of the value of provisions and contingent liabilities,
- estimating the fair value of assets,
- assessing the likelihood of utilising deferred tax assets.

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 the actual outcomes of business events may be different from the estimates. Estimates are subject to subjective judgement and a degree of uncertainty.

2.4.2.4 Application of new and revised IFRS Standards and IFRIC Interpretations

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

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

Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets). These changes relate to the interpretation that when an entity assesses an onerous contract, the cost of fulfilling a contract comprises the costs that relate directly to the contract.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use). Proceeds from selling items before the related item of property, plant and equipment (PPE) is available for use can no longer be deducted from the cost of PPE, and should be recognised in profit or loss, together with the costs of producing those items. Companies will therefore need to distinguish between: costs associated with producing and selling items before the item of PPE is available for use on one hand, and the costs associated with making the item of PPE available for its intended use, on the other.

Reference to the Conceptual Framework (amendments to IFRS 3 – Business Combinations relating to an updated reference to the 2018 Conceptual Framework and introducing new recognition and measurement exemptions under IFRS 3 to ensure that the new reference does not change the determination of which assets and liabilities qualify as business combinations).

Annual updates to IFRS 2018- 2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41). The annual updates contain the following amendments to IFRS standards – IFRS 1 – First-time Adoption of International Financial Reporting Standards,

which simplifies the adoption of IFRS for a subsidiary as a first-time adopter; amendment to IFRS 9 – Financial Instruments, which clarifies which fees an entity includes when it applies the ‘10 per cent’ test for the derecognition of financial liabilities; the amendment to Illustrative Example 13 accompanying IFRS 16 – Leases; and IAS 41 – Agriculture, where the amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset, where the fair value corresponds to the definition given in IFRS 13.

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

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

For reporting periods starting on or after 1 January 2023, the following standards and amendments shall enter into force:

Disclosure of accounting policies (amendments to IAS 1 and IFRS 2 Statement of Practice). IAS 1 contains two amendments – an amendment relating to the presentation of current and non-current liabilities and an amendment relating to the disclosure of accounting policies. 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, but in May 2020 the effective date was delayed to annual reporting periods beginning on or after 1 January 2023. The amendment to IAS 1 relating to disclosure of accounting policies introduces the disclosure of substantive, rather than just significant, accounting policies and provides guidance on when information relating to an accounting policy is substantive.

Definition of accounting estimates (amendments to IAS 8). The amendments introduce a new definition of an accounting estimate and include other changes to IAS 8 to help entities distinguish changes in accounting estimates from changes in

accounting policies. The amendment will also clarify that the effect of a change in inputs or measurement techniques is a change in an accounting estimate unless it requires a correction of a prior period error.

IFRS 17 - Insurance Contracts and amendments to IFRS 17 - Insurance Contracts, relating to the first-time application of IFRS 17 and comparative information according to IFRS 9.

Deferred tax assets and deferred tax liabilities on individual transactions (amendments to IAS 12 - Income Taxes). The amended standard clarifies whether the initial recognition exemption applies to certain transactions that are recognised as both an asset and a liability (e.g. such as a lease as per IFRS 16- Lease). The amendment introduces additional criterion for the initial application of exceptions under IAS 12.15, where the initial recognition exception does not apply to an asset or liability that gives rise to the same taxable and deductible temporary differences at the time of the recognition.

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 financial statements.

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

Currently, IFRS standards as adopted by the EU do not differ significantly from standards adopted by IASB with the exception of the following new Standards and amendments to the existing Standards which will become effective for the reporting periods beginning on 1 January 2023 and which have not yet been adopted by the EU:

Amendments to IAS 1 – Presentation of Financial Statements

Classification of liabilities as current or non-current. The amendment requires that the entity's right to defer settlement of a liability for at least 12 months after the reporting date must have substance and must exist at the end of the reporting period. The classification of liabilities is unaffected by the likelihood that an entity will exercise its right to defer the liability for at least 12 months after the reporting date. The standard was subsequently further amended.

Non-current liabilities with covenants. If the right to defer settlement is subject to the company complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period where an entity is required to comply with the condition on or before the end of the reporting period, and not where an entity is required to comply with the condition after the reporting period. The amendment also includes an explanation of the term "settlement" for the purpose of classifying liabilities as current or non-current.

Amendments to IFRS 16 - Leases: lease liability in a sale and leaseback transaction. The amendment requires the seller-lessee to determine the "lease payments" or "modified lease payments" so that the seller-lessee does not recognize any gain or loss related to the right of use retained by the seller-lessee.

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

2.4.2.5 Amendments to accounting policies

There were no changes in accounting policies in 2022 and 2021. However, in 2022, due to the merger with BAMC, the range of assets in the statement of financial position expanded, and inventory properties. The guidelines for recognition and measurement of the acquiring company loans and the properties are described below.

2.4.2.6 Currency reporting

a) Functional and presentation currency

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

b) Transactions and balances

Transactions expressed in foreign currencies are converted into the Euro at the European Central Bank's reference exchange rate at the transaction date. The gains 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.

2.5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF SSH

Operating income

Income from contracts with customers relates to services rendered and goods sold. They are recognised when control over the product or service is transferred to a customer in the amount which reflects the consideration for which SSH expects to be entitled in exchange for transferring those goods or services. 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.

Significant types of income are as follows:

- compensation for managing capital assets owned by the Republic of Slovenia;
- rental income from real estate;
- income from the sale of real estate inventory.

Other operating income mainly relates to income associated with denationalisation and is recognised when SSH is eligible to receive a fee.

Financial income and expense

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

Any potential profits or losses upon the disposal of subsidiaries are recognized 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 (FVTPL), and losses arising on the impairment of financial assets. Borrowing costs are recognised using the effective interest rate method.

Investments in subsidiaries

A subsidiary is a company in which the controlling company

has a controlling interest or exercises a controlling influence by other means, effectively controlling the company.

Investments in subsidiaries are measured at their original cost, reduced by any potential impairments. In accordance with IAS 36, at each reporting date, the company assesses whether there is an indication that investments in subsidiaries may be impaired. If such indications exist, an impairment test is performed, and the recoverable amount of these investments is determined. The recoverable amount is the fair value less costs to sell or value in use, whichever is lower. When the determined recoverable amount is lower than the carrying amount, an impairment is recognized. The impairment loss is disclosed in the Income Statement.

Investments in associates

Associates are companies in which SSH holds from 20% to 50% of voting rights, or it has a significant influence over their operation but does not control them.

Investments in associates are disclosed at fair value through other comprehensive income (FVTOCI) in the 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 the Statement of Other Comprehensive Income.

Intangible assets

Intangible assets include investments in computer software and other intangible assets. When computer software forms an integral part of the related 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 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 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 taking into account the useful life of the assets. 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 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 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, receivables, loans and financial investments (excluding investments in subsidiaries and associates).

When a financial asset is first recognised, it is classified in

accordance with the business model used for managing financial assets and in line with the characteristics of the contractual cash flows generated by the assets. Financial assets are classified into one of the groups below:

- financial assets measured at amortised cost;
- financial investments 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. In 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, overdrawn amounts are recognised as current financial liabilities in the Statement of Financial Position.

Financial assets measured at amortised cost are financial assets held by SSH as part of its business model of collecting the contractual cash flows and where the cash flows comprise solely payments of principal and interest on the amount of principal outstanding. This group includes trade receivables. Initially, they are recognised at fair value increased by direct transaction costs and subsequently they are measured at amortised cost using the method of effective interest rate and are written down in the event of impairment losses. Trade receivables arising from financial, legal and other relations are guaranteed rights to the payment of a debt due from an entity, the supply of goods or the provision of services. Trade receivables include receivables arising from financial investments and are associated with financial income, as well as, receivables for management fees of state-owned capital assets, receivables from loans/equity investments/properties sold, receivables for advances given for property purchases, receivables arising from deposits paid for auction participations, receivables for rents charged, other receivables due by the state, and other lesser receivables.

Recognised receivables are derecognised as assets in the accounting records and in the Statement of Financial Position when the contractual rights attaching to them are no longer controlled by the Company; for example, they are not controlled if the rights to the benefits specified in the contract are exhausted, extinguished or have been surrendered.

SSH acquired an additional segment of loans measured at fair value through profit or loss (FVTPL) with the merger of BAMC in 2022. These are loans which BAMC took over from four systemic banks in 2013 and 2014 and from the merger with Factor bank and Probanka in 2016. Loans are valued at

least once a year based on the valuation policy adopted, which is presented in the section “Loan Valuation Methodology measured at fair value through profit or loss”. The effects of valuation are recognized in the Income Statement as revaluation gains/losses. The fair value of the loans is calculated using the Binomial Option Pricing Model (BOPM), except for loans with a gross exposure lower than 0.3 million EUR.

Loans can also be recovered through the acquisition of ownership of the collateralised assets. Loans can be converted into equity investments, properties, or equipment. The asset subject to conversion is measured at the amount of the converted loan based on the final plan for the distribution of the debtor's bankruptcy estate. Any difference between the conversion value and the carrying amount of the converted loan is recognized in the Income Statement as gains/losses from loans and/or gains/losses from properties.

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 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 using the estimate model. Gains and losses arising from the changed fair value are recognized in the Statement of Comprehensive Income and are presented in equity as fair value reserves in the net amount, after the associated deferred tax assets or liabilities are calculated. Amounts presented in other comprehensive income must not be subsequently transferred to the profit or loss, however, they may be transferred to retained earnings or loss. Dividends arising from equity instruments are recognised as financial income in the Income Statement when the right to their pay-out is established.

Assets to be distributed to the owner include a portion of financial assets measured at fair value through other comprehensive income (FVTOCI). These are investments intended to be transferred to the ownership of the Republic of Slovenia. Amendments to ZSDH-1 published in the Official Gazette No. 140/2022 of 4 November 2022 have removed the requirement for the free-of-charge transfer of strategic and important assets.

Leases

SSH as the Lessee

In accordance with IFRS 16, the Company assesses whether a contract is a lease or contains a lease at the time of conclu-

ding the contract. The contract is a lease contract or contains a lease if the right to control the use of a given asset for a specified period is transferred in exchange for consideration. If the terms of the contract are modified, the Company reassesses whether the contract is a lease or contains a lease.

When applying IFRS 16, the Company takes into account the terms of the lease contracts and all relevant facts and circumstances. This standard is consistently applied to contracts with similar characteristics and in similar circumstances. The standard applies to all leases and the Company does not sublease the assets.

The Company utilizes the recognition exemptions permitted by the standard relating to short-term leases, which are defined as leases with a duration of less than 12 months, not including purchase options, as well as exemptions for leases of low value, where the value of the leased asset does not exceed USD 5,000 (approximately EUR 4,700).

The assessment of whether a lease is of low value is performed on a case by case basis for each asset subject to a lease. A short-term lease is a lease with a term of up to one year.

Lease payments in both cases are recognized as expenses (as part of lease costs) using a straight-line method throughout the entire lease term.

The Company, or the lessee (hereinafter referred to as “Lessee”) recognizes an asset, which represents the right to use, and a financial liability arising from the lease at the commencement of the lease term.

At the lease commencement date, the right-of-use asset is measured at cost, and the lease liability at the present value of lease payments outstanding at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Lessee uses the Lessee's incremental borrowing rate.

For lease liabilities recognized as operating leases, the Company used an interest rate of 3% for commercial properties and 4% for cars. The interest rate for commercial properties is not specified in the contracts but represents the interest rate that would apply to a bank loan for the same period and under similar conditions.

As the Lessee, the Company applies the cost model: the right-of-use asset is measured at cost, (i) reduced by accumulated depreciation and impairment losses, and (ii) adjusted for the remeasurement of lease liabilities.

The requirements of IAS 16 Property, Plant, and Equipment are used by the Company for the depreciation of the right-of-use assets. This means that the right-of-use asset is depreciated over the shorter of the useful economic life of the right-of-use asset or the lease term. The depreciation rate used for commercial properties at lease recognition was 25% as it reflected the remaining useful life of BAMC.

SSH as the Lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards pertaining to the ownership of an underlying asset. Otherwise, it is classified as an operating lease.

If assets are held under an operating lease, the lease payments from operating leases are recognised as operating lease income over the entire period of the lease on a straight-line basis.

When an asset is held under a finance lease, the lease liability from finance leases is recognised at the present value of remaining lease payments. Lease payments from financial lease are initially recognised using the discount rate which is determined at the inception of the lease.

Impairment of financial assets

SSH does not hold any debt financial instruments measured through the Statement of Comprehensive Income. Impairment requirements for financial assets apply to trade receivables.

Trade receivables are initially recognized at amounts derived from relevant documents, assuming they will be paid. Based on historical data and forward-looking information, SSH evaluates whether there are expected credit losses relating to the potential default of receivables within the next 12 months. The impairment amount is the difference between the carrying amount and the present value of the estimated future cash flows. The impairment is recognized in profit or loss as a revaluation expense. For the purpose of carrying out impairment tests, each trade receivable is evaluated individually, taking account of the identity and circumstances of the debtor.

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. The amount of the impairment loss recognized

is the excess of the carrying amount of an asset over its recoverable value. The recoverable value is the estimated amount which is expected to be recovered during the future use of an asset; it also includes its value on disposal. The recoverable value is the higher of the fair value of the asset less selling costs and its value in use.

For the purpose of assessing an impairment, assets are divided into smaller units which can be identified as generating cash flows independently of other units (cash-generating units).

Assets or disposal groups held for sale

Assets or disposal groups comprising assets and liabilities, the value of which is expected to be realised primarily through sale or disposal, are classified as held for sale or disposal. When this criterion is met, financial investments in subsidiaries or associates are reclassified to the category of assets/disposal groups held for sale. Immediately before the classification as held for sale or distribution, the assets or disposal groups are remeasured. Accordingly, a 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 and subsequent gains or losses on re-measurement are recognised in profit or loss.

Inventories of real estate and equipment

Inventories largely consist of properties acquired through the merger with BAMC; they had been acquired by BAMC through various insolvency proceedings with the purpose of recovering the non-performing loans transferred to BAMC or optimizing the profitability of existing properties.

Inventory is presented at lower of cost or net realizable value. The net realizable value is calculated as the fair value reduced by the costs of selling the inventory.

The Company tests the criteria used to value the inventory at least once a year to determine whether there are objective circumstances which would require a write-down of the inventory to its net realizable value.

The amount of the write-down is recognized as an inventory loss in the period when it occurs. Any subsequent increase in the net realizable value of the inventory is recognized as a reversal impairment in inventory. The amount of the impairment reversal is limited to the original impairment amount, so that the new carrying amount is equal to lower of cost or adjusted net realizable value.

When the inventory is sold, its carrying value is recognized as an expense in the same period as the revenue from the sale of inventory.

Financial and operating liabilities

Financial liabilities include loans and operating liabilities.

Operating liabilities are amounts due to suppliers for assets acquired or services rendered, and liabilities due to employees, government, the owners. Liabilities are recognized in the accounting records when it is probable that there will be a diminution in economic benefits as a result of their settlement and if the amount required to settle the liabilities can be reliably measured.

Financial liabilities are recognised when incurred at fair value without any associated transaction costs. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method. Interest received is calculated in accordance with contracts and are recorded as financial interest expense. The portion of non-current liabilities which are overdue or which are due within twelve months after the reporting date is recognised as current liabilities.

Provisions

Provisions are recognised, if, as a result of past events, SSH 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 if it is possible to reliably estimate this liability. Amounts recognised as provisions are the best possible estimate of the expenditure that will have to be incurred necessary as at 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.

Significant provisions include:

- provisions for claims from denationalization beneficiaries;
- provisions for disputes not solved legally,
- provisions for retirement benefits and jubilee awards,
- provisions for warranties to remedy defects in apartments sold,
- provisions for bank guarantees issued,
- provisions for warranties and collateral given.

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 that SSH will be deemed as a party liable to pay compensation, such claims

are classified as contingent liabilities.

The company reviews the probability of a cash outflow and estimates the most likely amount needed to settle the liability at least once a year.

Current employee benefits are measured without discounting and are recognised as expense when the employee's service related to a specific short-term benefit is completed.

Deferred tax

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 their carrying amounts. Deferred tax assets and liabilities are calculated using applicable statutory tax rates for the period when a deferred tax asset is expected to be realized and a deferred tax liability is settled.

A deferred tax asset is recognised when it is probable that sufficient taxable income will be generated in the future to enable 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.

Deferred tax liabilities primarily arise from temporary taxable differences due to the fair value revaluation of financial assets, while deferred tax assets arise from provisions, tax losses, and investments.

Equity

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

Capital reserves were formed upon the merger of BAMC and represent the share capital and statutory reserves of the merged company. Capital reserves can only be utilized if the following conditions are met:

- if the amount of these reserves, together with statutory reserves, does not reach the percentage of the share capital specified by law or the Articles of Association, they can be used only for:
 - covering the net loss of the financial year, if it cannot be covered by retained earnings or other revenue reserves;
 - covering the accumulated loss, if it cannot be covered by the net profit of the financial year or other revenue reserves

- If the amount of these reserves, together with statutory reserves, exceeds the percentage of the share capital specified by law or the Articles of Association, the excess amount can be used for:
 - increasing the share capital using the company's own resources;
 - covering the net loss of the financial year, if it cannot be covered using retained net profit and if revenue reserves are not used for dividend payments to shareholders;
 - covering the accumulated net loss, if it cannot be covered using the net profit of the financial year and if revenue reserves are not used for dividend payments to shareholders.

Other revenue reserves were created from the net profit of 2022, in accordance with the Articles of Association. Other revenue reserves can be utilised for any purposes in accordance with the law, Articles of Association, and General Meeting resolutions.

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's accounting policies, there is a requirement to determine the fair value of financial instruments in a number of cases. For this purpose, financial instruments are categorised into two groups:

- financial instruments which are measured at fair value in the Statement of Financial Position, which include investments in associates, loans, and equity instruments other than investments in subsidiaries which are measured at cost in accordance with IFRS 28, and
- financial instruments for which a fair value disclosure is required even though they are not measured at fair value in the Statement of Financial Position, and which include trade receivables, financial and operating liabilities.

The fair value is the amount that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date.

When measuring the fair value of financial instruments, the following three-level fair value hierarchy is used:

- 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-quoted 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 by SSH as a basis for determining 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 to evaluate the fair value of a financial instrument.

Methodology for the valuation of loans measured at fair value through profit or loss (FVTPL)

The valuation of loans with a gross exposure exceeding EUR 300,000 is performed at individual debtor level, while smaller exposures are valued using group valuations at debtor level. The valuations follow the methodology stipulated in Level 3 of the fair value hierarchy and involve unobservable inputs, which represent the best available information in the given circumstances. This includes SSH's own proprietary data (formerly that of BAMC), such as information on market participant assumptions that are available and reasonably reliable.

Individual loan valuations at debtor level

Loan valuations are based on the Binomial Model for Valuation of Real Options (BMVRO). Two scenarios (restructuring scenario and recovery of collateral scenario) are considered for each individual debtor, along with the forecast of future expected cash flows.

The key unobservable input in the loan assessment process is the estimation of the probability of successfully implementing each of the two strategies. In cases where it is assessed by the Company that the probability of realizing the collateral recovery strategy is higher, only the future cash flows of that strategy are considered to have 100% probability. In cases where it is assessed by the Company that there is a higher probability of implementing the restructuring strategy, the DPS model (Default Probability Scorecard) is used to

determine the probability of implementing the restructuring scenario. The probabilities of implementing the restructuring scenario calculated using the DPS tool can be overruled by the claims manager with appropriate justification (based on an explanation of various risk factors and presentation of realistic options). The loan valuation methodology described is in line with the requirements of IFRS and International Valuation Standards (IVS) as it ensures the following:

- applicability and theoretical consistency;
- repeatability of the valuation process;
- comparability of the valuation process irrespective of who the appraiser is;
- identification of key specific risks relating to the feasibility of the scenario, not covered in the discount rate.

The DPS model defines 13 different elements of business risk on a 7-point scale, which reflects different levels of risk. The risk elements are defined based on specific knowledge of the debtor. If a high level of risk is identified for an individual element of business risk, the probability of implementing the restructuring strategy is reduced. Once all the levels of risk for individual elements are determined, the average risk profile (avgP) of the restructuring strategy is calculated.

The probability of implementing the collateral recovery strategy is determined as “1 - probability of implementing the restructuring strategy” in restructuring cases.

After determining the probabilities of implementing each individual strategy, and the future cash flows are determined for each strategy, the loan value is calculated. If a restructuring strategy is adopted, the BMVRO model is used. This model is a discrete model based on probability distribution and assumes that SSH (formerly BAMC) can also opt for a modified scenario - changing the strategy from restructuring to collateral recovery if the restructuring fails. The main input data for the BMVRO model are as follows:

- the probability of implementing the restructuring strategy (which is determined by using the DPS model);
- the probability of implementing the collateral realisation strategy (which is determined by using the DPS model);
- the period of transition from the restructuring strategy to the collateral recovery strategy. According to the principle of conservatism, SSH (formerly BAMC) assumes that such a strategy change is possible with immediate effect. The model considers the probability of restructuring failure, thus eliminating the possibility of deferring this failure to later periods. Additionally, SSH (formerly BAMC) estimates that due to the early stage and uncertain nature of restructuring, it is reasonable to assume that if the restructuring fails, it does so within a very short period;
- the future cash flows for each strategy (restructuring and collateral recovery). Under the restructuring strategy,

future cash flows are derived from the debtor's ability to service the debt and from cash flow forecasts. Under the collateral recovery strategy, future cash flows are based on the valuation of the collaterals;

- the risk-free rate of return is not treated as a separate input within the BMVRO model as it is already factored into the calculation of the discount rate and included in the present value for both strategies.

At 31 December 2022, the discount rate used in the individual loan valuations was 7.87%, and at 30 June 2022, it was 5.86%. The main reason for the increase in the discount rate was the lower relative proportion of debt financing in the overall financing structure.

In general, the SSH (formerly BAMC) calculates the probability-weighted average of the present values of forecasted cash flows in both scenarios. This subsequently reduces the present value of the loan from a higher value under restructuring scenario to a lower value under collateral recovery scenario, taking into account the probability of restructuring success and the value of collaterals considered in the recovery scenario. This reflects the assumption of the BMVRO that the collateral recovery strategy is a real option to the restructuring strategy.

Valuation and Control Process

Individual loan valuations at the debtor level are carried out once a year at 31 December. Exceptionally, for the purposes of preparing the final report due to the merger, valuations were also conducted at 30 June 2022.

The individual manager of each case is responsible for preparing a cash flow forecast and determining the probabilities of both scenarios, which are further confirmed by business analysts. In the collateral recovery scenario, the basis for valuing the collaterals consists of estimates of asset values which have been provided by real estate experts and/or business analysts from the Business Analysis Department. The valuation report is prepared in accordance with international valuation standards.

Among other things, the process includes a review of assumptions, such as:

under the restructuring scenario:

- defining the reasons for specifying individual factors which determine the probability of restructuring success via DPS;
- the sustainability of forecasted cash flows;
- any adjustments to inflows and their justifications;
- the recognition of appropriate sources of cash flows (from operations, divestments, refinancing, etc.).

Under the collateral recovery scenario:

- using appropriate valuation estimates as a basis for valuing the collaterals and providing appropriate justifications for value adjustments;
- assumptions regarding the conversion of loans into assets (real estate) and assumptions about the timing of sales;
- recognition of relevant costs related to individual assets.

Group loan valuation at the debtor level:

Group loan valuation is conducted for smaller credit exposures (whose total exposure does not exceed EUR 300,000). The valuation is affected by the estimated probability of default and the value of the potential reserve scenario in the event of default. The latter value represents the value of the assets pledged to secure loans of each debtor. Further, SSH makes a 100% write-down for the loans where the repayment is overdue by more than five years, regardless of the status and value of their collateral. Debtors which are valued as a group are presented in the category of Group Valued Exposures.

Valuation and Control Process

Group loan valuations at the debtor level are carried out once a year at 31 December. Exceptionally, for the purposes of preparing the final report due to merger, valuations also conducted at 30 June 2022.

Among other things, the process includes a review of assumptions, such as:

- proper classification of debtors into groups based on the number of days overdue;
- the use of correct bases for recognizing the value of collaterals.

The valuations are presented to and confirmed by the Management Board.

Real estate inventory valuation methodology

The internal methodology for valuing real estate pertains to the inventory of properties and properties received as collateral. The valuations follow Level 3 of the fair value hierarchy and use unobservable inputs, which represent the best available information in the given circumstances. This includes SSH's own proprietary data (formerly of BAMC), such as information on market participant assumptions that are available and reasonably reliable.

The key unobservable inputs in the valuation process are adjusted market rent, adjusted market property price, investment costs, and illiquidity discount (time of sale).

Notwithstanding the methodology outlined above, the company uses transaction values/prices as fair value when the outcome of a sales transaction is highly probable (e.g. signed contract, receipt of deposit/advance).

The market comparison method is the most common approach for calculating value because it provides the most realistic assessment of the market value. It is used when there are quality data on transactions (Trgoskop, proprietary database) or offers (e.g. Nepremičnine.net) available.

When using the **market comparison method**, the adjusted market value of real estate is calculated by the adjusting market prices of several properties within a sample for factors such as condition, size, age, and location of the subject property. Based on the data, the average of adjusted market values is calculated, which is used as the value of the assessed real estate.

The assessment always includes the property and its functional land, and is compared with other properties. Functional land refers to the land which is required for the property for its intended use. In some cases, a building may have more land than necessary, but if it cannot be sold independently, adjustments are made to consider its impact on the property's value. Before the valuation process begins, data is verified to ensure that firstly, the sales transactions are carried out between unrelated parties, secondly, whether the data includes taxes, and thirdly, the consistency of areas with data from the Surveying and Mapping Authority of the republic of Slovenia (GURS).

In the **income-based approach**, two methods can be used. If a constant annual income is expected to continue until the end of the property's useful life, the capitalization of stabilized annual income method is applied. If a limited number of years of income is expected, the discounted cash flow (DCF) method is used. Before commencing the valuation, data on market-adjusted rents is obtained. Adjustments are made to compare either gross or net rents and comparable cost structures. After calculating the effective income, which is the product of market rent and selling area, adjustments are made for vacancy rates, and the following costs are added up: indirect investment costs (studies, estimates, technical documentation), investor's profit, financing costs, time to complete the project, and the assumption of the time required for sale.

The **simplified approach** is used for properties whose estimated value is lower than EUR 0.1 million.

Similar to the market comparison method, relevant transaction data from the past year is sought. If there are insufficient transactions, the period is extended and adjusted with an index of price growth for the specific property type.

Based on a certain sample of transactions, the appraiser calculates the median price, age and size. The property in question is adjusted to the median age and size, and the calculated value is taken as the market value. For determining fair value under special conditions, a discount for the estimated time to sale is applied, and additional adjustments are made for any corrections for higher physical, functional, or economic obsolescence.

Valuation and Control Process

The Company performs property revaluations once a year at 31 December. Exceptionally, for the purposes of preparing the final report due to the merger, valuations were also conducted at 30 June 2022. Comprehensive valuations of properties are typically carried out every three years, with annual revaluations taking into account changes in market conditions, property management costs, and the time to sale. Comprehensive valuations are carried out by authorised appraisers, employed by the Company.

In the case of a comprehensive valuation conducted between two cut-off dates, the physical and legal conditions, as well as changes in market conditions, are reviewed at the end of that period. Significant deviations and new findings (legal and physical) require a revaluation, while minor deviations in market values (up to +/- 5%) suggest that the initial valuation remains valid for accounting purposes.

During the interim period of up to 3 years, property values are adjusted annually as follows:

- consideration of market conditions: revaluation using statistical indices for individual property types and areas in Slovenia published by GURS every six months;
- time to sale: the expected time to sale is reevaluated, and the current property value is adjusted accordingly;
- costs: average property management costs for each property type within one year are determined and compared to the costs considered in the valuation, with adjustments made as necessary;
- change in the discount rate: significant changes in market conditions may lead to changes in the discount rates used in the valuations.

2.6

BUSINESS COMBINATIONS

Two business combinations took place in 2022: the merger of BAMC to SSH, and the acquisition of a majority stake in Sava, d. d., as described in detail below.

2.6.1 Merger with BAMC

In accordance with the provisions of the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks (ZUKBS), which states that the assets, rights, and obligations of BAMC will be transferred to the Slovenian Compensation Fund or its legal successor, with the legal succession further regulated by the Government of the Republic of Slovenia by means of secondary legislation, the Government issued the Decree on the legal succession of the Bank Asset Management Company, d. d., on 27 October 2022, through which SSH, by way of a merger, became the legal successor of BAMC.

The legal basis for the establishment of BAMC was provided by ZUKSB which came into force at the end of 2012. BAMC was established with a limited life until the end of 2017, and with the amendment to ZUKSB at the end of 2015, the lifespan of BAMC was extended until the end of 2022. ZUKBS already in its first issuance stipulated that, upon the termination of BAMC, the assets, rights, and obligations of BAMC will be transferred to the Slovenian Compensation Fund., or its legal successor. The Government of the Republic of Slovenia established the Bank Asset Management Company (BAMC), as a key institution to contribute to the strengthening of the stability of the Slovenian financial system and thereby to restore confidence in it. It was one of the government's measures to enhance the financial capacity and sustainability of the banking system, which was expected to contribute to increased economic growth. The primary task of BAMC was to relieve systemic banks by taking over non-performing assets, primarily receivables, and subsequently manage the acquired assets. These were mainly loans which banks had granted in the past, but they were not being repaid by companies and organizations that had taken out these loans due to the effects of the economic crisis or for other reasons. Banks were impairing their receivables because of expected losses, which undermined

their capital base. Based on the decision of the Government of the Republic of Slovenia acting as the General Meeting of BAMC, BAMC acquired bad assets from four banks (NLB, NKBM, Abanka, Banka Celje) at the end of 2013 and in 2014 with the aim of maximizing the value of the assets acquired and selling the assets at the best possible price. In 2016, Probanka and Factor banka and their subsidiaries were also merged with BAMC. ZUKSB stipulated that DUTB must dispose of at least 10% of the estimated transfer value of assets transferred to BAMC each year.

The merger date was set as 30 June 2022. The merger was recorded in the Business Register of Companies on 30 December 2022, and as of this date BAMC ceased to exist and SSH became its legal successor. In the period from 1 July 2022 until 31 December 2022, income of EUR 9,754 thousand and the profit of EUR 2,153 thousand was recognised by BAMC.

In accordance with accounting policy, the merger was treated as a transaction under common control, which means that on the merger date, the assets and liabilities were transferred to the financial statements of SSH at their carrying amounts on that date.

The table below shows the recognized amounts of assets acquired and liabilities taken over from BAMC on the merger date, 30 June 2022, in the separate financial statements of SSH:

in EUR '000

30 June 2022	
ASSETS	544,785
Intangible assets	327
Property, plant and equipment	250
Deposits with commercial banks	3,522
Financial assets measured at fair value through profit or loss (FVTPL)	401,444
- Loans	277,714
- Equity investments	123,730
Inventories of real estate and equipment	100,304
Trade and other payables	7,076
Assets from contracts with customers	786
Deferred tax assets	625
Other assets	676
Cash and cash equivalents	29,775
LIABILITIES	181,321
Provisions and non-current deferred revenues	6,231
Financial liabilities	162,730
Operating liabilities	8,857
Contractual liabilities from contracts with customers	434
Tax liabilities	480
Other liabilities	2,589
NET ASSETS ACQUIRED	363,464

2.6.2 Acquisition of subsidiary - SAVA, d. d.

In 2022, SSH exercised its pre-emptive right to purchase 12,571,257 Sava shares (43.226% ownership stake), increasing its existing ownership to 61.91%. The transfer of ownership in the Central Securities Clearing Corporation (KDD) records was executed on 15 September 2022. The investment in the subsidiary Sava is valued at cost in the standalone financial statements, amounting to EUR 43,659 thousand. The acquisition mentioned is presented in detail in section 3.6.2 Acquisition of subsidiary - SAVA, d. d.

