



SLOVENSKI DRŽAVNI HOLDING, d. d.

**III – SPECIAL SECTION
CONFIDENTIAL**

Annual Asset Management Plan for 2021



30 NOVEMBER 2020

Annual Asset Management Plan for 2021

**The State is an important owner of enterprises in Slovenia.
As such, it has a great responsibility to be an active and professional owner.**

The ultimate objective of state-owned enterprises being managed by SSH is effective, profitable, economical operation, creation of value, and in many cases, efficient implementation of strategic and development objectives, often carried out within the scope of individual services of general economic interest. This must be achieved in a sustainable manner, by taking into account economic, environmental, and social aspects.

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TERMS AND DEFINITIONS

EA: Energy Agency

ISA: Insurance Supervision Agency

AKOS: Agency for Communication Networks and Services of the Republic of Slovenia

ARSO: Slovenian Environment Agency

BoS: Bank of Slovenia

Borzen: Borzen operater trga z elektriko, d.o.o. (the Power Market Operator)

State-owned enterprise (SOE): a company in which the only shareholder or one of the shareholders are SSH and/or RS; capital investments are managed by SSH. The said term must be differentiated from the term "a financial asset of the state" which is defined by ZSDH-1 as a financial asset owned by the Republic of Slovenia, KAD or SSH

DSU: Družba za svetovanje in upravljanje, d.o.o.

DTK: Venture capital companies

DRSV: Slovenian Water Agency

NA RS: National Assembly of the Republic of Slovenia

BAMC: Družba za upravljanje terjatev bank, d. d., with the English name: Bad Asset Management Company

ECB: European Central Bank

EDC: electricity distribution companies

Eles: Eles sistemski operater prenosnega elektroenergetskega omrežja, d.o.o. (Electricity Transmission System Operator)

EIB: European Investment Bank

Ec: European Commission

EU: European Union

FED: Federal Reserve Board – American central bank

SGEI: Service of General Economic Interest

IMF: International Monetary Fund

KAD: Kapitalska družba, d.d. (Pension Fund Management)

SSH Code: Corporate Governance Code for SOEs, adopted in November 2019

CA: capital asset. Capital assets are equity securities under the act regulating the financial instruments market, or shareholdings or other equity stakes in individual companies in accordance with the act regulating companies. In this Act, the following terms are used inter-changeably with the same meaning: CA, capital asset and assets

AAMP: the Annual Asset Management Plan, prepared every year by SSH in accordance with Article 30 of ZSDH-1

SSH Criteria: the Criteria for Measuring Performance of SOEs, the SSH's legal document which, as a rule, is updated every year simultaneously with AAMP. This document defines the criteria and the indicators for measuring the performance of SOEs

MoLFAEO: Ministry of Labour, Family, Social Affairs and Equal Opportunities

MoF: Ministry of Finance.

MoEDT: Ministry of Economic Development and Technology

MoPA: Ministry of Public Administration

MoESP: Ministry of the Environment and Spatial Planning

SME: small and medium-sized enterprises

Mol: Ministry of Infrastructure

NECP: National Energy and Climate Plan

OECD: Organisation for Economic Cooperation and Development

(O)SGEI: (Obligatory) services of general economic interest

SSH Asset Management Policy: the SSH Asset Management Policy adopted in March 2019

Important assets: are assets whose development function should be kept within the Republic of Slovenia

Portfolio assets: assets by means of which the Republic of Slovenia strives to attain solely economic goals

SSH Recommendations and Expectations: the SSH Recommendations and Expectations adopted in August 2020

RS: Republic of Slovenia.

SiDG: Slovenski državni gozdovi, d.o.o., the manager of state forests

SKZG: Farmland and Forest Fund of RS

SODO: SODO sistemski operater distribucijskega omrežja z električno energijo, d.o.o. (Electricity Distribution System Operator)

SSH Articles of Association: the Articles of Association of SSH as applicable at the point in time

Strategy or State Assets Management Strategy or OdSUKND: the State Assets Management Strategy adopted on 13 July 2015 by the Parliament in the form of the Ordinance On State-Owned Capital Assets Management Strategy (OdSUKND)

Strategic assets: assets with which the Republic of Slovenia, in addition to economic goals, attains strategic goals

SSH: Slovenski državni holding, d. d. (English name: Slovenian Sovereign Holding)

RS Group: RS and its affiliates

SOD: Slovenska odškodninska družba, d. d., which has been transformed into SSH in accordance with ZSDH-1

SPS: the Public Fund of the Republic of Slovenia for Entrepreneurship or shortly, the Slovene Enterprise Fund.

SURS: Statistical Office of the Republic of Slovenia

TEU: unit of cargo capacity describing container

IMAD: Institute of Macroeconomic Analysis and Development

Government of RS: the Government of the Republic of Slovenia

USA: the United States of America

ZCes-1: the Roads Act (Official Gazette RS, No.109/2010 et seq.)

ZFPPIPP: the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (Official Gazette RS, No.13/2014 et seq.)

ZGD-1: the Companies Act (Official Gazette RS, No.42/2006 et seq.)

ZIS: the Gaming Act (Official Gazette RS, No.14/2011 et seq.)

ZIUZEOP: the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (Official Gazette RS, No.49/2020 et seq.)

ZSOS-C: the Act Amending the Slovenian Compensation Fund Act (Official Gazette RS, No. 55/2017)

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

ZPPDFT-1: the Prevention of Money Laundering and Terrorist Financing Act (Official Gazette RS, No. 68/2016)

ZPPOGD: the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette RS, No. 21/2010, et. seq.)

ZPre-1: the Takeovers Act (Official Gazette RS, No.79/2006 et seq.)

ZSDH-1: the Slovenian Sovereign Holding Act (Official Gazette RS, No. 25/2014)

ZSDU: the Worker Participation in Management Act (Official Gazette RS, No.42/2007 et seq.)

ZTFI: the Financial Instruments Market Act (Official Gazette RS, No 108/2010 et seq.)

ZZLPPO: the Act Concluding Ownership Transformation and Privatisation of Legal Entities owned by the Development Corporation of Slovenia (Official Gazette RS, No. 30/1998, et. seq.)

ZZNSZP: the Act on the Provision of Air Navigation Services (Official Gazette RS, No.101/2003 et seq.)

ANNUAL ASSET MANAGEMENT PLAN
FOR 2021

INTRODUCTION

I. INTRODUCTION

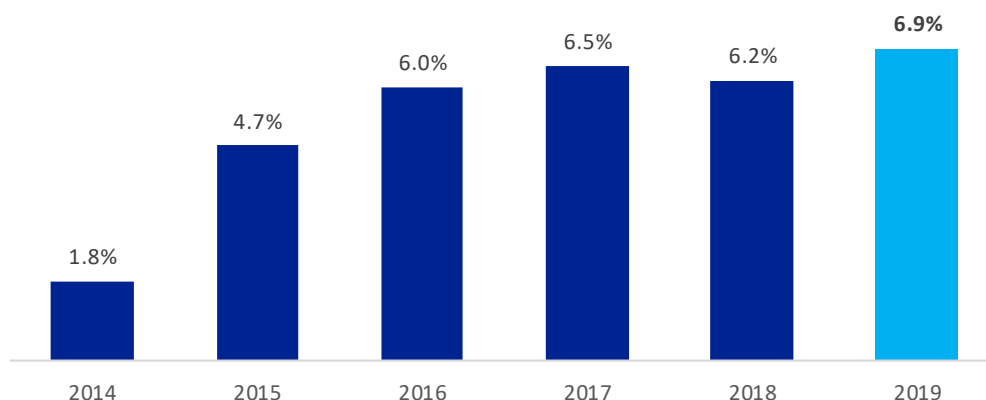
The global economy of 2020 was marked by the outbreak of the COVID-19 pandemic which surprised the world in the first quarter of 2020 only to completely change the way business is done and having an impact on global macroeconomic conditions. The Slovenian economy was affected by the negative consequences of the pandemic with the same intensity as other economies of the world. This is the main objective reason that the planned business results for 2020 will not be achieved. In addition, the fact is that there is a great degree of uncertainty associated with forecasting the performance results to be achieved by the end of 2020 and for the coming years, as such predictions depend greatly on the realisation of individual scenarios concerning the further development of the COVID-19 pandemic. SSH welcomes the fact that SOEs have shown to have in place a suitable and effective corporate governance system as, also owing to a suitable response by SOEs to the COVID-19 crisis, the worst economic scenarios have been avoided. This was first shown by activities pursued by enterprises to protect the health and lives of their employees and consequently to ensure their smooth operation, in which case a special emphasis has been dedicated to the critical infrastructure. Moreover, the suitable response by companies to challenges and risks exposed to by the crisis has to be further commended. To a large extent, the robustness of the enterprises' business models and their financial stability have been demonstrated in the COVID-19 crisis, to which some measures adopted by the state with the aim to mitigate consequences of the crisis for citizens and the economy have also contributed, as well as the fact that past crisis have made the economy more resilient and thus, suitable solutions were prepared and ready. Undoubtedly, a key contribution was also made by the corporate governance system which encourages SOEs to reflect on their risk exposure and their management in a comprehensive manner when managing the enterprises.

Portfolio under SSH's management represents an important part of the Slovenian economy. Enterprises included in the asset portfolio managed by SSH are a particularly important employer in Slovenia as more than 71 thousand employees were employed with these companies in 2019. Operating revenue generated by companies from the SSH's portfolio amounts to approximately 15% of the total revenue generated by Slovenian enterprises and the same percentage has been achieved by these companies in terms of the total added value. The added value per employee working for companies included in the SSH's portfolio of assets is by 30% higher than the average figure achieved by all Slovenian companies.

SSH has established a robust systemic framework for corporate governance of SOEs which is based on OECD's guidelines, the adopted State Assets Management Strategy and ZSDH-1. The SSH's corporate governance model is known to all stakeholders, is predictable and is primarily based on the following: (i) precisely defined criteria for measuring performance and for achieving strategic goals of SOEs which also include sustainable performance criteria; (ii) an established system for targeting the values of economic and financial and strategic goals of SOEs which are set in an ambitious yet realistic manner; (iii) the introduction and the improvement of a transparent system of reporting by SOEs with respect to their achievement of the set goals; (iv) regular communication between SSH and SOEs which, among other matters, also includes periodic (at least twice a year) organisation of joint meetings; (v) regular monitoring of the progress for achieving set goals and for implementing adopted strategies and analysing the obtained results; (vi) verifying business models and promoting activities for further improvements of enterprises' operations and their competitiveness; (vii) efficient and transparent implementation of procedures for the sale and acquisition of capital assets; (viii) a standardised procedure for the selection of members of supervisory bodies; (ix) the organisation of regular educational and supplementary training activities for members of supervisory boards of SOEs, and (x) regular transfer of relevant cases of good practice to enterprises from the portfolio of assets managed by SSH.

On the basis of the corporate governance system described above, **amid favourable conditions in the economic environment, companies from the portfolio of assets managed by SSH managed to significantly improve their operational results in the past.** Return on Investment (ROE) of the SSH's portfolio gradually increased from 1.8%, achieved at the end of 2014, to 6.9% ROE, achieved at the end of 2019, when it significantly exceeded the target value which was set at 6.2%.

