



SLOVENSKI DRŽAVNI HOLDING, d. d.

III - SPECIAL SECTION
IS CATEGORISED AS BUSINESS SECRET -
STRICTLY CONFIDENTIAL

Annual Asset Management Plan for 2023



28 November 2022,
as amended on 9 February 2023

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

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ABBREVIATIONS AND DEFINITIONS

AGENRS: Energy Agency

AVK: Slovenian Competition Protection Agency

ISA: Insurance Supervision Agency

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

ARSO: Slovenian Environment Agency

BoS: Bank of Slovenia

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

State-owned enterprise (SOE): is a company in which capital assets are directly held by SSH or the Republic of Slovenia, and the manager of these capital assets is 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.

D. S. U.: D. S. U., družba za svetovanje in upravljanje, d. o. o.

DTK: venture capital companies (VTC)

DRSV: Slovenian Water Agency

National Assembly of RS: National Assembly of the Republic of Slovenia

BAMC: Bad Asset Management Company

ECB: European Central Bank.

EDC: electricity distribution company

EE: electricity

EES: Slovenia's power system

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

EIB: *European Investment Bank*

EC: European Commission

EU: European Union

FED: *Federal Reserve Board* – American central bank

GJS: service of general economic interest

IMF: International Monetary Fund

KAD: Pension Fund Management

SSH Code: Corporate Governance Code for SOEs, revised in June 2022

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

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

MoF: Ministry of Finance

MoEDT: Ministry of Economic Development and Technology

MoPA: Ministry of Public Administration.

MoESP: the Ministry of the Environment and Spatial Planning

SME: small and medium-sized enterprises

Mol: Ministry of Infrastructure

Assets: The concept covers capital assets, claims and tangible assets.

NECP: National Energy Climate Plan

OECD: Organisation for Economic Cooperation and Development

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

SSH Asset Management Policy: SSH Asset Management Policy adopted in September 2021

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

Portfolio of capital assets: The term includes all capital assets held by SSH and RS and managed by SSH:

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

SSH Recommendations and Expectations: the SSH Recommendations and Expectations as adopted in June 2022

RS: Republic of Slovenia

SiDG: Slovenski državni gozdovi, d. o. o. (State Forestry Company)

SKZG: Farmland and Forest Fund RS

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

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

Strategy or Asset Management Strategy or OdSUKND: is the State Assets Management Strategy adopted 13. July 2015 by the Parliament 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 achieved to economic And, attains strategic goals

SSH: Slovenian Sovereign Holding

RS Group: RS and its affiliates

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

SPS: is the Public Fund of the Republic of Slovenia for Entrepreneurship or shortly The Slovene Enterprise Fund

SURS: Statistical Office of Republic of Slovenia

TEU: twenty-foot equivalent unit, a unit for marking the capacity of container ships and container terminals

MAD: Institute of Macroeconomic Analysis and Development

MB: Management board

RS Government: the Government of the Republic of Slovenia

USA: United States

ZCes-1: is the Roads Act (Official Gazette RS, No. 109/10 et seq.)

ZFPPIPP: is the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (Official Gazette RS, No. 13/14 et seq.)

ZGD-1: is the Companies Act (Official Gazette RS, No. 42/06 et seq.)

ZIS: is the Gaming Act (Official Gazette RS, No. 14/11 et seq.)

ZIUZEOP: is the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (Official Gazette RS, No. 49/20 et seq.)

ZJN-3: Public Procurement Act (Official Gazette RS, No. 91/2015 et seq.)

ZSOS-C: is the Act Amending the Slovenian Compensation Fund Act (Official Gazette RS, No. 55/17)

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

ZPPDFT-1: Prevention of Money Laundering and Terrorist Financing Act (Official Gazette RS, No. 68/16)

ZPPOGD: is the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette RS, No. 21/10, et. seq.)

ZPre-1: is the Takeovers Act (Official Gazette RS, No. 79/06 et seq.)

ZSDH-1: is the Slovenian Sovereign Holding Act (Official Gazette RS, No. 25/14 et seq.)

ZSDU: is the Worker Participation in Management Act (Official Gazette RS, No. 42/07 et seq.)

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

ZVKSES: Protection of Buyers of Apartments and Single Occupancy Buildings Act (Official Gazette RS, No. 18/04 et seq.)

ZZLPPO: is the Act Concluding Ownership Transformation and Privatisation of Legal Entities owned by the Development Corporation of Slovenia (Official Gazette RS, No. 30/98, et. seq.)

ZZNSZP: is the Act on the Provision of Air Navigation Services (Official Gazette RS, No. 101/03 et seq.)

I Introduction



I INTRODUCTION

Conditions in the global and, in particular, the European economy have tightened considerably over the past year. The war in Ukraine has disrupted supplies of energy, food and raw materials. Rising energy and food prices and demand-side pressures are reflected in high year-on-year inflation. Supply chain bottlenecks and staff shortages continue to inhibit economic activity and borrowing costs have risen significantly. The macroeconomic situation is extremely uncertain. A significant slowdown in economic growth in Slovenia and in the Euro area, with stagnation or even recession on the horizon, is imminent which entails increased business risks for SSH's portfolio companies.

SSH is closely monitoring the situation in the business environment, assessing its impact on the companies in the SSH's portfolio and expecting concrete actions from companies to manage the risks. This requires priorities to be adjusted and brings additional challenges both in regard to corporate governance and control as well as for capital asset management, which is why **comprehensive management of business and financial risks will be a priority for 2023**.

SSH has already put in place a **robust systemic framework for corporate governance** of SOEs which is based on, firstly, the OECD's guidelines, secondly, the State Assets Management Strategy, and thirdly, ZSDH-1. The SSH's corporate governance model is familiar to all stakeholders and is primarily based on the following: (i) well-defined criteria for measuring performance; (ii) a well-established system for setting targets for companies' economic, financial and strategic objectives, which are set in an ambitious yet realistic manner; (iii) a transparent system of reporting by companies on the achievement of their objectives; (iv) regular communication between SSH and SOEs; (v) regular monitoring of the achievement of objectives and analysis of results; (vi) verifying business models and promoting activities for further improvements of enterprises' operations and their competitiveness; (vii) efficient and transparent implementation of procedures for the sale and acquisition of capital assets; (viii) a standardised procedure for the selection of members of supervisory bodies; (ix) the organisation of regular training activities for members of supervisory boards of SOEs, and (x) continuous transfer of relevant cases of good practice to the enterprises in the asset portfolio managed by SSH through the SSH Code and the SSH Recommendations and Expectations.

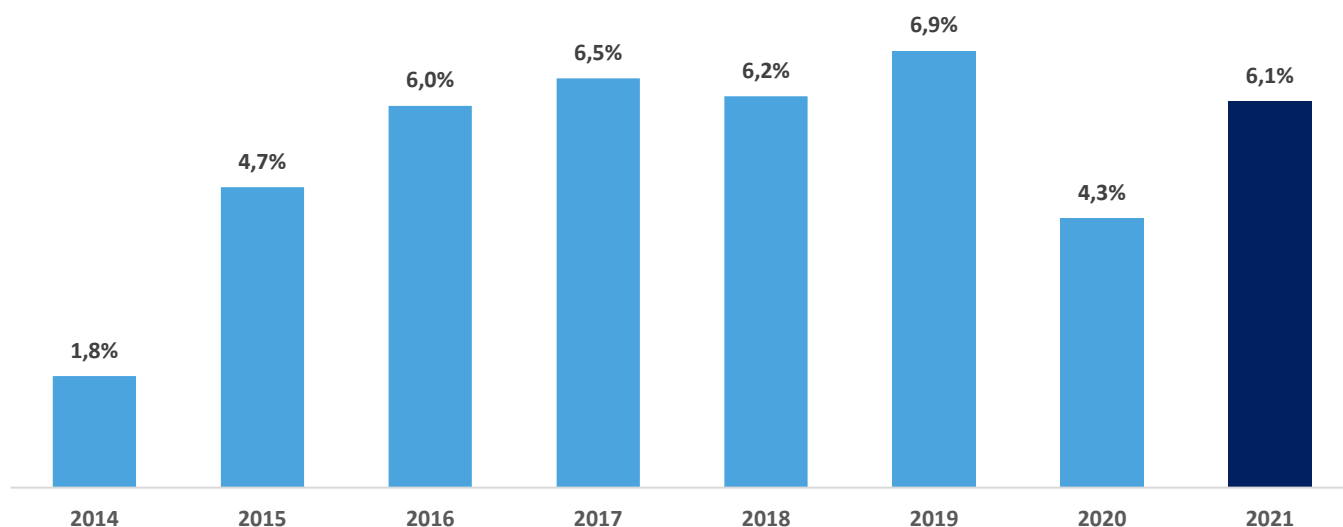
SSH is adapting its governance model to the tightened business conditions and new risks and pays particular attention to the application of crisis management models, the development of risk management systems, and the provision of appropriate competences at the level of supervisory and management bodies in areas relevant for adequate responses by companies to the new and changed economic circumstances. Acting appropriately in these changed circumstances is a priority for the management of portfolio companies. The management needs to develop appropriate strategies and plans with clear actions to enable companies to react quickly to any changed circumstances, thereby ensuring that the objectives set out are pursued as steadily and successfully as possible, even in challenging economic circumstances. The objectives and expectations of SSH will also be adapted to the risks, and this will include intensive cooperation with stakeholders/decision makers and engagement in the search for solutions.

Sustainable corporate performance, with a focus on adapting to a carbon-neutral economy and managing corporate culture, remain important strategic themes of SSH.

The companies from the portfolio of assets managed by SSH represent a very important part of the Slovenian economy. They are a very important employer in Slovenia, employing over 73 thousand employees in 2021. The operating income generated by companies from the portfolio of assets managed by SSH represents almost 16% of the total operating income generated by companies in Slovenia, with the share of value added also standing at this level. The average value added per employee in companies from the portfolio of assets managed by SSH was EUR 78 thousand, well above the average for all companies in Slovenia.

Given the favourable conditions in the economic environment, the companies from the portfolio of assets managed by SSH managed to significantly improve their operating results in the past. The return on equity (ROE) of the capital assets portfolio gradually increased from 1.8% in 2014 to 6.9% in 2019. In 2020, ROE fell to 4.3% due to the impact of the COVID-19 crisis and was again significantly more favourable at 6.1% in 2021.

Figure 1: *ROE for portfolio of capital assets managed by SSH in the period from 2014 to 2021*



The structure of the portfolio of capital assets managed by SSH has also changed significantly over time. The share of **strategic assets has increased substantially¹ and now accounts for over 80% of the value of the SSH's portfolio. The primary goal of managing these assets focuses on attaining strategic and development goals of RS**, that is, realising important social interests such as ensuring the relevant level and accessibility of the infrastructure, rendering services of general economic interest, ensuring security objectives, development objectives and realising other significant social interests that go beyond purely economic objectives.

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

The preparation of the AAMP 2023 took place against a background of a rapidly changing business environment and significantly increased uncertainty about future macroeconomic developments due to the war in Ukraine and the substantially changed geopolitical situation, the energy squeeze, rising inflation, rising interest rates and declining economic activity. Moreover, the COVID-19 epidemic, with all the risks and uncertainties it may bring, is not over yet. All these facts significantly increase the business risks for the companies in the SSH's portfolio.

The AAMP 2023 has been prepared in cooperation with the Bad Asset Management Company (BAMC) which will be merged into SSH on 1 January 2023. The preparation of the AAMP starts in early summer (when the relevance of indicators for measuring performance are checked, analyses of the companies' performance are carried out, various benchmark analyses are performed and similar tasks are tackled) and continues with a dialogue regarding the management of assets which takes place between SSH, the companies and the relevant ministries. SSH sets ambitious yet a realistic value for the strategic, economic and financial performance indicators, realising in this manner its vision which is the creation of value from capital asset for the owner. Target indicators determined in the AAMP include key operational aspects important for the development and competitiveness of an enterprise. Due to the rapidly changing environment and significantly increased risks, key risks and how they are managed have been added to the AAMP for all large companies.² Sustainable business objectives have also been added for these companies, many of which have been developed specifically on the basis of the SSH's expectations.

As the National Assembly of the Republic of Slovenia adopted the Act Amending the Slovenian Sovereign Holding (Act No. ZSDH-1A)³ on 25 October 2022, which broadens the concept of assets set out in Article 2 to cover not only capital assets but also claims and tangible assets, the amendment was also taken into account in the preparation of the AAMP, specifically, by adding two separate chapters for the management of claims and tangible assets. As a result of the adoption of the ZSDH-1A, the presentations

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

² In line with the criteria of the ZGD-1, provided that the company is not owned by private owners who hold more than 75% of the company's voting rights.

³ The Act entered into force on the fifteenth day after its publication in the Official Gazette of the Republic of Slovenia, i.e., on 19 November 2022.

for Slovenski državni gozdovi, d.o.o. and DRI upravljanje investicij, Družba za razvoj infrastrukture, d.o.o. have been added to the AAMP.

2022

Already in 2021, when the recovery in economic activity was stronger than initially expected, various problems in global supply chains were already experienced, and a significant increase in the prices of raw materials and energy products was also detected. In 2022, the situation has been further exacerbated, not least by developments in Ukraine.

The year of 2022 is particularly challenging for companies in the Energy pillar. Their business is characterised by intervening regulations to manage energy price volatility, significant natural gas supply outages (Gazprom) and electricity production outages (drought, overhaul, accidents) and consequently by replacement purchases for unsupplied and unproduced volumes. The price caps for oil, gas and electricity products and the abolition of the network charge, while not adequately compensating for the damages incurred, have a direct impact on cash flow and create considerable uncertainty. In addition, high energy prices imply extremely high additional liquidity needs for energy trading companies due to the higher volume of cover insurance required.

In view of the increased volatility of the electricity markets and in order to ensure an uninterrupted supply of natural gas, the Act on the Guarantee of the Republic of Slovenia for the Obligations from Credits Taken Out to Ensure Liquidity on the Organized Electricity Markets and Emission Coupons and Obligations from the Purchase of Additional Quantities of Natural Gas Outside the European Union Market was adopted in September 2022. Under the RS guarantee, HSE and GEN have already contracted debt under the RS guarantee. Given the situation, RS is already for 2022 planning capital increases of selected companies under the Energy pillar.

The underperformance of the Energy pillar is also reflected in the ROE of the SSH's portfolio in 2022. **It is estimated that the ROE of the portfolio of capital assets in 2022 will stand at 1.5%** due to the very poor performance of the Energy Pillar, which is significantly lower than projected by the AAMP 2022 (5.0%).

It should be noted, however, that only the performance of the Energy pillar has been poor, while all other asset **management pillars will exceed the projected returns in the AAMP 2022.**

Despite the situation described above, the dividend income received in 2022 for RS, SSH and ZPIZ will amount to EUR 190.7 million, which is higher than the target of EUR 182.8 million., set up in AAMP for 2022. Dividends are also significantly higher than in 2021, when they amounted to EUR 151.3 million.

PROJECTIONS FOR 2023 AND 2024

The projections for 2023 and 2024 have been made in a highly uncertain and difficult-to-predict environment, taking into account the most recent forecasts of economic trends at the time of the document's preparation. Low economic growth is projected in 2023. The situation is expected to slightly improve in 2024. Inflation in 2023 is projected to be lower than in 2022, but still significantly higher than in the period up to 2021. Core interest rates are expected to continue to rise. However, pessimistic forecasts suggest that growth could be even significantly lower than anticipated in the baseline projections. In the event of a worsening of the energy crisis and some other factors, a recession could occur in the Euro area in 2023, although in Slovenia it is currently projected to be mild.

Table 1: **ROE of the SSH's portfolio over the period from 2018 to 2021, 2022 estimate, 2023 AAMP and 2024 forecast, in %.**

Pillar	2018	2019	2020	2021	ESTIMATE 2022	AAMP 2022	AAMP 2023	Outlook 2024
TRANSPORT	6.3	6.9	2.0	4.1	3.9	3.5	3.4	3.6
ENERGY SECTOR	3.2	4.7	5.4	5.1	-8.6	5.1	12.5	8.7
FINANCIAL SECTOR	9.6	10.1	6.9	10.2	7.8	6.8	8.0	8.2
ECONOMY AND TOURISM	7.6	7.3	5.3	9.9	11.2	8.4	6.4	8.2
PORTFOLIO RS+SSH	6.2	6.9	4.3	6.1	1.5	5.0	7.3	6.5

In 2023, the ROE of the SSH's portfolio is projected at 7.3%, which is significantly higher than the estimate for 2022. **The capital assets held by BAMC** that will be transferred to the active management of SSH on 1 January 2023 are taken into account in the calculation of the portfolio's ROE for 2023 and 2024 (all under the Economy and Tourism pillar) but are not taken into account in the estimate for 2022. The capital assets in Slovenski državni gozdovi (SiDG) and DRI, which were transferred to SSH in accordance with the amendments to the ZSDH-1A in November 2022, are already taken into account in the 2022 estimate. Following this

amendment, ELES' ownership stake in Talum, which is only taken into account in the 2023 and 2024 ROE calculations, will also be transferred to SSH's management in the coming year.