2.7

NOTES TO INDIVIDUAL ITEMS IN SEPARATE FINANCIAL STATEMENTS

2.7.1 Tangible fixed assets

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT IN 2022

in EUR '000

	Land	Buildings	Investments in Progress	Equipment and spare parts	Small tools	Total
Cost						
Cost value as at 1 Jan 2022	140	1,999	0	687	20	2,846
Additions – new purchases	0	0	0	239	4	243
Acquisitions arising from the merger of BAMC	0	1,153	0	783	20	1,956
Disposals	0	-1,153	0	-302	-3	-1,458
Cost as at 31 Dec 2022	140	1,999	0	1,407	41	3,587
Impairment						
Accumulated depreciation and impairments as at 1 Jan 2022	0	1,155	0	420	17	1,592
Depreciation for current year	0	178	0	119	2	299
Acquisitions arising from the merger of BAMC	0	1,023	0	664	20	1,707
Disposals	0	-1,153	0	-300	-3	-1,456
Accumulated depreciation and impairments as at 31 Dec 2022	0	1,203	0	903	36	2,142
Current value as at 1 Jan 2022	140	844	0	267	3	1,254
CURRENT VALUE AS AT 31 DEC 2022	140	796	0	504	5	1,445

in EUR '000

	Land	Buildings	Investments in Progress	Equipment and spare parts	Small tools	Total
Cost						
Cost value as at 1 Jan 2021	140	1,999	0	683	21	2,843
Additions – new purchases	0	0	0	89	0	89
Disposals	0	0	0	-85	0	-85
Cost as at 31 Dec 2021	140	1,999	0	687	21	2,847

in EUR '000

Impairment						
Accumulated depreciation and impairments as at 1 Jan 2021	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
Accumulated depreciation and impairments as at 31 Dec 2021	0	1,155	0	420	18	1,593
Current value as at 1 Jan 2021	140	891	0	244	5	1,280
CURRENT VALUE AS AT 31 DEC 2021	140	844	0	267	3	1,254

Tangible fixed assets are not encumbered with any mortgages, pledges or any other encumbrances. It has been assessed that there are no grounds requiring the impairment of any tangible fixed assets.

In December 2022, SSH signed a contract for the supply of computer equipment with the supplier SRC, d. o. o., Ljubljana. The contractual price amounted to EUR 8,683.28 excluding VAT. The equipment was delivered on 24 January 2023.

In October 2022, SSH signed a contract with the supplier Re-zultanta, telekomunikacijske in informacijske rešitve, d. o. o., Ljubljana, for software of EUR 4,461.04. The software was supplied in stages: EUR 1,606.35 in 2022 and the remainder by the end of February 2023. At the end of 2021, there were no unrealized contracts for the purchase of property, plant, and equipment.

2.7.2 Financial assets (excluding trade receivables and cash and cash equivalents)

in EUR '000

	1 Jan 2022	Merger with BAMC 30 Jun 2022	Acquisition of SAVA d. d. 30 Sept 2022	Acquisitions - other	Transfers	Disposals	Revaluations	31 Dec 2022
Investments in subsidiaries	3,692	83,889	32,010	5	11,644	0	-1,725	129,515
Investments in associates	20,166	35,785	0	0	241,718	0	1,668	299,337
Financial assets measured at fair value through other comprehensive income (FVTOCI)	42,408	4,056	0	61	504,457	0	-33,714	517,268
Financial assets to be distributed to owner	861,877	0	0	0	-757,819	0	-104,058	0
Financial assets measured at fair value through profit or loss (FVTPL)	22,427	277,714	0	0	0	-61,134	8,597	247,604
Deposits measured at amortised cost	17,000	3,522	0	67,852	0	-74,000	0	14,374
TOTAL	967,570	404,966	32,010	67,918	0	-135,134	-129,232	1,208,098

in EUR '000

	1 Jan 2021	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2021
Investments in subsidiaries	3,692	0	0	0	0	3,692
Investments in associates	207,211	0	-235,029	0	47,984	20,166
Financial assets measured at fair value through other comprehensive income (FVTOCI)	489,820	0	-626,848	-230	179,666	42,408
Financial investments to be distributed to owner	0	0	861,877	0	0	861,877
Financial assets measured at fair value through profit or loss (FVTPL)	22,427	0	0	0	0	22,427
Loans to related parties	0	3	0	0	-3	0
Deposits measured at amortised cost	0	19,139	0	-2,139	0	17,000
TOTAL	723,150	19,142	0	-2,369	227,647	967,570

The restriction on the disposal of shares of Casino Bled and Casino Portorož was recorded as at the balance sheet date.

2.7.2.1 Financial investments in subsidiaries

Company	Registered office		interests	Core business/notes	Equity	Net profit or loss
Subsidiaries:			in %		In EUR '000	
Argolina , d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00	Management of construction projects	-3,498	-596
Autotehna Croatia, d. o. o., in liquidation	Murini 7/D,	51000 Rijeka, CRO	100.00	Wholesale of household electrical appliances	13	39
Avtotehna Beograd, , d. o. o., in liquidation	2/25 Lazarevićeva	11000 Beograd, SRB	100.00	Manufacture and wholesale of office machinery and equipment (except computers and peripheral equipment)	n.a.	n.a.
Avtotehna Zagreb , d. o. o.	Nova cesta 109	10000 Zagreb, CRO	100.00	Sale of motor vehicles	82	-27
BR89, d. o. o.	Breznikova cesta 89	1230 Domžale, SLO	100.00	Pig farming	-908	3,158
DS Projekt, d. o. o.	Ulica bratov Rozmanov 1	1000 Ljubljana, SLO	74.00	Buying and selling of own real estate	1,979	-35
DUP, d. o. o., Sarajevo	Ul. Vrazova broj 3	71000 Sarajevo, BiH	100.00	Real estate	563	3,599
DUTB Crna Gora, , d. o. o.	Ul. Slobode 74/II	81000 Podgorica, MNE	100.00	Real estate	256	-32
Elektrooptika, d. d.	Mala ulica 5	1000 Ljubljana, SLO	100.00	Business and management consultancy activities	-109	-3
Factor projekt, , d. o. o. Hrvaška	Šetalište Svetog Bernardina bb Krk	51500 Krk, CRO	100.00	Real estate	585	-93
Farne Ihan– KPM, , d. o. o.	Korenova cesta 9	1241 Kamnik, SLO	100.00	Pig farming	5,369	-600
Fundus, d. o. o. Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00	Real estate	417	-17
Hyundai auto Beograd, d. o. o.	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00	Sale of motor vehicles	-6,219	-15

Company	Registered office		interests	Core business/notes	Equity	Net profit or loss
Illuria Holdings Limited	ARCH. MAKARIOU III, 195	3030 Limassol, CYP	100.00	In liquidation	n.a.	n.a.
Istrabenz turizem, d. d.	Obala 33	6320 Portorož, SLO	100.00	Hotels	39,906	1,990
Istrabenz, d. o. o.	Obala 33	6320 Portorož, SLO	100.00	Business and management consultancy activities	-514	-111
MK Založba, d. d.	Slovenska cesta 29	1000 Ljubljana, SLO	83.47	Publishing	32,600	601
MLM, d. d.	Oreško nabrežje 9	2000 Maribor, SLO	100.00	Foundry, machine tools	5,640	-3,693
Poslovni sistem Domina, d. o. o.	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	55.52	Real estate	-3,714	-22
PS za avto, d. o. o.	Tržaška cesta 133	1000 Ljubljana, SLO	100.00	Business administration	5,303	145
PROLeasing Rijeka, , d. o. o. - in liquidation	Prolaz Marije Krucifikse Kozulić 2	51000 Rijeka, CRO	100.00	Leasing	-4,624	-351
PY&CA, d. o. o., Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00	Real estate	560	-269
Sava, d. d.	Dunajska cesta 152	1000 Ljubljana, SLO	61.91	Holding company	47,505	-4,143
Sklad turističnih naložb, d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00	Holding company (in tourism sector)	0	7
Thermana, d. d.	Zdraviliška cesta 6	3270 Laško, SLO	100.00	Hotels	25,473	2,121

Overview of investments in direct subsidiaries in the financial statements of SSH

Voting rights and ownership

	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	in %	in %	in EUR '000	in EUR '000
Argolina , d. o. o.	100.00	-	0	-
Autotehna Croatia, d. o. o. - in liquidation	100.00	-	0	-
Avtotehna Beograd, d. o. o. - in liquidation	100.00	-	0	-
Avtotehna Zagreb, d. o. o.	100.00	-	83	-
BR89, d. o. o.	100.00	-	0	-
DS Projekt, d. o. o. Ljubljana	74.00	-	0	-
DUP, d. o. o. Sarajevo	100.00	-	563	-
DUTB Crna Gora, d. o. o.	100.00	-	0	-
Elektrooptika, d. d.	70.48	70.48	0	0
Factor projekt, d. o. o. Croatia	100.00	-	0	-
Farme Ihan - KPM, d. o. o.	100.00	-	8,084	-
Fundus, d. o. o. Beograd - in liquidation	100.00	-	0	-
Hyundai auto Beograd, d. o. o.	100.00	-	3	-
Illuria Holdings Ltd - in liquidation	100.00	-	0	-
Istrabenz turizem, d. d.	100.00	-	38,509	-
Istrabenz, d. o. o.	100.00	-	0	-

Voting rights and ownership

	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	in %	in %	in EUR '000	in EUR '000
MK Založba, d. d.	83.47	-	9,153	-
MLM, d. d.	100.00	-	0	-
Poslovni sistem Domina, d. o. o, Beograd	55.52	-	30	-
PROLeasing Rijeka, d. o. o. - in liquidation	100.00	-	0	-
PS ZA AVTO, d. o. o.	90.00	90.00	3,692	3,692
PY&CA, d. o. o. Beograd - in liquidation	100.00	-	259	-
Sava, d. d.	61.91	-	43,659	-
STNA, d. o. o.	100.00	-	7	-
Thermana, d. d.	100.00	-	25,473	-
TOTAL			129,515	3,692
Non-current financial investments			129,515	3,692
Current financial investments			0	0
TOTAL			129,515	3,692

ADDITIONAL DATA FOR SUBSIDIARIES SUBJECT TO CONSOLIDATION

Company	Assets as at 31 Dec 2022	Liabilities as at 31 Dec 2022	Profit or loss
Sava, d. d.	109,650	63,733	-1,206
Sava Turizem, d. d.	311,236	100,958	-1,336

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

A prohibition on the dividend payout applies for the subsidiary Sava Turizem, d. d. because of the aid being received by Sava Turizem as per the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis (ZPGOPEK) - compensation for energy costs based on ZPGOPEK. Similarly, the profit generated in 2021, when the company received subsidies based on anti-COVID legislation, cannot be distributed. Instead, it was allocated to other revenue reserves by a resolution of the shareholders' general meeting in 2022; these reserves are not for distribution. The limitations contained in credit agreements concluded with creditor banks are as follows:

- the syndicated agreement with Gorenjska banka, Nbanka, and NKBM: dividend payout is possible without the consent of creditor banks up to 1.2% of the capital of the Sava Turizem Group based on the annual financial statements of the year before the dividend payout, subject to the following conditions:
 - a minimum of EUR 13,500,000 of EBITDA is generated by the Sava Turizem Group;
 - a minimum of EUR 6,000,000 is allocated for CAPEX in the previous financial year;
 - all financial obligations under the agreement are fulfilled in a timely and correct manner;
 - a prior consent of the creditor banks is required for a higher payout.
- The agreement with SID bank: the company can annually distribute dividends up to 1.2% of the value of the Sava Turizem Group's capital only if all contractual obligations are fulfilled after dividend payout and sufficient funds are available for the payout. There is an upper limit for dividend payout: up to EUR 4 million can be paid out, if this amount simultaneously represents the surplus of EBITDA of more than EUR 17,000,000, and the gross debt/EBITDA ratio is less than or equal to 3.5.

As at 31 December 2022, the Company assessed whether there was any indications that investments in subsidiaries might be impaired. When such indications were identified, an impairment test was performed and the recoverable value was determined. The recoverable amount represents the value in

use. The impairment test showed that investments in three subsidiary companies were impaired by an amount of EUR 1,725 thousand, which was recognized as financing expense, as disclosed in note 2.7.2.21.

2.7.2.2 Financial investments in associates

OVERVIEW OF INVESTMENTS IN ASSOCIATES IN THE FINANCIAL STATEMENTS OF SSH.

	Voting rights and ownership			
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	in %	in %	in EUR '000	in EUR '000
Casino Bled, d. d.	33.75	33.75	61	61
Cinkarna Celje, d. d.	24.44	-	45,414	-
Hit, d. d.	20.00	20.00	18,660	8,243
Salomon, d. o. o.	30.59	-	3,512	-
Terra Mediterranea, d. d.	42.85	-	48	-
Unior, d. d.	39.43	39.43	11,303	11,862
Zavarovalnica Triglav, d. d.	28.09	28.09	220,339	235,029
TOTAL			299,337	255,195
Non-current financial investments			299,337	20,166
Current financial investments			0	235,029
TOTAL			299,337	255,195

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 2022 AND 2021

As at	in EUR '000					
	Zavarovalnica Triglav Group		Cinkarna Celje		Terra Mediterranea	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Current assets	373,882	299,542	142,388	-	97	-
Non-current assets	3,754,943	4,074,812	108,560	-	0	-
Current liabilities	206,644	163,662	23,106	-	1	-
Non-current liabilities	3,169,382	3,277,705	18,832	-	0	-
Equity	752,799	932,987	209,010	-	96	-
Year	2022	2021	2022	2021	2022	2021
Sales revenue	1,189,906	1,119,846	227,153	-	0	-
Net profit or loss	110,217	112,966	43,396	-	-16	-
Other comprehensive income	-208,117	-11,438	370	-	0	-
Total comprehensive income	-97,900	101,528	43,766	-	-16	-
SSH OWNERSHIP INTEREST (IN %)	28.09	28.09	24.44	-	42.85	-

in EUR '000

As at	Casino Bled, d. d.		HIT Group		Unior Group	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Current assets	269	331	41,907	33,735	170,085	152,173
Non-current assets	241	30	95,725	97,367	211,026	213,404
Current liabilities	190	307	38,887	60,969	32,951	97,507
Non-current liabilities	0	40	39,458	24,736	163,515	91,747
Equity	320	14	59,287	45,397	184,645	176,323
Year	2022	2021	2022	2021	2022	2021
Sales revenue	1,206	576	153,203	83,848	287,653	239,699
Net profit or loss	98	-197	11,157	-2,039	10,232	11,091
Other comprehensive income	0	0	2,790	-289	-912	3,728
Total comprehensive income	98	-197	13,947	-2,328	9,320	14,819
SSH OWNERSHIP INTEREST (IN %)	33.75	33.75	20.00	20.00	39.43	39.43

in EUR '1,000

Salomon Group

As at	31 Dec 2022	31 Dec 2021
Current assets	17,183	-
Non-current assets	33,420	-
Current liabilities	13,285	-
Non-current liabilities	22,577	-
Equity	14,741	-
Year	2022	2021
Sales revenue	66,340	-
Net profit or loss	-4,338	-
Other comprehensive income	120	-
Total comprehensive income	-4,218	-
SSH OWNERSHIP INTEREST (IN %)	30.59	-

Note: The audited data are presented for the companies listed above, except for Salomon Group, Casino Bled and Terra Mediterraneo (the data are not audited).

2.7.2.3 Financial assets measured at fair value through other comprehensive income (FVTOCI)

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH COMPREHENSIVE INCOME INCLUDE:

in EUR '000

	31 Dec 2022	31 Dec 2021
Investments to be distributed to the owner - associates	0	235,029
Investments to be distributed to the owner - other	0	626,848
TOTAL	0	861,877
Other investments	517,268	42,408
TOTAL	517,268	42,408
Non-current financial investments	517,268	42,408
Current financial investments	0	861,877
TOTAL	517,268	904,285

As at 31 December 2022, financial investments to be distributed to the owner included strategic and important assets as defined by ZSOS-C. The amendments to the Slovenian Compensation Fund Act were published in the Official Gazette of the Republic of Slovenia, No. 55/17. Pursuant to these amendments, SSH was 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 the Republic of Slovenia in December 2017. 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. The amendments to ZSDH-1, which were published in the Official Gazette No. 140/2022 on 4 November 2022, removed the obligation for the free-of-charge transfer of strategic and important assets. All investments, which as at 31 December 2021, were classified as to be distributed to the owner, at 31 December 2022, were reported under other investments measured at fair value through other comprehensive income (FVTOCI).

2.7.2.4 Inventories of real estate and equipment

in EUR '000

	31 Dec 2022	31 Dec 2021
Real estate	103,008	0
Advance payments and deposits for real estate inventory	1,244	0
Equipment	1,925	0
TOTAL	106,177	0

The majority of the total EUR 104,933 thousand of real estate and equipment inventory was acquired through loan transfers or purchases at auctions.

Out of the total real estate inventory amounting to EUR 103,008 thousand, EUR 73,086 thousand is valued at cost, and EUR 29,922 thousand at net realizable value.

The main components of the inventory are offices and land. As at 31 December 2022, none of the real estate inventory was pledged.

MOVEMENT OF REAL ESTATE AND EQUIPMENT INVENTORY FROM 1 JULY TO 31 DECEMBER 2022

in EUR '000

	Real estate	Equipment	Total
Balance as at 1 Jan 2022	0	0	0
Merger with BAMC - 1 July 2022	95,075	1,893	96,968
Transfers from loans*	2,852	0	2,852
Acquisitions	6,817	111	6,928
Disposals**	-3,221	-3	-3,224
Revaluations	1,485	-76	1,409
CLOSING BALANCE AS AT 31 DEC 2022	103,008	1,925	104,933

Note: *The total amount of transfers of real estate and movable property is EUR 64,000, though the amount of real estate and movable property inventory transferred from loans is EUR 2,852,000. The explanation for the difference is that a transfer to real estate of EUR 2,787,000 was recorded in June 2022, but the actual inventory of the real estate acquired through the transfer was recorded in July 2022, when the actual takeover of the real estate occurred.

**The total amount of disposals is EUR 3,224,000, while the reported cost of the inventory of real estate and equipment sold is EUR 3,277,000. The explanation for the difference of EUR 53,000 is that as a result of a transfer of a certain real estate to the Ministry of Public Administration, an overvalued book value was derecognized by BAMC in May 2022, and the overvalued effect of excess valuation on equity was recorded as a loss on a transaction, following a decision by the Government of the Republic of Slovenia. The correction was made in December 2022.

The real estate acquired by BAMC as a creditor with a right to a separate satisfaction through auctions is recorded as an acquisition.

2.7.2.5 Valuation of capital assets

VARIABLES USED IN THE VALUATION OF FINANCIAL INVESTMENTS

Variables used	31 Dec 2022	31 Dec 2021
Discount rate (WACC)	9.2% – 14.3%	10.12% – 10.95%
Long-term growth rate (g)	2% – 2.6%	2%
Discount for the lack of control	0% – 20%	0% – 17.3%
Discount for the lack of lack of marketability	0% – 20%	0% – 31.21%

Valuing important investments for which market prices were not available as at 31 December 2022

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 company's management plan for 2023 and 2024 as well as an analysis of the company's capacities, risks and market and development opportunities, the valuer prepared their own projections of the company's future performance from the perspective of the majority owner for 2025 and onwards. The discount rate (WACC) used in the calculation was 12.10%, taking into account the long-term growth rate (g) of 2.6%. A discount for lack of control of 10% and a discount for lack of marketability of 13% 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 2023-2025, and taking into account an analysis of the company's capacities, risks and market and

development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner. The discount rate (WACC) used in the calculation was 10.80%, taking into account the long-term growth rate (g) of 2.6%. A discount for lack of control of 15% and a discount for lack of marketability of 15% were applied.

The fair value of SSH's 4.42 % shareholding in **KOTO, d. o. o.** (6.25% taking into account own shares held by KOTO itself) 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 company's management plan for 2023, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner for 2024 and onwards. The discount rate (WACC) used in the calculation was 11.8%, taking into account the long-term growth rate (g) of 2.6%. A discount

for lack of control of 15% and a discount for lack of marketability of 24% were applied.

The fair value of SSH's 100% shareholding in **Mariborska livarna, Maribor, d. d.**, was appraised using the discounted cash flow method (DCF-method) on a going concern assumption and the net asset value method. Based on an analysis of the company's past performance, a review of the company's management plan, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner. For the purpose of making the calculation using the DCF method, the discount rate (WACC) was determined to be 11.92%, and the long-term growth rate (g) considered was 2%. However, both of these factors are not particularly relevant in this case since the projected cash flows are negative, and therefore, no liquidity discount was applied. Additionally, due to the nature of the majority of the company's assets, the net asset value method also indicated a negative value.

The fair value of SSH's 8.08% shareholding in **Terme Olimia, 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 Terme Olimia Group, a review of the company's management plan for 2023 - 2027, of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the future performance of Terme Olimia Group from the perspective of the majority owner for 2028 and onwards. The discount rate (WACC) used in the calculation was 9.2%, taking into account a long-term growth rate (g) of 2%. A discount for lack of control of 20% and a discount for lack of marketability of 15% were applied.

The fair value of SSH's 20% shareholding in **Hit, d. d.**, (the ordinary Hit shares which represent 33,33 % of the voting rights) 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 company's management plan for 2023-2025, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the future performance of HIT Group from the perspective of the majority owner for 2026 and onwards. The discount rate (WACC) used in the calculation was 11.3%, taking into account a long-term growth rate (g) of 2%. A discount for lack of control of 5% and a discount for lack of marketability of 20% were applied. In addition, the valuer also carried out a valuation of the preferred shares of HIT, d. d., which are owned by SSH but which do not carry voting rights and represent an 8.54% stake in the company.

Due to the specific characteristics of the preference shares, the valuer used the dividend discount model in this case. The required rate of return used was 12.1% based on the planned management scenario, which assumes a 50% profit payout. The long-term growth rate used was 2%, and consistent with the long-term growth rate of ordinary shares.

The fair value of SSH's 5.21% shareholding in **Talum, d. d.** was appraised using the discounted cash flow method (DCF-method) on a going concern assumption. The internal assessment was made based on the management's plan for the period 2023-2025. Taking into account an analysis of the company's capacities, risks and market and development opportunities, a separate projection of the future performance of Talum Group was prepared from the perspective of the majority owner for 2026 and onwards. In accordance with the internal methodology, the discount rate (WACC) was determined to be 14.3 % during the forecast period and 12.8% in the residual period (two-stage WACC). The long-term growth rate (g) of 2% was used. A discount for lack of control of 15% and a discount for lack of marketability of 10% were applied.

Valuing important investments for which market prices were 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 the 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 made 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 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 the unaudited financial statements as at 31 December 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 discounts for lack of marketability of 8.4 % and for control of 17.33 % were applied to calculate the value of 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 analy-

ses of the Company's past performance, its capacity, risks, market and development opportunities and its strategy, the valuer prepared their 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 2022-2025 period. The discount rate (WACC) used in the calculation was 10.70%, taking into account 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 prepared their own projection of the future performance of the Hit Group from the perspective of the majority owner, who may have influence Hit's business decisions. The discount rate (WACC) used in the calculation was 10.72%, taking into account 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 relating 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 Company and of the company's management plan for 2022 as well as an analysis of the company's capacities, risks and market and development opportunities, the valuer prepared their own projections of the company's future performance from the perspective of the majority owner, who may influence the Loterija Slovenije's business decisions. The discount rate (WACC) used in the calculation was 10.12%, taking into account a long-term growth rate (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 capacities, risks and market and development opportunities, the valuer made their own projection of the future performance of the business from the perspective of the majority owner, who may influence Adria's business decisions. The discount rate (WACC) used in the calculation was 10.95%, taking into account a long-term growth rate (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 referred to as: "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 2023, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the future performance of the business from the perspective of the majority owner, who may influence Terme Olimia's business decisions (SSH controls Terme Olimia through related companies). The discount rate (WACC) used in the calculation was 10.88%, taking into account a long-term growth rate (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 assess but it is expected that it will have a significant impact on the value of businesses operating in tourism and gaming industry.

2.7.2.6 Financial assets measured at fair value through profit or loss (FVTPL) - loans

This group includes loans which were acquired through the merger of BAMC with SSH in 2022 and the outstanding amount of the receivable purchased/loan to Sava, which was ob-

tained by SSH during the financial restructuring of Sava's in 2016. All loans acquired are classified as current.

in EUR '000

	31 Dec 2022	31 Dec 2021
Loans valued in accordance with restructuring strategy	105,539	0
Loans valued in accordance with collateral recovery strategy	117,511	0
Loan to Sava, d. d.	22,427	22,427
Other loans	2,127	0
TOTAL	247,604	22,427

CLASSIFICATION OF LOANS IS BASED ON THE SELECTED STRATEGY

in EUR '000

	31 Dec 2022	
	Fair value	Number of debtors
Loans valued in accordance with restructuring strategy	105,539	18
Loans valued in accordance with collateral recovery strategy	117,511	390
Other loans	2,127	192
TOTAL	225,177	600

FAIR VALUE OF LOANS BY MATURITY

in EUR '000

	31 Dec 2022
Restructuring strategy	105,539
Non-overdue loans	33,970
Overdue loans	71,570
Overdue by up to 90 days	0
Overdue between 90 days and one year	14,467
Overdue between one and three years	0
Overdue by more than three years	57,102
Collateral recovery strategy	117,510
Non-overdue loans	7,718
Overdue loans	109,792
Overdue by up to 90 days	7,603
Overdue between 90 days and one year	464
Overdue between one and three years	12,111
Overdue by more than three years	89,614

in EUR '000

	31 Dec 2022
Group valued exposure	2,127
Non-overdue loans	1,359
Overdue loans	768
Overdue by up to 90 days	108
Overdue between 90 days and one year	366
Overdue between one and three years	64
Overdue by more than three years	231
TOTAL	225,177

FAIR VALUE OF LOANS BY INDUSTRY SECTOR OF DEBTOR

in EUR '000

	31 Dec 2022
Companies	218,649
Construction industry	46,922
Manufacturing	50,352
Wholesale and Retail Trade	5,979
Tourism	6,816
Professional Services	10,702
Financial Services	17,638
Real Estate Activities	6,387
Other Activities	67,569
Companies with Foreign Registered Offices	6,283
Natural persons	5,298
Republic of Slovenia	1,230
Banks	0
TOTAL	225,177

FAIR VALUE OF LOANS BY LOCATION OF DEBTORS' REGISTERED OFFICES

in EUR '000

	31 Dec 2022
Companies	218,649
Slovenia	210,488
EU Member States	3,831
Other European countries	4,330
Non-European countries	0
Natural persons	5,298

in EUR '000

	31 Dec 2022
Republic of Slovenia	1,230
Banks	0
TOTAL	225,177

The value of collateral in the loan portfolio

Loans can be secured with one or more types of collateral or may be entirely unsecured. The majority of loans were transferred to BAMC together with collateral, or BAMC acquired the collateral without having an influence on the selection of loans or collateral transferred. SSH's active role in obtaining new or additional collateral is evident during the financial restructuring when the debtors' contractual obligations are redefined.

The fair value of individually valued loans is calculated as the discounted value of future cash flows from the restructuring scenario and the collateral recovery scenario (weighted

by the probability of each scenario occurring). The collateral recovery scenario includes only expected cash flows from collateral recovery.

The expected collateral value used as input for the collateral recovery scenario assessment is an estimate based on a formal internal appraisal and additional knowledge of the circumstances surrounding the recovery of the collateral.

The tables below present the value as expected from the recovery of collateral. The value from the recovery of the collateral represents the expected cash flows of each debtor (separately for each scenario) discounted at the weighted average cost of capital.

THE VALUE OF RESTRUCTURING AND COLLATERAL RECOVERY SCENARIOS AS AT 31 DECEMBER 2022.

in EUR '000

				31 Dec 2022
Unweighted by scenario, unlimited in terms of total exposure	Fair value	Value of the restructuring scenario	Value of the collateral recovery scenario	Share of collateral recovery scenario value in fair value
Restructuring strategy	105,539	110,140	92,902	88%
Collateral recovery strategy	117,510	10,303	128,621	109%
Group valued exposure	2127	-	13,612	640%
TOTAL	225,177	120,443	235,134	104%

Risks in the loan portfolio

Risk of change in the probability of the restructuring scenario

The restructuring strategy is defined based on the DPS model (Default Probability Scorecard), which classifies various elements of business risk on a seven-level scale from least to most risky. If a particular element of business risk poses a higher risk, the probability of a successful restructuring strategy will be lower. Based on the risk classes assigned, an average risk profile is determined for the restructuring scenario, which is then linearly distributed on the probability scale for the restructuring strategy.

Although the DPS model measures the business risk of individual companies, any change in the model has a direct impact on the fair value of loans and consequently also on credit risk exposure. The tables below present the loan exposure based on the probability classes of the realization of the restructuring scenario (DPS probability). All cases with the collateral recovery strategy have a probability of 0% for the restructuring scenario, and DPS is not defined for group-valued exposures.

PROBABILITY CLASSES BASED ON THE RESTRUCTURING STRATEGY PROBABILITY

in EUR '000

	Fair value	Share in total fair value
Restructuring strategy	105,539	47%
P (Restructuring Scenario Probability) 100%	31,100	14%
P (Restructuring Scenario Probability) 90–99%	-	-
P (Restructuring Scenario Probability) 80–89%	-	-
P (Restructuring Scenario Probability) 70–79%	-	-
P (Restructuring Scenario Probability) 60–69%	8,451	4%
P (Restructuring Scenario Probability) 50–59%	65,988	29%
Collateral recovery strategy	117,510	52%
Group valued exposure	2,127	1%
TOTAL	225,177	100%

Sensitivity Analysis on Changes in Restructuring Scenario Probability

The change in the probability of realizing the restructuring scenario (DPS probability) directly affects the credit risk exposure. Therefore, the following sensitivity analysis is presented for a 10 percentage point (pp) and 5 pp change in the DPS probability.

Impact of Parallel Changes in DPS Probability on Restructuring Scenario Realization

The tables below show the fair value of loans based on the parallel change in DPS probability for restructuring scenario realization, assuming all other assumptions remain unchanged. The group-valued exposure does not reflect the risk of changes in DPS probability for restructuring scenario realization since DPS probability is not one of the input data for calculating revaluations for group-valued exposure. Similarly, debtors categorized in the strategy of collateral recovery do

not reflect the risk of changes in DPS probability, as these cases do not include values from the restructuring scenario (SSH typically recovers debts through legal proceedings in such cases).

A parallel decrease in DPS probability would significantly impact the fair value of loans. As at 31 December 2022, the largest proportion, approximately 29%, of the fair value of the restructuring strategy is assigned to the DPS class between 50% and 59%. A large proportion of such debtors would be reclassified into the collateral recovery category (according to the rule that all debtors with DPS below 50% are automatically classified as collateral recovery cases), while increasing the DPS probability has no impact on the debtor portfolio with the collateral recovery strategy. The impact of a parallel change in DPS probability for restructuring scenario realization is therefore non-linear.

SENSITIVITY ANALYSIS OF DPS PROBABILITY FOR RESTRUCTURING SCENARIO REALIZATION AS AT 31 DECEMBER 2022

in EUR '000

	Fair value	Impact of a parallel change in DPS probability by 10 pp on the fair value of loans		Impact of a parallel change in DPS probability by 5 pp on the fair value of loans	
		Increase	Decrease	Increase	Decrease
Restructuring strategy	105,539	960	-66,985	480	-60,115
Collateral recovery strategy	117,510	0	60,716	0	54,345
Group valued exposure	2,127	-	-	-	-
TOTAL	225,177	960	-6,269	480	-5,771

The change in fair value of loans due to a change in DPS probability for the realization of the restructuring scenario would also impact the income statement. Higher fair values

of loans would result in changes in loans due to revaluation and would affect the income statement.

SENSITIVITY ANALYSIS ON CHANGES IN DPS PROBABILITY - IMPACT ON THE INCOME STATEMENT

in EUR '000

	Profit (loss) before taxes	Profit (loss) before taxes if DPS changes by 10 percentage points		Profit (loss) before taxes if DPS changes by 5 percentage points	
		Increase	Decrease	Increase	Decrease
1 JAN – 31 DEC 2022	66,150	67,110	59,881	66,630	60,379

Risk of the failure of the restructuring strategy

The risk of the failure of the restructuring strategy applies to all borrowers for whom SSH pursues the restructuring strategy at once (within one year). As a consequence, all such borrowers would be reclassified into the collateral recovery strategy, and SSH would lose cash inflows from regular business operations. Consequently, SSH could only expect inflows from collateral recovery, which could be lower than the cumulative inflows from regular repayments.

The tables below show the difference in fair values if the entire portfolio of individually valued borrowers were classified under the collateral recovery strategy (if all cases with the restructuring strategy were to fail). The risk of the failure of the restructuring strategy does not technically impact the fair value of the group-valued exposure.

If all borrowers with the restructuring strategy were to fail, the fair value of individually valued loans would decrease by EUR 16,145 thousand.

in EUR '000

	Fair value of loans	Fair value of loans, if all cases with restructuring strategy were to fail	Difference
Restructuring strategy	105,539	0	-105,539
Collateral recovery strategy	117,510	206,905	89,394
Group valued exposure	2,127	2,127	0
TOTAL	225,177	209,032	-16,145

Sensitivity analysis for changes in the discount rate as at 31 December 2022

Risk of changes in the discount rate

The fair value of SSH loans represents expected future cash flows, discounted at a discount rate of 7.87% as at 31 December 2022. A change in the discount rate directly impacts the fair value of loans, assuming all other assumptions remain unchanged, it affects the amount of loan impairments, and consequently, directly impacts the Income Statement.