Figure 1: *ROE for portfolio of assets managed by SSH in 2014-2019 period, in %*



The structure of the portfolio of assets managed by SSH significantly changed during this period of time. The proportion of **strategic assets, which now represent as much as 82% of the total portfolio value**, increased significantly¹; the central focus of their management is the attainment of strategic and development goals of the state, that is, the realisation of important social interests, such as the provision of the relevant level and access of infrastructure, the provision of services of general economic interest, the achievement of security objectives, development objectives and the implementation of other important social interests which are broader in nature and which surpass mere economic goals.

For the sixth consecutive year, SSH has prepared the Annual Asset Management Plan (AAMP) by way of which detailed goals for the management of assets in an individual enterprise are determined for the coming financial year, together with measures and policies for attaining these goals.

As mentioned in the beginning of this Introduction, due to COVID-19 pandemic going on in 2020, **the preparation of AAMP for 2021 has been undertaken in the conditions of rapidly changing business environment with an uncertain outlook about future macroeconomic developments**, which in itself is a great challenge.

The process for preparing AAMP has, however, not changed as compared to the usual practice. As a matter of fact, the process is initiated in the beginning of the summer (when the suitability of indicators for measuring performance is verified, the SOEs' operational results are analysed, benchmarking analysis are conducted, and similar other tasks are carried out) and is continued with the legally permissible dialogue involving asset-management related matters which takes place between SSH and SOEs. SSH sets ambitious yet realistic values for the expected strategic, economic and financial performance indicators, realising in this manner its vision, which is the creation of value from capital asset for the owner. The target indicators indicated in AAMP cover key operational aspects which are important for the development and competitiveness of an enterprise. AAMP also gives a forecast about cash flows to be generated from the management of assets included in the SSH's portfolio. Due to the rapidly changing environment, AAMP 2021 has been prepared so as to include to the greatest possible extent the above mentioned assumptions about the achievement of goals. Considering the current situation with respect to the COVID-19 epidemic having been declared again, these assumptions are believed to be extremely optimistic.

2020

SSH was prompted to react to the new circumstances caused by the outbreak of the COVID-19 pandemic in Q1 of 2020 by intensifying its asset-management related activities in the following manner: SSH (i) monitored the operations of companies

¹ The proportion of strategic assets in the SSH's portfolio of assets amounted to 66.8% in 2014.

managing critical infrastructure on a daily basis; (ii) followed closely and regularly the assessment of the impact of COVID-19 crisis on the operation of enterprises from the portfolio of assets managed by SSH, including the review of their revenue situation and liquidity status; (iii) monitored the assessment of dividends to be paid out by enterprises in 2020 and the associated impact on the SSH's liquidity and financial position; (iv) monitored the adopted intervention legislation, whereby SSH had also drafted several proposals in this regard; and (v) took several measures for managing risks incurred with the newly-created situation. It is worth highlighting that all enterprises from the SSH's portfolio, which manage critical infrastructure, ensured that their operation continued without any stoppages and services were provided in a seamless manner.

As a result of significantly worsened conditions for operation, the planned quantitative goals in asset management will not be achieved in 2020, however a profitable operation is expected to be achieved at the level of the total SSH's portfolio.

The first estimates² with respect to the performance of companies from the portfolio of assets managed by SSH show that ROE of the portfolio can amount to 3.4% which is by 2.5 percentage points lower than planned in AAMP 2020. According to the latest IMAD's forecasts (a baseline scenario), a negative economic growth is predicted for Slovenia for 2020; it will presumably stand at -6.7%. This shows a relative successful operation of companies from the portfolio managed by SSH, in spite of an estimated drop in the ROE indicator. A fall in the ROE value will also be influenced by certain regulatory modifications, such as, for example, amendments to the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system.

RS, SSH and ZPIZ will not receive dividend income planned for 2020, which in AAMP 2020 was forecasted to amount to the total of EUR 142.4 million. The lower sum of dividends paid out is the result of the COVID-19 pandemic and tighter business conditions. These have been reflected in poorer performance results achieved by some companies in 2020 and in the worsening of their financial situation. The lower amount of dividend pay-outs is also the result of restrictions adopted for 2020 by regulatory institutions in connection with dividend payment by banks and insurance companies. According to the latest estimates, RS and SSH will receive the total of EUR 85.9 million of dividends in 2020.

The COVID-19 crisis, however, has had a different impact on the operation of individual companies. The companies from the SSH's portfolio which have been hit the most by the crisis include enterprises from the tourism industry, manufacturing and transport industry. Some other sectors have been less severely affected for now, while the least impact of the COVID-19 crisis has been experienced by the pharmaceutical industry and telecommunications.

OUTLOOK FOR 2021 AND 2022

The outlook for 2021 has been prepared by taking into account forecasts of economic trends available at the time of drawing up this document. Thus, according to the assumptions included in the IMAD's scenario, the economic activity is to recover in all sectors which, however, will not make it possible to offset the expected contraction of economic activity in 2020. Operating in deteriorated economic conditions, SSH expects from enterprises included in its portfolio of assets to dedicate more attention to cost optimisation and to increasing efficiency of their operations.

Table 1: *ROE of the total RS's and SSH's portfolio from 2016 to 2019 with an estimate for 2020 and an outlook for 2021 in %*

Pillar	2016	2017	2018	2019	AMAP 2020	Estimate 2020	AMAP 2021	Outlook 2022
TRANSPORT	5.0	5.9	6.3	6.9	5.0	1.3	3.4	4.5
ENERGY SECTOR	4.1	3.4	3.2	4.7	5.2	4.4	3.8	4.3
FINANCIAL SECTOR	8.9	10.6	9.6	10.1	8.0	5.6	5.9	7.4
TOURISM AND ECONOMY	6.5	4.2	7.6	7.3	8.5	5.5	6.2	7.4
Portfolio RS+SSH	6.0	6.5	6.2	6.9	5.9	3.4	4.2	5.2

² Owing to the uncertainty and fast changing circumstances concerning the future development of the COVID-19 pandemic, the duration of the pandemic and the frequency of the disease resurgence and related negative impacts on the business environment as well as on the forecasts about future macroeconomic developments, the risk for such estimate to fail is relatively high.

It is worth pointing out that activities in connection with the preparation of business plans for enterprises included in the SSH's portfolio of assets, presenting one of the bases for setting the goals for companies for the coming years, were actively pursued from the beginning of September when the epidemiological situation was significantly better. Additional worsening of the epidemiological situation, which we have been witnessing since the middle of October, can have a significant impact on the operational results as presented in this document and may jeopardize the likelihood of their achievement.

The ROE of the portfolio of assets under SSH management is expected to increase in 2021. It is estimated to amount to 4.2%, which is by 0.8 percentage points higher than ROE set for 2020.

ROE is expected to increase in all sectors with the exception of the **Energy sector**. In relative terms, this pillar was the least affected by the impacts of the COVID-19 crisis, although it seems that its effects will last longer. The reason for forecasting a lower ROE indicator for the Energy sector in 2021 is mainly due to the lowered forecasted ROE of the two largest groups in this pillar, specifically the HSE Group and the GEN Group, as a result of relatively low retail electricity prices, some regulatory impacts (such as, for example, the increase in the contribution for the NEK's decommissioning), and in case of the HSE Group, the envisaged increase in the CO₂ coupon prices.

In 2021, key asset-management related activities to be pursued by SSH in the Energy sector will be focused on, firstly, providing support to those activities which will be carried out by the enterprises from the SSH's portfolio of assets with the aim of ensuring national energy self-sufficiency and, secondly, on promoting investment projects which will be economically viable and compliant with the Integrated National Energy and Climate Plan of the Republic of Slovenia. At the same time, SSH will support targeted decarbonisation strategies pursued by enterprises, in accordance with the regulations of the European Commission. As regards the pipeline system, SSH will advocate its further development in accordance with the gas flows and system capacities and promote further extensions of the gas network while also making new international connections with the aim of supplying with gas those Slovenian regions without the adequate gas supply. In 2021, within the scope of the SSH's role of a central ownership entity, SSH will strive for increasing the cyber security of SOEs by supporting enterprises in establishing common Security and Operations Centre.

Other pillars are projected to record better results. Nevertheless, some industries will remain to be greatly affected by the consequences of the crisis (for example, tourism and manufacturing). Some pre-crisis results are still unreachable and it should be noted that, before the COVID-19 crisis, macroeconomic projections for 2021 showed a deteriorated outlook as compared to 2020, which in any way was worse than the outlook for 2019.

As regards the **Transport** pillar, which was hit the most (in relative terms) by the COVID-19 crisis, a relatively greatest improvement in operations is expected for 2021; it is predicted that all top companies from the pillar will generate better results.

Key asset-management related activities to be pursued by SSH in the Transport pillar will be focused on monitoring investment projects which were launched in 2020 and will continue in 2021. In accordance with its powers, SSH is expected to make decisions on strategic logistics and cargo partnership to be made in 2020 and to monitor the implementation of the project afterwards. As an active asset manager, SSH will provide proposals for strategic expansion of Slovenske železnice to bus transport and monitor the financial condition of the pillar's largest company DARS. Within the scope of this task, more attention will be dedicated to those methods of financing investments which are socially beneficial and important for wider economy and not necessarily economically justified for DARS. In cooperation with other stakeholders, SSH will continue to take part in initiatives aiming at amending the national postal legislation and, as regards the integration of Intereuropa, closely monitor the implementation of synergies in the Pošta Slovenije Group; the majority of such synergy effects are expected to materialise in 2021 and 2022.

The situation of the **Financial** pillar is currently stable. In spite of a slightly deteriorating trend recorded in its operational results, both insurance companies will continue to achieve good business results which are comparable to or even better than the benchmarked insurance groups. A stronger negative impact of the crisis has been experienced by the NLB Group, mostly due to the pressure for forming additional credit impairments and provisions. An important weight in this pillar is held by SID banka which, however, is not market oriented and is envisaged to achieve low ROE levels in the future. SID banka is actively involved in overcoming the negative impacts of the COVID-19 epidemic on the economy and has, directly or indirectly through commercial banks, provided to businesses financial products in the amount of approximately EUR 800 million. At the same time, as regards insurance for the account of the Republic of Slovenia, it has provided insurance for international commercial transactions as the private (re)insurance market has reduced its services due to limited capacities.

In 2021, key asset-management related activities to be pursued by SSH in the Financial sector will be focused on monitoring the implementation of strategic plans of those companies which have undertaken intensive take-over activities in the recent years. Similarly, as in the past, once the currently applicable restrictions with respect to dividend pay-outs by banks and insurance companies are lifted, SSH, acting within the limits of its powers, will strive for these companies to follow their adopted dividend policies, taking into account their operational results, financial position and development plans. The activities of this pillar will thus be focused on fast completion of proceedings for the liquidation of venture capital companies and on the continuation of processes for the sale of low-scale capital assets acquired by inheritance.

The position of individual companies from the **Economy and Tourism** pillar differs greatly from company to company. While the coronavirus crisis has had no significant negative impact on the operation of some companies (Krka, Telekom), the situation is completely different in companies operating in tourism, gaming sector and in some companies from the manufacturing industry.

