



**SLOVENSKI DRŽAVNI HOLDING, d. d.**

**(CH. III GENERAL SECTION)**

# **ANNUAL ASSET MANAGEMENT PLAN FOR 2019**

**Ljubljana, November 2018**

# ANNUAL ASSET MANAGEMENT PLAN FOR 2019

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

**The ultimate objective of state-owned enterprises 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.**

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*apaka! Zaznamek ni definiran.*

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## TERMS AND DEFINITIONS

**State-owned enterprise or a company with capital assets of the State:** is a company in which capital assets are directly held by SSH or the Republic of Slovenia, and which is 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.

**VCC:** Venture capital companies.

**BAMC:** Bad Asset Management Company.

**ECB:** European Central Bank.

**EC:** European Commission.

**EU:** European Union.

**KAD:** Kapitalaska družba, d.d. (Pension Fund Management).

**SSH Code:** Corporate Governance Code for SOEs of 19 December 2014 as modified in March 2016 and in May 2017.

**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:** is the Annual Asset Management Plan developed every year by SSH in accordance with Article 30 of ZSDH-1.

**Criteria:** is the Criteria for Measuring Performance of SOEs, a legal document of SSH which was adopted in November 2015. As a rule, the document is updated every year simultaneously with AAMP. This document defines the criteria and the indicators for measuring the performance of SOEs.

**MoF:** is the Ministry of Finance.

**MoEDT:** is the Ministry of Economic Development and Technology.

**MoPA:** is the Ministry of Public Administration.

**MoESP:** is the Ministry of the Environment and Spatial Planning.

**SME:** is small and medium-sized enterprises.

**Mol:** is the Ministry of Infrastructure.

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

**SSH Asset Management Policy:** is the SSH Asset Management Policy of 19 December 2014, as amended in December 2016.

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

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

**SSH Recommendation and Expectations:** are recommendations and expectations of SSH which were adopted by SSH in December 2014 and amended in March 2016 and in May 2017.

**RS:** is the Republic of Slovenia.

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

**Strategy and Asset Management Strategy:** is the State Assets Management Strategy which was adopted by the National Assembly of the Republic of Slovenia on 13 July 2015 in the form of the Ordinance On State-Owned Capital Assets Management Strategy (OdsUKND).

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

**SDH:** is Slovenian Sovereign Holding.

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

**SEF:** is the Public Fund of the Republic of Slovenia for Entrepreneurship or shortly The Slovene Enterprise Fund.

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

**USA:** is the United States of America.

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

**ZIS:** is the Gaming Act.

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

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

**ZSDU:** is the Worker Participation in Management Act (Official Gazette RS, No. 42/936 et seq.).

**ZTFI:** is the Financial Instruments Market Act (Official Gazette RS, No. 108/10 et seq.).

# ANNUAL ASSET MANAGEMENT PLAN FOR 2019

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## **INTRODUCTION**

The Annual Asset Management Plan in front of you represents one of the four key documents on the basis of which SSH, in a prudent and competent manner, carries out its role of an active manager of the assets of the State being a shareholder/company member in numerous and important Slovenian companies.

The Plan determines detailed goals to be achieved by SSH in the management of individual assets in the coming financial year; in addition, it defines measures and policies for attaining these goals. SSH sets ambitious yet realistic values for the expected strategic, economic and financial performance indicators which are to be achieved by every individual company from the portfolio in a certain year. SSH implements its vision of generating value from capital assets for the owner through the goals set. These target indicators cover key aspects which are important for the development and competitiveness of an enterprise. The Annual Asset Management Plan also determines the expected cash flows.

Similarly as in previous years, the current Assets Management Annual Plan, being the fourth such document issued, was prepared by taking into consideration the knowledge SSH has about special characteristics of operations of an individual company and its industry and by critically observing its development plans. When determining final goals, acting in line with its professional judgement, SSH also takes into consideration opinions produced by companies with which a legally admissible dialogue is kept.

From the aspect of SSH, acting in the capacity of an active asset manager, this document is of key importance as it reflects expectations the owner has for 2019 and it enables SSH to monitor the implementation of goals set for this year.

#### **Return of equity (ROE) of the portfolio of companies in direct ownership of RS and the amount of dividends paid-out for 2017**

The Annual Report - Management of Capital Assets of RS and SSH for 2018 shows that both the total value of capital assets owned by RS and SSH and the total return on equity (ROE) as well as the amount of dividend pay-outs have increased.

For the first time, ROE of the aggregated RS's and SSH's portfolio amounted to **6.5%**. This result has been attained despite the fact that the RS's portfolio includes two thirds of strategic assets whose priority is the attainment of strategic goals, that is, the realisation of important social interest which are often overshadowed by the goal of attaining high return on equity.

Similarly, the total value of capital assets directly owned by RS and SSH has increased, amounting to **EUR 10.9 billion** as at 31 December 2017 as compared to EUR 10.4 billion at the end of 2016).

SSH supports the development and efficiency of operations of its portfolio companies, and, by means of its decisions made at General Meetings of Shareholders of companies, pursues a responsible approach to Dividend Policy in terms of advocating a suitable balance between dividend yield and development needs of companies. The total of EUR 266.8 million of "regular" dividends arising from the ownership of SSH and RS capital assets were collected for FY 2017. **If "additional" dividends by Telekom Slovenije and Nova Ljubljanska banka (NLB), considered as one-off events, are taken into account, the total amount of all dividends collected amounts to a record-hitting sum of EUR 487.3 million** (EUR 259.7 million for FY 2016). As there were several one-off events recorded in this year, so high dividend pay-outs are not to be expected in the future.

#### **ROE estimate for the portfolio of companies owned by RS and SSH for 2018 and an outlook for 2019**

In the future, expectations and target return on equity ratios as well as the amount of dividend pay-outs to be received by the budget will have to be adapted to a modified structure of asset portfolio under management. Sales process in process when drawing up this Report will have a negative impact to the calculation of the dividend-to-equity ratio and to the amount of dividends received by the RS's budget since in the last two years both banks, NLB and Abanka, have paid high dividends and achieved high ROE, presenting a significant portion of the weight in the said calculation (approximately one fifth of the value of the total portfolio of capital assets). Other assets in the portfolio defined as strategic will not be able to compensate for these differences, therefore it is hard to expect ROEs and dividend pay-outs to grow. As a matter of fact, the priority objective of strategic

assets is the attainment of strategic goals of the Republic of Slovenia, and in some of the largest company SSH has almost no influence with regard to their revenues, such as, for example in the case of DARS representing a solid one fourth of the RS's portfolio, whose equity is on a constant rise on account of not paying out any dividends, and thus increasing its weight in the calculation of the portfolio's ROE. Another important case includes five electricity distribution companies, representing approximately one tenth of the RS's portfolio of capital assets, whose key operational and financial parameters of operations are determined by way of the wire charge rules stipulated by the Energy Agency of the Republic of Slovenia, which directly affects profitability ratios, i.e. return of assets (ROA) and return of equity (ROE) of all of five said companies. Considering the changing structure of the portfolio under SSH's management, in the future, the assessment of the performance of asset management will have to take into account various criteria by sectors, including the consideration of the type of assets and the specific features of operation, such as for example, service of general economic interest.

Expectations with regard to ROE of the aggregated portfolio of RS's and SSH's assets is presented in the table below:

PILLAR	ROE						
	2014	2015	2016	2017	2018 (estimate)	AAMP 2019	AAMP 2020
ENERGY SECTOR	1.1%	2.2%	4.1%	3.4%	3.3%	5.2%	5.1%
FINANCIAL SECTOR	0.6%	5.9%	8.9%	10.6%	8.7%	8.3%	8.1%
TOURISM AND ECONOMY	2.8%	12.6%	6.5%	4.2%	8.7%	9.1%	9.6%
TRANSPORT	3.7%	3.4%	5.0%	5.8%	5.5%	5.5%	5.4%
<b>PORTFOLIO</b>	<b>1.8%</b>	<b>4.7%</b>	<b>6.0%</b>	<b>6.5%</b>	<b>5.8%</b>	<b>6.2%</b>	<b>6.2%</b>

### Expected cash flows

Implementing a relevant dividend policy is one of core activities in the management of capital assets, enabling SSH to pursue goals aiming at the maximisation of cash flows for an owner while simultaneously taking into account the performance results of individual companies under management and their development needs.

A sharp increase in the return of equity attained by companies has resulted in an increase in the companies' dividend pay-outs and in the dividend-to-equity indicator (a ratio between the amount of dividends paid and shareholders' equity). The total amount of dividend income may be highly affected by extraordinary (one-off) events taking place in a n individual company under management. This was the case in 2018 when dividend income nearly doubled on account of additional dividend pay-outs made by NLB and Telekom Slovenije.

SSH envisages that in 2019, in line with expectations stated herein, RS (together with ZPIZ) is to receive EUR 203.3 million while SSH is to receive EUR 39.3 million of dividend income, totalling EUR 242.6 million. The main reason for a lower dividend income to be received in 2019 as compared to dividend income received in the past two years will be due to a lower dividend paid out by banks (NLB and Abanka); in the past, the major part of profit generated by the said bank was due to the elimination of impairment charges and release of provisions. In addition to the latter, future projections on dividend income take into account the RS's lower ownership stake as a result of successfully closed sale processes. SSH estimates that in 2018 SOEs will perform well, closing the year with a good and sound financial condition and therefore for the major part of companies, dividend income are to be slightly increased in 2019. However, it is necessary to take into account that the deceleration of economic growth is forecasted, both on the global scale as well as in Slovenia, thus, future expectations must be adjusted accordingly.

ANNUAL ASSET MANAGEMENT PLAN  
FOR 2019

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**GENERAL PART**



# I. GENERAL PART

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## 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, the entire asset management portfolio of SSH is presented and the definition of companies which have not been included in the Special Section of AAMP is given. The said Section also presents fundamental and additional goals in the management of assets, macroeconomic forecasts, a review of return on equity as achieved vs. expected by individual criteria, cash flows which are expected to be generated from the management of assets, specifically, the dividend revenue. It also presents inconsistencies in the methodology for determining the target return on equity as stated in the Asset Management Strategy.

The **Special Section of AAMP** gives a presentation of individual pillars/areas of assets under management. Under each pillar, the Assets Management Plan is presented separately for each asset, giving a detailed definition of asset management goals for a coming year; in case of companies which, considering the book value of shareholders' equity - a weight in the asset management portfolio, affect the most the performance of SSH portfolio from the aspect of return of equity, goals are also defined for 2020. Key criteria for measuring the performance in the attainment of asset management goals, together with measures and policies for attaining these goals are defined. An exception to the above mentioned presentation method is the illustration of measures for electric distribution companies; in this case, measures are defined for these companies as a whole since activities envisaged in connection with asset management are similar for all of these assets.