The sensitivity analysis for changes in the discount rate was prepared considering a change of half and one percentage point (referred to as 0.5 pp. and 1 pp). The upper limit of Weighted Average Cost of Capital (WACC) is capped at 8.00%.

in EUR '000

	Fair value of loans	Impact of the increase in WACC by 0.5 pp on the fair value of loans	Impact of the increase in WACC by 1 pp on the fair value of loans	Impact of the increase in WACC by 8%
Restructuring strategy	105,539	899	1,812	-249
Collateral recovery strategy	117,510	702	1,521	-326
Group valued exposure	2,127	0	0	0
TOTAL	225,177	1,601	3,333	-575

Movement of loans and receivables

The changes in the table below mostly relate to the portfolio of debtors in the collateral recovery strategy.

in EUR '000

	1 July - 31 Dec 2022
Opening balance	277,714
Increases in loan portfolio	624
Purchases of receivables	0
New loans granted	602
Realization of guarantees	0
Other increases	22
Decreases	-61,134
Cash repayments	-28,113
Transfers to real estate and equipment	-64
Transfers to operating receivables	-1
Loans sold	-32,908
Debt equity conversion	-48
Increases/decreases due to revaluation	4,963
Increases/decreases due to realized profits/losses	1,938
Other changes	1,072
CLOSING BALANCE	225,177

Note: The total amount of transfers of real estate and movable property is EUR 64,000, though the amount of real estate and movable property inventory transferred from loans is EUR 2,852,000. The explanation for the difference is that a transfer to real estate of EUR 2,787,000 was recorded in June 2022, but the actual inventory of the real estate acquired through the exchange was recorded in July 2022, when the actual takeover of the real estate occurred. The increase in the loan portfolio is attributable to new loans granted in the first half of 2022, purchases of loans/claims from other banks, increases due to the realization of guarantees, and charges for legal costs. The approval of new loans was in accordance with ZUKSB and represented one of the measures allowed for restructuring debtors.

2.7.2.7 Fair value levels of financial instruments

CLASSIFICATION OF FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY AS AT 31 DECEMBER 2022

in EUR '000

	Level 1	Level 2	Level 3
Investments in associates	277,104	0	22,233
Other non-current financial assets	502,088	0	15,180
Investments in listed shares	502,088	0	0
Non-listed shares and stakes	0	0	15,180
Other current financial assets	0	0	302,634
Bad loan receivables	0	0	225,177
Purchased receivables	0	0	22,427
Cash and cash equivalents and deposits to commercial banks	7,057	0	36,974
Current operating receivables	0	0	10,999
Finance lease payables	0	0	15
Financial liabilities	0	0	30,262
Current operating liabilities	0	0	32,584

Fair values are equal to book values in all cases.

Financial Instrument	Valuation method	Key Unobservable Input	Relationship between Key Unobservable Input and Fair Value
Loans	Individual Valuations: Discounted cash flows, where future expected cash flows are assessed separately for restructuring and collateral recovery scenarios. The probability of each scenario's realization is determined using the DPS model. Cash flows for both scenarios are discounted using the discount rate.	Individual Valuations: – Probability of the restructuring scenario (0% for the collateral recovery scenarios, 50% to 100% for restructuring scenarios). Discount rate Jan-June 2022: 5.86%; 2021: 5.07%	Estimated fair value of loans increases (decreases) if: Individual Valuations: – the expected future cash flows increase (decrease); – the discount factor decreases (increases); – the probability of the restructuring scenario increases (decreases), provided that the expected future cash flows from the restructuring scenario exceed (do not exceed) the cash flows from the collateral recovery scenario.
	Group-valued exposure: the fair value is estimated for the group of debtors (with a total exposure of less than EUR 300,000), and segments within the debtor group are formed based on the days overdue for each debtor. The probability of default (PD) is applied to the unsecured portion of the total exposure (Loss Given Default - LGD).	Group valued exposure: – PD as defined in one of the merged banks, based on days overdue (3.86% if days overdue are from 0 to 30 days; 10.60% if days overdue are from 31 to 90 days; 38.54% if days overdue are from 91 to 180 days; 100% if days overdue exceed 180 days). – LGD: Total exposure, reduced by the value of collateral	Group valued exposure: – PD decreases (increases); – LGD increases (decreases).
Equity investments	Discounted cash flows Net value at assets Multiple method Discounted dividends model Market value Transaction value	The data which influences free cash flows and consequently the company's value include, among others, the following data: expected revenue growth, gross profit margin, investments in fixed assets, working capital, and growth in free cash flows for the company within the residual value.	The estimated value of the company increases if expected revenues increase and/or expenses rise at a lower rate than revenues and are fixed or lower, resulting in a higher gross profit margin. Conversely, an increase in investments in fixed assets and negative cash flow from changes in working capital decrease the estimated value of the company.

CLASSIFICATION OF FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY AS AT 31 DECEMBER 2021

in EUR '000

	Level 1	Level 2	Level 3
Investments in subsidiaries	0	0	3,692
Investments in associates	11,862	0	8,304
Other non-current financial assets	41,199	0	1,209
Investments in listed shares	41,199	0	0
Non-listed shares and stakes	0	0	1,209
Other current financial assets	840,425	0	75,910
Investments in listed shares	840,425	0	0
Non-listed shares and stakes	0	0	21,453
Purchased receivables	0	0	22,427
Deposits to commercial banks	0	0	27,200
Current operating receivables	0	0	4,830
Finance lease payables	0	0	39
Current operating liabilities	0	0	32,089

2.7.2.8 Other financial investments measured at amortised cost

in EUR '000

	31 Dec 2022	31 Dec 2021
Financial assets measured at amortised cost	14,374	17,000
TOTAL	14,374	17,000

Financial assets measured at amortized cost include the EUR 10 million long-term deposit with maturity in May 2023 and

a pledged deposit of EUR 4.374 million provided as collateral for bank guarantees issued to debtors - MLM, d. d.

2.7.2.9 Current operating receivables

in EUR '000

	31 Dec 2022	31 Dec 2021
Receivables due from customers	4,718	726
Impairment of receivables due from customers	-355	-3
Interest receivable	5,129	3,120
Impairment of interest receivable	-16	-15
Receivables due from the Republic of Slovenia in accordance with ZSPOZ, ZIOOZP, ZVJTO	670	61
Receivables due from state institutions	281	812
Other receivables	15,392	1,999
Adjustments of other receivables	-14,806	-1,997
TOTAL	11,013	4,703

In addition to receivables due from the Republic of Slovenia, which is a related party in accordance with IFRS 24, SSH has a substantial interest receivable due from Sava, d. d., amounting to EUR 5.09 million. Due to the merger with BAMC, there is a receivable relating to loans in the amount of EUR 28.7 million. As a result of the merger with BAMC, the amount of

EUR 12.86 million stands out as part of the adjustments of other receivables; it relates to the acquisition of shares of Hotel Tuzla, d. d.

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

MOVEMENTS IN BAD DEBT PROVISION

in EUR '000

	31 Dec 2022	31 Dec 2021
Adjustment balance as at 1 Jan	2,015	2,020
Increases due to merger with BAMC	13264	0
Collected receivables for which adjustment was made	16	5
Written-off receivables for the year	174	1
Adjustments made for the year	88	1
BAD DEBT PROVISION AS AT 31 DEC	15,177	2,015

2.7.2.10 Cash and cash equivalents

in EUR '000

	31 Dec 2022	31 Dec 2021
Credit balances at commercial banks	7,057	144
Cash equivalents	22,600	10,200
TOTAL	29,657	10,344

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

2.7.2.11 Equity

ACCUMULATED PROFIT/LOSS OF SSH

in EUR '000

	2022	2021
Retained loss as at 1 Jan	-70,624	-104,680
Retained earnings taken over from BAMC upon merger	251,177	0
Transfers due to redistribution financial investments	9,324	-11,066
Net profit for the period	66,003	45,122
TOTAL	255,880	-70,624
Transfer to other revenue reserves in accordance with Article 24 of Articles of Association	-66,003	0
ACCUMULATED PROFIT/(LOSS) AS AT 31 DEC	189,877	-70,624

The accumulated profit/ (loss) has been disclosed in accordance with Article 66 of ZGD-1. The allocation of the retained earnings will be determined by the General Meeting of SSH.

The equity of the Company includes the called-up capital, fair value reserves arising from revaluation of financial investments, actuarial gains/losses and retained losses. The sole shareholder of SSH is the Republic of Slovenia. On a basis of the decision of the Government of the Republic of Slovenia, the share capital increased by EUR 41,599,065.26 (24,922 sha-

res) in March 2022, so that at the balance sheet date it amounted to EUR 301,765,982.30 and is divided into 180,788 registered shares. The capital increase was additionally affected by the merger with BAMC. SSH covered the uncovered loss with the retained earnings of the merged company.

FAIR VALUE RESERVE BALANCE

in EUR '000

	31 Dec 2022	31 Dec 2021
Revaluation of investments in shares of domestic listed companies	334,677	446,431
Revaluation of investments in shares of non-listed companies	12,028	14,205
Revaluation of investments in shares of insurance companies	231,748	263,179
Actuarial gains/losses	132	12
Deferred tax liability	-57,261	0
TOTAL	521,324	723,827

SIGNIFICANT ITEMS IN FAIR VALUE RESERVE

in EUR '000

	31 Dec 2022	31 Dec 2021
Krka, d. d.	248,369	325,066
Zavarovalnica Triglav, d. d.	181,084	195,773
Petrol, d. d.	76,262	104,863
Sava Re, d. d.	50,665	67,406
Cinkarna Celje, d. d.	13,286	20,580
Other investments	8,919	10,139
Deferred taxes	-57,261	0
TOTAL	521,324	723,827

MOVEMENT OF FAIR VALUE RESERVE FOR 2022

in EUR '000

	Balance as at 1 Jan 2022	Transfer from reserve to retained earnings	Added during FY	Balance as at 31 Dec 2022
Domestic listed companies	446,431	0	-111,754	334,677
Domestic non-listed companies	14,204	-9,257	7,081	12,028
Domestic listed insurance companies	263,179	0	-31,431	231,748
Actuarial gains/losses	12	-18	138	132
Total by investment type	723,826	-9,275	-135,966	578,585
Deferred tax liability	0	0	-57,261	-57,261
TOTAL	723,826	-9,275	-193,227	521,324

MOVEMENT OF FAIR VALUE RESERVE FOR 2021

in EUR '000

	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
TOTAL	484,974	11,066	227,787	723,827

Disclosure in regard to deferred tax liabilities is provided in note 2. 7. 2. 22.

BOOK VALUE OF SSH SHARE.

in EUR

	31 Dec. 2022	31 Dec 2021
Value of equity	1,191,257,152	913,369,944
Number of shares	180,788	155,866
BOOK VALUE PER SHARE	6,589	5,860

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

2.7.2.12 Provisions and non-current accrued costs and deferred revenues

in EUR '000

	31 Dec 2022	31 Dec 2021
Provisions for denationalisation	42,024	38,669
Provisions for guarantees on apartments sold	157	0
Provisions for warranties given	445	0
Provisions for collateral given	2,257	0
Provisions for jubilee premiums	102	56
Provisions for retirement benefits	360	318
Provisions for legal disputes	3,443	36
Non-current deferred revenues	359	320
TOTAL	49,147	39,399

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. The following phases can be distinguished:

- potential final decisions with the compensation amount having already been determined - SSH agrees with the claim, however, legal remedies lodged by claimants are considered possible;
- claims where decisions have been given but legal remedies have been lodged and the procedure has been renewed;
- claims where a decision has not been given and the proceedings are still ongoing.

Provisions for guarantees for the elimination of defects in apartments sold have been formed based on the provisions of the Protection of Buyers of Apartments and Single Occupancy Buildings Act, which stipulate that the seller is liable for the so-called hidden defects of the property which were not possible to be discovered on the property's takeover, if these hidden defects appear within two years of the takeover of the property. The provision amount has been estimated based on past experiences, specifically for the number of apartments for which the company's liability as a seller has not yet expired.

Provisions for warranties and collateral given - BAMC placed a deposit at a bank for the bank guarantee issued on behalf of its debtor. The provision amount is calculated based on the probability of the bank enforcing the guarantee given.

Provisions for legal disputes have been formed by the Company based on assessments and assumptions derived from knowledge of individual legal cases, past judicial practices, and other factors. Despite the best knowledge of events and ongoing activities, the actual results may differ from estimates. The Company adjusts the estimates and assumptions on an ongoing basis and recognizes their effects during the period of change.

Individual cases have been assessed by the Company's management together with the legal department. According to the Company's management assessment, there is a likelihood of certain legal disputes being lost. For cases where the likelihood of losing a lawsuit is greater than 50%, the provisions for legal disputes have been formed in the entire value of the currently known liability.

Provisions have been formed for jubilee premiums (long-service awards) and severance payments 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 in the amount of his/her two average salaries,

or in the amount of two average salaries at the state level, whichever is more favourable for employees;

- jubilee premiums are paid out in the threshold amount referred to 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;
- for 2022, the gender-specific 2007 Slovenian mortality tables were used reduced by 10% for the active population. For 2021, the unisex modified 2007 Slovenian mortality tables were used (they are modified because mortality increases with age).
- jubilee premiums are granted to employees for the total length of their service;
- staff turnover: in 2022, a linear decline from 5% to 0% across various age brackets was applied. An average rate of 1.3% was maintained for the subsequent financial year (in 2020 = 5%);
- discount rate of 3.8%, reflects the rate of return on top-rated (AA) corporate bonds with a maturity of up to 13 years (in 2021: 0.8%, equivalent to the average rate of return on Slovenian sovereign bonds with a maturity of 10 years or more).

PROVISIONS FOR POST-EMPLOYMENT BENEFITS

in EUR '000

	2022	2021
Balance as at 1 January	318	308
Increases- merger with BAMC	168	0
Current service cost	30	17
Current service cost	-28	-1
Net interest	5	2
Paid-out post-employment benefits	0	-8
Reversal	-13	-1
Actuarial gains/losses	-121	1
BALANCE AS AT 31 DEC	359	318

SENSITIVITY ANALYSIS FOR POST-EMPLOYMENT BENEFITS AND JUBILEE PREMIUMS (LONG-SERVICE AWARDS) FOR 2022

	Return		Salary growth	
Change in	percentage point		percentage point	
Change by	0.5	-0.5	0.5	-0.5
IMPACT ON BALANCE OF PROVISIONS IN EUR '000	-19	20	20	-19

SENSITIVITY ANALYSIS FOR POST-EMPLOYMENT BENEFITS AND JUBILEE PREMIUMS (LONG-SERVICE AWARDS) FOR 2021

in EUR '000

	Discount rate		Salary growth	
Change in	percentage point		percentage point	
Change by	0.5	-0.5	0.5	-0.5
IMPACT ON BALANCE OF PROVISIONS IN EUR '000	-20	21	19	-21

MOVEMENTS IN PROVISIONS OF SSH

in EUR '000

	Balance as at 1 Jan 2022	New provisions due to the merger with BAMC	Newly formed provisions	Use	Transfer from current provisions	Transfer to current provisions	Reversal	Balance as at 31 Dec 2022
Provisions for denationalisation	38,669	0	0	-679	13,431	-8,468	-929	42,024
Provisions for guarantees on apartments sold	0	170	7	-9	0	0	-11	157
Provisions for warranties given	0	496	0	-51	0	0	0	445
Provisions for collateral given	0	1,667	590	0	0	0	0	2,257
Provisions for jubilee premiums	56	39	26	-6	0	0	-13	102
Provisions for severance payments	318	168	39	0	0	0	-165	360
Provisions for legal disputes	36	3,691	0	0	0	0	-284	3,443
Non-current deferred revenues	320	0	39	0	0	0	0	359
TOTAL	39,399	6,231	701	-745	13,431	-8,468	- 1,402	49,147

Part of provisions for denationalisation, which are expected to be settled in 2023, has been transferred to other current liabilities.

in EUR '000

	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
Provisions for jubilee premiums	51	9	-3	0	-1	56
Provisions for severance payments	308	20	-8	0	-2	318
Other provisions	36	0	0	0	0	36
Non-current deferred revenues	281	39	0	0	0	320
TOTAL	58,697	1,478	-23,535	2,762	-3	39,399

2.7.2.13 Financial liabilities

In December 2022, BAMC, as borrower, and SSH, as the guarantor, concluded an addendum to the Credit Agreement of 2017 with a syndicate of banks. The refinancing amount amounts to EUR 30 million and the loan is secured by a pledge on SSH's shareholding in Krka, amounting to twice the liabi-

lity (the registration of the pledge is scheduled for January 2023). The interest rate is based on 3-month Euribor with per annum increase of 0.9%. The loan is to be repaid in eight equal quarterly instalments, with an option of early repayment.

in EUR '000

	31 Dec 2022	31 Dec 2021
Loans granted by banks	30,041	0
Loans granted by others	221	0
TOTAL	30,262	
Long-term portion	15,039	0
Short-term portion	15,223	0
TOTAL	30,262	0

For the purpose of settling loan obligations with the banks, SSH transferred EUR 70 million to BAMC in December 2022. As a result of the merger, the mutual liability/claim ceased to exist.

MOVEMENT IN LOANS

in EUR '000

	Balance as at 1 Jan 2022	New loans - BAMC	Increases/in-terest	Repayments	Balance as at 31 Dec 2022
Loans granted by banks	0	162,272	881	132,930	30,223
Other	0	41	0	2	39
TOTAL	0	162,313	881	132,932	30,262

2.7.2.14 Current operating liabilities

in EUR '000

	31 Dec 2022	31 Dec 2021
Trade payables	872	221
Liabilities due to denationalisation beneficiaries	17,373	17,640
Liabilities due to employees	628	248
Liabilities due to state institutions	758	375
Other operating liabilities	1,079	14
TOTAL	20,710	18,498

All liabilities relating to 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 has no significant value for SSH. The reason for the non-payment lies with beneficiaries who fail to submit the necessary payment data.

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 matured and outstanding liabilities.

2.7.2.15 Other liabilities

in EUR '000

	31 Dec 2022	31 Dec 2021
Current provisions for denationalisation	8,468	13,432
Accrued expense	1,025	0
Current deferred revenue	2,205	0
Other liabilities	4	132
TOTAL	11,702	13,564

2.7.2.16 Operating income

Income from contracts with customers

in EUR '000

	2022	2021
Income from management of capital assets	5,337	5,102
Income from sale of real estate	5,806	0
Income from tourism activities	66	0
Rental income	928	0
TOTAL INCOME FROM CONTRACTS WITH CUSTOMERS	12,137	5,102

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, fees for the implementation of three laws (i.e., ZSPOZ, ZIOOZP and ZVVJTO), income from

sale of real estate, rental income and income from recharged expenses.

Due to the merger with BAMC, the range of income expanded with rental income and income from the sale of real estate.

Other operating income

in EUR '000

	2022	2021
Income from disbursement and reversal on non-current provisions - denationalisation	929	0
Income from disbursement and reversal of other non-current provisions	71	3
Income connected with denationalisation	2,424	1,881
Other operating income	3,150	3,262
OTHER OPERATING INCOME	6,574	5,146

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 restructuring of companies' ownership – paid in cash or by means of shares or equity holdings, transferred to SSH partly from D.S.U. d. o. o., and partly from the budget of the Republic of Slovenia.

In 2022, other income also includes the reversal of the previous impairment of the inventory properties (EUR 2,5 million) while in 2021, other income also includes write-off of overdue liabilities (EUR 3.08 million).

The operating income amounted to 18.3% of all income generated by SSH in 2022 (in 2021: 19.5%).

2.7.2.17 Costs of goods, materials and services

in EUR '000

	2022	2021
Cost of goods sold	3,277	0
Cost of material	394	58
Cost of services	4,545	1,616
TOTAL	8,216	1,674

The costs of goods sold in the amount of EUR 3.28 million represent the book value of inventories of real estate and associated equipment that were sold in the second half of 2022.

COST OF MATERIAL

in EUR '000

	2022	2021
Energy costs	348	32
Write-ups of small tools	3	0
Cost of office supplies and professional literature	23	12
Other costs of material	20	14
TOTAL COSTS OF MATERIAL	394	58

COST OF SERVICES

in EUR '000

	2022	2021
Telecommunication	76	43
Repairs and maintenance	497	132
Rent	190	34
Reimbursement of work-related expenses	75	10
Banking and insurance charges	416	139
Intellectual and personal services	1,920	681
Marketing, advertising and entertainment	97	1
Services performed by unincorporated contractors	412	244
Other services	862	332
TOTAL COSTS OF SERVICES	4,545	1,616

The contractual amount for auditing the separate and consolidated financial statements of SSH for 2022 amounted to EUR 97,800, excluding VAT, and EUR 21,900 for 2021. No other services were carried out for SSH by the auditor and its affiliated companies in 2022 and 2021.

2.7.2.18 Labour costs

Labour costs include wages and salaries paid to employees, wage compensation attributable to employees for the time of their absence 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 labour-law related lawsuits.

in EUR '000

	2022	2021
Salaries and wages	5,807	3,153
Retirement insurance costs	532	282
Costs of voluntary supplementary pension insurance	174	101
Social security contributions	433	225
Annual leave allowance, reimbursements and other earnings	814	202
Provisions for jubilee awards and severance payments	56	25
TOTAL	7,816	3,988

2.7.2.19 Depreciation and amortisation

in EUR '000

	2022	2021
Amortisation of intangible assets	148	92
Depreciation of buildings	47	47
Depreciation of equipment and spare parts	118	67
Depreciation of assets in use	150	30
TOTAL	463	236

2.7.2.20 Write-offs and impairments

in EUR '000

	2022	2021
Write-offs and impairments of fixed assets	1	0
Write-offs and impairments of real estate inventories	1,081	0
Write-offs and impairments of current assets, excluding financial investments	111	0
TOTAL	1,193	0

2.7.2.21 Net profit or loss

FINANCIAL INCOME

in EUR '000

	2022	2021
Dividends and income similar to dividends - enterprises	31,778	26,308
Dividends - insurance companies	28,197	13,445
Capital gains	60	0
Income from repayment of loans	7,453	0
Income from valuation of financial investments at fair value	13,889	0
Income from purchased receivables	1,981	1,819
Proceeds from reversal of impairments of other investments, including interest	117	730
Other interest	163	0
TOTAL	83,638	42,302

FINANCIAL EXPENSES

in EUR '000

	2022	2021
Financial expenses for interest on deposits with banks	145	75
Interest on loans granted by banks	1,394	0
Impairments of capital asset	1,725	0
Impairments of other financial investments	8,997	3
Loss on repayment of loans (BAMC)	5,075	0
Other interest	11	6
TOTAL	17,347	84

2.7.2.22 Taxes

CALCULATION OF THE EFFECTIVE TAX RATE

in EUR '000

	31 Dec 2022	31 Dec 2021
Profit before tax	66,149	45,109
Calculated tax (applicable rate = 19%)	12,568	8,571
Effect of non-taxable income	-11,425	-7,645
Effects non-deductible income	-180	39
Tax relief	-1,325	0
Other adjustments in taxable profit	1,506	-1,737
Current year loss for which no deferred tax asset has been recognised	0	772
Increases/ Reversal of deferred tax assets due to changes in taxable profits	-997	-13
Income taxes	147	-13
EFFECTIVE TAX RATE	0.22%	0.0%

DEFERRED TAX ASSETS AND TAX LIABILITIES

in EUR '000

	31 Dec 2022	31 Dec 2021
Deferred tax assets	2,097	2,748
Deferred tax liabilities	-57,261	-2,274
NET DEFERRED TAX ASSETS/TAX LIABILITIES	-55,164	474

As regards the free-of-charge transfer of important and strategic assets to RS in accordance with ZSOS-C, SSH had 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 reversed the deferred tax liability at the end of 2019. At the end of 2022, the deferred tax liabilities were re-recognized following the termination of the obligation for the free-of-charge transfer of capital assets to the Republic

of Slovenia.

The deferred tax assets are a result of impairment of financial investments, of provisions for severance payments and jubilee premiums, investment reliefs and unutilised tax losses. Estimated future tax liabilities for corporate income tax were used to determine the expected amount of the utilisation of deferred tax assets.

UNRECOGNISED DEFERRED TAX ASSETS

in EUR '000

	31 Dec 2022	31 Dec 2021
Unutilised tax losses	180,950	179,906
Impairment of receivables	423	436
Impairment of financial investments in subsidiaries	207	207
Measurement of financial investments - fair value through other comprehensive income	0	401
TOTAL UNRECOGNISED DEFERRED TAX ASSETS	181,580	180,950

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

MOVEMENT IN TAX LOSSES

in EUR '000

	31 Dec 2022	31 Dec 2021
Opening balance of unutilised tax losses	948,970	944,908
Increase due to merger with BAMC	624,005	0
Increase in the period	0	4,062
Utilised in the period	6,497	0
CLOSING BALANCE OF UNUTILISED TAX LOSSES	1,566,478	948,970

MOVEMENT IN DEFERRED TAX FOR 2022

in EUR '000

	Financial investments	Adjustments of receivables	Provisions	Investment relief	Tax loss	Total
Balance as at 1 Jan 2022	2,274	0	36	39	399	2,748
Acquisitions due to merger	0	0	0	0	625	625
Use in 2022	0	0	-18	-58	0	-76
Recognised in the year	0	0	36	19	1,019	1,074
Offsetting with non-current liabilities	-2,274	0	0	0	0	-2,274
Total changes in Income Statement	0	0	18	-39	1,019	998
Total changes in Statement of Financial Position	-2,274	0	0	0	0	-2,274
BALANCE AS AT 31 DEC 2022	0	0	54	0	2,043	2,097

MOVEMENT IN DEFERRED TAX FOR 2021

in EUR '000

	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
Total changes in Income Statement	-323	0	1	18	317	13
Total changes in Statement of Financial Position	891	0	0	0	0	891
BALANCE AS AT 31 DEC 2021	2,274	0	36	39	399	2,748

MOVEMENT IN DEFERRED TAX LIABILITIES

in EUR '000

	31 Dec 2022	31 Dec 2021
Balance of deferred tax liabilities as at 1 Jan	2,274	1,383
Change due to reclassification of investments (IFRS 9)	0	0
Utilization	0	0
Change due to the removal of the requirement for the transfer of capital assets to RS	72,266	0
Change due to revised taxable profit	-17,279	891
BALANCE AS AT 31 DEC	57,261	2,274

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 long-term deferred tax liabilities or deferred tax assets, the provisions of the applicable Corporate Income Tax Act are taken into account, on the basis of which and subject to the fulfilment of certain conditions, half of the capital gain is excluded from the taxable base.

2.7.2.23 Note to the Cash Flow Statement

The cash flow statement shows changes in the cash balances in a given financial year using direct method. The data were obtained from the books of account of SSH 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 using the same methodology.

The amounts paid for SOS2E bond interest and principal were disclosed in the first part of the Cash Flow Statement (cash flows from operating activities), since SSH's core business includes the settling of denationalisation liabilities. Proceeds, with the exception of proceeds from financial investments sold in order to cover 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 ZVJTO).

Compared to the previous year, the cash flows in the current year (as a result of the merger with BAMC) also include inflows from property rentals, inflows from the sale of real estate, inflows from recovered bad loans taken over from banks.

The most important source of funds to cover SSH liabilities in 2022 were dividends of companies owned by SSH, in addition to the repayment of costs for the management of capital assets owned by RS.

2.8

FINANCIAL RISK MANAGEMENT OF SSH

Financial risks are continuously monitored and assessed by SSH with the aim to provide for a long-term liquidity and to avoid excessive exposure to individual risks. 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 denominated in Euros, currency risk is negligible for SSH.

2.8.1 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 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 has invested in financial assets in financial institutions and banks, therefore any potential failure to meet contractual obligations would result in decreased liquidity. It is however assessed that there are no risks associated with a failure of fulfilling contractual obligations.

BALANCE OF OVERDUE AND NOT YET DUE TRADE RECEIVABLES

in EUR '000

	31 Dec 2022	31 Dec 2021
Trade receivables - balance	26,190	6,718
Impairment of receivables	-15,177	-2,015
Overdue receivables	15,177	2,015
RECEIVABLES NOT YET DUE	11,013	4,703

Increase in impairment of receivables relates to receivables taken over with the merger of BAMC.

Receivables due by Sava, d. d., arising from the purchase of its liabilities resulting 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

	31 Dec 2022	31 Dec 2021
Operating receivables	11,013	4,703
Financial assets measured at amortised cost	14,374	17,000
Cash and cash equivalents	29,657	10,344
Financial assets measured at fair value through profit or loss (FVTPL)	247,604	22,427
TOTAL	302,648	54,474

The Company is exposed to credit risk primarily in the case of trade receivables. The exposure to this type of risk increases with the tightening of economic conditions. The companies in the Group reduce their exposure by continuously monitoring the creditworthiness of customers and suppliers, conducting business on the basis of prepayments, monitoring bad payers, pursuing timely recovery, investing in enforcement proceedings, and using security instruments and compensations.

Financial assets at amortized cost represent deposits with commercial banks in Slovenia for which a minimal credit risk

has been assessed. The same applies to cash and cash equivalents.

Financial assets measured at fair value through profit or loss (FVTPL) as at 31 December 2022 represent loans resulting from the merger with BAMC and receivables due from Sava, d. d. Credit risk is considered to be low in these cases, as the significant risk lies in the change in fair value, as described in note 2.7.2.6. These are typically non-performing loans measured at fair value. Financial assets measured at fair value through profit or loss (FVTPL) as at 31 December 2021 represent purchased receivables due from Sava d. d.

2.8.2 Interest rate 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 usually agreed

upon when investing assets. The interest rate for a loan is composed of a 3-month Euribor, increased by a mark-up. The value of Euribor as at 31 December 2022 is used as the basis in the table below.

IMPACT OF INCREASES IN VARIABLE INTEREST RATE ON PROFIT OR LOSS

in EUR '000

	Balance as at 31 Dec. 2022	100%	50%	25%	10%
Loan	30,000	640	320	160	64
Decrease in profit or loss by		640	320	160	64

2.8.3 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 SSH, it was assessed that SSH 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.

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.

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.

MATURITY OF LIABILITIES ACCORDING TO CONTRACTUAL CASH FLOWS AS AT 31 DECEMBER 2022

in EUR '000

Contractual cash flows

	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	15	15	5	5	5	0
Financial liabilities	30,262	30,262	7,762	7,500	15,000	
Operating liabilities	20,882	20,882	20,882	0	0	0
Other liabilities	9,497	9,497	5,263	4,234	0	0
TOTAL LIABILITIES	60,656	60,656	33,912	11,739	15,005	0

MATURITY OF LIABILITIES ACCORDING TO CONTRACTUAL CASH FLOWS AS AT 31 DECEMBER 2021

in EUR '000

Contractual cash flows

	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
TOTAL LIABILITIES	32,101	32,101	23,934	8,155	12	0

2.8.4 Market risk

DOMESTIC QUOTED SHARES HELD BY SSH

Company	in EUR '000		in EUR '000	
	Value	in %	Value	in %
		Structure		Structure
	31 Dec 2022		31 Dec 2021	
Krka, d. d.	271,389	34.83	348,085	38.96
Zavarovalnica Triglav, d. d.	220,339	28.28	235,029	26.30
Petrol, d. d.	105,984	13.60	134,374	15.04
Pozavarovalnica Sava, d. d.	68,183	8.75	84,924	9.50
Cinkarna Celje, d. d.*	45,414	5.83	24,074	2.69
Luka Koper, d. d.	38,635	4.96	38,012	4.25
Other listed investments	29,201	3.75	28,987	3.24
TOTAL	779,145	100	893,485	100

*The share is increased as a result of the taking over of BAMC's assets.