In 2021, key asset-management related activities pursued in the Economy and Tourism pillar will be focused, firstly, on the management of assets held in Sava (both, from the aspect of the receivables management as well as from the aspect of a shareholder) and secondly, on the carrying out of activities planned in AAMP Tourism. SSH will take into consideration the circumstances, which have changed the tourism sector due to the COVID-19 pandemic, as well as the impact of such circumstances on the long-term operation and the value of tourism companies. With the adoption of AAMP 2021, the activities and measures envisaged in AAMP Tourism are to be continued in 2021, on the basis of each financial assessment of an individual measure (the measure itself and its connection with the planned synergy effects). The implementation of activities and measures envisaged in AAMP 2021 can be subject to potential changes to be made to the national strategy in the field of tourism, which will be verified by SSH with the Ministry of Economic Development and Technology (which formally proposes every national tourism strategy which is then adopted by the Government of the Republic of Slovenia). The activities will also reflect the examination of any potentially subsequently adopted and published documents concerning the tourism strategy (a new tourism strategy for 2021 and for the future years is expected to be adopted). SSH will strive to provide its comments and proposals to the draft tourism strategy for 2021 and onwards with respect to the section which refers to the state assets in tourism industry.

A more important task will refer to the organisation of the legal status of Studentenheim Korotan which used to be included in various national strategic documents, that is, with respect to Slovenians abroad, to culture, education and science. The said company is currently classified as a portfolio asset which is inadequate with respect to the definition of its key activities and the purpose of its establishment. In cooperation with all the responsible ministries, SSH will strive to define the final status of assets held in this company and prepare its viable and long-term business model on this basis.

In 2021, regular asset-management related activities will dedicate special consideration to companies which have been severely hit by the effects of the COVID-19 epidemic; in addition to tourism companies, these include the Hit Group, Sij Group, Unior Group and the CSS sheltered workshop.

Implementing a relevant dividend policy is one of core activities in the management of state assets, enabling SSH to pursue goals aiming at the maximisation of cash flows for the owner, while simultaneously taking into account the performance results of individual companies included in its management portfolio and their development needs. The volume of dividend pay-outs planned to be received by RS, SSH and ZPIZ in 2021 amounts to EUR 83.9 million. Under the assumption that no special restrictions will apply for banks and insurance companies with respect to their dividend pay-outs, the dividend sum could be higher by EUR 47.6 million, thus amounting to the total of EUR 131.5 million.

It is highly likely that amid rapidly changing business conditions and considering uncertain future outlooks, the achievement of goals referred to in AAMP 2021 will be very demanding both for enterprises from the SSH's portfolio of assets as well as for SSH itself. SSH will promptly adapt its activities and priorities planned for 2021 in accordance with new developments.

ANNUAL ASSET MANAGEMENT PLAN
FOR 2021

GENERAL SECTION

II. GENERAL SECTION

1. COMPOSITION AND CONTENT OF ANNUAL ASSET MANAGEMENT PLAN

The Annual Asset Management Plan is composed of the General Section and the Special Section. The Special Section mainly includes sensitive business data which is why the whole section has been classified as "CONFIDENTIAL". This is the reason for not publishing it publicly.

The **General Section of AAMP** gives a short presentation of key documents for asset management as well as goals to be achieved. They include fundamental, strategic and development goals. Statutory restrictions in managing state assets are presented. This section also provides a macroeconomic outlook for the next period.

It further gives a presentation of the entire asset management portfolio of SSH and defines companies which have not been included in the Special Section of AAMP. The said Section also presents a review of return on equity as achieved vs. expected by individual criteria, and gives an overview of cash flows which are expected to be generated from the management of assets, that is, the dividend revenue.

The **Special Section of AAMP** gives a presentation of individual pillars/areas of assets under management. Under each pillar, the asset management plan is presented separately for assets held in every portfolio company. The Plan gives a detailed definition of asset management goals for the coming year and an outlook for 2022 for those companies which, considering the book value of shareholders' equity - a weight in the asset management portfolio - have the highest impact on the performance of SSH portfolio from the aspect of return on equity. Key criteria for measuring the performance in the attainment of asset management goals are defined, together with measures and policies for attaining these goals. An exception to the above mentioned presentation method is the illustration of measures for assets in electricity distribution companies since activities envisaged in connection with asset management are similar for all of them.

It is worth pointing out that business decisions, which are stated within the scope of SSH's expectations, are made and fall under the sole responsibility of the company's leadership. The enterprises' leadership must act with due care and diligence and take only those decisions which are economically sound and will benefit the company. The supervision over the management of a company and over making sound economic decisions falls under the responsibility of the company's Supervisory Board/Board of Directors.

Considering special characteristics of industries in which companies operate, criteria for measuring performance of companies are highly complex which is why it is advised to use the Criteria for Measuring Performance of SOEs in conjunction with this AAMP.

The Special Section also states the forecast cash flows arising from sales and acquisitions of assets to be undertaken in 2021 in 2022.

LIMITATION OF LIABILITY

The document has been developed in accordance with the principle of due care and diligence (in Slovene: "*s skrbnostjo vestnega in poštenega gospodarstvenika*"), and by applying the necessary expertise. Forecasts included in this document are based on estimates and assumptions made by SSH in regard to the operations of companies. Inside information of listed companies was not available to SSH when preparing this document.

2. KEY ASSET-MANAGEMENT RELATED DOCUMENTS

The Slovenian Sovereign Holding Act (ZSDH-1) states four key legal documents necessary for the management of assets owned by SSH and for assets of RS which are managed by SSH. These are: (i) the State Assets Management Strategy; (ii) the Annual Asset Management Plan; (iii) the SSH Asset Management Policy and (iv) the SSH Code of Corporate Governance for SOEs. In addition to the above stated documents there are three additional documents which are connected with the latter in terms of their content. These are: (i) the Criteria for Measuring Performance of SOEs, (ii) the Platform of SSH for Voting on AGMs of companies, and (iii) SSH Recommendations and Expectations.

The **State Assets Management Strategy**, which was adopted by the National Council of the Republic of Slovenia on 13 July 2015 in accordance with Article 28 of ZSDH-1, provides for the following: (i) the definition and classification of assets to individual types of assets in accordance with Article 10 of ZSDH-1, (ii) the definition of development directions of RS in the capacity of a shareholder of a company, and (iii) individual strategic goals which RS aims to achieve with every asset defined as strategic asset. The Article 10 of ZSDH-1 further stipulates that all assets of SSH and RS be classified in one of three classes of assets, that is, into strategic, important or portfolio groups of assets. When individual asset is not classified into one of the above mentioned class of assets it is considered to be a portfolio asset.

In accordance with Article 30 of ZSDH-1, the **Annual Asset Management Plan (AAMP)** is adopted by the SSH Management Board on the basis of the adopted State Assets Management Strategy. The consent by the SSH Supervisory Board must be granted to make the said document valid; the consent should be delivered not later than by the end of November, for the following calendar year. Subsequently, AAMP must be approved by the Government of RS, upon a proposal given by MoF.

SSH may carry out certain actions in connection with asset management without any modifications or amendments be made to AAMP when justified grounds are given and when such actions are in accordance with the law, the SSH's Articles of Association and when they do not significantly contravene the envisaged asset management actions, which are stated in the Special Section of AAMP for the relevant year. These actions are:

- with the aim of balancing the liquidity, SSH may sell or in another manner dispose of capital assets held by SSH under condition that the book value of the CA³, which is the subject of the disposition in an individual year, does not exceed EUR 5 million;
- SSH may manage and disposes of capital assets which are acquired by SSH during the year and which do not form the part of AAMP, under condition that the book value of CA, which is the subject of the asset management or the disposition, does not exceed EUR 1 million;
- SSH may pursue all activities in connection with the acquisition of assets for RS when such acquisition has received a prior approval by the Government of RS by way of a resolution, irrespective of the capacity held by the Government of RS when passing such a resolution (either as the General Meeting of SSH or as the state authority or in any other capacity, if, however, the will of the Government of RS about the acquisition may be clearly understood and SSH has been informed on this matter)⁴;

It is considered that asset management actions, which satisfy the criteria referred to in the preceding paragraph, are carried out in accordance with and on the basis of AAMP.

Another important legal document which is connected in terms of the content with AAMP is the **SSH Criteria**. The said document defines the criteria (indicators) for SSH to monitor the performance of operations of companies with state assets. In addition to

³ The book-value is the amount of equity according to the last published balance sheet of a company, calculated to the holding of shares which is the subject of the disposition.

⁴ Regardless of the Government's decision which never has the form of an instruction, SSH is obliged to carry out all processes for the acquisition of assets in accordance with the SSH Asset Management Policy. The general authority referred to in this section of AAMP only makes it possible to implement measures for SSH's asset management, when SSH takes such a decision, without having to amend AAMP; the Government of RS would, in fact, have to take a new decision on the matter although the Government's decision about the acquisition was already made. The acquisition is carried out only in case when the purchase price for asset is lower than the estimated value of asset, or if it is within the range of the estimated value of asset. After a potential acquisition of new asset has actually taken place, AAMP for individual asset is produced in reasonable time.

measuring and assessing past performance results, the performance criteria are intended for a more detailed determination of expectations on the part of SSH towards SOEs about their future business results. These criteria are not quantified which is why they have to be applied with every AAMP. As a matter of fact, in AAMP, the performance criteria are quantified, representing SSH's expectations from SOEs as regards their attainment of future business results while in retrospect, these criteria form a quantified basis for measuring and assessing past performance results of companies in regard to the expectations set by SSH.

The SSH Asset Management Policy is a legal document which presents principles, procedures and criteria which are applied by SSH in carrying out its duties and activities. In addition, the said document defines in detail the processes for the disposal of state assets. It is adopted by the SSH Management Board and the consent for its adoption is granted by the SSH Supervisory Board.

The SSH Code contains principles and recommendations for good practice in corporate governance of SOEs. The fundamental goal of a company with state assets is to maximise the value of the company and to generate the highest possible returns for the owner, unless otherwise stipulated in the law or in the company's Articles of Association.

Platform of SSH for Voting on AGMs of companies includes premises for representatives of SSH for their action at AGMs of companies and general standpoints of SSH in connection with some important topics discussed at AGMs. The said document is adopted by the SSH Management Board and is updated every year prior to the beginning of the AGM season.

The SSH Recommendation and Expectations, characterized by a predetermined and clear structure and public publication, communicates to SOEs some specific recommendations and expectations which SSH anticipates to be observed by SOEs. They especially include advice in regard to business planning, periodic reporting, processes involving transactions which affect company's expenses, cost optimisation, sustainable business, remuneration policy and other similar recommendations.

3. OBJECTIVES OF STATE ASSETS MANAGEMENT

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

3.1. Fundamental goals for managing state assets and their classification

In managing assets, in accordance with ZSDH-1, goals differ according to the classification of a company and state assets in strategic, important or portfolio asset.

- Group no. 1: **STRATEGIC GOALS**: realising important social interest such as: ensuring the relevant level and accessibility of infrastructure, rendering public services, ensuring security objectives, development objectives and realising other significant social interest;
- Group no. 2: **DEVELOPMENT GOALS**: maintaining key development factors in Slovenia;
- Group No. 3: **ECONOMIC GOALS**: maximizing the value of assets and generating the highest return possible for an owner.