The Special Section also states the forecast cash flows arising from sales and acquisitions of assets to be undertaken in 2019.

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.

### LIMITATION OF LIABILITY

The Document was developed in accordance with the principle of conscientiousness and fairness, by applying the necessary expertise and in accordance with the principle of professional diligence. 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 developing this document.

## 2. KEY CAPITAL ASSET MANAGEMENT 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: Asset Management Strategy, Annual Asset Management Plan, SSH Asset Management Policy and SSH Code of Corporate Governance. 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: Criteria for Measuring Performance of SOEs, Platform of SSH for Voting on AGMs of companies and SSH Recommendations and Expectations.

The **Asset 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: the definition and classification of assets to individual types of assets in accordance with Article 10 of ZSDH-1, the definition of development policies of RS in the capacity of a shareholder or a company member in companies, and 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 class of assets, specifically, strategic, important or portfolio assets. When individual asset is not classified into one of the above mentioned class of assets it is considered to be 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 Asset 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. AAMP must subsequently be approved by the Government of RS, upon the proposal given by MoF. The said Plan determines detailed goals to be achieved by SSH in the management of individual assets, together with measures and policies for attaining these goals. It also gives a forecast of cash flows from the management of assets owned by SSH and RS.

**SSH may carry out certain actions in connection with asset management without any modification or amendment be made to AAMP** when justified grounds are given and when such action is in accordance with the law, the SSH's Articles of Association and when it does not significantly contravenes the envisaged asset management actions 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 <sup>1</sup> the CA, 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 CA 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 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)<sup>2</sup>;

It is considered that actions of asset management, 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 Performance Criteria**. The said documents defines the criteria (indicators) for SSH to monitor the performance of operations

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<sup>1</sup> The book-value is the amount of equity according to the last published balance sheet of a company, calculated to the shareholding which is the subject of the disposition.

<sup>2</sup> 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 CA in accordance with the SSH Asset Management Policy. The general authority referred to in this section of AMAP only makes it possible to implement measures for SSH's asset management, when SSH takes such a decision, without having to amend AMAP; the Government of RS would, in fact, have to take a new decision on the matter although Government's decision about the acquisition was already made. The acquisition is carried out only in case when the purchase price for CA is lower than the estimated value of CA, or if it is within the range of the estimated value of CA. After a potential acquisition of new CA actually takes place, the AMAP for individual CA is produced in reasonable time.

of companies with State's capital assets. In addition to 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 the 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 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 documents defines in detail the processes for the disposal of capital 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. Its connection with AAMP is given in Chapter 3 of the Code. The main premise is defined in the introductory provisions of the Principle 3.1., i.e., the fundamental goal of a company with State's capital assets is to maximise the value of the company and to generate the highest possible returns for the owner, unless stipulated otherwise in the law or in the 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 framework 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 and other similar recommendations.

### 3. SSH'S ASSET MANAGEMENT PORTFOLIO

SSH manages capital assets and their asset management is presented in detail in this document.

SSH also manages the portfolio of SSH's liquid assets (deposits and other instruments from the money market, debt securities, UCITS) which are intended to balance its current liquidity necessary for the operation of SSH. This portfolio is not included in AAMP.

#### 3.1. Capital assets managed by SSH

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

As at 30 September 2018. SSH managed assets in 84 companies, of which 48 companies held stakes owned solely by RS and 24 companies held stakes solely owned by SSH while the remaining 12 companies held stakes owned by both RS and SSH.

Out of the total number of companies under SSH management, there were 65 active capital assets whereas the remaining capital assets included assets in companies in bankruptcy proceedings or in liquidation. The said active assets included 38 companies with capital assets solely owned by RS and 14 companies with assets solely owned by SSH while both RS and SSH held capital assets in the remaining 10 companies.

Tabela 1: *Lists of SSH and/or RS assets managed by SSH (SSH's Asset Management Portfolio) as of 30/09/2018*

Lfd. No.	Company	Asset type	RS ownership stake (%)	SSH ownership stake (%)
<b>ENERGY SECTOR</b>				
1	ELEKTRO CELJE D.D.	STRATEGIC	79.50	
2	ELEKTRO GORENJSKA D. D.	STRATEGIC	79.42	0.31
3	ELEKTRO LJUBLJANA D.D.	STRATEGIC	79.50	0.30
4	ELEKTRO MARIBOR D.D.	STRATEGIC	79.50	
5	ELEKTRO PRIMORSKA D.D.	STRATEGIC	79.50	
6	EGS-RI D.O.O.	PORTFOLIO	100.00	
7	GEN 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.	IMPORTANT	100.00	
12	PETROL D.D., LJUBLJANA	IMPORTANT	10.10	12.68
13	PLINHOLD D.O.O.	STRATEGIC	60.10	0.05
14	RTH D.O.O. TRBOVLJE	PORTFOLIO	100.00	
15	RŽV D.O.O.	PORTFOLIO	100.00	
<b>FINANCIAL SECTOR</b>				
16	ABANKA D.D.	PORTFOLIO	100.00	
17	D.S.U. D.O.O.	IMPORTANT	100.00	
18	DTK MURKA, DRUŽBA TVEGANEGA KAPITALA, D.O.O.	IMPORTANT	49.00	
19	GORENJSKA BANKA D. D., KRANJ	PORTFOLIO	0.31	

20	M1 D.D.	PORTFOLIO	0.00	
21	META INGENIUM, DRUŽBA TVEGANEGA KAPITALA, D.O.O.	IMPORTANT	49.00	
22	NLB D.D.	IMPORTANT	100.00	
23	SAVA RE D.D.	IMPORTANT	10.09	17.68
24	PRVI SKLAD, DRUŽBA TVEGANEGA KAPITALA, D.O.O.	IMPORTANT	48.90	
25	SID BANKA D.D., LJUBLJANA	STRATEGIC	99.41	
26	STH VENTURES, DRUŽBA TVEGANEGA KAPITALA, D.O.O.	IMPORTANT	49.00	
27	ZAVAROVALNICA TRIGLAV D.D., LJUBLJANA	STRATEGIC	34.48	28.09
<b>TOURISM AND ECONOMY</b>				
28	ADRIA D.O.O.	PORTFOLIO		11.74
29	BODOČNOST MARIBOR D.O.O.	PORTFOLIO	77.52	
30	CASINO BLEDE 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		11.41
34	CSS D.O.O.	PORTFOLIO	97.96	
35	ELEKTROOPTIKA D.D.	PORTFOLIO	0.01	70.48
36	HIT D.D. NOVA GORICA	PORTFOLIO		20.00
37	INKOS D.O.O.	PORTFOLIO	2.54	
38	URADNI LIST REPUBLIKE SLOVENIJE D.O.O.	STRATEGIC	100.00	
39	KDD D.D.	PORTFOLIO		19.23
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	PERUTNINA PTUJ D.D.	IMPORTANT	0.00	
44	POMGRAD - VGP D.D.	IMPORTANT	25.01	
45	PS ZA AVTO D.O.O., LJUBLJANA	PORTFOLIO		90.00
46	RRA REGIONALNA RAZVOJNA AGENCIJA CELJE D.O.O.	PORTFOLIO	5.89	
47	SAVA D.D.	IMPORTANT		18.53
48	SAVAPROJEKT D.D.	PORTFOLIO	3.47	
49	SIJ D.D.	IMPORTANT	25.00	
50	STUDENTENHEIM KOROTAN GMBH	PORTFELJSKA	100.00	
51	TELEKOM SLOVENIJE D.D.	PORTFELJSKA	62.54	4.25
52	TERME OLIMIA D.D.	IMPORTANT		4.01
53	UNIOR D. D.	PORTFELJSKA		39.43
54	VARNOST SISTEMI D.O.O.	PORTFELJSKA		9.74
55	VGP D.D.	IMPORTANT	25.00	
56	VGP DRAVA PTUJ D.O.O.	IMPORTANT	25.00	
57	VGP NOVO MESTO, D.D.	IMPORTANT	25.00	
<b>TRANSPORT</b>				
58	DARS D.D.	STRATEGIC	100.00	
59	INTEREUROPA, D. D.	PORTFELIO		1.73
60	KZPS D.O.O.	STRATEGIC	100.00	
61	LUKA KOPER, D. D.	STRATEGIC	51.00	11.13
62	POŠTA SLOVENIJE D.O.O.	STRATEGIC	100.00	

63	SŽ D.O.O.	STRATEGIC	100.00
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Note:

In 2018, RS became the owner of Koto d.o.o.

\*\* Shareholdings are rounded up to two decimal places. When the shareholding of 0.00% is referred to, this means that there is an ownership stake in the company but it has been rounded up to 0.00 %.

Tabela 2: **Lists of assets held by SSH and/or RS in companies in bankruptcy proceedings or in liquidation, as of 30/09/2018**

Lfd. No.	Company	RS ownership stake (%)	SSH ownership stake (%)
<b>TOURISM AND ECONOMY</b>			
1	GIO D.O.O., LJUBLJANA - IN LIQUIDATION		71.27
2	IPOZ TRBOVLJE D.O.O. - IN LIQUIDATION		1.20
3	RUDNIK KANIŽARICA V ZAPIRANJU D.O.O., ČRNOMELJ - IN LIQUIDATION	100.00	
4	AERO D.D. - IN BANKRUPTCY		1.44
5	CASINO MARIBOR D.D. - IN BANKRUPTCY		22.83
6	DRUŽBA ZA SPODBUJANJE RAZVOJA TNP D.D. - IN BANKRUPTCY	51.05	
7	GLIN IPP D.O.O. - IN BANKRUPTCY	16.06	
8	GRADIS SKUPINA G D.D. - IN BANKRUPTCY		1.36
9	LIPICA TURIZEM D.O.O. - IN BANKRUPTCY	100.00	
10	MAKSIMA HOLDING D. D. – IN BANKRUPTCY	0.01	
11	MAKSIMA INVEST D.D. - IN BANKRUPTCY	0.00	
12	MURA D.D. - IN BANKRUPTCY		12.23
13	NFD HOLDING D.D.- IN BANKRUPTCY	0.00	
14	NOVOLES D.D. - IN BANKRUPTCY		16.69
15	PEKO D.D. - IN BANKRUPTCY	61.16	
16	POLZELA D.O.O. - IN BANKRUPTCY	71.43	28.57
17	RIMSKE TERME D.O.O. - IN BANKRUPTCY	3.83	13.55
18	RUDNIK SENOVO V ZAPIRANJU D.O.O. - IN BANKRUPTCY	100.00	
19	SVEA D.D., ZAGORJE OB SAVI - IN BANKRUPTCY		15.57
20	TAM MARIBOR D.D. - IN BANKRUPTCY	10.85	
21	UNIVERZALE D.D. - IN BANKRUPTCY		8.53
22	VEGRAD D.D. - IN BANKRUPTCY		29.00