A slight improvement in profitability is foreseen in 2023 in the Finance pillar, which is already performing well this year. Inflationary pressures, combined with the high share of regulated activity, will have a negative impact on the results of the Transport pillar, leading thus to ROE 2023 to be slightly lower than the one achieved this year. In the Economy and Tourism pillar, some important manufacturing companies have already seen a decline in activity in the latter part of this year, and 2023 will be a challenging year for some companies, which is reflected in the pillar's projected underperformance compared to this year, when performance results will be very favourable.

For companies in the Energy pillar, a more challenging economic environment is also expected in 2023, leading to a general decline in demand and increased credit risk. On the other hand, due to limited availability of electricity generation capacity, limited natural gas import options and a tighter geopolitical situation, high energy prices can still be expected in 2023, which will not be fully reflected in the companies' results due to the expected interventions at the end of the 2023 financial year. Notwithstanding the above, the operating results of the energy companies are expected to be significantly better in 2023 than in 2022.

In 2023, **the key activities of SSH in managing the capital assets in the Energy pillar** will be focused on managing the financial, liquidity and capital adequacy risks of the companies brought about by the energy prices boom and the looming recession.

SSH will continue to actively pursue the primary objective of maximising the energy self-sufficiency of the Republic of Slovenia and increasing the security and diversification of supply. In accordance with its competences, it will also actively contribute to ensuring the necessary conditions to implement the green transition, which entails significant investments.

In addition to the above, SSH will actively promote:

- siting of new electricity facilities,
- increasing the share of renewable energy sources (RES) and their generation capacity in line with the announced update of the National Energy and Climate Plan and the REPowerEU action,
- the implementation of community power plant projects in the field of renewables,
- increasing the robustness, digitisation and flexibility of the electricity distribution system,
- enhancing cyber security,
- decarbonisation and a fair exit from coal.

As regards the gas pipeline system, SSH will promote the improvement of the international connectivity and throughput of the gas pipeline network (especially at the border with Italy) and the preparation of the network to accommodate synthetic gases and hydrogen.

The year of 2023 will bring major challenges for the operations of the companies in the **Transport** pillar, with the forecasted downturn in economic activity in the EU and even the possibility of a recession, which could have a negative impact on commodity and tourism flows in all areas of logistics and transport. With very cautious forecasts for revenue growth, all companies in the pillar will have to pay close attention to cost control measures, as the "window" between regulated revenues in some companies on the one hand and high fixed cost ratios on the other hand are closing fast. Given that the planned large investments in infrastructure (motorway network, rail and port infrastructure) will continue in 2023 and beyond and will have an impact on the performance of the largest companies in the pillar, key asset management activities will be focused on monitoring the companies' investment projects. Among other things, in accordance with its competences, SSH will monitor the implementation of strategic projects of Slovenian Railways in the field of freight transport and logistics and mobility. It will closely monitor the largest investment projects (third development axis, Karavanke tunnel, etc.) and the financial situation of the largest company in the pillar - DARS. SSH will pay particular attention to management activities at Pošta Slovenije, as a significant deterioration in the Group's situation in 2022 requires corrective action activities, a concrete and feasible restructuring programme and a new strategy. SSH will monitor the implementation of strategic projects, in particular the integration of Intereuropa into the Group and the implementation of synergies, projects in the area of IT support for logistics processes and other activities that will have an impact on the growth and positioning of the Pošta Slovenije Group in Slovenia and the region in the coming years. In 2023, special attention will be paid to the new company under the management of the Pillar, DRI, which has been transferred to the management of SSH in accordance with the ZSDH-1A. In accordance with this law, SSH will amend and supplement the Articles of Association of the company. The main focus will be on compliance with the SSH Code and the SSH Recommendations and Expectations, while ensuring that the conditions for maintaining the in-house status are met. In order to ensure the integration of the various stakeholders, the Pillar will continue to work constructively with line ministries and other stakeholders in 2023, given the strategic nature common to all assets in the Transport pillar.

The performance of the **Finance** pillar companies in 2023 will be mainly influenced on the one hand by the situation on the money and capital markets and the related impact on the profitability of their investment portfolios, and on the other hand by cost pressures due to high inflation rates, which are still present in the second half of 2022. In 2023, central banks, including the ECB, can be expected to continue to raise benchmark interest rates, which will have a positive impact on banks' interest margins, while tighter monetary policy and slowing economic growth and recession, respectively, will have an impact on increased credit risks and the associated impairment and provisioning. The release of provisions, together with the positive effects of acquisition activity, has had a significant impact on the very strong performance of the Slovenian financial sector over the past two years. Thus, the key to achieving a comparable performance in 2023 will be cost control (wages, service costs), the ability to adjust the investment portfolios of debt securities to changing conditions (shortening maturities, limiting the impact of rising credit spreads in the portfolio of lower-rated bonds) and, in the insurance sector, the success of embedding rising prices in insurance products. Falling prices in capital markets (both bond and equity) can also be expected to lead to lower asset management revenues for financial corporates from their clients. For insurance companies, the new International Financial Reporting Standard IFRS 17 will come into force on 1 January 2023, which will have a significant impact on their profitability and equity levels due to the new way of presenting future profits on insurance contracts written (a greater impact mainly in the life segment). In the Finance pillar, there are three Venture Capital Companies (VCS) under management and in the process of liquidation at the end of 2022. During 2022, the liquidators have carried out a series of activities to realise the investments of these companies; it is expected that all liquidation proceedings are to be completed in 2023 at the latest.

Companies in the **Economy and Tourism** pillar have performed well in 2022. In the first half of 2022, some companies achieved outstanding results (Krka, SIJ, Cinkarna, Koto, Loterija, also Hit in the period from January to August). Krka Group increased sales by 6% in the first half of 2022 and achieved record sales figures. Krka's results are strongly influenced by the geopolitical situation in Eastern Europe, which is the largest market for Krka. SIJ Group also achieved record results in the first half of the year but plans to reduce production volumes by up to 40% in the second half of the year due to the rise in energy prices, which can no longer be translated into selling prices. SIJ Group is the largest gas consumer in Slovenia, so any disruption in gas and electricity supply could have a significant impact on its business. Telekom Slovenije's business is stable, in line with plan, but revenues are slightly declining and market shares in key segments are also declining. Cinkarna achieved outstanding results in the first half of the year, with a strong increase in sales and a profit of over EUR 30 million, or an ROE of 31.2%. Tourism companies have had a good season in 2022; they have achieved higher prices due to investments made in the past, which is reflected in their business performance. However, the outlook for the second half of 2022 and for 2023 is uncertain, as economic circumstances have changed completely, with huge increases in energy prices, congestion in supply chains, cooling demand and significantly increased risks in all business segments. For tourism companies, which have barely recovered from the crisis linked to the COVID-19 epidemic, the key risk, in addition to rising costs, is a reduction in demand as a result of the predicted recession. SSH considers that the outlook for 2023 for companies in the economy and tourism sectors is highly uncertain and that it is possible that there will be significant deviations from the planned indicators in the 2023 AAMP, depending on the general economic situation and the situation on the energy and labour markets.

In 2023, in addition to the regular activities, the key activities in the management of capital assets in the Economy and Tourism pillar will focus on the completion of the ownership consolidation of the largest tourism group, Sava, on the regulation of the company's debt-credit relations, and on the implementation of other activities in tourism, which will be presented in more detail later in the document.

In 2023, a large part of the activities in the Economy and Tourism pillar will also focus on the management of new companies acquired from the State and the BAMC. SSH intends to pay more attention to these companies, in particular to the implementation of good corporate governance practices and has therefore included as its expectation for 2023 the compliance with the SSH Code and the establishment of reporting in line with the SSH Recommendations and Expectations in all new companies. SSH will pay particular attention to Slovenski državni gozdovi (SiDG), a company in which it plans to renew its Articles of Association in accordance with ZSDH-1A.

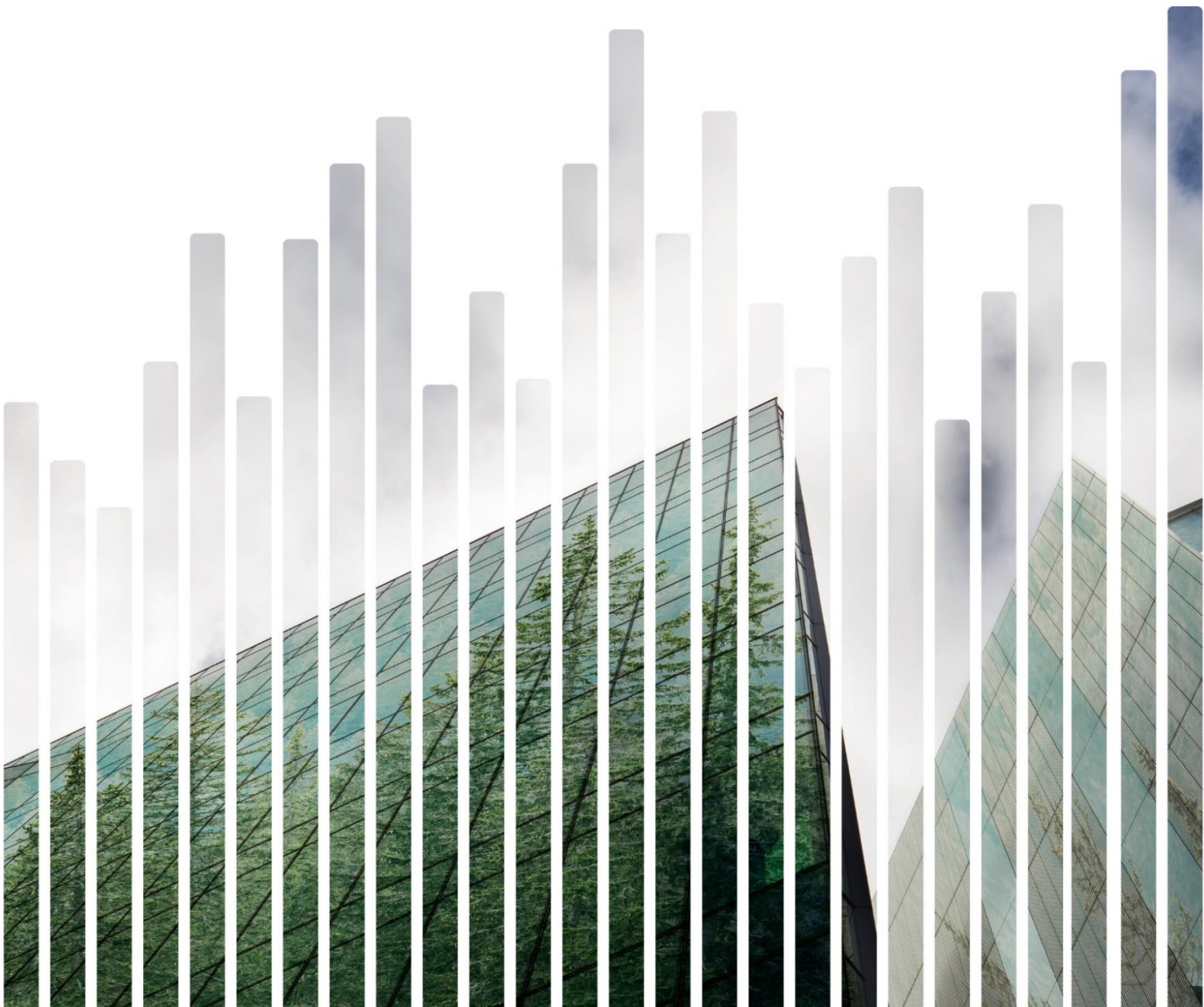
In 2023, the situation in Studentenheim Korotan will also need to be finalised (if not settled in 2022); Studentenheim Korotan has been included in various strategic documents of the Republic of Slovenia in the areas of culture, education and science of Slovenians living in neighbouring countries. The company has the status of a portfolio asset in accordance with the current asset management strategy and, in accordance with the Articles of Association, is not profit-oriented, but pursues exclusively and directly general and charitable purposes. In 2022, on the basis of a Decision of the Government of the Republic of Slovenia, a revision of Korotan's long-term strategy was prepared, which also includes programmes in the field of education and training, which led SSH to propose that company be transferred to the management of one of the competent ministries.

Implementing a relevant dividend policy is one of core activities in the management of state assets, enabling SSH to pursue goals aiming at the maximisation of cash flows for the owner while simultaneously taking into account the performance results of

individual companies included in its management portfolio and their development needs. The total volume of dividend pay-outs planned to be received by RS, SSH and ZPIZ in 2023 is planned to amount to EUR 159.6 million.

In a rapidly changing environment and with significantly increased risks, the achievement of the objectives set out in this AAMP will be very challenging. SSH will continuously adapt its activities and priorities in 2023 to the realities of the business environment.

II GENERAL SECTION



II GENERAL SECTION

1 COMPOSITION AND CONTENT OF ASSET MANAGEMENT ANNUAL 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 AAMP's introductory section summarises the key developments in the economic environment and presents a cumulative picture of the movement in the ROE of the portfolio by pillar/industry sector over time, with an estimate for 2022 and the AAMP targets for 2023. It also provides estimates of the projected operating environment in 2023 by pillar/industry sector and outlines key activities in the area of capital asset management.

The **General Section of the AAMP** gives a short presentation of key documents for asset management, the objectives of capital asset management and the macroeconomic outlook for the next period. The portfolio of capital assets managed by SSH⁴ is presented and the capital assets which are not included in the Special Section of the AAMP are listed. An overview of the achieved and expected ROE of SSH's capital assets according to the different criteria is provided and the expected cash flows from dividends received are presented. At the end of the general part of the AAMP, two new chapters are added on the management of claims and on the management of the tangible assets that will be transferred to SSH following the merger of the BAMC with SSH.

The Special Section of the AAMP which presents companies in which capital assets are held, presents the individual pillars/industry sectors under the SSH's asset management. Under each pillar, the Assets Management Plan is presented separately for assets held in each company. The Plan gives a detailed definition of asset management goals for 2023 and projections for 2024 for those companies which, considering the book value of shareholders' equity - a weight in the asset management portfolio - have the greatest impact on the performance of the SSH's portfolio from the aspect of ROE. The key criteria for measuring the performance in achieving the asset management objectives, together with measures and policies for attaining these objectives are defined, as are expectations SSH has from an individual company or a group.⁵ In view of the significantly increased risks, **a description of the key risks to the achievement of the objectives and how they will be managed is added** for all **large companies** in the portfolio under SSH's management. **Sustainability objectives are also stated for all large companies.** Additional asset management activities to be carried out by SSH are also foreseen in some cases for individual company, e.g., activities related to the acquisition or disposal of capital assets, special projects, especially if these are associated with additional management costs. The Special Section of the AAMP also includes selected capital assets held by BAMC and capital assets acquired under the ZSDH-1A. The content of presentations of these companies is adapted to the availability of data.

It should be highlighted that decision-making as stated within the scope of SSH's expectations rests solely with the companies' management, which, in the decision-making process, when taking a specific business decision, must exercise due diligence in such a manner that only such a decision is made that as is economically rational and in the best interests of the company. The supervision over the management of the company and over making sound economic decisions falls under the responsibility of the company's Supervisory Board/Board of Directors.

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

The Special Section of the AAMP also contains information on the expected cash flows from (i) the acquisition and disposal of capital assets held directly by the RS and SSH, as well as from (ii) the management of claims and (iii) the management of the tangible assets transferred to SSH from the BAMC.

LIMITATION OF LIABILITY

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

⁴ It also includes capital assets held by BAMC which will come under the active asset management of SSH on 1 January 2023 and which have not been included in a group of assets allocated to the management of claims or tangible assets.

⁵An exception to the above is the illustration of common measures and policies for assets in electric distribution companies since activities envisaged in connection with asset management are similar for all these companies.

2 KEY ASSET-MANAGEMENT RELATED DOCUMENTS

The Slovenian Sovereign Holding Act (ZSDH-1) states four key legal documents necessary for the management of assets owned by SSH and for assets of RS which are managed by SSH. These are: (i) Asset Management Strategy; (ii) Annual Asset Management Plan; (iii) SSH Asset Management Policy and (iv) SSH Code of Corporate Governance. In addition to the above stated documents and the asset management instruments which are materially related to them, there are also: (i) Criteria for Measuring Performance of SOEs, (ii) Platform of SSH for Voting on AGMs of companies and (iii) 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: (i) the definition and classification of assets to individual types of assets in accordance with Article 10 of ZSDH-1, (ii) the definition of development directions of RS in the capacity of a shareholder or a company member, and (iii) individual strategic goals which RS aims to achieve with every asset defined as strategic asset. The Article 10 of ZSDH-1 further stipulates that all assets of SSH and RS be classified in one of three classes of assets, that is, into strategic, important or portfolio groups of assets. When individual asset is not classified into one of the above-mentioned class of assets, such asset is considered to be a portfolio asset.

In accordance with Article 30 of ZSDH-1, the **Annual Asset Management Plan (AAMP)** is adopted by the SSH Management Board on the basis of the 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. And, AAMP must be approved by the Government of RS, upon the proposal given by MoF.