LIQUIDITY OF MOST IMPORTANT INVESTMENTS OF SSH IN QUOTED SHARES

Turnover ratio*	in EUR '000	
	in 2022	in 2021
Cinkarna Celje, d. d.	10.95%	7.92%
Krka, d. d.	5.16%	4.60%
Luka Koper, d. d.	3.33%	4.39%
Petrol, d. d.	4.11%	2.90%
Pozavarovalnica Sava, d. d.	4.14%	5.64%
Zavarovalnica Triglav, d. d.	3.49%	2.60%
Prime market	4.78%	4.00%
Standard market	1.87%	1.54%

* A ratio between the annual turnover and an average market capitalisation based on values as at 31 December, before 6 and before 12 months
Source: Monthly and Annual Statistics Ljubljana Stock Exchange (LJSE), 2022 and 2021

SENSITIVITY ANALYSIS OF EQUITY INVESTMENTS AGAINST CHANGES IN MARKET PRICES AS AT 31 DECEMBER 2022

Company	in EUR '000				
	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
	31 Dec 2022	15%	20%	-15%	-20%
Krka, d. d.	271,389	40,708	54,278	-40,708	-54,278
Zavarovalnica Triglav, d. d.	220,339	33,051	44,068	-33,051	-44,068
Petrol, d. d.	105,984	15,898	21,197	-15,898	-21,197
Sava Re, d. d.	68,183	10,227	13,637	-10,227	-13,637

in EUR '000

	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
	31 Dec 2022	15%	20%	-15%	-20%
Cinkarna Celje, d. d.	45,414	6,812	9,083	-6,812	-9,083
Luka Koper, d. d.	38,635	5,795	7,727	-5,795	-7,727
Other quoted domestic shares	29,201	4,380	5,840	-4,380	-5,840
TOTAL	779,145	116,872	155,829	-116,872	-155,829

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 quoted domestic shares	53,061	7,959	10,612	-7,959	-10,612
TOTAL	893,485	134,023	178,697	-134,023	-178,697

2.8.5 Managing capital adequacy

In 2022 and in 2021, there were no changes to equity management. The main purpose of equity management is to ensure the capital adequacy and the financial stability of the Company with the primary objective of providing a high return on equity. In accordance with the dividend policy of the sole shareholder, no dividends are paid out.

SSH uses financial leverage ratio to manage its capital structure, that is net debt vs. equity. Net debt includes liabilities to denationalisation beneficiaries and other operating liabilities, reduced by cash and cash equivalents.

in EUR '000

	31 Dec 2022	31 Dec 2021
Current liabilities	47,817	32,089
Non-current financial liabilities	15,044	12
Cash and cash equivalents	29,657	10,344
Net indebtedness	33,204	21,757
Equity	1,191,257	913,370
FINANCIAL LEVERAGE RATIO IN %	2.79	2.38

2.9

TRANSACTIONS WITH RELATED PARTIES

In addition to the Republic of Slovenia, considered as 100% owner, the following entities are considered to be related parties according to IAS 24:

- subsidiaries and associates;
- management personnel and members of Supervisory Board and Audit Committee;
- companies related to the state.

In 2022, no transactions were concluded by SSH which might result in harmful consequences for the operations of related parties

2.9.1 Subsidiaries and associates

in EUR '000

	Receivables		Liabilities		Income		Expenses		Loans granted		Loans	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Subsidiaries	28,933	0	0	0	1,171	0	40	0	16	0	0	0
Associates:	0	0	0	0	23,631	10,857	0	0	0	0	0	0
TOTAL	28,933	0	0	0	24,802	10,857	40	0	16	0	0	0

As at 31 December 2020, SSH held a 20% or higher ownership interest in several companies which are listed in notes 2. 7. 2. 1. and 2. 7. 2. 2. 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 2022, Sava, d. d. and its subsidiary Sava Turizem, d. d. became a subsidiary of SSH (note 2. 6. 2). As at 31 December 2022, SSH recognised loans to Sava, d. d. amounting to EUR 22,427 thousand and operating receivables due by Sava, d. d. amounting to EUR 5,264 thousand. In 2022, SSH generated EUR 1,980 thousand of income interest from Sava, d. d.

2.9.2 Management Bodies and Members of Supervisory Board and Audit Committee

EARNINGS OF SSH MANAGEMENT BOARD MEMBERS IN 2022

in EUR

	Žiga Debeljak	Janez Tomšič	Peter Drobež	Janez Žlak
	1 Sep–1 Dec	1 Jan–31 Dec	1 Apr–31 Aug	1 Jan–31 Aug
Fixed earning (gross)	36,368	126,857	53,194	104,251
Variable income (gross)	0	20,428	0	32,925
Severance payment	0	0	65,463	72,737
Fringe benefits	23	8,945	567	7,428
Annual leave allowance	633	1,900	792	1,267
Reimbursement of costs (meals, transportation cost, use of own assets)	589	1,443	2,744	918
Reimbursement of business travel costs	0	30	1,180	21
Voluntary suppl. pension insurance	726	2,882	1,210	2,157

EARNINGS OF EXECUTIVE MEMBERS OF BAMC BOARD OF DIRECTORS FROM 1 JULY 2022 TO 31 DECEMBER 2022

in EUR

	Matej Pirc	Žiga Pfeifer	Mitja Križaj
	1 July–31 Dec	1 July–31 Dec	1 July–31 Dec
Fixed earning (gross)	79,200	66,000	66,000
Variable income (gross)	0	0	0
Severance payment	0	0	0
Fringe benefits	0	2,045	0
Net income (salary plus benefits)	40,055	32,210	38,561
Annual leave allowance	0	0	950
Reimbursement of costs (meals, transportation cost, use of own assets)	1,540	2,061	859
Reimbursement of business travel costs	1,076	431	618
Voluntary suppl. pension insurance	1,452	1,210	1,210

EARNINGS OF SSH MANAGEMENT BOARD MEMBERS, IN 2021

in EUR

	Janez Žlak	Boštjan Koler	Boris Medica	Vanessa Grmek	Janez Tomšič
	1 Jan-31 Dec	1 Jan-31 Jan	1 Jan-31 Jan	1 Febr-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
Annual leave allowance	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

In 2022 and in 2021, no loans were granted either to the management, members of the Supervisory Board or to members of its committees or employees.

In 2022, with the exception of Management Board Members, only one person was 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.

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	17,092	5,555	361	0	23,008
Leon Cizelj	8,080	3,520	0	133	11,733
Božo Emeršič	8,691	3,520	0	314	12,525
Ivan Simič	16,225	5,555	361	0	22,141
Janez Vipotnik	15,608	6,050	361	6,129	28,148
Franjo Bobinac	560	495	0	149	1,204
Suzana Bolčič Agostini	560	495	0	265	1,320
TOTAL	66,816	25,190	1,083	6,989	100,079

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD IN 2021

in EUR

	Compensation for the performance of the function (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
TOTAL	67,514	14,630	1,464	3,477	87,084

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	3,600	1,584	0	0	5,184
Ivan Simič	3,600	1,584	0	0	5,184
Darinka Virant	6,648	1,584	0	56	8,288
TOTAL	13,848	4,752	0	56	18,656

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE IN 2021

in EUR

	Compensation for the performance 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
TOTAL	12,600	5,368	0	13	17,981

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S NOMINATION COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	3,600	2,904	0	0	6,504
Leon Cizelj	2,020	2,112	0	0	4,132
Božo Emeršič	2,020	2,112	0	0	4,132
Ivan Simič	3,600	3,080	0	0	6,680
Janez Vipotnik	3,735	2,640	0	0	6,375
Franjo Bobinac	140	0	0	0	140
Suzana Bolčič Agostini	140	0	0	0	140
TOTAL	15,255	12,848	0	0	28,103

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S NOMINATION COMMITTEE IN 2021

in EUR

	Compensation for the performance 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
TOTAL	15,438	6,688	0	0	22,126

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S RISK COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	1,530	220	0	0	1,750
Božo Emeršič	2,020	440	0	0	2,460
Janez Vipotnik	3,735	660	0	0	4,395
Darinka Virant	4,432	660	0	13	5,105
TOTAL	11,718	1,980	0	13	13,711

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S RISK COMMITTEE IN 2021:

in EUR

	Compensation for the performance 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
TOTAL	10,800	2,508	0	0	13,308

REMUNERATION OF MEMBERS OF THE NOMINATION COMMITTEE IN 2022:

in EUR

in EUR	Compensation for the performance of the function (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
TOTAL	54,000	0	0	0	54,000

REMUNERATION OF MEMBERS OF THE NOMINATION COMMITTEE IN 2021:

in EUR

in EUR	Compensation for the performance of the function (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
TOTAL	54,000	0	0	0	54,000

OTHER COSTS ASSOCIATED WITH THE SUPERVISORY BOARD AND ITS COMMITTEES

in EUR

	2022	2021
Legal opinion	2102	0
Costs in connection with the selection of a Management Board Member (advertisement, HR agency)	17,828	12,773
Costs for supplementary training	775	510
Other (insurance premiums)	1,181	985
TOTAL	21,886	14,268

2.9.3 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		Expenses	
	2022	2021	2022	2021	2022	2021
Ministry of Finance	1,762	647	5,240	5,299	696	0
Farmland and Forest Fund of RS	176	466	1,876	1,456	0	0
D. S. U.	41	148	402	214	0	0
TOTAL	1,979	1,261	7,518	6,969	696	0

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.

2.10

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent assets are more difficult to measure but represent claims which the company asserts through legal proceedings, the outcome of which is uncertain, and arise from the merger with BAMC in 2022.

In addition to future liabilities for which provisions have been recognized due to the fact that conditions have been met for their recognition, SSH has also formed contingent li-

abilities arising from denationalisation in the amount of EUR 37.4 million (31 December 2021: EUR 36,5 million) and contingent liabilities in the amount of EUR 114.2 million arising from the merger with BAMC, as presented below. 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.

2.10.1 Contingent liabilities

in EUR '000

	31 Dec 2022
Contingent liabilities for legal disputes which have not been settled	108,991
Contingent liabilities arising from bank guarantees issued	491
Contingent liabilities for collateral granted	4,751
TOTAL	114,233

a) Contingent liabilities for legal disputes which have not been settled

Contingent liabilities for legal disputes which have not been settled in the amount of EUR 108,991 thousand represent the total value of all litigation claims, plus an additional EUR 10 thousand for each individual lawsuit. It is estimated that EUR 10 thousand is an appropriate average amount to cover the legal costs and related default interest which BAMC would have to reimburse to the opposing party in the event of lo-

sing a lawsuit.

Ninety-two per cent (92%) of the total value of all claims are represented by two lawsuits against SSH, one from 2015 and the other from 2020. One lawsuit was filed due to alleged unfair negotiations, while the other was filed for compensation due to an unjustified application for initiating the debtor's bankruptcy proceedings.

b) Contingent liabilities arising from bank guarantees issued

in EUR '000

	31 Dec 2022
Arising from the merger of Factor banka	639
Arising from the merger of Probanka	298
TOTAL	937
Less amount included in balance sheet in provisions for bank guarantees issued	-446
CONTINGENT LIABILITIES	491

The table shows contingent liabilities, which are the amounts of approved, yet uncashed, and still valid bank guarantees as at 31 December 2022. The entire amount was taken over as a result of the merger of Factor banka and Probanka.

c) Contingent liabilities for collateral and warranties granted

in EUR '000

	31 Dec 2022
Collateral in the form of pledged deposits	4,374
Collateral from issued promissory notes	2,634
TOTAL	7,008
Stated on the balance sheet among other provisions	2,257
CONTINGENT LIABILITIES	4,751

Out of the contingent liabilities, an amount of EUR 2,257 thousand has been recognized on the balance sheet (note 2. 7. 3. 10.) in other provisions.

2.11

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 for the year that ended on 31 December 2022. Other significant events are presented below.

- On 13 January 2023, as part of a contractual obligation, a charge (in a 1:2 ratio) was registered on 655,022 Krka shares to secure the repayment of a loan granted by a syndicate of banks in the amount of EUR 30 million.
- On 15 March 2023, the loan was fully repaid, and as a result, on 23 March 2023, the charge was also lifted.

Ljubljana, 22 June 2023



Janez Tomšič

Member of the Management Board



Žiga Debeljak, MSc

President of the Management Board



**ACCOUNTING
REPORT OF SSH
GROUP**

3.1

STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board is responsible for the preparation of the Consolidated Accounting Report so that it provides a true and accurate account of the financial position of SSH Group as at 31 December 2022, as well as of the Group's financial performance and cash flows for 2022 in accordance with the provisions of ZSDH-1 and ZGD-1.

The Management Board confirms that appropriate accounting policies and prudent accounting estimates have been consistently applied in the preparation of the consolidated financial statements of SSH Group. The Board further confirms that the consolidated financial statements and interpretations have been prepared under an assumption of the going concern and are compliant with applicable legislation and International Financial Reporting Standards as adopted by the EU (IFRS), with the exception of the inclusion of subsidiaries in the consolidated financial statements. Article 36(a) of ZSDH-1 stipulates that subsidiaries, in which the position of the controlling company has been obtained through an acquisition of stakes or shares through the transfer of assets, rights, and obligations from BAMC to SSH in accordance with the Act Regulating Measures of the Republic of Slovenia to

Strengthen the Stability of Banks, are not be included in the consolidated annual report.

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 fraud as well as other irregularities and illegalities.

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

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

Ljubljana, 22 June 2023

Janez Tomšič

Member of the Management Board

Žiga Debeljak, MSc

President of the Management Board

3.2

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT
To the shareholder of SDH, d.d.
(Translation from the original in Slovene language)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of the SDH Group (hereinafter »the Group«) which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the summary of significant accounting policies, and other explanatory information.

In our opinion the accompanying consolidated financial statements have been prepared, in all material respects, in accordance with the accounting requirements of the Slovenian Sovereign Holding Act (ZSDH-1).

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 of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (hereinafter the »Regulation«). Our responsibilities under those rules are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IEASBA Code.

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

Emphasis of Matter - Basis of Accounting

We draw attention to note 3.4.2 *Basis of preparation of the consolidated financial statements*, which describes the basis of accounting. The Act Amending the Slovenian Sovereign Holding Act (ZSDH-1A, Official Journal of the Republic of Slovenia No. 140/22 of 4 November 2022) exempts the Company from consolidating entities over which it has control and that were acquired in terms of the assets and liabilities transfer from BAMC to SSH in accordance with the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks. The ZSDH -1A requires the Company to comply with International Financial Reporting Standards (IFRS) and non-inclusion of all subsidiaries in the consolidated financial statements constitutes a departure from IFRS. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

We have fulfilled all our obligations described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*, including those related to these matters. Therefore, the audit comprised the performance of the procedures designed to respond to our assessment of the risks of material misstatement in the consolidated financial statements. The results of our audit procedures, including the procedures performed in relation to the matters stated hereinafter, serve as the basis for issuing our audit opinion about the accompanying consolidated financial statements.



Valuation of inventories of real estate

As at 31.12.2022, the inventories in the consolidated financial statements amount to EUR 106,177 thousand, of which the inventories of real estate amount to EUR 103,008 thousand (acquired through the merger of BAMC and amounting to EUR 95,075 thousand at that time).

The accounting policies for inventories are disclosed in the consolidated financial statements in section 3.5. Summary of significant accounting policies under Inventories and disclosures in section 3.7.2.4 Inventories.

Description of the key audit matter

Inventories of real estate are valued at the lower of cost or net realisable value. Land and office premises represent the largest proportion of the inventories of real estate.

When measuring the net realisable value, management uses significant judgement in the areas of:

- the choice of valuation methods depending on the type of real estate (market comparisons or yield-based),
- the use of key assumptions, notably market rents, comparable transactions and the market prices realised in them, investment costs and a discount for illiquidity and time to sale.

As the determination of the net realisable value of real estate inventories involves significant subjective judgements and therefore required our additional attention, we have identified this matter as a key audit matter.

Our audit approach

Our audit procedures in this area included, among others:

- reviewing the Company's methodology for determining the net realisable value of inventories,
- gaining an understanding of the control environment and key internal controls in the area of determining the net realisable value of inventories of real estate,
- verification of ownership by comparison with land registers on a selected sample of properties,
- verification of the determination of net realisable value, with the assistance of an external real estate valuation expert, engaged by us, by means of an assessment on a selected sample of properties:
 - whether appropriate methods, and techniques are used to determine net realisable value for the selected sample of properties,
 - whether the assumptions used were fit for purpose,
 - whether the assumptions are reasonable, depending on the model used,
 - mathematical accuracy of the estimates.
- reviewing the adequacy and completeness of the disclosures in the Company's financial statements relating to inventories of real estate in the light of the requirements of the relevant accounting standards.

Valuation of financial assets at fair value through profit or loss acquired through the merger of BAMC - Loans

As at 31.12.2022, financial assets at fair value through profit or loss in the consolidated financial statements amount to EUR 225,177 thousand (31.12.2021: EUR 22,427 thousand), and are the consequence of the merger of BAMC.

The accounting policies for financial assets at fair value through profit or loss are disclosed in the consolidated financial statements in section 3.5. Summary of significant accounting policies under Financial Assets and Fair Value Measurement; disclosures are provided in section 3.7.2.5 Financial Assets measured at Fair Value through Profit or Loss - Loans.

Description of the key audit matter

Of the loans resulting from the merger of BAMC, EUR 225,030 thousand, or 99%, relate to individually valued loans. Their fair value is based on a binominal option pricing model with two possible scenarios of future expected cash flows: from restructuring or from recovery.

Our audit approach

Our audit procedures in this area, which also included our business valuation experts and an external real estate valuation expert, engaged by us, included, among others:

- reviewing the Company's methodology for determining the fair value of loans,



Management exercises significant judgement in measuring the fair value of these individually valued loans in the following areas:

- estimates of the likelihood of a single scenario (restructuring : recovery),
 - the use of assumptions in the process of estimating risk parameters,
 - estimating future expected cash flows from operating activities or from collaterals and their time component,
 - setting the discount rate.
- Complex models and significant management judgements are used in determining the fair value of loans.
- For these reasons, we considered the measurement of the fair value of loans valued individually to be a key audit matter.
- gaining an understanding of the control environment and key internal controls in the area of determining the fair value of loans,
 - on a selected sample of loans, we tested the inputs used to measure fair value, focusing on:
 - criteria for setting risk parameters,
 - assumptions for determining the likelihood of a particular scenario materialising,
 - assessing the design of expectations about future cash flows from operating activities,
 - assessing the value of collateral with assistance of our business and real estate valuation experts and estimating the period to realisation of collateral,
 - assessing the discount rates used with assistance of our business valuation experts,
 - reviewing the adequacy and completeness of the fair value disclosures in Company's financial statements in the light of the requirements of the relevant accounting standards.

Fair Value Measurement and Recognition of Identifiable Assets Acquired and Liabilities Assumed in a Business Combination

The business combination is presented in the Group's financial statements in section 3.6.2 Acquisition of the subsidiary - SAVA, d.d.

Description of the key audit matter

In 2022, the Group acquired a controlling interest in Sava d.d. and indirectly in Sava Turizem d.d. for an amount of EUR 32,010 thousand. In preparing the consolidated financial statements the provisional amounts for purchase price allocation were recognised.

The accounting recognition of an acquisition involves significant management judgement in allocating the cost and determining the fair value of the identifiable assets and liabilities acquired and the bargain purchase gain. There is a significant audit risk that the assumptions and judgements used by management in estimating fair value are inappropriate and the fair values are consequently incorrect. For these reasons, we have identified the measurement of fair values and the accounting for the business combination as a key audit matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in the Annual Report other than the consolidated financial statements and the auditor's report thereon. Other information was obtained before the date of the auditor's report, with the exception of the Supervisory Board report, which will be available after that date.

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

Our audit approach

Our audit procedures included, among others:

- gaining an understanding of the transaction based on discussions with management and by reviewing the underlying documentation,
- a review of the provisional allocation of purchase price to individual assets acquired and liabilities assumed,
- testing the assumptions used in determining fair value with the assistance of a real estate valuation expert, engaged by us,
- reviewing the adequacy and completeness of the disclosures in the Group's financial statements relating to the acquisition in the light of the requirements of relevant accounting standards.



In connection with our audit of the consolidated financial statements, our responsibility is to read other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears 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 consolidated financial statements;
- the other information is prepared in compliance with applicable law or regulation;
- based on the knowledge and understanding of the Group obtained in the audit, we have not identified any material misstatement of other information.

Responsibilities of the Management and the Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with ZSDH-1, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process and the approval of the audited annual report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 internal controls of the Group.
- 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 Group'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 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and 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.

We communicate with the Supervisory Board and the Audit Committee, among other matters, the planned scope and timing of the audit and significant findings from the audit, including 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 to 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 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 of 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 Government of the Republic of Slovenia on 8 December 2022 for the financial years 2022 - 2024. The Chairman of the Supervisory Board signed the engagement letter on 23 December 2022. We have been performing the statutory audit of consolidated financial statements for the fifth year without interruption. Engagement partner responsible for the audit on behalf of BDO Revizija d.o.o. is Mateja Vrankar, certified auditor.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on 22 June 2023.

Non-audit Services

We confirm that we have not performed any prohibited services referred to in the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council. We declare that we ensure our independence from the Company.

In addition to the statutory audit services and services disclosed in the annual report, we have not provided any other services to the Company.

Ljubljana, 22 June 2023

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

(Signature on the original Independent Auditor's Report in Slovene language)

Mateja Vrankar, certified auditor
Managing partner

3.3 CONSOLIDATED FINANCIAL STATEMENTS OF SSH GROUP

3.3.1 Consolidated statement of financial position of SSH Group

in EUR '000

	Note	31 Dec 2022	31 Dec 2021
ASSETS			
NON-CURRENT ASSETS		1,150,674	68,198
Intangible assets		1,594	223
Property, plant and equipment	3. 7. 1.	258,349	1,290
Investment property		5,105	0
Investments in subsidiaries	3. 7. 2. 1.	85,867	3,692
Investments in associates	3. 7. 2. 2.	280,414	20,111
Financial assets measured at fair value through other comprehensive income (FVTOCI)	3. 7. 2. 3.	519,319	42,408
Trade receivables		26	0
Deferred tax assets	3. 7. 2. 22.	0	474
CURRENT ASSETS		435,487	916,617
Assets (disposal groups) held for sale		1,400	0
Inventories	3. 7. 2. 4.	106,927	0
Financial assets measured at fair value through profit or loss FVTPL)	3. 7. 2. 5.	225,177	22,427
Financial assets to be distributed to owner, measured at fair value through other comprehensive income (FVTOCI)	3. 7. 2. 3.	0	861,877
Deposits measured at amortised cost	3. 7. 2. 8.	38,374	17,000
Assets from contracts with customers		25	0
Trade receivables	3. 7. 2. 9.	9,833	4,703
Income tax receivables		1,168	127
Other current assets		1,629	139
Cash and cash equivalents	3. 7. 2. 10.	50,954	10,344
TOTAL ASSETS		1,586,161	984,815
EQUITY AND LIABILITIES			
EQUITY	3. 7. 2. 11.	1,282,408	913,315
Equity attributable to the owners of the controlling company		1,213,870	913,315

in EUR '000

	Note	31 Dec 2022	31 Dec 2021
Called-up equity		301,766	260,167
Capital reserve		112,287	0
Other revenue reserves		66,003	0
Fair value reserve		201,846	444,605
Retained net profit or loss		469,059	113,090
Net profit or loss for the period		62,909	95,453
Minority interest		68,538	0
NON-CURRENT LIABILITIES		189,511	39,411
Provisions and non-current deferred revenues	3. 7. 2. 12.	62,384	39,399
Financial liabilities	3. 7. 2. 13.	61,852	0
Finance lease payables		2,433	12
Deferred tax liabilities	3. 7. 2. 22.	62,842	0
CURRENT LIABILITIES		114,262	32,089
Financial liabilities	3. 7. 2. 13.	49,339	0
Finance lease payables		653	27
Liabilities from contracts with customers		3,413	0
Operating liabilities	3. 7. 2. 14.	39,031	18,498
Other liabilities	3. 7. 2. 15.	21,806	13,564
LIABILITIES		303,753	71,500
LIABILITIES AND EQUITY - TOTAL		1,586,161	984,815

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

3.3.2 Consolidated income statement of SSH Group

in EUR '000

	Note	2022	2021
Income from contracts with customers	3. 7. 2. 16.	34,535	5,102
Other operating income	3. 7. 2. 16.	7,622	5,146
Operating income		42,157	10,248
Cost of goods sold		3,312	0
Costs of materials and services	3. 7. 2. 17.	16,874	1,674
Labour costs	3. 7. 2. 18.	15,984	3,988
Depreciation and amortisation	3. 7. 2. 19.	3,850	236
Non-current provisions		598	1,410
Write-offs and impairments	3. 7. 2. 20.	1,286	0
Other operating expenses		1,085	49
Operating profit/(loss)		-832	2,891
Financial income	3. 7. 2. 21.	102,992	31,444
Finance expense	3. 7. 2. 21.	18,514	84
Proportion of profit/loss from investments measured at equity method	3. 7. 2. 21.	45,129	61,189
Profit or loss before taxes		128,775	95,440
Income tax	3. 7. 2. 22.	-1143	0
Deferred taxes	3. 7. 2. 22.	760	13
Net profit and loss for the period		128,392	95,453
Profit/(loss) attributable to minority interest		-520	0
EARNINGS ATTRIBUTABLE TO THE OWNERS OF THE CONTROLLING COMPANY		128,912	95,453

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

3.3.3 Consolidated statement of other comprehensive income of SSH Group

in EUR '000

	2022	2021
Net profit/(loss) for the period	128,392	95,453
Change in fair value reserve	-176,267	179,804
Share of other comprehensive income of associates	1,634	-554
Recalculation of post-employment benefits	245	-1
Total other comprehensive income not to be recognized in Income Statement in the future	-174,388	179,249
Share of other comprehensive income of associates	-59,032	-1862
Total other comprehensive income to be recognized in Income Statement in the future	-59,032	-1862
Total other comprehensive income	-233,420	177,387
Total comprehensive income	-105,028	272,840
attributable to the owners of the controlling company	-104,508	272,840
attributable to minority interest	-520	0

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

3.3.4 Consolidated statement of cash flows of SSH Group

in EUR '000

	2022	2021
Cash flows from operating activities		
Cash receipts from operating activities	111,876	9,363
Receipts from operating activities	110,926	7,502
Receipts from Republic of Slovenia (sales on consignment)	950	1,861
Cash payments relating to operating activities	-62,135	-32,084
Payments to suppliers for goods and services	-36,113	-1,685
Payments to and on behalf of employees	-16,105	-3,895
Payments of taxes and duties of all kinds	-7,169	-1,326
Payments pursuant to ZDen and SZ	-914	-23,525
Payments on behalf the Republic of Slovenia (sales on consignment)	-1,159	-1,445
Other cash payments relating to operating activities	-674	-208
Net cash flow from operating activities	49,742	-22,721
Cash flows from investing activities		
Cash receipts from investing activities	161,139	71,670
Interest received - deposits	142	0
Dividends received	59,981	39,753
Proceeds from the sale of property, plant and equipment	24	1
Proceeds from the sale of non-current financial investments	2,192	1,687
Proceeds from the sale of current financial investments	98,800	30,229
Cash payments relating to investing activities	-141,300	-47,561
Negative interest and bank charges paid	-132	-68
Payments to acquire intangible assets	-374	-110
Payments to acquire property, plant and equipment	-2,888	-151
Payments to acquire non-current financial investments	-42,156	-5,000
Payments to acquire current financial investments	-95,750	-42,232
Net cash flows from investing activities	19,839	24,109
Cash flow from financing activities		
Cash receipts from investing activities	42,409	0
Cash proceeds from paid-in capital	41,599	0
Cash proceeds from increase in current financial liabilities	810	0
Cash payments from investing activities	-135,853	-1
Interest payments relating to financing activities	-1,607	-1
Repayment of non-current financial liabilities	-134,232	0

in EUR '000

	2022	2021
Repayment of current financial liabilities	-14	0
Net cash flows from financing activities	-93,444	-1
BAMC cash balance as at takeover date	29,775	0
SAVA cash balance as at takeover date	34,698	0
Cash at end of period	50,954	10,344
Net cash inflow/(outflow) during the period	-23,863	1,387
Cash at beginning of period	10,344	8,957

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

3.3.5 Consolidated statement of changes in equity of SSH Group

	Called-up equity	Capital reserve	Other revenue reserves	Fair value reserve	Retained profit/loss	Net profit/loss	Total	Non-controlling interest	Total
OPENING BALANCE AS AT 1 JAN 2021	260,167	0	0	256,153	123,481	674	640,475	0	640,475
Transactions with owners	0	0	0	0	0	0	0	0	0
Share capital increase	0	0	0	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	177,387	0	95,453	272,840	0	272,840
Net profit for the period	0	0	0	0	0	95,453	95,453	0	95,453
Other comprehensive income	0	0	0	177,387	0	0	177,387	0	177,387
Transactions with owners	0	0	0	11,065	-10,391	-674	0	0	0
Transfer to retained profit/loss	0	0	0	-1	675	-674	0	0	0
Transfers due to sale of financial investments	0	0	0	11,066	-11,066	0	0	0	0
CLOSING BALANCE AS AT 31 DEC 2021	260,167	0	0	444,605	113,090	95,453	913,315	0	913,315
Merger with BAMC 30 June 2022	0	112,287	0	0	251,177	0	363,464	0	363,464
Acquisition of SAVA d.d. 30 Sept 2022	0	0	0	0	0	0	0	69,058	69,058
Total comprehensive income for the period	0	0	0	-233,420	0	128,912	-104,508	-520	-105,028
Net profit for the reporting period	0	0	0	0	0	128,912	128,870	-520	128,392
Other comprehensive income	0	0	0	-233,420	0	0	-233,420	0	-233,420
Transactions with owners	41,599	0	66,003	-9,339	104,792	-161,456	41,599	0	41,599
Share capital increase	41,599	0	0	0	0	0	41,599	0	41,599
Transfer to other revenue reserves	0	0	66,003	0	0	-66,003	0	0	0
Transfers to retained profit/loss and other revenue reserve	0	0	0	0	95,453	-95,453	0	0	0
Transfers due to reclassification of financial investments	0	0	0	-9,339	9,339	0	0	0	0
BALANCE AS AT 31 DEC 2022	301,766	112,287	66,003	201,846	469,059	62,909	1,213,870	68,538	1,282,408

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

3.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3.4.1 Reporting company

The reporting company – Slovenian Sovereign Holding (hereinafter also referred to as: the “Company”) – is a joint stock company registered at the Ljubljana District Court (court register decision n° 199304616, registration entry n° 1/21883/00). In accordance with the provisions of Articles 55 and 56 of ZGD-1 (the Slovenian Companies’ Act), the Company is classified as a large company required to undergo a regular annual audit.

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

The Company's share capital as at 31 December 2022 amounted to EUR 301,765,982.30. On 24 February 2022, funds in the amount of EUR 41,599,065.26 were paid in to increase the sha-

re capital, and the increase of the share capital was registered in the Business Register on 17 March 2022. The Company's share capital is divided into 180,788 non- par value shares not listed on the regulated stock exchange market. The sole shareholder of SSH is the Republic of Slovenia.

Slovenian Sovereign Holding is a controlling company of Slovenian Sovereign Holding Group with its company office registered in the Republic of Slovenia at the address: Mala ulica 5, Ljubljana. As explained in note 3.6 Business Combinations, the merger of BAMC with SSH took place in 2022. Also in 2022, the majority stake in Sava, d. d. was acquired, as SSH exercised its pre-emptive right to purchase 12,571,257 shares (43.226% equity stake), thereby increasing its existing ownership stake to 61.91%. Further details about the acquisition are provided in note 3.6 Business Combinations.

THE LIST OF ASSOCIATED COMPANIES OF SSH GROUP AS AT 31 DECEMBER 2022 IS AS FOLLOWS:

Company	Registered office	Equity Stake in %	Core business/ notes	
Associated companies			in %	
Terra Mediterranea, Croatia	Budmanijeva 3	10000 ZAGREB, CRO	42.85	Economy
Unior, d. d.	Kovaška cesta 10	3214 Zreče, SLO	39.43	Metal forging, pressing, stamping and rolling; powder metallurgy
Casino Bled, d. d.	Cesta svobode 15	4260 Bled, SLO	33.75	Activities of casinos
Salomon, d. o. o.	Vevška cesta 52	1260 Ljubljana Polje, SLO	30.59	Temporary employment agency activities
Zavarovalnica Triglav, d. d.	Miklošičeva 19	1000 Ljubljana, SLO	28.09	Non-life insurance
Hit, d. d.	Delpinova 7A	5000 Nova Gorica, SLO	28.54	Activities of casinos
Cinkarna Celje, d. d.	Kidričeva 26	3000 Celje, SLO	24.44	Manufacture of dyes and pigments

The following companies, which were measured at equity method, were included in the Consolidated Financial Statements for 2021: Zavarovalnica Triglav, Unior, Hit and Casino Bled. With the merger of BAMC, the equity stake in HIT and Cinkarna Celje increased, making them associated companies, and both are now included in the Consolidated Financial

Statements for 2022. The associated companies were accounted for using the equity method, except for Salomon, d. o. o. and Terra Mediterranea, which were not included in the equity method due to the fact that a SSH does not control them and because they are immaterial.