### **3.2. Capital assets which are not included in this AAMP neither in the Special Section of AAMP**

The classification of capital assets stated in the Asset Management Strategy referred to in Table 10 also includes capital assets which are not managed by SSH. **Capital assets which are not managed by SSH** are not included in this AAMP. They include the following companies with capital assets of RS:

- **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, d.o.o., ELES, d.o.o., Borzen, d.o.o., Slovenski državni gozdovi, d.o.o. DRI d.o.o., 2TDK d.o.o.).
- **capital 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/or which are not yet held by SSH, the production of separate asset management plans for these companies will be initiated by SSH if and when such assets are actually acquired as SSH management of these assets may only commence at that point in time;

**All of capital assets managed by SSH are included in the Special Section of AAMP with the exception** of capital 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:

- **capital assets in companies in bankruptcy proceedings or in liquidation (also referred to as inactive assets);** SSH does not carry out any asset management related activities in companies in bankruptcy proceedings whereas in case of companies in liquidation, 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 (Rudnik Kanižarica v zapiranju d.o.o. Črnomelj - in liquidation);
- **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 capital 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 and which are required for a successful closure of the transaction. If the process for the sale of these assets fails to be successfully closed, SSH will immediately start with the preparation of separate AAMP for these assets (Casino Portorož, d.d., KDD, d.d.);
- **assets in companies in which regard the processes for disposing capital assets are defined, highly probable and forthcoming** which is why it does not make any sense that goals requiring a special part of AAMP are defined for such an asset. If the process for the sale of these assets fails to be successfully closed within the time period planned, SSH will immediately start with the preparation of separate asset management plans for these assets (Abanka d.d.);
- **assets in companies in which regard current legislation provides no legal basis for their further operation in 2019.** If/When current legislation modifies, SSH will immediately start with the preparation of separate asset management plans for these assets (Rudnik Trbovlje- Hrastnik d.o.o.);
- **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 impact 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 its influence on voting. The fundamental goal pursued by SSH in the management of these assets (with the exception of Perutnina Ptuj d.d., which has been defined as important asset in the Asset Management Strategy) is to ensure suitable conditions for selling these assets. Their sale will be conducted by means of public call to submit bids (Gorenjska banka d.d., Inkos d.o.o., Intereuropa d.d., M1 d.d., Perutnina Ptuj d.d., RRA Celje d.o.o., Savaprojekt d.d.).

Tabela 3: *List of active assets managed by SSH and not included in the Special Section of AAMP*

Lfd. No.	Company	Asset type	RS ownership stake (%)*	SSH ownership stake (%)	TOTAL ownership stake (%)
1	ABANKA D.D.	PORTFOLIO	100.00		100.00
2	CASINO BLED D.D.	PORTFOLIO		33.75	
3	CASINO PORTOROŽ D.D.	PORTFOLIO		9.46	9.46
4	GORENJSKA BANKA D.D.	PORTFOLIO	0.17		0.17
5	INKOS D .O. O.	PORTFOLIO	2.54		2.54
6	INTEREUROPA D.D.	PORTFOLIO		1.73	1.73
7	KDD D.D.	PORTFOLIO		19.23	19.23
8	M1 D.D.		0.00		0.00
9	PERUTNINA PTUJ D.D.	IMPORTANT	0.00		0.00
10	RRA CELJE D.O.O.	PORTFOLIO	5.89		5.89
11	RTH D.O.O. TRBOVLJE	PORTFOLIO	100.00		100.00
12	SAVAPROJEKT D.D.	PORTFOLIO	3.47		3.47

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



## 4. FUNDAMENTAL OBJECTIVES IN ASSET MANAGEMENT AND PREMISES FOR MEASURES AND ACTIONS FOR ATTAINING GOALS

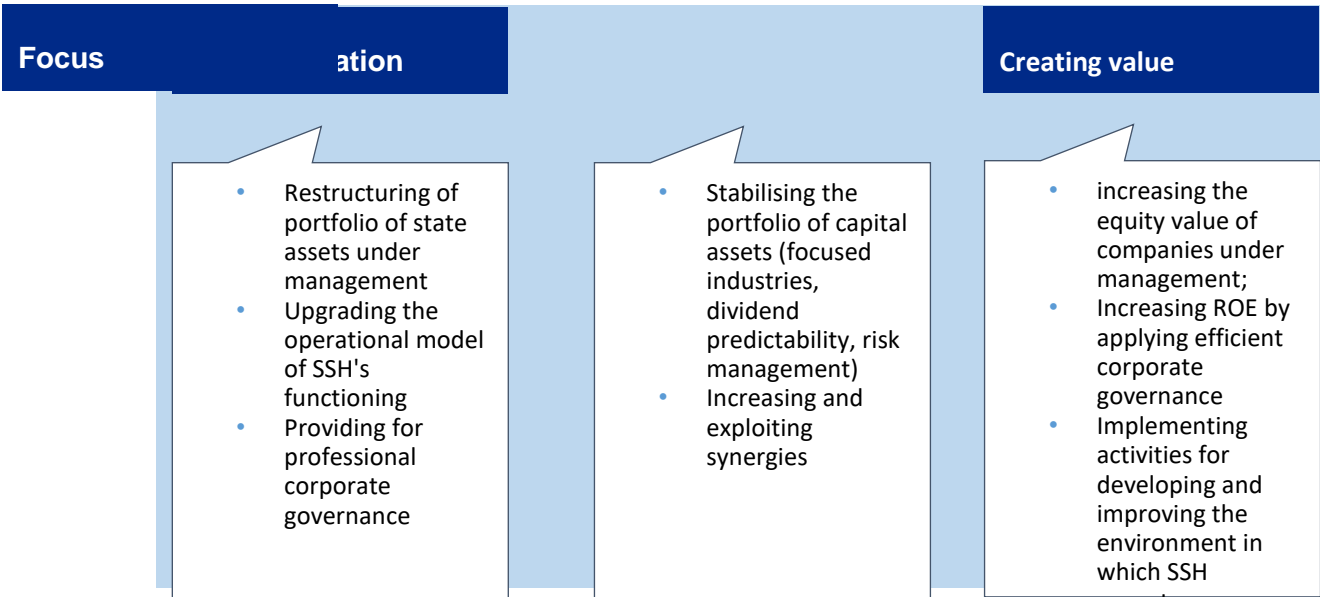
### 4.1. Vision, strategic policies and goals in asset management

Strategic policies are directions selected for coming close to the SSH vision in the next long-term period. They are the foundation for defining the operation of SSH as an integrated organisation with a duty to manage capital assets and perform other tasks.

#### Vision

**Generating value from capital assets for the owner**

#### Strategic directions



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

The ultimate objective of state-owned companies being managed by SSH is effective, profitable, economical operation, creation of value, and efficient management of individual assignments in public interest. This objective must be obtained by pursuing a balanced, stable and sustainable development of enterprises from the economic, social and environmental aspects.

The goal pursued by SSH in the management of capital assets is the attainment of fundamental goals and additional goals determined in the State Assets Management Strategy and goals determined in each Annual Assets Plan (AAMP).

### 4.2. Fundamental goals for managing capital 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.

All assets owned by SSH and RS are classified into one of these three groups of assets with equal or similar characteristics, realising the same or similar goals. They are deemed to be fundamental goals of asset management.

**Fundamental goals** in asset management are as follows:

- 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, capital 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 Asset Management Strategy defines in detail the main substantive criteria for classifying assets into strategic, important and portfolio assets. These criteria are categorized into **four groups**:

- strategic and development criteria,
- sectoral and entrepreneurial criteria,
- network criteria, and
- fiscal criteria.

Within these criteria, individual indicators have been determined together with the relevant weight which is used when rating individual assets; the classification of an asset into an individual group of assets depends on the total number of points received in the score.

Such scoring of assets in accordance with the substantive criteria referred to in the Asset Management Strategy mentioned above shows that the State holds:

- a) strategic assets in the following companies:
  - undertakings carrying out key infrastructural duties;
  - companies in economic 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;
- b) important assets in the following companies:
  - systemic financial institutions and venture capital funds,
  - lottery and gambling,
  - companies which are important in terms of their development and technological functions, 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 economy.

## 4.3. Goals in AAMP

### 4.3.1. Premises for measures and actions to attain goals set in AAMP

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

- **fundamental guidelines** laid down in the Asset Management Strategy,
- **fundamental asset management goals** on account of which an individual asset has been classified into a certain fundamental group of assets;
- **additional goals in asset management** which are determined by the Asset Management Strategy;
- As regards SOEs, SSH has at its disposal "only" **corporate and legal leverage** arising from its capacity of a shareholder or a company member. Other statutory restriction must be taken into account when managing capital assets. These limitations are explained in detail in Chapter 4.4.2. 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 for some individual companies and when this is reasonable; in addition, SSH makes a stand in regard to the fact whether its support is to be provided for the strategy of a company or whether, obviously, in a legally admissible manner, SSH will attempt, to have some changes be made to their strategies. In SOEs, which are organized as public limited companies, SSH has a **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 development directions of and about 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.

### 4.3.2. Statutory restrictions in managing State capital assets

SSH manages State capital 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 governance decisions.
- It has been made clear in Chapter 4.31. that a more important limitation in managing capital assets are imposed by provisions of ZGD-1 on the limited 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 regulates 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 capital assets which, among other things, means that, as a rule, in the SPA, a prospective buyer cannot be obliged to satisfy the non-financial commitments.
- SSH must take into account the Asset Management Strategy within the scope of which asset management measures are determined in every AAMP.
- The remuneration policy is considered as being important leverage for motivating the management in order to attain company's goals and strategy. ZGD-1 envisages that it is the General Meeting of a company that adopts a remuneration policy with regard to income to be received by the management. As the remuneration policy with regard to enterprises in direct and indirect majority ownership of SSH/RS is regulated by the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities ("ZPPOGD"), no remuneration policy for management and supervision bodies is 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 is informed of the remuneration received by top executives in their Annual Reports and at regular AGMs of SOEs and expects their income to be disclosed in accordance with the provision of Article 294 of ZGD-1 and the Corporate Governance Code for SOEs. As regards the disclosure of remuneration policy, SSH's stand is that it has to be compliant with ZPPOGD and Article 270 of ZGD-1 stipulating that remuneration received by an individual member must be proportionate to his/her duties and financial condition of a company. The supervision over the implementation of ZPPOGD is carried out by the ministry responsible for economy, in accordance with the provisions of Article 7 of this Act. Immediately after concluding a contract with a member of the management board, this contract is submitted for inspection to the MoEDT.