In regard to the above mentioned fundamental goals in asset management, state assets are classified into three **fundamental groups of assets**, specifically:

- **Strategic assets** are assets in regard to which **strategic and economic goals are pursued**. The minimum stake to be kept in companies classified as strategic is 50 % plus one vote, in accordance with Article 14, Paragraph 1 of ZSDH-1;
- **Important assets** are assets in regard to which **development and economic goals are pursued**. The minimum stake to be kept in companies classified as important is 25 % plus one vote, in accordance with Article 14, Paragraph 2 of ZSDH-1;
- **Portfolio assets** are assets in regard to which solely **economic goals** are pursued. SSH may freely dispose of portfolio assets.

The State Assets Management Strategy defines in detail the main substantive criteria for classifying assets into strategic, important and portfolio assets. These criteria are:

- strategic and development criteria,
- sectoral and entrepreneurial criteria,

- network criteria, and
- fiscal criteria.

Taking into account the above mentioned criteria, RS also has:

- strategic assets in the following companies:
 - undertakings carrying out key infrastructural duties,
 - companies operating activities which are important for stable and safe supply of resources and energy, in addition to public grid operators,
 - companies rendering important public obligations (services of general economic interest),
 - companies increasing the competitiveness of the entire forest-wood value chain;
- important assets in the following companies:
 - systemic financial institutions and venture capital funds,
 - lottery and gambling,
 - companies important in terms of their development and technology, mastering key technologies and with key development components expected to remain in Slovenia,
 - companies which are important in terms of their development and technological functions, and are proficient in key technologies, and RS wishes to keep their key development components in Slovenia, and
 - companies which have an important role in the integration of companies within the supply chain and for the internationalisation of the economy.

3.2. Strategic and development objectives

In addition to economic objectives, strategic and development objectives in asset management are pursued in managing strategic and important assets. The State holds equity stakes in companies which carry out important infrastructural duties, which possess natural monopolies and which function as operators of public grids with which the broader social interest is provided and access to services is enabled to all entities under the same conditions. On the other hand, the State holds assets in companies which ensure that broader economic development is achieved and which hold an important role in the integration of companies within the value chain, in the transfer of knowledge and technology and which are important for the internationalisation of the economy. By pursuing organised, transparent and efficient management of state assets, the objective of the asset management strategy is first, to contribute significantly to the implementation of the harmonised national development priorities which are referred to in strategic development documents, through the promotion of competitiveness, the technological restructuring aimed at developing innovative products and services of high technological complexity and high added value, and by promoting a stable supply of resources, sustainable food production and sustainable tourism.

3.3. Goals in AAMP

3.3.1. Premises for measures and actions for achieving goals of AAMP

When determining the direction, measures and actions to be kept and undertaken by SSH in managing companies with state assets and when defining goals to be achieved in detail, the following **premises** are particularly taken into account:

- **fundamental guidelines** laid down in the State Assets Management Strategy;
- **fundamental asset management goals** on account of which an individual company with state assets has been classified into a certain fundamental group of assets;
- **additional goals in asset management** which are determined by the SSH Asset Management Strategy;
- as regards SOEs, SSH has at its disposal "only" **corporate and legal leverage** arising from its capacity of a shareholder. Other statutory restriction must be taken into account when managing capital assets. These limitations are explained in detail in Chapter 3.3.2. of this AAMP;
- when preparing an Annual Asset Management Plan, SSH takes into consideration **strategies and business plans** produced by companies if companies have informed SSH of their own strategic and planning documents and these plans are compliant with SSH's goals. These plans are fully or, in their significant parts, summarised by SSH in the special section of this AAMP discussing individual companies when this is reasonable. In addition, SSH makes a stand in regard to the fact whether SSH's support is to be provided for the strategy of a company or whether SSH will attempt to make some changes to company's strategies in a legally admissible manner. In SOEs, which are organized as public limited companies, SSH has **limited access to information** since, under the applicable law, the shareholder's right to information is restricted. In the Special Section of AAMP this may appear to be presented as an incomplete summary of strategic goals and of

development directions of an individual company. When the prognosis of all relevant circumstances cannot be ascertained with a sufficient level of probability, directions, measures and actions in the General and Special Sections of this AAMP are defined as an **alternative**, subject to the occurrence of certain events.

3.3.2. Statutory restrictions in managing state assets

SSH manages state assets in accordance with applicable laws and regulations and the adopted legal documents on asset management. Certain rules and statutory solutions may be viewed as limitations in managing capital assets, however, they also have their own purpose, usually of a protective nature. In this regard, the following limitations in asset management are pointed out:

- the provision of Article 20, Paragraph 3 of ZSDH-1 stipulates that SSH must not interfere with the independence of the corporate bodies, and especially, it must not intervene with individual business and management decisions;
- it has been made clear in Chapter 3.3.1 that an important restriction in managing state assets is imposed by provisions of ZGD-1 which refer to the restricted shareholder's right to information. When public companies are referred to, the provisions of ZTFI must also be taken into consideration;
- SSH must observe provisions of the take-over legislation which force a shareholder to publish a take-over bid for all remaining shares not yet held by the shareholder when the take-over threshold or the additional take-over threshold is reached. In other words, this means that SSH cannot increase the participation of the State in a target company above the take-over threshold or above the additional take-over threshold when there is no willingness to acquire the remaining shares of the target company;
- SSH must observe the provisions of the law which regulate the prevention of the restriction of competition. Among other things, this means that in case of a potential concentration, the responsible authority must be notified of the latter and activities aimed at implementing the concentration must be suspended until the decision on the compliance of concentration with competition rules is issued. SSH avoids concentration when it is believed that concentration of undertakings is questionable from the aspect of legal competition rules and submits to the regulatory body a proposal of correction measures;
- in case of certain measures regarding asset management, SSH must take into account the rules on state-aid. These must also be considered in the processes for the sale of state assets which, among other things, means that, as a rule, in a Sale and Purchase Agreement, a prospective buyer cannot be obliged to satisfy the non-financial commitments. SSH must observe the rules on state-aid when carrying out processes for the acquisition of capital assets;
- SSH must take into account the State Assets Management Strategy within the scope of which asset management measures are determined in every AAMP;
- in accordance with the provisions of the Prevention of Money Laundering and Terrorism Financing Act ("ZPPDFT-1"), SSH is obliged to implement a customer due diligence to carry out some legal transactions and determine a beneficial owner which may give rise to restrictions in closing transactions with certain potential clients.

The remuneration policy is considered as being an important leverage for motivating the management in order to attain company's goals and strategy. It may also be an important tool for the owners to align the interests of the management with their interests, encouraging the management to work for the company's long-term success and towards sustainable business. ZGD-1 envisages that the General Meeting of a company may adopt a remuneration policy with regard to income to be received by the bodies of management⁵. As the remuneration policy with regard to enterprises in direct and indirect majority ownership of SSH/RS is regulated by ZPPOGD, no remuneration policy for management bodies has yet been passed at the General Meetings of such companies. Instead of a General Meeting, the remuneration policy is adopted by Supervisory Boards in some SOEs. SSH believes that it would be useful to introduce a renewed remuneration system applicable for the members of the management bodies in 2021. SSH intends to lead its activities in this direction, conducting a prior analysis of the existing system which will become an integral element when conducting such activities. The recommendations for the adoption of other rights for members of a management body, which were issued in 2020 within the scope of the last revision of the SSH Recommendations and Expectations, could be seen as the platform for renovating the remuneration system. The actual result of activities planned by SSH will also depend on external factors, primarily on the political will of the Government of the Republic of Slovenia from the aspect of Article 23 of ZSDH-1 on one hand, and/or on the responsible ministry, the Government of RS, and the National Assembly of RS with respect to amendments to ZPPOGD, on the other.

SSH is informed of income received by top executives in annual reports prepared by companies in which they serve and at regular AGMs of SOEs. SSH expects their income to be disclosed in accordance with the provision of Article 294 of ZGD-1 and the Corporate

⁵ Under the applicable ZGD-1, this is binding; the draft amending ZGD-1K, which has been publicly published, envisages a consultative nature of the remuneration policy with regard to income to be received by the bodies of management.

Governance Code for SOEs. As regards the treatment of remuneration policy, SSH's stand is that it has to be compliant with ZPPOGD (with respect to companies liable to adhere to it) and Article 270 of ZGD-1, which stipulates that remuneration received by an individual member must be proportionate to his/her duties and the financial condition of a company.

4. MACROECONOMIC OUTLOOK

The International Monetary Fund predicts⁶ global economy to grow by 5.2% in 2021, and at an average rate of 3.8% in the period between 2022 and 2025. According to the baseline scenario, the economic growth in advanced economies is to amount to 3.9% in 2021, while it is expected to stand at 6.0% in developing economies. The contraction of the global economy is projected to amount to -4.4% in 2020. A decline in economic activity is expected to be higher in advanced economies, amounting to -5.8%, while the recession is to be milder in the developing economies, standing only at -3.3%. The IMF predicts the contraction in the GDP of the Euro area to amount to -8.3% in 2020 but is forecast to recover and grow by 5.2% in 2021, while Europe is forecast to record a decline of -7.0% in 2020 and a growth of 4.7% in 2021. A -4.3% contraction of economic activity is projected for the USA in 2020, but a 3.1% growth is foreseen for 2021.

In addition to fiscal measures carried out by countries and regions, the global economic growth will also depend on measures undertaken by the most important central banks, in which regard measures taken by the ECB and the FED are the most important ones. Analysts, who have been involved in the survey by the *Bloomberg* financial portal, forecast the ECB interest rate on deposit facility to stand at -0.5% at the end of 2020 (median of the estimated values), with the same value to be maintained at the end of 2021 and 2022. Currently, the ECB interest rate on deposit facility amounts to -0.5%. Some commercial banks in Europe have already imposed charges on deposits. In the Bank of Slovenia's opinion, charges on deposit by individuals in the amount of up to EUR 100,000 are not expected to be introduced in Slovenia, while charges on deposits by legal entities are already in place. According to the *Bloomberg* analysts, the ECB's interest rate is expected to stand at 0% in 2020, 2021 and 2022. The likelihood of the ECB raising its key interest rate is minimum. In 2020, the FED continued with interest rate cuts initiated in 2019. In their forecasts, analysts see the upper limit of the FED key interest rate range at 0.25% at the end of 2020, 2021 and 2022. The outbreak of the coronavirus crisis forced the FED to cut its key interest rate to an interval range between 0.00% and 0.25%, thus running out of options for using the interest rate cuts as an instrument of monetary policy for tackling any potential future crisis. When examining future decisions to be adopted by FED, it will be interesting to see their perspective on the target inflation rate which has been set at 2% for 2021. As a matter of fact, with low economic growth rates and inflation, which for many years in the past run below 2%, the FED had less room to fight upcoming crisis, which used to be deeper and lasted longer.