Another important legal document which is connected in terms of the content with AAMP is a document on the performance criteria, i.e., **the Criteria**. The said documents define the criteria (indicators) for SSH to monitor the performance of operations of companies with state assets. In addition to measuring and assessing past performance results, the performance criteria are intended to set out in more detail expectations on the part of SSH towards SOEs in regard to future business performance. 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 against expectations set by SSH.

The SSH Asset Management Policy is a legal document which presents in detail principles, procedures and criteria which are applied by SSH in carrying out its duties and activities. In addition, the said documents define in detail the processes for the disposal of capital assets and their acquisition. It is adopted by the SSH Management Board and the consent for its adoption is granted by the SSH Supervisory Board. The SSH Asset Management Policy is constantly being upgraded and improved, most recently in September 2021, when it was amended and supplemented to take into account the recommendations of the Court of Audit on better organisation of the nomination procedures which were made in the context of the Governance Audit, the recommendations of the Commission for the Prevention of Corruption on the organisation of the functioning of the SSH Nomination Committee and the recording of recruitment channels, and the recommendations of the SSH Internal Audit on improving the regulation of certain areas relating to the procedures for disposing of capital assets and their valuation.

The SSH Code contains principles and recommendations for good practice in corporate governance of SOEs. The fundamental goal of a company with state assets is to maximise the value of the company and to generate the highest possible return for the owner, unless otherwise provided by the law or the Articles of Association. The SSH Code is also constantly being upgraded.

The reasons for the last update of the SSH Code in June 2022 were partly to align the document with the revised Code of Corporate Governance for Listed Companies of December 2021, and partly due to SSH's own findings that certain content needed to be amended or upgraded to further develop good corporate governance practices. The part relating to additional content referring to codes of ethics was added to the SSH Code at the suggestion of the Economic and Social Council.

The most important substantive amendments and additions to the SSH Code were as follows:

- Recommendation 3.6.3 was added, which states that diversity policies should be implemented in the company's internal documents. The purpose of the recommendation was to operationalise the way in which diversity policies are implemented, which are usually a programming document and do not in themselves guarantee that the content of the policy is actually implemented in practice;
- Recommendation 6.1.2 was added to recommend that the Supervisory Board (and its Nomination Committee, if any) should draw up a competency profile for members of the Management Board immediately before starting the selection process. A minor amendment has been added to the recommendation, along the lines of a new recommendation in the Corporate Governance Code for Listed Companies. The purpose of the predefined profile is to identify the company's human resources needs in advance and to measure candidates transparently against the predefined profile;

- Recommendation 6.1.3 has been added in relation to the recruitment of top management personnel, according to which it should be a negative condition for membership in the company's management that candidates have held positions in a political party to which they have been elected and appointed in the last six months and that they have not held a position incompatible with membership of the company's management in the last six months, according to the ZIntPK. These are comparable conditions to those applicable to candidates for election to the supervisory boards of state-invested companies under the ZSDH-1;
- a new Recommendation 6.5a was added, which explicitly states that the fulfilment of the legal conditions and the conditions for appointment as a member of the Supervisory Board, as laid down in the instruments of incorporation, is expected throughout the term of office of a member of the Supervisory Board, and not only at the time of candidacy. Failure to fulfil the conditions should subsequently lead to the termination of the mandate. Subsequent failure to fulfil the condition referred to in ZGD-1 and in articles of incorporation is suitably sanctioned in the law. Therefore, the focus of this Recommendation has been on sanctioning the situation where a Supervisory Board member subsequently ceases to fulfil the conditions laid down in Article 21(3) of the ZSDH-1. This situation was not sanctioned in the law and is therefore regulated as a recommendation;⁶
- In recommendation 6.7.1, a recommendation on mutual disclosure of independence declarations at the Supervisory Board meeting has been added;
- in Recommendation 6.10, the reference to Annex 1 and Annex 2 of the Code, which previously referred to a more detailed determination of the payment for holding the position and the amount of attendance fees for members of the supervisory body and defined the model of the general meeting resolution for the remuneration of the members of the supervisory body, has been deleted. Instead, the new text of Recommendation 6.10 now refers to the regulation of this matter in the SSH Recommendations and Expectations. This is a systemic move, transferring this content to the SSH Recommendations and Expectations and to the Remuneration Policy for Management Bodies. This will ensure that the content of the recommended levels of remuneration for the management and supervisory bodies is regulated in one place. Another change in the text of Recommendation 6.10 is that, with reference to taking into account other factors of the complexity of the company's business and the complexity of the tasks of the Supervisory Board, it is foreseen that new sub-classes within the remuneration ranges will be established at some point in the future, so that the differences in remuneration between the Supervisory Boards are to a greater extent justifiable in an objective manner.
- Recommendation 6.14 clarifies the types of committees which are typically established by supervisory boards, and a new reference to the IT Committee was made. In view of the increasing importance of digitisation, the possibility of setting up an IT Commission of the Supervisory Board was highlighted. Additional content in this respect was provided in Annex 5 of the Code;
- Recommendation 7.5 was added, referring to the development of a corporate strategy and business plan, which is also of advisory character;
- Recommendation 10.1.1 recommends additional content for the Code of Ethics in the area of responsible attitudes towards employees and social partners, their rights and respect for the commitments made in this area. The added content was introduced in the Code on the basis of an initiative by the Economic and Social Council.

The **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 Recommendations and Expectations**, which is characterized by a predetermined and clear structure and public publication, communicates to SOEs some specific recommendations and expectations which SSH anticipates of being observed by SOEs. They especially include advice in regard to business planning, periodic reporting, procurement processes, sponsorship and donation policy, cost optimisation, respect for human rights in business, sustainable business, remuneration policy and other rights of members of management bodies as well as other similar recommendations.

In the latest update of the SSH Recommendations and Expectations, in the chapter on the respect of human rights in business, Recommendation No 8 has been complemented by a new Recommendation No 8. 3, which recommends that companies should respect labour legislation and applicable collective agreements, conduct a fair and respectful social dialogue with representative trade unions and employee representatives on works councils or with employee trustees, and provide representative trade unions and works councils or employee trustees with timely information to which they are entitled under applicable law or other company commitments. These recommendations seek to further strengthen the area of respect for human rights in SOEs, as this is an aspect of sustainable business, the strengthening of which is one of the strategic areas of SSH's activities.

⁶ With the entry into force of the Act Amending ZSDH-1 (ZSDH-1A), a new sixth paragraph was added to Article 21, which stipulates that SSH must regularly verify the fulfilment of the criteria for members of supervisory boards of SOEs, which are referred to in Article 21(2), (3) and (4) of ZSDH-1, and, in the event a case of non-compliance with these criteria is determined, immediately initiate procedures for the dismissal of a member of the Supervisory Board.

A new Recommendation No 10, entitled "Remuneration Policy for Supervisory Bodies", has also been added in the latest update of the SSH Recommendations and Expectations. Taking into account the systemic approach to the regulation of recommendations for members of management and supervisory bodies, SSH considers it appropriate to regulate the content of remuneration for members of the Supervisory Board, except for the basic starting points, which remain enshrined in the SSH Code, in the same place as the remuneration for the management bodies, i.e., in the SSH Recommendations and Expectations.

As regards the development of corporate governance practice in SOEs, SSH plans the following activities to be carried out in 2023:

- a revision of the Code of Corporate Governance for SOEs in the direction of greater transparency, simplification of individual segments and new emphases in the light of current challenges in the field of corporate governance (the revision process will also involve external experts and other relevant stakeholders);
- continuing to promote and encourage actions in the following areas: risk management, compliance and integrity, corporate sustainability, and corporate culture;
- updating and supplementing the SSH Recommendations and Expectations in the light of current challenges, in which case SSH particularly plans to:
 - prepare a minor update of the Remuneration Policy for Management Bodies based on the lessons learned from the implementation of the Policy in 2022 and design a model remuneration policy for management bodies, which will help supervisory boards of SOEs to prepare their own remuneration policies for management bodies and to align them with the SSH documents,
 - update the Remuneration Policy for Supervisory Bodies, as the recommended levels of supervisory bodies' remuneration have remained unchanged for more than 10 years (SSH will examine the recommended levels and trends of supervisory bodies' remuneration in Slovenia and abroad and adopt new frameworks for supervisory bodies' remuneration in the light of the findings from this task);
 - Update the SSH Asset Management Policy in which case it will pay a particular focus on improving the nomination procedures for members of the Supervisory Boards, where the accreditation and nomination process will be upgraded in order to verify in a more systemic manner, the knowledge, competence and *fit & proper* standards of candidates for members of the Supervisory Boards, as well as their continuous education and training.

As the transfer of the BAMC's assets to SSH will transfer not only the BAMC's capital assets but also the claims and the BAMC's tangible assets (movable and immovable) to SSH for its management, all the basic asset management acts and other asset management instruments related to them and referred to in this chapter will also need to be upgraded or, if necessary, adapted in this respect.

In connection with the compliance with the SSH Recommendations and Expectations as far as the design of remuneration policies for the management bodies is concerned, SSH expects that the listed companies will fully align their practices with the above-mentioned recommendations in 2023, also taking into account the above-mentioned model remuneration policy for the management bodies. Similarly, in 2023 and in the following years, SSH expects other companies to establish remuneration policies for management bodies and to submit them to the General Meeting/Founder for their approval or adoption and expects the latter to comply with SSH's recommendations. In the event of a justified deviation from the provisions of the ZPPOGD (which SSH considers to be the case if the company has consistently followed the SSH recommendations in the evaluation of individual criteria affecting the assessment of the complexity of the company's business), SSH will submit the Remuneration Policies for the management bodies to the Government for its prior approval.

3 OBJECTIVES OF STATE ASSETS MANAGEMENT

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

SSH expects from all portfolio companies to manage risks connected with increased costs aiming at their optimization, increased productivity and the attainment of set goals.

3.1 *Fundamental objectives for managing state assets and their classification*

The objectives for managing each capital asset vary according to the classification of a company in which assets are held, in line with the provisions of ZSDH-1. These goals are:

- **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;
- **development goals:** maintaining key development factors in Slovenia;
- **economic goals:** maximizing the value of assets and generating the highest return possible for an owner.

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

- strategic assets are assets in regard to which strategic and economic objectives 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 objectives 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 objectives are pursued. They are freely disposable by SSH.

The BAMC's capital assets, which have not been classified by the Management Strategy, are considered portfolio assets in accordance with the applicable regulations, a change in the classification of assets is only possible with the adoption of a new State Asset Management Strategy.

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

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

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

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

3.2 Capital assets and revenue generation

All state-owned companies (SOEs) are companies with share capital organised as a public limited company or limited liability company. Two companies have the status of a public undertaking.

State-owned companies differ in the way they generate revenue. Some companies generate their revenues entirely on the market under competitive conditions, some generate revenues on the basis of concessions granted or laws giving them the power to charge for a service, and some have a mixed revenue generation method. In any case, positive performance is assumed in each company's business model. If a positive business performance were not assumed, the legal form of a limited company would not be an option, but some other legal form would have to be used (e.g., a public utility institute).

3.3 Strategic and development objectives in managing capital assets

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

3.4 Goals in AAMP

3.4.1 Premises for measures and actions to attain goals of AMAP

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

- **fundamental guidelines** laid down in the Asset Management Strategy,
- **fundamental asset management goals** on account of which an individual asset has been classified into a certain fundamental group of assets;
- **strategic and development asset management** goals which are determined by the Asset Management Strategy;
- **the business environment, key risks and forecasts of future business trends**;
- **development guidelines** which were adopted at the national level and **development trends** which can be noticed in the competitive business environment in which SOEs operate;
- 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 if these plans are compliant with SSH's goals. 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 of development directions of an individual company. When the prognosis of all relevant circumstances cannot be ascertained with a sufficient degree of probability, the 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.

As regards SOEs, SSH has at its disposal only **corporate and legal leverage** arising from its capacity of a shareholder or a partner. Other statutory restriction must be taken into account when managing capital assets. These limitations are explained in detail in Chapter 3.4.3 of this AMAP.

3.4.2 Asset management priorities in 2023 and other long-term strategic themes in the management of the state capital assets

As mentioned in the introduction to this document, the key priorities in asset management relate to **the overall management of corporate financial and other strategic risks and to building corporate resilience** in the economic downturn.

Effective management of operational and financial risks can significantly protect a company from adverse impacts on revenue, cost, profit and cash flow trends and can have a significant impact on how well a company will emerge from such circumstances relative to its competitors. A well-developed risk management system is a prerequisite for the long-term sustainability of companies' business models.

SSH will therefore prioritise the adaptation of its governance model to the tightening business environment and the new risks involved:

- crisis management and corporate governance in complex business environments,
- a developed and adapted risk management system,
- specific competences of the members of supervisory boards and management boards,
- tailored training activities for supervisory boards,
- tailored SSH objectives and expectations,
- intensive networking and involvement of stakeholders/decision makers in the search for solutions.

In this context, SSH expects the members of the supervisory bodies to have enhanced **oversight over the management of all key risks**, for which the members of the Supervisory Board must also have sufficient skills.

SSH expects the strategic energy companies to comply with all intervening legislation in the area of energy crisis management and, within the framework of their 2023 Business Plans, to effectively implement all the necessary measures to ensure a stable and affordable energy supply for households and business customers in the Republic of Slovenia.

SSH expects all companies to develop measures to address the current energy costliness, which should include both energy savings and measures to accelerate the green transition and energy flexibility where possible, as well as to enhance the management of key operating costs, which are also increasing due to inflation and other effects. Cyber security should become a strategic function.

In designing governance systems, emphasis will be placed on systems that operate efficiently under stable operating conditions, while also being able to **respond to uncertainties in a flexible manner**. Managing business and financial risk in 2023 will require a balance between tried and tested strategies of the past and innovative thinking, supported by the advanced technologies available today.

In uncertain times, it is particularly important for companies to focus on investments in digitisation and those **Industry 4.0 technologies** that will best support the company's strategic objectives, as their benefits lie in improved productivity, efficiency, flexibility, cost reduction, innovation opportunities and higher revenues. As the digitalisation trend continues, **managing cyber and data security risks** is also becoming increasingly important. Companies need to take all necessary steps to strengthen their cyber security against potential hacks and prevent the damage associated with them.

Sustainable corporate performance, with a focus on progressively moving towards a carbon-neutral economy, and managing corporate culture remain important strategic topics for SSH.

As regards the strategic topic of sustainable performance, SSH will, indirectly through its management rights, continue to encourage SOEs to have the following elements put in place:

- an appropriate governance structure,
- a clear strategy integrating sustainability and climate action,
- a framework to manage both risks and opportunities,
- metrics and targets to address the impact of climate change on individual companies,
- appropriate disclosures and reporting system.

Companies have measured their carbon footprint in 2022 under Scopes 1 and 2 of the International GHG Protocol and have developed decarbonisation targets and plans (2025, 2030 and 2050 ambition). The carbon footprint calculations for the largest 20 portfolio companies and two manufacturing companies were presented by SSH in aggregate form in the Annual Report on the management of the RS and SSH capital assets for 2021. These important climate action topics are becoming a regular element of the management and monitoring of individual companies. Responsible consideration of environmental sustainability, climate change mitigation, adaptation and transition measures are important for many companies to generate long-term, sustainable returns. SSH has therefore added sustainability performance targets for all large portfolio companies in the AAMP.

Some stock exchanges and other stakeholders already require listed companies to make disclosures in line with the Task Force on Climate-Related Financial Disclosures (TCFD) framework. Financial markets need clear, comprehensive and high-quality information on the impacts of climate change. This includes the risks and opportunities presented by rising temperatures, climate-related policies and emerging technologies in our changing world. Markets require companies to have **a governance structure in place, a clear strategy, a risk management framework, as well as metrics and targets** to address the impact of climate change. These objectives and the quality of the plans to achieve them are also important for SSH, as listed companies are an important part of the portfolio. The tools of the Task Force on Climate-Related Financial Disclosures are key to understanding a company's ability to adapt to the future.

In a post-epidemic environment, **corporate culture and talent management** have become an important element of competitive advantage for organisations, and it is important that this remains a strategic theme in the coming tight economic climate.

In cooperation with experts from the Centre of Business Excellence of the Faculty of Economics, the University of Ljubljana, and external corporate experts, SSH prepared a guide for supervisory boards of state-owned enterprises on governing corporate culture. A direct goal of this paper is to equip Supervisory Boards with key guidelines, questions and tools to be considered, asked and used when exercising their duties in terms of governing corporate culture. Recognising that an appropriate organisational culture is an important factor in promoting or inhibiting business performance, the indirect purpose of this guide is thus also to ensure the effectiveness and efficiency of companies' operations by giving culture an appropriate focus within corporate governance practices. The Supervisory Board's task is to monitor and evaluate this area within the corporate governance system in place, specifically by:

- having an overarching strategy in place and ensuring that the corporate culture is aligned with the company's long-term strategy and goals,
- being aware of and understanding how corporate culture is defined and developed by the company's management,
- having a clearly defined purpose, which is linked to the company's culture and values, and includes appropriate employee expectations and behaviours,
- having an oversight of how the company's Management Board defines and continuously aligns culture with strategy and how risks are managed,
- including the governing of corporate culture in internal governance and internal control frameworks, in a well-functioning risk management system as well as in the compliance and internal audit functions,
- regularly including culture in the internal audit's work programme and its audit reviews,
- having data on the status of key indicators of success in the area of corporate culture,
- including the target corporate culture in the management remuneration system, which is transparent and aligned with the achievement of the desired corporate culture.