## 5. ADDITIONAL GOALS FOR ASSET MANAGEMENT AS STATED BY STRATEGY

### 5.1. *Attaining strategic and development objectives*

A strategic and development objective in asset management comes from the 1st and the 2nd group of fundamental goals pursued in managing strategic and important assets.

This objective will be attained by implementing the following measures:

- cooperation with all stakeholders, particularly responsible sectoral ministries, taking into account the current sectoral strategies and policies and harmonised national development priorities stated in strategic and development documents;
- prudently implemented decision-making processes with regard to long-term development documents of SOEs, in accordance with applicable instruments of incorporation;
- expectations with regard to SOEs which will ensure proper balance between economic goals and strategic and development goals, especially from the point of view of ROE required, dividend policy and development and investment activities.

### 5.2. *Increasing return on equity*

In the long term, increasing the value of shareholders' equity of enterprises and return on equity of companies under management will be ensured by implementing the following measures:

- setting ambitious yet realistic values for the expected strategic, economic and financial performance indicators, supervising performance results (AAMP) and implementing key asset management activities at the enterprise level;
- benchmarking top SOEs with comparable international enterprises;
- pursuing a suitable dividend policy considering the company's position, performance, investment activities planned and development;
- appointing members of Supervisory Board by applying objective criteria applicable for all members of Supervisory Boards of SOEs, thus providing for a good quality and heterogeneous composition of Supervisory Boards
- checking on key risks while companies are expected to prepare measures for monitoring and diminishing risks;
- sustainable operation and innovation activities are included in the company's strategy;
- constant improvements in corporate governance practice;
- assuring for corporate integrity and achieving the highest ethical standards in operation;
- having a fruitful dialogue and providing for active engagement of all key SSH's stakeholders in the process of asset management.

**Setting ambitious yet realistic values for the expected strategic, economic and financial performance indicators and regular supervision over performance results (AAMP)** The attainment of better business results is first initiated by way of setting clear and ambitious goals of strategic and/or economic and financial nature. These are prepared annually by SSH for the majority of companies with capital assets held by RS and SSH which is then reflected in better systemic organisation of corporate governance as well as in results itself. SSH strives for achieving good operational results in the long term. As regards the monitoring of operations, SSH has established a system of quarterly reporting and, in case of some companies under management, monthly reporting to SSH. This system ensures better information which is the basis for timely action taking and decision making in connection with individual assets. SSH will continue to communicate with companies in the established manner, dealing with all topics important for the performance, risk management and performance of companies.

**Benchmarking** SSH monitors and compares key indicators of individual portfolio companies with competitors (i.e. benchmarking), sets goals in line with those of internationally comparable companies, and thus enables more active and more efficient asset management. In addition, it follows trends and development of individual sectors and companies, and at the level of companies, monitors the fulfilment of their business plans.

**Suitable dividend policy considering the company's development cycle.** SSH supports the development and efficiency of operations of its portfolio companies, and, by means of its decisions made at General Meetings of Shareholders of companies, pursues a responsible approach to Dividend Policy in terms of advocating a suitable balance between dividend yield and development needs of companies.

**Heterogeneous and good quality composition of supervisory board** SSH is responsible for ensuring a heterogeneous composition of supervisory boards and a strict supervision over the work carried out by management boards of SOEs. Among other matters, with regard to supervisory board members, this includes taking into account their professional competence, business credibility, financial and strategic knowledge, knowledge of the basic of business administration, members must be strong team players, they must understand the business culture and be committed to observe the principles of business ethics. In accordance with Article 21 of ZSDH-1, at General Meetings of companies, SSH must vote so as to appoint experts in finance, corporate governance, operations of an individual company, together with other officers with professional profiles necessary for the efficient supervision over an individual company in regard to its core business, business volume and other characteristics of the company. SSH will continue to strive to attract a wide selection of experts from the areas of work with a shortage of accredited candidates.

**Checking on key risks while companies are expected to prepare measures for monitoring and diminishing risks** Considering industries in and markets on which enterprises operate, it is important for SOEs to identify risks and business opportunities, managing them so as to operate in a sustainable manner from economic, social and environmental aspect. SSH will continue to provide support to all portfolio companies in tackling such changed circumstance of operation an efficient manner and providing for long-term growth and employment. Within the scope of periodic meetings, main risks are verified and methods for their management are dealt with.

**Sustainable operation and innovation activities are included in companies' strategies** The inclusion of sustainable policies in a company's business model may result in gaining a competitive advantage in the long run. Transformation into advanced and sustainable business model is thus important for competitiveness and successful performance of enterprises. The added value of such operation includes social responsibility, responsible leadership and high business ethics which must become a part of strategies, policies, programmes and organizational measures. Another important factor of a company's competitive advantage is innovation, ensuring an enterprise to add value to its activities. More than ever, it is critical that supervisory boards focus on supporting the companies they serve and oversee, that they regularly reflect on whether innovation receives sufficient attention during supervisory board's sessions, and that carefully consider what role they should play with regard to management on the topic of innovation (setting objectives, regular monitoring of innovation strategy, risk management, reporting on efficiency in innovation governance).

In 2019, SSH will discuss the above mentioned topics with SOEs during periodic meetings, striving for a systemic organisation of this area in the current fundamental documents on asset management.

**Assuring for corporate integrity and achieving the highest ethical standards in operation** For all SOEs it is highly important that they operate in the direction of:

- exercising high ethical business standards and actively preventing corruption. Consistently observing the guidelines of Code of Corporate Governance for SOEs is one of the methods of an exemplary operation, in addition to establishing standards introduced by the Integrity and prevention of Corruption Act applying for companies not liable to
- ensure working conditions of good quality, healthy working environment and satisfaction of human rights.
- Companies should strive to enforce diversity policy and continually improve organisational culture,
- to formulate and realize sustainable development policies.

In 2019, SSH will include key elements of this goal in the amended Corporate Governance Code for SOEs.

**Having a fruitful dialogue and providing for active engagement of all key SSH's stakeholders in the process of asset management** SSH regularly organises periodic meetings held with management and/or supervisory boards in order to, within its statutory responsibilities, find out about performance results, planned activities and other more important challenges individual companies face. An important part of asset management related activities includes cooperation with sectoral ministries with regard to sectoral policies and industry strategies, together with cooperation with social partners within and outside the consultation body ECESA. SSH cooperates constructively with all stakeholders important for realisation of either SSH's asset management goals or for individual company's goals.

Corporate Governance Code for SOEs provides some recommendations to companies in regard to relationship with stakeholders.

### **5.3. Rise in culture of corporate governance**

In Chapter 3.2, the Asset Management Strategy states that the goal of SSH is to raise the culture of corporate governance in all companies with capital assets of the State, including in SSH. Some additional goals for asset management have been set in the said Strategy in connection with this topic. They are: developing and implementing standards of good practice in corporate governance, establishing an organised and functioning system of internal controls, internal audit and risk management, providing positive examples and improving the integrity and ethical conduct of employees.

#### **Measures which have already been implemented**

SSH has already taken key measures for raising the culture of corporate governance - it adopted the SSH Code of Corporate Governance for SOEs and the SSH Recommendations and Expectations which have been addressed to SOEs. In addition, the SSH Asset Management Policy has been adopted. All of the above mentioned documents are periodically improved and updated considering the developments in legislation, advances in good practice in corporate governance and SSH's own understanding about the necessary improvements of the system of corporate governance of SOEs. Now and then, SSH addresses to some companies different explanatory notes and its standpoints in connection with the application of the above mentioned documents, and when necessary, provides broader remarks about the proper understanding of provisions of the company law. SSH has enforced its corporate rights in some companies so that their Articles of Association have been adopted pursuant to which corporate governance is implemented in these companies through corporate legal norms.

SSH regularly monitors operations of companies with state capital assets through the system of periodic reporting by SOEs on their operational results, through plans being submitted by companies, at meetings organised with the management of SOEs and by means of reports on risk management pursued by SOEs. In addition, SSH takes care that constant training is provided for members of management and supervisory bodies of SOEs; free-of-charge training sessions are thus organised on a monthly basis. In addition, SSH makes it possible that representatives of companies and other interested parties report anonymously about potential irregularities discovered in the operation of SOEs.

#### **Measures planned**

- In October 2017, SSH submitted to companies from the RS and SSH portfolios a questionnaire, which covered key principles and recommendations from the Code and SSH Recommendations and Expectations; companies replied by describing their adherence to these principles on the basis of the "apply or explain" approach. In the next phase of this process, SSH will amend the Corporate Governance Code for SOEs on the basis of evaluated results of the analysis performed. In the dialogue with SOEs, SSH will seek to achieve as high as possible level of compliance with the Code and SSH Recommendations and Expectations, all in the effort to increase the quality of the corporate governance of SOEs.
- SSH will monitor further developments of legislation, cases of good practice and will try to detect issues and continue with the development of the corporate governance system accordingly. Some important amendments to the Corporate Governance Code are being prepared, both in regard to the integrity as well as in the regard to measures encouraging companies to establish an efficient system for internal succession planning and leadership development in companies where specific knowledge and skills are

necessary and in which departures of key executives may lead to serious disturbances in operation. The said amendments to the Code also include measures encouraging public undertakings to establish a systemic solution to enable equal information provided to shareholders in regard to data communicated to individual shareholders outside of the General Meeting. When necessary, initiatives for amendments and modifications of legislation will be submitted to the responsible ministry.

#### **5.4. Improving efficiency in disposition of assets**

In case of companies with state capital assets for which the analysis will show that fundamental goals in asset management are best achieved by disposing of such assets, more in-depth goals of such measure are presented in AAMP. When strategic or important goals in connection with an individual company with state capital assets may also be achieved by selling off one part of the company or by disposing of it in other manner, goals referred to in Chapter 3.3 of the Asset Management Strategy are additionally taken into account. These goals are: employment, competitiveness and business performance of the company, improvements of public services and future development of the society, ensuring responsible owners who will provide long-term and successful development of the company in the future. In this regard, the rules of the EU law on state-aid are fully observed. When, at the discretion of SSH, economic goals in regard to the ownership of portfolio assets are best achieved by their disposition, the objective of such disposition is always the highest proceeds from the sale. When the SSH's assessment shows that fundamental or additional goals in asset management may be better achieved by firstly restructure a company, the goal SSH pursues in this case is to direct the company towards its restructuring in a legally admissible manner. In line with the legal framework given, SSH is then actively involved in the process of restructuring,.