Table 2: **Overview of history data and forecasts for Slovenia (IMAD, OECD, EC, analysts)**

Indicator (in %)	2016	2017	2018	2019	Outlook 2020	Outlook 2021	Outlook 2022
Real gross domestic product (GDP) (analysts' estimate)	3.2	4.8	4.4	3.2	-7.4	4.0	2.5
IMAD					-6.7	5.1	3.7
EC					-7.0	6.1	
OECD					-7.8	4.5	
(taking into account the second wave of the epidemic)					(-9.1)		
CPI, inflation (analysts' estimate)	-0.1	1.4	1.7	1.6	0.4	1.3	1.5
IMAD					0.3	1.6	1.9
EC					0.2	1.1	
OECD					1.0	2.0	

Source: *Bloomberg*, *IMAD*, *Statistical Office of RS*

According to IMAD's forecasts (a baseline scenario), a negative economic growth is predicted for Slovenia for 2020 as a result of negative impacts of the COVID-19 crisis. The right selection of economic policies aimed at mitigating the impacts of the corona crisis and the speed of their introduction are going to be vital for the functioning of the economy. IMAD estimates that in most sectors, the economic activity will not reach pre-epidemic levels in 2021. The recovery of the economic activity is only expected for the second half of 2020 (the last IMAD's forecast was issued before the second wave of the epidemic) and is envisaged to be gradual and uneven across sectors due to containment measures imposed both in Slovenia and in its European trading partners.

⁶Source: IMF; World Economic Outlook, October 2020

According to IMAD, in 2020, value added is set to decline more sharply in catering, recreational, sports, cultural and personal services, in hotel accommodation and transport. Investments in machinery and equipment will shrink, a significant decline in exports and imports is expected and private consumption will also drop strongly. On the other hand, government consumption will increase in the corona crisis conditions. Thus, according to the assumptions included in the IMAD's scenario, the economic activity is to recover in all sectors which, however, will not make it possible to offset the expected contraction of economic activity in 2020. In 2021, the volume of international trade and investments in construction, machinery and equipment are expected to grow. Labour market is expected to stabilise in 2021, after deteriorating in 2020. It should be noted that the forecast recovery in economic activity in 2021 is based on the assumption that the epidemiological situation will not deteriorate. IMAD has also allowed the possibility for GDP to decline by additional 2 percentage points (-8.7%), in case of an uncontrolled spread of the virus and additional temporary lock-down measure being imposed in individual sectors (the second wave of the epidemic occurred in RS in October). If the virus is contained, faster recovery than expected is estimated by IMAD. The autumn forecast was prepared in the middle of September in which case it needs to be pointed out that epidemiological situation worsened dramatically after the forecast had been issued, and the recovery of economic activity became stagnant in September. Owing to increased number of cases in Slovenia and in Europe, IMAD projected further fluctuations in economic activity and slow recovery in 2021.

Table 3: *ECB's macroeconomic outlook for the Euro area*

Indicator (in %)	2016	2017	2018	2019	Outlook 2020	Outlook 2021	Outlook 2022
Real GDP	1.9	2.6	1.8	1.3	-8.0	5.0	3.2
CPI, inflation	0.2	1.5	1.8	1.2	0.3	1.0	1.3

Source: Bloomberg.

The economic growth forecasts for the Euro area reflect conditions which were caused by COVID-19 pandemic; it must be highlighted, though, that according to the current data, varied downturn levels in economic activity have been recorded for individual countries and the forecasts regarding the intensity of their recovery are similarly varied. In fact, the countries have entered the corona crisis with different preparedness levels and their response included various types of support programmes and differently targeted actions; after all, there are significant differences in the structure of their economies. The European economy's fight against the negative consequences of the corona crisis has been supported with various national emergency packages which have been prepared by individual governments, the ECB, the European Commission, and the European Investment Bank. The ECB has thus adopted less restricted and more flexible measures on capital adequacy of banks (enabling a simpler lending activity), and relaxed its policy of controls applied by central banks when supervising and measuring the credit quality of their portfolio. It has also increased the envelope of the asset purchase programme and abandoned the requirement on the maximum asset purchase amount to be undertaken by an individual country. The ECB's pandemic emergency purchase programme also includes the commitment to reinvest the principal payments from maturing securities purchased under asset purchase programme; the process is to be carried out at least by the end of June 2021. At the September's Meeting, Christine Lagarde, the President of the ECB, said that it was highly likely that the ECB would use all of EUR 1,350 billion available in the monetary stimulus programme. ECB advocates the standpoint that the support for the European economy must include measures stemming both from monetary and fiscal policies. At the October meeting, ECB kept the key ECB interest rate unchanged and reconfirmed the accommodative monetary policy stance. However, in light of a sharp deterioration of conditions due to the resurgence of the pandemic, it left open the possibility to make some adjustments to the monetary policy at the December's meeting (a new stimulus programme was expected by the markets). Through its European Stability Mechanism (the ESM),⁷ the European Commission provides financial assistance to Euro area countries, while its SURE⁸ programme, which has been made available to the EU Member States, is aimed at protecting jobs and thus employees and self-employed against the risks which have arisen with the corona crisis. In October 2020, within the scope of its SURE programme, the Commission issued the first emission of social bonds (the value of this emission amounted to EUR 17 billion). The SURE instrument provides up to EUR 100 billion in financial support to EU Member States (the EU Council has so far approved EUR 87.4 billion under SURE). RS has been approved to receive the total of EUR 1.1 billion under the SURE instrument. Through its EUR 750 billion recovery plan for EU, the European Commission has allocated EUR 390 billion of grants and EUR 360 billion of loans under favourable conditions (low interest rates). EIB has prepared a programme of financial assistance for undertakings from the EU Member States.

⁷ ESM: *European Stability Mechanism*

⁸ SURE: *Support to mitigate Unemployment Risks in an Emergency*

Table 4: *FED's macroeconomic outlook for the USA by FED*

Indicator (in %)	2016	2017	2018	2019	Outlook 2020	Outlook 2021	Outlook 2022
Real gross domestic product (GDP)	1.7	2.3	3.0	2.2	-3.7	4.0	3.0
CPI – consumer price index							
CPI, inflation (analysts' estimate) forecast - Core PCE Index	1.3	2.1	2.5	1.8	1.5	1.7	1.8

Source: Bloomberg

The FED's forecast show that the economic growth of the USA will contract in 2020 as a result of the negative consequences of the corona crisis. According to the FED, the PCE inflation rate, measured with the PCE index, is not to surpass 2.0%. However, analysts have kept asking how, in the future, the FED will present in a clearer manner its policy of the 2 percent inflation goal in connection with the interest rate policy. As a matter of fact, the communique, which was issued by the FED following the September's meeting, states that the key interest rate will be maintained near zero until the inflation rate runs above 2% over time, which, according to the FED's projections, will not take place before 2023. In 2020, in addition to cuts in the key interest rate, the FED also removed the upper limit requirement for asset purchases as it plans to purchase bonds and mortgage securities in the amounts needed for the functioning of the market and to realise the effective transfer of monetary policy to financial markets and to the economy. Through various programmes, the FED provides various types of credit facilities intended to finance companies and preserve jobs. By increasing the U.S. dollar liquidity swap line arrangements with central banks, the FED also aims to attract foreign investors to invest in the USA. With the aggressive measures, the FED assists in ensuring further functioning of capital markets and in preventing the liquidity crisis to be transformed into the solvency crisis. When presenting the analysis on the US economic conditions in September 2020, the FED expressed its opinion that additional fiscal measures would be needed for the economy to recover. At the November's meeting, the FED kept the monetary policy stance unchanged and reiterated its commitment to apply all available instruments for supporting the American economy during the crisis. The FED has thus left open the possibility to introduce new stimulus programmes in the coming months. As regards future economic outlook, the FED also believes that forecasts are highly uncertain due to the uncertainties involved with the development of the corona crisis.

5. SSH'S ASSET MANAGEMENT PORTFOLIO

5.1. State assets managed by SSH

SSH manages assets which are owned by SSH and assets which are owned by RS but managed by SSH.

As of 31/10/2020, SSH managed assets in 77 companies, of which 53 companies held stakes owned solely by RS and 14 companies held stakes owned solely by SSH while the remaining 10 companies held stakes owned by both RS and SSH. As of 30/9/2020, the portfolio of 77 companies with SSH's capital assets included assets held in 15 companies which SSH acquired on the basis of the law regulating inheritance. Out of the total number of companies with capital assets under SSH's management, liquidation proceedings are being conducted for 7 companies.

Table 5: *Lists of SSH and/or RS assets managed by SSH as of 31/10/2020*

Lfd. No.	Asset	Asset type	RS ownership stake* (%)	SSH's ownership stake* (%)
ENERGY SECTOR				
1	ELEKTRO CELJE, D.D.	STRATEGIC	79.50	
2	ELEKTRO GORENJSKA, D. D.	STRATEGIC	79.48.	0.31
3	ELEKTRO LJUBLJANA, D.D.	STRATEGIC	79.50	0.30
4	ELEKTRO MARIBOR, D.D.	STRATEGIC	79.86	
5	ELEKTRO PRIMORSKA, D.D.	STRATEGIC	79.68	
6	EGS-RI, D.O.O.	PORTFOLIO	100.00	
7	GEN ENERGIJA, D.O.O.	STRATEGIC	100.00	
8	GEOPLIN, D.O.O. LJUBLJANA	IMPORTANT	25.01	
9	HSE, D.O.O.	STRATEGIC	100.00	
10	INFRA, D.O.O.	IMPORTANT	100.00	
11	NAFTA LENDAVA, D.O.O.	IMPORTANT	100.00	
12	PETROL, D.D.	IMPORTANT	10.82	12.68
13	PLINHOLD, D.O.O.	STRATEGIC	60.10	0.05
14	RTH, D.O.O. TRBOVLJE - IN LIQUIDATION		100.00	
15	RUDNIK KANIŽARICA V ZAPIRANJU, D.O.O. ČRNOMELJ - IN LIQUIDATIONA		100.00	
16	RŽV, D.O.O.	PORTFOLIO	100.00	
FINANCIAL SECTOR				
17	D.S.U., D.O.O.	IMPORTANT	100.00	
18	DTK MURKA, DRUŽBA TVEGANEGA KAPITALA, D.O.O.	IMPORTANT	49.00	
19	INTEREUROPA, D. D.	PORTFOLIO		1.73
20	M1, D.D.	PORTFOLIO	0.00	
21	NLB, D.D.	IMPORTANT	25.00	
22	PRVI SKLAD, DRUŽBA TVEGANEGA KAPITALA, D.O.O. – IN LIQUIDATION	IMPORTANT	48.90	
23	SAVA RE, D.D.	IMPORTANT	13.89	17.68
24	SID BANKA, D. D.	STRATEGIC	99.41	
25	STH VENTURES, DRUŽBA TVEGANEGA KAPITALA – IN LIQUIDATION	IMPORTANT	49.00	
26	ZAVAROVALNICA TRIGLAV, D.D.	STRATEGIC	34.48	28.09

Note: Holdings are rounded up to two decimal places. When the holding of 0.00% is referred to, this means that there is an ownership stake in the company but it has been rounded up to 0.005 %.