SSH expects the members of the supervisory bodies to study the above-mentioned guide carefully and to monitor and supervise the topic periodically within the established corporate governance system. The members of the management bodies are also encouraged to implement the necessary measures, which includes appropriate communication from the top and the introduction of appropriate governance at all levels, to ensure that the desired corporate culture lives on in practice and supports the implementation of the company's strategic objectives. The aim is for companies to analyse their existing corporate culture, define the desired culture and gradually implement the necessary measures.

The mission statement, which speaks to the company's purpose, should clearly articulate the organisation's role and relevance in wider society. In this context, when the company's strategy is revised or refreshed in the future, it should be reviewed whether the company's purpose is still relevant to the challenges of the modern business environment and the expectations of its stakeholders, in line with the latest developments in the field.

3.4.3 Statutory restrictions in managing State capital assets

SSH manages State capital assets in accordance with applicable laws and regulations and the 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 constraints in asset management are highlighted:

- 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 3.3.1 that an important restriction in managing state assets is imposed by provisions of ZGD-1 which refer to the restricted shareholder's right to information. When public companies are referred to, the provisions of ZTFI must also be taken into consideration.

- SSH must observe provisions of the take-over legislation which force a shareholder to publish a take-over bid for all remaining shares not yet held by the shareholder when the take-over threshold or the additional take-over threshold is reached. In other words, this means that SSH cannot increase the participation of the State in a target company above the take-over threshold or above the additional take-over threshold when there is no willingness to potentially buy all the remaining shares of the target company and if such a measure is not foreseen in the AAMP.
- 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 its implementation must be suspended until the decision on the compliance of concentration with competition rules has been issued. SSH avoids concentration when it is believed that concentration of undertakings is questionable from the aspect of legal competition rules and submits to the regulatory body a proposal of correction measures.
- In case of certain measures regarding asset management, SSH must take into account the rules on state-aid. These must also be considered in the processes for the sale of state assets which, among other things, means that, as a rule, in the SPA, a prospective buyer cannot be obliged to satisfy the non-financial commitments. SSH must observe the rules on state-aid when carrying out processes for the acquisition of capital assets.
- SSH must take into account the Asset Management Strategy within the scope of which asset management measures are determined in every AAMP.
- In accordance with the provisions of the Prevention of Money Laundering and Terrorism Financing Act ("ZPPDFT-1"), SSH is obliged to implement a customer due diligence to carry out some legal transactions and determine a beneficial owner which may give rise to restrictions in closing transactions with certain potential clients.

4 MACROECONOMIC OUTLOOK

4.1 Economic situation in 2022

The macroeconomic outlook is preceded by a presentation of the economic situation in 2022, as this is also the starting point for expectations on the trend in economic activity in 2023.

The tentative recovery in the global economy witnessed in 2021 was interrupted in 2022 by a tightening of conditions that led to a fall in GDP in the second quarter of 2022, which was due to the situation in Russia (sanctions), China (renewed outbreaks of COVID-19 and restrictive measures), high inflation (especially in Europe and the US), tighter financial conditions and the negative impact of the war in Ukraine. The negative effects of the war in Ukraine are reflected in the spill-over effects of the crisis, which are forcing central banks to tighten monetary policies in the face of extremely high inflation. It is unfortunate to note that the central banks have not correctly assessed the evolution of inflation in 2021, which, with the additional negative effects of the Ukrainian war, calls for a sharp rise in base interest rates in 2022.

By September 2022, according to the data available so far, there have been numerous warning signs that a recession may soon be on the horizon in the Euro area. Declines in activity in many sectors of the economy have already been recorded, and data on falling sentiment (the sentiment index) among managers also give a poor outlook for future economic activity. In the Euro area, GDP grew by 0.6% (quarter-on-quarter) in Q1 2022, by 0.8% (quarter-on-quarter) in Q2 2022 and by only 0.2% (quarter-on-quarter) in Q3 2022. Analysts tracked by Bloomberg forecast that Euro area GDP will fall by 0.4% in the fourth quarter (q-o-q), while the drop in GDP in the first quarter of 2023 is also expected to be 0.4% (q-o-q), according to analysts. The forecasts thus reflect analysts' strong concerns about a deterioration of the economic environment in the Euro area at the end of 2022, which also gives a weak outlook for the beginning of 2023. Inflation in the Euro area has rebounded sharply in 2022, with CPI inflation at 2.6% y-o-y in 2021 and analysts forecasting it to reach 8.5% in 2022. Unemployment in the Euro area is estimated by analysts to be 6.8% at the end of 2022. In 2022, the monetary market witnessed important developments as the ECB started the process of raising interest rates. The deposit rate thus left negative territory in July 2022, and the ECB raised it further in September and October (the deposit rate was 1.50% after the October ECB meeting). As the deposit rate left the negative territory, Slovenian banks also started to abolish the deposit-related retail banking fees. So, at its meeting on 27 October 2022, the ECB raised all three key interest rates by 75 basis points (the base rate to 2.00%), and by announcing future rate hikes, the ECB also made a clear commitment to fight inflation. Based on the strong message sent by the ECB to the public, financial traders expect the Euro area deposit rate to rise further at future ECB meetings in mid-November 2022, with the market indicating that the ECB deposit rate will be 2.5% at the end of 2022 and is expected to rise further in 2023. The Euro area is currently in the grip of high inflation and unfavourable macroeconomic conditions that threaten recession. If the situation in the Euro area deteriorates further, additional stimulus programmes, both monetary and fiscal, will be needed. The ECB is thus continuing to reinvest the maturing principal amounts of securities under the Asset Purchase Programme (APP) stimulus package, with a commitment that the process will continue as long as necessary to maintain an adequate liquidity situation. Stimulus programmes must, of course, be designed in such a way as not to fuel high inflation. Paolo Gentiloni, the EU Commissioner for the Economy, argued that in this difficult context, the EU must make use of existing fiscal instruments to fight the crisis and adapt them to the new situation. If the economic situation deteriorates in the near future and is reflected in the labour market, new stimulus measures will have to be introduced.

In the US, GDP contracted by 1.6% (quarter-on-quarter, seasonally adjusted annually) in the first quarter of 2022, by 0.6% (quarter-on-quarter, seasonally adjusted annually) in the second quarter and by 2.6% (quarter-on-quarter, seasonally adjusted annually) in the third quarter. Analysts expect GDP growth to be 0.6% (quarter-on-quarter, seasonally adjusted annually) in the fourth quarter of 2022 and -0.1% (quarter-on-quarter, seasonally adjusted annually) in the first quarter of 2023. CPI inflation is projected at 4.7% in 2021, rising to 8.1% in 2022. The US economy has performed better than the Euro area economy in recent years, which is also reflected in the labour market or in lower unemployment rates. The unemployment rate was 5.4% in 2021 and is expected to fall further to 3.7% in 2022. The Fed kept the base rate between 0 and 0.25% in 2021, which was widely criticised (accused of inaction or late action in the face of inflationary pressures). In 2022, the Fed started to raise the base rate vigorously (to fight high inflation) and has raised it six times up to and including November 2022, one of 50 basis points, and four of 75 basis points (only the first base rate hike was a base rate of 25 basis points). Financial traders see the Fed funds rate at around 4.5% in mid-November 2022 and at a slightly lower level in late 2023.

In 2022, the war in Ukraine and the sanctions imposed on Russia have led to an exceptional escalation of the situation, particularly in the European energy markets, as both countries have a significant share in their respective segments of the energy market. Ukraine has an extremely strategic geographical position in the supply of Russian gas to Europe, while Russia has an extremely important share in the supply of several energy products both in Europe and globally (oil, gas, coal). The effects of this situation and the fear of further escalation have been reflected in a sharp jump in energy prices, highlighting in particular the events on the European electricity markets, where prices have exceeded all bounds of reason on individual trading days. Some energy

companies, which were mainly engaged in trading and supplying individual energy products, were the direct and immediate victims of this situation. Europe has thus witnessed the collapse of a number of energy companies or the abandonment of business in particular segments of the energy market. In the Republic of Slovenia, too, some individual smaller suppliers withdrew from the energy supply market. Energy companies that have their own sources of energy (own gas and oil pumping stations, coal mines) are in a better position. The European energy crisis is thus affecting the performance of energy companies in different ways, the specifics of which are discussed in more detail in the chapter on market developments in the energy sector. The indirect victims of the current energy crisis include a number of companies that have been forced to reduce production due to the high cost of energy. The EU has labelled Russia as an unreliable supplier of raw materials due to the Ukrainian war and related actions and has taken the decision to stop importing Russian energy products in the future. An additional negative impact of the energy crisis (besides its adverse impact on economic activity) is also visible in the acceleration of inflation, as it has spilled over into practically all sectors of the economy due to the strategic importance of energy products (present in all industries as an input cost).

4.2 Macroeconomic outlook

Table 2: *Overview of the macroeconomic outlook for the world, RS, the Euro area and the US (summary)*

Indicator (in %)*	2018	2019	2020	2021	Outlook 2022	Outlook 2023	Outlook 2024
WORLD							
Growth, real GDP (on an annual basis)	3.6	2.8	-3.0	6.0			
IMAD					3.2	2.7	3.2
Analysts					2.9	2.2	2.9
CPI inflation (on an annual basis)	3.6	3.5	3.2	4.7			
IMAD					8.8	6.5	4.1
Analysts					7.5	5.1	3.4
THE REPUBLIC OF SLOVENIA							
Growth, real GDP (on an annual basis)	4.5	3.5	-4.3	8.2			
IMAD					5.0	1.4	2.6
Analysts					6.0	1.3	2.7
CPI inflation (on an annual basis)	1.7	1.6	-0.1	1.9			
IMAD					8.9	6.0	2.9
Analysts					9.3	5.9	2.8
Unemployment rate	5.2	4.5	5.0	4.7			
IMAD					4.2	4.1	3.9
Analysts					4.5	4.3	4.5
EURO AREA							
Growth, real GDP (on an annual basis)	1.8	1.6	-6.1	5.3			
IMAD					3.1	0.5	1.8
Analysts					3.1	-0.1	1.5
CPI inflation on an annual basis	1.8	1.2	0.3	2.6			
IMAD					8.3	5.7	2.7
Analysts					8.5	5.8	2.1
Unemployment rate	8.2	7.6	8.0	7.7			
IMAD					6.8	7.0	6.9
Analysts					6.8	7.2	7.1
EUR/USD exchange rate	1.15	1.12	1.22	1.14			
Analysts					0.98	1.05	1.09
Brent crude oil (in USD)	53.80	66.00	51.80	77.78			
Analysts					101.00	96.25	88.00
3M EURIBOR	-0.31	-0.38	-0.55	-0.57			
Analysts					2.23	2.45	1.69
ECB base rate	0.00	0.00	0.00	0.00			
Analysts					2.50	2.90	2.45
USA							
Growth, real GDP (on an annual basis)	2.9	2.3	-2.8	5.9			
IMAD					1.6	1.0	1.2
Analysts					1.8	0.4	1.4

Indicator (in %)*	2018	2019	2020	2021	Outlook 2022	Outlook 2023	Outlook 2024
CPI inflation (on an annual basis)	2.5	1.8	1.2	4.7			
IMAD					8.1	3.5	2.2
Analysts					8.1	4.2	2.5
Unemployment rate	3.9	3.7	8.1	5.4			
IMAD					3.7	4.6	5.4
Analysts					3.7	4.3	4.7
WTI crude oil (in USD)	45.41	61.06	48.52	75.21			
Analysts					96.35	93.00	85.00
3M SOFR	2.81	1.91	0.24	0.21			
Analysts					4.26	4.03	3.27
FED base rate (the upper bound of the range)	2.50	1.75	0.25	0.25			
Analysts					4.50	4.35	3.00

* The values in the table are in %, except for the EUR/USD currency pair and oil.

The International Monetary Fund (IMF) forecasts⁷ that the world economy will grow by 3.2% in 2022 and 2.7% in 2023 under the baseline scenario. The GDP growth of the global economy rate was 6.0% in 2021. According to the baseline scenario, the economic growth in developed economies is projected to be 2.4 % in 2022 while it is expected to stand at 3.7 % in emerging economies. Growth in economic activity is projected to be higher in the developing world in 2023, at 3.7%, while growth in the developed world is projected to be only 1.1%. Comparing the estimated GDP growth figures for developed and developing countries, it can be seen that the gap between the growth rates will widen further in 2023, which shows the extreme negative impact that high inflation and the war in Ukraine are having on the developed countries of the world. The IMF forecasts GDP growth of 3.1% for the Euro area in 2022, 0.5% in 2023, and 3.2% in 2022 and 0.7% in 2023 for the European Union. For the US, the economic activity is expected to grow by 1.6% in 2022 and by 1.0% in 2023.

Given the extremely difficult macroeconomic environment, the IMF has also presented an alternative pessimistic scenario in case risks materialise; thus, if the hypotheses (high inflation that cannot be tamed, a tightening of financial markets, a resurgence of the COVID-19 epidemic, a tightening of the geopolitical situation, lower international trade, a further cooling of the Chinese property market, etc.) were to materialise, world economic growth would fall to 1.2% in 2023 and 1.6% in 2024, which would represent the bottom 10% of the realised economic growth values as measured since 1970.

Detailed macroeconomic forecasts are presented below, firstly, for the RS, secondly, for the Euro area, which is important because of the RS's strong export activity, and thirdly, for the US, which has a strong influence on global capital flows and economies through its capital market. The forecasts have been provided by institutions with a good knowledge of the regional environment. These forecasts are also subject to various uncertainties in the development of factors that will influence future economic activity. Thus, in the context of the current uncertain situation, the ECB (as the Euro area's expert) has, in addition to the baseline scenario of future economic developments, also developed a negative alternative scenario of projections. Financial markets will thus be alert to the ECB's information on further interest rate hikes, the outlook for inflation and the size of stimulus programmes in the coming year.

4.3 Detailed macroeconomic projections for the RS, the Euro area and the US

Detailed macroeconomic forecasts have been provided by several institutions for the RS, and by the ECB and the Fed for the Euro area and the US, as they are experts on the local situation and their assessment of the future outlook is also the basis for their future monetary policy making, which will have an impact on economic activity in the Euro area and the US.

For the RS and the Euro area, a definitive agreement reached at the EU level on the resolution of the current energy crisis would be a major help in avoiding the possibility for a pessimistic scenario for future economic activity to materialize. As energy markets in the EU are interconnected or interdependent, changes in the functioning of the European energy system are key to improving the situation in these markets and thus also for the European economy. The EU is examining the situation in the different energy markets and trying to find appropriate solutions, as the economy is having great difficulties in planning future production volumes given the current high energy prices (cost input). The European economy needs a stable energy price and supply situation, which is not provided in the current conditions in 2022. Given Europe's goal to divest from Russian energy in the future, analysts warn that energy prices in Europe in the coming period will not be seen as favourable as they were on the market two years ago (until

⁷Source: IMF; World Economic Outlook, October 2022

2020). This forecast is worrying for the European economy, which is already less competitive on the world market as a result of the European energy crisis or may become completely uncompetitive if the current European energy crisis continues and companies are forced to confront the enormous costs of energy products (by entering into new, more expensive energy supply contracts after the expiry of old (favourable) contracts), which are being driven by the current European energy crisis. Indeed, companies in Europe are already facing significantly higher prices for gas and electricity than US companies, while the competition for the sale of products and services is taking place on a global market. A scenario of European production being scaled back or European production moving to other countries (other continents) where energy costs are at normal levels is a catastrophic outcome and a scenario for the European economy.

Table 3: **Overview of history data and forecasts for Slovenia (IMAD, OECD, EC, analysts)**

Indicator (in %)	2018	2019	2020	2021	Outlook 2022	Outlook 2023	Outlook 2024
Real gross domestic product (GDP) (analysts' estimate)	4.5	3.5	-4.3	8.2	6.0	1.3	2.7
IMAD					5.0	1.4	2.6
Bank of Slovenia					5.8	2.4	2.5
European Commission					6.2	0.8	1.7
OECD					4.6	2.5	
CPI inflation (analysts' estimate)	1.7	1.6	-0.1	1.9	9.3	5.9	2.8
IMAD					8.9	6.0	2.9
Bank of Slovenia (HICP)					9.0	4.5	2.3
European Commission					9.2	6.5	3.5
OECD					7.6	6.0	

Source: Bloomberg, IMAD, Statistical Office of RS

Baseline economic outlook for the Republic of Slovenia (RS)

Economic activity in the Republic of Slovenia recorded strong growth in 2021, with GDP increasing by 8.2%. This growth also exceeded the level of GDP achieved by the Slovenian economy in 2019 (pre-COVID-19 level). Growth in labour productivity will also need to be added to the GDP growth, as it is important for the Republic of Slovenia in the process of catching up or trying to reach the EU average standard.