##### **Measures which have already been implemented**

SSH has adopted the Asset Management Policy which regulates in detail the processes for the acquisition and disposition of capital assets. As regards their legal regulation, these processes are organised so that good practice and rules of the discipline from the relevant area are taken into account. These rules make the attainment of goals which are connected with the disposition of and the acquisition of assets possible. SSH has successfully closed several processes of sale and activities for acquisition of capital assets.

##### **Measures planned**

- to conduct efficient and well-coordinated processes of sale in the future;
- to realise fundamental goals in asset management, together with additional goals in disposition of assets, in an efficient manner and in accordance with applicable rules.

#### **5.5. Prevention of concentration by other owners (the State as the largest owner)**

In Chapter 2.3(3), the Asset Management Strategy states as follows: "In regard to individual important assets which are specially determined in this Strategy, the prohibition of the concentration and dispersion of ownership by private owners applies, specifically, up to the total amount of the state owned assets." The said goal applies to important capital assets in the following companies: NLB d.d., Petrol d.d., Pozavarovalnica Sava d.d., Sava d.d. and Krka d.d.



### **Measures which have already been implemented**

the modification of the Articles of Association of NLB, d.d. by way of which the restriction on the transferability of shares has been imposed in accordance with the provisions of ZGD-1; thus, an approval by the company is now needed for the transfer of shares (i.e., an instrument restricting the transfer of shares) which may be denied when an acquirer exceeds the threshold of 25% of NLB voting shares plus 1 share.

### **Conditionally feasible/conditionally effective measure:**

- The harmonisation of the Articles of Association of Petrol, d.d., so that its content now matches the applicable law which restricts the acquisition of shares in undertakings from the energy sector.
- As regards Pozavarovalnica Sava d.d., Sava d.d. and Krka d.d., legal leverage available to SSH does not make it possible to effectively prevent any other shareholder from exceeding the State's voting power. Important factors affecting the realisation of this goal of the Asset Management Strategy include dispersed ownership, the liquidity on the regulated market and maintenance of the existing ownership stake of the State. The interest of the State in the role of an owner may also be reached by concluding a shareholders agreement, within the scope of statutory permissible options (ZPre and other acts).

Imposing the instrument for restricting the transfer of shares in the Articles of Association was only possible in case of the modifications of the NLB's Articles of Association which is an enterprise fully owned by the State. In the SSH's assessment, such measure is not feasible in practice in the case of Pozavarovalnica Sava, d.d., Sava d.d. and Krka, d.d. since the consent of all shareholders of these companies must be obtained to execute such a modification. In the opinion of SSH, it is not possible to expect such consent to be granted by other shareholders, as such restriction on the transferability of shares has a negative impact on the value of shares. In fact, this is a method which prevents shareholders who might be willing to pay the control premium from acquiring a controlling share in a company.

The Articles of Association of Petrol, specifically, the item 05.03, regulates the restriction on the acquisition of shares in a manner which is not fully compliant with the law currently regulating this issue (Article 46, Paragraph 4 of Implementation of the Republic of Slovenia's Budget for 2017 and 2019 Act; Official Gazette of the Republic of Slovenia, Nos. 71/16 and 13/18). The success of this measure aiming at the harmonisation of the Articles of Association with the law depends on the voting of other shareholders - SSH itself does not have the necessary voting power to modify the said document.

In accordance with Article 308 of ZGD-1, the restriction on the voting right may be determined in the Articles of Association so that the number of votes an individual has in regard to the number of shares held cannot exceed a certain threshold. In accordance with the law, this restriction cannot be imposed on voting rights of shares which are traded on the regulated market Shares of Petrol d.d., Pozavarovalnica Sava d.d., Sava d.d. and Krka, d.d., which have been discussed above, are quoted on the regular market which is why this measure is not viable in their case.

## **5.6. Consent granted by SSH in processes for disposition of assets**

In Chapter 3.3(4), the Asset Management Strategy states that defining individual capital assets as strategic or important is subject to the criteria for the classification of assets which are determined in the said Strategy; such definition is always based on the assessment of the core business pursued by an individual company with state capital assets. In accordance with this statement of reasons, SSH must verify all strategic and important assets under its management, together with their assets in other companies (companies with their majority ownership, subsidiaries, minority equity stakes in enterprises) and, in doing so, SSH must follow the objective a company has in carrying out its core business, i.e., in providing support for key activities of its parent company. SSH must also take into account any potential companies' assets invested in other companies with state assets defined as important or strategic, and, in accordance with this principle, provide for suitable and justified procedures for the disposition of capital assets in other companies. In such cases, prior to disposing of assets in other companies, the Supervisory Board of an individual company must obtain a consent granted by SSH. This rule refers to companies with strategic or important assets of the State when such companies hold stakes in companies whose activities support the core activity of the parent company, which, in fact, is the activity on account of which the parent company has been classified as strategic or important asset in the Asset Strategy. The SSH's consent must

be obtained regardless of the fact whether such company, in which the parent company holds a shareholding, has been classified as strategic or important, or not. The said standard also refers to all other enterprises with state capital assets irrespective of their status of a strategic or important asset when such enterprises hold a shareholding in a company with capital assets of the State which has been classified as strategic or important in the Strategy.

#### **Measures which have already been implemented**

In case of many companies with limited liability in which SSH exercises at least 75% share of voting rights, SSH has introduced relevant provisions in their incorporation documents which refer to the requirement that the management of a company must obtain a consent by the company's General Meeting/company members/the founder for the disposition of assets which are subject to this goal. In companies in which this measure has not yet been implemented, its implementation is foreseen in the future.

#### **Other potential measures**

- In case of listed companies, the Management Board itself may submit a business decision (a decision on the disposition of capital assets, in the case in question) to the General Meeting although the Management Board may not be forced to do so.
- In an individual company with state capital assets SSH may, upon the company's explicit request, (only) give its opinion whether the disposition of certain capital assets, which are subject of the Chapter 3.3. of the Strategy, contravenes the goal of the State having the strategic ownership in a certain company.

#### **Reasoning**

The Strategy is not a regulation of such nature which would bind Supervisory Boards of companies with state assets. It would also be contrary to the provisions of ZGD-1 and to Article 20 of ZSDH-1, if SSH, in the capacity of SSH, issues such consent to these companies. As a matter of fact, at General Meetings, SSH may only vote on a Resolution Proposal to issue a consent or passes the Resolution on the issue of the consent when acting as a sole shareholder. The decision to dispose of capital assets is a business decision which is why the authority to submit to the General Meeting of a company or to a company member such decision on the disposition of assets is vested in the management body or in the management body together with the Supervisory Board and not in the Supervisory Board alone. Therefore, SSH implements the quoted provision of the Strategy in line with and adapted to the legal organisational form of a company with state capital assets and according to ownership stake of the State in such enterprise. SSH will amend Articles of Association of companies in a manner so that prior to the disposition of capital assets, a limited liability company will be required to obtain a consent by the General Meeting of the company or the sole company member, obviously, within the legal framework given, and in cases where this has not yet been implemented. Then, acting in the capacity of a company member, SSH will vote for and adopt the Resolution to issue the consent. In case of listed companies in 100% state ownership, it is expected that, in accordance with the law, the Management Board of a company will submit to the General Meeting the said Board's decision on the disposition of assets. In case of other listed companies, it should be at the discretion of the Management Board to either observe the quoted provision of the Strategy and submit to the General Meeting its decision on the disposition of assets or not. Upon a request of an individual company, SSH will provide its opinion on whether a certain disposition of capital assets, which are the subject of Chapter 3.3 of the Strategy, contravenes the goal of maintaining strategic ownership of the State in a certain company; SSH's opinion is not binding in this case.

## **5.7. Listing of SOEs to regulated securities market**

The support provided by SSH for the listing of shares of important economic players on capital markets is stated as an additional goal in asset management, specifically, referred to in Chapter 3.6 of the Strategy. SSH will support enterprises with the potential of being capitalised at more than EUR 300 million to become listed on the Ljubljana Stock Exchange in order to increase their market capitalisation, and thus the value of state capital assets and their associated entities. SSH will encourage enterprises with market capitalisation approaching EUR 1 billion to become listed on international capital markets.

#### **Measures in progress**

In case of companies which satisfy the criteria stated in the Strategy in regard to the listing of their shares on regulated securities market, SSH will regularly monitor and analyse the needs and the effects of having such shares become listed on (international) regulated capital markets. The criteria stated in the Strategy for listing shares of companies on regulated securities market is the volume of companies' market capitalisation, which, *per se*, does not give sufficient grounds for a company to go public; the main reasons are to be found in the need to raise fresh capital (equity or debt capital) which means that the company plans further growth of its operation which cannot be financed with the current financial condition. A company may plan to take over other companies and its own shares may be used to pay for the transaction. It may also be that a company wishes to increase its recognition and to ensure a higher level of transparency and better organisation of its operations which may have a positive indirect impact on the value and operation of the company. Negative aspects of listing shares of companies on regulated market are always considered and analysed in these cases.

## 6. MACROECONOMIC OUTLOOK

According to the forecast made by analysts of the International Monetary Fund (IMF), global economy is expected to grow by 3.6 % and by 3.2 % in 2019 and in 2020 while it is predicted to stand at 3.8% in 2018. A stable economic growth may be expected both in advanced countries (forecasted to stand at 2.1% and at 1.8% in 2019 and in 2020, respectively) and in developing countries (economic growth in BRIC countries is forecasted to stand at 5.6% and at 5.5%) Similarly as in the past period, global growth was mainly shaped by measures adopted by important Central Banks. Improved growth forecasts and higher inflation expectation rates have encouraged the European Central Bank ( ECB) to gradually stop the ECB's quantitative easing although, according to the ECB, interest-rate hike is not to be expected at least by mid-2019. The Central Bank of the United States (the FED) has continued to gradually raise key interest rate levels in 2018, and considering strong labour market data this trend is expected to continue in 2019. The greatest risk to the achievement of the forecast economic growth continues to be geopolitical instability (conflicts in the Middle East, the conflict between Ukraine and Russia, as regards Europe, the method of the exit of the United Kingdom from the EU and the aggravation of relations between the new Italian government and the European Commission with regard to the deficit levels planned).