THE LIST OF ASSOCIATED COMPANIES OF SSH GROUP AS OF 31 DECEMBER 2021

Company	Registered office		Equity Stake	Core business/notes
Associated companies			in %	
Unior, d. d.	Kovaška cesta 10	3214 Zreče, SLO	39.43	Metal forging, pressing, stamping and rolling; powder metallurgy
Casino Bled, d. d.	Cesta svobode 15	4260 Bled, SLO	33.75	Casino
Zavarovalnica Triglav, d. d.	Miklošičeva 19	1000 Ljubljana, SLO	28.09	Non-life insurance
Hit, d. d.	Delpinova 7A	5000 Nova Gorica, SLO	20.00	Casino

THE LIST OF DIRECT AND INDIRECT SUBSIDIARIES OF SSH GROUP AS AT 31 DECEMBER 2022

Company	Registered office		interests	Core business/notes
Subsidiary companies			in %	
PS za avto, d. o. o.	Tržaška cesta 133	1000 Ljubljana, SLO	90.00	Business administration
Elektrooptika, d. d.	Mala ulica 5	1000 Ljubljana, SLO	70.48	Business and other management consultancy activities
Argolina d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00	Management of construction projects
Autotehna Croatia, d. o. o., in liquid.	Murini 7/D	51000 Rijeka, CRO	100.00	Wholesale of household electrical appliances
Avtotehna Beograd, d. o. o., in liquid.	2/25 Lazarevičeva	11000 Beograd, SRB	100.00	Manufacture and wholesale of office machinery and equipment (except computers and peripheral equipment)
Avtotehna Zagreb d. o. o.	Nova cesta 109	10000 Zagreb, CRO	100.00	Sale of motor vehicles
BR89, d. o. o.	Breznikova cesta 89	1230 Domžale, SLO	100.00	Pig farming
Ihan, d. o. o. Beograd	Milutina Milankovića 108	11000 Beograd, SRB	100.00*	Pig farming
DUP, d. o. o. Sarajevo	Ul.Vrazova broj 3	71000 Sarajevo, BiH	100.00	Real estate
DUTB Crna Gora, d. o. o.	Ul.Svobode 74/II	81000 Podgorica, MNE	100.00	Real estate
Factor projekt, d. o. o. Croatia	Šetalište Svetog Bernardina bb Krk	51500 Krk, CRO	100.00	Real estate
Farme Ihan - KPM, d. o. o.	Korenova cesta 9	1241 Kamnik, SLO	100.00	Pig farming
Go- KO, d. o. o.	Mlaka pri Kočevju 37	1332 Stara cerkev, SLO	100.00*	Livestock farming
Farme Ihan - MPR, d. o. o.	Cesta Leona Dobrotinška 15	3230 Šentjur, SLO	100.00*	Processing of pork
VOA, d. o. o.	Željne 80	1330 Kočevje, SLO	100.00*	Pig farming
Meso Kamnik, d. d.	Korenova cesta 9	1241 Kamnik, SLO	91.08*	Meat processing
Fundus d. o. o. Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00	Real estate
Hyundai auto Beograd, d. o. o.	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00	Sale of motor vehicles
Illuria Holdings Limited	ARCH. MAKARIOU III, 195	3030 Limassol, CYP	100.00	In liquidation
Istrabenz turizem, d. d.	Obala 33	6320 Portorož, SLO	100,00	Hotels and tourism

Company	Registered office		interests	Core business/notes
Subsidiary companies			in %	
Istrabenz, d. o. o.	Obala 33	6320 Portorož, SLO	100,00	Business and other management consultancy activities
MLM, d. d.	Oreško nabrežje 9	2000 Maribor, SLO	100,00	Foundry, machine tools
MLM Alutec, d. o. o. Bugojno	Armije BiH 171	70230 Bugojno, BiH	99,97*	Foundry, machine tools
PROLeasing Rijeka, d. o. o. - in liquidation	Prolaz Marije Krucifikse Kozulić 2	51000 Rijeka, CRO	100,00	Leasing
PY&CA, d. o. o. Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100,00	Real estate
Sklad turističnih naložb, d. o. o.	Davčna ulica 1	1000 Ljubljana	100,00	Holding company (in tourism sector)
Thermana, d. d.	Zdraviliška cesta 6	3270 Laško, SLO	100,00	Hotels and tourism
MK Založba, d. d.	Slovenska cesta 29	1000 Ljubljana	83,47	Publishing
MK trgovina, d. o. o.	Slovenska cesta 29	1000 Ljubljana	100,00*	Publishing
Grafika Soča, d. o. o.	Sedejeva 4	5000 Nova Gorica, SLO	100,00*	Publishing
CZ-Z, d. o. o.	Slovenska cesta 29	1000 Ljubljana	100,00*	Publishing
Mozaik knjiga, d. o. o.	Karlovačka cesta 24a	10020 Zagreb, CRO	100,00*	Publishing
Mladinska knjiga društvo sa ograničenim odgovornošću za izdavačko delatnost i trgovinu Beograd	Omladinskih brigada 102	11070 Beograd, SRB	100,00*	Publishing
Mladinska knjiga, d. o. o., Sarajevo	Kemal begova 12	71000 Sarajevo, BiH	100,00*	Publishing
DS Projekt, d. o. o.	Ulica bratov Rozmanov 1	1000 Ljubljana, SLO	74,00	Buying and selling of own real estate
Sava, d. d.	Dunajska cesta 152	1000 Ljubljana	61,91	Holding company (in tourism sector)
Bramir, d. o. o. Mostar	Ulica Dr. Ante Starčevića 62	88000 Mostar, BiH	100,00*	Holding company
Sava Turizem, d. d.	Dunajska cesta 152	1000 Ljubljana	95,47*	Holding company
Poslovni sistem Domina, d. o. o, Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	55,52	Real estate

* share of the parent company in the subsidiary company

THE LIST OF DIRECT AND INDIRECT SUBSIDIARIES OF SSH GROUP AS AT 31 DECEMBER 2021

Company	Registered office		interests	Core business/ notes
Subsidiary company			in %	
Elektrooptika, d. d.	Mala ulica 5	1000 Ljubljana	100,00	Business and management consultancy activities
PS za avto, d. o. o.	Tržaška cesta 133	1000 Ljubljana	100,00	Business administration

The Slovenian Sovereign Holding Act (ZSDH-1), Article 36(a) stipulates that subsidiaries acquired through the transfer of shareholdings, assets, rights and obligations from BAMC to SSH in accordance with Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks, shall not be included in the consolidated financial statements. SSH does not form a joint concern with any company, as there are no unified management between structures or management agreements.

The consolidated financial statements include the business results of Sava and Sava Turizem for the last quarter of 2022. The companies - Elektrooptika and PS za avto - are immaterial for a true and fair presentation of the consolidated financial statements; therefore, they are not included in the consolidation.

3.4.2 Basis for preparation of consolidated financial statements

3.4.2.1 Basis for preparation of consolidated financial statements

The consolidated financial statements of SSH Group have been prepared in accordance with the requirements of ZSDH-1. The Group follows the International Financial Reporting Standards, as adopted by the European Union (hereinafter referred to as: "IFRS") and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the EU, with the exception of the inclusion of subsidiaries in the consolidated financial statements. Article 36(a) of ZSDH-1 stipulates that subsidiaries, in which the position of the controlling company has been obtained through the transfer of shareholdings, assets, rights and obligations from BAMC to SSH in accordance with Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks, shall not be included in the consolidated financial statements. The financial statements have been prepared in accordance with Slovenian legislation (ZGD-1) and the SSH's internal policies and regulations.

3.4.2.2 Basis for Consolidation and Business Combinations

As at 31 December 2022, the SSH Group consists of the parent company SDH, d. d., and its subsidiaries Sava, d. d., and Sava Turizem, d. d. Subsidiaries, which are immaterial for a true and fair presentation of the consolidated financial statements, are not included in the consolidation (PS za avto and Elektrooptika). Subsidiaries acquired by SDH through the merger with BAMC are not consolidated in accordance with the provisions of ZSDH-1 and are disclosed in note 3.4.1. In the consolidated financial statements, associates are measured using the equity method.

For all companies included in the consolidation, the full consolidation method is applied from the date when the Group obtained control over the subsidiary company. Subsidiaries are excluded from the Group when the controlling influence of the parent company or other companies in the Group is lost. The financial statements of the companies in the Group are prepared for the same reporting period as the financial statements of the parent company and using the same accounting policies. During the preparation of the consolidated financial statements, all transactions, balances, and unrealized gains and losses resulting from internal transactions within the Group as well as dividends between related companies are eliminated.

A change in the ownership interest of a subsidiary company where there has been no loss of control is accounted for in equity. In the event of a loss of control in a subsidiary company, the Group must:

- derecognize the assets (including goodwill) and liabilities of the subsidiary company;
- derecognize the carrying amount of all non-controlling interests;
- derecognize the entire amount of cumulative foreign exchange differences previously recognized in equity;
- recognize the fair value of any consideration received;
- recognize the fair value of any remaining investment;
- recognize any surplus or deficit in the income statement;
- reclassify the share of the parent company previously recognized in other comprehensive income to either the income statement or retained earnings as appropriate.

Mergers and Goodwill/ Negative goodwill

Business combinations are accounted for using the acquisition method. The cost related to the acquisition is determined as the total consideration at fair value on the acquisition date, increased by the amount of any non-controlling interests in the acquired company. For each business combination, the acquiring company measures the non-controlling interest in the acquired company either at fair value or as a proportionate share of the identifiable net assets of the acquired company.

Upon acquisition, the Group assesses whether the allocation of acquired assets and assumed liabilities is in accordance with contractual provisions, the economic situation and relevant circumstances as of the acquisition date.

In business combinations achieved in stages, the fair value of the previous acquirer's interest in the equity of the acquired company is remeasured to fair value at the acquisition date. The amount of the contingent consideration which is expected to be transferred to the acquiring company is recognized at fair value on the acquisition date. Subsequent changes in the fair value of contingent consideration which is classified as an asset or liability are recognized either in the income statement or as a change in other comprehensive income in accordance with IFRS 9. If contingent consideration is recognized in equity, it shall not be remeasured until it is settled.

Goodwill is recognized upon initial measurement as the excess of the total consideration paid and the recognized amount of non-controlling interests over the fair value of

identifiable net assets acquired and liabilities assumed. If the consideration is lower than the fair value of identifiable net assets of the acquired subsidiary, the difference is recognized in the income statement (gain on bargain purchase or negative goodwill).

After initial recognition, goodwill is measured at cost reduced by any accumulated impairment losses. In the impairment test, the goodwill acquired in business combinations is allocated to each cash-generating unit within the Group expected to benefit from the business combination, regardless of whether other assets and liabilities of the acquired subsidiary are assigned to these units.

When goodwill is part of a cash-generating unit and part of the unit's operation is disposed of, the recognition of goodwill relating to the cash-generating unit is recognized at the carrying amount of the disposed operation. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed business and the proportion of the cash-generating unit retained by the Group.

Comparative data in the consolidated financial statements of the acquiring company is not restated for business combinations.

Business combinations of companies under common control:

When calculating business combinations of companies under common control, the Group accounts for transactions between entities forming an economic entity using the book value method, according to which the carrying amounts of assets and liabilities of the acquired company are recognized in the individual or consolidated financial statements of the acquiring company on the date of the business combination (the transaction date).

The effects of the business combination (on the transaction date), which are calculated as the difference between

- the carrying amount of the investment in the acquired company at the acquiring company, and
- the transferred assets, assumed liabilities, and transferred accumulated other comprehensive income of the acquired company,

are recorded directly in equity without affecting the income statement.

Comparative data in the consolidated financial statements of the acquiring company is not restated for business combinations of companies under common control.

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group is exposed to variable returns or has rights to variable returns from its investment in the company and has the ability to influence those returns through its control over the company.

The financial statements of subsidiary companies are included in the Group's financial statements from the date control commences until the date control is lost. The Group recognizes business combinations gradually, in individual stages, and any additional purchases of stakes do not affect previously recognized goodwill.

Elimination of transactions during consolidation:

Intercompany balances and transactions within the Group, including revenues, expenses and dividends, are eliminated in their entirety. Unrealized gains and losses arising from transactions within the Group and recognized in assets are eliminated. Unrealized losses are eliminated in the same manner as gains, provided that there is no evidence of impairment.

3.4.2.3 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 notes.

- investments in subsidiaries - acquisition cost or lower recoverable value,
- investments in associates - equity method,
- other financial investments - fair value through other comprehensive income,
- loans - fair value through profit or loss,
- inventory property or property held for resale – the lower of cost or net realizable value,
- 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 an actuarial calculation,
- other provisions - at present value of the assessed deferred payments,
- deferred tax assets and liabilities - non-discounted, measured using the applicable tax rate,

3.4.2.4 Use of estimates and judgements

The preparation of consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting poli-

cies and the reported amounts for assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and other factors which are considered reasonable in the circumstances and are the basis for determining the carrying amount of assets and liabilities. 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 involved in the following judgements:

- income from contracts with customers: the relationship of a principal or agent;
- estimates of the expected useful lives of intangible and tangible fixed assets;
- adjustments to the value of receivables;
- estimates of the net realisable value of inventories;
- estimates of the amounts of provisions and contingent liabilities;
- estimating the fair value of loans and equity investments;
- estimating the recoverable value of investments in subsidiaries;
- assessing the likelihood of utilizing deferred tax assets;
- estimating of the useful economic life of depreciating assets;
- assessing the fair value of the net assets acquired in a business combination.

Estimates and related assumptions and uncertainties are disclosed in the notes to individual line items in the consolidated financial statements.

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

3.4.2.5 Application of new and revised IFRS Standards and IFRIC Interpretations

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

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

Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets). These changes relate to the interpretation

that when an entity assesses an onerous contract, the cost of fulfilling a contract comprises the costs that relate directly to the contract.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use). Proceeds from selling items before the related item of property, plant and equipment (PPE) is available for use can no longer be deducted from the cost of PPE, and should be recognised in profit or loss, together with the costs of producing those items. Companies will therefore need to distinguish between costs associated with producing and selling items before the item of PPE is available for use, on the one hand, and the costs associated with making the item of PPE available for its intended use, on the other.

Reference to the Conceptual Framework (amendments to IFRS 3 – Business Combinations relating to an updated reference to the 2018 Conceptual Framework and introducing new recognition and measurement exemptions under IFRS 3 to ensure that the new reference does not change the determination of which assets and liabilities qualify as business combinations).

Annual updates to IFRS 2018-2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41). The Annual updates contain the following amendments to IFRS standards: IFRS 1 – First-time Adoption of International Financial Reporting Standards, which simplifies the adoption of IFRS for a subsidiary as a first-time adopter; amendment to IFRS 9 – Financial Instruments, which clarifies which fees an entity includes when it applies the ‘10 per cent’ test for the derecognition of financial liabilities; the amendment to Illustrative Example 13 accompanying IFRS 16 – Leases; and IAS 41 – Agriculture, where the amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset, where the fair value corresponds to the definition given in IFRS 13.

The adoption of these new standards and amendments of existing standards and notes did not have any significant impact on the consolidated financial statement of the Company.

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

For reporting periods starting on or after 1 January 2023, the following standards and amendments shall enter into force:

Disclosure of accounting policies (Amendments to IAS 1 and IFRS 2 Statement of Practice). IAS 1 contains two amendments - an amendment relating to the presentation of current and non-current liabilities and an amendment relating to the disclosure of accounting policies. 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, but in May 2020 the effective date was delayed to annual reporting periods beginning on or after 1 January 2023. The amendment to IAS 1 relating to disclosure of accounting policies introduces the disclosure of substantive, rather than just significant, accounting policies and provides guidance on when information relating to an accounting policy is substantive.

Definition of accounting estimates (amendments to IAS 8). The amendments introduce a new definition of an accounting estimate and include other changes to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendment will also clarify that the effect of a change in inputs or measurement techniques is a change in an accounting estimate unless it requires a correction of a prior period error.

IFRS 17 - Insurance Contracts and amendments to IFRS 17 - Insurance Contracts, relating to the first-time application of IFRS 17 and comparative information according to IFRS 9.

Deferred tax assets and deferred tax liabilities on individual transactions (amendments to IAS 12 - Income Taxes). The amended standard clarifies whether the initial recognition exemption applies to certain transactions that are recognised as both an asset and a liability (e.g. such as a lease as per IFRS 16 - Leases). The amendment introduces additional criterion for the initial application of exceptions under IAS 12.15, where the initial recognition exception does not apply to an asset or liability that gives rise to the same taxable and deductible temporary differences at the time of the recognition.

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 consolidated financial statements.

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

Currently, IFRS standards as adopted by the EU do not differ significantly from standards adopted by IASB with the exception of the following new Standards and amendments to the existing Standards which will become effective for the reporting periods beginning on 1 January 2023 and which have not yet been adopted by the EU:

Amendments to IAS 1 – Presentation of Financial Statements

Classification of liabilities as current or non-current. The amendment requires that the entity's right to defer settlement of a liability for at least 12 months after the reporting date must have substance and must exist at the end of the reporting period. The classification of liabilities is unaffected by the likelihood that an entity will exercise its right to defer the liability for at least 12 months after the reporting date. The standard was subsequently further amended.

Non-current liabilities with covenants. If the right to defer settlement is subject to the company complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period where an entity is required to comply with the condition on or before the end of the reporting period, and not where an entity is required to comply with the condition after the reporting period. The amendment also includes an explanation of the term "settlement" for the purpose of classifying liabilities as current or non-current.

Amendments to IFRS 16 - Leases: lease liability in a sale and leaseback transaction. The amendment requires the seller-lessee to determine the "lease payments" or "modified lease payments" so that the seller-lessee does not recognize any gain or loss relating to the right of use retained by the seller-lessee.

SSH expects that the introduction of these new standards and the amendments to the existing standards should not have any material impact on the SSH consolidated financial statement in the transition period.

3.4.2.6 Amendments to accounting policies

There were no changes in accounting policies in 2022 and 2021. However, in 2022, due to the merger with BAMC, the range of assets in the statement of financial position expanded, primarily in the form of loans given and inventory properties. Additionally, the range of assets expanded due to the acquisition of a controlling stake in Sava, d. d., and subsequently its inclusion in consolidated financial statements, mainly comprising tangible fixed assets and investment property. The guidelines for recognition and measurement of the aforementioned assets are described below.

3.4.2.7 Currency reporting

a) Functional and presentation currency

All financial information in the consolidated financial statements of SSH Group is presented in Euros (EUR), which is the functional and presentation currency of SSH Group and of all its subsidiaries included in the consolidated financial statements. All accounting information, with the exception of the earnings of the members of the Management Board, Supervisory Board and the Supervisory Board Committees, presented in the Euro, has been rounded to the nearest thousand. The rounding may result in some insignificant differences in totals and tables.

b) Transactions and balances

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

3.5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF SSH GROUP

Operating income

Income from contracts with customers is recognized based on the contract concluded with a customer. Income from contracts with customers is recognised when the Group transfers goods and services to the customer in the amount which reflects the consideration the Group expects to be entitled to in exchange for transferring those goods and services. Each product or service sold is treated as a separate performance obligation if it is distinct. Distinct means that the customer can benefit from the product or service on its own. A performance obligation is a promise to provide products or services to the customer. The Group has identified services and goods as independent performance obligations.

Revenue is recognized at the moment when the Group fulfils the performance obligation, which is when control over the product or service is transferred to the customer. Discounts granted at the time of contract signing are allocated to all performance obligations and are recognized over the contract duration. Any subsequently approved discounts are recognized as a reduction of income in the period they are approved for.

The Group has established a loyalty program (points). For the unused portion of points, the company recognizes obligations from contracts with customers.

Income is recognized when the service is provided. In cases where the income from a tourist package relates to two accounting periods, they are allocated based on the number of days in each accounting period.

Significant types of income:

- compensation for managing capital assets owned by the Republic of Slovenia – recognized when the service is provided;
- rental income from real estate – recognized evenly over the duration of the lease;
- income from the sale of real estate inventory – recognized upon the sale of the inventory;
- revenue from tourism activities – recognized when the service is provided.

Other operating income mainly relates to income associated with denationalisation and is recognised when the Group is eligible to receive a fee.

Financial income and expense

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

Any potential profits or losses upon the disposal of subsidiaries are recognized as financial income or expenses. 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 is also recognised in the Consolidated Income Statement as financial income or expenses.

Financial income also includes the recognition of a profit on a bargain purchase in a business combination, which occurs when the fair value of the consideration transferred is lower than the fair value of the acquired net assets.

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 exercises a controlling influence by other means, effectively controlling the company.

Investments in subsidiaries which are not consolidated in accordance with ZSDH-1 and investments in subsidiaries which are not consolidated due to their immateriality are valued at their original cost, reduced by any potential impairments. In accordance with IAS 36, at each reporting date, the company assesses whether there is an indication that investments in subsidiaries may be impaired. If such indications

exist, an impairment test is performed, and the recoverable amount of these investments is determined. The recoverable amount is the fair value less costs to sell or value in use, whichever is lower. When the determined recoverable amount is lower than the carrying amount, an impairment is recognized. The impairment loss is disclosed in the Income Statement.

Investments in associates

Associates are companies in which SSH holds from 20% to 50% of voting rights, or it has a significant influence over their operation but does not control them.

Investments in associates are measured using the equity method in the consolidated financial statements.

Intangible assets

Intangible assets include investments in computer software and other intangible assets. When computer software forms an integral part of the related 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 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 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 taking into account the useful life of the assets. Estimated useful life ranges from 3 to 10 years.

Tangible fixed assets

Recognition and Measurement

Property, plant and equipment are recognised at cost less any accumulated depreciation and any accumulated impairment loss.

Acquisition cost includes any expenditure directly attributable to the acquisition of an asset. The cost includes the cost of materials, direct labour, other directly attributable costs to bringing the asset to the condition necessary for the intended use, the cost of their decommissioning and removal, as well the costs of restoring the location of an asset to its original state as well as capitalized borrowing costs. The costs may also include transfers from other comprehensive income to

protect cash flows from the currency risk associated with the purchase of tangible fixed assets. In addition, the cost may also include costs incurred in respect of leases of assets used for the construction, extension, the replacement of parts or renewal of property, plant and equipment, for example the depreciation of assets representing the right to use.

Parts of property, plant and equipment with different useful lives are accounted for as separately identifiable items of property, plant and equipment. The Group carries out an impairment test to identify any indications of potential impairment at least once a year.

Leases

A lessee recognises an item of property, plant and equipment at the commencement of the lease term. It represents the right-of use and a lease liability. An item of property, plant and equipment acquired under a lease is an integral part of the lessee's property, plant and equipment. At the commencement of the lease term, the lessee shall measure the lease liability at the present value of the lease payments outstanding at that date. In calculating the present value of the lease, the discount rate associated with the lease is the interest rate, or alternatively the assumed borrowing rate payable by the lessee. At the time of concluding a contract, the Company assesses whether the contract is a lease. The contract is a lease contract if the right to control the use of an identified asset for a specified period is transferred with it in exchange for consideration as well as the right to obtain all significant economic benefits from the use of the identified asset. In doing so, an organisation accounts for each lease component in the contract as a lease separately from the non-lease components of the contract, unless it decides for practical reasons to account for all components as a single lease component. Leased property, plant and equipment is recorded separately from other property, plant and equipment of the same type.

Exemptions apply only for short-term leases and leases of low-value assets for which it is not necessary to recognize the right-of-use asset. A lease with a lease term of up to 1 year is considered a short-term lease. A low-value lease is a lease with a value of up to EUR 5,000 based on the value of the new asset being leased.

Subsequent costs

The costs incurred for the replacement of an item of property, plant, and equipment are recognized in the carrying value of that asset if it is probable that the future economic benefits associated with the item will accrue to the entity and if the cost of the item can be measured reliably. All other subsequent costs are recognised as an expense in the Income Statement in the period when they are incurred.

Depreciation and amortisation

Depreciation is calculated and recognised in the Income Statement using the straight line method over the useful economic life of property, plant, and equipment. Land is not depreciated. The group reviews the suitability of the depreciation method and useful lives on the reporting date.

The following depreciations rates are applied (in %):

	2022	2021
Construction facilities, parts of buildings	from 1.4 to 10.0	from 1.4 to 10.0
Production equipment	from 10.0 to 20.0	from 10.0 to 20.0
Computer equipment	from 16.6 to 25.0	from 16.6 to 25.0
Other equipment	from 5.0 to 50.0	from 5.0 to 50.0
Operating leases	The rate is based on each valid contract.	The rate is based on each valid contract.

Investment property

Investment properties are assets which are owned by an entity to generate rental income or increase the value of long-term investments or both. Investment property is stated using the cost model. Investment property is initially measured at cost, which comprises the purchase price and costs directly attributable to its acquisition. Such costs include expenditure on legal services, property transfer taxes and other transaction costs.

In cases where it is necessary to determine whether an asset is an investment property or property, the asset is classified as an investment property if more than 20 percent of its total value is used for rental purposes.

Depreciation is calculated using the straight-line method for the useful life of each investment property. Land is not depreciated.

The useful lives of investment property are the same as those for similar property, plant, and equipment.

Financial assets (excluding investments in subsidiaries and associates)

Financial assets include cash and cash equivalents, receivables, loans and deposits, as well as financial investments (excluding investments in subsidiaries and associates).

When a financial asset is first recognised, it is classified in accordance with the business model used for managing financial assets and in line with the characteristics of the contractual cash flows generated by the assets. Financial assets are classified into one of the groups below:

- financial assets measured at amortised cost;
- financial investments 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. In 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, overdrawn amounts are recognised as current financial liabilities in the Statement of Financial Position.

Financial assets measured at amortised cost are financial assets held by SSH Group as part of its business model of collecting contractual cash flows and where the cash flows comprise solely payments of principal and interest on the amount of principal outstanding. This group includes trade receivables and deposits with a maturity of more than 90 days. Initially, they are recognised at fair value increased by direct transaction costs and subsequently they are measured at amortised cost using the effective interest rate method and are written down in the event of impairment losses. Trade receivables arising from financial, legal and other relations are guaranteed rights to the payment of a debt due from an entity, the supply of goods or the provision of services. Trade receivables include receivables arising from financial investments and are associated with financial income, as well as receivables from tourism activities, receivables for management fees of state-owned capital assets, receivables from loans/equity investments/properties sold, receivables for advances given for property purchases, receivables arising from deposits paid for auction participations, receivables for rents charged, other receivables due by the state and other lesser receivables.

Financial assets measured at amortised cost are derecognised if the contractual rights attaching to them are no longer controlled by the Company; for example, they are not controlled if the rights to the benefits specified in the contract are exhausted, extinguished or have been surrendered.

The group acquired an additional segment of loans measured at fair value through profit or loss (FVTPL) with the merger of BAMC in 2022. These are loans which BAMC took over from four systemic banks in 2013 and 2014 and from the mergers with Factor bank and Probanka in 2016. Loans are valued at least once a year based on the valuation policy adopted, which is presented in the section "Loan Valuation Methodology measured at fair value through profit or loss". The effects of valuation are recognized in the Income Statement as revaluation gains/losses. The fair value of the loans is calculated using the Binomial Option Pricing Model (BOPM), except for loans with a gross exposure lower than 0.3 million EUR.

Loans can also be recovered through the acquisition of ownership of the collateralised assets. Loans can be converted into equity investments, properties, or equipment. The asset subject to conversion is measured at the amount of the converted loan based on the final plan for the distribution of the debtor's bankruptcy estate. Any difference between the conversion value and the carrying amount of the converted loan is recognized in the Income Statement as gains/losses from loans and/or gains/losses from real estate inventory.

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 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 using the estimate model. Gains and losses arising from the changed fair value are recognized in other comprehensive income and are presented in equity as fair value reserves in the net amount, after the associated deferred tax assets or liabilities are calculated. Amounts presented in other comprehensive income related to equity instruments must not be subsequently transferred to the profit or loss, however, they may be transferred to retained earnings or loss. Dividends arising from equity instruments are recognised as financial income in the Income Statement when the right to their pay-out is established.

Assets to be distributed to the owner include a portion of financial assets measured at fair value through other compre-

hensive income (FVTOCI). These are investments intended to be transferred to the ownership of the Republic of Slovenia. Amendments to ZSDH-1 published in the Official Gazette No. 140/2022 of 4 November 2022, have removed the requirement for the free-of-charge transfer of strategic and important assets.

Derivative financial instruments

Derivative financial instruments are initially recognized at fair value. Transaction costs related to these instruments are recognized in profit or loss when incurred. After initial recognition, derived financial instruments are measured at fair value and the resulting changes are treated in two ways:

- When a derivative financial instrument is designated as a cash flow hedge for exposure to variable cash flows attributable to a specific risk associated with a recognised asset or liability or a highly likely (planned) transaction that could affect the profit or loss, the effective part of the hedge (movement in the fair value of the derivative financial instrument) is recognized in other comprehensive income for the period. The ineffective part of the hedge (movement in the fair value of the derivative financial instrument) is recognised directly in profit or loss. The Group discontinues hedge accounting when the hedging instrument is no longer considered effective, is sold, expired, or exercised.
- The effects of other derivative financial instruments not designated as cash flow hedges are recognized in the profit or loss.

Impairment of financial assets

The Group does not hold any debt financial instruments measured through the Statement of Comprehensive Income. Impairment requirements for financial assets apply to financial assets measured at amortized cost, primarily trade receivables.

Trade receivables are initially recognized at amounts derived from relevant documents, assuming they will be paid. Based on historical data and forward-looking information, SSH evaluates whether there are expected credit losses relating to the potential default of receivables within the next 12 months. The impairment amount is the difference between the carrying amount and the present value of the estimated future cash flows. The impairment is recognized in profit or loss as a revaluation expense. For the purpose of carrying out impairment tests, each trade receivable is evaluated individually, taking account of the identity and circumstances of the debtor.

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 the 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. The amount of the impairment loss recognized is the excess of the carrying amount of an asset over 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 assessing an impairment, assets are divided into smaller units which can be identified as generating cash flows independently of other units (cash-generating units).

Assets or disposal groups held for sale

Assets or disposal groups comprising assets and liabilities, the value of which is expected to be realised primarily through sale or disposal, are classified as held for sale or disposal. When this criterion is met, financial investments in subsidiaries or associates are reclassified to the category of assets/disposal groups held for sale. Immediately before the classification as held for sale or distribution, the assets or disposal groups are remeasured. Accordingly, a 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 and subsequent gains or losses on re-measurement are recognised in profit or loss.

Inventories

Inventories largely consist of properties acquired through the merger with BAMC; they had been acquired by BAMC through various insolvency proceedings with the purpose of recovering the non-performing loans transferred to BAMC or optimizing the profitability of existing properties.

Inventory is presented at lower of cost or net realizable value. The net realizable value is calculated as the fair value reduced by the costs of selling the inventory.

The Company tests the criteria used to value the inventory at least once a year to determine whether there are objective circumstances which would require a write-down of the inventory to its net realizable value.

The amount of the write-down is recognized as an inventory loss in the period when it occurs. Any subsequent increase in the net realizable value of the inventory is recognized as a reversal of impairment in inventory. The amount of the impairment reversal is limited to the original impairment amount, so that the new carrying amount is equal to lower of cost or adjusted net realizable value.

When the inventory is sold, its carrying value is recognized as an expense in the same period as the revenue from the sale of inventory.

Financial and operating liabilities

Financial liabilities include loans and operating liabilities.

Operating liabilities are amounts due to suppliers for assets acquired or services rendered, and liabilities due to employees, government, the owners. Liabilities are recognized in the accounting records when it is probable that there will be a diminution in economic benefits as a result of their settlement and if the amount required to settle the liabilities can be reliably measured.

Financial liabilities are recognised when incurred at fair value without any associated transaction costs. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method. Interest received is calculated in accordance with contracts and are recorded as financial interest expense. The portion of non-current liabilities which are overdue or which are due within twelve months after the reporting date is recognised as current liabilities.

Provisions

Provisions are recognised, if, as a result of past events, 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 if it is possible to reliably estimate this liability. Amounts recognised as provisions are the best possible estimate of the expenditure that will have to be incurred necessary as at 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.

Significant provisions include:

- provisions for claims from the beneficiaries of denationalization;
- provisions for unsettled legal disputes;
- provisions for retirement benefits and jubilee awards;
- provisions for warranties to remedy defects in apartments sold;
- provisions for bank guarantees issued;
- provisions for warranties and collateral given.

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 existing 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

ble assessment in respect of these cases, however, it can be expected that the companies in the Group will not be liable to pay compensation. In cases when, by examining all facts, it is considered that there is a small likelihood that SSH will be deemed a party liable to pay compensation, such claims are classified as contingent liabilities.

Provisions for lawsuits are recognised at the commencement of the legal proceedings. The amount of provisions for lawsuits is determined based on the assessment of the likely outcome of each individual legal claim.