In its autumn economic outlook, the IMAD forecasts GDP growth of 5.0% in 2022, 1.4% in 2023 and 2.6% in 2024. Economic growth is expected to remain strong in 2022 as a result of the activity effect in 2021 but is projected to decline sharply in the second half of 2022 due to the deterioration in the external environment. In 2022, however, broad-based economic growth can be expected to continue, largely driven by domestic demand (mainly private consumption), while investment (mainly government and housing) is also expected to have a positive impact. Some major domestic projects (e.g., the construction of the second Divača-Koper railway line) will have a significant impact on the trend in government investment. The future impact of public investment will depend on the delays in investment projects and the volume of NextGenerationEU (NGEU) grants due to the final distribution of funds across EU countries. As regards business sector investment, the issue of rising prices of capital goods, construction materials and interest rates should be noted. Export developments will be under pressure until the end of the year due to the slowdown in economic activity in the RS' main trading partners (slowdown in manufacturing and services trade). The outlook for the next two years is therefore made in a context of high uncertainty, with the unknown future course of the war in Ukraine and its consequences on energy markets, which have a downward impact on the economic outlook in the RS' main trading partners, being assessed as the main source of risk. Additional factors, which reduce future growth expectations, are the negative impact of China's containment measures in the face of COVID-19 (impact on global supply chains), the energy dependence of individual countries on fossil fuels and the impact of high inflation (tight monetary policy by central banks, which means tighter financing conditions). However, IMAD points to certain factors (strong labour market, support from the EU's Recovery and Resilience Mechanism, still large savings surplus, etc.) that will mitigate the impact of the negative factors outlined above on GDP growth prospects in the coming years. Nevertheless, the IMAD sees economic growth in the Euro area at just 0.4% in 2023 (the median of analysts' estimates compiled by Bloomberg has still been negative at -0.1% in November 2022), which is of course also a poor basis for forecasting GDP growth in Slovenia (an export-oriented economy whose most important trading partners are European countries) in 2023. The IMAD projects that this situation will lead to economic growth in Slovenia of only 1.4% in 2023, with a partial improvement to 2.6% in 2024. Private consumption growth will thus be significantly lower in 2023 (5.4% in 2022 and only 0.3% in 2023), as high prices will constrain purchasing power and caution is expected in the consumption of non-essential goods and services. A similar caution will be present in private investment (negative impact due to high prices of construction materials, rising interest rates, etc.), while public investment will create a positive contribution, which will be generated on the wings of the winding down of the 2014-2020 financial perspective and EU funding for the recovery from the COVID-19 epidemic (React-EU, NOO). Gross fixed capital formation is projected to increase by 6.5% in 2022, 2.5% in 2023 and 2.0% in 2024. Weak foreign demand

and gas prices will affect value added in manufacturing and merchandise exports of the Slovenian economy in the first half of 2023. The IMAD expects slightly higher growth in Slovenia's trading partners in the second half of 2023, which should also have a positive impact on the Slovenian economy. Slovenian exports are expected to grow by 5.0% in 2022, 2.5% in 2023 and 4.7% in 2024. Combined with the projected growth in private consumption (projected growth in gross disposable income), GDP growth of the Slovenian economy is thus projected to reach 2.6% in 2024, although it should be noted that the IMAD foresees a moderation in investment activity as the period for the country's absorption of EU funds under the 2014-2020 financial perspective is coming to an end. On the inflation front, the IMAD expects consumer price inflation to remain at a high level, despite a slowdown towards the end of the year. In 2022, energy and food have been the main contributors to inflation, while the situation in supply chains and upward pressure on sectoral wages have also played a role. Inflation will amount to 8.9% in 2022 and 6% in 2023. Relatively high food and services price inflation will continue to contribute to inflation in 2023, while the contribution of energy price inflation is expected to be lower than in 2022. However, it should be noted that there are significant risks to the 2023 energy price assumption. The severity of the situation is also underlined by the IMAD estimate that, after ten years, the current account surplus will turn into a deficit this year and will continue to do so in 2023. Only in 2024, if the price stabilisation scenario materialises and the economy recovers, is a current account surplus expected to return.

The IMAD baseline economic growth scenario has been prepared under the following assumptions: EU growth will amount to only 0.5% in 2023 (0.0% in Germany), 1.9% in 2024 (1.4% in Germany); an average Brent oil price in 2022 is assumed to stand at USD 103.1/bbl, USD/bbl in 2023 at 89.5 USD/bbl, USD/bbl in 2024 at 83.9 USD/bbl; non-energy commodity price growth in USD terms is estimated at -4.0% in 2023 and -3.5% in 2024, and the EUR/USD exchange rate is estimated at 1.022 for 2023 and 2024.

Alternative (optimistic) economic outlook for the Republic of Slovenia (RS)

In preparing the economic forecast, the IMAD has also foreseen the possibility of higher economic growth than in the baseline forecast, but this would require energy prices to stabilise and more robust private consumption to be in place, which would mainly be driven by savings. More efficient absorption of EU funds in the RS and in our largest trading partners could also have a positive impact on economic growth. This should be done by strengthening research, innovation, digitisation processes by way of which productivity, green transformation and the adaptation of social protection systems would also increase. The reallocation of resources and the realisation of planned public and private investments are therefore key to achieving a better outcome.

Alternative (pessimistic) economic outlook for the Republic of Slovenia (RS)

Given the very high risks associated with a continuation of the war in Ukraine, it is also necessary to present an alternative and pessimistic scenario, which takes into account a further escalation of the situation related to Ukraine, a tightening of conditions on the energy markets and a tightening of the situation due to COVID-19.

A complete shutdown of Russian gas supplies would have a negative impact on the industrial sector as well as on certain other activities. As the Slovenian economy depends on a number of external factors (raw material prices, volume of foreign demand, etc.), the actual future evolution of Slovenian GDP will depend on various external developments, and it is estimated that a stronger recession in Germany and other important trading partners of the RS would mean lower GDP growth rates in the Euro area by 2.0-2.5 percentage points, in the event the situation in relation to gas import prices or gas volumes deteriorates. The Slovenian economy would thus experience a fall in industrial production and also in business investment. In such a situation, economic growth in the RS in 2023 would therefore be 1.5 to 2.0 percentage points lower than projected in the baseline scenario of the IMAD forecast for the Slovenian economy in 2023 (1.4%). Therefore, if this pessimistic scenario were to materialise, it would mean that the Slovenian economy would fall into a mild recession in 2023, while the impact would of course be smaller in 2022, as economic activity in the fourth quarter would be mainly affected. Uncertainties about the evolution of the COVID-19 epidemic (emergence of new dangerous variants) and the containment measures that will have to be applied also pose additional risks to the outlook for future economic trends. In particular, China's zero-tolerance policy towards COVID-19 (stringent measures) could significantly impair international flows of goods, which are already paralysed due to the impact of the Ukrainian war and the specific situation in certain sectors (supply of chips). Geopolitical tensions around the world, not least the conflict in Ukraine and the Taiwan Strait (bloc division of the world), also pose an additional risk. Climate change, which has been manifested in rising temperatures and a number of extreme weather events affecting specific industries (agriculture, energy, tourism, etc.), also poses a significant risk to economic growth prospects. And wage increase demands can lead to a wage inflation spiral (due to heightened inflation expectations). If a similar combination of factors were to emerge in Europe (rising energy prices and rising inflation expectations), the economy would face a more rapid tightening of monetary policy (weaker conditions in financial markets), with a negative impact on investment and lending activity.

Table 4: *ECB macroeconomic forecasts for the Euro area*

Indicator (in %)	2018	2019	2020	2021	Outlook 2022	Outlook 2023	Outlook 2024
Real GDP	1.8	1.6	-6.1	5.2	3.1	0.9	1.9
CPI Inflation (HICP)	1.8	1.2	0.3	2.6	8.1	5.5	2.3

Source: Bloomberg.

Baseline economic outlook for the Euro area

The ECB published its projections for macroeconomic indicators in September 2022, in which the baseline scenario has projected the Euro area GDP growth to amount to 3.1% in 2022, 0.9% in 2023 and 1.9% in 2024. When compared with the ECB's June 2022 forecast, the September forecast shows a relatively sharp downward revision of the GDP growth forecast for 2023 (the GDP growth of 2.1% has been estimated in the June forecast, while the GDP growth of only 0.9% has been suggested in the September forecast). Comparing the ECB's September forecast with the forecasts of other institutions over the same period, it can be noted that the other institutions estimate Euro area economic growth slightly lower in 2022 (between 2.6% and 2.8%) and higher in 2023 (between 0.9% and 1.6%) than the ECB. The GDP growth estimates for 2024 are roughly the same for the ECB and the other institutions (taking into account the forecasts known at the beginning of autumn 2022) (between 1.8% and 1.9%). In the September projection, the ECB revised up its inflation estimates from the June 2022 projection, with inflation now estimated at 8.1% in 2022 (June estimate: 6.8%), 5.5% in 2023 (June estimate: 3.5%) and 2.3% in 2024 (June estimate: 2.1%). When compared with the ECB's inflation forecasts for 2022, the ECB's forecast is slightly higher than the other institutions' forecasts (between 7.0% and 7.8%), higher than the other institutions' forecasts for 2023 (between 3.7% and 4.6%) and similar to the other institutions' forecasts for 2024 (between 1.9% and 2.3%).

In its September outlook for future economic developments, the ECB warns that, despite better economic growth in the first half of 2022, driven by the reopening of economies and an improved situation in the tourism industry, the negative effects of the war in Ukraine have worsened the outlook for future economic activity in the Euro area and increased inflationary pressures. With all the negative spill-over effects of the Ukrainian war on the European economy, the ECB warns of uncertainty, a decline in confidence and a fall in real income, which it believes will lead to stagnation in the Euro area economy in the second half of 2022 and the first quarter of 2023. The state of the energy market and the uncertainty associated with market-relevant developments make it extremely difficult to draw up a short- and medium-term outlook for economic activity.

The ECB estimates that economic activity has slowed sharply in the third quarter of 2022 due to the fall in real income and the rise in interest rates, which has dampened the investment activity. In this context, the ECB has highlighted economic indicators which point to a contraction in the manufacturing and services sectors, in which case projections were made on the basis of the situation prevailing in the energy market in August 2022. Further complications in the energy market could further reduce output in the Euro area in 2022 and 2023. The ECB thus forecasts a 0.1% contraction in GDP in the fourth quarter of 2022 and stagnation in the first quarter of 2023. Later in 2023, the ECB expects GDP growth to recover slightly, and has based its thesis on the following assumptions: inflationary pressures on real incomes will reduce, supply-side bottlenecks will be removed, and foreign demand will recover. Nevertheless, GDP growth will be very low in 2023, and it has to be said that the ECB's assumption regarding the fiscal support, which is assumed to be reduced in 2023 after the large programmes have been implemented in previous years, is also problematic (this thesis has a negative impact on estimated GDP growth in 2023). The main assumption of the ECB's thesis for an improvement in the GDP growth situation (in the remaining quarters) in 2023 (after the projected GDP stagnation in the first quarter of 2023) is the scenario which entails an improvement in the energy market, as this market currently determines how (un)competitive the European production is compared to the US production. Nevertheless, it can be noted that under the baseline scenario of the economic projections, the deterioration in the economic outlook in the short term and only a partial and marginal improvement in the outlook in the medium term imply low GDP growth rates in 2022, 2023 and 2024.

According to the baseline scenario, high inflation (above 9%) is projected to persist until the end of 2022. Such inflation stems from developments in energy and commodity markets, as well as from (too low) supply and wages (wage growth). Inflation is thus projected at 8.1% for 2022 as a whole. In 2023, however, inflation is projected to fall to 5.5%, in which case the ECB has based its outlook on the downward trend in energy and food inflation, which is expected to be driven by a fall in commodity prices and a negative base effect. The main risk to future inflation projections is uncertainty about developments in the energy market.

As the ECB has been confronted with extreme monthly jumps in energy prices in its modelling, it has also used a sensitivity analysis in its projections, which shows that the impact on inflation would be larger in the first (the effect of the oil and gas price decrease) and third quartile (the effect of the oil and gas price increase) in 2023 and 2024 than on GDP, relative to the values which have been given for both indicators in the baseline economic projections.

Alternative (optimistic) economic outlook for the Euro area

Given the strong divisions between the EU and Russia, and in the absence of signals of a potential end to the war in Ukraine, it is less likely that in the coming months, the energy market will return to the levels seen in the recent past, which would give the European economy the possibility of a faster growth, and consequently, this would provide a solid basis for a positive scenario for the economic outlook.

Alternative (pessimistic) economic outlook for the Euro area

In preparing its baseline forecast, the ECB has based its outlook for future economic developments on data available in August 2022 and on certain assumptions. However, as there is considerable uncertainty in the Euro area about the evolution of some of the key parameters of economic forecasting, the ECB has also prepared an alternative economic outlook which is pessimistic in the light of the current situation. Compared to the baseline forecast, the alternative or pessimistic forecast assumes higher gas prices in 2022 (EUR 202.3/MWh, 20.5% higher than in the baseline forecast), in 2023 (EUR 360.6/MWh, + 53.2%) and in 2024 (EUR 253.4/MWh, + 53.2%). The alternative forecast also includes (relative to the baseline forecast) higher oil prices in 2022 (USD 119.7/bbl, + 13.5%), in 2023 (USD 138.8/bbl, + 54.0%) and in 2024 (USD 115.7/bbl, + 38.4%). The alternative forecast to the baseline forecast also assumes higher food prices of 4.3% in 2022, 29.5% in 2023 and 33.3% in 2024. The alternative forecast to the baseline forecast also includes a deterioration in a number of other important factors, such as a decline in foreign demand, higher bank interest rates for corporates and a deterioration in equity markets (falls in share prices). Similarly, the alternative forecast also takes into account a tightening situation as regards the energy supply in Europe and a downward revision of the world GDP trend forecast in 2022 and 2023 with weaker assumptions for some factors in the calculation (additional barriers in international trade, global logistics chains, lower foreign demand for European goods, etc.). As a result of these factors, the ECB's alternative (pessimistic) forecast gives lower GDP growth and higher inflation estimates than the baseline economic scenario. In the alternative scenario, GDP growth will be 2.8% in 2022, -0.9% in 2023 and 1.9% in 2024. The scenario thus also takes into account a recession in 2023. Inflation in the alternative and pessimistic scenario will be 8.4% in 2022, 6.9% in 2023 and 2.7% in 2024.

Table 5: **FED's macroeconomic outlook the USA**

Indicator (in %)	2018	2019	2020	2021	Outlook 2022	Outlook 2023	Outlook 2024
BDP – gross domestic product	2.9	2.3	-2.8	5.9	0.2	1.2	1.7
Inflation (PCE)	2.1	1.5	1.1	4.0	5.4	2.8	2.3

Source: Bloomberg.

Baseline economic outlook for the USA

The Federal Reserve also analyses market data and makes projections of future developments in key indicators to guide its monetary policy. The table below shows the median values of the indicators released by the Federal Open Market Committee (the FOMC is a body of the Fed) after the September Fed meeting. The values in the table are the median values provided by Fed members and local Fed bank presidents as part of their assessment of the future economic situation. The range of estimates for the values of the economic indicators in 2022, 2023 and 2024 is relatively wide, given the many uncertainties in the broader macroeconomic global environment. FED decision-makers have thus estimated GDP growth at between 0.0% and 0.5% in 2022, between -0.3% and 1.9% in 2023 and between 1.0% and 2.6% in 2024. PCE inflation is estimated at between 5.0% and 6.2% in 2022, between 2.4% and 4.1% in 2023 and between 2.0% and 3.0% in 2024. The Fed's documents suggest that decision-makers are very concerned or uncertain about future economic growth and the future level of inflation. Based on the estimates of the levels at which the base interest rate should be in 2022 and 2023, it can be noted that most Fed policy makers believe that the interest rate will be higher at the end of 2022 than it is now (November 2022) and assume that the base rate will also rise in 2023.

GDP growth in the US economy will thus slow down sharply in 2022 and 2023, which is not surprising given the difficulties in the macroeconomic environment. Higher economic growth is hampered by congestion on international logistics routes, the negative effects of the war in Ukraine, the impact of China's measures to combat the COVID-19 and the process for raising the key interest rate, which is necessary to tame inflation but is negative from the point of view of investment borrowing. Despite the expected increases in the key interest rate, inflation will not fall below the 2% target level in 2023, however, the Fed's managing of monetary policy will have an impact on the level of economic growth. Economic growth will also be adversely affected by the fact that the large fiscal programmes, which were put in place during the pandemic, have already expired. In the short term, the growth of the US economy will continue to be driven by consumer spending, but this will not last forever, as both household savings are expected to decline, and the effects of the COVID-19 support programmes are expected to slowly fade or disappear. The main risk in the US is that of inflation (linked to the effects of the war in Ukraine and the US labour market (wage growth)), as this could dictate a

tougher pace of monetary tightening, which would in turn have an impact on future economic growth. If the US is going to introduce new fiscal measures (due to the effects of the war in Ukraine), these should be temporary (so as not to push up inflation). The possible outbreak of new variants of COVID-19 and possible oil market turmoil could pose additional risks to future economic growth.