Table 6: *Lists of SSH and/or RS assets managed by SSH as of 31/10/2020 – continued*

Lfd. No.	Asset	Asset type	RS ownership stake (%)	SSHS ownership stake (%)
TOURISM AND ECONOMY				
27	A.L.P. PECA, D.O.O.	PORTFOLIO	9.09	
28	ADRIA, D.O.O.	PORTFOLIO		11.74
29	BODOČNOST MARIBOR, D.O.O.	PORTFOLIO	77.52	
30	CASINO BLED, D.D.	PORTFOLIO		33.75
31	CASINO PORTOROŽ, D.D.	PORTFOLIO		9.46
32	CETIS, D.D. CELJE	PORTFOLIO		7.47
33	CINKARNA CELJE, D.D.	PORTFOLIO		11.50
34	CSS, D.O.O.	PORTFOLIO	97.96	
35	ELEKTROOPTIKA, D.D.	PORTFOLIO	0.01	70.48
36	GIO, D.O.O. – IN LIQUIDATION			71.27
37	HIT, D.D. NOVA GORICA	PORTFOLIO		20.00
38	INKOS, D.O.O.	PORTFOLIO	2.54	
39	URADNI LIST REPUBLIKE SLOVENIJE, D.O.O.	STRATEGIC	100.00	
40	KOTO, D.O.O.	PORTFOLIO	66.23	
41	KRKA, D. D.	IMPORTANT	7.21	9.00
42	LOTERIJA SLOVENIJE, D.D.	STRATEGIC		15.00
43	POMGRAD - VGP, D.D.	IMPORTANT	25.01	
44	PS ZA AVTO, D.O.O. LJUBLJANA	PORTFOLIO		90.00
45	RCR, D.O.O.	PORTFOLIO	0.09	
46	SAVA, D.D.	IMPORTANT		18.69
47	SAVAPROJEKT, D.D.	PORTFOLIO	3.47	
48	SIJ, D.D.	IMPORTANT	25.00	
49	STUDENTENHEIM KOROTAN GMBH	PORTFOLIO	100.00	
50	TELEKOM SLOVENIJE, D.D.	PORTFOLIO	62.54	4.25
51	TERME OLIMIA, D.D.	IMPORTANT		4.01
52	UNIOR, D. D.	PORTFOLIO		39.43
53	VARNOST SISTEMI, D.O.O.	PORTFOLIO		9.74
54	VGP, D.D.	IMPORTANT	25.00	
55	VGP DRAVA PTUJ, D.O.O.	IMPORTANT	25.00	
56	VGP NOVO MESTO, D.D.	IMPORTANT	25.00	
TRANSPORT				
57	DARS, D.D.	STRATEGIC	100.00	
58	KOPP, D.O.O.	STRATEGIC	100.00	
59	KZPS, D.O.O.	STRATEGIC	100.00	
60	LUKA KOPER, D. D.	STRATEGIC	51.00	11.13
61	POŠTA SLOVENIJE, D.O.O.	STRATEGIC	100.00	
62	SŽ, D.O.O.	STRATEGIC	100.00	

Table 7: *Lists of assets acquired in the SSH's ownership pursuant to the Inheritance Act, as of 31/10/2020*

Lfd. No.	Asset	RS ownership stake* (in %)
1	ALPINUM, D.D.	0.04
2	DEKORUS, D.O.O.	100.00
3	ENTRY, D.O.O.	50.00
4	HARAM HOLDING, D. D.	0.01
5	IBI KRANJ, D.D. - IN LIQUIDATION	0.00
6	IBT TRBOVLJE, D. D.	0.04
7	KD GROUP, D. D.	0.00
8	KOMPAS RAC, D.D. LJUBLJANA - IN LIQUIDATION	0.01
9	KS NALOŽBE, D. D.	0.01
10	LARIX, D.D.	0.03
11	MERCATOR, D.D.	0.00
12	NTU, D.D.	0.03
13	POMORSKA DRUŽBA, D.D. PORTOROŽ	0.10
14	VELTA PLAST, D.O.O.	100.00
15	VIPA HOLDING, D. D.	0.00

Note: Holdings are rounded up to two decimal places. When the holding of 0.00% is referred to, this means that there is an ownership stake in the company but it has been rounded up to 0.005 %.

5.2. The structure of the portfolio under SSH's management

The concentration of the SSH's portfolio of assets under management (assets owned by RS, ZPIZ and SSH) kept increasing in the period from 2015 to September 2020. Owing to the sale of RS's assets in NLB and Abanka, the proportion of financial companies dropped significantly, while the proportion of assets in companies from the three remaining pillars increased. The two largest pillars, the Energy Sector and Transport, now represent nearly three quarters of the SSH's portfolio of assets (54% in 2005), according to the latest available data. The three largest SOEs included in these two pillars (DARS, HSE and GEN energija), if put together, hold a 49.2% weight (measured with book-value of the stakes under management).

Figure 2: *Proportion of pillars in the portfolio of assets under SSH's management in the period from 2015 to September 2020*

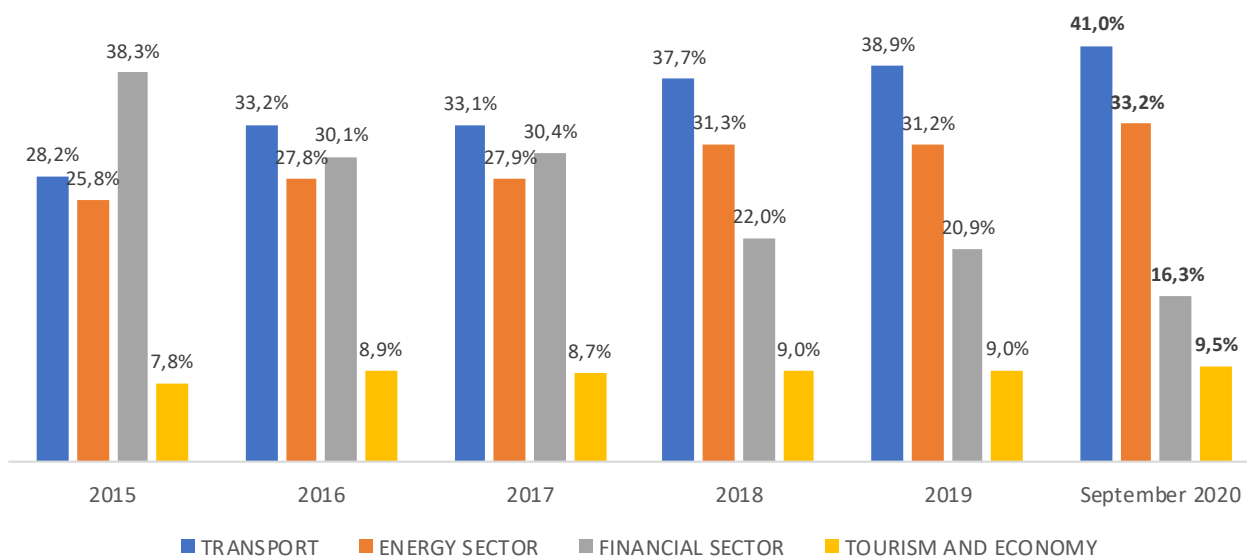
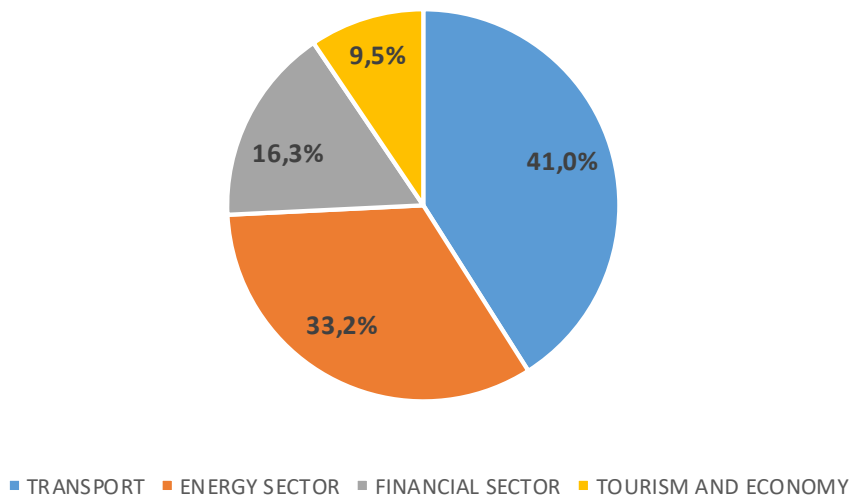
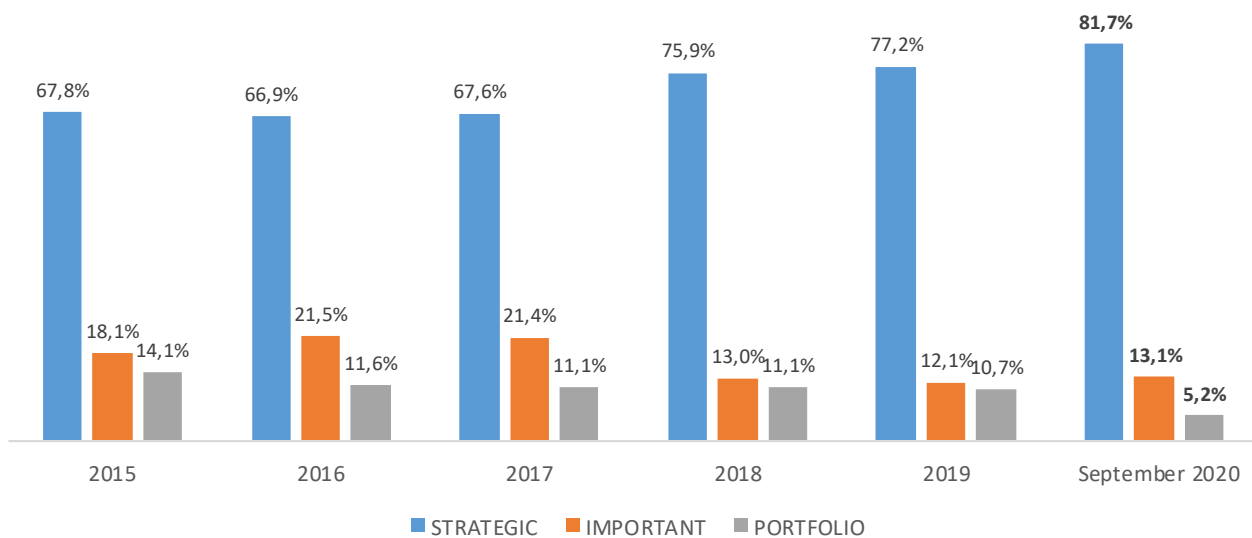


Figure 3: **Proportion of pillars in the portfolio of assets under SSH's management, September 2020**



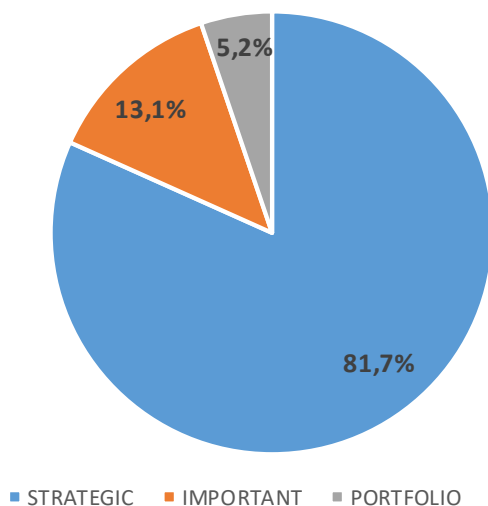
From the aspect of classification of assets, the SSH's portfolio has become increasingly more homogeneous as a result of the sale processes which have been carried out⁹. The proportion of strategic assets has increased, representing nearly as much as 82% of the total portfolio, according to the latest available data. The TOP 10 companies with state capital assets, which represent 79.1% of the SSH's portfolio, include seven companies with strategic assets, holding a 67.7% weight.