Tabela 4: *FED's macroeconomic outlook for the USA*

Indicator (in %)	2015	2016	2017	2018O	2019O	2020O
BDP – gross domestic product	2.9	1.6	2.2	3.1	2.5	2.0
Consumer Price Index (CPI, inflation)	0.1	1.3	2.1	2.1	2.0	2.1

Source: *Bloomberg*

The FED's forecast shows that the economic growth in the USA will move from 3.1 % to 2.0 % in the period from 2018 onwards, while inflation is not to exceed 2.1%. In the year to come, analysts expect measures announced and implemented by the U.S. President, Donald Trump, to have a positive impact. Thus, the impact of the lower personal income tax and lower corporate income tax are expected to have the greatest impact on the economic growth, while the forecasts with regard to the effects of the tightening of international trade terms and the raising of customs duties appear to be more uncertain. Labour market data will continue to dictate the dynamics of interest-rate hikes in the period to come. It may be expected that, similarly as in previous years, FED will take into account forecasts with regard to inflation expectation rates and external factors which might affect the financial stability of the American economy, in addition to labour market data.

Tabela 5: *ECB's macroeconomic outlook for the Euro zone*

Indicator (in %)	2015	2016	2017	2018O	2019O	2020O
Real GDP	2.1	1.9	2.4	2.0	1.8	1.7
CPI, inflation	0.0	0.2	1.5	1.7	1.7	1.7

Source: *Bloomberg*

The economic growth forecasts for the **Euro area** have slightly deteriorated in the last period. In spite of worse forecasts, the economic growth in the Euro zone is to reach 1.8% and 1.7% in 2019 and in 2020, respectively. In addition to international factors, economic growth will mostly be affected by uncertain political environment due to Brexit and due to tensions between the new Italian government and the European Commission with regard to the deficit levels planned for the Italian budget which may influence the financial stability of the Euro zone. For investors and economic decision-makers, the ECB's decision on the timing of the interest-rate hike will be of major importance. Considering the current level of the inflation rate in the Euro area, no fast turnaround in the monetary policy is to be expected. The ECB's goal is to gradually raise the inflation expectation to the desired level of slightly below 2%.

Tabela 6: *Overview of past data and forecast for Slovenia (IMAD, OECD, EC)*

Indicator (in %)	2015	2016	2017	2018O	2019O	2020O
Real GDP	2.3	3.1	4.9			
IMAD				4.4	3.7	3.4
EC				4.4	3.5	
OECD				5.0	3.9	
CPI, inflation	-0.5	-0.1	1.7			
IMAD				2.1	2.3	2.4
EC				2.1	2.2	
OECD				2.3	2.7	

Source: Bloomberg, IMAD

According to IMAD's forecasts, the economic growth in Slovenia is to be kept at a relatively high level in the next period. In the view of the IMAD's analysts, the economic growth is predicted to stand at 4.4% in 2018, and to move between 3.7 % and 3.4 % in the years to follow. Similarly as in the past years, the most important factor leading to high economic growth will be high growth in exports, which has been slowing down in the last period, but the impact of private and government consumption has increased. Private consumption is expected to strengthen, especially on account of favourable movements in the labour market which continues to record improved employment levels and higher wages. Investment activity mainly depends on government investment and the absorption of EU funds from the new financial perspective. With further recovery in the real-estate market, greater investments are expected in the housing sector. The surplus on the current account of the balance of payments is forecasted to remain high (6-7 % of GDP) in the 2018-2020 period, according to IMAD. The reason for maintaining high surplus lies in multi annual deleverage of private sector on one hand, and low private consumption, especially when compared to the pre-crisis period, and low investment levels in the crisis years, on the other hand.

The risk to the achievement of the forecast economic growth is found in the potential deterioration of the international environment, particularly the tightening of protectionist measures by the USA and the dynamics with regard to the interest-rate hikes by the FED, and in the mid-term, measures by the ECB and potential tightening of fiscal situation in some EU Members (Italy). According to IMAD, domestic risks which might result in lower than forecasted economic growth are connected with the instability concerns connected with future tax policy, too fast pay increases and lack of labour force (and negative demographic trends in the long-term). On the other hand, higher than forecasted economic growth might be influenced by higher investment rates and private consumption, obviously under the presumption of a stable international environment and favourable financing terms.

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

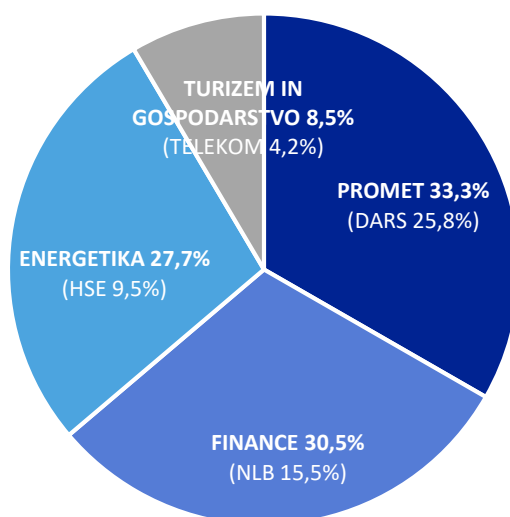
### 7.1. Share of largest assets and pillars in portfolio

Tabela 7: *The share of 5 largest capital assets in individual pillar (using the book value as the relevant criteria) in regard to the total SSH portfolio of capital assets under management as at 31 December 2017.*

Asset	Equity Stake (in %)
<b>ENERGY SECTOR</b>	
HSE D.O.O.	9.5
GEN D.O.O.	7.2
ELEKTRO LJUBLJANA D.D.	2.3
ELEKTRO MARIBOR D.D.	2.0
ELEKTRO CELJE D.D.	1.6
<b>FINANCIAL SECTOR</b>	
NLB D.D.	15.5
ABANKA D.D.	5.3
ZAVAROVALNICA TRIGLAV D. D.	4.3
SID BANKA D.D., LJUBLJANA	3.9
SAVA RE D.D.	0.8
<b>TOURISM AND ECONOMY</b>	
TELEKOM SLOVENIJE D.D.	4.2
KRKA, D.D., NOVO MESTO	2.2
SIJ D.D.	1.0
UNIOR D. D.	0.6
CINKARNA CELJE D.D.	0.2
<b>TRANSPORT</b>	
DARS D. D., CELJE	25.8
SŽ D.O.O.	3.0
POŠTA SLOVENIJE, D.O.O.	2.0
LUKA KOPER, D. D.	2.0
DRI UPRAVLJANJE INVESTICIJ D. O. O.	0.2
<b>Total</b>	<b>93.6</b>

Tabela 8: *The share of pillars in the total SSH portfolio of capital assets under management as at 31 December 2017.*

Pillar	Share (in %)
TRANSPORT	33.3
FINANCIAL SECTOR	30.5
ENERGY SECTOR	27.7
TOURISM AND ECONOMY	8.5
<b>Total</b>	<b>100.0</b>

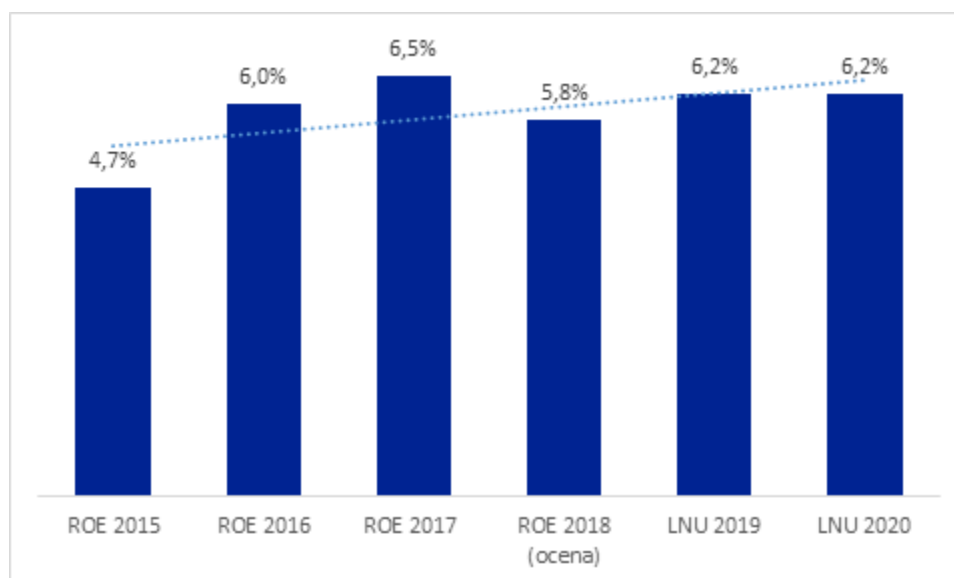
Slika 1: *The share of pillars in the total SSH portfolio of capital assets under management as at 31 December 2017.*

## 7.2. ROE of portfolio in 2015 - 2020 period, by pillar

Tabela 9: *The weighted net rate of return on equity (ROE) of the SSH portfolio of assets under management, by pillars, by years.*

Pillar	ROE (in %)					
	2015	2016	2017	2018 (estimate)	AAMP 2019	AAMP 2020
ENERGY SECTOR	2.2	4.1	3.4	3.3	5.2	5.1
FINANCIAL SECTOR	5.9	8.9	10.6	8.7	8.3	8.1
TOURISM AND ECONOMY	12.6	6.5	4.2	8.7	9.1	9.6
TRANSPORT	3.4	5.0	5.9	5.5	5.5	5.4
<b>Portfolio</b>	<b>4.7</b>	<b>6.0</b>	<b>6.5</b>	<b>5.8</b>	<b>6.2</b>	<b>6.2</b>

Note: Owing to sale processes undergone in NLB and ongoing in Abanka, different ownership stakes are considered in projections as compared to those used in previous Annual Asset Management Plans.