Provisions for retirement benefits and jubilee awards are established in accordance with statutory regulations, collective agreements, and internal policies and regulations. The Company has no other pension-related liabilities. The calculation includes the costs of retirement benefit upon retirement and the cost of all expected jubilee awards until retirement. The projected unit credit method was used by the authorised actuary in the calculation. Actuarial gains or losses from jubilee awards for the current financial year are recognized in the Income Statement, while actuarial gains or losses from retirement benefits are recognized in equity.

The Company reviews the probability of a cash outflow and estimates the most likely amount needed to settle the liability at least once a year.

Government grants

Funds received in the form of government grants are recognized in the financial statements as deferred revenue when they are received and when there is reasonable likelihood that the conditions attached to the grants will be met. Government grants received are recognized as revenue in the periods in which the costs, which the funds received are intended to cover, are incurred. State subsidies relating to specific assets are recognized in the Income Statement as other operating income over the useful life of the asset in question.

Short-term employee benefit liabilities are measured without discounting and are expensed when the employee's service relating to a specific short-term benefit is provided.

Deferred tax

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 their carrying amounts. Deferred tax assets and liabilities are calculated using applicable statutory tax rates for the period when a deferred tax asset is expected to be realized and a deferred tax liability is settled.

A deferred tax asset is recognised when it is probable that sufficient taxable income will be generated in the future to enable 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. Deferred tax assets arising from tax losses have not been recognized.

Deferred tax liabilities primarily arise from temporary taxable differences due to the fair value revaluation of financial assets, while deferred tax assets arise from provisions, tax losses, and investments.

Equity

Total equity comprises called-up capital, capital surplus, revenue reserves, fair value reserves, retained earnings, the undistributed net profit for the current year as well as the capital attributable to the minority interest.

Capital reserves were formed upon the merger of BAMC and represent the share capital and statutory reserves of the merged company. Capital reserves can only be utilized if the following conditions are met:

- if the amount of these reserves, together with statutory reserves, does not reach the percentage of the share capital specified by law or the Articles of Association, they can be used only for:
 - covering the net loss of the financial year, if it cannot be covered by retained earnings or other revenue reserves;
 - covering the accumulated loss, if it cannot be covered by the net profit of the financial year or other revenue reserves.
- If the amount of these reserves, together with statutory reserves, exceeds the percentage of the share capital specified by law or the Articles of Association, the excess amount can be used for:
 - increasing the share capital using the company's own resources;
 - covering the net loss of the financial year, if it cannot be covered using retained net profit and if revenue reserves are not used for dividend payments to shareholders;
 - covering the accumulated net loss, if it cannot be covered using the net profit of the financial year and if revenue reserves are not used for dividend payments to shareholders.

Other revenue reserves were created from the net profit of the year 2022 in accordance with the Articles of Association. Other revenue reserves can be utilised for any purposes in accordance with the law, Articles of Association, and General Meeting resolutions.

The fair value reserves relate to changes in fair value of financial investments measured at equity method and actuarial gains/losses or losses arising from provisions for retirement benefits.

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

Fair value measurement

In accordance with SSH Group's accounting policies, there is a requirement to determine the fair value of financial instruments in a number of cases. For this purpose, financial instruments are categorised into two groups:

- financial instruments which are measured at fair value in the Statement of Financial Position, which include investments in associates, loans, and equity instruments other than investments in subsidiaries which are measured at cost in accordance with IFRS 28, and
- financial instruments for which a fair value disclosure is required even though they are not measured at fair value in the Statement of Financial Position, and which include trade receivables, financial and operating liabilities.

In addition to the above, in the case of a business combination (that is not a combination of entities under common control), the Group recognizes the acquired net assets at their fair value at the date of the business combination.

The fair value is the amount that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date.

Fair value measurement of financial instruments

When measuring the fair value of financial instruments, the following three-level fair value hierarchy is used:

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-quoted 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 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 to evaluate the fair value of a financial instrument.

Methodology for the valuation of loans measured at fair value through profit or loss (FVTPL)

The valuation of loans with a gross exposure exceeding EUR 300,000 is performed at individual debtor level, while smaller exposures are valued using group valuations at debtor level. The valuations follow the methodology stipulated in Level 3 of the fair value hierarchy and involve unobservable inputs, which represent the best available information in the given circumstances. This includes SSH's own proprietary data (formerly that of BAMC), such as information on market participant assumptions that are available and reasonably reliable.

Individual loan valuations at debtor level

Loan valuations are based on the Binomial Model for Valuation of Real Options (BMVRO). Two scenarios (restructuring scenario and recovery of collateral scenario) are considered for each individual debtor, along with the forecast of future expected cash flows.

The key unobservable input in the loan assessment process is the estimation of the probability of successfully implementing each of the two strategies. In cases where it is assessed by the Company that the probability of realizing the collateral recovery strategy is higher, only the future cash flows of that strategy are considered to have 100% probability. In cases where it is assessed by the Company that there is a higher probability of implementing the restructuring strategy, the DPS model (Default Probability Scorecard) is used to determine the probability of implementing the restructuring scenario. The probabilities of implementing the restructuring scenario calculated using the DPS tool can be overruled by the claims manager with appropriate justification (based on an explanation of various risk factors and presentation of realistic options). The loan valuation methodology described is in line with the requirements of IFRS and International Valuation Standards (IVS) as it ensures the following:

- applicability and theoretical consistency;
- repeatability of the valuation process;
- comparability of the valuation process irrespective of who the appraiser is;
- identification of key specific risks relating to the feasibility of the scenario not covered in the discount rate.

The DPS model defines 13 different elements of business risk on a 7-point scale which reflects different levels of risk. The risk elements are defined based on specific knowledge of the debtor. If a high level of risk is identified for an individual element of business risk, the probability of implementing the restructuring strategy is reduced. Once all the levels of risk for individual elements are determined, the average risk profile (avgP) of the restructuring strategy is calculated.

The probability of implementing the collateral recovery strategy is determined as "1 - probability of implementing the restructuring strategy" in restructuring cases.

After determining the probabilities of implementing each individual strategy and the future cash flows are determined for each strategy, the loan value is calculated. If a restructuring strategy is adopted, the BMVRO model is used. This model is a discrete model based on probability distribution and assumes that SSH (formerly BAMC) can also opt for a modified scenario - changing the strategy from restructuring to collateral recovery if the restructuring fails. The main input data for the BMVRO model are as follows:

- the probability of implementing the restructuring strategy (which is determined by using the DPS model);
- the probability of implementing the collateral realisation strategy (which is determined by using the DPS model);
- the period of transition from the restructuring strategy to the collateral recovery strategy. According to the principle of conservatism, SSH (formerly BAMC) assumes that such a strategy change is possible with immediate effect. The model considers the probability of restructuring failure, thus eliminating the possibility of deferring this failure to later periods. Additionally, SSH (formerly BAMC) estimates that due to the early stage and uncertain nature of restructuring, it is reasonable to assume that if the restructuring fails, it does so within a very short period;
- the future cash flows for each strategy (restructuring and collateral recovery). Under the restructuring strategy, future cash flows are derived from the debtor's ability to service the debt and from cash flow forecasts. Under the collateral recovery strategy, future cash flows are based on the valuation of the collaterals;
- the risk-free rate of return is not treated as a separate input within the BMVRO model as it is already factored into the calculation of the discount rate and included in the present value for both strategies.

At 31 December 2022, the discount rate used in the individual loan valuations was 7.87% and at 30 June 2022, it was 5.86%. The main reason for the increase in the discount rate was the lower relative proportion of debt financing in the overall financing structure.

In general, the Group calculates the probability-weighted average of the present values of forecasted cash flows in both scenarios. This subsequently reduces the present value of the loan from a higher value under restructuring scenario to a lower value under collateral recovery scenario, taking into account the probability of restructuring success and the value of collaterals considered in the recovery scenario. This reflects the assumption of the BMVRO that the collateral recovery strategy is a real option to the restructuring strategy.

Valuation and Control Process

Individual loan valuations at the debtor level are carried out once a year at 31 December. Exceptionally, for the purposes of preparing the final report due to the merger, valuations were also conducted at 30 June 2022.

The individual manager of each case is responsible for preparing a cash flow forecast and determining the probabilities of both scenarios, which are further confirmed by business analysts. In the collateral recovery scenario, the basis for valuing the collaterals consists of estimates of asset values which have been provided by real estate experts and/or business analysts from the Business Analysis Department. The valuation report is prepared in accordance with international valuation standards.

Among other things, the process includes a review of assumptions, such as:

- under the restructuring scenario:
- defining the reasons for specifying individual factors which determine the probability of restructuring success via DPS;
- the sustainability of forecasted cash flows;
- any adjustments to inflows and their justifications;
- the recognition of appropriate sources of cash flows (from operations, divestments, refinancing, etc.).

Under the collateral recovery scenario:

- using appropriate valuation estimates as a basis for valuing the collaterals and providing appropriate justifications for value adjustments;
- assumptions regarding the conversion of loans into assets (real estate) and assumptions about the timing of sales;
- recognition of relevant costs related to individual assets.

Group loan valuation at the debtor level:

Group loan valuation is conducted for smaller credit exposures (whose total exposure does not exceed EUR 300,000). The valuation is affected by the estimated probability of default and the value of the potential reserve scenario in the event of default. The latter value represents the value of the assets pledged to secure loans of each debtor. Further, SSH makes a

100% write down of the loan where the repayment is overdue by more than five years, regardless of the status and value of their collateral. Debtors which are valued as a group are presented in the category of Group Valued Exposures.

Valuation and Control Process

Group loan valuations at the debtor level are carried out once a year at 31 December. Exceptionally, for the purposes of preparing the final report due to merger, valuations were also conducted at 30 June 2022.

Among other things, the process includes a review of assumptions, such as:

- proper classification of debtors into groups based on the number of days overdue;
- the use of correct bases for recognizing the value of collaterals.

The valuations are presented to and confirmed by the Management Board.

Real estate inventory valuation methodology

The internal methodology for valuing real estate pertains to the inventory of properties and properties received as collateral. The valuations follow Level 3 of the fair value hierarchy and use unobservable inputs, which represent the best available information in the given circumstances. This includes proprietary data from SSH (formerly BAMC), such as information on market participant assumptions that are available and reasonably reliable.

The key unobservable inputs in the valuation process are adjusted market rent, adjusted market property price, investment costs, and illiquidity discount (time of sale).

Notwithstanding the methodology outlined above, the Company uses transaction values/prices as fair value when the outcome of a sales transaction is highly probable (e.g., signed contract, receipt of deposit/advance).

The market comparison method is the most common approach for calculating value because it provides the most realistic assessment of the market value. It is used when there are quality data on transactions (Trgoskop, proprietary database) or offers (e.g., Nepremičnine.net) available.

When using the market comparison method, the adjusted market value of real estate is calculated by the adjusting market prices of several properties within a sample for factors such as condition, size, age, and location of the subject property. Based on the data, the average of adjusted market values is calculated, which is used as the value of the appraised real estate.

The assessment always includes the property and its functional land, and is compared with other properties. Functional land refers to the land which is required for the property's intended use. In some cases, a building may have more land than necessary, but if it cannot be sold independently, adjustments are made to consider its impact on the property's value. Before the valuation process begins, data is verified to ensure that firstly, the sales transactions are carried out between unrelated parties, secondly, whether the data includes taxes, and thirdly, the consistency of areas with data from the Surveying and Mapping Authority of the republic of Slovenia (GURS).

In the **income-based approach**, two methods can be used. If a constant annual income is expected to continue until the end of the property's useful life, the capitalization of stabilized annual income method is applied. If a limited number of years of income is expected, the discounted cash flow (DCF) method is used. Before commencing the valuation, data on market-adjusted rents is obtained. Adjustments are made to compare either gross or net rents and comparable cost structures. After calculating the effective income, which is the product of market rent and selling area, adjustments are made for vacancy rates, and the following costs are added up: indirect investment costs (studies, estimates, technical documentation), investor's profit, financing costs, time to complete the project, and the assumption of the time required for sale.

The **simplified approach** is used for properties whose estimated value is lower than EUR 0.1 million. Similar to the market comparison method, relevant transaction data from the past year is sought. If there are insufficient transactions, the period is extended and adjusted with an index of price growth for the specific property type.

Based on a certain sample of transactions, the appraiser calculates the median price, age and size. The property in question is adjusted to the median age and size, and the calculated value is taken as the market value. For determining fair value under special conditions, a discount for the estimated time to sale is applied, and additional adjustments are made for any corrections for higher physical, functional, or economic obsolescence.

Valuation and Control Process

The Group performs property revaluations once a year at 31 December. Exceptionally, for the purposes of preparing the final report due to the merger, valuations were also conducted at 30 June 2022. Comprehensive valuations of properties are typically carried out every three years, with annual revaluations taking into account changes in market conditions, property management costs and the time to sale. Compre-

hensive valuations are carried out by authorised appraisers employed by the Company,

In the case of a comprehensive valuation conducted between two cut-off dates, the physical and legal conditions as well as changes in market conditions are reviewed at the end of that period. Significant deviations and new findings (legal and physical) require a revaluation, while minor deviations in market values (up to +/- 5%) suggest that the initial valuation remains valid for accounting purposes.

During the interim period of up to 3 years, property values are adjusted annually as follows:

- consideration of market conditions: revaluation using statistical indices for individual property types and areas in Slovenia published by GURS every six months;
- time to sale: the expected time to sale is reevaluated, and the current property value is adjusted accordingly;
- costs: average property management costs for each property type within one year are determined and compared to the costs considered in the valuation, with adjustments made as necessary;
- change in the discount rate: significant changes in market conditions may lead to changes in the discount rates used in the valuations.

Fair value of assets in business combinations:

Tangible fixed assets

The fair value of tangible fixed assets acquired in business combinations is their market value. The market value of real estate is determined as the estimated value at which the property could be exchanged on the valuation date in a transaction between a well-informed and willing buyer and a well-informed and willing seller, acting prudently, knowledgeably, and independently (an arm's length transaction). The market value of machinery, equipment, and tools is based on the market prices of similar items.

Intangible assets

The fair value of patents and trademarks acquired in business combinations is based on the estimated discounted future value of royalties which the acquirer would have to pay if they did not own the patent or trademark. The fair value of customer relationships acquired in a business combination is determined using a special method (multi-period excess earnings method) and is assessed by deducting the fair return on all assets contributing to the generation of cash flows.

For other intangible assets, the fair value is determined using discounted cash flow methods, which take into account the expected cash flows arising from the use and potential sale of the assets.

Investment property

The fair value of investment property is based on the market value, which is the estimated value at which the property could be exchanged on the valuation date in a transaction between a well-informed and willing buyer and a well-informed and willing buyer seller, acting prudently, knowledgeably, and independently (an arm's length transaction).

If current prices on an active market are not available, the value of investment property is assessed using the aggregate value of expected rental income from the property. The calculation of property value includes a return reflecting specific risks, based on discounted net cash flows on an annual basis.

Where necessary, the valuation also considers factors such as the type of tenants currently occupying the investment property or those likely to become tenants if the property were to be leased and their creditworthiness, the allocation of maintenance and insurance costs between the Group and tenants, and the remaining useful life of the investment property. For rental agreements that expect subsequent rental increases due to the return to the original state upon review or renewal, it is deemed that all notifications and if necessary, reverse notifications were provided in a valid form and in a timely manner.

Inventories

The fair value of inventory in business combinations is determined based on its expected selling price in the regular course of business, reduced by the estimated completion and selling costs and an appropriate markup for the amount of work invested in completing the sale of inventory.

Investments in Equity and Debt Securities:

The fair value of financial assets traded on the stock exchange is equal to the published unit price of those shares on the balance sheet date. The fair value of shares and interests not traded on the stock exchange is assessed using one of the valuation methods prescribed by IFRS 13.

Trade and other payables

The fair value of trade and other receivables, except for unfinished works under construction contracts with a maturity longer than one year, is calculated as the present value of future cash flows, discounted at the market interest rate on the reporting date. No discounting is applied for current trade receivables.

3.6 BUSINESS COMBINATIONS

Two business combinations took place in 2022: the merger of BAMC with SSH, and the acquisition of a majority stake in Sava, d., as described in detail below.

3.6.1 Merger with BAMC

Regulation on the legal succession of Bank Asset Management Company (BAMC):

In accordance with the provisions of the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks (ZUKSB), which states that the assets, rights, and obligations of BAMC will be transferred to the Slovenian Compensation Fund or its legal successor, with the legal succession further regulated by the Government of the Republic of Slovenia by means of secondary legislation, the Government issued the Decree on the legal succession of the Bank Asset Management Company, d. d., on 27 October 2022, through which SSH, by way of a merger, became the legal successor of BAMC.

The legal basis for the establishment of BAMC was provided by ZUKSB which came into force at the end of 2012. BAMC was established with a limited life until the end of 2017, and with the amendment to ZUKSB at the end of 2015, the lifespan of BAMC was extended until the end of 2022. ZUKSB already in its first issuance stipulated that, upon the termination of BAMC, the assets, rights, and obligations of BAMC will be transferred to the Slovenian Compensation Fund, or its legal successor. The Government of the Republic of Slovenia established the Bank Asset Management Company (BAMC) as a key institution to contribute to the strengthening of the stability of the Slovenian financial system and thereby to restore confidence in it. It was one of the government's measures to enhance the financial capacity and sustainability of the banking system, which was expected to contribute to increased economic growth. The primary task of BAMC was to relieve systemic

banks by taking over non-performing assets, primarily receivables, and subsequently manage the acquired assets. These were mainly loans which banks had granted in the past, but they were not being repaid by companies and organizations that had taken out these loans due to the effects of the economic crisis or for other reasons. Banks were impairing their receivables because of the expected losses, which undermined their capital base. Based on the decision of the Government of the Republic of Slovenia acting as the General Meeting of BAMC, BAMC acquired bad assets from four banks (NLB, NKBM, Abanka, Banka Celje) at the end of 2013 and in 2014 with the aim of maximizing the value of the assets acquired and selling the assets at the best possible price. In 2016, Probanka and Factor banka and their subsidiaries were also merged with BAMC. ZUKSB stipulated that DUTB must dispose of at least 10% of the estimated transfer value of assets transferred to BAMC each year.

The merger date was set as 30 June 2022. The merger was recorded in the Business Register of Companies on 30 December 2022, and as of this date BAMC ceased to exist and SSH became its legal successor. In the period from 1 July 2022 until 31 December 2022, income of EUR 9,754 thousand and the profit of EUR 2,153 thousand was recognised by BAMC.

In accordance with accounting policy, the merger was treated as a transaction under common control, which means that on the merger date, the assets and liabilities were transferred to the financial statements of SSH at their carrying amounts on that date.

The table below shows the recognized amounts of assets acquired and liabilities taken over from BAMC on the merger date, 30 June 2022, in the separate financial statements of SSH:

	in EUR '000
	30 June 2022
ASSETS	544,785
Intangible assets	327
Property, plant and equipment	250
Deposits with commercial banks	3,522
Financial assets measured at fair value through profit or loss (FVTPL)	401,444
- Loans	277,714
- Equity investments	123,730
Inventories of real estate and equipment	100,304
Trade and other payables	7,076
Assets from contracts with customers	786
Deferred tax assets	625
Other assets	676
Cash and cash equivalents	29,775
LIABILITIES	181,321
Provisions and non-current deferred revenues	6,231
Financial liabilities	162,730
Operating liabilities	8,857
Contractual liabilities from contracts with customers	434
Tax liabilities	480
Other liabilities	2,589
NET ASSETS ACQUIRED	363,464

3.6.2 Acquisition of subsidiary - SAVA, d. d.

In 2022, SSH exercised its pre-emptive right to purchase 12,571,257 Sava shares (43.226% ownership stake), increasing its existing ownership to 61.91%. The transfer of ownership in the Central Securities Clearing Corporation (KDD) records was executed on 15 September 2022. The acquisition date was set at 30 September 2022. The investment in the subsidiary Sava is valued at cost in the separate financial statements, amounting to EUR 43,659 thousand.

In the period from 1 October 2022 until 31 December 2022, Sava d.d. recognised income of EUR 459 thousand and a loss of EUR 1,206 thousand, while in the period from 1 January 2022 until 30 September 2022, income of EUR 614 thousand and a loss of EUR 1,241 thousand was recognised by Sava, d.d. In the period from 1 October 2022 until 31 December 2022, its subsidiary, Sava Turizem, d.d., recognised income of EUR 22,439 thousand and losses of EUR 2,586 thousand, while in the period from 1 January 2022 until 30 September 2022, income of EUR 84,234 thousand and a profit of EUR 14,758 thousand was recognised by Sava turizem.

The income amount which SSH Group would have generated if Sava had been part of the SSH Group for the entire year amounts to EUR 209,110 thousand. The business result which SSH Group would have generated if Sava had been part of the SSH Group for the entire year amounts to EUR 72,342 thousand.

As Sava has not yet completed the fair value allocation to individual land and buildings as at 31 December 2022, due to the short time frame, this allocation is temporary, which may have an impact on the depreciation expense.

The acquisition was treated in accordance with IFRS 3 Business Combinations.

The table below shows the recognized amounts of assets acquired and liabilities assumed from Sava, d. d., and Sava Turizem, d. d., on the acquisition date, 30 September 2022, at fair value:

	in EUR '000
	30 Sept 2022
ASSETS	324,066
Non-current assets	266,589
Intangible assets	859
Property, plant and equipment	257,659
Investment property	5,455
Financial investments in subsidiaries	11
Financial investments in associates	1
Financial investments measured at fair value through other comprehensive income (FVTOCI)	2,086
Trade receivables	26
Deferred tax assets	492
Current assets - total	57,477
Inventories	821
Non-current assets held for sale	1,160
Other financial investments- Loans	14,000
Trade receivables	5,586
Other current assets	1,212
Cash and cash equivalents	34,698
LIABILITIES	167,916

in EUR '000

30 Sept 2022	
Non-current liabilities	71,403
Provisions and non-current deferred revenues	12,824
Financial liabilities	50,632
Operating liabilities	8
Deferred tax liabilities	7,939
Current liabilities	96,513
Financial liabilities	56,911
Operating liabilities	25,125
Other liabilities	14,477
FAIR VALUE OF NET ASSETS ACQUIRED	156,150

The consideration was paid in full in cash. At the time of the settlement of acquisition, a gain arose from the negotiated acquisition, which is recognized as financial income in the consolidated financial statements.

in EUR '000

Settlement of Sava's acquisition		30 Sept 2022
Fair value of the consideration for the controlling interest		32,010
Minority interest		69,058
The fair value of the previously existing stake		11,649
Total		112,717
minus: fair value of net assets acquired		-156,150
Gain on negotiated acquisition		43,433
Consideration		32,010
Cash and cash equivalents acquired		34,698
NET PAYMENT		-2,688

A minority interest is recognized based on the Statement of Financial Position of the companies acquired, and is prepared using the fair values of identifiable assets and liabilities.

3.7 NOTES TO INDIVIDUAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

3.7.1 Tangible fixed assets

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT IN 2022

in EUR '000

	Land	Buildings	Investments in Progress	Equipment and spare parts	Small tools	Total
Cost						
Cost value as at 1 Jan 2022	140	1,999	0	757	21	2,917
Additions – new purchases	0	1,888		1,376	4	3,268
Acquisitions arising from the merger of BAMC	0	130	0	119	0	249
Acquisitions arising from the acquisition of subsidiary company	55,766	187,161	1,673	13,059	0	257,659
Disposals	0	-1,849	-371	-990	-3	-3,213
Cost as at 31 Dec 2022	55,906	189,329	1,302	14,321	22	260,880
Impairment						
Accumulated depreciation and impairments as at 1 Jan 2022	0	1,155	0	454	18	1,627
Depreciation for current year	0	2,718	0	920	2	3,640
Disposals	0	-1,840	0	-893	-3	-2,736
Accumulated depreciation and impairments as at 31 Dec 2022	0	2,033	0	481	17	2,531
Current value as at 1 Jan 2022	140	844	0	303	3	1,290
CURRENT VALUE AS AT 31 DEC 2022	55,906	187,296	1,302	13,840	5	258,349*

*Right-to-use assets amounting to EUR 3,021 thousand are included in property, plant, and equipment and represent long-term leases of business premises and parking spaces at Dunajska cesta 152 in Ljubljana, a long-term land lease from the municipality of Moravske Toplice, a long-term land lease at the Lucija campsite, and long-term vehicle leases. These right-to-use assets all belong to the subsidiary Sava Turizem, d. d., which was acquired on 30 September 2022.

Sava Turizem, which is a part of the SSH Group, has a mortgage registered on a property (as at 31 December 2022, the amount of the registered mortgage was EUR 52,503 thousand) whose carrying amounts to EUR 136,033 thousand. Other property, plant and equipment are not encumbered with any mortgages, pledges or any other encumbrances. It has been assessed that there are no grounds requiring the impairment of any tangible fixed assets.

In December 2022, SSH signed a contract for the supply of computer equipment with the supplier SRC, d. o. o., Ljubljana. The contractual price amounted to EUR 8,683.28 excluding VAT. The equipment was delivered on 24 January 2023.

In October 2022, SSH signed a contract with the supplier Re-zultanta, telekomunikacijske in informacijske rešitve, d. o. o., Ljubljana, for software for EUR 4,461.04. The software was supplied in stages: EUR 1,606.35 in 2002 and the remainder by the end of February 2023. At the end of 2021, there were no unrealized contracts for the purchase of property, plant, and equipment.

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT IN 2021

in EUR '000

in EUR '000	Land	Buildings	Investments in Progress	Equipment and spare parts	Small tools	Total
Cost						
Cost value as of 1 Jan 2021	140	1,999	0	786	21	2,946
Additions – new purchases	0	0	0	89	0	89
Disposals	0	0	0	-118	0	-118
Cost as at 31 Dec 2021	140	1,999	0	757	21	2,917
Impairment						
Accumulated depreciation and impairments as at 1 Jan 2021	0	1,108	0	451	16	1,575
Depreciation for current year	0	47	0	118	2	167
Disposals	0	0	0	-115	0	-115
Accumulated depreciation and impairments as at 31 Dec 2021	0	1,155	0	454	18	1,627
Current value as at 1 Jan 2021	140	891	0	335	5	1,371
CURRENT VALUE AS AT 31 DEC 2021	140	844	0	303	3	1,290

3.7.2 Financial assets (excluding trade receivables and cash and cash equivalents)

in EUR '000

	1 Jan 2022	Merger with BAMC 30 Jun 2022	Acquisition of SAVA d. d. 30 Sept 2022	Acquisitions - other	Transfers	Disposals	Revaluations	31 Dec 2022
Investments in subsidiaries	3,692	83,889	11	5	0	0	-1,730	85,867
Investments in associates	20,111	39,836	1	0	241,718	0	-21,252	280,414
Financial assets measured at fair value through other comprehensive income (FVTOCI)	42,408	4,056	2,086	61	516,101	0	-45,393	519,319
Financial assets to be distributed to owner	861,877	0	0	0	-757,819	0	-104,058	0
Financial assets measured at fair value through profit or loss (FVTPL)	22,427	277,714	0	0	0	-83,561	8,597	225,177
Deposits measured at amortised cost	17,000	3,522	14,000	77,852	0	-74,000	0	38,374
TOTAL	967,515	409,017	16,098	77,918	0	-157,561	-163,836	1,149,151

in EUR '000

	1 Jan 2021	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2021
Investments in subsidiaries	3,692	0	0	0	0	3,692
Investments in associates	207,225	0	-235,029	0	47,915	20,111
Financial assets measured at fair value through other comprehensive income (FVTOCI)	489,820	0	-626,848	-230	179,666	42,408
Financial investments to be distributed to owner	0	0	861,877	0	0	861,877
Financial assets measured at fair value through profit or loss (FVTPL)	22,427	0	0	0	0	22,427
Loans to related parties	0	3	0	0	-3	0
Financial assets measured at amortised cost	0	19,139	0	-2,139	0	17,000
TOTAL	723,164	19,142	0	-2,369	227,578	967,515

3.7.2.1 Financial investments in subsidiaries

The table below shows financial investments in subsidiaries which are not consolidated, as explained in more detail in note 3.4.2.2.

Company	Registered office		Interests	Core business/notes	Equity	Net profit or loss
Subsidiaries:			in %		in EUR '000	
Argolina , d. o. o.	Davčna ulica 1	1000 Ljubljana	100.00	Management of construction projects	-3,498	-596
Autotehna Croatia, d. o. o., in liquidation	Murini 7/D	51000 Rijeka, CRO	100.00	Wholesale of household electrical appliances	13	39
Avtotehna Beograd, , d. o. o., in liquidation	2/25 Lazarevićeva	11000 Beograd, SRB	100.00	Manufacture and wholesale of office machinery and equipment (except computers and peripheral equipment)	n.a.	n.a.
Avtotehna Zagreb , d. o. o.	Nova cesta 109	10000 Zagreb, CRO	100.00	Sale of motor vehicles	82	-27
BR89, d. o. o.	Breznikova cesta 89	1230 Domžale, SLO	100.00	Pig farming	-908	3,158
DS Projekt, d. o. o.	Ulica bratov Rozmanov 1	1000 Ljubljana, SLO	74.00	Buying and selling of own real estate	1,979	-35
DUP, d. o. o., Sarajevo	Ul.Vrazova broj 3	71000 Sarajevo, BiH	100.00	Real estate	563	3,599
DUTB Crna Gora, , d. o. o.	Ul.Svobode 74/II	81000 Podgorica, MNE	100.00	Real estate	256	-32
Elektrooptika, d. d.	Mala ulica 5	1000 Ljubljana, SLO	100.00	Business and management consultancy activities	-109	-3
Factor projekt, , d. o. o. Croatia	Šetalište Svetog Bernardina bb Krk	51500 Krk, CRO	100.00	Real estate	585	-93
Farme Ihan- KPM, , d. o. o.	Korenova cesta 9	1241 Kamnik, SLO	100.00	Pig farming	5,369	-600
Fundus, d. o. o. Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00	Real estate	417	-17
Hyundai auto Beograd, d. o. o.	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00	Wholesale	-6219	-15
Illuria Holdings Limited	ARCH. MAKARIOU III, 195	3030 Limassol, CYP	100.00	In liquidation	n.a.	n.a.
Istrabenz turizem, d. d.	Obala 33	6320 Portorož, SLO	100.00	Hotels	39,906	1,990
Istrabenz, d. o. o.	Obala 33	6320 Portorož, SLO	100.00	Business and management consultancy activities	-514	-111
MK Založba, d. d.	Slovenska cesta 29	1000 Ljubljana, SLO	83.47	Book publishing	32,600	601
MLM, d. d.	Oreško nabrežje 9	2000 Maribor, SLO	100.00	Machining	5,640	-3693
Poslovni sistem Domina, d. o. o.	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	55.52	Real estate	-3714	-22
PS za avto, d. o. o.	Tržaška cesta 133	1000 Ljubljana	100.00	Business administration	5,303	145
PROLeasing Rijeka, , d. o. o. - in liquidation	Prolaz Marije Krucifikse Kozulić 2	51000 Rijeka, CRO	100.00	Leasing	-4624	-351
PY&CA, d. o. o., Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00	Real estate	560	-269
Sklad turističnih naložb, d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00	Holding companies (in tourism sector)	0	7
Thermana, d. d.	Zdraviliška cesta 6	3270 Laško, SLO	100.00	Hotels	25,473	2,121

OVERVIEW OF INVESTMENTS IN SUBSIDIARIES IN THE FINANCIAL STATEMENTS OF SSH GROUP

	Voting rights and ownership			
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	in %	in %	in EUR '000	in EUR '000
Istrabenz turizem, d. d.	100.00	-	38,509	-
Thermana, d. d.	100.00	-	25,473	-
MK Založba, d. d.	83.47	-	9,153	-
Farme Ihan - KPM, d. o. o.	100.00	-	8,084	-
PS ZA AVTO, d. o. o.	90.00	90.00	3,692	3,692
Other subsidiaries	-	-	956	0
TOTAL			85,867	3,692
Non-current financial investments			85,867	3,692
Current financial investments			0	0
TOTAL			85,867	3,692

3.7.2.2 Financial investments in associates

OVERVIEW OF INVESTMENTS IN ASSOCIATES IN THE FINANCIAL STATEMENTS OF SSH GROUP

	Voting rights and ownership			
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31. Dec 2021
	in %	in %	in EUR '000	in EUR '000
Casino Bled, d. d.	33.75	33.75	61	6
Cinkarna Celje, d. d.	24.44	-	45,414	-
Hit, d. d.	20.00	20.00	15,949	8,243
Salomon, d. d.	30.59	-	3,512	-
Terra Mediterranea, d. d.	42.85	-	48	-
Unior, d. d.	39.43	39.43	11,303	11,862
Zavarovalnica Triglav, d. d.	28.09	28.09	204,127	235,029
TOTAL			280,414	255,140
Non-current financial investments			280,414	20,111
Current financial investments			0	235,029
TOTAL			280,414	255,140

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

As at 31 December 2021, the investment in the shares of Zavarovalnica Triglav was classified as financial assets held for distribution to the owner.