Figure 4: **Proportion of classification groups of assets in the SSH's portfolio in the period from 2015 to September 2020**



⁹ The State Assets Management Strategy has classified NLB as strategic and Abanka as portfolio asset.

Figure 5: *Proportion of classification groups of assets in the SSH's portfolio, September 2020*



5.3. State assets which are not included in this AAMP neither in the Special Section of AAMP

The classification of state assets, which is included in the State Assets Management Strategy, also refers to assets which are not managed by SSH and are thus not the subject of this AAMP. They include the following companies with RS's assets:

- **for which SSH does not hold any powers to participate at their General Meeting** (for example, KAD, STA d.o.o.); as a result, SSH cannot enforce any shareholder's entitlements;
- **which are under direct management of RS in accordance with special legislation** (for example, SODO, ELES, Borzen, Slovenski državni gozdovi, DRI, 2TDK);
- **state assets in companies in the process of acquisition**: in case of companies whose equity holdings are in the process of being acquired by SSH and/or RS, and RS and/or SSH do not hold them yet. SSH will prepare separate asset management plans for these companies if and when such assets are actually acquired; only at that point in time, SSH may commence with their management.

All of state assets managed by SSH are included in the Special Section of AAMP with the exception of state assets in companies which are subject to special circumstances owing to which the preparation of the Special Section of AAMP is not reasonable. These are:

- **assets in companies in liquidation (inactive companies)**: SSH does not carry out any asset management related activities in companies in liquidation, in which case the main goal of asset management is a successful completion of liquidation proceedings. As an exception, such assets may be included in a special section of AAMP when additional management activities are necessary or envisaged;
- **assets for which a Sale and Purchase Agreement with regard to the total stake held by SSH and/or RS has been concluded or any other type of written agreement** has been concluded but not yet finally realised. The management activities undertaken in such companies are minimal. In the management of state asset of these companies, the goal of SSH is to successfully carry out activities envisaged to be taken in the period between the signing of the agreement and the closure of the transaction, when such activities are required for a successful closure of the transaction;
- **assets in companies in which RS and/or SSH hold only a minor equity holding**; given that the equity holding is low, SSH has a very limited influence on the corporate governance of such companies. In the management of such assets, SSH will strive to act for the benefit of RS and/or SSH, by taking into account the principle of economy and by exercising its influence on voting. The fundamental goal pursued by SSH in the management of these assets is to ensure suitable conditions for selling these assets. Their sale will be conducted by means of a public call to submit bids;
- **assets in companies which have been acquired pursuant to the law regulating inheritance and in which RS holds a majority or a 100% stake**: these are inactive companies which have not drawn up their financial statements for more than 2 years and for which the legal basis is being established for initiating bankruptcy proceedings;
- **assets in venture capital companies**: in accordance with Shareholder Agreements, their regular liquidation and winding up is planned and consequently, the RS's exit from their shareholder structure is envisaged.

Table 8: *List of assets managed by SSH in companies not included in the Special Section of AAMP, as of 31/10/2020*

Lfd. No.	Asset	Asset type	RS ownership stake* (%)	SSHS ownership stake* (%)	TOTAL ownership stake* (%)
1	A.L.P. PECA, D.O.O.	PORTFOLIO	9.09		9.09
2	ALPINUM, D.D.	PORTFOLIO	0.04		0.04
3	CASINO BLEDE, D.D.	PORTFOLIO		33.75	33.75
4	CASINO PORTOROŽ, D.D.	PORTFOLIO		9.46	9.46
5	DEKORUS, D.D.	PORTFOLIO	100.00		100.00
6	DTK MURKA, DRUŽBA TVEGANEGA KAPITALA, D.O.O.	IMPORTANT	49.00		49.00
7	ELEKTROOPTIKA, D.D.	PORTFOLIO	0.01	70.48	70.49
8	ENTRY, D.O.O.	PORTFOLIO	50.00		50.00
9	GIO, D.O.O. – IN LIQUIDATION	PORTFOLIO		71.27	71.27
10	HRAM HOLDING, D. D.	PORTFOLIO	0.01		0.01
11	INKOS, D. O. O.	PORTFOLIO	2.54		2.54
12	INTEREUROPA, D. D.	PORTFOLIO	1.73		1.73
13	IBT TRBOVLJE, D. D.	PORTFOLIO	0.04		0.04
14	KD GROUP, D. D.	PORTFOLIO	0.00		0.00
15	KOMPAS RAC, D.D. LJUBLJANA - IN LIQUIDATION	PORTFOLIO	0.01		0.01
16	KS NALOŽBE, D. D.	PORTFOLIO	0.01		0.01
17	LARIX, D.D.	PORTFOLIO	0.03		0.03
18	MERCATOR, D.D.	PORTFOLIO	0.00		0.00
19	M1, D.D.	PORTFOLIO	0.00		0.00
20	NTU, D.D.	PORTFOLIO	0.03		0.03
21	RCR, D.O.O.	PORTFOLIO	0.09		0.09
22	POMORSKA DRUŽBA, D.D.	PORTFOLIO	0.10		0.10
23	PRVI SKLAD, DRUŽBA TVEGANEGA KAPITALA, D. O. O. – IN LIQUIDATION	IMPORTANT	48.90		48.90
24	RUDNIK KANIŽARICA V ZAPIRANJU, D.O.O. ČRNOMELJ – IN LIQUIDATION		100.00		100.00
25	SAVAPROJEKT, D.D.	PORTFOLIO	3.47		3.47
26	STH VENTURES, DRUŽBA TVEGANEGA KAPITALA, D. O. O. – IN LIQUIDATION	IMPORTANT	49.00		49.00
27	VELTA PLAST, D.O.O.	PORTFOLIO	100.00		100.00
28	VIPA HOLDING, D. D.	PORTFOLIO	0.00		0.00

Note: Holdings are rounded up to two decimal places. When the holding of 0.00% is referred to, this means that there is an ownership stake in the company but it has been rounded up to 0.005 %.

6. ROE OF ASSET MANAGEMENT PORTFOLIO - AS EXPECTED AND AS REALISED - BY PILLAR/AREA

6.1. Proportion of largest companies with state assets in portfolio pillars as of 30/6/2019

Table 9: *The proportion of TOP 5 companies with state assets in individual pillar (using the book value as the relevant criterion) in regard to the total SSH portfolio of state assets under management as of 30/06/2020, in %.*

TRANSPORT	
DARS, D.D.	29.25.
SŽ, D.O.O.	5.53
POŠTA SLOVENIJE, D.O.O.	3.27
LUKA KOPER, D. D.	2.75
KZPS, D.O.O.	0.18
TOTAL	40.97
ENERGY SECTOR	
HSE,D.O.O.	11.02
GEN ENERGIJA, D.O.O.	8.90
ELEKTRO LJUBLJANA, D.D.	2.70
ELEKTRO MARIBOR, D.D.	2.40
PETROL, D.D.	1.95
TOTAL	26.97
FINANCIAL SECTOR	
ZAVAROVALNICA TRIGLAV, D.D.	5.16
SID BANKA, D. D.	4.63
NLB, D.D.	4.50
SAVA RE, D.D.	1.32
D.S.U., D.O.O.	0.67
TOTAL	16.28
TOURISM AND ECONOMY	
TELEKOM SLOVENIJE, D.D.	3.94
KRKA ,D. D.	2.93
SIJ, D.D.	1.04
UNIOR, D. D.	0.68
CINKARNA CELJE, D.D.	0.19
TOTAL	8.78
TOTAL TOP 5 ALL PILLARS	92.99

Table 10: *Proportion of pillars in the portfolio under SSH's management as of 30/06/2020, in %*

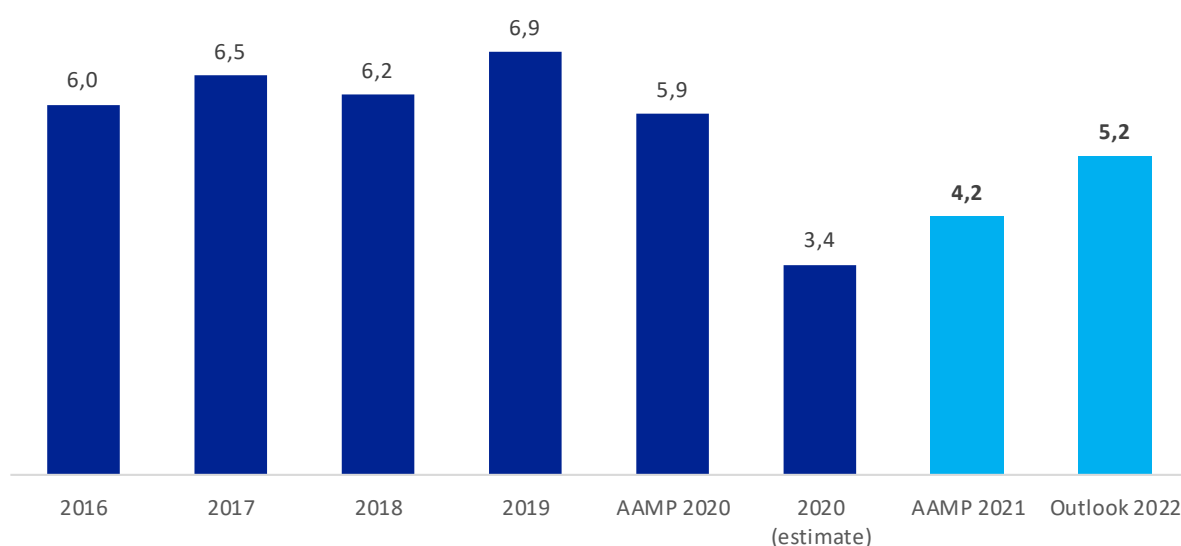
Pillar	Proportion in RS+SSH portfolio
TRANSPORT	40.99
ENERGY SECTOR	33.21
FINANCIAL SECTOR	16.35
TOURISM AND ECONOMY	9.45
TOTAL	100.00

6.2. ROE of the portfolio in the 2016 - 2022 period, by pillars

Table 11: *ROE of pillars in the portfolio under SSH's management, by years, in %*

Pillar	2016	2017	2018	2019	ESTIMATE 2020	AAMP 2020	AAMP 2021	AAMP 2022
TRANSPORT	5.0	5.9	6.3	6.9	1.3	5.0	3.4	4.5
ENERGY SECTOR	4.1	3.4	3.2	4.7	4.4	5.2	3.8	4.3
FINANCIAL SECTOR	8.9	10.6	9.6	10.1	5.6	8.0	5.9	7.4
TOURISM AND ECONOMY	6.5	4.2	7.6	7.3	5.5	8.5	6.2	7.4
PORTFOLIO RS+SSH	6.0	6.5	6.2	6.9	3.4	5.9	4.2	5.2