Slika 2: *The weighted net rate of return on equity (ROE) for the SSH portfolio of assets under management, by years*

### 7.3. ROE of portfolio in 2015 - 2020 period, by classification of assets

Table 10: *Book-value of RS and SSH shareholdings and ROE of portfolio by classification of assets, in 2017*

2017	Book value of shareholdings of RS + SSH as at 31 Dec. 2017 (in EUR)	Share of the portfolio	Weighted average rate of return on equity (ROE)
STRATEGIC	7,342,234,956	67.4%	4.8%
IMPORTANT	2,393,609,785	22.0%	13.0%
PORTFOLIO	1,152,725,672	10.6%	4.2%
<b>Portfolio</b>	<b>10,888,570,656</b>	<b>100.0%</b>	<b>6.5%</b>

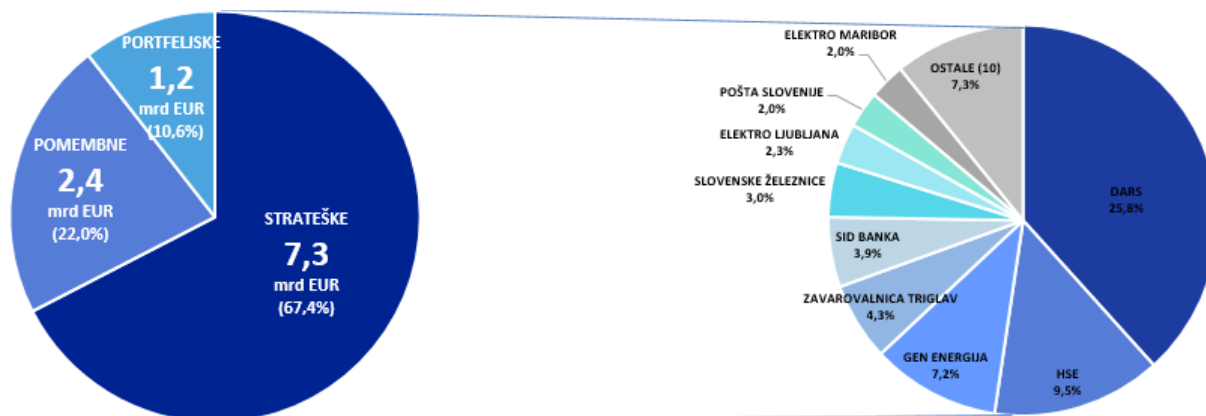
Note: The Report includes data available at the time of drawing-up this Report. Since accounting data are published according to different time schedules, differences may occur when comparing data from various Report.

Table 11: *The weighted net rate of return on equity (ROE) of the SSH portfolio of assets under management, by classification of shareholdings, by years*

Weighted average rate of return on equity (ROE)	2015	2016	2017	2018 (estimate)	AAMP 2019	AAMP 2020
STRATEGIC	3.3%	5.0%	4.8%	4.6%	5.4%	5.3%
IMPORTANT	7.0%	7.8%	13.0%	11.2%	10.4%	10.9%
PORTFOLIO	8.6%	8.6%	4.2%	7.8%	8.4%	8.8%
<b>Portfolio</b>	<b>4.7%</b>	<b>6.0%</b>	<b>6.5%</b>	<b>5.8%</b>	<b>6.2%</b>	<b>6.2%</b>

Note: Owing to sale processes undergone in NLB and ongoing in Abanka, different ownership stakes are considered in projections as compared to those used in previous Annual Asset Management Plans.



Slika 3: *Detailed review of shareholdings by classification criteria*

#### 7.4. ROE of portfolio in 2015 - 2020 period, by quotation of shares

Table 12: *The weighted net rate of return on equity (ROE) of the SSH portfolio of assets under management, by quotation of shares, by years*

Weighted average rate of return on equity (ROE)	2015	2016	2017	2018 (estimate)	AAMP 2019	AAMP 2020
LISTED	10.8%	9.4%	7.5%	10.6%	10.5%	11.0%
NON-LISTED	3.8%	5.4%	6.3%	4.4%	4.9%	4.7%
Portfolio	4.7%	6.0%	6.5%	5.8%	6.2%	6.2%

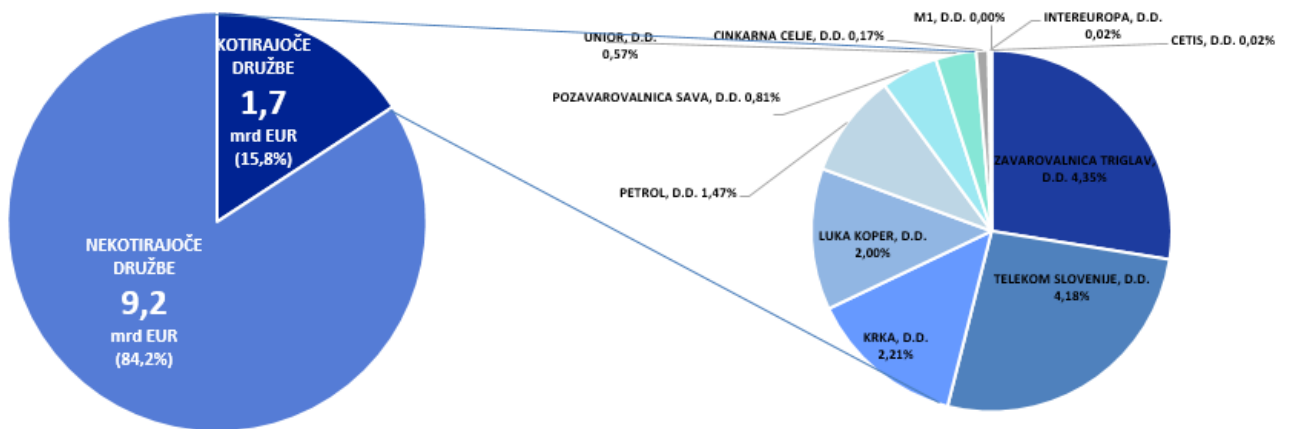
Note: Owing to sale processes undergone in NLB and ongoing in Abanka, different ownership stakes are considered in projections as compared to those used in previous Annual Asset Management Plans.

Table 13: *Book-value of RS and SSH assets and ROE of portfolio by quotation of shareholdings, in 2017*

2017	Book value of shareholdings of RS + SSH as at 31 Dec. 2017 (in EUR)	Share of the portfolio	Weighted average rate of return on equity (ROE)
LISTED	1,720,927,691	15.8%	7.5%
NON-LISTED	9,167,642,723	84.2%	6.3%
Portfolio	10,888,570,656	100.0%	6.5%

Note: The Report includes data available at the time of drawing-up this Report. Since accounting data are published according to different time schedules, differences may occur when comparing data from various Report.

Slika 4: *Detailed review of shareholdings by quotation criteria*

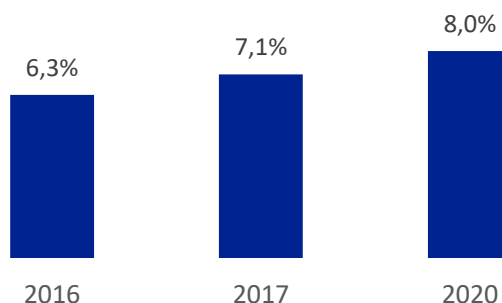


## 8. INCONCISTENCIES OF METHODOLOGY FOR DETERMINING TARGET ROE AS STATED IN ASSET MANAGEMENT STRATEGY

The Asset Management Strategy, which was adopted in 2015, states that one of key goals for the management of capital assets is the profitability of state capital assets; in regard to the book value of equity of companies with state capital assets, the rate of return should amount to 7.1% in 2017 and to 8% in 2020.

The target ROE determined with the said Strategy was calculated by taking into account all state capital assets existing at that point in time irrespective of the classification of assets in strategic, important or portfolio assets. This calculation was also produced by also considering RS's assets in KAD, Eles, Sodo and Borzen, which are not under SSH management and which are consequently not included in SSH calculations. In addition, 2015 calculation also included assets which have been sold by now or assets which are undergoing a sale process (for example, banks) and which significantly affect the calculation of the return on equity indicator.

Slika 5: *Target return on equity (ROE) for all state capital assets by 2020 as stated in the Strategy (in %)*



The data on operations of companies presented in previous Chapters of this document show that after 2015 the rates of return from equity stakes of RS's and SSH's capital assets have been increasing relatively fast, amounting to 6.5% in 2017, thus being the best result achieved ever. In spite of impressive results, significantly higher ROE growth cannot be realistically expected in the future, considering the current structure of the RS and SSH portfolio, taking into account expectations of a slower economic growth globally and in Slovenia, and particularly due to sales of highly profitable companies. This is why it is important that targeted expectations, both in regard to the dividend pay-out and in regard to ROE, reflect the new structure of the portfolio, considering the sector/pillar in which an individual company operates and the strategic nature of a capital asset.

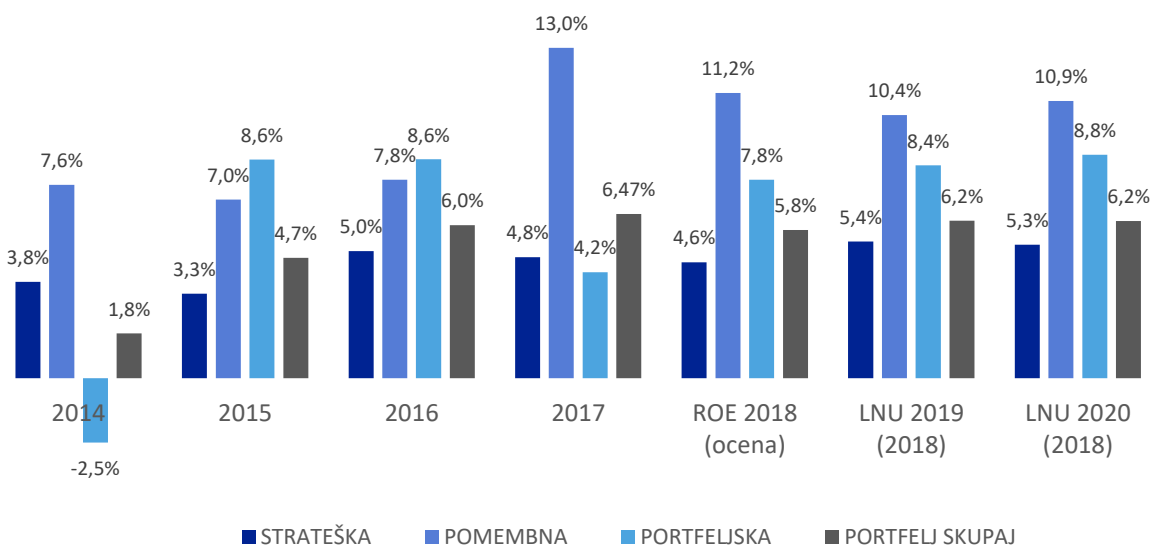
As a matter of fact, the RS's portfolio is composed of two thirds of strategic assets whose primary goal is attaining strategic goals of RS; that is, realising important social interests such as providing the relevant level and accessibility of infrastructure, rendering public services, ensuring security objectives, development objectives and realising other significant social interests.

The goals to be achieved by SSH were also set by the RS Government, so the target ROE for RS and SSH shareholdings amounted to 5.2% in 2017 which means that this goal was exceeded. SSH also succeeded in exceeding the planned dividend income, especially due to "additional" dividends paid out by Telekom Slovenije and Nova Ljubljanska banka.