DATA FROM THE STATEMENTS OF FINANCIAL POSITION AND INCOME STATEMENTS OF ASSOCIATES FOR 2022 AND 2021

in EUR '000

As at	Zavarovalnica Triglav Group		Cinkarna Celje		Terra Mediterranea	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Current assets	373,882	299,542	142,388	-	97	-
Non-current assets	3,754,943	4,074,812	108,560	-	0	-
Current liabilities	206,644	163,662	23,106	-	1	-
Non-current liabilities	3,169,382	3,277,705	18,832	-	0	-
Equity	752,799	932,987	209,010	-	96	-
Year	2022	2021	2022	2021	2022	2021
Sales revenue	1,189,906	1,119,846	227,153	-	0	-
Net profit or loss	110,217	112,966	43,396	-	-16	-
Other comprehensive income	-208,117	-11,438	370	-	0	-
Total comprehensive income	-97,900	101,528	43,766	-	-16	-
SSH OWNERSHIP INTEREST (IN %)	28.09	28.09	24.44	-	42.85	-

in EUR '000

As at	Casino Bled, d. d.		HIT Group		Unior Group	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Current assets	269	331	41,907	33,735	170,085	152,173
Non-current assets	241	30	95,725	97,367	211,026	213,404
Current liabilities	190	307	38,887	60,969	32,951	97,507
Non-current liabilities	0	40	39,458	24,736	163,515	91,747
Equity	320	14	59,287	45,397	184,645	176,323
Year	2022	2021	2022	2021	2022	2021
Sales revenue	1,206	576	153,203	83,848	287,653	239,699
Net profit or loss	98	-197	11,157	-2,039	10,232	11,091
Other comprehensive income	0	0	2,790	-289	-912	3,728
Total comprehensive income	98	-197	13,947	-2,328	9,320	14,819
SSH OWNERSHIP INTEREST (IN %)	33.75	33.75	20.00	20.00	39.43	39.43

in EUR '000

Salomon Group

As at	31 Dec 2022	31 Dec 2021
Current assets	17,183	-
Non-current assets	33,420	-
Current liabilities	13,285	-
Non-current liabilities	22,577	-
Equity	14,741	-
Year	2022	2021
Sales revenue	66,340	-
Net profit or loss	-4,338	-
Other comprehensive income	120	-
Total comprehensive income	-4,218	-
SSH OWNERSHIP INTEREST (IN %)	30.59	-

Note: The audited data are presented for Zavarovalnica Triglav Group, Hit Group, and Unior Group and Cinkarna Celje, while the data for Salomon Group, Casino Bled and Terra Mediterraneo are not audited.

In 2022, the Group recognized income from equity method amounting to EUR 21,456 thousand (2021: EUR 61,189 thousand), which are included in the net financial result (see note 3.7.2.20).

3.7.2.3 Financial assets measured at fair value through other comprehensive income (FVTOCI)

OVERVIEW OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

in EUR '000

	31 Dec 2022	31 Dec 2021
Investments to be distributed to the owner - associates	0	235,029
Investments to be distributed to the owner - other	0	626,848
TOTAL	0	861,877
Other investments	519,319	42,408
TOTAL	519,319	42,408
Non-current financial investments	519,319	42,408
Current financial investments	0	861,877
TOTAL	519,319	904,285

Other investments include in order of decreasing value: Krka, d. d. - EUR 271.39 million; Petrol, d. d. - EUR 105.98 million; Sava RE, d. d. - EUR 68.18 million; Luka Koper, d. d. - EUR 38.64 million; Telekom Slovenije, d. d. - EUR 13.11 million; Loterija Slovenije, d. d. - EUR 7.77 million; Cetus Celje, d. d. - EUR 4.78 million; Terme Olimia, d. d. - EUR 3.10 million; Talum, d. d. - EUR 1.02 million, and shares of Sava, d. d., and Sava Turizem (together EUR 2 million).

As at 31 December 2022, financial investments to be distributed to the owner included strategic and important assets as defined by ZSOS-C. The amendments to the Slovenian Compensation Fund Act were published in the Official Gazette of the Republic of Slovenia, No. 55/17. Pursuant to these amendments, SSH was 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 the Republic of Slovenia in December 2017. Article 81 of ZIPRS2122 extended the deadline for the transfer of strategic and im-

portant assets to the Republic of Slovenia by two years, i.e. to December 2022. The amendments to ZSDH-1, which were published in the Official Gazette No. 140/2022 on 4 November 2022, removed the obligation for the free transfer of strategic and important assets. All investments, which as at 31 December 2021, were classified as to be distributed to the owner, at 31 December 2022, were reported under other investments measured at fair value through other comprehensive income (FVTOCI).

3.7.2.4 Inventories

in EUR '000

	31 Dec 2022	31 Dec 2021
Real estate	103,008	-
Advance payments and deposits for real estate inventory	1,244	-
Equipment	1,925	-
Material	750	-
TOTAL	106,927	0

The majority of the total EUR 104,933 thousand of real estate and equipment inventory was acquired through loan transfers or purchases at auctions.

The main components of the inventory are offices and land. As at 31 December 2022, none of the real estate inventory was pledged.

Out of the total real estate inventory amounting to EUR 103,008 thousand, EUR 73,086 thousand is valued at cost, and EUR 29,922 thousand at net realizable value.

MOVEMENT IN REAL ESTATE AND EQUIPMENT INVENTORY FROM 1 JULY TO 31 DECEMBER 2022

in EUR '000

	Real estate	Equipment	Total
Balance as at 1 Jan 2022	0	0	0
Merger with BAMC - 1 July 2022	95,075	1,893	96,968
Transfer from loans*	2,852	0	2,852
Acquisitions	6,817	111	6,928
Disposals**	-3,221	-3	-3,224
Revaluations	1,485	-76	1,409
CLOSING BALANCE AS AT 31 DEC 2022	103,008	1,925	104,933

Note: *The total amount of transfers of real estate and movable property is EUR 64,000, though the amount of real estate and movable property inventory transferred from loans is EUR 2,852,000. The explanation for the difference is that a transfer to real estate of EUR 2,787,000 was recorded in June 2022, but the actual inventory of the real estate acquired through the transfer was recorded in July 2022, when the actual takeover of the real estate occurred.

**The total amount of disposals is EUR 3,224,000, while the reported cost of the inventory of real estate and equipment sold is EUR 3,277,000. The explanation for the difference of EUR 53,000 is that as a result a transfer of a certain real estate to the Ministry of Public Administration, an overvalued book value was derecognized by BAMC in May 2022, and the effect of excess valuation on equity was recorded as a loss on a transaction, following a decision by the Government of the Republic of Slovenia. The correction was made in December 2022.

The real estate acquired by BAMC as a creditor with a right to separate satisfaction through auctions is recorded as an acquisition.

3.7.2.5 Financial assets measured at fair value through profit or loss (FVTPL) - loans

This group includes loans which were acquired through the merger of BAMC with SSH in 2022. All loans acquired are classified as current.

CLASSIFICATION OF LOANS IS BASED ON THE SELECTED STRATEGY

in EUR '000

31 Dec 2022		
	Fair value	Number of debtors
Loans valued in accordance with restructuring strategy	105,539	18
Loans valued in accordance with collateral recovery strategy	117,511	390
Other loans	2,127	192
TOTAL	225,177	600

FAIR VALUE OF LOANS BY MATURITY

in EUR '000

31 Dec 2022	
Restructuring strategy	105,539
Non-overdue loans	33,970
Overdue loans	71,570
Overdue by up to 90 days	0
Overdue between 90 days and one year	14,467
Overdue between one and three years	0
Overdue of more than three years	57,102
Collateral recovery strategy	117,510
Non-overdue loans	7,718
Overdue loans	109,792
Overdue by up to 90 days	7,603
Overdue between 90 days and one year	464
Overdue between one and three years	12,111
Overdue of more than three years	89,614
Group valued exposure	2,127
Non-overdue loans	1,359
Overdue loans	768
Overdue by up to 90 days	108
Overdue between 90 days and one year	366
Overdue between one and three years	64
Overdue of more than three years	231
TOTAL	225,177

FAIR VALUE OF LOANS BY INDUSTRY SECTOR OF DEBTOR

in EUR '000

	31 Dec 2022
Companies	218,649
Construction industry	46,922
Manufacturing	50,352
Wholesale and Retail Trade	5,979
Tourism	6,816
Professional Services	10,702
Financial Services	17,638
Real Estate Activities	6,387
Other Activities	67,569
Companies with Foreign Registered Offices	6,283
Natural persons	5,298
Republic of Slovenia	1,230
Banks	0
TOTAL	225,177

FAIR VALUE OF LOANS BY LOCATION OF DEBTORS' REGISTERED OFFICES

in EUR '000

	31 Dec 2022
Companies	218,649
Slovenia	210,488
EU Member States	3,831
Other European countries	4,330
Non-European countries	0
Natural persons	5,298
Republic of Slovenia	1,230
Banks	0
TOTAL	225,177

The value of collateral in the loan portfolio

Loans can be secured with one or more types of collateral or may be entirely unsecured. The majority of loans were transferred to BAMC together with collateral, or BAMC acquired the collateral without having an influence on the selection of loans or collateral transferred. SSH's active role in obtaining new or additional collateral is evident during the financial restructuring when the debtors' contractual obligations are redefined.

The fair value of individually valued loans is calculated as the discounted value of future cash flows from the restructuring scenario and the collateral recovery scenario (weighted by the probability of each scenario occurring). The collateral recovery scenario includes only expected cash flows from collateral recovery.

The expected collateral value used as input for the collateral recovery scenario assessment is an estimate based on a formal internal appraisal and additional knowledge of the circumstances surrounding the recovery of the collateral.

The tables below present the value as expected from the recovery of collateral. The value from the recovery of the collateral represents the expected cash flows of each debtor (separately for each scenario) discounted at the weighted average cost of capital.

THE VALUE OF RESTRUCTURING AND COLLATERAL RECOVERY SCENARIOS AS AT 31 DECEMBER 2022

in EUR '000

Unweighted by scenario, unlimited in terms of total exposure	Fair value	Value of the restructuring scenario	Value of the collateral recovery scenario	31 Dec 2022
				Share of collateral recovery scenario value in fair value
Restructuring strategy	105,539	110,140	92,902	88%
Collateral recovery strategy	117,510	10,303	128,621	109%
Group valued exposure	2,127	-	13,612	640%
TOTAL	225,177	120,443	235,134	104%

RISKS IN THE LOAN PORTFOLIO

Risk of change in the probability of the restructuring scenario

The restructuring strategy is defined based on the DPS model (Default Probability Scorecard), which classifies various elements of business risk on a seven-level scale from least to most risky. If a particular element of business risk poses a higher risk, the probability of a successful restructuring strategy will be lower. Based on the risk classes assigned, an average risk profile is determined for the restructuring scenario, which is then linearly distributed on the probability scale for the restructuring strategy.

Although the DPS model measures the business risk of individual companies, any change in the model has a direct impact on the fair value of loans and consequently also on credit risk exposure. The tables below present the loan exposure based on the probability classes of the realization of the restructuring scenario (DPS probability). All cases with the collateral recovery strategy have a probability of 0% for the restructuring scenario, and DPS is not defined for group-valued exposures.

PROBABILITY CLASSES BASED ON RESTRUCTURING STRATEGY PROBABILITY

in EUR '000

	Fair value	Share of total fair value
Restructuring strategy	105,539	47%
P (Restructuring Scenario Probability) 100%	31,100	14%
P (Restructuring Scenario Probability) 90–99%	-	-
P (Restructuring Scenario Probability) 80–89%	-	-
P (Restructuring Scenario Probability) 70–79%	-	-
P (Restructuring Scenario Probability) 60–69%	8,451	4%
P (Restructuring Scenario Probability) 50–59%	65,988	29%
Collateral recovery strategy	117,510	52%
Group valued exposure	2,127	1%
TOTAL	225,177	100%

Sensitivity Analysis on Changes in Restructuring Scenario Probability

The change in the probability of realizing the restructuring scenario (DPS probability) directly affects the credit risk exposure. Therefore, the following sensitivity analysis is presented for a 10-percentage point (pp) and 5 pp change in the DPS probability.

Impact of Parallel Changes in DPS - Probability on Restructuring Scenario Realization

The tables below show the fair value of loans based on the parallel change in DPS probability for restructuring scenario realization, assuming all other assumptions remain unchanged. The group-valued exposure does not reflect the risk of changes in DPS probability for restructuring scenario realization since DPS probability is not one of the input data for calculating revaluations for group-valued exposure. Similarly, debtors categorized in the strategy of collateral recovery do not reflect the risk of changes in DPS probability, as these

cases do not include values from the restructuring scenario (SSH typically recovers debts through legal proceedings in such cases).

A parallel decrease in DPS probability would significantly impact the fair value of loans. As at 31 December 2022, the largest proportion, approximately 29%, of the fair value of the restructuring strategy is assigned to the DPS class between 50% and 59%. A large proportion of such debtors would be reclassified into the collateral recovery category (according to the rule that all debtors with DPS below 50% are automatically classified as collateral recovery cases), while increasing the DPS probability has no impact on the debtor portfolio with the collateral recovery strategy. The impact of a parallel change in DPS probability for restructuring scenario realization is therefore non-linear.

SENSITIVITY ANALYSIS OF DPS PROBABILITY FOR RESTRUCTURING SCENARIO REALIZATION AS AT 31 DECEMBER 2022

in EUR '000

	Fair value	Impact of a parallel change in DPS probability by 10 pp on the fair value of loans		Impact of a parallel change in DPS probability by 5 pp on the fair value of loans	
		Increase	Decrease	Increase	Decrease
Restructuring strategy	105,539	960	-66,985	480	-60,115
Collateral recovery strategy	117,510	0	60,716	0	54,345
Group valued exposure	2,127	-	-	-	-
TOTAL	225,177	960	-6,269	480	-5,771

The change in fair value of loans due to a change in DPS probability for the realization of the restructuring scenario would also impact the Income Statement. Higher fair values of loans would result in changes in loans due to revaluation and would affect the Income Statement.

SENSITIVITY ANALYSIS ON CHANGES IN DPS PROBABILITY – IMPACT ON THE INCOME STATEMENT

in EUR '000

	Profit (loss) for the period before taxes	Profit (loss) before taxes if DPS changes by 10 percentage points		Profit (loss) before taxes if DPS changes by 5 percentage points	
		Increase	Decrease	Increase	Decrease
1 JAN – 31 DEC 2022	66,150	67,110	59,881	66,630	60,379

Risk of the failure of the restructuring strategy

The risk of the failure of the restructuring strategy applies to all debtors for whom SSH pursues the restructuring strategy at once (within one year). As a consequence, all such debtors would be reclassified into the collateral recovery strategy, and SSH would lose cash inflows from regular business operations. Consequently, SSH could only expect inflows from collateral recovery, which could be lower than the cumulative inflows from regular repayments.

The tables below show the difference in fair values if the entire portfolio of individually valued debtors were classified under the collateral recovery strategy (if all cases with the restructuring strategy were to fail). The risk of the failure of the restructuring strategy does not technically affect the fair value of the group-valued exposure.

If all debtors with the restructuring strategy were to fail, the fair value of individually valued loans would decrease by EUR 16,145 thousand.

in EUR '000

	Fair value of loans	Fair value of loans, if all cases with restructuring strategy were to fail	Difference
Restructuring strategy	105,539	0	-105,539
Collateral recovery strategy	117,510	206,905	89,394
Group valued exposure	2,127	2,127	0
TOTAL	225,177	209,032	-16,145

Risk of changes in the discount rate

The fair value of SSH loans represents expected future cash flows discounted at a discount rate of 7.87% as at 31 December 2022. A change in the discount rate directly impacts the fair value of loans: assuming all other assumptions remain unchanged, it affects the amount of loan impairments, and consequently, directly affects the Income Statement.

The sensitivity analysis for changes in the discount rate was prepared considering a change of half and one percentage point (referred to as 0.5 pp. and 1 pp). The upper limit of Weighted Average Cost of Capital (WACC) is capped at 8.00%.

SENSITIVITY ANALYSIS FOR CHANGES IN THE DISCOUNT RATE AS AT 31 DECEMBER 2022

in EUR '000

	Fair value of loans	Impact of the increase in WACC by 0.5 pp on the fair value of loans	Impact of the increase in WACC by 1 pp on the fair value of loans	Impact of the increase in WACC by 8%
Restructuring strategy	105,539	899	1,812	-249
Collateral recovery strategy	117,510	702	1,521	-326
Group valued exposure	2,127	0	0	0
TOTAL	225,177	1,601	3,333	-575

Movement of loans and receivables

The changes in the table below mostly relate to the portfolio of debtors in the collateral recovery strategy.

in EUR '000

	1 July - 31 Dec 2022
Opening balance	277,714
Increases in loan portfolio	624
Purchases of receivables	0
New loans granted	602
Realization of guarantees	0
Other increases	22
Decreases	-61,134
Cash repayments	-28,113
Transfers to real estate and equipment	-64
Transfers to operating receivables	-1
Loans sold	-32,908
Debt-equity conversions	-48
Increases/decreases due to revaluation	4,963
Increases/decreases due to realized profits/losses	1,938
Other changes	1,072
CLOSING BALANCE	225,177

Note: The total amount of transfers of real estate and movable property is EUR 64,000, though the amount of real estate and movable property inventory transferred from loans is EUR 2,852,000. The explanation for the difference is that a transfer to real estate of EUR 2,787,000 was recorded in June 2022, but the actual inventory of the real estate acquired through the transfer was recorded in July 2022, when the actual takeover of the real estate occurred.

The increase in the loan portfolio is attributable to new loans granted in the first half of 2022, purchases of loans/claims from other banks, increases due to the realization of guarantees and charges for legal costs. The approval of new loans was in accordance with ZUKSB and represented one of the measures allowed for restructuring debtors.

3.7.2.6 Valuation of capital assets

VARIABLES USED IN THE VALUATION OF FINANCIAL INVESTMENTS

Variables used	31 Dec 2022	31 Dec 2021
Discount rate (WACC)	9.2% - 14.3%	10.12% - 10.95%
Long-term growth rate (g)	2% - 2.6%	2%
Discount for the lack of control	0% - 20%	0% - 17.3%
Discount for the lack of lack of marketability	0% - 20%	0% - 31.21%

Valuing important investments for which market prices were not available as at 31 December 2022

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 company's management plan for 2023 and 2024 as well as an analysis of the company's capacities, risks and market and development opportunities, the valuer prepared their own projections of the company's future performance from the perspective of the majority owner for 2025 and onwards. The discount rate (WACC) used in the calculation was 12.10%, taking into account the long-term growth rate (g) of 2.6%. A discount for lack of control of 10% and a discount for lack of marketability of 13% 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 2023-2025, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner. The discount rate (WACC) used in the calculation was 10,80%, taking into account the long-term growth rate (g) of 2.6%. A discount for lack of control of 15% and a discount for lack of marketability of 15% were applied.

The fair value of SSH's 4.42 % shareholding in **KOTO, d. o. o.** (6.25% taking into account own shares held by KOTO itself) 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 company's management plan for 2023, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner for 2024 and onwards. The discount rate (WACC) used in the calculation was 11.08%,

taking into account the long-term growth rate (g) of 2.6%. A discount for lack of control of 15% and a discount for lack of marketability of 24% were applied.

The fair value of SSH's 100% shareholding in **Mariborska livarna, Maribor, d. d.**, was appraised using the discounted cash flow method (DCF-method) on a going concern assumption and the net asset value method. Based on an analysis of the company's past performance, a review of the company's management plan, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner. For the purpose of making the calculation using the DCF method, the discount rate (WACC) was determined to be 11.92%, and the long-term growth rate (g) considered was 2%. However, both of these factors are not particularly relevant in this case since the projected cash flows are negative, and therefore, no liquidity discount was applied. Additionally, due to the fact, that the majority of the company's assets is pledged, the net asset value method also indicated a negative value.

The fair value of SSH's 8.08% shareholding in **Terme Olimia, 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 Terme Olimia Group, a review of the company's management plan for 2023-2027, of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the future performance of Terme Olimia Group from the perspective of the majority owner for 2028 and onwards. The discount rate (WACC) used in the calculation was 9.2%, taking into account the long-term growth rate (g) of 2%. A discount for lack of control of 20% and a discount for lack of marketability of 15% were applied.

The fair value of SSH's 20% shareholding in **Hit, d. d.**, (i.e. the ordinary Hit shares which represent 33,33 % of the voting rights) 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 company's management plan for 2023-2025, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the future performance of HIT Group from the perspective of the majority owner for 2026 and onwards. The discount rate (WACC) used in the calculation was 11.3%, taking into account the long-term growth rate (g) of 2%. A discount for lack of control of 5% and a discount for lack of marketability of 20% were applied. In addition, the valuer also carried out a valuation of the preferred shares of HIT, d. d., which are owned by SSH, but which do not carry voting rights and represent an 8.54% stake in the company. Due to the specific characteristics of preference shares, the valuer used the dividend discount model in this case. The required rate of return used was 12.1% based on the planned management scenario, which assumes a 50% profit payout. The long-term growth rate used was 2%, and consistent with the long-term growth rate of ordinary shares.

The fair value of SSH's 5.21% shareholding in **Talum, d. d.** was appraised using the discounted cash flow method (DCF-method) on a going concern assumption. The internal assessment was made based on the management's plan for the period 2023-2025. Taking into account an analysis of the company's capacities, risks and market and development opportunities, a separate projection of the future performance of Talum Group was prepared from the perspective of the majority owner for 2026 and onwards. In accordance with the internal methodology, the discount rate (WACC) was determined to be 14.3 % during the forecast period and 12.8% in the residual period (two-stage WACC). The long-term growth rate (g) of 2% was used. A discount for lack of control of 15% and a discount for lack of marketability of 10% were applied.

Valuing important investments for which market prices were 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 the 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 made 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 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 the unaudited financial statements as at 31 December 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 discounts for lack of marketability of 8.4 % and for control of 17.33 % were applied to calculate the value of 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 Company's past performance, its capacity, risks, market and development opportunities and its strategy, the valuer prepared their 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 growth in the residual value (g) of 2%. Discounting for a 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 prepared their own projection of the future performance of the Hit Group from the perspective of the majority owner, who may influence Hit's business decisions. The discount rate (WACC) used in the calculation was 10.72%, taking into account 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 relating 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 the company and of the

company's management plan for 2022 as well as an analysis of the company's capacities, risks and market and development opportunities, the valuer prepared their own projections of the company's future performance from the perspective of the majority owner, who may have influence Loterija Slovenije's business decisions. The discount rate (WACC) used in the calculation was 10.12%, taking into account a long-term growth rate (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 capacities, risks and market and development opportunities, the valuer made their own projection of the future performance of the business from the perspective of the majority owner, who may influence Adria's business decisions. The discount rate (WACC) used in the calculation was 10.95%, taking into account a long-term growth rate (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 4.01% shareholding in **Terme Olimia, d. d.** (hereinafter referred to as: "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 made their own projection of the future performance of the business from the perspective of the majority owner, who may influence Terme Olimia's business decisions (SSH controls Terme Olimia through related companies). The discount rate (WACC) used in the calculation was 10.88%, taking into account a long-term growth rate (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 assess but it is expected that they will continue to have a significant impact on the value of businesses operating in tourism and gaming industry.

3.7.2.7 Fair value levels of financial instruments

CLASSIFICATION OF FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY AS AT 31 DECEMBER 2022

in EUR '000

	Level 1	Level 2	Level 3
Investments in subsidiaries	0	0	85,867
Investments in associates	260,844	0	19,570
Other non-current financial assets	502,088	0	17,231
Investments in listed shares	502,088	0	0
Non-listed shares and stakes	0	0	17,231
Other current financial assets	0	0	327,185
Bad loan receivables		0	225,177
Cash and cash equivalents and deposits to commercial banks	0	0	89,328
Current operating receivables	0	0	12,680
Finance lease payables	0	0	3,086
Financial liabilities	0	0	111,191
Current operating liabilities	0	0	64,250

Fair values are equal to book values in all cases, except for associates where the book value is EUR 280,414 thousand but the fair value EUR 299,337 thousand.

Financial Instrument	Valuation method	Key Unobservable Input	Relationship between Key Unobservable Input and Fair Value
Loans	<p>Individual Valuations: Discounted cash flows, where future expected cash flows are assessed separately for restructuring and collateral recovery scenarios. The probability of each scenario's realization is determined using the DPS model. Cash flows for both scenarios are discounted using the discount rate.</p> <p>Group-valued exposure: the fair value is estimated for the group of debtors (with a total exposure of less than EUR 300,000), and segments within the debtor group are formed based on the days overdue for each debtor. The probability of default (PD) is applied to the unsecured portion of the total exposure (Loss Given Default - LGD).</p>	<p>Individual Valuations:</p> <ul style="list-style-type: none"> – Probability of the restructuring scenario (0% for the collateral recovery scenarios, 50% to 100% for restructuring scenarios). – Discount rate Jan-June 2022: 5.86%; 2021: 5.07% <p>Group valued exposure:</p> <ul style="list-style-type: none"> – PD as defined in one of the merged banks, based on days past due (3.86% if days overdue are from 0 to 30 days; 10.60% if days overdue are from 31 to 90 days; 38.54% if days overdue are from 91 to 180 days; 100% if days overdue exceed 180 days). – LGD: Total exposure, reduced by the value of collateral 	<p>Estimated fair value of loans increases (decreases) if:</p> <p>Individual Valuations:</p> <ul style="list-style-type: none"> – the expected future cash flows increase (decrease); – the discount factor decreases (increases); – the probability of the restructuring scenario increases (decreases), provided that the expected future cash flows from the restructuring scenario exceed (do not exceed) the cash flows from the collateral recovery scenario. <p>Group valued exposure:</p> <ul style="list-style-type: none"> – PD decreases (increases); – LGD increases (decreases).
Equity investments	<p>Discounted cash flows Net value at assets Multiple method Discounted dividends model</p> <p>Market value Transaction value</p>	<p>The data which influences free cash flows and consequently the company's value include, among others, the following data: expected revenue growth, gross profit margin, investments in fixed assets, working capital, and growth in free cash flows for the company within the residual value.</p>	<p>The estimated value of the company increases if expected revenues increase and/or expenses rise at a lower rate than revenues and are fixed or lower, resulting in a higher gross profit margin. Conversely, an increase in investments in fixed assets and negative cash flow from changes in working capital decrease the estimated value of the company.</p>

CLASSIFICATION OF FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY AS AT 31 DECEMBER 2021

in EUR '000

	Level 1	Level 2	Level 3
Investments in subsidiaries	0	0	3,692
Investments in associates	11,862	0	8,249
Other non-current financial assets	41,199	0	1,209
Investments in listed shares	41,199	0	0
Non-listed shares and stakes	0	0	1,209
Other current financial assets	840,425	0	75,910
Investments in listed shares	840,425	0	0
Non-listed shares and stakes	0	0	21,453
Deposits to commercial banks	0	0	27,200
Current operating receivables	0	0	4,830
Finance lease payables	0	0	39
Current operating liabilities	0	0	32,089

Fair values are equal to book values in all cases, except for associates where the book value is EUR 20,111 thousand but the fair value EUR 20,166 thousand. Investments in subsidiaries are accounted for at cost, reduced by any necessary impairments.

3.7.2.8 Deposits measured at amortised cost

in EUR '000

	31 Dec 2022	31 Dec 2021
Deposits	38,374	17,000
TOTAL	38,374	17,000

Financial assets measured at amortized cost include the EUR 10 million long-term deposit with maturity in May 2023 and a pledged deposit of EUR 4.374 million provided as collateral for bank guarantees issued to debtors - MLM d. d. Additionally, Sava Turizem holds deposits with commercial banks amounting to EUR 24 million.

3.7.2.9 Current operating receivables

in EUR '000

	31 Dec 2022	31 Dec 2021
Receivables due from customers	7,224	726
Impairment of receivables due from customers	-355	-3
Interest receivable	36	3,120
Impairment of interest receivable	-16	-15
Receivables due from the Republic of Slovenia in accordance with ZSPOZ, ZIOOZP, ZVJTO	670	61
Receivables due from state institutions	281	812
Other receivables	16,799	1,999
Adjustments of other receivables	-14,806	-1,997
TOTAL	9,833	4,703

The adjustments of other receivables increased in 2022 compared to 2021 due to the merger with BAMC, primarily due to the acquisition of shares in Hotel Tuzla, d. d., amounting to EUR 12.86 million.

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

MOVEMENTS IN BAD DEBT PROVISION

in EUR '000

	31 Dec 2022	31 Dec 2021
Adjustment balance as at 1 Jan	2,015	2,020
Increases due to merger with BAMC	13,264	0
Collected receivables for which adjustment was made	16	5
Written-off receivables for the year	174	1
Adjustments made for the year	88	1
BAD DEBT PROVISION AS AT 31 DEC	15,177	2,015

3.7.2.10 Cash and cash equivalents

in EUR '000

	31 Dec 2022	31 Dec 2021
Credit balances at commercial banks	27,136	144
Cash equivalents	23,818	10,200
TOTAL	50,954	10,344

Cash equivalents include call deposits held with commercial banks.

3.7.2.11 Equity

On a basis of the decision of the Government of the Republic of Slovenia, the share capital increased by EUR 41,599,065.26 (24,922 shares) in March 2022, so that at the balance sheet date it amounted to EUR 301,765,982.30 and is divided into 180,788 registered shares. The capital increase was additionally affected by the merger with BAMC. SSH covered the uncovered loss with the retained earnings of the merged company. In accordance with SSH's Articles of Association,

after any loss carried forward has been recovered and the statutory reserves have been established in accordance with the applicable regulations, the balance of the net profit for the financial year is allocated to other reserves.

As explained in note 3. 6. 2., as a result of the acquisition of the subsidiary - Sava, d. d., the capital also reports the portion of the capital which belongs to minority interests.

BOOK VALUE OF SSH GROUP SHARE

	in EUR	
	31 Dec 2022	31 Dec 2021
Value of equity attributable to the owners of the controlling company	1,213,870,000	913,315,000
Number of shares	180,788	155,866
BOOK VALUE PER SHARE	6,714	5,860

3.7.2.12 Provisions and non-current accrued costs and deferred revenues

	in EUR '000	
	31 Dec 2022	31 Dec 2021
Provisions for denationalisation	42,024	38,669
Provisions for guarantees on apartments sold	157	0
Provisions for warranties given	445	0
Provisions for collateral given	2,257	0
Provisions for jubilee premiums	102	56
Provisions for retirement benefits	3,694	318
Provisions for legal disputes	7,558	36
Non-current deferred revenues	6,147	320
TOTAL	62,384	39,399

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. The following phases can be distinguished:

- potential final decisions with the compensation amount having already been determined – SSH agrees with the claim, however, legal remedies lodged by claimants are

considered possible;

- claims where decisions have been given, but legal remedies have been lodged and the procedure has been renewed;
- claims where a decision has not been given and the proceedings are still ongoing.

Provisions for guarantees for the elimination of defects in apartments sold have been formed based on the provisions of the Protection of Buyers of Apartments and Single Occupancy Buildings Act, which stipulate that the seller is liable for the so-called hidden defects of the property which were not possible to be discovered on the property's takeover, if these hidden defects appear within two years of the takeover of the property. The provision amount has been estimated

based on past experiences, specifically for the number of apartments for which the company's liability as a seller has not yet expired.

Provisions for warranties and collateral given - the Group placed a deposit at a bank for a bank guarantee issued on behalf of its debtor. The provision amount is calculated based on the probability of the bank enforcing the guarantee given.

Provisions for legal disputes have been formed by the Company based on assessments and assumptions derived from knowledge of individual legal cases, past judicial practices, and other factors. Despite the best knowledge of events and ongoing activities, the actual results may differ from estimates. The Company adjusts the estimates and assumptions on an ongoing basis and recognizes their effects during the period of change.

Individual cases have been assessed by the Company's management together with the legal department. According to the Company's management assessment, there is a likelihood of certain legal disputes being lost. For cases where the likelihood of losing a lawsuit is greater than 50%, the provisions for legal disputes have been formed in the entire value of the currently known liability. Provisions for lawsuits and other claims have been formed based on consultation with the lawyers who have provided estimates of the outcomes of lawsuits and other claims filed.