In recent years, the US economy has weathered crises better than the European economy, which indirectly points to structural problems in the European economy. The war in Ukraine is the most significant negative external event which has spilled over into the European economy, and which makes European companies less competitive on foreign markets (the impact of expensive energy, which is a cost factor in production).

Alternative (optimistic) economic outlook for the USA

Under the optimistic scenario, higher-than-expected economic growth in the baseline projection can be achieved if a stronger rebound in private consumption materialises and at least one part of the international environment improves. Given that the baseline projection of the US economic outlook takes into account a number of risks (escalation of the war in Ukraine and the tightening of international sanctions, which will contribute to even greater barriers to international trade; high and volatile energy and food prices; slowing economic growth in China; rising inflation and rising expectations of future inflation; tightening of financial markets; the emergence of new variants of COVID-19; labour shortages despite high wages, etc.), the US economic outlook is likely to be more favourable to the US economy in the long term, considering the fact that these risks are assessed as having a medium and high probability of actually occurring (rather than a low probability), and that these risks, if they materialise, are assessed as having a medium and high probability of incurring potential damage to the (US and global) economy (rather than a low probability), the likelihood that the optimistic scenario is to materialise seems less likely.

Alternative (pessimistic) economic outlook for the USA

According to analysts' currently known estimates, the US is expected to experience only minimal GDP growth on an annualised basis in the fourth quarter of 2022 (0.2%), and in the first quarter of 2023 (0.5%), which means that the USA should narrowly avoid a recession at the end of 2022 or the beginning of 2023. As the US economy is also subject to increased risks, the alternative scenario is that the US economy could fall into stagnation or a short-lived recession in the coming quarters. Uncertainties about the outcome regarding risk factors include the impact of oil prices on private consumption and investment, the expected general withdrawal of monetary and fiscal support for the US economy, and the risks that conditions in financial markets are to become worse. Financial market conditions could deteriorate as a result of the escalation of the war in Ukraine, China's economic shutdown (new outbreaks of COVID-19) and a worse expectations for future inflation, in which case it has to be noted that a tightening of financial market conditions would have a strong negative impact on US economic activity and also on the rest of the world's economies (due to the spill-over effect of negative external events).

5 PORTFOLIO OF CAPITAL ASSETS UNDER SSH'S MANAGEMENT

5.1 Capital assets managed by SSH

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

As at 31 October 2022, SSH managed assets held in 69 companies, of which capital assets held in 48 companies were owned solely by RS while in the remaining 10 companies, assets were owned both by RS and SSH.

The portfolio of capital assets as of 31 October 2022 includes 11 companies with capital assets acquired under the law governing inheritance and seven companies in liquidation.

In accordance with the amendment to the ZSDH-1A, some more capital assets were allocated under the SSH management in November 2022. These are capital assets held in SiDG and DRI, while ELES' equity stake in Talum will be transferred to SSH in the coming year.

Table 6: List of capital assets of SSH and/or RS assets managed by SSH as of October 31, 2022

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

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

Table 7: List of capital assets of SSH and/or RS assets managed by SSH as of October 31, 2022– continued

Lfd. No.	Asset	Asset type	RS ownership stake (in %)	SSHs ownership stake* (%)
TOURISM AND ECONOMY				
26	A.L.P. PECA, D. O. O.	PORTFOLIO	9.09	
27	ADRIA, D. O. O.	PORTFOLIO		11.74
28	BODOČNOST MARIBOR, D. O. O.	PORTFOLIO	77.52	
29	CASINO BLEDE D. D., BLEDE	PORTFOLIO		33.75
30	CASINO PORTOROŽ D. D., PORTOROŽ	PORTFOLIO		9.46
31	CETIS, D. D., CELJE	PORTFOLIO		7.47
32	CINKARNA CELJE, D. D., CELJE	PORTFOLIO		11.50
33	CSS, D. O. O.	PORTFOLIO	97.96	
34	ELEKTROOPTIKA, D. D.	PORTFOLIO	0.01	70.48
35	HIT, D. D., NOVA GORICA	PORTFOLIO		20.00
36	URADNI LIST REPUBLIKE SLOVENIJE, d. o. o. O.	STRATEGIC	100.00	
37	KOTO, D. O. O.	PORTFOLIO	66.23	
38	KRKA, D. D.	IMPORTANT	7.22	9.00
39	LOTERIJA SLOVENIJE D. D., LJUBLJANA	STRATEGIC		15.00
40	PECA, D. O. O.	PORTFOLIO	100.00	
41	POMGRAD– VGP D. D.	IMPORTANT	25.01	
42	PS ZA AVTO, D. O. O., LJUBLJANA	PORTFOLIO		90.00
43	SAVA, D. D.	IMPORTANT		61.91
44	SAVAPROJEKT, D. D.	PORTFOLIO	3.47	
45	SIJ, D. D.	IMPORTANT	25.00	
46	STUDENTENHEIM KOROTAN GMBH	PORTFOLIO	100.00	
47	TELEKOM SLOVENIJE, D. D.	PORTFOLIO	62.54	4.25
48	TERME OLIMIA, D. D.	IMPORTANT	43.26	4.01
49	UNIOR, D. D.	PORTFOLIO		39.43
50	VGP, D. D.	IMPORTANT	25.00	
51	VGP DRAVA Ptuj d. o. o. O.	IMPORTANT	25.00	
52	VGP NOVO MESTO, D. D., (Motorway	IMPORTANT	25.00	
TRANSPORT				
53	DARS, D. D.	STRATEGIC	100.00	
54	KOPP, D. O. O.	STRATEGIC	100.00	
55	KZPS, D. O. O.	STRATEGIC	100.00	
56	LUKA KOPER, D. D.	STRATEGIC	51.00	11.13
57	POŠTA SLOVENIJE, D. O. O.	STRATEGIC	100.00	
58	SŽ, D. O. O.	STRATEGIC	100.00	

Table 8: *List of capital assets of RS which have been acquired under the law of inheritance, as of 31 October 2022*

Lfd. No.	Asset	Ownership RS shareholding (in %)
1	AGIS TECHNOLOGIES, D. D.	0.00
2	DEKORUS, D. O. O.	100.00
3	IBI KRANJ, D. D. - IN LIQUIDATION	0.00
4	IBT TRBOVLJE, D. D.	0.04
5	KOMPAS RAC, D. D., LJUBLJANA –IN LIQUIDATION	0.01
6	KS NALOŽBE, D. D.	0.01
7	NTU, D. D.	0.03
8	POMORSKA DRUŽBA, D. D., PORTOROŽ	0.10
9	TEKOL, D. D.	0.08
10	VELTA PLAST, D. O. O.	100.00
11	VIPA HOLDING, D. D.	0.00

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

The following lists presents the capital assets of the BAMC that will be transferred to the management of SSH on 1 January 2023.

Table 9: *List of capital assets of BAMC for which AAMP's statements are prepared presenting their condition as at 31 October 2022*

Lfd. No.	Asset	Equity Stake BAMC (%)
1	FARME IHAN – KPM, D. O. O.	100.00
2	ISTRABENZ, D. O. O.	100.00
3	ISTRABENZ TURIZEM, D. D.	100.00
4	MK ZALOŽBA, D. D.	83.47
5	MLM, D. D.	100.00
6	SALOMON, D. O. O.	45.39
7	TALUM, D. D., KIDRIČEVO	5.21
8	THERMANA, D. D.	100.00

Note: As at 31 October 2022, the BAMC held capital assets in 49 companies, 10 of which are already co-owned by SSH and/or RS. Of the remaining 39 companies, capital assets in eight companies have already been included in the AAMP and are foreseen to be actively managed by SSH from 2023 onwards. For capital assets in five other companies, which will also be transferred to SSH management, AAMP's statements have not been prepared yet as they fulfil one of the conditions mentioned below: (i) a company is in liquidation, (ii) a sale and purchase agreement has already been concluded, (iii) it is an inactive company or (iv) a small equity stake (less than 1% ownership). All other companies with capital assets of the BAMC will be dealt with by SSH as of 1 January 2023 in the context of real estate management (tangible assets) and claim management operations.

The following tables present the BAMC's capital assets which will be treated as part of the real estate and claim management operations as from 1 January 2023.

Table 10: *List of BAMC capital assets to be dealt with in the context of the real estate management (tangible assets) operation as of 31 October 2022*

Lfd. No.	Asset	BAMC ownership stake* (%)
1	ARGOLINA, D. O. O.	100.00
2	DUP, D. O. O., SARAJEVO, BOSNIA AND HERZEGOVINA	100.00
3	DUTB CRNA GORA, D. O. O., MONTENEGRO	100.00
4	FACTOR PROJEKT, D. O. O., CROATIA	100.00
5	DUP, D. O. O., BEOGRAD, SERBIA (IN LIQUIDATIONI)	100.00

Table 11: *List of BAMC capital assets to be managed by SSH within the context of the claim management operation as of 31 October 2022*

Lfd. No.	Asset	BAMC ownership stake* (%)
1	AUTOTEHNA CROATIA, D. O. O., CROATIA, (IN LIQUIDATION)	100.00
2	AVTOTEHNA BEOGRAD, D. O. O., SERBIA (IN LIQUIDATIONI)	100.00
3	AVTOTEHNA ZAGREB, D. O. O.	100.00
4	BATRIS, D. O. O., UKRAINE	18.00
5	BR89, D. O. O.	100.00
6	CONSTANT LEADER XXI, UKRAINE	18.00
7	DS PROJEKT, D. O. O.	74.00
8	HYUNDAI AUTO BEOGRAD, D. O. O., SERBIA	100.00
9	POSLOVNI SISTEM DOMINA, D. O. O., BEOGRAD, SERBIA	55.52
10	PROLEASING RIJEKA, D. O. O., CROATIA, (LIQUIDATION)	100.00
11	PY&CA, D. O. O., BEOGRAD	100.00
12	RAVNE PRESSES, D. O. O. (BANKRUPTCY)	88.70
13	ŠIPAD EXPORT-IMPORT, D. D., BOSNIA AND HERZEGOVINAH (BANKRUPTCY)	1.00
14	ŠPORTNI CENTER POHORJE, D. O. O. (BANKRUPTCY)	15.00
15	ZLATA MONETA II, D. O. O. (BANKRUPTCY)	100.00

Table 12: *List of BAMC capital assets to be managed by SSH within the context of the claim management operation and which are recorded off-balance-sheet as of 31 October 2022*

Lfd. No.	Asset	BAMC ownership stake* (%)
1	AFINANCE B. V. (THE NETHERLANDS)	2.70
2	BIRAČ A. D. ZVORNIK – U STEČAJU (BOSNIA AND HERZEGOVINA)	n.a.
3	CELESTIAL NUTRIFOODS LTD	0.05
4	EKOSUR, D. O. O. - IN BANKRUPTCY	15.80
5	ERA GOOD – V STEČAJU (BANKRUPTCY)	18.40
6	PROKETER, D. O. O., U LIKVIDACIJI (LIQUIDATION) (CROATIA)	12.00

5.2 Structure of capital assets portfolio

The portfolio of capital assets which is managed by SSH (assets held by the RS, ZPIZ and SSH) has been gradually concentrated since 2017. Owing to the sale of RS's stakes in NLB and Abanka, the proportion of assets in financial companies grouped under the Financial Pillar decreased significantly and the percentage of assets in companies from the three remaining pillars increased. The two largest pillars by book value of equity, Energy and Transport, already account for almost three quarters of the capital assets portfolio (61% in 2017). The four largest companies, which are included in these two pillars, i.e., DARS, GEN, SŽ and HSE, if put together, hold a 54.7% share (measured by the book-value of the equity holdings under management).

Figure 2: *Proportion of pillars in the portfolio of assets under SSH's management in the period from 2017 to June 2022*

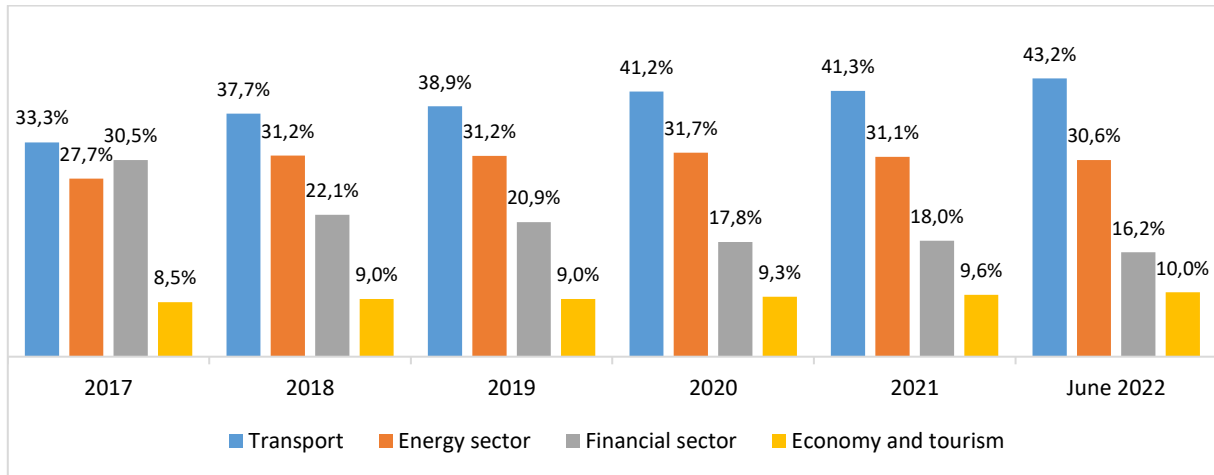
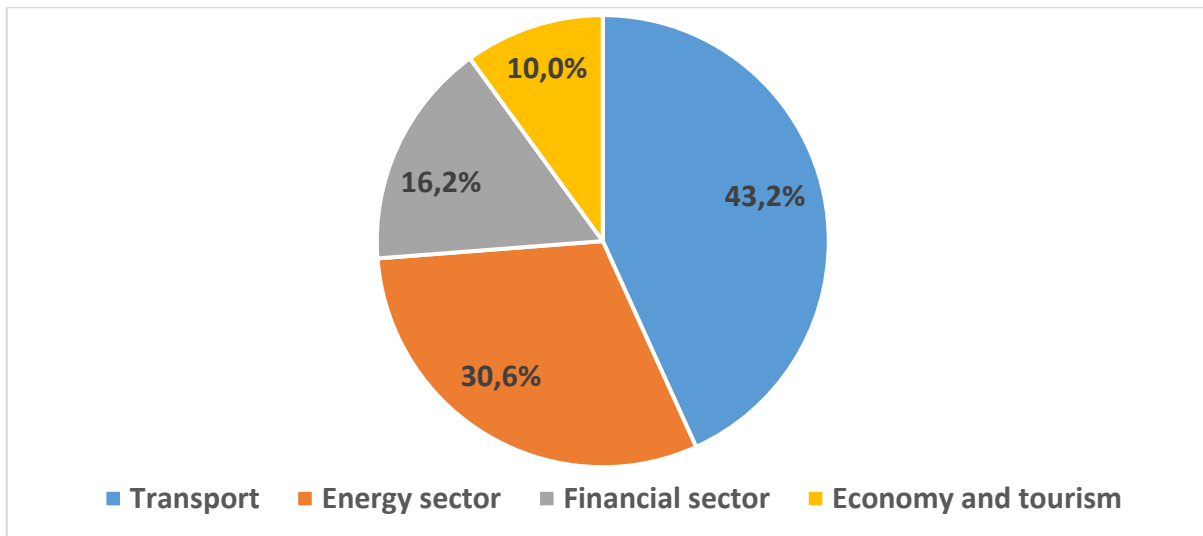


Figure 3: *Proportion of pillars in the portfolio of assets under SSH's management, June 2022*



As a result of past sales, the portfolio of capital assets is becoming more homogeneous in terms of the classification of capital assets. Strategic assets already account for more than 80% of the asset management portfolio. The TOP 10 portfolio companies, which in total represent 79.4% of the portfolio, include seven companies with strategic assets, holding a share of 66.7 %.