Figure 6: *ROE of portfolio of assets under SSH's management, by years, in %*



6.3. ROE of the portfolio in 2016 - 2022 period, by classification of assets under management

Table 12: *ROE of the portfolio of assets under SSH's management, by classification of assets, by years, in %*

Classification	2016	2017	2018	2019	ESTIMATE 2020	AAMP 2020	AAMP 2021	AAMP 2022
STRATEGIC	5.0	4.8	5.0	6.1	2.8	5.1	3.5	4.4
IMPORTANT	7.8	13.0	10.6	12.6	7.4	10.1	8.2	9.8
PORTFOLIO	8.6	4.2	8.8	6.4	3.7	7.8	4.6	5.7
PORTFOLIO RS+SSH	6.0	6.5	6.2	6.9	3.4	5.9	4.2	5.2

Table 13: *Book-value of RS and SSH assets and ROE of portfolio of assets under SSH's management by classification of assets, as of 30/06/2020*

Classification	Book value of shares of RS + SSH as of 30/06/2020 (in EUR)	Proportion in the RS's portfolio (in %)	ROE (in %) ESTIMATE 2020
STRATEGIC	8,076,909,795	81.7	2.8
IMPORTANT	1,293,677,299	13.1	7.4

PORTFOLIO	513,854,938	5.2	3.7
PORTGOLIO RS+SSH	9,884,442,032	100.0	3.4

6.4. ROE of the portfolio in 2016 - 2022 period, by quotation of shares of companies under management

Table 14: *The weighted rate of return on equity (ROE) of the SSH portfolio of assets under management, by quotation of shares, by years, in %*

Quotation at the Stock Exchange	2016	2017	2018	2019	ESTIMATE 2020	AAMP 2020	AAMP 2021	AAMP 2022
LISTED	9.4	7.5	10.4	9.3	8.6	10.2	8.8	9.3
NON-LISTED	5.4	6.3	5.3	6.4	2.2	4.9	3.1	4.2
PORTGOLIO RS+SSH	6.0	6.5	6.2	6.9	3.4	5.9	4.2	5.2

Table 15: *Book-value of RS and SSH assets and ROE of the portfolio by quotation of shares, as of 30/06/2020, in %*

Quotation at the Stock Exchange	Book value of shares of RS + SSH as of 30/06/2020 (in EUR)	Proportion in the RS's portfolio (in %)	ROE (in %) ESTIMATE 2020
LISTED	1,875,165,888	19.0	8.6
NON-LISTED	8,009,276,144	81.0	2.2
PORTFOLIO RS+SSH	9,884,442,032	100.0	3.4

7. FORECAST CASH FLOWS ARISING FROM ASSET MANAGEMENT - PART 1

In accordance with ZSDH-1, SSH exercises all powers, authority, rights and obligations held by SOD prior to the company's transformation. In this regard, SSH, (i) on behalf of and for the account of SSH, is obliged to provide for funds which are necessary for settling liabilities due to beneficiaries under regulations which regulate the denationalisation of property, and (ii) on behalf of and for the account of RS, provides for funds which are necessary for settling liabilities due to beneficiaries under the following three Acts: firstly, the Reimbursement of Investments in Public Telecommunications Network Act (ZVVJTO), secondly, the Act regulating the Issuing of Bonds in Compensations for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property (ZIOOZP), and thirdly, the Act on Payment of Compensation to Victims of War and Post-War Violence (ZSPOZ).

The remainder of this Chapter presents the expected cash flows arising from dividends received from state assets whereas forecast cash flows arising from sales and acquisitions of state assets to be undertaken in 2021 are presented in the Special Section of AAMP.

7.1. Expected cash flows arising from dividends paid out by companies with state assets under management

SSH estimates that RS and SSH will receive the following dividend income:

- **in 2021:** RS is expected to receive EUR 63.5 million and SSH EUR 20.4 million. These sums do not include dividends the pay-out of which is subject to the consent granted by the financial regulators (dividends by NLB, Zavarovalnica Triglav and Save Re), which, in 2021 will amount to EUR 17.8 million for RS, EUR 14.5 million for ZPIZ, and EUR 15.3 million for SSH, according to the SSH's estimate;
- **in 2022:** RS is expected to receive EUR 66.4 million and SSH EUR 21.6 million. The sum of dividend income estimated to be received by RS does not include dividends the pay-out of which is subject to the consent granted by the financial regulators (as referred to in the first indent of this paragraph), which, in 2022, will amount to EUR 18.0 million for RS, EUR 14.5 million for ZPIZ, and EUR 15.7 million for SSH, according to the SSH's estimate.

The provisions of the Implementation of the Republic of Slovenia Budget for 2020 and 2021 Act (ZIPRS2122), which was adopted by the Parliament on 18 November 2020 but was not yet applicable at the time of drawing up this document, have already been included in the calculation of dividend income to be received by RS and SSH. If due to whatever grounds, the said Act was not enforced, the amount of dividend income to be received by RS and SSH would change but the total estimated amount of dividend income for RS, ZPIZ and SSH would remain unchanged.

Table 16: *Income* received by RS, ZPIZ and SSH from dividend paid out by companies with capital assets by years (in EUR mio)*

Year	2016	2017	2018	2019	2020	Plan 2021	Plan 2022
RS	122.6	194.1	427.4	193.2	62.7	63.5	66.4
ZPIZ	19.6	19.6	19.6	19.6	0.0	0.0	0.0
Total RS and ZPIZ	142.2	213.7	447.0	212.8	62.7	63.5	66.4
SSH	43.8	45.9	40.4	40.1	23.2	20.4	21.6
Total RS and ZPIZ and SSH	186.0	259.7	487.3	252.9	85.9	83.9	88.0

<i>Dividend pay-outs subject to regulators' consent</i>		
RS		17.8
ZPIZ		14.5
SSH		15.3
Total RS and ZPIZ and SSH		47.6
Total sum RS and ZPIZ and SSH		131.5
		136.2

Figure 7: *Dividend income received by RS and SSH, by years, in EUR mio*

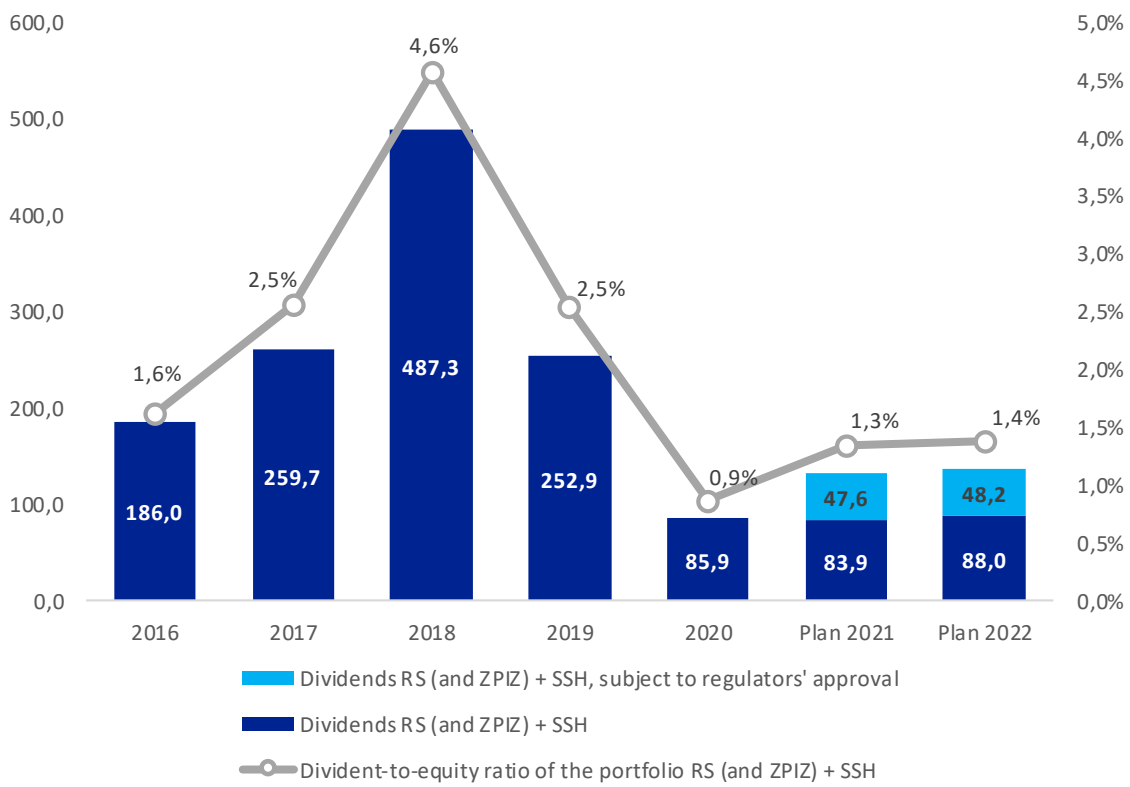


Figure 8: *Dividend income received by RS and ZPIZ, by years, in EUR mio*

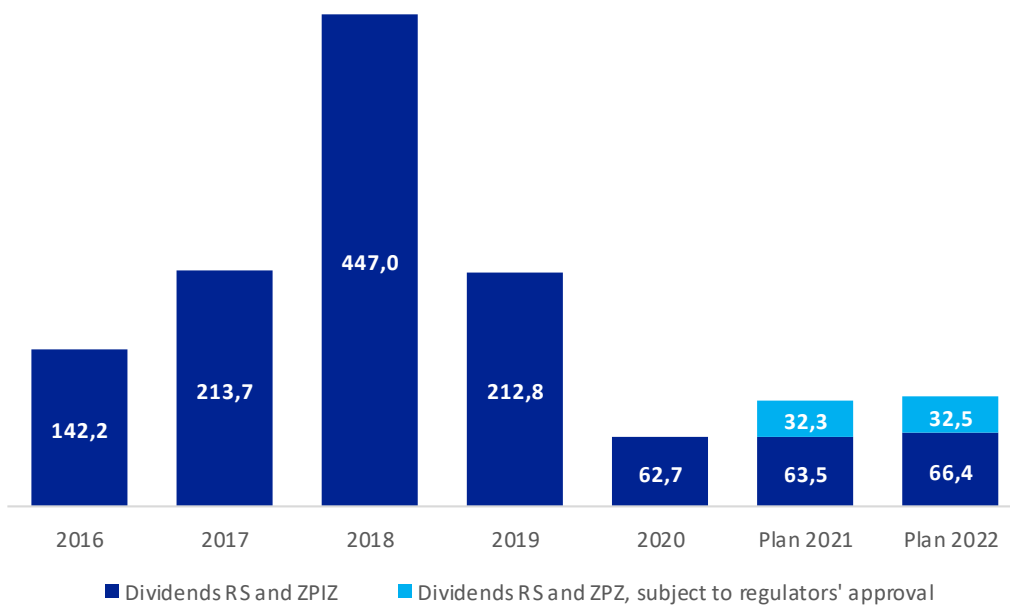


Figure 9: *Dividend income received by SSH, by years, in EUR mio*