Provisions have been formed for jubilee premiums (long-service awards) and retirement benefits paid to employees. Retirement benefits and jubilee awards have been considered in accordance with the provisions of collective and individual contracts. 3.5% annual wage growth is forecast in the Company, as well as for the amounts of severance pay and jubilee awards. Employee turnover is taken into account and an annual discount rate of 3.0% applied.

MOVEMENTS IN PROVISIONS AND NON-CURRENT ACCRUED COSTS AND DEFERRED REVENUES OF THE GROUP

in EUR '000

	Balance as at 1 Jan 2022	New provisions due to the merger with BAMC	New provisions due to the acquisition of Sava d. d.	Newly formed provisions	Use	Transfer from current provisions	Transfer to current provisions	Reversal	Balance as at 31 Dec 2022
Provisions for denationalisation	38,669	0	0	0	-679	13,431	-8,468	-929	42,024
Provisions for guarantees on apartments sold	0	170	0	7	-9	0	0	-11	157
Provisions for warranties given	0	496	0	0	-51	0	0	0	445
Provisions for collateral given	0	1,667	0	590	0	0	0	0	2,257
Provisions for jubilee premiums	56	39	0	26	-6	0	0	-13	102
Provisions for severance payments	318	168	3,402	96	-40	0	0	-250	3,694
Provisions for legal disputes	36	3,691	4,115	0	0	0	0	-284	7,558
Non-current deferred revenues	320	0	308	622	0	0	0	0	1,250
Deferred government grants	0	0	4,999	0	-102	0	0	0	4,897
TOTAL	39,399	6,231	12,824	1,341	-887	13,431	-8,468	-1,487	62,384

in EUR '000

	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
Provisions for jubilee premiums	51	9	-3	0	-1	56
Provisions for severance payments	308	20	-8	0	-2	318
Other provisions	36	0	0	0	0	36
Non-current deferred revenues	281	39	0	0	0	320
TOTAL	58,697	1,478	-23,535	2,762	-3	39,399

3.7.2.13 Financial liabilities and finance lease payables

As at 31 December 2022, the SSH Group had bank loans amounting to EUR 81.7 million and EUR 32.6 million loans from other creditors. This amount also includes liabilities arising from operating leases. The prevailing interest rate is variable and tied to the 3-month or 6-month EURIBOR, and the loans will mature between 2023 and 2036. The loans of SSH are secured with a pledge on SSH' shareholding in Krka, with collateral worth twice the liabilities, as well as mortgages on the properties of Sava Turizem.

The loans granted to the Sava Group companies are secured with mortgages on properties of Sava Turizem, d. d., and with

the pledge on the shares and stakes owned by Sava, d. d. The financial liabilities of Sava Turizem, d. d. are pledged with properties whose book value amounts to EUR 136,033 thousand.

Financial liabilities of Sava d.d., are pledged with shares whose book value amounts to EUR 92,153 thousand (Sava Turizem shares in the value of EUR 91,655 thousand and shares of Pokojninska družba A in the value of EUR 498 thousand).

in EUR '000

	31 Dec 2022	31 Dec 2021
Financial liabilities	111,191	0
Finance lease payables	3,086	39
TOTAL	114,277	39
Non-current financial liabilities	61,852	0
Non-current finance lease payables	2,433	12
Current financial liabilities	49,339	0
Current finance lease payables	653	27
TOTAL	114,277	39

3.7.2.14 Current operating liabilities

in EUR '000

	31 Dec 2022	31 Dec 2021
Trade payables	10,792	221
Liabilities due to denationalisation beneficiaries	17,373	17,640
Liabilities due to employees	3,250	248
Liabilities due to state institutions	1,814	375
Other operating liabilities	5,802	14
TOTAL	39,031	18,498

All liabilities relating to 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 has no significant value for SSH. The reason for the

non-payment lies with beneficiaries who fail to submit the necessary payment data. The increase in liabilities due to denationalisation beneficiaries arises from additional liabilities related to the acquisition of Sava, d. d.

3.7.2.15 Other liabilities

in EUR '000

	31 Dec 2022	31 Dec 2021
Current provisions for denationalisation	8,468	13,432
Accrued expenses	1,025	0
Current deferred revenue	2,205	0
Other liabilities	3,085	132
Labour costs charged	5,602	0
Accrued lease costs for resorts under management	1,421	0
TOTAL	21,806	13,564

3.7.2.16 Operating income

INCOME FROM CONTRACTS WITH CUSTOMERS

in EUR '000

	2022	2021
Income from management of capital assets	5,337	5,102
Income from sale of real estate	5,872	0
Income from tourism activities	22,398	0
Rental income	928	0
TOTAL INCOME FROM CONTRACTS WITH CUSTOMERS	34,535	5,102

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 ZVJTO). Income from tourism activities relate to the revenues of the subsidiary company - Sava Turizem, d. d., mainly vacations, events, conferences, thermal parks, camping, and other similar sources.

OTHER OPERATING INCOME

in EUR '000

	2022	2021
Income from disbursement and reversal on non-current provisions - denationalisation	929	0
Income from disbursement and reversal of other non-current provisions	71	3
Income connected with denationalisation	2,424	1,881
Other operating income	3,150	3,262
Other operating income	1,048	0
OTHER OPERATING INCOME	7,622	5,146

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 restructuring of companies' ownership – paid in cash or by means of shares or equity holdings transferred to SSH partly from D.S.U. d. o. o., and partly from the budget of the Republic of Slovenia.

In 2022, other income also includes the reversal of the previous impairment of the inventory properties (EUR 2,5 million) while in 2021, other income also includes the write-off of overdue liabilities (EUR 3.08 million).

3.7.2.17 Costs of goods, materials and services

in EUR '000

	2022	2021
Cost of goods sold	3,277	0
Cost of material	4,859	58
Cost of services	12,050	1,616
TOTAL	20,186	1,674

The contractual amount for auditing the consolidated financial statements of SSH and for auditing the financial statements of its subsidiaries included in the consolidation for 2022 amounted to EUR 151,540 excluding VAT and EUR 21,900 for 2021. The contractual amount for other auditing services (assurance engagements and agreed-upon audit procedu-

res) for 2022 was EUR 10,800, while no other auditing services were carried out in 2021. No other services were carried out for SSH Group by the auditor and its affiliated companies in 2022 and 2021.

3.7.2.18 Labour costs

Labour costs include wages and salaries paid to employees, wage compensation attributable to employees for the time of their absence 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 reimbursements

for travel expenses paid to employees and costs of meals, holiday allowances, any severance payments paid upon the termination of the employment relationship and the cost of provisions for jubilee premiums and retirement benefits, as well as provisions for employment related lawsuits.

in EUR '000

	2022	2021
Salaries and wages	11,932	3,153
Retirement insurance costs	1,253	383
Social security contributions	889	225
Annual leave allowance, reimbursements and other earnings	1,854	202
Provisions for jubilee awards and retirement benefits	56	25
TOTAL	15,984	3,988

3.7.2.19 Depreciation and amortisation

in EUR '000

	2022	2021
Amortisation of intangible assets	210	92
Depreciation of buildings	2,718	47
Depreciation of equipment and spare parts	922	97
TOTAL	3,850	236

3.7.2.20 Write-offs and impairments

in EUR '000

	2022	2021
Write-offs and impairments of fixed assets	98	0
Write-offs and impairments of real estate inventories	1,082	0
Write-offs and impairments of current assets, excluding financial investments	106	0
TOTAL	1,286	0

3.7.2.21 Net profit or loss

in EUR '000

	2022	2021
Financial income	102,992	31,444
Proportion of profit/(loss) from investments measured at equity method	45,129	61,189
Financial expenses	-18,514	-84
NET PROFIT OR LOSS	129,607	92,549

Financial income

in EUR '000

	2022	2021
Dividends and income similar to dividends - enterprises	31,778	26,308
Dividends - insurance companies	4,566	2,587
Capital gains and equity interests in the Group	60	0
Profit on negotiated purchase (note 3.6.2)	43,433	0
Income from repayment of loans	7,453	0
Income from the valuation of financial investments at fair value	13,441	0
Income from purchased receivables	1,981	1,819
Proceeds from reversal of impairments of other investments, including interest	117	730
Other interest	163	0
TOTAL	102,992	31,444
PROPORTION OF PROFIT/LOSS FROM INVESTMENTS MEASURED AT EQUITY METHOD	45,129	61,189

IMPACT BY ASSOCIATES ON FINANCIAL POSITION OF SSH GROUP IN 2022

in EUR '000

	ZT Group	Unior Group	HIT Group	Casino Bled d. d.	Cinkarna Celje	Salomon	Terra M. Croatia	Total
Value of investment as at 31 Dec 2021	235,029	11,862	8,243	6	0	0	0	255,140
Allocation of share of profit or loss	31,022	3,308	2,528	100	10,605	0	0	47,563
Dividends received	-23,631	0	0	0	0	0	0	-23,631
Corresponding participation in changes of fair value reserve	-58,294	-42	778	3	91	0	0	-57,464
Reversal of previous impairment	20,001	0	822	0	0	0	0	20,823
Impairments to fair value	0	-3,825	0	-48	-19,384	0	0	-23,257
Acquisitions in the current year*	0	0	3,578	0	54,102	3,512	48	61,240
Value of investment under equity method as at 31 Dec 2022	204,127	11,303	15,949	61	45,414	3,512	48	280,414
FAIR VALUE IN SSH' S FINANCIAL STATEMENTS	220,339	11,303	18,660	61	45,414	3,512	48	299,337

*The amount of EUR 54,102 thousand represents the share acquired through the merger with BAMC, amounting to EUR 28,634 thousand and the pre-existing share of EUR 25,468 thousand.

IMPACT BY ASSOCIATES ON FINANCIAL POSITION OF SSH GROUP IN 2021

in EUR '000

	ZT Group	Unior Group	HIT Group	Casino Bled d. d.	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
Corresponding participation in changes of fair value	-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
FAIR VALUE IN SSH' S FINANCIAL STATEMENTS	235,029	11,862	8,243	61	255,195

IMPACT BY ASSOCIATES ON THE FINANCIAL RESULT OF SSH GROUP

in EUR '000

	2022	2021
Share of profit of associates	47,563	34,911
Reversal of impairment	20,823	28,578
Share of losses of associates	0	-483
Impairment	-23,257	-1,817
NET PROFIT OR LOSS	45,129	61,189

FINANCIAL EXPENSES

in EUR '000

	2022	2021
Financial expenses for interest on deposits with banks	924	75
Interest on loans granted by banks	1,799	0
Impairments of capital asset	1,725	0
Impairments of other financial investments	8,983	3
Loss on repayment of loans (BAMC)	5,075	0
Interest from leases	8	6
TOTAL	18,514	84

3.7.2.22 Taxes

in EUR '000

	2022	2021
Income taxes	1,143	0
Deferred tax expense	-760	-13
TOTAL TAX EXPENSE	383	-13

CALCULATION OF THE EFFECTIVE TAX RATE

in EUR '000

	31 Dec 2022	31 Dec 2021
Profit before tax	128,775	95,440
Calculated tax (applicable rate = 19%)	24,467	18,134
Effect of non-taxable income - profit on negotiated purchase	-8,252	0
Effect of non-taxable income - equity method	-4,085	0
Effect of non-taxable income- other	-11,425	-7,645
Effects non-deductible income	-180	39
Tax relief	-1,325	0
Effects of loss-making companies	2,305	0
Other adjustments in taxable profit	398	-11,300
Current year loss for which no deferred tax asset has been recognised	0	772
Increases/ Reversal of deferred tax assets due to changes in taxable profits	-760	-13
Income taxes	1,143	-13
EFFECTIVE TAX RATE	0.89%	0.0%

DEFERRED TAX ASSETS AND TAX LIABILITIES

in EUR '000

	31 Dec 2022	31 Dec 2021
Deferred tax assets	2,318	2,748
Deferred tax liabilities arising from free-of-charge transfer of assets	57,221	2,274
Deferred tax liabilities arising from business combinations	7,939	0
DEFERRED TAX LIABILITIES	65,160	2,274
NET DEFERRED TAX ASSETS/TAX LIABILITIES	-62,842	474

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 reversed the deferred tax

liability at the end of 2019. At the end of 2022, the deferred tax liabilities were re-recognized following the termination of the obligation for the free-of-charge transfer of capital assets to the Republic of Slovenia.

The deferred tax liabilities related to business combinations are associated with the revaluation of the assets of Sava Group to fair value at the acquisition date (note 3.6.2).

Deferred tax assets are a result of impairment of financial investments, of provisions for retirement benefits and jubi-

lee premiums, investment reliefs and unutilised tax losses. Estimated future tax liabilities for corporate income tax were used to determine the expected amount of the utilisation of deferred tax assets.

UNRECOGNISED DEFERRED TAX ASSETS

	in EUR '000	
	31 Dec 2022	31 Dec 2021
Unutilised tax losses	180,950	179,906
Impairment of receivables	423	436
Impairment of financial investments in subsidiaries	207	207
Measurement of financial investments – fair value through other comprehensive income (FVTOIC)	0	401
TOTAL UNRECOGNISED DEFERRED TAX ASSETS	181,580	180,950

3.7.2.23 Note to the Cash Flow Statement

The cash flow statement shows changes in the cash balances in a given financial year using the direct method. The data were obtained from the books of account of SSH 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 using the same method.

The amounts paid for SOS2E bond interest and principal were disclosed in the first part of the Statement of Cash Flow (cash flows from operating activities), since SSH's core business includes the settling of denationalisation liabilities. Proceeds, with the exception of proceeds from financial investments sold in order to cover these outflows were recognised as ope-

rating 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 ZVJTO).

Compared to the previous year, the cash flows in the current year also include (as a result of the merger with BAMC) inflows from property rentals, inflows from property sales, inflows from recovered bad loans acquired from banks, as well as receipts from tourism activities.

3.8

FINANCIAL RISK MANAGEMENT OF SSH GROUP

Financial risks are continuously monitored and assessed by SSH Group with the aim to provide for a long-term liquidity and to avoid excessive exposure to individual risks. 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 denominated in Euros, currency risk is negligible for SSH Group.

3.8.1 Credit risk

TOTAL MAXIMUM EXPOSURE TO CREDIT RISK

in EUR '000

	31 Dec 2022	31 Dec 2021
Operating receivables	9,833	4,703
Deposits measured at amortised cost	38,374	17,000
Cash and cash equivalents	50,954	10,344
Financial assets measured at fair value through profit or loss (FVTPL) - loans	225,177	22,427
TOTAL	324,338	54,474

The Group is exposed to credit risk primarily in the case of trade receivables. The exposure to this type of risk increases with the tightening of economic conditions. The Group reduces its exposure by continuously monitoring the creditworthiness of customers and suppliers, conducting business on the basis of prepayments, monitoring bad payers, pursuing timely recovery, investing in enforcement proceedings, and using security instruments and compensations.

Deposits measured at amortized cost represent deposits with commercial banks in Slovenia for which we assessed a minimal credit risk. The same applies to cash and cash equivalents.

Financial assets measured at fair value through profit or loss (FVTPL) as at 31 December 2022 represent loans resulting from the merger with BAMC. Credit risk is considered to be low in these cases, as the significant risk lies in the change in fair value, as described in note 3.7.2.5. These are typically non-performing loans measured at fair value. Financial assets measured at fair value through profit or loss (FVTPL) as at 31 December 2021 represented purchased receivables due from Sava d. d.

IMPAIRMENT OF TRADE RECEIVABLES

in EUR '000

	31 Dec 2022	31 Dec 2021
Trade receivables - balance	25,010	6,718
Impairment of trade receivables	-15,177	-2,015
NET RECEIVABLES	9,833	4,703

3.8.2 Interest rate 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 usually agreed upon when investing assets.

The companies of the SSH Group have their financial liabilities tied to the fluctuation of the EURIBOR interest rate, which has already exceeded 3% and is still on an upward trajectory.

In February 2022, Sava Turizem, d. d., used an interest rate cap to hedge against the interest rate risk on a portion of its

portfolio valued at EUR 8.2 million. The interest rate cap guarantees a fixed rate of 0% until the year 2029.

The interest rate burden is high and thus the company exposed to a high interest rate risk.

Sensitivity analysis for interest rate changes

If the interest rates for loan liabilities of companies in the SSH Group change by 100 basis points, the annual interest expense would increase by EUR 1,704 thousand, based on the balance of financial liabilities at the end of 2022.

3.8.3 Liquidity risks

Liquidity risk arises in the operations of subsidiaries. The financial and operating liabilities of Sava, d. d., including principal, interest, and fees amounting to EUR 62,729 thousand and, in accordance with Annex No. 6 to the Repayment Agreement, were due for settlement on 30 June 2023.

Sava Turizem, d. d., has taken long-term loans from commercial banks, with the final maturity at the end of 2036. The company is repaying its liabilities according to the amorti-

zation schedules. The value of the assets of the Sava Group which have been provided as collateral for financial liabilities significantly exceeds the amount of its financial liabilities.

Insolvency risk – the risk of not being able to settle liabilities as they fall due – is effectively managed in the Group.

MATURITY OF LIABILITIES ACCORDING TO CONTRACTUAL CASH FLOWS AS AT 31 DECEMBER 2022

	Book value of liabilities	Liability	Contractual cash flows			
			up to 6 months	from 6 to 12 months	from 1 to 5 years	more than 5 years
Finance lease payables	3,086	3,086	312	312	312	2,150
Financial liabilities	111,191	111,191	24,821	24,559	45,860	15,952
Operating liabilities	41,285	41,285	41,285	0	0	0
Other liabilities	20,760	20,760	10,894	9,866	0	0
TOTAL LIABILITIES	176,322	176,322	77,312	34,737	46,172	18,102

in '000 EUR

MATURITY OF LIABILITIES ACCORDING TO CONTRACTUAL CASH FLOWS AS AT 31 DECEMBER 2021

in EUR '000

	Book value of liabilities	Liability	Contractual cash flows			
			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
TOTAL LIABILITIES	32,101	32,101	23,934	8,155	12	0

3.8.4 Market risk

DOMESTIC QUOTED SHARES AND SENSITIVITY ANALYSIS OF CHANGES IN MARKET PRICES

in EUR '000

	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
	31 Dec 2022	15%	20%	-15%	-20%
Krka, d. d.	271,389	40,708	54,278	-40,708	-54,278
Petrol, d. d.	105,984	15,898	21,197	-15,898	-21,197
Sava Re, d. d.	68,183	10,227	13,637	-10,227	-13,637
Luka Koper, d. d.	38,635	5,795	7,727	-5,795	-7,727
Other quoted domestic shares	35,128	5,269	7,026	-5,269	-7,026
TOTAL	519,319	77,898	103,864	-77,898	-103,864

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
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 quoted domestic shares	53,061	7,959	10,612	-7,959	-10,612
TOTAL	658,456	98,768	131,691	-98,768	-131,691

Changes in market prices affecting other comprehensive income

LIQUIDITY OF THE MOST IMPORTANT INVESTMENTS OF THE GROUP IN QUOTED SHARES

in EUR '000

Turnover ratio*	in 2022	in 2021
Krka, d. d.	5.16%	4.60%
Luka Koper, d. d.	3.33%	4.39%
Petrol, d. d.	4.11%	2.90%
Pozavarovalnica Sava, d. d.	4.14%	5.64%
Prime market	4.78%	4.00%
Standard market	1.87%	1.54%

Source*: Monthly and Annual Statistics Ljubljana stock exchange LJSE, 2022 and 2021

3.8.5 Managing capital adequacy

In 2021 and in 2019, there were no changes to equity management. The main purpose of equity management is to ensuring the capital adequacy and the financial stability of the Group with the primary objective of providing a high return on equity. In accordance with the dividend policy of the sole shareholder, no dividends are paid out.

The Group uses to financial leverage ratio to manage its capital structure, that is net debt vs. equity. Net debt includes current liabilities without deferred tax liabilities and provisions and non-current financial liabilities, reduced by cash and cash equivalents.

in EUR '000

	31 Dec 2022	31 Dec 2021
Current liabilities	114,242	32,089
Non-current financial liabilities	64,285	12
Cash and cash equivalents	50,954	10,344
Net indebtedness	127,573	21,757
Equity	1,213,870	913,315
FINANCIAL LEVERAGE RATIO IN %	10.51	2.38

3.9

TRANSACTIONS WITH RELATED PARTIES

In addition to the Republic of Slovenia, considered as 100% owner, the following entities are considered to be related parties according to IAS 24:

- subsidiaries and associates;
- management personnel and members of Supervisory Board and Audit Committee;
- companies related to the state.

In 2022, no transactions were concluded by SSH which might result in harmful consequences for the operations of related parties.

3.9.1 Subsidiaries and associates

As at 31 December 2020, SSH held a 20% or higher ownership interest in several companies which are listed in notes 3.7.2.1. and 3.7.2.2. 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 (the merger with BAMC). There were no significant business transactions taking place between SSH and the above mentioned companies.

Transactions between the controlling company and the subsidiary Sava, d. d., (with its subsidiary Sava Turizem, d. d.) are

excluded from the consolidated financial statements; therefore, they are not disclosed at this point. Other transactions which have not been excluded are disclosed in note 3.9.3 – transactions with related parties.

SSH hereby declares that the controlling company has not used its influence to induce related companies to engage in harmful legal transactions or act to their detriment. In addition to capital-related connections, business cooperation with associates mainly relates to a small-scale insurance transactions.

3.9.2 Management bodies and members of Supervisory Board and Audit Committee

EARNINGS OF SSH MANAGEMENT BOARD MEMBERS IN 2022

	in EUR			
	Žiga Debeljak	Janez Tomšič	Peter Drobež	Janez Žlak
	1 Sep–1 Dec	1 Jan–31 Dec	1 Apr–31 Aug	1 Jan–31 Aug
Fixed earning (gross)	36,368	126,857	53,194	104,251
Variable income (gross)	0	20,428	0	32,925
Severance payment	0	0	65,463	72,737
Fringe benefits	23	8,945	567	7,428
Annual leave allowance	633	1,900	792	1,267
Reimbursement of costs (meals, transportation cost, use of own assets)	589	1,443	2,744	918
Reimbursement of business travel costs	0	30	1,180	21
Voluntary suppl. pension insurance	726	2,882	1,210	2,157

EARNINGS OF EXECUTIVE MEMBERS OF BAMC BOARD OF DIRECTORS FROM 1 JULY 2022 TO 31 DECEMBER 2022

	in EUR		
	Matej Pirc	Žiga Pfeifer	Mitja Križaj
	1 July–31 Dec	1 July–31 Dec	1 July–31 Dec
Fixed earning (gross)	79,200	66,000	66,000
Variable income (gross)	0	0	0
Severance payment	0	0	0
Fringe benefits	0	2,045	0
Net income (salary plus benefits)	40,055	32,210	38,561
Annual leave allowance	0	0	950
Reimbursement of costs (meals, transportation cost, use of own assets)	1,540	2,061	859
Reimbursement of business travel costs	1,076	431	618
Voluntary suppl. pension insurance	1,452	1,210	1,210

EARNINGS OF SSH 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 Febr-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
Annual leave allowance	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

In 2022 and in 2021, no loans were granted either to the management, members of the Supervisory Board or to members of its committees or employees.

In 2022, with the exception of Management Board Members, only one person was 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.

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	17,092	5,555	361	0	23,008
Leon Cizelj	8,080	3,520	0	133	11,733
Božo Emeršič	8,691	3,520	0	314	12,525
Ivan Simič	16,225	5,555	361	0	22,141
Janez Vipotnik	15,608	6,050	361	6,129	28,148
Franjo Bobinac	560	495	0	149	1,204
Suzana Bolčič Agostini	560	495	0	265	1,320
TOTAL	66,816	25,190	1,083	6,989	100,079

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD IN 2021

in EUR

	Compensation for the performance of the function (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
TOTAL	67,514	14,630	1,464	3,477	87,084

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	3,600	1,584	0	0	5,184
Ivan Simič	3,600	1,584	0	0	5,184
Darinka Virant	6,648	1,584	0	56	8,288
TOTAL	13,848	4,752	0	56	18,656

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE IN 2021

in EUR

	Compensation for the performance 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
TOTAL	12,600	5,368	0	13	17,981

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S NOMINATION COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	3,600	2,904	0	0	6,504
Leon Cizelj	2,020	2,112	0	0	4,132
Božo Emeršič	2,020	2,112	0	0	4,132
Ivan Simič	3,600	3,080	0	0	6,680
Janez Vipotnik	3,735	2,640	0	0	6,375
Franjo Bobinac	140	0	0	0	140
Suzana Bolčič Agostini	140	0	0	0	140
TOTAL	15,255	12,848	0	0	28,103

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S NOMINATION COMMITTEE IN 2021

in EUR

	Compensation for the performance 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
TOTAL	15,438	6,688	0	0	22,126

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S RISK COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	1,530	220	0	0	1,750
Božo Emeršič	2,020	440	0	0	2,460
Janez Vipotnik	3,735	660	0	0	4,395
Darinka Virant	4,432	660	0	13	5,105
TOTAL	11,718	1,980	0	13	13,711

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S RISK COMMITTEE IN 2021

in EUR

	Compensation for the performance 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
TOTAL	10,800	2,508	0	0	13,308

REMUNERATION OF MEMBERS OF THE NOMINATION COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (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
TOTAL	54,000	0	0	0	54,000

REMUNERATION OF MEMBERS OF THE NOMINATION COMMITTEE IN 2021

in EUR

	Compensation for the performance of the function (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
TOTAL	54,000	0	0	0	54,000

in EUR '000

Related persons	Gross earnings Oct - Dec 2022	
	Sava, d. d.	Sava Turizem, d. d.
Members of the Management Board - Executive Directors	11	136
Other employees under individual agreements	134	1,735
Members of Supervisory Board/ Board of Directors	20	27
TOTAL	165	1,898

OTHER COSTS ASSOCIATED WITH THE SUPERVISORY BOARD AND ITS COMMITTEES

in EUR

	2022	2021
Legal opinion	2,102	0
Costs in connection with the selection of a Management Board Member (advertisement, HR agency)	17,828	12,773
Costs for supplementary training	775	510
Other (insurance premiums)	1,181	985
TOTAL	21,886	14,268

3.9.3 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		Liabilities		Income		Expenses	
	2022	2021	2022	2021	2022	2021	2022	2021
Ministry of Finance	1,762	647	0	0	5,240	5,299	696	0
Farmland and Forest Fund of RS	176	466	0	0	1,876	1,456	0	0
D. S. U.	41	148	0	0	402	214	0	0
Pension Fund Management (KAD)	0	0	35,037	0	0	0	735	0
Transactions with companies related to owners*	211	0	28,989	0	137	0	1,416	0
TOTAL	2,190	1,261	64,026	0	7,655	6,969	2,847	0

*Companies related to the owners are those which own more than 20% of the company that owns Sava, d. d., and companies in which the companies that own Sava, d. d., also hold more than a 20% ownership stake.

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.

3.10

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent assets are more difficult to measure but represent claims which the company asserts through legal proceedings the outcome of which is uncertain, and arise from the merger with BAMC in 2022.

In addition to future liabilities for which provisions have been recognized due to the fact that conditions have been met for their recognition, SSH has also formed contingent li-

abilities arising from denationalisation in the amount of EUR 37.4 million (31 December 2021: EUR 36,5 million) and contingent liabilities in the amount of EUR 114.2 million arising from the merger with BAMC, as presented below. 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.

3.10.1 Contingent liabilities

in EUR '000	
31 Dec 2022	
Contingent liabilities for legal disputes which have not been settled	108,991
Contingent liabilities arising from bank guarantees issued	491
Contingent liabilities for collateral granted	4,751
TOTAL	114,233

a) Contingent liabilities for legal disputes which have not been settled

Contingent liabilities for legal disputes which have not been settled in the amount of EUR 108,991 thousand represent the total value of all litigation claims, plus an additional EUR 10 thousand for each individual lawsuit. It is estimated that EUR 10 thousand is an appropriate average amount to cover the legal costs and related default interest which BAMC would have to reimburse to the opposing party in the event of losing a lawsuit.

Ninety-two per cent (92%) of the total value of all claims are represented by two lawsuits against SSH, one from 2015 and the other from 2020. One lawsuit was filed due to alleged unfair negotiations, while the other was filed for compensation due to an unjustified application for initiating the debtor's bankruptcy proceedings.

b) Contingent liabilities arising from bank guarantees issued

in EUR '000	
31 Dec 2022	
Arising from the merger of Factor banka	639
Arising from the merger of Probanka	298
TOTAL	937
Less: amount included in balance sheet in provisions for bank guarantees issued	-446
CONTINGENT LIABILITIES	491

The table shows contingent liabilities, which are the amounts of approved, yet uncashed, and still valid bank guarantees as at 31 December 2022. The entire amount was taken over as a result the merger of Factor banka and Probanka.

c) Contingent liabilities for collateral and warranties granted

in EUR '000

	31 Dec 2022
Collateral in the form of pledged deposits	4,374
Collateral from issued promissory notes	2,634
TOTAL	7,008
Stated on the balance sheet among other provisions	2,257
CONTINGENT LIABILITIES	4,751

Out of the contingent liabilities, an amount of EUR 2,257 thousand has been recognized on the balance sheet (note 2.7. 3.10.) in other provisions.

3.11

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 for the year that ended on 31 December 2022. Other significant events are presented below.

- On 13 January 2023, as part of a contractual obligation, a charge (in a 1:2 ratio) was registered on 655,022 Krka shares to secure the repayment of a loan granted by a syndicate of banks in the amount of EUR 30 million.
- On 15 March 2023, the loan was fully repaid, and as a result, on 23 March 2023, the charge was also lifted.

Ljubljana, 22 June 2023



Janez Tomšič

Member of the Management Board



Žiga Debeljak, MSc

President of the Management Board

3.12

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

ATX index - Austrian Traded Index - the most important index of Wiener Börse

BAMC - Bad Asset Management Company

bn - billion

BOE - Bank of England

BUPF - Blue Umbrella Pension Fund managed by Modra zavarovalnica

CA - capital asset

CCI - Compliance and corporate integrity system

Code - Corporate Governance Code for SOEs

CPC - Commission for the Prevention of Corruption

CPOEF - Center poslovne odličnosti Ekonomske fakultete - Centre of business Excellence of the Faculty of Economic, University of Ljubljana

d. d. (PLC) - delniška družba (joint stock company, public limited company)

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

DARS - Družba za avtoceste v Republiki Sloveniji (Motorway Company of Republic of Slovenia)

DZ - National Assembly

ECB - European Central Bank

ECESA - Expert Committee for Economic and Social Affairs

ESG - Environmental, social and governance factors of sustainable business

EU - European Union

EUR - Euro currency

FED - Federal Reserve System

GDP - Gross Domestic Product

GEN - GEN energija Group, d. o. o.

HICP - Harmonised Index of Consumer Prices

HSE - Holding Slovenske elektrarne, d. o. o.

ICT - Information and communication technology

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

KDD - Centralna klirinško depotna družba, d. o. o. (Central Securities Clearing Corporation)

m - million

MSCI All Country World Index - Global equity index which measures the performance of stocks in developed and emerging markets

NC Portal - the Portal of the SSH Nomination Committee

NLB - Nova Ljubljanska banka, d. d.

NUSZ - a charge for the use of building land

OECD - Organisation for Economic Cooperation and Development

ORZUKSB33 - Correction of the Authentic Interpretation of Article 33, Paragraph 3 of the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks

OU - organisational unit

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

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

SB - Supervisory Board

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

SOD - Slovenska odškodninska družba, d. d. (Slovene Compensation Fund)

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

SSH - Slovenian Sovereign Holding

SSH Group - Slovenian Sovereign Holding Group

SSH SB - Supervisory Board of Slovenian Sovereign Holding

SURS - Statistical Office of the Republic of Slovenia

UKC Ljubljana - Ljubljana University Medical Centre

VAT - Value Added Tax

Zden - Denationalisation Act

ZDIJZ - Public Information Access Act

ZDIJZ-C - Act Amending the Public Information Access Act

ZGD-1 - Companies Act

ZIOOZP - Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property

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

ZN-3 – Public Procurement Act
ZNS – Slovenian Directors' Association
ZPIZ – Zavod za pokojninsko in invalidsko zavarovanje (Pension and Disability Insurance Institute of Slovenia).
Zpkri – Redressing of Injustices Act
ZPre-1 – Takeovers Act
ZS-K – Act Amending the Courts Act
ZSDH-1 – Slovenian Sovereign Holding Act
ZSOS – Slovenian Compensation Fund Act
ZSPOZ – Act on Payment of Compensation to Victims of War and Post-War Violence
ZSPOZ – Act on Payment of Compensation to Victims of War and Post-War Violence
ZUKS-B – Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks
ZVKSES – Protection of Buyers of Apartments and Single Occupancy Buildings Act
ZVJTO – Reimbursement of Investments in Public Telecommunications Network Act

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