Figure 4: *Proportion of classification groups of assets in the SSH's portfolio in the period from 2017 to June 2022*

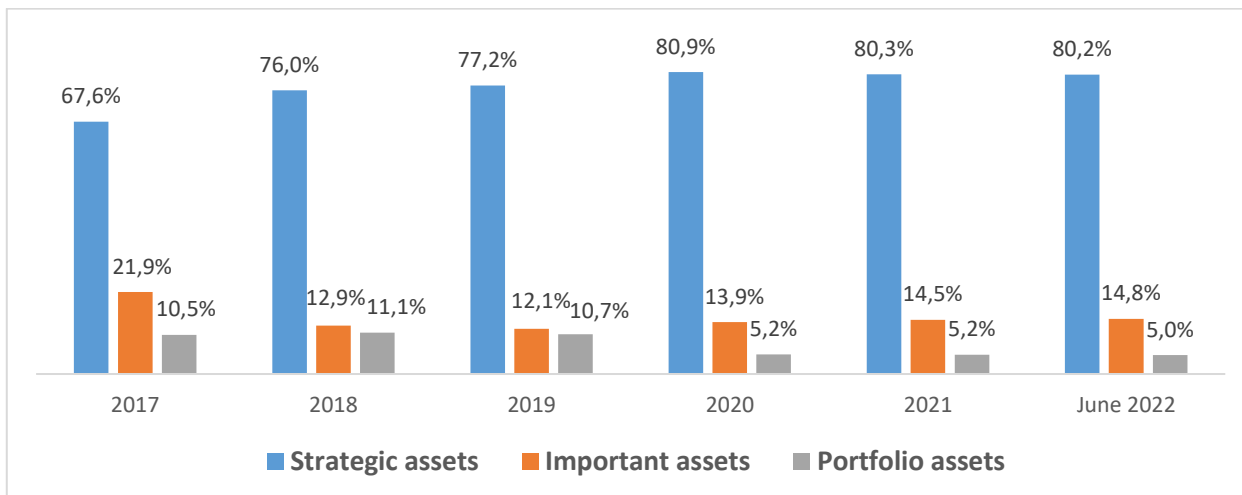
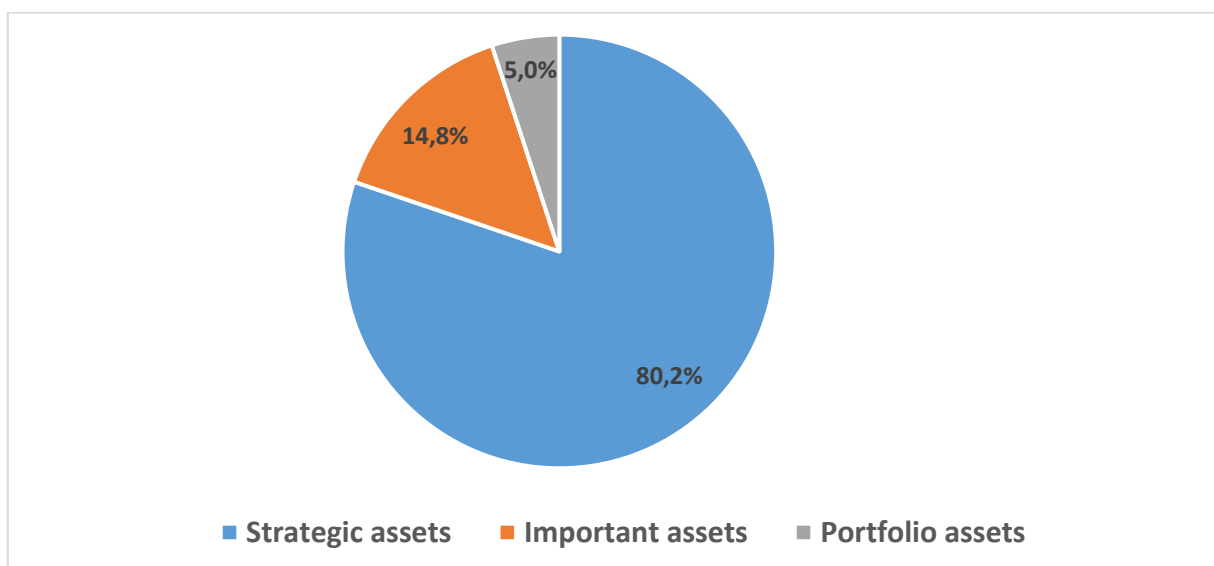


Figure 5: *Proportion of classification groups in the SSH's portfolio of assets, June 2022*



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

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

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

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

- **capital assets in companies in liquidation (inactive companies):** SSH does not carry out any asset management related activities in companies in liquidation, in which case the main goal of asset management is a successful completion of liquidation proceedings. As an exception, such assets may be included in a special section of AAMP when additional management activities are necessary or envisaged;
- **capital 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 finalised. The management activities undertaken in such companies are minimal. In the management of state asset of these companies the goal of SSH is to successfully carry out activities envisaged to be taken in the period between the signing of the agreement and the closure of the transaction, when such activities are required for a successful closure of the transaction.
- **capital 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 exercise its influence on voting. The fundamental goal pursued by SSH in the management of these assets is to ensure suitable conditions to sell these assets. Their sale will be conducted by means of a public call to submit bids.
- **capital assets in companies which have been acquired pursuant to the law regulating inheritance and in which RS holds a majority or a 100-percentage stake:** these are inactive companies which have drawn up their financial statements for more than two years and for which the legal basis is being established for initiating bankruptcy proceedings.
- **capital assets in companies for which SSH does not set economic, financial and strategic objectives,** e.g., due to the way they are financed, on account of different management responsibilities, non-performance, etc. This applies to the following companies: RŽV, Infra and EGS-RI.
- **capital assets in venture capital companies:** in accordance with Shareholder Agreements, their regular liquidation and winding up is envisaged and consequently, the RS' will exit from their shareholder structure.

Table 13: *List of assets managed by SSH in companies not included in the Special Section of AAMP, as of October 31, 2022*

Lfd. No.	Asset	Asset type	RS ownership stake* (%)	SSHS ownership stake* (%)	TOTAL ownership stake* (%)
1	A.L.P. PECA, D. O. O.	PORTFOLIO	9.09		9.09
2	AGIS TECHNOLOGIES, D. D.	PORTFOLIO	0.00		0.00
3	CASINO BLEDE D. D., BLEDE	PORTFOLIO		33.75	33.75
4	CASINO PORTOROŽ D. D., PORTOROŽ	PORTFOLIO		9.46	9.46
5	DEKORUS, D. D.	PORTFOLIO	100.00		100.00
6	EGS- RI, d. o. o. O.	PORTFOLIO	100.00		100.00
7	ELEKTROOPTIKA, D. D.	PORTFOLIO	0.01	70.48	70.49
8	IBT KRANJ, D. D. - IN LIQUIDATION	PORTFOLIO	0.00		0.00
9	IBT TRBOVLJE, D. D.	PORTFOLIO	0.04		0.04
10	INFRA, D. O. O.	IMPORTANT	100.00		100.00
11	KOMPAS RAC, D. D., LJUBLJANA –IN LIQUIDATION	PORTFOLIO	0.01		0.01
12	KS NALOŽBE, D. D.	PORTFOLIO	0.01		0.01
13	PECA, D. O. O.	PORTFOLIO	100.00		100.00
14	M1 D. D.	PORTFOLIO	0.00		0.00
15	NTU, D. D.	PORTFOLIO	0.03		0.03
16	POMORSKA DRUŽBA, D. D.	PORTFOLIO	0.10		0.10
17	RUDNIK KANIŽARICA V ZAPIRANJU, D. O. O. ČRNOMELJ – IN LIQUIDATION	PORTFOLIO	100.00		100.00
18	RŽV, D. O. O.	PORTFOLIO	100.00		100.00
19	SAVAPROJEKT, D. D.	PORTFOLIO	3.47		3.47
20	TEKOL, D. D.	PORTFOLIO	0.08		0.08
21	VELTA PLAST, D. O. O.	PORTFOLIO	100.00		100.00
22	VIPA HOLDING, D. D.	PORTFOLIO	0.00		0.00

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

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

6.1 Proportion of largest companies with state assets in portfolio pillars as of 30 June 2022

Table 14: *The proportion of TOP 5 companies with state assets in individual pillar (using the book value as the relevant criterion) in regard to the total SSH portfolio of state assets under management as of 30 June 2022, in %.*

TRANSPORT	
DARS, D. D.	29.5
SŽ GROUP	7.6
POŠTA SLOVENIJE GROUP	3.3
LUKA KOPER GROUP	2.9
KZPS, D. O. O.	0.0
TOTAL	43.2
ENERGY SECTOR	
GEN GROUP	10.1
HSE GROUP	7.5
ELEKTRO LJUBLJANA, D. D.	2.6
ELEKTRO MARIBOR GROUP	2.4
PETROL GROUP	2.0
TOTAL	24.5
FINANCIAL SECTOR	
NLB GROUP	5.5
ZAVAROVALNICA TRIGLAV GROUP	4.4
SID BANKA, D. D. (Ljubljana)	4.3
SAVA INSURANCE GROUP	1.2
D. S. U., D. O. o.	0.7
TOTAL	16.2
ECONOMY AND TOURISM	
TELEKOM SLOVENIJE GROUP	3.8
KRKA GROUP	3.5
SIJ GROUP	1.0
UNIOR GROUP	0.7
CINKARNA CELJE, D. D.,	0.2
TOTAL	9.2
TOTAL TOP 5 ALL PILLARS	93.2

Table 15: *Proportion of pillars in the portfolio of assets under SSH's management, as of 30 June 2022, in %*

Pillar	Proportion in RS+SSH portfolio
TRANSPORT	43.2
ENERGY SECTOR	30.6
FINANCIAL SECTOR	16.2
ECONOMY AND TOURISM	10.0
TOTAL	100.0

6.2 ROE of the portfolio in the 2018 – 2024 period, by pillar

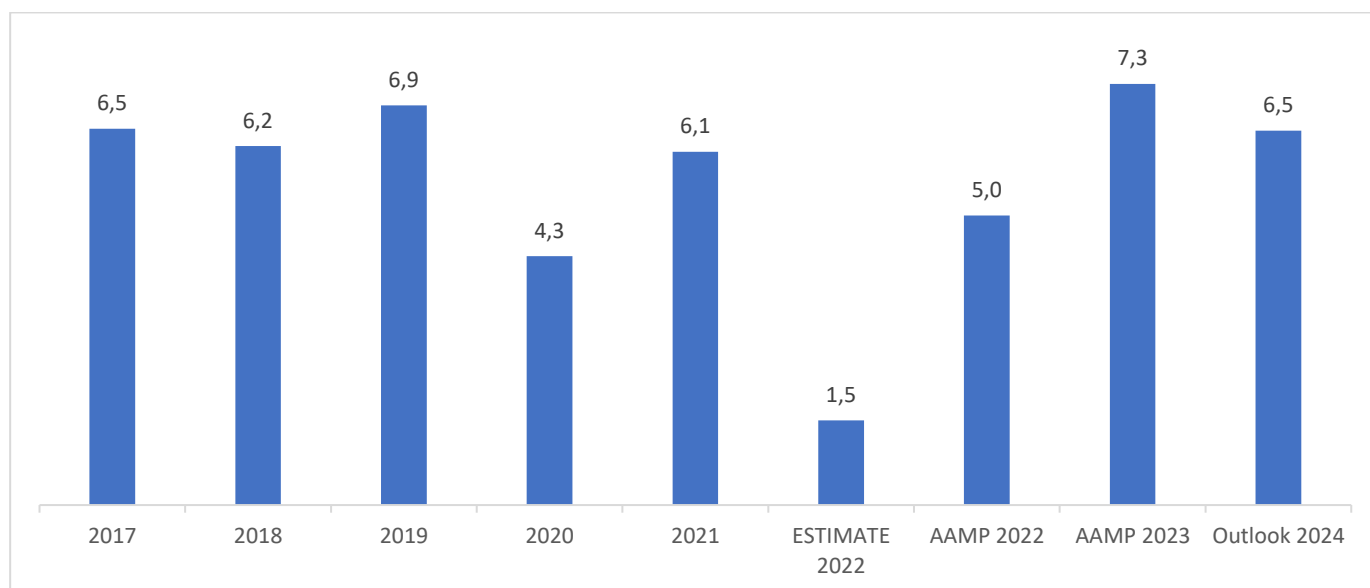
Table 16: *ROE of pillars in the portfolio under SSH's management, by years, in %*

Pillar	2018	2019	2020	2021	ESTIMATE 2022	AAMP 2022	AAMP 2023	Outlook 2024
TRANSPORT	6.3	6.9	2.0	4.1	3.9	3.5	3.4	3.6
ENERGY SECTOR	3.2	4.7	5.4	5.1	-8.6	5.1	12.5	8.7
FINANCIAL SECTOR	9.6	10.1	6.9	10.2	7.8	6.8	8.0	8.2
ECONOMY AND TOURISM	7.6	7.3	5.3	9.9	11.2	8.4	6.4	8.2
PORTFOLIO RS+SSH	6.2	6.9	4.3	6.1	1.5	5.0	7.3	6.5

Table 17: *Book-value of RS and SSH assets and ROE of portfolio of assets under SSH's management by pillars, as of 30 June 2022*

Pillar	Book value of shares RS + SSH as of June 30, 2022 (in EUR mio)	Proportion in the RS's portfolio (in %)	ROE (in %) ESTIMATE 2022
TRANSPORT	4538.3	43.2	3.9
ENERGY SECTOR	3208.2	30.6	-8.6
FINANCIAL SECTOR	1702.8	16.2	7.8
ECONOMY AND TOURISM	1050.3	10.0	11.2
PORTFOLIO RS+SSH	10499.6	100.0	1.5

Figure 6: *ROE of the portfolio of capital asset, %*



6.3 ROE of the portfolio in the 2018 – 2024 period, by classification criteria of assets under management

Table 18: *ROE of the portfolio of assets under SSH's management, by classification of assets, by years, in %*

Classification	2018	2019	2020	2021	ESTIMATE 2022	AAMP 2022	AAMP 2023	Outlook 2024
STRATEGIC	5.1	6.1	3.7	4.9	-0.2	4.0	6.9	5.5
IMPORTANT	10.6	12.7	8.5	12.7	8.4	10.2	9.8	11.9
PORTFOLIO	8.9	6.4	3.1	6.6	7.5	6.5	5.7	6.3
PORTFOLIO RS+SSH	6.2	6.9	4.3	6.1	1.5	5.0	7.3	6.5

Table 19: *Book-value of RS and SSH assets and ROE of portfolio of assets under SSH's management by classification criteria, as of 30 June 2022*

Classification	Book value of shares RS + SSH as of June 30, 2022 (in EUR mio)	Proportion in the RS's portfolio (in %)	ROE (in %) ESTIMATE 2022
STRATEGIC	8421.6	80.2	-0.2
IMPORTANT	1548.8	14.8	8.4
PORTFOLIO	529.2	5.0	7.5
PORTFOLIO RS+SSH	10499.6	100.0	1.5

6.4 ROE of the portfolio in the 2018 – 2024 period, by quotation of shares of companies with assets under management

Table 20: *ROE of the portfolio of assets by quotation of shares, by years, in %*

Quotation at the Stock Exchange	2018	2019	2020	2021	ESTIMATE 2022	AAMP 2022	AAMP 2023	Outlook 2024
LISTED	10.8	9.7	8.7	11.8	10.2	9.4	10.0	10.7
NON-LISTED	4.3	5.8	2.9	4.8	-1.3	3.5	6.4	5.1
PORTFOLIO RS+SSH	6.2	6.9	4.3	6.1	1.5	5.0	7.3	6.5

Table 21: *Book-value of RS and SSH assets and ROE of portfolio of assets under SSH's management, by quotation of shares, as of 30 June 2022, in %*

Quotation at the Stock Exchange	Book value of shares RS + SSH as of June 30, 2022 (in EUR mio)	Proportion in the RS's portfolio (in %)	ROE (in %) ESTIMATE 2022
LISTED	2537.3	24.2	10.2
NON-LISTED	7962.3	75.8	-1.3
PORTFOLIO RS+SSH	10499.6	100.0	1.5

7 FORECAST CASH FLOWS ARISING FROM ASSET MANAGEMENT– PART 1

In accordance with ZSDH-1, 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 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 funds which are necessary for settling liabilities due to beneficiaries under the following three Acts: firstly, the Reimbursement of Investments in Public Telecommunications Network Act (ZVVJTO), secondly, the Act regulating the Issuing of Bonds in Compensations for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property (ZIOOZP), and thirdly, the Act on Payment of Compensation to Victims of War and Post-War Violence (ZSPOZ).

The expected cash flows of the RS and SSH from dividends received on capital assets are presented below, while the projected cash flows from (i) the acquisition and disposal of capital assets held directly by the RS and SSH, (ii) the management of claims, and (iii) the management of the assets transferred to SSH from the BAMC for 2023 are outlined in a Special Section of the AAMP (Expected cash flows from capital assets management - Part 2).