The target ROE planned for both RS and SSH portfolios in 2018 is set at 6.1%. The last estimates in regard to the operations of companies under SSH's management in 2018 show that actual results will come very close to this goal.

This illustration of peculiarities regarding the return on equity from assets classified according to the classification of assets referred to in the State Assets Management Strategy, i.e. strategic, important and portfolio assets, clearly shows that on average, companies which are classified in the group of strategic assets achieve lower rates of return.

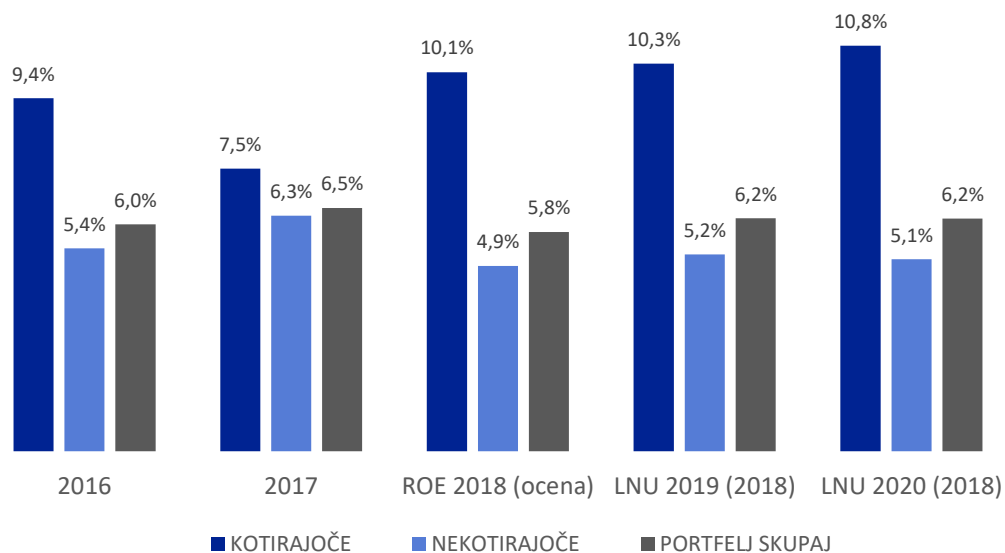
Slika 6: **Weighted average net rate of return on equity (ROE) for the SSH portfolio of assets under management in the 2014 - 2019 period, by classification of assets (in %)**



\*Note: The main reason for negative ROE of portfolio assets in 2014 in the amount of -2,5% is the loss generated by Abanka, d.d., in the amount of EUR 188 million.

The comparison of the rates of return on equity between listed and non-listed companies indicates a substantial gap in the average profitability achieved by each of these two groups of companies.

Slika 7: **Weighted average net rate of return on equity (ROE) for the SSH portfolio of assets under management in the 2014 - 2019 period, by quotation of shares on regulated securities market**



Important differences are similarly displayed in case of companies which operate in various pillars/industries.

Considering the above stated, SSH believes it makes sense to set the future methodology for determining the target return on equity of assets (ROE) - being one of the key goals of asset management - by individual groups of assets, for example by industry/by pillar or by the classification of assets, either in the State Assets Management Strategy or in another legal document. SSH also proposes that in regard to strategic assets, the introduction of other criteria for measuring the attainment of strategic goals should be considered in order to

measure the attainment of their strategic goals and to suitably consider restrictions which SSH faces in affecting the profitability of strategic assets, as their performance is highly dependent on revenues generated on the basis of contractual relations with the State (carrying out services of general economic interest, recipients of public funds).

## 9. FORECAST CASH FLOWS ARISING FROM ASSET MANAGEMENT - PART I

In accordance with ZSDH-1, his Act, SSH exercises all powers, responsibilities, rights and obligations held by SOD prior to the company 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).

It is estimated that the total of EUR 122 million will have to be granted by SSH for settling its statutory obligations arising under regulations governing the denationalisation of property. According to current estimates, up to and including 2020, the total of EUR 100 million will have to be provided for by SSH for the repayment of the principal of the SOS3 bond. When developing AAMP for 2019, SSH must therefore take into account the liquidity needs of SSH which arise from the above mentioned statutory and contractual obligations.

The remainder of this Chapter presents the expected cash flows arising from dividends received from capital assets whereas forecast cash flows arising from sales and acquisitions of capital assets to be undertaken in 2018 are presented in the Special Section of AAMP.

### 9.1. *Expected cash flows arising from dividends paid out by companies with capital assets under management*

SSH estimates that:

- **in 2019:** RS will receive EUR 183.7 million from dividends paid out by companies with capital assets held by RS and SSH will receive EUR 39.3 million from dividends paid out by companies with capital assets held by SSH;
- **in 2020:** RS will receive EUR 111.8 million from dividends paid out by companies with capital assets held by RS and SSH will receive EUR 40.6 million from dividends paid out by companies with capital assets held by SSH;

**Table 14: 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 - plan	2020 - plan	Total
"ZPIS") and in Zavarovalnica Triglav, d.d.	122.6	194.1	427.3	183.7	111.8	—1,039.5
ZPIZ***	19.6	19.6	19.6	19.6	19.6	98.0
<b>Total RS and ZPIZ***</b>	<b>142.2</b>	<b>213.7</b>	<b>446.9</b>	<b>203.3</b>	<b>131.4</b>	<b>1,137.5</b>
SSH	43.8	45.9	40.4	39.3	40.6	210.0
<b>Total RS and SSH and ZPIZ***</b>	<b>186.0</b>	<b>259.7</b>	<b>487.3</b>	<b>242.6</b>	<b>172.0</b>	<b>1,347.5</b>

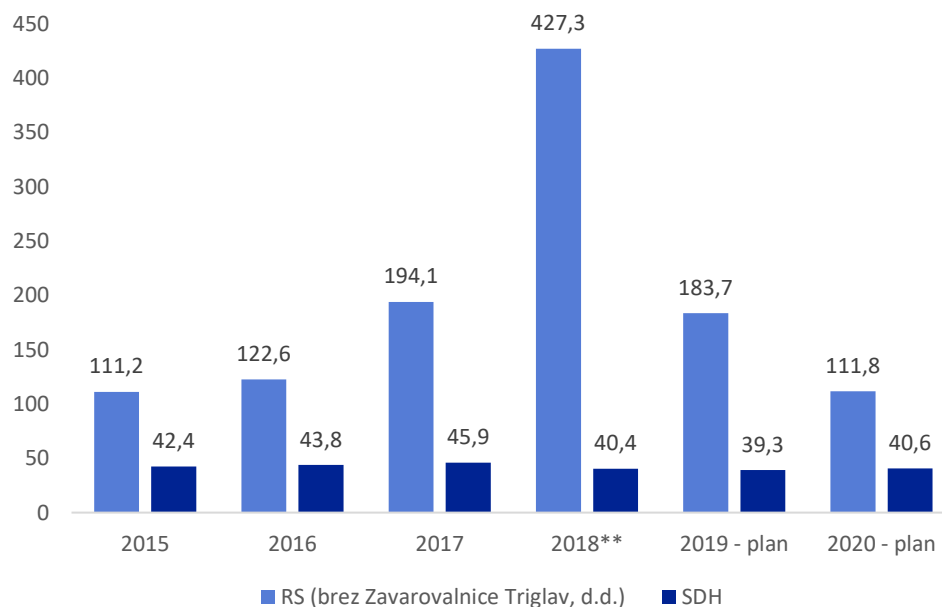
**Notes:**

\*The dividend amount received by RS, ZPIZ and SSH in a current year based on the distribution of distributable profit for a preceding year (for example, the total dividend income received by RS, ZPIZ and SSH in 2018 as voted by General Meetings of companies under management in 2018 refers to distributable profit of FY 2017).

\*\* Dividends received in 2018 which refer to the distribution of distributable profit for 2017 include dividends which have been voted for by General Meetings of companies held until 31/10/2018. It is possible that the amount of dividend income for 2018 will be changed if a company under management adopts the Resolution on the pay-out of extraordinary dividends. The dividend income paid out for up to 2018, inclusive (for FY 2015 - 2017) includes dividends paid by DRI d.o.o.; the management of this company was transferred to the RS Government, following the adoption of amendments to ZCes-1C.

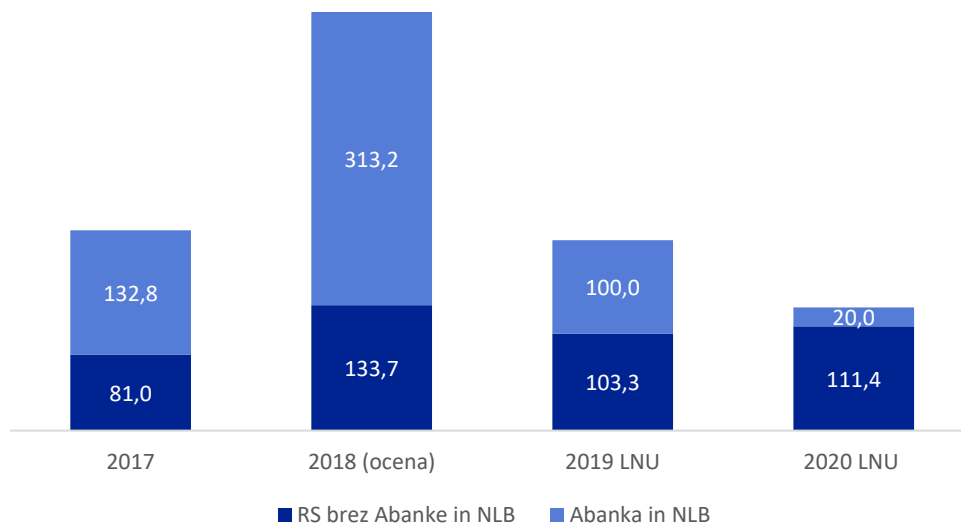
\*\*\* This is dividend income received by ZPIZ from the ownership of shares held in Zavarovalnica Triglav, which are managed by SSH on behalf of and for the account of ZPIZ.

**Slika 8: Income received by RS and SSH from dividends paid out by years (in EUR mio)**



\*\*Note: It will not be possible to achieve the total amount of dividends paid out (EUR 427.3 million) attributable to RS on the basis of General Meeting Resolutions adopted in 2018 (dividends for FY 2017) due to processes of sale undergone in NLB d.d. and pending in Abanka d.d.

Slika 9: **Income received by RS from dividends paid out by years (in EUR mio)**



Slika 10: **Income received by SSH from dividends paid out by years (in EUR mio)**