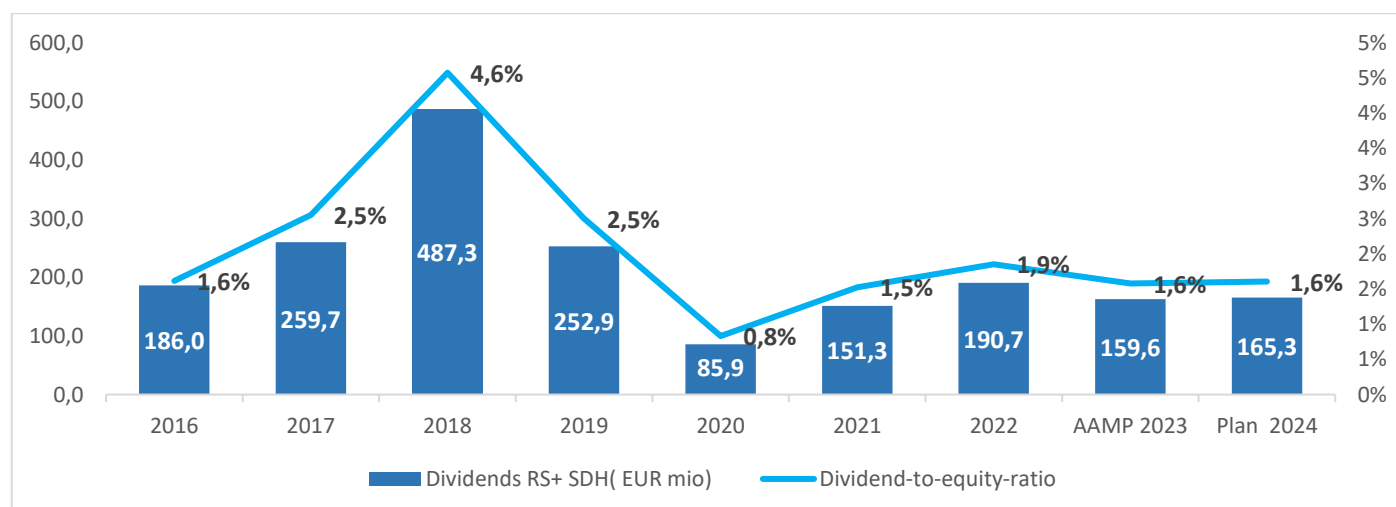
7.1 Expected cash flows arising from dividends⁸ paid out by companies with capital assets under management

SSH estimates that RS will receive EUR 110.6 million in dividend income in 2023, while SSH will receive EUR 49.0 million, that is, in total, a sum of EUR 159.6 million. In 2024, the RS is expected to receive a total of EUR 109.1 million and SSH a total of 56.2 million, totalling EUR 165.3 million.

Table 22: *Dividend income received by RS, ZPIZ and SSH paid out by SSH portfolio companies, in the period from 2016– 2024, in EUR mio*

Year	2016	2017	2018	2019	2020	2021	2022	AAMP 2023	AAMP 2024
RS ⁹	122.6	194.1	427.4	193.2	62.7	98.2	101.7	91.0	89.5
ZPIZ	19.6	19.6	19.6	19.6	0	13.3	29.0	19.6	19.6
Dividends RS and ZPIZ	142.2	213.7	447	212.8	62.7	111.5	130.7	110.6	109.1
Dividends SSH	43.8	45.9	40.4	40.1	23.2	37.8	59.9	49.0	56.2
Dividends RS + SSH	186	259.7	487.3	252.9	85.9	151.3	190.7	159.6	165.3

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



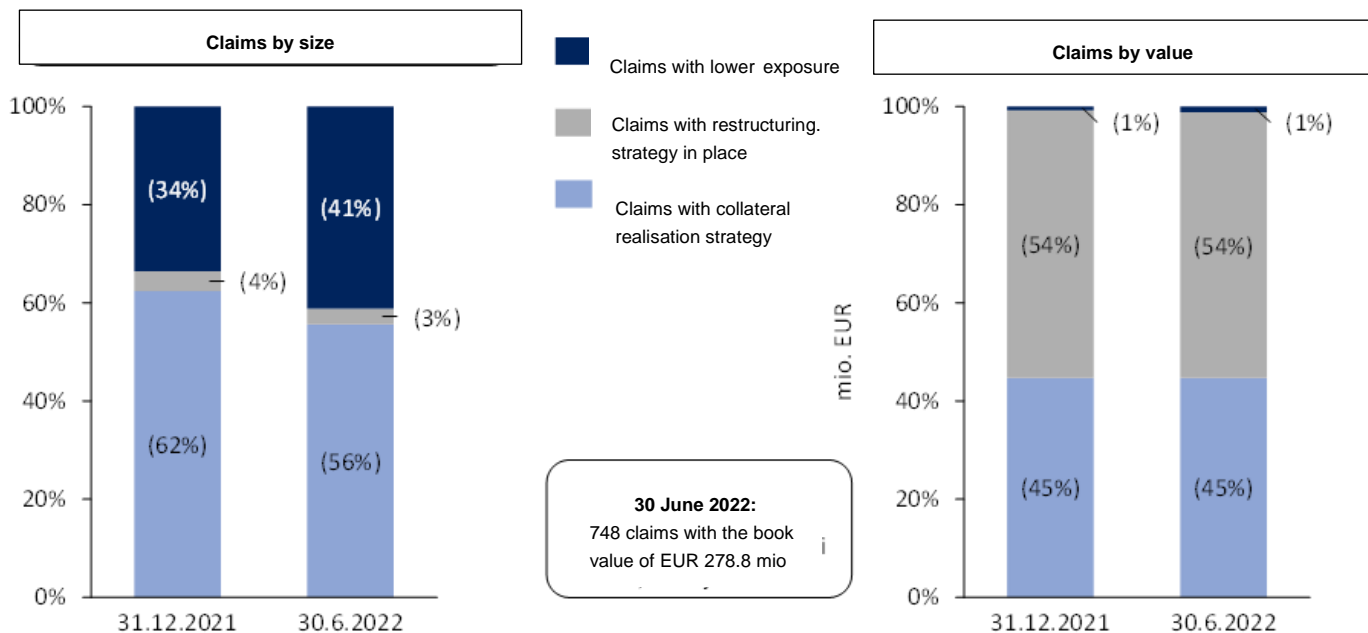
⁸Any non-cash dividend payments are not included.

⁹Due to the uncertainty surrounding the date of the transfer of Talam shares from ELES to the RS, dividends on these shares are not included in the total amount of the RS's planned dividend inflows in 2023.

8 CLAIM MANAGEMENT

By merging the BAMC into SSH, the management of claim operation is also to be transferred to SSH on 1 January 2023. As at 30 June 2022, the BAMC had under management 308 claims with minor exposure to debtors, and 440 claims with significant exposure to debtors, both in Slovenia and abroad; a restructuring strategy was in place as a dominant strategy for 24 claims. Claims are managed individually at the level of each debtor or, where appropriate, at the level of a business group as a whole.

Figure 8: *Overview of claims by size and by value*



The primary objective in the management of claims is to maximise the value to SSH, whereby, in case when SSH is both a creditor and an owner of the debtor (i.e., has an ownership interest in the debtor), the aim is to maximise the combined value of claims held as a creditor and equity held as an owner debtor and the creditor. The claim management operation also includes the management of selected capital assets for which the primary objective is to repay the SSH's claims. A list of these capital assets can be found in Table 11 and Table 12, under point 5 of the presentation on the portfolio of capital assets managed by SSH.

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

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

A restructuring strategy is implemented when it is reasonably expected that a debtor will be able to repay more claims than the creditor would be able to recover through the recovery (realisation) of the collateral. As a general rule, the restructuring strategies provide for a higher claim recovery rate than the collateral realisation or sale strategies. Therefore, where economically viable, SSH will endeavour to restructure as many companies/business groups as possible, as this has a positive impact on the wider socio-economic environment. Not only does this result in a higher recovery rate, but it also preserves or even increases the number of jobs, it can preserve and even strengthen Slovenian brands, and it allows for the further

development of the environment in which the debtor/company operates. Of course, the decision on restructuring must respect the European Union's State aid rules.

The objective to restructure a company is to ensure the long-term efficiency of the debtor's operations, its liquidity and competitiveness and to maximise the repayment of debts through cash flows from operations and the divestment of unnecessary assets. Financial restructuring measures are often carried out in cooperation with other financial creditors. Financial restructuring measures allow debtors to extend the repayment period, reduce the interest rate, partially deleverage (mainly through the identification and sale of unnecessary assets of the company), improving the capital structure and providing additional liquidity. Claims may also be converted into equity and other claims may be taken over or purchased.

Where a debtor is a loss-making entity and it is assessed that financial and operational restructuring measures would not be enough to generate more value in the future as compared with the value which can be obtained through recovery and realisation of collateral, a creditor opts for a strategy to realise pledged assets and foreclosures on the debtor's free assets. Basically, this strategy is applied to companies which are already subject to insolvency proceedings or on assets for which enforcement proceedings have been confirmed. On the other hand, the realisation of collateral can also be carried out by agreement with the debtor, without initiating enforcement or insolvency proceedings.

The following policies will be pursued in the operation entailing the management of claims:

- maximising the value of claims through restructuring, where this strategy is assessed to be economically viable;
- providing liquidity to debtors or companies in restructuring that are not yet in a position to restructure themselves on the market, where this is economically and commercially viable and does not constitute unlawful State aid;
- repayment in full or in part of a claim by the debtor where the restructuring, recovery or sale of the claim will not result in the highest economic value;
- the pursuit of a strategy to realise the collateral in companies where restructuring is not possible due to the debtor's non-cooperation or inability to cooperate;
- initiating insolvency proceedings against the debtor if the debtor cannot survive as a going concern on the market and if there is no commercially viable offer to purchase or (partially) repay the claims of SSH;
- the sale of a claim or a block of claims in such a way that they are offered for purchase to commercial banks and other interested investors in a competitive and transparent sales procedure;
- taking over the collateral securing the claims (real estate, movable property, receivables, equity investments, rights, etc.), if this is deemed economically viable;
- active management by SSH of collateral securing claims in insolvency proceedings of debtors, with the aim of ensuring the protection and maximising the value of this collateral (in particular real estate given as collateral for claims);
- charging above-market interest rates in a way that encourages debtors to refinance at least part of their debt with cheaper funding on the banking market.

An effective claim management system is in place. Claim management is handled by qualified professional managers who have the processes in place for effective management and the necessary competences in claims restructuring (financial and operational) to successfully resolve complex cases. The already established claim management processes can be upgraded and effectively supported, partly by internal and partly by external solutions.

Claim management will be implemented on the basis of credit decisions relating to claims against the debtor. The basis for each credit decision is the claim management plan prepared by the claim manager. Such plan shall set out the strategies for maximising the value of each claim, as well as present the details of the debtor, the amount of exposure to the debtor and the reasons that led to the debtor's potential illiquidity or insolvency, and a clear rationale for the proposal to take a credit decision.

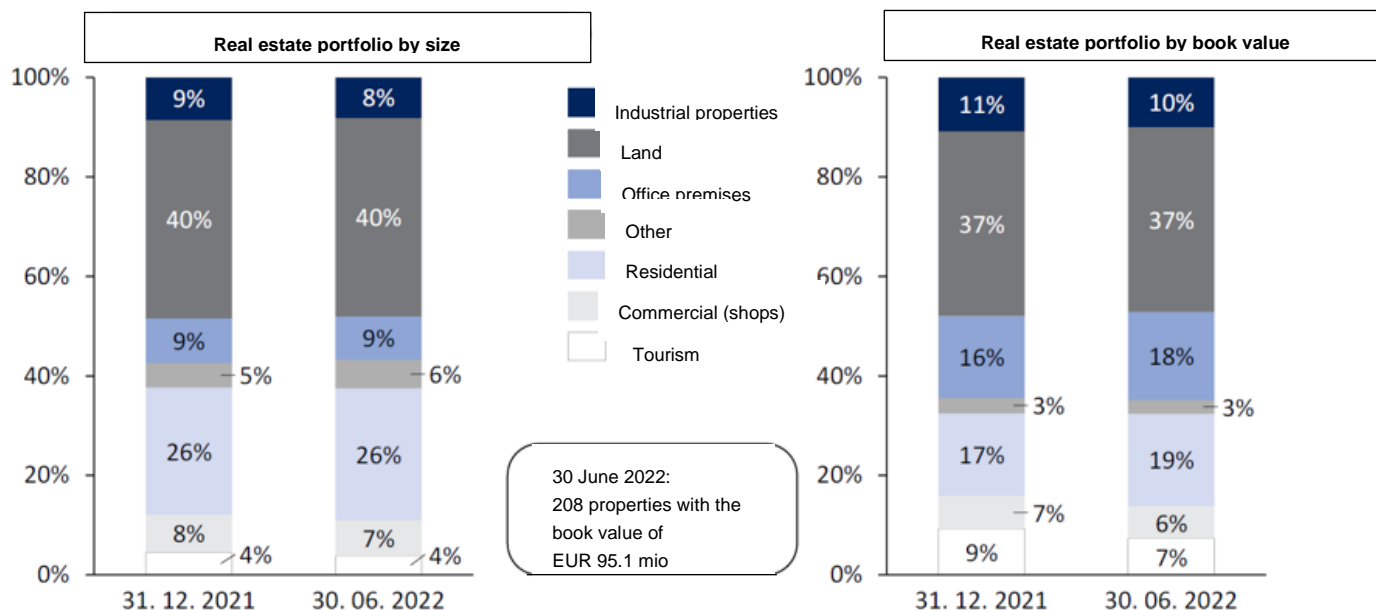
SSH's projected cash flows from claim management in 2023 are shown in the Special Section of the AAMP (Expected cash flows from asset management - Part 2).

9 TANGIBLE ASSET MANAGEMENT

By merging the BAMC with the SSH on 1 June 2023, the management of tangible assets will also be transferred to the SSH, the bulk of which entails real estate.

The BAMC has acquired its tangible assets mainly through collateral realisation procedures on the market, from insolvency administrators and debtors. As at 30 June 2022, the BAMC owned 208 real estate units with a total book value of EUR 95,1 million. The majority of the real estate comprises land and residential buildings, followed by commercial and industrial real estate. The land use is mainly residential and industrial.

Figure 9: *Structure of the BAMC's real estate portfolio**



Note: * The figure only shows real estate properties that have been fully acquired by the BAMC.

In addition to real estate, the tangible assets portfolio also includes movable assets, such as works of art, and various other assets. The asset management operation by the SSH also includes the management of selected capital assets in companies where the bulk of the assets consist of real estate. A list of these capital assets can be found in Table 10, under point 5 of the presentation of the portfolio of capital assets managed by SSH.

The primary objective in managing tangible assets is to actively pursue the measures necessary to increase their value and to improve the sale prospects of those assets that are earmarked for this purpose.

Enhancing the value of assets is generally achieved by removing potential legal and technical obstacles, making the necessary investments (ongoing and capital maintenance and development through investment), renting out assets, carrying out targeted marketing activities and conducting transparent sales procedures.

Most of tangible assets are intended for sale, but certain assets are also intended for (permanent) rental (e.g., after the necessary development or investment for completion or construction) or for lending purposes (works of art). In 2023, SSH will manage tangible assets independently according to the procedures described later in this document.

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

For some properties (new apartments and single-apartment buildings) which have already been sold (or are to be sold) by the BAMC to SSH in accordance with the ZVKSES, SSH has to remedy those claims which arise from the violation of contractual

provisions for a period of two years after the conclusion of the purchase contract or 10 years after the transfer of the common parts of the building to a property manager (for the soundness of the construction, for example).

In some cases, investments will also be needed as part of the property management activities (finishing works, purchase of a missing part of a property, development of spatial plans and development of complete projects which also includes the construction). All immovable and movable property is cared for in accordance with the principle of due diligence, buildings, which have been taken over, adequate insurance premiums has been provided for, damaged buildings are rehabilitated to prevent any further damage, and additional security is provided over some assets.

Tangible assets, which are earmarked to be sold, are sold after appropriate advertising activities are carried out and after transparent sales procedures take place. In cases where there is a high level of interest in purchase, sales are mainly carried out by electronic auctions.

Due to the large size of immovable and movable property, some services of the property management are outsourced, and sometimes also services during the sale procedures. The following services may thus be outsourced: the provision of administrative services, asset protection, asset maintenance, development of spatial plans, construction, finishing works and installation work, tax, technical, legal, and other consultancy services as well as sales brokerage, and other similar services.

An effective real estate management system is in place. Real estate management activities are carried out by qualified professional managers who have the processes in place for their effective management and the necessary competences in real estate management to maximise the value of the property and to improve its saleability, including through project development. The already established real estate management processes can be upgraded and effectively supported, partly by internal and partly by external solutions.

The management of tangible assets will be carried out on the basis of business decisions relating to this portfolio. The basis for each business decision is a document (a management plan, a memo, etc.), usually prepared by the property manager (a custodian). The management plan sets out the strategies for maximising the value of an asset in each case, presents the details of each asset, the management history and clarifies the associated costs, as well as gives a clear rationale for the proposal to make a business decision. SSH will continue to actively manage the tangible assets transferred to it by the acquisition of the BAMC, while also actively managing, where appropriate, those assets that have been given by debtors as security for claims.

The management of the real estate will also take into account any existing government strategies, e.g., relating to housing (such as the provision of public rental housing), which can be addressed by developing the existing real estate portfolio, in cooperation with various stakeholders, both state-owned companies and other institutions.

In the management of works of art, SSH will consider the guidelines of the competent ministry and the cultural institutions (galleries), which are owned by the State, and take decisions in this respect regarding their storage, lending and transfer for a consideration or possible free-of charge consideration.

SSH's projected cash flows from tangible assets management in 2023 are shown in the Special Section of the AAMP (Expected cash flows from asset management - Part 2).